



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/137

A.P. (DIR Series) Circular No.12

July 15, 2013

To

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) Policy
Repayment of Rupee loans and/or fresh Rupee
capital expenditure – USD 10 billion Scheme

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No. 134 dated June 25, 2012](#), [A.P. \(DIR Series\) Circular No. 26 dated September 11, 2012](#) and [A.P.\(DIR\) Circular No.78 dated January 21, 2013](#) on the captioned scheme.

2. As per the extant guidelines, Indian companies in the manufacturing, infrastructure sector (as defined under the extant ECB policy) and hotel sector, which are consistent foreign exchange earners, are allowed to avail of ECB for repayment of outstanding Rupee loan(s) availed of from the domestic banking system and / or for fresh Rupee capital expenditure under the **Approval Route**.

3. On a review, it has been decided to extend the benefit of USD 10 billion scheme to Indian companies in the aforesaid sectors which have established Joint Venture (JV) / Wholly Owned Subsidiary (WOS) / have acquired assets overseas in compliance with extant regulations under FEMA, 1999 subject to the conditions as under:

(a) ECB can be availed of for repayment of all term loans having average residual maturity of 5 years and above / credit facilities availed of by Indian companies from domestic banks for overseas investment in JV/WOS, in addition to 'Capital Expenditure';

(b) ECB can be availed of within the scheme based on the higher of 75 per cent of the average foreign exchange earnings realized during the past three financial years and / or 75 per cent of the assessment made about the average of foreign exchange earnings potential for the next three financial years of the Indian companies from the JV / WOS / assets abroad as certified by Statutory Auditors / Chartered Accountant / Certified Public Accountant / Category I Merchant Banker registered with SEBI / an Investment Banker outside India registered with the appropriate regulatory authority in the host country;

(c) ECB availed of under the scheme will have to be repaid out of forex earnings from the overseas JV / WOS / assets.

4. The past earnings in the form of dividend/repatriated profit/ other forex inflows like royalty, technical know-how, fee, etc from overseas JV/WOS/assets will be reckoned as foreign exchange earnings for the purpose of US\$ 10 billion scheme.

5. All other aspects of the scheme shall remain unchanged. The amended ECB policy will come into force with immediate effect and is subject to review based on the experience gained in this regard.

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

7. The directions contained in this circular have 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.

Yours faithfully

Rudra Narayan Kar
Chief General Manager-in-Charge