

CORPORATE CONNECT

EXTERNAL COMMERCIAL BORROWINGS RATIONALISED

The Reserve Bank of India has issued the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 (“**Amendment Regulations**”), effective from February 16, 2026 thereby amending the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 (“**Principal Regulations**”). The Amended Regulations have rationalized the External Commercial Borrowing (“**ECB**”) framework and made it borrower friendly by providing an opportunity to a wider pool of overseas creditors to approach Indian borrowers in a regulated yet commercially viable manner.

The key changes to the Principal Regulations are:

(i) Eligible borrower

The term eligible borrower now means any person resident in India (other than individuals), incorporated or established under a Central or State Act, qualifies as an eligible borrower, subject to sectoral permissions. Further, entities under restructuring or corporate insolvency resolution and entities pending investigation or adjudication, may raise ECB, subject to certain conditions.

(ii) Recognized lender

The Amendment Regulations provide for any of the following to be a permissible lender: (i) a person resident outside India; (ii) a branch outside India of an entity whose lending business

is regulated by the RBI; and (iii) a financial institution or a branch of a financial institution set up in the International Finance Service Centre. The earlier restrictions permitting individuals only if they were foreign equity holders, overseas branches of Indian banks extending ECBs only in foreign currency, and lenders to be from a Financial Action Task Force or International Organization of Securities Commissions compliant jurisdiction, has been done away with.

(iii) Cost of borrowing:

The All-in-cost/cost of borrowing is amended to “prevailing market conditions” instead of the earlier cap of benchmark plus specified spread.

(iv) Minimum Average Maturity Period

The minimum average maturity period of borrowings has been largely standardised at 3 years and the longer tenor requirements of 7 and 10 years have been done away with. Manufacturing companies which were earlier allowed to borrow upto USD 50 million with a minimum average maturity of 1 year have now been allowed to raise upto USD 150 million in a financial year with a maturity between 1 and 3 years;

(v) End-use restrictions

The end-use restrictions have been significantly revised and enhanced with provisions aiding clarity for the earlier interpretational gaps regarding strategic acquisitions, refinancing of stressed loans, and restructuring transactions.

(vi) Borrowing Limits

The borrowing limits per corporate have been enhanced from USD 750 million to the higher of (a) USD 1 billion and (b) 300% of the borrower’s net worth less the sum of domestic and external borrowings.

(vii) Related party lending

There has been addition of arm's length principle for the ECBs from 'related parties'.

(viii) Untraceable borrowers

Establishes a mechanism to classify non-compliant entities as "untraceable borrowers"; and

(ix) Reporting requirements

There are procedural relaxations including Form ECB 2 filing being cashflow based, not monthly. Further, obtaining "no-objection certificates" from designated AD Banks for creation of security, changes to the terms of the ECB and transfer of ECBs by lenders, is no longer required.



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