

**RESERVE BANK OF INDIA
FOREIGN EXCHANGE DEPARTMENT
Central Office
Mumbai 400 001**

RBI/2004/72

A.P.(DIR Series) Circular No. 75

February 23, 2004

To

All Authorised Dealers in Foreign Exchange

Madam / Sirs,

**External Commercial Borrowings (ECB)
for Overseas Direct Investment/
Mergers and Acquisitions**

Authorised Dealers' attention is invited to the revised External Commercial Borrowings (ECB) guidelines issued vide A.P. (DIR Series) Circular No.60 dated January 31, 2004.

2. With a view to enable Indian corporates to become global players by facilitating their overseas direct investment, **permitted end-use for ECB is enlarged to include overseas direct investment in Joint Ventures (JV)/Wholly Owned Subsidiaries (WOS). This would facilitate corporates to undertake fresh investment or expansion of existing JV/WOS including mergers and acquisitions abroad** by harnessing resources at globally competitive rates.

3. ECB for overseas direct investment shall be in conformity with other parameters of the ECB guidelines issued vide A.P. (DIR Series) Circular No.60 dated January 31, 2004 and the existing guidelines on Indian Direct Investment vide Master Circular No.2/2003-2004 dated July 1, 2003 on Indian Direct Investment in JVs/WOSs abroad read with A. P. (DIR Series) Circulars Nos. 41 and 42 dated December 06, 2003 and No. 57 dated January 13, 2004.

4. It may be noted that the ECB proceeds should be parked overseas until its utilisation for investment abroad.
5. The above amendments to ECB Policy will come into force with immediate effect.
6. Authorised Dealers may bring the contents of this Circular to the notice of their constituents concerned.
7. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager

Press Release

External Commercial Borrowings (ECB) for Overseas Direct Investment/ Mergers and Acquisitions

It has been decided to permit eligible resident corporates to raise external commercial borrowings (ECB) for overseas direct investment in Joint Ventures (JV) /Wholly Owned Subsidiaries (WOS). This will include mergers and acquisitions of overseas companies.

2. With a view to enable Indian corporates to become global players by facilitating their overseas direct investment, **permitted end-use for ECB is enlarged to include overseas direct investment in Joint Ventures (JV)/Wholly Owned Subsidiaries (WOS). This would facilitate corporates to undertake fresh investment or expansion of existing JV/WOS including mergers and acquisitions abroad** by harnessing resources at globally competitive rates.

3. Operational guidelines are being issued to Authorised Dealers.