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RESERVE BANK OF INDIA

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May 05, 1997

Indian overseas Investments: Norms for Investment in Nepal relaxed

To facilitate Indian overseas investment in Nepal in Indian Rupees, Government of India, Ministry of Commerce have announced certain relaxations in the existing norms vide their notification issued on March 26, 1997. The relaxations are:

- i. Proposals for Indian Rupee investments in Nepal not exceeding Rs.25 crore will now be considered by the Reserve Bank of India under the Fast Track Route. Such proposals will be considered without any linkage to export/foreign exchange earnings of the applicant company unlike in other cases coming under this route.
- ii. In terms of the extant guidelines, the amount of investment exceeding US\$ 15 million has to be raised through GDRs. This condition will not apply to Rupee investments in Nepal.
- iii. At present, an Indian promoter company is required to repatriate all its entitlements by way of dividend, royalty, technical know-how fees, etc., in free foreign exchange. The returns on Rupee investments in Nepal shall, however, now be allowed to be repatriated in Indian Rupees.

All other existing terms and conditions applicable to over seas investment in joint ventures and subsidiaries will continue to apply to investments in Nepal.

It may be recalled that the Reserve Bank has been providing single window clearance for proposals for overseas investment since December 1, 1995. These clearances are being given under the revised guidelines notified by the Ministry of Commerce in August 1995 which were subsequently amended in November 1996 to further liberalise the overseas investment policy. The guide lines provide for consideration of the proposals under a Fast Track Route (FTR) as well as the Special Committee route subject to certain specified eligibility criteria. Under FTR, proposals for overseas investment up to 25 per cent of the annual average export/exchange earnings of the Indian promoter company for the last three years, subject to a maximum of US\$ four million, are cleared by the RBI within 21 days from the date of receipt of complete applications.

(Alpana Killawala)
Deputy General Manager