

Ministry of Finance
Department of Economic Affairs
(Capital Market Division)
PRESS RELEASE

Subject: Permitting companies in the aviation sector to avail of External Commercial Borrowings (ECBs) for working capital requirements.

The rapid growth of the Aviation sector in India has generated demand for additional finance for working capital and capacity expansion. High operating costs, particularly on account of high fuel costs, have put additional stress on the Airline Industry.

2. In order to alleviate the immediate financing concerns of the Civil Aviation sector, Hon'ble Finance Minister, in his Budget Speech 2012-13, had announced that companies in the aviation sector would be allowed to avail of ECBs for a period of one year for working capital / refinancing of outstanding working capital rupee loan(s).
3. The ECBs made under this provision would have a maximum ceiling of USD 1 billion for the entire Civil Aviation sector. The limit for individual airline companies would be US\$ 300 million. This limit can be availed either in a lump sum or in tranches depending upon the utilisation of the limit during the 1 year when the facility is available.
4. Proposals of individual companies would be considered by RBI under the approval route based on the parameters such as cash flows and the capacity of individual companies to repay these loans from their foreign exchange earnings. In order to increase access to ECBs, RBI would consider relaxation in the average maturity period for ECBs above USD 20 million from five to three years.
5. This policy decision will provide an additional source of low cost capital to the Airline Industry and help them tide over their present financial crunch.
6. RBI is expected to issue relevant circular/notification giving effect to the aforesaid Budget announcement within 7 days.

F. No. 6/01/2012-ECB

New Delhi, Dated the 19th April 2012

The Press Information Bureau is requested to give wide publicity to this press release.


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