

September 22, 2008

To

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings Policy - Liberalisation

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the A. P. (DIR Series) Circular No.5 dated August 1, 2005, A. P. (DIR Series) Circular No. 60 dated May 21, 2007, A. P. (DIR Series) Circular No. 4 dated August 7, 2007 and A. P. (DIR Series) Circular No. 43 dated May 29, 2008 relating to External Commercial Borrowings (ECB).

2. Based on a review, it has been decided to modify some aspects of the ECB policy as indicated below:

- (a) At present, borrowers in the infrastructure sector are allowed to avail ECB up to USD 100 million per financial year for Rupee expenditure for permissible end-uses under the Approval Route. Considering the huge funding requirements of the sector, particularly for meeting Rupee expenditure, the existing limit of USD 100 million has been raised to USD 500 million per financial year for the borrowers in the infrastructure sector for Rupee expenditure under the Approval Route. ECBs in excess of USD 100 million for Rupee expenditure should have a minimum average maturity period of 7 years.
- (b) In view of widening of credit spreads in the international financial markets, the all-in-cost ceilings for ECBs are modified as follows:

Average Maturity Period	All-in-Cost ceilings over 6 Months LIBOR*	
	Existing	Revised
Three years and up to five years	200 bps	200 bps
More than five years and up to seven years	350 bps	350 bps
More than seven years	350 bps	450 bps

* for the respective currency of borrowing or applicable benchmark

3. The amendments to the ECB guidelines will come into force with immediate effect. All other aspects of the ECB policy such as USD 500 million limit per borrower per financial year under the Automatic Route, eligible borrower, recognised lender, end-use of foreign currency expenditure for import of capital goods and overseas investments, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged. The existing limit of USD 50 million for Rupee expenditure under the Approval Route for borrowers other than those in the infrastructure sector also remains unchanged.
4. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being issued separately.
5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
6. The directions contained in this circular have been issued under sections 10(4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

Yours faithfully,

(Salim Gangadharan)
Chief General Manager-in-Charge