

Sponsored ADRs/GDRs- Receipt of Disinvestment proceeds

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

February 3, 2003

A.P. (DIR Series) Circular No.75

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Sponsored ADRs/GDRs- Receipt of Disinvestment proceeds

Attention of authorised dealers is invited to A.P. (DIR Series) Circular No.52 dated November 23, 2002 and Notification No. FEMA 41/2001-RB dated March 3, 2001, in terms of which Indian companies are permitted to sponsor an issue of American Depository Receipts/Global Depository Receipts (ADRs/GDRs) with an overseas depository against the shares held by its shareholders subject to compliance with the provisions of the issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and the Operative Guidelines notified by the Government of India.

2 As a measure of further liberalisation and in order to encourage Indian companies to list ADRs/GDRs on the overseas exchanges, through the scheme of sponsored ADRs/GDRs, it has been decided to permit resident shareholders of Indian companies, who offer their shares for conversion to ADRs/GDRs, to receive the sale proceeds in foreign currency. However, the conversion to such ADRs/GDRs should have the approval of Foreign Investment Promotion Board (FIPB). Further, the sale proceeds, so received by residents, are also permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) [EEFC/RFC(D)] accounts or to their Rupee accounts in India at their option.

3. Disinvestment proceeds under the scheme, receivable by residents, who have since became non-residents, would also be eligible for credit to their foreign currency accounts abroad or any of their accounts in India at their option.

4. The above facility will be available until further notice.

5. Necessary amendments to the Foreign Exchange Management Regulations, 2000 are being issued separately.

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

7. The directions contained in this circular 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