

RBI allows use of ECB fund for import of services

Amid declining value of rupee, the Reserve Bank today relaxed ECB norms and allowed companies to use the overseas debt to pay for import of services, technical know-how and licence fee as part of capital goods imports.

Currently, eligible entities can raise ECB (external commercial borrowing) for investment such as import of capital goods, new projects, modernisation/expansion of existing production units in industrial sector, infrastructure sector and entities in the service sector.

"On review, it has been decided to include import of services, technical know-how and payment of licence fees as part of import of capital goods by the companies for the use in the manufacturing and infrastructure sectors as permissible end uses of ECB..." RBI said.

The modifications to the ECB guidelines have come into force with immediate effect.

The rupee today tanked by a massive 106 paise to close at all-time low of 60.72 against dollar on heavy capital outflows and month-end dollar demand from importers.

In a separate notification, RBI also said it has been decided that credit enhancement can be provided by eligible non-resident entities to the domestic debt raised through issue of INR bonds/ debentures by all borrowers eligible to raise ECB under the automatic route.

"It has also been decided to reduce the minimum average maturity of the underlying debt instruments from seven years to three years," it said.

Prepayment and call/put options, however, would not be permissible for such capital market instruments up to an average maturity period of three years, the RBI added.

As of now, credit enhancement is permitted to be provided by multilateral financial institutions, Government-owned development financial institutions, foreign equity holder(s) for domestic debt raised through issue of capital market instruments by Indian companies engaged in development of infrastructure and by IFCs.

(Economic Times)