

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4696
ANSWERED ON:18.12.2009
INFRASTRUCTURE PROJECTS
Maadam Shri Vikrambhai Arjanbhai

Will the Minister of FINANCE be pleased to state:

- (a) The norms followed in according approval to the infrastructure projects proposals for raising foreign funds by domestic companies.
- (b) Whether the Government proposes to simplify the same;
- (c) If so, the details thereof and if not the reasons therefor;
- (d) The company-wise details of loans obtained during each of the last three years from international funding agencies, agency-wise alongwith details of the banks where such funds are parked;
- (e) Whether utilization of such funds is monitored; and
- (f) If so, the details of each such case and if not the reasons therefor?

Answer

To be answered by Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) to (c): External Commercial Borrowing (ECB) policy is formulated by the Government of India in consultation with the Reserve Bank of India (RBI), keeping in view the prevailing macroeconomic conditions, investment demand in the country and global economic environment. In view of the thrust given to infrastructure sector, a liberal ECB policy environment has already been enabled to meet the funding requirements of the infrastructure sector:

i. Corporates incorporated under the Companies Act, 1956, have been permitted to avail of ECB upto USD 500 million per financial year under the automatic route for permissible uses. ECBs over and above USD 500 million for permissible end-uses are considered under the approval route. RBI has been permitting ECBs even up to USD 2 billion under the approval route to companies implementing Ultra Mega Power Projects (UMPPs);

ii. Effective from December 9, 2009, Non-Banking Financial Companies (NBFCs) exclusively involved in financing of the infrastructure sector have been permitted to avail of ECB under the approval route for on-lending to infrastructure sector subject to the companies complying with prudential standards prescribed by RBI and the borrowing entities fully hedging their currency risk;

iii. NBFCs are allowed to raise ECB with a minimum average maturity of 5 years from multilateral financial institutions, reputable regional financial institutions, official export credit agencies and international banks for financing the import of infrastructure equipment for leasing to infrastructure projects;

iv. NBFCs substantially owned by the Government of India such as IIFCL, REC, PFC, IREDA and IRFC are allowed to raise ECBs for on-lending to the infrastructure sector under the approval route under a special window;

v. The definition of 'infrastructure' has been expanded to include mining, refining and exploration;

vi. Effective from June 30, 2009, SEZ developers are permitted to avail of ECB under the approval route for providing infrastructure facilities within the SEZ. The infrastructure facilities as defined in the extant ECB policy include (i) power (ii) telecommunication (iii) railways (iv) road including bridges (v) sea port and airport (iv) industrial parks (vii) urban infrastructure (water supply, sanitation and sewage projects) and (viii) mining, refining and exploration.

vii. Effective from December 9, 2009, eligible borrowers in the telecommunication sector have been permitted to avail of ECB under the automatic route for the purpose of payment for Spectrum allocation.

(d) The company-wise details of loans obtained during the last three years (2006-07, 2007-08 and 2008-09) from international funding agencies are annexed. However, the details of banks where such funds are parked are not available in ECB database of RBI.

(e) & (f) The borrowers are required to file Form ECB-2 on a monthly basis indicating the drawal, utilization, etc., of the ECB availed of by them. As per the extant guidelines, the primary responsibility to ensure that the ECB raised/utilized are in conformity with the ECB

guidelines and the RBI regulations/directions is on the borrower concerned. The Form ECB-2 is required to be certified by the borrowing company's Chartered Accountant/Company Secretary and countersigned by the designated Authorised Dealer (AD). The designated AD bank is also required to ensure that raising of ECB is in compliance with ECB guidelines at the time of certification of Form ECB-2.