

Update

RBI tightens ECB route for NIMZ developers

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Update

The External Commercial Borrowings (“**ECB**”) Sector seems to be in limelight for quiet sometime now with lots of Government focus that follows new reforms in this sector every now and then. The Reserve Bank of India (“**RBI**”) has come up with yet another reform vide **RBI/2011-12/414 A. P. (DIR Series) Circular No.85** dated February 29, 2012 and has laid down certain modification to the existing ECB Policy with regard to the infrastructural needs of the most talked about - proposed National Manufacturing Investment Zones (“**NMIZs**”).

What are NMIZs?

The Indian Government had come up with its National Manufacturing Policy (the “**Policy**”) in early November, 2011 with twin objectives of the Policy, namely stepping up the share of manufacturing in GDP from 16 % to 25 % and creating 100 million new jobs within a decade, which seems a tall order.

The main positive instrument proposed to achieve this growth acceleration is the creation of national investment and manufacturing zones (“**NIMZs**”), to be developed as integrated industrial townships. In terms of the Policy, each NIMZ will be managed by a Special Purpose Vehicle, which will exercise the powers conferred by the Policy. The Policy envisages that ‘the NIMZs would be large areas of developed land, with the requisite ecosystem for promoting world-class manufacturing activity’.

The main difference between Special Economic Zones (“**SEZs**”) and NIMZs is that while the former focuses on exports, NIMZs are envisaged as industrial townships of a minimum size of 5000 hectares.

Amendment:

The RBI has now decided to allow **developers of NMIZ** to avail of ECB under the “**approval route**” for providing infrastructure facilities within the NMIZ, vide the above mentioned Circular, with immediate effect.

Previously, availing of ECB was permissible for the infrastructure sector and only the developers of SEZs were allowed to provide infrastructure facilities within the SEZ under approval route of RBI.

*Update***Our Analysis:**

With this amendment, the Government at the Centre would, now, have an increased level of check on NIMZ developers or State Government rather and investment entries would be completely Government controlled, as the NIMZs were proposed to become publicly run corporations for the benefit of the private sector. But for the common Indian, be it under the automatic route or approval route, the question remains the same – ***“Does India really need a National Manufacturing Policy?”***