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The following guidelines for foreign equity participation in the domestic air transport sector as amended and approved by the Ministry of Civil Aviation vide their letter No.AV.13030/1/2004-DT dated 26<sup>th</sup> February 2004, are issued for information, guidance and necessary action.

This supersedes AIC 5/2002 dated 4.6.2002.



( Satendra Singh )

**Director General of Civil Aviation**

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**GUIDELINES FOR FOREIGN EQUITY PARTICIPATION  
IN THE DOMESTIC AIR TRANSPORT SECTOR**

The Domestic Air Transport Policy approved by the government provides for foreign equity participation upto 40% and investment by Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs) upto 100% in the domestic air transport services. Foreign airlines are, however, not permitted to pick up equity directly or indirectly. It has, therefore, become necessary that guidelines for interpretation of indirect investment by foreign airlines, which are in conformity with the provisions of the Aircraft Rules, 1937 and the existing Domestic Air Transport Policy, are promulgated. Accordingly, the following guidelines are issued with the approval of the Government –

1. Permission to operate scheduled services will be granted either –

- (i) to a citizen of India; or
- (ii) to a company or a body corporate provided that –
  - (a) it is registered and has its principal place of business within India;

- (b) its Chairman and at least two-thirds of its Directors are citizens of India; and
  - (c) its substantial ownership and effective control is vested in Indian nationals.
- 2. Foreign financial institutions and other entities who seek to hold equity in the domestic air transport sector shall not have foreign airlines as their shareholders.
- 3. An applicant shall be required to furnish full and detailed information with regard to the shareholding of any airline in the foreign investing institution/entity, if any, and composition of the Board of Directors and senior management of the said foreign investing institution/entity.
- 4. An applicant who seeks permission to operate air transport services in the domestic sector shall be required to give a declaration that no foreign airline is in financial or commercial tie-up with him or has the management/ownership interest in him.
- 5. While the foreign investing institution/entity which seeks to hold equity in the domestic air transport sector may have representation on the Board of Directors of the Company, such representation shall not exceed 1/3rd of the total.
- 6. Any foreign financial institution/entity which seeks to make investment in the domestic air transport sector shall not be a subsidiary of a foreign airline. However, the air transport operators may be permitted to import aircraft on dry lease from foreign airlines. Wet leasing of an aircraft may also be allowed from any source subject to the fulfillment of the guidelines issued by the Government/DGCA.
- 7. A domestic sector air transport operator shall not have agreements such as shareholders agreements etc. with a foreign airline, containing provisions/arrangements empowering such foreign airlines or others on their behalf to have effective control in the management of the domestic airline.
- 8. A domestic air transport operator shall not enter into an agreement with a foreign airline which may give such foreign airline the right to interfere in the management of the domestic operator.

9. A domestic air transport operator may enter into financial arrangements with a bank and/or other financial institutions for the purpose of lease-finance, hire-purchase or other loan arrangements, but such a tie-up shall not be permitted with a foreign airline.
10. Management contract with a foreign airline shall also not be permitted to a domestic air transport sector operator.
11. Marketing arrangements such as ground handling, general sales agency, code sharing, interlining will, however, be permitted.
12. A domestic air transport sector operator will also be permitted to get maintenance, overhaul, repair works done and training of pilots/engineers conducted either at the facilities available with other airlines or those certified by the Director General of Civil Aviation on such terms as may be prescribed.
13. A domestic air transport sector operator may be permitted to employ foreign pilots/engineers till he is able to train his own manpower. This shall, however, be permitted with the express approval of the competent authority and for such period and terms as may be prescribed by the said authority.
14. An applicant who seeks permission for domestic air transport operations will be required to give a declaration that he fulfills all the requirements mentioned in the above guidelines and in case of any change, he shall notify the competent authority within one month of such change. In addition, the applicant will be required to furnish such a declaration every year.
15. A domestic air transport operator who furnishes wrong information in respect of any of the above prescribed guidelines at any stage shall be liable for suspension/cancellation of his Operating Permit.

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