



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2011-12/105
A.P. (DIR Series) Circular No.01
(Last Circular of 2010-11 is 75)

July 04, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

Redemption of Foreign Currency Convertible Bonds (FCCBs)

Attention of the Authorised Dealer Category - I (AD Category - I) banks is invited to [A. P. \(DIR Series\) Circular No.5 dated August 1, 2005](#), as amended from time to time, relating to instructions / guidelines in respect of External Commercial Borrowings (ECBs), which are also applicable, mutatis mutandis, to FCCBs.

2. Keeping in view the need to provide a window to facilitate refinancing of FCCBs by the Indian companies who may be facing difficulty in meeting the redemption obligations, it has been decided to consider applications for refinancing of FCCBs by Indian companies under the automatic route. Accordingly, designated AD Category - I banks may allow Indian companies to refinance the outstanding FCCBs subject to compliance with the terms and conditions set out hereunder: -

- i) Fresh ECBs/ FCCBs shall be raised with the stipulated average maturity period and applicable all-in-cost being as per the extant ECB guidelines;
- ii) The amount of fresh ECB/FCCB shall not exceed the outstanding redemption value at maturity of the outstanding FCCBs;
- iii) The fresh ECB/FCCB shall not be raised six months prior to the maturity date of the outstanding FCCBs ;
- iv) The purpose of ECB/FCCB shall be clearly mentioned as 'Redemption of outstanding FCCBs' in Form 83 at the time of obtaining Loan Registration Number from the Reserve Bank;
- v) The designated AD - Category I bank should monitor the end-use of funds;

- vi) All other aspects of ECB policy under the automatic route, such as, eligible borrower, recognised lender, end-use, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged;
 - vii) ECB / FCCB beyond USD 500 million for the purpose of redemption of the existing FCCB will be considered under the approval route; and
 - viii) ECB / FCCB availed of for the purpose of refinancing the existing outstanding FCCB will be reckoned as part of the limit of USD 500 million available under the automatic route as per the extant norms.
3. Restructuring of FCCBs involving change in the existing conversion price is not permissible. Proposals for restructuring of FCCBs not involving change in conversion price will, however, be considered under the approval route depending on the merits of the proposal.
4. The policy will be subject to review at an appropriate time depending upon evolving macroeconomic conditions and other relevant factors.
5. This facility shall come into force with immediate effect.
6. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
7. The directions contained in this circular have been issued under sections 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Rashmi Fauzdar)
Chief General Manager

Related Release
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