



# Govt. moves to stabilise rupee

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## **Highlights**

The government announced a set of five measures aimed at supporting the rupee, which has been under pressure in the last few weeks, and ensuring that the current account deficit stays in control. The government will also take necessary steps to cut down non-essential imports and increase exports, Finance Minister Arun Jaitley said at a press conference convened at short notice.

- To attract more foreign portfolio investors (FPI) into the corporate debt market, the government has said it will review a couple of restrictions on their investments.
  - So, the condition that FPIs' investment in a single corporate entity cannot exceed 20% of its corporate bond portfolio will be reviewed.
- The condition that FPIs cannot invest more than 50% of an issue of corporate bonds will also be reviewed.
- In a bid to push Indian corporates to take the masala bond route, the government has exempted all such bond issues until March 31, 2019, from withholding tax.
- It has also said it will remove restrictions on Indian banks on market-making for such bonds and on underwriting them.
- The fifth measure is that manufacturing companies borrowing up to \$50 million through ECBs will be able to do so only for a one-year term as against the three-year term allowed earlier.
  - The government has also said it will review the mandatory hedging condition for infrastructure loans borrowed under the external commercial borrowing (ECB) route.
  - Presently there is no compulsion on borrowers to hedge these loans.

The decisions were taken at a meeting where the RBI Governor Urjit Patel made a presentation to Prime Minister Narendra Modi

## Masala bonds

- Masala bonds are rupee-denominated instruments issued abroad by Indian borrowers.
- The advantage of these bonds is that any depreciation in the rupee will not affect the borrower.