

Foreign Exchange Developments

May-June 2009

(i) Exim Bank's Line of Credit (LoC) of USD 25 million to the Government of the Republic of Mozambique

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated December 2, 2008 with the Government of the Republic of Mozambique 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 IT Park project which will comprise construction of a building and (a) an incubator (b) research and learning center (c) a technology park and administrative facility.

[A. P. (DIR Series) Circular No. 67
dated May 8, 2009]

i) Exim Bank's Line of Credit of USD 37.65 million to the Government of the Republic of Cameroon

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated April 20, 2009 with the Government of the Republic of Cameroon making available to the latter, a Line of Credit (LoC) of USD 37.65 million (USD thirty seven million six hundred fifty thousand) for financing eligible goods and services including consultancy services from India for (i) Maize Farm Plantation Project (US \$ 18.77 million), which envisages purchase of 100 tractors of 60 hp, 200 tractors of 75 hp, 200 tractors of 90 hp, 500 water cooled irrigation pumps, related agriculture implements, maize shellers, post harvest equipment as well as assembling and fabrication units, and (ii)

Rice Farm Plantation Project (US \$ 18.88 million), which envisages purchase of 100 tractors of 60 hp, 400 tractors of 75 hp and connected agriculture implements and harvesting machines to Cameroon .

[A. P. (DIR Series) Circular No. 68 dated June 17, 2009]

ii) Exim Bank's Line of Credit of USD 166.23 million to the Government of the Federal Democratic Republic of Ethiopia

Export-Import Bank of India (Exim Bank) has concluded an Agreement dated January 27, 2009 with the Government of the Federal Democratic Republic of Ethiopia making available to the latter, a Line of Credit (LOC) of USD 166.23 million (USD One hundred sixty six million two hundred and thirty thousand) for financing eligible goods and services including consultancy services from India for development of sugar industry in Federal Democratic Republic of Ethiopia.

[A. P. (DIR Series) Circular No. 69 dated June 18, 2009]

iii) Export of Goods and Software – Realisation of Export proceeds

The relaxation in the period of realization and repatriation to India of the amount representing the full export value of goods and software exported, from six months to twelve months from the date of exports, which was valid up to June 30, 2009, has been extended to June 30, 2010.

[A. P. (DIR Series) Circular No. 70 dated June 30, 2009]

iv) ECB Policy

On a review, the following modifications in the ECB policy have been done with effect from June 30, 2009 :

a. ECB for Integrated Township:

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 were permitted to avail of ECB under the Approval Route until June 2009. This has been extended up to December 31, 2009, under the Approval Route.

b. ECB for NBFC sector:

NBFCs, which are exclusively involved in financing of the infrastructure sector, were permitted 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, subject, inter-alia, to the condition that the direct lending portfolio of these lenders vis-à-vis their total ECB lending to NBFCs, at any point of time, should not be less than 3:1. This conditions has been dispensed with, with effect from July 1, 2009. The proposals will continue to be examined by Reserve Bank under the approval route, as hitherto.

c. ECB for Development of Special Economic Zone

ECB was permissible for the infrastructure sector, which is defined as (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges,

(v) sea ports and air ports, (vi) industrial parks, (vii) urban infrastructure (water supply, sanitation and sewage projects) and (viii) mining, refining and exploration. Further, units in SEZ were also permitted to access ECBs for their own requirements. However, ECB was not permissible for the development of SEZ. Now SEZ developers also have been allowed to avail ECB under approval route for providing infrastructure facilities as defined in the ECB policy, which the SEZ. However, ECB shall not be permissible for development of integrated township in commercial, real estate within the SEZ.

d. Corporates under Investigation

Currently, ECB policy is not explicit about accessing of ECB by the corporates which have violated extant ECB policy and are under investigation by the RBI and /or Director of Enforcement. It is clarified that corporates, which have violated the extant ECB policy and are under investigation by the RBI and /or Director of Enforcement will not be allowed to access the automatic route for ECB. Any request by such corporates for ECB will be examined under the approval route.

[A. P. (DIR Series) Circular No. 71 dated
June 30, 2009]