

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:68  
ANSWERED ON:22.02.2013  
MISUSE OF ECB  
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**Will the Minister of FINANCE be pleased to state:**

- (a) the names of companies found to / alleged to have misused \ diverted funds obtained under the External Commercial Borrowings (ECB) during the last three years and current year along with action taken by the Government thereon, company-wise;
- (b) the details of such companies who were allowed to avail ECB despite allegations against them and the reasons therefor; and
- (c) the action taken by the Government in this regard?

**Answer**

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

(a): The External Commercial Borrowing (ECB) policy is framed and reviewed periodically by the Government in consultation with RBI. The same is operationalised / administered by RBI under FEMA. The misuse / diversion of ECB funds inter-alia include - availing of ECB for working capital, general corporate purpose, on-lending to another company etc.

The year-wise number of contraventions observed by the RBI during the last three financial years are summarized below:

Year	No. of Cases
2009-10	39
2010-11	52
2011-12	34
2012-13	29
Total	154

The year-wise action taken by the RBI during the last three financial years in respect of the contraventions detected is summarized below:

Year	Compounded Applications under process	Applications returned	Applications pending receipt	
2009-10	31	0	2	6
2010-11	37	0	1	14
2011-12	24	1	3	6
2012-13	10	6	7	6
Total	102	7	13	32

As per the extant rules, companies whose contraventions have been detected by RBI are required to submit applications for compounding of contravention to RBI. Applications are returned /rejected if they are not filed in prescribed format and / or within stipulated time frame.

Company wise details of misuse / diversion of funds obtained under the ECB during the last three financial years and current year along with the action taken is furnished at Annex-I.

(b) & (c): As per A.P. (DIR Series) Circular No. 71 dated June 30, 2009 issued by RBI, proposals of the companies to avail ECB despite allegations against them are considered by Reserve Bank subject to their compliance with all the extant guidelines of ECB

and concurrence of Directorate of Enforcement. The details of such companies who were under the investigation of ED or where RBI had observed ECB contraventions and were allowed to avail ECB are furnished at Annex-II.