

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion

Press Note No. 6 (2012 Series)

Subject: Review of the policy on Foreign Direct Investment in the Civil Aviation sector

1.0 Present Position:

1.1 Paragraph 6.2.9.3 of 'Circular 1 of 2012-Consolidated FDI Policy', effective from April 10, 2012, relating to air transport services, presently reads as below:

6.2.9.3	Air Transport Services		
	(a) Air Transport Services would include Domestic Scheduled Passenger Airlines; Non-Scheduled Air Transport Services, helicopter and seaplane services. (b) No foreign airlines would be allowed to participate directly or indirectly in the equity of an Air Transport Undertaking engaged in operating Scheduled and Non-Scheduled Air Transport Services except Cargo airlines. (c) Foreign airlines are allowed to participate in the equity of companies operating Cargo airlines, helicopter and seaplane services.		
	(1) Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline	49% FDI (100% for NRIs)	Automatic
	(2) Non-Scheduled Air Transport Service	74% FDI (100% for NRIs)	Automatic up to 49% Government route beyond 49% and up to 74%
	(3) Helicopter services/seaplane services requiring DGCA approval	100%	Automatic

2.0 Revised Position:

2.1 The Government of India has reviewed the position in this regard and decided to permit foreign airlines also to invest, in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital.

2.2 Such investment would be subject to the following conditions:

- (i) It would be made under the Government approval route.
- (ii) The 49% limit will subsume FDI and FII investment.
- (iii) The investments so made would need to comply with the relevant regulations of SEBI, such as the Issue of Capital and Disclosure Requirements (ICDR) Regulations/ Substantial Acquisition of Shares and Takeovers (SAST) Regulations, as well as other applicable rules and regulations.

(iv) A Scheduled Operator's Permit can be granted only to a company:

- a) *that is registered and has its principal place of business within India*
- b) *the Chairman and at least two-thirds of the Directors of which are citizens of India and*
- c) *the substantial ownership and effective control of which is vested in Indian nationals*

(v) All foreign nationals likely to be associated with Indian scheduled and non-scheduled air transport services, as a result of such investment shall be cleared from security view point before deployment; and

(vi) All technical equipment that might be imported into India as a result of such investment shall require clearance from the relevant authority in the Ministry of Civil Aviation.

2.3 The above revised policy is not applicable to Air India.

3.0 Amendment to paragraph 6.2.9.3:

3.1 Accordingly, paragraph 6.2.9.3 of 'Circular 1 of 2012-Consolidated FDI Policy', effective from April 10, 2012, is amended, as below:

6.2.9.3	Air Transport Services		
	(1) Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline	49% FDI (100% for NRIs)	Automatic
	(2) Non-Scheduled Air Transport Service	74% FDI (100% for NRIs)	Automatic up to 49% Government route beyond 49% and up to 74%
	(3) Helicopter services/seaplane services requiring DGCA approval	100%	Automatic
6.2.9.3.1	Other conditions:		
	<p>(a) Air Transport Services would include Domestic Scheduled Passenger Airlines; Non-Scheduled Air Transport Services, helicopter and seaplane services.</p> <p>(b) Foreign airlines are allowed to participate in the equity of companies operating Cargo airlines, helicopter and seaplane services, as per the limits and entry routes mentioned above.</p> <p>(c) Foreign airlines are also, henceforth, allowed to invest, in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49% of their paid-up capital. Such investment would be subject to the following conditions:</p>		

	<p>(i) It would be made under the Government approval route.</p> <p>(ii) The 49% limit will subsume FDI and FII investment.</p> <p>(iii) The investments so made would need to comply with the relevant regulations of SEBI, such as the Issue of Capital and Disclosure Requirements (ICDR) Regulations/ Substantial Acquisition of Shares and Takeovers (SAST) Regulations, as well as other applicable rules and regulations.</p> <p>(iv) A Scheduled Operator's Permit can be granted only to a company:</p> <p style="margin-left: 40px;">a) <i>that is registered and has its principal place of business within India;</i></p> <p style="margin-left: 40px;">b) <i>the Chairman and at least two-thirds of the Directors of which are citizens of India; and</i></p> <p style="margin-left: 40px;">c) <i>the substantial ownership and effective control of which is vested in Indian nationals.</i></p> <p>(v) All foreign nationals likely to be associated with Indian scheduled and non-scheduled air transport services, as a result of such investment shall be cleared from security view point before deployment; and</p> <p>(vi) All technical equipment that might be imported into India as a result of such investment shall require clearance from the relevant authority in the Ministry of Civil Aviation.</p> <p><u>Note:</u> The FDI limits/entry routes, mentioned at paragraph 6.2.9.3 (1) and 6.2.9.3 (2) above, are applicable in the situation where there is no investment by foreign airlines.</p> <p>(d) The policy mentioned at (c) above is not applicable to M/s Air India Limited.</p>
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4.0 The above decision will take immediate effect.


 (Anjali Prasad)

Joint Secretary to the Government of India

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