

October 08, 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. 4 dated August 7, 2007, A. P. (DIR Series) Circular No. 43 dated May 29, 2008 and A.P. (DIR Series) No. 16 dated September 22, 2008 relating to External Commercial Borrowings (ECB).

2. As per the extant ECB policy, Infrastructure sector is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport (vi) industrial parks and (vii) urban infrastructure (water supply, sanitation and sewage projects).

3. On a review of the ECB policy and to promote the development of the mining, exploration and refinery sectors in the country, it has been decided to expand the definition of Infrastructure sector for the purpose of availing of ECB. Accordingly, the Infrastructure sector would henceforth be defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport (vi) industrial parks (vii) urban infrastructure (water supply, sanitation and sewage projects) and (viii) mining, exploration and refining.

4. The expanded definition of Infrastructure sector for the purpose of ECB shall 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 shall remain unchanged.

5. Necessary amendments to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 dated May 3, 2000 are being notified separately.

6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

7. 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