

**Export of Goods and Services - Project Exports
A.P.(DIR Series) Circular No.32 (Oct 28, 2003)**

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai - 400 001**

A.P.(DIR Series) Circular No.32

October 28, 2003

To
All Authorised Dealers in Foreign Exchange

Madam / Sirs,

Export of Goods and Services - Project Exports

Attention of Authorised Dealers is invited to Regulation 18 of Notification No.FEMA 23/2000-RB dated 3^d May 2000 viz. Foreign Exchange Management (Export of Goods and Services) Regulations, 2000 in terms of which export of goods or services on deferred payment terms or in execution of a turnkey project or a civil construction contract requires prior approval of the approving authority, which shall consider the proposal in accordance with the guidelines issued by Reserve Bank from time to time.

2. With a view to simplifying and rationalising procedures, the Memorandum of Instructions on Project and Service Exports (PEM) has been revised. A copy of the revised Memorandum is enclosed. The major changes incorporated in the revised Memorandum are annexed.

3. Authorised Dealers may bring the revised guidelines in the Memorandum to the notice of their constituents concerned.

4. The directions contained in the Memorandum have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

**Grace Koshie
Chief General Manager**

ANNEXURE

(A.P.(DIR Series) Circular No.32
dated October 28, 2003)

Major Changes incorporated in the Revised Memorandum of Instructions on Project and Service Exports (PEM)

Sr.No.	Subject Matter	Changes
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1.	Limits for Clearance of Proposals	<p>(i) Monetary limits for clearance of project export contracts by the approving authority have been denominated in USD. Uniform monetary limit of USD 100 million has been prescribed for authorised dealers and Exim Bank. Project export contracts exceeding USD 100 million will need to be cleared by the Working Group. Prior to this change, these limits were Rs.50 crore for authorised dealers and Rs.200 crore for Exim Bank. Proposals in excess of Rs.200 crore in value were required to be cleared by the Working Group.</p> <p>(ii) Monetary limits for clearance of service export contracts have also been revised from Rs.5 crore for authorised dealers and Rs.10 crore for Exim Bank to USD 100 million uniformly for authorised dealers and Exim Bank. Service export contracts exceeding USD 100 million (revised from the present limit of Rs.10 crore) will need to be cleared by the Working Group.</p>
2.	Buyer's Credit Scheme of Exim Bank	Authorisation granted to Exim Bank to extend Buyer's credit under its Buyer's Credit Scheme has been revised from Rs.50 crore to USD 20 million.
3.	Periods of Deferred Credit	Period for which deferred credit may be offered by the exporter was linked to the value and type of the contract. The period of deferred credit can now be determined by the exporter and his banker in mutual consultation on merits of each case and on the basis of their commercial judgement. However, consumer durables and miscellaneous engineering goods (Part B of the list in Annexure I) should ordinarily continue to be exported on "cash" terms.
4.	Conditions necessary for clearance of proposals by authorised dealers / Exim Bank.	<p>At present, proposals which deviate from the stipulated conditions regarding advance / down payment, type of security for the contract etc. are referred to Exim Bank by authorised dealers and where necessary, by Exim Bank to the Working Group. Authorised dealers / Exim Bank may now relax these conditions based on their commercial judgement.</p> <p>Proposals involving Bridge Finance in excess of 25 per cent of contract value can also be considered by the approving authority (viz. authorised dealer/Exim Bank/Working Group). Exporters were earlier required to approach Reserve Bank for approval in such cases.</p>

5.	Export of Consumables	Powers to grant permission to project exporters to export consumables and raise invoices on their own site offices have been delegated to authorised dealers subject to certain conditions. Hitherto, exporters were required to approach Reserve Bank for such permission.
6.	Liaison Office	At present, number of liaison offices which can be opened by the exporter is restricted to one in a country where more than one project export contract is executed. This restriction has been removed. Exporters can now be permitted by the approving authority viz. authorised dealer/Exim Bank/Working Group to open more than one liaison office in one country, if required.
7.	Initial Remittance	<p>Remittance for meeting initial / mobilisation expenses from India in the absence of adequate advance payment or an overdraft / loan arrangement abroad by the exporter required approval of Reserve Bank where the amount of remittance exceeded 5 per cent of contract value and / or period of repatriation of such amount to India exceeded one year from the date of such remittance.</p> <p>Approving authority viz. authorised dealer/Exim Bank/Working Group can now allow such remittance even if it exceeds 5 per cent of the contract value on the basis of cash flow position of the project / service export proposal. The period of repatriation can also be determined by the approving authority. Concerned exporter will however, be required to submit an undertaking to the authorised dealer to repatriate the amount within the period determined by the approving authority. Fulfilment of the undertaking by the exporter will need to be monitored by the authorised dealer who allows remittance and he is also required to monitor the project.</p>
8.	Third Country Purchases	<p>Authorised dealers could open letters of credit in India in favour of third country suppliers provided they were on back-to-back basis. Availability of letters of credit opened by foreign client in favour of the Indian exporters with similar terms and conditions need not be insisted upon. However, the amount of such letter of credit should not exceed the value of third country imports approved by the approving authority while according post award clearance to the project export proposal and payment under such letters of credit should be made from out of the project receipts.</p> <p>Authorised dealers can now grant waiver for submission of the exchange control copy of the bill of entry subject to certain conditions where third country purchases are directly transported by the overseas supplier to the</p>

		project site and for which payment is made under letter of credit opened in India. Exporters were earlier required to approach Reserve Bank for grant of such waiver.
9.	Export of Equipment on Re-import Basis	Export of equipment on re-import basis was being allowed by Reserve Bank and necessary GR approval was being accorded. Exporter was required to submit an undertaking that he will re-import the equipment or if sold abroad, repatriate the sale proceeds. The exporter will now be required to make an application to the authorised dealer for permission, citing a reference to the post award approval granted by the approving authority. He will submit the undertaking to the authorised dealer. Requisite GR/SDF Form approval may be granted by authorised dealer. Fulfilment of the undertaking by the exporter will need to be monitored by the authorised dealer.
10.	Intimation Regarding Approval of the Contract	<p>Copies of approval letters in respect of Project and Service Export contracts cleared by authorised dealers were required to be forwarded by the concerned authorised dealer to the concerned Regional Office of Reserve Bank and all the members of the Working Group.</p> <p>Copies of such approvals may henceforth be sent to the Regional Office of Reserve Bank and in addition, to Exim Bank and ECGC only if their participatory interest by way of funded / non-funded facilities, insurance / risk cover, etc. is involved.</p>
11.	Progress Report on Execution of Contract.	Progress of the execution of the contract in Form DPX 5 (now renumbered as DPX 3) was being submitted on a half-yearly basis by the exporter to all the institutions constituting the Working Group and the concerned Regional Office of Reserve Bank through the exporter's bank. Such report may now be sent to the authority approving the project export contract and the concerned Regional Office of Reserve Bank. It will however, be necessary to forward the report to Exim Bank / ECGC also in all cases where their financial / non-financial assistance / risk cover has been obtained. In the case of project export proposals approved by the Working Group, the report in Form DPX 3 may be sent to Exim Bank, ECGC and the concerned Regional Office of Reserve Bank. The final DPX 3 report may clearly indicate the fact of completion of the project and full compliance with closing procedures laid down in para B.10 of the revised Memorandum.
12.	Inter-Project Transfer of Funds	Presently, copies of applications for inter-project transfer of funds together with the approval accorded by

		<p>authorised dealers are required to be forwarded to all the members of the Working Group, the banker of the lending project and the concerned Regional Office of Reserve Bank. Such copies together with the approval may now be forwarded to the concerned approving authority (which has approved the project export proposal) and the banker of the lending project. Copies may also be forwarded to Exim Bank / ECGC in all cases where their participation in the project finance / facilities, risks, etc. is involved. In the case of project export proposals approved by the Working Group, copies of the application, etc. may be forwarded to Exim Bank and ECGC.</p>
13.	Sale of Equipment Exported on Re-import Basis, etc.	<p>Equipment taken out of the country on reimport basis is required to be reimported to the country. However, if the equipment is sold abroad / given on hire basis, documentary evidence showing repatriation of entire sale proceeds or hire charges of equipment given on hire basis to other contractors abroad is required to be submitted to Reserve Bank. Such evidence will now be submitted to the authorised dealer who is monitoring the project.</p>
14.	Completion of Projects	<p>On completion of the Project, the exporter is required to submit a report giving full account of the various steps taken by him to Reserve Bank and all the members of the Working Group. Such report will now be sent within one month from the completion of the Project, by the exporter through his banker to the approving authority which had cleared the project export contract at the post award stage and in addition, to ECGC / Exim Bank if they have participatory interest in the facilities / risks. Where the project export proposal was cleared by the Working Group, the report may be sent to Exim Bank and ECGC.</p>
15.	Single Foreign Currency Account -Monitoring	<p>Exporter can maintain a single foreign currency account for more than one project being executed in the same country. He is however, required to submit project-wise statements of accounts to the project monitoring authority including concerned Regional Office of Reserve Bank. Such statements may now be sent only to the authorised dealer monitoring the project.</p>
16.	Foreign Currency Account - Opening of	<p>As regards the foreign currency account/s opened abroad, the exporter may submit the following information/statement to the concerned authorised dealer which was hitherto being submitted to the regional office of Reserve Bank. The periodicity of the statement at item (ii) below has been made on half-yearly basis.</p> <p>(i) Intimate the account number, name of the bank,</p>

		<p>place and country where such account is opened within 15 days from the date of opening of such account.</p> <p>(ii) Statement of operations on the account should be on half yearly basis.</p> <p>(iii) Bank certificates evidencing the amount repatriated, periodically.</p> <p>(iv) Closure of foreign currency account with bank certificates evidencing transfer of balance to India immediately on completion of the relevant contract.</p>
17.	Foreign Currency Account in India	<p>Approving authority of the overseas contract i.e. Authorised Dealer/Exim Bank/Working Group can now allow project/service exporters to open, hold and maintain foreign currency account in India subject to certain terms and conditions. Hitherto, project/service exporters were required to approach Reserve Bank for permission to open such account in India.</p>
18.	Details of Site / Liaison Office, Payment of Agency Commission on Overseas Borrowings.	<p>The exporter may submit the following information/statements to the concerned authorised dealer which was hitherto being submitted to the regional office of Reserve Bank.</p> <p>(i) Details regarding opening of liaison office/site office (expenses on these offices, closure of offices) etc. within 15 days from the date of opening of such office.</p> <p>(ii) Expenditure of site/liason office within one month from the expiry of the relevant half year.</p> <p>(iii) The account number, name of the bank, etc. of overdraft / loan account of the exporter within 15 days from the date of grant of financial accommodation.</p> <p>(iv) Statement of operations on the overdraft/loan account should be on half-yearly basis.</p> <p>(v) Submission of details regarding agency payment has been dispensed with.</p>
19.	Application Forms	<p>Since pre-bid clearance has been dispensed with, remaining forms have been modified and renumbered as indicated in the Memorandum annexed.</p>