

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:6982
ANSWERED ON:08.05.2015
EXTERNAL COMMERCIAL BORROWINGS
Mohan Shri P. C.

Will the Minister of FINANCE be pleased to state:

- (a) whether his Ministry has approved External Commercial Borrowings (ECB) for aviation sector to raise working capital;
- (b) if so, the details thereof along with the total amount of ECB permitted for the whole industry and the individual cap limit for single unit and the source and method of repayment of ECB;
- (c) whether the longer maturity period is likely to be given to the aviation sector on account of its precarious financial condition;
- (d) if so, the details thereof;
- (e) whether ECB route shall be permitted to liquidate the domestic liability; and
- (f) if so, the details thereof and reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAY ANT SINHA)

(a) to (d): External Commercial Borrowings (ECB) for working capital as a permissible end-use for the Civil Aviation Sector, under the approval route has been allowed since April 24, 2012. The details of the scheme are as follows:

(i) Airline companies registered under the Companies Act, 1956 and possessing scheduled operator permit license from DGCA for passenger transportation are eligible to avail of ECB for working capital;

(ii) ECB is allowed to the airline companies, based on the cash flow, foreign exchange earnings and their capability to service the debt;

(in) The ECB for the purpose was initially allowed for a period of 12 months up to April 2013 and subsequently extended.

(iv) The ECB can be raised with a minimum average maturity period of three years (there is no cap on longer maturity period);

(v) The overall ECB ceiling for the entire civil aviation sector is USD one billion and the maximum permissible ECB that can be availed by an individual airline company is USD 300 million.

(e) & (f): (i) Under the scheme, civil aviation sector can raise ECB for working capital as well as refinancing of the outstanding working capital Rupee loan(s) availed of from the domestic banking system (to offload the burden of domestic banks). Airline companies desirous of availing of such ECBs for refinancing their working capital Rupee loans should submit the necessary certification from the domestic lender/s regarding the outstanding Rupee loan/s.

(ii) ECB availed for working capital/refinancing of working capital as above would not allowed to be rolled over.

(iii) The application for such ECB should be accompanied by a certificate from a chartered accountant confirming the requirement of the working capital loan and the projected foreign exchange cash flows/earnings which would be used for servicing the loan. Authorized Dealer should ensure that the foreign exchange for repayment of ECB is not accessed from Indian markets and the liability is extinguished only out of the foreign exchange earnings of the borrowing company.