

# ECBs see a four-fold jump in June

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**Mumbai, July 30:** In another sign of revival of domestic economy, India Inc have started heavily raising capital through external commercial borrowings (ECB) and foreign currency convertible bonds (FCCB) as the global liquidity condition has begun to improve.

According to the Reserve Bank of India (RBI) report on ECB and FCCB released on Thursday, during June 2009, Indian corporates have raised a total of \$1.9 billion through the ECB route as against \$494 million in May 2009, depicting more than a four-fold increase in the funds raised.

National Aviation Company of India (Nacil) has been the largest issuer of ECB bonds, through the approval route to a tune of \$830 million for the import of capital goods with a maturity period of five months. There are 50 ECB deals done in June

2009 as against 34 ECB and 2 FCCB deals in May 2009. In June 2008, \$1.58 billion was raised through the ECB window.

"Given that there has been an improvement in the liquidity conditions globally, we are likely to see the opening up of the ECB market. More and more Indian banks and corporates will now rush in to raise funds through the ECB window," said Hitenra Dave, head of global markets at HSBC Bank.

The Budget estimates (BE) for 2009-10 on the resources raised by public enterprises by bonds, external commercial borrowings is also shown up by 12% at Rs 2,07,241 crore as against the revised estimates (RE) of Rs 1,83,949 crore for 2008-09.

The expenditure Budget for 2009-10 depicts that BE for 2009-10 on the ECB side is nearly up by 35% to Rs 16,440 crore as against Rs 12,191 crore in the RE for 2008-09.

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Experts noted that a lot of projects, particularly in the infrastructure sector that were kept on hold, have now begun.

"There is a lot of appetite for ECB funds from the infrastructure sector, namely construction companies. So, a lot of money is getting pumped into these sectors," said Care Ratings deputy managing director DR Dogra.

Dogra also noted that there is a general feel in the market that interest rates in the country may shoot up

due to high borrowing program.

"Local banks are not lending to the corporates in a big way and credit growth is subdued for now. However, in the medium or long term, once the credit growth begins to rise, we will see interest rates heading northwards," said Dogra adding that with interest rates in the global markets still remaining on the low side, we will see more and more Indian banks and corporates taking the ECB route.

Jagannadham Thunuguntla, equity head at SMC Capital noted that in the first six months of the calendar year January to June 2009, the total fund raising by way of ECBs is \$5.54 billion as against \$10.04 billion same time last year.

Thunuguntla noted that total funds raised through by Indian companies through FCCBs have dropped by 75.29% from \$5.99 billion in 2007-08 to \$1.48 billion in 2008-09.