

RBI / 2011-12 / 617

A. P. (DIR Series) Circular No. 134

June 25, 2012

To

All Category-I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) – Repayment of Rupee loans

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, as amended from time to time, A.P. (DIR Series) Circular No. 25 dated September 23, 2011 and A.P. (DIR Series) Circular No. 111 dated April 20, 2012 relating to relaxation of ECB norms for Infrastructure and Power sector.

2. On a review, it has been decided to allow Indian companies to avail of ECBs for repayment of Rupee loan(s) availed of from the domestic banking system and / or for fresh Rupee capital expenditure, under the approval route, subject to them satisfying the following conditions:-

Only companies in the manufacturing and infrastructure sector will be eligible to avail of such ECBs;

Such companies shall be a consistent foreign exchange earner during the past three financial years;

Such companies are not in the default list/caution list of the Reserve Bank of India; and

Such ECBs shall only be utilized for repayment of the Rupee loan(s) availed of for 'capital expenditure' incurred earlier and are still outstanding in the books of the domestic banking system and / or for fresh Rupee capital expenditure.

3. The overall ceiling for such ECBs as in para 2 above shall be USD 10 (ten) billion. The maximum permissible ECB that can be availed of by an individual company will be limited to 50 per cent of the average annual export earnings realised during the past three financial years. The ECBs will be allowed to companies based on the foreign exchange earnings and its ability to service the ECB. The companies should draw down the entire facility within a month after taking the Loan Registration Number (LRN) from the Reserve Bank.

4. Companies desirous of availing such ECBs may submit their applications in Form ECB through their designated Authorised Dealer bank with certification from the Statutory Auditor regarding the utilization of Rupee loan(s) with respect to 'capital expenditure'

incurred earlier. Statutory Auditor shall also certify that the company is a consistent foreign exchange earner during the past three financial years. The outstanding Rupee loan(s) shall be duly certified by the domestic lending bank(s) concerned and the designated Authorised Dealer bank. Authorised Dealer should ensure that the foreign exchange for repayment of ECB is not accessed from Indian markets and the liability arising out of ECB is extinguished only out of the foreign exchange earnings of the borrowing company.

5. The designated AD - Category I bank shall monitor the end-use of funds and bank(s) in India will not be permitted to provide any form of guarantee(s). All other conditions of ECB, such as recognized lender, all-in-cost, average maturity, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged and shall be complied with.

6. This facility will come into with immediate effect and is subject to review at an appropriate time depending upon evolving macroeconomic conditions and other relevant factors. The existing policy for repayment of Rupee loans as per A.P. (DIR Series) Circular No. 25 dated September 23, 2011 and A.P. (DIR Series) Circular No. 111 dated April 20, 2012 will continue to be applicable, as hitherto, to companies in the infrastructure sector without natural hedge.

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

8. The directions contained in this circular has 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.

Related Press Release

RBI announces Further Liberalisation Measures for Capital Account Transactions

Yours faithfully,
(Rashmi Fauzdar)
Chief General Manager