

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA

QUESTION NO. 3270

TO BE ANSWERED ON MONDAY 09, August 2021/Sravana 18, 1943 (Saka)

Compliance of ECB Liability-Equity Ratio

3270: SHRIMATI JYOTSNA CHARANDAS MAHANT, MP

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has taken any step to confirm the compliance of External Commercial Borrowings (ECB) liability -equity ratio which cannot exceed 7:1 for ECB raised under the automatic route from direct equity holder in case of FCY denominated ECB by all eligible borrowers during the whole tenure of ECB;

(b) if so, the details thereof;

(c) whether any qualified member of ICAI, ICSI or ICMA is required to issue certificate to confirm the compliance of ECB liability - equity ratio which cannot exceed 7:1 for ECB raised under the automatic route from direct equity holder in case of FCY denominated ECB by all eligible borrowers during the whole tenure of ECB;

(d) if so, details thereof; and

(e) if not, whether it is proposed to obtain any such certificate and if so, the details thereof?

ANSWER

MINISTER OF STATE FOR FINANCE
(SHRI. PANKAJ CHAUDHARY)

(a) & (b) The Reserve Bank of India's (RBI) Master Direction on External Commercial Borrowings (ECB), Trade Credits and Structured Obligations dated 26th March, 2019, as updated from time to time, is the extant framework governing ECB. In terms of this framework, eligible borrowers availing ECB and Authorised Dealer

(AD) Banks are required to ensure adherence to all applicable guidelines, including the guideline pertaining to liability-equity ratio, as specified in the Master Direction.

(c) , (d) & (e) As per the extant framework, borrowers are required to submit duly certified 'Form ECB' for any draw down in respect of ECB. This Form specifies the requirement of certification by Company Secretary or Chartered Accountant for various parameters which inter-alia includes compliance to the ECB liability - equity ratio.
