November 2025

Proposed revamp of the External Commercial Borrowings guidelines

The Reserve Bank of India ("**RBI**") has released draft amendments to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 ("**Draft ECB Amendment Regulations**"). The Draft ECB Amendment Regulations propose to make deep structural reforms and overhaul and revamp External Commercial Borrowings ("**ECB**") framework.

Some of the key changes proposed to the ECB framework under the Draft ECB Amendment Regulations are as follows:

Key changes

Eligible borrowers

Current position

In the last round of liberalisation, the RBI had substantially expanded the criteria of eligible borrowers permitted to avail ECBs to include any entity eligible to receive Foreign Direct Investment ("**FDI**").

Proposal

The RBI intends to further expand the list to include persons resident in India (other than an individual) incorporated, established or registered under the Central or State Act and subject to being permitted to borrow in term of applicable laws.

Implication

Entities which are incorporated in India (irrespective of the sector in which it operates and whether FDI is permitted in that entity) will be allowed to raise an ECB. This will now include limited liability partnerships who were earlier not permitted to borrow ECBs.

Recognised lenders

Current position

A lender (other than for certain specified categories) should be from a Financial Action Task Force ("**FATF**") or International Organisation of Securities Commissions ("**IOSCO**"), compliant jurisdiction.

Proposal

The Draft ECB Amendment Regulations propose to remove the requirement that an ECB lender should be from a FATF or IOSCO compliant jurisdiction.

Any person resident outside India/branch outside India or in the International Financial Services Centre ("**IFSC**") of an entity whose lending business is regulated by the RBI, can lend an ECB.

Implication

All foreign residents will be able to extend ECBs irrespective of their jurisdiction being FATF or IOSCO compliant. Further, offshore and IFSC branches of Indian banks will also be able to extend Indian Rupees ("**INR**") ECBs.

Based on the Draft ECB Amendment Regulations, treasury centres of corporates (which are not regulated by RBI) may not be permitted to extend ECBs to their parent entity in India, which may need to be revisited at the time of finalisation of this regulation.

Borrowing limits

Current Position

Borrowers can raise ECB up to USD 750,000,000 (US Dollars seven hundred and fifty million) in a financial year under the automatic route. Borrowing entities are also required to comply with the debt equity ratio imposed by any sectoral or prudential regulator.

Proposal

The borrowing limit is now proposed to be enhanced to the higher of: (a) USD 1,000,000,000 (US Dollars one billion) will be permitted for all borrowers that are not regulated by financial sector regulators; or (b) total outstanding borrowing (both external and domestic) up to 300% of net worth as per the last audited balance sheet.

No limit will apply to borrowers that are regulated by financial sector regulators (RBI, Securities and Exchange Board of India etc.). However, they will need to comply with the limits imposed by such financial sector regulators.

Implication

Entities with a high networth will be able to borrow a higher amount of ECBs without prior approval of the RBI. Earlier such frequent borrowers who were breaching the earlier annual cap for ECBs were going under the RBI approval route. Further, non-banking financial companies and other entities regulated by financial service regulators will be able to borrow without a cap under the ECB guidelines. It should be clarified whether the term 'outstanding borrowings' would include undrawn sanction limits or only the amounts that are drawn will be calculated within this limit.

Ceiling on cost of borrowing

Current position

Currently an all-in-cost ceiling of 500 (five hundred) Basis Points ("**bps**") over the benchmark for Foreign Currency ("**FCY**") ECB and 450 (four hundred and fifty) bps spread over the benchmark applies for INR ECB. Additionally, prepayment charge and penal interest can be up to an additional 2%.

Proposal

The cost of borrowing is proposed to be in line with market conditions, subject to satisfaction of the Authorised Dealer Bank ("**AD Banks**").

For ECBs with an average maturity period of less than 3 (three) years, the cost of borrowing is proposed to be additionally linked with cost ceiling specified for Trade Credits ("**TCs**") (i.e. benchmark rate plus 300 (three hundred) bps for FCY TCs and benchmark rate plus 250 (two hundred and fifty) bps for INR TCs). In the case of fixed rate loans, the swap cost plus spread should not be more than the ceiling.

Additionally, the ceiling of 2% on penal or default interest and prepayment penalty is proposed to be linked with prevailing market conditions as well.

Implication

This may increase the volume of ECBs and result in high-yield ECBs.

However, providing AD Banks with the discretion to determine the prevailing market rate may cause uncertainty and lead to varying practice by various AD Banks. RBI should consider setting out an objective criterion to what will constitute 'prevailing market rate' which may be overseen by AD Banks.

Minimum average maturity

Current position

The minimum average maturity of an ECB was determined basis its end-use.

Proposal

The minimum average maturity is now proposed to be 3 (three) years, irrespective of the end-use, other than for borrowers in the manufacturing sector for an ECB upto USD 50,000,000 (US Dollars fifty million) which may be between 1 (one) to 3 (three) years.

Further, the minimum Average Maturity Period ("**MAMP**") requirements will not need to be met if:

1. ECB is converted into a non-debt instrument;
2. ECB is repaid from proceeds of issue of non-debt instruments (on a repatriation basis) received after the drawdown of the ECB;
3. waiver of the debt by a lender; or
4. closure, merger, acquisition, resolution or liquidation of the lender or borrower.

The restriction on foreign branches or subsidiaries of Indian banks lending for certain end-uses (such as general corporate, working capital and repayment of INR debt) also appears to have been removed.

Implication

This will help borrowers to avail themselves of ECBs for varied end uses. Long term capital of 7 and 10 year maturities was scarce in the ECB market and with the liberalised position, the borrowers will have access to capital for larger pool of end uses.

No MAMP requirement for repayment of ECBs through raising of foreign equity will help structuring financing transactions effectively. RBI should consider expressly clarifying non-applicability of MAMP in case of payment under a corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 and a payment event of default under the loan document to provide better clarity to the ECB lenders.

End-use

Current position

ECB cannot be used for a specified negative list of end-uses. This included investment in equity shares not being permitted. In the real estate sector, ECB cannot be used other than for development of industrial parks/integrated townships/ Special Economic Zone ("**SEZ**") purchase / long term leasing of industrial land as part of new project / modernisation or expansion of existing units or any activity under 'infrastructure subsectors'. Further, ECB cannot be used for acquisition financing.

Proposal

The proposed amendments are now liberalising the end use by permitting real estate activities permitted for FDI along with purchase/long term leasing of industrial land as part of a new project/modernisation or expansion of a existing units. Additionally, in a significant reform, transacting in listed or unlisted securities from the proceeds of an ECB is now proposed to be permitted.

Implication

Aligning ECB end use with the FDI regulations for real estate sector will allow for additional sources of funding. ECB will be permitted to be utilised towards development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships, as well as in connection with leasing of properties. This will also permit foreign shareholders to provide ECBs to entities in real estate sector.

Further, ECB will also be permitted to be utilised for acquisition of shares of an Indian company. These are significant changes which may result in ECBs being one of the avenues for acquisition finance and real estate finance, which constitute a high share of the private credit deals in India. As on-lending can only be to an eligible borrower, it appears that NBFCs will not be able to use ECBs for providing loans to individuals borrowers.

Refinancing

Current position

ECBs can be refinanced subject to satisfaction of certain conditions. Indian banks are not permitted to refinance ECBs other than for highly rated borrowers or for Maharatna/Navratna public sector undertakings.

Proposal

Indian banks will be permitted to participate in refinancings for all borrowers.

Implication

This will provide level playing field to offshore branches of Indian banks in refinancing deals. RBI should also consider extending this to ECBs which were availed under the current regime and provide that the average maturity of the ECB being refinanced should be assumed to be 3 (three) years. This will help migrate long term ECBs from the existing regime to new regime.

Detailed comparison

A more detailed comparison is annexed hereto.

Conclusion

The proposed reforms mark a seismic shift in how Indian companies can avail of global debt capital. Borrowers will now be able to raise external debt for a wide range of purposes with a minimum maturity of 3 (three) years. The move opens the ECB market to a far larger pool of international lenders and investors, moving beyond the traditional reliance on banks and development finance institution. Unlike the Foreign Portfolio Investment route for INR bonds, overseas lenders under ECB don't need Indian registration or any specific approval to participate.

Private credit stands to benefit from these changes and can now participate through the ECB route. It has been, and will continue to be a key source of financing for Indian borrowers, offering not only an additional pool of capital but also greater structuring flexibility and execution agility.

Annexure

Provisions	Extant ECB Framework	Draft ECB Amendment Regulations and Observations (if any)
Eligible Borrowers	Under the current regime, the following entities are allowed to raise ECBs: 1. all entities eligible to receive FDI; 2. Port Trusts, Units in SEZ, SIDBI and EXIM Bank of India; and 3. additionally, INR denominated ECB can be raised by registered entities engaged in micro-finance activities, viz., registered Not for Profit companies, registered societies/ trusts/ cooperatives and Non-Government Organisations.	Under the proposed eligibility criteria, the following entities will be able to raise ECBs: 1. a person resident in India (other than an individual) incorporated, established or registered under the Central or State Act and subject to being permitted to borrow in term of applicable laws; 2. an eligible borrower that is under a restructuring scheme or corporate insolvency resolution process, if permitted under the restructuring or resolution plan; and 3. additionally, an eligible borrower against whom investigation, adjudication or appeal by the law enforcing agencies is pending, may raise ECB subject to stipulated disclosure conditions.
Recognised Lenders	An eligible borrower may raise ECBs only from: 1. a resident of FATF or IOSCO compliant country including on transfer of ECB; 2. multilateral and regional financial institutions where India is a member; 3. individuals if they are foreign equity holders or for subscription to bonds/ debentures listed abroad; and 4. additionally, FCY ECB may be raised from foreign branches/ subsidiaries of Indian banks, excluding Foreign Currency Convertible Bonds ("**FCCBs**") and Foreign Currency Exchangeable Bonds ("**FCEBs**").	Under the proposed eligibility criteria, the following will be considered recognised lenders: 1. a person resident outside India; and 2. a branch outside India or in the International Financial Service Centre (IFSC) of an entity whose lending business is regulated by the RBI.

Provisions	Extant ECB Framework	Draft ECB Amendment Regulations and Observations (if any)
Arm's length principle	There is no such requirement included in the extant ECB Framework.	1. If ECB is being raised from a related party, group entity or otherwise connected lender, then such transaction will be carried out on an arm's length basis. 2. Arm's length basis has been defined to mean a transaction that is conducted as if the transacting parties were unrelated, so that there is no conflict of interest. 3. While the criteria of a recognised lender has been expanded to mean any person resident outside India, the parties will have to additionally ensure that any ECB being raised from a related party, group entity or otherwise connected lender is on an arm's length basis. 4. The Draft ECB Amendment Regulations do not elucidate the meaning of 'otherwise connected lenders'.
Currency and restriction on conversion	1. FCY denominated ECB can be raised only in any freely convertible FCY. 2. Change of currency of ECB is allowed for FCY denominated ECB to any other freely convertible FCY or to INR. 3. However, change of currency from INR to any freely convertible FCY is not permitted.	1. ECB can be raised in FCY or INR. 2. In addition to the previously permitted conversion, change in currency from INR to FCY has also been permitted.
Borrowing limit	1. As per the extant ECB Framework, ECB up to USD 750 million or equivalent, can be raised per financial year under the automatic route. 2. The borrower will also be governed by the applicable guidelines on debt equity ratio issued by any sectoral or prudential regulator.	1. An eligible borrower may raise ECB up to the higher of: (a) outstanding ECB up to USD 1 billion (United States Dollar one billion); or (b) total outstanding borrowing (external and domestic) up to 300% (three hundred percent) of net worth as per the last audited balance sheet. 2. Borrowers that are regulated by financial sector regulators (RBI, Securities and Exchange Board of India etc.), will be exempted from the abovementioned limits.
All-in-cost ceiling and other costs	1. The prescribed all-in-cost ceiling per annum for: (a) FCY denominated ECB to be benchmark rate plus 500 bps spread; and (b) INR denominated ECB to be benchmark rate plus 450 bps spread. 2. Further, any prepayment charge/ penal interest for default or breach of covenants, is prescribed to be not more than 2% over and above the contracted rate of interest on the outstanding principal amount and will be outside the all-in-cost ceiling.	1. The proposed amendments have substituted the construct of 'all-in-cost' with 'cost of borrowing'. 2. There is no prescribed fixed limit, the cost of borrowing and prepayment charge/ penal interest (if any), is to be in line with prevailing market conditions and subject to the satisfaction of the designated AD Category I bank. 3. In case of ECBs with average maturity period of less than 3 years, the cost of borrowing will additionally have to be in compliance with the cost ceiling specified for TC.

Provisions	Extant ECB Framework	Draft ECB Amendment Regulations and Observations (if any)
End use	1. The extant ECB Framework provides a negative list of end uses, for which proceeds from ECB cannot be utilised. 2. This negative list includes: a) real estate activities; b) investment in capital market; c) equity investment; d) working capital purposes, unless from foreign equity holder or on-lending by NBFCs and subject to compliance with prescribed MAMP; e) general corporate purposes unless from foreign equity holder or on-lending by NBFCs and subject to compliance with prescribed MAMP; f) repayment of rupee loans unless availed domestically and subject to compliance with prescribed MAMP; and g) on-lending to entities for the above activities, unless undertaken in compliance with prescribed MAMP.	1. The proposed amendments have relaxed some of the restrictions under the extant ECB Framework, allowing following end uses and relaxations: a) Activities/sectors permitted for FDI have been carved out of restriction on utilisation for: (i) agricultural or plantation activities; and (ii) real estate business or construction of farmhouses; b) Further, purchase/ long-term leasing of industrial land as part of new project/ modernisation or expansion of existing units has been carved out of restriction on real estate business or construction of farmhouses; c) Restriction on investment in capital market has been removed; and d) Transacting in listed/ unlisted securities is restricted however following end uses have been carved out including merger, amalgamation, arrangement or acquisition in accordance with: (i) the Companies Act, 2013; (ii) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; and (iii) Insolvency and Bankruptcy Code, 2016.
On-lending	1. On-lending to entities is not allowed in respect of negative list of activities which includes real estate activities, investment in capital market, equity investment, working capital purposes, general corporate purposes and repayment of rupee loans. 2. On-lending by NBFC for the purpose of working capital purposes, general corporate purposes and repayment of rupee loans, is allowed subject to prescribed MAMP.	Under the proposed amendments, on-lending has been restricted except if by a person resident in India: (a) whose lending business is regulated by the RBI; and (b) that is a company or a body corporate established under a Central Act or State Act, lending to its group entity.

Provisions	Extant ECB Framework	Draft ECB Amendment Regulations and Observations (if any)
Minimum average maturity rate	Under the extant ECB Framework, MAMP for ECB is 3 years, however, depending on the category, the MAMP is prescribed to be 1, 5, 7 or 10 years. For e.g. MAMP of 1 year has been prescribed for ECB raised by manufacturing companies of an amount up to USD 50 million or its equivalent.	1. MAMP requirement has been standardised to be 3 years. 2. The prescribed MAMP requirement of 1 year in respect of a manufacturing company has been relaxed and the MAMP may be between 1 year and 3 years, subject to the condition that outstanding stock of such ECBs will not exceed USD 50 million. 3. MAMP requirements will not apply in case of: (a) conversion of ECB (including FCCB and FCEB) to non-debt instruments; (b) repayment of ECB using the proceeds from issuance of non-debt instruments on repatriation basis; (c) waiver of debt by the lender and closure; and (d) closure, merger, acquisition, resolution or liquidation of either the lender or the borrower.
Refinancing of ECBs	1. An eligible borrower may refinance an existing ECB, in part or full, by a fresh ECB, subject to specified conditions. 2. Raising of fresh ECB to part refinance the existing ECB is also permitted subject to specified conditions. 3. Indian banks are permitted to participate in refinancing of existing ECB, only for highly rated corporates (AAA) and for Maharatna/ Navratna public sector undertakings (PSUs).	1. An eligible borrower may refinance an existing ECB, in part or full, by a fresh ECB, subject to the condition that refinancing doesn't result in: a) failure to meet MAMP requirement applicable on the original borrowing; and b) that the credit spread applicable to the fresh ECB is not more than the credit spread applicable to the original borrowing (weighted average credit spread in case of multiple borrowings).
Hedging	1. The borrowing entity is required to follow hedging guidelines issued by its sectoral or prudential regulator in relation to FCY exposure. Infrastructure space companies are required to have a board approved risk management policy. Further, detailed guidelines have been prescribed such as ensuring coverage, tenor of minimum 1 year with periodic rollover etc. 2. In relation to INR ECBs, overseas investors are eligible to hedge their exposure through permitted derivative products.	Hedging requirements have been removed.

Provisions	Extant ECB Framework	Draft ECB Amendment Regulations and Observations (if any)
Security	1. ECB may be secured by: a) creation/cancellation of charge on immovable assets, movable assets, financial securities; and b) issue of corporate and/or personal guarantees in favour of overseas lender / security trustee. 2. The extant framework does not allow banks, financial institutions and NBFCs from providing any type of guarantee in favour of overseas lender on behalf of their constituents, except in accordance with specific stipulations made by the RBI.	1. ECBs may be secured by: a) creation of charge on immovable assets, movable assets, financial assets and intangible assets (including intellectual property rights) in favour of the non-resident lender or security trustee; and b) issue of corporate guarantee or personal guarantees in favour of the non-resident lender or security trustee. 2. Under the proposed amendments, entities regulated by RBI are not allowed to issue any type of guarantee. 3. Additionally, it has been specified that creation of charge will not be construed as a permission to acquire asset in India by oversea lenders/ security trustee.
Monthly reporting of transactions	Borrowers are required to report ECB transactions though AD Category I bank on a monthly basis through Form ECB 2 Return.	The requirement of reporting monthly through Form ECB 2 Return has been relaxed and only if there is any cashflow then the borrower is required to report within 30 calendar days of such cashflow.

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