



Framework for Overseas Investments under FEMA

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OI Rules & Regulations

Overseas Investment
Rules dated 22nd
August 2022 issued by
Ministry of Finance

Overseas Investment
Regulations dated 22nd
August 2022 issued by
RBI

Master Direction on
Overseas Investment
Direction dated 24th
July 2024 issued by
RBI

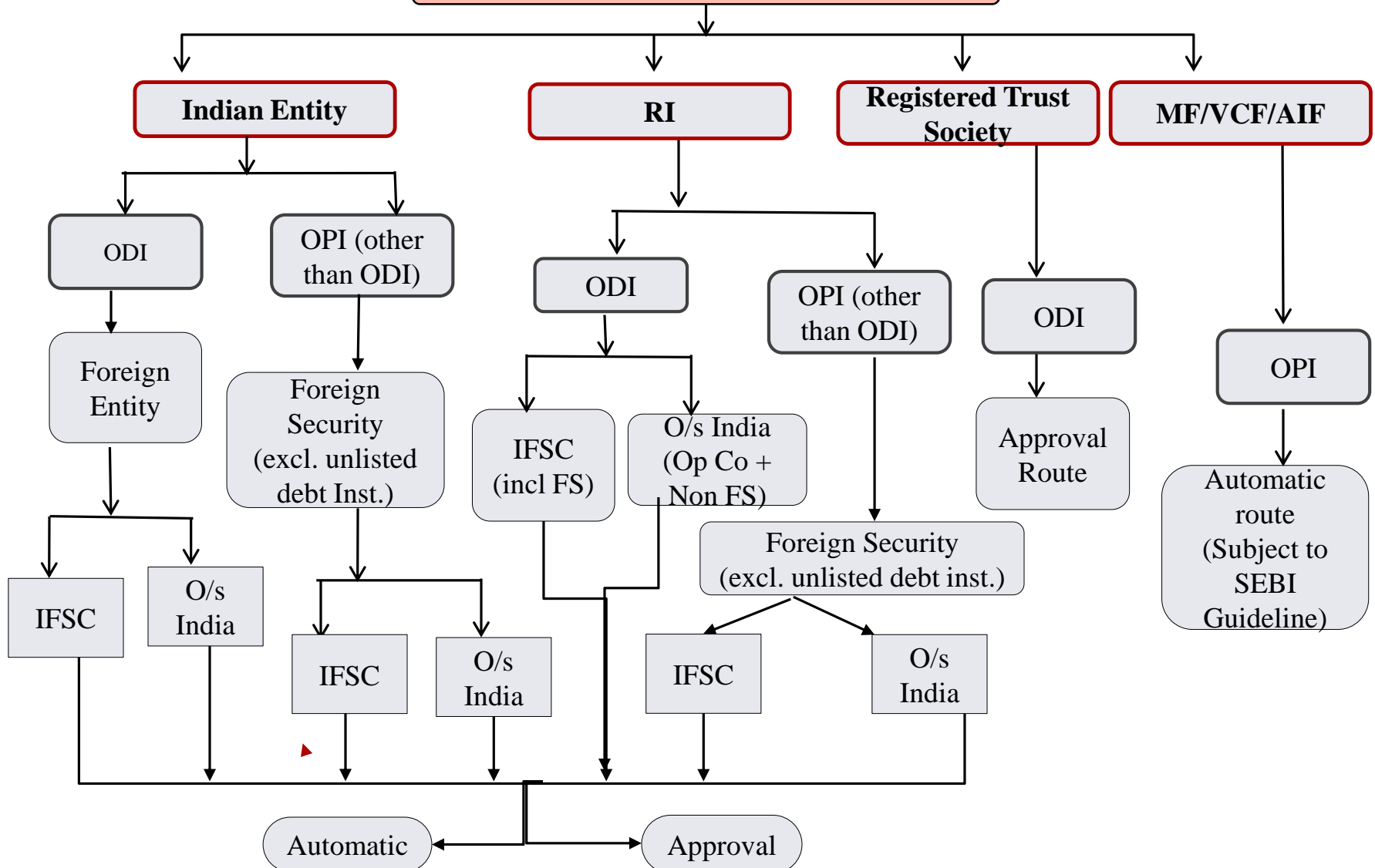
Master Direction on
Reporting (updated as
on 01st April 2026)

Master Direction on
LRS (updated as on
06th September 2024)

Master Direction on
Immovable Property
(updated as on 01st
September 2022)

Routes for Overseas Investments

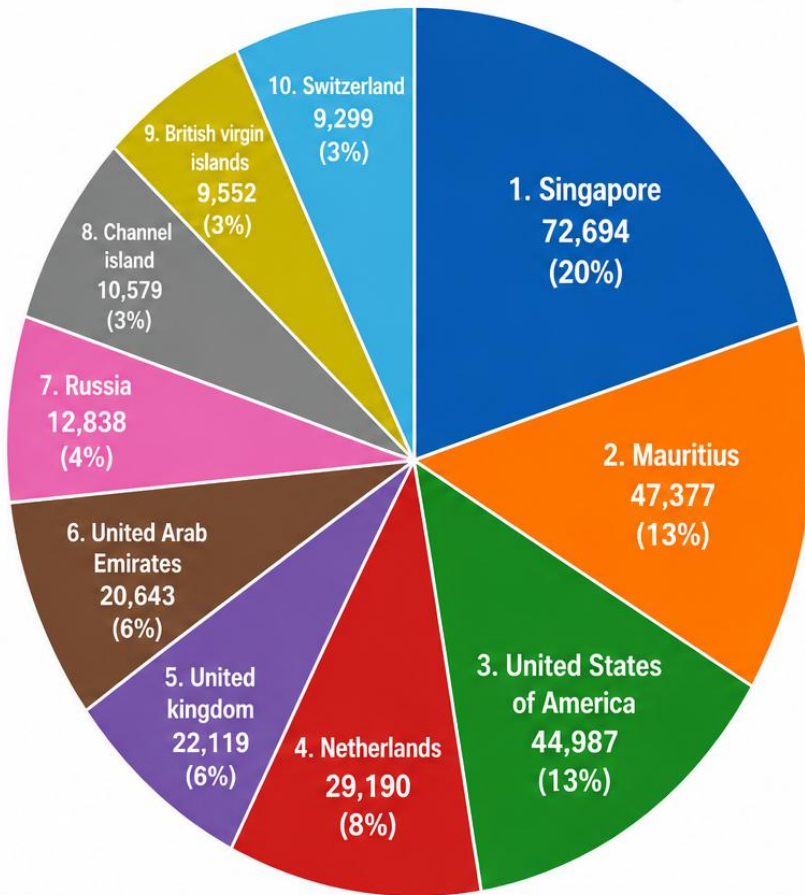
Routes for Overseas Investments



ODI Outflow Data Analysis

COUNTRY-WISE ODI OUTFLOWS FROM APRIL 2000 TO MARCH 2026

(Figures in US\$ Million)



Sr. No.	Name of the Country	ODI (US\$ Million)	As % of Total ODI
1	Singapore	72,694	20%
2	Mauritius	47,377	13%
3	United States of America	44,987	13%
4	Netherlands	29,190	8%
5	United kingdom	22,119	6%
6	United Arab Emirates	20,643	6%
7	Russia	12,838	4%
8	Channel island	10,579	3%
9	British virgin islands	9,552	3%
10	Switzerland	9,299	3%
Total		279,278	100%

General Provisions



Exemption from the applicability of Rules

Non-applicability of OI Rules

- ❖ Any investments made outside India by financial institutions in an IFSC
- ❖ Acquisition or transfer of any investments outside India:
 - made out of RFC Account
 - out of foreign currency resources held outside India by a person employed in India for a specific duration/ for a specific job/ assignment not exceeding 3 years
 - in accordance with section 6(4) of FEMA

Note: "Financial institution" has the same meaning as assigned in the International Financial Services Centres Authority Act, 2019.

Continuity of Investments

- ❖ Any investment or financial commitment outside India made in compliance with the Act or its regulations, held as on the publication date of these rules, **will be considered made under these rules and the Foreign Exchange Management (Overseas Investment) Regulations, 2022**

Definition of ODI & Control

- ❖ **ODI** means investment by way of acquisition of **unlisted equity capital of a foreign entity**, or subscription as a part of the memorandum of association of a foreign entity, or investment in ten per cent, or more of the paid-up equity capital of a **listed foreign entity** or investment with control where investment is less than ten per cent. of the paid-up equity capital of a **listed foreign entity**.
- ❖ **“Control”** means the right to appoint majority of the directors or to control management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including *by virtue of their shareholding or management rights or shareholders' agreements or voting agreements that entitle them to ten per cent. or more of voting rights or in any other manner in the entity*



**Outward Direct
Investment (ODI)**

Definition of OPI

- ❖ OPI means investment, other than ODI, in **foreign securities**, but not in any unlisted debt instruments or any security issued by a person resident in India who is not in an IFSC.
- ❖ OPI shall not be made in **any derivatives** (unless permitted by RBI) & any **commodities** including bullion depository receipts.
- ❖ OPI by PRI in the equity capital of a listed entity, even after its delisting shall continue to be treated as OPI until any further investment is made in the entity.



Overseas Portfolio Investments

❖ Other notable points concerning overseas portfolio investment

Delisting of listed company – Continue to be treated as OPI. Investment after delisting - ODI

Investment to be made in units/ any other instrument issued by investment fund overseas regulated directly/ through a fund manager in host jurisdiction.

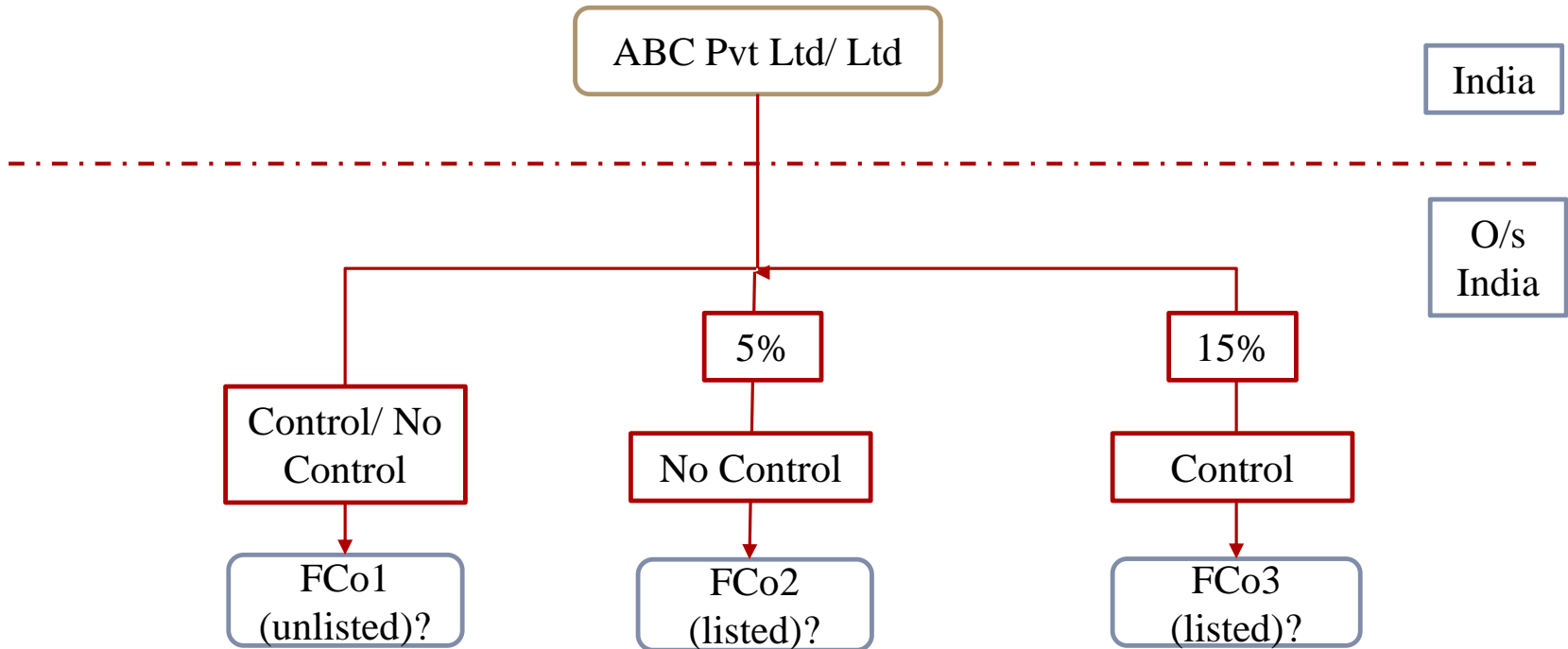
Liability of listed Indian co. in foreign investment fund / trust outside India shall be limited to its interest or contribution in the fund. Trustee of such fund shall be a PROI.

Resident individual (RI) permitted to make OPI within the LRS limit

Acquisition by RI of sweat equity, minimum qualification shares or ESOP up to 10% of the foreign entity paid up capital without control - OPI

Investment in securities specified by SEBI made in MF/ VCF/ AIF registered with SEBI as per Schedule IV of the OI Rules - OPI

ODI or OPI?



Net-worth Definition

- ❖ Net-worth shall have the same meaning as assigned to it in Section 2(57) of the Companies Act, 2013.
- ❖ **For Company:** *Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits, **securities premium account** and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.*
- ❖ **For LLP:** *Net worth of registered **partnership firm** or **LLP** shall be the sum of the capital contribution of partners and undistributed profits of the partners after deducting therefrom the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the last audited balance sheet.*



Debt v/s Non-debt Instruments

❖ Power to legislate on Capital Account Transactions w.e.f. 15.10.2019

Debt Instruments	[RBI]	Non-Debt Instruments	[CG]
Government Bonds		All investments in equity in incorporated entities (public, private, listed and unlisted)	
Corporate Bonds		Capital participation in Limited Liability Partnerships (LLPs)	
All tranches of securitisation structure which are not equity tranche		All instruments of investment as recognised in the FDI policy as notified from time to time	
Borrowings by Indian firms through loans		Investment in units of Alternative Investment Funds (AIFs) and Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InVITs)	
Depository receipts whose underlying securities are debt securities		Investment in units of mutual funds and Exchange-Traded Fund (ETFs) which invest > 50% in equity	
		The junior-most layer (i.e. equity tranche) of securitisation structure	
		Acquisition, sale or dealing directly in immovable property	
		Contribution to trusts	
		Depository receipts issued against equity instruments	

Other Important Definitions

- ❖ **Authorised Dealer Category-I bank** or “AD bank” means a person authorised as such under subsection (1) of section 10 of the Act and for the purposes of these rules, shall mean only the domestic branches of such AD bank;
- ❖ **Equity capital** means equity shares or perpetual capital or instruments that are irredeemable or contribution to non-debt capital of a foreign entity in the nature of fully and compulsorily convertible instruments;
- ❖ **Foreign entity** means an **entity formed or registered or incorporated outside India**, including International Financial Services Centre that has limited liability: Provided that the restriction of limited liability shall not apply to an entity with core activity in a strategic sector.
 - *The concept of JV and WOS is substituted under the new regime with the concept of the foreign entity*
 - *Limited liability would mean a structure such as a limited liability company, limited liability partnership, etc. where the liability of the person resident in India is clear and limited.*
- ❖ **Financial service regulator** means a financial service regulator established under any law in force in India and include the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority and the Pension Fund Regulatory and Development Authority;

Other Important Definitions

- ❖ **Financial commitment** means the aggregate amount of investment made by a person resident in India by way of Overseas Direct Investment, debt other than Overseas Portfolio Investment in a foreign entity or entities in which the Overseas Direct Investment is made and shall include the non fund-based facilities extended by such person to or on behalf of such foreign entity or entities;
- ❖ **Indian entity means**—
 - a **company** defined under the Companies Act, 2013 (18 of 2013);
 - a **body corporate** incorporated by any law for the time being in force;
 - a **Limited Liability Partnership** duly formed and incorporated under the Limited Liability Partnership Act, 2008 (6 of 2009); and
 - a **partnership firm** registered under the Indian Partnership Act, 1932 (9 of 1932)
- ❖ **Overseas Investment or OI** means financial commitment and Overseas Portfolio Investment by a person resident in India
- ❖ **Last Audited Balance Sheet** means audited balance sheet as on date not exceeding eighteen months preceding the date of the transaction

Other Important Definitions

- ❖ **Subsidiary or step-down subsidiary** of a foreign entity means an entity in which the foreign entity has control.
- ❖ **Sweat equity shares** means such equity shares as are issued by an overseas entity to its directors or employees at a discount or for consideration other than cash, for providing their know-how or making available rights like intellectual property rights or value additions, by whatever name called
- ❖ **Strategic sector** shall include energy and natural resources sectors such as oil, gas, coal, mineral ores, submarine cable system and start-ups and any other sector or sub-sector as deemed necessary by the Central Government;

Bonafide Business Activity

- ❖ Any investment by PRI o/s India shall be made in foreign entity engaged in bonafide business activity, directly or indirectly through SDS or the SPV.
- ❖ Provided that the structure of such subsidiary or step-down subsidiary of the foreign entity shall comply with the structural requirements of a foreign entity:
- ❖ *Bonafide business activity shall mean any business activity permissible under any law in force in India and the host country or host jurisdiction, as the case may be.*

Poser:

- ❖ Whether an Indian company can make ODI in a foreign company engaged in cryptocurrency trading activities?

Country in which foreign Investment is Not Permitted

- ❖ Overseas Investment or transfer of such investment including swap of securities in a *foreign entity formed, registered or incorporated in Pakistan or in any other jurisdiction* as may be advised by the Central Government from time to time shall require *prior approval of the Central Government*

Pricing Guidelines

- ❖ Issue or transfer of equity capital of a foreign entity from PROI or PRI to PRI who is eligible to make such investment or from PRI to PROI shall be subject to a **price arrived on an arm's length basis**.
- ❖ AD bank before facilitating a transaction to ensure compliance with ALP taking into consideration the valuation as per **any internationally accepted pricing methodology for valuation**.

Poser:

- ❖ Whether CA/ CPA can do valuation in all cases now? Validity Period of report?
- ❖ Concept of price v/s pricing - What if there is any deviation from ALP price? Eg: ALP 100 & shares are issued at 80

Foreign Currency Account Abroad by an Indian Entity

- ❖ An Indian entity can open and maintain a foreign currency account abroad to facilitate ODI, **if inter alia, host country regulations stipulate** that the investment into the country is required to be routed through a designated account.
- ❖ Other conditions to be fulfilled concerning utilization, dividend repatriation, submission of debit/ credit details to AD Bank, and closure of account on account of disinvestment

Mode of Payment - Overseas Investment

- ❖ A person resident in India making **an overseas investment may make a payment:**
 - ✓ by remittance made through **banking channels**;
 - ✓ from **funds held in an account maintained in accordance with the provisions of the Act**;
 - ✓ by **swap** of securities;
 - ✓ by using the proceeds of **American Depository Receipts or Global Depository Receipts or stock-swap** of such receipts or **external commercial borrowings** raised in accordance with the provisions of the Act and the rules and regulations made thereunder for making ODI or financial commitment by way of debt by an Indian entity.



Disinvestment/ Transfer

- ❖ Where the disinvestment by a person resident in India pertains to ODI:
- ❖ the transferor, in case of full disinvestment other than by way of liquidation, shall not have any dues outstanding for receipt, which **such transferor is entitled to receive from the foreign entity as an investor in equity capital and debt;**
- ❖ the transferor, in case of any disinvestment, must have stayed invested for at least **one year from the date of making ODI:...**

Observation/ Poser:

- ❖ Disinvestment permitted in case o/s dues is in the nature of trade transaction?
- ❖ Whether write-off allowed now without any limit or without eligibility criteria?

Restructuring of FE Balance Sheet

- ❖ Permitted if **FE incurs losses for the 2 PYs as evidenced by audited BS.**
- ❖ Compliance with reporting, documentation, and diminution in the total value of o/s dues after restructuring not exceed the proportionate amount of accumulated loss
- ❖ **Certification of diminution value** at arms' length required if – investment amount > USD 10 million or amount of diminution > 20% of total o/s dues.
- ❖ Certificate should be **dated < 6 months** before the date of transaction

Pre-incorporation Expenses

- ❖ AD may allow remittance up to USD 1,00,000 per foreign entity.
- ❖ PRI may capitalise such expenses [FC: ODI] or recognise as receivables [FC: Debt] or account them as expenses in their books of account.
- ❖ However, unless recognised as financial commitment, such expense will not attract provisions of OI Rules/ Regulations.

Obligation of PRI

- ❖ PRI is required to submit the share certificate or any relevant document as evidence of investment within 6 months from the date of effecting remittance/ date when dues are capitalized etc.
- ❖ PRI to obtain a Unique Identification Number (UIN) before sending outward remittance or acquisition of equity capital, whichever is earlier.
- ❖ PRI to route all transactions relating to a particular UIN through designated AD. Routing of transactions through the same AD even in a case where > 1 PRI makes the financial commitment.
- ❖ PRI permitted to make remittance towards earnest money deposit or obtain bid bond guarantee for participation in bidding/ tender procedure.

Designated AD Bank

All transactions for ODI should be routed through the designated AD bank

If 2 or more Indian residents set up a foreign entity - transactions for that entity must go through one designated AD bank

Different foreign entities may have different designated AD banks

NOC from the existing AD bank required to switch AD banks

Communication with RBI should be routed through the nodal branch of AD bank

UIN Generation Process

Submission of Form FC and other required documents to the AD Bank

AD Bank **verifies** the Form FC & documents and submits the said details in the **OID portal** for application for UIN Allotment

UIN generated by RBI and sent to AD Bank/ applicant via auto-generated email

Remittance by the applicant towards acquisition of shares in foreign company

- ❖ UIN allotment **does not constitute approval** from the Reserve Bank for the investment made/ to be made in the foreign entity.
- ❖ Signifies recording the investment for **database maintenance purposes**.
- ❖ Since 01st June 2012, an **auto-generated email** with UIN details is being sent to the AD bank/ Indian investor as confirmation. No separate letter is issued by RBI in this regard.

Reporting Requirement for OI

- ❖ PRI who has made **ODI needs to report** the same in Form FC in case:
 - At the time of **sending outward remittance or making a financial commitment, whichever is earlier;**
 - **Disinvestment** within 30 days of receipt of disinvestment proceeds;
 - **Restructuring** within 30 days of such restructuring.
- ❖ **PRI other than RI making OPI or transferring OPI** to report such investment. Transfer **within 60 days** from the **end of half-year**.
- ❖ In case of OPI by way of ESOP scheme – reporting by Indian counterpart.
- ❖ PRI making ODI required to submit Form APR by end of 31st December every year.
 - No reporting is required in cases where PRI is holding < 10% without control and there is no other financial commitment other than by way of equity.
 - Control + not mandatory audit in host country – even then APR based on audited FS
 - In case ODI by 1 or more PRI – the person holding the highest stake may file.
 - Details of set up/ acquisition/ winding up of SDS or alteration in SH pattern of the foreign entity to be reported in Form APR.
- ❖ **Indian entity** who has made ODI required to **submit Form FLA before 15th July of every year.**

Delay in reporting

- ❖ **Delay post date of publication of these rules:** Submission can be made subject to payment of Late Submission Fees (LSF). However, the facility of payment of LSF can be availed within a period of 3 years from the due date of such submission.
- ❖ **Delay - Pre-date of publication of these rules:** Submission can be made subject to payment of Late Submission Fees (LSF). However, the facility of payment of LSF can be availed within a period of 3 years from the date of publication of these regulations in the Official Gazette i.e. 22nd August 2022.
- ❖ LSF mechanism/ calculation provided by RBI vide the directions issued in this regard.

Restriction of Further Investment/ Transfer

- ❖ PRI who has made a financial commitment in a foreign entity **shall not be permitted** to make any further financial commitment, whether fund-based or non-fund-based, directly or indirectly **till any delay in reporting is regularized.**

Late Submission Fees

- ❖ In case of delay in filing/submitting the requisite form/return/document - Pay the Late Submission Fee (LSF)
- ❖ The LSF for delay in reporting of overseas investment related transactions shall be calculated (per return) as per the following matrix:

Sr. No.	Type of Reporting delays	LSF Amount (INR)
1	Form ODI Part-II/ APR, FLA Returns, Form OPI, evidence of investment or any other return which does not capture flows or any other periodical reporting	7,500/-
2	Form ODI-Part I, Form ODI-Part III, Form FC, or any other return which captures flows or returns which capture reporting of non-fund based transactions or any other transactional reporting	[7500 + (0.025% × A × n)]

- ✓ “n” is the number of years of delay in submission rounded-upwards to the nearest month and expressed up to 2 decimal points.
- ✓ “A” is the amount involved in the delayed reporting.
- ❖ Maximum LSF: 100% of amount involved
- ❖ LSF Payment within 30 days

Provisions: Non-debt



Overview of Schedules

Schedule I

- ODI by Indian Entity (IE)

Schedule II

- OPI by Indian Entity (IE)

Schedule III

- Overseas Investment by Resident Individual (RI)

Schedule IV

- Overseas Investment by PRI other than IE & RI

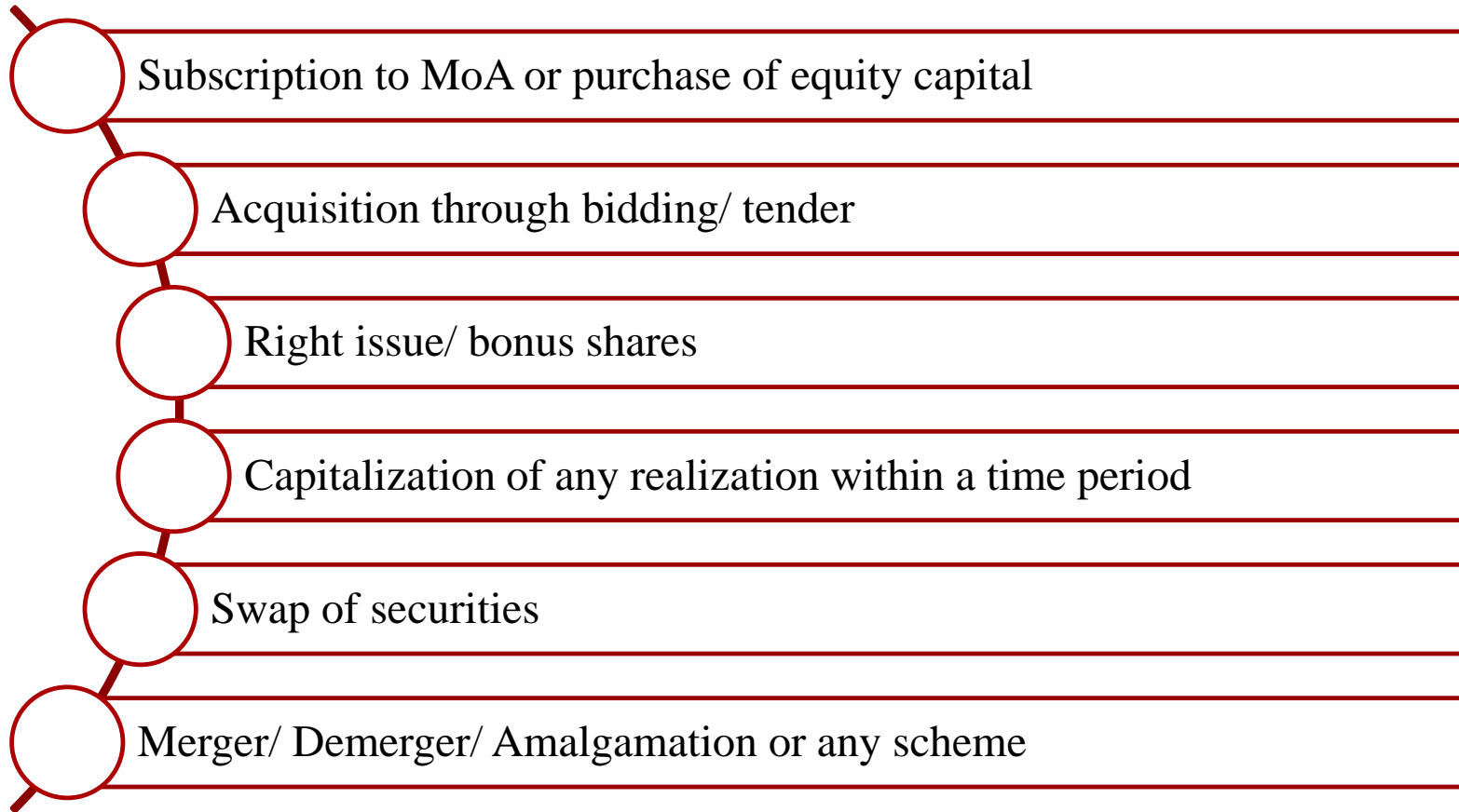
Schedule V

- Overseas Investment in IFSC by PRI

Sch I – ODI by Indian Entity (IE)

❖ Manner of Making ODI

- IE permitted to make ODI by way of:



Sch I – ODI by Indian Entity (IE)

❖ ODI in Financial Service Activity

Indian Entity	ODI in Foreign Entity	Subject to FC/ Reporting/ other provisions
Engaged in FS Activity	Engaged in FS Activity	3 Year NP + Regulated/ registered + Approval criteria
	Not engaged in FS Activity	Subject to the guidelines issued by the respective regulator (Current RBI NBFC regulations do not allow overseas investment into non-FS activity)
Not Engaged in FS Activity	Engaged in FS Activity (Exc. Banking/ Ins.)	3 Year NP criteria
	Gen. & Health Ins.	3 Year NP criteria + supporting core activity

Sch I – ODI by Indian Entity (IE)

❖ Limit for financial commitment.

- ✓ Total financial commitment of IE in all foreign entities shall not exceed 400% of its net worth as on the last audited balance sheet.
 - ✓ Capitalization of retained earnings (acquisition of bonus shares) should not be included in reckoning such limit.
 - ✓ Net worth of HoldCo/ SubCo now not permitted to be used for computing net worth.
 - ✓ Instead counted as respective group company's independent FC.
- ❖ Utilisation of the balances held in EEFC account, and the amount raised by issue of American Depository Receipts (ADR)/ Global Depository Receipts (GDR) and ADR/ GDR stock-swap for making financial commitment shall also be reckoned towards the financial commitment limit.
- ❖ Where the proceeds from External Commercial Borrowings (ECB) are utilised for making financial commitment, the same shall be reckoned towards financial commitment limit. However, only that part of the ECB shall be reckoned towards the financial commitment limit that exceeds the amount of the corresponding pledge or creation of charge on assets which has already been counted towards the financial commitment.

Sch II – OPI by Indian Entity (IE)

- ❖ An Indian entity may make **OPI which shall not exceed fifty percent of its net worth** as on the date of its last audited balance sheet, in the manner and subject to the conditions laid down in this Schedule.
- ❖ A **listed Indian company may make OPI including by way of reinvestment.**
- ❖ Reinvestment means that the OPI proceeds are exempted from repatriation provisions as long as such proceeds are reinvested within the time specified for realisation and repatriation.
- ❖ An **unlisted Indian entity may make OPI** only under the following modes:
 - **Right issue/ bonus shares;**
 - **Capitalization** of any realization within a time period;
 - **Swap** of securities;
 - **Merger/ Demerger/ Amalgamation or any scheme.**

Sch V – Overseas Investment in IFSC

❖ Overseas Investment in IFSC by PRI

- PRI permitted to make an investment in IFSC in accordance with Schedule I/ II/ III & IV provided:

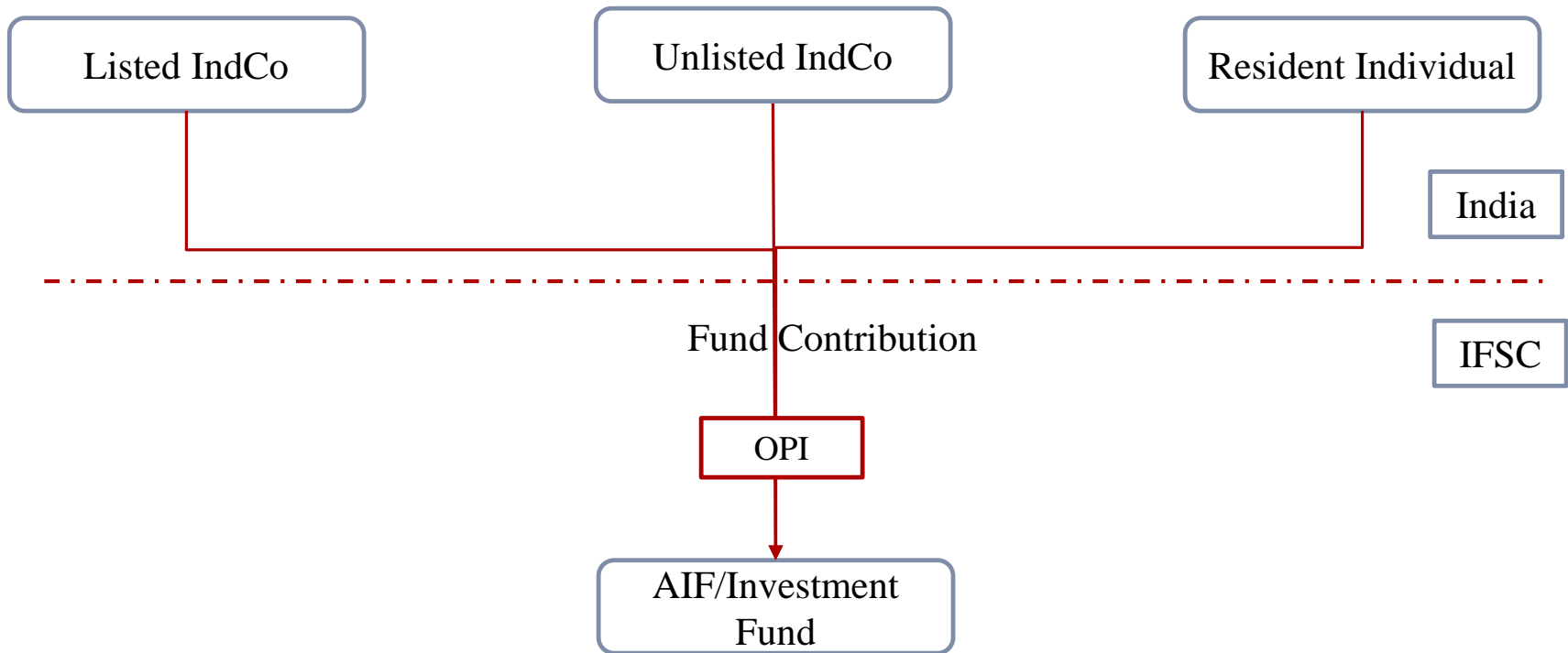
ODI in IFSC – approval of FS regulator to be decided in 45 days. Failing which construed as deemed approval

IE not engaged in FS activity in India and making ODI in foreign entity directly/ indirectly engaged in FS activity (except banking/ insurance) – permitted to make ODI in IFSC even when does not meet NP condition

PRI permitted to make OPI as a contribution to an investment fund or vehicle setup in an IFSC

RI permitted to make ODI in a foreign entity (even engaged in FS activity) in IFSC if such entity does not have SDS o/s IFSC in case RI has control in the such foreign entity

Sch V – Overseas Investment in IFSC



Provisions: Debt



Financial Commitment by IE – Other than equity

- ❖ The Indian entity **may lend or invest in any debt instrument** issued by a foreign entity or extend the non-fund-based commitment to or on behalf of a foreign entity including overseas SDS **within the financial commitment limit** subject to the following conditions:
 - Indian entity is **eligible to make ODI**;
 - Indian entity **has made ODI** in the foreign entity;
 - Indian entity **has acquired control** in the such foreign entity at the time of making such financial commitment.
- ❖ Financial Commitment by way of guarantee as well as by way of pledge or charge permitted subject to the terms & conditions if any provided under the Overseas Investment Regulations issued by RBI.
- ❖ **In the new ODI Regulations, approval for issuance of corporate guarantees to or on behalf of 2nd or subsequent SDS has been dispensed with.**

Financial Commitment by IE – Debt Investment

- ❖ Lending and investing in debt instruments subject to the condition that such **loans are duly backed by a loan agreement where the rate of interest is charged at ALP.**

Financial Commitment - Guarantee

- ❖ Following guarantees may be issued to or on behalf of FE or any SDS in which IE has acquired control:
 - Corp/ Performance guarantee by IE;
 - Corp/ performance guarantee by a group company of such Indian entity in India, being a holding company or a subsidiary company or a promoter group company, which is a body corporate;
 - Personal guarantee by the RI promoter of such IE;
 - Bank guarantee, which is backed by a counter-guarantee or collateral by IE or its group company, and issued, by a bank in India.
- ❖ Guarantee extended by group Co – Utilisation of FC limit of such group co.
- ❖ Guarantee extended by RI promoter– Utilisation of FC limit of IE
- ❖ No guarantee shall be open-ended
- ❖ For performance guarantees – time specified for completion of the contract to be treated as validity period
- ❖ Remittance of funds from India on account of invocation of performance guarantee - prior RBI approval not required

Financial Commitment - Guarantee

- ❖ Amount invoked - cease to be a part of the non-fund based commitment but be considered as debt instead
- ❖ Remittance towards invocation of guarantee – Not fresh financial commitment.
- ❖ Joint Guarantee – 100% amount towards individual limit; Perf. Guarantee – 50%
- ❖ Rollover of Guarantee – Not a fresh fresh financial commitment if amt does not exceed original guarantee



Financial Commitment - Pledge

Security by Indian entity	In whose favour	Facility availed	Amount reckoned towards financial commitment
A) Pledge the equity capital of the foreign entity /its SDS outside India.	AD bank or a public financial institution in India or an overseas lender.	Fund/non-fund based facilities for Indian entity.	NIL
		Fund/non-fund based facilities for any foreign entity/its SDSs outside India.	The value of the pledge or the amount of the facility, whichever is less.
	A debenture trustee registered with SEBI in India.	Fund based facilities for Indian entity.	NIL
B) Create charge on its assets (other than A above) in India [inc. assets of its group company or associate company, promoter and / or director].	AD bank or a public financial institution in India or an overseas lender.	Fund/non-fund based facility for any foreign entity/its SDS outside India	The value of charge or the amount of the facility, whichever is less
	Overseas or Indian lender.	fund/non-fund based facilities for Indian entity.	NIL

Financial Commitment - Pledge

Security by Indian entity	In whose favour	Facility availed	Amount reckoned towards financial commitment
C) Create charge on the assets outside India of the foreign entity/ its SDS outside India.	An AD bank in India or a public financial institution in India.	Fund/non-fund based facility for any foreign entity/its SDS outside India.	The value of the charge or the amount of the facility, whichever is less.
		Fund/non-fund based facility for Indian entity.	NIL
	a debenture trustee registered with SEBI in India.	fund based facilities for Indian entity.	NIL

Financial Commitment - Pledge

❖ Financial commitment by way of pledge/charge shall be subject to following conditions:

01

Value of pledge/charge & facility amount whichever is less is considered toward FC limit if not already reckoned towards the limit

04

Overseas lender should not be from any country in which FC is not permissible

02

Creation/enforcement of the pledge/charge is in compliance with relevant provisions & Assets on which charge is created is not securitised

05

If the charge period isn't specified upfront - align with the facility period

03

Domestic assets should be transferred by way of sale to PRI in case of enforcement of charge on domestic assets

06

Pledges of shares of an Indian company to overseas lenders should comply with NDI Rules

Case Study – I

Facts: ABC Pvt Ltd is engaged in the business activity of manufacturing of food & dairy products in India. ABC Pvt Ltd makes almost all its export sales to the Gulf region. Now, ABC Pvt Ltd plans to open an onshore distribution company in Dubai. MOA of onshore LLC would provide for the sharing of profits between the shareholders on 80:20 basis with 80% profits attributed to ABC Pvt Ltd. However, the capital contribution would be 49:51% with 49% being that of ABC Pvt Ltd.



Question: Is the formation of such an overseas company permitted under FEMA?

Case Study – II

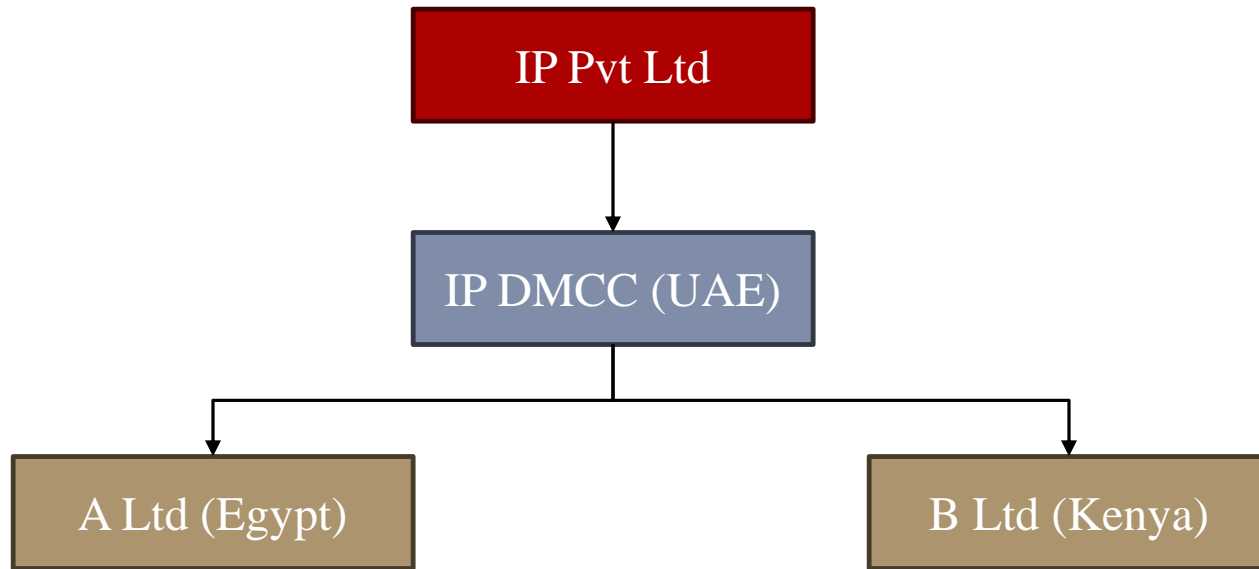
Facts: Iron Ore Ventures Pvt. Ltd., a wholly-owned subsidiary of Commodities Pvt. Ltd. (an Indian company) was established in Myanmar with the objective of exploring iron ore mining opportunities in Myanmar. However, Myanmar has not yet stabilized from the change in its political regime, as a result, Iron Ore Ventures Pvt. Ltd. faces a dilemma regarding the feasibility and viability of continuing its business operations in Myanmar.



Question: Since now the share capital amount is lying as it is in the bank account of Iron Ore Ventures Pvt. Ltd., can it be invested in FDs, Bonds, etc?

Case Study – III

Facts: IP Pvt Ltd, an Indian company has incorporated a company in UAE namely IP DMCC. IP DMCC has made further investments into A Ltd which is incorporated in Egypt, and B Ltd which is incorporated in Kenya. IP DMCC is holding an IP manufacturing license which they have licensed it to A Ltd and B Ltd for its manufacturing operations.



Question: Whether investment made by IP Pvt Ltd into IP DMCC is permitted under the contours of FEMA?

Case Study – IV

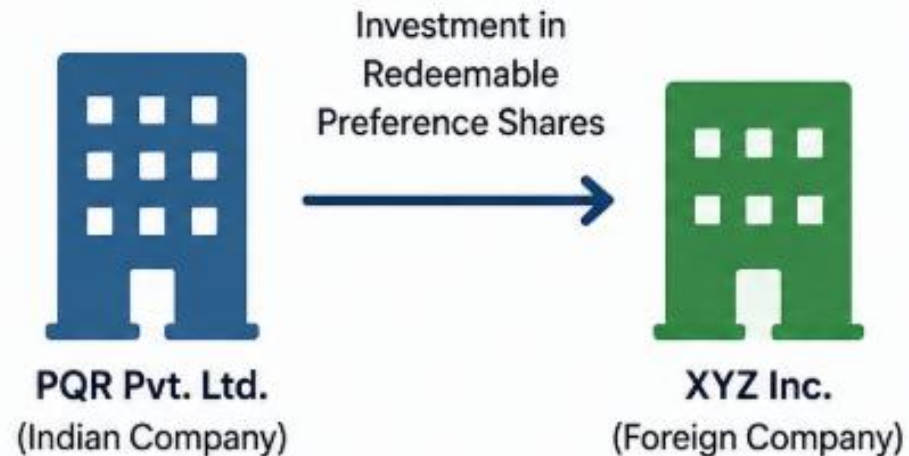
Facts: An Indian LLP, presently operating at a loss and engaged in providing educational and training services relating to financial and forex markets, is exploring the possibility of setting up a wholly owned subsidiary/company in the UAE. The proposed UAE entity is intended to undertake the following activities: (1) financial market education; (2) forex trading research and analysis; (3) trading on behalf of clients; (4) develop a proprietary algorithm trading platform to be offered to clients on a subscription basis. All clients of the UAE company will be based out of India only.



Question: Whether an Indian LLP can invest in the said UAE entity as per the FEMA ODI provisions? If not, can any structuring be done, including through IFSC?

Case Study – V

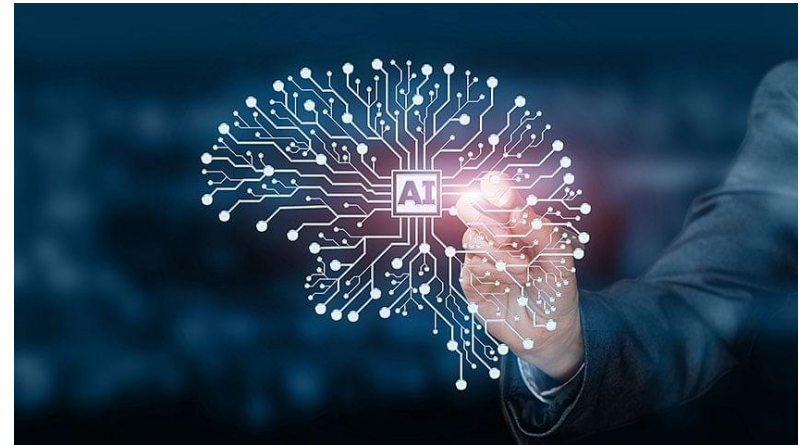
Facts: PQR Pvt. Ltd., an Indian manufacturing company, proposes to expand its operations overseas by making an investment in XYZ Inc.. As part of the proposed transaction, XYZ Inc. proposes to issue redeemable preference shares to PQR Pvt. Ltd.



Question: Whether the investment by PQR Pvt. Ltd. in redeemable preference shares of XYZ Inc. is permissible under the FEMA ODI provisions? If yes, under what conditions?

Case Study - VI

Facts: AI Technology Inc., a company incorporated in the USA is engaged in the new-age technology business of Artificial Intelligence, Machine Learning, etc. It is being claimed as the probable rival of OpenAI's ChatGPT. Algorithms Private Limited, an Indian company engaged in similar kinds of businesses is contemplating investing in an instrument of AI Technology Inc. which gives them the right to acquire shares of AI Technology Inc. in the future. In this arrangement, if there is any equity financing round, the instrument will be automatically converted into shares of AI Technology Inc. However, in case of any liquidity event such as a change of control or IPO, Algorithms Private Limited will receive the cash-out amount and the instrument will stand cancelled.



Question: Whether Algorithms Private Limited is permitted to invest in such an instrument issued by AI Technology Inc.?

Thank you



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