

FAQ'S

Funding Options

Funding General

1. What documents to be submitted by a person resident in India for transfer of shares to a person resident outside India by way of gift?

Documents to be submitted by a resident person for transfer of shares to a person resident outside India by way of gift: i) Name and address of the transferor (donor) and the transferee (donee). ii) Relationship between the transferor and the transferee. iii) Reasons for making the gift. iv) In case of Government dated securities and treasury bills and bonds, a certificate issued by a CA on market value of such security. v) In case of units of domestic mutual funds and units of Money Market Mutual Funds, a certificate from the issuer on the Net Asset Value of such security. vi) In case of shares and convertible debentures, a certificate from a Chartered Accountant on the value of such securities according to the guidelines issued by Securities & Exchange Board of India or as per any internationally accepted pricing methodology on arm's length basis for listed companies and unlisted companies, respectively. vii) Certificate from the concerned Indian company certifying that the proposed transfer of shares/convertible debentures by way of gift from resident to the non-resident shall not breach the applicable sectoral cap/ FDI limit in the company and that the proposed number of shares/convertible debentures to be held by the non-resident transferee shall not exceed 5 per cent of the paid up capital of the company. viii) An undertaking from resident transferor that value of security to be transferred together with any security already transferred by transferor, as gift, to any person residing outside India does not exceed the rupee equivalent of \$ 50,000 during a financial year*. ix) A declaration from donee accepting partly paid shares or warrants that donee is aware of the liability as regards calls in arrear and consequences thereof. Please refer to 'section 2' of Annexure-3 Consolidated FDI Policy at link for more information. *RBI's A.P. (DIR Series) Circular No. 14 Dated 15.09.2011

2. What is a Sponsored ADR/ GDR issue?

Divestment by shareholders of their holdings of Indian companies, in the overseas markets would be allowed through the mechanism of Sponsored ADR/GDR issue in respect of:- a) Divestment by shareholders of their holdings of Indian companies listed in India; b) Divestment by shareholders of their holdings of Indian companies not listed in India but which are listed overseas. The process of divestment would be initiated by such Indian companies whose shares are being offered for

divestment in the overseas market by sponsoring ADR/GDR issues against the block of existing shares offered by the shareholders under the provisions of these guidelines. Under this mechanism, the company offers its resident shareholders a choice to submit their shares back to the company so that on the basis of such shares, ADRs/GDRs can be issued abroad. The proceeds of the ADR/GDR issue are remitted back to India and distributed among the resident investors who had offered their Rupee denominated shares for conversion. These proceeds can be kept in Resident Foreign Currency (Domestic) accounts in India by the resident shareholders who have tendered such shares for conversion into ADRs/GDRs. Please refer to the link for more details.

3. What documents are required for sale of shares by a person resident in India?

The following documents are required for sale of shares by a person resident in India: (i) Consent letter duly signed by the seller and buyer or their duly appointed agent indicating the details of transfer i.e. number of shares to be transferred, the name of the investee company whose shares are being transferred and the price at which shares are being transferred. In case there is no formal Sale Agreement, letters exchanged to this effect may be kept on record. (ii) Where consent letter has been signed by their duly appointed agent, the Power of Attorney Document executed by the seller/buyer authorizing the agent to purchase/sell shares. (iii) The shareholding pattern of the investee company after the acquisition of shares by a person resident outside India showing equity participation of residents and non-residents category-wise (i.e. NRIs/OCBs/foreign nationals/incorporated non-resident entities/FIIs, FPIs) and its percentage of paid up capital obtained by the seller/buyer or their duly appointed agent from the company, where the sectoral cap/limits have been prescribed. (iv) Certificate indicating fair value of shares from a Chartered Accountant. (v) Copy of Broker's note if sale is made on Stock Exchange. (vi) Undertaking from the buyer to the effect that he is eligible to acquire shares/convertible debentures under FDI policy and the existing sectoral limits and Pricing Guidelines have been complied with. (vii) Undertaking from the FII/sub account to the effect that the individual FII/ Sub account ceiling as prescribed by SEBI has not been breached, till it gets registered as FPI. Please refer to subsection 5.1 of 'section 1' of Annexure-3 of Consolidated FDI Policy at link for more information.

4. What all is covered for Issuing equity shares under the FDI policy under the Government route?

Issue of equity shares under the FDI policy is allowed under the Government route for the following: 1) Import of capital goods/ machinery/ equipment (excluding second-hand machinery). 2) Pre-operative/pre-incorporation expenses (including payments of rent etc.). This is subject to compliance conditions as mentioned in consolidated FDI Policy. Please refer to subsection 6(iii) of Annexure-3 of

Consolidated FDI Policy at link for more information.

5. What are the conditions for conversion of ECB/Lump sum Fee/Royalty etc. into Equity?

Indian companies have been granted general permission for conversion of External Commercial Borrowings (ECB) (excluding those deemed as ECB) in convertible foreign currency into equity shares/fully compulsorily and mandatorily convertible preference shares, subject to the following conditions and reporting requirements: a) The activity of the company is covered under the Automatic Route for FDI or the company has obtained Government approval for foreign equity in the company; b) The foreign equity after conversion of ECB into equity is within the sectoral cap, if any; c) Pricing of shares is as per the provision of para 2 of the Consolidated FDI Policy; d) Compliance with the requirements prescribed under any other statute and regulation in force; and e) The conversion facility is available for ECBs availed under the Automatic or Government Route and is applicable to ECBs, due for payment or not, as well as secured/unsecured loans availed from non-resident collaborators. Please refer to subsection 6 of Annexure-3 of Consolidated FDI Policy at link for more information.

6. In what cases prior permission of RBI is required for transfer of capital instruments?

The following cases require prior approval of RBI: i) Transfer of capital instruments from resident to non-residents by way of sale where: a) Transfer is at a price which falls outside the pricing guidelines specified by RBI; b) Transfer of capital instruments by the non-resident acquirer involving deferment of payment of the amount of consideration. ii) Transfer of any capital instrument, by way of gift by a person resident in India to a person resident outside India. Please refer to subsection 5.1 of Annexure-3 of Consolidated FDI Policy at link for more information.

7. What is the timeline for issuing capital instruments after receiving inward remittances?

The capital instruments should be issued within 180 days from the date of receipt of the inward remittance received through normal banking channels including escrow account opened and maintained for the purpose or by debit to the NRE/FCNR (B) account of the non-resident investor. In case, the capital instruments are not issued within 180 days from the date of receipt of the inward remittance or date of debit to the NRE/FCNR (B) account, the amount of consideration so received should be refunded immediately to the non-resident investor by outward remittance through normal banking channels or by credit to the NRE/FCNR (B) account, as the case may be. Non-compliance with the above provision would be reckoned as a contravention under FEMA and would attract penal provisions. In exceptional cases, refund of the amount of consideration outstanding beyond a period of

180 days from the date of receipt may be considered by the RBI, on the merits of the case. Please refer to subsection-1 of Annexure-3 of Consolidated FDI Policy at link for more information.

8. What are the reporting requirements for FCCB/DR Issues?

The domestic custodian shall report the issue/transfer of sponsored/unsponsored depository receipts as per DR Scheme 2014 in 'Form DRR' within 30 days of close of the issue/ program. Please refer to subsection 2.5 of Annexure 6 of Consolidated FDI Policy at link for more information.

9. How should I report the issue of shares against conversion of ECB?

Details of issue of shares against conversion of ECB have to be reported to the concerned regional office of the RBI, as indicated below: i) In case of full conversion of ECB into equity, the company shall report the conversion in Form FC-GPR to the regional office of the Reserve Bank as well as in Form ECB-2 to the Department of Statistics and Information Management (DSIM), Reserve Bank of India, Bandra-Kurla Complex, Mumbai- 400 051, within seven working days from the close of month to which it relates. The words "ECB wholly converted to equity" shall be clearly indicated on top of the Form ECB-2. Once reported, filing of Form ECB-2 in the subsequent months is not necessary. ii) In case of partial conversion of ECB, the company shall report the converted portion in Form FC-GPR to the Regional Office concerned as well as in Form ECB-2 clearly differentiating the converted portion from the non-converted portion. The words "ECB partially converted to equity" shall be indicated on top of the Form ECB-2. In the subsequent months, the outstanding balance of ECB shall be reported in Form ECB-2 to DSIM. Please refer to subsection 2.4 of Annexure-6 of Consolidated FDI Policy at link for more information.

10. What is the procedure for reporting of transfer of shares?

Reporting of transfer of shares between residents and non-residents and vice-versa is to be done in Form FC-TRS (Section-4). The Form FC-TRS should be submitted to the AD Category-I bank, within 60 days from the date of receipt of the amount of consideration. The onus of submission of the Form FC-TRS within the given timeframe would be on the transferor/transferee, resident in India. However, in cases where the NR investor, including an NRI, acquires shares on the stock exchanges under the FDI scheme, the investee company would have to file form FC-TRS with the AD Category-I bank. The AD Category-I bank, would forward the same to its link office. The link office would consolidate the Form FC-TRS and submit a monthly report to the Reserve Bank. Please refer to the Consolidated FDI Policy 2017 at link for more information.

11. What is the procedure for reporting of issue of shares?

i) The Indian company has to file Form FC-GPR, not later than 30 days from the date of issue of shares. ii) Form FC-GPR has to be duly filled up and signed by Managing Director/Director/Secretary of the Company and submitted to the Authorized Dealer of the company, who will forward it to the Reserve Bank. The following documents have to be submitted along with the form: a) A certificate from the Company Secretary of the company certifying that: A) All the requirements of the Companies Act, as applicable, have been complied with. B) Terms and conditions of the Government of India approval, if any, have been complied with. C) The company is eligible to issue shares under these Regulations. D) The company has all original certificates issued by authorized dealers in India evidencing receipt of amount of consideration. b) A certificate from SEBI registered Merchant Banker or Chartered Accountant indicating the manner of arriving at the price of the shares issued to the persons resident outside India. c) The report of receipt of consideration as well as Form FC-GPR have to be submitted by the AD Category-I bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the registered office of the company is situated. d) Annual return on Foreign Liabilities and Assets (Section-3) should be filed on an annual basis by the Indian company, directly with the Reserve Bank. This is an annual return to be submitted by 15th of July every year, pertaining to all investments by way of direct/portfolio investments/reinvested earnings/other capital in the Indian company made during the previous years (i.e. the information submitted by 15th July will pertain to all the investments made in the previous years up to March 31). The details of the investments to be reported would include all foreign investments made into the company which is outstanding as on the balance sheet date. The details of overseas investments in the company both under direct/portfolio investment may be separately indicated. e) Issue of bonus/rights shares or stock options to persons resident outside India directly or on amalgamation/merger/demerger with an existing Indian company, as well as issue of shares on conversion of ECB/royalty/lump-sum technical know-how fee/import of capital goods by units in SEZs, has to be reported in Form FC-GPR. Please refer to the Consolidated FDI Policy at link for more information.

12. Can an Indian Company Issue 'employees' stock option' and/or 'sweat equity shares'?

An Indian company may issue “employees’ stock option” and/or “sweat equity shares” to its employees/directors or employees/directors of its holding company or joint venture or wholly owned overseas subsidiary/subsidiaries who are resident outside India, provided that : a. The scheme has been drawn either in terms of regulations issued under SEBI Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 notified by the Central Government under the Companies Act 2013, as the case may be. b. The “employee’s stock option”/ “sweat equity shares” issued to non-

resident employees/directors under the applicable rules/regulations are in compliance with the sectoral cap applicable to the said company. c. Issue of “employee’s stock option”/ “sweat equity shares” by a company where foreign investment is under the approval route shall require prior approval of the Foreign Investment Promotion Board (FIPB) of Government of India. d. Issue of “employee’s stock option”/ “sweat equity shares” under the applicable rules/regulations to an employee/director who is a citizen of Bangladesh/Pakistan shall require prior approval of the Foreign Investment Promotion Board (FIPB) of Government of India. e. The issuing company shall furnish to the Regional Office concerned of the Reserve Bank of India under whose jurisdiction the registered office of the company operates, within 30 days from the date of issue of employees’ stock option or sweat equity shares, a return as per the Form-ESOP. Please refer to subsection 5 of Annexure-4 of Consolidated FDI Policy at link for more information

13. Who is a Foreign Venture Capital Investor (FVCI)?

FVCI refers to an investor incorporated and established outside India, which is registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000 {SEBI(FVCI) Regulations} and proposes to make investment in accordance with FDI Regulations.

14. What are investment vehicles?

Investment Vehicles refer to entity registered and regulated under relevant regulations framed by SEBI or any other authority designated for the purpose and include Real Estate Investment Trusts (REITs) governed by the SEBI (REITs) Regulations, 2014, Infrastructure Investment Trusts (InvITs) governed by the SEBI (InvITs) Regulations, 2014 and Alternative Investment Funds (AIFs) governed by the SEBI (AIFs) Regulations, 2012.

15. What are the guidelines for the issue price of shares against FDI received for an unlisted company in India?

In case the company is not listed on any stock exchange in India, the price of the share must not be less than fair valuation done by a SEBI registered Merchant Banker or a Chartered Accountant as per any internationally accepted pricing methodology on an arm’s length basis. However, where non-residents (including NRIs) are making investments in an Indian company in compliance with the provisions of the Companies Act, as applicable, by way of subscription to its Memorandum of Association, such investments may be made at face value subject to their eligibility to invest under the FDI scheme Please refer to section 2 of Annexure-3 of Consolidated FDI Policy at link for more

information.

16. Is transfer of shares to non-residents/ NRIs permitted as per the FDI policy?

General permission is granted to non-residents/ NRIs for acquisition of shares by way of transfer in the following situations: 1) Transfer of shares in the investee company from one non-resident to another non-resident in sectors which are under automatic route. Government approval is required for transfer of stake from one non-resident to another non-resident in sectors which are under Government approval route 2) NRIs may transfer by way of sale or gift shares or convertible debentures to another NRI 3) Person resident outside India can transfer any security to a person resident in India by way of gift 4) A person resident outside India can sell shares and convertible debentures of an Indian company on a recognized Stock Exchange in India through a registered stock broker or a registered merchant banker 5) A person resident in India can transfer by way of sale, shares/ convertible debentures (including transfer of subscriber's shares), of an Indian company under private arrangement to a person resident outside India, subject to the FDI Policy guidelines 6) Transfer of shares/convertible debentures, by way of sale under private arrangement by a person resident outside India to a person resident in India, subject to the FDI guidelines 7) The above mentioned situations also covers transfer by a resident to a non-resident of shares/convertible debentures of an Indian company, engaged in an activity earlier covered under the Government Route but now falling under Automatic Route, as well as transfer of shares by a non-resident to an Indian company under buyback and/or capital reduction scheme of the company. Please refer to section 4 of Annexure-3 of Consolidated FDI Policy at [link](#) for more information.

17. Is transfer of capital instruments from resident to non-residents permitted?

Yes. Transfer of capital instruments from resident to non-residents is permitted without the approval of Government if the sector is under automatic route. However, there are certain cases that require prior RBI approval. Please refer to section 5 of Annexure-3 of Consolidated FDI Policy at [link](#) for more information

18. Are NRIs allowed to invest in sole proprietorship in India?

NRI or a person of Indian origin (PIO) can invest in sole proprietorship / partnership firm on non-repatriable basis, except those in agricultural or plantation or real estate business, or in the print media sector. NRIs/PIO may seek prior permission of Reserve Bank for investment in sole proprietorship concerns/partnership firms with repatriation option. For more information, [click here](#).

19. Can NRIs invest in India?

An NRI can invest in capital of Indian companies on non- repatriation basis provided: i) Amount is invested by inward remittance or out of NRE/FCNR(B)/NRO account maintained with Authorized Dealers/Authorized banks. ii) entity is not engaged in agricultural/plantation or real estate business or construction of farm houses or dealing in Transfer of Development Rights. iii) amount invested not eligible for repatriation outside India. The said investment shall be treated as domestic investment. For investments on repatriable basis, provisions of FDI policy apply . NRIs residents in Nepal and Bhutan are permitted to invest in the capital of Indian companies on repatriation basis, s.t. condition that the amount of consideration for such investment shall be paid only by way of inward remittance in free foreign exchange through normal banking channels. Please refer to section 3.1.2 and 3.2.2 of Consolidated FDI Policy at link for more information.

20. Are domestic and foreign investors treated differently in India?

No. Foreign investors are treated at par with domestic investors and they enjoy similar rights. However, foreign investors need to additionally follow Foreign Exchange Management Act (FEMA) guidelines. Investment by NRIs under FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations on non- repatriation basis will be deemed to be domestic investment at par with the investment made by residents.

21. Can anyone buy or sell securities as a FPI in India?

Only registered FIIs/FPIs and NRIs as per Schedules 2,2A and 3 respectively of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, can invest/trade through a registered broker in the capital of Indian Companies on recognised Indian Stock Exchanges. Foreign Institutional Investor (FII) and Foreign Portfolio Investors (FPI) may in terms of Schedule 2 and 2A of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations, as the case may be, respectively, invest in the capital of an Indian company under the Portfolio Investment Scheme which limits the individual holding of an FII/FPI below 10% of the capital of the company and the aggregate limit for FII/FPI investment to 24% of the capital of the company. This aggregate limit of 24% can be increased to the sectoral cap/statutory ceiling, as applicable, by the Indian company concerned through a resolution by its Board of Directors followed by a special resolution to that effect by its General Body and subject to prior intimation to RBI. The aggregate FII/FPI investment, individually or in conjunction with other kinds of foreign investment, will not exceed sectoral/statutory cap. Please refer to section 3.1.5 and 3.1.6 of Consolidated FDI Policy at

http://dipp.nic.in/sites/default/files/CFPC_2017_FINAL_RELEASED_28.8.17.pdf for more information.

22. Who is a Non Resident Indian (NRI)?

'Non-Resident Indian' (NRI) means an individual resident outside India who is a citizen of India or is an 'Overseas Citizen of India' cardholder within the meaning of section 7 (A) of the Citizenship Act, 1955. PIO includes Overseas Citizen of India (OCI)

23. Who is a Foreign Portfolio Investor (FPI)?

FPIs refers to a class of investors who invest in financial securities of a country without direct ownership of the underlying company. These are considered liquid investments. Under the recent SEBI FPI Regulations, 2014, Foreign Institutional Investors (FIIs) or sub accounts and Qualified Foreign Investors (QFIs) have been merged into a single category, referred to as FPIs.

24. Who is a Foreign Venture Capital Investor (FVCI)?

FVCI refers to an investor incorporated and established outside India, which is registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000 {SEBI(FVCI) Regulations} and proposes to make investment in accordance with FDI Regulations.

25. What are the regulations on Remittance on winding up/liquidation of Companies?

AD Category-I banks have been allowed to remit winding up proceeds of companies in India, which are under liquidation, subject to payment of applicable taxes. Liquidation may be subject to any order issued by the court winding up the company or the official liquidator in case of voluntary winding up under the provisions of the Companies Act 2013 as applicable. AD Category-I banks shall allow the remittance provided the applicant submits: a) No objection or Tax clearance certificate from Income Tax Department for the remittance. b) Auditor's certificate confirming that all liabilities in India have been either fully paid or adequately provided for. c) Auditor's certificate to the effect that the winding up is in accordance with the provisions of the Companies Act, as applicable. d) In case of winding up otherwise than by a court, an auditor's certificate to the effect that there are no legal proceeding spending in any court in India against the applicant or the company under liquidation and there is no legal impediment in permitting the remittance. Please refer to subsection 1.1(iii) of Annexure-6 of Consolidated FDI Policy at link for more information.

26. Is interest repatriable?

Interest on fully, mandatorily & compulsorily convertible debentures is also freely repatriable without any restrictions (net of applicable taxes). The repatriation is governed by the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time.

27. What if there is a delay in issue of capital instruments?

In case the capital instruments are not issued within 180 days from the date of receipt of the inward remittance or date of debit to the NRE/FCNR (B) account, the amount of consideration so received should be refunded immediately to the non-resident investor by outward remittance through normal banking channels or by credit to the NRE/FCNR (B) account, as the case may be. Please refer to section 1 of Annexure-3 of Consolidated FDI Policy at link for more information.

28. Which are the sectors where 100% FDI is permitted via the Government approval route?

100% FDI via Government approval route only is permitted in Mining and mineral separation of titanium bearing minerals and ores, Trading of Food products manufactured or produced in India; Print Media- including Scientific Magazines, Specialty Journals etc.; Satellites – Establishment and Operations s.t. conditions as stipulated in the latest FDI policy circular. Please refer to link for more information.

29. Can a foreign investor invest in shares issued by an unlisted company in India?

Yes. As per the regulations/guidelines issued by the Reserve Bank of India/Government of India, investment can be made in shares issued by an unlisted Indian company subject to compliance with FEMA provisions such as pricing, reporting, etc.

30. What is meant by Downstream Investment?

‘Downstream Investment’ means indirect foreign investment, by an eligible Indian entity, into another Indian company / LLP, by way of subscription or acquisition. For more information, click here.

31. What documents are required for sale of shares by a person resident outside India?

Documents required for the sale of shares by a person resident outside India: i) Consent Letter duly signed by the seller and buyer or their duly appointed agent indicating the details of transfer i.e. number of shares to be transferred, the name of the investee company whose shares are being transferred and the price at which shares are being transferred. ii) Where the Consent Letter has been signed by their duly appointed agent the Power of Attorney Document authorizing the agent to purchase/sell shares by the seller/buyer. In case there is no formal Sale Agreement, letters exchanged to this effect may be kept on record. iii) If the sellers are NRIs/OCBs, the copies of RBI approvals evidencing the shares held by them on repatriation/non-repatriation basis. The sale proceeds shall be credited NRE/NRO account, as applicable. iv) Certificate indicating fair value of shares from a Chartered Accountant. v) No Objection / Tax Clearance Certificate from Income Tax authority/Chartered Accountant. vi) Undertaking from the buyer to the effect that the Pricing Guidelines have been adhered to. Please refer to subsection 5.2 of 'section 1' of Annexure-3 Consolidated FDI Policy at link for more information.

32. What is the procedure to be followed after investment is made under the Automatic Route or with Government approval?

a) On receipt of share application money: (i) An Indian company receiving investment from outside India for issuing shares/convertible debentures/preference shares under the FDI Scheme, should report the details of the amount of consideration to the Regional Office concerned of the Reserve Bank not later than 30 days from the date of receipt in the Advance Reporting Form (as in Section 1 of Annexure 6 of Consolidated FDI Policy), through an AD Category-I bank, together with a copy/ies of the FIRC/s evidencing the receipt of the remittance along with the KYC report (Section-2) on the non-resident investor from the overseas bank remitting the amount. b) The report would be acknowledged by the Regional Office concerned, which will allot a Unique Identification Number (UIN) for the amount reported. Upon issue of shares to non-resident investors: i) The Indian company has to file Form FC-GPR, not later than 30 days from the date of issue of shares. (ii) Form FC-GPR has to be duly filled up and signed by Managing Director/Director/Secretary of the Company and submitted to the Authorized Dealer of the company, who will forward it to the Reserve Bank. c) The following documents have to be submitted along with the form: (a) A certificate from the Company Secretary of the company certifying that: (A) all the requirements of the Companies Act, as applicable, have been complied with; (B) terms and conditions of the Government of India approval, if any, have been complied with; (C) the company is eligible to issue shares under these Regulations; and (D) the company has all original certificates issued by authorized dealers in India evidencing receipt of amount of consideration. (b) A certificate from SEBI registered Merchant Banker or Chartered Accountant indicating the manner of

arriving at the price of the shares is India to the persons resident outside India. (c) The report of receipt of consideration as well as Form FC-GPR have to be submitted by the AD Category-I bank to the Regional Office concerned of the Reserve Bank under whose jurisdiction the registered office of the company is situated. (d) Annual return on Foreign Liabilities and Assets (Section-3) should be filed on an annual basis by the Indian company, directly with the Reserve Bank. This is an annual return to be submitted by 15th of July every year, pertaining to all investments by way of direct/portfolio investments/reinvested earnings/other capital in the Indian company made during the previous years (i.e. the information submitted by 15th July will pertain to all the investments made in the previous years up to March 31). (e) The details of the investments to be reported would include all foreign investments made into the company which is outstanding as on the balance sheet date. The details of overseas investments in the company both under direct/portfolio investment may be separately indicated. (f) Issue of bonus/rights shares or stock options to persons resident outside India directly or on amalgamation/merger/demerger with an existing Indian company, as well as issue of shares on conversion of ECB/royalty/lump-sum technical know-how fee/import of capital goods by units in SEZs, has to be reported in Form FC-GPR. Please refer to subsection 2 of Annexure-6 of Consolidated FDI Policy at link for more information.

33. What is the method of payment and remittance/credit of sale proceeds for a person residing outside India?

The sale consideration in respect of the shares purchased by a person resident outside India shall be remitted to India through normal banking channels. In case the buyer is a FII, FPI, payment should be made by debit to its Special Non-Resident Rupee Account. In case the buyer is a NRI, the payment may be made by way of debit to his NRE/FCNR (B) accounts. However, if the shares are acquired on non-repatriation basis by NRI, the consideration shall be remitted to India through normal banking channel or paid out of funds held in NRE/FCNR (B)/NRO accounts. The sale proceeds of shares (net of taxes) sold by a person resident outside India may be remitted outside India. In case of FII/FPI, the sale proceeds may be credited to its special Non-Resident Rupee Account. In case of NRI, if the shares sold were held on repatriation basis, the sale proceeds (net of taxes) may be credited to his NRE /FCNR (B) accounts and if the shares sold were held on non repatriation basis, the sale proceeds may be credited to his NRO account subject to payment of taxes. The sale proceeds of shares (net of taxes) sold by an OCB may be remitted outside India directly if the shares were held on repatriation basis and if the shares sold were held on non-repatriation basis, the sale proceeds may be credited to its NRO (Current) Account subject to payment of taxes, except in the case of OCBs whose accounts have been blocked by Reserve Bank. Please refer to subsection-4 of 'Section 1' of Annexure-3 of Consolidated FDI Policy at link for more information.

34. What are the regulations pertaining to issue of Foreign Currency Convertible Bonds (FCCBs) and Depository Receipts (DRs)?

An Indian company issuing shares/ convertible debentures to a person resident outside India shall receive the amount of consideration/ FDI by: a) Inward remittance through normal banking channels; b) Debit to NRE/ FCNR (B) account of a person concerned maintained with an AD Category I bank; c) Debit to non-interest bearing Escrow account in Indian Rupees in India which is opened with the approval from AD Category – I bank and is maintained with the AD Category I bank on behalf of residents and non-residents towards payment of share purchase consideration; d) Conversion of royalty/ lump sum/ technical know-how fee due for payment or conversion of ECB; e) Conversion of pre-incorporation/ pre-operative expenses incurred by the a non-resident entity up to a limit of five percent of its capital or \$ 5 lakhs whichever is less; f) Conversion of import payables/ pre incorporation expenses/ can be treated as consideration for issue of shares with the necessary approval g) Against any other funds payable to a person resident outside India, the remittance of which does not require the prior approval of the Reserve Bank or the Government of India; and h) Swap of capital instruments, provided where the Indian investee company is engaged in a Government route sector, prior Government approval shall be required. Please refer to link1 or Consolidated FDI Policy at link2 for more information.

35. What is meant by 'AD Category-I Bank'?

'AD Category-I Bank' means a bank (Scheduled Commercial, State or Urban Cooperative) which is authorized under Section 10 (1) of FEMA to undertake all current and capital account transactions according to the directions issued by the RBI from time to time.

36. Are dividends repatriable?

Dividends are freely repatriable without any restrictions (net after Tax deduction at source or Dividend Distribution Tax, if any, as the case may be). The repatriation is governed by the provisions of the Foreign Exchange Management (Current Account Transactions) Rules, 2000, as amended from time to time.

37. Are there any restrictions on investing in India from certain countries?

Yes. A citizen of Bangladesh or an entity incorporated in Bangladesh can invest only under the Government approval route. Further, a citizen of Pakistan or an entity incorporated in Pakistan can

invest, only under the Government route, in sectors/activities other than defence, space and atomic energy and sectors/activities prohibited for foreign investment. Please refer to section 3.1 of Consolidated FDI Policy at link for more information.

38. Are foreigners allowed to invest in India?

A non-resident entity can invest in India, subject to the prevailing FDI Policy, except in those sectors which are prohibited. Foreign Institutional Investor (FII) and Foreign Portfolio Investors (FPI) may invest in the capital of an Indian Company under the Portfolio Investment Scheme, subject to FEMA provisions. For more information, click here.

39. Are foreign investments permitted in investment vehicles?

Any person resident outside India may invest in units of Investment Vehicles subject to the conditions laid down in Schedule 11 to Notification No FEMA 20. A person resident outside India who has acquired or purchased units of an investment vehicle may sell or transfer in any manner or redeem the units as per regulations framed by SEBI or directions issued by the Reserve Bank.

40. What are the guidelines for the issue price of shares against FDI received for a company listed in India?

In case the company is listed on recognized stock exchange in India, the issue price must not be not less than price worked out in accordance with SEBI guidelines. Please refer to section 2 of Annexure-3 of Consolidated FDI Policy at link for more information.

41. Can an Indian Company Issue “employees’ stock option” and/or “sweat equity shares”?

“Yes, an Indian company may issue “employees’ stock option” and/or “sweat equity shares” to its employees/ directors or employees/directors of its holding company or joint venture or wholly owned overseas subsidiary/subsidiaries who are resident outside India, provided that : a. The scheme has been drawn either in terms of regulations issued under the Securities Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 notified by the Central Government under the Companies Act 2013, as the case may be. b. The “employee’s stock option”/ “sweat equity shares” issued to non-resident employees/directors under the applicable

rules/regulations are in compliance with the sectoral cap applicable to the said company. c. Issue of “employee’s stock option”/ “sweat equity shares” by a company where foreign investment is under the approval route shall require prior approval of Government of India. d. Issue of “employee’s stock option”/ “sweat equity shares” under the applicable rules/regulations to an employee/director who is a citizen of Bangladesh/Pakistan shall require prior approval of the Government of India. e. The issuing company shall furnish to the Regional Office concerned of the Reserve Bank of India under whose jurisdiction the registered office of the company operates, within 30 days from the date of issue of employees’ stock option or sweat equity shares, a return as per the Form-ESOP."

42. What are the project funding options available in India?

Projects in India can be financed through sources such as Bank loans, Private equity, Public subscriptions, Debt instruments and Government bonds. If you are a start-up or a SME, then you can register on Startup India. You can also register on India Investment Grid, which is our repository of investible projects.

43. Are Non-Resident Indians allowed to make investments in India?

An NRI can invest in capital of Indian companies on non-repatriation basis provided: The amount is invested by inward remittance or out of NRE/FCNR(B)/NRO account maintained with Authorized Dealers/Authorized banks. The entity is not engaged in agricultural/plantation or real estate business or construction of farmhouses or dealing in Transfer of Development Rights. Amount invested not eligible for repatriation outside India. For investments on a repatriable basis, provisions of FDI policy apply. For more information, [click here](#).