

Corpsec Hotline

February 24, 2004

EXTERNAL COMMERCIAL BORROWINGS (ECB) FOR OVERSEAS DIRECT INVESTMENT/MERGERS AND ACQUISITIONS

In continuance of the liberalization trend set by the Reserve Bank of India (RBI) and the Government, the RBI has liberalized the ECB norms once again, in order to facilitate Indian Companies to borrow monies for the acquisition of companies outside India.

Circular No. 75 issued by the RBI, will enable the Indian companies to become global players by facilitating their overseas direct investment. This is envisaged to be done by broadening the permitted end-use for ECB to include overseas direct investment in Joint Ventures (JV) / Wholly Owned Subsidiaries (WOS). This would facilitate Indian companies to undertake fresh investment or expansion of existing JV/WOS including mergers and acquisitions abroad by harnessing resources at globally competitive rates.

This liberalization has come as a further boost to the corporate sector in India, which has already gone into ECB overdrive in the past couple of months.

Circular that the ADs will have to comply with.

Source: RBI Circular No. 7 dated February 23, 2004

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