

# Update

## ECBs for Affordable Housing Projects: RBI opens Gateways?

---



**Vinod Kothari & Company**  
**Nidhi Bothra**  
[nidhi@vinodkothari.com](mailto:nidhi@vinodkothari.com)

December 20, 2012

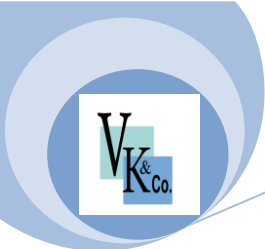
Check at:  
<http://india-financing.com/staff-publications.html>  
for more write ups.

**Copyright:**

This write up is the property of Vinod Kothari & Company and no part of it can be copied, reproduced or distributed in any manner.

**Disclaimer:**

This write up is intended to initiate academic debate on a pertinent question. It is not intended to be a professional advice and should not be relied upon for real life facts.



## *Update* **ECBs for Affordable Housing Projects: RBI opens Gateways?**

The Union Budget for the year 2012-13 had made announcements for allowing External Commercial Borrowings (ECB) for low cost affordable housing projects and RBI has taken good months to come out with the notification and open doors of availing ECB on low cost housing projects.

The RBI, vide its notification<sup>1</sup> dated 17<sup>th</sup> December, 2012, has allowed ECB to eligible developers/ builders for low cost affordable housing projects and to Housing Finance Companies (HFCs) and National Housing Bank (NHB) for financing prospective owners of low cost affordable housing units; under the approval route. However, the eligible borrowers will not be permitted to raise Foreign Currency Convertible Bonds (FCCBs) under this scheme and cannot use the ECB funds for acquisition of land. All existing norms on ECB as may be applicable shall be applicable here as well.

NHB shall act as a nodal agency for deciding the project's eligibility as a low cost affordable housing project, once satisfied the application shall be forwarded to Reserve Bank for consideration under approval route. Currently, a limit of USD 1 billion has been fixed for ECB under low cost affordable housing scheme and the limit shall be reviewed on an annual basis.

### **What are the eligible projects?**

1. Project with atleast 60% of the permissible FSI (floor space index) would be for units having maximum carpet area upto 60 square meters.
2. Slum rehabilitation projects will also be eligible under the low cost affordable housing scheme. The parameters for such slum rehabilitation projects eligible for ECB shall 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.

### **Who are the eligible borrowers?**

1. **Developers/ Builders** -- such developers/ builders with minimum 5 years of experience in undertaking residential projects and proven track record in terms of delivery and quality shall be eligible for availing ECB.
2. **Housing Finance Companies (HFCs)** – All NHB registered HFCs satisfying the following shall be eligible for availing ECB:
  - a. Minimum paid-up capital of not less than Rs. 50 crores as per the latest audited balance sheet;

---

<sup>1</sup> <http://rbi.org.in/scripts/NotificationUser.aspx?Id=7757&Mode=0>



*Update*  
*ECBs for Affordable Housing Projects:*  
*RBI opens Gateways?*

- b. Minimum net owned fund of not less than Rs. 300 crores for the past three financial years;
- c. The borrowing through ECB shall be within the overall borrowing limit of 16 times the NOF;
- d. Net non-performing assets (NNPA) shall not exceed 2.5 % of the net advances;
- e. The maximum loan amount sanctioned to the individual buyer will be capped at Rs. 25 lakh subject to the condition that the cost of the individual housing unit shall not exceed INR 30 lakh; and
- f. The ECB shall be swapped into Rupees for the entire maturity on fully hedged basis.