

Corpsec Hotline

January 20, 2004

FOREIGN BORROWING NORMS LIBERALIZED

The Ministry of Finance ("MoF"), which had tightened the External Commercial Borrowings ("ECBs") in the month of November 2003, has sought to liberalize the foreign borrowing norms vide a press release, dated January 19, 2004.

Provided below are the salient features of the revised guidelines:

- **End Use:** The restrictions on end-use have been significantly relaxed whereby, ECBs are now allowed for corporate investments in the industrial sector, especially in connection with infrastructure projects. The only restrictions that continue are on investment in the capital markets and real estate.
- **Parking Funds Abroad:** Indian borrowers are required to bring such borrowings into the country only at the time of actual utilization of the funds.
- **Eligibility:** Financial intermediaries like banks, financial institutions and non-banking financial institutions are restricted from accessing ECBs or providing guarantees, letter of comfort, etc. for such loans. However, banks and financial institutions are permitted to make such borrowings in connection with textile and steel restructuring projects to the extent of their investment in the package.
- **Automatic Route:** ECBs of up to USD 20 million with an average maturity between 3-5 years, and ECBs up to USD 500 million with an average maturity of more than 5 years will be eligible for approval under the automatic route.
- **Maximum Spread:** The borrowings are subject to the following maximum spreads over the six month LIBOR:
 - ECBs with an average maturity of 3-5 years: 200 basis points
 - ECB's with an average maturity of over 5 years: 350 basis points

- **Non-Automatic Route:** An Empowered Committee of the RBI will now decide all cases not falling under the automatic route.

The MoF has indicated that the above mentioned norms will also apply to foreign currency convertible bonds issued by Indian borrowers. The above amendments to the ECB guidelines will come into force from the date of issue of notification of regulations/directions.

Source: Ministry of Finance

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Structuring Platform Investments in India For Foreign Investors

March 31, 2025

India's Oil & Gas Sector— at a Glance

March 27, 2025

Artificial Intelligence in Healthcare

March 27, 2025

Research Articles

2025 Watchlist: Life Sciences Sector India

April 04, 2025

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX

April 01, 2025

**Vaibhav Parikh, Partner, Nishith
Desai Associate on Tech, M&A, and
Ease of Doing Business**

March 19, 2025

**SIAC 2025 Rules: Key changes &
Implications**

February 18, 2025