

100% FDI in Air India for NRIs

July 30, 2020

The government has notified changes in Foreign Direct Investment (FDI) norms on civil aviation, which will permit non-resident Indian nationals to own 100% stake of Air India. The gazette notification comes amid the ongoing process of **strategic disinvestment of Air India.**

FDI Policy on Civil Aviation

These rules may be called the **Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2020. Foreign investments in Air India Limited, including that of foreign airlines shall not exceed 49% either directly or indirectly except in case of those NRIs, who are Indian Nationals, where foreign investments are permitted up to 100% under automatic route.** Substantial ownership and effective control of Air India Limited shall continue to be vested in Indian Nationals as stipulated in **Aircraft Rules, 1937.**

As per the present FDI Policy, **100% FDI is permitted in scheduled Air Transport Service/ Domestic Scheduled Passenger Airline (Automatic up to 49% and Government route beyond 49%).** However, for NRIs 100% FDI is permitted under automatic route in Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline. The government permits 100% FDI under automatic route in helicopter services/ seaplane services requiring Directorate General of Civil Aviation (DGCA) approval.

Foreign airlines are 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, subject to certain conditions. The conditions include that inflow must be made under the government approval route

and the 49% limit will subsume FDI and FII/ FPI investment.