

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

Handbook on New Labour Codes

April 29, 2024

Compendium of Research Papers

April 11, 2024

Third-Party Funding for Dispute Resolution in India

April 02, 2024

Research Articles

Private Client Insights - Sustainable Success: How Family Constitutions can Shape Corporate Governance, Business Succession and Familial Legacy

January 25, 2024

Private Equity and M&A in India: What to Expect in 2024?

January 23, 2024

Emerging Legal Issues with use of Generative AI

October 27, 2023

Audio

Third-Party Funding: India & the World

April 27, 2024

IBC allows automatic release of ED attachments: Bombay HC reaffirms

April 15, 2024

The Midnight Clause

February 29, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Cyber Incident Response Management

February 28, 2024

Webinar : Navigating Advertising Laws in India Part II Fireside Chat

with Manisha Kapoor

February 27, 2024

**Webinar : Navigating Advertising
Laws in India**

February 20, 2024