



RESERVE BANK OF INDIA  
Foreign Exchange Department  
Central Office  
Mumbai - 400 001

RBI/2011-12/523

A. P. (DIR Series) Circular No. 113

April 24, 2012

To

All Category-I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) for Civil Aviation Sector**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, notified vide [Notification No. FEMA 3/2000-RB dated May 3, 2000](#) and [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#), as amended from time to time, relating to External Commercial Borrowings.

2. As per the extant guidelines, availing of ECB for working capital is not a permissible end-use. On a review of the policy related to ECB and keeping in view the announcement made in the Union Budget for the Year 2012-13, it has been decided to allow ECB for working capital as a permissible end-use for the civil aviation sector, **under the approval route**, subject to the following conditions:

- (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 will be allowed to the airline companies based on the cash flow, foreign exchange earnings and its capability to service the debt;
- (iii) The ECB for working capital should be raised within 12 months from the date of issue of the circular;
- (iv) The ECB can be raised with a minimum average maturity period of three years; and
- (v) The overall ECB ceiling for the entire civil aviation sector would be **USD one billion** and the maximum permissible ECB that can be availed by an individual airline company will be **USD 300 million**. This limit can be utilized for working capital as well as refinancing of the outstanding working capital Rupee

loan(s) availed of from the domestic banking system. Airline companies desirous of availing of such ECBs for refinancing their working capital Rupee loans may submit the necessary certification from the domestic lender/s regarding the outstanding Rupee loan/s.

3. ECB availed for working capital/refinancing of working capital as above will not be allowed to be rolled over.

4. 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. Authorised 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.**

5. The modifications to the ECB policy will come into force from the date of this circular. All other aspects of the ECB policy shall remain unchanged.

6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

7. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

**(Rashmi Fauzdar)**  
**Chief General Manager**