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External commercial borrowing for 2G spectrum allocation

As per the extant external commercial borrowing (ECB) policy, eligible borrowers in the telecommunication sector can:

- Avail of ECB for the purpose of payment for spectrum allocation, under the **automatic route**;
- Refinance rupee loan availed for payment for 3G spectrum allocation with a long-term ECB **under the approval route** subject to certain conditions.

In view of the large outlay of funds required to be paid by successful bidders in the upcoming 2G spectrum auction directly to the government within a limited period of time, the policy has been further relaxed as under:

Refinancing of rupee loans – Automatic route

Upfront payment for the award of 2G spectrum initially made out of rupee loans availed of from the domestic lenders, can be refinanced with a long-term ECB, under the automatic route. This facility is subject to the following conditions:

- The long term ECB is raised within 18 months from the date of sanction of rupee loans by the domestic lenders;
- The designated AD Category I bank shall,
 - Obtain evidence that the spectrum fees is paid to Government of India; and
 - Monitor the end-use of funds.

Relaxation in ECB-liability (debt) - Equity ratio and percentage of shareholding – Automatic route

ECB can be availed by successful bidders under the **automatic route** from their ultimate parent company (holding directly or indirectly minimum paid-up equity of 25%) for payment of 2G spectrum fees without any maximum ECB liability (debt) - equity ratio.

Bridge finance facility – Automatic route

Short term foreign currency loan in the nature of bridge finance can be availed under the automatic route for making upfront payment towards 2G spectrum allocation. The borrower can, under the automatic route, replace the short-term loan with a long term ECB, which is raised within a period of 18 months from the date of drawdown of bridge finance.

These relaxations would enable the successful bidders to avail ECB under automatic route and facilitate the payment of spectrum allocation.

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