Exchange Control March 2003

1. Prepayment of External Commercial Borrowings (ECBs)

The ceiling of USD 100 million stipulated earlier for prepayment of ECBs under the automatic route has been removed. Authorised Dealers have, accordingly been empowered to allow remittances towards prepayment of outstanding ECBs without any limit out of local resources/market purchases, subject to fulfilment of the other conditions prescribed by the Bank. This relaxation is available till further notice.

2. Liberalisation of Automatic Route for Overseas Direct Investment

As a part of further liberalisation in the area of automatic route for overseas direct investment, the following relaxations have been made:

i) The limit of 50 per cent of net worth for market purchases of foreign exchange for investment in JV/WOS abroad, has been enhanced to 100 per cent of the net worth of the investing company.

ii) An Indian company with a proven track record would now be eligible to invest up to 100 per cent of its net worth within the overall limit of USD 100 million by way of market purchases for investment in a foreign entity engaged in any bonafide business activity.

All other restrictions stipulated earlier with reference to overseas direct investment remain unchanged.

3. Establishment of stand-by Letters of Credit for Import of goods

With a view to further simplifying and liberalising the procedure for import, authorised dealers have been empowered to open Stand-by Letters of Credit (SBLC) on behalf of their importer constituents for import into India goods permissible under the EXIM policy. Detailed guidelines for issuance of such letters of credit are being issued by the FEDAI and authorised dealers have been advised to open SBLC for import of goods into India on behalf of their constituents subject to adherence to these guidelines issued by FEDAI.

4. Indo-Cambodia Credit Agreement for USD 10 Million

The Government of India have extended a line of credit of USD 10 million (US Dollar Ten Million only) to the Royal Government of Cambodia, under a credit agreement, between the two Governments entered into on November 6, 2002. The credit is available to the Royal Government of Cambodia for importing from India capital goods of Indian manufacture including original spare parts and accessories purchased togetherwith the capital goods and included in the original contract as also project and consultancy services connected with the project, which are open to additions, deletions or substitution by mutual agreement. The credit will not cover third country imports in Cambodia. The export of goods and services from India and its import in Cambodia shall take place through normal commercial channels and will be subject to the laws and regulations in force, in both the countries.

5. Exim Bank's Line of Credit of USD 5 Million to Seychelles Marketing Board (SMB)

Export-Import Bank of India (Exim Bank) has concluded an agreement with Seychelles Marketing Board on November 25, 2002 making available to the latter, a Line of Credit up to an aggregate sum of USD 5 million for financing export of eligible goods and services from India to Republic of Seychelles. The eligible goods include initial spares, drawings and designs, together with services related thereto. The terminal dates for opening letters of credit and utilisation of credit are June 4, 2004 and December 4, 2004, respectively.

6. Opening of Temporary Foreign Currency Accounts for International Seminars/ Conferences/Conventions etc. in India

Authorised dealers have been permitted to consider proposals received from organisers of International Seminars/Conferences/conventions etc. for opening of temporary foreign currency accounts in India, subject to fulfilment of certain specified conditions including obtaining of prior approval from the concerned Administrative Ministry of Government of India for the conduct of the relevant event.