**RBI eases rules for firms to raise funds via ECBs**

Relaxing norms to raise money via external commercial borrowings (ECBs), the Reserve Bank has allowed firms in manufacturing, hospitals, infrastructure, hotels and the software sector to raise foreign capital from foreign/indirect equity holders without its approval.

As per the extant ECB policy, ECBs from direct foreign equity holders (FEHs) are considered both under the automatic and the approval routes.

ECBs from indirect equity holders and group companies and ECBs from direct FEH for general corporate purposes are, however, considered under the approval route. Besides, any request for change of the ECB lender in case of FEH requires RBI’s approval.

“As a measure of simplification of the existing procedure, it has been decided to delegate powers to banks to approve proposals for raising ECB by companies belonging to manufacturing, infrastructure, hotels, hospitals and software sectors from indirect equity holders and group companies under automatic route,” RBI said in a notification.

Raising ECB for companies in miscellaneous services from direct/indirect equity holders and group companies are also allowed to raise funds through this facility.

Miscellaneous services are like training activities (but not educational institutes), research and development activities and companies supporting infrastructure sector.

Trading business, logistics services, financial services and consultancy services are, however, not covered under the facility, RBI said.

ECB proposals involving change of lender when the ECB is from FEH, direct/indirect equity holders and group company is also covered under this arrangement, RBI added. “These changes will come into force with immediate effect,” RBI notification said.

***Source : The Financial Express***

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