



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

RBI/2011-12/199  
A.P. (DIR Series) Circular No. 25

September 23, 2011

To

All Authorised Dealer Category I Banks

Madam / Sir,

**External Commercial Borrowings (ECB) for the Infrastructure  
Sector– Liberalisation**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Borrowing or lending in foreign exchange) Regulations, 2000, notified vide [Notification No. FEMA 3/2000-RB dated May 3, 2000](#), amended from time to time and the [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#), amended from time to time relating to the External Commercial Borrowings (ECB).

2. As per extant guidelines, repayment of existing Rupee loans is not a permissible end-use for ECB. Considering the specific needs of the infrastructure sector, the existing ECB policy has been reviewed in consultation with the Government of India and it has been decided to allow Indian companies which are in the infrastructure sector, where “infrastructure” is as defined under the extant guidelines on External Commercial Borrowings (ECB), to utilise 25 per cent of the fresh ECB raised by the corporate towards refinancing of the Rupee loan/s availed by them from the domestic banking system, **under the approval route**, subject to the following conditions:-

- (i) at least 75 per cent of the fresh ECB proposed to be raised should be utilised for capital expenditure towards a 'new infrastructure' project(s), where “infrastructure” is as defined in terms of the extant guidelines on ECB.
- (ii) in respect of remaining 25 per cent, the refinance shall only be utilized for repayment of the Rupee loan availed of for 'capital expenditure' of earlier completed infrastructure project(s); and

(iii) the refinance shall be utilized only for the Rupee loans which are outstanding in the books of the financing bank concerned.

3. Companies desirous of availing such ECBs may submit their applications in Form ECB through their designated Authorised Dealer bank with the following documents:

- (i) details of the project(s) completed with necessary certification from the designated AD Category I bank;
- (ii) certification from the Statutory Auditor regarding the utilization of Rupee term loans with respect to 'capital expenditure'; for the completed infrastructure project(s), duly certified by the domestic lender bank(s) concerned;
- (iii) certification from the designated Authorised Dealer bank about the outstanding Rupee loans ; and
- (iv) details of the proposed end-use of the new infrastructure project.

4. The designated AD - Category I bank shall monitor the end-use of funds and bank(s) in India will not be permitted to provide any form of guarantee(s). All other conditions of ECB, such as eligible borrower, recognized lender, all-in-cost, average maturity, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged and shall be complied with.

5. The amended ECB policy will come into force with immediate effect and is subject to review at point of time.

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

7. The directions contained in this circular has 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,

**(Rashmi Fauzdar)**  
**Chief General Manager**