

Foreign Exchange Developments

January 2009

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

The rupee value of the special currency basket has been fixed at Rs. 67.0394 with effect from December 23, 2008.

[A.P. (DIR Series) Circular No. 45 dated January 2, 2009]

- (ii) External Commercial Borrowings (ECB) Policy - Liberalisation

Some aspects of the ECB policy were modified as indicated below :

- (i) As per extant ECB policy, the all-in-cost ceilings for ECBs, in respect of both Automatic as well as Approval routes are as under:

Average Maturity Period	All-in-Cost ceilings over 6 Months LIBOR*
Three years and up to five years	300 bps
More than five years	500 bps

* : For the respective currency of borrowing or applicable benchmark.

The requirement of all-in-cost ceilings on ECB has been dispensed with until June 30, 2009. Accordingly, eligible borrowers, proposing to avail of ECB beyond the permissible all-in-cost ceilings specified above may approach the Reserve Bank under the Approval Route. This relaxation in all-in-cost ceiling will be reviewed in June 2009.

- (ii) In May 2007, Reserve Bank had withdrawn the exemption accorded to the 'development of integrated township' as a permissible end-use of

ECB. It has now been decided to permit corporates, engaged in the development of integrated township, as defined in Press Note 3 (2002 Series) dated January 04, 2002, issued by DIPP, Ministry of Commerce & Industry, Government of India to avail of ECB under the Approval Route. Integrated township, as defined above, includes housing, commercial premises, hotels, resorts, city and regional level urban infrastructure facilities such as roads and bridges, mass rapid transit systems and manufacture of building materials. Development of land and providing allied infrastructure forms an integrated part of township's development. The minimum area to be developed should be 100 acres for which norms and standards are to be followed as per local bye-laws/rules. In the absence of such bye-laws/rules, a minimum of two thousand dwelling units for about ten thousand population will need to be developed. The policy will be reviewed in June 2009.

- (iii) As per the extant ECB policy, Non-Banking Financial Companies (NBFCs) are permitted to avail of ECB for a minimum average maturity period of five years to finance import of infrastructure equipments for leasing to infrastructure projects in India. It has now been decided to allow NBFCs, which are exclusively involved in financing of the infrastructure sector, to avail of ECBs from multilateral/regional financial institutions and Government owned development financial institutions for on-lending to the borrowers in the infrastructure sector under the Approval route. While considering the applications, Reserve

Bank will take into account the aggregate commitment of these lenders directly to infrastructure projects in India. The direct lending portfolio of the above lenders *vis-à-vis* their total ECB lending to NBFCs, at any point of time should not be less than 3:1. AD Category - I banks should obtain a certificate from the eligible lenders to this effect. This facility will be reviewed in June 2009.

- (iv) At present, entities in the services sector *viz.*, Hotels, Hospitals and Software sector are allowed to avail of ECB up to USD 100 million per financial year for import of capital goods, under the Approval route. It has now been decided to permit the corporates in the Hotels, Hospitals and Software sectors to avail of ECB up to USD 100 million per financial year, under the Automatic Route, for foreign currency and/or Rupee capital expenditure for permissible end-use. The proceeds of the ECBs should not be used for acquisition of land.
- (v) All other aspects of ECB policy, such as USD 500 million limit per company per financial year under the Automatic Route, eligible borrower, recognised lender, end-use, all-in-cost ceiling, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

[A.P. (DIR Series) Circular No. 46 dated
January 02, 2009]

- (iii) Exim Bank's Line of Credit of USD 25 million to the Government of Ghana

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated

September 2, 2008 with the Government of Ghana 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 three projects, viz.: (i) ICT and Good Governance project (US \$ 5 million), (ii) Railway Corridors project (UD \$ 13 million) and (iii) Agro Processing Plant (USD 7 million) in Ghana.

[A.P. (DIR Series) Circular No. 47 dated January 6, 2009]

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

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated September 19, 2008 with the Government of the Republic of Senegal 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 (i) Rural Electrification project (USD 15

million), and (ii) Fishing Industry development project (USD 10 million) in the Republic of Senegal.

[A.P. (DIR Series) Circular No. 48 dated January 28, 2009]

(v) Exim Bank's Line of Credit of USD 29.50 million to the Government of the Central African Republic

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated October 23, 2008 with the Government of the Central African Republic making available to the latter, a Line of Credit (LOC) of USD 29.50 million (USD twenty nine million five hundred thousand) for financing eligible goods and services including consultancy services from India for (i) Setting up a modern dry process cement plant of 400 TPD capacity and (ii) procurement of 100 buses for internal transport in Central African Republic.

[A.P. (DIR Series) Circular No. 49 dated January 29, 2009]