

Corpsec Hotline

November 13, 2003

FOREIGN BORROWING NORMS TIGHTENED

The Ministry of Finance ("MoF") has revised its policy on External Commercial Borrowings ("ECBs") on Wednesday, November 12, 2003. The MoF has stated in several press reports that the rationale for the changes is to encourage domestic borrowings. This hotline is based on a press report and we are awaiting a copy of the notification in this regard.

Provided below are some of the salient changes introduced through the revised policy:

- Indian companies are now permitted to access external commercial borrowings of over USD 50 million only for end uses relating to financing import of capital equipment and for the foreign exchange needs of infrastructure projects. Previously, although ECBs above USD 50 million (and upto USD 100 million) required the prior approval of the Reserve Bank of India ("RBI"), there were no restrictions on the end uses except for a bar on using the funds for investment in real estate and stock markets.
- Financial intermediaries like banks, financial institutions and non-banking financial institutions are now restricted from accessing ECBs or providing guarantees for such loans with the exception of certain borrowings in connection with textile and steel restructuring projects.
- It is now mandatory for Indian borrowers to hedge their exposure for ECBs raised for the purposes of meeting rupee expenditure. However there are certain categories of borrowers who have been exempted from this requirement including exporters who have foreign exchange earnings.
- Indian borrowers are also required to bring in the borrowings into the country only at time of actual utilization of the funds.

Other modifications introduced by the MoF include pricing of borrowings by lowering of maximum spreads over the six month LIBOR which varies depending on the nature of the project.

Source: Economic Times, November 13, 2003

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