



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2012-13/339

A.P. (DIR Series) Circular No.61

December 17, 2012

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

External Commercial Borrowings (ECB) for the low cost affordable housing projects

Attention of Authorized Dealer Category - I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No. 5 dated August 01, 2005](#) relating to ECB policy.

2. On a review of the policy related to ECB and keeping in view the announcement made in the Union Budget for the Year 2012-13, it has been decided to allow ECB for low cost affordable housing projects as a permissible end-use, **under the approval route**. ECB can be availed of by developers/builders for low cost affordable housing projects. Housing Finance Companies (HFCs)/National Housing Bank (NHB) can also avail of ECB for financing prospective owners of low cost affordable housing units.

3. Detailed guidelines on ECB for low cost affordable housing scheme are set out below:-

(I) Definition of eligible project

A low cost affordable housing project for the purpose of ECB would be a project in which at least 60 per cent of the permissible FSI would be for units having maximum carpet area up to 60 square meters.

Slum rehabilitation projects will also be eligible under the low cost affordable housing scheme. The eligibility of slum rehabilitation project for ECB will be based on the parameters to be set by the Central Sanctioning and Monitoring Committee of the

Affordable Housing in Partnership Scheme (AHP) constituted under the Chairmanship of Secretary, Housing & Urban Poverty Alleviation (HUPA) which administers the slum rehabilitation projects.

(II) Eligible Borrowers :-

(a) Developers/builders:-

Developers/builders with proven financial track record based on the following criteria shall qualify for availing ECB for low cost affordable housing projects:

- i) Developers/builders undertaking low cost affordable housing projects should be a company registered under the Companies Act, 1956;
- ii) Such developers/builders should have minimum 5 years' experience in undertaking residential projects, and should have good track record in terms of quality and delivery;
- iii) The developers/builders should not have defaulted in any of their financial commitments to banks/ financial institutions or any other agencies;
- iv) The project should not be a matter of litigation;
- v) The project should be in conformity with the provisions of master plan/ development plan of the area. The layout should conform to the land use stipulated by the town and country planning department for housing projects; and
- vi) All necessary clearances from various bodies including Revenue Department with respect to land usage/environment clearance, etc., are available on record.

(b) Housing Finance Companies (HFCs):-

HFCs, satisfying the following conditions, can avail of ECB for financing prospective owners of low cost affordable housing units: -

- i) The HFC should be registered with the National Housing Bank (NHB) and operating in accordance with the regulatory directions and guidelines issued by NHB;
- ii) The minimum paid-up capital, as per the latest audited balance sheet, shall not be less than INR 50 crore;
- iii) The minimum Net Owned Funds (NOF) for the past three financial years shall not be less than INR 300 crore;

: 3 :

- iv) Borrowing through the ECB should be within the HFC's overall borrowing limit of 16 times their Net Owned Funds (NOF);
- v) The net non-performing assets (NNPA) shall not exceed 2.5 % of the net advances;
- vi) The maximum loan amount sanctioned to the individual buyer will be capped at INR 25 lakh subject to the condition that the cost of the individual housing unit shall not exceed INR 30 lakh; and
- vii) The ECB shall be swapped into Rupees for the entire maturity on fully hedged basis.

Besides HFCs meeting norms set at para above, NHB shall be eligible for raising of ECB for financing low cost affordable housing units of individual borrowers. Further, in the event a developer of low cost affordable housing project not being able to raise ECB directly as envisaged above, National Housing Bank shall be permitted to avail of ECB for on-lending to such developers who satisfy the conditions stated in para3 (II) (a) above subject to the interest rate spread set by RBI.

(III) End –use:

ECB proceeds shall be utilized only for low cost affordable housing projects and shall not be utilized for acquisition of land.

(IV) Nodal agency for deciding project's eligibility for low cost affordable housing

Builders/developers meeting the eligibility criteria shall have to apply to the National Housing Bank (NHB) in the prescribed format. NHB shall act as the nodal agency for deciding a project's eligibility as a low cost affordable housing project, and on being satisfied, forward the application to the Reserve Bank for consideration under the approval route. Once NHB decides to forward an application for consideration of RBI, the prospective borrower (builder/developer) will be advised by the NHB to approach RBI for availing ECB through his Authorised Dealer in the prescribed format. Guidelines with respect to the format of application, project monitoring, etc. are being separately issued by NHB.

4. Developers/builders/HFCs/ NHB will **not** be permitted to raise Foreign Currency Convertible Bonds (FCCBs) under this scheme.

5. For the financial year 2012-13, an aggregate limit of USD 1(one) billion is fixed for ECB under the low cost affordable housing scheme which includes ECBs to be raised by developers/builders and NHB/specified HFCs. This limit shall be subject to annual review.
6. All other ECB parameters, such as, recognized lender, minimum average maturity period, all-in-cost ceilings, restrictions on issuance of guarantee, choice of security, parking of ECB proceeds, prepayment, refinancing of ECB, reporting requirements remain unchanged and shall be complied with.
7. The amended policy will come into force with immediate effect and the scheme will be reviewed after a period of one year based on the experience gained in the implementation of the scheme.
8. Reserve Bank of India has since amended the Regulations and notified vide [Notification No.FEMA.246/2012 dated November 27, 2012](#).
9. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
10. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Rashmi Fauzdar)
Chief General Manager