



RBI/2019-20/20

A.P. (DIR Series) Circular No. 04

July 30, 2019

To

All Category-I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) Policy – Rationalisation of End-use Provisions**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to paragraphs 2.1.(v) and 2.1.(viii) of [Master Direction No.5 dated March 26, 2019](#) on the above subject in terms of which, inter alia, ECB proceeds cannot be utilised for working capital purposes, general corporate purposes and repayment of Rupee loans except when the ECB is availed from foreign equity holder for a minimum average maturity period of 5 years. Further, on-lending for these activities out of ECB proceeds is also prohibited.

2. Based on the feedback from stakeholders and with a view to further liberalise the ECB framework, it has been decided, in consultation with the Government of India, to relax the end-use restrictions. Accordingly, eligible borrowers will now be permitted to raise ECBs for the following purposes from recognised lenders, except foreign branches/ overseas subsidiaries of Indian banks, subject to paragraph 2.2 of the direction *ibid*:

- i. ECBs with a minimum average maturity period of 10 years for working capital purposes and general corporate purposes. Borrowing by NBFCs for the above maturity for on lending for the above purposes is also permitted.
- ii. ECBs with a minimum average maturity period of 7 years can be availed by eligible borrowers for repayment of Rupee loans availed domestically for capital expenditure as also by NBFCs for on-lending for the same purpose. For repayment of Rupee loans availed domestically for purposes other than capital expenditure and for on-lending by NBFCs for the same, the minimum average maturity period of the ECB is required to be 10 years.
- iii. It has been decided to permit eligible corporate borrowers to avail ECB for repayment of Rupee loans availed domestically for capital expenditure in manufacturing and infrastructure sector if classified as SMA-2 or NPA, under any one time settlement with lenders. Lender banks are also permitted to sell, through assignment, such loans to eligible ECB lenders, except foreign branches/ overseas subsidiaries of Indian banks, provided, the resultant external commercial borrowing complies with all-in-cost, minimum average maturity period and other relevant norms of the ECB framework.

3. The prescribed minimum average maturity provision, as above, for the aforesaid end-uses will have to be strictly complied with under all circumstances.



4. All other provisions of the ECB policy remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

5. The [Master Direction No. 5 dated March 26, 2019](#) is being updated to reflect the above changes.

6. The directions contained in this circular have been issued under section 10(4) and 11(2) 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

Ajay Kumar Misra  
Chief General Manager-in-Charge