

## External commercial borrowings (ECB)

6.47 Aggregate approvals granted by the Ministry of Finance and the Reserve Bank of India for raising ECBs during the period 2000-01 to 2002-03 (till end December 2002) are given in Table 6.9. The amount of aggregate approvals includes the intimations given under the automatic route facility of the RBI (upto US \$50 million including refinancing of existing ECBs). The sectoral break-up for ECB approvals pertains to the approvals granted by the Ministry of Finance for ECB proposals beyond US \$100 million. These ECBs are generally for higher maturities pertaining to infrastructure industries.

6.48. During the year 2000-01, gross disbursements of ECBs were around US \$9.2 billion. The disbursements were exceptionally high compared to the approvals due to issuance of India Millennium Deposits (IMD). Net of reimbursement of IMD proceeds worth US \$5.5 billion, the gross disbursements are estimated at around US \$3.7 billion for the year. The disbursements were still higher by nearly US \$1 billion than the approvals reflecting drawals of longer-term ECBs raised earlier. During 2001-02, as against approvals worth US \$2.65 billion, disbursements were around US \$3.13 billion. Redemption of Resurgent India Bond (RIB) and IMD proceeds is expected to sharply increase repayments during 2003-04 and 2005-06 respectively. However, as indicated by past experience,

substantial parts of the bond proceeds might be put back in the domestic economy through re-investment in non-resident deposits, or through transfer to residents.

6.49 Over the years, ECB policies have been gradually liberalized in view of the larger objective of enabling Indian corporates greater access to international capital markets and providing corporates more flexibility in borrowing. ECB rules have been framed with the broad objectives of keeping cost of debt low, avoiding quick depletion of foreign exchange reserves by ensuring higher debt maturities and encouraging channelisation of commercial borrowings into high-priority sectors like infrastructure and exports. Significant measures introduced in the recent past in line with such guiding principles of ECB include:

- Permission to use ECB proceeds in the first stage acquisition of shares in the disinvestment process (since this doesn't entail violation of end-use conditions of ECB with respect to investment in stock markets and is essentially a non-stock exchange transaction) and also in the mandatory second stage offer to the public;
- Permission to raise ECBs from any internationally recognized source (e.g. banks, export credit agencies, suppliers of equipment, foreign collaborators,

<b>Table 6.9 : ECB approvals</b>			
<i>(in US \$ million)</i>			
<b>Sector</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03*</b> <b>( April-December)</b>
Power	1065.00	270.11	375.00
Telecom	-	-	341.00
Shipping	144.00	-	-
Civil aviation	-	-	-
Petroleum & natural gas	150.00	750.00	-
Railways	-	-	-
Financial institutions	70.00	150.00	225.00
Ports, roads, etc.	-	-	425.00
Others (including exporters)	60.00	750.00	39.76
<b>Approval given by RBI</b>	<b>802.00</b>	<b>243.00</b>	<b>634.83</b>
<b>Amount raised under auto-route facility</b>	<b>546.00</b>	<b>489.40</b>	<b>748.35</b>
<b>Total</b>	<b>2837.00</b>	<b>2652.51</b>	<b>2788.94</b>
<b>* As on December 31, 2002</b>			

foreign equity holders, international capital markets etc);

- Besides, ECBs upto US\$1 billion can be pre-paid under the automatic route, for ECBs above US \$1 billion, prepayment requires approval from RBI.
- Removal of end-use restrictions for ECB proceeds for investment in real estate sector by permitting mobilisation of

ECBs for development of integrated townships;

- Permission to raise ECBs up to a maximum of US \$50 million under the automatic route during a given financial year;
- Permission to units in SEZs to raise ECBs without maturity restrictions through recognized banking channels.