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External Commercial Borrowing – USD 10 billion scheme extended for repayment of Rupee loans availed for outbound investments

As per the existing External Commercial Borrowing (ECB) Policy, Indian companies which are consistent foreign exchange earners and are engaged in manufacturing, infrastructure[1] or hotel sector[2] can avail ECBs which can be used for repayment of outstanding Rupee loan(s) availed of from the domestic banking system for capital expenditure or for fresh Rupee capital expenditure under the **Approval route**.

The RBI has now extended the permitted end use within an overall ceiling of USD 10 billion to cover refinancing of rupee loans availed from domestic banks for overseas investment.

Key provisions of the circular are summarised below:

Eligible Borrower: Companies in manufacturing, infrastructure or hotel sector which have an overseas Joint Venture (JV), Wholly Owned Subsidiary (WOS) or overseas assets.

[1] Infrastructure sector is defined to include power, telecommunication, railways, road 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.

[2] Having total project cost of INR 25 billion or more, irrespective of geographical location

Additional End Use: Repayment of term loans having average residual maturity of 5 years and above / credit facilities availed from domestic banks for overseas investment.

Amount: Maximum permissible ECB shall be higher of the following:

- 75% of the average foreign-exchange earnings **realized during the past three financial years**; and/or
- 75% of the average foreign exchange earnings **estimated from the JV/WOS/assets abroad for next three financial years**.

The monetary ceilings, of USD 3 billion for an individual company or group, and USD 10 billion overall for ECB under this scheme would continue to apply.

Repayment

ECB liability shall be repaid out of the foreign exchange earnings from the JV/WOS/assets abroad.

Foreign Exchange Earnings

For the purpose of this scheme, foreign exchange earnings will be reckoned as past earnings in the form of dividends and repatriated profits, as well as other foreign exchange inflows like royalty, technical know-how, fee, etc received from the overseas JV/WOS/assets.

Estimated foreign exchange earnings need to be certified by any one of the qualified professionals[3].

Source: A.P. (DIR Series) Circular No. 12 dated July 15, 2013

[3] Statutory Auditor/ Chartered Accountant/ Certified Public Accountant/ Category I Merchant Banker registered with SEBI/ Investment Banker (outside India) registered with the appropriate regulatory authority in the host country

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Ahmedabad President Plaza, 1st Floor Plot No 36 Opp Muktidham Derasar Thaltej Cross Road, SG Highway Ahmedabad, Gujarat 380054 Phone +91-79 3091 7000	**Bangalore** 6th Floor, Millenia Tower 'D' 1 & 2, Murphy Road, Ulsoor, Bangalore 560 008 Phone +91-80 4079 7000	**Chennai** 8th Floor, Prestige Palladium Bayan 129-140 Greams Road, Chennai 600 006, India Phone +91 44 4228 5000	**Hyderabad** #8-2-293/82/A/113A Road no. 36, Jubilee Hills, Hyderabad 500 034, Andhra Pradesh Phone +91-40 6624 6600	**Kolkata** 56 & 57, Block DN. Ground Floor, A- Wing Sector - V, Salt Lake. Kolkata - 700 091, West Bengal, India Telephone: +91-033 - 2357 9101/4400 1111 Fax: (91) 033 - 2357 2754
Mumbai PwC House, Plot No. 18A, Guru Nanak Road - (Station Road), Bandra (West), Mumbai - 400 050 Phone +91-22 6689 1000	**Gurgaon** Building No. 10, Tower - C 17th & 18th Floor, DLF Cyber City, Gurgaon Haryana -122002 Phone : +91-124 330 6000	**Pune** GF-02, Tower C, Panchshil Tech Park, Don Bosco School Road, Yerwada, Pune - 411 006 Phone +91-20 4100 4444	For more information contact us at, pwctrs.knowledgemanagement@in.pwc.com	

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