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External Commercial Borrowings – end use liberalisation – general corporate purposes

Use of external commercial borrowing (ECB) proceeds for working capital and general corporate purposes has been prohibited since 31 January, 2004. The Reserve Bank of India (RBI) has now again decided to permit such end use **under Approval Route**, subject to following conditions:

- *Eligible lender*: Foreign equity holder company holding minimum paid-up equity of 25% directly in the borrowing company
- *Minimum average maturity period*: 7 years
- *Prepayment of ECB*: No prepayment will be allowed before maturity
- *Prohibited End uses*: ECBs should not be used for any purpose not permitted under the extant ECB guidelines (such as on-lending/ investment in other

Indian entities (including group companies/ step down subsidiaries), investment in capital market, use for real estate sector, repayment of rupee loans)

All other aspects of the extant ECB guidelines remain unchanged. The above amendment takes effect immediately.

The above is a landmark amendment with minimal conditions attached, and it should go a very long way in aiding eligible Indian companies in raising much needed finance for general corporate purposes.

Source: A.P. (DIR Series) Circular No. 31 dated September 4, 2013

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Our offices

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

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