

Foreign Exchange Developments

July 2009

i) Exim Bank's Line of Credit (LOC) of USD 20 million to Myanma Foreign Trade Bank, Myanmar

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated February 17, 2009 with Myanma Foreign Trade Bank, Myanmar making available to the latter, a line of Credit (LoC) of USD 20 million (USD twenty million) for financing eligible goods and services including consultancy services from India for up-gradation of Thanbayakan Petrochemical Complex in Myanmar.

[A. P. (DIR Series) Circular No. 1
dated July 2, 2009]

ii) Deferred Payment Protocols dated April 30, 1981 and December 23, 1985 between Government of India and erstwhile USSR

In terms of the A.P. (DIR Series) Circular No.59 dated March 24, 2009, the rupee value of the special currency basket was indicated as Rs.67.2425 effective from March 05, 2009. A further revision has taken place on May 19, 2009 and accordingly, the rupee value of the special currency basket has been fixed at Rs.64.6153 with effect from May 22, 2009.

[A. P. (DIR Series) Circular No. 2
dated July 3, 2009]

iii) Deferred Payment Protocols dated April 30, 1981 and December 23, 1985 between Government of India and erstwhile USSR

In terms of A.P. (DIR Series) Circular No.2 dated July 3, 2009, the rupee value of

the special currency basket was indicated as Rs.64.6153 effective from May 22, 2009. A further revision has taken place on June 22, 2009 and accordingly, the rupee value of the special currency basket has been fixed at Rs.66.5719 with effect from June 25, 2009.

[A. P. (DIR Series) Circular No. 3
dated July 17, 2009]

iv) Exim Bank's Line of Credit of USD 25 million to the Government of the Republic of Sudan

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated January 26, 2009 with the Government of the Republic of Sudan making available to the latter, a Line of Credit (LoC) of USD 25 million (USD twenty five million) for financing eligible goods and services including consultancy services from India for Elduem Sugar Project at White Nile State in Sudan.

[A. P. (DIR Series) Circular No. 4
dated July 21, 2009]

v) Issue of Indian Depository Receipts (IDRs)

In order to facilitate the eligible companies resident outside India to issue Indian Depository Receipts (IDRs) through a Domestic Depository and to permit persons resident in India and outside India to purchase, possess, transfer and redeem IDRs, the IDR Rules, notified by the Government of India, as amended from time to time, have been operationalised w.e.f. July 22, 2009.

Accordingly, eligible companies resident outside India may issue Indian

Depository Receipts (IDRs) through a Domestic Depository. The permission has been granted subject to compliance with the Companies (Issue of Depository Receipts) Rules, 2004 and subsequent amendments made thereto and the SEBI (DIP) Guidelines, 2000, as amended from time to time. In case of raising of funds through issuance of IDRs by financial/banking companies having presence in India, either through a branch or subsidiary, the approval of the sectoral regulator(s) should be obtained before the issuance of IDRs.

Investment by Persons resident in India / FIIs / NRIs in IDRs

The FEMA Regulations shall not be applicable to persons resident in India as defined under section 2(v) of FEMA, 1999, for investing in IDRs and subsequent transfer arising out of transaction on a recognized Stock Exchange in India. Foreign Institutional Investors (FIIs) including SEBI approved sub-accounts of the FIIs, registered with SEBI and Non-Resident Indians (NRIs) may also invest, purchase, hold and transfer IDRs of eligible companies resident outside India and issued in the Indian capital market, subject to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 notified vide Notification No. FEMA 20 / 2000-RB dated May 3, 2000, as amended from time to time. Further, NRIs are allowed to invest in the IDRs out of funds held in their NRE / FCNR(B) account, maintained with an Authorised Dealer / Authorised bank.

Fungibility

Automatic fungibility of IDRs is not permitted.

Period of redemption

IDRs shall not be redeemable into underlying equity shares before the expiry of one year period from the date of issue of the IDRs.

Procedure for transfer and redemption of IDRs

At the time of redemption / conversion of IDRs into underlying shares, the Indian holders (persons resident in India) of IDRs shall comply with the provisions of the Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide Notification No. FEMA 120 / RB-2004 dated July 7 2004, as amended from time to time. Accordingly, the following guidelines shall be followed, on redemption of IDRs:

- i. Listed Indian companies may either sell or continue to hold the underlying shares subject to the terms and conditions as per Regulations 6B and 7 of Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time.
- ii. Indian Mutual Funds, registered with SEBI may either sell or continue to hold

the underlying shares subject to the terms and conditions as per Regulation 6C of Notification No. FEMA 120/RB-2004 dated July 7, 2004, as amended from time to time.

- iii. Other persons resident in India including resident individuals are allowed to hold the underlying shares only for the purpose of sale within a period of 30 days from the date of conversion of the IDRs into underlying shares.
- iv. The FEMA provisions shall not apply to the holding of the underlying shares, on redemption of IDRs by the FIIs including SEBI approved sub-accounts of the FIIs and NRIs.

Others

The proceeds of the issue of IDRs shall be immediately repatriated outside India by the eligible companies issuing such IDRs. The IDRs issued shall be denominated in Indian Rupees.

[A. P. (DIR Series) Circular No. 5
dated July 22, 2009]

errata:

The first sentence of section 1.1 on page no. 1124 in July 2009 issue of the bulletin may be read as "A marked slowdown that occurred in the real GDP growth for the year 2008-09 vis-a-vis 2007-08 was evident across all the sectors, though the decline has been quite steep in industrial sector."