

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1890
ANSWERED ON:08.03.2013
ECB NORMS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) relaxes the External Commercial Borrowing (ECB) norms for infrastructure companies; and

(b) if so, the details thereof for the last three years and the current year and its impact on the market so far?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a): The External Commercial Borrowings (ECB) policy is reviewed periodically in consultation with RBI in tune with the evolving macro economic situation, domestic investment demand and external sector developments to facilitate the flow of funds to key sectors like manufacturing and infrastructure, to augment the growth potential of the economy.

(b): There has been progressive liberalization and rationalization of the key components of ECB regulations such as amount and maturity, all-in-cost, and permissible end uses etc. to facilitate availability of long term funds to the Indian corporate sector with special thrust on infrastructure development. The key liberalisation and rationalization measures taken in ECB policy include: (a) Permitting ECB for refinancing of the Rupee loans for infrastructure sector to the extent of 25% of fresh ECBs; (b) Allowing ECBs for low cost/affordable housing projects; (c) Reduction in the rate of withholding tax on interest payment on money borrowed in foreign currency; (d) permitting SIDBI as an eligible borrower for accessing ECB for on-lending to MSME sector; (e) Allowing ECB for capital expenditure on the maintenance and operations of toll systems for roads and highways; (f) Permitting ECB for working capital requirements of the airline industry and (g) introduction of a new window of ECB for companies in the manufacturing and infrastructure sector having foreign exchange earnings.

There has been significant increase in ECBs availed by infrastructure sector companies. As reported by RBI, the amount of ECB approval in Infrastructure sector was US \$ 5151 million in 2009-10, US \$ 10888 million in 2010-11, US \$ 14779 million in 2011-12 and US \$ 3522 million for April-December 2012.

The availability of low cost long term funds through ECB route will help support the rapid pace of infrastructure development in the country