



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

---

**RBI/2008-09/461**

**A. P. (DIR Series) Circular No 65**

**April 28, 2009**

To,

All Category - I Authorised Dealer Banks

Madam / Sir,

**Buyback / Prepayment of Foreign Currency Convertible Bonds (FCCBs)**

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to [A.P.\(DIR Series\) Circular No. 39](#) dated December 8, 2008 and [A.P. \(DIR Series\) Circular No. 58](#) dated March 13, 2009 on the captioned subject. In terms of [Para 4 B of A.P \(DIR Series\) Circular No. 39](#) dated December 8, 2008, Reserve Bank has been considering proposals from Indian companies for buyback of FCCBs out of their internal accruals, under the approval route up to a total amount of USD 50 million of the redemption value per company, subject to a minimum discount of 25 per cent on the book value.

2. As announced in [Para 110 of the Annual Policy Statement 2009-10](#) and keeping in view the benefits accruing to the Indian companies, the current policy has been reviewed and it has been decided to increase the total amount of permissible buyback of FCCBs, out of internal accruals, from USD 50 million of the redemption value per company to USD 100 million, under the approval route by linking the higher amount of buyback to larger discounts. Accordingly, Indian companies may henceforth be permitted to buyback FCCBs up to USD 100 million of the redemption value per company, out of internal accruals, with the prior approval of the Reserve Bank, subject to a:

- i) minimum discount of 25 per cent of book value for redemption value up to USD 50 million;
  - ii) minimum discount of 35 per cent of book value for the redemption value over USD 50 million and up to USD 75 million; and
  - iii) minimum discount of 50 per cent of book value for the redemption value of USD 75 million and up to USD 100 million.
3. All other terms and conditions stipulated in [A.P. \(DIR Series\) Circular No. 39](#) dated December 8, 2008 will continue to be applicable. This facility shall come into force with immediate effect and the entire procedure of buyback should be completed by December 31, 2009 as specified in [A.P. \(DIR Series\) Circular No. 58](#) dated March 13, 2009.
4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.
5. 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 is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully

**(Salim Gangadharan)**  
Chief General Manager –in - Charge