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Relaxation of external commercial borrowing norms – Manufacturing and infrastructure sector borrowers

In order to combat rupee's decline, the Reserve Bank of India (RBI) has decided to allow further foreign funds inflow by liberalising external commercial borrowing (ECB) guidelines in order to permit specified eligible borrowers in manufacturing and infrastructure sectors¹ to avail ECB under the **approval route** for refinancing existing rupee loans availed from domestic banking system utilised for incurring capital expenditure and /or fresh rupee capital expenditure.

The key points of the circular are summarised below:

- **Specified Eligible Borrowers**

- Companies in manufacturing and infrastructure sector¹ which have earned foreign exchange during past three financial years and are not on default /caution list of the RBI.

- **Permissible End-use**

- Repayment of rupee loan availed from domestic banking system for capital expenditure incurred earlier and which are still outstanding; **and / or**
- Fresh **rupee** capital expenditure.

¹ Infrastructure sector is defined to include power, telecommunication, railways, roads including bridges, sea port and airport, industrial parks, urban infrastructure (water supply, sanitation and sewage projects), mining, refining and exploration and cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.

- **Drawdown Schedule**

- Entire amount should be drawn down within one month of obtaining Loan Registration Number.

- **Ceiling**

- Overall ceiling for all Specified Eligible Borrowers - USD 10 billion
- Individual Corporate ceiling - 50% of the average annual **export** earnings during past three financial years.

- **Repayment of ECB**

- ECB liability (Principal+ Interest) should be repaid only out of foreign exchange earnings.

Existing facility for repayment of rupee loans availed for capital expenditure (as tabulated below) by raising fresh ECB will continue to be available.

Sector	Utilisation of fresh ECB proceeds	
	Refinancing of rupee loan (for capital expenditure) availed from domestic banking system	Fresh capital expenditure
Power sector companies	Up to 40%	At least 60%
Infrastructure sector companies (Other than power sector)	Up to 25%	At least 75%

Source: A.P. (DIR Series) Circular No.134 dated June 25, 2012

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