GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA
STARRED QUESTION NO. *168
TO BE ANSWERED ON FRIDAY, DECEMBER 21, 2018 / AGRAHAYANA 30, 1940 (SAKA)

EXTERNAL COMMERCIAL BOROWINGS

***168: Shri. J.J.T. NATTERJEE**

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has recently liberalized norms governing External Commercial Borrowings (ECBs) for infrastructure creation;

(b) if so, the details thereof;

(c) whether the move comes amid concerns surrounding availability of funds following liquidity squeeze and the difficulties being faced by non-bank lenders, especially those facing asset liability issues due to heavy reliance on short-term funding for long-term assets; and

(d) if so, the details thereof?

ANSWER

MINISTER OF FINANCE
(SHRI ARUN JAITLEY)

(a) to (d): A statement is laid on the Table of the House.

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STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *168 RAISED BY SHRI. J.J.T. NATTERJEE, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 21.12.2018 REGARDING "EXTERNAL COMMERCIAL BORROWINGS".

(a) & (b): Yes Madam. Reserve Bank of India (RBI), in consultation with Government of India (GoI), has liberalised External Commercial Borrowing (ECB) norms for infrastructure sector. The specific measures taken are:-

(i) The minimum average maturity requirement for ECB raised by companies in infrastructure sector has been reduced from 5 years to 3 years irrespective of the amount of borrowing.

(ii) The minimum average maturity requirement has been reduced from extant 10 years to 5 years for mandatory hedging provision applicable to ECB raised by eligible corporates from infrastructure sector.

(iii) For the ECB raised with minimum average maturity period of 3 to 5 years for infrastructure, it has been stipulated that, the corporates will have to meet 70% mandatory hedging requirement instead of earlier 100%.

(c) and (d): No Madam. Liberalisation of ECB norms for infrastructure is not related to concerns surrounding availability of funds following liquidity squeeze experienced since September and consequential difficulties faced by many non-bank lenders.

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