



Modifications have been announced in the External Commercial Borrowings ('ECB') Policy by the Reserve Bank of India ('RBI')

The RBI has issued A.P. (DIR series) Circular No.71 dated 30 June 2009 announcing modifications to the prevalent ECB policy which have been summarised below:

ECB for Integrated Township:

- Corporates engaged in the development of integrated township (as defined by press note 3 of 2002 series) have been permitted to continue availing ECB under the Approval Route (i.e. with prior approval from the RBI) beyond 30 June 2009 up to 31 December 2009.

ECB for NBFC Sector:

- Under the prevalent ECB Policy, Non Banking Finance Companies (NBFCs) exclusively involved in financing of the infrastructure sector are permitted to avail ECBs from multilateral / regional financial institution and Government owned development financial institutions under the Approval Route.
- The above ECB was subject to the condition that the direct lending portfolio of such eligible overseas lenders to infrastructure projects in India vis-à-vis their total ECB lending to NBFCs at any point of time is not less than 3:1. This condition has been now done away with effect from 1 July 2009.

ECB for development of Special Economic Zone (SEZ):

- SEZ Developers have been permitted to avail ECB under the Approval Route for providing infrastructure facilities as defined in the ECB Policy (i.e. power, telecommunication, road including bridges, etc).

- The RBI has clarified that ECB would not be permissible for development of integrated township and commercial real estate within the SEZ.

ECB by Corporates under Investigation:

- The RBI has directed that corporates who have violated the extant ECB policy and are under investigation by RBI and / or by Directorate of Enforcement will not be eligible to access the automatic route for ECB. Any request by such Corporates for availing ECB will be examined by the RBI under the Approval Route.

Important Point:

All other aspects of the ECB Policy have remained unchanged.

Source: RBI Website / RBI Circular No. 71 dated 30 June 2009

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**For further information about KPMG in India and our services,
please contact:**

Bangalore

Maruthi Infotech Centre, 11-12/1
Inner Ring Road
Koramangala, Bangalore 560071
Phone: + 91 80 3980 6000 Fax: +91 80 3980 6999

Chennai

KPMG House
No.10, Mahatma Gandhi Road,
Nungambakkam High Road,
Chennai 600034
Phone: +91 44 39145000 Fax: +91 44 39145999

Delhi

DLF Cyber City, Building no. 10, Block B, Phase II
Gurgaon, Haryana 122 002
Phone: +91 124 307 4000 Fax: +91 124 254 9195

Hyderabad

KPMG, 8-2-618/2
Reliance Humsafar, 4th Floor
Road No.11, Banjara Hills
Hyderabad - 500 034
Phone: +91 40 66305000/23350060 Fax: + 91 40 6630 5299

Kolkata

KPMG Infinity Benchmark
Plot No. G-1, 10th floor Block - EP & GP,
Sector – V, Salt Lake City
Kolkata - 700091
Phone: +91 33 4403 4000 Fax: +91 33 4403 4199

Mumbai

KPMG House, Kamala Mills Compound, 448 Senapati Bapat Marg
Lower Parel, Mumbai 400 013
Phone: +91 22 39896000 Fax: + 91 22 39836000

Pune

703, 7th Floor Godrej Castlemaine, Next to Ruby Hall Clinic,
Bund Garden Road, Pune 411001
Phone: +91 20 30585764/65 Fax: +91 20 3058 5775