

**External Commercial Borrowings (ECB) Policy – Relaxation in guidelines**

The circular liberalizes the earlier rules regarding the permissible end-use of ECB, expands the list of eligible borrowers by giving an opportunity to more entities, rationalizes the equity to ECB ratio and simplifies the all-in cost for availing ECB. Following are the key modifications:

Brief heading	Changes as per the Circular
(i) Rationalisation of all-in-cost for ECB under all tracks and Rupee denominated bonds (RDBs)	<p>A <b>uniform</b> all-in-cost <b>ceiling of 450 basis points over the benchmark</b> rate has been stipulated, the benchmark being :</p> <ol style="list-style-type: none"> <li>1. For Track I and Track II - 6 month LIBOR (or applicable benchmark for respective currency)</li> <li>2. For Track III(Rupee ECBs) and RDBs - Prevailing yield of Govt securities of corresponding maturity</li> </ol>
(ii) Revisiting ECB Liability to Equity Ratio provisions:	<p><b>ECB Liability to Equity Ratio increased to 7:1</b> for ECB raised from direct foreign equity holder under the automatic route (which was earlier 4:1).</p> <p>Note: This ratio will not be applicable if total of all ECBs raised by an entity is up to USD 5 million or equivalent.</p>
(iii) Expansion of Eligible Borrowers' list for the purpose of ECB:	<p><b>Permission to avail of ECBs under all tracks granted to:</b></p> <ol style="list-style-type: none"> <li>a) Housing Finance Companies, regulated by the National Housing Bank as eligible borrowers</li> <li>b) Port Trusts constituted under the Major Port Trusts Act, 1963 or Indian Ports Act, 1908</li> </ol> <p><b>Note:</b> Such entities shall have a board approved risk management policy and shall keep their ECB exposure hedged 100 per cent at all times for ECBs raised under Track I.</p> <p><b>Under Track III only:</b></p> <ol style="list-style-type: none"> <li>a) Companies engaged in the business of Maintenance, Repair and Overhaul and freight forwarding to raise ECBs denominated in INR only.</li> </ol>

(iv) End-use provisions for ECBs rationalised:

It has now been decided to have only a **negative list** for all tracks (I, II & III) **including:**

a. Investment in real estate or purchase of land except when used for affordable housing as defined in Harmonised Master List of Infrastructure Sub-sectors notified by Government of India, construction and development of SEZ and industrial parks/integrated townships.

b. Investment in capital market.

c. Equity investment.

Additionally for Tracks I and III, the following negative end uses will also apply except when raised from Direct and Indirect equity holders or from a Group company, and provided the loan is for a minimum average maturity of five years:

d. Working capital purposes.

e. General corporate purposes.

f. Repayment of Rupee loans.

Finally, for all Tracks, the following negative end use will also apply:

g. On-lending to entities for the above activities from (a) to (f).

All other provisions of the ECB policy shall remain unchanged. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers.