

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2587
ANSWERED ON:08.08.2003
CHEAP FOREIGN LOANS
DALPAT SINGH PARASTE

Will the Minister of FINANCE be pleased to state:

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(a) whether the Indian companies are queuing up for dollar loans as soft US interest rates and a fall in the cost of hedging foreign exchange exposures have made overseas borrowings cheaper than local rupee debt as reported in Times of India on the June 3, 2003.

(b) if so, the details thereof;

(c) whether the Government have issued its own guidelines in this regard; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO V. ADSUL)

(a) and (b) : External Commercial Borrowings (ECBs) are permitted by Government as an additional source of finance in order to augment domestically available resources to corporates and public sector undertakings for purposes of expansion of existing capacity as well as for fresh investments. ECB borrowing up to US\$ 50 million under all windows are under the automatic route. Reserve Bank of India (RBI) has been empowered to approve ECBs beyond US\$ 50 million and up to US\$ 100 million. ECBs exceeding US\$ 100 million are approved by the Government. The raising of resources through ECB is a commercial decision of the company.

(c) and (d) : The ECB policy and procedures are available at the web address `www.finmin.nic.in`.