

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

STARRED QUESTION NO:460  
ANSWERED ON:20.12.2002  
HIGH COST FOREIGN EXCHANGE DEBT  
UMMAREDDY VENKATESWARLU

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether the Government have any proposal to retire high-cost foreign exchange debt;
- (b) if so, whether the Government have also advised corporates to try to replace high-cost debt with cheaper credit and loans;
- (c) if so, the details thereof; and
- (d) the steps being taken by Government to take advantage of high fluidity and surplus funds available abroad at low rate of interest?

**Answer**

Minister of Finance & Company Affairs (Shri Jaswant Singh)

(a) to (d) : A Statement is placed on the Table of the House.

Lok Sabha Starred Question No 460 POSITION NO. 19

Statement referred to in reply to Lok Sabha Starred QuestionNo. 460 by Prof. Ummareddy Venkateswarlu regarding Highcost foreign exchange debt for answer on December 20, 2002.

(a): As part of prudent debt management policy, the Government undertakes premature payment of high cost external debt from time to time. An adhoc Group on prepayment of high cost external debt was set up in January, 2002 with members from Ministry of Finance and Company Affairs and Reserve Bank of India to look into the premature payment proposals and provide guidelines on procedure.

(b, c & d): This ad-hoc Group has recommended to encourage the Public Sector Undertakings/Corporates to prepay their high cost loans, if the prepayment is made from their own sources. In view of the comfortable foreign exchange reserve levels, the rules for prepayment of external debt by the corporates have been simplified. The early retirement of External Commercial Borrowings are allowed without any limit in cases where the amount of prepayment is fully matched by way of inflow of foreign exchange in the form of foreign investment and out of balances held in Exchange Earner's foreign currency account of the borrower. The borrower is allowed to pay before the due date an External Commercial Borrowing to the extent of 10 percent of the outstanding loan up to US Dollar 50 million and where residual maturity of the loan does not exceed one year. In order to permit the corporates to take advantage of low interest rates, automatic route for prepayment is allowed to all category of borrowers irrespective of the residual maturity or percentage of outstanding loan as long as the amount does not exceed US Dollar 100 million. Further liberalisation measures are being considered.