



Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs – AFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077 (India)

Tel: 022 21027324/9820035553 • E-mail:maheshthakkar45@yahoo.inwebsite: www.fidcindia.org

April 04, 2016

Mr. Shekhar Bhatnagar
Chief General Manager In-Charge
Foreign Exchange Department
Reserve Bank of India
11th Floor, Central Office Building
Sahid Bhagat Singh Road
Mumbai 400001

Dear Sir,

**RE: External Commercial Borrowings (ECBs) – Revised Framework vide Circular dt.
March 30, 2016**

Finance Industry Development Council (FIDC) is a Self-Regulatory Organization (SRO) cum Representative Body of the NBFCs, registered with the Reserve Bank of India and engaged in Asset Financing. FIDC was formed 11 years ago, and is the recognized face of NBFCs, specially, those engaged in asset financing. We have been engaged in regular interactions both with Reserve Bank of India and Govt. of India, which include pre-budget meetings and also important policy related meetings with RBI. Almost all the leading NBFCs and a large number of small and medium sized NBFCs are our members.

At the outset, we would like to convey our sincere thanks to you for the changes made in the ECB framework vide circular A.P. (DIR Series) Circular No. 56 dated March 30, 2016 by allowing Infrastructure Financing NBFCs (NBFC-IFCs) and Asset Financing NBFCs (NBFC-AFCs) to raise ECB under Track 1 of the framework . This shall enable these companies to overcome the impediment created by the earlier circular dated November 30, 2015, as the currency risk shall now be borne by the borrowing NBFC and not by the foreign lender. Further, treating “Exploration, Mining and Refinery” sector as deemed infrastructure sector, shall rectify and plug the gap created earlier. This shall enable the companies in these sectors and NBFCs lending to these companies, to raise ECBs at par with the other sectors included in the harmonised list of infrastructure sector.

Request for Clarification on the End Use

Para 2 iii of the above said circular dated circular dated March 30, 2016 states, “NBFC-IFCs and NBFC-AFCs will however, be allowed to raise ECB only for financing infrastructure”. In this regard we would like to state the following:-

1. The principal business of NBFC-AFCs, as defined under the RBI norms, is financing of physical assets supporting productive/economic activity which include earthmoving and material handling equipment.
2. The genesis of allowing NBFC-AFCs to raise ECBs under the automatic route (vide RBI circular dated July 08, 2013) was to ensure that the end use of funds raised through ECBs is towards financing of physical assets as mentioned in para 1 above.

FIDC

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We hereby request you to kindly clarify whether the funds raised by NBFC-AFCs through ECB under Track 1, can be used for financing “equipment” used in the infrastructure sector, in order to meet the criteria as prescribed under para 2 iii of the above said circular dated March 30, 2016.

We hope to receive a favourable reply from your end.

Assuring you of our full cooperation always and thanking you in anticipation

Yours faithfully,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

MAHESH THAKKAR

Director General

cc: Shri C.D. Srinivasan
Chief General Manager
Department of Non-Banking Regulation
Reserve Bank of India