



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

RBI/2011-12/519

A. P. (DIR Series) Circular No. 111

April 20, 2012

To

All Category-I Authorised Dealer Banks

Madam / Sir,

**External Commercial Borrowings (ECB) Policy –  
Liberalisation and Rationalisation**

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, notified vide [Notification No. FEMA 3/2000-RB dated May 3, 2000](#) and [A.P. \(DIR Series\) Circular No. 5 dated August 1, 2005](#), as amended from time to time, relating to External Commercial Borrowings.

2. On a review of the policy related to ECB and keeping in view the announcements made in the Union Budget for the Year 2012-13, it has been decided to further rationalize and liberalize the extant guidelines as under:-

**(i) Enhancement of Refinancing limit for Power Sector**

Indian companies in the **power sector** will be allowed to utilise 40 per cent of the fresh ECB raised towards refinancing of the Rupee loan/s availed by them from the domestic banking system, **under the approval route**, subject to the condition that at least 60 per cent of the fresh ECB proposed to be raised should be utilised for fresh capital expenditure for infrastructure project(s). All other terms and conditions relating to refinancing of Rupee loans mentioned in [A.P. \(DIR Series\) Circular No. 25 dated September 23, 2011](#) remain unchanged.

**(ii) ECB for Maintenance and Operation of Toll systems for Roads and Highways**

ECBs would also be allowed for **capital expenditure** under **the automatic route** for the purpose of maintenance and operations of toll systems for roads and highways provided they form part of the original project.

3. The modifications to the ECB policy will come into force with immediate effect. All other aspects of the ECB policy, such as, maximum permissible limit under the automatic route, eligible borrower, recognised lender, average maturity, all-in-cost, prepayment, refinancing of existing ECB and reporting arrangements 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,

**(Rashmi Fauzdar)**  
**Chief General Manager**