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## External Commercial Borrowing for hotel industry

As per existing external commercial borrowings (ECB) policy, Indian companies which are consistent foreign exchange earners and engaged in manufacturing and infrastructure sector<sup>1</sup> can avail of ECBs for repayment of outstanding Rupee loan(s) availed of from the domestic banking system for capital expenditure incurred earlier and / or for fresh Rupee capital expenditure. This requires a prior approval of the Reserve Bank of India (RBI).

<sup>1</sup> 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.

The RBI has now included Indian companies in the hotel sector having project size of INR 2.50 billion or more (irrespective of geographical location) in the list of eligible borrowers under this scheme. Raising of ECB would require prior RBI approval and compliance with the following conditions:

### Maximum amount

- Maximum permissible ECB shall be higher of the following:
  - 75% of the average foreign exchange earnings realised during the immediate past three financial years; or

- 50% of the highest foreign exchange earnings realised in any of the immediate past three financial years.
- Monetary ceiling for an individual company or group, as a whole is USD 3 billion, whereas overall ceiling for ECB under this scheme is USD 10 billion.

### **End Use**

- Repayment of outstanding Rupee loan(s) availed of from the domestic banking system for capital expenditure incurred earlier and / or for fresh Rupee capital expenditure

### **Repayment**

- ECB liability shall be repaid only out of the foreign exchange earnings of the borrowing company.

### **Certification**

- From the statutory auditor that,
  - Rupee loan(s) were utilised with respect to 'capital expenditure' incurred earlier
  - The company is a consistent foreign exchange earner during the past three financial years.

- From the domestic lending bank(s)
  - The amount of outstanding Rupee loan(s)
- From the designated AD bank
  - The amount of outstanding Rupee loan(s)
  - The amount of Project cost

### **Other Conditions**

- Entire facility should be drawn down within a month after taking the Loan Registration Number.

*Source: A.P. (DIR Series) Circular No. 78 dated 21 January, 2013*

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