

# Quick Note

## New Format for obtaining Loan Registration Number (LRN)

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## Update

There are two procedures for obtaining External Commercial Borrowing (“ECB”), one under automatic route and other under approval route. Under the automatic route, it is mandatory for the borrower (an eligible borrower in terms of the extant ECB regulations) entering into a loan agreement with a recognized lender (an recognized lender in terms of the extant ECB regulations) to obtain a Loan Registration Number (“LRN”) from the Reserve Bank of India (“RBI”).

The RBI via circular No. 136 dated \_\_\_\_\_ decided to rationalize Form-83 submitted to the RBI for obtaining an LRN to reflect the liberalization and rationalization measures that have been taken by the RBI over a period of time. Accordingly, borrowers desirous of obtaining an LRN with effect from July 01, 2012 may submit Form-83 in the revised format. Key differences between the previous and the revised format are as stated hereunder:

OLD Form	NEW Form
<b>Part A requires basic details which include the ECB Title Registration No., etc. along with the details of the borrower and lender and their respective categories. It is also required to specify the name and bank code of the authorized dealer.</b>	Part A requires all details related to the borrower.
<b>Part B requires other details which include details related to ECB approval scheme, Maturity and type of ECB etc.</b>	Part B requires all details related to the lender.
<b>Part C contains schedule of transactions, schedule of draw downs, principle repayment schedule and details of other charges.</b>	Part C contains loan details for example loan agreement date, effective date of the loan, last date of disbursement, maturity date, grace period, proposed bifurcation amount, hedging detail, guarantor detail, types of ECB etc.
<b>Part D contains details related to ECB availed in the current or previous three financial years.</b>	Part D includes the details of other charges.



## Update

<b>NA</b>	Part E include the details of ECB already availed.
<b>NA</b>	Part F is specifically to be filled by the authorized dealer for scrutinizing the related documents and confirmations.

As stated above in old Form 83:

- (a) Part A of the old Form, required details of the borrowers as well as lenders. However, the new Form segregates details required to be furnished by the borrowers and by the lenders in Part A and Part B, respectively.
- (b) In the old form Part B, required details related to ECB approval scheme, maturity and type of ECB etc. whereas in the new form these details are to be mentioned in Part C.
- (c) In the old form Part C contained details related to schedule of transactions, schedule of draw downs, principle repayment schedule and details of other charges while in case of new form, Part D specifies such details.
- (d) Part D contained details related to ECB availed in the current or previous three financial years. However in case of new form these details need to be provide in Part E.
- (e) In Old form there is no specific Part as Part F but in new form Part F is exclusively required to be filled by the authorized dealer for scrutinizing the related documents and confirmations.

Further, a more meticulous and clear way of calculating the maturity period has now been specified by the RBI. Illustration for the same is given below as precise by RBI.

### Calculation of Average Maturity- An Illustration

Say Company name is **ABC** Loan Amount = USD 2 million

**LTD.**

Date of drawal/ repayment (MM/DD/YYYY)	Drawal	Repayment	Balance	No. of Days** balance with the borrower	Product= (Col.4 * Col. 5)/ (Loan amount * 360)
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
05/11/2007	0.75		0.75	24	0.0250



## Update

06/05/2007	0.50		1.25	85	0.1476
08/31/2007	0.75		2.00	477	1.3250
12/27/2008		0.20	1.80	180	0.4500
06/27/2009		0.25	1.55	180	0.3875
12/27/2009		0.25	1.30	180	0.3250
06/27/2010		0.30	1.00	180	0.2500
12/27/2010		0.25	0.75	180	0.1875
06/27/2011		0.25	0.50	180	0.1250
12/27/2011		0.25	0.25	180	0.0625
06/27/2012		0.25	0.00		

\*\* Calculated by = DAYS360 (first date, second date, 360)

**Average Maturity= 3.2851**

### **ANALYTICAL SPEAKING:**

By this circular, the RBI came with the idea to get hold on the complexity involved in obtaining an LRN. In the modified Form 83, the RBI has more clearly classified the details required for getting the clear design of ECB. In the author's point of view it is a good and appropriate way of getting clear and broad idea about the upcoming transaction and stating the clear history about the transaction and the parties involved.