



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

RBI/2011-12/201
A.P. (DIR Series) Circular No.27

September 23, 2011

To

All Authorised Dealer Category I Banks

Madam / Sir,

External Commercial Borrowings (ECB) – Rationalisation and Liberalisation

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](#), amended from time to time and the [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#), amended from time to time relating to the External Commercial Borrowings (ECB).

2. On a review of the extant ECB policy, it has been decided, in consultation with the Government of India, to further rationalise and liberalize the ECB guidelines as under:-

(i) Enhancement of ECB limit under the automatic route

(a) Eligible borrowers in real sector-industrial sector-infrastructure sector can avail of ECB up to USD 750 million or equivalent per financial year under the automatic route as against the present limit of USD 500 million or equivalent per financial year.

(b) Corporates in specified service sectors viz. hotel, hospital and software, can avail of ECB up to USD 200 million or equivalent during a financial year as against the present limit of USD 100 million or equivalent per financial year subject to the condition that the proceeds of the ECBs should not be used for acquisition of land.

(ii) ECBs designated in INR

(a) 'All eligible borrowers' can avail of ECBs designated in INR from **foreign equity holders under the automatic/ approval route, as the case may be**, as per the extant ECB guidelines.

(b) NGOs engaged in micro finance activities will, however, be permitted to avail of ECBs designated in INR, as hitherto, under the automatic route from overseas organizations and individuals as per the extant guidelines.

(iii) ECB for Interest During Construction (IDC)

It has been decided to consider IDC as a permissible end-use for the Indian companies which are in the infrastructure sector, where "infrastructure" is defined in terms of the extant guidelines on External Commercial Borrowings (ECB) **under the automatic/approval route, as the case may be**, subject to the following conditions:-

- (a) that the IDC is capitalized; and
- (b) is part of the project cost.

3. All other aspects of the ECB policy such as eligible borrower, recognised lender, all-in-cost, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged

4. The amended ECB policy will come into force with immediate effect and is subject to review at any point of time.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately wherever necessary.

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 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.

Yours faithfully,

(Rashmi Fauzdar)
Chief General Manager