

May 21, 2007

To

All Category – I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) –
End-use and All-in-cost ceilings - Revised**

Attention of Authorised Dealers Category - I (AD Category – I) banks is invited to the A. P. (DIR Series) Circular No.5 dated August 1, 2005 on External Commercial Borrowings (ECB). A review of the ECB guidelines has been undertaken keeping in view the current macroeconomic situation and the experience gained so far by the Reserve Bank in administering the ECB policy.

2. Based on the review, the ECB policy is modified as indicated below:

2. (a) **End-use** - As per the extant ECB policy, utilisation of ECB proceeds is not permitted in real estate. The term 'real estate' excludes development of integrated township as defined by Press Note 3 (2002 Series) dated January 4, 2002. It has now been decided to withdraw the exemption accorded to the 'development of integrated township' as a permissible end-use of ECB. Accordingly, utilisation of ECB proceeds is not permissible in real estate, without any exemption.

2. (b) **All-in-cost ceilings** - With the sovereign credit ratings of India enhanced to investment grade, the all-in-cost ceilings for ECB are modified as follows:

Average Maturity Period	All-in-Cost ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	200 basis points	150 basis points
More than five years	350 basis points	250 basis points

* for the respective currency of borrowing or applicable benchmark.

3. The above changes will apply to ECB both under the automatic route as well as approval route with immediate effect and is subject to review.

4. Necessary amendments to Notification No. FEMA 3/2000-RB dated 3rd May 2000 [Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000] are being issued separately.

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

6. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager