

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3640
ANSWERED ON:14.12.2012
DEFAULT IN REDEMPTION OF FCCB
Viswanathan Shri P.

Will the Minister of FINANCE be pleased to state:

- (a) the total maturity value of Foreign Currency Convertible Bonds (FCCB) for the current year, month-wise;
- (b) whether the bond price has been fixed higher than the market price at the time of issuing FCCB;
- (c) if so, the details thereof and the reasons therefor;
- (d) the conversion price as per Reserve Bank of India (RBI) guidelines;
- (e) whether External Commercial Borrowings (ECBs) is likely to be permitted for repayment of FCCB;
- (f) if so, the details thereof and if not, the reaction thereto; and
- (g) the steps being taken by RBI to prevent any default of redemption of FCCB by Indian companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) Month-wise data on the total maturity value of Foreign Currency Convertible Bonds (FCCBs) matured / due for maturity during the financial year 2012-13, is as follows:

Month FCCB Amount (US\$ Mn.)

April-2012 107
May -2012 86
June-2012 540
July -2012 860
August -2012 56
September-2012 2
October-2012 346
November-2012 17

Due for Maturity

December-2012 2,104
January-2013 667
February -2013 80
March-2013 317

(b) & (c): The bond price is to be fixed within the 'all-in-cost' ceiling as prescribed under the External Commercial Borrowing (ECB) Guidelines issued by RBI as amended from time to time.

(d): RBI in consultation with the Government set the pricing guidelines for the issue of FCCBs and their conversion in alignment with SEBI's guidelines on domestic capital issues. The pricing guidelines were last revised in November 2008, in terms of which, the pricing should not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the 'relevant date'. The 'relevant date' means the date of the meeting on which the Board of the company or the committee of Directors duly authorised by the Board of the company decides to open the proposed issue.

(e) & (f): Keeping in view the need to provide a window to facilitate refinancing of FCCBs by the Indian companies who may be facing difficulty in meeting the redemption obligations, refinancing of FCCBs by Indian company through ECB has been permitted under the

automatic route subject to certain terms and conditions as stipulated by RBI under the ECB guidelines as amended from time to time.

(g) : In order to prevent any default of redemption of FCCB by Indian companies, RBI has permitted restructuring of FCCBs not involving change in conversion price under the approval route. Further, buyback of FCCBs has been allowed under the approval route at a minimum discount of five per cent on the accreted value up to March 31, 2013.