

Investment by NRIs/OCBs in Non-Convertible Debentures – Redemption thereof
A.P. (Dir Series) Circular No.39 (November 5 , 2002)

Reserve Bank of India
Exchange Control Department
Central Office
Mumbai-400 001

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To
All Authorised Dealers in Foreign Exchange

Madam/Sirs,

Investment by NRIs/OCBs in Non-Convertible Debentures – Redemption thereof

Authorised Dealers are aware that Indian companies were being permitted under FERA,1973 (since repealed) to issue non-convertible debentures (NCDs) to NRIs/OCBs . While granting such permission to the Indian companies to issue NCDs, they were advised to seek prior permission of the Reserve Bank for repatriating redemption proceeds thereof.

2. In terms of Regulation 5 of Notification No.FEMA 4/2000-RB dated 3rd May 2000, general permission has been given to companies incorporated in India to borrow in rupees by way of issue of non-convertible debentures subject to certain conditions, on repatriation or non-repatriation basis, from a non-resident Indian or a person of Indian origin resident outside India or an overseas corporate body (OCB).

3. It is clarified that, in view of Regulation 5 referred to above, Indian companies, which **were granted permission by Reserve Bank under FERA** to issue NCDs on repatriation basis, subject to the condition that the company would seek prior permission of the Reserve Bank for repatriation of redemption proceeds, hereafter do not require prior permission of Reserve Bank to remit the redemption proceeds of the NCDs/PCDs issued by them, provided, they have complied with all other conditions stipulated in the relevant approval letter.

4. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.

5. The directions have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act,1999(42 of 1999)

Yours faithfully,

Grace Koshie
Chief General Manager