RBI eases ECB norms for infra space

The individual limit of borrowing under the automatic route is $750 million

The Reserve Bank of India (RBI) on Wednesday allowed all companies engaged in the infrastructure sector to raise external commercial borrowings with a minimum maturity of five years, including those non-banking finance companies (NBFC) regulated by the central bank.

The borrowings have to be fully hedged, the central bank clarified in a notification on its website.

The individual limit of borrowing under the automatic route is $750 million.

NBFCs engaged in the infrastructure space were earlier allowed to raise ECB funding, but there were certain limitations. For example, NBFC-AFCs (asset finance companies) had to ask permission from RBI if they had to raise money beyond 75 per cent of their net owned funds.

Also, the total limit was capped at $200 million annually. By putting the NBFCs directly in the category of infrastructure, RBI has made it easier for these firms to raise additional resources of up to $750 million, provided they use the proceeds only for financing infrastructure, and not for their own use.

This will likely help companies like Srei and Shriram Finance that are engaged in lending to various infrastructure related sectors such as transport and equipment financing.

The central bank expanded the scope of ECB in view of prevailing external funding sources, "particularly for long-term lending and the critical needs of infrastructure sector of the country."

Expanding the scope of the definition of infrastructure, the apex bank said exploration, mining and refinery sectors would also be considered as part of the infrastructure sector.

While companies in the infrastructure space can utilise the proceeds for their own needs, NBFCs engaged in financing the sector should use the proceeds only for financing infrastructure.

Additionally, holding companies and core investment companies can use ECB proceeds only for onlending to infrastructure special purpose vehicles.

(Business Standard)

[External Commercial Borrowings ECB Revised framework](#)