

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3559
ANSWERED ON:11.12.2009
ISSUANCE OF FCCBs
Ray Shri Rudramadhab

Will the Minister of FINANCE be pleased to state:

- (a) the names of the Indian Companies issued Foreign Currency Convertible Bonds (FCCBs) during the last three years;
- (b) whether the Government has monitored the utilization of proceeds in all cases;
- (c) if so, the details of irregularities found thereon;
- (d) the present status of investigations carried out by Reserve Bank of India (RBI) and Enforcement Directorate; and
- (e) the steps being taken to ensure FCCBs are not misutilised by the Companies?

Answer

MINISTER OF STATE FOR FINANCE (SHRI NAMO NARAIN MEENA)

- (a) The details of the companies which have issued Foreign Currency Convertible Bonds (FCCB) in the past three financial years and up to October, 2009 are furnished in the Annex-I.
- (b) The policy for External Commercial Borrowings (ECB) is also applicable to FCCBs in all respects. As per the extant policy, the drawal and utilization of the ECB are monitored through monthly submission of form ECB-2 by the borrowers duly certified by the designated Authorized Dealer (AD) banks.
- (c): RBI has reported that there are 17 cases of FCCBs since April, 2005, where irregularities were observed and actions under the compounding procedure of Foreign Exchange Management Act, 1999 (FEMA) have been taken / initiated against the companies for the irregularities by the RBI.

The details of action taken against companies for irregularities by RBI is at Annexe II.

- (d) Reserve Bank does not carry out any investigation into the irregularities pertaining to ECBs.

Where the borrower does not honour the obligations under the compounding procedure (compounding is a voluntary process under Section 15 of FEMA 1999), such borrowings are referred to Enforcement Directorate for adjudication as per provisions of FEMA 1999. The Enforcement Directorate (ED) has informed that it is currently examining two cases for alleged irregularities with regard to the FCCBs issued.

- (e) The policy on External Commercial Borrowing is transparent and administered in an environment that encourages and facilitates adherence to the guidelines. The number of contraventions compounded by the Reserve Bank has been few.