



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

RBI/2010 -11/587

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

June 30, 2011

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 the [A.P. \(DIR Series\) Circular No. 39 dated December 08, 2008](#), [A.P. \(DIR Series\) Circular No. 65 dated April 28, 2009](#) and [A.P. \(DIR Series\) Circular No.07 dated August 09, 2010](#) on the captioned subject.

2. The Reserve Bank is presently considering applications under the approval route for buyback of FCCBs, subject to the issuers complying with the terms and conditions of buyback/ prepayment of FCCBs, as mentioned in the A.P. (DIR Series) Circular No.39 dated December 08, 2008 and A.P. (DIR Series) Circular No.65 dated April 28, 2009.

3. The existing policy on the premature buyback of FCCBs has been reviewed and it has been decided to extend the time limit for such facility and liberalise the procedure. Accordingly, the applications for buyback of FCCBs by Indian companies, both under the automatic and approval routes, will be considered as detailed hereunder:

A. Automatic Route

The designated AD Category - I banks may allow Indian companies to prematurely buyback FCCBs subject to compliance with the terms and conditions set out hereunder:

- i) the buyback value of the FCCB shall be at a minimum discount of 8 per cent on the book value;
- ii) the funds used for the buyback shall be out of existing foreign currency funds held either in India (including funds held in the EEFC account) or abroad and / or out of fresh ECB raised in conformity with the current ECB norms; and
- iii) where the fresh ECB is co-terminus with the outstanding maturity of the original FCCB and is for less than three years the all-in-cost ceiling should not exceed 6 months Libor plus 200 bps as applicable to short term borrowings. In other cases, the all-in-cost for the relevant maturity of the ECB, as laid down in [A. P. \(DIR Series\) No.26 dated October 22, 2008](#), shall apply.

B. Approval Route

Indian companies may be permitted to buyback FCCBs up to USD 100 million of the redemption value per company, out of their internal accruals with the prior approval of the Reserve Bank, subject to a :

- i) minimum discount of 10 per cent of book value for redemption value up to USD 50 million;
- ii) minimum discount of 15 per cent of book value for the redemption value over USD 50 million and up to USD 75 million; and
- iii) minimum discount of 20 per cent of book value for the redemption value of over USD 75 million and up to USD 100 million.

4. Applications complying with the above conditions may be submitted, together with the supporting documents, through the designated AD Category - I bank, to the Chief General Manager-in-Charge, Reserve Bank of India, Foreign Exchange Department, ECB Division, Central Office, 11th Floor, Central Office Building, Shahid Bhagat Singh Road, Mumbai-400 001 for consideration.

5. The other terms and conditions as stipulated in paragraph 5 and 6 of 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 process of buyback should be completed by **March 31, 2012**.

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