



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/397

December 3, 2013

A.P. (DIR Series) Circular No. 78

To

All Authorised Dealer Category I Banks

Madam / Sir

External Commercial Borrowings (ECB) by Holding Companies / Core Investment Companies for the project use in Special Purpose Vehicles (SPVs)

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#) as amended from time to time relating to the External Commercial Borrowings (ECB).

2. In order to strengthen the flow of resources to infrastructure sector, it has been decided to permit Holding Companies / Core Investment Companies (CICs) coming under the regulatory framework of the Reserve Bank to raise ECB under the automatic route/approval route, as the case may be, for project use in Special Purpose Vehicles (SPVs) with the following terms and conditions:

- i. The business activity of the SPV should be in the infrastructure sector where “infrastructure” is defined as per the extant ECB guidelines;
- ii. The infrastructure project is required to be implemented by the SPV established exclusively for implementing the project;
- iii. The ECB proceeds is utilized either for fresh capital expenditure (capex) or for refinancing of existing Rupee loans (under the approval route) availed of from the domestic banking system for capex as per the extant norms on refinancing;
- iv. The ECB for SPV can be raised up to 3 years after the Commercial Operations Date of the SPV;
- v. The SPV should give an undertaking that no other method of funding, such as, trade credit (if for import of capital goods), etc. will be utilized for that portion of fresh capital expenditure financed through ECB proceeds;

- vi. The ECB proceeds should be kept in a separate escrow account as per the extant guidelines on parking of ECB proceeds pending utilization for permissible end-uses and use of such proceeds should be strictly monitored by the ADs for permissible uses;
- vii. In case of Holding Companies that come under the Core Investment Company (CIC) regulatory framework of the Reserve Bank, the additional terms and conditions for raising ECB for project use in SPVs will be as under:
 - a) The ECB availed is within the ceiling of leverage stipulated for CICs, i.e., their outside liabilities including ECB cannot be more than 2.5 times of their adjusted net worth as on the date of the last audited balance sheet; and
 - b) In case of CICs with asset size below Rupees 100 crore, the ECB availed of should be on fully hedged basis.

3. The above modifications to the ECB guidelines will come into force with immediate effect. All other aspects of extant ECB guidelines (including provisions contained in [A.P. \(DIR Series\) Circulars No. 25](#) and [111](#) dated September 23, 2011 and April 20, 2012 to the effect that maximum 25 per cent of ECB raised by the infrastructure companies can be utilised for refinancing of the Rupee loans availed from the domestic banking system (40 per cent in case of power sector) under the approval route) shall remain unchanged.

4. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

C D Srinivasan
Chief General Manager