

**GOVERNMENT OF INDIA
MINISTRY OF CIVIL AVIATION
LOK SABHA
UNSTARRED QUESTION NO. : 3826
(To be answered on the 18th March 2021)**

MRO IN AVIATION SECTOR

3826. SHRI LAVU SRI KRISHNA DEVARAYALU

Will the Minister of CIVIL AVIATION

नागर विमानन मंत्री

be pleased to state:-

- (a) whether Tirupati has been identified for Maintenance, Repair and Overhaul (MRO) of aircraft in the country and if so, the details thereof;
(b) whether 85% of MRO activities for Indian civil aircrafts is performed in foreign countries and if so, the details thereof;
(c) the extent to which domestic MRO facilities will help in reducing foreign servicing of Indian civil aircraft; and
(d) the details of investment to be made in MRO in the coming five years and expected employment generation thereof?

ANSWER

Minister of State (IC) in the Ministry of CIVIL AVIATION

नागर विमानन मंत्रालय में राज्य मंत्री (स्वतंत्र प्रभार)

(Shri Hardeep Singh Puri)

(a): Yes, Sir. Tirupati has been identified by Airports Authority of India (AAI) as one of the potential locations for inviting Maintenance, Repair and Overhaul (MRO) players. The site identification for MRO will be carried out by AAI and thereafter the bid process may be initiated.

(b) to (d): Yes, Sir. Approximately 85% of MRO activities for Indian civil aircraft is performed in foreign countries viz. Singapore, Malaysia, UAE, Sri Lanka, EU and USA etc.

The key developments and initiatives undertaken to grow the domestic MRO sector are as follows:

- i. GST on MRO has been reduced from 18% to 5% with full Input Tax Credit from 1 April 2020.
- ii. Transactions sub-contracted by foreign OEMs/MRO to domestic MRO are treated as ?exports? with zero-rated GST from 1 April 2020
- iii. Input Tax Credit has been permitted for discharging GST on inter-state stock transfers of aircraft engines, parts and spares.

- iv. AAI has come up with a liberal MRO policy with significantly reduced liberalized land rentals. Royalty (revenue share payment to AAI by MRO company) has been abolished.**
- v. Custom duty has been waived on tools, toolkits and spares imported by MROs.**
- vi. Relaxed restriction on utilization of duty-free parts from one year to three years.**
- vii. 100% Foreign Direct Investment permitted via automatic route for MROs.**
- viii. Extended stay of foreign aircraft in India permitted till completion of MRO work or 6 months, whichever is earlier,**
- ix. Rules simplified for export of leased aircraft in complete or knocked-down conditions, opening up new opportunities in end-of-lease checks and aircraft component recycling.**

Some of the early signs of improvement in the domestic MRO sector as follows:

- i. Boeing India has signed an agreement with Air Works in February 2021 for making India a Repair Development and Sustainment hub for Boeing products.**
- ii. Airbus has signed a MoU with GMR Group in February 2021 to explore collaboration opportunities across aviation services, technologies and innovation including MRO.**
- iii. Private MROs in India are projected to earn the same or slightly higher revenue in the year 2020-21 over the 2019-20, despite the Covid-19 pandemic.**
- iii. Pratt & Whitney has started engine repairs in association with AIESL**
- iv. Hindustan Aeronautics Limited (HAL) has signed MoU with Air India Engineering Services Limited (AIESL) in February 2021 for jointly exploring MRO opportunities in civil and military aircraft repairs.**

The impact of the reforms in the MRO space will reflect in the the next 2-3 years as new business alliances are forged, fresh investments come into India and new MRO infrastructure (e.g. aircraft hangars and tooling etc) is developed.
