

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2696

ANSWERED ON:31.08.2007

NORMS FOR EXTERNAL COMMERCIAL BORROWINGS

Barad Shri Jashubhai Dhanabhai;Chowdhury Shri Adhir Ranjan;Nikhil Kumar Shri ;Prabhu Shri Suresh Prabhakar

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has tightened the norms on external commercial borrowings as reported in the Hindustan Times dated August 08, 2007;

(b) if so, the complete details thereof;

(c) whether the quantum of funds raised by domestic companies in the overseas capital markets is increasing;

(d) if so, the details thereof; and

(e) the steps taken by the Government thereon?

Answer

MINISTER OF STATE FOR FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): Yes, Sir. A review of ECB guidelines was undertaken by the Government in consultation with the Reserve Bank of India. Based on review, Government has decided as follows:

ECB more than USD 20 million per borrowing company would be permitted only for foreign currency expenditure for permissible end-uses of ECB both under the Automatic Route and under the Approval Route.

Borrowers proposing to avail ECB up to USD 20 million for rupee expenditure for permissible end-uses would require prior approval of the Reserve Bank under the Approval Route.

Use of ECB proceeds for development of integrated township has since been withdrawn both under automatic and approval routes.

All-in-cost ceilings have been revised downwards from 200 bps to 150 bps over 6 months' LIBOR for ECBs with average maturity period from three to five years and 350 bps to 250 bps over 6 months' LIBOR for ECBs with average maturity of more than five years

(c) & (d): Yes Sir. Domestic companies can raise funds in the overseas capital markets through ECB or through Foreign Currency Convertible Bonds (FCCBs) or through Global Depository Receipts (GDRs) and American Depository Receipts (ADRs). As per information provided by the Reserve Bank of India (RBI), the amounts mobilised by Indian companies from abroad through the above sources during the last three years are given below:

(Amount in US\$ Million)		
Year	ECBs/ FCCBs	ADRs / GDRs
2004-05	9,084	613
2005-06	14,547	2,552
2006-07	20,639	3,776

(e): The ECB / FCCB and ADR / GDR policies are constantly reviewed by the Government in consultation with Reserve Bank of India (RBI)