MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

UNSTARRED QUESTION NO. 1146

TO BE ANSWERED ON FEBRUARY 8, 2019/MAGHA 19, 1940 (SAKA)

"Policy for Overseas Borrowings"

1146: SHRI ASADUDDIN OWAISI, M.P.

Will the Minister of FINANCE be pleased to state:

a) whether the Reserve Bank of India (RBI) has recently notified new policy for overseas borrowing allowing all the eligible entities to raise foreign funds under automatic route removing sectoral curbs;
b) if so, the details thereof;
c) the extent to which this step of the RBI is likely to help improve ease of doing business; and;
d) the manner in which new policy is likely to remove earlier Tracks I and Tracks II sectoral curbs to ease doing business?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI. PON.RADHAKRISHNAN)

(a) & (b): Reserve Bank of India (RBI), in consultation with the Government of India (GoI), has rationalized the framework for External Commercial Borrowing (ECB) and Rupee Denominated Bonds and notified a new Policy vide A.P. (DIR Series) Circular No. 17 dated January 16, 2019 in this regard.

Under the new policy all entities eligible to receive Foreign Direct Investment (FDI) are permitted to raise ECBs up to USD 750 million or equivalent per financial year under automatic route subject to certain terms and conditions prescribed in the Guidelines, replacing the system of sector wise limits. The minimum average maturity period (MAMP) has been kept at 3 years for all ECBs, irrespective of the amount of borrowing in lieu of various layers of MAMPs as under the earlier framework, except the borrowers specifically permitted in the circular to borrow for a shorter period.

(c): The ECB Policy framework has been incrementally calibrated over time taking into account the emerging financing needs of Indian companies, especially critical requirements of infrastructure sector entities, macroeconomic developments and to promote ease of doing business; by permitting more resident entities as eligible borrowers, recognizing more entities as lenders, expanding end-uses and rationalizing the all-in-cost and minimum maturity requirements for such borrowings. The recent changes that have been brought out in the ECB policy are a part of this continued effort and are likely to help wider set of eligible borrowers i.e. corporates and other entities to avail ECBs to meet their capital needs with uniform minimum average maturity period requirements, uniform all-in-cost ceilings and small negative end-use list.

(d): Earlier Tracks I and II of the ECB Policy Framework have been merged as "Foreign Currency Denominated ECB" and Track III and Rupee Denominated Bonds framework have been combined as "Rupee Denominated ECB" to replace the four-tiered structure. As per the new ECB framework, the list of eligible borrowers has been expanded to include all entities eligible to receive FDI. Additionally, Port Trusts, Units in SEZ, SIDBI, EXIM Bank, registered entities engaged in micro-finance activities, viz., registered not for profit companies, registered societies/trusts/cooperatives and non-government organisations can also borrow under this framework. This expanded list of eligible borrowers will enable a wider set of Indian companies to raise ECBs up to USD 750 million or equivalent per financial year under the automatic route replacing the earlier system of sector wise limits.

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