



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/594

May 16, 2014

A.P. (DIR Series) Circular No.130

To

All Category – I Authorised Dealer Banks

Madam/ Sir,

**External Commercial Borrowings (ECB) from Foreign Equity Holder -
Simplification of Procedure**

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the [A.P. \(DIR Series\) Circular No. 05 dated August 01, 2005](#) as amended from time to time relating to the External Commercial Borrowings (ECB). Attention is also invited to [A. P. \(DIR Series\) Circular No. 11 dated September 07, 2011](#), [A.P. \(DIR Series\) Circular No. 29 dated September 26, 2011](#), and [A.P. \(DIR Series\) Circular No. 31 dated September 04, 2013](#).

2. As per the extant ECB policy, ECBs from direct foreign equity holders (FEHs) are considered both under the automatic and the approval routes, as the case may be. ECBs from indirect equity holders and group companies and ECBs from direct FEH for general corporate purpose are, however, considered under the approval route. Further, any request for change of the ECB lender in case of FEH requires RBI's approval.

3. As a measure of simplification of the existing procedure, it has been decided to delegate powers to AD banks to approve the following cases under the automatic route:

- i. Proposals for raising ECB by companies belonging to manufacturing, infrastructure, hotels, hospitals and software sectors from indirect equity holders and group companies.

- ii. Proposals for raising ECB for companies in miscellaneous services from direct / indirect equity holders and group companies. Miscellaneous services mean companies engaged in training activities (but not educational institutes), research and development activities and companies supporting infrastructure sector. Companies doing trading business, companies providing logistics services, financial services and consultancy services are, however, not covered under the facility.
- iii. Proposals for raising ECB by companies belonging to manufacturing, infrastructure, hotels, hospitals and software sectors for general corporate purpose. ECB for general corporate purpose (which includes working capital financing) is, however, permitted only from direct equity holder.
- iv. Proposals involving change of lender when the ECB is from FEH – direct / indirect equity holders and group company.

4. All other terms and conditions stipulated in the relative circulars shall continue to be applicable.

5. Other aspects of the ECB policy such as eligible borrower, recognised lender, permitted end-use, amount of ECB, all-in-cost, average maturity period, pre-payment, ECB liability:equity ratio, refinance of existing ECB, reporting arrangements, etc. shall remain unchanged.

6. These changes will come into force with immediate effect.

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

8. 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 are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Rudra Narayan Kar)
Chief General Manager-in-Charge