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# External Commercial Borrowings Guidelines – An Overview

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# FEMA and ECB - Overview

- **FEMA 1999**

- Replaced the draconian Foreign Exchange Regulation Act 1973
- Appointed date 1 June 2000

- **Aims of FEMA**

- Facilitate external trade and payments
- Promotion of foreign exchange markets

- **FEMA Rules / Regulations**

- Rules notified by the Central Government
- Regulations notified by the RBI
- Consultation betn. Government and RBI

- **RBI website ([www.rbi.org.in](http://www.rbi.org.in))**

- A P (Dir Series) - issued from time to time
- Master Directions – updated now periodically
- FAQs

- Several powers /responsibilities delegated to the **AD / Banker by RBI** – their role / concurrence critical

- Every Transaction either Current (generally permissible unless prohibited) or Capital Account – (only if and as permitted)

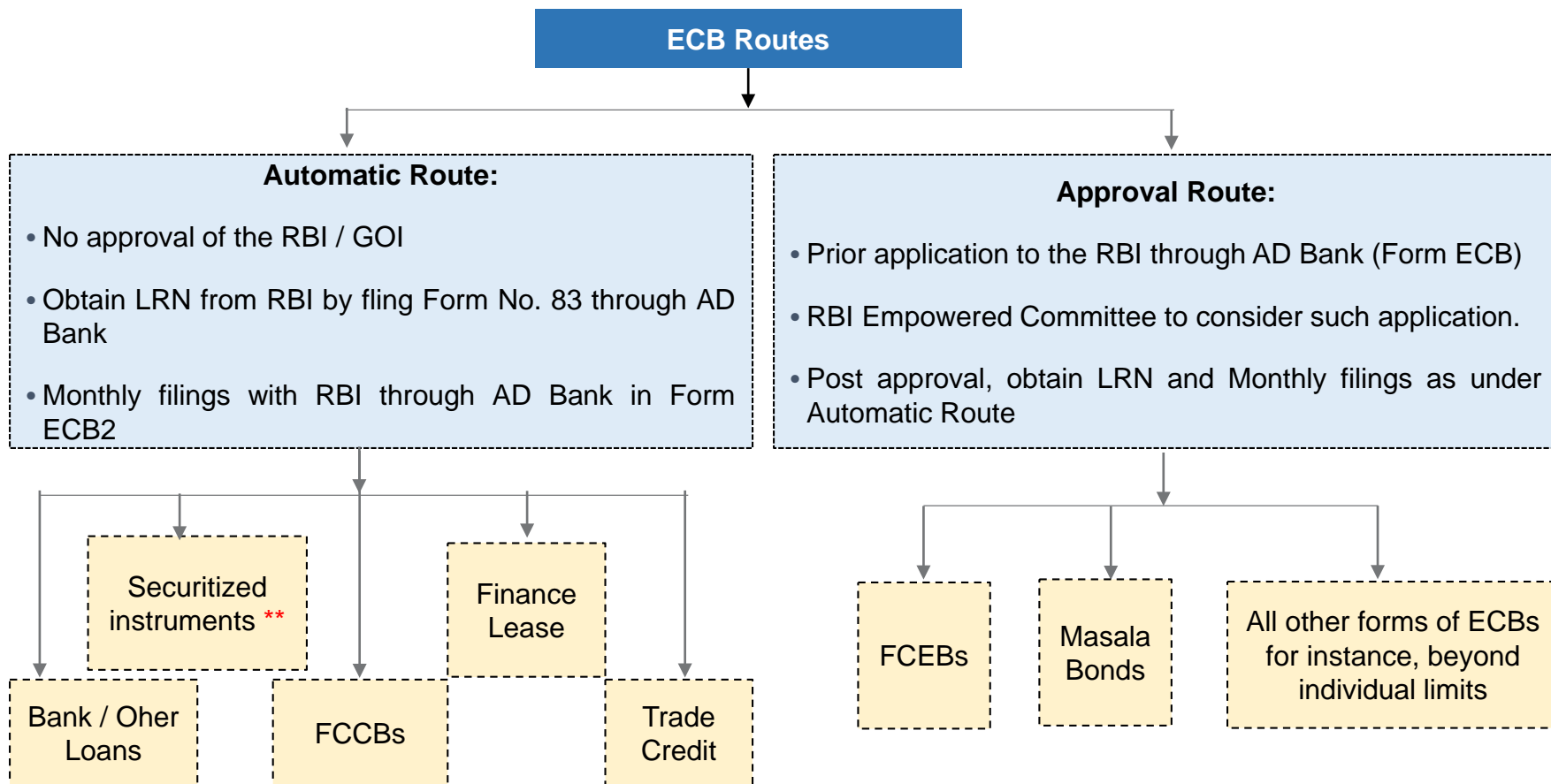
- **ECB is a Capital Account Transaction with following framework:**

- Section 6 of FEMA 1999
- Regulations notified by the RBI: FEMA 1, FEMA 3, FEMA 8, FEMA 120
- Notifications issued by RBI in consultation with the Government from time to time amending above
- A.P. DIR Circulars issued by RBI from time to time
- RBI Master Direction - No. 5/2015-16 dated 1 January 2016 (updated as on 9 June 2017)
- FAQs issued by RBI (updated as on 16 June 2017)
- Monthly ECB Data on RBI Website

***In view of complexities and voluminous content – Always refer, research, debate and then conclude...every time***

# ECB - Ambit and Routes

**ECB** = Commercial loans availed by eligible resident entities from recognized non-resident entities and should conform to parameters such as minimum maturity, permitted and non-permitted end uses, maximum all-in-cost ceiling etc.



**\*\* Securitized instruments (such as floating rate notes and fixed rate bonds, non-convertible, optionally convertible or partially convertible preference shares or debentures)**

# ECB - Key parameters

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# ECB – Eligible Borrowers

Track I	Track II	Track III
<ul style="list-style-type: none"> <li>• Companies in:               <ul style="list-style-type: none"> <li>▪ manufacturing</li> <li>▪ software development sectors **</li> <li>▪ shipping and airlines companies</li> </ul> </li> <li>• Small Industrial Development Bank of India (SIDBI)</li> <li>• Units in SEZ</li> <li>• Exim Bank</li> <li>• Companies in               <ul style="list-style-type: none"> <li>• infrastructure Sector (<i>Refer next slide for definition</i>)</li> <li>• NBFC – IFCs and NBFC – AFCs</li> <li>• Holding Companies and CIC of Infrastructure SPVs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• All Entities in Track I</li> <li>• REITs and INVITs regulated under SEBI</li> </ul>	<ul style="list-style-type: none"> <li>• All Entities in Track II</li> <li>• NBFCs – regulatory purview of RBI</li> <li>• NBFC - Micro Finance Institutions, NPO, Societies, trusts and co-operatives, NGO engaged in micro finance activity</li> <li>• Companies in miscellaneous services viz. R&amp;D, training (other than educational institute), companies supporting infrastructure, providing logistics services</li> <li>• Developers of SEZs / National Manufacturing and Investment Zone (NMIZs)</li> </ul>

**\*\* Definition of Software as per FEMA 23:** 'software' means any computer programme, database, drawing, design, audio/video signals, any information by whatever name called in or on any medium other than in or on any physical medium

Clarification as per RBI FAQs: : Companies who are into designing and engineering consultancy, servicing of third-party software, providing ancillary IT related services, ITeS, etc., are not considered.“

# Infrastructure Sector - Harmonized Master List

Category	Infrastructure sub-sectors	Category	Infrastructure sub-sectors
1. Transport	<ul style="list-style-type: none"> <li>• Roads and bridges</li> <li>• Ports</li> <li>• Shipyards</li> <li>• Inland Waterways</li> <li>• Airport</li> <li>• Railway Track, tunnels, viaducts, bridges<sup>3</sup></li> <li>• Urban Public Transport (except rolling stock in case of urban road transport)</li> </ul>	4. Communication	<ul style="list-style-type: none"> <li>• Telecommunication (fixed network)</li> <li>• Telecommunication towers</li> <li>• Telecommunication &amp; Telecom Services</li> </ul>
2. Energy	<ul style="list-style-type: none"> <li>• Electricity Generation</li> <li>• Electricity Transmission</li> <li>• Electricity Distribution</li> <li>• Oil pipelines</li> <li>• Oil/Gas/Liquefied Natural Gas (LNG) storage facility</li> <li>• Gas pipelines</li> </ul>	5. Social and Commercial Infrastructure	<ul style="list-style-type: none"> <li>• Education Institutions (capital stock)</li> <li>• Sports Infrastructure</li> <li>• Hospitals (capital stock)</li> <li>• <b>Three-star or higher category classified hotels located outside cities with population of more than 1 million</b></li> <li>• Common infrastructure for Industrial Parks and other parks with industrial activity such as food parks, textile parks, Special Economic Zones, tourism facilities and agriculture markets</li> <li>• Post-harvest storage infrastructure for agriculture and horticultural produce including cold storage</li> <li>• Terminal markets</li> <li>• Soil-testing laboratories</li> <li>• Cold Chain</li> <li>• <b>Affordable Housing (added on 30<sup>th</sup> March 2017)</b></li> </ul>
3. Water and Sanitation	<ul style="list-style-type: none"> <li>• Solid Waste Management</li> <li>• Water supply pipelines</li> <li>• Water treatment plants</li> <li>• Sewage collection, treatment and disposal system</li> <li>• Irrigation (dams, channels, embankments, etc.)</li> <li>• Storm Water Drainage System</li> <li>• Slurry Pipelines</li> </ul>		

# ECB – End-use for Track I

## Capital Expenditure

- Import of capital goods and payment towards import of services and know – how (part of capital goods)
- New Projects
- Modernization / expansion of existing units
- Local sourcing of capital goods
- Payment of capital goods already imported but unpaid
- Refinancing of existing trade credit for import of capital goods

## Special cases

- ODI in JVs/ WOS
- Acquisition of shares of PSU under disinvestment program
- Refinancing of existing ECB provided residual maturity is not reduced

## Special cases

- SIDBI: Only on-lending to borrowers in MSME sector
- Units of SEZs: For their own requirements
- Shipping and airlines companies: For import of vessels and aircrafts respectively
- **General corporate purpose (including working capital) provided ECB is raised from direct/indirect equity holder or group company for minimum average maturity of 5 years**
- NBFC-IFCs and NBFC-AFCs – only for financing infrastructure.
- Holding Companies and CIC – only for on-lending to infrastructure SPVs

## Approval Route:

- Import of second hand goods as per DGFT Guidelines
- On-lending by Exim bank



# ECB - End-use for Track II & III

Track II	Track III
<p>All purposes excluding:</p> <ul style="list-style-type: none"> <li>• Real estate activities</li> <li>• Investing in capital market</li> <li>• Using proceeds for equity investment domestically</li> <li>• On-lending to other entities with any of the above objectives</li> <li>• Purchase of land</li> </ul>	<ul style="list-style-type: none"> <li>• NBFCs:           <ul style="list-style-type: none"> <li>- On-lending to the infrastructure sector</li> <li>- Providing hypothecated loans to domestic entities for acquisition of capital goods / equipments</li> <li>- Providing capital goods/equipment to domestic entities by way of lease and hire-purchases</li> </ul> </li> <li>• Developers of SEZs/ National Manufacturing and Investment Zone (NMIZs): Providing infrastructure facilities within SEZ/NMIZ</li> <li>• NBFC MFI, MFI and NGOs registered as Company – can raise ECB for on-lending to self-help groups or for micro-credit or for bona fide micro finance activity including capacity building</li> <li>• For all other eligible entities, all purposes excluding :           <ul style="list-style-type: none"> <li>- Real estate activities</li> <li>- Investing in capital market</li> <li>- Using the proceeds for equity investment domestically</li> <li>- On-lending to other entities with any of the above objectives</li> <li>- Purchase of land.</li> </ul> </li> </ul>

# ECB – Recognized Lenders

Track I	Track II	Track III
<ul style="list-style-type: none"> <li>• International banks and International capital markets</li> <li>• Multilateral financial institutions/regional financial institutions and government owned financial institutions</li> <li>• Export credit agencies</li> <li>• Suppliers of equipment</li> <li>• Foreign equity holders*</li> <li>• Overseas long-term investors:               <ul style="list-style-type: none"> <li>▪ prudentially regulated financial entities</li> <li>▪ Pension funds</li> <li>▪ Insurance companies</li> <li>▪ Sovereign Wealth Funds</li> <li>▪ FIs located in International Financial Services Centers in India</li> </ul> </li> <li>• Overseas branches / subsidiaries of Indian banks</li> </ul>	<ul style="list-style-type: none"> <li>• All Entities in Track I (excluding overseas branches/subsidiaries of Indian banks)</li> </ul>	<ul style="list-style-type: none"> <li>• All Entities in Track I (excluding overseas branches/subsidiaries of Indian banks)</li> <li>• In case of NBFCs- MFI, other eligible MFI, NPO and NGO- ECB can be availed from overseas organisations and individuals (subject to conditions)</li> </ul>

*\*Foreign equity holder means*

*(a) Direct foreign equity holder of minimum 25% equity holding by the lender in the borrowing company*

*(b) Indirect equity holder with minimum 51%*

*(c) Group company with common overseas parent*

FATC Compliant jurisdictions, KYC and other conditions applicable as specified based on category of Recognized Lenders

# ECB – Minimum Average Maturity Period

## Track I (ECB in FCY over 3/5 years average maturity)

- Up to USD 50 million / or its equivalent – 3 years
- Beyond USD 50 million / or its equivalent – 5 years
- NBFC IFC / NBFC-AFC, Holding Company, CIC – 5 years
- FCCB / FCEB – 5 years

## Track II (ECB in FCY over 10 years average maturity)

- 10 years irrespective of the amount

## Track III (ECB in INR)

- Same as under [Track I](#)

## Calculation of Average Maturity- An Illustration

ABC LTD.

Loan Amount = USD 2 million

Date of drawal/ repayment (MM/DD/YYYY)	Drawal	Repayment	Balance	No. of Days** balance with the borrower	Product= (Col.4 * Col. 5)/ (Loan amount * 360)
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
05/11/2007	0.75		0.75	24	0.0250
06/05/2007	0.50		1.25	85	0.1476
08/31/2007	0.75		2.00	477	1.3250
12/27/2008		0.20	1.80	180	0.4500
06/27/2009		0.25	1.55	180	0.3875
12/27/2009		0.25	1.30	180	0.3250
06/27/2010		0.30	1.00	180	0.2500
12/27/2010		0.25	0.75	180	0.1875
06/27/2011		0.25	0.50	180	0.1250
12/27/2011		0.25	0.25	180	0.0625
06/27/2012		0.25	0.00		

**Average Maturity= 3.2851**

**years**

\*\* Calculated by = DAYS360 (firstdate, seconddate, 360)

# ECB - All-in-Cost ceilings

- **Components of All-in-cost ceilings**
  - Rate of Interest; Other fees and expenses, charges, guarantee fees whether in foreign currency or Indian Rupee (INR)
- **Specific Exclusions :**
  - Commitment fees, pre-payment fees / charges
  - Withholding Tax paid in Indian Rupees
- **Rate of penal interest should not be more than 2% of the all-in-cost of ECB**
- **Current ceilings (refer table)**

ECBs	Average Maturity Period and All-in-cost Ceilings over 6 month LIBOR*
<b>Track I</b>	Maturity: 3-5 years - 300 basis points per annum Maturity more than 5 years – 450 basis points per annum
<b>Track II</b>	Maximum: 500 basis points per annum Remaining conditions same as Track I
<b>Track III</b>	In line with market conditions <i>(RBI FAQs - The all-in-cost for Rupee denominated ECB should be comparable with rates at which such entities can raise Rupee loans in Indian market for similar term period)</i>

\*LIBOR or applicable benchmark for respective currency.

# ECB - Limits & Currency

Eligible entities can raise ECB up to following maximum limit under the automatic route

Sector	Maximum Amount per Financial Year
Companies in infrastructure and manufacturing sectors, NBFC-IFCs, NBFC – AFCs, Holding Companies and CIC	USD 750 Mn or its equivalent
Companies in Software development sector	USD 200 Mn or its equivalent
Entities engaged in micro finance activities	USD 100 Mn or its equivalent
Other entities	USD 500 Mn or its equivalent

Proposals beyond aforesaid limits – Approval Route

***ECB Liability : Equity Ratio : Automatic Route – 4:1 and Approval Route – 7:1***

- ***Not applicable if total of all ECBs raised by an entity is up to USD 5 million or equivalent and applicable only in case of direct equity holders***
- ***Equity includes – paid-up capital. Free reserves (including share premium received in foreign currency) as per latest audited balance sheet***

- Currency : ECB can be raised in any freely convertible foreign currency as well as in Indian Rupees.
- Change of currency of ECB from one convertible foreign currency to any other convertible foreign currency as well as to INR is freely permitted (at an exchange rate prevailing on the date of agreement or less than prevailing rate).
- Change of currency from INR to any foreign currency is, however, not permitted.

# ECB - Security / Creation of charge

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## **Security for Raising ECB**

- AD Banks are permitted to allow creation of charge on i) immovable assets, ii) movable assets, iii) financial securities and iv) issue of corporate and/ or personal guarantees in favour of overseas lender / security trustee, to secure the ECB to be raised / raised by the borrower subject to certain conditions.

## **Creation of Charge on Immovable Property**

- Security shall be subject to (Acquisition and Transfer of Immovable Property in India) Regulation 2000;
- Permission should not be construed as permission to acquire immovable property by overseas lender/security trustee;
- In case of enforcement / invocation, property should be sold to Person Resident in India and proceeds shall be repatriated to liquidate the outstanding ECB

## **Creation of Charge on Movable Property**

- In case of enforcement/invocation of charge, the claim of the lender will be restricted to outstanding claim against ECB.

## **Creation of Charges over Financial securities**

- Pledge of shares of the borrowing company held by the promoters as well as domestic companies of the borrower is permitted.
- Pledge on other financial securities, viz. bonds and debentures, Government securities, Government Saving Certificates, deposit receipts of securities and units of the Unit Trust of India or of any mutual funds

# ECB - Guarantee, etc.

Issue of Corporate and Personal Guarantee - Possible subject to below conditions / documents:	Issuance of Guarantee, etc. by Indian Banks and Financial Institutions
<ul style="list-style-type: none"> <li>• A copy of Board Resolution with details specified.</li> <li>• Specific requests from individuals to issue personal guarantee indicating details of the ECB should be obtained.</li> <li>• Subject to Foreign Exchange Management (Guarantees) Regulations, 2000.</li> <li>• ECB can be credit enhanced / guaranteed / insured by overseas party/ parties only if it/ they fulfil/s the criteria of recognised lender under extant ECB guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Issuance of Guarantee, Letter of credit, letter of undertaking or letter of comfort by Indian banks, All India Financial Institutions and NBFCs (financial intermediaries) relating to ECB is not permitted.</li> <li>• Indian financial intermediaries cannot invest in FCCBs in any manner.</li> </ul>

## Non-resident guarantee for domestic fund based and non-fund based facilities:

- The non-resident guarantor may discharge the liability by i) payment out of rupee balance held in India or ii) by remitting the funds to India or iii) by debit to FCNR(B) / NRE account
- Non-resident guarantor may enforce his claim against resident borrower to recover the amount and on recovery amount can be repatriated subject to certain conditions
- General permission is available to resident to make payment to non-resident who has met the liability under a guarantee

# ECB – Mandatory Hedging Requirements

## Framework

- Companies in infrastructure sector, NBFC – IFCs and NBFC – AFCs and Holding Companies and CIC of Infrastructure SPVs
  - Board approved risk management policy and to keep their ECB exposure hedged 100 per cent at all times.
  - AD Bank to verify that 100 per cent hedging requirement is complied with during the currency of ECB and report the position to RBI through ECB 2 returns.
- Other entities raising ECB under the under Track I and II to follow the guidelines for hedging issued, if any, by the concerned sectoral or prudential regulator in respect of foreign currency exposure.

## Operational aspects

- **Coverage:** Borrower to cover principal as well as coupon through financial hedges. The financial hedge for all exposures on account of ECB to start from the time of each such exposure (i.e. the day liability is created in the books of the borrower).
- **Tenor and rollover:** A minimum tenor of one year of financial hedge with periodic rollover duly ensuring that the exposure on account of ECB is not unhedged at any point during the currency of ECB.
- **Natural Hedge:** Natural hedge to be considered under certain situations subject to terms and conditions.



# ECB - Parking & Conversion into Equity

- **Parking of ECB Proceeds:** Permitted to be parked abroad as well as domestically as below:
  - **Parking of ECB proceeds abroad:** ECB proceeds meant only for foreign currency expenditure can be parked abroad pending utilization. Till utilization, these funds can be invested in certain specified liquid assets.
  - **Parking of ECB proceeds domestically :** ECB proceeds meant for Rupee expenditure should be repatriated immediately for credit to their Rupee accounts with AD Category I banks in India. Also, allowed to park ECB proceeds in term deposits (unencumbered position) with AD Category I banks for a maximum maturity of 12 months and *it cannot be extended beyond this period.*
- **Conversion of ECB into equity including those which are matured but unpaid:**
  - Activity of borrowing company covered under the automatic route of FDI Policy or prior approval is obtained from concerned authority, wherever applicable, for foreign equity participation;
  - The conversion, which should be with the lender's consent and without any additional cost, and should not result in breach of applicable sector cap on foreign equity holding;
  - Applicable pricing guidelines for shares are complied with = FV on date of conversion
  - Reporting requirement and other conditions as prescribed to be fulfilled
  - Exchange rate prevailing on date of agreement or any lesser rate can be applied with mutual consent of parties.

# FCCBs / FCEBs

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- **Foreign Currency Convertible Bonds (FCCBs)** – shall conform to the FDI guidelines including sectoral cap. In addition to the requirements of (i) minimum maturity of 5 years, (ii) the call & put option, if any, shall not be exercisable prior to 5 years, (iii) issuance without any warrants attached, (iv) the issue related expenses not exceeding 4 per cent of issue size and in case of private placement, not exceeding 2 per cent of the issue size, etc. as required in terms of provisions contained in related Regulations
- **Foreign Currency Exchangeable Bonds (FCEBs)** – can be issued only under the approval route and shall have minimum maturity of 5 years. The bonds are exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments. Issuance of FCEBs shall conform to the provisions contained in the related Regulation.

# ECB - Reporting & other requirements

Any draw-down in respect of ECB as well as payment of any fee / charges for ECB should happen only after obtaining LRN from RBI.

Borrower is required to submit Form 83 in duplicate with AD Bank. AD Bank will forward one copy to the Director, Balance of payments statistics division, Department of Statistics and Information Management, RBI.

In case of change in terms and conditions of ECB – revised Form 83 should be submitted with DSIM within 7 days of such changes

Borrower to submit Form ECB2 on monthly basis with AD Bank so as to reach to DSIM within 7 days from the close of the month.

Reporting on Conversion of ECB into equity :

- Partial Conversion – Converted portion to be reported to FED of RBI in Form FC-GPR and appropriately reported in monthly Form ECB2 – “ECB Partially converted into Equity”
- Full Conversion – Entire portion to be reported to FED of RBI in Form FC-GPR and appropriately reported in monthly Form ECB2 – “ECB fully converted into Equity”
- For conversion of ECB into equity in phases, reporting through ECB 2 Return will also be in phases.

# ECB – Powers delegated to AD Banks *(Only for ECB and not FCGB / FCBE)*

- Change / Modification in Drawdown / Repayment Schedule
- Change in Currency of Borrowing
- Change in AD Bank *(subject to no objection certificate from earlier AD Bank)*
- Change in name of borrower Company
- Transfer of ECB *(on re-organization at the borrower level)*
- Change in Recognized Lender
- Change in name of Lender
- Prepayment of ECB *(provided MAM is maintained)*
- Cancellation of LRN *(only in case of no draw-down)*

- Change in end-use of ECB
- Reduction in amount of ECB
- Change in all-in-cost
- Refinancing of existing ECB

*(permitted provided the fresh ECB is raised at a lower all-in-cost and residual maturity is not reduced. Indian Banks are not permitted to participate in refinancing of existing ECB)*

- Extension of matured but unpaid ECB

*(subject to the consent of lender, without involvement of additional cost and fulfilment of reporting requirements)*

While permitting changes, AD Bank should ensure –

- Revised average maturity / all-in-cost are in conformity with applicable guidelines
- ECB continues to be in compliance with applicable guidelines
- Changes to be communicated in Form 83 - 7 days of the changes being effected.

# ECB - Start-ups

<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• An entity recognized as a Startup by the Central Government as on date of raising ECB eligible to raise ECB</li> </ul>
<b>Average Maturity &amp; All-in-costs</b>	<ul style="list-style-type: none"> <li>• Amount - Limited to USD 3 Mn or equivalent per FY either in INR or convertible fx or combination of both.</li> <li>• Maturity - Minimum average maturity period of 3 years</li> <li>• All-in-cost - Mutually agreed between the borrower and lender</li> </ul>
<b>Recognized Lender</b>	<ul style="list-style-type: none"> <li>• Resident of a country who is member of FATF or FATF-Style Regional Bodies and not from a country identified in the public statement of the FATF</li> <li>• Not permissible - Overseas branches/subsidiaries of Indian banks and overseas WOS / JV of an Indian company</li> </ul>
<b>Form and End-use</b>	<ul style="list-style-type: none"> <li>• Form - Loans or non-convertible or optionally convertible or partially convertible preference shares.</li> <li>• End Use - For any expenditure in connection with the business of borrower</li> </ul>
<b>Currency and conversion</b>	<ul style="list-style-type: none"> <li>• Denominated in any freely convertible currency or in Indian Rupees (INR) or a combination thereof</li> <li>• Conversion of ECB into equity is freely permitted</li> </ul>
<b>Security and Guarantee</b>	<ul style="list-style-type: none"> <li>• Security = movable, immovable, intangible assets (including patents, IPRs), financial securities, etc.</li> <li>• Issuance of corporate or personal guarantee is allowed</li> </ul>

# Rupee Denominated / Masala Bonds



## RBI Circular of June 17 – Revised Framework for issuance of Rupee denominated bonds overseas :

<b>Meaning</b>	Plain vanilla bonds issued by an eligible Indian entity in foreign markets and the interest payments and principal reimbursements are denominated (expressed) in rupees.	
<b>Eligible Borrower</b>	Any corporate or body corporate including REITs and INVITs including Indian Banks subject to certain conditions	
<b>Form of Borrowing</b>	Eligible resident entities allowed to issue only plain vanilla Rupee denominated bonds issued overseas in a Financial Action Task Force (FATF) compliant financial centres.	
<b>Available routes and limits</b>	Any proposal for issuance of these bonds will be examined at FED, Central Office, Mumbai and such request should be forwarded through AD bank only <b>(Approval Route only)</b>	
<b>Minimum Maturity</b>	Upto USD 50 million per FY - 3 years <b>and above USD 50 million per FY – 5 years</b>	
<b>All-in-cost ceiling</b>	<b>300 basis point over the prevailing yield of the GoI securities of corresponding maturity</b>	
<b>Recognised Investors</b>	Can only be Issued in country and only to resident of country who is member of FATF or member of a FATF-Style Region Bond AND whose securities market regulator is a signatory to International Organisation of Securities Commission’s Multilateral Memorandum of Understanding. <b>The investor should not be related party as per IND AS 24</b>	
<b>End-use Prescriptions</b>	<p>All purposes except:</p> <ul style="list-style-type: none"> <li>• Real estate activities other than development of integrated township / affordable housing project</li> <li>• Activities prohibited as per the foreign direct investment guidelines</li> <li>• Purchase of Land</li> </ul>	<ul style="list-style-type: none"> <li>• Investing in capital market and using the proceeds for equity investment domestically</li> <li>• On-lending to other entities for any of the above purposes</li> </ul>

# Trade Credits

- **Trade Credit** - Credits for imports extended directly by the overseas supplier, bank and financial institution for a maturity period upto 5 years. Trade credit includes Suppliers credit and Buyers credit (Bey
- **Routes for raising Trade Credit:**
  - Automatic route- AD is permitted to approve TC for import of capital and non-capital goods upto USD 20 million
  - Approval route- Proposals involving TC beyond USD 20 million will be considered by RBI.

- **Maturity Prescription**

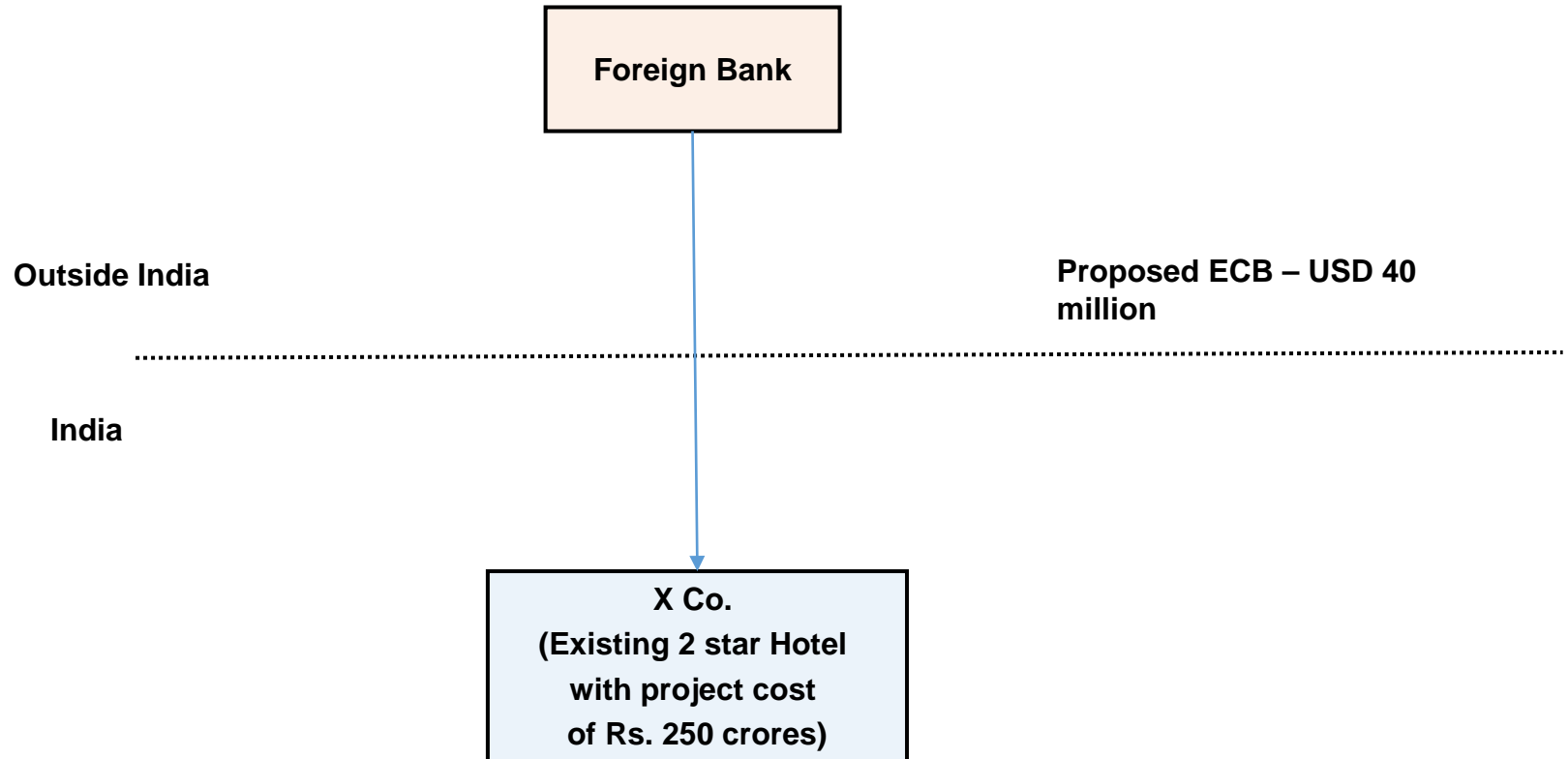
Type of Import	Maturity Period
Import of Non-capital goods	Up to 1 year from the date of shipment or operating cycle whichever is less
Import of capital goods	Up to 5 years from date of shipment with ab-initio period of 6 months

- **All in cost for Trade Credits**

- 350 basis points + 6 months LIBOR
  - All in cost includes arranger fee, upfront fee, management fee, handling/processing charges, OPEs and legal expenses
  - AD Banks permitted to issue Guarantee/ Letter of undertaking / Letters of Comfort in favour of overseas supplier, bank or financial institution upto USD 20 million for 1 year for non-capital goods and for 3 years for capital goods
- **Reporting**- Monthly reporting in Form TC by AD Category 1 Banks (not later than 10<sup>th</sup> of the following month) / Quarterly reporting – Issuance of Guarantees / LOU / LOC

# Case Study 1

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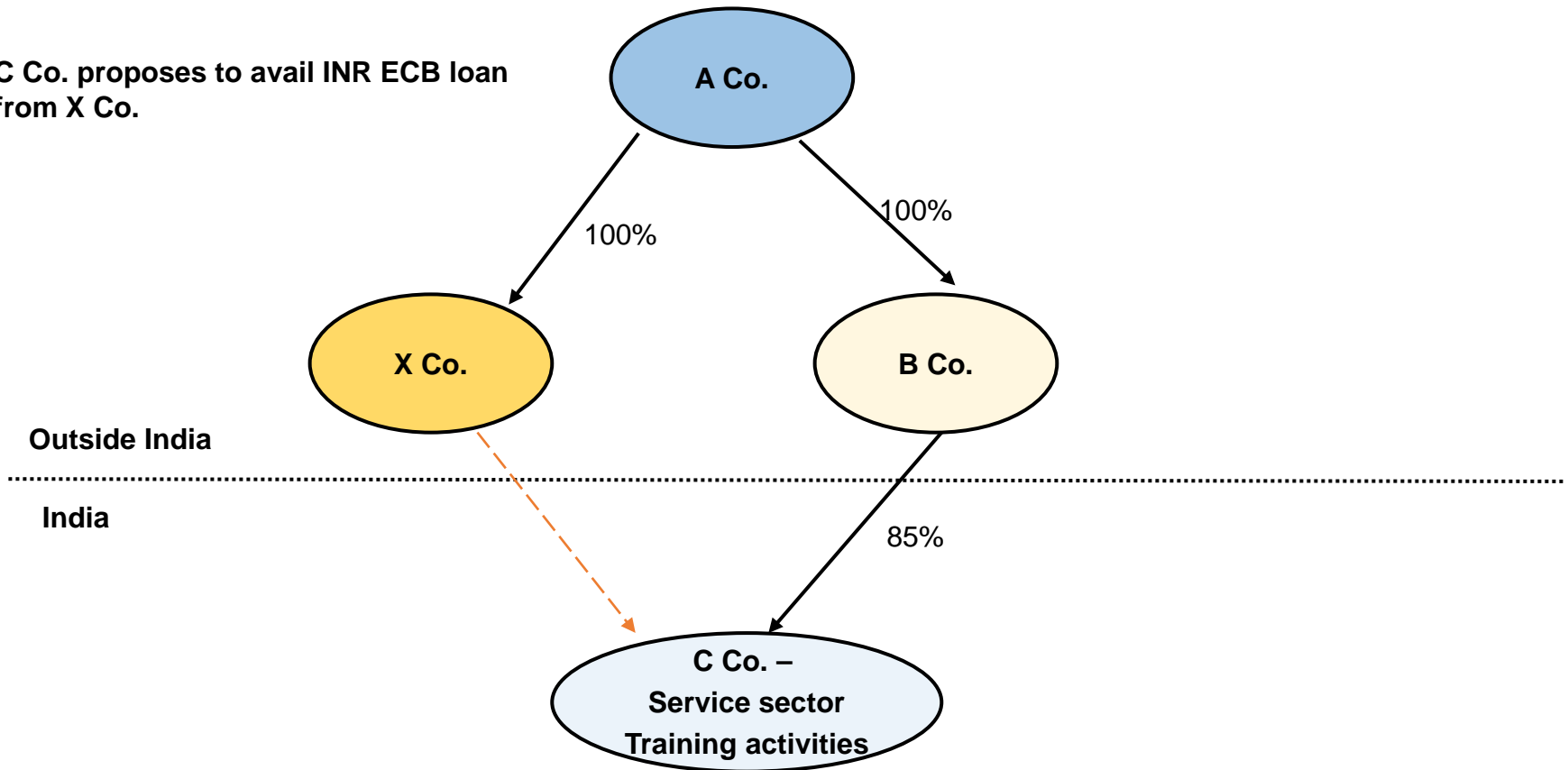


**Under which track the above transaction will Fall?**



# Case Study 2

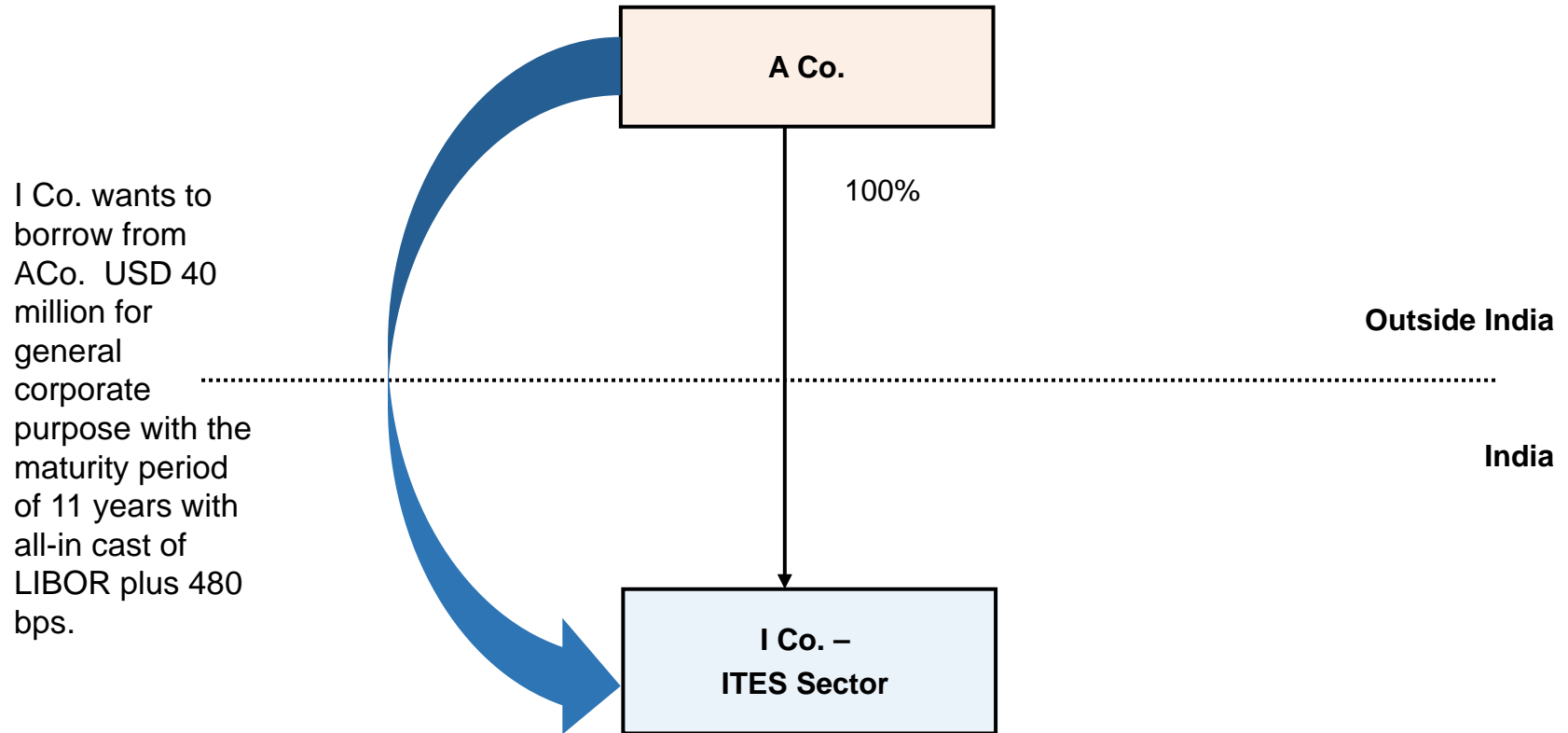
C Co. proposes to avail INR ECB loan from X Co.



Whether C Co. avail INR ECB Loan from X Co. ?

# Case Study 3

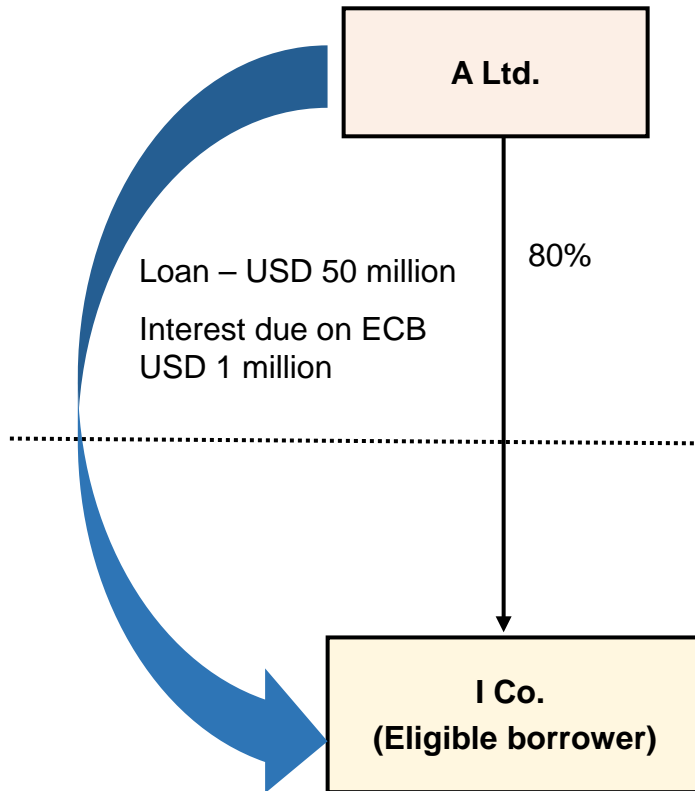
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**Whether the above transaction is permissible?**

**If yes, under which track?**

# Case Study 4



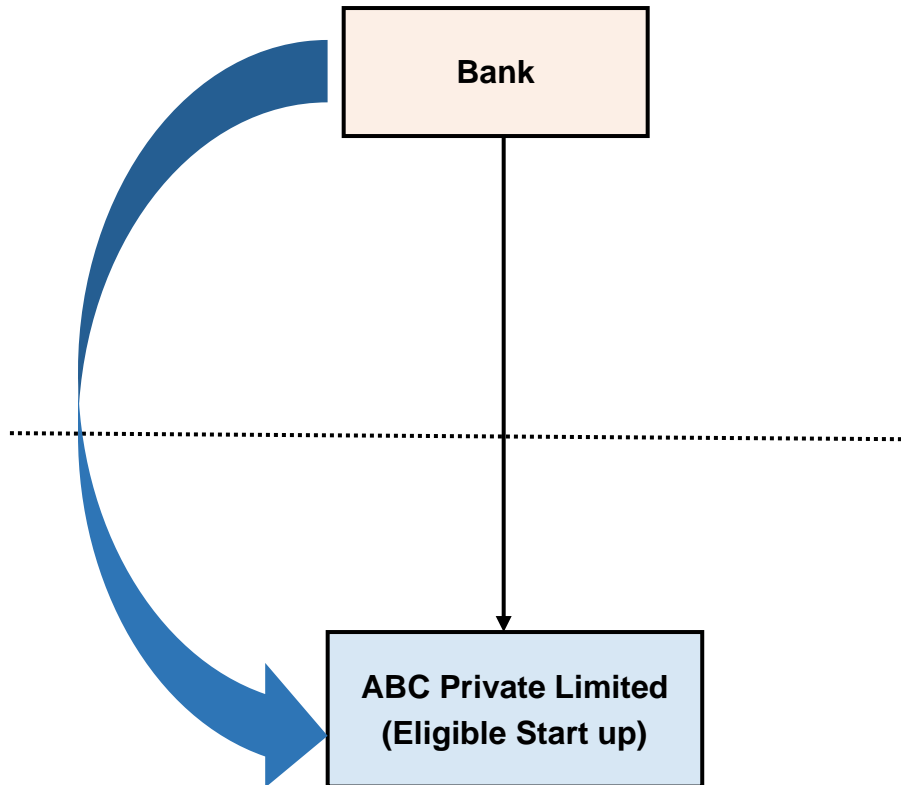
- I Co. is eligible Borrower as per the ECB Guidelines
- A Ltd is eligible lender as per ECB Guidelines
- A limited wants to convert the loan along with interest into equity

**Whether Conversion is permissible?**

**If I Co. wants to write off the interest amount, is it permissible?**

# Case Study 5

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- **ABC Private Limited (recognized as Startup by Central Government) wants to borrow USD 2 million from foreign bank. The Equity of ABC Limited is USD 0.25 million**
- **What is the ECB Liability and Equity ratio?**

**Whether the above transaction is permissible?**

# Q&A

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**Questions**

**&**



**Answers**

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**THANK YOU ALL FOR YOUR ATTENTION !**

**CA Shabbir Motorwala**

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