

November 06, 2006

**All Scheduled Commercial Banks
(Excluding RRBs and LABs)**

Dear Sir,

**Mid-Term Review of Annual Policy Statement for the year 2006-07 -
Extension of funded and non-funded credit facilities to Indian Joint
Ventures (JVs)/ Wholly Owned Subsidiaries (WOSs) abroad - Enhancement**

Please refer to our circular DBOD.IBS.BC. 94/23.37.001/2002-03 dated April 8, 2003 in terms of which banks were permitted to extend credit/non-credit facilities to Indian Joint Ventures (JVs) (where the holding by the Indian company is more than 51%) / Wholly Owned Subsidiaries (WOS) abroad up to the extent of 10 per cent of their unimpaired capital funds (Tier I and Tier II capital), subject to certain terms and conditions.

2. In this connection, a reference is invited to paragraph 140 of the Mid-Term Review of Annual Policy Statement for the year 2006-07 enclosed to Governor's letter No. MPD.BC.286/07.01.279/2006-07 dated October 31, 2006 (copy of the paragraph enclosed as Annex). As indicated therein, in order to facilitate the expansion of Indian corporates' business abroad, it has now been decided to enhance the prudential limit on credit and non-credit facilities extended by banks to Indian Joint Ventures (where the holding by the Indian company is more than 51%) /Wholly Owned Subsidiaries abroad from the existing limit of 10 per cent to 20 per cent of their unimpaired capital funds (Tier I and Tier II capital).

Yours faithfully,

(P. Vijaya Bhaskar)
Chief General Manager

**Extract of para 140 of Mid-Term Review of
Annual Policy Statement 2006-07**

(e) Funded and Non-funded Limits by Indian Banks to Joint Ventures/Wholly Owned Subsidiaries of Indian Corporates: Enhancement

140. In April, 2003 Indian banks were permitted to extend credit/non-credit facilities to Indian Joint Ventures (JVs)/Wholly Owned Subsidiaries (WOS) abroad up to the extent of 10 per cent of their unimpaired capital funds (Tier I and Tier II), subject to certain conditions. In order to facilitate the expansion of Indian corporates' business abroad, it is proposed: to enhance the prudential limit on credit and non-credit facilities extended by banks from the existing 10 per cent to 20 per cent of unimpaired capital funds (Tier I and Tier II capital) of the bank.