

**Guidelines for prepayment of Foreign Currency
Convertible Bond (FCCB) Issues by Indian companies
A.P.(DIR Series) Circular No.88 (March 27, 2003)**

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

A.P.(DIR Series) Circular No.88

March 27, 2003

To
All Authorised Dealers in Foreign Exchange
Madam/Sirs,

**Guidelines for prepayment of Foreign Currency
Convertible Bond (FCCB) Issues by Indian companies**

Attention of authorised dealers is invited to A.P.(DIR Series) Circular No.29 dated March 11, 2002 allowing an Indian company or a body corporate, created by an Act of Parliament, to issue FCCBs under the automatic route without the approval of Government or the Reserve Bank.

2. Government of India has since decided to allow Indian companies to prepay the existing FCCBs and accordingly has issued Press Note dated February 5, 2003 notifying the Guidelines for prepayment of FCCB issues by an Indian company (copy enclosed). It will, therefore, be in order for authorised dealers to allow Indian companies to prepay the existing FCCBs subject to the conditions stipulated in the Press Note referred to above.

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

4. 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

F.No.15/11/99-NRI
Government of India
Ministry of Finance & Company Affairs

Department of Economic Affairs
(Investment Division)

PRESS NOTE

New Delhi,
dated the 5th February 2003

**Guidelines for prepayment of FCCB issues
by the Indian companies**

A Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) was notified by the Government of India in November, 1993. Revisions/modifications in the operative guidelines for Euro-issues are announced from time to time.

2. With a view to further liberalising the scheme, it has been decided by the Government to allow Indian companies to prepay the existing FCCBs subject to the following conditions :-

- (a) This provision of pre-payment (premature purchase) of existing FCCBs will be available upto 30th September, 2003. The existing condition of minimum maturity period for redemption of bonds (i.e. 5 years) is put on hold till 30th September 2003.
- (b) The initiation power/right of prepayment is vested with the issuer of Bonds and not with the holder of bonds. However, the actual pre-payment is subject to the consent of the holder of the bond.
- (c) The pre-payment should be at most the face value of bonds and not exceeding the face value (inclusive of all expenses for such buy-back).
- (d) The bonds purchased from the holders must be cancelled and should not be re-issued or re-sold.
- (e) The funds resources for making such prepayment by the Company shall not be by resorting to fresh external debt.
- (f) This prepayment scheme of FCCBs will not have any effect on the bondholders of Indian Companies not opting this window or on the non-participating bondholders of Indian companies opting this window.

3. This scheme is available under automatic route upto a limit of US \$ 100 million if the prepayment is made out of local resources and without any limit if prepayment is out of EEFC funds or inward remittances towards equity subject to the fulfilling of the conditions mentioned in para 2 of this guideline.

4. After completing the transactions, the companies would be required to furnish full particulars thereof including the number of bonds repurchased (i.e. prepaid), the rate of repurchase (including expenses, if any), the number of residual bonds, source of funds to the Ministry of Finance & Company Affairs, Department of Economic Affairs and the Foreign Investment Division, Exchange Control Department of the Reserve Bank of India, Central Office, Mumbai within 30 days of completion of such transactions.

5. All transactions under this scheme shall be performed on or before 30th September 2003.

Sd/-

(G.S.Dutt)

Joint Secretary (FT&I)