



June 23, 2025

Good morning my Dear Friend

We are happy to share our “weekly” research paper being published on “every Monday”

471 FAQs on Foreign Investments (FIs) by Non-Residents of India (Non-RoI)

This research paper is relevant

For

Knowing about FIs by Non-RoI in India through our “21” pilot points

1.

FIs are regulated under section 6(2A) + also section 47 of Foreign Exchange Management Act, 1999 (FEMA) “both”

2.

Non-RoI are required to obey guidelines prescribed under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDIs Rules) issued vide Gazette Notification No. S.O. 3732(E) dated Oct 17, 2019

3.

FIs by non- RoI are not permitted in certain sectors like:

- (i) Business for lotteries
 - (a) Government’s lotteries
 - (b) Private’s lotteries
 - (c) Online’ lotteries
- (ii) Business for gambling
- (iii) Business for betting
- (iv) Business for casinos
- (v) Business for Chit funds
- (vi) Business for Nidhi company
- (vii) Trading in Transferable Development Rights (TDRs).
- (viii) Business for Real estate
- (ix) Business for construction of farm houses
- (x) Business for management contract like:
 - (a) Business for lotteries
 - (b) Business for gambling
 - (c) Business for betting

4.

- (i) Indian companies are permitted to receive FIs under RBI's "automatic" route when govt.'s approvals are not required
- (ii) Indian companies are permitted to receive under "automatic" route where activities are permitted without FDI linked performance conditions + companies are not in actual operations + also not made foreign downstream investments / Indirect Foreign Investments (IFIs) "all".

5.

- (i) Indian companies are permitted to receive FIs under Govt.'s "approval" route when "automatic" route is not permitted
- (ii) Indian companies are required to obey conditions as stipulated in govt.'s approvals
- (iii) Indian companies are required to take govt.'s approval from certain govt departments like:
 - (a) From Secretariat for Industrial Assistance (SIA)
 - (b) From Department of Industrial Policy and Promotion (DIPP)

6.

- (i) Sectoral caps are to include permissible limit for FIs in NDIs of Indian companies on "repatriation" basis
- (ii) Sectoral caps are to include permissible limit for FIs in capital of Indian LLPs on "repatriation" basis
- (iii) Percentage for FIs in each activity are laid down in Schedule I of NDI Rules, 2019
- (iv) FIs are not to exceed sectoral caps / statutory caps
- (v) 100% FIs are permitted under "automatic" route for activities which are not specifically laid down in Schedule I of NDI Rules, 2019

7.

- (i) Indian companies are required to obey RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other "mandatory" conditions

- (ii) Indian companies are required to allow certain modes like:
 - (a) Through subscriptions of NDIs
 - (b) Through purchases of NDIs
 - (c) Through sales of NDIs
- (iii) Necessary RBI's directions are available in Annex 1 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

8.

- (i) Stock exchanges are required to permit for purchase + also for sale of listed Indian companies NDIs "both" by Foreign Portfolio Investors (FPIs) on "repatriation" basis.
- (ii) Necessary RBI's directions are available in Annex 2 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

9.

- (i) Stock exchanges are required to permit for purchase + for sale of listed Indian companies NDIs by Non-Resident Indians (NRIs) + also by Overseas Citizen of India (OCIs) on "repatriation" basis "all".
- (ii) Necessary RBI's directions are available in Annex 3 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

10.

- (iii) Indian companies are permitted to allow for purchase + for sale of listed Indian companies NDIs + units of equity dominated mutual funds + capital contributions to LLPs by Non-Resident Indians (NRIs) + also by Overseas Citizen of India (OCIs) on "non-repatriation" basis "all".
- (i) Necessary RBI's directions are available in Annex 4 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

11.

- (i) Indian LLPs are permitted to allow for capital contributions from Non-RoI on "repatriation" basis.
- (ii) Necessary RBI's directions are available in Annex 5 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

12.

- (i) Indian companies are permitted to allow for Depository Receipts (DRs) from Non-RoI on "repatriation" basis.
- (ii) Necessary RBI's directions are available in Annex 8 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

(iv) Indian **companies** are permitted to allow for purchase + for sale of Depository Receipts (DRs) from/to Non-RoI on **"repatriation"** basis **"both"**.

(iii) Necessary RBI's **directions** are available in Annex 9 of Master Direction (MD) No. 11/2017-18 updated up to Jan 20, 2025

13.

(i) Indian **companies** are permitted to issue benefits to Non-RoI employees + **directors** of overseas holding company + overseas Joint Venture (JV) + wholly owned overseas subsidiary + also wholly owned overseas subsidiaries **"all"** like:

(a) Permitted to **issue** Employee Stock Options (ESOPs)

(b) Permitted to **issue** Sweet Equity Shares (SEs)

(c) Permitted to **issue** Share Based Employee Benefits (SBEs)

(ii) These **ESOPs** + etc. are required to **issue in accordance with regulations** issued under SEBI, 1992 + also Companies (Share Capital and Debentures) Rules, 2014 **"all"**

(iii) These **ESOPs** + also etc. **"both"** are required to **issue in accordance with RBI's guidelines**

14.

Non-RoI are permitted for acquiring NDIs under scheme of compromise + arrangement + merger + amalgamation of minimum 2 Indian **companies** + reconstruction **through merger** + also otherwise subject to **satisfying** certain **conditions** **"all"**

15.

(i) **Non-RoI** are permitted to transfer NDIs + units to RoI in accordance with NDI Rules, 2019 + also subject to **satisfying** certain **conditions** **"all"**

(ii) **Non-RoI** are permitted to transfer NDIs + units **through sales + gifts** to RoI in accordance with NDI Rules, 2019 + also subject to **satisfying** certain **conditions** **"all"**

(iii) These **Non-RoI** are required to obtain govt.'s approval when sectoral caps are **exceeding** or mandatory **conditions** are not satisfied **"any"**

16.

(i) **NRIs** + **OCIs** are permitted to transfer NDIs + also units **"all"** through sale or gift to RoI when originally acquired on **"repatriation"** basis.

(ii) These **NRIs** + also **OCIs** **"both"** are required to obtain govt.'s approval when Indian companies are **engaged in prohibited** sectors.

(iii) These NRIs + also OCIs “both” are required to sale NDIs within 5 trading days after settlement when exceeding aggregate NRIs / OCIs limits

(iv) These sales are not to consider contravention under NDI Rules, 2019 when sale is made within 5 trading days after settlement where exceeding aggregate NRIs / OCIs limits

17.

(i) NRIs + OCIs are permitted to transfer NDIs + also units “all” through sale or gift to Non-RoI on “repatriation” basis subject to satisfying RBI’s guidelines

(ii) NRIs + OCIs are permitted to transfer NDIs + also units “all” through sale or gift to Non-RoI on “non-repatriation” basis

(iii) NRIs + also OCIs “both” are permitted to transfer “without” satisfying RBI’s guidelines when sale or gift to Non-RoI on “non-repatriation” basis

18.

(i) Indian companies are not permitted to issue “non-convertible” NDIs lower than certain computed prices

(ii) Indian companies are not permitted to issue “non-convertible” NDIs lower than prices computed in accordance with relevant SEBI’s guidelines for listed Indian companies + also for companies those are going through delisting process under SEBI (Delisting of Equity Shares) Regulations, 2009

(iii) Indian companies are not permitted to issue “non-convertible” NDIs lower than prices computed in accordance with “internationally” accepted pricing methodology for valuation on Arm’s Lenth Price (ALP) basis duly certified by Chartered Accountant (CA) or SEBI’s registered Merchant Banker or practicing Cost Accountant “any” for unlisted Indian companies

(iv) Indian companies are not permitted to issue “convertible” NDIs without determining conversion prices

(v) Indian companies are not permitted to convert “convertible” NDIs lower than fair value computed at time of issuing NDIs

19.

100% FI’s transactions are required to undertake through official banking channel + payment of applicable taxes + also duties / levies in India “all”

20.

(i) Foreign Portfolio Investors (FPIs) are permitted to purchases / to sales NDIs of listed + also to be listed “both” companies

- (ii) *FPIs are permitted to purchases / to sales Debt Instruments (DIs) of listed + also to be listed "both" companies in accordance with conditions specified in schedule-II*
- (iii) *FPIs are permitted to invest in SEBI's approved 100% Exchange Traded Derivative (ETD) contracts subject to satisfying limits specified by SEBI + also issued in accordance with conditions specified in schedule-II "both"*
- (iv) *FPIs are permitted to invest in Indian Depository Receipts (IDRs) of non-residents companies + also issued in Indian Capital Market "both" subject to conditions specified in schedule-X of NDI Rules, 2019*

21.

- (i) *Debt instruments (DIs) through investments on "repatriation" basis are to include investments + sales + maturity proceeds "after" taxes + also eligible to repatriate outside India "all"*
- (ii) *DIs through investments on "non-repatriation" basis are to include investments + sales + maturity proceeds "after" taxes + also not eligible to repatriate outside India "all"*
- (iii) *These sale proceeds received against sale of investments which were acquired on "non-repatriation" basis are permitted to repatriate outside India through NRO account maximum USD 10 lac (1 million) per financial year.*

Our research papers are being published "weekly" under our special program known as
Darshan Mala Series

For
Knowing about legal provisions + also workings "both" under

Different Indian Acts like:

Prevention of Corruption (PC) Act, 1988 + Prevention of Money Laundering Act (PMLA)
2002 + also etc. "all"

+

Different Indian Enforcement agencies like:

ED + DRI + CBI + NIA + SFIO + DGITCI + DGGI + also etc. "all"

+

Different Indian Regulatory Authorities like:

IFSCA + RBI + SEBI + NCB + R&AW + EOW + IB + CVC + NCLT + FIU-IND + also etc. "all"

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With warm wishes

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My Dear Friend

*I am publishing **Research Paper** under head **471 FAQs on Foreign Investments (FIs) by Non-Residents of India (Non-RoI)***

- *This **Research paper** is published under our awareness mission **for** Residents + Non-Residents **for** knowing about Foreign Investments (FIs) **in** Non-Debt Instruments (NDIs) + also **in** Debt Instruments (DIs) **by** Non-Residents of India (Non-RoI) as inspired from thought process of Honorable Prime Minister of India.*

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- *With best wishes from CA Satish Agarwal, New Delhi* ●



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471 FAQs on Foreign Investments (FIs) by Non-Residents of India (Non-RoI)

(Source for compilation is RBI's Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025)

● FIs in Non-Debts Instruments (NDIs) by Non-RoI ●

(A) RBI's Provisions

1. What are Provisions?

- (i) FIs are regulated under section 6(2A) + also section 47 of Foreign Exchange Management Act, 1999 (FEMA) "both"
- (ii) Non-RoI are required to obey guidelines prescribed under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDIs Rules) issued vide Gazette Notification No. S.O. 3732(E) dated October 17, 2019
- (iii) NDIs rules 2019 are supersession of 2 existing rules like:
 - (a) FEM (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017
 - (b) FEM (Acquisition and Transfer of Immovable Property in India) Regulations, 2018

2. What are NDIs Rules, 2019?

- (i) NDIs Rules are empowering Reserve Bank of India (RBI) when considered necessary for effective implementation of NDIs Rules 2019's provisions like:
 - (a) For exercising administration of NDIs Rules, 2019
 - (b) For issuing interpretation of NDIs Rules, 2019
 - (c) For issuing directions of NDIs Rules, 2019
 - (d) For issuing circulars of NDIs Rules, 2019
 - (e) For issuing instructions of NDIs Rules, 2019
 - (f) For issuing clarifications of NDIs Rules, 2019



- (ii) Instructions are to include matters for mode of payment + also reporting requirements by Non-RoI as prescribed under Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Rules, 2019 (FEMA 395).

3. What are Authorized Persons (APs)?

- (i) RBI is permitted for issuing directions to APs under Section 11 of FEMA, 1999.
- (ii) RBI's Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025 is prescribing modalities for conducting foreign exchange business by APs with their customers + also constituents "both"

4. What are Instructions?

- RBI has issued several instructions for FIs + also related aspects "both" under FEMA, 1999 like:

S.No	Rules/Notifications/ A.P. (DIR Series) Circulars	Date
(i)	FEM (NDIs) (4 th Amendment) Rules, 2024	August 16, 2024
(ii)	FEM (NDIs) (2 nd Amendment) Rules, 2024	March 14, 2024
(iii)	FEM (NDIs) (Amendment) Rules, 2024	January 24, 2024
(iv)	FEM (NDIs) (Amendment) Rules, 2022	April 12, 2022
(v)	FEM (NDIs) (4 th Amendment) Rules, 2021	October 12, 2021
(vi)	FEM (NDIs) (3 rd Amendment) Rules, 2021	October 05, 2021
(vii)	FEM (NDIs) (2 nd Amendment) Rules, 2021	August 19, 2021
(viii)	FEM (NDIs) (Amendment) Rules, 2021	August 06, 2021
(ix)	FEM (NDIs) (2 nd Amendment) Rules, 2020	April 27, 2020
(x)	FEM (NDIs) (Amendment) Rules, 2020	April 22, 2020
(xi)	FEM (NDIs) (Amendment) Rules, 2019	December 05, 2019
(xii)	FEM (NDIs) Rules, 2019	October 17, 2019



5. What is **Master Direction (MD)**?

- (i) RBI is permitted for **issuing MD** under section 10(4) + also 11(1) of FEMA, 1999
- (ii) MD is issued for **NDIs Rules, 2019**
- (iii) MD is not **restricting** for obtaining **permissions** or **approvals** as required under other laws (non-FEMA, 1999) "if any".
- (iv) MD is to be **read with relevant Circulars + notifications + directions + FEMA, 1999 + also NDIs Rules, 2019** "all"
- (v) FIs by Non-RoI are to be made **in accordance with FEMA, 1999 + Circulars + notifications + directions + NDIs Rules, 2019 + also DIs Regulations, 2019** "all"

6. What is **Resident become Non-RoI**?

- (i) Non-RoI are permitted to hold + to own + to transfer + to invest **in securities** like NDIs + also DIs "all" **when they have already acquired or held or owned** being RoI or **inherited** from RoI under section 6(5) of FEMA, 1999
- (ii) These investments **are to be held on "non-repatriation" basis**
- (iii) (a) Non-RoI are permitted to hold investments **in securities** after receiving being **legal heir of RoI on "non-repatriation" basis.**
(b) These transactions **are not required to report**
- (iv) Residents became **Non-RoI** are required to hold **securities on "non-repatriation" basis**



(B) RBI's Key Terms

7. What is FEMA?

- FEMA is to include Foreign Exchange Management Act (FEMA), 1999 applicable for NDIs + also DIs "both"

8. What are Equity Instruments (EIs)?

- Equity instruments (EIs) are to include certain securities like:
 - (i) Equity shares issued by Indian companies
 - (ii) Convertible debentures issued by Indian companies
 - (iii) Preference shares issued by Indian companies
 - (iv) Share warrants issued by Indian companies

9. What is Indian Companies (ICs)?

- Indian companies (ICs) to include certain companies like:
 - (i) Companies defined in Companies Act (CA), 2013
 - (ii) Body corporate established by Central govt.
 - (iii) Body corporate established under Central Act
 - (iv) Body corporate established by State Govt.
 - (v) Body corporate established under State Act
 - (vi) Body corporate constituted by Central Govt.
 - (vii) Body corporate constituted under Central Act
 - (viii) Body corporate constituted by State Govt.
 - (ix) Body corporate constituted Under State Govt.
- Indian Companies (ICs) not to include certain entities like:
 - (i) Registered + also un-registered "both" societies
 - (ii) Registered + also un-registered "both" trusts
 - (iii) Registered + also un-registered "both" other entities
- FIs are not permitted to invest in societies + trusts + also other entities "all"



10. What is Control?

- (i) Control of company is to include meaning assigned under section 2(27) of CA, 2013
- (ii) Control of LLP is to include right to appoint majority of designated partners

11. What is Foreign Companies (FCs)?

- (i) Foreign companies are to include meaning assigned under section 2(42) of CA, 2013
Or
- (ii) Foreign companies are to include office + branch + agency in India + also owned or controlled by Non-RoI "all".

12. What is E-commerce's market place model?

- E-commerce's market place model is to include providing information technology platform by e-commerce entity on digital + also electronic network "both" for acting as facilitator between buyers and sellers.

13. What are E-commerce's inventory-based model's FIs?

- FIs are not permitted for e-commerce's inventory-based model

14. What are FDI linked performance requirements?

- Schedule I of NDI rules, 2019 is specifying sector specific FDI linked performance requirements for companies receiving FIs

15. What are Foreign Direct Investments (FDIs)?

- (i) FDIs are to include investments made in NDIs by Non-RoI in certain companies like:
- (ii) FDIs in unlisted Indian companies by new Non-RoI
- (iii) FDIs in listed Indian companies for more than 10% of post issue paid-up capital on fully diluted basis by new Non-RoI
- (iv) FDIs in listed Indian companies beside became less than 10% of post issue paid-up capital on fully diluted basis by old Non-RoI



16. What is Fully Diluted Basis (FDB)?

- Fully diluted basis is to include total number of shares after transfer is completed

17. What are Foreign Portfolio Investments (FPIs)?

- Foreign portfolio investments are to include investments made in NDIs by Non-RoI subject to satisfying certain conditions like:
 - (i) FPIs are permitted lower than 10% of post issue paid-up capital on fully diluted basis in NDIs by Non-RoI in listed Indian companies
 - (ii) FPIs are permitted lower than 10% of paid-up value of "each series" in NDIs by Non-RoI in listed Indian companies

18. What are Foreign Portfolio Investors (FPIs)?

- FPIs are to include persons registered with SEBI (Foreign Portfolio Investors) Regulations, 2014 as duly amended time to time.

19. What are Foreign Institutional Investors (FIIs)?

- FIIs + sub accounts are to include entities registered with SEBI (Foreign Institutional Investors) Regulations, 1995 + also holding valid Certificate of Registration (CoR) for block of 3 years "all".

20. What are Foreign Investments (FIs)?

- (i) FIs are to include investments on "repatriation" basis by Non-RoI in NDIs of Indian companies + also in capital of Indian Limited Liability Partnership (LLP) "both"
- (ii) Issue / transfer of participating interest + also right "both" to Non-RoI in oil filed by Indian companies
- (iii) Investments by resident Indian citizens when they have made declarations specified under CA, 2013 that Beneficial Ownerships (BOs) are held by non-RoI
- (iv) FDIs + also FPIs "both" in Indian companies / LLPs by non-RoI are treated FIs



- (v) FIs are to include *to subscribes + to acquires + to holds + to transfers of securities + also units "all" issued by Indian companies*
- (vi) FIs are to include *acquisitions + holdings + transfer of Depository Receipts (DRs) issued outside India + also underlying securities issued by Indian companies "all".*
- (vii) FIs are to include *LLP's capital contributions + acquisitions + also transfer of share in profits "all"*

21. What are **Group Companies (GCs)**?

- Group *companies* are to include *minimum 2 entities directly / indirectly having certain powers like:*
 - (i) *Jointly are eligible for minimum 26% voting rights in other entities*
 - (ii) *Jointly are eligible for appointing more than 50% directors in other entities*

22. What are **Indian entities**?

- Indian *entities* are to include *Indian companies + also Indian LLPs "both"*

23. What are **Employees Stock Options (ESOPs)**?

- ESOPs are to include *shares as defined under CA, 2013 + also issued under SEBI's regulations "both".*

24. What are **Sweat Equity Shares (SESS)**?

- SESS are to include *shares as defined under CA, 2013*

25. What are **Share Based Employee Benefits (SBEBS)**?

- SBEBS are to include *issuing of NDIs to employees + directors of holding companies + also Joint Ventures (JVs) + Wholly Owned Overseas Subsidiaries (WOOSs) + also other overseas subsidiaries "all" through SBEBS' formulated by Indian companies.*



26. What is **Repatriation Basis (RB)**?

- FIs are to include **investments** on “repatriation” basis when **sale proceeds** + also **maturity proceeds** “both” are permitted to remit outside India after **TDS** under **Income Tax (IT) Act, 1961**.

27. What are **Investment Vehicles (IVs)**?

- Investment vehicles are to include **entities** those are **registered** + also **regulated** “both” by certain **authorities** like:
 - Real Estate Investment Trusts (REITs) governed by **SEBI (REITs) Regulations, 2014**
 - Infrastructure Investment Trusts (InvITs) governed by **SEBI (InvITs) Regulations, 2014**
 - Alternative Investment Funds (AIFs) governed by **SEBI (AIFs) Regulations, 2012**

28. What are **Venture Capital Funds (VCFs)**?

- VCFs are established as trusts / companies / body corporates those are **registered** + also **regulated** by **SEBI (Venture Capital Fund) Regulations, 1996**
- VCFs are not treated **investment vehicles** for FIs by **Non-RoI** under **NDIs Rules, 2019** + also **Master Direction (MD) No. 11/2017-18** updated up to **January 20, 2025** “both”

29. What are **Limited Liability Partnerships (LLPs)**?

- LLPs are to include **partnership formed** + also **registered** “both” under **Limited Liability Partnership (LLP) Act, 2008**

30. What are **Listed Indian Companies (LICs)**?

- LICs are to include **companies listed on recognized stock exchange(s)** in India

31. What are **Non-Debt Instruments (NDIs)**?

- NDIs are to include **instruments specified by Central govt.** through notifying in **Gazette by Notification S.O. 3722 (E) dated Oct 16, 2019** like:



- (i) 100% investments in NDIs in certain incorporated entities like:
 - (a) Private unlisted companies
 - (b) Public unlisted companies
 - (c) Public listed companies
- (ii) 100% capital participations in LLPs
- (iii) 100% instruments for FIs recognized in FDI policy notified from time to time
- (iv)
 - (a) 100% investments in units of Alternative Investment Funds (AIFs)
 - (b) 100% investments in units of Real Estate Investment Trust (REITs)
 - (c) 100% investments in units of Infrastructure Investment Trusts (InvITs)
- (v) 100% investments in units of mutual funds + also Exchange-Traded Fund (ETFs) when investments are made more than 50% in NDIs
- (vi) 100% junior-most layers i.e. equity tranches of securitization structures
- (vii) 100% acquisitions / sales / dealings directly in immovable properties
- (viii) 100% contributions to trusts
- (ix) 100% Depository Receipts (DRs) issued against NDIs

32. Who are Non-Resident Indians (NRIs)?

- NRIs are to include individuals those are Non-Resident + also citizens in India "both".

33. Who is Overseas Citizens of India (OCIs)?

- (i) OCIs are to include individuals those are Non-Resident + also citizens "outside" India "both"
- But
- (ii) OCI's registered card holders being Indian origins under section 7(A) of Citizenship Act, 1955 (57 of 1955)

34. Who are Resident Indian Citizens (RICs)?

- RICs are to include individuals those are residents + also citizens in India "both" under Citizenship Act, 1955 (57 of 1955)



35. What are **Real Estate Businesses (REBs)**?

- (i) REBs are to include **business of dealing in lands + also immovable properties for earning profits “both”**
- (ii) REBs are to include **certain transfers like:**
 - (a) Sales + **exchanges + also relinquishments of assets “all”**
 - (b) Extinguishment **of rights for sales + exchanges + relinquishments of assets “all”**
 - (c) Compulsory **acquisitions for sales + exchanges + relinquishments of assets “all”**
- (iii) 100% transactions **for possessing of immovable properties + also retaining for part performance of contract of nature as referred in section 53A of Transfer of Property Act, 1882 (4 of 1882)**
- (iv) 100% transactions **for acquiring capital instruments in companies + through agreements + arrangements + other manners to effect transfers + also to enable enjoyment of immovable properties “all”.**

36. What are **Not Real Estate Businesses (REBs)**?

- (i) Construction of residential premises
- (ii) Construction of commercial premises
- (iii) Construction of roads
- (iv) Construction of bridges
- (v) Construction of educational institutions
- (vi) Construction of recreational facilities
- (vii) Construction of city level infrastructures
- (viii) Construction of regional level infrastructures
- (ix) **Development of townships**
- (x) Investment in units of Real Estate Investment Trusts (REITs) registered + also **regulated “both” under SEBI (REITs) regulations 2014.**
- (xi) Rental **incomes on lease of properties**
- (xii) 100% Real estate **broking services are permitted for FIs under “automatic” route**



37. What are **Sectoral Caps (SCs)**?

- (i) Sectoral caps are to include maximum permissible limit for direct + indirect FIs by non- RoI on “repatriation” basis in NDIs of Indian companies + also capital contributions of Indian LLPs “all”
- (ii) Sectoral caps are not to include Foreign Currency Convertible Bonds (FCCBs) + also Depository Receipts (DRs) when these are underlined (backed) by debt assets.
- (iii) Sectoral caps are to include NDIs acquired by non- RoI from conversion of debt instruments

38. What are **Units**?

- (i) Units are to include beneficial interests of investors in investment vehicles
- (ii) Units are to include partly paid units as permitted under SEBI’s regulations framed in consultations with Govt. of India.
- (iii) (a) Issue of partly paid units by Alternative Investment Funds (AIFs) to non-RoI were not permitted before issuance of Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024.
But
(b) Now permitted after issuance of Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024
- (iii) Issue of partly paid units before issuance of Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024 are to be regularized through compounding under FEMA, 1999.
- (iv) AD Category-I banks are required to ensure that necessary administrative actions + reporting for issuance by AIFs to RBI through Foreign Investment Reporting and Management System (FIRMS) Portal + issued conditional acknowledgements + also reporting is completed “all” before approaching to RBI for compounding on behalf of AIFs.



39. What are Clarifications for Key terms?

- (i) 100% words + also expressions "both" are used but not defined in this MD shall have same meanings as assigned to them in FEMA, 1999 + FEMA Rules + Regulations "all".
- (ii) Banking channels are to include rupee vostro accounts + also Special Rupee Vostro Accounts "both" permitted to be maintained by non- RoI under Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016



(C) Govt.'s Prohibited Sectors / Persons

40. What are *Prohibited* sectors?

- *FIs by non- RoI are not permitted in certain sectors like:*

- (i) *Business for lotteries like:*
 - (a) *Government's lotteries*
 - (b) *Private's lotteries*
 - (c) *Online' lotteries*
- (ii) *Business for gambling*
- (iii) *Business for betting*
- (iv) *Business for casinos*
- (v) *Business for Chit funds*
- (vi) *Business for Nidhi company*
- (vii) *Trading in Transferable Development Rights (TDRs).*
- (viii) *Business for Real estate*
- (ix) *Business for construction of farm houses*
- (x) *Business for management contract like:*
 - (a) *Business for lotteries*
 - (b) *Business for gambling*
 - (c) *Business for betting*

41. What are *Clarifications*?

- *Business for Real estate is not to include certain activities like:*
 - (i) *Development of townships*
 - (ii) *Construction of residential premises*
 - (iii) *Construction of commercial premises*
 - (iv) *Construction of roads*
 - (v) *Construction of bridges*
 - (vi) *Formation of Real Estate Investment Trusts (REITs) those are registered + also regulated "both" under SEBI (REITs) Regulations, 2014.*



- (vii) Manufacturing for certain items like:
 - (a) Manufacturing for Cigars
 - (b) Manufacturing for Cheroots
 - (c) Manufacturing for Cigarillos
 - (d) Manufacturing for Cigarettes of tobacco
 - (e) Manufacturing for Cigarettes of tobacco substitutes
- (viii) 100% activities/sectors are not opened for private sector investments like:
 - (a) Atomic energy activities/sectors
 - (b) Railway operation activities/sectors
- (ix) 100% Foreign technology collaborations + also licensing "both" are not opened like:
 - (a) For franchises
 - (b) For trademarks
 - (c) For brand names
 - (d) For management contracts

42. What are Govt. approvals?

- (i) FIs by non- RoI from land border countries are permitted through govt. "approval" route under Schedule I of NDI Rules, 2019
- (ii) Land borders countries are to include 7 countries like:
 - (a) Afghanistan
 - (b) Bangladesh
 - (c) Bhutan
 - (d) China
 - (e) Myanmar
 - (f) Nepal
 - (g) Pakistan

43. What are Prohibited sector's exceptions?

- Multilateral Banks (MBs) + Multilateral Funds (MFs) are permitted for FIs in India when India is member country for MBs + also MFs "all"



(D) Types of NDIs

◆ (D-1) Equity shares ◆

44. What are **Fully (100%) paid** shares?

- (i) 100% Indian companies are permitted to receive **FIs** from Non-RoI for certain securities like:
 - (a) Equity shares
 - (b) Convertible debentures
 - (c) Preference shares
 - (d) Share warrants
- (ii) Equity shares are to include **fully (100%) paid** shares + also **partly (not 100%) paid** shares which are issued under provisions of CA, 2013 “both”

45. What are **Partly (not 100%) paid** shares?

- (i) Partly (not 100%) paid shares are required to consider NDIs from July 08, 2014
- (ii) Indian companies are required to call within 12 months from date of issue when partly (not 100%) paid shares are issued to Non-RoI
- (iii)
 - (a) Indian companies are required to receive minimum 25% of face value + also premium's amount (both together) at time of issue to Non-RoI
 - (b) Indian companies are required to receive “balance” face value + also premium's amount (both together) within 12 month from date of issue to Non-RoI
- (iv) Indian listed companies are not required to receive “balance” face value + also premium's amount (both together) within 12 months when these have appointed monitoring agency like AD Category -1 bank in accordance with regulations 41 + 82 +also 137 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time “all”.
- (v)
 - (a) Indian unlisted companies are not required to receive “balance” face value



+ also premium's amount (both together) within 12 months when these have appointed similar monitoring agency like AD Category -1 bank in accordance with regulations 41 + 82 +also 137 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended from time to time "all".

(b) These monitoring agencies like AD Category -1 banks are required to report to Indian companies as prescribed for Indian listed companies by SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.

(vi) Indian listed/unlisted companies are permitted to forfeit amount received upfront for FIs from Non-RoI in accordance with provisions of CA, 2013 + also Income Tax (IT) Act, 1961 "both".

(vii) Deferment of payment for face value + also premium's amount (both together) or shortfall in receipt in accordance with pricing guidelines are not to treat subscription for partly (not 100%) paid equity shares

(viii) These provisions are applicable when Non-RoI have acquired partly (not 100%) paid shares through transfer



◆ (D-2) Share Warrants ◆

46. What are Warrants?

- (i) 100% share warrants are required to consider NDIs from July 08 2014 for FIs by non-RoI
- (ii) Share warrants to include NDIs issued by Indian listed /unlisted companies in accordance with regulations made by SEBI 1992 + CA, 2013 + also any other applicable law "all".
- (iii)
 - (a) Indian listed/unlisted companies are required to determine "upfront" for pricing / conversion formula.
 - (b) These are required to receive "upfront" minimum 25% for face value + also premium "both"
 - (c) These are required to receive "balance" within 18 months from date of issuance of share warrants.
 - (d) Pricing for conversion is required not to lower than fair value computed at time of issue of share warrants in accordance with existing rules + regulations + also pricing guidelines stipulated time to time "all"
- (iv) Forfeiture against "balance" amount for face value + premium (both together) are required to made in accordance with provisions of CA, 2013 + also IT Act, 1961 "all"
- (v) Deferment of payment for face value + premium (both together) or shortfall amount in accordance with pricing guidelines are not to treat as subscription for shares warrants
- (vi) These provisions are applicable when Non-RoI have acquired share warrants through transfer



◆ (D-3) Convertible Debentures ◆

47. What are **Convertible** debentures?

- (i) Convertible debentures are to include 100% fully paid mandatorily + also convertible debentures “both”
- (ii) Period of conversion is required in accordance with provisions of CA, 2013 + also rules “both” amended from time to time.
- (iii) Indian companies are required to determine price/conversion formula “upfront” at time of issuing convertible debentures
- (iv) Indian companies are required to ensure that price / conversion formula is not lower than fair value “computed” at time of issuing convertible debentures in accordance with NDI Rules, 2019
- (v)
 - (a) Convertible debentures are not to treat NDIs when issued not fully + compulsorily + also mandatorily convertible “all” vide notification no. S.O.3722(E) dated October 16, 2019, issued under section 6(7) FEMA.
 - (b) These convertible debentures are not governed under NDI Rules, 2019.
- (vi) Optionally convertible + also partially convertible “both” debentures issued before June 07, 2007 are required to treat issued under NDI Rules, 2019
- (vii)
 - (a) Optionally convertible + also partially convertible “both” debentures issued after June 07, 2007 are required not to treat issued under NDI Rules, 2019
 - (b) These debentures are required to treat DIs in accordance with External Commercial Borrowing (ECB) guidelines framed under Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2018 amended from time to time.



◆ (D-4) Preference Shares ◆

48. What are Preference shares?

- (i) Preference shares are to include 100% fully paid mandatorily + also convertible shares “both”
- (ii) Period of conversion is required in accordance with provisions of CA, 2013 + also rules “both” amended from time to time.
- (iii) Indian companies are required to determine price/conversion formula “upfront” at time of issuing preference shares
- (iv) Indian companies are required to ensure that price / conversion formula is not lower than fair value “computed” at time of issuing preference shares in accordance with NDI Rules, 2019
- (v) (a) Preference shares are required not to treat NDIs when issued not fully + compulsorily + also mandatorily convertible “all” vide notification no. S.O.3722(E) dated October 16, 2019 issued under section 6(7) FEMA.
(b) These preference shares are not to govern under NDIs Rules, 2019.
- (vi) Optionally convertible + also partially convertible “both” preference shares issued before April 30, 2007 are required to treat issued under NDIs Rules, 2019
- (vii) (a) Optionally convertible + also partially convertible “both” preference shares issued after April 30, 2007 are required not to treat issued under NDIs Rules, 2019
(b) These preference shares are required to treat DIs in accordance with External Commercial Borrowing (ECB) guidelines framed under Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2018 as amended from time to time



- (viii) *These Indian companies are required to issue NDIs with optional clause for minimum 1 year locking period or period prescribed for specific sector whichever is higher when issued after December 29, 2013. However, option / right to exit are required at assured price.*



(E) RBI's Automatic route + Govt.'s Approval route

49. What is Automatic route?

- (i) Indian companies are permitted to receive FIs under RBI's "automatic" route when govt.'s approvals are not required
- (ii) Indian companies are permitted to receive under "automatic" route where activities are permitted without FDI linked performance conditions + companies are not in actual operations + also not made foreign downstream investments / Indirect Foreign Investments (IFIs) "all".

50. What is Approval route?

- (i) Indian companies are permitted to receive FIs under Govt.'s "approval" route when "automatic" route is not permitted
- (ii) Indian companies are required to obey conditions as stipulated in govt.'s approvals
- (iii) Indian companies are required to take govt.'s approval from certain govt departments like:
 - (a) From Secretariat for Industrial Assistance (SIA)
 - (b) From Department of Industrial Policy and Promotion (DIPP)
- (iv) Indian companies / Non-RoI are required to submit applications for govt.'s approval on Foreign Investment Facilitation Portal (FIFP) of Department for Promotion of Industry and Internal Trade (DPIIT) Ministry of Commerce and Industry, Government of India
- (v) Indian companies are not required to take govt.'s approval / to obey compliances for sectorial' conditions when aggregate Foreign Portfolio Investments (FPIs) are not exceeding certain limits like:
 - (a) 49% of paid-up capital on fully diluted basis
 - (b) Sectoral cap
 - (c) Statutory cap
 - Whichever is lower



- (vi) Indian companies are required to take govt.'s approval / to obey compliances for sectorial' conditions when FIs are transferring ownerships + also control "both" from resident Indian citizens to Non-RoI
- (vii) Indian companies are required to take govt.'s approval / to obey compliances for sectorial' conditions for other FIs by Non-RoI
- (viii) Required compliances are laid down in Schedule I of NDIs Rules, 2019
- (ix) 24% FIs are permitted as laid down in Schedule II of NDIs Rules, 2019
- (x) (a) Indian companies are required to take govt.'s approval for FIs when undertaking activities which are under Govt.'s approval route.
- (b) These Indian companies are required to take govt.'s approval for FIs when commenced business or made foreign downstream investments / IFIs.

51. What are Sectoral caps?

- (i) Sectoral caps are to include permissible limit for FIs in NDIs of Indian companies on "repatriation" basis
- Or
- (ii) Sectoral caps are to include permissible limit for FIs in capital of Indian LLPs on "repatriation" basis
- (iii) Percentage of FIs in each activity are laid down in Schedule I of NDI Rules, 2019
- (iv) FIs are not to exceed sectoral caps / statutory caps
- (v) 100% FIs are permitted under "automatic" route for activities which are not laid down in Schedule I of NDI Rules, 2019
- (vi) 100% FIs are permitted under "automatic" route for activities which are not laid down in Para 2 of Schedule I of NDI Rules, 2019 like prohibited activities
- (vii) Indian companies are required to take govt.'s approval for FIs in financial services as laid down in Serial number F of table under Para 3(b) of Schedule I of NDIs Rules, 2019



52. What is *Minimum* capitalization?

- (i) FIs' Minimum capitalization is to include *face value + also share premium* "both"
- (ii) FIs' minimum capitalization is not to include *amount paid* by transferee *over and above NDI's issue price*
- (iii) Indian companies are permitted to make *request* to *Department of Promotion of Industry and Internal Trade, Ministry of commerce and Industry, Government of India* for *clarification* against FIs in *specific sector + also sector related conditions* "both"

53. What are *Investing* Companies (ICs)?

- (i) Indian companies are required to obtain *govts' approvals* in *certain circumstances* like:
 - (a) When Indian companies are not registered with *RBI as NBFC*
 - (b) When Indian companies are *Core Investment Companies (CICs)*
- (ii) These *CICs* are required to "additionally" comply with *regulatory framework* prescribed for *NBFCs* under *RBI Act, 1934 + also related regulations* "both"
- (iii) Indian companies are permitted under *100% "automatic" route* for *FIs* when these are *registered with RBI as NBFCs*

54. What is *NOF* in *NBFCs*?

- (i) Indian *NBFCs* are required to maintain *minimum Net Owned Fund (NOF)* prescribed by *RBI*
- (ii) Indian *NBFCs* are required to use *minimum NOF* for *complying this conditions*.
- (iii) Indian *NBFCs* are required to *repatriate this minimum NOF* when *RBI* has not *granted registration / license*.



- Indian companies are required to comply requirements prescribed by RBI for sectoral caps / statutory caps
- (i) Indian companies are required to have joint statutory auditors when Non-Rol asked to have specific international statutory auditors.
- (ii) These auditors should not be part of same international auditors' network



(F) RBI's Eligible Non-RoI

55. What are **Eligible Non-RoI**?

- (i) Indian companies are required to obey RBI's **guidelines** like:
 - (a) **Guidelines** for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) **Guidelines** for sectoral caps
 - (c) **Guidelines** for statutory caps
 - (d) **Guidelines** for investments' limits
 - (e) **Guidelines** for pricings
 - (f) **Guidelines** for other "mandatory" **conditions**
- (ii) Indian companies are required to allow **certain modes** like:
 - (a) Through subscriptions of NDIs
 - (b) Through purchases of NDIs
 - (c) Through sales of NDIs
- (iii) Necessary RBI's **directions** are available in Annex 1 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

56. What are **FIIs** by **FPIs**?

- (i) Stock exchanges are required to permit for **purchase** + also for **sale** of listed Indian companies **NDIs** "both" by Foreign Portfolio Investors (FPIs) on "repatriation" **basis**.
- (ii) Necessary RBI's **directions** are available in Annex 2 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

57. What are **FIIs** on "**repatriation**" **basis** by **NRIs** + **OCIs**?

- (i) Stock exchanges are required to permit for **purchase** + for **sale** of listed Indian companies **NDIs** by Non-Resident Indians (NRIs) + also Overseas Citizen of India (OCIs) on "repatriation" **basis** "all".
- (ii) Necessary RBI's **directions** are available in Annex 3 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025



58. What are FIs on “non-repatriation” basis by NRIs + OCIs?

- (i) Indian companies are permitted to allow for purchase + for sale of listed Indian companies NDIs + units of equity dominated mutual funds + capital contributions to LLPs by Non-Resident Indians (NRIs) + also Overseas Citizen of India (OCIs) on “non-repatriation” basis “all”.
- (ii) Necessary RBI’s directions are available in Annex 4 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

59. What are FIs in LLPs by Non-RoI?

- (i) Indian LLPs are permitted to allow for capital contributions from Non-RoI on “repatriation” basis “all”.
- (ii) Necessary RBI’s directions are available in Annex 5 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

60. What are FIs by FVCI?

- (i) Indian companies are permitted to allow for FIs from Foreign Venture Capital Investor (FVCI) on “repatriation” basis “all”.
- (ii) Necessary RBI’s directions are available in Annex 6 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

61. What are FIs by IVs?

- (i) Indian companies are permitted to allow for FIs from Investment Vehicles (IVs) on “repatriation” basis “all”.
- (ii) Necessary RBI’s directions are available in Annex 7 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

62. What are DRs by Non-RoI?

- (i) Indian companies are permitted to allow for Depository Receipts (DRs) from Non-RoI on “repatriation” basis “all”.
- (ii) Necessary RBI’s directions are available in Annex 8 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025



- (iii) Indian companies are permitted to allow for purchase + for sale of Depository Receipts (DRs) from/to Non-RoI on "repatriation" basis "all".
- (iv) Necessary RBI's directions are available in Annex 9 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

63. What are FIs by other than non- RoI?

- (i) Indian companies are permitted to allow for FIs from other than Non-RoI on "repatriation" basis.
- (ii) Necessary RBI's directions are available in Annex 10 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

64. What are FIs by permissible holders?

- (i) Indian companies are permitted to allow for FIs from permissible holders on "repatriation" basis when Indian companies are incorporated in India + also listed on international stock exchange outside India "both".
- (ii) Necessary RBI's directions are available in Annex 11 of Master Direction (MD) No. 11/2017-18 updated up to January 20, 2025

65. What is FIs through right / bonus shares?

- Indian companies are permitted to allow issue of right shares + also bonus shares "both" after satisfying certain conditions like:
 - (i) That offers are made in accordance with provisions of CA, 2013
 - (ii) That after offers sectoral caps are not exceeded
 - (iii) That Non-RoI have acquired + also held "both" NDIs in accordance with NDI Rules, 2019
 - (iv) (a) That offers for NDIs other than share warrants are to be same like on "repatriation" / "non-repatriation" basis
 - (b) These offers are not changing original FIs' nature like FDI or FPI after issue of right / bonus shares



- (v) That offers are made at price determined by listed Indian companies
- (vi) That offers are made at price not lower than price offered to RoI by un-listed Indian companies
- (vii) That offers are made in accordance with conditions prescribed at time of issue of right shares / bonus shares
- (viii) That offers are made for payments through direct foreign inward remittance via official banking channel from outside India or out of funds held in India in repatriable foreign currency or rupee account "any" maintained in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 where original investments were made on "repatriation" basis.
- (ix) That offers are made for payments through Non-Resident Ordinary (NRO) accounts maintained in accordance with Foreign Exchange Management Regulations, 2016 where original investments were made on "non-repatriation" basis
- (x) That offers are made for payments through direct foreign inward remittance via official banking channel from outside India or out of funds held in India in repatriable foreign currency or rupee account "any" maintained in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 where individuals were residents of India at time of original investments + also investments were made on "non-repatriation" basis "both".

66. What are Clarifications for right / bonus shares?

- (i) Indian companies are permitted to issue NDIs to Non-RoI other than OCBs under section 62(1)(a)(iii) of CA, 2013
- (ii) Indian companies are required to obey RBI's guidelines specified in NDI Rules, 2019 like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps



- (c) Guidelines for statutory caps
- (d) Guidelines for investments' limits
- (e) Guidelines for pricings
- (f) Guidelines for other mandatory conditions

67. What is Right' Renunciation by Non-RoI?

- (i) RoI + Non-RoI are permitted for fully (100%) + also partly (not 100%) shares' renunciation "all" offered by Indian companies in favor of person(s) named by them
- (ii) RoI + also Non-RoI "both" are permitted for subscribing additional shares over and above offered by Indian companies

68. What is Right' Renunciation (RR) by OCBs?

- RR + also subscribing additional shares "both" are not available for OCBs

69. What is Right' Purchase by Non-RoI?

- (i) Non-RoI are permitted to purchase rights after RR by RoI + also Non-RoI "both" on "repatriation" basis
- (ii) Indian companies are required to obey RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (iii) These purchases of rights are permitted on "non-repatriation" basis when acquired through non-repatriable funds
- (iv) These Non-RoI are eligible for same rights which were available with original NDIs holders except change in "repatriation" status if any



70. What are ESOPs by Non-RoI?

- (i) Indian companies are permitted to issue benefits to Non-RoI employees + directors of overseas holding company + overseas Joint Venture (JV) + wholly owned overseas subsidiary + also wholly owned overseas subsidiaries “all” like:
 - (a) Permitted to issue Employee Stock Options (ESOPs)
 - (b) Permitted to issue Sweet Equity Shares (SESS)
 - (c) Permitted to issue Share Based Employee Benefits (SBEBS)
- (ii) These ESOPs + etc. are required to issue in accordance with regulations issued under SEBI, 1992 + also Companies (Share Capital and Debentures) Rules, 2014 “all”
- (iii) These ESOPs + also etc. “both” are required to issue in accordance with RBI’s guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.’s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments’ limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (iv) These Sweet Equity Shares (SESSs) are permitted from June 11, 2015
- (v) These Share Based Employee Benefits (SBEBS) are permitted from April 12, 2022.
- (vi) These Non-RoI are permitted to exercise option on “non-repatriation” basis when they have acquired being RoI on “non-repatriation” basis
- (vii) Indian companies are required to compute FIs’ percentage on fully diluted basis upfront at time of issuing ESOPs + also etc. “both”



71. What is **Convertible notes** by ISCs?

- (i) Non-RoI are permitted to invest in convertible notes to be issued by Indian Startup Companies (ISCs) for minimum INR 25 lacs in single tranche
- (ii) Individual citizens + entities registered / incorporated in Pakistan + also Bangladesh “all” are not permitted to invest in these ISCs
- (iii) ISCs are required to obtain govt.’s approvals when these are engaged in sectors those are required approvals.
- (iv) ISCs are required to obey RBI’s guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.’s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments’ limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (v) Non-RoI are required to make payments through Foreign Direct Inward Remittance (FDIR) from outside India or through debit to repatriable foreign currency accounts + also Rupee account “both” maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016
- (vi)
 - (a) ISCs are required to close escrow accounts immediately after requirements are completed or within 6 months whichever is earlier
 - (b) These escrow accounts are not permitted to continue exceeding 6 months
- (vii) NRIs + also OCIs “both” are permitted to acquire convertible notes on non-repatriation basis in accordance with NDI Rules, 2019
- (viii) Non-RoI are permitted for certain activities like:
 - (a) For acquiring/purchasing convertible notes from RoI + also Non-RoI “both”
 - (b) For transferring/selling convertible notes to RoI + also Non-RoI “both”



- (ix) ISCs are permitted to issue convertible notes from January 10, 2017
- (x) ISCs are permitted to convert convertible notes into equity shares or be paid within maximum 10 years from date of issue whichever is later.
- (xi) (a) Non-RoI are permitted to remit outside India against proceeds received for repayment from ISCs + also sale from buyers "both"
- (b) Also permitted to deposit in repatriable foreign currency account + also Rupee account "both" maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016

72. What are FIs in Merger by Non-RoI?

- Non-RoI are permitted for acquiring NDIs under scheme of compromise + arrangement + merger + amalgamation of minimum 2 Indian companies + reconstruction through merger + also otherwise "all" subject to satisfying certain conditions like:
 - (i) Indian companies are required to obey RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
 - (ii) Indian companies are required to report to AD-I Category Banks in form FC-GPR for issue or FC-TRS for transfer "any"
 - (iii) Indian companies are required to obtain govt.'s approval when FIs are exceeding Sectoral caps + also mandatory conditions are not satisfied "both"
 - (iv) Indian companies are not permitted for FIs in prohibited sectors
 - (v) Listed Indian companies are required to comply SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 amended from time to time



(G) RBI's Transfers from Non-RoI

73. What are Transfers from Non-RoI to RoI?

- Non-RoI are permitted to transfer NDIs + units to RoI in accordance with NDI Rules, 2019 + also subject to satisfying certain conditions "all"

74. What are Transfers through sale / gift from Non-RoI to RoI?

- (i) Non-RoI are permitted to transfer NDIs + units through sales + gifts to RoI in accordance with NDI Rules, 2019 + also subject to satisfying certain conditions "all"
- (ii) These Non-RoI are required to obtain govt.'s approval when sectoral caps are exceeding or mandatory conditions are not satisfied "any"

75. What are Transfers from FPI to RoI?

- (i) Foreign Portfolio Investors (FPIs) are required to sale NDIs within 5 trading days after settlement when exceeding aggregate FPIs limits or sectorial limits "any"
- (ii) These sales are not to consider contravention under NDI Rules, 2019 when sale is made within 5 trading days after settlement when exceeding aggregate FPIs limits or sectorial limits "any"
- (iii) These sales are required to made in accordance with SEBI's guidelines + also RBI's guidelines issued vide A.P. (DIR Series) Circular No. 19 dated November 11, 2024 "both".

76. What are Transfers from OCBs to RoI?

- Overseas Corporate Bodies (OCBs) are permitted to transfer NDIs to RoI in accordance with A.P (DIR Series) Circular No. 44 dated December 8, 2003 + also AP (DIR Series) Circular No.14 dated September 16, 2003 "both"



77. What are **Transfers through sale / gift** from NRIs to RoI?

- (i) NRIs + OCIs are permitted to transfer NDIs + also units "all" through sale or gift to RoI when originally acquired on "repatriation" basis.
- (ii) These NRIs + also OCIs "both" are required to obtain govt.'s approval when Indian companies are engaged in prohibited sectors.
- (iii) These NRIs + also OCIs "both" are required to sale NDIs within 5 trading days after settlement when exceeding aggregate NRIs / OCIs limits
- (iv) These sales are not to consider contravention under NDI Rules, 2019 when sale is made within 5 trading days after settlement when exceeding aggregate NRIs / OCIs limits

78. What are **Transfers through sale / gift** from NRIs to Non-RoI?

- (i) NRIs + OCIs are permitted to transfer NDIs + also units "all" through sale or gift to Non-RoI on "repatriation" basis subject to satisfying RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (ii)
 - (a) NRIs + OCIs are permitted to transfer NDIs + also units "all" through sale or gift to Non-RoI on "non-repatriation" basis
 - (b) NRIs + also OCIs "both" are permitted to transfer "without" satisfying RBI's guidelines when sale or gift to Non-RoI on "non-repatriation" basis



79. What are **Transfers through sale / gift** from NRIs/OCIs to NRIs/OCIs?

- NRIs + OCIs + Companies + Trusts + Partnership Firms incorporated outside India + owned + control by NRIs + OCIs are permitted to gift NDIs + units as donors to another NRIs + also OCIs “all” on “non-repatriation” basis “only” when donors are holding on “non-repatriation” basis

80. What are **Transfers through sale / gift** from Non-RoI to RoI?

- (i) Non-RoI are permitted to transfer NDIs + also units “both” through sale or gift to RoI subject to satisfying RBI’s guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.’s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments’ limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (ii) Non-RoI are permitted to sale NDIs + also units “both” through recognized exchange(s) to RoI in accordance with SEBI’s guidelines

81. What are **Transfers through gift** from NRIs/OCIs to Non-RoI?

- NRIs / OCIs are permitted to gift NDIs + units as donors to Non-RoI when they are holding on “non-repatriation” basis after RBI’s approval + also subject to satisfying certain conditions “all” like:
 - (i) When gift is not exceeding 5% of paid-up equity capital of Indian companies or each series of debentures or each mutual fund scheme “any” + also 5% is cumulative for 1 donor to 1 donee “both”.
 - (ii) When sectoral cap of Indian companies are not crossed.
 - (iii) When donor + also donee “both” are relatives as defined in section 2(77) of CA, 13
 - (iv) When value of these securities is not exceeding USD 50 thousand from 1 donor to all donees in 1 financial year



- (v) When application for RBI's approval is made through AD Bank-I to concerned RBI's Regional Office (RO) where registered office of Indian companies are operated.

82. What are Transfers with optional clause from Non- RoI to RoI?

- (i) Non-RoI are permitted to exist "without" any assured return when NDIs of Indian companies having optional clause in accordance with NDI Rules, 2019 + also exercising option / right "both"
- (ii) These exists are permitted subject to pricing guidelines prescribed under NDI Rules, 2019 + also minimum locking period for 1 year or locking period prescribed under NDI Rules, 2019 whichever is higher.

83. What are Transfers on deferred payment from RoI to Non-RoI?

- (i) Transfers of NDIs are permitted between RoI and Non-RoI when amount is not exceeding 25% of total consideration subject to satisfying certain conditions like.
- (a) When deferred payments' time is not exceeding 18 months from date of transfer agreement
- (b) When these deferred payments are to be settled through escrow arrangement between buyer and seller
- (c) When these deferred payments are indemnified by seller
- (ii) These deferred payments are permitted when share purchase / transfer agreement is containing respective clause + also related conditions "both"
- (iii) These total considerations are required to be in accordance with applicable pricing guidelines.

84. What are Escrow accounts for Non-RoI?

- (i) Non-RoI are permitted to open Escrow account in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 for purchase of NDIs from RoI



- (ii) (a) Non-RoI are required to send remittance from outside India through official banking channel
- Or
- (b) Non-RoI are required to obtain guarantees from AD Category-I banks subject to terms and conditions specified in Foreign Exchange Management (Guarantees) Regulations, 2000
- (iii) Non-RoI are required to obey SEBI's guidelines / regulations for operating Escrow accounts when transactions are governed by SEBI.

85. What are Pledges by Indian companies?

- Indian companies are permitted to pledge NDIs for securing External Commercial Borrowings (ECBs) in accordance with Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 subject to satisfying certain conditions like:
 - (i) That pledges' periods are required to match with securities maturity's' period kept for underlying assets against ECBs
 - (ii) That pledge's invocations are to be in accordance with NDI Rules, 2019
 - (iii) That Indian companies are required to obtain Statutory Auditors' certificate for permissible end-use only
 - (iv) That Indian companies are required to obtain No Objection Certificates (NOCs) from AD Category-I Banks for certifying about abovementioned conditions are complied

86. What are Pledges for Indian banks by Non-RoI?

- Non-RoI are permitted to pledge NDIs for securing credit facilities taken by Indian companies in accordance with Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 subject to satisfying certain conditions like:
 - (i) That pledge's invocations are to be made in accordance with instructions given at time of pledge's creation.



- (ii) That Non-RoI are required to obtain Statutory Auditors' certificate for using permissible end-use only
- (iii) That Indian companies are required to obey SEBI's disclosures norms
- (iv) That pledges are required to be in accordance with Section 19 of Banking Regulation Act, 1949
- (v) That these conditions under (i) to (iv) are to be applied wherever applicable.

87. What are Pledges for overseas banks by Non-RoI?

- Non-RoI are permitted to pledge NDIs for securing credit facilities to be taken by themselves or by Non-RoI promoters or by overseas group companies in accordance with Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 subject to satisfying certain conditions like:
 - (i) That loan is availed from overseas banks "only"
 - (ii) That loan is utilized for genuine business purposes overseas not for direct or indirect investments in India.
 - (iii) That overseas' investments are not linked with capital inflow in India
 - (iv) That pledge's invocations are to be made in accordance instructions given at time of pledge's creation
 - (v) That Non-RoI are required to obtain from Statutory Auditors' certificate or Certified Public Accountant (CPA) for using permissible end-use "only"
 - (vi) That these conditions under (i) to (v) are to be applied if applicable.

88. What are Pledges for NBFCs by Non-RoI?

- Non-RoI are permitted to pledge NDIs for securing credit facilities taken by Indian companies in accordance with Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 subject to satisfying certain conditions like:



- (i) That pledge's invocations are to be made in accordance with credit concentration norm as stated in Master Direction – Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 (Para 22) + also Master Direction – Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (Para 22) “both”
- (ii) That AD Category-I banks “may” required to obtain Board of Directors (BoDs) resolutions for using permissible end-use “only”
- (iii) That AD Category-I banks “may” required to obtain Statutory Auditor Certificates (SACs) for using permissible end-use “only”
- (iv) That Indian companies are required to obey SEBI disclosure norms
- (v) That pledge's invocations are to be made through sale of pledge NDIs within 30 days from date of invocations

89. What are Pledges' compliances for AD Category-I Banks?

- AD Category-I banks are required to ensure pledges' compliances against stipulated conditions like:
 - (i) That NDIs + also units “both” are required to un-encumber when transferred through pledge.
 - (ii) That Indian companies are required to obtain NOC from existing lenders if any.
 - (iii) That pledge invocations are required to activate in accordance with RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions



90. What are **Pledges' compliances for RBI?**

- Indian companies are required to obtain RBI's approval for other pledging after submitting certain documents like:
 - (i) Copy of BoDs' resolutions passed by Non-RoIs companies approving securities' pledge where securities were acquired in accordance with NDI Rules, 2019 for securing credit facilities in favor of lenders
 - (ii) Copy of BoDs' resolutions passed by Indian companies approving securities pledge where securities were acquired in accordance with NDI Rules, 2019 for securing credit facilities in favor of lenders
 - (iii) Copy of loan agreement / pledge agreement containing security clause + also duly certified by Company Secretary (CS) for securing credit facilities in favor of lenders
 - (iv) 100% details for facilities already availed + also to be availed "both"
 - (v) 100% details for NDIs acquisitions' reporting in accordance with NDI Rules, 2019.

91. What are **Transfers for financial sector from RoI to Non-RoI?**

- AD Category-I Banks are required to perform fit and proper / due diligence exercised as stipulated by respective financial sector regulator for Non- RoI when transfer of NDIs of companies engaged in financial sector from RoI to Non-RoI

92. What are **payments' mode for Non-RoI?**

- (i) Non-RoI are permitted to make payments through direct foreign remittance from outside India for purchase of NDIs from RoI
- (ii) Non-RoI are "also" permitted to make payments through repatriable foreign currency accounts + Rupee accounts "both" maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 for purchase of NDIs from RoI



- (iii) Non-RoI are “also” permitted to make payments through Non-Resident Ordinary (NRO) accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 for purchase of NDIs from RoI

93. What are Equity swap for Non-RoI?

- (i) Non-RoI are permitted to receive transfers of Indian companies’ NDIs through Swap in accordance with compliances + rules as prescribed by Central govt. + also regulations specified by RBI from time to time “all”.
- (ii) Non-RoI are permitted to receive transfers of “foreign” companies’ NDIs through Swap in accordance with compliances + rules as prescribed by Central govt. + Foreign Exchange Management, (Overseas Investment) Rules, 2022, + also regulations specified by RBI from time to time “all”
- (iii) Non-RoI are required to obtain govt.’s approval “if applicable”

94. What are Clarifications for Transfers from Non-RoI + to Non-RoI?

- Equity capital to include meaning as assigned in Foreign Exchange Management (Overseas Investment) Rules, 2022 as amended from time to time.



(H) RBI's Pricing Guidelines

95. What are **Issues** to Non-RoI?

- (i) Indian companies are not permitted to issue "non-convertible" NDIs lower than certain computed prices like:
 - (a) Not permitted to issue "non-convertible" NDIs lower than prices computed in accordance with relevant SEBI's guidelines for listed Indian companies + also for companies those are going through delisting process under SEBI (Delisting of Equity Shares) Regulations, 2009
 - (b) Not permitted to issue "non-convertible" NDIs lower than prices computed in accordance with "internationally" accepted pricing methodology for valuation on Arm's Lenth Price (ALP) basis duly certified by Chartered Accountant (CA) or SEBI's registered Merchant Banker or practicing Cost Accountant for unlisted Indian companies
- (ii)
 - (a) Not permitted to issue "convertible" NDIs without determining conversion prices
 - (b) Not permitted to convert "convertible" NDIs lower than fair value computed at time of issuing NDIs

96. What are **Transfers** to Non-RoI?

- Indian companies are not permitted to transfer "non-convertible" NDIs lower than certain computed prices like:
 - (i) Not permitted to transfer "non-convertible" NDIs lower than prices computed in accordance with relevant SEBI's guidelines for listed Indian companies + also for companies those are going through delisting process under SEBI (Delisting of Equity Shares) Regulations, 2009
 - (ii) Not permitted to transfer "non-convertible" NDIs lower than prices computed in accordance with "internationally" accepted pricing methodology for valuation on



Arm's Lenth Price (ALP) basis duly *certified* by Chartered Accountant (CA) or SEBI's registered *Merchant Banker* or practicing *Cost Accountant* for unlisted Indian companies

97. What are *Transfers to RoI*?

- Indian companies are not permitted to transfer "non-convertible" *NDIs* higher than *certain computed prices* like:
 - (i) Not permitted to transfer "non-convertible" *NDIs* higher than prices computed in accordance with relevant SEBI's *guidelines* for listed Indian companies + also for companies those are *going* through delisting process under SEBI (Delisting of Equity Shares) *Regulations, 2009*
 - (ii) Not permitted to transfer "non-convertible" *NDIs* higher than prices computed in accordance with "internationally" accepted pricing methodology for valuation on Arm's Lenth Price (ALP) basis duly *certified* by Chartered Accountant (CA) or SEBI's registered *Merchant Banker* or practicing *Cost Accountant* for unlisted Indian companies

98. What are *Swap to Non-RoI*?

- (i) Indian companies are not permitted to transfer "non-convertible" *NDIs* beyond computed prices by *Merchant Banker* registered with SEBI in India
- Or
- (ii) Computed prices by *Merchant Banker* registered with appropriate regulate authority in host country located outside India.

99. What are *MoA's subscription by Non-RoI*?

- Indian companies are permitted to issue "non-convertible" *NDIs* at face value to Non-RoI for after satisfying entry route + also sectoral cap "both" for *subscription to Memorandum of Article (MoA)*.



100. What are *Partly paid* by Non-RoI?

- Indian companies are required to issue partly paid shares at price determined upfront

101. What are *Warrants* by Non-RoI?

- (i) Indian companies are required to issue shares warrants at price determined upfront
- (ii) These determined prices are required not lower than fair value computed at time of issue of share warrants

102. What are *FIs in LLPs* by Non-RoI?

- (i) Indian LLPs are required to allow capital contributions or share in LLP's profits at price determined upfront
- (ii) These determined prices are required not lower than fair value computed in accordance with valuation norm as "internationally" accepted or adopted as market practice + also valuation certificate "both" issued by Chartered Accountant (CA) or Practicing Cost Accountant (PCA) or approved valuer from panel maintained by Central Government

103. What are *FIs through transfers in LLPs* to Non-RoI?

- (i) Indian LLPs are not permitted to allow capital contributions or share in LLP's profits at price lower than fair value for transfer from RoI to Non-RoI
- (ii) Indian LLPs are not permitted to allow capital contributions or share in LLP's profits at price higher than fair value for transfer from Non-RoI to RoI

104. What is *non-applicability* for Non-RoI?

- (i) RBI's pricing guidelines are not applicable for FIs in NDIs by Non-RoI on "non-repatriation" basis.
- (ii) (a) Not applicable "also" for transfer through sale in accordance with SEBI's regulations where pricings are prescribed by SEBI



- (b) Indian companies are required to obtain certificates from CA for ensuring that SEBI's regulations / guidelines have been complied + also to be attached with form FC-TRS to be filed with AD Category-I Banks

105. What is valuation certificate's validity for Non-RoI?

- (i) Valuation certificates are valid when issued by CAs or SEBI registered Merchant Bankers or PCAs + also not older than 90 days from date of FIs "both"
- (ii) These certificates are valid when issued in accordance with SEBI's guidelines.

106. What are Indirect FIs (IFIs) by Non-RoI?

- (i) Foreign downstream investments are known indirect FIs (IFIs) therefore RBI's guidelines are same as applicable for direct FIs.
- (ii) RBI's guidelines are applicable for direct + indirect "both" FIs like:
- (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (iii) RBI's guidelines for swap of NDIs + payment arrangements are applicable for direct + indirect FIs "all"
- (iv) Indirect FIs are required not to circumvent provisions contained in Rule 23 + also restrictions on indirect FIs for use of borrowed funds obtained through foreign downstream investments / IFIs.



(I) RBI's Key Terms

107. What is Ownership for Non-RoI?

- (i) Indian companies' **ownerships** are treated when **beneficial holding** is exceeding **50% of company's NDIs**
- (ii) Indian LLPs **ownerships** are treated when **capital contribution + also profit's shares "both"** are exceeding **50% of LLP's capital**

108. What is Company's ownership by RICs?

- Indian companies **owned** by **resident Indian citizens** are treated when **beneficial holdings** are held by **resident Indian citizens + also Indian companies "both"** exceeding **50% company's NDIs**

109. What is LLP's ownership by RICs?

- Indian LLPs **owned** by **resident Indian citizens** are treated when **beneficial holdings** are held by **resident Indian citizens + also Indian companies "both"** exceeding **50% LLP's capital contributions**

110. What is Company's owned by Non-RoI?

- Indian companies **owned** by **Non-RoI** are treated when **beneficial holdings** are held by **Non-RoI + also foreign companies "both"** exceeding **50% company's NDIs**

111. What is LLP's owned by Non-RoI?

- Indian LLPs **owned** by **Non-RoI** are treated when **beneficial holdings** are held by **Non-RoI + also foreign companies "both"** exceeding **50% LLP's capital contributions**

112. What is Control for Non-RoI?

- Control of companies are **treated** when **right to appoint "majority" directors or control of management or policy decisions or management rights or shareholders agreements or voting agreements "any"**



113. What is LLP control by Non-RoI?

- Control of LLPs are treated when right to appoint “majority” designated partners or control of management or policy decisions or management rights “any”

114. What is Control by RICs?

- Control of companies by RICs are treated when controls are in hands of RICs + also Indian companies “both” are ultimately owned & controlled by RICs.

115. What is LLP control by RICs?

- Control of LLPs by RICs are treated when controls are in hands of RICs + also Indian entities “both” are ultimately owned & controlled by RICs.

116. What is Control by Non-RoI?

- Control by Non-RoI are treated when controls are in hands of Non-RoI + also “foreign” entities “both” are ultimately owned & controlled by Non-RoI.

117. What is LLP control by Non-RoI?

- Control of LLPs by Non-RoI are treated when controls are in hands of Non-RoI + also Indian entities “both” are ultimately owned & controlled by Non-RoI.

118. What is IFIs by Non-RoI?

- Foreign downstream investments / IFIs by Non-RoI are treated when investments are made by 1st Indian entity in 2nd Indian entity where 1st entity has received FIs in Indian companies’ NDIs or in Indian LLP’s capital contributions

119. What is Holding companies by Non-RoI?

- Holding companies are having same meaning as defined in CA, 2013

120. What is IFIs for Non-RoI?

- IFIs by Non-RoI are treated when 2nd Indian entity has received “Indian” investments from 1st Indian entity where 1st Indian entity has received “Foreign” Investments (FIs)



121. What are Clarifications for Key Terms?

- (i) Foreign Downstream investments / IFIs are “also” treated when original investments were received from RoI but later on RoI became Non-RoI. IFIs are treated from date of becoming Non-RoI
- (ii) Indian companies are required to obey RBI’s guidelines. Non-RoI (investors) are required to report in Form-DI for reclassification within 30 days. Abovementioned RBI’s guidelines are as under:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.’s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments’ limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (iii) (a) Indian investments (IIs) are treated beside investments are made by NRIs / OCIs or by Companies + Trusts + Partnership Firms are incorporated outside India + owned + also controlled by NRIs / OCIs
 - (b) These investments are not treated IFIs therefore schedule IV of NDIs 2019 are applicable for Investments by NRIs / OCIs on “non-repatriation” basis.

122. What is Total FIs by Non-RoI?

- Total FIs are to include direct + also indirect “both” FIs on fully diluted basis

123. What is Strategic Downstream Investments (SDIs) by Banking companies?

- SDIs are to include “Indian” downstream investments by banking companies incorporated “in India” + their subsidiaries + joint ventures + also associates “all”

124. What is IFIs’ Prohibition for Non-RoI?

- (i) RoI “other than” Indian entities are not permitted to receive IFIs
- (ii) “Other than” Indian entities are to include Indian companies + also Indian LLPs “both” those are permitted to receive IFIs



125. What is **Companies' IFIs** by Non-RoI??

- Indian companies are required to obey RBI's guidelines for receiving IFIs. These RBI's guidelines are as under:
 - (i) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (ii) Guidelines for sectoral caps
 - (iii) Guidelines for statutory caps
 - (iv) Guidelines for investments' limits
 - (v) Guidelines for pricings
 - (vi) Guidelines for other mandatory conditions

126. What is **LLPs' IFIs** by Non-RoI?

- (i) Indian LLPs are required to obey RBI's guidelines for receiving IFIs. These guidelines are as under:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions
- (ii) Indian LLPs are permitted to receive IFIs when 100% FIs are permitted in NDIs of Indian companies where "automatic" route is permitted + also FDI linked performance conditions are not required.

127. What is **IFIs' compliances** by companies?

- (i) Indian companies are required to obtain approval from BoDs for IFIs
- (ii) These companies are required to bring requisites funds from outside India
- (iii) These companies are not permitted to use borrowed funds in domestic markets.
- (iv) Subscriptions from Non-RoI for "non-convertible" debentures are not treated borrowed funds or leveraged in domestic markets
- (v) These companies are required to comply FEMA, 1999 + Rules for raising debts + also its utilizations "all"



128. What is Deemed IFIs by Non-RoI?

- (i) IFIs are treated when 1st Indian companies are investing in 2nd Indian companies without having proper business operations
- (ii) These 2nd Indian companies are required to comply RBI's guidelines for FIs like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions

129. What is IFIs under CDR by Non-RoI?

- (i) IFIs are treated from July 31, 2012 when banking companies as defined under section 5(c) of Banking Regulations Act, 1949 are investing in certain debts like:
 - (a) Investing in Corporate Debt Restructuring (CDR) mechanism
 - (b) Investing in Other Loan Restructuring (OLR) mechanism
 - (c) Investing in Trading Book (TB) mechanism
 - (d) Investing in acquisition of shares when defaults in loans
- (ii) Strategic downstream investments by these banking companies are to be treated IFIs

130. What is Total FIs by Non-RoI?

- (i) To include 100% equity holdings by Non-RoI as acquired "after" conversion from debt instruments under agreements / arrangements for computing total FIs
- (ii) Not to include 100% debt instruments issued as underlying assets for issuing Foreign Currency Convertible Bonds (FCCBs) + also Deposit Receipts (DRs) for computing total FIs
- (iii) To include 100% Foreign Portfolio Investments (FPIs) as held on March 31 of



previous financial year in Indian companies those are making foreign downstream investments / IFIs for computing total FIs

- (iv) To include 100% IFIs received by wholly (100%) owned subsidiary of Indian company for computing total FIs
- (v) Methodology for computing total FIs is to be applied at each stage of investments in Indian companies for each company.

131. What is Transfer's compliances by Non-RoI?

- Transferors are permitted to transfer NDIs / capital contributions of 1st Indian companies / 1st Indian LLPs as held by 2nd Indian companies / 2nd Indian LLPs where FIs are owned / controlled by Non-RoI subject to satisfying certain conditions like:
 - (i) (a) These Non-RoI are required to report in Form-FCTRS when transfers are made from Non-RoI to Non-RoI
 - (b) Pricing guidelines are not applicable when transfers are made from Non-RoI to Non-RoI
 - (ii) (a) These Non-RoI are required to report in Form-FCTRS when transfers are made from Non-RoI to RoI
 - (b) Pricing guidelines are applicable when transfers are made from Non-RoI to RoI

132. What is Compliance's responsibility by Non-RoI?

- (i) 1st level Indian companies / 1st level Indian LLPs those making foreign downstream investments / IFIs are responsible for ensuring compliances under FEMA, 1999 + also Rules "both"
- (ii) These companies / LLPs are required to obtain FEMA compliance's annual certificates from Statutory Auditors
- (iii) These companies / LLPs are required to mention in Directors Reports under FEMA's compliances



- (iv) These Statutory Auditors are required to inform RBI's Regional Office (RO) when certificates are issued as qualified reports by them

133. What is IFIs' applicability for Non-RoI?

- (i) Indian companies / LLPs are not required to modify to conform to NDI Rules, 2019 when foreign downstream investments / IFIs made before Feb 13, 2009
- (ii) Indian companies / LLPs are required to modify to conform to NDI Rules, 2019 + also to inform RBI up to October 03, 2013 when foreign downstream investments / IFIs made from Feb 13, 2009 to June 21, 2013



(J) RBI's Taxes + Remittances

134. What are **Taxes** by Non-RoI?

- 100% FIIs' transactions are required to undertake through official banking channel + payment of applicable taxes + also duties / levies in India "all"

135. What are **Remittances** by Non-RoI?

- (i) 100% sale proceeds' remittances are required to be made in accordance with NDI Rules, 2019
- (ii) AD Category-I Banks are required to remit sale proceeds' remittances to Non-RoI after deducting applicable taxes subject to satisfying RBI's guidelines like:
 - (a) That securities were held on "repatriation" basis
 - (b) That securities were sold in accordance with RBI's pricing guidelines

Or

- (c) That RBI's approval is required to obtain when RBI's pricing guidelines are not obeyed

(K) RBI's Clarifications

136. What are **Clarifications** for Non-RoI?

- (i) Indian companies / LLPs + also Non-RoI "both" are permitted to make request to AD Category-I Banks for FIIs' clarifications
- (ii) These banks are required to forward request to RBI's RO for FIIs' clarifications
- (iii) These Indian companies / LLPs + also Non-RoI "both" are required to submit relevant documents to AD Category-I Banks for FIIs' clarifications
- (iv) Jurisdiction for RBI's RO is required to be made in accordance with Registered office of Indian companies / LLPs



● Purchases/Sales of equity by Non-RoI (Annex-1) ●

137. What are Purchases on stock exchange(s)?

- Non-RoI are permitted to purchase NDIs of listed Indian companies' on stock exchange(s) subject to satisfying RBI's guidelines:
 - (i) That Non-RoI are making investments have already acquired control of Indian companies in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 + also continues to hold this control "both".
 - (ii) (a) That consideration' amount are required to pay in accordance with RBI's guidelines or to pay out of dividend payable by Indian companies where Non-RoI have acquired + also continue to hold this control "both" in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
 - (b) Also right to receive dividends are established + also dividend amounts are credited to Special Non-Resident Rupee (SNRR) account opened in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 for acquisition of shares on recognized stock exchange(s)

138. What are Purchases WOS' shares?

- Non-RoI are permitted to purchase shares from Wholly Owned Subsidiary (WOS) as set-up in India by them + operating in sector where FIs are allowed under "automatic" route + also FDI linked performance conditions are not applicable against pre-incorporation + also preoperative expenses incurred by them maximum 5% of authorized capital or USD 5 lacs whichever is lower subject to satisfying RBI's guidelines like:
 - (i) Indian companies are required to file FC-GPR with AD Category-I Banks within 30 days from date of issue of NDIs or not more than 1 year from date of incorporation whichever is later



- (ii) Indian companies are required to obtain certificate from Statutory Auditors for amount of pre-incorporation + also pre-operative "both" expenses in accordance with amount filled in FC-GPR
- (iii) These pre-incorporation + pre-operatives expenses are to include amounts as remitted to Indian companies' accounts in India or to investors' accounts in India + to consultants + to attorneys + also for other materials / service providers against incorporation or commencement of business / operations.

139. What are Shares' issue by WOSs?

- (i) WOSs in India set-up by Non-RoI are permitted to issue NDIs to Non-RoI when WOSs are operating in sectors where 100% FIs are permitted under "automatic" route + also FDIs linked performance conditions not applicable "both"
- (ii) WOSs in India are permitted to issue NDIs against certain expenses like:
 - (a) Pre-incorporation expenses incurred by Non-RoI
 - (b) Pre-operative expenses incurred by Non-RoI
- (iii) WOSs in India are permitted to issue NDIs to Non-RoI against these expenses maximum 5% of authorized capital or USD 5 lac whichever is lower subject to satisfying certain conditions like:
 - (a) That WOSs in India are required to file forms FC-GPR as prescribed in Master Director for issuing NDIs' reporting within 30 days from date of issue of NDIs or within 1 year from date of incorporation whichever is earlier
 - (b) That WOSs in India are required to obtain certificates from Statutory auditors for amount of pre-incorporation + also pre-operative "both" expenses
 - (c) That WOSs in India are required to obtain certificates from Statutory auditors for utilization against pre-incorporation + also pre-operative "both" expenses in accordance with amount filled in forms FC-GPR were filed



140. What are **Pre-incorporation / pre-operative**?

- Pre-incorporations expenses + also pre-operatives “both” expenses are to include certain expenses like:
 - (i) Amount paid to Indian companies’ accounts as maintained in India
 - (ii) Amount paid to investors’ accounts as maintained in India
 - (iii) Amount remitted / paid outside India or paid in India to certain persons like:
 - (a) Remitted / paid to consultant outside India / in India
 - (b) Remitted / paid to attorney outside India / in India
 - (c) Remitted / paid to other material providers + service providers outside India / in India for expenditures incurred against incorporations + also commencement of operations / businesses

141. What are **Issue’s other modes**?

- Indian companies are permitted to issue NDIs to Non-RoI against permissible funds payable in accordance with FEMA, 1999 + FEMA’s rules + FEMA’s regulations + also FEMA’s directions “all” subject to satisfying certain conditions like:
 - (i) When Indian companies are not required to obtain govt.’s approval for certain matters like:
 - (a) For issuing NDIs against import dues which are treated deemed as ECB
 - (b) For issuing NDIs against trade credits
 - (c) For issuing NDIs against trade payables for 2nd hand machineries’ imports
 - (ii) When Indian companies are permitted to issue NDIs to Non-RoI after payment of taxes against funds payable + also conversion into NDIs “both”
 - (iii) When Indian companies are permitted to issue NDIs to Non-RoI against “any” fund payable to them where 100% remittances are permitted by RBI under FEMA, 1999 + FEMA’s rules + FEMA’s regulations + also FEMA’s directions “all”



- (iv) When Indian companies are permitted to issue NDIs to Non-RoI where RBI's approvals are obtained to remit subject to satisfying certain conditions like:
- (a) That 100% regulatory actions for delay are compliance / completed
 - (b) That 100% contraventions under FEMA, 1999 + FEMA's rules + FEMA's regulations + also FEMA's directions "all" are completed
- (v) That Indian companies are permitted to issue NDIs to Non-RoI subject to compliances with rules prescribed by govt. of India + also regulations specified by RBI against certain matters like:
- (a) Swap of NDIs
 - (b) Swap of equity capital of foreign companies in accordance with rules prescribed by govt. of India + by Foreign Exchange Management, (Overseas Investment) Rules 2022, + also regulations specified by RBI "all".
 - (c) Import of capital goods + machineries + also equipment "all" but excluded import of 2nd hand machineries subject to satisfying certain criteria like:
 - That these imports are made by RoI in accordance with Foreign Trade Policy (FTP) notified by Directorate General of Foreign Trade (DGFT) + also imports' regulations issued under FEMA, 1999 "both"
 - That valuations for these imports are obtained from 3rd party like independent valuer from country of import + also production of copies of documents/certificates issued by customs authorities for imports' fair-value assessments.

142. What are Applications for approvals?

- (i) Applications are required to accompany with valuations for imports as obtained from 3rd party like independent valuer from country of import + production of copies of documents/ certificates issued by customs authorities for imports' fair-value assessments + also companies' special resolutions "all"



- (ii) Applications are required to indicate Beneficial Ownership (BO) + identity of importer companies + also overseas entities "all"
- (iii) Applications are required to submit within 180 days from date of shipment of goods.

143. What are Payments for pre-incorporations?

- WOSs are permitted to make payments for pre-incorporations expenses + pre-operatives' expenses + rent + also etc. "all" subject to satisfying certain conditions like:
 - (i) WOSs are required to obtain certificate from Statutory auditors for verifications + also certifications "both" against pre-incorporation / pre-operative expenses
 - (ii) WOSs are required to submit Foreign Inward Remittance Certificate (FIRC) for remittance of funds by Non-RoI against pre-incorporation / pre-operative expenses
 - (iii) WOSs are required to receive investments from Non-RoI directly or through bank accounts opened in India by Non-RoI like SNRR accounts in accordance with FEMA, 1999 + FEMA's rules + FEMA's regulations + also FEMA's directions "all"
 - (iv) WOSs are required to submit applications within 180 days from date of incorporations of companies for obtaining govt.'s approval along with certain documents like:
 - (a) Certificate from Statutory auditors for verification of pre-incorporation / pre-operative expenses
 - (b) FIRC for remittance of funds from Non-RoI
 - (c) Evidence for FI's remittances received directly or through SNRR accounts
 - (d) Special resolutions passed by companies

144. What are Payments for DIs?

- Non-RoI are required to make payments for DIs through inward remittances from outside India via banking channel or via certain bank accounts maintained in India like:



- (i) Repatriable foreign **currency** accounts **are to include certain accounts like NRE + also FCNR (B) accounts “both” maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016**
- (ii) Rupee accounts **like NRO accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016**

145. What are **Payments for receivables**?

- (i) Indian companies **are permitted to make payments for outstanding payables through NDIs’ issue**
- Or
- (ii) Indian companies **are permitted to swap when engaged in activities which are permitted for FIs under “automatic” route.**

146. What are **Refunds by companies**?

- Indian companies **are required to refund within 15 days when NDIs are not issued within 60 days through outward remittances via banking channels or to credit to their repatriable foreign currency accounts “any” like NREs + also FCNR(B) accounts “both” maintained under Foreign Exchange Management (Deposit) Regulations, 2016**

147. What are **Refunds by AD-Category-I Banks**?

- AD-Category-I Banks **are permitted to remit payments against abovementioned payments subject to satisfying certain conditions like:**
 - (i) AD-Category-I Banks **are required to ensure that applicants are bona fides**
 - (ii) AD-Category-I Banks **are required to ensure that funds were received in accordance with FEMA, 1999 + FEMA’s rules + FEMA’s regulations + also FEMA’s directions “all”**
 - (iii) AD-Category-I Banks **are required to ensure that interests “if any” are payable in accordance with CA, 2013.**



148. What are Clarifications for DIs?

- (i) Indian companies are required to obey legal compliances in accordance with NDI Rules, 2019
- (ii) Indian companies are required to liable for non-compliances of instructions in accordance with NDI Rules, 2019.
- (iii) Indian companies are permitted to open Foreign Currency Accounts (FCAs) with AD-Category-I Banks in India in accordance with Foreign Exchange Management (Foreign currency accounts by a person resident in India) Regulations, 2015 for issuing NDIs to Non-RoI.

149. What are Remittances for sales proceeds?

- AD-Category-I Banks are required to remit outside India or credit to repatriable FCAs + rupee accounts like NREs + FCNR(B) account + also NROs accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016 for sales proceeds against NDIs after deducting for taxes



● Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 ●

(A) NDIs Rules' Provisions

150. What is Introduction?

- (i) These rules are known as Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 or NDIs Rules, 2019
- (ii) Rules are applicable from date of publication in official gazette like October 17, 2019

151. What is Act?

- Act is to include Foreign Exchange Management Act (FEMA) 1999 (42 of 1999)

152. What are Asset Reconstruction Companies (ARCs)?

- ARCs are to include companies registered with RBI under section 3 of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002)

153. What are Authorized Banks (ABs)?

- ABs are to include banks as defined in Foreign Exchange Management (Deposit) Regulations, 2016

154. What are Authorized Dealers (ADs)?

- ADs are to include person authorized under section 10(1) of FEMA, 1999

155. What are Convertible Notes (CNs)?

- (i) CNs are to include debt instruments as issued by startup companies incorporated in India being acknowledgement against receipt of money initially as debt + also repayable at holder's option "both"
- Or
- (ii) Convertible in equity shares within maximum 10 years from date of issue of CNs or specified events' occurrence in accordance with terms and conditions as agreed + also indicated in instrument "both" whichever is earlier.



156. What are Debt instruments (DIs)?

- DIs are to include 100% DIs as defined in 2(ai) of NDI Rules, 2019

157. What are Depository Receipts (DRs)?

- DRs + Global Depository Receipts (GDRs) defined in CA, 2013 (18 of 2013) are to include foreign currency denominated instruments as issued by foreign depositories in permissible jurisdictions along with underlying eligible securities issued or transferred to foreign depositories + also deposited with Indian custodian "all"

158. What are Domestic Custodians (DCs)?

- DCs are to include custodians for securities registered with SEBI in accordance with SEBI (Custodian of Securities) Regulations, 1996

159. What are Domestic Depositories (DDs)?

- DDs are to include custodians for securities registered with SEBI + also authorized by issuing entities for Indian Depository Receipts (IDRs).

160. What are Employee Stock Options (ESOPs)?

- ESOPs are to include option as defined in CA, 2013 + also issued in accordance with SEBI's regulations

161. What are Equity Instruments (EIs)?

- EIs are to include certain instruments like:
 - Equity shares issued by Indian companies
 - Convertible debentures issued by Indian companies
 - Preference shares issued by Indian companies
 - Share warrants issued by Indian companies

162. What are Clarifications for NDI Rules, 2019?

- NDIs are to include certain instruments like:
 - Equity shares are "also" to include partly paid shares
 - Convertible debentures are "only" to include fully paid debentures



- (c) Preference shares are “only” to include fully paid shares
- (d) Share warrants are “only” to include warrants issued by Indian companies in accordance with SEBI’s regulations
- (e) NDIs are to include instruments issued optionally with minimum locking period 1 year or prescribed period for specific sector whichever is higher without having option or right to exit at assured price.
- (ii) Partly paid equity shares are to include certain shares like:
 - (a) Partly paid equity shares to Non-RoI are required to fully paid within 12 months from date of issue or specified by RBI from time to time
 - (b) Minimum 25% amount of equity shares + also share premium “both” are required to receive upfront against partly paid equity shares from Non-RoI
- (iii) Shares warrants are to include certain warrants like:
 - (a) Minimum 25% amount of share warrants are required to receive upfront against shares warrants from Non-RoI
 - (b) Maximum 75% amount of share warrants are required to receive from Non-RoI within maximum 18 months from date of issue of warrants

163. What are Escrow Accounts (EAs)?

- EAs are to include accounts maintained in accordance with Foreign Exchange Management (Deposit) Regulations, 2016

164. What are FDI Linked Performance requirements (FLPCs)?

- FLPCs are to include requirements as sector wise specified in schedule-I of NDI Rules, 2019 for receiving FIs by Indian companies

165. What are Foreign Venture Capital Investors (FVCIs)?

- FVCIs are to include foreign investors incorporated + established outside India + also registered with SEBI in accordance with Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 “all”



166. What are Foreign Central Banks (FCBs)?

- FCBs are to include institutions + organizations + also body corporates “all” established outside India + also entrusted with responsibility of carrying Central bank functions under law for time being in force outside India like RBI in India

167. What are FCNR (B) Accounts?

- Foreign Currency Non-Resident (FCNR) (Bank) accounts are to include accounts as maintained in accordance with Foreign Exchange Management (Deposit) Regulations, 2016

168. What are Foreign Currency Convertible Bonds (FCCBs)?

- FCCBs are to include bonds issued in accordance with Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993;

169. What are Foreign Direct Investments (FDIs)?

- FDIs are to include investments through NDIs by Non-RoI in unlisted Indian companies

Or

- Minimum 10% post issue of paid-up equity capital on fully diluted basis in listed Indian companies.

170. What is FDI below 10% capital?

- FIs are still treated FDIs when existing NDIs are falls below 10% post issue of paid-up equity capital on fully diluted basis in listed Indian companies

171. What is Fully Diluted Basis (FDB)?

- Fully diluted basis is to include total number of shares outstanding when 100% possible sources of conversion are exercised



172. What are Foreign Investments (FIs)?

(i) FIs are to include investments made by Non-RoI in Indian companies' NDIs on "repatriation" basis

Or

(ii) Investments made by Non-RoI in Indian LLPs' capital on "non-repatriation" basis

173. What are Beneficial Ownerships (BOs)?

- Investments are treated FIs beside made through RoI when Non-RoI are BOs + also submitted declarations by them in accordance with CA, 2013 / other applicable law

174. What are FDIs versus FPIs?

- (i) Non-RoI are permitted to hold FIs through FDIs or FPIs "any" in 1 Indian company.
- (ii) Non-RoI are not permitted to hold FIs through FDIs + FPIs "both together" simultaneously in 1 Indian company

175. What are Foreign Portfolio Investments (FPIs)?

(i) FPIs are to include investments made by Non-RoI through listed NDIs when investments are less than 10% of post issue paid-up share capital on fully diluted basis

Or

(ii) When investments are less than 10% of paid-up value for each series of listed NDIs

176. What are Foreign Portfolio Investors (FPIs)?

- FPIs are to include persons registered in accordance with Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014

177. What are Govt. approvals?

(i) Govt. approvals are to include approvals from Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion Government of India

Or

(ii) From Foreign Investment Promotion Board (FIPB)

Or

(iii) From Ministry or department of Government of India



178. What are Group companies?

- Group companies are to include minimum 2 companies those are directly or indirectly in position to exercise certain powers like:

(i) When 1st company / LLP is having power to exercise minimum 26% voting rights in 2nd company / LLP

Or

(ii) When 1st company / LLP is having power to appoint minimum 50% BoDs' members in 2nd company / LLP

179. What are Hybrid securities?

- Hybrid securities are to include certain instruments issued by Indian companies or Indian trusts "any" to Non-RoI like:

(i) Optionally / partially convertible preference shares

(ii) Optionally / partially convertible debentures

(iii) Optionally / partially other instruments specified by Central govt. from time to time.

180. What are Indian companies?

- Indian companies are to include companies as defined in CA, 2013 or body corporates as established or constituted under Central Act or State Act + also incorporated in India "both"

181. What are Not treated Indian companies?

- Not treated Indian companies are to include certain entities like:

(i) Indian societies are not treated Indian companies therefore not eligible to receive FIs

(ii) Indian trusts are not treated Indian companies therefore not eligible to receive FIs

(iii) Indian other entities are not treated Indian companies therefore not eligible to receive FIs



182. What are Indian Depository Receipts (IDRs)?

- IDRs are to include instruments created by companies incorporated in India + also authorized by companies incorporated outside India “both”

183. What are Indian Entities?

- Indian entities are to include Indian companies + also Indian LLPs “both”

184. What are Investing Companies?

- Investing companies are to include companies those are holding investments in other Indian companies directly / indirectly for investment purpose
- Investing companies are not to include companies those are holding investments in other Indian companies directly / indirectly for trading purpose

185. What are Investments?

- Investments are to include certain activities for securities + also units “both” issued by RoI like:
 - Subscribing for investments in NDIs + also units “both”
 - Acquiring for investments in NDIs + also units “both”
 - Holding for investments in NDIs + also units “both”
 - Transferring for investments in NDIs + also units “both”
- Investments are to include certain activities for DRs issued by Non-RoI when underlying securities are issued by RoI like:
 - Acquiring for investments in DRs
 - Holding for investments in DRs
 - Transferring for investments in DRs

186. What are Investments on repatriation basis?

- Investment on “repatriation” basis are to include investments + sales / maturity proceeds “both” to be repatriated from India after deducting Income tax



187. What are Investment Vehicles (IVs)?

- Investment vehicles are to include entities as registered + regulated “both” in accordance with SEBI’s regulations or other authorities designated by SEBI for this purpose like:
 - (i) Real Estate Investment Trusts (REITs) governed by Securities and Exchange Board of India (REITs) Regulations, 2014
 - (ii) Infrastructure Investment Trusts (InvIts) governed by Securities and Exchange Board of India (InvIts) Regulations, 2014
 - (iii) Alternative Investment Funds (AIFs) governed by Securities and Exchange Board of India (AIFs) Regulations, 2012

188. What are Limited Liability Partnerships (LLPs)?

- LLPs are to include partnerships as formed + also registered “both” under Limited Liability Partnership (LLP) Act, 2008 (6 of 2009)

189. What are Listed Indian Companies (LICs)?

- LICs are to include companies having NDIs / DIs listed on recognized stock exchange(s) in India

190. What are Unlisted Indian Companies (UICs)?

- UICs are to include companies having NDIs / DIs not listed on recognized stock exchange(s) in India

191. What are Manufactures?

- Manufactures are to include activities when grammatical variations or change in non-living physical object or article or thing “any” like:
 - (i) Resulting in transformation of object or article or thing into new + distinct object or article or thing “any” with different name + character + also uses “all”
 - (ii) Bringing in existence into new + distinct object or article with different chemical composition or integral structure “any” with different name + character + uses “all”



192. What are **Non-Debt Instruments (NDIs)**?

- NDIs are to include certain instruments like:
 - (i) 100% investments in NDIs of companies incorporated as public + private + listed + also unlisted "all"
 - (ii) 100% investments in capital contribution of LLPs
 - (iii) 100% investments in instruments as recognised in FDI policy notified by govt.
 - (iv) 100% investments in certain units like:
 - (a) Units of Alternative Investment Funds (AIFs)
 - (b) Units of Real Estate Investment Trust (REITs)
 - (c) Units of Infrastructure Investment Trusts (InvIts)
 - (v) 100% investments in certain units when funds are invested more than 50% in equities like:
 - (a) Units of mutual funds
 - (b) Units of Exchange-Traded Fund (ETFs)
 - (vi) 100% investments in junior-most layer like equity tranche of securitisation structure
 - (vii) 100% investments in acquisitions or sale or dealing "any" directly in immovable properties
 - (viii) 100% investments in trusts' contributions
 - (ix) 100% investments in DRs issued against NDIs

193. What are **Non-Resident Indians (NRIs)**?

- NRIs are to include Non-RoI + also citizen of India "both together"

194. What is **Overseas Citizen of India (OCI)**?

- OCI are to include Non-RoI + non-citizen of India + also registered as Overseas Citizen of India (OCI) cardholder under section 7A of Citizenship Act, 1955 (57 of 1955) "all together"



195. What are Resident Indian Citizens (RICs)?

- RICs are to include individuals those are RoI + also citizen of India "both together" in accordance with Constitution of India or Citizenship Act, 1955 "any"

196. What are Sectoral Caps (SCs)?

- Sectoral caps are to include maximum permissible FIs' limit prescribed by RBI for direct + also indirect "both together" in Indian companies' NDIs or in Indian LLPs' capital contribution "any"

197. What are FCCBs + DRs' Sectoral Caps (SCs)?

- FCCBs + also DRs "both" are not included for FIs' sectoral caps when these are having underlying of instruments as nature of debt

198. What are Equity in debt's conversion' Sectoral Caps (SCs)?

- NDIs are included for FIs' sectoral caps when Non-RoI have acquired against debt instrument's conversion

199. What are Share Based Employee Benefits (SBEBS)?

- SBEBS are to include issue of NDIs to Non-RoI employees + directors + employees + directors of holding company + Joint Venture (JV) + Wholly Owned Subsidiary (WOS) + also Subsidiaries "all" in accordance with SBEBS schemes formulated by Indian companies.

200. What are Startup Companies?

- Startup companies are to include private limited companies as incorporated in accordance with CA, 2013 + also identified under G.S.R. 180(E) dated February 17th, 2016 issued by Department of Industrial Policy and Promotion, Ministry of Commerce and Industry "both"

201. What are Subsidiaries?

- Subsidiaries are to include as defined in CA, 2013 + also amended from time to time "both".



202. What are Sweat Equity Shares (SESS)?

- SESS are to include as defined in CA, 2013 + also amended from time to time "both".

203. What are Transferable Development Rights (TDRs)?

- TDRs are to include as defined in Section 6(2) of CA, 2013 + also amended from time to time "both".

204. What are Units?

- Units are to include beneficial interest in investment vehicles

205. What are Venture Capital Funds (VCFs)?

- (i) VCFs are to include funds established as trust + company + also body corporate registered in accordance with Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 "all"
- (ii) When words + expressions are not defined in NDI Rules, 2019 shall have same meaning as defined in FEMA, 1999 + rules + also regulations "all"

206. What are NDI Rules, 2019's administration by RBI?

- (i) RBI is permitted for administrating NDI Rules, 2019
- (ii) RBI is also permitted for interpreting + also issuing communications "both" for effective implementation of NDI Rules 2019's provisions like:
 - (a) Permitted for issuing directions
 - (b) Permitted for issuing circulars
 - (c) Permitted for issuing instructions
 - (d) Permitted for issuing clarifications



(B) NDIs Rules' General requirements

207. What are restrictions for Non-RoI?

- (i) FIs by Non-RoI are permitted in accordance with FEMA, 1999 + rules + also regulations "all"*
- (ii) (a) RBI is permitted to allow FIs by Non-RoI which are not permitted in accordance with FEMA, 1999 + rules + also regulations "all"*
 - (b) RBI is permitted to allow based on applications filed for FIs by Non-RoI*
 - (c) RBI is permitted to impose conditions as considered necessary if any.*
- (iii) FIs by Non-RoI are permitted by Indian companies + Indian LLPs + Indian investment vehicles + Venture Capital Funds (VCFs) + Indian partnership firms + Association of Persons (AoPs) + also Proprietary concerns in accordance with FEMA, 1999 + rules + regulations "all"*

208. What are requirements for Non-RoI?

- *FIs are required to obey RBI's guidelines like:*
 - (i) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route*
 - (ii) Guidelines for sectoral caps*
 - (iii) Guidelines for statutory caps*
 - (iv) Guidelines for investments' limits*
 - (v) Guidelines for pricings*
 - (vi) Guidelines for other mandatory conditions*



(C) NDIs Rules for Non-RoI

209. What are Rules for Non-RoI?

- Non-RoI are permitted for FIs through certain modes like:
 - (i) Non-RoI are permitted for subscribing NDIs of Indian companies in accordance terms and conditions specified in Schedule I of NDI Rules, 2019.
 - (ii) Non-RoI are permitted for purchasing NDIs
 - (iii) Non-RoI are permitted for selling NDIs
 - (iv) Non-RoI are required to obtain govt.'s approval for subscribing + purchasing + also selling "all" when BOs or citizens or residents are located in India's 9 land borders countries like:
 - (a) Afghanistan
 - (b) Bangladesh
 - (c) Bhutan
 - (d) China
 - (e) Maldives
 - (f) Myanmar (Burma)
 - (g) Nepal
 - (h) Pakistan
 - (i) Sri Lanka
 - (v) These BOs or citizens or residents are located in India's 9 land borders countries are not permitted under govt.'s "approval" route for FIs in certain sectors like:
 - (a) Defence sector
 - (b) Space sector
 - (c) Atomic energy sector
 - (d) Other sectors
 - (vi) Non-RoI are required to obtain govt.'s approval for FIs when existing or future



ownership or BO are exceeding sectoral caps / limits through direct or indirect transfers

- (vii) These provisions for India's 9 land border countries are not applicable for multilateral banks / multilateral funds when India is member country of such banks / funds
- (viii) Issues / transfers are treated FIs for participating interest or rights in oil fields by Indian companies to Non-RoI subject to satisfying certain terms and conditions specified in schedule I of NDI Rules, 2019
- (ix) (a) Non-RoI are permitted for FIs through LLPs' capital contribution + also acquisition / transfer of share in profit "both" subject to satisfying certain terms and conditions specified in schedule I of NDI Rules, 2019
 - (b) Non-RoI from Pakistan + Bangladesh "both" are "also" not permitted for these FIs under "approval" route
- (x) (a) Non-RoI are permitted for FIs through units of investment vehicles subject to satisfying certain terms and conditions specified in schedule I of NDI Rules, 2019
 - (b) Non-RoI from Pakistan + Bangladesh "both" are "also" not permitted for these FIs under "approval" route
- (xi) Non-RoI are permitted for FIs through DRs issued by foreign depositories against underlying NDIs subject to satisfying certain terms and conditions specified in schedule IX of NDI Rules, 2019

210. What are Right / bonus for Non-RoI?

- Non-RoI are permitted to obtain right / bonus shares subject to satisfying certain conditions like:
 - (i) When offers are in accordance with provisions of CA, 2013
 - (ii) When offers are not exceeding sectoral cap / limit
 - (iii) When existing shareholdings are in accordance with RBI's guidelines



- (iv) When price is determined in accordance with RBI's pricing guidelines for listed companies
- (v) When price is determined not lower than price offered to RoI for unlisted companies
- (vi) When FIs are satisfying certain conditions as applicable at time of issues.
- (vii) When payments are satisfying RBI's guidelines
- (viii) When Non-RoI are permitted beside original NDIs were issued when they were RoI on "non-repatriation" basis.
- (ix) These provisions are not applicable for share warrants' issue

211. What are Rights' renunciation by Non-RoI?

- Non-RoI are permitted to renounce in accordance with RBI's pricing guidelines for right issues

212. What are Employee Stock Options (ESOPs) for Non-RoI?

- Non-RoI are permitted to acquire NDIs through certain modes like:
 - (i) ESOPs to employees + directors + also employees / directors of its holding company + its Joint Ventures (JVs) or its Wholly Owned Overseas Subsidiary (WOOS) or Subsidiaries "any"
 - (ii) Sweat Equity Shares (SEs) to these employees / directors
 - (iii) Share Based Employee Benefits (SBEs) to these employees / directors

213. What are ESOPs' requirements by Non-RoI?

- (i) (a) ESOPs + SEs + also SBEs "all" are required to issue through scheme drawn by Indian companies in accordance with SEBI's regulations for FIs

Or

- (b) Issued in accordance with Companies (Share Capital and Debentures) Rules, 2014 for FIs

Or

- (c) Issued in accordance with other applicable laws for FIs



- (ii) ESOPs + SEEs + also SBEs “all” are required to issue in accordance with sectoral cap / limit for FIs
- (iii) ESOPs + SEEs + also SBEs “all” are required to issue in accordance with govt.’s approval when “approval” route for FIs
- (iv) ESOPs + SEEs + also SBEs “all” are required to issue in accordance with govt.’s approval when these are being issued to Non-Resident from Pakistan or Bangladesh
- (v) Non-Resident are permitted to apply for ESOPs + SEEs + also SBEs “all” beside original NDIs were issued when they were Resident on “non-repatriation” basis

214. What are Transfers from Non-Resident to Non-Resident?

- 1st Non-Resident are permitted to transfer NDIs to 2nd Non-Resident like equity shares + also units “both” in accordance with terms and conditions specified in schedules of NDI Rules, 2019 like:
 - (i) 1st Non-Resident are permitted to transfer NDIs like equity shares + also units to 2nd Non-Resident through sale or gift
 - (ii) Non-Resident are permitted to transfer these NDIs under liquidation + merger + de-merger + also amalgamation of entities / companies incorporated / registered outside India
 - (iii) Non-Resident are required to obtain govt. approval for transferring NDIs when Indian companies are engaged in sector where “approval” route is permitted
 - (iv) 1st Non-Resident are required to obey RBI’s guidelines for transferring NDIs to 2nd Non-Resident when these were originally hold on “non-repatriation” basis where 2nd Non-Resident are intended to hold on “repatriation” basis like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.’s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments’ limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other mandatory conditions



- (v) 1st Non-RoI are permitted to sale NDIs directly or to gift or to sale at stock exchange + also units "both" to 2nd Non-RoI in accordance with SEBI's guidelines.

215. What are Transfers from RoI to Non-RoI?

- RoI are permitted to transfer NDIs to Non-RoI like equity shares + also units "both" through gift under RBI's approval in accordance with terms and conditions specified in schedules of NDI Rules, 2019 like:
 - (i) That donees are eligible to hold NDIs in accordance with schedules of NDI Rules, 2019
 - (ii) (a) That gifts are not exceeding 5% of paid-up share capital of Indian companies
Or
(b) Not exceeding 5% of each series of debentures
Or
(c) Not exceeding 5% of each mutual fund scheme
 - 5% is to be computed on cumulative basis from 1st single person to 2nd single person
 - (iii) That sectoral caps / limits are not breached
 - (iv) That donors + also donees "both" are relatives as defined in section 2(77) of CA, 2013
 - (v) That values of securities to be transferred by donors are not to exceed equivalent to USD 50 thousands
 - (vi) That other conditions are satisfied as considered necessary in public interest by Central govt

216. What are Transfers with optional clause from Non-RoI?

- (i) Non-RoI are permitted to transfer NDIs having optional clause like option or right to exist without any assured return
- (ii) Non-RoI are required to satisfy pricing guidelines prescribed in NDI Rules, 2019 + also minimum locking period for 1 year or minimum locking period prescribed in NDI Rules, 2019 whichever is higher



217. What are Transfers on deferred payments from Non-RoI?

- (i) Non-RoI are permitted to purchase NDIs on deferred payments basis
- (ii) Deferred payments are not permitted to exceed 25% of total consideration
- (iii) Deferred payments are not permitted to exceed 18 months from date of transfer agreement.
- (iv) Deferred payments are not permitted to settle through escrow arrangement exceeding 18 months from date of transfer agreement.
- (v) These total payments are required in accordance with RBI's pricing guidelines.

218. What are Transfers through escrow account from Non-RoI?

- (i) Non-RoI are permitted to open escrow account in accordance with Foreign Exchange Management (Deposit) Regulations, 2016
 - (ii) Non-RoI are required to fund escrow account through direct remittance from outside India in official banking channel
- Or
- (iii) Non-RoI are required to fund escrow account through guarantee issued by AD Category-I Banks subject to terms and conditions specified in Foreign Exchange Management (Guarantees) Regulations, 2000

219. What are Transfers through pledge from RoI?

- RoI are permitted to transfer NDIs + also units of investment vehicles "both" through pledge for raising External Commercial Borrowings (ECBs) in accordance with Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 subject to satisfying certain terms and conditions like:
 - (i) That pledge's periods are to be matched with maturity's period
 - (ii) That transfers are to be made in accordance with RBI's rules + also directions "both" when innovation of pledge is exercised.
 - (iii) That Statutory Auditors have certified for permitted end-uses of ECB's funds.
 - (iv) That No Objection Certificates (NOCs) are obtained from AD Category-I Banks before pledge.



- (v) That transfer of NDIs are to be made in accordance with RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other "mandatory" conditions

220. What are Transfers through pledge from Non-RoI?

- Non-RoI are permitted to transfer NDIs + also units of investment vehicles "both" through pledge for raising External Commercial Borrowings (ECBs) subject to satisfying certain terms and conditions like:
 - (i) That pledge be in favour of banks in India for securing credit facilities against bona fide purposes
 - (ii) That pledge be in favour of banks outside India for securing credit facilities against bona fide purposes
 - (iii) That pledge be in favour of RBI's registered Non-Banking Financial Companies (NBFCs) in India for securing credit facilities against bona fide purposes
 - (iv) That RBI's compliances are satisfied
 - (v) That transfer of NDIs are to be made in accordance with RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other "mandatory" conditions



(D) NDIs Rules for Foreign Portfolio Investors (FPIs)

221. What are Investments by FPIs?

- (i) FPIs are permitted to purchases / to sales NDIs of listed + also to be listed “both” companies
- (ii) FPIs are permitted to purchases / to sales debt instruments of listed + also to be listed “both” companies in accordance with terms and conditions specified in schedule-II
- (iii) FPIs are permitted to invest in SEBI’s approved 100% exchange traded derivative contracts subject to satisfying limits specified by SEBI + also issued in accordance with terms and conditions specified in schedule-II “both”
- (iv) FPIs are permitted to invest in Indian Depository Receipts (IDRs) of non-residents companies + also issued in Indian Capital Market “both” subject to terms and conditions specified in schedule-X of NDI Rules, 2019

222. What are Transfers by FPIs?

- (i) FPIs are permitted to transfer NDIs + units subject to terms and conditions in schedules annexed to NDI Rules, 2019 + also specified by SEBI “both”.
- (ii) FPIs are required to obtain govt. approval for transfer NDIs + also units “both” when Indian companies are engaged in sector where govt. approvals are required.
- (iii) FPIs are required to comply provisions applicable for aggregate FPIs limits + also sectoral limits “both” specified in item (iii) of sub-paragraph (a) of paragraph (1) of Schedule II of NDI Rules, 2019



(E) NDIs Rules for NRIs + OCIs

223. What are Investments by NRIs + OCIs?

- (i) NRIs + OCIs are permitted to purchase / to sale NDIs + also DIs of listed Indian companies "all" subject to terms and conditions prescribed in schedule -III of NDI Rules, 2019 on "repatriation" basis.
- (ii) (a) NRIs + OCIs are permitted to purchase / to sale NDIs + also DIs of non-listed Indian companies "all" subject to terms and conditions prescribed in schedule -IV of NDI Rules, 2019 on "non-repatriation" basis.
- (b) NRIs + OCIs are permitted to contribute capital of Indian LLPs + partnership firms + proprietor concerns "all" subject to terms and conditions prescribed in schedule -IV of NDI Rules, 2019 on "non-repatriation" basis.
- (iii) (a) NRIs + OCIs are permitted to trade + also to invest "both" in 100% SEBI's approved Exchange Traded Derivative Contracts (ETDCs)
- (b) These investments are permitted within limits specified by SEBI + also conditions prescribed in schedule-III of NDI Rules, 2019 "both"
- (iv) NRIs + OCIs are permitted to purchase + to hold + to sale IDRs of Non-RoI companies + also issued in Indian capital market "all" subject to terms and conditions specified in schedule-X of NDI Rules, 2019

224. What are Sales / Transfers by NRIs + OCIs?

- NRIs + OCIs are permitted to sales / transfers NDIs + also units "all" subject to terms and conditions prescribed in schedules of NDI Rules, 2019 like:
- (i) NRIs + OCIs are permitted to sales / transfers NDIs + also units "all" through sale / gift to Non-RoI which were hold on "repatriation" basis.



- (ii) NRIs + also OCIs “both” are required to obtain govt.’s approval for transfer when Indian companies are engaged in sectors where govt.’s approval are required
- (iii) NRIs + OCIs are required to sale to RoI when recent purchases / acquisitions are exceeding applicable aggregate limits or sectoral limits for NRIs + also OCIs “all” within RBI’s stipulated time.
- (iv) (a) NRIs + OCIs are permitted to sales / transfers NDIs + also units “all” to Non-RoI when they are holding on “non-repatriation” basis.
- (b) NRIs + also OCIs “both” are required to obey RBI’s guidelines like:
- Guidelines for entry routes i.e. Automatic route & Govt.’s approval route
 - Guidelines for sectoral caps
 - Guidelines for statutory caps
 - Guidelines for investments’ limits
 - Guidelines for pricings
 - Guidelines for other “mandatory” conditions
- (c) These guidelines are not applicable when sale / transfer is from NRIs / OCIs to NRIs / OCIs

225. What are Transfers through gifts from NRIs + OCIs to Non-RoI?

- NRIs + OCIs are permitted to gift NDIs + also units “all” to Non-RoI when they were holding on “non-repatriation” basis after obtaining RBI’s approval subject to satisfying RBI’s terms and conditions like:
 - (i) That donees are eligible to hold securities under relevant schedules of NDI Rules, 2019
 - (ii) (a) That gifts are not exceeding 5% of paid-up capital of Indian companies or each mutual fund scheme “any”
 - (b) These 5% shall be on cumulative basis by 1st person to 2nd person
 - (iii) That gifts are not exceeding sectoral caps / limits for Indian companies
 - (iv) That donor + also donees “both” are relatives defined in section 2(77) of CA, 2013



- (v) That aggregate value for securities “to be” transferred + also “already” transferred “both” by donors to Non-Resident Indians are not exceeding USD 50 thousand in 1 financial year
- (vi) That other conditions are satisfied if any is considered necessary in public interest by Central govt.

226. What are Transfers through gifts from NRIs + OCIs to NRIs + OCIs?

- 1st NRIs + OCIs are permitted to gift NDIs + also units “all” when they are holding on “non-repatriation” basis to 2nd NRIs + OCIs when they are eligible investors under schedule IV of NDI Rules, 2019 + also required to hold on “non-repatriation” basis “both”

227. What are Transfer by OCBs?

- (i) Overseas Corporate Bodies (OCBs) are permitted to transfer NDIs subject to satisfying certain directions issued by RBI from time to time.
- (ii) Now OCBs entities are de-recognized through Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003

(F) NDIs Rules for other Non-Resident Investors

228. What are other Non-Resident Investors?

- Other Non-resident investors are permitted to invest in securities subject to satisfying certain terms and conditions specified in schedule V of NDI Rules, 2019.

229. What are Transfers from other Non-Resident Investors?

- Other non-resident investors are permitted to transfer securities subject to satisfying certain terms and conditions specified in schedule V of NDI Rules, 2019 + specified by SEBI + also by RBI "all"

(G) NDIs Rules for Foreign Ventures Capital Investors (FVCIs)

230. What are FIs by FVCIs?

- FVCIs are permitted to invest in securities subject to satisfying certain terms and conditions specified in schedule VII of NDI Rules, 2019

231. What are Transfer from FVCIs?

- FVCIs are permitted to transfer securities subject to satisfying certain terms and conditions specified in schedule VII of NDI Rules, 2019 + specified by SEBI + also by RBI "all"

(H) NDIs Rules for Miscellaneous Matters

232. What are Convertible notes for automatic route?

- (i) Non-RoI are permitted to purchase convertible notes issued by Indian Startup companies for minimum INR 25 lacs in single tranche under "automatic" route.
- (ii) Non-RoI from Pakistan + Bangladesh are not permitted to purchase these convertible notes under "automatic" + also "approval" route "all"
- (iii) Non-RoI are required to make payment + to satisfy conditions for remittance of sale + also maturity "all" proceeds specified by RBI.

233. What are Convertible notes for approval route?

- (i) Non-RoI are permitted to purchase convertible notes issued by Indian Startup companies for minimum INR 25 lacs in single tranche under approval route when Startups are engaged in sector when FIs are permitted under govt. "approval" route.
- (ii) Non-RoI from Pakistan + Bangladesh are not permitted to purchase these convertible notes under "automatic" + also "approval" route "all"
- (iii) Non-RoI are required to obey RBI's guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps
 - (d) Guidelines for investments' limits
 - (e) Guidelines for pricings
 - (f) Guidelines for other "mandatory" conditions
- (iv) Non-RoI are required to make payment + to satisfy conditions for remittance of sale + also maturity "all" proceeds specified by RBI



234. What are Convertible notes' purchases by NRIs + OCIs?

- (i) NRIs + also OCIs "both" are permitted to purchase convertible notes on "non-repatriation" basis in accordance with Schedule IV of NDI Rules, 2019
- (ii) NRIs + also OCIs "both" from Pakistan + Bangladesh are not permitted to purchase these convertible notes under "automatic" + also "approval" route "all"
- (iii) NRIs + also OCIs "both" are required to make payment + to satisfy conditions for remittance of sale + also maturity "all" proceeds specified by RBI.

235. What are Mergers / de-merger / amalgamation?

- (i) Indian companies are permitted to issue NDIs to existing Non-RoI for certain purposes like:
 - (a) Scheme of compromise duly approved by NCLT
 - (b) Scheme of arrangement duly approved by NCLT
 - (c) Merger of 2 or more than 2 Indian companies duly approved by NCLT
 - (d) Amalgamation of 2 or more than 2 Indian companies duly approved by NCLT
 - (e) Reconstruction through demerger duly approved by NCLT
 - (f) Reconstruction through other way "if any" duly approved by NCLT
 - (g) Transfer from 1 or more than 1 Indian companies to another company duly approved by NCLT
 - (h) Division in 1 or more than 1 Indian company duly approved by NCLT

236. What are requirements for Mergers / de-merger / amalgamation?

- (i) That Indian companies are required to obey certain requirements for merger/de-merger/amalgamation like:
 - (a) Entry routes for FIs by Non-RoI
 - (b) Sectoral caps for FIs by Non-RoI
 - (c) Investment limits for FIs by Non-RoI
 - (d) Attendant conditionalities for FIs by Non-RoI



- (ii) That Indian companies are required to obtain govt.'s approval when sectoral caps or attendant conditionalities are breached for FIs by Non-RoI
- (iii) That transferor companies or transferee companies or new companies are required to obtain govt.'s approval when engaged in prohibited sectors / activities for FIs by Non-RoI
- (iv) That transferor companies or transferee companies or new companies are not required to obtain govt.' approval when FIs by Non-RoI are permitted under "automatic" route
- (v) That transferor companies or transferee companies or new companies are required to obey SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 when companies are listed on recognized stock exchange(s) in India.

237. What are requirements by Non-RoI?

- Pricing guidelines are not applicable for issue made in accordance with SEBI's regulations when pricing guidelines are specified by SEBI + also Prices for sale to Non-RoI are not permitted lower than certain criteria "both" like:
 - (i) Prices for issue are not lower than "computed" in accordance with Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 for listed companies + also for companies in de-listing process "both"
 - (ii) Valuations for issue NDIs are to be "accepted" in accordance with internationally accepted pricing methodology for valuation based on Arm's Length Principle (ALP) duly certified by Chartered Accountant (CA) or SEBI's registered merchant banker or practicing Cost Accountant (CA) for Unlisted Indian companies
 - (iii) (a) Conversion prices for convertible NDIs are to be determined upfront i.e. at time of issue of instruments
 - (b) Conversion price for convertible NDIs are not to be lower than fair value computed at time of issue of instruments in accordance with respective rules



238. What are Pricing for transfer by companies?

- (i) Prices for transfer are not permitted lower than “computed” in accordance with SEBI’s guidelines for listed companies
- (ii) Prices for share’s preferential allotment are not permitted lower than “computed” in accordance with Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 for listed companies + also for companies those are in de-listing process “both”
- (iii) Valuations for transfer NDIs are required to accept in accordance with internationally accepted pricing methodology for valuation based on Arm’s Length Principle (ALP) duly certified by Chartered Accountant (CA) or SEBI’s registered merchant banker or practicing Cost Accountant (CA) for Unlisted Indian companies

239. What are Pricing for transfer by Non-RoI?

- (i) Prices for transfer are not permitted more than “computed” in accordance with SEBI’s guidelines for listed companies
- (ii) Prices for share’s preferential allotment are not permitted more than “computed” in accordance with Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 for listed companies + also for companies those are in de-listing process “both”
- (iii) Valuations for transfer NDIs are required to accept in accordance with internationally accepted pricing methodology for valuation based on Arm’s Length Principle (ALP) duly certified by Chartered Accountant (CA) or SEBI’s registered merchant banker or practicing Cost Accountant (CA) for Unlisted Indian companies
- (iv) These pricing guidelines under para (i) to (iii) are not applicable when Non-RoI have received guaranteed exit price from Indian companies at time of making FIs



(v) (a) Swap for NDIs are not permitted more than "computed" by SEBI's registered merchant banker in India

Or

(b) Computed by appropriate regulatory authorities' registered investment banker outside India in host country.

240. What are Pricing for swap by Non-RoI?

(i) Prices for swap are not permitted lower than "computed" by SEBI's registered merchant banker in India

Or

(ii) Computed by appropriate regulatory authority's registered investment banker outside India in host country.

241. What are Pricing for subscription by Non-RoI?

- Prices for subscription to Memorandum of Association (MoA) under provisions of CA, 2013 are permitted at face value subject to satisfying entry route + also sectoral caps "both"

242. What are Pricing for share warrants by Non-RoI?

(i) Prices for share warrants +also conversion formulas "both" are required to determine upfront

(ii) Pricing guidelines for FIs in NDIs are not applicable for investments on "non-repatriation" basis

243. What are Taxes by Non-RoI?

(i) 100% payments are required to made through official banking channel available in India

(ii) Also payments are required to made after deducting amount for taxes + also other duties / levies "both" in India.



244. What are Remittances by Non-RoI?

- (i) 100% remittances are required to made for NDIs' sale proceeds to Non-RoI in accordance RBI's rules + also conditions "both" prescribed in relevant schedule
- (ii) AD category-I Banks are required to allow remittances after deducting taxes + also other duties / levies "both" in India where NDIs were held by Non-RoI on "repatriation" basis
- (iii) RBI's approvals are required when NDIs are not sold in accordance with pricing guidelines

245. What are Downstream investments by companies?

- 2nd Indian companies are required to comply certain requirements for receiving investments through downstream investments which are commonly known as indirect FIs from 1st Indian companies those have received direct FIs like:
 - (i) Requirement for entry route
 - (ii) Requirement for sectoral caps
 - (iii) Requirement for pricing guidelines
 - (iv) Requirement for other attendant conditions

246. What are Downstream investments by LLPs?

- 2nd Indian companies are required to comply certain requirements for receiving investments through downstream investments which are commonly known as indirect FIs from 1st Indian LLPs those have received direct FIs like:
 - (i) 2nd Indian companies are required to operate in sectors / activities where 100% FIs are permitted under "automatic" route
 - (ii) 2nd Indian companies not required to comply FDI Linked Performance Conditions (FLPCs)



247. What are Downstream investments for Corporate Debt Restructuring (CDR)?

- (i) Downstream investments are not required to treat indirect FIs from July 31, 2012 when investments received for certain purposes like:
 - (a) When received for CDR
 - (b) When received for other loan restructuring mechanism
 - (c) When received for trading book
 - (d) When received for shares' acquisition due to defaults in loans by banking companies defined in section 5(c) of Banking Regulation Act, 1949 + also companies incorporated in India "both"
- (ii) Downstream investments are required to treat indirect FIs from July 31, 2012 when investments received for strategic downstream investment purpose

248. What are Total FIs by Non-RoI?

- (i) 100% NDIs are to include for computing total FIs which were acquired + also hold "both" by Non-RoI after conversion of their debt instruments under arrangements / agreements
- (ii) Foreign Currency Convertible Bonds (FCCBs) + also Depository Receipts (DRs) "both" are not to include for computing total FIs beside these are underlying with NDIs
- (iii) Indian companies are required to compute total FIs at every stage of FIs + also in every company "both"
- (iv)
 - (a) Indian companies are required to include 1st downstream investments "made" by them for computing total FIs
 - (b) Indian companies are not required to include 1st downstream investments "received" by them for computing total FIs
- (v) Indian companies are required to include 1st downstream investments "received" by them equivalent to 2nd downstream investments made by them for computing total FIs



249. What are requirements for downstream investments?

- Downstream investments are commonly known indirect FIs in Indian companies those have “received” subject to satisfying certain requirements like:
 - (i) Indian companies are required to obtain approval from Board of Directors (BoDs) + also to have shareholders’ agreements “both”
 - (ii) (a) Indian companies are required to receive requisites funds from outside India for downstream investments
 - (b) Indian companies are required not to use borrowed funds from domestic markets
 - (iii) Indian companies are permitted to use internal accruals i.e. profits already transferred to reserve account after making taxes’ payments
 - (iv) (a) Indian companies are not permitted to raise debts to make downstream investments
 - (b) Contraventions are required to treat violation of FEMA, 1999 + rules + regulations + directions + also etc. “all”

250. What are requirements for transferring companies?

- Non-RoI are permitted to transfer NDIs of 1st Indian companies those are held by 2nd FIs receiving Indian companies + also owned / controlled by Non-RoI “both”
 - (i) Non-RoI are permitted to transfer NDIs to Non-RoI subject to satisfying RBI’s specified reporting requirements
 - (ii) RoI are permitted to transfer NDIs to Non-RoI subject to satisfying pricing guidelines
 - (iii) Non-RoI are permitted to transfer NDIs to Indian companies those have received FIs + also owned / controlled by Non-RoI “both”



251. What are requirements for 1st transferring companies?

- Indian companies those made 1st level + 2nd level + 3rd level + also 3rd level onwards downstream investments “all” are required to comply legal requirements like:
 - (i) That Indian companies are required to obtain certificate from its Statutory auditors on annual basis + also to mention in directors report “both”
 - (ii) That Statutory auditors are required to inform to RBI’s Regional office where registered office of companies are located + also to obtain acknowledgement from Registered Office (RO) of companies “both” when statutory auditors have issued qualified report

252. What are Clarifications for downstream investments?

- (i) (a) Indian companies are not required any modification to conform to NDI Rules 2019 those have made downstream investments in accordance with guidelines were in existence “before” Feb 13, 2009
- (b) Indian companies are required necessary modification to conform to NDI Rules 2019 those have made downstream investments in accordance with guidelines were in existence “after” Feb 13, 2009
- (ii) Indian companies are required necessary modification to conform to NDI Rules 2019 those have made downstream investments not in accordance with guidelines were in existence between Feb 13, 2009 and June 21, 2013 + also to intimate to RBI up to Oct. 03, 2013 “both”

253. What is Ownership by Companies + LLPs?

- (i) Ownership of Indian companies are to include NDI’s holdings exceeding 50% of paid-up capital of NDIs in Indian companies
- (ii) Ownership of Indian LLPs are to include contribution exceeding 50% of capital + also having majority profit sharing “both”



254. What is Ownership by RICs?

(i) (a) Companies **owned** by RICs are to include Indian companies when **ownership is vested** with RICs

Or

(b) When **ownership is vested** with Indian companies those are ultimately **owned + also controlled "both"** by RICs

(ii) (a) LLPs **owned** by RICs are to include Indian LLPs when **ownership is vested** with RICs

Or

(b) When **ownership is vested** with Indian entities those are ultimately **owned + also controlled "both"** by RICs

255. What is Ownership by Non-RoI?

(i) Companies **owned** by Non-RoI are to include Indian companies those are **owned** by Non-RoI

(ii) LLPs **owned** by Non-RoI are to include Indian LLPs those are **owned** by Non-RoI

256. What is Control by Non-RoI?

● Controls are to include **certain rights** like:

(i) Rights to appoint majority of directors

(ii) Rights to control managements

(iii) Rights to take policy decisions **with** shareholders

(iv) Rights to take policy decisions **without** shareholders

(v) Rights to management **with** shareholders agreements

(vi) Rights to management **with** voting agreements

257. What are LLPs' Controls by Non-RoI?

● Controls are to include **certain rights** like:

(i) Rights to appoint majority of Designated Partners (DPs)

(ii) Rights to take policy decisions



258. What is Control by RICs?

(i) (a) Companies controlled by RICs are to include Indian companies those control is vested with RICs

Or

(b) Control is vested with Indian companies those “ultimately” owned + also controlled “both” by RICs

(ii) (a) LLPs controlled by RICs are to include Indian LLPs those control is vested with RICs

Or

(b) Control is vested with Indian entities those “ultimately” owned + also controlled “both” by RICs

259. What is Control by Non-RoI?

(i) Companies controlled by Non-RoI are to include Indian companies those are controlled by Non-RoI

(ii) LLPs controlled by Non-RoI are to include Indian LLPs those are controlled by Non-RoI

260. What are Downstream investments by companies / LLPs?

(i) Downstream investments are to include investments made by 1st Indian companies those are having FIs in 2nd Indian companies

Or

(ii) Investments made by investments vehicles those are having FIs in Indian companies

Or

(iii) Investments made by investments vehicles those are having FIs in Indian LLPs.

261. What are Holding companies?

● Holding companies are to include companies as defined under CA, 2013

262. What are Indirect FIs by Non-RoI?

(i) (a) Indirect FIs are to include downstream investments received by 2nd Indian companies from 1st Indian companies those have FIs



- (b) Indian companies not owned + also not controlled “both” by RICs
Or
(c) Owned + also controlled “both” by Non-RoI
Or
(d) Investment vehicles whose sponsor or manager or investment manager is not owned + also not controlled “both” by RICs
Or
(e) Owned + also controlled “both” by Non-RoI
- (ii) Downstream investments made by Indian companies those are owned + also controlled “both” by NRIs on “non-repatriation” basis are not to treat indirect FIs

263. What are Total FIs by Non-RoI?

- Total FIs are to include total direct + also indirect “both” FIs “computed” on fully diluted basis.

264. What are Strategic Downstream Investments (SDIs) by Banking companies?

- (i) Strategic downstream investments are to include investments “made” by banking companies those are “incorporated” in India
- (ii) These Strategic downstream investments are to include investments “received” by banking companies’ subsidiaries + JVs + also associates “all”



(I) NDIs Rules for Acquisition + Transfer of Property (Chapter-IX)

(A) Acquisition + Transfer of property in India by NRI + OCI

265. What are Acquisitions by NRIs + OCIs?

- (i) NRIs + also OCIs “both” are permitted to acquire “general” properties in India
- (ii) NRIs + OCIs are not permitted to acquire “special” properties in India i.e. agricultural land + farm house + also plantation properties “all”

266. What are Payments by NRIs + OCIs?

- (i) NRIs + also OCIs “both” are required to make payments in India through official banking channels by inward remittance from outside India
- Or
- (ii) NRIs + OCIs are required to make payments in India through debit in Non-Resident Ordinary (NRO) accounts maintained with AD Category-I Banks in India in accordance with provisions of FEMA, 1999 + FEMA’s rules + FEMA’s regulations + FEMA’s directions + also etc. “all”
 - (iii) NRIs + OCIs are not permitted to make payments in India through Traveller’s Cheque (TC) + Foreign Currency Notes (FCNs) + also other modes as may be prescribed by RBI “all”

267. What are Acquisitions through gifts by NRIs + OCIs?

- (i) NRIs + OCIs are permitted to acquire “general” properties in India through gifts from RoI + NRIs + also OCIs “all” those are required to be close relatives as defined under section 2(77) of CA, 2013
- (ii) NRIs + OCIs are not permitted to acquire “special” properties in India i.e. agricultural land + farm house + plantation properties through gifts from RoI + NRIs + also OCIs “all”

268. What are Acquisitions through inheritances by NRIs + OCIs?

- NRIs + also OCIs “both” are permitted to acquire immovable properties in India through inheritance from certain persons like:



- (i) NRIs + also OCIs “both” are permitted to acquire *immovable* properties in India from *Non-RoI* those have acquired in accordance with provisions of foreign exchange law in force at time of acquisition by him or in accordance with provisions of *NDI Rules, 2019*
- (ii) NRIs + also OCIs “both” are permitted to acquire *immovable* properties in India from *RoI*

269. What are *Transfers to RoI*?

- NRIs + also OCIs “both” are permitted to transfer *immovable* properties in India to *RoI*

270. What are *Transfers to NRIs + OCIs*?

- NRIs + OCIs are permitted to transfer *immovable* properties in India to *NRIs + also to OCIs “both”*

(B) Joint acquisitions by spouses of NRI + OCI

271. What are *Joint acquisitions by spouse of NRIs + OCIs*?

- (i) Non-RoI spouses’ of *NRIs + also OCIs “both”* are permitted to acquire “general” *immovable* properties in India jointly with his / her spouse
- (ii) Non-RoI spouses’ of *NRIs + also OCIs “both”* are not permitted to acquire “special” *immovable* properties in India jointly with his / her spouse like:
 - (a) Agricultural lands
 - (b) Farm houses
 - (c) Plantation properties
- (iii) Non-RoI spouses’ of *NRIs + also OCIs “both”* are required to make *payment* through funds received in India via *banking channels* by way of inward *remittance from any place outside India*
- Or
- (iv) Non-RoI spouses’ of *NRIs + OCIs* are required to make *payment* through *NRO accounts maintained in accordance with provisions of FEMA, 1999 + also RBI’s regulations “all”*



- (v) Non-RoI spouses' of NRIs + OCIs are not permitted to make payment through TC + FCNs + also other modes as may be prescribed by RBI "all".
- (vi) Non-RoI spouses' of NRIs + OCIs are required to have marriage registered + also subsisted (continued) for minimum 2 years immediately preceding to acquisition of 1 "general" immovable property "all".
- (vii) Non-RoI spouses' of NRIs + OCIs are not required to prohibit by RBI + also govt. of India "all" from acquisition of 1 "general" immovable property.

(C) Acquisition of properties for carrying permissible activities

272. What is Acquisition for carrying permissible activities?

- (i) Non-RoI are permitted to acquire "general" immovable properties for carrying permissible activities through certain modes of establishment in India in accordance with Foreign Exchange Management (Establishment in India of Branch office or liaison office or project office or any other place of business) Regulations, 2016 like:
 - (a) For necessary / incidental to carry permissible activities through Branch Office (BO) in India
 - (b) For necessary / incidental to carry permissible activities through Project Office (PO) in India
 - (c) For necessary / incidental to carry permissible activities through any Other Office (OO) in India
- (ii) Non-RoI are not permitted to acquire "general" immovable properties for carrying permissible activities through Liaison Office (LO) in India
- (iii) Non-RoI are required to comply requirements under 100% FEMA, 1999 + FEMA's rules + also FEMA's regulations for time being in force "all"
- (iv) Non-RoI are required to file declarations in Form IPI to RBI within 90 days from date of acquisition



273. What is Mortgage for carrying permissible activities?

- Non-RoI are permitted to transfer “general” immovable properties through mortgage to AD Category-I Banks as security for borrowings

274. What is Acquisition by Non-RoI from specified countries?

- (i) Non-RoI from 11 specified countries are not permitted to acquire “general” immovable properties in India for carrying permissible activities without RBI’s approval like:

- (a) Afghanistan
- (b) Bangladesh
- (c) Bhutan
- (d) China
- (e) Democratic People's Republic of Korea (DPRK)
- (f) Hongkong
- (g) Iran
- (h) Nepal
- (i) Maccau
- (j) Pakistan
- (k) Sri Lanka

- (ii) Non-RoI from 11 specified countries are permitted to acquire “general” immovable properties in India on maximum 5 years on lease / rent for carrying permissible activities without RBI’s approval

- (iii) Non-RoI from 11 specified countries are permitted to acquire “general” immovable properties in India for carrying permissible activities with RBI’s approval.

275. What is Purchase / Sales by Foreign Embassies?

- Foreign embassies + foreign diplomats + foreign consulate generals “all” are permitted to purchase / to sale “general” immovable properties in India

But

- These organizations are not permitted to purchase / to sale “special” immovable properties i.e. agricultural land + plantation properties + also farm house “all” in India subject to satisfying certain conditions



- (i) These organizations are required to obtain clearance from Ministry of External Affairs (MoEAs) govt. of India.
- (ii) These organizations are required to make payment against consideration for acquisition of "general" immovable properties in India from funds remitted through banking channel from outside India.

276. What is Acquisition by Long Term Visa (LTV) Holder?

- Non-RoI + also citizens of 3 countries i.e. Afghanistan + Bangladesh + Pakistan belonging to 6 minority communities in these countries i.e. Hindus + Sikhs + Buddhists + Jains + Parsis + Christians are permitted to acquire 1 residential property for self-occupation + also 1 commercial property for self-employment "all" subject to satisfying certain conditions
 - (i) That property is not permitted to locate in restricted areas + protected areas as notified by govt. of India + also cantonment areas "all"
 - (ii) That persons are required to declare to Revenue authority of district where property is located about source of funds + also to confirm residing in India on LTV "both"
 - (iii) That property's registration documents are required to mention nationality + also brief facts on LTV "both"
 - (iv) That property is required to attach / to confiscate when these persons are indulgence in anti-India activities.
 - (v) That persons are required to submit copy of acquisition of properties' documents to Deputy Commissioner of Police (DCP) or Foreigners Registration Office (FRO) or Foreigners Regional Registration Office (FRRO) + also MoHA (Foreigners division) "both"
 - (vi)
 - (a) That persons are permitted to sale property "after" becoming citizen of India
 - (b) That persons are permitted to sale property "before" becoming citizen of India with approval from DCP / FRO / FRRO



277. What are **Repatriations** by Non-RoI?

- (i) (a) Non-RoI as defined under section 6(5) of FEMA, 1999 + also his / her successor “both” are permitted to repatriate **sale proceeds of immovable properties** with **RBI’s general permission / specific permission**
- (b) These are not permitted to repatriate **sale proceeds of immovable properties** without **RBI’s general permission / specific permission**
- (ii) NRIs + also OCIs “both” are permitted to repatriate **sales proceeds of “general” immovable properties i.e. non-agricultural land / plantation properties / farm house in India** subject to **satisfying certain conditions like:**
 - (a) That “general” **immovable properties** were **acquired** by seller in accordance with provisions of FEMA, 1999 + FEMA’s **rules + FEMA’s regulations + FEMA’s directions** + also **NDI Rules 2019** “all” in force at time of acquisition
 - (b) That amounts for acquisition of “general” **immovable properties** were **paid** from **foreign exchange received** through **banking channel** or **debited to NRO account** or **debited to NRE account** “any”
 - (c) That repatriation is not permitted against sale proceeds **for more than 2 residential properties**
- (iii) RoI are permitted to repatriate **sales proceeds of “general” immovable properties** **for outstanding** of **ECB’s lenders** when **RoI have failed in repayment of External Commercial Borrowings (ECBs)** availed by RoI under provisions of **Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000** as amended from time to time where “general” **immovable properties** were **charged in favour of ECB’s lenders**

278. What are **Prohibitions** for Non-RoI?

- Non-RoI are **prohibited** to transfer “general” **immovable properties** in accordance with FEMA, 1999 + FEMA’s **rules + FEMA’s regulations + FEMA’s directions** + also **NDI Rules 2019** “all” like:



- (i) RBI is permitted to transfer subject to satisfying certain conditions considered necessary when sufficient reasons are existed for sale
- (ii) AD-Category I Banks are permitted to create charge on RoI's "general" immovable properties located in India in favor of Non-RoI lenders for ECB's security in accordance with provisions of Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000
- (iii) (a) AD-Category I Banks are permitted to create charge on NRIs' + also OCIs "both" "general" immovable properties located in India in favor of Non-RoI lenders for loans' security in accordance with provisions of Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000
- (b) These NRIs + also OCIs "both" are directors of foreign companies located outside India when companies have taken loan subject to satisfying certain conditions like:
- NRIs + also OCIs "both" are required to use borrowed funds outside India for core business activities "only"
 - AD category-I Banks in India are permitted to sale "general" immovable properties when NRIs + also OCIs "both" are failed to make outstanding payments to their lenders outside India
- (iv) (a) Non-RoI are permitted to sale "general" immovable properties located in India to RoI when properties were acquired in accordance with provisions of FEMA, 1999 + FEMA's rules + FEMA's regulations + FEMA's directions + also NDI Rules 2019 "all"
- (b) RoI are required to make payment through banking channel in India for acquiring "general" immovable properties from Non-RoI



279. What are Prohibitions for citizens of 11 countries?

- (i) Non-RoI from 11 specified countries are required to obtain RBI's approval for acquiring + also transferring "both" "general" immovable properties in India like:
- (a) Afghanistan
 - (b) Bangladesh
 - (c) Bhutan
 - (d) China
 - (e) Democratic People's Republic of Korea (DPRK)
 - (f) Hongkong
 - (g) Iran
 - (h) Nepal
 - (i) Maccau
 - (j) Pakistan
 - (k) Sri Lanka
- (ii) Non-RoI from 11 specified countries are not required to obtain RBI's approval for acquiring "general" immovable properties on lease / rent for period not exceeding 5 years



◆ **Schedule-I of NDI Rules, 2019** ◆

◆ **Purchase / sale of Non-Debt Instruments (NDIs) by Non-RoI for Indian companies** ◆

280. What are Purchases / sales by Non-RoI?

- (i) Indian companies are permitted to issue NDIs to Non-RoI under “automatic” route or “approval” route for FIs subject to satisfying certain conditions like:
 - (a) Entry routes i.e. automatic route or approval route “any”
 - (b) Attendant conditionalities prescribed in Schedule-I of NDI Rules, 2019
- (ii) Non-RoI are permitted to purchase NDIs of listed Indian companies on recognized stock exchange(s) in India subject to satisfying certain conditions like:
 - (a) That Non-RoI has already control of Indian companies under SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 + also continues to hold “both”
 - (b) That right to receive dividend is established + also dividend amount is credited to specially designated non-interest-bearing rupee account for acquisition of NDIs on recognised stock exchange(s) + also consideration for acquisition of NDI is to be paid out of this designated non-interest-bearing rupee account “both”
- (iii) Non-RoI are permitted to acquire NDIs for setting wholly (100%) or subsidiary against pre-incorporation expenses + also pre-operative expenses “both” when 100% FIs are permitted in Indian companies subject to satisfying certain conditions like:
 - (a) That expenses are not exceeding 5% of authorized capital or USD 5 lac whichever is lower
 - (b) That Indian companies are required to report to AD category-I Banks for issue of NDIs to Non-RoI within minimum 30 days and maximum 1 year from date of issue of NDIs whichever is earlier



- (iv) Indian companies are permitted to issue NDIs to Non-RoI when companies are engaged in activities where 100% FIs are permitted under "automatic" route + subject to satisfying conditions prescribed by govt. of India + also by RBI "all"
- (a) For swap of NDIs
- (b) For import of goods + machineries + also equipment "all"
- But
- Not permitted for import of 2nd hand machineries
- (c) For payment of pre-operative expenses + pre-incorporation expenses + rents' payments + also etc. payment "all"
- Indian companies are required to obtain govt.'s approval when companies are engaged in activities where "automatic" route is not permitted + also approvals' applications are required to made in prescribed format to govt. of India
- (v) Indian companies are permitted to issue NDIs to Non-RoI against outstanding payments for supply of goods + also services "both" subject to satisfying certain conditions like:
- (a) Remittances are required to made in accordance with FEMA, 1999 + its rules + its regulations + also its directions "all"
- (b) These remittances are permitted with permissions from govt. of India or RBI "any" when prescribed under FEMA, 1999 + its rules + its regulations + also its directions "all"
- (vi) Indian companies are required to complete regulatory actions for delay + contraventions made under FEMA, 1999 + its rules + its regulations + also its directions "all"
- (vii) Indian companies are required to obey RBI's mode of payments + attendant conditions against remittance for sale + also remittance for maturity proceeds "all"



281. What are **Prohibited sectors for Non-RoI**?

- (i) Lottery business i.e. **govt. lotteries + private lotteries + online lotteries + also etc. "all"**
- (ii) Gambling + betting + casinos + also etc. "all"
- (iii) Chit funds
- (iv) Nidhi companies
- (v) Trading in Transferable Development Rights (TDRs)
- (vi) Real estate business + also construction of **farm houses "both"**
- (vii) Real estate business is to include "trading" activities **for land + also building "both"**
- (viii) Real estate business is not to include **certain activities like:**
 - (a) **Development of townships**
 - (b) Construction of residential premises
 - (c) Construction of commercial premises
 - (d) Construction of roads
 - (e) Construction of bridges
 - (f) Construction of hotels
 - (g) Construction of resorts
 - (h) Construction of hospitals
 - (i) Construction of educational institutions
 - (j) Construction of recreational facilities
 - (k) Construction of city and regional level infrastructure
 - (l) Real Estate Investment Trusts (REITs) registered + also regulated "both" under SEBI (REITs) **Regulations, 2014**
 - (m) Earning of rents + also incomes **on lease of properties "both"**
- (ix) Manufacturing of **certain products like:**
 - (a) Manufacturing of cigars
 - (b) Manufacturing of cheroots
 - (c) Manufacturing of cigarillos
 - (d) Manufacturing of cigarettes of tobacco + also tobacco substitutes "both".



- (x) Activities not opened for private sectors investments like:
 - (a) Atomic energy
 - (b) Railway operations “except” permitted activities under paragraph (3) of Schedule-I of NDIs Rules, 2019.
- (xi) Foreign technology collaborations + also licensing “both” for certain activities like:
 - (a) Technology collaborations for franchise
 - (b) Technology collaborations for Trademark
 - (c) Technology collaborations for Brand name
 - (d) Technology collaborations for Management contract

282. What are Entry routes for Non-RoI?

- (i) “Automatic” route
 - Automatic route is to include route when 100% FIs by Non-RoI are permitted without approval from govt. of India or from RBI “any”
- (ii) “Approval” route
 - (a) Approval route is to include route when FIs by Non-RoI are permitted with approval from govt. of India or from RBI “any” + also in accordance with conditions stipulated in approval “both”
 - (b) “Approval” route is not required when aggregate Foreign Portfolio Investments (FPIs) not exceeding 49% of paid-up-capital on fully diluted basis or sectoral cap or statutory cap whichever is lower where FIs are not transferring control of Resident Indian Companies (RICs) from Resident Indian Citizens (RICs) to Non-RoI

283. What are Sectoral Caps for Non-RoI?

- (i) Sectoral caps are to include limit for sector / activities specified in table of schedule-I of NDI Rules, 2019 where maximum permitted FIs through sectoral / statutory caps are mentioned under “automatic” route
- (ii) 20% + 49% + 74% + also 100% “all” FIs through sectoral / statutory caps under “automatic” route are required to satisfy certain restrictions like:



- (a) Applicable laws
 - (b) Applicable regulations
 - (c) Applicable securities
 - (d) Applicable other conditionalities
- (iii) 100% FIs are permitted under “automatic” route when not listed in specified sectors / activities + also not listed in prohibited items “both” subject to satisfying certain restrictions like:
 - (a) Applicable laws
 - (b) Applicable regulations
 - (c) Applicable securities
 - (d) Applicable other conditionalities
 - Indian companies are required to obtain approval from govt. of India for FIs in financial services other than those indicated under serial no. F of schedule-I of NDI Rules, 2019
- (i) Minimum Capitalization Requirements (MCRs) are not to include amount paid by Non-RoI beyond NDIs’ issue price i.e. price paid over and above face value + also premium “both”
- (ii)
 - (a) Indian companies are required to obtain approval from govt. for FIs when these are not RBI’s registered Non-Banking Financial Companies (NBFCs)
 - (b) Also not treated Core Investment Companies (CICs) where not required to register with RBI
- (iii) Indian companies are not required to obtain approval from govt. for 100% FIs under “automatic” route when these are RBI’s registered Non-Banking Financial Companies (NBFCs)
- (iv)
 - (a) Indian companies are permitted to receive 100% FIs under “automatic” route when these are not engaged in activities where approval from govt. is required



- (b) Also not made downstream investments which are commonly known Indirect FIs in subsidiary companies
- (c) Also not required to obey FDI Linked Performance Conditions (FLPCs)
- (d) Also not engaged in business operations
- (v) Indian companies are required to comply certain compliances like:
 - (a) Sectoral / statutory caps
 - (b) Attendant conditions i.e. FDI Linked Performance Conditions (FLPCs)
- (vi) (a) Indian companies are required to appoint Joint auditors for conducting statutory audit when FIs are specifying particular auditor or audit firm having international network for audit
 - (b) These Joint auditors are not permitted from same network



● **Permitted sectors + entry routes + sectoral caps for Non-RoI (Schedule I)** ●

(A) Agriculture + Animal Husbandry activities (Table Part-I)

284. What are 100% FIs for Agriculture activities?

- 100% FIs are permitted under “automatic” route for certain agriculture activities like:
 - (i) Floriculture + Horticulture + Cultivation of vegetables + also mushrooms under controlled conditions “all”
 - (ii) Development + production of seeds + also planting materials “all”
 - (iii) Animal Husbandry + breeding of dogs + Pisciculture + Aquaculture + also Apiculture “all”
 - (iv) 100% services for agro + also allied sectors “both”.

285. What are Clarifications for FIs in Agriculture activities?

- (i) FIs are not permitted for any sector / activity except mentioned under Para (i) to (iv)
- (ii) Cultivation under controlled conditions are to include certain categories like:
 - (a) Floriculture
 - (b) Horticulture
 - (c) Cultivation of vegetables
 - (d) Cultivation of Mushrooms when rainfall + temperature + solar radiation + air humidity + also culture medium are controlled artificially “all”.
 - (e) Control of parameters may be effected through protected cultivation under greenhouses + net houses + poly houses + also other improved infrastructure facilities “all” when micro-climatic conditions are regulated anthropogenically.



(B) Plantation activities (Table Part-II)

286. What are 100% FIs for Plantation activities?

- 100% FIs are permitted under “automatic” route for certain plantations activities like:
 - (i) Tea plantations
 - (ii) Coffee plantations
 - (iii) Rubber plantations
 - (iv) Cardamom plantations
 - (v) Palm oil tree plantations

287. What are Clarifications for FIs in Plantation activities?

- (i) FIs are not permitted for any sector / activity except mentioned under Para (i) to (vi)
- (ii) State govt.'s approvals are needed for changing land use.

(C) Mining activities (Table Part-III)

288. What are 100% FIs for Mining activities?

- 100% FIs are permitted under “automatic” route for certain mining activities like:
 - (i) Mining + exploration of metal + non-metal ores + diamonds + golds + silvers + also precious ores “all” are permitted
 - (ii) Titanium bearing minerals + also its ores “both” are not permitted
 - (iii) These activities are permitted subject to satisfying certain provisions of Mines and Minerals (Development and Regulation) Act, 1957.

289. What are 100% FIs for Coal + Lignite activities?

- 100% FIs are permitted under “automatic” route for certain Coal + Lignite activities like:



- (i) Coal + Lignite mining for captive consumption by power projects + iron and steel units + cement units + other eligible activities are permitted subject to satisfying certain provisions of Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957) + also Coal Mines (Special Provisions) Act, 2015 (11 of 2015) "all"
- (ii) Setting up coal processing plants i.e. washeries subject to satisfying certain conditions like:
 - (a) That companies are not permitted for coal mining + also not to sell washed coal + also sized coal from its coal processing plants in open market "all"
 - (b) That companies are not permitted for supplying washed + sized coal to parties those are supplying raw coal to coal processing plants for washing + also sizing "all"
- (iii) Sale of coals + coal mining activities + associated processing infrastructure subject to satisfying certain provisions of Mines and Minerals (Development and Regulation) Act, 1957 + also Coal Mines (Special Provisions) Act, 2015 "all"

290. What are 100% FIs for Minerals' separation activities?

- 100% FIs are permitted under "approval" route for certain mineral separation activities like:
 - (i) Mining + mineral separation of titanium bearing minerals + ores + its value addition + integrated activities are permitted subject to satisfying certain provisions of sectoral regulations + also Mines and Minerals (Development and Regulation) Act, 1957 "all"
 - (ii) These activities are permitted subject to satisfying certain conditions where Associated Processing Infrastructure (API) is to include certain activities like:
 - (a) Coal washery
 - (b) Crushing
 - (c) Coal handling
 - (d) Separation between magnetic and non-magnetic



- (iii) FIs for separating of titanium bearing minerals + also ores “both” are permitted subject to satisfying certain conditions like:
- (a) That Value addition facilities are required to set up in India + also technologies to transfer to India “both”
 - (b) That disposals for tailings during mineral separation are to carry in accordance with regulations framed by Atomic Energy Regulatory Board like:
 - Atomic Energy (Radiation Protection) Rules, 2004
 - Atomic Energy (Safe Disposal of Radioactive Wastes) Rules, 1987
- (iv) FIs are not permitted for mining of prescribed substances listed in Notification No. S.O. 61(E) dated Jan 18, 2006 issued by Department of Atomic Energy

291. What are Clarifications for FIs in Minerals’ separation activities?

- (i) Titanium bearing ores to include certain minerals like:
- (a) Ilmenite
 - (b) Leucoxene and Rutile
 - (c) Manufacture of titanium dioxide pigment
 - (d) Titanium sponge constitutes value addition
- (ii) Ilmenites are required to process to produce Synthetic Rutile or Titanium Slag as intermediate value-added product.
- (iii) Object of these conditions to ensure that:
- (a) Raw material available in India is required to utilize for setting downstream industries.
 - (b) Technology available outside India is required to be available for setting similar industries in India. Therefore once technology is transferred then objective of this Rules is deemed fulfilled



(D) Petroleum + Natural Gas activities (Table Part-IV)

292. What are 100% FIs for Petroleum + Natural Gas activities?

- FIs are permitted under “automatic” route for certain Petroleum products + also Natural gas “both” activities like:
 - (i) Exploration’s activities for Oil + also Natural gas “both” fields
 - (ii) Infrastructures for marketing of petroleum products + also natural gas “both”
 - (iii) Marketing for natural gas + petroleum products + petroleum product pipelines + natural gas pipelines + also LNG Regasification infrastructures “all”
 - (iv) Market study + formulation + also petroleum refining in private sector “all” subject to satisfying certain norms like:
 - (a) Sectoral policy for petroleum + also natural gas “both” activities
 - (b) Regulatory framework for oil marketing sectors
 - (c) Govt.’s policies for private participation in exploration of oil + also discovered fields of national oil companies “both”.

293. What are 49% FIs for Petroleum refining by PSUs?

- FIs are permitted under “automatic” route for certain petroleum refining by Public Sector Undertakings (PSUs) without disinvestment + also dilution of domestic equity in existing PSUs “both”.

294. What are 100% FIs for Petroleum refining by PSUs?

- FIs are permitted under “approval” route for certain petroleum refining by Public Sector Undertakings (PSUs) when in-principle approval is granted by govt. of India for strategic disinvestment of PSUs



(E) Manufacturing activities (Table Part-V)

295. What are 100% FIs for Manufacturing?

- FIs are permitted under “automatic” route for certain manufacturing activities like:
 - (i) Manufacturing activities by Indian companies themselves
 - (ii) Manufacturing activities by Indian companies through legally tenable contract like Principal to Principal + also Principal to agent “both” basis

296. What are Clarifications for FIs in Manufacturing?

- (i) Manufacturers are permitted to sell their products manufactured in India through wholesale + also retail + also e-commerce “all” “without” govt.’s approval.
- (ii) 100% FIs are permitted under “approval” route for sale through trading + e-commerce for food products manufactured + also produced “all” in India
- (iii) Applications for 100% FIs under “approval” route for “trading” in food products manufactured + also produced “all” in India are required to file in Department of Industrial Policy and Promotion

(F) Defense activities (Table Part-VI)

297. What are 74% FIs for Defense sector?

- 74% FIs are permitted under “automatic” route for defense industry after obtaining industry licenses under certain acts like:
 - (i) Industries (Development and Regulation) Act, 1951
 - (ii) Manufacturing of small arms and ammunition under Arms Act, 1959

298. What are 100% FIs for Defense sector?

- 100% FIs are permitted under “approval” route for accessing modern technology + also for other important reasons “both”



299. What are 49% to 100% FIs with requirements?

- (i) 74% FIs are permitted under "automatic" route when new industrial licenses are obtained by companies under Industries (Development and Regulation) Act, 1951
- (ii) 49% FIs are permitted under "automatic" route when new industrial licenses are not obtained by companies under Industries (Development and Regulation) Act, 1951
- (iii) 49% FIs based companies are required to submit declaration with Ministry of Defense (MoD) for change within 30 days from change in equity pattern + shareholding pattern + also transfer from 1st FIs to 2nd FIs "all"
- (iv) License' applications are required to consider by Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry in consultation with MoD + also Ministry of External Affairs (MoEA) "both".
- (v) Security clearances are required for FIs from Ministry of Home Affairs (MoH) in accordance with MoD's guidelines.
- (vi) Indian companies are required to structures for becoming self-sufficient in area of product design and development + also to have maintenance and life cycle support facility for products
- (vii) FIs in defense sector are required to face scrutiny for national security + also govt. is permitted to reserve right to review FIs which are affecting national security "both"



(G) Broadcasting activities (Table Part-VII)

300. What are 100% FIs for Broadcasting activities?

- FIs are permitted under “automatic” route for certain broadcasting carriage services like:
 - (i) Teleports services i.e. setting up-linking HUBs + also Teleports “both”
 - (ii) Direct to Home (DTH) services
 - (iii) Cable Networks services i.e. Multi System Operators (MSOs) operating at National + State + District level + undertaking up-gradation of networks towards digitalization + also addressability “all”
 - (iv) Mobile TV services
 - (v) Head-end-in-the Sky Broadcasting Service (HITS)
- 74% FIs are permitted under “approval” route for broadcasting carriage services when Indian companies are not obtaining licenses / permissions from sectoral ministry.

301. What are 100% FIs for Cable networks activities?

- (i) FIs are permitted under “automatic” route for certain cable networks services i.e. other MSOs which are not undertaking up-gradation of networks towards digitalization + addressability + also Local Cable Operators (LCOs) all.
- (ii) 74% FIs are permitted under “approval” route for cable networks services when Indian companies are not obtaining licenses / permissions from sectoral ministry.

302. What are 49% FIs for Terrestrial Broadcasting activities?

- 49% FIs are permitted under “approval” route for terrestrial broadcasting FM (FM Radio) subject to satisfying certain conditions specified by Ministry of Information and Broadcasting for granting permission for setting FM Radio stations.



303. What are 49% FIs for News & Current Affairs activities?

- 49% FIs are permitted under “approval” route for Up-Linking of News & Current Affairs TV Channels

304. What are 26% FIs for News & Current Affairs activities?

- 26% FIs are permitted under “approval” route for Uploading/Streaming of News & Current Affairs by Digital Media

305. What are 100% FIs for Non-News & Current Affairs activities?

- 100% FIs are permitted under “automatic” route for Up-linking of Non-News & Current Affairs TV Channels/Downlinking of TV Channels

306. What are requirements for Broadcasting activities?

- (i) Indian companies are required to satisfy relevant regulations + also conditions “both” specified by Ministry of Information and Broadcasting from time to time.
- (ii) Indian companies are required to ensure that broadcasting service installation shall not become safety hazard + also not in contravention of any statute + rule + regulations + also public policy “all”
- (iii) Indian companies are required to own + to control by Resident Indian citizens or by Indian companies own + also control “all” by Resident Indian citizens when maximum 49% FIs are permitted
- (iv) Largest Indian shareholder is required to hold minimum 51% of total equity excluding equity held by public sector banks + also public financial institutions “both” defined in section 4A of CA, 1956 / section 2(72) of CA, 2013. These largest Indian shareholder’s holdings to include certain shareholdings like
 - (a) Relatives of largest Indian “individual” shareholder are defined in section 2(77) of CA, 2013
 - (b) Company + group of companies where individual himself or his HUF is



holding management + also controlling interest "all"

- (c) *Group of Indian companies under same management + also ownership control "both" for largest Indian "company" shareholder*

◆ Indian Company ◆

- *Indian companies are to include companies where minimum 51% shareholding is held by RoI or by his relative defined in section 2(77) of CA, 2013 or by his HUF singly or in combination "any"*



(H) Print Media activities (Table Part-VIII)

307. What are 26% FIs for Newspapers?

- 26% FIs are permitted under “approval” route for publishing of newspapers + also periodicals “both” dealing with news and current affairs

308. What are 26% FIs for Foreign magazines?

- 26% FIs are permitted under “approval” route for publishing Indian editions of foreign magazines dealing with news and current affairs

309. What are requirements for Print Media?

- Magazine is to include periodical publication on non-daily basis for public news + also comments on public news “both”
- FIs are permitted for print media subject to satisfying certain guidelines issued by Ministry of Information and Broadcasting (MoIB) on Dec 04, 2008 for publishing Indian additions of foreign magazines dealing with news and current affairs
- FIs are permitted for publishing + printing of Scientific + Technical Magazines + specialty journals + periodicals subject to satisfying compliances with legal framework as applicable + also guidelines issued by MoIB from time to time “all”.

310. What are 100% FIs for facsimile edition?

- 100% FIs are permitted under “approval” route for publication of facsimile edition of foreign newspapers subject to satisfying certain conditions like:
 - FIs are permitted from owner of original foreign newspapers whose facsimile edition is proposed to be published in India.
 - FIs are permitted in entities incorporated or registered in India under provisions of CA, 2013 for publishing facsimile edition of foreign newspapers
 - FIs are permitted for publishing facsimile edition of foreign newspapers subject to satisfying certain guidelines issued by MoIB for publishing newspapers and periodicals dealing with news and current affairs + also publication of facsimile edition of foreign newspapers “both”



(I) Civil Aviation activities (Table Part-IX)

311. What are Civil Aviation's FIs?

- Civil aviation sector is to include certain activities like:
 - (i) Airports
 - (ii) Scheduled + also Non-Scheduled "both" domestic passenger airlines
 - (iii) Helicopter services + also Seaplane services "both"
 - (iv) Ground Handling Services
 - (v) Maintenance + also Repair "both" organizations
 - (vi) Flying training institutes
 - (vii) Technical training institutions

312. What are Airport's FIs?

- Airport is to include landing area + taking off area for aircrafts' runways + aircraft maintenance + passenger facilities + also aerodrome as defined under section 2(2) of Aircraft Act, 1934 "all"

313. What are Aerodrome's FIs?

- Aerodrome is to include definite (fixed) ground + limited ground + water area for using wholly (100%) or partly (not 100%) for landing of aircraft + departing of aircraft + buildings + sheds + vessels + piers + also other structures "all"

314. What are Air transport's FIs?

- Air transport service is to include service for transport by air of persons + mails + other thing as animate or inanimate for single flight + also series of flights "all"

315. What are Air transport undertaking's FIs?

- Air transport undertaking is to include undertaking who has business for carriage by air of passengers + cargo for hire + also reward "all"

316. What are Aircraft component's FIs?

- Aircraft component is to include parts + soundness + correct functioning for aircraft + essential to continued airworthiness + safety of aircraft + also equipment "all".



317. What are Helicopter's FIs?

- Helicopter is to include air aircraft supported in flight by reactions of air on minimum 1 power driven rotors on substantially vertical axis

318. What are Scheduled air transport's FIs?

- Scheduled air transport service is to include air transport service undertaken for minimum 2 places + operated in accordance to published time table + also constituting recognizably systematic series "all"

319. What are Non-Scheduled air transport's FIs?

- Non-Scheduled air transport service is to include non-scheduled air transport service + also Cargo airlines "both"

320. What are Cargo airlines' FIs?

- Cargo airlines are to include airlines those are meeting conditions prescribed in civil aviation requirements issued by Ministry of Civil Aviation (MoCA)

321. What are Seaplane's FIs?

- Seaplane is to include aero plane capable for taking off on water

322. What are Ground handling's FIs?

- Ground handling is to include certain activities like
 - (i) Ramp handling
 - (ii) Traffic handling activities specified by MoCA through Aeronautical Information Circulars from time to time
 - (iii) Other activities specified by Central govt. for ramp handling + traffic handling "both"

323. What are 100% FIs for Other services?

- 100% FIs are permitted under "automatic" route
 - (i) For ground handling services subject to satisfying certain sectoral regulations + also security clearances "both"
 - (ii) For maintenances and repair organizations + flying training institutes + also technical training institutions "all"



◆ Airports ◆

324. What are 100% FIs for Greenfield Airport projects?

- 100% FIs are permitted under “automatic” route for Greenfield airport projects

325. What are 100% FIs for Brownfield Airport projects?

- 100% FIs are permitted under “automatic” route for existing airport projects

326. What are 100% FIs for Airport transport activities by NRIs?

- 100% FIs are permitted under “automatic” route for airport transport services like:
 - (i) Domestic + also International “both” scheduled Air transport services
 - (ii) Domestic Scheduled Passenger Airlines
 - (iii) Regional Air Transport Services

327. What are 49% FIs for Airport transport activities by Non-RoI?

- 49% FIs are permitted under “automatic” route for airport transport services like:
 - (i) Domestic + also International “both” scheduled Air transport services
 - (ii) Domestic Scheduled Passenger Airlines
 - (iii) Regional Air Transport Services

328. What are 100% FIs for Airport transport activities by Non-RoI?

- 100% FIs are permitted under “approval” route for airport transport services like:
 - (i) Domestic + also International “both” scheduled Air transport services
 - (ii) Domestic Scheduled Passenger Airlines
 - (iii) Regional Air Transport Services

329. What are 100% FIs for Non-scheduled air transport activities?

- 100% FIs are permitted under “automatic” route for Non-scheduled air transport services



330. What are 100% FIs for Helicopter + seaplane activities?

- 100% FIs are permitted under “automatic” route for Helicopter services + also seaplane services “both” after obtaining approval from Directo General of Civil Aviation (DGCA)

331. What are Aircrafts Rules, 1937?

- Body corporates are required to obtain Air operator certificates to operate certain Air transport services in accordance with schedule XI of Aircraft Rules, 1937 like:
 - (i) Domestic + also International “both” scheduled Air transport services
 - (ii) Domestic Scheduled Passenger Airlines
 - (iii) Regional Air Transport Services

332. What are Eligibility criteria's for Air operator certificates?

- (i) That body corporates are required to register + also has its principal place of business “both” in India
- (ii) That Chairman + also minimum 66.667% Directors “both” are required to citizens of India.
- (iii) That substantial ownership + also effective control “both” are required to vest with citizens of India.

333. What are 49% FIs for Air transport activities by foreign airlines?

- (i) 49% FIs by foreign airlines are permitted under “approval” route in companies engaged in operations for Cargo airlines + helicopter services + seaplane services subject to satisfying certain limits + also entry routes “all”
- (ii) 49% FIs by foreign airlines are permitted under “approval” route in companies engaged in operations for scheduled + also non-scheduled “both” air transport services subject to satisfying certain conditions like:
 - (a) That 49% FIs are to include FDIs + also FIIs / FPIs investments “both”



- (b) That *FI*s are required to comply *SEBI's regulations* like:
- *Issue of Capital and Disclosure Requirements (ICDR) Regulations*
 - *Substantial Acquisition of Shares and Takeovers (SAST) Regulations*
- (c) That 100% foreign citizens are required to associate with Indian scheduled + also non-scheduled "both" *air transport services* for security clearance
- (d) That 100% technical equipment's *imports* are required to obtain *clearance* from MoCA
- (e) That *FI*s in Air India Limited are required subject to *satisfying* certain *conditions* like:
- That *FI*s in Air India Limited from *Non-foreign airlines* + *foreign airlines* (both together) are not permitted to exceed 49% directly + also indirectly "all"
 - That *FI*s from *NRI*s in Air India Limited is permitted 100% directly + also indirectly "all"
 - That substantial ownership + also effective *control* "both" for Air India Limited are required to continue with *Indian Citizens* stipulated in *Aircraft Rules, 1937*.
- (f) That *FI*s in Civil aviation are required subject to *satisfying* provisions of *Aircraft Rules, 1937* + also amended from time to time "both".



(J) Construction + Development of Townships + Housing activities (Table Part-X)**334. What are 100% FIs for construction + development?**

- 100% FIs are permitted under “automatic” route for construction-development projects like:
 - (i) Development of townships
 - (ii) Construction of residential premises
 - (iii) Construction of commercial premises
 - (iv) Construction of roads
 - (v) Construction of bridges
 - (vi) Construction of hotels
 - (vii) Construction of resorts
 - (viii) Construction of hospitals
 - (ix) Construction of educational institutions
 - (x) Construction of recreational facilities
 - (xi) Construction of city and regional level infrastructure

335. What are eligibility criteria for construction + development?

- (i) That each phase of construction-development project is required to consider separate project.
- (ii) That FIs are permitted to exit “after” completion of project or “after” development of trunk infrastructure like
 - (a) Construction-development of roads
 - (b) Construction-development of water supplies
 - (c) Construction-development of street lightings
 - (d) Construction-development of drainages
 - (e) Construction-development of sewerages
- (iii) (a) Non-RoI are permitted to exit + also to repatriate against FIs “both” before completion of projects under “automatic” route when lock-in-period of 3 years of each trench of FIs is completed



- (b) Transfer of stake from 1st Non-RoI to 2nd Non-RoI is permitted "without" re-patriation of FIs + lock-in-period + also govt.'s approval "all"
- (iv) These projects are to satisfy norms + standards + land use requirements + provision of community amenities + common facilities prescribed in applicable building control regulations + bye-laws + rules + other regulations of State Govt. + Municipal body + also Local body "all"
- (v) Indian companies are permitted to sell developed plots "only". However developed plots to include infrastructure like:
 - (a) Infrastructure for roads
 - (b) Infrastructure for water supplies
 - (c) Infrastructure for street lightings
 - (d) Infrastructure for drainages
 - (e) Infrastructure for sewerages
- (vi) Indian companies are required to obtain 100% approvals like:
 - (a) Building plans
 - (b) Layout plans for developing internal areas + peripheral areas + other infrastructure facilities "all"
- (vii) Indian companies are required to make certain payments like:
 - (a) For internal development charges
 - (b) For external development charges
 - (c) For other charges
- (viii) Indian companies are required to obey 100% requirements prescribed by rules + bye-Laws + regulations of State Govt. + Municipal body + also Local body "all".
- (ix) State Govt. + Municipal body + also Local body "all" are required to monitor compliances to obey by Indian companies (developers)

336. What are Clarifications for FIs in construction + development?

- (i) FIs are not permitted in Indian companies those are already engaged or to be engaged in certain activities like:



- (a) Real estate business
- (b) Construction of farm houses
- (c) Trading in Transferable Development Rights (TDRs)
- (ii) FIs are permitted without lock-in-period 3 years for certain activities like:
 - (a) Hotels and Tourist Resorts
 - (b) Hospitals
 - (c) Special Economic Zones (SEZs)
 - (d) Educational Institutions
 - (e) Old Age Homes (OAH)
- (iii) State Govt. + Municipal body + Local body are required to determine completion of projects in accordance with bye-laws + rules + also regulations "all"
- (iv) 100% FIs are permitted under "automatic" route in completed projects for certain purposes like:
 - (a) Operating and managing townships
 - (b) Operating and managing malls
 - (c) Operating and managing shopping complexes
 - (d) Operating and managing business centers
- (v) (a) Transfer 100% FIs are permitted for these purposes with lock-in-period of 3 years based on each trench of FIs
- (b) Transfer of wholly (100%) + also partly (not 100%) of immovable properties are not permitted
- (vi) Transfers to include certain activities like:
 - (a) Sale + exchange + also relinquishment of assets "all"
 - (b) Extinguishment of rights
 - (c) Compulsory acquisition under Statutory law
- (vii) Transaction is permitted for taking possession of immovable properties against performance of contract in accordance with section 53A of Transfer of Property Act, 1882



- (viii) Transaction is permitted for acquiring capital instruments in Indian companies through agreement or arrangement or in other manner "any" for enjoyment of immovable properties
- (ix) (a) Real estate business is to include dealing (trading) in land and immovable properties for earning profits
- (b) Real estate business is not to include certain activities like:
- Development of townships
 - Construction of residential premises
 - Construction of commercial premises
 - Construction of roads
 - Construction of bridges
 - Construction of hotels
 - Construction of resorts
 - Construction of hospitals
 - Construction of educational institutions
 - Construction of recreational facilities
 - Construction of city and regional level infrastructure
- (x) FIs in units of Real Estate Investment Trusts (REITs) duly registered + also regulated "both" in accordance with Securities and Exchange Board of India (REITs) Regulations, 2014 are not treated real estate business in India
- (xi) Rental incomes for property's leasing are not treated real estate business in India
- (xii) Real estate broking services are not treated real estate business in India



(K) Industrial parks activities (Table Part-XI)**337. What are 100% FIs for Industrial Parks activities?**

- 100% FIs are permitted under “automatic” route for Industrial parks project where quality infrastructure is provided through plots of developed land + built-up space + also combination with common facilities are developed + also made available to 100% allottee units for industrial activities “only”.

338. What are Infrastructures for Industrial Parks?

- Infrastructure is to include facilities for functioning of units located in Industrial Park like:
 - (i) All roads
 - (ii) Main roads
 - (iii) Approach roads
 - (iv) Siding railway lines
 - (v) Electrified railway lines
 - (vi) Connectivity to main railway lines
 - (vii) Water supply
 - (viii) Sewerage lines
 - (ix) Common effluent treatment facility
 - (x) Telecom network
 - (xi) Generation and distribution power
 - (xii) Air conditioning

339. What are Infrastructures for Common facilities?

- Common facilities are to include facilities for functioning of units located in Industrial Park like:
 - (i) Facilities for power
 - (ii) Approach roads
 - (iii) Siding railway line



- (iv) Electrified railway lines
- (v) Connectivity to main railway line
- (vi) Water supply
- (vii) Sewerage
- (viii) Common effluent treatment facility
- (ix) Common testing
- (x) Telecom services
- (xi) Air conditioning
- (xii) Common facility buildings
- (xiii) Industrial canteens
- (xiv) Convention halls
- (xv) Conference halls
- (xvi) Parking
- (xvii) Travel desks
- (xviii) Security service
- (xix) First aid center
- (xx) Ambulance
- (xxi) Other safety services
- (xxii) Training facilities
- (xxiii) Other facilities meant for common use of units

340. What are Infrastructures for Allocable area?

- Allocable area in industrial park is to include certain areas for functioning of units located in Industrial Park like:
 - (i) Net site area available for allocation to unit –(minus) area for common facilities against plots of developed land
 - (ii) Floor area + also built-up area “both” for providing common facilities against built-up space
 - (iii) Net site area + floor area available for allocation to units –(minus) site area – (minus) built-up space utilized for providing common facilities against combination of developed land + also built-up space “all”



341. What are Industrial activities?

- Industrial activities are to include certain activities like:
 - (i) Manufacturing activities
 - (ii) Electricity generating activities
 - (iii) Gas and water supply activities
 - (iv) Post and telecommunications activities
 - (v) Software publishing activities
 - (vi) Consultancy and supply activities
 - (vii) Data processing activities
 - (viii) Database activities
 - (ix) Data distribution of electronic content activities
 - (x) Other computer related activities
 - (xi) Basic and applied research and development on bio-technology activities
 - (xii) Pharmaceutical sciences or life sciences activities
 - (xiii) Natural sciences and engineering activities
 - (xiv) Business and management consultancy activities
 - (xv) Architectural activities
 - (xvi) Engineering activities
 - (xvii) Other technical activities

342. What are 100% FIs for Industrial parks activities?

- 100% FIs are permitted under “automatic” route subject to satisfying certain conditions like:
 - (i) (a) 1 industrial park is required minimum 10 units
 - (b) 1 unit is not permitted to occupy more than 50% of allocable area allotted to 1 industrial park
 - (ii) 1 industrial park is required to allot minimum 66% of “total” allocable area for industrial activities “only”



(L) Satellites activities (Table Part-XII)

343. What are 100% FIs for Satellites?

- 100% FIs are permitted under “approval” route subject to satisfying sectoral guidelines issued by Department of Space or Indian Space Research Organization (ISRO)

(M) Private Security Agencies (PSAs) activities (Table Part-XIII)

344. What are 49% FIs for PSAs activities?

- 49% FIs are permitted under “approval” route

(N) Telecom activities (Table Part-XIV)

345. What are 100% FIs for Telecom activities?

- 100% FIs are permitted under “automatic” route for certain activities like:
 - (i) 100% telecom services
 - (ii) 100% Telecom Infrastructure services
 - (iii) 100% Basic services
 - (iv) 100% Cellular services
 - (v) 100% Unified Access Services
 - (vi) 100% Unified license services
 - (vii) 100% National long-distance services
 - (viii) 100% International long-distance services
 - (ix) 100% Commercial V-Sat services
 - (x) 100% Public Mobile Radio Trunked Services (PMRTS)
 - (xi) 100% Global Mobile Personal Communications Services (GMPCS)
 - (xii) 100% ISP licenses services



- (xiii) 100% Voice Mail services
- (xiv) 100% Audiotex services
- (xv) 100% UMS services
- (xvi) 100% Resale of IPLC services
- (xvii) 100% Mobile Number Portability services
- (xviii) 100% Infrastructure Provider services for dark fibre + right of way + duct space
+ also tower "all"
- (xix) 100% other related services
- (xx) 100% other services considered necessary by Department of Telecommunications (DoT)

346. What are requirements for Telecom activities?

- Licenses + entities providing services are required to obey 100% conditions notified by DoT from time to time for licensing + security + also etc. "all"

(O) Trading activities (Table Part-XV)

(O-1) Cash and Carry Wholesale Trading/Wholesale trading activities (Table Part-XV(1))

347. What are FIs for Cash and Carry Wholesale Trading activities?

- 100% FIs are permitted under “automatic” route for cash and carry wholesale trading like sale of goods + merchandise to retailers + to industries + to commercial organizations + to institutional organizations + to other professional business users + to other wholesalers + also to related subordinated service providers “all”.

348. What are FIs for Wholesale Trading (WT) activities?

- (i) 100% FIs are permitted under “automatic” route for WT like sales for trade + business + profession + also personal consumption “all”.
- (ii) (a) WT is not to include customers based on size + also volume of sales “both”
But
(b) To include based on type of customers like for re-sale + processing + sale after processing + bulk imports with exports or ex-bonded warehouse business sales + also B2B e-commerce “all”

349. What are requirements for Trading activities?

- (i) Indian companies are required to obtain requisites licenses or registrations or permits specified under relevant acts or regulations or rules or orders of state govt. or govt. bodies or govt. authorities or local bodies “any”
- (ii) Cash and carry wholesale trading / wholesale trading are required to treat when sale is made to valid business entities subject to satisfying certain conditions like:
 - (a) That purchaser entities are holding GST registration
 - (b) That purchaser entities are holding trade licenses
 - (c) That purchaser entities are holding tehbazari or similar licenses for hawkers
 - (d) That purchaser institutions are holding certificate of incorporations or registrations as society or public trust “any” for self-consumption



- (iii) Trade licenses are to include certain licenses like:
- (a) Licenses
 - (b) Registration certificate
 - (c) Membership certificate
 - (d) Registration under Shops and Establishment act
- (iv) Indian companies are required to obey certain conditions like:
- (a) That 100% records are required to maintain on day-to-day basis with certain details like:
 - Name of purchaser' entities
 - Registration / license / permit / etc. of purchaser' entities
 - Amount of sale to purchaser' entities
 - Etc.
 - (b)
 - That WT of goods are "also" permitted among same group' companies
 - But
 - WT of goods among same group companies are not to exceed 25% of total turnover
 - (c) That WT of goods are required to undertake in accordance with normal business practices + also credit facilities "both" subject to satisfying applicable regulations
 - (d) Cash and carry wholesale trading + also wholesale trading "both" are required to undertake for 1 (single) brand retail trading
- (v) (a) Indian companies are required to maintain separate books of accounts for undertaking Cash and carry wholesale trading + also wholesale trading "both" duly audited by statutory auditors.
- (b) Indian companies are required to comply applicable rules separately for undertaking Cash and carry wholesale trading + also wholesale trading "both"



(O-2) E-Commerce activities (Table Part-XV(2))

350. What are 100% FIs for B2B E-commerce activities?

- (i) 100% FIs are permitted under "automatic" route for investments in Indian domestic companies those are engaged in Business to Business (B2B) e-commerce activities "only"
- (ii) These companies are not permitted to engage "other than" B2B e-commerce activities
- (iii) These companies are not permitted to invest "in trading" of B2B e-commerce activities

351. What are 100% FIs for market place mode of e-commerce activities?

- 100% FIs are permitted under "automatic" route for market place mode of e-commerce activities

352. What are requirements for E-commerce activities?

- (i) That E-commerce is to include buying and selling of goods and services + also digital products over digital and electronic network "both"
- (ii) That E-commerce entity is to include company incorporated under CA, 1956 / CA, 2013
- (iii) That Inventory based model of e-commerce' to include e-commerce activities where inventory of goods and services is owned by e-commerce entities + also to sale to consumers directly "both"
- (iv) That Market place model of e-commerce to include providing of information technology platform by e-commerce entities on digital network + also electronic network "both" for acting as facilitator between buyer and seller.
- (v) That Digital and electronic network to include network of computers + television channels + other internet applications used in automated manner like web pages + extranets + mobiles + also etc. "all".



- (vi) That Marketplace e-commerce entities are permitted to enter into transactions with sellers registered on its platform on B2B basis.
- (vii) That E-commerce marketplace is permitted to provide support services to sellers for warehousing + logistics + order fulfilment + call center + payment collection + also other services "all".
- (viii) (a) That E-commerce entities are permitted to provide marketplace
But
(b) E-commerce entities are not permitted to exercise ownership over inventories for goods purported to be sold.

353. What are Clarifications for E-commerce activities?

- Inventory of vendors are required to deem controlled by e-commerce marketplace entities when exceeding 25% of purchases of vendors are from market place entities or from its group companies those are to render business on inventory-based model like.
- (i) That entities those are having equity participation by e-commerce market place entities or by its group companies or having control on its inventory by e-commerce marketplace entities or by its group companies "any" is not permitted to sell its products on platform run by same market place entities.
- (ii) (a) That sellers are required to provide names + addresses + also other contact details "all" when goods and services are available for sale on website
(b) That sellers are required to provide customer's satisfying post sales + also delivery of goods to customers "both"
- (iii) That sellers are required to receive payments for sale of goods and services in accordance to RBI's guidelines
- (iv) That sellers are required to provide guarantees / warranties for sale of goods and services
- (v) That sellers are required not to influence sale price of goods and services + also to maintain level playing field for customers "both"



- (vi) That sellers are required to maintain Arm Length Principles (ALPs) + also fair and non-discriminatory manner “both”
- (vii) That sellers are permitted to receive cash back from group companies for giving to buyers therefore same is treated fair + also non-discriminatory “both”
- (viii) That sellers are required to sale on same price + same conditions to different purchasers therefore same is treated fair + also non-discriminatory “all”
- (ix) That sellers are required to obey RBI's guidelines for cash and carry wholesale trading against B2B e-commerce activities.
- (x) That sellers are not permitted to sale exclusively on its platform.
- (xi) That sellers are required to obtain report from statutory auditors up to Sep. 30th every year for preceding financial year confirming compliance of e-commerce guidelines.
- (xii) That FIs are not permitted for inventory-based model of e-commerce
- (xiii) That FIs are permitted under “automatic” route for sale of services through e-commerce subject to satisfying sector specific requirements + applicable laws + regulations + securities + also other conditionalities “all”



(O-3) Single Brand Product Retail Trading (SBRT) activities (Table Part-XV(3))**354. What are 100% FIs for SBRT activities?**

- 100% FIs are permitted under “automatic” route for SBRT to attract investments in production + marketing + improving availability of goods for consumers + encouraging increased sourcing of goods from India + enhancing competitiveness of Indian enterprises through access to global designs + technologies + also management practices “all”

355. What are requirements for SBRT activities in single brand?

- (i) (a) That SBRT entities are permitted to sale single brand.
- (b) That SBRT entities are not permitted to sale multiple brands.
- (ii) (a) That SBRT entities are permitted to sale same brand across the world.
- (b) That SBRT entities are not permitted to sale another brand in India
- (iii) (a) That SBRT entities are permitted to sale single brand which is branded “before” manufacturing
- (b) That SBRT entities are not permitted to sale single brand which is branded “after” manufacturing
- (iv) That minimum 30% value of goods are required to procure from India when FIs is exceeding 51% like:
 - (a) From MSMEs
 - (b) From Village and cottage industries
 - (c) From Artisans and craftsmen
 - (d) From etc.
- (v) (a) 30% quantum for domestic sources are required to certify by Indian companies + also by Statutory auditors “both”
- (b) 30% quantum for domestic sources are required to maintain on annual basis
- (vi) 30% quantum for domestic sources are required to maintain for domestic sales + also export sales “both”



- (vii) (a) SBRT entities are permitted to sale in e-commerce through brick-and-mortars stores
- (b) SBRT entities are permitted to sale in e-commerce "before" opening brick-and-mortars stores when opens within 2 years from date of start of online retail

356. What are requirements for SBRT activities in Indian brand?

- (i) That SBRT entities are permitted to sale "Indian brands" when these are owned + controlled by resident Indian citizens or Indian companies which are owned + also controlled by resident Indian citizens "all"
- (ii) That SBRT entities are not required to obey 30% quantum for domestic sources for 3 years from commencement of business when "Indian brands" are required to sale



(O-4) Multi Brand Retail Trading (MBRT) activities (Table Part-XV(4))

357. What are 51% FIs for MBRT activities?

- 51% FIs are permitted under “approval” route for MBRT activities

358. What are requirements for MBRT activities?

- (i) That MBRT entities are permitted to sale branded / unbranded fresh agricultural produces + fruits + vegetables + flowers + grains + pulses + fresh poultries + fisheries + also meat products “all”
- (ii) That minimum FIs are required for USD 100 million
- (iii) That minimum 50% FIs in 1st trench of USD 100 million are required to invest for back-end infrastructure within 3 years
- (iv) That back-end infrastructures are to include capital expenditures for 100% activities by MBRT retailer considered necessary for business requirements like:
 - (a) Capital expenditures incurred for processing’s
 - (b) Capital expenditures incurred for manufacturing’s
 - (c) Capital expenditures incurred for distributions
 - (d) Capital expenditures incurred for design improvements
 - (e) Capital expenditures incurred for quality controls
 - (f) Capital expenditures incurred for packaging’s
 - (g) Capital expenditures incurred for logistics
 - (h) Capital expenditures incurred for storages
 - (i) Capital expenditures incurred for warehouses
 - (j) Capital expenditures incurred for agriculture market produce infrastructures
 - (k) Capital expenditures incurred for etc.
- (v) That back-end infrastructures are not to include certain capital expenditures like:
 - (a) Capital expenditures incurred for front-end units
 - (b) Capital expenditures incurred for land cost
 - (c) Capital expenditures incurred for rental cost
- (vi) That minimum 30% of value of procurement for manufactured products + also processed products “both” purchases are required to source from Indian Micro,



Small and Medium Enterprises (MSME) where “total” value of investments in plant and machinery is not exceeding USD 2 million.

- (vii) That values are to include value at time of installation “without” providing for depreciation.*
- (viii) That small industry status is to determine at time of 1st engagement with retailer + also industry is required to continue to qualify as small industry “both” beside investments are exceeding USD 2 million during course of relationship with MBRT retailer*
- (ix) (a) That sourcing from agricultural co-operatives + also farmers co-operatives “both” are required to consider in this category.*
 - (b) That procurement compliances are required to meet in 1st instance as average of 5 years’ total of manufactured products + also processed products “both” purchases, beginning 1st April of year in which 1st tranche of FIs “out of total” USD 100 million are received thereafter required to determine on annual basis*
- (x) That MBRT entities are required to self-certify + also to obtain certificate from statutory auditors “both” for ensuring compliance of these requirements*
- (xi) (a) That retail sales outlets are required to set up in cities where population is exceeding 10 lac as per 2011 census + also other cities where decision is taken by respective State govt. with covering 10 km area “both”.*
 - (b) That retail sales outlets are required to around municipal or urban agglomeration limits of cities*
 - (c) That retail sales outlets are required to restrict within conforming areas as per Master Plans or Zonal Plans of respective cities + provisions to be made for requisite facilities like transport connectivity + also parking “all”.*
- (xii) That govt. is permitted to have 1st right to procure agricultural products*
- (xiii) (a) That State govt.’s + also union territories “both” are permitted to take their own decisions for implementation of policies.*



- (b) That retail sales outlets are required to set up in those states + also union territories “both” when they have already agreed or to be agreed in future for allowing FIs in MBRT
- (c) That state govt. + also union territories “both” are required to send acceptance to govt. of India for establishing retail outlet under MBRT through Department of Industrial Policy and Promotion.
- (d) That MBRT are required to comply prevailing state govt. + union territories laws + regulations like Shops and Establishments Act + also etc. “all”
- (xiv) That retail trading through e-commerce is not permitted for Indian companies with FIs + also engaged in multi brand retail trading “both”
- (xv) That applications are required to process in Department of Industrial Policy and Promotion for determining whether proposed investments are satisfying notified guidelines “before” considering for approval.

359. What are States + Union territories for MBRT activities?

- (i) States
 - (a) Andhra Pradesh
 - (b) Assam
 - (c) Delhi
 - (d) Haryana
 - (e) Himachal Pradesh
 - (f) Jammu and Kashmir (J&K)
 - (g) Karnataka
 - (h) Maharashtra
 - (i) Manipur
 - (j) Rajasthan
 - (k) Uttarakhand
- (ii) Union Territories
 - (a) Daman and Diu
 - (b) Dadra and Nagar Haveli



(O-5) Duty Free Shops activities (Table Part-XV(5))

360. What are 100% FIs for Duty free shops activities?

- 100% FIs are permitted under “approval” route for duty free shops activities

361. What are requirements for Duty free shops activities?

- (i) That Duty Free Shops are to include shops set up in custom bonded area at International Airports + International Seaports + also Land Custom Stations “all” where international passengers are transiting.
- (ii) That FIs in Duty Free Shops are required to comply conditions stipulated under Customs Act, 1962 + other laws + also rules and regulations “all”.
- (iii) That Duty Free Shops entities are not permitted to engage for retail trading in Domestic Tariff Area (DTA).

(P) Pharmaceuticals activities (Table Part-XVI)

362. What are 100% FIs for Greenfield activities?

- 100% FIs are permitted under “automatic” route for greenfield activities

363. What are 74% FIs for Brownfield activities?

- 74% FIs are permitted under “automatic” route for brownfield activities

364. What are 100% FIs for Brownfield activities?

- 100% FIs are permitted under “approval” route for brownfield activities

365. What are requirements for pharmaceuticals activities?

- (i)
 - (a) That Non-Compete (NA) clause is not permitted
 - (b) That NA clause is permitted under “approval” route for special circumstances.
- (ii) That prospective investors + also prospective investees “both” are required to provide certificate along with application to be submitted for govt. approval.
- (iii) That govt. is permitted to incorporate conditions for FIs in brownfield pharmaceuticals under “approval” route.



- (iv) That FIs in brownfield pharmaceuticals are required to satisfy conditions for entry route + also other conditions "both" like:
- (a) That production level for National List of Essential Medicines (NLEM) drugs + consumables + also their supply to domestic market at time of induction of FIs "all" are required to maintain for next 5 years at Absolute Quantitative (AQ) level.
 - (b) That benchmark for AQ level is required to decide with reference to production of NLEM drugs + also consumables "both" in 3 years immediately preceding year of induction of FIs
 - (c) That highest level of productions during these 3 financial years are required to take as AQ level.
 - (d) That Research and Development (R&D) expenses are required to maintain for 5 years at AQ level at time of induction of FIs.
 - (e) That benchmark for AQ level is required to decide with reference to highest R&D expenses incurred in 3 financial years immediately preceding year of induction of FIs
 - (f) That administrative Ministry is required to provide 100% information's for transfer of technology "if any" along with induction of FIs into Indian companies.
 - (g) That administrative Ministry(s) i.e. Ministry of Health and Family Welfare, Department of Pharmaceuticals + other regulatory Agency/Development "both" notified by Central govt. from time to time are required to monitor compliances of conditionalities

366. What are Clarifications for pharmaceutical activities?

- (i) 100% FIs are permitted under "automatic" route for manufacturing of medical devices therefore these requirements are not applicable for greenfield projects + also brownfield projects "both"



- (ii) Medical device is to include instruments + apparatus + appliance + implant + material + other article + software used alone or in combination "all" for human beings or animals for minimum 1 specific purposes like:
- (a) Diagnosis + preventions + monitoring's + treatments + also alleviations for diseases or disorders "all"
 - (b) Diagnosis + monitoring's + treatments + alleviations + also assistance for injuries or disabilities "all"
 - (c) Investigations + replacements + modifications + support of anatomies + also physiological process "all"
 - (d) Supporting life + also sustaining life "both"
 - (e) Disinfection of medical devices
 - (f) Control of conceptions
- (iii) Accessory to instruments + apparatus + appliances + materials + other articles "all".
- (iv) In-vitro diagnostic device

367. What are Certificates by investors + investees?

It is certified that the following is the complete list of all inter se agreements, including the shareholders agreement, entered into between foreign investor(s) and investee brownfield pharmaceutical entity

1.

2.

3.

(copies of all agreements to be enclosed)

It is also certified that none of the inter se agreements, including the shareholders agreement, entered into between foreign investor(s) and investee brownfield pharmaceutical entity contain any non-compete clause in any form whatsoever.



It is further certified that there are no other contracts/agreements between the foreign investor(s) and investee brownfield pharma entity other than those listed above.

The foreign investor(s) and investee brownfield pharma entity undertake to submit to the FIPB any inter se agreements that may be entered into between them subsequent to the submission and consideration of this application.



(Q) Railway Infrastructure activities (Table Part-XVII)

368. What are 100% FIs for Railway infrastructure activities?

- 100% FIs are permitted under “automatic” route for certain railway infrastructure activities like:
 - (i) Suburban corridor projects through Private Public Partnership (PPP)
 - (ii) High-speed train projects
 - (iii) Dedicated freight lines
 - (iv) Rolling stock + trainsets + locomotives/coaches manufacturing + also maintenance facilities “all”
 - (v) Railway electrifications
 - (vi) Signalling systems
 - (vii) Freight terminals
 - (viii) Passenger terminals
 - (ix) Infrastructure in industrial park for railway line/sidings + electrified railway lines + also connectivity to main railway line “all”
 - (x) Mass rapid transport systems

369. What are requirements for Railway infrastructures activities?

- (i) That FIs are permitted for railway infrastructure activities by PPP subject to satisfying certain guidelines issued by Ministry of Railways (MoRs)
- (ii) That 100% FIs for sensitive areas are required to present by MoRs before Cabinet Committee on Security (CCS) for consideration on case-to-case basis.



(Q-1) Financial activities (Table Part-XVIII(1))

370. What are FIs for Financial activities?

- (i) FIs are permitted under “approval” route for financial services
- (ii) FIs are permitted under “automatic” route for “certain” financial services

371. What are 100% FIs for Asset Reconstruction Companies (ARCs)?

- (i) 100% FIs are permitted under “automatic” route for ARCs
- (ii) FIs in ARCs are permitted to invest by institutional + also non-institutional “both” investors
- (iii) FIs in ARCs are permitted to invest by FPIs in Security Receipts (SRs) issued by ARCs up to 100% of each trench subject to satisfying RBI’s directions / guidelines + also within applicable regulatory cap “both”
- (iv) 100% FIs in ARCs by foreign institutional + foreign non-institutional + also FPIs “all” are permitted to invest subject to satisfying provisions of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

(Q-2) Private Sector’s Banks (PSBs) activities (Table Part-XVIII(2))

372. What are 49% FIs for PSBs?

- 49% FIs are permitted under “automatic” route for PSBs

373. What are 74% FIs for PSBs?

- 74% FIs are permitted under “approval” route for PSBs

374. What are requirements for PSBs?

- (i) That minimum 26% of paid-up capitals are required to hold by RoI
- (ii) That minimum 0% of paid-up capitals are required to hold by RoI when PSBs is wholly (100%) owned subsidiary of foreign bank



- (iii) That maximum 5% FIs are permitted to hold by 1 NRI on "repatriation" basis + also "non-patriation" basis "both"
- (iv) That maximum 10% FIs are permitted to hold by minimum 2 NRIs on "repatriation" basis + also "non-patriation" basis "both"
- (v) That maximum 24% FIs are permitted to hold by minimum 2 NRIs on "repatriation" basis + also "non-patriation" basis "both" when special resolution is passed in Annual General Meeting (AGM) or Extra Ordinary General Meeting (EGM) of Public Sector Banks (PSBs) shareholders
- (vi) That applications for FIs in PSBs those are having Joint Venture (JV) or subsidiary in insurance sector are required to file to RBI for consideration in consultation with Insurance Regulatory and Development Authority of India (IRDAI) for ensuring that insurance sectors' cap is not breached
- (vii) That FIs through transfers of shares from RoI to Non-RoI are required to obtain approvals from RBI or govt. as case may be
- (viii) That FIs in PSBs are required to comply policies + procedures prescribed by RBI + SEBI + MCA + also IRDAI "all"
- (ix) That FIs in PSBs are required to comply RBI's guidelines for acquisition through purchase + also otherwise "both" when acquisition is crossing shareholding 5% or more than 5% of paid-up capital

375. What are requirements for Setting up of subsidiary by Foreign Banks (FBs)?

- (i) That FBs are permitted for branches or subsidiaries "only"
- (ii) That FBs are not permitted for branches + also subsidiaries "both"
- (iii) That FBs are permitted for subsidiaries in India subject to satisfying certain conditions like:
 - (a) That FBs are regulated by banking in home countries
 - (b) That FBs are required to match RBI's licensing criteria for setting-up wholly (100%) owned subsidiary in India



- (iv) That FBs are permitted to operate in India through 1 channel within available 3 channels like:
- (a) FBs' branches in India
 - (b) FBs' wholly (100%) owned subsidiary in India
 - (c) FBs' partly (74%) owned subsidiary like private banks in India
- (v) (a) FBs are permitted to establish wholly (100%) owned subsidiary through conversion of existing branch into subsidiary in India
- or
- (b) FBs are permitted to obtain "fresh" banking license from RBI
- (vi) FBs are permitted to establish partly (74%) owned subsidiary through acquisition of shares in Private Sector Banks (PSBs) when minimum 26% paid-up capital are held by RoI
- (vii) FBs are required to obtain license from RBI for establishing wholly (100%) owned subsidiary where license' requirements are same to establish new PSBs in India
- (viii) FBs are required to satisfy RBI's guidelines for setting up wholly (100%) owned subsidiary in India
- (ix) (a) FBs are required to file applications to RBI for setting up wholly (100%) owned subsidiary in India
- (b) FBs are required to file applications to RBI for converting branches into wholly (100%) owned subsidiary in India
- (x) Banking companies in India are required to obey existing limit 10% for voting rights by potential investors.
- (xi) 100% FIs are required to obey RBI's guidelines prescribed for PSBs under Banking Regulation Act, 1949 + also Reserve Bank of India (RBI) Act, 1934 "both"



(Q-3) Public Sector Banks (PSBs) activities (Table Part-XVIII(3))**376. What are 20% FIs for PSBs?**

- 20% FIs are permitted under “approval” route for PSBs + also State Bank of India (SBI) “both” subject to satisfying Banking Companies (Acquisition & Transfer of Undertakings) Acts, 1970/80

(Q-4) Infrastructure Companies in Securities Market activities (Table Part-XVIII(4))**377. What are 49% FIs for Infrastructure Companies in Securities Market?**

- 49% FIs are permitted under “automatic” route for Infrastructure companies in Securities Markets subject to satisfying SEBI’s Regulations like:
 - (i) Stock exchanges
 - (ii) Commodity derivative exchanges
 - (iii) Depositories and clearing corporations

378. What are requirements for Infrastructure Companies in Securities Market?

- (i) That FIs + FPIs are required to obey guidelines + rules + also regulations “all” issued by certain regulators like:
 - (a) Central govt. from time to time
 - (b) SEBI from time to time
 - (c) RBI from time to time
- (ii) Words + also expressions “both” used but not defined in NDI Rules, 2019 shall have same meaning as defined in certain acts like:
 - (a) Companies Act, 2013 (18 of 2013)
 - (b) Securities Contracts (Regulation) Act, 1956 (42 of 1956)
 - (c) Securities and Exchange Board of India Act, 1992 (15 of 1992)
 - (d) Depositories Act, 1996 (22 of 1996)



(Q-5) Commodities Spot Exchange activities (Table Part-XVIII(5))**379. What are 49% FIs for Commodities Spot Exchange activities?**

- 49% FIs are permitted under “automatic” route for Commodities Spot Exchange subject to satisfying guidelines issued by Central govt. + also State govt. “both”

(Q-6) Power Exchanges activities (Table Part-XVIII(6))**380. What are 49% FIs for Power Exchanges activities?**

- 49% FIs are permitted under “automatic” route for power exchanges under Central Electricity Regulatory Commission (Power Market) Regulations, 2010

381. What are requirements for Power Exchanges activities?

- That Non-RoI + also persons acting in concert “both” are not permitted to hold more than 5% of paid-up capital of Indian companies.
- That FIs are required to obey certain compliances like
 - SEBI’s regulations
 - Other laws
 - Other rules
 - Other regulations
 - Security + also other conditionalities “both”

(Q-7) Credit Information Companies (CICs) activities (Table Part-XVIII(7))**382. What are 100% FIs for CICs activities?**

- 100% FIs are permitted under “automatic” route for CICs

383. What are requirements for CICs activities?

- That FIs by Non-RoI in CICs are required to satisfy certain conditions of Credit Information Companies (Regulation) Act, 2005 + also regulatory clearance from RBI “both”



- (ii) That FIs by FPIs in CICs are required to obey certain conditions like:
- (a) That 1 (Single) entity is permitted to hold FIs below 10% of equity capital of Indian companies directly + also indirectly "both"
 - (b) That FIs are required to report to RBI when acquisition is exceeding 1% of equity capital of Indian companies directly + also indirectly "both"
 - (c) That FIs by FPIs in CICs are not permitted to hold directorship in Board of Directors (BoDs) based on their shareholdings.

(Q-8) Insurance activities (Table Part-XVIII(8))

384. What are 100% FIs for Insurance activities?

- 100% FIs are permitted (from 74% FIs to 100% FIs through Finance Act, 2025) under "automatic" route for Insurance activities

385. What are 20% FIs for Life Insurance Corporation of India (LIC) activities?

- 20% FIs are permitted under "automatic" route for LIC

386. What are 100% FIs for Insurance intermediaries' activities?

- 100% FIs are permitted under "automatic" route for insurance intermediaries like:
 - (a) Insurance Intermediaries
 - (b) Insurance brokers
 - (c) Re-insurance brokers
 - (d) Insurance consultants
 - (e) Corporate agents
 - (f) 3rd party administrator
 - (g) Surveyors and Loss Assessors
 - (h) Other entities as may be notified by Insurance Regulatory and Development Authority of India (IRDAI) from time to time



387. What are requirements for Insurance + Insurance intermediaries' activities?

- (i) That 100% FIs in Indian Insurance companies are to include certain investments "cumulatively" in paid-up capital + also insurance intermediaries' companies "both" like:
 - (a) FIs hold by Non-RoI
 - (b) FIs hold by FPIs
- (ii) That 100% FIs in Indian insurance companies are permitted under "automatic" route subject to approval / verification by IRDAI
- (iii) That 100% FIs in Indian insurance companies are required to satisfy provisions of Insurance Act, 1938 + to obtain approval from IRDAI for undertaking insurance activities + also related activities "all"
- (iv) That Indian insurance companies are required to maintain certain postings by Resident Indian Citizens (RICs) like:
 - (a) Majority of Directors i.e. "more than" 50% directors
 - (b) Majority of Key Management Persons (KMPs) i.e. "more than" 50% KMPs
 - (c) Minimum 1 Chairperson of BoDs or 1 Managing Director (MD) + also Chief Executive Officer (CEO) "both"

388. What are Clarifications for Insurance + Insurance intermediaries' activities?

- (i) Term KMP has same meaning as assigned in IRDAI's guidelines on corporate governance for insurers in India.
- (ii) (a) Indian insurance companies are required to comply provisions applicable for Indian Insurance Companies (Foreign Investment) Rules, 2015
 - (b) Rules + regulations "both" are notified by Department of Financial Services or by IRDAI as case may be
- (iii) FIs by FPIs in Indian insurance companies are required to obey provisions contained in Chapter IV + rule 10 + rule 11 read with Schedule II of



Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019

- (iv) *FIIs in Indian insurance companies are required to obey pricing guidelines specified in NDI Rules, 2019*
- (v) *100% FIIs are required to obey these “all” conditions for insurance’s activities like:*
 - (a) *Insurance Intermediaries*
 - (b) *Insurance brokers*
 - (c) *Re-insurance brokers*
 - (d) *Insurance consultants*
 - (e) *Corporate agents*
 - (f) *3rd party administrator*
 - (g) *Surveyors and Loss Assessors*
 - (h) *Other entities as may be notified by Insurance Regulatory and Development Authority of India (IRDAI) from time to time*
- (vi) *100% FIIs in IRDAI’s approved “banks” for insurance business are required to maintain minimum 50% revenue from banking business (non-insurance business) in “any” financial year subject to satisfying certain conditions applicable for insurance business*
- (vii) *100% FIIs in insurance intermediaries are required to undertake certain legality like:*
 - (a) *That insurance intermediaries are required to incorporate as limited companies under CA, 2013*
 - (b) *That minimum 1 RIC is required to become Chairman of BoDs or CEO or Principal Officer (PO) or MD of insurance intermediary companies*
 - (c) *That Indian insurance companies are required to obtain IRDAI’s permission for repatriating dividend outside India*
 - (d) *That FIIs are required to bring latest technological + managerial + also other skills “all”*



- (e) That Indian insurance companies are not permitted to make payments to foreign group + promoter + subsidiary + interconnected + also associate entities "all" beyond permissible by IRDAI
- (f) That Indian insurance companies are required to disclose 100% payments made to foreign group + promoter + subsidiary + interconnected + also associate entities "all"
- (g) That Indian insurance companies are required to make composition of BoDs + also KMPs "both" specified by IRDAI
- (h) That Indian Private Sector Banks (PSBs) are required to obey 100% conditions specified for insurance business by IRDAI
- (i) That certain terms are to have same meaning as defined by rules issued under Insurance Act, 1938 + also IRDAI "both" like:
 - Equity Share Capitals
 - Foreign Direct Investments (FDIs)
 - Foreign Investors (FIs)
 - Foreign Portfolio Investments (FPIs)
 - Indian Insurance Companies
 - Indian Companies
 - Non-resident Entities
 - Public Financial Institutions
 - Resident Indian Citizens
 - Total Foreign Investments

389. What are requirements for LIC activities?

- (i) That FIs in LIC to obey provisions of Life Insurance Corporation Act, 1956, (LIC Act) + also Insurance Act, 1938 "both" duly amended from time to time
- (ii) That FIs in LIC are required to obey provisions contained in Chapter IV + rule 10 + rule 11 read with Schedule II of Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019



- (iii) That FIs in LIC are required to obey pricing guidelines specified in NDI Rules, 2019
- (iv) That certain terms are to have same meaning as defined by rules issued under Insurance Act, 1938 + also IRDAI "both" like:
 - (a) Equity Share Capitals
 - (b) Foreign Direct Investments (FDIs)
 - (c) Foreign Investors (FIs)
 - (d) Foreign Portfolio Investments (FPIs)
 - (e) Indian Insurance Companies
 - (f) Indian Companies
 - (g) Non-resident Entities
 - (h) Public Financial Institutions
 - (i) Resident Indian Citizens
 - (j) Total Foreign Investments

(Q-9) Pension sector activities (Table Part-XVIII(9))

390. What are 49% FIs for Pension sector activities?

- 49% FIs are permitted under "automatic" route for pension sector activities

391. What are requirements for Pension sector activities?

- (i) That FIs in pension sector activities are required to obey provisions of Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013
- (ii) That FIs in pension sector activities are required to obtain registration from PFRDA + to comply provisions of PFRDA Act, 2013 + rules + also regulations "all" for participating in Pension Fund Management activities in India.
- (iii) That FIs in pension sector activities are required to ensure ownership + control mandatory with resident Indian entities as determined by govt. of India + also PFRDA in accordance with rules / regulations issued by them "all".



(Q-10) Other Financial Services activities (Table Part-XVIII(10))**392. What are 100% FIs for Other financial activities?**

- 100% FIs are permitted under “automatic” route for other financial services activities

393. What are requirements for Other financial activities?

- (i) That other financial services are to include financial services activities as regulated by financial sector regulators like:
 - (a) RBI
 - (b) SEBI
 - (c) IRDAI
 - (d) PFRDA
 - (e) National Housing Bank (NHB)
 - (f) Other financial sector regulator as may be notified by govt. of India
- (ii) 100% FIs in other financial services are required to satisfy conditionalities + also Minimum Capitalization Norms (MCNs) “both” specified by concerned regulators / govt. agency
- (iii) Each other financial services activity is required to regulate by financial sector regulator
- (iv) Other financial services activities are required to receive FIs under “approval” route subject to satisfying certain conditionalities + also MCNs as determined by govt. “both” where these services are not wholly (100%) or partly (not 100%) regulated by financial services regulators
- (v) Downstream investments by entities engaged in other financial services are required to treat indirect FIs for Indian companies subject to satisfying regulators’ rules + also regulations “both”



● Foreign Exchange Management (Debt Instruments) Regulations, 2019 ●

(A) DIs Regulations' Introduction (Chapter-I)

394. What is Introduction?

- (i) These regulations are known as Foreign Exchange Management (Debt Instruments) Regulations, 2019 or DIs Regulations, 2019
- (ii) These are applicable from date of publication in official gazette like Oct 17, 2019

395. What is Act?

- Act is to include Foreign Exchange Management Act (FEMA) 1999 (42 of 1999)

396. What are Asset Reconstruction Companies (ARCs)?

- ARCs are to include RBI's registered companies under section 3 of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002)

397. What are Authorized Dealers (ADs)?

- ADs are to include authorized persons under section 10(1) of FEMA, 1999

398. What are Debt Instruments (DIs)?

- DIs are to include instruments listed under schedule 1 of DIs Regulations, 2019

399. What are Foreign Central Banks (FCBs)?

- FCBs are to include institutions + organizations + body corporates established in countries located outside India + also entrusted with responsibility of carrying central bank's functions i.e. RBI in India under law for time being force

400. What are Foreign Currency Non-Residents (FCNon-RoI) Bank accounts?

- FCNR (B) accounts are to include Foreign Currency Non-Resident (Bank) account maintained in accordance with Foreign Exchange Management (Deposit) Regulations, 2016



401. What are Foreign Portfolio Investors (FPIs)?

- FPIs are to include person registered in accordance with provision of Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014

402. What are Indian companies?

- Indian companies are to include company incorporated in India.

403. What are Indian entities?

- Indian entities are to include Indian company + also Indian LLP “both”

404. What are Investments?

- Investments are to include subscription + acquisition + holding + transfer any debt instrument + also unit issued by RoI “all”

405. What are Investments on repatriation basis?

- Investments on “repatriation” basis are to include investments + sales + maturity proceeds “after” taxes + also eligible to repatriate outside India “all”

406. What are Investments on non-repatriation basis?

- Investments on “non-repatriation” basis are to include investments + sales + maturity proceeds “after” taxes + also not eligible to repatriate outside India “all”
- These sale proceeds received against sale of investments which were acquired on “non-repatriation” basis are permitted to repatriate outside India through NRO account maximum USD 10 lac (1 million) per financial year.

407. What are Mutual funds?

- Mutual funds are to include entities governed by Securities and Exchange Board of India (Mutual Funds) Regulations, 1996

408. What are LLPs?

- LLPs are to include Limited Liability Partnerships (LLPs) formed + also registered “both” under Limited Liability Partnership (LLP) Act, 2008 (6 of 2009)



409. What are Listed Indian companies?

- Listed Indian companies are to include companies which have listed its NDIs / DIs on recognized stock exchange(s) in India

410. What are Non-listed Indian companies?

- “Non” listed Indian companies are to include Indian companies which have not listed its NDIs / DIs on recognized stock exchange(s) in India

411. What are Municipal bonds?

- Municipal bonds are to include DIs issued by municipalities constituted under Article 243Q of Constitution of India

412. What are Non-Resident Indians (NRIs)?

- NRIs are to include resident Individuals outside India + also citizens in India “both”

413. What is Overseas Citizen of India (OCI)?

- OCIs are to include resident Individuals outside India + also registered as Overseas Citizen of India (OCIs) Cardholders under section 7(A) of Citizenship Act, 1955 (57 of 1955) “both”

414. What are Units?

- Units are to include beneficial interest of investor in mutual fund

415. What are Venture Capital Funds (VCFs)?

- VCFs are to include fund established as trusts or companies or body corporates + also registered under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 “both”

416. What are Words + expressions not defined?

- Words + expressions used but not defined in DIs Regulations, 2019 shall have same meanings as assigned in FEMA, 2019 + FEMA’s rules + FEMA’s regulations + FEMA’s directions + also NDI Rules, 2019 “all”



(B) DIs Regulations' General Conditions for 100% Investors (Chapter-II)

417. What are Restrictions for Non-RoI?

- (i) Non-RoI are not permitted to invest in DIs in India without obeying legal compliances in accordance with certain acts + rules + also etc. "all" like:
 - (a) FEMA Act, 1999
 - (b) FEMA Rules
 - (c) FEMA Regulations
 - (d) FEMA Directions
 - (e) DIs Regulations, 2019
- (ii) RBI is permitted to allow "to invest" in DIs based on their applications when considered necessary with / without conditions are required to obey

418. What are Restrictions for RoI?

- (i) RoI are not permitted to receive + also to record in books "both" without obtaining RBI's approvals. These RoI are to include certain entities like:
 - (a) Indian companies
 - (b) Indian LLPs
 - (c) Indian Mutual fund
 - (d) Indian VCFs
 - (e) Indian Partnership firms
 - (f) Indian Association of Persons (AoPs)
 - (g) Indian Proprietary concern
- (ii) RBI is permitted to allow "to receive" in DIs based on their applications when considered necessary with / without conditions are required to obey

419. What are Permissions by Non-RoI?

- (i) Non-RoI are required to comply legal guidelines like:
 - (a) Guidelines for entry routes i.e. Automatic route & Govt.'s approval route
 - (b) Guidelines for sectoral caps
 - (c) Guidelines for statutory caps



- (d) Guidelines for investments' limits
- (e) Guidelines for pricings
- (f) Guidelines for other "mandatory" conditions
- (ii) Non-RoI are required to obtain RBI's approval for purchases/sales in DIs in accordance with conditions specified in Schedule-1 of DIs Regulations, 2019
- (iii) Non-RoI are permitted to trade in 100% Exchange Traded Derivative (ETD) Contracts duly approved by SEBI from time to time subject to satisfying limits prescribed by SEBI + also terms conditions specified in Schedule-1 of DIs Regulations, 2019 "both"
- (iv) Non-RoI are permitted to enter into contracts for derivative transactions subject to satisfying certain conditions laid down by RBI from time to time.

420. What are Merger/Demerger/Amalgamation?

- (i) Non-RoI are permitted to invest in DIs where Scheme of Arrangement for Indian companies have been approved by National Company Law Tribunal (NCLT) like:
 - (a) Non-convertible redeemable preference shares
 - (b) Non-convertible redeemable debentures
- (ii) Indian companies are permitted to issue these DIs out of its general reserves through distribution as bonus to Non-RoI shareholders subject to satisfying certain conditions like:
 - (a) That original investments in DIs by Non-RoI were in accordance with DIs Regulations, 2019 + also conditions specified in relevant schedule "both"
 - (b) That Indian companies are required to issue DIs in accordance with provisions of CA, 2013 + also conditions as stipulated in scheme approved by NCLT "both" have been complied
 - (c) That Indian companies are required not to engage in activities / sectors where FIs in NDIs by Non-RoI are prohibited



421. What are Taxes?

- 100% transactions under DIs Regulations, 2019 are required to undertake through banking channels in India + subject to payment of applicable taxes + also other duties/ levies in India "all".

422. What are Remittance?

- (i) Non-RoI are required to remit sales proceeds against DIs in accordance with DIs Regulations, 2019 + also conditions specified in relevant schedule "both"
- (ii) AD-Category I Banks are permitted to remit sales proceeds against DIs "after" applicable taxes when DIs were held by Non-RoI on "repatriation" basis
- (iii) Non-RoI are required to obtain RBI's approval when DIs were held by Non-RoI on "non-repatriation" basis
- (iv) AD-Category-I Banks are required to allow inwards + also outwards "both" remittances for permissible derivatives transactions.



● *Schedule-I of DIs Regulations, 2019* ●

(A) Purchases / sales of DIs by Non-RoI

◆ *Purchases of DIs by Non-RoI* ◆

423. What are *Purchases* by FPIs?

- (i) Foreign Portfolio Investors (FPIs) are permitted to purchase certain DIs on “repatriation” basis subject to satisfying conditions specified by SEBI + also RBI “both” like:
 - (a) Dated Government securities + also treasury bills “both”
 - (b) Non-convertible debentures + also bonds issued by Indian companies “both”
 - (c) Commercial papers issued by Indian companies
 - (d) Units of domestic mutual funds + also Exchange-Traded Funds (ETFs) “both” when these funds are investing not exceeding 50% in NDIs
 - (e) Security Receipts (SRs) issued by Asset Reconstruction Companies (ARCs)
 - (f) DIs issued by banks when these banks are eligible for inclusion in regulatory capital
 - (g) Credit Enhanced Bonds (CEBs)
 - (h) Listed non-convertible shares + redeemable preference shares + also debentures “all” issued in accordance Regulation 6 of DIs Regulations, 2019
 - (i) Securitised debt instruments + certificates + instruments issued by Special Purpose Vehicle (SPV) set up for securitisation of assets with banks + Financial Institutions + also NBFCs as originators “all”
 - (j) Rupee denominated bonds + units issued by Infrastructure Debt Funds when these instruments were issued from Nov 22, 2011 + also held by deemed FPIs “all”
 - (k) Municipal Bonds (MBs)



- (ii) FPIs are permitted to offer these DIs to recognized stock exchange(s) in India as collateral security for their transactions in ETD contracts as specified in Regulation 5(2) of DIs Regulations, 2019.

424. What are Purchases by NRIs + OCIs on “repatriation” basis?

- (i) Foreign Portfolio Investors (FPIs) are permitted to purchase certain DIs on “repatriation” basis without monetary limit subject to satisfying conditions specified by SEBI + also RBI “both” like:
- (a) Dated Government securities other than bearer securities + treasury bills + units of domestic mutual funds + also ETFs “all” when these funds are investing not exceeding 50% in NDIs
 - (b) Bonds issued by Public Sector Undertaking (PSU) in India
 - (c) Bonds issued by Infrastructure Debt Funds (IDFs)
 - (d) Listed non-convertible shares + redeemable preference shares + also debentures “all” issued in accordance with Regulation 6 of DIs Regulations 2019
- (ii) NRIs + also OCIs “both” are permitted to purchase DIs on “repatriation” basis issued by banks when these banks are eligible for inclusion in regulatory capital
- (iii) (a) NRIs are permitted to subscribe for National Pension System (NPS) which is being administered by Pension Fund Regulatory and Development Authority (PFRDA) when they are eligible to invest in accordance with provisions of PFRDA Act.
- (b) NPS based on annuity + also accumulated saving “both” are permitted for repatriation
- (iv) NRIs + also OCIs “both” are permitted to offer these DIs to recognized stock exchange(s) in India as collateral security for their transactions in Exchange Traded Derivative (ETD) contracts as specified in Regulation 5(2) of DIs Regulations, 2019.



425. What are Purchases by NRIs + OCIs on “non-repatriation” basis?

- (i) Foreign Portfolio Investors (FPIs) are permitted to purchase certain DIs on “non-repatriation” basis without monetary limit subject to satisfying conditions specified by SEBI + also RBI “both” like:
 - (a) Dated Government securities “other than” bearer securities + treasury bills + units of domestic mutual funds + also ETFs “all” when these funds are investing not exceeding 50% in NDIs
 - (b) National Plan Certificates (NPCs) + also Savings Certificates (SCs) “both”
- (ii) NRIs + also OCIs “both” are permitted to purchase certain DIs on “non-repatriation” basis without monetary limit like:
 - (a) Listed non-convertible shares
 - (b) Listed redeemable preference shares
 - (c) Debentures issued in accordance with Regulations 6 of DIs Regulations, 2019
- (iii) NRIs + also OCIs “both” are permitted to subscribe certain chit funds authorized by Registrar of chits or officer authorized by State govt. on “non-repatriation” basis without monetary limit.

426. What are Purchases by FCBs + MDBs?

- Foreign Central Banks (FCBs) + Multilateral Development Banks (MDBs) + other RBI’s approved entities are permitted to purchase / sale dated Govt. Securities + also Govt. treasury bills on “repatriation” basis “all” in accordance with conditions as specified by RBI.

427. What are Payments by FPIs?

- (i) FPIs are required to make payments for purchase of DIs through inward remittance from banking channel
- Or
- (ii) Through transfer from funds held in Foreign Currency (FC) account maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016



Or

- (iii) Through Special Non-Resident Rupee (SNRR) account maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016
- (iv) These FC account + also SNRR account “both” are required to use exclusively for transactions permitted under schedule-I of DIs Regulations, 2019.

428. What are Payments on “repatriation” basis by NRIs + OCIs?

- (i) NRIs + also OCIs “both” are required to make payments for purchase of DIs on “repatriation” basis through inward remittance from banking channel

Or

- (ii) Through transfer from funds held in Non-Resident External (NRE) accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016

Or

- (iii) Through transfer from funds held in Foreign Currency Non-Resident (FCNR) Bank accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016

429. What are Payments on “non-repatriation” basis by NRIs + OCIs?

- (i) NRIs + OCIs are required to make payments for purchase of DIs on “non-repatriation” basis + also for subscriptions to National Pension System (NPS) through inward remittance from banking channel

Or

- (ii) Through transfer from funds held in Non-Resident External (NRE) accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016

Or

- (iii) Through transfer from funds held in Foreign Currency Non-Resident (FCNR) Bank accounts maintained in India in accordance with Foreign Exchange Management (Deposit) Regulations, 2016



- (iv) (a) NRIs + also OCIs “both” are permitted for subscription to NPS on “non-repatriation” basis “only”
- (b) Hence NRIs + also OCIs “both” are not permitted for subscription to NPS on “repatriation” basis

430. What are Payments by FCBs + MDBs?

- (i) FCBs + also MDBs “both” are required to make payments for purchase of dated govt. securities through inward remittance from banking channel
- Or
- (ii) Through transfer from funds held in account opened with specific RBI’s approval

431. What are Payments by Other Non-Resident Investors?

- Other non-residents investors are required to make payments for purchase in DIs through inward remittance from banking channel

(B) Sales of DIs by Non-RoI

432. What are Sales by Non-RoI?

- Non-RoI are permitted to sale + to redeem DIs subject to satisfying conditions as may be specified by RBI + also by SEBI "all" from time to time when Non-RoI have purchased DIs in accordance with Schedule-I of DIs Regulations, 2019.

433. What are Payments to FPIs?

- (i) AD-Category-I Banks are permitted to remit outside India against sales proceeds + also maturity proceeds "both" after taxes
Or
- (ii) AD-Category-I Banks are permitted to credit to FCA account maintained in India against sales proceeds + also maturity proceeds "both" after taxes
Or
- (iii) AD-Category-I Banks are permitted to credit to SNRR account maintained in India against sales proceeds + also maturity proceeds "both" after taxes

434. What are Payments to NRIs + OCIs?

- (i) AD-Category-I Banks are permitted to remit outside India against sales proceeds + also maturity proceeds "both" after taxes
Or
- (ii) AD-Category-I Banks are permitted to credit to NRO account maintained in India against sales proceeds + also maturity proceeds "both" after taxes when DIs were purchased on "non-repatriation" basis.
Or
- (iii) AD-Category-I Banks are permitted to credit to NRO account maintained in India against sales proceeds + also maturity proceeds "both" after taxes when DIs were purchased out of funds from NRO account on "repatriation" basis.
Or



(iv) AD-Category-I Banks are permitted to credit to NRE account maintained in India against sales proceeds + also maturity proceeds "both" after taxes when DIs were purchased on "repatriation" basis

Or

(v) AD-Category-I Banks are permitted to credit to FCNR account maintained in India against sales proceeds + also maturity proceeds "both" after taxes when DIs were purchased on "non-repatriation" basis

435. What are Payments to Other Non-Resident Indians?

(i) AD-Category-I Banks are permitted to remit outside India against sales proceeds + also maturity proceeds "both" after taxes

Or

(ii) AD-Category-I Banks are permitted to credit to account opened in India with specific RBI's approval against sales proceeds + also maturity proceeds "both" after taxes



● Statistical data for FDIs inflow in India ●

(Source for compilation <https://dpiit.gov.in/publications/fdi-statistics>)

436. What is FDIs from Apr 01, 2000 to March 31, 2025 (300 months)?

S.No	Particulars	Amount in INR	Amount in USD
(i)	Cumulative / Total FDI's Inflow in India ● FDIs are to include NDIs + re-invested earnings + also other capitals "all"	----	1,072,340 Million
(ii)	Cumulative / Total FDI's Inflow in India ● FDIs are not to include remittances received through RBI NRIs' schemes	47,68,930 Crore	7,28,882 Million

437. What is FDIs from Jan 01, 2025 to March 31, 2025 (3 months)?

S.No	Particulars	Amount in INR	Amount in USD
(i)	Cumulative / Total FDI's Inflow in India ● FDIs are to include NDIs + re-invested earnings + also other capitals "all"	----	17,470 Million
(ii)	Cumulative / Total FDI's Inflow in India ● FDIs are not to include remittances received through RBI's NRI's schemes	80,967 Crore	9,346 Million

438. What is FDIs from Apr to March, 2025 (12 months)?

S.No	Particulars	Amount in INR	Amount in USD
(i)	April, 2024	40,950	4,910
(ii)	May, 2024	48,812	5,853
(iii)	June, 2024	45,196	5,415
(iv)	July, 2024	26,863	3,213
(v)	August, 2024	53,633	6,393
(vi)	September, 2024	33,578	4,006
(vii)	October, 2024	35,482	4,223
(viii)	November, 2024	19,278	2,285
(ix)	December, 2024	37,169	4,374
(x)	January, 2025	29,012	3,363
(xi)	February, 2025	24,645	2,831
(xii)	March, 2025	27,310	3,152
Total from April to March, 2025 (12 months) #		4,21,929	50,018
Total from April to March, 2024 (12 months) #		3,67,899	44,423
Percentage of growth in 2025 over 2024		15%	13%

Figures are provided provisional which are to be reconciled with RBI, Mumbai.



439. What is Country wise FDI's from Apr 01, 2000 to March 31, 2025 (300 months)?

S.No	Country's name	INR in Crores & USD in Million	April, 22 to March 23 (12 months)	April, 23 to March 24 (12 months)	April, 24 to March 25 (12months)	Apr, 2000 to March, 2025 (300 months)	Percentage of total FDIs inflow in USD
(i)	Mauritius	INR in Crores	48,895	66,147	70,311	10,92,900	
		USD in Million	6,134	7,970	8,344	180,191	25%
(ii)	Singapore	INR in Crores	1,37,374	97,475	1,26,234	12,18,108	
		USD in Million	17,203	11,774	14,942	174,886	24%
(iii)	U.S.A.	INR in Crores	48,666	41,403	46,233	4,93,550	
		USD in Million	6,044	4,998	5,457	70,650	10%
(iv)	Netherland	INR in Crores	19,855	40,733	38,806	3,62,988	
		USD in Million	2,498	4,924	4,620	53,302	7%
(v)	Japan	INR in Crores	14,328	26,243	21,067	2,83,370	
		USD in Million	1,798	3,177	2,478	44,396	6%
(vi)	United Kingdom	INR in Crores	13,994	10,061	6,753	2,10,049	
		USD in Million	1,738	1,216	795	35,887	5%
(vii)	UAE	INR in Crores	26,315	24,262	36,504	1,67,725	
		USD in Million	3,353	2,924	4,345	22,848	3%
(viii)	Cayman Islands	INR in Crores	6,069	2,835	3,126	1,11,040	
		USD in Million	772	342	371	15,637	2%
(ix)	Germany	INR in Crores	4,417	4,181	3,973	91,847	
		USD in Million	547	505	469	15,112	2%
(x)	Cyprus	INR in Crores	10,184	6,705	10,083	89,538	
		USD in Million	1,277	806	1,203	14,653	2%
Total FDIs from 100% Countries		INR in Crores	3,67,435	3,67,899	4,21,929	47,68,930	
		USD in Million	46,034	44,423	50,018	728,882	

440. What are Clarifications for FDI's?

- (i) FDI's are not to include remittances received through RBI's NRI's schemes
- (ii) Percentages (%) are computed based on remittances received in USD "through" "automatic" route + "approval" route + also acquisition of existing shares "all"
- (iii) Figures are provided provisional which are to be reconciled with RBI, Mumbai.



441. What is Sector wise FDI's from Apr 01, 2000 to March 31, 2025 (300 months)

S.No	Sector's name	INR in Crores & USD in Million	April, 22 to March 23 (12 months)	April, 23 to March 24 (12 months)	April, 24 to March 25 (12 months)	Apr, 2000 to March 2025 (300 months)	Percentage of total FDI's inflow in USD
(i)	Services Sector	INR in Crores	69,852	54,894	78,880	7,65,759	
		USD in Million	8,707	6,640	9,347	118,843	16%
(ii)	Computer Software & Hardware	INR in Crores	74,718	66,090	66,102	7,84,971	
		USD in Million	9,394	7,973	7,814	110,698	15%
(iii)	Trading	INR in Crores	38,060	32,080	35,247	3,34,506	
		USD in Million	4,792	3,865	4,176	47,572	7%
(iv)	Telecommunications	INR in Crores	5,469	2,318	6,251	2,41,091	
		USD in Million	713	282	746	40,072	5%
(v)	Automobile Industry	INR in Crores	15,184	12,622	13,396	2,48,683	
		USD in Million	1,902	1,524	1,586	37,854	5%
(vi)	Construction (Infrastructure) Activities	INR in Crores	13,588	35,076	18,962	2,58,516	
		USD in Million	1,703	4,232	2,245	36,163	5%
(vii)	Construction Development: Townships, Housing, Built-Up Infrastructure and Construction-Development Projects	INR in Crores	1,196	2,113	4,503	1,35,824	
		USD in Million	147	255	529	27,139	4%
(viii)	Drugs & Pharmaceuticals	INR in Crores	16,654	8,844	7,500	1,42,381	
		USD in Million	2,058	1,064	891	23,419	3%
(ix)	Chemicals Other than Fertilizers	INR in Crores	14,662	6,985	8,942	1,42,646	
		USD in Million	1,850	844	1,060	23,207	3%
(x)	Non-Conventional Energy	INR in Crores	19,977	31,188	33,797	1,59,959	
		USD in Million	2,500	3,764	4,012	21,900	3%

442. What are Clarifications for FDI's?

(i) Service sector is to include certain services like:

- (a) Financial services
- (b) Banking services
- (c) Insurance services



- (d) *Non-Financial services*
 - (e) *Business services*
 - (f) *Outsourcing services*
 - (g) *R&D services*
 - (h) *Courier services*
 - (i) *Technical testing and analysis services*
 - (j) *Other services*
- (ii) Percentages (%) are *computed* based on remittances received *in USD* “through” “automatic” route + “approval” route + also *acquisition of existing shares* “all”
- (iii) Figures are *provided* provisional *which are to be reconciled with RBI, Mumbai.*



443. What is State wise FDI's from Apr 01, 2000 to March 31, 2025 (300 months)

S.No	State's name	INR in Crores & USD in Million	April, 22 to March 23 (12 months)	April, 23 to March 24 (12 months)	April, 24 to March 25 (12 months)	Apr, 2000 to March, 2025 (300 months)	Percentage of total FDI's inflow in USD
(i)	Maharashtra	INR in Crores	1,18,422	1,25,101	1,64,875	6,97,304	
		USD in Million	14,806	15,116	19,589	88,676	31%
(ii)	Karnataka	INR in Crores	83,628	54,427	56,030	4,45,513	
		USD in Million	10,429	6,571	6,619	57,650	20%
(iii)	Gujarat	INR in Crores	37,059	60,600	47,947	3,47,572	
		USD in Million	4,714	7,300	5,711	44,912	16%
(iv)	Delhi	INR in Crores	60,119	53,980	51,540	2,95,613	
		USD in Million	7,534	6,523	6,091	37,807	13%
(v)	Tamil Nadu	INR in Crores	17,247	20,157	31,103	1,15,346	
		USD in Million	2,169	2,436	3,681	14,619	5%
(vi)	Haryana	INR in Crores	20,735	15,797	26,600	1,01,869	
		USD in Million	2,600	1,908	3,147	12,877	5%
(vii)	Telangana	INR in Crores	10,319	25,094	25,351	86,211	
		USD in Million	1,303	3,029	2,994	10,768	4%
(viii)	Jharkhand	INR in Crores	44	90	61	19,443	
		USD in Million	6	11	7	2,674	1%
(ix)	Rajasthan	INR in Crores	7,218	2,195	3,170	21,222	
		USD in Million	910	265	374	2,718	1%
(x)	Uttar Pradesh	INR in Crores	3,373	2,762	3,700	16,316	
		USD in Million	420	334	436	2,071	1%

444. What are Clarifications for FDI's?

- Percentages (%) are computed based on remittances received in USD "through" "automatic" route + "approval" route + also acquisition of existing shares "all"
- Figures are provided provisional which are to be reconciled with RBI, Mumbai.



445. What is financial year wise FDI's from Apr, 00 to March, 2025 (300 months)?

S. NO.	Financial Year	Automatic + Approval + Acquisition Routes	Capital in un-incorporated entities	Re-invested earnings	Other capital	Total FDI's	%age growth over previous year	Investment by FII's (Net)
(i)	2000-01	2,339	61	1,350	279	4,029	-	1,847
(ii)	2001-02	3,904	191	1,645	390	6,130	(+) 52 %	1,505
(iii)	2002-03	2,574	190	1,833	438	5,035	(-) 18 %	377
(iv)	2003-04	2,197	32	1,460	633	4,322	(-) 14 %	10,918
(v)	2004-05	3,250	528	1,904	369	6,051	(+) 40 %	8,686
(vi)	2005-06	5,540	435	2,760	226	8,961	(+) 48 %	9,926
(vii)	2006-07	15,585	896	5,828	517	22,826	(+) 155 %	3,225
(viii)	2007-08	24,573	2,291	7,679	300	34,843	(+) 53 %	20,328
(ix)	2008-09	31,364	702	9,030	777	41,873	(+) 20 %	-15,017
(x)	2009-10	25,606	1,540	8,668	1,931	37,745	(-) 10 %	29,048
(xi)	2010-11	21,376	874	11,939	658	34,847	(-) 08 %	29,422
(xii)	2011-12	34,833	1,022	8,206	2,495	46,556	(+) 34 %	16,812
(xiii)	2012-13	21,825	1,059	9,880	1,534	34,298	(-) 26%	27,582
(xiv)	2013-14	24,299	975	8,978	1,794	36,046	(+) 5%	5,009
(xv)	2014-15	30,933	978	9,988	3,249	45,148	(+) 25%	40,923
(xvi)	2015-16	40,001	1,111	10,413	4,034	55,559	(+) 23%	-4,016
(xvii)	2016-17	43,478	1,223	12,343	3,176	60,220	(+) 8%	7,735
(xviii)	2017-18	44,857	664	12,542	2,911	60,974	(+) 1%	22,165
(xix)	2018-19	44,366	689	13,672	3,274	62,001	(+) 2%	-2,225
(xx)	2019-20	49,977	1,757	14,175	8,482	74,391	(+) 20%	552
(xxi)	2020-21	59,636	1,452	16,935	3,950	81,973	(+) 10%	38,725
(xxii)	2021-22	58,773	910	19,347	5,805	84,835	(+) 3%	-14,071
(xxiii)	2022-23	46,034	1,566	19,105	4,650	71,355	(-) 16%	-4,828
(xxiv)	2023-24	44,423	1,394	19,768	5,694	71,279	(-)0%	44,626
(xxv)	2024-25 up to March 25	50,018	976	23,545	6,505	81,043	(+) 14%	2,429
Total		731,761	23,516	252,993	64,071	1,072,340	-	281,683

446. What are Clarifications for FDI's?

- (i) Percentages (%) are computed based on remittances received in USD "through" "automatic" route + "approval" route + also acquisition of existing shares "all"



- (ii) Inflow under acquisition of shares in March, 2011 + August, 2011 + also October, 2011 "all" are to include "net" FDIs for transfer of participating interest from Reliance Industries Ltd. to BP Exploration (Alpha).
- (iii) Monthly data on components of FDIs are not available therefore these are not comparable with FDIs data for previous years.
- (iv) Figures are provided provisional which are to be reconciled with RBI, Mumbai.
- (v) Data for Re-invested earnings + also other capital "both" are estimated based on average of previous 2 years.
- (vi) Data for capital of unincorporated bodies are estimated



447. What is financial year wise FDIs in Equity from Apr, 00 to March, 25 (300 months)?

S.No.	Financial Year	INR in Crores	USD in Million	%age growth over previous year in USD
(i)	2000-01	10,733	2,463	-
(ii)	2001-02	18,654	4,065	(+) 65 %
(iii)	2002-03	12,871	2,705	(-) 33 %
(iv)	2003-04	10,064	2,188	(-) 19 %
(v)	2004-05	14,653	3,219	(+) 47 %
(vi)	2005-06	24,584	5,540	(+) 72 %
(vii)	2006-07	56,390	12,492	(+) 125 %
(viii)	2007-08	98,642	24,575	(+) 97 %
(ix)	2008-09	1,42,829	31,396	(+) 28 %
(x)	2009-10	1,23,120	25,834	(-) 18 %
(xi)	2010-11	97,320	21,383	(-) 17 %
(xii)	2011-12	1,65,146	35,121	(+) 64 %
(xiii)	2012-13	1,21,907	22,423	(-) 36 %
(xiv)	2013-14	1,47,518	24,299	(+) 8%
(xv)	2014-15	1,81,682	29,737	(+) 22%
(xvi)	2015-16	2,62,322	40,001	(+) 35%
(xvii)	2016-17	2,91,696	43,478	(+) 9%
(xviii)	2017-18	2,88,889	44,857	(+) 3%
(xix)	2018-19	3,09,867	44,366	(-) 1%
(xx)	2019-20	3,53,557	49,977	(+) 13%
(xxi)	2020-21	4,42,569	59,636	(+) 19%
(xxii)	2021-22	4,37,188	58,773	(-) 1%
(xxiii)	2022-23	3,67,435	46,034	(-) 22%
(xxiv)	2023-24	3,67,899	44,423	(-)3%
(xxv)	2024-25 up to March-25	4,21,929	50,018	(+) 13%
Total		47,69,464	729,003	

448. What are Clarifications for FDI's in Equity?

- (i) FDIs are to include remittances received through RBI NRIs' schemes
- (ii) FEDAI (Foreign Exchange Dealers Association of India) conversion rate from INR to USD is applied based on monthly average rate provided by RBI (DEPR).



449. What is Country wise FDIs in Equity from Apr, 00 to March, 25 (300 months)?

S.No.	Country's name	INR in Crores	USD in Million	%age growth over previous year in USD
(i)	Mauritius	10,92,900.36	180,190.51	24.72
(ii)	Singapore	12,18,107.82	174,885.78	23.99
(iii)	U.S.A	4,93,549.78	70,650.48	9.69
(iv)	Netherland	3,62,988.17	53,302.34	7.31
(v)	Japan	283370.42	44,395.88	6.09
(vi)	United Kingdom	210048.63	35,886.71	4.92
(vii)	UAE	1,67,724.65	22,847.63	3.13
(viii)	Cayman Islands	1,11,040.23	15,637.46	2.15
(ix)	Germany	91,846.88	15,112.09	2.07
(x)	Cyprus	89,538.39	14,653.13	2.01
(xi)	France	75,777.41	11,753.09	1.61
(xii)	Switzerland	72,626.43	10,833.24	1.49
(xiii)	South Korea	45,550.44	6,685.38	0.92
(xiv)	Luxembourg	35,847.86	5,181.99	0.71
(xv)	Hong Kong	30,577.79	4,836.41	0.66
(xvi)	Spain	27,101.43	4,294.48	0.59
(xvii)	Canada	29,682.51	4,172.16	0.57
(xviii)	Belgium	28,638.73	4,023.55	0.55
(xix)	Italy	22,192.11	3,607.88	0.49
(xx)	Saudi Arabia	24,213.01	3,277.46	0.45
(xxi)	British Virginia	17,117.61	2,622.72	0.36
(xxii)	Sweden	16,489.07	2,603.69	0.36
(xxiii)	China	16,110.42	2,506.67	0.34
(xxiv)	Ireland	10,916.11	1,574.23	0.22
(xxv)	Australia	9,843.04	1,526.15	0.21
(xxvi)	Qatar	12,049.69	1,504.80	0.21
(xxvii)	Thailand	10,637.31	1,478.45	0.20
(xxviii)	Bermuda	9,014.52	1,422.11	0.20
(xxix)	Denmark	9,652.75	1,409.68	0.19
(xxx)	Russia	7,487.68	1,302.10	0.18
(xxxi)	Malaysia	7,737.54	1,272.30	0.17
(xxxii)	Taiwan	7,865.11	1082.62	0.15
(xxxiii)	Norway	6,938.54	931.88	0.13
(xxxiv)	Poland	4,198.98	740.18	0.10
(xxxv)	IFSC, India	6,149.18	735.24	0.10
(xxxvi)	Austria	4,412.45	675.89	0.09
(xxxvii)	Indonesia	3,177.21	659.30	0.09
(xxxviii)	South Africa	3,916.41	623.05	0.09
(xxxix)	Oman	3,399.43	605.57	0.08



(xl)	Virgin Islands (US)	3,975.12	581.93	0.08
(xli)	Finland	3,364.79	572.41	0.08
(xlii)	Philippines	3,864.77	547.52	0.08
(xliii)	Mexico	2,331.57	338.67	0.05
(xliv)	Israel	2,261.37	334.26	0.05
(xlv)	Guernsey	2,405.61	303.04	0.04
(xlvi)	Turkey	1,529.34	242.37	0.03
(xlvii)	Seychelles	1,339.51	217.81	0.03
(xlviii)	Bahrain	1,186.76	186.97	0.03
(xlix)	Chile	850.14	167.76	0.02
(l)	Jersey	1,226.60	148.76	0.02
(li)	Morocco	682.67	141.55	0.02
(lii)	Portugal	817.02	126.23	0.02
(liii)	Czech Republic	758.72	110.01	0.02
(liv)	Liechtenstein	751.68	105.93	0.01
(lv)	Sri Lanka	607.32	99.76	0.01
(lvi)	Panama	617.73	98.14	0.01
(lvii)	Kuwait	637.26	97.86	0.01
(lviii)	Samoa	665.39	90.64	0.01
(lix)	New Zealand	526.46	87.29	0.01
(lx)	West Indies	353.89	79.17	0.01
(lxi)	St Vincent	323.07	59.72	0.008
(lxii)	Bahamas	343.96	59.61	0.008
(lxiii)	Brazil	341.85	53.58	0.007
(lxiv)	Cambodia	354.55	50.48	0.007
(lxv)	Korea(North)	270.48	48.50	0.007
(lxvi)	Channel Islands	277.38	47.77	0.007
(lxvii)	Brunei Darussalam	298.7	39.10	0.005
(lxviii)	Vietnam	286.95	34.66	0.005
(lxix)	St Kitts & Nevis	148.86	33.67	0.005
(lxx)	Hungary	208.99	32.68	0.004
(lxxi)	Malta	210.54	32.39	0.004
(lxxii)	Jordan	179.21	32.04	0.004
(lxxiii)	Greece	240.16	31.45	0.004
(lxxiv)	Kenya	170.58	30.83	0.004
(lxxv)	Iceland	153.1	29.41	0.004
(lxxvi)	Belarus	164.39	29.18	0.004
(lxxvii)	Kazakhstan	142.53	27.29	0.004
(lxxviii)	Slovakia	157.61	24.18	0.003
(lxxix)	Gibraltar	103.84	22.41	0.003
(lxxx)	Slovenia	124	18.67	0.003
(lxxxi)	Nigeria	92.98	16.80	0.002
(lxxxii)	Mozambique	112.67	15.67	0.002



(lxxxiii)	Bulgaria	114.98	15.13	0.002
(lxxxiv)	Liberia	66.61	14.84	0.002
(lxxxv)	Romania	79.34	13.18	0.002
(lxxxvi)	Uganda	88.93	12.78	0.002
(lxxxvii)	Maldives	70.99	12.31	0.002
(lxxxviii)	Ukraine	81.02	11.90	0.002
(lxxxix)	Egypt	73.80	11.31	0.002
(xc)	Colombia	75.22	11.25	0.002
(xci)	Barbados	82.40	11.08	0.002
(xcii)	Argentina	47.65	10.36	0.001
(xciii)	Botswana	72.57	9.22	0.001
(xciv)	Marshall Islands	73.09	9.04	0.001
(xcv)	Myanmar	36.16	9.02	0.001
(xcvi)	Ghana	42.88	7.98	0.001
(xcvii)	Belize	39.35	7.54	0.001
(xcviii)	Nepal	48.65	6.93	0.001
(xcix)	East Africa	36.22	5.61	0.0008
(c)	Uruguay	28.28	5.49	0.0008
(ci)	Fiji Island	22.59	5.11	0.0007
(cii)	Monaco	33.05	5.05	0.0007
(ciii)	Tunisia	23.99	4.96	0.0007
(civ)	Azerbaijan	34.26	4.45	0.0006
(cv)	Estonia	28.28	4.15	0.0006
(cvi)	Georgia	30.51	3.91	0.0005
(cvii)	Tanzania	22.65	3.79	0.0005
(cviii)	Peru	27.17	3.77	0.0005
(cix)	Trinidad & Tobago	23.04	3.70	0.0005
(cx)	Lebanon	21.31	3.37	0.0005
(cxii)	Vanuatu	18.94	3.20	0.0004
(cxiii)	St Lucia	21.85	3.16	0.0004
(cxiv)	West Africa	15.89	3.03	0.0004
(cxv)	State of Palestine	21.77	2.71	0.0004
(cxvi)	Afghanistan	17.41	2.57	0.0004
(cxvii)	Yemen	8.22	1.95	0.0003
(cxviii)	Lithuania	12.32	1.63	0.0002
(cxix)	San Marino	9.43	1.52	0.0002
(cxx)	Latvia	10.71	1.39	0.0002
(cxxi)	Tajikistan	8.98	1.37	0.0002
(cxxii)	Armenia	10.31	1.19	0.0002
(cxxiii)	Malawi	8.40	1.17	0.0002
(cxxiv)	Cuba	4.73	1.04	0.0001
(cxxv)	Iran	6.18	1.00	0.0001
(cxxvi)	Guyana	4.60	1.00	0.0001



(cxxvi)	Togo Republic	5.07	0.92	0.0001
(cxxvii)	Algeria	5.50	0.79	0.0001
(cxxviii)	Jamaica	5.09	0.79	0.0001
(cxxix)	Croatia	4.22	0.77	0.0001
(cxxx)	Swaziland	6.09	0.74	0.0001
(cxxxi)	Congo (DR)	3.17	0.63	0.00009
(cxxxii)	Benin	4.39	0.55	0.00007
(cxxxiii)	Serbia	4.25	0.54	0.00007
(cxxxiv)	Anguilla	2.82	0.45	0.00006
(cxxxv)	Aruba	1.96	0.43	0.00006
(cxxxvi)	Zambia	2.19	0.36	0.00005
(cxxxvii)	Iraq	1.59	0.30	0.00004
(cxxxviii)	Vatican City	1.84	0.27	0.00004
(cxxxix)	GABON	1.99	0.26	0.00004
(cxl)	Honduras	1.77	0.25	0.00003
(cxli)	Yugoslavia	1.13	0.24	0.00003
(cxlii)	Suriname	1.30	0.21	0.00003
(cxliii)	Mauritania	1.19	0.16	0.00002
(cxliv)	Costa Rica	1.04	0.14	0.00002
(cxlv)	Sierra Leone	0.84	0.11	0.00001
(cxlvi)	Angola	0.70	0.09	0.00001
(cxlvii)	Cook Island	0.66	0.09	0.00001
(cxlviii)	Bangladesh	0.52	0.08	0.00001
(cxlix)	Zimbabwe	0.55	0.08	0.00001
(cl)	Turks and Caicos Islands	0.57	0.07	0.00001
(cli)	Libya	0.28	0.07	0.000009
(clii)	Mongolia	0.27	0.06	0.000008
(cliii)	Djibouti	0.40	0.05	0.000007
(cliv)	Sudan	0.25	0.05	0.000007
(clv)	Cote Divoire	0.30	0.05	0.000006
(clvi)	Moldova	0.25	0.03	0.000005
(clvii)	Cape Verde	0.10	0.01	0.000002
(clviii)	Puerto Rico	0.10	0.01	0.000002
(clix)	Niue Island	0.08	0.01	0.000002
(clx)	Venezuela	0.03	0.005	0.0000007
(clxi)	Ethiopia	0.04	0.005	0.0000007
(clxii)	Kyrgyzstan	0.02	0.003	0.0000004
(clxiii)	Dominican Rep	0.02	0.003	0.0000004
(clxiv)	Cameroon	0.01	0.003	0.0000004
(clxv)	Turkmenistan	0.02	0.002	0.0000003
(clxvi)	Bolivia	0.01	0.002	0.0000003
(clxvii)	Syria	0.01	0.002	0.0000002
(clxviii)	San Tome And Principe	0.01	0.001	0.0000002



(clxix)	Ecuador	0.009	0.001	0.0000002
(clxx)	Paraguay	0.005	0.0008	0.0000001
(clxxi)	Senegal	0.004	0.0006	0.00000008
(clxxii)	Macedonia	0.004	0.0005	0.00000007
(clxxiii)	Rwanda	0.003	0.0004	0.00000006
(clxxiv)	Mali Republic	0.0001	0.00001	0.000000002
(clxxv)	Country Details Awaited	30,982.65	6,980.16	0.96
(clxxvi)	FII's	0.25	0.06	0.000009
(clxxvii)	NRI ***	20,383.66	4,684.25	0.64
Sub-Total		47,68,930.23	728,881.77	
RBI's-NRI Schemes (2000-2002)		533.06	121.33	
Grand Total		47,69,463.29	7,29,003.10	



450. What is Sector wise FDIs in Equity from Apr, 00 to March, 25 (300 months)?

S.No.	Sector's name	INR in Crores	USD in Million	% age growth over previous year in USD
(i)	Services Sector (Fin. Banking, Insur., Non-Fin/business, Outsourcing, R&d, Courier, Tech. Testing and Analysis, Other)	7,65,758.71	118,843.31	16.3
(ii)	Computer Software & Hardware	7,84,971.19	110,698.11	15.19
(iii)	Trading	3,34,505.56	47,571.58	6.53
(iv)	Telecommunications	2,41,091.47	40,072.02	5.5
(v)	Automobile Industry	2,48,682.50	37,854.44	5.19
(vi)	Construction (Infrastructure) Activities	2,58,516.13	36,162.57	4.96
(vii)	Construction Development: Townships, Housing, Built-up Infrastructure and Construction-development Projects	1,35,823.85	27,139.24	3.72
(viii)	Drugs & Pharmaceuticals	1,42,380.55	23,419.41	3.21
(ix)	Chemicals (Other Than Fertilizers)	1,42,647.58	23,206.87	3.18
(x)	Non-conventional Energy	1,59,958.81	21,899.56	3
(xi)	Power	1,20,986.33	19,715.21	2.7
(xii)	Hotel & Tourism	1,17,787.92	18,533.62	2.54
(xiii)	Metallurgical Industries	1,13,539.95	18,470.79	2.53
(xiv)	Electrical Equipment	86,488.02	13,175.72	1.81
(xv)	Food Processing Industries	86,824.30	13,128.29	1.8
(xvi)	Hospital & Diagnostic Centers	82,348.30	11,824.08	1.62
(xvii)	Information & Broadcasting (including Print Media)	75,590.84	11,705.45	1.61
(xviii)	Consultancy Services	69,962.23	10,305.70	1.41
(xix)	Education	72,210.33	9,979.35	1.37
(xx)	Petroleum & Natural Gas	43,906.76	8,216.05	1.13
(xxi)	Cement And Gypsum Products	51,130.16	7,919.97	1.09
(xxii)	Industrial Machinery	46,590.06	7,369.67	1.01
(xxiii)	Sea Transport	49,715.08	6,876.73	0.94
(xxiv)	Electronics	44,496.07	6,621.54	0.91
(xxv)	Air Transport (including Air Freight)	37,633.02	5,207.65	0.71
(xxvi)	Retail Trading	35,058.04	4,839.18	0.66
(xxvii)	Textiles (including Dyed, printed)	30,479.81	4,727.56	0.65
(xxviii)	Fermentation Industries	27,063.50	4,653.67	0.64
(xxix)	Miscellaneous Mechanical & Engineering	29,176.45	4,549.76	0.62
(xxx)	Medical and Surgical Appliances	27,458.82	3,913.48	0.54



(xxxi)	Rubber Goods	23,492.56	3,718.19	0.51
(xxxii)	Mining	21,541.11	3,510.99	0.48
(xxxiii)	Prime Mover (Other Than Electrical	20,338.56	3,131.33	0.43
(xxxiv)	Agriculture Services	18,947.59	3,119.47	0.43
(xxxv)	Printing of Books (including Litho Printing	17,851.32	2,578.67	0.35
(xxxvi)	Soaps, Cosmetics & Toilet Preparations	16,540.49	2,525.74	0.35
(xxxvii)	Agricultural Machinery	12,297.57	1,747.15	0.24
(xxxviii)	Paper And Pulp (including Paper Products)	10,159.90	1,744.37	0.24
(xxxix)	Ports	6,730.91	1,637.30	0.22
(xl)	Railway Related Components	8,964.20	1,434.23	0.2
(xli)	Diamond, Gold Ornaments	9,162.61	1,429.05	0.2
(xlii)	Glass	9,134.71	1,390.79	0.19
(xliii)	Machine Tools	7,854.90	1,292.95	0.18
(xliv)	Vegetable Oils and Vanaspati	7,339.91	1,166.94	0.16
(xlv)	Ceramics	5,908.80	1,047.02	0.14
(xlvi)	Fertilizers	4,315.74	739.4	0.1
(xlvii)	Earth-moving Machinery	4,194.64	647.7	0.09
(xlviii)	Scientific Instruments	3,720.78	530.23	0.07
(xlix)	Commercial, Office & Household Equip.	2,854.29	493.05	0.07
(l)	Boilers And Steam Generating Plants	2,339.53	377.07	0.05
(li)	Leather, Leather Goods and Pickers	2,317.46	346.61	0.05
(lii)	Tea And Coffee (Processing & Ware-housing	1,870.47	283.84	0.04
(liii)	Timber Products	1,822.53	276.01	0.04
(liv)	Glue And Gelatin	1,804.78	252.49	0.03
(lv)	Sugar	1,550.36	249.23	0.03
(lvi)	Dye-stuffs	635.83	105.2	0.01
(lvii)	Industrial Instruments	462.64	89.58	0.01
(lviii)	Photographic Raw Film and Paper	273.76	67.29	0.009
(lix)	Coal Production	119.19	27.73	0.004
(lx)	Défense Industries	154.7	21.74	0.003
(lxi)	Mathematical, Surveying and Drawing	39.8	7.98	0.001
(lxii)	Coir	22.05	4.07	0.0006
(lxiii)	Miscellaneous Industries	81,384.19	14,287.76	1.96
Sub-total		47,68,930.23	728,881.77	
RBI's-NRI Schemes (2000-2002)		533.06	121.33	
Grand Total		47,69,463.29	729,003.1	



451. What is State wise FDIs in Equity from Apr, 00 to March, 25 (300 months)?

S.No.	State's name	INR in Crores	USD in Million	% age growth over previous year in USD
(i)	Maharashtra	6,97,303.95	88,675.52	31.36
(ii)	Karnataka	4,45,513.36	57,649.98	20.39
(iii)	Gujarat	3,47,571.60	44,912.44	15.88
(iv)	Delhi	2,95,613.48	37,807.30	13.37
(v)	Tamil Nadu	1,15,345.80	14,619.34	5.17
(vi)	Haryana	1,01,869.21	12,877.13	4.55
(vii)	Telangana	86,211.27	10,768.04	3.81
(viii)	Jharkhand	21,222.35	2,718.21	0.96
(ix)	Rajasthan	19,443.21	2,674.15	0.95
(x)	Uttar Pradesh	16,315.55	2,070.80	0.73
(xi)	West Bengal	14,932.58	1,908.05	0.67
(xii)	Kerala	10,882.19	1,375.19	0.49
(xiii)	Punjab	9,376.63	1,231.72	0.44
(xiv)	Andhra Pradesh	8,765.24	1,121.27	0.4
(xv)	Madhya Pradesh	4,653.22	613.1	0.22
(xvi)	Himachal Pradesh	2,882.27	362.97	0.13
(xvii)	Uttarakhand	1,728.91	221.84	0.08
(xviii)	Bihar	1,650.05	215.82	0.08
(xix)	Goa	1,517.75	196.79	0.07
(xx)	Dadra And Nagar Haveli and Daman and Diu	1,343.44	179.29	0.06
(xxi)	Odisha	1,315.84	173.21	0.06
(xxii)	Chandigarh	1138.27	135.15	0.05
(xxiii)	Chhattisgarh	895.91	114.44	0.04
(xxiv)	Puducherry	574.86	75.98	0.03
(xxv)	Assam	179.67	23.73	0.008
(xxvi)	Arunachal Pradesh	53.25	7.03	0.002
(xxvii)	Jammu And Kashmir	10.43	1.33	0.0005
(xxviii)	Tripura	9.75	1.23	0.0004
(xxix)	Meghalaya	9.08	1.20	0.0004
(xxx)	Ladakh	1.70	0.22	0.00008
(xxxi)	Nagaland	0.51	0.06	0.00002
(xxxii)	Manipur	0.01	0.0006	0.0000002
(xxxiii)	State Not Indicated	246.69	32.93	0.01
Gross-Total		22,08,578.02	282,765.45	

Note: State wise data is maintained w.e.f. October, 2019



452. What are RTI's Provisions for DPIIT?

- (i) Department for Promotion of Industry and Internal Trade (DPIIT) has implemented Right to Information (RTI) Act, 2005 from Oct 12, 2005 / since its inception.
- (ii) (a) DPIIT has dedicated RTI Cell for receiving RTI Applications/Appeals
(b) For forwarding same to concerned Central Public Information Officers (CPIOs)
(c) For transferring to other concerned Public Authorities.
- (iii) (a) DPIIT's RTI Section is required to keep records for 100% RTI's applications/appeals received
(b) To monitor for applications / appeals' timely disposal.

453. What are Officers responsible for providing information's under RTI?

- (i) 100% Director/Deputy Secretary level officers are designated as CPIOs under Section 5(1) of RTI Act, 2005 for providing information's / documents to citizens of India.
- (ii) 100% Joint Secretary/Additional Secretary level officers are designated as First Appellate Authorities (FAAs) for addressing appeals filed by Appellant under Section 19 of RTI Act, 2005.

454. What are Statistical data for RTI?

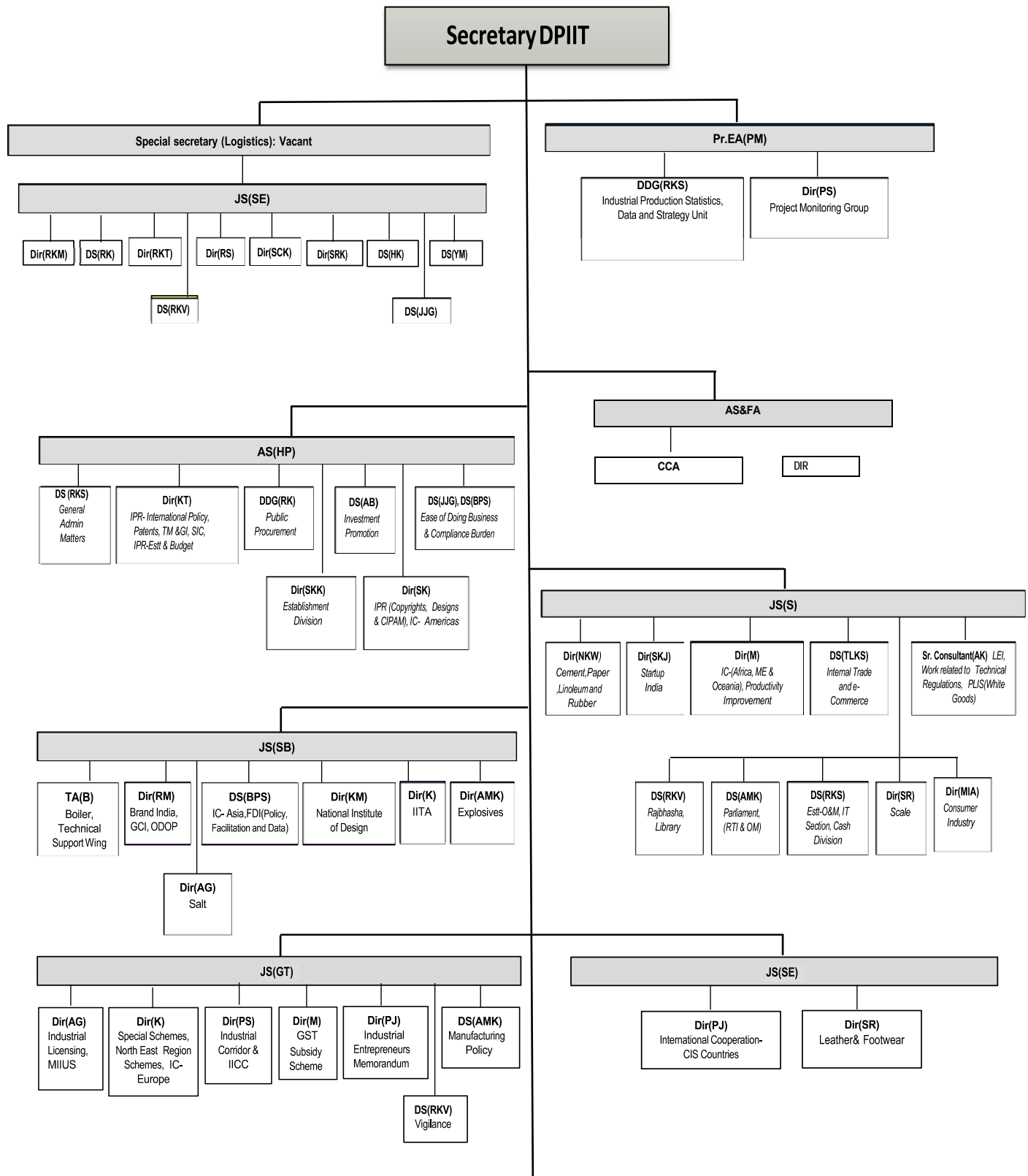
- (i) DPIIT has provided required information on Website <http://dipp.nic.in> under suo-motu disclosure on proactive basis.
- (ii) 100% items required to publish in public domain proactively under Section 4 (1) (b) of RTI Act, 2005 are uploaded on website + also being updated on regular basis "both".
- (iii) Statistical data for 100% RTI's applications/appeals received up to Dec 31, 2024 are as under:



<i>S.No</i>	<i>Period</i>	<i>No. of RTI's Applications</i>	<i>No. of First Appeals</i>
<i>(a)</i>	<i>1st Quarter</i> <i>From April 01 to June 30, 2024</i>	<i>347</i>	<i>28</i>
<i>(b)</i>	<i>2nd Quarter</i> <i>From July 01 to Sep 30, 2024</i>	<i>351</i>	<i>29</i>
<i>(c)</i>	<i>3rd Quarter</i> <i>From Oct 01 to Dec 31, 2024</i>	<i>328</i>	<i>29</i>
<i>Total</i>		<i>1026</i>	<i>86</i>



455. What is Chart for Secretary DPIIT?



456. What is Master Direction (MD)?



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA



www.rbi.org.in

RBI/FED/2017-18/60

FED Master Direction No.11/2017-18

January 4, 2018

(Updated up to January 20, 2025)

(Updated as on January 16, 2025)

(Updated up to August 08, 2024)

(Updated up to March 17, 2022)

(Updated up to March 08, 2019)

(Updated up to December 19, 2018)

(Updated as on April 06, 2018)

(Updated as on January 12, 2018)

To,

All Authorised Dealer Category – I banks
and Authorised banks

Madam / Sir,

Master Direction – Foreign Investment in India

Foreign Investment in India is regulated in terms of sub-section 2A of Section 6 and Section 47 of the Foreign Exchange Management Act, 1999 (FEMA) read with [Foreign Exchange Management \(Non-Debt Instruments\) Rules, 2019](#) (NDI Rules) issued vide Gazette Notification No. S.O. 3732(E) dated October 17, 2019 in supersession of the [Foreign Exchange Management \(Transfer or Issue of Security by a Person Resident outside India\) Regulations, 2017](#), and the [Foreign Exchange Management \(Acquisition and Transfer of Immovable Property in India\) Regulations, 2018](#). These rules are amended from time to time to incorporate the changes in the regulatory framework and published through gazette notifications.

2. Rule 2(A) of NDI Rules empowers the Reserve Bank of India (RBI) to administer it, and while administering these rules, the RBI may interpret and issue such directions, circulars, instructions, clarifications, as it may deem necessary, for effective implementation of the provisions of these rules. The instructions relating to mode of payment and reporting requirements for investment in India by a person resident outside India are contained in [Foreign Exchange Management \(Mode of Payment and Reporting of Non-Debt Instruments\) Regulations, 2019 \(FEMA 395\)](#).

3. RBI, therefore, issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act (FEMA), 1999. This Master Direction lays down the modalities as to how the foreign exchange business has to be conducted by the Authorised Persons with their customers/ constituents with a view to implementing the rules framed.
4. Instructions issued on Foreign Investment in India and its related aspects under the FEMA have been compiled in this Master Direction. The list of underlying circulars/ notifications which form the basis of this Master Direction is furnished in [Annex 12](#).
5. This Master Direction has been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) read with Rule 2(A) (2) of the NDI Rules and are without prejudice to permissions/ approvals, if any, required under any other law.

Yours faithfully

(Dr. Aditya Gaiha)
Chief General Manager-in-Charge



Master Direction – Foreign Investment in India

1. Introduction

1.1 These directions may be referred to for general guidance and should be read in conjunction with the relevant notifications/directions issued under FEMA/ NDI Rules/FEMA 395. In case of any inconsistency(ies) between these directions and FEMA notification(s), the latter shall prevail.

1.2 An investment made by a person resident outside India in accordance with FEMA or the rules or the regulations framed thereunder and held on the date of commencement of NDI Rules i.e. October 17, 2019, shall be deemed to have been made in accordance with NDI Rules and shall accordingly be governed under it.

1.3 In terms of Section 6(5) of FEMA, a person resident outside India may hold, own, transfer or invest in a security in India if such security was acquired, held or owned by such person when he was resident in India or inherited from a person who was resident in India. Such investment will be held by such person on a non-repatriable basis. In case of death of a person resident in India and consequent transmission of equity instruments held by the person resident in India to non-resident legal heir by way of inheritance, the inherited equity instruments shall be held on non-repatriation basis and, therefore, reporting for the said transaction shall not be required.

In case of change of residential status of a person resident in India to a person resident outside India, the investment shall be considered on non-repatriation basis.

2. Key terms

Some key terms used in this Master Direction are given below:

2.1 'Act' is the Foreign Exchange Management Act, 1999 (42 of 1999).

2.2 'Equity Instruments' are equity shares, convertible debentures, preference shares and share warrants issued by an Indian company. The details of what shall construe equity instruments are at para 4 of this Master Direction.

2.3 'Indian company' means a company as defined in the Companies Act, 2013 or a body corporate established or constituted by or under any Central or State Act, which is incorporated in India but does not include a society, trust or any entity, which is excluded as an eligible investee entity under the FDI Policy.

Note :Reference to 'company' or 'investee company' or 'transferee company' or 'transferor company' also includes a reference to a body corporate established or constituted by or under any Central or State Act but if the term 'Company ' or 'Indian company' or 'Investee company' or 'transferee company' or 'transferor company' is qualified by a reference to a company incorporated under the Companies Act, 2013 such term shall mean a company incorporated under the said Act but not a body corporate.

2.4 'Control' shall have the same meaning as assigned to it in the Companies Act, 2013 and for the purposes of Limited Liability Partnership, shall mean the right to



appoint majority of the designated partners, where such designated partners, with specific exclusion to others, have control over all the policies of an LLP.

2.5 'Convertible Note' is an instrument issued by a start-up company evidencing receipt of money initially as debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of such start-up company, within a period not exceeding ten years from the date of issue of the convertible note, upon occurrence of specified events as per the other terms and conditions agreed to and indicated in the instrument.

2.6 'E-commerce' is buying and selling of goods and services including digital products over digital & electronic network.

2.6.1 'E-commerce entity' are the following entities conducting the e-commerce business

- a. a company incorporated under the Companies Act, 1956 or the Companies Act, 2013 or
- b. a foreign company covered under section 2 (42) of the Companies Act, 2013 or
- c. an office, branch or agency in India owned or controlled by a person resident outside India and

2.6.2 'Inventory based model of e-commerce' means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly.

2.6.3 'Market place model of e-commerce' means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller.

2.6.4 Foreign investment is not permitted in Inventory based model of e-commerce.

2.7 'FDI linked performance conditions' is the sector specific conditions stipulated in Schedule I of the NDI Rules for companies receiving foreign investment.

2.8 'Foreign Direct Investment' (FDI) is the investment through equity instruments by a person resident outside India (a) in an unlisted Indian company; or (b) in 10 percent or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company.

2.8.1 If an existing investment by a person resident outside India in equity instruments of a listed Indian company falls to a level below 10 percent of the post issue paid-up equity capital on a fully diluted basis, the investment will continue to be treated as FDI.

2.8.2 Fully diluted basis means the total number of shares that would be outstanding if all possible sources of conversion are exercised.

2.9 'Foreign Portfolio Investment' is any investment made by a person resident outside India in equity instruments where such investment is (a) less than 10 percent of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company or (b) less than 10 percent of the paid-up value of each series of equity instruments of a listed Indian company.



2.10 'Foreign Portfolio Investor (FPI)' is a person registered in accordance with the provisions of Securities Exchange Board of India (SEBI) (Foreign Portfolio Investors) Regulations, 2014, as amended from time to time.

2.10.1 Any Foreign Institutional Investor (FII) or a sub account registered under the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 and holding a valid certificate of registration from SEBI shall be deemed to be a FPI till the expiry of the block of three years from the enactment of the SEBI (Foreign Portfolio Investors) Regulations, 2014.

2.11 'Foreign Investment' is any investment made by a person resident outside India on a repatriable basis in equity instruments of an Indian company or to the capital of an LLP.

2.11.1 Issue/ transfer of 'participating interest/ right' in oil fields by Indian companies to a person resident outside India would be treated as foreign investment.

2.11.2 If a declaration is made by persons as per the provisions of the Companies Act, 2013 about a beneficial interest being held by a person resident outside India, then even though the investment may be made by a resident Indian citizen, the same shall be counted as foreign investment.

2.11.3 A person resident outside India may hold foreign investment either as Foreign Direct Investment or as Foreign Portfolio Investment in any particular Indian company.

2.12 'Group company' is two or more enterprises which, directly or indirectly, are in a position to (a) exercise 26 percent, or more of voting rights in other enterprise; or (b) appoint more than 50 percent of members of board of directors in the other enterprise.

2.13 'Indian entity' is an Indian company or an LLP.

2.14 'Investment' is to subscribe, acquire, hold or transfer any security or unit issued by a person resident in India.

2.14.1 Investment will include acquisition, holding or transfer of depository receipts issued outside India, the underlying of which is a security issued by a person resident in India.

2.14.2 For the purpose of an LLP, investment shall mean capital contribution or acquisition/ transfer of profit shares.

2.15 'ESOP' means 'Employees' stock option' as defined under the Companies Act, 2013 and issued under the regulations by the Securities and Exchange Board of India.

2.16 'sweat equity shares' means sweat equity shares defined under the Companies Act, 2013.

2.17 'Share Based Employee Benefits' means issue of equity instruments to employees or directors of the holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India, pursuant to Share Based Employee Benefits schemes formulated by an Indian Company.



2.18 'Investment on repatriation basis' is an investment, the sale/ maturity proceeds of which are, net of taxes, eligible to be repatriated and the expression 'Investment on non-repatriation basis', will be construed accordingly.

2.19 'Investment Vehicle' is an entity registered and regulated under relevant regulations framed by SEBI or any other authority designated for the purpose and will be 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.

2.19.1 A Venture Capital Fund (VCF) established in the form of a trust or a company or a body corporate and registered under the SEBI (Venture Capital Fund) Regulations, 1996 will not be considered as an Investment Vehicle for the purpose of the NDI Rules and this Master Direction.

2.20 'Limited Liability Partnership (LLP)' is a partnership formed and registered under the Limited Liability Partnership Act, 2008.

2.21 'Listed Indian Company' is an Indian company which has any of its equity instruments listed on a recognized stock exchange in India and the expression 'Unlisted Indian Company' shall be construed accordingly

2.22 'Non-Debt Instruments' as determined by Central Government by Gazette Notification S.O. 3722 (E) dated October 16, 2019, means the following instruments; namely: -

- a. all investments in equity instruments in incorporated entities: public, private, listed and unlisted;
- b. capital participation in LLP;
- c. all instruments of investment recognised in the FDI policy notified from time to time;
- d. investment in units of Alternative Investment Funds (AIFs), Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvITs);
- e. investment in units of mutual funds or Exchange-Traded Fund (ETFs) which invest more than fifty per cent in equity;
- f. junior-most layer (i.e. equity tranche) of securitisation structure;
- g. acquisition, sale or dealing directly in immovable property;
- h. contribution to trusts; and
- i. depository receipts issued against equity instruments.

2.23 'Non-Resident Indian (NRI)' is an individual resident outside India who is citizen of India.

2.24 'Overseas Citizen of India (OCI)' is an individual resident outside India who is registered as an Overseas Citizen of India Cardholder under Section 7(A) of the Citizenship Act, 1955.

2.25 'Resident Indian citizen' is an individual who is a person resident in India and is citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955).



2.26 'Real estate business' is dealing in land and immovable property with a view to earning profit therefrom and does not include development of townships, construction of residential/ commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships.

Explanation: —

i) Investment in units of Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) regulations 2014 shall also be excluded from the definition of "real estate business".

ii) Earning of rent income on lease of the property, not amounting to transfer, shall not amount to real estate business.

iii) Transfer in relation to real estate includes,

- a. the sale, exchange or relinquishment of the asset; or*
- b. the extinguishment of any rights therein; or*
- c. the compulsory acquisition thereof under any law; or*
- d. any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882); or*
- e. any transaction, by acquiring capital instruments in a company or by way of any agreement or any arrangement or in any other manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property.*

Real estate broking services is excluded from the definition of "real estate business" and 100% foreign investment is allowed in real estate broking services under automatic route.

2.27 'Sectoral cap' is the maximum investment including both foreign investment on a repatriation basis by persons resident outside India in equity instruments of a company or the capital of a LLP, as the case may be, and indirect foreign investment, unless provided otherwise. This shall be the composite limit for the investee Indian entity.

2.27.1 FCCBs and DRs having underlying of instruments being in the nature of debt shall not be included in the sectoral cap.

2.27.2 Any equity held by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned under the sectoral cap.

2.28 'Unit' is the beneficial interest of an investor in an investment vehicle.

Explanation.-

i) For the purpose of this clause, unit shall include unit that has been partly paid up, which is permitted under the regulations framed by the Securities and Exchange Board of India, in consultation with Government of India.

Note: Issuance of partly paid units by Alternative Investment Funds to persons resident outside India was not permitted prior to the issuance of Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024. Therefore, issuance of such partly paid units prior to said amendment shall require to be regularized through compounding under Foreign Exchange Management Act, 1999.



However, before approaching the Reserve Bank for compounding, AD Category-I banks may ensure that the necessary administrative action, including the reporting of such issuances by Alternative Investment Funds to the Reserve Bank, through Foreign Investment Reporting and Management System (FIRMS) Portal and issuing of conditional acknowledgements for such reporting, is completed.

The words and expressions used but not defined in this Master Direction shall have the same meanings respectively as assigned to them in the Act, Rules and Regulations made thereunder.¹ For the purpose of these directions, “banking channels” shall include any rupee vostro accounts, including Special Rupee Vostro Accounts, permitted to be held by a person resident outside India, in terms of Regulation 7(1) of [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

3. Prohibited sectors/ persons

3.1 Investment by a person resident outside India is prohibited in the following sectors:

1. Lottery Business including Government/ private lottery, online lotteries.
2. Gambling and betting including casinos.
3. Chit funds
4. Nidhi company
5. Trading in Transferable Development Rights (TDRs).
6. Real Estate Business or Construction of farm houses.

Explanation: For the purpose of this rule, 'real estate business shall not include development of townships, construction of residential or commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014.

7. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
8. Activities/sectors not open to private sector investment viz., (i) Atomic energy and (ii) Railway operations
9. Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for lottery business and gambling and betting activities.

3.2 Investment under Schedule I of NDI Rules by an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country, can invest only under the Government approval route.

Provided that a Multilateral Bank or Fund, of which India is a member, shall not be treated as an entity of a particular country nor shall any country be treated as the beneficial owner of the investments of such Bank or Fund in India.

3.3 A person who is a citizen of Pakistan or an entity incorporated in Pakistan can, only with the prior Government approval, invest in sectors/ activities other than

¹ Inserted vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#)



defence, space, atomic energy and sectors/ activities prohibited for foreign investment.

3.4 In the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction or purview of (3.2) and (3.3) above, such subsequent change in beneficial ownership shall also require government approval.

4. Equity instruments

4.1 An Indian company is permitted to receive foreign investment by issuing equity instruments to the investor. The equity instruments are equity shares, convertible debentures, preference shares and share warrants issued by the Indian company.

4.2 Equity shares: Equity shares are those issued in accordance with the provisions of the Companies Act, 2013 and will include equity shares that have been partly paid.

4.3 Partly paid shares: Partly paid shares issued on or after July 8, 2014 will be considered as equity instruments.

4.3.1 Partly paid shares that have been issued to a person resident outside India should be fully called-up within twelve months of such issue.

4.3.2 Twenty five percent of the total consideration amount (including share premium, if any), has to be received upfront and the balance consideration towards fully-paid equity shares should be received within a period of twelve months from the date of issue of partly-paid shares.

4.3.3 It shall not be necessary for a listed Indian company to receive the balance consideration within 12 months, if it has appointed a monitoring agency in compliance with regulations 41, 82, and 137 of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.

4.3.4 In case of an unlisted Indian company too, the balance consideration amount can be received after 12 months, however, the investee company should appoint a monitoring agency on the same lines as required in case of a listed Indian company under the SEBI (ICDR) Regulations. Such monitoring agency (AD Category -1 bank) should report to the investee company as prescribed by the SEBI regulations, *ibid*, for the listed companies.

4.3.5 In case of non-payment of call money, the forfeiture of the amount paid upfront will be in accordance with the provisions of the Companies Act, 2013 and the Income Tax provisions, as applicable.

4.3.6. These conditions shall also be applicable where the person resident outside India acquires partly paid-up shares via transfer.

4.4 Share warrants: Share warrants issued on or after July 8, 2014 will be considered as equity instruments.

4.4.1 Share Warrants are those issued by an Indian Company in accordance with the regulations made by the Securities and Exchange Board of India, the Companies Act, 2013 or any other applicable law.

4.4.2 Pricing or the conversion formula shall be determined upfront. At least twenty five percent of the consideration has to be received upfront and the balance amount within eighteen months of issuance of share warrants. The price at the time of conversion should not be, in any case, lower than the fair value worked out, at the



time of issuance of such warrants, in accordance with the extant rules/ regulations and pricing guidelines stipulated from time to time.

4.4.3 In case of non-payment of balance consideration, the forfeiture of the amount paid upfront will be in accordance with the provisions of the Companies Act, 2013 and the Income Tax provisions, as applicable.

4.4.4 These conditions shall also be applicable where the person resident outside India acquires share warrants via transfer.

4.5 The deferment of payment of consideration amount by the foreign investors or shortfall in receipt of consideration amount as per applicable pricing guidelines will not be treated as subscription to partly paid shares and warrants.

4.6 Convertible debentures: Convertible debentures means fully and mandatorily convertible debentures which are fully paid.

4.6.1 Amendment of the tenor of convertible debentures shall be in compliance with the Companies Act, 2013 and rules framed thereunder, as amended from time to time. However, the investee company should ensure that the price/ conversion formula of convertible equity instruments is determined upfront at the time of issue of the instruments. The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with the NDI rules.

4.6.2 Convertible debentures which are not fully, compulsorily and mandatorily convertible are debt instruments in terms of the notification no. S.O.3722(E) dated October 16, 2019, issued under sub-section (7) of Section 6 of FEMA. Therefore, issuance of the same are not governed under the NDI Rules.

4.6.3 Optionally convertible/ partially convertible debentures issued up to June 7, 2007 or for which funds were received for such issue prior to June 7, 2007 are deemed to have been issued in accordance with the NDI Rules till their original maturity. Any extension of maturity prior to June 7, 2007, by the company in accordance with the provisions of the Companies Act, 2013, will be considered as original maturity for the purpose of these rules.

4.6.4 Non-convertible/ optionally convertible/ partially convertible debentures, funds for which have been received after June 07, 2007, shall be treated as debt and shall conform to External Commercial Borrowing (ECB) guidelines framed under Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2018, as amended from time to time.

4.7 Preference shares: Preference shares means fully and mandatorily convertible preference shares, which are fully paid.

4.7.1 Amendment of the tenor of preference shares shall be in compliance with the Companies Act, 2013 and rules framed thereunder, as amended from time to time. However, the investee company should ensure that the price/ conversion formula of convertible equity instruments is determined upfront at the time of issue of the instruments. The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with the NDI rules.

4.7.2 'Preference Shares' which are not fully, compulsorily and mandatorily convertible preference shares are debt instruments in terms of the notification no.



S.O.3722(E) dated October 16, 2019, issued under sub-section (7) of Section 6 of FEMA. Therefore, issuance of the same are not governed under the NDI Rules.

4.7.3 Non-convertible/ optionally convertible/ partially convertible preference shares issued up to April 30, 2007 are deemed to have been issued in accordance with NDI Rules till their original maturity. They, however, will continue to be outside the sectoral caps till their original maturity. Any extension of maturity prior to April 30, 2007 will be considered as original maturity.

4.7.4 Non-convertible/ optionally convertible/ partially convertible preference shares funds for which have been received after April 30, 2007 shall be treated as debt and shall conform to guidelines framed under Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2018, as amended from time to time.

4.8 Equity instruments issued on or after December 30, 2013 can contain an optionality clause subject to a minimum lock-in period of one year or as prescribed for the specific sector, whichever is higher, but without any option or right to exit at an assured price.

5. Entry routes and Permitted sectors

5.1 Entry Routes

Foreign investment in the equity instruments of an Indian company can be made through two routes,

5.1.1 Automatic Route is the entry route in which investment by a person resident outside India does not require the prior approval from the Central Government.

5.1.2 Government Route is the entry route in which investment by a person resident outside India requires prior Government approval. Foreign investment received under this route shall be in accordance with the conditions stipulated by the Government in its approval.

5.1.3 'Government approval' means approval from the erstwhile Secretariat for Industrial Assistance (SIA)/ Department of Industrial Policy and Promotion (DIPP), Government of India and/ or the erstwhile Foreign Investment Promotion Board (FIPB) and/ or any of the ministry/ department of the Government of India, as the case may be. The entities may make applications for Government approval on the Foreign Investment Facilitation Portal (FIFP) of Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India.

5.1.4 Aggregate Foreign Portfolio Investment up to forty-nine (49) percent of the paid-up capital on a fully diluted basis or the sectoral or statutory cap, whichever is lower, shall not require Government approval or compliance of sectoral conditions as the case may be, if such investment does not result in transfer of ownership and control of the resident Indian company from resident Indian citizens or transfer of ownership or control to persons resident outside India. Other investments by a person resident outside India shall be subject to conditions of Government approval and compliance of sectoral conditions as laid down in Schedule I of the NDI Rules. The aggregate limit of foreign portfolio investment by FPIs under schedule II to the FEM (NDI) Rules, 2019 with respect to an Indian company engaged in a prohibited sector for FDI shall be 24 per cent.

Note: Investment from specified countries are to be in accordance with Paras 3.2, 3.3 and 3.4 of these directions.



5.2 Sectoral caps

It means the maximum permissible foreign investment in an Indian entity, including both foreign investment on a repatriation basis by person residents outside India in equity instruments of a company or the capital of a LLP, as the case may be, and indirect foreign investment, unless provided otherwise

5.2.1 Foreign investment in the sectors/ activities given in Schedule I of the NDI Rules is permitted up to the limit indicated against each sector/ activity, subject to applicable laws/ rules/ regulations, security and other conditionalities.

5.2.2 Sectoral cap for the sectors/ activities is the limit indicated against each sector. The total foreign investment shall not exceed the sectoral/ statutory cap

5.2.3 Foreign investment is permitted up to 100% on the automatic route, subject to applicable laws/rules/regulations, security and other conditionalities, in sectors/ activities not listed in Schedule I of the NDI Rules and not prohibited under Para (2) of Schedule I of the NDI Rules. This condition is not applicable for activities in financial services.

5.2.4 Foreign investment in financial services other than those indicated under serial number "F" of table under Para (3)(b) of Schedule I of the NDI Rules would require prior Government approval.

5.2.5 Wherever there is a requirement of minimum capitalization, it will include premium received along with the face value of the equity instrument. However, it should be received by the company upon issue of such instruments to a person resident outside India. Amount paid by the transferee during post-issue transfer beyond the issue price of the equity instrument cannot be taken into account while calculating minimum capitalization requirement.

Note: In case of any clarification pertaining to foreign investment in a sector or related conditions, the request may be made to the Department of Promotion of Industry and Internal Trade, Ministry of commerce and Industry, Government of India.

5.2.6 Foreign investment in investing companies:

5.2.6.1 Foreign Investment in investing companies not registered as Non-Banking Financial Companies with the RBI and in core investment companies (CICs), both engaged in the activity of investing in the capital of other Indian entities, will require prior Government approval.

5.2.6.2 The core investment companies should additionally comply with the regulatory framework prescribed for such entities as NBFCs under the Reserve Bank of India Act, 1934 and regulations framed thereunder.

5.2.6.3 Foreign investment in investing companies registered as Non-Banking Financial Companies (NBFCs) with the RBI, will be under 100% automatic route.

5.2.7 For undertaking activities which are under automatic route and without FDI linked performance conditions, an Indian company which does not have any operations and also has not made any downstream investment, may receive investment in its equity instruments from persons resident outside India under automatic route. However, Government approval will be required for such companies for undertaking activities which are under Government route. As and when such a company commences business(s) or makes downstream investment, it will have to comply with the relevant sectoral conditions on entry route, conditionalities and caps.



Note: An Indian investee company whose proposed activities are regulated by a financial sector regulator, may receive foreign investment to comply with the criteria of minimum net owned funds prescribed by such regulator. However, such investment shall only be used to comply with the minimum NOF criteria and shall not be used for any other purpose/activity. In case the registration/license is not granted by the respective regulator then the investment so received shall be repatriated or the Investee company shall comply with the conditions prescribed at para 5.2.7 above.

5.2.8 The onus of compliance with the sectoral/ statutory caps on foreign investment and attendant conditions if any, will be on the company receiving foreign investment.

5.2.9 Wherever the person resident outside India who has made foreign investment specifies a particular auditor/ audit firm having international network for the audit of the Indian investee company, then audit of such investee company should be carried out as joint audit wherein one of the auditors is not part of the same network.

6. Permitted Investments by persons resident outside India

Unless otherwise specifically stated, any investment made by a person resident outside India shall be subject to the entry routes, sectoral caps or the investment limits, as the case may be, and the attendant conditionalities for making such investment. A person resident outside India may make investment as stated hereinafter.

6.1 Subscribe/ purchase/ sale of equity instruments of an Indian company is permitted as per the directions laid down in [Annex 1](#).

6.2 Purchase/ sale of equity instruments of a listed Indian company on a recognised stock exchange in India by Foreign Portfolio Investors is permitted as per the directions laid down in [Annex 2](#).

6.3 Purchase/ sale of equity instruments of a listed Indian company on a recognised stock exchange in India by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on repatriation basis is permitted as per the directions laid down in [Annex 3](#).

6.4 Purchase/ sale of equity instruments of an Indian company or Units or contribution to capital of a LLP or a firm or a proprietary concern by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on a Non-Repatriation basis is permitted as per the directions laid down in [Annex 4](#).

6.5 Investment in a Limited Liability Partnership (LLP) is permitted as per the directions laid down in [Annex 5](#).

6.6 Investment by a Foreign Venture Capital Investor (FVCI) is permitted as per the directions laid down in [Annex 6](#).



6.7 Investment in an Investment Vehicle is permitted as per the directions laid down in [Annex 7](#).

6.8 Issue/ transfer of eligible instruments to a foreign depository for the purpose of issuance of depository receipts by eligible person(s) is permitted as per the directions laid down in [Annex 8](#).

6.9 Purchase/ sale of Indian Depository Receipts (IDRs) issued by Companies Resident outside India is permitted as per directions laid down in [Annex 9](#).

6.10 Investment by other non-resident Investors as per the directions laid down in [Annex 10](#)

6.11 Investment by Permissible Holder in Equity Shares of Public Companies Incorporated in India and Listed on International Exchanges as per directions laid down in [Annex 11](#).

6.12 Acquisition through rights issue or bonus issue

6.12.1 A person resident outside India having investment in an Indian company is permitted to invest in the equity instruments (other than share warrants) issued by such company as a rights issue or a bonus issue subject to the following conditions:

- (1) The offer made by the Indian company is in compliance with the provisions of the Companies Act, 2013;
- (2) The issue does not result in a breach of the sectoral cap applicable to the company;
- (3) The shareholding on the basis of which the rights issue or the bonus issue has been made must have been acquired and held as per the provisions of NDI Rules;
- (4) The equity instruments (other than share warrants) acquired by the person resident outside India as bonus or rights issue will be subject to the same conditions including restrictions in regard to repatriability as applicable to the original holding against which rights or bonus issue has been made. Further, the nature of investment (FDI or FPI) shall remain the same as that of original investment against which rights were issued;
- (5) In case of a listed Indian company, the rights issued to persons resident outside India shall be at a price determined by the company;
- (6) In case of an unlisted Indian company, the rights issued to persons resident outside India should not be at a price less than the price offered to persons resident in India;
- (7) Such investment made through rights issue or bonus issue is subject to the conditions as are applicable at the time of such issue;



- (8) The amount of consideration may be paid as inward remittance from abroad through banking channels or out of funds held in ²any repatriable foreign currency or Rupee account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);
- (9) If the original investment has been made on a non-repatriation basis, the amount of consideration may also be paid by debit to the NRO account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

6.12.2 An individual who is a person resident outside India exercising a right which was issued when he/ she was a person resident in India can hold the equity instruments so acquired on exercising the right on a non-repatriation basis.

6.12.3 Indian company may issue equity instruments under Section 62(1)(a)(iii) of Companies Act, to a person resident outside India (other than an OCB). Such issue shall be subject to the adherence to entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for investment by a person resident outside India specified in the NDI Rules.

6.12.4 Renunciation of rights

1. A person resident in India and a person resident outside India may subscribe to additional shares over and above the shares offered on rights basis by the company and also renounce the shares offered either in full or part thereof in favour of a person named by them.
2. The facility at para 6.12.4(1) would not be available to investors who have been allotted such shares as Overseas Corporate Bodies (OCBs).
3. A person resident outside India who has acquired a right from a person resident in or outside India, holding equity instruments on non-repatriation basis, who has renounced it, may acquire equity instruments (other than share warrants) on repatriable basis, against the said rights subject to the adherence to entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for investment by a person resident outside India specified in the NDI Rules;

Provided that if the investment is made by the person resident outside India using funds which are non-repatriable in nature, then such investments shall be held by such person resident outside India on non-repatriation basis.

4. The equity instruments so acquired shall be subject to the same conditions as applicable to the original holding against which rights issue has been made except for the change in repatriability status resulting from investments made in terms of para 6.12.4(3) above.

² Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B)".



6.13 Issue of Employees Stock Options, sweat equity shares and Share Based Employee Benefits to persons resident outside India

6.13.1 An Indian company may issue “employees’ stock option”, “sweat equity shares”, and “Share Based Employee Benefits” to its employees or directors or employees or directors of its holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India: Provided that:

1. The scheme has been drawn either in terms of regulations issued under the Securities and Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 or as per other applicable law, as the case may be.
2. The “employee’s stock option” or “sweat equity shares” or “Share Based Employee Benefits” so issued under the applicable rules or regulations are in compliance with the sectoral cap applicable to the said company
3. The issue of “employee’s stock option” or “sweat equity shares” or “Share Based Employee Benefits” in a company where foreign investment is under the approval route shall require prior government approval
4. Issue of “employee’s stock option” or “sweat equity shares” or “Share Based Employee Benefits” to a citizen of Bangladesh or Pakistan shall require prior government approval.

Note: Issue of “sweat equity shares” to a person resident outside India was permitted with effect from June 11, 2015. Issuance of equity instruments under any share-based employee benefit scheme, other than Employees Stock Options and Sweat equity shares, was permitted with effect from April 12, 2022.

6.13.2 An individual who is a person resident outside India exercising an option which was issued when he/ she was a person resident in India shall hold the equity instruments so acquired on exercising the option on a non-repatriation basis.

Note: The percentage of foreign investment shall be calculated on fully diluted basis, upfront, at the time of issuance/grant of Employee Stock Options, sweat equity shares and Share Based Employee Benefits to persons resident outside India.

6.14 Issue of Convertible Notes by an Indian startup company

6.14.1 A person resident outside India (other than an individual who is citizen of Pakistan or Bangladesh or an entity which is registered/ incorporated in Pakistan or Bangladesh), is permitted to invest in convertible notes issued by an Indian startup company for an amount of twenty five lakh rupees or more in a single tranche.

6.14.2 A startup company, engaged in a sector where investment by a person resident outside India requires Government approval, can issue convertible notes to a person resident outside India only with such approval.

6.14.3 Issue of equity shares against such convertible notes should be in compliance with the entry route, sectoral caps, pricing guidelines and other attendant conditions for foreign investment.



6.14.4 The payment consideration can be received by inward remittance through banking channels or by debit to ³any repatriable foreign currency or Rupee account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#). The escrow account maintained for this purpose should be closed immediately after the requirements are completed or within a period of six months, whichever is earlier. Such an escrow account shall not be permitted to continue beyond a period of six months.

6.14.5 An NRI or an OCI may acquire convertible notes on a non-repatriation basis in accordance with the instructions at para 6.4 of the Master Direction.

6.14.6 A person resident outside India can acquire or transfer by way of sale, convertible notes, from or to, a person resident in or outside India, provided the transfer takes place in accordance with the entry routes and pricing guidelines laid down in this Master Direction.

6.14.7 Convertible notes as an investment option was permitted for startup companies with effect from January 10, 2017.

6.14.8 The convertible note may either be converted to equity shares or repaid within 10 years from the date of the issue at the option of the holder. Repayment or sale proceeds may be remitted outside India or credited to ⁴any repatriable foreign currency or Rupee account maintained by the person concerned in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#)

6.15 Merger or demerger or amalgamation of Indian companies

6.15.1 Where a scheme of compromise or arrangement or merger or amalgamation of two or more Indian companies or a reconstruction by way of demerger or otherwise of an Indian company, or transfer of undertaking of one or more Indian company to another Indian company, or involving division of one or more Indian company, has been approved by the National Company Law Tribunal (NCLT) or other authority competent to do so by law, the transferee company or the new company, as the case may be, may issue equity instruments to the existing shareholders of the transferor company resident outside India, subject to the following conditions:

1. The transfer or issue should comply with entry routes, sectoral caps or investment limits, as the case may be, and the attendant conditionalities of foreign investment as well as reporting in form FC-GPR or FC-TRS as the case may be.
2. In case the foreign investment is likely to breach the Sectoral caps or the attendant conditionalities, the transferor company or the transferee or the new company should obtain necessary Government approval.
3. The transferor company or the transferee company or the new company should not be in a sector prohibited for foreign investment.
4. In a scheme of compromise or arrangement or merger or amalgamation of two or more Indian companies or a reconstruction by way of demerger or

³ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "the NRE/FCNR(B)/ Escrow".

⁴ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/ FCNR(B)".



otherwise of an Indian company, where any of the companies involved is listed on a recognised stock exchange in India, the scheme of arrangement shall be in compliance with the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, as amended from time to time.

7. Transfer of equity instruments of an Indian company by or to a person resident outside India

A person resident outside India who has invested in equity instruments of an Indian company or units in accordance with NDI Rules can transfer the equity instruments or units so held subject to the terms and conditions specified in this para.

7.1 Transfer from a person resident outside India by way of sale or gift to any person resident outside India

7.1.1 A person resident outside India, not being a non-resident Indian or an overseas citizen of India or an overseas corporate body, may transfer by way of sale or gift the equity instruments of an Indian company or units held by him to any person resident outside India.

7.1.2 It shall also include transfer of equity instruments of an Indian company pursuant to merger, de-merger and amalgamation of entities/ companies incorporated or registered outside India.

7.1.3 Prior Government approval is required to be obtained for all cases wherever government approval is required.

7.1.4 Where the person resident outside India is an FPI and the acquisition of equity instruments made under para 6.2 of this Master Direction has resulted in a breach of the applicable aggregate FPI limits or sectoral limits, the FPI is required to sell such equity instruments within five trading days after settlement to a person resident in India eligible to hold such instruments. The breach of the said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale, provided the sale is within the prescribed five trading days after settlement, will not be reckoned as a contravention under NDI Rules. The guidelines issued by SEBI in this regard shall be applicable. The reclassification of foreign portfolio investment of a foreign portfolio investor to FDI shall be in accordance with the framework issued by the RBI vide [A.P. \(DIR Series\) Circular No. 19 dated November 11, 2024](#).

7.2 Transfer by an overseas corporate body (OCB)

An OCB may transfer equity instruments in accordance with the instructions given in the FAQs on de-recognition of OCBs issued vide [A.P \(DIR Series\) Circular No. 44 dated December 8, 2003](#) read with [AP \(DIR Series\) Circular No.14 dated September 16, 2003](#).



7.3 Transfer by an NRI/ OCI by way of gift or sale to any person resident outside India

7.3.1 An NRI or an OCI holding equity instruments of an Indian company or units on repatriation basis can transfer the same by way of sale or gift to any person resident outside India.

7.3.2 Prior Government approval is required for any transfer in case the company is engaged in a sector which requires Government approval.

7.3.3 Where the equity instruments acquired by an NRI or an OCI under the provisions of para 6.3 of this Master Direction has resulted in a breach of the applicable aggregate NRI/ OCI limit or sectoral limits, the NRI or the OCI is required to sell the equity instruments so acquired within five trading days after settlement to a person resident in India eligible to hold such instruments. The breach of the said aggregate or sectoral limit, as the case may be, on account of such acquisition for the period between the acquisition and sale, provided the sale is within the prescribed five trading days after settlement, shall not be reckoned as a contravention under NDI Rules.

7.4 Transfer by a NRI/ OCI holding equity instruments on a non-repatriable basis or a person resident in India by way of sale to any person resident outside India

7.4.1 A person resident in India holding equity instruments of an Indian company or units, or an NRI or an OCI or a company/ trust/ partnership firm incorporated outside India and owned and controlled by NRIs or OCIs holding equity instruments of an Indian company or units on a non-repatriation basis, may transfer the same to a person resident outside India by way of sale, subject to the adherence to entry routes, sectoral caps/ investment limits, pricing guidelines and other attendant conditions as applicable for foreign investment and documentation and reporting requirements for such transfers.

7.4.2 The entry routes, sectoral caps/ investment limits, pricing guidelines and other attendant conditions, however, will not apply in case the transferee is an NRI or an OCI or a company/ trust/ partnership firm incorporated outside India and owned and controlled by NRIs or OCIs acquiring such investment on a non-repatriation basis.

7.5 Transfer by an NRI/ OCI holding equity instruments on a non-repatriable basis by way of gift to another NRI/ OCI who will hold such equity instruments on a non-repatriable basis

7.5.1 An NRI or an OCI or a company/ trust/ partnership firm incorporated outside India and owned and controlled by NRIs or OCIs holding equity instruments of an Indian company or units on a non-repatriation basis, is permitted to transfer the same by way of gift to an NRI or an OCI or a company/ trust/ partnership firm



incorporated outside India and owned and controlled by NRIs or OCIs and the transferee shall hold them on a non-repatriable basis.

7.6 Transfer by person resident outside India to person resident in India or sale on recognised stock exchange in India

7.6.1 A person resident outside India, holding equity instruments of an Indian company or units in accordance with NDI Rules is permitted to transfer the same to a person resident in India by way of sale/ gift or may sell the same on a recognised stock exchange in India in the manner prescribed by SEBI.

7.6.2 The transfer by way of sale is required to be in compliance with and is subject to the adherence to pricing guidelines, documentation and reporting requirements prescribed for such transfers.

7.6.3 Where the equity instruments are held by the person resident outside India on a non-repatriable basis, conditions at 7.6.2 above will not apply.

7.7 Transfer by way of gift by an NRI/ OCI holding securities on a non-repatriable basis or a resident to a person resident outside India

7.7.1 An NRI or an OCI holding securities of an Indian company on a non-repatriation basis or a person resident in India may transfer the securities so held by them to a person resident outside India by way of gift with the prior approval of the RBI and subject to the following conditions:

- (a) The donee is eligible to hold the securities under NDI Rules;
- (b) The gift does not exceed 5 percent of the paid up capital of the Indian company/ each series of debentures/ each mutual fund scheme; this limit is a cumulative limit for a donor to one particular donee.
- (c) The applicable sectoral cap in the Indian company is not breached;
- (d) The donor and the donee are relatives as defined in section 2(77) of the Companies Act, 2013;
- (e) The value of security to be transferred by the donor together with any security transferred to any person residing outside India as gift during the financial year does not exceed the rupee equivalent of USD 50,000;
- (f) The application shall be made through an Authorised Dealer bank to the Regional Office concerned of the RBI under whose jurisdiction the Registered office of the company operates.

7.8 Transfer by a person resident outside India of equity instruments containing an optionality clause

7.8.1 A person resident outside India holding equity instruments of an Indian company containing an optionality clause in accordance with NDI Rules and exercising the option/ right, can exit without any assured return, subject to the pricing



guidelines prescribed under NDI Rules and a minimum lock-in period of one year or minimum lock-in period under NDI Rules, whichever is higher.

7.9 Transfer of equity instruments on deferred payment basis, and/or, under indemnification/escrow, arrangement

7.9.1 In case of transfer of equity instruments between a person resident in India and a person resident outside India, an amount not exceeding twenty five per cent of the total consideration,

- a. can be paid by the buyer on a deferred basis within a period not exceeding eighteen months from the date of the transfer agreement; or
- b. can be settled through an escrow arrangement between the buyer and the seller for a period not exceeding eighteen months from the date of the transfer agreement; or
- c. can be indemnified by the seller for a period not exceeding eighteen months from the date of the payment of the full consideration, if the total consideration has been paid by the buyer to the seller.

Note: A transaction intended to be undertaken using above arrangement(s) shall require the share purchase/transfer agreement to contain the respective clause and related conditions for such arrangement.

7.9.2 The total consideration finally paid for the shares must be compliant with the applicable pricing guidelines.

7.10 Opening of Escrow account

7.10.1 In case of transfer of equity instruments between a person resident in India and a person resident outside India, the person resident outside India is permitted to open an Escrow account in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

7.10.2 Such Escrow account can be funded by way of inward remittance through banking channels and/ or by way of guarantee issued by an authorized dealer bank, subject to terms and conditions as specified in the [Foreign Exchange Management \(Guarantees\) Regulations, 2000](#).

7.10.3 Where the transaction is governed by SEBI guidelines/ regulations, operation of the Escrow accounts for securities shall be in accordance with the relevant SEBI regulations, if any.

7.11 Transfer by way of pledge

7.11.1 Any person being a promoter of a company registered in India (borrowing company), which has raised external commercial borrowing (ECB) in compliance with the Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 may pledge the equity instruments of the borrowing company or that of its associate resident companies for the purpose of securing the ECB raised by the borrowing company subject to the following conditions:



- (a) the period of such pledge shall be co-terminus with the maturity of the underlying ECB;
- (b) in case of invocation of pledge, transfer shall be in accordance with rules laid down in NDI Rules;
- (c) the Statutory Auditor has certified that the borrowing company will utilise/ has utilised the proceeds of the ECB for the permitted end-use/s only;
- (d) no person shall pledge any such equity instruments unless a no-objection has been obtained from an Authorised Dealer bank that the above conditions have been complied with.

7.11.2 Any person resident outside India holding equity instruments in an Indian company or units may pledge the equity instruments or units, as the case may be:

- (a) In favour of a bank in India to secure the credit facilities being extended to such Indian company for bona-fide purposes subject to the following conditions:
 - (i) in case of invocation of pledge, transfer should be in accordance with instructions in vogue at the time of creation of pledge;
 - (ii) submission of a declaration/ annual certificate from the statutory auditor of the investee company that the loan proceeds will be/ have been utilized for the declared purpose;
 - (iii) the Indian company has to follow the relevant SEBI disclosure norms, if any; and
 - (iv) pledge in favour of the lender (bank) would be subject to compliance with the Section 19 of the Banking Regulation Act, 1949.
 - (v) the conditions at (i) to (iv) above will apply suitably for units.
- (b) In favour of an overseas bank to secure the credit facilities being extended to such person or a person resident outside India who is the promoter of such Indian company or the overseas group company of such Indian company, subject to the following conditions:
 - (i) loan is availed only from an overseas bank;
 - (ii) loan is utilized for genuine business purposes overseas and not for any investments either directly or indirectly in India;
 - (iii) overseas investment should not result in any capital inflow into India;
 - (iv) in case of invocation of pledge, transfer should be in accordance with the policy in vogue at the time of creation of pledge; and
 - (v) submission of a declaration/ annual certificate from a Chartered Accountant/ Certified Public Accountant of the non-resident borrower that the loan proceeds will be/ have been utilized for the declared purpose;
 - (vi) the conditions at (i) to (v) above will apply suitably for units.



(c) In favour of a Non-Banking Financial Company registered with the RBI to secure the credit facilities being extended to such Indian company for bona fide purposes, subject to the following conditions:

- (i) in case of invocation of pledge, transfer of equity instruments should be in accordance with the credit concentration norm as stated in the [Master Direction – Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#) (Para 22) and [Master Direction – Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#) (Para 22)
- (ii) The AD may obtain a board resolution 'ex ante', passed by the Board of Directors of the investee company, that the loan proceeds received consequent to pledge of equity instruments will be utilised by the investee company for the declared purpose;
- (iii) the AD may also obtain a certificate 'ex post', from the statutory auditor of investee company, that the loan proceeds received consequent to pledge of shares, have been utilised by the investee company for the declared purpose;
- (iv) the Indian company has to follow the relevant SEBI disclosure norms, as applicable;
- (v) under no circumstances, the credit concentration norms should be breached by the NBFC. If there is a breach on invocation of pledge, the equity instruments should be sold and the breach shall be rectified within a period of 30 days from the date of invocation of pledge.

7.11.2.1 The Authorised Dealer bank should satisfy itself of the compliance of the stipulated conditions.

- a) Equity instruments of an Indian company or units transferred by way of pledge should be unencumbered.
- b) The company shall obtain no-objection certificate from the existing lenders, if any.
- c) In case of invocation of pledge, transfer of equity instruments of an Indian company or units pledged shall be in accordance with entry routes, sectoral caps/ investment limits, pricing guidelines and other attendant conditions at the time of creation of pledge.

7.11.3 Any other transfer by way of pledge would require the prior approval of the RBI. Cases may be forwarded to the RBI with the following documents:

- (a) A copy of the Board Resolution passed by the non-resident company/ies approving the pledge of security acquired in terms of NDI Rules (number/ percentage of securities to be pledged) of Investee Company held by them for securing the loan facility in favour of the lender/s.



- (b) A copy of the Board Resolution passed by the investee company approving pledge of securities acquired in terms of NDI Rules in favour of the lender for the loan facility availed by the investee company.
- (c) A copy of the loan agreement/ pledge agreement containing security clause duly certified by the company secretary, requiring the pledge of shares of Investee Company.
- (d) The details of the facility availed/ proposed to be availed.
- (e) The details of reporting of the acquisition of the security as prescribed in terms of NDI Rules, if any.

7.12. Transfer from a resident to a person resident outside India where the investee company is in the financial sector

In case of transfer of equity instruments of a company in the financial sector from a resident to a person resident outside India, 'fit and proper/ due diligence' requirement as regards the non-resident investor as stipulated by the respective financial sector regulator shall have to be complied with by the AD bank.

7.13 Mode of payment

7.13.1 The amount of consideration for transfer of equity instruments between a person resident in India and a person resident outside India should be received from abroad or remitted from India, as the case may be, through banking channels in India or paid out from or received in, as the case may be, ⁵any repatriable foreign currency or Rupee account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

7.13.2 In case an investment is held on a non-repatriation basis, in addition to 7.13.1 above, the amount of consideration for transfer may be paid out from or received in, as the case may be, NRO account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

7.14 Transfer by way of swap of equity instruments and equity capital

The transfer of equity instruments of an Indian company between a person resident in India and a person resident outside India may be by way of–

- a. swap of equity instruments, in compliance with the rules prescribed by the Central Government and the regulations specified by the Reserve Bank from time to time;
- b. swap of equity capital of a foreign company in compliance with the rules prescribed by the Central Government including the Foreign Exchange Management, (Overseas Investment) Rules, 2022, and the regulations specified by the Reserve Bank from time to time:

⁵ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B)/ Escrow accounts".



Provided that prior Government approval shall be obtained for transfer in all cases wherever Government approval is applicable.

Explanation. – For the purposes of this clause, the expression “equity capital” shall have the same meaning as assigned to it in the Foreign Exchange Management (Overseas Investment) Rules, 2022, as amended from time to time.

8. Pricing guidelines

8.1 Equity instruments issued by a company to a person resident outside India

8.1.1 The price of equity instruments of an Indian company issued by it to a person resident outside India should not be less than:

- (a) the price worked out in accordance with the relevant SEBI guidelines in case of a listed Indian company or in case of a company going through a delisting process as per the SEBI (Delisting of Equity Shares) Regulations, 2009; or
- (b) the valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a SEBI registered Merchant Banker or a practicing Cost Accountant, in case of an unlisted Indian Company.

8.1.2 In case of convertible equity instruments, the price/ conversion formula of the instrument is required to be determined upfront at the time of issue of the instrument. The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with the extant FEMA rules.

8.2 Equity instruments transferred by a person resident in India to a person resident outside India

The price of equity instruments of an Indian company transferred by a person resident in India to a person resident outside India should not be less than:

- (a) the price worked out in accordance with the relevant SEBI guidelines in case of a listed Indian company; or
- (b) the price at which a preferential allotment of shares can be made under the SEBI Guidelines, as applicable, in case of a listed Indian company or in case of a company going through a delisting process as per the SEBI (Delisting of Equity Shares) Regulations, 2009. The price should be determined for such duration as specified in the SEBI Guidelines, preceding the relevant date, which shall be the date of purchase or sale of shares. In case of a company which has completed a delisting process, the price as determined for such duration as specified in the SEBI Guidelines will apply for those shares which have not been tendered to the company during the delisting process; or
- (c) the valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a



Chartered Accountant or a SEBI registered Merchant Banker or a practicing Cost Accountant, in case of an unlisted Indian Company.

8.3 Equity instruments transferred by a person resident outside India to a person resident in India

8.3.1 The price of equity instruments of an Indian company transferred by a person resident outside India to a person resident in India should not exceed:

- (a) the price worked out in accordance with the relevant SEBI guidelines in case of a listed Indian company;
- (b) the price at which a preferential allotment of shares can be made under the SEBI Guidelines, as applicable, in case of a listed Indian company or in case of a company going through a delisting process as per the SEBI (Delisting of Equity Shares) Regulations, 2009. The price is determined for such duration as specified in the SEBI Guidelines, preceding the relevant date, which shall be the date of purchase or sale of shares;
- (c) the valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a SEBI registered Merchant Banker or a practicing Cost Accountant, in case of an unlisted Indian Company.

8.3.2 The guiding principle would be that the person resident outside India is not guaranteed any assured exit price at the time of making such investment/ agreement and shall exit at the price prevailing at the time of exit.

8.4 Swap of equity instruments

In case of swap of equity instruments, irrespective of the amount, valuation will have to be made by a Merchant Banker registered with SEBI or an Investment Banker outside India registered with the appropriate regulatory authority in the host country.

8.5 Subscription to Memorandum of Association

Where shares in an Indian company are issued to a person resident outside India in compliance with the provisions of the Companies Act, 2013, by way of subscription to Memorandum of Association, such investments shall be made at face value subject to entry route and sectoral caps.

8.6 Partly paid shares

The pricing of the partly paid equity shares shall be determined upfront.

8.7 Share warrants

8.7.1 In case of share warrants, their pricing and the price/ conversion formula shall be determined upfront.

8.7.2 The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such warrants.



8.8 Investment in an LLP

Investment in an LLP either by way of capital contribution or by way of acquisition/ transfer of profit shares, should not be less than the fair price worked out as per any valuation norm which is internationally accepted/ adopted as per market practice (hereinafter referred to as "fair price of capital contribution/ profit share of an LLP") and a valuation certificate to that effect should be issued by a Chartered Accountant or by a practicing Cost Accountant or by an approved valuer from the panel maintained by the Central Government.

8.9 Transfer of capital contribution/ profit share of an LLP

8.9.1 In case of transfer of capital contribution/ profit share of an LLP from a person resident in India to a person resident outside India, the transfer should be for a consideration not less than the fair price of capital contribution/ profit share of an LLP.

8.9.2 In case of transfer of capital contribution/ profit share of an LLP from a person resident outside India to a person resident in India, the transfer should be for a consideration which is not more than the fair price of the capital contribution/ profit share of an LLP.

8.10 Non-applicability of pricing guidelines

8.10.1 The pricing guidelines will not apply for investment in equity instruments by a person resident outside India on non-repatriation basis.

8.10.2 The pricing guidelines will not be applicable for any transfer by way of sale done in accordance with SEBI regulations where the pricing is prescribed by SEBI. A Chartered Accountant's Certificate to the effect that relevant SEBI regulations/ guidelines have been complied with has to be attached to the form FC-TRS filed with the AD bank.

8.11 Validity of valuation certificate

The valuation certificate issued by a Chartered Accountant or a SEBI registered Merchant Banker or a practicing Cost Accountant, for application of pricing guidelines, must not be more than ninety days old as on the date of the investment;

Provided the above shall not apply in case where the price is determined in accordance with SEBI guidelines.

9. Downstream Investment

The guiding principle of the downstream investment guidelines is that "what cannot be done directly, shall not be done indirectly". Accordingly, downstream investments which are treated as indirect foreign investment are subject to the entry routes, sectoral caps or the investment limits, as the case may be, pricing guidelines, and the attendant conditionalities for such investment as laid down in the NDI Rules.

Note: Based on the guiding principle of the downstream investment, the arrangements which are available for direct investment under the Rules such as investment by way of swap of equity instruments/equity capital, payment arrangements/mechanism as per Rule 9(6) of the Rules etc, shall also be available



for the purpose of downstream investment provided that the transaction does not circumvent the provisions contained in Rule 23 of the Rules, including the restrictions on use of borrowed funds for downstream investment.

9.1 Definitions

9.1.1 'Ownership of an Indian company' is the beneficial holding of more than 50 percent of the equity instruments of such company.

9.1.2 'Ownership of an LLP' is the contribution of more than 50 percent in its capital and having majority profit share.

9.1.3 'Company owned by resident Indian citizens' is an Indian company where ownership is vested in resident Indian citizens and/ or Indian companies, which are ultimately owned and controlled by resident Indian citizens.

9.1.4 An 'LLP owned by resident Indian citizens' is an LLP where ownership is vested in resident Indian citizens and/ or Indian entities, which are ultimately owned and controlled by resident Indian citizens.

9.1.5 'Company owned by persons resident outside India' is an Indian company whose ownership is vested in persons resident outside India.

9.1.6 An 'LLP owned by persons resident outside India' is an LLP whose ownership is vested with persons resident outside India.

9.1.7 'Control' of a company is the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreement or voting agreement.

9.1.8 For the purpose of LLP, 'Control' is the right to appoint majority of the designated partners, where such designated partners, with specific exclusion to others, have control over all the policies of an LLP.

9.1.9 'Company controlled by resident Indian citizens' is an Indian company, the control of which is vested in resident Indian citizens and/ or Indian companies which are ultimately owned and controlled by resident Indian citizens.

9.1.10 An 'LLP controlled by resident Indian citizens' is an LLP, the control of which is vested in resident Indian citizens and/ or Indian entities, which are ultimately owned and controlled by resident Indian citizens.

9.1.11 'Company controlled by persons resident outside India' is an Indian company the control of which is vested with persons resident outside India.

9.1.12 An 'LLP controlled by persons resident outside India' is an LLP the control of which is vested with persons resident outside India.

9.1.13 'Downstream Investment' is investment made by an Indian entity which has received foreign investment or an Investment Vehicle in the equity instruments or the capital, as the case may be, of another Indian entity.



9.1.14 'Holding Company' will have the same meaning as defined in Companies Act, 2013.

9.1.15 'Indirect Foreign Investment' is downstream investment received by an Indian entity from:

- (a) another Indian entity (IE) which has received foreign investment and which is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India; or
- (b) an investment vehicle whose sponsor or manager or investment manager is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India. If sponsor or manager or investment manager is organised in a form other than companies or LLPs, SEBI shall determine whether the sponsor or manager or investment manager is foreign owned and controlled.

[Explanation 1: For cases where the original investment made in the investee entity was made as a resident but later the investor entity becomes owned and/or controlled by persons resident outside, the same shall be reckoned as downstream investment from the date on which the investor entity is owned and/or controlled by persons resident outside India. Such downstream investment shall be in compliance with the applicable entry route and sectoral cap and shall require to be reported by the investor entity within 30 days from the date of such reclassification in form DI]

[Explanation 2: The investments made by NRIs/OCIs on non-repatriation basis is treated as deemed domestic investment. Accordingly, an investment made by an Indian entity which is owned and controlled by a Non-Resident Indian or an Overseas Citizen of India including a company, a trust and a partnership firm incorporated outside India and owned and controlled by a Non-Resident Indian or an Overseas Citizen of India, on a non-repatriation basis in compliance with Schedule IV of these rules, shall not be considered for calculation of indirect foreign investment.

9.1.16 'Total Foreign Investment' is the sum of foreign investment and indirect foreign investment which will be reckoned on a fully diluted basis;

9.1.17 'Strategic downstream investment' means downstream investment by banking companies incorporated in India in their subsidiaries, joint ventures and associates.

9.2 Prohibition

9.2.1 No person resident in India other than an Indian entity can receive Indirect Foreign Investment.



9.3 Conditions for downstream investment that is treated as Indirect Foreign Investment for the investee Indian Entity

9.3.1 An Indian entity which has received indirect foreign investment is required to comply with the entry route, sectoral caps, pricing guidelines and other FDI linked performance conditions as applicable for foreign investment.

9.3.2 Downstream investment by an LLP which has received foreign investment and is not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India is allowed in an Indian company operating in sectors where foreign investment up to 100 percent is permitted under automatic route and there are no FDI linked performance conditions.

9.3.3 Indirect foreign Investment is permitted in an LLP in sectors where foreign investment is allowed 100% under automatic route and there are no FDI linked performance conditions.

9.3.4 If the sponsors/ managers/ investment managers of an investment vehicle are individuals, for the downstream investment made by such investment vehicle not to be considered as Indirect Foreign Investment for the investee, the sponsors/ managers/ investment managers of the investment vehicle should be resident Indian citizens. In case the sponsor/ manager/ investment manager is organised in any other form, SEBI will determine whether it is foreign owned and/ or controlled or not.

9.3.5 The downstream investment that is treated as Indirect Foreign Investment for the investee Indian entity should have the approval of the Board of Directors as also a Shareholders' Agreement, if any, of the investing Indian entity.

9.3.6 The Indian entity making the downstream investment that is treated as Indirect Foreign Investment for the investee Indian entity is required to bring in the requisite funds from abroad and not use funds borrowed in the domestic markets. Subscription by persons resident outside India to non-convertible debentures issued by an Indian company will not be construed as funds borrowed/ leveraged in the domestic market. However, raising of debt and its utilisation will have to comply with the Act and the rules or regulations made thereunder.

9.3.7 Downstream investments which is treated as Indirect Foreign Investment for the investee Indian entity can be made through internal accruals. For this purpose, internal accruals will mean profits transferred to reserve account after payment of taxes.

9.3.8 When a company which does not have any operations makes downstream investment which is treated as Indirect Foreign Investment for the investee Indian entity or commences business(s), it will have to comply with the relevant sectoral conditions on entry route, conditionalities and caps.



9.4 Downstream investment/s under Corporate Debt Restructuring (CDR), mechanism

9.4.1 With effect from July 31, 2012, downstream investment/s made by a banking company (as defined in clause (c) of section 5 of the Banking Regulation Act, 1949, incorporated in India) which is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India, under Corporate Debt Restructuring (CDR), or other loan restructuring mechanism, or in trading book, or for acquisition of shares due to defaults in loans, will not be considered as indirect foreign investment.

9.4.2 Strategic downstream investment by a banking company referred to at 9.4.1 above will be considered as indirect foreign investment for the investee company.

9.5. Guidelines for calculation of total foreign investment in Indian companies

9.5.1 Any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned for total foreign investment.

9.5.2 FCCBs and DRs having underlying of instruments in the nature of debt will not be reckoned for total foreign investment.

9.5.3 The methodology for calculating total foreign investment would apply at every stage of investment in Indian companies and thus in each and every Indian company.

9.5.4 For the purpose of downstream investment, the portfolio investment held as on March 31 of the previous financial year in the Indian company making the downstream investment will be considered for computing the total foreign investment of the investee Indian entity.

9.5.5 The indirect foreign investment received by a wholly owned subsidiary of an Indian company will be limited to the total foreign investment received by the company making the downstream investment

9.6 Conditions for exit

9.6.1 Equity instrument of an Indian company held by another Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India may be transferred to:

- (a) a person resident outside India, subject to reporting requirements in Form FCTRS. However, pricing guidelines will not apply for such a transfer.
- (b) a person resident in India subject to adherence to pricing guidelines.
- (c) an Indian company with foreign investment and not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India. Pricing and reporting guidelines will not apply.



9.6.2 The instructions at 9.6.1 above will be construed accordingly for an LLP.

9.7 Responsibility for compliance

9.7.1 The first level Indian company making downstream investment will be responsible for ensuring compliance with the provisions of these rules for the downstream investment made by it at second level and so on and so forth. Such first level company shall obtain a certificate to this effect from its statutory auditor on an annual basis. Such compliance of FEMA provisions shall be mentioned in the Director's report in the Annual Report of the Indian company.

9.7.2 In case the statutory auditor has given a qualified report, the same should be immediately brought to the notice of the Regional Office of the RBI in whose jurisdiction the Registered Office of the company is located and shall also obtain acknowledgement from the RO.

9.7.3 The instructions at 9.7.1 above will be construed accordingly for an LLP

9.8 Applicability of downstream investment guidelines

9.8.1 Downstream investment which is treated as indirect foreign investment for the investee Indian entity made prior to February 13, 2009 would not require any modification to conform to NDI Rules. All other investments, after the said date, would come under its ambit.

9.8.2 Downstream investments which is treated as indirect foreign investment for the investee Indian entity made between February 13, 2009 and June 21, 2013 which was not in conformity with the downstream investment guidelines should have been intimated to the RBI by October 3, 2013 for treating such cases as compliant with NDI Rules.

10. Taxes and remittance of sale proceeds

10.1 Taxes

10.1.1 All transaction relating to foreign investment in India are required to be undertaken through banking channels in India and are subject to payment of applicable taxes and other duties/ levies in India.

10.2 Remittance of sale proceeds

10.2.1 Remittance of sale proceeds of an Indian security held by a person resident outside India will have to be made only in accordance with NDI Rules.

10.2.2 An authorised dealer bank may permit the remittance of sale proceeds of a security (net of applicable taxes) to the seller resident outside India provided:

- (a) the security was held by the seller on repatriation basis; and

- (b) either the security has been sold in compliance with the pricing guidelines or the RBI's approval has been obtained in other cases for sale of the security and remittance of the sale proceeds thereof.

11. References to the Reserve Bank

Any requests for clarification pertaining to foreign investment framework may be made to the Authorized Dealer (AD) bank concerned. The AD bank may, if required, forward the request to the concerned Regional Office of Reserve Bank for guidance. Such representation shall be routed through a nodal office of the AD bank specifically designated for this purpose, along with specific recommendation/ observations, FEMA provisions, reason for submission to Reserve Bank and relevant documents. The jurisdiction of a regional office of Reserve Bank shall be as per the registered office of the Indian investee entity.



**Purchase/ Sale of equity instruments of an Indian company
by a person resident outside India**

1. Purchase/ sale of equity instruments of an Indian company by a person resident outside India

1.1 Issue by an Indian company

An Indian company is permitted to issue equity instruments to a person resident outside India subject to entry routes, sectoral caps and attendant conditionalities specified for foreign investment;

1.2 Purchase on a stock exchange in India

A person resident outside India may purchase equity instruments of a listed Indian company on a stock exchange in India provided:

- (a) The person resident outside India making the investment has already acquired control of such company in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and continues to hold such control;
- (b) The amount of consideration is paid as per the mode of payment prescribed in this annex or out of the dividend payable by the Indian investee company in which the person resident outside India has acquired and continues to hold control in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011, provided the right to receive dividend is established and the dividend amount has been credited to an SNRR account opened in terms of [Foreign Exchange Management \(Deposit\) Regulations, 2016](#) for acquisition of shares on the recognised stock exchange.

1.3 Issue by a wholly owned subsidiary

1.3.1 A wholly owned subsidiary set up in India by a non-resident entity, operating in a sector where 100 percent foreign investment is allowed under the automatic route and there are no FDI linked performance conditions, may issue equity instruments to the said non-resident entity against pre-incorporation/ preoperative expenses incurred by the said non-resident entity up to a limit of five per cent of its authorised capital (as defined in the Companies Act, 2013) or USD 500,000 whichever is less, subject to the following conditions:

- (a) Form FC-GPR, as prescribed in the Master Direction on Reporting as amended from time to time, is filed by the Indian company within thirty days from the date of issue of equity instruments but not later than one year from the date of incorporation.
- (b) A certificate issued by the statutory auditor of the Indian company that the amount of pre-incorporation/ pre-operative expenses against which equity instruments have been issued has been utilized for the purpose for which it was received should be submitted with the Form FC-GPR.



1.3.2 Pre-incorporation/ pre-operative expenses will include amounts remitted to the investee Company's account or to the investor's account in India if it exists or to any consultant or attorney or to any other material/ service provider for expenditure relating to incorporation or necessary for commencement of operations.

1.4 Other modes of issue

1.4.1 An Indian company may issue equity shares (excluding partly paid shares) to a person resident outside India against any funds payable by it to such person, the remittance of which is permitted under the Act or the rules or the regulations framed or directions issued thereunder or does not require prior permission of the Central Government or the RBI under the Act or the rules or the regulations framed or directions issued thereunder subject to the following conditions:

- (a) Issue of such shares that require Government approval or import dues deemed as ECB or trade credit or payables against import of second hand machinery will be dealt in accordance with respective guidelines;
- (b) The issue of such shares under this provision shall be subject to tax laws as applicable to the funds payable and the conversion to equity should be net of applicable taxes

1.4.2 An Indian company may issue equity shares (other than partly paid shares) to a person resident outside India against any funds payable by it to such person, the remittance of which has been permitted by the RBI under the Act or the rules or the regulations framed or directions issued thereunder.

1.4.3 In case where permission has been granted by the RBI for making remittance as stated at 1.4.2 above, the Indian company may issue equity shares (other than partly paid shares) against such remittance provided all regulatory actions with respect to the delay or contravention under the Act or the rules or the regulations framed thereunder have been completed.

1.4.4 An Indian company may issue equity instruments to a person resident outside India subject to compliance with the rules prescribed by the Central Government and the regulations specified by the Reserve Bank from time to time, against:

- (a) Swap of equity instruments;
- (b) Swap of equity capital of a foreign company in compliance with the rules prescribed by the Central Government including Foreign Exchange Management, (Overseas Investment) Rules 2022, and the regulations specified by the Reserve Bank from time to time.

Explanation. – For the purposes of this clause, the expression “equity capital” shall have the same meaning as assigned to it in the Foreign Exchange Management, (Overseas Investment) Rules, 2022, as amended from time to time.



(c) Import of capital goods/ machinery/ equipment (excluding second-hand machinery) subject to the following conditions:

- (i) The import of capital goods, machineries, etc., made by a person resident in India, is in accordance with the Foreign Trade Policy notified by the Directorate General of Foreign Trade (DGFT) and the regulations on imports issued under the Act;
- (ii) There is an independent valuation of the capital goods/ machineries/ equipment by a third party entity, preferably an independent valuer from the country of import along with production of copies of documents/ certificates issued by the customs authorities towards assessment of the fair-value of such imports;
- (iii) In case of applications submitted for Government approval:
 - a) The applications should be accompanied by documents evidencing 1.4.4(c)(ii) above and a special resolution of the company;
 - b) The application should clearly indicate the beneficial ownership and identity of the importer company as well as the overseas entity; and
 - c) Applications (complete in all respects) for capitalization should be submitted within 180 days from the date of shipment of goods.
- (d) Pre-operative/ pre-incorporation expenses (including payments of rent etc.), subject to the following conditions:
 - (i) Verification and certification of the pre-incorporation/ pre-operative expenses by the statutory auditor;
 - (ii) Submission of FIRC for remittance of funds by the overseas promoters for the expenditure incurred;
 - (iii) Payments should be made by the foreign investor to the company directly or through the bank account opened by the foreign investor as provided under the Act or the rules or the regulations framed thereunder; and
 - (iv) In case of applications submitted for Government approval:
 - a) The applications should be accompanied by documents evidencing 1.4.4(d)(i), (ii) and (iii) above and a special resolution of the company.
 - b) The application (complete in all respects) for capitalization being made within a period of 180 days from the date of incorporation of the company.

2. Mode of payment, issue of equity instruments and refund

2.1 The amount of consideration should be paid as inward remittance from abroad through banking channels or out of funds held in ⁶any repatriable foreign currency or Rupee account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

⁶ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B)/ Escrow".



2.2 The amount of consideration will include issue of equity shares by an Indian company against any funds payable by it to the investor and also swap of equity instruments where the Indian investee company is engaged in an automatic route sector.

2.3 If the equity instruments are not issued by the Indian company within sixty days from the date of receipt of the consideration, the amount so received has to be refunded to the person concerned by outward remittance through banking channels or by credit to his ⁷repatriable foreign currency or Rupee accounts maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#), as the case may be, within fifteen days from the date of completion of sixty days.

2.4 In case of partly paid equity shares, the period of 60 days will be reckoned from the date of receipt of each call payment. The forfeiture of the amount paid upfront on non-payment of call money shall be in accordance with the provisions of the Companies Act, 2013 and Income Tax Act, 1961 as applicable

2.5 Refund may be permitted by an authorised dealer provided it is satisfied:

- (a) with the bonafides of the applicant;
- (b) that the funds were received as per the mode of payment prescribed in para 2.1 above;
- (c) interest, if any, is payable as per the provisions of the Companies Act, 2013.

2.6 Non-compliance of instructions at 2.3 above shall be a contravention of NDI Rules notwithstanding the fact that interest for delayed refund has been paid as per Companies Act, 2013.

2.7 The Indian company issuing equity instruments stated in this annex is permitted to open a foreign currency account with an Authorised Dealer in India in accordance with [Foreign Exchange Management \(Foreign currency accounts by a person resident in India\) Regulations, 2015](#).

3. Remittance of sale proceeds

3.1 The sale proceeds (net of taxes) of the equity instruments can be remitted outside India or credited to the ⁸any repatriable foreign currency or Rupee account of the person concerned maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

⁷ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B) accounts".

⁸ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B)".



Investments by Foreign Portfolio Investors

1. Purchase/ sale of equity instruments

1.1 A Foreign Portfolio Investor (FPI) may purchase or sell equity instruments of an Indian company on a recognised stock exchange in India.

Explanation, – In case two or more FPI's including foreign Governments, or their related entities are having common ownership, directly or indirectly, of more than fifty percent or common control, all such FPIs shall be treated as forming part of an investor group.

1.2 The total holding by each FPI or an investor group as referred in SEBI (FPI) Regulations, 2014, should be less than 10 per cent of the total paid-up equity capital on a fully diluted basis or less than 10 per cent of the paid-up value of each series of debentures or preference shares or warrants issued by an Indian company and the total holdings of all FPIs put together should not exceed 24 per cent of paid-up equity capital on a fully diluted basis or paid up value of each series of debentures or preference shares or warrants. The limit of 10 percent and 24 percent will be called individual and aggregate limit, respectively.

1.3 The aggregate limit of 24 percent may be increased by the Indian company concerned up to the sectoral cap/ statutory ceiling, as applicable, with the approval of its Board of Directors and its General Body through a resolution and a special resolution, respectively.

1.4 In case the total holding of an FPI increases to 10 percent or more of the total paid-up equity capital on a fully diluted basis or 10 per cent or more of the paid-up value of each series of debentures or preference shares or warrants issued by an Indian company, the total investment so made by the FPI will be re-classified as FDI subject to the conditions as specified by SEBI in this regard and the investee company and the investor complying with the reporting requirements prescribed in FEMA 395. The reclassification of foreign portfolio investment of a foreign portfolio investor to FDI shall be in accordance with the framework issued by the RBI vide [A.P. \(DIR Series\) Circular No. 19 dated November 11, 2024](#).

1.5 For arriving at the ceiling on holdings of FPI, equity instruments acquired both through primary as well as secondary market will be included. However, the ceiling will not include investment made by the FPI through off-shore Funds, Global Depository Receipts and Euro-Convertible Bonds.

1.6 An FPI is permitted to purchase equity instruments of an Indian company through public offer/ private placement, subject to the individual and aggregate limits and the conditions specified below:

- (a) in case of Public Offer, the price of the shares to be issued is not less than the price at which shares are issued to residents, and
- (b) in case of issue by private placement, the price is not less than the price arrived in terms of SEBI guidelines or not less than the fair price worked out



as per any internationally accepted pricing methodology for valuation of shares on arm's length basis, duly certified by a SEBI registered Merchant Banker or Chartered Accountant, as applicable

1.7 An FPI may undertake short selling as well as lending and borrowing of securities as permitted by the RBI and SEBI subject to the following conditions:

- a) The short selling of equity shares by FPIs is permitted for equity shares of those companies where there is at least 2% headroom available for total foreign investment and/or aggregate FPI limit or is not in the caution list or ban list published by the RBI or any restrictive list published by any authority designated to do so by the RBI or SEBI.
- b) Borrowing of equity shares by FPIs will only be for the purpose of delivery into short sale.
- c) The margin/ collateral will be maintained by FPIs as applicable in the cash and F&O segment of equity market. No interest shall be paid to the FPI on such margin/ collateral.
- d) The designated custodian banks shall separately report all transactions pertaining to short selling of equity shares and lending and borrowing of equity shares by FPIs in their daily reporting with a suitable remark (short sold/ lent/ borrowed equity shares) for the purpose of monitoring by the RBI.

1.8 Investments will be subject to the limits and margin requirements prescribed by the RBI/ SEBI.

2. Mode of payment

2.1 The amount of consideration for purchase of equity instruments should be received from abroad through banking channels through inward remittance or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

2.2 The foreign currency account ⁹can be used only and exclusively for transactions under this Annex.

3. Remittance of sale proceeds

The sale proceeds (net of taxes) of the investments made can be remitted outside India or may be credited to the foreign currency account or SNRR account of the FPI.

4. Saving

All investments made by deemed FPIs in accordance with the regulations prior to their registration as FPIs are valid and taken into account for computation of aggregate limits.

⁹ Deleted vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to deletion it read as "and SNRR account".



**Investments by Non-Resident Indian (NRI) or Overseas
Citizen of India (OCI) on repatriation basis**

1. Purchase/ sale of equity instruments

1.1 A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI) is allowed to purchase or sell equity instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the following conditions:

- (a) The purchase and sale is done through a designated authorised dealer branch;
- (b) The total holding by any individual NRI or OCI should not exceed five percent of the total paid-up equity capital on a fully diluted basis or should not exceed five percent of the paid-up value of each series of debentures or preference shares or warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together should not exceed ten percent of the total paidup equity capital on a fully diluted basis or should not exceed ten percent of the paid-up value of each series of debentures or preference shares or warrants;
- (c) the aggregate ceiling of ten per cent can be raised to twenty-four per cent if a special resolution to that effect is passed by the General Body of the Indian company;

2. Mode of payment

2.1 The amount of consideration for purchase of equity instruments should be received as an inward remittance from abroad through banking channels or out of funds held in a Non-Resident External (NRE) account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

2.2 The NRE account will be designated as an NRE (PIS) Account and the designated account should be used exclusively for putting through transactions permitted under this annex.

2.2.1 The specific credits permitted for the NRE (PIS) account are as follows:

- (a) Inward remittances from abroad in foreign exchange through banking channels;
- (b) Transfer from the NRI's/ OCI's other NRE accounts or FCNR (B) accounts maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#);
- (c) Sale proceeds (net of taxes) of equity instruments acquired on repatriation basis in accordance with instructions contained in this annex and sold on stock exchange; and
- (d) Dividend or income earned on investment made on repatriation basis in accordance with instructions contained in this annex.



2.2.2 The specific debits permitted for the NRE (PIS) account are as follows:

- (a) Outward remittances of dividend or income earned on investment made on repatriation basis in accordance with instructions contained in this annex;
- (b) Amounts paid on account of purchase of equity instruments on repatriation basis on stock exchanges in accordance with instructions contained in this annex;
- (c) Any charges on account of sale/ purchase of equity instruments in accordance with instructions contained in this annex; and
- (d) Remittances outside India or transfer to NRE/ FCNR (B) accounts of the NRI/ OCI or any other person eligible to maintain such accounts in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

3. Remittance of sale proceeds

The sale proceeds (net of taxes) of the equity instruments can be remitted outside India or may be credited to NRE (PIS) Account of the person concerned.

4. Saving

Any account designated as NRO (PIS) shall be re-designated as NRO account.



Investment by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on Non-Repatriation basis

A. Purchase/ sale of equity instruments or convertible notes or units or contribution to the capital of an LLP

1.1 A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI), including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs or OCIs, is permitted to purchase/ contribute to the following on a non-repatriation basis:

- (a) Any capital instrument issued by a company without any limit either on the stock exchange or outside it.
- (b) Units issued by an investment vehicle without any limit, either on the stock exchange or outside it.
- (c) The capital of a Limited Liability Partnership without any limit.
- (d) Convertible notes issued by a startup company in accordance with NDI Rules.

1.2 The investment detailed at 1.1 above will be deemed to be domestic investment at par with the investment made by residents.

1.3 An NRI or an OCI including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs or OCIs, cannot invest in equity instruments or units of a Nidhi company or a company engaged in agricultural/ plantation activities or real estate business or construction of farm houses or dealing in Transfer of Development Rights.

2. Mode of Payment

2.1 The amount of consideration should be received from abroad through banking channels or paid out of funds held in NRE/ FCNR(B)/ NRO accounts maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

3. Sale/ maturity proceeds

3.1 The sale/ maturity proceeds (net of applicable taxes) of equity instruments purchased or disinvestment proceeds of an LLP should be credited only to the NRO account of the investor, irrespective of the type of account from which the consideration was paid.

3.2 The amount invested in equity instruments of an Indian company or the consideration for contribution to the capital of an LLP and the capital appreciation thereon cannot be repatriated abroad.



B. Investment in a firm or a proprietary concern

1. Contribution to capital of a firm or a proprietary concern

1.1 An NRI or an OCI is permitted to invest, on a non-repatriation basis, by way of contribution to the capital of a firm or a proprietary concern in India.

1.2 The investee firm or proprietary concern should not be engaged in any agricultural/ plantation activity or print media or real estate business i.e., dealing in land and immovable property with a view to earning profit or earning income therefrom.

2. Mode of payment

2.1 The amount of consideration should be received from abroad through banking channels or paid out of funds held in NRE/ FCNR(B)/ NRO accounts maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

3. Sale/ maturity proceeds

3.1 The disinvestment proceeds should be credited only to the NRO account of the person concerned, irrespective of the type of account from which the consideration was paid.

3.2 The amount invested for contribution to the capital of a firm or a proprietary concern and the capital appreciation thereon cannot be repatriated abroad.

Investment in a Limited Liability Partnership (LLP)

1. Investment in a LLP

1.1 Foreign Investment was permitted in an LLP with effect from May 20, 2011.

1.2 A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh), not being a Foreign Portfolio Investor (FPI) or a Foreign Venture Capital Investor (FVCI), is permitted to contribute to the capital of an LLP operating in sectors/ activities where foreign investment up to 100 percent is permitted under automatic route and there are no FDI linked performance conditions.

1.3 Investment by way of 'profit share' will fall under the category of reinvestment of earnings.

1.4 Investment in an LLP is subject to the conditions prescribed in the Limited Liability Partnership Act, 2008.

1.5 A company having foreign investment, engaged in a sector where foreign investment up to 100 percent is permitted under the automatic route and there are no FDI linked performance conditions, can be converted into an LLP under the automatic route.

1.6 An LLP having foreign investment, engaged in a sector where foreign investment up to 100 percent is permitted under the automatic route and there are no FDI linked performance conditions, can be converted into a company under the automatic route.

2. Mode of payment

2.1 Payment by an investor towards capital contribution of an LLP should be made by way of an inward remittance through banking channels or out of funds held in ¹⁰any repatriable foreign currency or Rupee account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

3. Remittance of disinvestment proceeds

3.1 The disinvestment proceeds can be remitted outside India or may be credited to ¹¹any repatriable foreign currency or Rupee account of the person concerned maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

¹⁰ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B)".

¹¹ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE/FCNR(B)".



Investment by a Foreign Venture Capital Investor (FVCI)

1. Investment by Foreign Venture Capital Investor (FVCI)

1.1 Investment by an FVCI was permitted with effect from December 26, 2000

1.2 An FVCI is permitted to invest in securities (not listed on a recognised stock exchange at the time of issue), of an Indian company engaged in the following sectors:

- (1) Biotechnology
- (2) IT related to hardware and software development
- (3) Nanotechnology
- (4) Seed research and development
- (5) Research and development of new chemical entities in pharmaceutical sector
- (6) Dairy industry
- (7) Poultry industry
- (8) Production of bio-fuels
- (9) Hotel-cum-convention centres with seating capacity of more than three thousand.
- (10) Infrastructure sector. The term 'Infrastructure Sector' has the same meaning as given in the Harmonised Master List of Infrastructure sub-sectors approved by Government of India vide Notification F. No. 13/06/2009-INF dated March 27, 2012 as amended/ updated.

1.3 An FVCI can invest in equity or equity linked instrument or debt instrument issued by an Indian startup company irrespective of the sector in which the startup company is engaged.

Provided that: if the investment is in equity instruments, then the sectoral caps, entry routes and attendant conditions shall apply.

1.4 An FVCI can acquire units of a Venture Capital Fund (VCF) or of a Category I Alternative Investment Fund (Cat-I AIF) or units of a scheme or of a fund set up by a VCF or by a Cat-I AIF.

1.5 Investment by an FVCI in equity instruments of an Indian company will be subject to the reporting, sectoral caps, entry routes and attendant conditions.

1.6 An FVCI may purchase the securities/ instruments permitted for it either from the issuer of these securities/ instruments or from any person holding these securities/ instruments.



1.7 An FVCI may invest in securities on a recognized stock exchange subject to the provisions of the SEBI (FVCI) Regulations, 2000.

1.8 An FVCI may acquire/ transfer securities/ instruments permitted for it at a price that is mutually acceptable to the buyer and the seller/ issuer. In case of sale to a person resident outside India, the buyer should be an eligible acquirer.

1.9 An FVCI may also receive the proceeds of the liquidation of VCFs or of Cat-I AIFs or of schemes/ funds set up by the VCFs or Cat-I AIFs.

2. Mode of payment

2.1 The amount of consideration shall be paid as inward remittance from abroad through banking channels or out of funds held in a foreign currency account and/ or a Special Non-Resident Rupee (SNRR) account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

2.2 The foreign currency account ¹²shall be used only and exclusively for transactions under this annex.

3. Remittance of sale/ maturity proceeds

3.1 The sale/ maturity proceeds (net of taxes) may be remitted outside India or may be credited to the foreign currency account or SNRR account of the FVCI.

¹² Deleted vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to deletion it read as “and SNRR account”.



Investment by a person resident outside India in an Investment Vehicle

1. Investment in units of an Investment Vehicle

1.1 A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh) is permitted, with effect from November 13, 2016, to invest in units of Investment Vehicles.

1.2 The sale/ transfer/ redemption of units acquired/ purchased in accordance with this annex are subject to the regulations framed by SEBI or the directions issued by the RBI.

1.3 An Investment vehicle can issue its units to a person resident outside India against swap of equity instruments of a Special Purpose Vehicle (SPV) proposed to be acquired by such Investment Vehicle.

1.4 The portfolio investment by an AIF (Cat III) which has foreign investment is restricted to the securities/ instruments permitted for FPIs under NDI Rules.

2. Mode of payment

2.1 The amount of consideration should be paid as inward remittance from abroad through banking channels or by way of swap of shares of a Special Purpose Vehicle or out of funds held in ¹³any repatriable foreign currency or Rupee account maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

3. Remittance of sale/ maturity proceeds

The sale/ maturity proceeds (net of taxes) of the units may be remitted outside India or credited to the ¹⁴any repatriable foreign currency or Rupee account of the person concerned maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).

¹³ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE or FCNR(B)".

¹⁴ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification it read as "NRE or FCNR(B)".



Investment in Depository receipts by a person resident outside India**1. Issue/ transfer of eligible instruments to a foreign depository for the purpose of issuance of depository receipts by eligible person(s)**

1.1 In terms of Depository Receipts Scheme, 2014 (DR Scheme, 2014), Depository Receipts can be issued against any security or unit in which a person resident outside India is allowed to invest under NDI Rules. These will be referred to as 'eligible instruments' for the purpose of this annex.

1.2 A person is permitted to issue or transfer eligible instruments to a foreign depository for the purpose of issuance of depository receipts in accordance with the DR Scheme, 2014 and guidelines issued by Central Government in this regard.

1.3 A domestic custodian can purchase eligible instruments on behalf of a person resident outside India, for the purpose of converting the instruments so purchased into depository receipts in terms of DR Scheme 2014.

1.4 The aggregate of eligible instruments which may be issued or transferred to foreign depositories, along with eligible instruments already held by persons resident outside India, shall not exceed the limit on foreign holding of such eligible instruments under the Act, rules or regulations framed thereunder.

1.5 The eligible instruments shall not be issued or transferred to a foreign depository for the purpose of issuing depository receipts at a price less than the price applicable to a corresponding mode of issue or transfer of such instruments to domestic investors under the applicable laws.

2. Saving

2.1 Depository Receipts issued under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 shall be deemed to have been issued under the corresponding provisions of DR Scheme 2014 and have to comply with the provisions laid out in this annex.



Issue of Indian Depository Receipts (IDRs)

1. Issue of IDRs

1.1 Companies incorporated outside India may issue IDRs through a Domestic Depository, to a person resident in India and a person resident outside India.

1.2 The issue of IDRs should comply with the Companies (Registration of Foreign Companies) Rules, 2014 and the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009;

1.3 Any issue of IDRs by financial/ banking companies having presence in India, either through a branch or subsidiary, shall require prior approval of the sectoral regulator(s);

1.4 IDRs shall be denominated in Indian Rupees only;

1.5 The proceeds of the issue of IDRs shall be immediately repatriated outside India by the companies issuing such IDRs.

2. Purchase/ sale of IDRs:

2.1 An FPI or an NRI or an OCI may purchase, hold or sell IDRs

2.2 NRIs or OCIs may invest in the IDRs out of funds held in their NRE/ FCNR(B) account, maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#). ¹⁵An FPI may invest in the IDRs out of funds held in a foreign currency account or an SNRR account.

2.3 There would be an overall cap of USD 5 billion for raising of capital by issuance of IDRs by eligible foreign companies in Indian markets. This limit would be monitored by SEBI

3. Transfer, redemption and two way fungibility of IDRs

3.1 Redemption/ conversion of IDRs into underlying equity shares of the issuing company shall comply with the ¹⁶Foreign Exchange Management (Overseas Investment) Rules, 2022.

3.2 IDRs shall not be redeemable into underlying equity shares before the expiry of one year from the date of issue.

3.3 Limited two way fungibility of IDRs is permissible.

3.4 The guidelines to be followed for 3.1, 3.2 and 3.3 above are as follows:

- (a) Listed Indian companies may either sell or continue to hold the underlying shares subject to compliance with the Foreign Exchange Management (Overseas Investment) Rules, 2022.

¹⁵ Inserted vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#).

¹⁶ Modified vide [Notification No. FEMA 395\(3\)/2025-RB dated January 15, 2025](#). Prior to modification, it read as "Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004".



(b) Indian Mutual Funds, registered with SEBI may either sell or continue to hold the underlying shares subject to compliance with the Foreign Exchange Management (Overseas Investment) Rules, 2022.

(c) Other persons resident in India including resident individuals are allowed to hold the underlying shares only for the purpose of sale within a period of 30 days from the date of conversion of the IDRs into underlying shares.

3.5 The FEMA provisions shall not apply to the holding of the underlying shares, on redemption of IDRs by the FPIs.



Investment by other Non-resident Investors

1. Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks may purchase securities subject to such terms and conditions as may be specified by the RBI and the SEBI.
2. “Eligible Foreign Entity (EEE)” as defined in SEBI circular dated the 9th October 2018 and having actual exposure to Indian physical commodity market may participate in domestic commodity derivative markets in accordance with framework specified by the SEBI.



Investment by permissible holder in Equity Shares of Public Companies Incorporated in India and Listed on International Exchanges

1. Investment by permissible holder:

1.1 A permissible holder as defined under the FEM (NDI) Rules, 2019 may purchase or sell equity Shares of a public company which is listed or to be listed on an International Exchange under Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme notified by the central government vide [Foreign Exchange Management \(Non-debt Instruments\) Amendment Rules, 2024 dated January 24, 2024](#).

2. Mode of payment

2.1 The amount of consideration for purchase / subscription of equity shares of an Indian company listed on an International Exchange shall be paid as inward remittance from abroad through banking channels or through banking channels to a foreign currency account of the Indian company held in accordance with the [Foreign Exchange Management \(Foreign currency accounts by a person resident in India\) Regulations, 2015](#), as amended from time to time.

Explanation: The proceeds of purchase / subscription of equity shares of an Indian company listed on an International Exchange shall either be remitted to a bank account in India or deposited in a foreign currency account of the Indian company held in accordance with the [Foreign Exchange Management \(Foreign currency accounts by a person resident in India\) Regulations, 2015](#), as amended from time to time.

3. Remittance of sale/ maturity proceeds

The sale proceeds (net of taxes) of the equity shares may be remitted outside India or may be credited to the bank account of the permissible holder maintained in accordance with the [Foreign Exchange Management \(Deposit\) Regulations, 2016](#).



**List of notifications/circulars
which have been consolidated in this Master Direction**

SN	Rules/Notifications/ A.P. (DIR Series) Circulars	Date
1	Foreign Exchange Management (NDI) Rules, 2019	October 17, 2019
2	FEM (NDI) (Amendment) Rules, 2019	December 05, 2019
3	FEM (NDI) (Amendment) Rules, 2020	April 22, 2020
4	FEM (NDI) (Second Amendment) Rules, 2020	April 27, 2020
5	FEM (NDI) (Amendment) Rules, 2021	August 06, 2021
6	FEM (NDI) (Second Amendment) Rules, 2021	August 19, 2021
7	FEM (NDI) (Third Amendment) Rules, 2021	October 05, 2021
8	FEM (NDI) (Fourth Amendment) Rules, 2021	October 12, 2021
9	FEM (NDI) (Amendment) Rules, 2022	April 12, 2022
10	FEM (NDI) (Amendment) Rules, 2024	January 24, 2024
11	Foreign Exchange Management (Non-Debt Instruments) (Second Amendment) Rules, 2024	March 14, 2024
12	Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2024	August 16, 2024



FOREIGN EXCHANGE MANAGEMENT (NON-DEBT INSTRUMENTS) RULES, 2019

NOTIFICATION NO. S.O. 3732(E) [F.NO.1/14/EM/2015], DATED 17-10-2019

In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), and in supersession of the Foreign Exchange Management (Transfer of Issue of Security by a Person Resident outside India) Regulations, 2017 and the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2018, except as respects things done or omitted to be done before such supersession, the Central Government hereby makes the following rules, namely:—

CHAPTER I

PRELIMINARY

Short title and commencement

1. (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.
- (2) Save as otherwise provided in these rules, they shall come into force from the date of their publication in the Official Gazette.

Definitions

2. In these rules, unless the context otherwise requires:—

- (a) "Act" means the Foreign Exchange Management Act, 1999 (42 of 1999);
- (b) "asset reconstruction company" means a company registered with the Reserve Bank under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
- (c) "authorised bank" shall have the meaning assigned to it in the Foreign Exchange Management (Deposit) Regulations, 2016;
- (d) "authorised dealer" includes a person authorised under sub-section (1) of section 10 of the Act;
- (e) 'convertible note' means an instrument issued by a startup company acknowledging receipt of money initially as debt, repayable at the option of the holder, or which is convertible into such number of equity shares of that company, within a period not exceeding [ten years] from the date of issue of the convertible note, upon occurrence of specified events as per other terms and conditions agreed and indicated in the instrument;
- (f) "debt instruments" means all instruments other than non-debt instruments defined in clause (ai) of this rule;
- (g) "depository receipt" means a foreign currency denominated instrument, whether listed on an international exchange or not, issued by a foreign depository in a permissible jurisdiction on the back of eligible securities issued or transferred to that foreign depository and deposited with a domestic custodian and includes 'global depository receipt' as defined in the Companies Act, 2013 (18 of 2013);
- (h) "domestic custodian" means a custodian of securities registered with the Securities and Exchange Board of India in accordance with the SEBI (Custodian of Securities) Regulations, 1996;
- (i) "domestic depository" means a custodian of securities registered with the Securities and Exchange Board of India and authorised by the issuing entity to issue Indian depository receipts;
- (j) "ESOP" means 'Employees' stock option' as defined under the Companies Act, 2013 and issued under the regulations by the Securities and Exchange Board of India;
- (k) "equity instruments" means equity shares, convertible debentures, preference shares and share warrants issued by an Indian company;

Explanation.—

- (i) *Equity shares issued by an Indian Company in accordance with the provisions of the Companies Act, 2013 or any other applicable law, shall include equity shares that have been partly paid. "Convertible debentures" means fully and mandatorily convertible debentures which are fully paid. "Preference shares" means fully and mandatorily convertible preference shares which are fully paid. "Share Warrants" are those issued by an Indian Company in accordance with the regulations made by the Securities and Exchange Board of India, the Companies Act, 2013 or any other applicable law. Equity instruments can contain an optionality clause subject to a minimum lock-in period of one year or as prescribed for the specific sector, whichever is higher, but without any option or right to exit at an assured price.]*
- (ii) Partly paid shares that have been issued to a person resident outside India shall be fully called-up within twelve months of such issue or as may be specified by the Reserve Bank from time to time. Twenty- five per cent of the total consideration amount (including share premium, if any) shall be received upfront.

(iii) In case of share warrants, at least twenty-five per cent of the consideration shall be received upfront and the balance amount within eighteen months of the issuance of share warrants.

- (l) "escrow account" means an escrow account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016;
- (m) "FDI linked performance conditions" means the sector specific conditions specified in Schedule I of these rules for companies receiving foreign investment;
- (n) "FVCI" means a Foreign Venture Capital Investor incorporated and established outside India and registered with the Securities and Exchange Board of India under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000;
- (o) "foreign central bank" means an institution or organisation or body corporate established in a country outside India and entrusted with the responsibility of carrying out central bank functions under the law for the time being in force in that country;
- (p) "FCNR (B) account" means a Foreign Currency Non-Resident (Bank) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016;
- (q) "FCCB" or "Foreign Currency Convertible Bond" means a bond issued under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993;
- (r) "FDI" or "Foreign Direct Investment" means investment through equity instruments by a person resident outside India in an unlisted Indian company; or in ten per cent or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company;

Note:— In case an existing investment by a person resident outside India in equity instruments of a listed Indian company falls to a level below ten percent, of the post issue paid-up equity capital on a fully diluted basis, the investment shall continue to be treated as FDI;

Explanation: — Fully diluted basis means the total number of shares that would be outstanding if all possible sources of conversion are exercised;

- (s) "foreign investment" means any investment made by a person resident outside India on a repatriable basis in equity instruments of an Indian company or to the capital of a LLP;

[Explanation: - If a declaration is made by a person as per the provisions of the Companies Act, 2013 or any other applicable law, as the case may be, about a beneficial interest being held by a person resident outside India, then even though the investment may be made by a resident Indian citizen, the same shall be counted as foreign investment;]

Note:- A person resident outside India may hold foreign investment either as FDI or as FPI in any particular Indian company;

- (t) "foreign portfolio investment" means any investment made by a person resident outside India through equity instruments where such investment is less than ten percent of the post issue paid-up share capital on a fully diluted basis of a listed Indian company or less than ten percent of the paid-up value of each series of equity instrument of a listed Indian company;
- (u) "FPI" or "Foreign Portfolio Investor" means a person registered in accordance with the provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014;
- (v) "government approval" means the approval from the erstwhile Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion, Government of India and/ or the erstwhile Foreign Investment Promotion Board (FIPB) and/ or any of the ministry/ department of the Government of India, as the case may be;
- (w) "group company" means two or more enterprises which, directly or indirectly, are in a position to (i) exercise twenty-six per cent, or more of voting rights in other enterprise; or (ii) appoint more than fifty per cent of members of Board of Directors in the other enterprise;
- (x) "hybrid securities" means hybrid instruments such as optionally or partially convertible preference shares or debentures and other such instruments as specified by the Central Government from time to time, which can be issued by an Indian company or trust to a person resident outside India;
- [(y) "Indian company" means a company as defined in the Companies Act, 2013 or a body corporate established or constituted by or under any Central or State Act, which is incorporated in India;

Note:

- (i) *It is clarified that reference to 'company' or 'investee company' or 'transferee company' or 'transferor company' in these rules also includes a reference to a body corporate established or constituted by or under any Central or State Act.*

- (ii) *It is further clarified that if the term 'Company' or 'Indian company' or 'Investee company' or 'transferee company' or 'transferor company' is qualified by a reference to a company incorporated*



under the Companies Act, 2013 such term shall mean a company incorporated under the said Act but not a body corporate.

(iii) *It is also clarified that 'Indian company' does not include a society, trust or any entity, which is excluded as an eligible investee entity under the FDI Policy.]*

- (z) "IDR" or "Indian Depository Receipts (IDRs)" means any instrument in the form of a depository receipt created by a domestic depository in India and authorised by a company incorporated outside India making an issue of such depository receipts;
- (aa) "Indian entity" shall mean an Indian company or a LLP ;
- (ab) "investing company" means an Indian company holding only investments in other Indian company/ies directly or indirectly, other than for trading of such holdings or securities;
- (ac) "investment" means to subscribe, acquire, hold or transfer any security or unit issued by a person resident in India;

Explanation:—

- (i) Investment shall include to acquire, hold or transfer depository receipts issued outside India, the underlying of which is a security issued by a person resident in India;
 - (ii) for the purpose of LLP, investment shall mean capital contribution or acquisition or transfer of profit shares;
- (ad) "investment on repatriation basis" means an investment, sale or maturity proceeds of which are net of taxes, eligible to be repatriated out of India, and the expression "investment on non-repatriation basis", shall be construed accordingly;
 - (ae) "investment vehicle" means an entity registered and regulated under the regulations framed by the Securities and Exchange Board of India or any other authority designated for that purpose and shall include, namely:—
 - (i) Real Estate Investment Trusts (REITs) governed by the Securities and Exchange Board of India (REITs) Regulations, 2014;
 - (ii) Infrastructure Investment Trusts (InvIts) governed by the Securities and Exchange Board of India (InvIts) Regulations, 2014
 - (iii) Alternative Investment Funds (AIFs) governed by the Securities and Exchange Board of India (AIFs) Regulations, 2012 ;
- [***]
- (af) "LLP" means a limited liability partnership formed and registered under the Limited Liability Partnership Act, 2008 (6 of 2009);
 - (ag) "listed Indian company" means an Indian company which has any of its equity instruments or debt instruments listed on a recognised stock exchange in India and the expression "unlisted Indian company" shall be construed accordingly;
 - (ah) "manufacture", with its grammatical variations, means a change in a non-living physical object or article or thing, :—
 - (i) resulting in transformation of the object or article or thing into a new and distinct object or article or thing having a different name, character and use; or
 - (ii) bringing into existence of a new and distinct object or article or thing with a different chemical composition or integral structure;
 - (ai) "non-debt instruments" means the following instruments; namely :—
 - (i) all investments in equity instruments in incorporated entities: public, private, listed and unlisted;
 - (ii) capital participation in LLP;
 - (iii) all instruments of investment recognised in the FDI policy notified from time to time;
 - (iv) investment in units of Alternative Investment Funds (AIFs), Real Estate Investment Trust (REITs) and Infrastructure Investment Trusts (InvIts);
 - (v) investment in units of mutual funds or Exchange-Traded Fund (ETFs) which invest more than fifty per cent in equity;
 - (vi) junior-most layer (i.e. equity tranche) of securitisation structure;
 - (vii) acquisition, sale or dealing directly in immovable property;
 - (viii) contribution to trusts; and
 - (ix) depository receipts issued against equity instruments;
 - (aj) "NRI" or "Non-Resident Indian" means an individual resident outside India who is a citizen of India;

- (ak) "OCI" or "Overseas Citizen of India" means an individual resident outside India who is registered as an Overseas Citizen of India Cardholder under section 7A of the Citizenship Act, 1955 (57 of 1955);
- (al) "resident Indian citizen" means an individual who is a person resident in India and is a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 ;
- (am) "sectoral cap" means the maximum investment including both foreign investment on a repatriation basis by persons resident outside India in equity [***] instruments of a company or the capital of a LLP, as the case may be, and indirect foreign investment, unless provided otherwise. This shall be the composite limit for the Indian investee entity.

Explanation:

- (i) FCCBs and DRs having underlying of instruments being in the nature of debt shall not be included in the sectoral cap;
- (ii) any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned under the sectoral cap;

[(ama) *"Share Based Employee Benefits" means issue of equity instruments to employees or directors or employees or directors of the holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India, pursuant to Share Based Employee Benefits schemes formulated by an Indian Company;*]

(an) "startup company" means a private company incorporated under the Companies Act, 2013 and identified under G.S.R. 180(E), dated the 17th February, 2016 issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry;

[(ana) *"subsidiary" shall have the same meaning as is assigned to it in the Companies Act, 2013, as amended from time to time;*]

(ao) "sweat equity shares" means sweat equity shares defined under the Companies Act, 2013;

(ap) "transferable development rights (TDR)" shall have the meaning assigned to it in the regulations made under sub-section (2) of section 6 of the Act;

(aq) "unit" means a beneficial interest of an investor in an investment vehicle;

(ar) "venture capital fund" means a fund established in the form of a trust, a company including a body corporate and registered under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

(2) The words and expressions used but not defined in these rules shall have the same meanings respectively assigned to them in the Act, rules and regulations.

Reserve Bank to administer these rules

[2(A). (1) *These rules shall be administered by the Reserve Bank.*

(2) *While administering these rules, the Reserve Bank may interpret and issue such directions, circulars, instructions, clarifications, as it may deem necessary, for effective implementation of the provisions of these rules.]*

CHAPTER II

GENERAL CONDITIONS APPLICABLE TO ALL INVESTORS

Restriction on investment in India by a person resident outside India

3. Save as otherwise provided in the Act or rules or regulations made thereunder, no person resident outside India shall make any investment in India :

Provided that an investment made in accordance with the Act or the rules or the regulations made thereunder and held on the date of commencement of these rules shall be deemed to have been made under these rules and shall accordingly be governed by these rules:

Provided further that the Reserve Bank may, on an application made to it and for sufficient reasons [***], permit a person resident outside India to make any investment in India subject to such conditions as may be considered necessary.

Restriction on receiving investment

4. Save as otherwise provided in the Act or rules or regulations made thereunder, an Indian entity or an investment vehicle, or a venture capital fund or a firm or an association of persons or a proprietary concern shall not receive any investment in India from a person resident outside India or record such investment in its books:

Provided that the Reserve Bank may, on an application made to it and for sufficient reasons [***], permit an Indian entity or an investment vehicle, or a venture capital fund or a firm or an association of persons or a proprietary concern



to receive any investment in India from a person resident outside India or to record such investment subject to such conditions as may be considered necessary.

Permission for making investment by a person resident outside India

5. Unless otherwise specified in these rules or the Schedules, any investment made by a person resident outside India shall be subject to the entry routes, sectoral caps or the investment limits, as the case may be, and the attendant conditionalities for such investment as laid down in these rules.

CHAPTER III

INVESTMENT BY PERSON RESIDENT OUTSIDE INDIA

Investments by person resident outside India

6. A person resident outside India may make investment as under:—

- (a) may subscribe, purchase or sell equity instruments of an Indian company in the manner and subject to the terms and conditions specified in Schedule I:

[Provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the Government approval:]

Provided further that, a citizen of Pakistan or an entity incorporated in Pakistan shall invest only under the Government route, in sectors or activities other than defence, space, atomic energy and such other sectors or activities prohibited for foreign investment:

Provided also that in the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction or purview of the above provisos, such subsequent change in beneficial ownership shall also require government approval.]

[Provided also that a Multilateral Bank or Fund, of which India is a member, shall not be treated as an entity of a particular country nor shall any country be treated as the beneficial owner of the investments of such Bank or Fund in India]

Note: Issue or transfer of "participating interest or right" in oil fields by Indian companies to a person resident outside India would be treated as foreign investment and shall comply with the conditions laid down in Schedule I.

- (b) A person resident outside India, other than a citizen of Bangladesh or Pakistan or an entity incorporated in Bangladesh or Pakistan, may invest either by way of capital contribution or by way of acquisition or transfer of profit shares of an LLP, in the manner and subject to the terms and conditions specified in Schedule VI.
- (c) A person resident outside India, other than a citizen of Bangladesh or Pakistan or an entity incorporated in Bangladesh or Pakistan, may invest in units of an investment vehicle, in the manner and subject to the terms and conditions specified in Schedule VIII.
- (d) A person resident outside India may invest in the depository receipts (DRs) issued by foreign depositories against eligible securities in the manner and subject to the terms and conditions specified in Schedule IX.

Acquisition through rights issue or bonus issue

7. A person resident outside India and having investment in an Indian company may make investment in equity instruments (other than share warrants) issued by such company as a rights issue or a bonus issue, provided that,—

- (a) the offer made by the Indian company is in compliance with the provisions of the Companies Act, 2013;
- (b) such issue shall not result in a breach of the sectoral cap applicable to the company;
- (c) the share holding on the basis of which the rights issue or the bonus issue has been made must have been acquired and held as per the provisions of these rules;
- (d) in case of a listed Indian company, the rights issue to persons resident outside India shall be at a price determined by the company;
- (e) in case of an unlisted Indian company, the rights issue to persons resident outside India shall not be at a price less than the price offered to persons resident in India;
- (f) such investment made through rights issue or bonus issue shall be subject to the conditions as are applicable at the time of such issue;
- (g) the mode of payment and attendant conditions for such transactions shall be specified by the Reserve Bank.
- (h) an individual who is a person resident outside India exercising a right which was issued when he or she was a person resident in India shall hold the equity instruments (other than share warrants) so acquired on exercising the option on a non-repatriation basis.

[***]



[Acquisition after renunciation of rights.

7A. *A person resident outside India who has acquired a right from a person resident in India who has renounced it may acquire equity instruments (other than share warrants) against the said rights as per pricing guidelines specified under rule 21 of these rules]*

[Issue of Employees Stock Options, sweat equity shares and Share Based Employee Benefits to persons resident outside India.

8. *An Indian company may issue "employees' stock option", "sweat equity shares", and "Share Based Employee Benefits" to its employees or directors or employees or directors of its holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India:*

Provided that -

- (a) *the scheme has been drawn either in terms of regulations issued under the Securities and Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 or as per other applicable law, as the case may be;*
- (b) *the "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" so issued under the applicable rules or regulations are in compliance with the sectoral cap applicable to the said company;*
- (c) *the issue of "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" in a company where foreign investment is under the approval route shall require prior government approval;*
- (d) *issue of "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" to a citizen of Bangladesh or Pakistan shall require prior government approval :*

Provided further *that an individual who is a person resident outside India exercising an option which was issued when he or she was a person resident in India shall hold the shares so acquired on exercising the option on a non-repatriation basis.]*

Transfer of equity instruments of an Indian company by or to a person resident outside India

9. A person resident outside India holding equity instruments of an Indian company or units in accordance with these rules or a person resident in India, may transfer such equity instruments or units so held by him in compliance with the conditions, if any, specified in the Schedules of these rules and subject to the terms and conditions prescribed hereunder :

(1) a person resident outside India, not being a non-resident Indian or an overseas citizen of India or an erstwhile overseas corporate body may transfer by way of sale or gift the equity instruments of an Indian company or units held by him to any person resident outside India;

Explanation: It shall also include transfer of equity instruments of an Indian company pursuant to liquidation, merger, de-merger and amalgamation of entities or companies incorporated or registered outside India.

Provided that.—

- (i) prior government approval shall be obtained for any transfer in case the company is engaged in a sector which requires government approval;
- (ii) where the equity instruments are held by the person resident outside India on a non-repatriable basis, the transfer by way of sale where the transferee intends to hold the equity instruments on a repatriable basis, shall be in compliance with and subject to the adherence to entry routes, sectoral caps or investment limits, as specified in these rules and attendant conditionalities for such investment, pricing guidelines, documentation and reporting requirements for such transfers, as may be specified by the Reserve Bank from time to time;

(2) A person resident outside India, holding equity instruments of an Indian company or units in accordance with these rules may transfer the same to a person resident in India by way of sale or gift or may sell the same on a recognised stock exchange in India in the manner specified by the Securities and Exchange Board of India :

Provided that. —

- (i) the transfer by way of sale shall be in compliance with and subject to the adherence to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by the Reserve Bank in consultation with the Central Government from time to time;
- (ii) where the equity instruments are held by the person resident outside India on a non-repatriable basis, conditions at item (i) of the proviso shall not apply.

(3) A person resident in India holding equity instruments of an Indian company or units, may transfer the same to a person resident outside India by way of sale, subject to the adherence to entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for investment by a person resident outside India and documentation and reporting requirements for such transfers as may be specified by the Reserve Bank in consultation with the Central Government from time to time;



(4) A person resident in India holding equity instruments or units of an Indian company [***] may transfer the same to a person resident outside India by way of gift with the prior approval of the Reserve Bank, in the manner prescribed, and subject to the following conditions, namely:—

- (i) the donee is eligible to hold such a security under the Schedules of these Rules;
- (ii) the gift does not exceed five percent of the paid up capital of the Indian company or each series of debentures or each mutual fund scheme;
Explanation: The five percent of the paid up capital of the Indian company or each series of debentures or each mutual fund scheme will be on cumulative basis by a single person to another single person.
- (iii) the applicable sectoral cap in the Indian company is not breached;
- (iv) the donor and the donee shall be "relatives" within the meaning in clause (77) of section 2 of the Companies Act, 2013;
- (v) the value of security to be transferred by the donor together with any security transferred to any person residing outside India as gift during the financial year does not exceed the rupee equivalent of fifty-thousand US Dollars;
- (vi) such other conditions as considered necessary in public interest by the Central Government.

(5) A person resident outside India holding equity instruments of an Indian company containing an optionality clause in accordance with these rules and exercising the option or right, may exit without any assured return, subject to the pricing guidelines prescribed in these rules and a minimum lock-in period of one year or minimum lock-in period as prescribed in these rules, whichever is higher.

(6) In case of transfer of equity instruments between a person resident in India and a person resident outside India, an amount not exceeding twenty five percent of the total consideration,—

- (i) may be paid by the buyer on a deferred basis within a period not exceeding eighteen months from the date of the transfer agreement; or
- (ii) may be settled through an escrow arrangement between the buyer and the seller for a period not exceeding eighteen months from the date of the transfer agreement; or
- (iii) may be indemnified by the seller for a period not exceeding eighteen months from the date of the payment of the full consideration, if the total consideration has been paid by the buyer to the seller :

Provided that the total consideration finally paid for the shares shall be compliant with the applicable pricing guidelines.

(7) In case of transfer of equity instruments between a person resident in India and a person resident outside India, a person resident outside India may open an escrow account in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016 and such escrow account may be funded by way of inward remittance through banking channels and/ or by way of guarantee issued by an authorised dealer bank, subject to the terms and conditions as specified in the Foreign Exchange Management (Guarantees) Regulations, 2000.

(8) The transfer of equity instruments of an Indian company or units of an investment vehicle by way of pledge is subject to the following terms and conditions, namely :—

- (i) any person being a promoter of a company registered in India (borrowing company), which has raised external commercial borrowing in compliance with the Foreign Exchange Management (Borrowing and Lending in Foreign Exchange) Regulations, 2000 may pledge the shares of the borrowing company or that of its associate resident companies for the purpose of securing the external commercial borrowing raised by the borrowing company subject to the following further conditions, namely :—
 - (A) the period of such pledge shall be co-terminus with the maturity of the underlying external commercial borrowing;
 - (B) in case of invocation of pledge, transfer shall be made in accordance with these rules and directions issued by the Reserve Bank;
 - (C) the statutory auditor has certified that the borrowing company shall utilise or has utilised the proceeds of the external commercial borrowing for the permitted end-use only;
 - (D) no person shall pledge any such share unless a no-objection has been obtained from an authorised dealer bank that the above conditions have been complied with;
- (ii) any person resident outside India holding equity instruments in an Indian company or units of an investment vehicle may pledge the equity instruments or units, as the case may be,—
 - (A) in favour of a bank in India to secure the credit facilities being extended to such Indian company for *bona fide* purposes,
 - (B) in favour of an overseas bank to secure the credit facilities being extended to such person or a person resident outside India who is the promoter of such Indian company or the overseas group company of such Indian company,

- (C) in favour of a non-banking financial company registered with the Reserve Bank to secure the credit facilities being extended to such Indian company for *bona fide* purposes,
 - (D) subject to the authorised dealer bank satisfying itself of the compliance of the conditions stipulated by the Reserve Bank in this regard;
- (iii) in case of invocation of pledge, transfer of equity instruments of an Indian company or units shall be in accordance with entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions at the time of creation of pledge.

CHAPTER IV

INVESTMENT BY FOREIGN PORTFOLIO INVESTOR (FPI)

Investment by FPI

10. A FPI may make investments as under:—

(1) A FPI may purchase or sell equity instruments of an Indian company which is listed or to be listed on a recognised stock exchange in India, and/or may purchase or sell securities other than equity instruments, in the manner and subject to the terms and conditions specified in Schedule II.

Note - A FPI may trade or invest in all exchange traded derivative contracts approved by Securities and Exchange Board of India from time to time subject to the limits specified by the Securities and Exchange Board of India and the conditions prescribed in Schedule II.

(2) A FPI may purchase, hold, or sell Indian Depository Receipts (IDRs) of companies resident outside India and issued in the Indian capital market, in the manner and subject to the terms and conditions as prescribed in Schedule X.

[Transfer of equity instruments of an Indian company by FPI.

11. *A FPI holding equity instruments of an Indian company or units in accordance with these rules, may transfer such equity instruments or units held by him in compliance with the conditions, if any, specified in the Schedules annexed to these rules, subject to the terms and conditions specified therein and by the Securities and Exchange Board of India:*

Provided that, -

- (i) *prior Government approval shall be obtained for any transfer in case the company is engaged in a sector which requires the Government approval;*
- (ii) *where the acquisition of equity instruments by FPI under Schedule II has resulted in a breach of the applicable aggregate FPI limits or sectoral limits the provisions of item (iii) of sub-paragraph (a) of paragraph (1) of Schedule II shall apply.]*

CHAPTER V

INVESTMENT BY NON-RESIDENT INDIAN OR AN OVERSEAS CITIZEN OF INDIA

Investment by NRI or OCI

12. A NRI or an OCI may make investments as under:- (1) A NRI or an OCI may, on repatriation basis, purchase or sell equity instruments of a listed Indian company and other securities in the manner and subject to the terms and conditions prescribed in Schedule III.

(2) A NRI or an OCI may, on non-repatriation basis, purchase or sell equity instruments of an Indian company or other securities or contribute to the capital of a LLP or a firm or proprietary concern, in the manner and subject to the terms and conditions specified in Schedule IV.

Note: A NRI or an OCI may trade or invest in all exchange traded derivative contracts approved by the Securities and Exchange Board of India from time to time subject to the limits specified by Securities and Exchange Board of India and conditions prescribed in Schedule III.

(3) A NRI or an OCI may purchase, hold, or sell Indian Depository Receipts (IDRs) of companies resident outside India and issued in the Indian capital market, in the manner and subject to the terms and conditions specified in Schedule X.

Transfer of equity instruments by NRI or OCI

13. A NRI or an OCI holding equity instruments of an Indian company or units in accordance with these rules may transfer such equity instruments or units so held by him in compliance with the conditions, if any, prescribed in the Schedules of these rules and subject to the terms and conditions prescribed hereunder :



(1) A NRI or an OCI holding equity instruments of an Indian company or units on repatriation basis may transfer the same by way of sale or gift to any person resident outside India :

Provided that,—

- (i) prior Government approval shall be obtained for any transfer in case the company is engaged in a sector which requires Government approval;
- (ii) where the acquisition of equity instruments by an NRI or an OCI under the provisions of Schedule III of these rules has resulted in a breach of the applicable aggregate NRI or OCI limit or sectoral limits, the NRI or the OCI shall sell such equity instruments to a person resident in India eligible to hold such instruments within the time stipulated by the Reserve Bank of India in consultation with the Central Government and the breach of the said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale, provided the sale is within the prescribed time, shall not be reckoned as a contravention under these rules.

(2) A NRI or an OCI or an eligible investor under Schedule IV of these rules, holding equity instruments of an Indian company or units on a non-repatriation basis, may transfer the same to a person resident outside India by way of sale, subject to the adherence to entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for investment by a person resident outside India and documentation and reporting requirements for such transfers as may be specified by the Reserve Bank in consultation with the Central Government from time to time;

Provided that the entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions shall not apply in case the transfer is to an NRI or an OCI or an eligible investor under Schedule IV of these rules acquiring such investment.

(3) A NRI or an OCI or an eligible investor under Schedule IV of these rules holding equity instruments or units of an Indian company on a non-repatriation basis may transfer the same to a person resident outside India by way of gift with the prior approval of the Reserve Bank of India, in the manner prescribed, and subject to the following conditions, namely :—

- (i) the donee is eligible to hold such a security under relevant Schedules of these rules;
- (ii) the gift does not exceed five percent of the paid up capital of the Indian company or each mutual fund scheme;
Explanation: The five percent shall be on cumulative basis by a single person to another single person.
- (iii) the applicable sectoral cap in the Indian company is not breached;
- (iv) the donor and the donee shall be "relatives" within the meaning in clause (77) of section 2 of the Companies Act, 2013;
- (v) the value of security to be transferred by the donor together with any security transferred to any person residing outside India as gift during the financial year does not exceed the rupee equivalent of USD 50000;
- (vi) such other conditions as may be considered necessary in public interest by the Central Government.

(4) A NRI or an OCI or an eligible investor specified under Schedule IV of these rules holding equity instruments of an Indian company or units on a non-repatriation basis, may transfer the same by way of gift to an NRI or an OCI or an eligible investor under Schedule IV of these rules who shall hold it on a non-repatriable basis.

(5) An erstwhile OCB may transfer equity instruments subject to the directions issued by the Reserve Bank of India from time to time in this regard.

Explanation: "Overseas Corporate Body (OCB)" means an entity de-recognised through Foreign Exchange Management [Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)] Regulations, 2003.

CHAPTER VI

INVESTMENT BY OTHER NON-RESIDENT INVESTORS

Investment in securities by other non-resident investors

14. The other non-resident investors may make investments in securities in the manner and subject to the terms and conditions specified in Schedule V.

Transfer of securities by other non-resident investors

15. The other non-resident investors, holding securities in accordance with these rules, may transfer the securities subject to such terms and conditions prescribed in Schedule V and as specified by the Securities and Exchange Board of India and the Reserve Bank.

CHAPTER VII

INVESTMENT BY FOREIGN VENTURE CAPITAL INVESTOR

Investment by FVCI

16. A Foreign Venture Capital Investor (FVCI) may make investments in the manner and subject to the terms and conditions specified in Schedule VII.



Transfer of equity instruments of an Indian company by or to a FVCI

17. A FVCI holding equity instruments of an Indian company or units in accordance with these rules or a person resident in India, may transfer such equity instruments or units so held by him in compliance with the conditions, if any, prescribed in Schedule VII of these rules and as specified by the Securities and Exchange Board of India and the Reserve Bank.

CHAPTER VIII GENERAL PROVISIONS

Issue of Convertible Notes by an Indian startup company

18. (1) A person resident outside India (other than an individual who is citizen of Pakistan or Bangladesh or an entity which is registered or incorporated in Pakistan or Bangladesh), may purchase convertible notes issued by an Indian startup company for an amount of twenty five lakh rupees or more in a single tranche.

(2) A startup company, engaged in a sector where investment by a person resident outside India requires Government approval, may issue convertible notes to a person resident outside India only with such approval. Further, issue of equity shares against such convertible notes shall be in compliance with the entry route, sectoral caps, pricing guidelines and other attendant conditions for foreign investment.

(3) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

(4) A NRI or an OCI may acquire convertible notes on non-repatriation basis in accordance with Schedule IV of these rules.

(5) A person resident outside India may acquire or transfer by way of sale, convertible notes, from or to, a person resident in or outside India, provided the transfer takes place in accordance with the entry routes and pricing guidelines as prescribed for capital instruments.

Merger or demerger or amalgamation of Indian companies

19. *[(1) Where a scheme of compromise or arrangement or merger or amalgamation of two or more Indian companies or a reconstruction by way of demerger or otherwise of an Indian company, or transfer of undertaking of one or more Indian company to another Indian company, or involving division of one or more Indian company, has been approved by the National Company Law Tribunal (NCLT) or other authority competent to do so by law, the transferee company or the new company, as the case may be, may issue equity instruments to the existing shareholders of the transferor company resident outside India, subject to the following conditions, namely:-*

(a) the transfer or issue is in compliance with the entry routes, sectoral caps or investment limits, as the case may be and the attendant conditionalities of investment by a person resident outside India :

Provided *that where the percentage is likely to breach the sectoral caps or the attendant conditionalities, the transferor company or the transferee or new company may obtain necessary approval from the Central Government;*

(b) the transferor company or the transferee company or the new company is not engaged in any sector prohibited for investment by a person resident outside India.

Note: Government approval shall not be required in case of mergers and acquisitions taking place in sectors under automatic route.]

(2) where a scheme of [*compromise or arrangement or*] merger or amalgamation of two or more Indian companies or a reconstruction by way of demerger or otherwise of an Indian company where any of the companies involved is listed on a recognised stock exchange in India, then the scheme of arrangement shall be in compliance with the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015.

Reporting requirements

20. The reporting requirements for any investment in India by a person resident in India shall be as specified by the Reserve Bank.

Pricing guidelines

21. (1) The pricing guidelines specified in these rules shall not be applicable for any transfer by way of sale done in accordance with Securities and Exchange Board of India regulations where the pricing is specified by Securities and Exchange Board of India.

(2) Unless otherwise prescribed in these rules, the price of equity instruments of an Indian company, —



(a) issued by such company to a person resident outside India shall not be less than :

- (i) the price worked out in accordance with the Securities and Exchange Board of India guidelines in case of a listed Indian company or in case of a company going through a delisting process as per the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (ii) the valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a Merchant Banker registered with the Securities and Exchange Board of India or a practising Cost Accountant, in case of an unlisted Indian Company.

[Explanation: In case of convertible equity instruments, the price or conversion formula of the instrument should be determined upfront at the time of issue of the instrument. The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with these rules.]

(b) transferred from a person resident in India to a person resident outside India shall not be less than,—

- (i) the price worked out in accordance with the Securities and Exchange Board of India guidelines in case of a listed Indian company;
- (ii) the price at which a preferential allotment of shares can be made under the Securities and Exchange Board of India Guidelines, as applicable, in case of a listed Indian company or in case of a company going through a delisting process as per the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
- (iii) the valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a Merchant Banker registered with the Securities and Exchange Board of India or a practising Cost Accountant, in case of an unlisted Indian company.

(c) transferred by a person resident outside India to a person resident in India shall not exceed :

- (i) the price worked out in accordance with the relevant Securities and Exchange Board of India guidelines in case of a listed Indian company;
- (ii) the price at which a preferential allotment of shares can be made under the Securities and Exchange Board of India Guidelines, as applicable, in case of a listed Indian company or in case of a company going through a delisting process as per the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 :

Provided that the price is determined for such duration as specified in the Securities and Exchange Board of India Guidelines, preceding the relevant date, which shall be the date of purchase or sale of shares;

- (iii) the valuation of equity instruments done as per any internationally accepted pricing methodology for valuation on an arm's length basis duly certified by a Chartered Accountant or a Merchant Banker registered with the Securities and Exchange Board of India or a practising Cost Accountant, in case of an unlisted Indian company.

Explanation: The guiding principle shall be that the person resident outside India is not guaranteed any assured exit price at the time of making such investment or agreement and shall exit at the price prevailing at the time of exit.

- (iv) in case of swap of equity instruments, subject to the condition that irrespective of the amount, valuation involved in the swap arrangement shall have to be made by a Merchant Banker registered with the Securities and Exchange Board of India or an investment banker outside India registered with the appropriate regulatory authority in the host country.
- (v) where shares in an Indian company are issued to a person resident outside India in compliance with the provisions of the Companies Act, 2013, by way of subscription to Memorandum of Association, such investments shall be made at face value subject to entry route and sectoral caps.
- (vi) in case of share warrants, their pricing and the price or conversion formula shall be determined upfront:

Provided that these pricing guidelines shall not be applicable for investment in equity instruments by a person resident outside India on a non-repatriation basis.

Taxes and remittances of sale proceeds

22. (1) Taxes - All transaction under these rules shall be undertaken through banking channels in India and subject to the payment of applicable taxes and other duties or levies in India.

(2) Remittance of sale proceeds :

- (a) No remittance of sale proceeds of an Indian security held by a person resident outside India shall be made otherwise than in accordance with these rules , the conditions prescribed in the relevant Schedule and as specified by the Reserve Bank.
- (b) An authorised dealer may allow the remittance of sale proceeds of a security (net of applicable taxes) to the seller of shares resident outside India :

Provided that —

- (i) the security was held by the seller on repatriation basis; and
- (ii) either the security has been sold in compliance with the pricing guidelines or the Reserve Bank's approval has been obtained in other cases for sale of the security and remittance of the sale proceeds thereof.

Downstream investment

23. (1) Indian entity which has received indirect foreign investment shall comply with the entry route, sectoral caps, pricing guidelines and other attendant conditions as applicable for foreign investment.

Explanation: Downstream investment by an LLP not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India is allowed in an Indian company operating in sectors where foreign investment up to one hundred percent is permitted under automatic route and there are no FDI linked performance conditions.

(2) With effect from the 31st day of July, 2012, downstream investment(s) made under Corporate Debt Restructuring (CDR), or other loan restructuring mechanism, or in trading book, or for acquisition of shares due to defaults in loans, by a banking company, as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949) incorporated in India, which is not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India, shall not count towards indirect foreign investment, however, their strategic downstream investment shall be counted towards indirect foreign investment for the company in which such investment is being made.


(3) Guidelines for calculating total foreign investment in Indian companies are as follows ,—

- (a) any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned for total foreign investment;
- (b) FCCBs and DRs having underlying of instruments in the nature of debt shall not be reckoned for total foreign investment;
- (c) the methodology for calculating total foreign investment shall apply at every stage of investment in Indian companies and thus in each and every Indian company;
- (d) for the purpose of downstream investment, the portfolio investment held as on 31st March of the previous financial year in the Indian company making the downstream investment shall be considered for computing its total foreign investment;
- (e) indirect foreign investment received by a wholly owned subsidiary of an Indian company shall be limited to the total foreign investment received by the company making the downstream investment.

(4) Downstream investment that is treated as indirect foreign investment for the investee entity shall be subject to the following conditions, namely :—

- (a) downstream investment shall have the approval of the Board of Directors as also a shareholders' Agreement, if any;
- (b) for the purpose of downstream investment, the Indian entity making the downstream investment shall bring in requisite funds from abroad and not use funds borrowed in the domestic markets and the downstream investments may be made through internal accruals and for this purpose, internal accruals shall mean profits transferred to reserve account after payment of taxes. Further raising of debt and its utilisation shall be in compliance with the Act, rules or regulations made thereunder.

(5) Equity instrument of an Indian company held by another Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or is owned or controlled by persons resident outside India may be transferred to—

-  (a) a person resident outside India, subject to the reporting requirements as specified by the Reserve Bank.
- (b) a person resident in India subject to adherence to pricing guidelines;

- (c) an Indian company which has received foreign investment and is not owned and not controlled by resident Indian citizens or owned or controlled by persons resident outside India.
- (6) The first level Indian company making downstream investment shall be responsible for ensuring compliance with the provisions of these rules for the downstream investment made by it at second level and so on and so forth and such first level company shall obtain a certificate to this effect from its statutory auditor on an annual basis and such compliance of these rules shall be mentioned in the Director's report in the Annual Report of the Indian company. In case statutory auditor has given a qualified report, the same shall be immediately brought to the notice of the regional office of the Reserve Bank in whose jurisdiction the Registered Office of the company is located and shall also obtain acknowledgement from the Registered Office.
- (7) The provisions (5) and (6) of rule 23 shall apply *mutatis mutandis* to a LLP.

Note: Downstream investment that is treated as indirect foreign investment for the investee entity made in accordance with the guidelines in existence prior to the 13th February, 2009 shall not require any modification to conform to these rules and all such investments, after the said date, shall come under the ambit of these rules. Downstream investment that is treated as indirect foreign investment for the investee entity made between the 13th February, 2009 and 21st June 2013 which is not in conformity with these rules shall have to be intimated to the Reserve Bank by 3rd October, 2013 for treating such cases as compliant with these Rules.

Explanation.- For the purposes of this rule,—

- (a) "ownership of an Indian company" shall mean beneficial holding of more than fifty percent of the equity instruments of such company and "ownership of an LLP" shall mean contribution of more than fifty percent in its capital and having majority profit share;
- (b) "company owned by resident Indian citizens" shall mean an Indian company where ownership is vested in resident Indian citizens and/ or Indian companies, which are ultimately owned and controlled by resident Indian citizens and "LLP owned by resident Indian citizens" shall mean an LLP where ownership is vested in resident Indian citizens and/ or Indian entities, which are ultimately owned and controlled by resident Indian citizens;
- (c) "company owned by persons resident outside India" shall mean an Indian company that is owned by persons resident outside India and "LLP owned by persons resident outside India" shall mean an LLP that is owned by persons resident outside India;
- (d) "control" shall mean the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreement or voting agreement and for the purpose of LLP, "control" shall mean the right to appoint majority of the designated partners, where such designated partners, with specific exclusion to others, have control over all the policies of an LLP;
- (e) "company controlled by resident Indian citizens" means an Indian company, the control of which is vested in resident Indian citizens and/ or Indian companies which are ultimately owned and controlled by resident Indian citizens and "LLP controlled by resident Indian citizens" shall mean an LLP, the control of which is vested in resident Indian citizens and/ or Indian entities, which are ultimately owned and controlled by resident Indian citizens;
- (f) "company controlled by persons resident outside India" shall mean an Indian company that is controlled by persons resident outside India and "LLP controlled by persons resident outside India" shall mean an LLP that is controlled by persons resident outside India;
- (g) "downstream investment" shall mean investment made by an Indian entity which has total foreign investment in it, or an Investment Vehicle in the capital instruments or the capital, as the case may be, of another Indian entity;
- (h) "holding company" shall have the same meaning as assigned to it under Companies Act, 2013;
- (i) "indirect foreign investment" means downstream investment received by an Indian entity from,—
 - (A) another Indian entity (IE) which has received foreign investment and (i) the IE is not owned and not controlled by resident Indian citizens or (ii) is owned or controlled by persons resident outside India; or

[Explanation: *An investment made by an Indian entity which is owned and controlled by NRI(s), on a non-repatriation basis, shall not be considered for calculation of indirect foreign investment.]*

 - (B) an investment vehicle whose sponsor or manager or investment manager (i) is not owned and not controlled by resident Indian citizens or (ii) is owned or controlled by persons resident outside India :

Provided that no person resident in India other than an Indian entity can receive Indirect Foreign Investment;
- (j) "total foreign investment" means the total of foreign investment and indirect foreign investment and the same will be reckoned on a fully diluted basis;
- (k) "strategic downstream investment" means investment by banking companies incorporated in India in their subsidiaries, joint ventures and associates.

ACQUISITION AND TRANSFER OF IMMOVABLE PROPERTY IN INDIA**Acquisition and transfer of property in India by a NRI or an OCI**

24. A NRI or an OCI may —

- (a) acquire immovable property in India other than an agricultural land or farm house or plantation property:

Provided that the consideration, if any, for transfer, shall be made out of :

- (i) funds received in India through banking channels by way of inward remittance from any place outside India ; or
- (ii) funds held in any non-resident account maintained in accordance with the provisions of the Act, rules or regulations framed thereunder:

Provided further that no payment for any transfer of immovable property shall be made either by traveller's cheque or by foreign currency notes or by any other mode other than those specifically permitted under this clause;

- (b) acquire any immovable property in India other than agricultural land or farm house or plantation property by way of gift from a person resident in India or from an NRI or from an OCI, who in any case is a relative as defined in clause (77) of section 2 of the Companies Act, 2013;
- (c) acquire any immovable property in India by way of inheritance from a person resident outside India who had acquired such property:—
 - (i) in accordance with the provisions of the foreign exchange law in force at the time of acquisition by him or the provisions of these rules ;or
 - (ii) from a person resident in India;
- (d) transfer any immovable property in India to a person resident in India;
- (e) transfer any immovable property other than agricultural land or farm house or plantation property to an NRI or an OCI.

Joint acquisition by the spouse of a NRI or an OCI

25. A person resident outside India, not being an NRI or an OCI, who is a spouse of an NRI or an OCI may acquire one immovable property (other than agricultural land or farm house or plantation property), jointly with his or her NRI or OCI spouse :

Provided that —

- (a) consideration for transfer, shall be made out of —
 - (i) funds received in India through banking channels by way of inward remittance from any place outside India; or
 - (ii) funds held in any non-resident account maintained in accordance with the provisions of the Act and the regulations made by the Reserve Bank;
- (b) no payment for any transfer of immovable property shall be made either by traveller's cheque or by foreign currency notes or by any other mode other than those specifically permitted under this clause :

Provided that the marriage has been registered and subsisted for a continuous period of not less than two years immediately preceding the acquisition of such property :

Provided further that the non-resident spouse is not otherwise prohibited from such acquisition.

Acquisition of immovable property for carrying on a permitted activity

26. A person resident outside India who has established in India in accordance with the Foreign Exchange Management (Establishment in India of a Branch office or a liaison office or a project office or any other place of business) Regulations, 2016, as amended from time to time, a branch, office or other place of business for carrying on in India any activity, excluding a liaison office, may —

- (a) acquire any immovable property in India, which is necessary for or incidental to carrying on such activity:

Provided that,—

- (i) all applicable laws, rules, regulations, for the time being in force are duly complied with; and
- (ii) the person files with the Reserve Bank a declaration in the Form IPI as specified by the Reserve Bank from time to time, not later than ninety days from the date of such acquisition;

- (b) transfer by way of mortgage to an authorised dealer as a security for any borrowing, the immovable property acquired in pursuance of clause (a) of rule 26:

Provided that no person of Pakistan or Bangladesh or Sri Lanka or Afghanistan or China or Iran or Hong Kong or Macau or Nepal or Bhutan or Democratic People's Republic of Korea (DPRK) shall acquire immovable property, other than on lease not exceeding five years, without prior approval of the Reserve Bank.

Purchase or sale of immovable property by Foreign Embassies or Diplomats or Consulate Generals

27. A Foreign Embassy or Diplomat or Consulate General may purchase or sell immovable property in India other than agricultural land or plantation property or farm house provided :

- (i) clearance from Government of India, Ministry of External Affairs is obtained for such purchase or sale; and
- (ii) the consideration for acquisition of immovable property in India is paid out of funds remitted from abroad through banking channels.

Acquisition by a long-term visa holder

28. A person being a citizen of Afghanistan, Bangladesh or Pakistan belonging to minority communities in those countries, namely, Hindus, Sikhs, Buddhists, Jains, Parsis and Christians who is residing in India and has been granted a Long Term Visa (LTV) by the Central Government may purchase only one residential immovable property in India as dwelling unit for self-occupation and only one immovable property for carrying out self-employment subject to the following conditions, namely :—

- (a) the property shall not be located in and around restricted or protected areas so notified by the Central Government and cantonment areas;
- (b) the person submits a declaration to the Revenue Authority of the district where the property is located, specifying the source of funds and that he or she is residing in India on LTV;
- (c) the registration documents of the property shall mention the nationality and the fact that such person is on LTV;
- (d) the property of such person may be attached or confiscated in the event of his or her indulgence in anti-India activities;
- (e) a copy of the documents of the purchased property shall be submitted to the Deputy Commissioner of Police (DCP) or Foreigners Registration Office (FRO) or Foreigners Regional Registration Office (FRRO) concerned and to the Ministry of Home Affairs (Foreigners Division);
- (f) such person shall be eligible to sell the property only after acquiring Indian citizenship, however, transfer of the property before acquiring Indian citizenship shall require prior approval of DCP or FRO or FRRO concerned.

Repatriation of sale proceeds

29. (1) A person referred to in sub-section (5) of section 6 of the Act, or his successor shall not, except with the general or specific permission of the Reserve Bank, repatriate outside India the sale proceeds of any immovable property referred to in that sub- section.

(2) In the event of sale of immovable property other than agricultural land or farm house or plantation property in India by an NRI or an OCI, the authorised dealer may allow repatriation of the sale proceeds outside India, provided the following conditions are satisfied, namely:—

- (a) the immovable property was acquired by the seller in accordance with the provisions of the foreign exchange law in force at the time of acquisition or the provisions of these rules;
- (b) the amount for acquisition of the immovable property was paid in foreign exchange received through banking channels or out of funds held in Foreign Currency Non-Resident Account or out of funds held in Non-Resident External Account;
- (c) in the case of residential property, the repatriation of sale proceeds is restricted to not more than two such properties.

(3) In the event of failure in repayment of external commercial borrowing availed by a person resident in India under the provisions of the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, as amended from time to time, a bank which is an authorised dealer may permit the overseas lender or the security trustee (in whose favour the charge on immovable property has been created to secure the ECB) to sell the immovable property on which the said loan has been secured only to a (by the) person resident in India and to repatriate the sale proceeds towards outstanding dues in respect of the said loan and not any other loan.

Prohibition on transfer of immovable property in India

30. (1) Save as otherwise provided in the Act or rules, no person resident outside India shall transfer any immovable property in India:

Provided that:—



- (a) the Reserve Bank may, for sufficient reasons, permit the transfer subject to such conditions as may be considered necessary;
- (b) a bank which is an authorised dealer may, subject to the directions issued by the Reserve Bank in this behalf, permit a person resident in India or on behalf of such person to create charge on his immovable property in India in favour of an overseas lender or security trustee, to secure an external commercial borrowing availed under the provisions of the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000;
- (c) an authorised dealer in India being the Indian correspondent of an overseas lender may, subject to the directions issued by the Reserve Bank in this regard, create a mortgage on an immovable property in India owned by an NRI or an OCI, being a director of a company outside India, for a loan to be availed by the company from the said overseas lender :

Provided further that :—

- (i) the funds shall be used by the borrowing company only for its core business purposes overseas;
- (ii) in case of invocation of charge, the Indian bank shall sell the immovable property to an eligible acquirer and remit the sale proceeds to the overseas lender.

(2) A person resident outside India who has acquired any immovable property in India in accordance with foreign exchange laws in force at the time of such acquisition or with the general or specific permission of the Reserve Bank may transfer such property to a person resident in India provided the transaction takes place through banking channels in India and provided further that the resident is not otherwise prohibited from such acquisition.

Prohibition on acquisition or transfer of immovable property in India by citizens of certain countries

31. No person being a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal, Bhutan, Hong Kong or Macau or Democratic People's Republic of Korea (DPRK) without prior permission of the Reserve Bank shall acquire or transfer immovable property in India, other than lease not exceeding five years :

Provided that this prohibition shall not apply to an OCI.

Explanation: For the purpose of this rule, the term "citizen" shall include natural persons and legal entities.

Miscellaneous

32. Any transaction involving acquisition or transfer of immovable property under these rules shall be undertaken:—

- (a) through banking channels in India;
- (b) subject to payment of applicable taxes and other duties or levies in India.

Savings

33. Any existing holding of immovable property in India by a person resident outside India made in accordance with the policy in existence at the time of such acquisition would not require any modifications to conform to these rules.

458. What is Schedule I of NDI Rules, 2019?

SCHEDULE I

[See rule 6(a)]

PURCHASE OR SALE OF EQUITY INSTRUMENTS OF AN INDIAN COMPANY BY A PERSON RESIDENT OUTSIDE INDIA

(1) Purchase or sale of equity instruments of an Indian company by a person resident outside India

- (a) An Indian company may issue equity instruments to a person resident outside India subject to entry routes, sectoral caps and attendant conditionalities prescribed in this Schedule.
- (b) A person resident outside India may purchase equity instruments of a listed Indian company on a stock exchange in India:

Provided that—

- (i) the person resident outside India making the investment has already acquired control of such company in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 and continues to hold such control;
- (ii) the amount of consideration may be paid as per the mode of payment specified by the Reserve Bank or out of the dividend payable by Indian investee company in which the person resident outside India has acquired and continues to hold the control in accordance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 provided the right to receive dividend is established and the dividend amount has been credited to a specially designated non-interest bearing rupee account for acquisition of shares on the recognised stock exchange.

- (c) A wholly owned subsidiary set up in India by a non-resident entity, operating in a sector where 100 percent foreign investment is allowed in the automatic route and there are no FDI linked performance conditions, may issue equity instruments to the said non-resident entity against pre-incorporation or pre-operative expenses incurred by the said non-resident entity up to a limit of five percent of its authorised capital or USD 500,000

whichever is less, subject to the condition that within thirty days from the date of issue of equity instruments but not later than one year from the date of incorporation or such time as the Reserve Bank permits, the Indian company shall report the transaction to the Reserve Bank as per the reporting requirements as specified by the Reserve Bank.

- (d) An Indian company may issue, subject to compliance with the conditions prescribed by the Central Government and/or the Reserve Bank from time to time, equity instruments to a person resident outside India, if the Indian investee company is engaged in an automatic route sector, against,—
- (i) swap of equity instruments; or
 - (ii) import of capital goods or machinery or equipment (excluding second-hand machinery); or
 - (iii) pre-operative or pre-incorporation expenses (including payments of rent etc.) :

Provided that the Government approval shall be obtained if the Indian investee company is engaged in a sector under Government route and the applications for approval shall be made in the manner prescribed by the Central Government from time to time.

- (e) An Indian company may issue equity shares against any funds payable by it to a person resident outside India, the remittance of which is permitted under the Act or the rules and regulations framed or directions issued thereunder or does not require prior permission of the Central Government or the Reserve Bank under the Act or the rules and regulations framed or directions issued thereunder or has been permitted by the Reserve Bank under the Act or the rules and regulations framed or directions issued thereunder:

Provided that in case where permission has been granted by the Reserve Bank for making remittance, the Indian company may issue equity shares against such remittance provided all regulatory actions with respect to the delay or contravention under the Act or the rules or the regulations framed thereunder have been completed.

- (f) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

(2) Sectors prohibited for FDI

- (a) Lottery business including Government or private lottery, online lotteries, etc.
- (b) Gambling and betting including casinos, etc.
- (c) Chit funds
- (d) Nidhi company
- (e) Trading in Transferable Development Rights
- (f) Real estate business or construction of farm houses

[Explanation.—For the purpose of this rule, 'real estate business' means dealing in land and immovable property with a view to earning profit from there and does not include development of townships, construction of residential or commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships, real estate broking services and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations, 2014 and earning of rent or income on lease of the property, not amounting to transfer.]

- (g) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
- (h) Activities or sectors not open to private sector investment e.g. (I) Atomic energy and (II) Railway operations (other than permitted activities mentioned in paragraph (3) of Schedule I).
- (i) Foreign technology collaborations in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for lottery business and gambling and betting activities.

(3) Permitted sectors, entry routes and sectoral caps for total foreign investment

Unless otherwise specified in these Rules or the Schedules, the entry routes and sectoral caps for the total foreign investment in an Indian entity shall be as follows, namely :—

(a) Entry routes.—


- (i) "Automatic route" means the entry route through which investment by a person resident outside India does not require the prior approval of the Reserve Bank or the Central Government;
- (ii) "Government route" means the entry route through which investment by a person resident outside India requires prior Government approval and foreign investment received under this route shall be in accordance with the conditions stipulated by the Government in its approval.
- (iii) Aggregate foreign portfolio investment up to forty-nine percent of the paid-up capital on a fully diluted basis or the sectoral or statutory cap, whichever is lower, shall not require Government approval or compliance of sectoral conditions as the case may be, if such investment does not result in transfer of ownership and control of the resident Indian company from resident Indian citizens or transfer of ownership or control to persons resident outside India and other investments by a person


resident outside India shall be subject to the conditions of Government approval and compliance of sectoral conditions as laid down in these rules.

(b) Sectoral caps.—

- (i) Sectoral cap for the sectors or activities specified in the table is the limit indicated against each sector. The total foreign investment shall not exceed the sectoral or statutory cap.
- (ii) Foreign investment in the following sectors or activities is subject to applicable laws or regulations, security and other conditionalities.
- (iii) In sectors or activities not listed below or not prohibited under paragraph (2) of Schedule I of these rules, foreign investment is permitted up to one hundred percent on the automatic route, subject to applicable laws or regulations, security and other conditionalities:
Provided that foreign investment in financial services other than those indicated under serial number "F" below would require prior approval of the Government.
- (iv) Wherever there is a requirement of minimum capitalisation, it shall include premium received along with the face value of the equity instrument, only when it is received by the company upon issue of such instruments to the person resident outside India and the amount paid by the transferee during post-issue transfer beyond the issue price of the capital instrument, shall not be taken into account while calculating minimum capitalization requirement.
- (v) (A) Foreign Investment in investing companies not registered as Non-Banking Financial Companies with the Reserve Bank and in core investment companies (CICs), both engaged in the activity of investing in the capital of other Indian entities, shall require prior approval of the Government.
Note : Compliance to these rules by the core investment companies is in addition to the compliance of the regulatory framework prescribed to such companies as NBFCs under the Reserve Bank of India Act, 1934 and regulations framed thereunder.
 (B) Foreign investment in investing companies registered as Non-Banking Financial Companies (NBFCs) with the Reserve Bank, shall be under 100% automatic route.
- (vi) For undertaking activities which are under automatic route and without FDI linked performance conditions, an Indian company which does not have any operations and also has not made any downstream investment that is treated as indirect foreign investment for the investee entity, may receive investment in its equity instruments from persons resident outside India under automatic route, however, approval of the Government shall be required for such companies for undertaking activities which are under Government route and as and when such a company commences business or makes downstream investment that is treated as indirect foreign investment for the investee entity, it shall have to comply with the relevant sectoral conditions on entry route, conditionalities and caps.
- (vii) The onus of compliance with the sectoral or statutory caps on such foreign investment and attendant conditions, if any, shall be on the company receiving foreign investment.
- (viii) Wherever the person resident outside India who has made foreign investment specifies a particular auditor or audit firm having international network for the audit of the Indian investee company, then audit of such investee company shall be carried out as joint audit wherein one of the auditors is not part of the same network.

TABLE

<i>Sl. No.</i>	<i>Sector/Activity</i>	<i>Sectoral Cap</i>	<i>Entry Route</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
1.	Agriculture and Animal Husbandry		
1.1	(a) Floriculture, Horticulture and Cultivation of vegetables and mushrooms under controlled conditions; (b) Development and production of seeds and planting material; (c) Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture and Apiculture; and (d) Services related to agro and allied sectors. Note: Other than the above, foreign investment is not allowed in any other agricultural sector or activity.	100%	Automatic
1.2	Other Conditions		
	The term 'under controlled conditions' covers the following:		

	'Cultivation under controlled conditions' for the categories of Floriculture, Horticulture, Cultivation of vegetables and mushrooms is the practice of cultivation wherein rainfall, temperature, solar radiation, air humidity and culture medium are controlled artificially. Control in these parameters may be effected through protected cultivation under green houses, net houses, poly houses or any other improved infrastructure facilities where micro-climatic conditions are regulated anthropogenically.		
2.	Plantation		
2.1	<p>(a) Tea sector including tea plantations</p> <p>(b) Coffee plantations</p> <p>(c) Rubber plantations</p> <p>(d) Cardamom plantations</p> <p>(e) Palm oil tree plantations</p> <p>(f) Olive oil tree plantation</p> <p>Note: Foreign investment is not allowed in any plantation sector/activity other than those listed above.</p>	100%	Automatic
2.2	Other Conditions		
	Prior approval of the State Government concerned is required in case of any future land use change.		
3.	Mining		
3.1	Mining and Exploration of metal and non-metal ores including diamond, gold, silver and precious ores but excluding titanium bearing minerals and its ores; subject to the Mines and Minerals (Development and Regulation) Act, 1957.	100%	Automatic
3.2	Coal and Lignite		
	<p>[(a) Coal and Lignite mining for captive consumption by power projects, iron and steel and cement units and other eligible activities permitted under and subject to the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957) and the Coal Mines (Special Provisions) Act, 2015 (11 of 2015).]</p> <p>(b) Setting up coal processing plants like washeries, subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.</p> <p>[(c) For sale of coal, coal mining activities including associated processing infrastructure subject to the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 and the Coal Mines (Special Provisions) Act, 2015 and as amended from time to time and other relevant Acts on the subject.]</p>	100%	Automatic
3.3	Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities		
	(a) Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities subject to sectoral regulations and the Mines and Minerals (Development and Regulation) Act, 1957.	100%	Government
3.4	Other Conditions		
	<p>[(a) "Associated Processing Infrastructure" as contained in 3.2 (c) includes coal washery, crushing, coal handling, and separation (magnetic and non-magnetic)]</p> <p>[(b)] Foreign investment for separation of titanium bearing minerals and ores shall be subject to the following conditions: 286</p>		

(i) Value addition facilities are set up within India along with transfer of technology;

(ii) Disposal of tailings during the mineral separation shall be carried out in accordance with regulations framed by the Atomic Energy Regulatory Board such as Atomic Energy (Radiation Protection) Rules, 2004 and the Atomic Energy (Safe Disposal of Radioactive Wastes) Rules, 1987.

[(c)] Foreign investment will not be allowed in mining of "prescribed substances" listed in the Notification No. S.O. 61(E), dated 18.1.2006, issued by the Department of Atomic Energy.


Clarification:

(i) For titanium bearing ores such as Ilmenite, Leucoxene and Rutile, manufacture of titanium dioxide pigment and titanium sponge constitutes value addition. Ilmenite can be processed to produce Synthetic Rutile or Titanium Slag as an intermediate value added product.

(ii) The objective is to ensure that the raw material available in the country is utilized for setting up downstream industries and the technology available internationally is also made available for setting up such industries within the country. Thus, if with the technology transfer, the objective of this Rules can be achieved, the conditions prescribed at (a)(i) above shall be deemed to be fulfilled.

4.	Petroleum and Natural Gas		
4.1	Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas/pipelines, LNG Regasification infrastructure, market study and formulation and Petroleum refining in the private sector, subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the policy of the Government on private participation in exploration of oil and the discovered fields of national oil companies.	100%	Automatic
4.2	Petroleum refining by the Public Sector Undertakings (PSUs), without any disinvestment or dilution of domestic equity in the existing PSUs.	49%	Automatic
[4.3	<i>Notwithstanding anything contained at Sl. No. 4.2 above, foreign investment up to 100% under the automatic route is allowed in case an 'in-principle' approval for strategic disinvestment of a PSU has been granted by the Government.]</i>		
5.	Manufacturing		
5.1	[Manufacturing activities may be either self manufacturing by the investee entity or contract manufacturing in India through a legally tenable contract, whether on Principal to Principal or Principal to Agent basis. Further, a manufacturer is permitted to sell his products manufactured in India through wholesale and/or retail, including through e-commerce, without Government approval.]	100%	Automatic
	Notwithstanding the provisions of these Rules on trading sector, 100 percent foreign investment under the government approval route is allowed for trading, including through e-commerce, in respect of food products manufactured and/or produced in India. Applications for foreign investment in food products retail trading shall be processed in the Department of Industrial Policy and Promotion before being considered by the Government for approval.		
[6.	Defence		
6.1	<i>Defence Industry subject to Industrial license under the Industries (Development and Regulation) Act, 1951 and Manufacturing of small arms and ammunition under the Arms Act, 1959</i>	100%	<i>Automatic route up to 74%</i>



			Government route beyond 74% wherever it is likely to result in access to modern technology or for other reasons to be recorded
6.2	Other Conditions		
	<p>(a) FDI up to 74% under automatic route shall be permitted for companies seeking new industrial licenses.</p> <p>(b) Infusion of fresh foreign investment up to 49%, in a company not seeking industrial license or which already has Government approval for FDI in Defence, shall submit a declaration with the Ministry of Defence in cases of change in equity/shareholding pattern or transfer of stake by existing investor to new foreign investor, for FDI up to 49%, within a period of thirty days of such change and any proposal for raising FDI beyond 49% from such companies shall require Government approval.</p> <p>(c) License applications will be considered by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, in consultation with Ministry of Defence and Ministry of External Affairs.</p> <p>(d) Foreign investment in the sector shall be subject to security clearance by the Ministry of Home Affairs and as per guidelines of the Ministry of Defence.</p> <p>(e) Investee company shall be structured to be self-sufficient in the areas of product design and development and the investee or joint venture company along with the manufacturing facility, shall also have maintenance and life cycle support facility of the product being manufactured in India.</p> <p>(f) Foreign investments in the Defence sector shall be subject to scrutiny on grounds of national security and Government reserves the right to review any foreign investment in the Defence sector that affects or may affect national security.</p>		1
7.	Broadcasting		
7.1	Broadcasting Carriage Services		
7.1.1	<p>(a) Teleports (setting up of up-linking HUBs/Teleports);</p> <p>(b) Direct to Home (DTH);</p> <p>(c) Cable Networks (Multi System Operators (MSOs) operating at National or State or District level and undertaking up-gradation of networks towards digitalization and addressability);</p> <p>(d) Mobile TV;</p> <p>(e) Head-end-in-the Sky Broadcasting Service (HITS)</p>	100%	Automatic
7.1.2	Cable Networks [Other MSOs not undertaking up-gradation of networks towards digitalization and addressability and Local Cable Operators (LCOs)].	100%	Automatic
7.1.3	Note : Infusion of fresh foreign investment for sectors specified in 7.1.1 and 7.1.2 above, beyond 49 per cent in a company not seeking license/permission from sectoral Ministry, resulting in change in the ownership pattern or transfer of stake by existing investor to new foreign investor, will require Government approval		
7.2	Broadcasting Content Services	288	

7.2.1	Terrestrial Broadcasting FM (FM Radio), subject to such terms and conditions, as specified from time to time, by Ministry of Information and Broadcasting, for grant of permission for setting up of FM Radio stations.	49%	Government
7.2.2	Up-Linking of 'News & Current Affairs' TV Channels	49%	Government
[7.2.3	Uploading/Streaming of News and Current Affairs through Digital Media	26%	Government]
[7.2.4]	Up-linking of Non-'News & Current Affairs' TV Channels/Downlinking of TV Channels	100%	Automatic
7.3	Other Conditions		
	<p>(a) Foreign investment in companies engaged in all the afore-stated services shall be subject to relevant regulations and such terms and conditions, as may be specified from time to time, by the Ministry of Information and Broadcasting.</p> <p>(b) Foreign investment in the afore-stated broadcasting carriage services shall be subject to the terms and conditions as may be specified by the Ministry of Information and Broadcasting, from time to time, in this regard.</p> <p>(c) Licensee shall ensure that broadcasting service installation carried out by it shall not become a safety hazard and is not in contravention of any statute, rule or regulations and public policy.</p> <p>(d) In the I and B sector where the sectoral cap is up to 49 per cent, the company should be owned and controlled by resident Indian citizens or Indian companies which are owned and controlled by resident Indian citizens.</p> <p>(i) For this purpose, the equity held by the largest Indian shareholder shall be at least 51 percent of the total equity, excluding the equity held by Public Sector Banks and Public Financial Institutions, as defined in section 4A of the Companies Act, 1956 or section 2(72) of the Companies Act, 2013, as the case may be and the term 'largest Indian shareholder' used in this clause, shall include any or a combination of the following, namely :—</p> <p>(1) In the case of an individual shareholder,</p> <p>(aa) The individual shareholder,</p> <p>(bb) A relative of the shareholder within the meaning of section 2(77) of Companies Act, 2013.</p> <p>(cc) A company or group of companies in which the individual shareholder or Hindu Undivided Family to which he belongs has management and controlling interest.</p> <p>(2) In the case of an Indian company,</p> <p>(aa) The Indian company</p> <p>(bb) A group of Indian companies under the same management and ownership control.</p> <p>(3) For this purpose, "Indian company" shall be a company which must have a resident Indian or a relative as defined under section 2(77) of Companies Act, 2013/HUF, either singly or in combination holding at least 51 per cent of the shares.</p> <p>(4) Provided that, in case of a combination of all or any of the entities mentioned in sub-clause (d)(i) above, each of the parties shall have entered into a legally binding agreement to act as a single unit in managing the matters of the applicant company.</p>		
8.	Print Media		
8.1	Publishing of newspaper and periodicals dealing with news and current affairs	26%	Government



8.2	Publication of Indian editions of foreign magazines dealing with news and current affairs	26%	Government
8.2.1	Other conditions		
	<p>(a) 'Magazine', for the purpose of these guidelines, shall be defined as a periodical publication, brought out on non-daily basis, containing public news or comments on public news.</p> <p>(b) Foreign investment shall also be subject to the Guidelines for Publication of Indian editions of foreign magazines dealing with news and current affairs issued by the Ministry of Information and Broadcasting on 4-12-2008.</p>		
8.3	Publishing or printing of Scientific and Technical Magazine or specialty journals or periodicals, subject to compliance with the legal framework as applicable and guidelines issued in this regard from time to time by Ministry of Information and Broadcasting.	100%	Government
8.4	Publication of facsimile edition of foreign newspapers	100%	Government
8.4.1	Other conditions:		
	<p>(a) Foreign investment shall be made by the owner of the original foreign newspapers whose facsimile edition is proposed to be brought out in India.</p> <p>(b) Publication of facsimile edition of foreign newspapers can be undertaken only by an entity incorporated or registered in India under the provisions of the Companies Act, 2013.</p> <p>(c) Publication of facsimile edition of foreign newspaper shall also be subject to the Guidelines for publication of newspapers and periodicals dealing with news and current affairs and publication of facsimile edition of foreign newspapers issued by Ministry of Information and Broadcasting on 31-3-2006.</p>		
9.	Civil Aviation		
9.1	<p>The Civil Aviation sector includes Airports, Scheduled and Non-Scheduled domestic passenger airlines, Helicopter services or Seaplane services, Ground Handling Services, Maintenance and Repair organizations, Flying training institutes, and Technical training institutions.</p> <p>For the purposes of the Civil Aviation sector:</p> <p>(a) "Airport" means a landing and taking off area for aircrafts, usually with runways and aircraft maintenance and passenger facilities and includes aerodrome as defined in clause (2) of section 2 of the Aircraft Act, 1934;</p> <p>(b) "Aerodrome" means any definite or limited ground or water area intended to be used, either wholly or in part, for the landing or departure of aircraft, and includes all buildings, sheds, vessels, piers and other structures thereon or pertaining thereto;</p> <p>(c) "Air transport service" means a service for the transport by air of persons, mails or any other thing, animate or inanimate, for any kind of remuneration whatsoever, whether such service consists of a single flight or series of flights;</p> <p>(d) "Air Transport Undertaking" means an undertaking whose business includes the carriage by air of passengers or cargo for hire or reward;</p> <p>(e) "Aircraft component" means any part, the soundness and correct functioning of which, when fitted to an aircraft, is essential to the continued airworthiness or safety of the aircraft and includes any item of equipment;</p> <p>(f) "Helicopter" means a heavier than air aircraft supported in flight by the reactions of the air on one or more power driven rotors on substantially vertical axis;</p> <p>(g) "Scheduled air transport service" means an air transport service undertaken between the same two or more places and operated</p>	290	



	<p>according to a published time table or with flights so regular or frequent that they constitute a recognizably systematic series, each flight being open to use by members of the public;</p> <p>(h) "Non-Scheduled air transport service" means any service which is not a scheduled air transport service and will include Cargo airlines;</p> <p>(i) "Cargo airlines" would mean such airlines which meet the conditions as given in the Civil Aviation Requirements issued by the Ministry of Civil Aviation;</p> <p>(j) "Seaplane" means an aeroplane capable normally of taking off from and alighting solely on water;</p> <p>(k) "Ground Handling" means (i) ramp handling, (ii) traffic handling both of which shall include the activities as specified by the Ministry of Civil Aviation through the Aeronautical Information Circulars from time to time, and (iii) any other activity specified by the Central Government to be a part of either ramp handling or traffic handling.</p>		
9.2	Airports		
	(a) Greenfield projects	100%	Automatic
	(b) Existing projects	100%	Automatic
[9.3	<i>Air Transport Services</i>		
	<p>(1)(a) <i>Scheduled Air Transport Service/Domestic Scheduled Passenger Airline</i></p> <p>(b) <i>Regional Air Transport Service</i></p>	100%	<p><i>Automatic up to 49%</i></p> <p><i>(Automatic up to 100% for NRIs)</i></p> <p><i>Govern-ment route beyond 49%</i></p>
	(2) <i>Non-Scheduled Air Transport Services</i>	100%	Automatic
	(3) <i>Helicopter services/seaplane services requiring Directorate General of Civil Aviation (DGCA) approval</i>	100%	Automatic
	<p><i>Note: As per Schedule XI of the Aircraft Rules, 1937, Air Operator Certificate to operate Scheduled Air Transport Services (including Domestic Scheduled Passenger Airline or Regional Air Transport Service) is granted to such company or a body corporate,—</i></p> <p><i>(a) which is registered and has its principal place of business within India;</i></p> <p><i>(b) whose Chairman and at least two-thirds of its Directors are citizens of India; and</i></p> <p><i>(c) whose substantial ownership and effective control is vested in Indian nationals.]</i></p>		
9.4	Other Services under Civil Aviation sector		
	(a) Ground Handling Services subject to sectoral regulations and security clearance	100%	Automatic
	(b) Maintenance and Repair organizations; flying training institutes and technical training institutions	100%	Automatic
[9.5	<i>Other Conditions</i>		
↑	<p>(a) <i>Air Transport Services shall include Domestic Scheduled Passenger Airlines, Non-Scheduled Air Transport Services, helicopter and seaplane services.</i></p> <p>(b) <i>Foreign airlines are allowed to participate in the equity of companies operating Cargo airlines, helicopter and seaplane services, as per the limits and entry routes mentioned above.</i></p>		

(c) Foreign airlines are allowed to invest in the capital of Indian companies, operating scheduled and non-scheduled air transport services, up to the limit of 49 per cent of their paid-up capital, subject to the following conditions, namely :—

- (i) it is made under the Government approval route,
- (ii) the 49 per cent limit will subsume FDI and FII/FPI investment,
- (iii) the investments so made would need to comply with the relevant regulations of the Securities and Exchange Board of India (SEBI), such as the Issue of Capital and Disclosure Requirements (ICDR) Regulations/Substantial Acquisition of Shares and Takeovers (SAST) Regulations, as well as other applicable rules and regulations,
- (iv) all foreign nationals likely to be associated with Indian scheduled and non-scheduled air transport services, as a result of such investment shall be cleared from security view point before deployment, and
- (v) all technical equipment that might be imported into India as a result of such investment shall require clearance from the relevant authority in the Ministry of Civil Aviation.


(d) In addition to the above conditions, foreign investment in M/s Air India Limited shall be subject to the following conditions, namely :—

- (i) foreign investments in M/s Air India Limited, including that of foreign airlines shall not exceed 49 per cent either directly or indirectly except in case of those NRIs, who are Indian Nationals, where foreign investments is permitted up to 100 per cent under automatic route,
- (ii) substantial ownership and effective control of M/s Air India Limited shall continue to be vested in Indian Nationals as stipulated in Aircraft Rules, 1937.

(e) FDI in Civil Aviation shall be subject to provisions of the Aircraft Rules, 1937, as amended from time to time.

Note:

- (i) The FDI limits or entry routes mentioned at serial numbers 9.2 and 9.3 above, are applicable in the situation where there is no investment by foreign airline.
- (ii) Any investment by foreign airlines in companies operating in Air Transport Services, including in M/s Air India Limited, shall be subject to entries (b) and (c) above.
- (iii) The dispensation for those NRIs, who are Indian Nationals, regarding FDI up to 100 per cent will continue in respect of the investment regime specified at entries (c) (ii) and (d) above.]

10.	Construction Development: Townships, Housing, Built-up infrastructure		
10.1	Construction-development projects (which shall include development of townships, construction of residential/commercial premises, roads or bridges, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure, townships)	100%	Automatic
10.2	Other Conditions		
	<p>(a) Each phase of the construction development project shall be considered as a separate project.</p> <p>(b) The investor shall be permitted to exit on completion of the project or after development of trunk infrastructure i.e. roads, water supply, street lighting, drainage and sewerage.</p>		

(c) Notwithstanding anything contained at (b) above, a person resident outside India shall be permitted to exit and repatriate foreign investment before the completion of project under automatic route, provided that a lock-in-period of three years, calculated with reference to each tranche of foreign investment has been completed. Further, transfer of stake from a person resident outside India to another person resident outside India, without repatriation of foreign investment will neither be subject to any lock-in period nor to any government approval.

(d) The project shall conform to the norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, bye-laws, rules, and other regulations of the State Government or Municipal or Local Body concerned.

(e) The Indian investee company shall be permitted to sell only developed plots. For the purposes of this policy "developed plots" shall mean plots where trunk infrastructure *i.e.* roads, water supply, street lighting, drainage and sewerage, have been made available.

(f) The Indian investee company shall be responsible for obtaining all necessary approvals, including those of the building or layout plans, developing internal and peripheral areas and other infrastructure facilities, payment of development, external development and other charges and complying with all other requirements as prescribed under applicable rules/bye-Laws/regulations of the State Government or Municipal or Local Body concerned.

(g) The State Government or Municipal or Local Body concerned, which approves the building or development plans, shall monitor compliance of the above conditions by the developer.

Note:

(1) Foreign investment is not permitted in an entity which is engaged or proposes to engage in real estate business, construction of farm houses and trading in transferable development rights (TDRs).

(2) Condition of lock-in period shall not apply to Hotels and Tourist Resorts, Hospitals, Special Economic Zones (SEZs), Educational Institutions, Old Age Homes and investment by NRIs or OCIs.

(3) Completion of the project shall be determined as per the local bye-laws/rules and other regulations of State Governments.

(4) Foreign investment up to 100 percent under automatic route is permitted in completed projects for operating and managing townships, malls/shopping complexes and business centres. Consequent to such foreign investment, transfer of ownership and/or control of the investee company from persons resident in India to persons resident outside India is also permitted, however, there shall be a lock-in-period of three years, calculated with reference to each tranche of foreign investment and transfer of immovable property or part thereof is not permitted during this period.

(5) "Transfer", in relation to this sector, includes,—

(a) the sale, exchange or relinquishment of the asset; or

(b) the extinguishment of any rights therein; or

(c) the compulsory acquisition thereof under any law; or

(d) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882) ; or

(e) any transaction, by acquiring capital instruments in a company or by way of any agreement or any arrangement or in any other

manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property.

(6) Real estate business' means dealing in land and immovable property with a view to earning profit therefrom and does not include development of townships, construction of residential/commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships.

Explanation: —

(a) Investment in units of Real Estate Investment Trusts (REITs) registered and regulated under the Securities and Exchange Board of India (REITs) Regulations, 2014 shall also be excluded from the definition of "real estate business".

(b) Earning of rent income on lease of the property, not amounting to transfer, shall not amount to real estate business.

(c) Transfer in relation to real estate includes,

(i) the sale, exchange or relinquishment of the asset; or

(ii) the extinguishment of any rights therein; or

(iii) the compulsory acquisition thereof under any law; or

(iv) any transaction involving the allowing of the possession of any immovable property to be taken or retained in part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882 (4 of 1882); or

(v) any transaction, by acquiring capital instruments in a company or by way of any agreement or any arrangement or in any other manner whatsoever, which has the effect of transferring, or enabling the enjoyment of, any immovable property.

(7) Real estate broking services shall be excluded from the definition of "real estate business" and 100% foreign investment is allowed in real estate broking services under automatic route.

11.	Industrial Parks		
11.1	For the purpose of this sector:		
	<p>(a) "Industrial Park" is a project in which quality infrastructure in the form of plots of developed land or built up space or a combination with common facilities, is developed and made available to all the allottee units for the purposes of industrial activity.</p> <p>(b) "Infrastructure" refers to facilities required for functioning of units located in the Industrial Park and includes roads (including approach roads), railway line/sidings including electrified railway lines and connectivity to the main railway line, water supply and sewerage, common effluent treatment facility, telecom network, generation and distribution of power, air conditioning.</p> <p>(c) "Common Facilities" refer to the facilities available for all the units located in the industrial park, and include facilities of power, roads (including approach roads), railway line/sidings including electrified railway lines and connectivity to the main railway line, water supply and sewerage, common effluent treatment, common testing, telecom services, air conditioning, common facility buildings, industrial canteens, convention/conference halls, parking, travel desks, security service, first aid centre, ambulance and other safety services, training facilities and such other facilities meant for common use of the units located in the Industrial Park.</p> <p>(d) "Allocable area" in the Industrial Park means—</p>	100%	Automatic



	<p>(i) in the case of plots of developed land - the net site area available for allocation to the units, excluding the area for common facilities.</p> <p>(ii) in the case of built up space - the floor area and built-up space utilized for providing common facilities.</p> <p>(iii) in the case of a combination of developed land and built-up space - the net site and floor area available for allocation to the units excluding the site area and built-up space utilized for providing common facilities.</p> <p>(e) "Industrial Activity" means manufacturing; electricity; gas and water supply; post and telecommunications; software publishing, consultancy and supply; data processing, database activities and distribution of electronic content; other computer related activities; basic and applied research and development on bio-technology, pharmaceutical sciences or life sciences, natural sciences and engineering; business and management consultancy activities; and architectural, engineering and other technical activities.</p>		
11.2	<p>Foreign investment in Industrial Parks shall not be subject to the conditionalities applicable for construction development projects etc. spelt out in para 10 above, provided the Industrial Parks meet with the undermentioned conditions:</p> <p>(a) it shall comprise of a minimum of 10 units and no single unit shall occupy more than 50 per cent of the allocable area;</p> <p>(b) the minimum percentage of the area to be allocated for industrial activity shall not be less than 66 per cent of the total allocable area.</p>		
12.	Satellites - Establishment and operation		
	Satellites Establishment and operation, subject to the sectoral guidelines of Department of Space/ISRO	100%	Government
13.	Private Security Agencies	49%	Government
14.	Telecom services (including Telecom Infrastructure Providers Category-I)		
14.1	<i>[All telecom services including Telecom Infrastructure Providers Category-I, viz. Basic, Cellular, Unified Access Services, Unified license (Access services), Unified License, National/International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), all types of ISP licenses, Voice Mail/Audiotex/UMS, Resale of IPLC, Mobile Number Portability services, Infrastructure Provider Category-I (providing dark fibre, right of way, duct space, tower), Other Service Providers and such other services as may be permitted by the Department of Telecommunications (DoT).]</i>	100%	<i>[Automatic]</i>
14.2	Other Conditions		
	<i>[The licensing, security and any other terms and conditions as notified by Department of Telecommunications (DoT) from time to time, shall be observed by licensee/entities providing services as referred in serial number 14.1 above as well as investors.]</i>		
15.	Trading		
15.1	Cash and Carry Wholesale Trading/Wholesale Trading (including sourcing from MSEs)		
15.1.1	<p>Definition:</p> <p>(a) Cash and Carry Wholesale trading (WT)/Wholesale trading, shall mean sale of goods or merchandise to retailers, industrial, commercial,</p>	100%	Automatic



institutional or other professional business users or to other wholesalers and related subordinated service providers.

(b) Wholesale trading shall, accordingly, imply sales for the purpose of trade, business and profession, as opposed to sales for the purpose of personal consumption. The yardstick to determine whether the sale is wholesale or not shall be the type of customers to whom the sale is made and not the size and volume of sales. Wholesale trading shall include resale, processing and thereafter sale, bulk imports with export/ex-bonded warehouse business sales and B2B e-Commerce.

15.1.2

Other Conditions:

(a) For undertaking 'WT', requisite licenses/registration/permits, as specified under the relevant Acts or Regulations or Rules or Orders of the State Government or Government Body or Government Authority or Local Self-Government Body under that State Government shall be obtained.

(b) Except in cases of sales to Government, sales made by the wholesaler shall be considered as 'cash and carry wholesale trading/wholesale trading' with valid business customers, only when WT is made to the following entities:

(i) Entities holding sales tax or VAT registration or service tax or excise duty or Goods and Services Tax (GST) registration; or

(ii) Entities holding trade licenses *i.e.* a license or registration certificate or membership certificate or registration under Shops and Establishment Act, issued by a Government Authority or Government Body/Local Self-Government Authority, reflecting that the entity or person holding the license or registration certificate or membership certificate, as the case may be, is itself or himself or herself engaged in a business involving commercial activity; or

(iii) Entities holding permits or license etc. for undertaking retail trade (like tehbazari and similar license for hawkers) from Government Authorities or Local Self Government Bodies; or

(iv) Institutions having certificate of incorporation or registration as a society or registration as public trust for their self-consumption.

Note: An Entity, to whom WT is made, may fulfil any one of the 4 conditions at (b)(i) to (iv) above.

(c) Full records indicating all the details of such sales like name of entity, kind of entity, registration/license/permit etc. number, amount of sale etc. shall be maintained on a day to day basis.

(d) WT of goods shall be permitted among companies of the same group. However, such WT to group companies taken together shall not exceed 25 per cent of the total turnover of the wholesale venture.

(e) WT can be undertaken as per normal business practice, including extending credit facilities subject to applicable regulations.

(f) A wholesale or cash and carry trader can undertake single brand retail trading, subject to the conditions mentioned in para 15.3. An entity undertaking wholesale/cash and carry as well as retail business shall be mandated to maintain separate books of account for these two arms of the business and duly audited by the statutory auditors. Conditions under these rules for wholesale or cash and carry business and for retail business have to be separately complied with by the respective business arms.

15.2

E-Commerce

15.2.1

B2B E-commerce activities

100%

Automatic



	Such companies would engage only in Business to Business (B2B) e-commerce and not in retail trading, <i>inter alia</i> implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.		
15.2.2	Market place model of e-commerce	100%	Automatic
15.2.3	<p>Other Conditions:</p> <p>(a) 'E-commerce' means buying and selling of goods and services including digital products over digital & electronic network;</p> <p>(b) 'E-commerce entity' means a company incorporated under Companies Act, 1956 or the Companies Act, 2013;</p> <p>(c) 'Inventory based model of e-commerce' means an e-commerce activity where inventory of goods and services is owned by e-commerce entity and is sold to the consumers directly;</p> <p>(d) 'Market place model of e-commerce' means providing of an information technology platform by an e-commerce entity on a digital and electronic network to act as a facilitator between buyer and seller.</p> <p>(e) Digital and electronic network shall include network of computers, television channels and any other internet application used in automated manner such as web pages, extranets, mobiles etc.</p> <p>(f) Marketplace e-commerce entity shall be permitted to enter into transactions with sellers registered on its platform on B2B basis.</p> <p>(g) E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfilment, call centre, payment collection and other services.</p> <p>(h) E-commerce entity providing a marketplace shall not exercise ownership over the inventory <i>i.e.</i> goods purported to be sold.</p> <p><i>Explanation:</i> Inventory of a vendor shall be deemed to be controlled by e-commerce marketplace entity if more than 25% of purchases of such vendor are from the marketplace entity or its group companies which shall render the business into inventory based model.</p> <p>(i) An entity having equity participation by e-commerce marketplace entity or its group companies or having control on its inventory by e-commerce marketplace entity or its group companies, shall not be permitted to sell its products on the platform run by such 'marketplace entity.'</p> <p>(j) Goods/services made available for sale electronically on website shall clearly provide name, address and other contact details of the seller. Post sales, delivery of goods to the customers and customer satisfaction shall be responsibility of the seller.</p> <p>(k) Payments for sale may be facilitated by the e-commerce entity in conformity with the guidelines issued by the Reserve Bank in this regard.</p> <p>(l) Any warranty or guarantee of goods and services sold shall be the responsibility of the seller.</p> <p>(m) E-commerce entities providing marketplace shall not directly or indirectly influence the sale price of goods or services and shall maintain level playing field. Services should be provided by e-commerce marketplace entity or other entities in which e-commerce marketplace entity has direct or indirect equity participation or common control, to vendors on the platform at arm's length and in a fair and non-discriminatory manner.</p> <p><i>Explanation:</i> Such services shall include but not limited to fulfilment, logistics, warehousing, advertisement or marketing, payments, financing etc. Cash back provided by group companies of marketplace entity to buyers shall be fair and non-discriminatory. For the purposes of this clause, provision of services to any vendor on such terms which</p>		



are not made available to other vendors in similar circumstances will be deemed unfair and discriminatory.

(n) Guidelines on cash and carry wholesale trading as given in Sl. No. 15.1.2 above shall apply to B2B e-commerce activities.

(o) No e-commerce marketplace entity shall mandate any seller to sell any of their product exclusively on its platform.

[(p) e-commerce marketplace entity with FDI shall have to obtain and maintain a report of statutory auditor by 30th of September every year for the preceding financial year confirming compliance of the e-commerce guidelines.]

Note : Foreign investment is not permitted in inventory based model of e-commerce.

15.2.4 Sale of services through e-commerce shall be under automatic route subject to the sector specific conditions, applicable laws/regulations, security and other conditionalities.

15.3 Single Brand Product Retail Trading

Foreign investment in Single Brand Product Retail Trading (SBRT) is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.

100%

[Automatic]

15.3.1 Other conditions:

(a) Products to be sold should be of a 'Single Brand' only.

(b) Products should be sold under the same brand internationally *i.e.* products shall be sold under the same brand in one or more countries other than India.

(c) 'Single Brand' product-retail trading shall cover only products which are branded during manufacturing.

(d) A person resident outside India, whether owner of the brand or otherwise, shall be permitted to undertake 'single brand' product retail trading in the country for the specific brand, either directly by the brand owner or through a legally tenable agreement executed between the Indian entity undertaking single brand retail trading and the brand owner.

[(e) In respect of proposals involving foreign investment beyond 51 per cent, sourcing of 30 per cent of the value of goods procured, shall be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing shall be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company shall be required to maintain. The procurement requirement is to be met in the first instance as an average of five years total value of goods procured beginning 1st April of the year of the commencement of SBRT business (*i.e.* opening of first store or start of online retail, whichever is earlier). Thereafter, SBRT entity shall be required to meet the 30 per cent local sourcing norms on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company incorporated in India, which is the recipient of foreign investment for the purpose of carrying out single brand product retail trading.

(f) For the purpose of meeting local sourcing requirement laid down at entry (e), all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. SBRT entity is also permitted to set off sourcing of goods from India for global



operations against the mandatory sourcing requirement of 30 per cent. For this, purpose, 'sourcing of goods from India for global operations' shall mean value of goods sourced from India for global operations for that single brand (in INR terms) in a particular financial year directly by the entity undertaking SBRT or its group companies (resident or non-resident), or indirectly by them through a third party under a legally tenable agreement.

(g) A SBRT entity operating through brick and mortar stores, can also undertake retail trading through e-commerce. However, retail trading through e-commerce can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within two years from date of start of online retail.]

Note :

(1) Conditions mentioned at (b) and (d) above shall not be applicable for undertaking SBRT of Indian brands.

(2) Indian brands should be owned and controlled by resident Indian citizens and/or companies which are owned and controlled by resident Indian citizens.

(3) Sourcing norms shall not be applicable up to three years from commencement of the business *i.e.* opening of the first store [*or start of online retail, whichever is earlier*] for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible. Thereafter, condition mentioned at 15.3.1(e) above shall be applicable. A Committee under the Chairmanship of Secretary, DPIIT, with representatives from NITI Aayog, concerned Administrative Ministry and independent technical expert(s) on the subject shall examine the claim of applicants on the issue of the products being in the nature of 'state-of-art' and 'cutting-edge' technology where local sourcing is not possible and give recommendations for such relaxation.

15.4

Multi Brand Retail Trading (MBRT)

15.4.1

Other Conditions

(a) Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, can be unbranded.

(b) Minimum amount to be brought in as foreign investment would be USD 100 million.


(c) At least 50 percent of the total foreign investment brought in the first tranche of USD 100 million, shall be invested in 'back-end infrastructure' within three years, where 'back-end infrastructure' shall include capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure shall include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, warehouse, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, shall not be counted for purposes of back-end infrastructure. Subsequent investment in the back-end infrastructure would be made by the MBRT retailer as needed, depending upon its business requirements.

(d) At least 30 percent of the value of procurement of manufactured or processed products purchased shall be sourced from Indian micro, small and medium industries, which have a total investment in plant and machinery not exceeding USD2 million. This valuation refers to the value at the time of installation, without providing for depreciation. The 'small industry' status shall be reckoned only at the time of first engagement with the retailer and such industry shall continue to qualify as a 'small industry' for this purpose, even if it outgrows the said investment of USD2 million during the course of its relationship with

51%

Government



	<p>the said retailer. Sourcing from agricultural co-operatives and farmers co-operatives shall also be considered in this category. The procurement requirement shall have to be met, in the first instance, as an average of five years total value of the manufactured/processed products purchased, beginning 1st April of the year during which the first tranche of foreign investment is received. Thereafter, it shall have to be met on an annual basis.</p> <p>(e) Self-certification is required by the company, to ensure compliance of the conditions at serial Nos. (b), (c) and (d) above, which could be cross-checked, as and when required. Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.</p> <p>(f) Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per the 2011 Census or any other cities as per the decision of the respective State Governments, and may also cover an area of 10 kms. Around the municipal or urban agglomeration limits of such cities; retail locations shall be restricted to conforming areas as per the Master or Zonal Plans of the concerned cities and provision shall be made for requisite facilities such as transport connectivity and parking.</p> <p>(g) Government shall have the first right to procure agricultural products.</p> <p>(h) The above policy is an enabling policy only and the State Governments or Union Territories shall be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States or Union Territories which have agreed, or agree in future, to allow foreign investment in MBRT under this policy. The States or Union Territories which have conveyed their agreement are mentioned at 15.4.2. Such agreement, in future, to permit establishment of retail outlets under this policy, would be conveyed to the Government of India through the Department of Industrial Policy and Promotion and additions shall be made to the said list. The establishment of the retail sales outlets shall be in compliance of applicable State/Union Territory laws or regulations, such as the Shops and Establishments Act etc.</p> <p>(i) Retail trading, in any form, by means of e-commerce, shall not be permissible, for companies with foreign investment engaged in multi-brand retail trading.</p> <p>(j) Applications shall be processed in the Department of Industrial Policy and Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered for Government approval.</p>		
15.4.2	States or Union territories are Andhra Pradesh, Assam, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Maharashtra, Manipur, Rajasthan, Uttarakhand, Daman and Diu and Dadra and Nagar Haveli (Union territories)		
15.5	Duty Free Shops		
15.5.1	Other Conditions:		
	<p>(a) Duty Free Shops would mean shops set up in custom bonded area at International Airports or International Seaports and Land Custom Stations where there is transit of international passengers.</p> <p>(b) Foreign investment in Duty Free Shops is subject to compliance of conditions stipulated under the Customs Act, 1962 and other laws, rules and regulations.</p> <p>(c) Duty Free Shop entity shall not engage into any retail trading activity in the Domestic Tariff Area of the country.</p>	100%	Automatic
16	Pharmaceuticals		
16.1	Greenfield 300	100%	Automatic 

16.2	Brownfield	100%	Automatic up to 74%; Government route beyond 74%
16.3	Other Conditions		
	<p>(a) 'Non-compete' clause shall not be allowed except in special circumstances with the Government approval.</p> <p>(b) The prospective investor and the prospective investee are required to provide a certificate given at 16.4 along with the application submitted for Government approval.</p> <p>(c) Government approval may incorporate appropriate conditions for foreign investment in brownfield cases.</p> <p>(d) Foreign investment in brownfield pharmaceuticals, irrespective of entry route, is further subject to the following conditions :</p> <p>(i) The production level of National List of Essential Medicines (NLEM) drugs and/or consumables and their supply to the domestic market at the time of induction of foreign investment, being maintained over the next five years at an absolute quantitative level. The benchmark for this level would be decided with reference to the level of production of NLEM drugs and/or consumables in the three financial years, immediately preceding the year of induction of foreign investment. Of these, the highest level of production in any of these three years shall be taken as the level.</p> <p>(ii) Research and Development (R&D) expenses being maintained in value terms for 5 years at an absolute quantitative level at the time of induction of foreign investment. The benchmark for this level would be decided with reference to the highest level of R&D expenses which has been incurred in any of the three financial years immediately preceding the year of induction of foreign investment.</p> <p>(iii) The administrative Ministry shall be provided complete information pertaining to the transfer of technology, if any, along with induction of foreign investment into the investee company.</p> <p>(iv) The administrative Ministry(s) <i>i.e.</i> Ministry of Health and Family Welfare, Department of Pharmaceuticals or any other regulatory Agency/Development as notified by Central Government from time to time, shall monitor the compliance of conditionalities.</p> <p><i>Note :</i></p> <p>(1) Foreign investment up to 100% under the automatic route is permitted for manufacturing of medical devices. The abovementioned conditions shall, therefore, not be applicable to greenfield as well as brownfield projects of this industry.</p> <p>(2) Medical device means :- (a) Any instrument, apparatus, appliance, implant, material or other article, whether used alone or in combination, including the software, intended by its manufacturer to be used specially for human beings or animals for one or more of the specific purposes of:—</p> <p>(aa) Diagnosis, prevention, monitoring, treatment or alleviation of any disease or disorder;</p> <p>(ab) diagnosis, monitoring, treatment, alleviation of, or assistance for, any injury or disability;</p> <p>(ac) investigation, replacement or modification or support of the anatomy or of a physiological process;</p> <p>(ad) supporting or sustaining life;</p> <p>(ae) disinfection of medical devices;</p>		

	<p>(af) control of conception;</p> <p>and which does not achieve its primary intended action in or on the human body or animals by any pharmacological or immunological or metabolic means, but which may be assisted in its intended function by such means;</p> <p>(b) an accessory to such an instrument, apparatus, appliance, material or other article;</p> <p>(c) "in-vitro diagnostic device" which is a reagent, reagent product, calibrator, control material, kit, instrument, apparatus, equipment or system, whether used alone or in combination thereof intended to be used for examination and providing information for medical or diagnostic purposes by means of examination of specimens derived from the human bodies or animals.</p>		
16.4	<p>Certificate to be furnished by the Prospective Investor as well as the Prospective Recipient Entity</p> <p>It is certified that the following is the complete list of all <i>inter se</i> agreements, including the shareholders agreement, entered into between foreign investor(s) and investee brownfield pharmaceutical entity</p> <p>1.</p> <p>2.</p> <p>3.</p> <p>(copies of all agreements to be enclosed)</p> <p>It is also certified that none of the <i>inter se</i> agreements, including the shareholders agreement, entered into between foreign investor(s) and investee brownfield pharmaceutical entity contain any non-compete clause in any form whatsoever.</p> <p>It is further certified that there are no other contracts/agreements between the foreign investor(s) and investee brownfield pharma entity other than those listed above.</p> <p>The foreign investor(s) and investee brownfield pharma entity undertake to submit to the FIPB any <i>inter se</i> agreements that may be entered into between them subsequent to the submission and consideration of this application.</p>		
17	Railway Infrastructure		
17.1	<p>Construction, operation and maintenance of the following:</p> <p>(i) Suburban corridor projects through PPP, (ii) high-speed train projects, (iii) Dedicated freight lines, (iv) Rolling stock including train sets, and locomotives/coaches manufacturing and maintenance facilities, (v) Railway Electrification, (vi) Signalling systems, (vii) Freight terminals, (viii) Passenger terminals, (ix) Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines and connectivity to main railway line and (x) Mass Rapid Transport Systems.</p>	100%	Automatic
17.2	Other Conditions		
	<p>(a) Foreign investment in this sector open to private-sector participation is subject to sectoral guidelines of Ministry of Railways.</p> <p>(b) Proposals involving foreign investment beyond 49 percent sensitive areas from security point of view, will be brought by the Ministry of Railways before the Cabinet Committee on Security (CCS) for consideration on a case to case basis.</p>		

F	FINANCIAL SERVICES Investment in financial services, other than those indicated below, would require prior Government approval.		
F.1	Asset Reconstruction Companies		
F.1.1	Other Conditions		
	<p>(a) Investment limit of a sponsor in the shareholding of an ARC shall be governed by the provisions of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Similarly, investment by institutional or non-institutional investors shall also be governed by the said Act.</p> <p>(b) FPIs can invest in the Security Receipts (SRs) issued by ARCs. FPIs may be allowed to invest up to 100 per cent of each tranche in SRs issued by ARCs, subject to directions/guidelines of Reserve Bank. Such investment shall be within the relevant regulatory cap as applicable.</p> <p>(c) All investments shall be subject to provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.</p>	100%	Automatic
F.2	Banking - Private sector		
F.2.1	Other conditions:		
	<p>(a) At all times, at least 26 per cent of the paid up capital shall have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.</p> <p>(b) In case of NRIs individual holdings is restricted to 5 per cent of the total paid up capital both on repatriation and non-repatriation basis and aggregate limit cannot exceed 10 per cent of the total paid up capital both on repatriation and non-repatriation basis. However, NRI holdings shall be allowed up to 24 per cent of the total paid up capital both on repatriation and non-repatriation basis subject to a special resolution to this effect passed by the banking company's general body.</p> <p><i>[(c) Applications for foreign direct investment in private banks having joint venture or subsidiary in insurance sector may be addressed to the Reserve Bank for consideration in consultation with the Insurance Regulatory and Development Authority of India, in order to ensure that the limit of foreign investment applicable for the insurance sector as specified in serial number F.8.1 and F.8.2 is not breached.]</i></p> <p>(d) Transfer of shares under FDI from residents to non-residents shall require approval of the Reserve Bank and/or the Government, wherever applicable.</p> <p>(e) The policies and procedures prescribed by RBI and other institutions such as Securities and Exchange Board of India, Ministry of Corporate Affairs and IRDAI on these matters shall apply.</p> <p>(f) RBI guidelines relating to acquisition by purchase or otherwise of capital instruments of a private bank, if such acquisition results in any person owning or controlling 5 per cent or more of the paid up capital of the private bank shall apply to foreign investment as well.</p> <p>(g) Setting up of a subsidiary by foreign banks:</p> <p>(i) Foreign banks shall be permitted to either have branches or subsidiaries but not both.</p> <p>(ii) Foreign banks regulated by banking supervisory authority in the home country and meeting Reserve Bank's licensing criteria shall be allowed to hold 100 per cent paid-up capital to enable them to set up a wholly-owned subsidiary in India.</p> <p>(iii) A foreign bank may operate in India through only one of the three channels viz., (i) branches (ii) a wholly-owned subsidiary (iii)</p>	74%	Automatic up to 49% Government route beyond 49% and up to 74%

	<p>a subsidiary with aggregate foreign investment up to a maximum of 74 per cent in a private bank.</p> <p>(iv) A foreign bank shall be permitted to establish a wholly-owned subsidiary either through conversion of existing branches into a subsidiary or through a fresh banking license. A foreign bank shall be permitted to establish a subsidiary through acquisition of shares of an existing private sector bank provided at least 26 per cent of the paid-up capital of the private sector bank is held by residents at all times consistent with para (c) above.</p> <p>(v) A subsidiary of a foreign bank shall be subject to the licensing requirements and conditions broadly consistent with those for new private sector banks.</p> <p>(vi) Guidelines for setting up a wholly-owned subsidiary of a foreign bank shall be issued separately by RBI.</p> <p>(vii) All applications by a foreign bank for setting up a subsidiary or for conversion of their existing branches to subsidiary in India shall have to be made to the RBI.</p> <p>(h) The present limit of 10 per cent on voting rights in respect banking companies may be noted by the potential investor.</p> <p>(i) All investments shall be subject to the guidelines prescribed for the banking sector under the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934.</p>		
F.3	Banking - Public Sector		
F.3.1	Banking - Public Sector subject to Banking Companies (Acquisition & Transfer of Undertakings) Acts, 1970/80. This ceiling is also applicable to the State Bank of India.	20%	Government
F.4	Infrastructure Companies in the Securities Market		
F.4.1	Infrastructure companies in Securities Markets, namely, stock exchanges, commodity derivative exchanges, depositories and clearing corporations, in compliance with Securities and Exchange Board of India Regulations.	49%	Automatic
F.4.2	Other conditions:		
	<p>(a) Foreign investment, including investment by FPIs, shall be subject to the Guidelines or Rules or Regulations issued by the Central Government, Securities and Exchange Board of India and the Reserve Bank from time to time.</p> <p>(b) Words and expressions used herein and not defined in these rules but defined in the Companies Act, 2013 (18 of 2013) or the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Securities and Exchange Board of India Act, 1992 (15 of 1992) or the Depositories Act, 1996 (22 of 1996) or in the concerned Regulations issued by Securities and Exchange Board of India shall have the same meanings respectively assigned to them in those Acts or Regulations.</p>		
F.5	Commodities Spot Exchange		
F.5.1	Investment shall be subject to guidelines prescribed by the Central or State Government.	49%	Automatic
F.6	Power Exchanges		
	Power Exchanges under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010.	49%	Automatic
F.6.1	Other conditions		
↑	<p>(a) A person resident outside India including persons acting in concert should not hold more than 5 per cent.</p>		

	(b) The investment shall be in compliance with Securities and Exchange Board of India Regulations, other applicable laws/rules/regulations, security and other conditionalities.		
F.7	Credit Information Companies		
F.7.1	Other conditions		
	<p>(a) Foreign investment in Credit Information Companies is subject to the Credit Information Companies (Regulation) Act, 2005 and regulatory clearance from the Reserve Bank.</p> <p>(b) FPI investment shall be permitted subject to the following conditions:</p> <p>(i) A single entity shall directly or indirectly hold below 10 percent equity;</p> <p>(ii) Any acquisition in excess of 1 percent shall have to be reported to Reserve Bank as a mandatory requirement; and</p> <p>(iii) FPIs investing in Credit Information Companies shall not seek a representation on the Board of Directors based upon their shareholding.</p>	100%	Automatic
F.8	Insurance		
F.8.1	[Insurance Company]	[74%]	Automatic
[F.8.1A]	Life Insurance Corporation of India	20%	Automatic]
[F.8.2	Intermediaries or Insurance Intermediaries including insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time.	100%	Automatic]
[[F.8.3.1	Other conditions applicable to Indian insurance companies and intermediaries or insurance intermediaries]		
	<p>(a) No Indian Insurance company shall allow the aggregate holdings by way of total foreign investment in its equity shares by foreign investors, including portfolio investors, to exceed [seventy-four] per cent of the paid up equity capital of such Indian Insurance Company.</p> <p>(b) The foreign investment up to [seventy-four] per cent of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route subject to approval or verification by the Insurance Regulatory and Development Authority of India.</p> <p>(c) Foreign investment in this sector shall be subject to compliance with the provisions of the Insurance Act, 1938 and the condition that Companies receiving FDI shall obtain necessary license or approval from the Insurance Regulatory and Development Authority of India for undertaking insurance and related activities.</p> <p>[(d)(I) In an Indian Insurance Company having foreign investment,—</p> <p>(i)a majority of its directors;</p> <p>(ii)a majority of its Key Management Persons; and</p> <p>(iii)at least one among the Chairperson of its Board, its Managing Director and its Chief Executive Officer,</p> <p>shall be Resident Indian Citizens.</p> <p>Explanation.—For the above purposes, the expression- "Key Management Person" shall have the same meaning as assigned to it in guidelines made by the Insurance Regulatory and Development Authority of India on corporate governance for insurers in India.</p> <p>(II) An Indian Insurance company having foreign investment shall comply with the provisions under the Indian Insurance Companies</p>		

(Foreign Investment) Rules, 2015, as amended from time to time and applicable rules and regulations notified by the Department of Financial Services or the Insurance Regulatory and Development Authority of India from time to time.]

(e) Foreign portfolio investment in an Indian Insurance company shall be governed by the provisions contained in Chapter IV, rule 10 and rule 11 read with Schedule II of these rules and provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, [2019].

(f) Any increase in foreign investment in an Indian Insurance company shall be in accordance with the pricing guidelines specified in these rules.

(g) The foreign equity investment cap of 100 per cent shall apply on the same terms as above to insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time. However; [the composition of the Board of Directors and key management persons of Intermediaries or Insurance Intermediaries] shall be as specified by the concerned regulators from time to time.

(h) The foreign direct investment proposals shall be allowed under the automatic route subject to verification by the Authority and the foreign investment in intermediaries or insurance intermediaries shall be governed by the same terms as provided under rules 7 and 8 of the Indian Insurance Companies (Foreign Investment) Rules, 2015, as amended from time to time:

Provided *that where an entity like a Bank, whose primary business is outside the insurance area, is allowed by the Authority to function as an insurance intermediary, the foreign equity investment caps applicable in that sector shall continue to apply, subject to the condition that the revenues of such entities from the primary (non-insurance related) business must remain above 50 per cent of their total revenues in any financial year.*

(i) The insurance intermediary that has majority shareholding of foreign investors shall undertake the following:

(i) be incorporated as a limited company under the provisions of the Companies Act, 2013;

(ii) at least one from among the Chairman of the Board of Directors or the Chief Executive Officer or Principal Officer or Managing Director of the insurance intermediary shall be a resident Indian citizen;

(iii) shall take prior permission of the Authority for repatriating dividend;

(iv) shall bring in the latest technological, managerial and other skills;

(v) shall not make payments to the foreign group or promoter or subsidiary or interconnected or associate entities beyond what is necessary or permitted by the Authority;

(vi) shall make disclosures in the formats to be specified by the Authority of all payments made to its group or promoter or subsidiary or interconnected or associate entities;

(vii) composition of the Board of Directors and key management persons shall be as specified by the concerned regulators;



	<p>(j) The other condition under the heading 'Banking-Private Sector' specified against serial number F.2.1 shall be applicable in respect of bank promoted insurance companies.</p> <p>[(k) Terms "Equity Share Capital", "Foreign Direct Investment" (FDI), "Foreign Investors", "Foreign Portfolio Investment", "Indian Insurance Company", "Indian Company", "Non-resident Entity", "Public Financial Institution", "Resident Indian Citizen" and "Total Foreign Investment" shall have the same meaning as specified in the rules under the Insurance Act, 1938 or in the regulations issued by Insurance Regulatory and Development Authority of India from time to time, in respect of foreign investment in Indian Insurance Companies and intermediaries or insurance intermediaries.]]</p>		
[F.8.3.2	Other conditions applicable to the Life Insurance Corporation of India (LIC)		
	<p>(a) Foreign investment in LIC shall be subject to the provisions of the Life Insurance Corporation Act, 1956, (LIC Act) as amended from time to time (LIC Act) and such provisions of the Insurance Act, 1938, as amended from time to time, as are applicable to LIC</p> <p>(b) Provisions of clauses (e) and (f) under Sl. No. F.8.3.1, shall also apply to LIC, as if reference therein to an Indian Insurance Company is a reference to LIC.</p> <p>(c) The terms referred to in clause (k) under Sl. No. F.8.3.1 shall have the same meaning as referred to therein.</p> <p>Explanation.—For the purposes of this Sl. No., any reference to Indian insurance company or company referred to in clause (k) under Sl. No. F.8.3.1, shall be construed as a reference to LIC.]</p>		
F.9	Pension Sector		
F.9.1	Other conditions		
	<p>(a) Foreign investment in this sector shall be in accordance with the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013.</p> <p>(b) Foreign investment in Pension Funds shall be subject to the condition that entities investing in capital instruments issued by an Indian Pension Fund as per section 24 of the PFRDA Act, 2013 shall obtain necessary registration from the PFRDA and comply with other requirements as per the PFRDA Act, 2013 and Rules and Regulations framed under it for so participating in Pension Fund Management activities in India.</p> <p>(c) An Indian pension fund shall ensure that its ownership and control remains at all times with resident Indian entities as determined by the Government of India/PFRDA as per the rules or regulation issued by them.</p>	49%	Automatic
F.10	Other Financial Services		
F.10.1	Other Conditions		
	<p>(a) Other Financial Services shall mean financial services activities regulated by financial sector regulators, viz., Reserve Bank, Securities and Exchange Board of India, Insurance Regulatory and Development Authority, Pension Fund Regulatory and Development Authority, National Housing Bank or any other financial sector regulator as may be notified by the Government of India.</p> <p>(b) Foreign investment in 'Other Financial Services' activities shall be subject to conditionalities, including minimum capitalization norms, as specified by the concerned Regulator/Government Agency.</p> <p>(c) 'Other Financial Services' activities need to be regulated by one of the Financial Sector Regulators. In all such financial services activity</p>	100%	Automatic

<p>which are not regulated by any Financial Sector Regulator or where only part of the financial services activity is regulated or where there is doubt regarding the regulatory oversight, foreign investment up to 100 per cent will be allowed under Government approval route subject to conditions including minimum capitalization requirement, as may be decided by the Government.</p> <p>(d) Any activity which is specifically regulated by an Act, the foreign investment limits shall be restricted to those levels/limit that may be specified in that Act, if so mentioned.</p> <p>(e) Downstream investments by any of these entities engaged in "Other Financial Services" that is treated as indirect foreign investment for the investee entity shall be subject to these rules.</p>		
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SCHEDULE II

(See rule 10(1))

Investments by Foreign Portfolio Investors

(1) Purchase or sale of equity instruments by Foreign Portfolio Investors

(a) Purchase and sale of equity instruments.—

A FPI may purchase or sell equity instruments of an Indian company listed or to be listed on a recognised stock exchange in India subject to the following conditions, namely:—

- (i) The total holding by each FPI or an investor group, shall be less than 10 per cent of the total paid-up equity capital on a fully diluted basis or less than 10 per cent of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all FPIs put together, including any other direct and indirect foreign investments in the Indian company [by FPIs] permitted under these rules, shall not exceed 24 per cent of paid-up equity capital on a fully diluted basis or paid up value of each series of debentures or preference shares or share warrants. The said limit of 10 percent and 24 percent shall be called the individual and aggregate limit, respectively.

[Provided the aggregate limit of 24 per cent may be increased by the Indian company concerned up to the sectoral cap/ statutory ceiling, as applicable, with the approval of its Board of Directors and its General Body through a resolution and a special resolution, respectively.]

- (ii) With effect from the 1st April, 2020, the aggregate limit shall be the sectoral caps applicable to the Indian company as laid out in sub-paragraph (b) of paragraph 3 of Schedule I of these rules, with respect to its paid-up equity capital on a fully diluted basis or such same sectoral cap percentage of paid up value of each series of debentures or preference shares or share warrants:

Provided that the aggregate limit as provided above may be decreased by the Indian company concerned to a lower threshold limit of 24% or 49% or 74% as deemed fit, with the approval of its Board of Directors and its General Body through a resolution and a special resolution, respectively before 31st March, 2020:

Provided further, that the Indian company which has decreased its aggregate limit to 24% or 49% or 74%, may increase such aggregate limit to 49% or 74% or the sectoral cap or statutory ceiling respectively as deemed fit, with the approval of its Board of Directors and its General Body through a resolution and a special resolution, respectively:

Provided also that once the aggregate limit has been increased to a higher threshold, the Indian company cannot reduce the same to a lower threshold:

Provided also that the aggregate limit with respect to an Indian company in a sector where FDI is prohibited shall be 24 per cent.

Explanation: In case, two or more FPI's including foreign Governments/their related entities are having common ownership, directly or indirectly, of more than fifty percent or common control, all such FPI's shall be treated as forming part of an investor group. Control includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner.



- (iii) *[The FPIs investing in breach of the prescribed limit shall have the option of divesting their holdings within five trading days from the date of settlement of the trades causing the breach. In case the FPI chooses not to divest, then the entire investment in the company by such FPI and its investor group shall be considered as investment under Foreign Direct Investment (FDI) and the FPI and its investor group shall not make further portfolio investment in the company concerned. The FPI, through its designated custodian, shall bring the same to the notice of the depositories as well as the concerned company for effecting necessary changes in their records, within seven trading days from the date of settlement of the trades causing the breach. The divestment of holdings by the FPI and the reclassification of FPI investment as FDI shall be subject to further conditions, if any, specified by Securities and Exchange Board of India and the Reserve Bank in this regard. The breach of the said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale or conversion to FDI within the prescribed time, shall not be reckoned as a contravention under these rules.]*
- (iv) The investment by foreign Government agencies shall be clubbed with the investment by the foreign Government or its related entities for the purpose of calculation of 10 percent limit for FPI investments in a single company, if they form part of an investor group. However, certain foreign Government agencies and its related entities may be exempt from such clubbing requirements and other investment conditions either by way of an agreement or treaty with other sovereign governments or by an order of the Central Government.
- (v) A FPI may purchase equity instruments of an Indian company through public offer or private placement, subject to the individual and aggregate limits specified under this Schedule:

Provided that —

- (A) in case of public offer, the price of the shares to be issued is not less than the price at which shares are issued to residents, and
- (B) in case of issue by private placement, the price is not less than—
- (a) the price arrived in terms of guidelines issued by the Securities and Exchange Board of India, or (b) the fair price worked out as per any internationally accepted pricing methodology for valuation of shares on arm's length basis, duly certified by a Merchant Banker or Chartered Accountant or a practicing Cost Accountant, as applicable registered with the Securities and Exchange Board of India

- (vi) A FPI may, undertake short selling as well as lending and borrowing of securities subject to such conditions as may be stipulated by the Reserve Bank and the Securities and Exchange Board of India from time to time.
- (vii) Investments made under this Schedule shall be subject to the limits and margin requirements specified by the Reserve Bank or the Securities and Exchange Board of India as well as the stipulations regarding collateral securities as specified by the Reserve Bank from time to time.

(b) Purchase or sale of securities other than equity instruments by FPIs.—

- (i) A FPI may purchase units of domestic mutual funds or Category III Alternative Investment Fund or offshore fund for which no objection is issued in accordance with the SEBI (Mutual Fund) Regulations, 1996, which in turn invest more than 50 percent in equity instruments on repatriation basis subject to the terms and conditions specified by the Securities and Exchange Board of India and the Reserve Bank.
- (ii) An FPI may purchase units of REITs and InVITs on repatriation basis subject to the terms and conditions specified by the Securities and Exchange Board of India.

(2) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

SCHEDULE III

(See rule 12(1))

Investments by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on repatriation basis

(1) Purchase or sale of equity instruments of a listed Indian company

A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI) may purchase or sell equity instruments of a listed Indian company on repatriation basis, on a recognized stock exchange in India, subject to the following conditions, namely :—

- (a) NRIs or OCIs may purchase and sell equity instruments through a branch designated by an Authorized Dealer for the purpose;

- (b) The total holding by any individual NRI or OCI shall not exceed 5 percent of the total paid-up equity capital on a fully diluted basis or shall not exceed 5 percent of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together shall not exceed ten percent of the total paid-up equity capital on a fully diluted basis or shall not exceed ten percent of the paid-up value of each series of debentures or preference shares or share warrants:

Provided that the aggregate ceiling of 10 percent may be raised to 24 percent if a special resolution to that effect is passed by the General Body of the Indian company.

(2) Purchase or sale of units of domestic mutual funds

A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI) may without limit purchase or sell units of domestic mutual funds which invest more than 50 percent in equity.

(3) Purchase or sale of shares in public sector enterprises

A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI) may, without limit purchase or sell shares in public sector enterprises being disinvested by the Central Government, provided the purchase is in accordance with the terms and conditions stipulated in the notice inviting bids.

(4) Subscription to National Pension System.—

A NRI or an OCI may subscribe to the National Pension System governed and administered by Pension Fund Regulatory and Development Authority (PFRDA), provided such person is eligible to invest as per the provisions of the Pension Fund Regulatory and Development Authority Act. The annuity/ accumulated saving will be repatriable:

Provided that NRIs or OCIs may offer such instruments as permitted by the Reserve Bank from time to time as collateral to the recognised Stock Exchanges in India for their transactions in exchange traded derivative contracts as prescribed in sub-clause (2) of clause 12 of these Rules.

- (5) The mode of payment and attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

SCHEDULE IV

(See rule 12(2))

Investment by NRI or OCI on non-repatriation basis

A. Purchase or sale of equity instruments of an Indian company or units or contribution to the capital of a LLP by Non-Resident Indian (NRI) or Overseas Citizen of India (OCI) on Non-repatriation basis.

(1) Purchase or sale of equity instruments or convertible notes or units or contribution to the capital of a LLP.

- (a) A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI), including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs or OCIs, may purchase or contribute, as the case may be, on non-repatriation basis the following, namely:—

- (i) a equity instrument issued by a company without any limit either on the stock exchange or outside it;
- (ii) units issued by an investment vehicle without any limit, either on the stock exchange or outside it;
- (iii) The capital of a Limited Liability Partnership without any limit;
- (iv) convertible notes issued by a startup company in accordance with these rules.

- (b) The investment detailed at sub-paragraph (a) of paragraph (1) above shall be deemed to be domestic investment at par with the investment made by residents.

(2) Purchase or sale of units of domestic mutual funds

A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI) may without limit purchase or sell units of domestic mutual funds on non-repatriation basis which invest more than 50% in equity.

(3) Prohibition on purchase of equity instruments of certain companies.

Notwithstanding anything contained in paragraph 1, a NRI or an OCI including a company, a trust and a partnership firm incorporated outside India and owned and controlled by NRIs or OCIs, shall not make any investment, under this Schedule, in equity instruments or units of a Nidhi company or a company engaged in agricultural or plantation activities or real estate business or construction of farm houses or dealing in transfer of development rights.

Explanation: Real estate business shall have the same meaning as specified in sub-paragraph (b) of paragraph (3) of Schedule 1.

- (4) The mode of payment and attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

B. Investment in a firm or a proprietary concern.

(1) Contribution to capital of a firm or a proprietary concern.

A NRI or an OCI may invest on a non-repatriation basis, by way of contribution to the capital of a firm or a proprietary concern in India provided such firm or proprietary concern is not engaged in any agricultural or plantation activity or



print media or real estate business.

Explanation: Real estate business shall have the same meaning as specified in sub paragraph (b) of paragraph (3) of Schedule I.

(2) The mode of payment and attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

SCHEDULE V

(See Rule (14))

Investment by other non-resident investors

Permission to other non-resident investors for purchase of securities

(1) Long term investors like Sovereign Wealth Funds (SWFs), Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks may purchase securities subject to such terms and conditions as may be specified by the Reserve Bank and the Securities and Exchange Board of India.

(2) "Eligible Foreign Entity (EEE)" as defined in SEBI circular dated the 9th October 2018 and having actual exposure to Indian physical commodity market may participate in domestic commodity derivative markets in accordance with framework specified by the Securities and Exchange Board of India.

(3) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank.

SCHEDULE VI

(See rule 6(b))

Investment in a Limited Liability Partnership (LLP)

- (a) A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh), not being a Foreign Portfolio Investor (FPI) or a Foreign Venture Capital Investor (FVCI), may contribute to the capital of an LLP operating in sectors or activities where foreign investment up to 100 per cent is permitted under automatic route and there are no FDI linked performance conditions.
- (b) Investment by way of "profit share" shall fall under the category of reinvestment of earnings.
- (c) Investment in a LLP is subject to the compliance of the conditions of Limited Liability Partnership Act, 2008.
- (d) A company having foreign investment, engaged in a sector where foreign investment up to 100 percent is permitted under the automatic route and there are no FDI linked performance conditions, may be converted into a LLP under the automatic route.
- (e) A LLP having foreign investment, engaged in a sector where foreign investment up to 100 per cent is permitted under the automatic route and there are no FDI linked performance conditions, may be converted into a company under the automatic route.
- (f) Investment in a LLP either by way of capital contribution or by way of acquisition or transfer of profit shares, should not be less than the fair price worked out as per any valuation norm which is internationally accepted or adopted as per market practice (hereinafter referred to as "fair price of capital contribution or profit share of a LLP") and a valuation certificate to that effect shall be issued by the Chartered Accountant or by a practising Cost Accountant or by an approved valuer from the panel maintained by the Central Government.
- (g) In case of transfer of capital contribution or profit share from a person resident in India to a person resident outside India, the transfer shall be for a consideration not less than the fair price of capital contribution or profit share of a LLP. Further, in case of transfer of capital contribution or profit share from a person resident outside India to a person resident in India, the transfer shall be for a consideration which is not more than the fair price of the capital contribution or profit share of an LLP.
- (h) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank .

SCHEDULE VII

(See rule 16)

Investment by a Foreign Venture Capital Investor (FVCI)

(1) Subject to the terms and conditions as may be laid down by the Central Government, a Foreign Venture Capital Investor (FVCI) may purchase,—

- (i) securities, issued by an Indian company engaged in any sector mentioned in paragraph (4) of this Schedule and whose securities are not listed on a recognised stock exchange at the time of issue of the said securities;



- (ii) units of a Venture Capital Fund (VCF) or of a Category I Alternative Investment Fund (Cat-I AIF) or units of a scheme or of a fund set up by a VCF or by a Cat-I AIF.
- (iii) equity or equity linked instrument or debt instrument issued by an Indian 'start-up' irrespective of the sector in which the start-up is engaged. The definition of 'start-up' shall be as per Department for Promotion of Industry and Internal Trade's Notification No. G.S.R. 364(E), dated the 11th April, 2018 :

Provided that if the investment is in equity instruments, then the sectoral caps, entry routes and attendant conditions shall apply.

(2) A FVCI may purchase the securities or instruments mentioned above either from the issuer of these securities/instruments or from any person holding these securities or instruments. The FVCI may invest in securities on a recognised stock exchange subject to the provisions of the Securities and Exchange Board of India (FVCI) Regulations, 2000.

(3) The FVCI may acquire, by purchase or otherwise, from, or transfer, by sale or otherwise, to, any person resident in or outside India, any security or instrument it is allowed to invest in, at a price that is mutually acceptable to the buyer and the seller/ issuer. The FVCI may also receive the proceeds of the liquidation of VCFs or of Cat-I AIFs or of schemes or funds set up by the VCFs or Cat-I AIFs.

(4) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank of India

(5) List of sectors in which a Foreign Venture Capital Investor is allowed to invest is as follows :—

- (a) biotechnology;
- (b) IT related to hardware and software development;
- (c) nanotechnology;
- (d) seed research and development;
- (e) research and development of new chemical entities in pharmaceutical sector.
- (f) dairy industry;
- (g) poultry industry;
- (h) production of bio-fuels;
- (i) hotel-cum-convention centres with seating capacity of more than three thousand;
- (j) Infrastructure sector. The term "Infrastructure Sector" has the same meaning as given in the Harmonised Master List of Infrastructure sub-sectors approved by Government of India vide notification F. No. 13/06/2009- INF, dated the March 27, 2012 as amended or updated.

SCHEDULE VIII

(See Rule 6(c))

Investment by a person resident outside India in an Investment Vehicle


(1) A person resident outside India (other than a citizen of Pakistan or Bangladesh) or an entity incorporated outside India (other than an entity incorporated in Pakistan or Bangladesh) may invest in units of Investment Vehicles.

(2) A person resident outside India who has acquired or purchased units in accordance with this Schedule may sell or transfer in any manner or redeem the units as per regulations framed by the Securities and Exchange Board of India or directions issued by the Reserve Bank.

(3) An Investment vehicle may issue its units to a person resident outside India against swap of equity instruments of a Special Purpose Vehicle (SPV) proposed to be acquired by such Investment Vehicle.

(4) Investment made by an Investment Vehicle into an Indian entity shall be reckoned as indirect foreign investment for the investee Indian entity if the Sponsor or the Manager or the Investment Manager (i) is not owned and not controlled by resident Indian citizens or (ii) is owned or controlled by persons resident outside India.

Provided that for sponsors or managers or investment managers organised in a form other than companies or LLPs, Securities and Exchange Board of India shall determine whether the sponsor or manager or investment manager is foreign owned and controlled.

Explanation: "Control" of the AIF should be in the hands of "sponsors" and "managers or investment managers", with the general exclusion to others. In case the "sponsors" and "managers or investment managers" of the AIF are individuals, for the treatment of down- stream investment by such AIF as domestic, "sponsors" and "manager or investment managers" should be resident Indian citizens. 

(5) An Alternative Investment Fund Category III which has received any foreign investment shall make portfolio investment in only those securities or instruments in which a FPI is allowed to invest under the Act or rules or

regulations made thereunder.

(6) The mode of payment and other attendant conditions for remittance of sale or maturity proceeds shall be specified by the Reserve Bank .

SCHEDULE IX

(See rule 6(d))

Investment in Depository Receipts by a person resident outside India

(1) Issue or transfer of eligible instruments to a foreign depository for the purpose of issuance of depository receipts by eligible person(s).—

- (a) Any security or unit in which a person resident outside India is allowed to invest under these rules shall be eligible instruments for issue of Depository Receipts in terms of Depository Receipts Scheme, 2014 (DR Scheme, 2014).
- (b) A person shall be eligible to issue or transfer eligible instruments to a foreign depository for the purpose of issuance of depository receipts in accordance with the DR Scheme, 2014 and guidelines issued by the Central Government in this regard.
- (c) A domestic custodian may purchase eligible instruments on behalf of a person resident outside India, for the purpose of converting the instruments so purchased into depository receipts in terms of DR Scheme, 2014.
- (d) The aggregate of eligible instruments which may be issued or transferred to foreign depositories, along with eligible instruments already held by persons resident outside India, shall not exceed the limit on foreign holding of such eligible instruments under the Act, rules or regulations framed thereunder.
- (e) The eligible instruments shall not be issued or transferred to a foreign depository for the purpose of issuing depository receipts at a price less than the price applicable to a corresponding mode of issue or transfer of such instruments to domestic investors under the applicable laws.

(2) Saving.—

Depository Receipts issued under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 shall be deemed to have been issued under the corresponding provisions of DR Scheme 2014 and have to comply with the provisions specified in this Schedule.

SCHEDULE X

(See rule 10(2))

Issue of Indian Depository Receipts

(1) Issue of IDRs.— Companies incorporated outside India may issue IDRs through a Domestic Depository, to persons resident in India and outside India, subject to the following conditions:

- (a) the issue of IDRs is in compliance with the Companies (Registration of Foreign Companies) Rules, 2014 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (b) any issue of IDRs by financial or banking companies having presence in India, either through a branch or subsidiary, shall require prior approval of the sectoral regulator(s);
- (c) IDRs shall be denominated in Indian rupee only;
- (d) the proceeds of the issue of IDRs shall be immediately repatriated outside India by the companies issuing such IDRs.

(2) Purchase or sale of IDRs.—

A FPI or a NRI or an OCI may purchase, hold, or sell IDRs, subject to the following terms and conditions, namely:—

- (a) the mode of payment and attendant conditions for remittance of sale or maturity proceeds shall be as specified by the Reserve Bank;
- (b) limited two way fungibility of IDRs shall be permissible subject to the terms and conditions stipulated by the Reserve Bank in this regard;
- (c) IDR shall not be redeemable into underlying equity shares before the expiry of one year from the date of issue;
- (d) Redemption or conversion of IDRs into underlying equity shares of the issuing company shall be in compliance with the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2004.



459. What are DIs Regulations, 2019?

RESERVE BANK OF INDIA
(Financial Markets Regulation Department)
(CENTRAL OFFICE)

NOTIFICATION

Mumbai, the 17th October, 2019

No. FEMA 396/2019-RB

Foreign Exchange Management (Debt Instruments) Regulations, 2019

G.S.R . 796(E).— In exercise of the powers conferred by clause (a) of sub-section (2) of section 6 and section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999), and in supersession of the Foreign Exchange Management (Transfer of Issue of Security by a Person Resident outside India) Regulations, 2017, the Reserve Bank makes the following regulations to regulate investment in India by a Person Resident Outside India, namely:-

CHAPTER I

PRELIMINARY

1. Short title and commencement :- (1) These Regulations may be called the Foreign Exchange Management (Debt Instruments) Regulations, 2019.

(2) They shall come into force from the date of their publication in the Official Gazette.

2. Definitions: - In these Regulations, unless the context otherwise requires,-

- a) “Act” means the Foreign Exchange Management Act, 1999 (42 of 1999);
- b) “asset reconstruction company” means a company registered with the Reserve Bank under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
- c) “authorised dealer” includes a person authorised under sub-section (1) of section 10 of the Act;
- d) “debt instruments” means the instruments listed under Schedule 1 of the regulations;
- e) “foreign central bank” means an institution or organisation or body corporate established in a country outside India and entrusted with the responsibility of carrying out central bank functions under the law for the time being in force in that country;
- f) “FCNR (B) account” means a Foreign Currency Non-Resident (Bank) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016;
- g) “FPI” or “Foreign Portfolio Investor” means a person registered in accordance with the provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014;
- h) “Indian company” means a company incorporated in India;
- i) “Indian entity” shall mean an Indian company or a LLP ;
- j) “investment” means to subscribe, acquire, hold or transfer any debt instrument or unit issued by a person resident in India;
- k) “investment on repatriation basis” means an investment, sale or maturity proceeds of which are net of taxes, eligible to be repatriated out of India, and the expression “investment on non-repatriation basis”, shall be construed accordingly;
- l) “mutual fund” means an entity governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996;
- m) “LLP” means a limited liability partnership formed and registered under the Limited Liability Partnership Act, 2008 (6 of 2009);
- n) “listed Indian company” means an Indian company which has any of its equity instruments or debt instruments listed on a recognised stock exchange in India and the expression “unlisted Indian company” shall be construed accordingly;
- o) “municipal bonds” mean debt instruments issued by municipalities constituted under Article 243Q of the Constitution of India;



- p) “NRI” or “Non-Resident Indian” means an individual resident outside India who is a citizen of India;
- q) “OCI” or “Overseas Citizen of India” means an individual resident outside India who is registered as an Overseas Citizen of India Cardholder under section 7(A) of the Citizenship Act, 1955 (57 of 1955);
- r) “unit” means a beneficial interest of an investor in a mutual fund;
- s) “venture capital fund” means a fund established in the form of a trust, a company including a body corporate and registered under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

(2) The words and expressions used but not defined in these regulations shall have the same meanings respectively assigned to them in the Act, rules and regulations.

CHAPTER II

GENERAL CONDITIONS APPLICABLE TO ALL INVESTORS

3. Restriction on investment by a person resident outside India. - Save as otherwise provided in the Act, or rules or regulations made thereunder, no person resident outside India shall make any investment in India.

Provided that an investment made in accordance with the Act or the rules or the regulations framed thereunder and held on the date of commencement of these Regulations, shall be deemed to have been made under these Regulations and shall accordingly be governed by these Regulations:

Provided further that the Reserve Bank may, on an application made to it and for sufficient reasons, permit a person resident outside India to make any investment in India subject to such conditions as may be considered necessary.

4. Restriction on receiving investment.- Save as otherwise provided in the Act or rules or regulations made thereunder, an Indian entity or a mutual fund, or a venture capital fund or a firm or an association of persons or a proprietary concern shall not receive any investment in India from a person resident outside India or record such investment in its books :

Provided that the Reserve Bank may, on an application made to it and for sufficient reasons, permit an Indian entity or a mutual fund, or a venture capital fund or a Firm or an Association of Persons or a proprietary concern to receive any investment in India from a person resident outside India or to record such investment subject to such conditions as may be considered necessary.

5. Permission for making investment by a person resident outside India.- Unless otherwise specified in these regulations or the relevant Schedules, any investment made by a person resident outside India shall be subject to the entry routes, the investment limits and the attendant conditionalities for such investment as laid down in these regulations.

(1) A person resident outside India, permitted for the purpose by the Reserve Bank in consultation with Central Government, may purchase or sell debt instruments in the manner and subject to the terms and conditions specified in Schedule 1.

(2) A person resident outside India may trade in all exchange traded derivative contracts approved by Securities and Exchange Board of India from time to time subject to the limits prescribed by Securities and Exchange Board of India and conditions specified in Schedule 1.

(3) A person resident outside India may enter into contract in any derivative transaction subject to conditions laid down by the Reserve Bank from time to time.

6. Merger or demerger or amalgamation of Indian companies

Where a Scheme of Arrangement for an Indian company has been approved by National Company Law Tribunal (NCLT)/ Competent Authority , the Indian company may issue non-convertible redeemable preference shares or non-convertible redeemable debentures out of its general reserves by way of distribution as bonus to the shareholders resident outside India, subject to the following conditions, namely:

- a. the original investment made in the Indian company by a person resident outside India is in accordance with these Regulations and the conditions specified in the relevant Schedule;
- b. the said issue is in accordance with the provisions of the Companies Act, 2013 and the terms and conditions, if any, stipulated in the scheme approved by National Company Law Tribunal (NCLT)/ Competent Authority have been complied with;
- c. the Indian company shall not engage in any activity/ sector in which investment by a person resident outside India is prohibited.

7. Taxes and Remittance of sale proceeds.

7.1. Taxes

All transaction under these regulations shall be undertaken through banking channels in India and subject to payment of applicable taxes and other duties/ levies in India.

7.2. Remittance of sale proceeds



(1) No remittance of sale proceeds of a debt instrument held by a person resident outside India shall be made otherwise than in accordance with these Regulations and the conditions specified in the relevant Schedule.

(2) An authorised dealer may allow the remittance of sale proceeds of a debt instrument (net of applicable taxes) to the seller of such instrument resident outside India -

Provided -

- (i) the instrument was held by the seller on repatriation basis; and
- (ii) Reserve Bank's approval has been obtained in other cases for sale of the instrument and remittance of the sale proceeds thereof;

(3) An authorised dealer may allow remittances – both inward and outward – related for permitted derivatives transactions.



460. What is Schedule I of DIs Regulations, 2019?

SCHEDULE 1

Purchase and sale of debt instruments by a person resident outside India

1. Permission to persons resident outside India

A. Permission to Foreign Portfolio Investors (FPIs)

An FPI may purchase the following debt instruments on repatriation basis subject to the terms and conditions specified by the Securities and Exchange Board of India and the Reserve Bank:

- (a) dated Government securities/ treasury bills;
- (b) non-convertible debentures/ bonds issued by an Indian company;
- (c) commercial papers issued by an Indian company;
- (d) units of domestic mutual funds or Exchange-Traded Funds (ETFs) which invest less than or equal to 50 percent in equity;
- (e) Security Receipts (SRs) issued by Asset Reconstruction Companies;
- (f) debt instruments issued by banks, eligible for inclusion in regulatory capital;
- (g) Credit enhanced bonds;
- (h) Listed non-convertible/ redeemable preference shares or debentures issued in terms of Regulation 6 of these Regulations;
- (i) Securitised debt instruments, including (i) any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of asset/s with banks, Financial Institutions or NBFCs as originators;
- (j) Rupee denominated bonds/ units issued by Infrastructure Debt Funds;

Provided this will include such instruments issued on or after November 22, 2011 and held by deemed FPIs.

- (k) Municipal Bonds :

Provided that FPIs may offer such instruments as permitted by the Reserve Bank from time to time as collateral to the recognized Stock Exchanges in India for their transactions in exchange traded derivative contracts as specified in sub-Regulation 2 of Regulation 5.

B. Permission to Non-resident Indians (NRIs) or Overseas Citizens of India (OCIs) – Repatriation basis

(1) A Non-resident Indian (NRI) or an Overseas Citizen of India (OCI) may, without limit, purchase the following instruments on repatriation basis,

- a. Government dated securities (other than bearer securities) or treasury bills or units of domestic mutual funds or Exchange-Traded Funds (ETFs) which invest less than or equal to 50 percent in equity;
- b. Bonds issued by a Public Sector Undertaking (PSU) in India;
- c. Bonds issued by Infrastructure Debt Funds;
- d. Listed non-convertible/ redeemable preference shares or debentures issued in terms of Regulation 6 of these Regulations;

(2) An NRI or an OCI may purchase on repatriation basis debt instruments issued by banks, eligible for inclusion in regulatory capital.

(3) An NRI may subscribe to National Pension System governed and administered by Pension Fund Regulatory and Development Authority (PFRDA), provided such person is eligible to invest as per the provisions of the PFRDA Act. The annuity/ accumulated saving will be repatriable:

Provided that NRI/ OCIs may offer such instruments as permitted by the Reserve Bank from time to time as collateral to the recognized Stock Exchanges in India for their transactions in exchange traded derivative contracts as specified in sub-regulation 2 of regulation 5.

C. Permission to Non-resident Indians (NRIs) or Overseas Citizens of India (OCIs) – Non-Repatriation basis

(1) An NRI or an OCI may, without limit, purchase on non-repatriation basis, dated Government securities (other than bearer securities), treasury bills, units of domestic mutual funds or Exchange-Traded Funds (ETFs) which invest less than or equal to 50 percent in equity, or National Plan/ Savings Certificates.

(2) An NRI or an OCI may, without limit, purchase on non-repatriation basis, listed non-convertible/ redeemable preference shares or debentures issued in terms of Regulation 6 of these Regulations.

(3) An NRI or an OCI may, without limit, on non-repatriation basis subscribe to the chit funds authorised by the Registrar of Chits or an officer authorised by the State Government in this behalf.



D. Permission to Foreign Central Banks or a Multilateral Development Bank for purchase of Government Securities

(1) Foreign Central Banks, Multilateral Development Banks or any other entity permitted by the Reserve Bank, may purchase or sell dated Government Securities/treasury bills, as per terms and conditions specified by the Reserve Bank.

2. Mode of Payment

(1) The amount of consideration for purchase of instruments by FPIs shall be paid out of inward remittance from abroad through banking channels or out of funds held in a foreign currency account and/ or Special Non-Resident Rupee (SNRR) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016. The foreign currency account and SNRR account shall be used only and exclusively for transactions under this Schedule.

(2) The amount of consideration for purchase of instruments by NRIs or OCIs on repatriation basis shall be paid out of inward remittances from abroad through banking channels or out of funds held in NRE/ FCNR(B) account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.

(3) The amount of consideration for (a) purchase of instruments by NRIs or OCIs on non-repatriation basis and (b) subscriptions to the National Pension System by NRIs shall be paid out of inward remittances from abroad through banking channels or out of funds held in NRE/ FCNR(B)/ NRO account maintained in accordance with the Foreign Exchange Management (Deposit) Regulations, 2016.

(4) The amount of consideration for purchase of Government dated securities by a Foreign Central Bank or a Multilateral Development Bank shall be paid out of inward remittances from abroad through banking channels or out of funds held in an account opened with the specific approval of the RBI.

(5) The amount of consideration for purchase of instruments by other non-resident investors shall be paid out of inward remittances from abroad through banking channels.

3. Permission for Sale of instruments

A person resident outside India who has purchased instruments in accordance with this Schedule may sell/ redeem the instruments subject to such terms and conditions as may be specified by the Reserve Bank and the Securities Exchange Board of India.

4. Remittance/ credit of sale/ maturity proceeds

(1) The sale/ maturity proceeds (net of taxes) of instruments held by Foreign Portfolio Investors (FPIs) may be remitted outside India or may be credited to the foreign currency account or SNRR account of the FPI.

(2) The net sale/ maturity proceeds (net of taxes) of instruments held by NRIs or OCIs, may be:

- a. Credited to the NRO account person concerned where the instruments were held on non-repatriation basis
- b. Credited to the NRO account person concerned where the payment for the purchase of the instruments sold was made out of funds held in NRO account, or
- c. Remitted abroad or at the NRI/ OCI investor's option, credited to his NRE/ FCNR(B)/ NRO account, where the instruments were purchased on repatriation basis.

(3) In all other cases, the sale/ maturity proceeds (net of taxes) may be remitted abroad or credited to an account opened with the prior permission of the Reserve Bank.

[F. No. 1/14/EM/2015]

T. RABI SANKAR, Chief General Manager



461. What is FEM (NDIs) (4th Amendment) Rules, 2024?

MINISTRY OF FINANCE
(Department of Economic Affairs)
NOTIFICATION

New Delhi, the 16th August, 2024

S.O. 3492(E).— In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:—

- 1.** (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2024.

(2) They shall come into force on the date of their publication in the Official Gazette.

- 2.** In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (hereinafter referred to as the principal rules), in rule 2, —

- (i) after clause (d), the following clause shall be inserted, namely: —

‘(da) “control” shall have the same meaning as assigned to it in the Companies Act, 2013 and for the purposes of Limited Liability Partnership, shall mean the right to appoint majority of the designated partners, where such designated partners, with specific exclusion to others, have control over all the policies of an LLP;’;

- (ii) for clause (an), the following clause shall be substituted, namely: -

‘(an) “startup company” means a private company incorporated under the Companies Act, 2013 (18 of 2013) and identified as “startup” under the notification of the Government of India number G.S.R. 127 (E), dated the 19th February, 2019 issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, as amended from time to time;’.

- 3.** In the principal rules, in rule 9, in clause (1), in the proviso, for item (i), the following item shall be substituted, namely: —

“(i) prior Government approval shall be obtained for transfer in all cases wherever Government approval is applicable.”.

- 4.** In the principal rules, after rule 9, the following rule shall be inserted, namely: -

“9A. Swap of equity instruments and equity capital. — The transfer of equity instruments of an Indian company between a person resident in India and a person resident outside India may be by way of—

- (i) swap of equity instruments, in compliance with the rules prescribed by the Central Government and the regulations specified by the Reserve Bank from time to time;
- (ii) swap of equity capital of a foreign company in compliance with the rules prescribed by the Central Government including the Foreign Exchange Management, (Overseas Investment) Rules, 2022, and the regulations specified by the Reserve Bank from time to time:

Provided that prior Government approval shall be obtained for transfer in all cases wherever Government approval is applicable.

Explanation. — For the purposes of this clause, the expression “equity capital” shall have the same meaning as assigned to it in the Foreign Exchange Management, (Overseas Investment) Rules, 2022, as amended from time to time.”.

- 5.** In the principal rules, in rule 23, after sub-rule (7), in the explanation, —

- (i) sub-clause (d) shall be omitted;
- (ii) in sub-clause (i), for the explanation, the following explanation shall be substituted, namely: -



“Explanation. — An investment made by an Indian entity which is owned and controlled by a Non-Resident Indian or an Overseas Citizen of India including a company, a trust and a partnership firm incorporated outside India and owned and controlled by a Non-Resident Indian or an Overseas Citizen of India, on a non-repatriation basis in compliance with Schedule IV of these rules, shall not be considered for calculation of indirect foreign investment.”.

6. In the principal rules, in Schedule I, –

(i) in paragraph (1), for sub-paragraph (d), the following sub-paragraph shall be substituted, namely:

“(d) An Indian company may issue, subject to compliance with the rules prescribed by the Central Government and the regulations specified by the Reserve Bank from time to time, equity instruments to a person resident outside India against, –

- (i) swap of equity instruments; or
- (ii) import of capital goods or machinery or equipment (excluding second hand machinery); or
- (iii) pre-operative or pre-incorporation expenses (including payments of rent, etc.);
- (iv) swap of equity capital of a foreign company in compliance with the rules prescribed by the Central Government including Foreign Exchange Management, (Overseas Investment) Rules 2022, and the regulations specified by the Reserve Bank from time to time.

Explanation. – For the purposes of this clause, the expression “equity capital” shall have the same meaning as assigned to it in the Foreign Exchange Management, (Overseas Investment) Rules, 2022, as amended from time to time:

Provided that Government approval shall be obtained in all cases wherever Government approval is applicable and the applications for approval shall be made in the manner prescribed by the Central Government from time to time.”;

(ii) in paragraph (3), in clause (a), for sub-clause (iii), the following sub-clause shall be substituted, namely: –

“(iii) The aggregate foreign portfolio investment up to the sectoral or statutory cap shall not require Government approval or compliance of sectoral conditions as the case may be, if such investment does not result in transfer of ownership and/ or control of the resident Indian company from resident Indian citizens to persons resident outside India and other investments by a person resident outside India shall be subject to the conditions of Government approval and compliance of sectoral conditions as laid down in these rules.”;

(iii) in the table, after SL. No. F.10 and the entries relating thereto, the following SL. No. and entries shall be inserted, namely: –

SL. No. (1)	Sector/ Activity (2)	Sectoral Cap (3)	Entry Route (4)
“F.11	White Label ATM Operations (WLAO)	100%	Automatic
F.11.1	Other conditions		
	<p>(a) Any non-bank entity intending to set up White Label ATMs (WLAs) should have a minimum net worth of one hundred crore rupees as per the latest financial year’s audited balance sheet, to be maintained at all times.</p> <p>(b) In case the entity is also engaged in any ‘Other Financial Services’ referred to in Sl. No. F.10 above, then the foreign investment in the company setting up WLA shall also comply with the minimum capitalisation norms, if any, for foreign investments in such ‘Other Financial Services’.</p> <p>(c) FDI in the WLAO will be subject to the specific criteria and guidelines issued by the Reserve Bank under the Payment and Settlement Systems Act, 2007 (51 of 2007).”.</p>		

7. In the principal rules, in Schedule II, in paragraph (1), in sub-paragraph (a), in clause (ii), for the explanation, the following explanation shall be substituted, namely: -

“Explanation, – In case two or more FPI’s including foreign Governments or their related entities are having common ownership, directly or indirectly, of more than fifty percent or common control, all such FPI’s shall be treated as forming part of an investor group.”.

8. In the principal rules, in Schedule VII, in paragraph (1), for sub-paragraph (iii), the following sub-paragraph shall be substituted, namely: –

“(iii) equity or equity linked instrument or debt instrument issued by an Indian startup company irrespective of the sector in which the startup company is engaged:

Provided that if the investment is in equity instruments, then the sectoral caps, entry routes and attendant conditions shall apply.”.

[F. No. 1/8/2024-EM]

SURBHI JAIN, Jt. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended vide notification numbers: -

- (i) S.O. 4355 (E), dated the 5th December 2019;
- (ii) S.O. 1278 (E), dated the 22nd April, 2020;
- (iii) S.O. 1374 (E), dated the 27th April, 2020;
- (iv) S.O. 2442 (E), dated the 27th July, 2020;
- (v) S.O. 4441 (E), dated the 8th December, 2020;
- (vi) S.O. 3206 (E), dated the 9th August, 2021;
- (vii) S.O. 3411 (E), dated the 19th August, 2021;
- (viii) S.O. 4091 (E), dated the 5th October 2021;
- (ix) S.O. 4242 (E), dated the 12th October 2021;
- (x) S.O. 1202 (E), dated 12th April 2022;
- (xi) S.O. 332 (E), dated 24th January 2024;
- (xii) S.O. 1361 (E), dated 14th March 2024; and
- (xiii) S.O. 1722 (E), dated 16th April 2024.

462. What is FEM (NDIs) (2nd Amendment) Rules, 2024?

MINISTRY OF FINANCE
(Department of Economic Affairs)
NOTIFICATION

New Delhi, the 14th March, 2024

S.O. 1361(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024.
(2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, in rule 2, in clause (aq), the following *Explanation* shall be inserted, namely:-

“Explanation.- For the purposes of this clause, unit shall include unit that has been partly paid up, which is permitted under the regulations framed by the Securities and Exchange Board of India, in consultation with Government of India;”.

[F. No. 1/8/EM/2019]

SURBHI JAIN, Jt. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), *vide* number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended *vide* notification numbers: -

- (i) S.O. 4355 (E), dated the 5th December 2019;
- (ii) S.O. 1278 (E), dated the 22nd April, 2020;
- (iii) S.O. 1374 (E), dated the 27th April, 2020;
- (iv) S.O. 2442 (E), dated the 27th July, 2020;
- (v) S.O. 4441 (E), dated the 8th December, 2020;
- (vi) S.O. 3206 (E), dated the 9th August, 2021;
- (vii) S.O. 3411 (E), dated the 19th August, 2021;
- (viii) S.O. 4091 (E), dated the 5th October 2021;
- (ix) S.O. 4242 (E), dated the 12th October 2021;
- (x) S.O. 1202 (E), dated 12th April 2022; and
- (xi) S.O. 332(E), dated 24th January 2024.

463. What is FEM (NDIs) (Amendment) Rules, 2024?

MINISTRY OF FINANCE
(Department Of Economic Affairs)

NOTIFICATION

New Delhi, the 24th January, 2024

S.O. 332(E).-In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999) read with sub-section (3) of section 23 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. **Short title and commencement.** -(1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2024.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (hereinafter referred to as the principal rules), in rule 2-

(i) after clause (aa), the following clause shall be inserted, namely:-

'(aaa) "International Exchange" shall mean permitted stock exchange in permissible jurisdictions which are listed at Schedule XI annexed to these rules;';

(ii) for clause (ag), the following clause shall be substituted, namely:-

'(ag) "listed Indian company" means an Indian company which has any of its equity instruments or debt instruments listed on a recognised stock exchange in India and on an International Exchange and the expression "unlisted Indian company" shall be construed accordingly;';

(iii) after clause (ak), the following clause shall be inserted, namely:-

'(aka) "permissible jurisdiction" means such jurisdiction as notified by the Central Government under sub-clause (f) of sub-rule (3) of rule 9 of Prevention of Money-laundering (Maintenance of Records) Rules, 2005;';

3. In the principal rules, after Chapter IX, the following Chapter shall be inserted, namely:-



'CHAPTER X

INVESTMENT BY PERMISSIBLE HOLDER IN EQUITY SHARES OF PUBLIC COMPANIES INCORPORATED IN INDIA AND LISTED ON INTERNATIONAL EXCHANGES

34. Investment by permissible holder - (1) A permissible holder may purchase or sell equity shares of a public Indian company which is listed or to be listed on an International Exchange under Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme as specified in Schedule XI.

(2) The mode of payment and other attendant conditions for remittance of proceeds of issue shall be as specified by the Reserve Bank.'

4. In the principal rules, after the Schedule X, the following Schedule shall be inserted, namely:-

'SCHEDULE XI

[See rule 34]

Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme

1. Issue and Listing on International Exchanges - A public Indian company may issue equity shares or offer equity shares of existing shareholders, subject to the following conditions, namely:-

- (i) such issue or offer of equity shares of existing shareholders shall be permitted and such shares shall be listed on any of the specified International Exchange.
- (ii) such issue or offer of equity shares of existing shareholders shall be subject to prohibited activities, and sectoral caps prescribed in paragraph 2 and 3 of Schedule I to these rules;
- (iii) such equity shares to be issued by the public Indian company or offered by its existing shareholders on an International Exchange shall be in dematerialised form and rank *pari passu* with equity shares listed on a recognised stock exchange in India:

Provided that the prior Government approval, wherever applicable, shall be obtained.

2. Permissible holder - (a) permissible holder means a holder of equity shares of the Company which are listed on International Exchange, including its beneficial owner:

Provided that such a holder who is a citizen of a country which shares land border with India, or an entity incorporated in such a country, or an entity whose beneficial owner is from such a country, shall hold equity shares of such public Indian company only with the approval of the Central Government.

Explanation 1.- For the purposes of this clause, permissible holder is not a person resident in India.

Explanation 2.- The permissible holder, including its beneficial owner, shall be responsible for ensuring compliance with this requirement. The public Indian company, in its offer document, by whatever name called in the permissible jurisdiction, shall make a disclosure to this effect.

(b) a permissible holder may purchase or sell equity shares of an Indian company listed on an international exchange subject to limit specified for foreign portfolio investment under these rules.

3. Eligibility - (1) (I) a public Indian company may issue equity shares on International Exchange; or

(II) the existing shareholders may offer equity shares in such exchange, subject to compliance with the following conditions and other requirements as laid down in this Scheme:

(i) a public Indian company shall be eligible to issue equity shares in permissible jurisdiction, if-

- (a) the public Indian company, any of its promoters, promoter group or directors or selling shareholders are not debarred from accessing the capital market by the appropriate regulator;
- (b) none of the promoters or directors of the public Indian company is a promoter or director of any other Indian company which is debarred from accessing the capital market by the appropriate regulator;
- (c) the public Indian company or any of its promoters or directors is not a wilful defaulter;
- (d) the public Indian company is not under inspection or investigation under the provisions of the Companies Act, 2013 (18 of 2013);
- (e) none of its promoters or directors is a fugitive economic offender.

(ii) Existing holders of the public Indian company shall be eligible to offer shares, if-

- (a) the public Indian company or the holder offering equity shares are not debarred from accessing the capital market by the appropriate regulator;
 - (b) none of the promoters or directors of the public Indian company is a promoter or director of any other Indian company, listed or otherwise, which is debarred from accessing the capital market by the appropriate regulator;
 - (c) the public Indian company or the holder offering equity shares is not a wilful defaulter;
 - (d) the public Indian company is not under inspection or investigation under the provisions of the Companies Act, 2013 (18 of 2013);
 - (e) none of the promoters or directors of the public Indian company or the holder offering equity shares is a fugitive economic offender.
- (2) (I) a listed Indian company may issue equity shares on International Exchange; or
- (II) the existing share holders may offer equity shares in such exchange,
- subject to compliance with the conditions and other requirements as per the norms notified by the Securities and Exchange Board of India from time to time.
- (3) (I) a public unlisted Indian company may issue equity shares on International Exchange; or
- (II) the existing share holders may offer equity shares in such exchange,
- subject to compliance with the conditions and other requirements as per the norms notified by the Ministry of Corporate Affairs from time to time.

Explanation.-The restrictions mentioned at items (a) and (b) of sub-clause (i) of clauses (I) and (II) of sub-paragraph (1) of paragraph 3 and items (a) and (b) of sub-clause (ii) of clauses (I) and (II) of sub-paragraph (1) of paragraph 3 shall not apply to the persons or entities mentioned therein, who were debarred in the past by the Government or the appropriate regulator and the period of debarment is already over as on the date of listing of its equity shares on the International Exchange(s).

4. Obligations of companies .- (1) The public Indian company shall ensure compliance with extant laws relating to issuance of equity shares, including requirements prescribed in this Scheme, the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Depositories Act, 1996 (22 of 1996), the Foreign Exchange Management Act, 1999 (42 of 1999), the Prevention of Money-laundering Act, 2002 (15 of 2003) or the Companies Act, 2013 (18 of 2013) and rules and regulations made thereunder, as applicable. For this purpose, the said public Indian company may also enter into necessary arrangements with Indian Depository and Foreign Depository.

(2) The public Indian company shall ensure that the aggregate of equity shares which may be issued or offered in a permissible jurisdiction, along with equity shares already held in India by persons resident outside India, shall not exceed the limit on foreign holding under the Schedule I to these rules.

5. Voting rights .- The public Indian companies having their equity shares listed on International Exchange shall ensure that the voting rights on such equity shares shall be exercised directly by the permissible holder or through their custodian pursuant to voting instruction only from such permissible holder.

6. Pricing .- (1) Where equity shares are issued by a listed company or offered by the existing shareholders of equity shares listed on Recognised Stock Exchange in India, the same shall be issued at a price, not less than the price applicable to a corresponding mode of issuance of such equity shares to domestic investors under the applicable laws.

(2) In case of initial listing of equity shares by a public unlisted Indian company on the International Exchange, the price of issue or transfer of equity shares shall be determined by a book- building process as permitted by the said International Exchange and shall not be less than the fair market value under applicable rules or regulations under the Foreign Exchange Management Act, 1999 (42 of 1999):

Provided that subsequent issuance or transfer of shares for the purpose of listing additional shares post initial listing would be based on applicable pricing norms of the International Exchange and the permissible jurisdiction.

Explanation.- For the purposes of this Scheme-



- (a) "appropriate regulator" means any financial sector regulator or Government Ministry or Department administering Acts applicable to the company, listed or unlisted;
- (b) "beneficial owner" shall have the same meaning as provided in proviso to sub-rule (1) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005;
- (c) "foreign depository" means a corporate entity registered and regulated in a permissible jurisdiction for the purpose of –
- (i) holding securities and maintaining securities accounts for beneficial owners in an electronic manner; and
- (ii) managing rights or interests in securities resulting from the credit of securities to a securities account.
- Explanation.* -For the purposes of this clause "foreign depository" includes Central Securities Depositories and International Central Securities Depositories.
- (d) "fugitive economic offender" shall have the same meaning as assigned to it under clause (f) of sub-section (1) of section 2 of the Fugitive Economic Offenders Act, 2018 (17 of 2018);
- (e) "Indian depository" means a depository as defined in clause (e) of sub-section (1) of section 2 of the Depositories Act, 1996 (22 of 1996);
- (f) "offer by existing holders of equity shares" means offer of existing equity shares of the company pursuant to formal agreement among the company, the Indian Depository and the Foreign depository;
- (g) "offer document" means a prospectus, red herring prospectus, or shelf prospectus, as applicable, as referred to in clause (70) of section 2 of the Companies Act, 2013 (18 of 2013), in case of a public issue, and a letter of offer in case of a rights issue;
- (h) "wilful defaulter" means a person who is categorised as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India.

Annexure List of International Exchanges

1. International Financial Services Centre in India- India International Exchange, NSE International Exchange.'.

[F. No. 4/1/ECB/2019]

SURBHI JAIN, Jt. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended vide notification numbers: -

- (i) S.O. 4355 (E), dated the 5th December 2019;
- (ii) S.O. 1278 (E), dated the 22nd April, 2020;
- (iii) S.O. 1374 (E), dated the 27th April, 2020;
- (iv) S.O. 2442 (E), dated the 27th July, 2020;
- (v) S.O. 4441 (E), dated the 8th December, 2020;
- (vi) S.O. 3206 (E), dated the 9th August, 2021;
- (vii) S.O. 3411 (E), dated the 19th August, 2021;
- (viii) S.O. 4091 (E), dated the 5th October 2021;
- (ix) S.O. 4242 (E), dated the 12th October 2021; and
- (x) S.O. 1202 (E), dated 12th April 2022.



464. What is FEM (NDIs) (Amendment) Rules, 2022?

MINISTRY OF FINANCE

(Department of Economic Affairs)

New Delhi, the 12th April, 2022

S.O. 1802(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:

1. **Short title and commencement.** — (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2022.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (hereinafter referred to as the said rules), in rule 2,-

(i) in clause (e), for the words “five years”, the words “ten years” shall be substituted ;

(ii) in clause (k), in the Explanation, for clause (i), the following clause shall be substituted, namely:-

“(i) Equity shares issued by an Indian Company in accordance with the provisions of the Companies Act, 2013 or any other applicable law, shall include equity shares that have been partly paid. “Convertible debentures” means fully and mandatorily convertible debentures which are fully paid. “Preference shares” means fully and mandatorily convertible preference shares which are fully paid. “Share Warrants” are those issued by an Indian Company in accordance with the regulations made by the Securities and Exchange Board of India, the Companies Act, 2013 or any other applicable law. Equity instruments can contain an optionality clause subject to a minimum lock-in period of one year or as prescribed for the specific sector, whichever is higher, but without any option or right to exit at an assured price.”;

(iii) in clause (s), for the Explanation, the following Explanation shall be substituted, namely:-

“*Explanation:* - If a declaration is made by a person as per the provisions of the Companies Act, 2013 or any other applicable law, as the case may be, about a beneficial interest being held by a person resident outside India, then even though the investment may be made by a resident Indian citizen, the same shall be counted as foreign investment.”;

(iv) for clause (y), the following clause shall be substituted, namely:-

“(y) “Indian company” means a company as defined in the Companies Act, 2013 or a body corporate established or constituted by or under any Central or State Act, which is incorporated in India;

Note:

(i) It is clarified that reference to 'company' or 'investee company' or 'transferee company' or 'transferor company' in these rules also includes a reference to a body corporate established or constituted by or under any Central or State Act.

(ii) It is further clarified that if the term 'Company ' or 'Indian company' or 'Investee company' or 'transferee company' or 'transferor company' is qualified by a reference to a company incorporated under the Companies Act, 2013 such term shall mean a company incorporated under the said Act but not a body corporate.

(iii) It is also clarified that 'Indian company' does not include a society, trust or any entity, which is excluded as an eligible investee entity under the FDI Policy.”;

(v) after clause (am), the following clause shall be inserted, namely :-

“(ama) “Share Based Employee Benefits” means issue of equity instruments to employees or directors or employees or directors of the holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India, pursuant to Share Based Employee Benefits schemes formulated by an Indian Company”;

(vi) after clause (an), the following clause shall be inserted, namely :-

“(ana) “subsidiary” shall have the same meaning as is assigned to it in the Companies Act, 2013, as amended from time to time”;

3. In the said rules, for rule 8, the following rule shall be substituted, namely:-

“8. Issue of Employees Stock Options , sweat equity shares and Share Based Employee Benefits to persons resident outside India.- An Indian company may issue “employees’ stock option”, “sweat equity shares”, and “Share Based Employee Benefits” to its employees or directors or employees or directors of its holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India:

Provided that. -

(a) the scheme has been drawn either in terms of regulations issued under the Securities and Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 or as per other applicable law, as the case may be;

(b) the “employee’s stock option” or “sweat equity shares” or “Share Based Employee Benefits” so issued under the applicable rules or regulations are in compliance with the sectoral cap applicable to the said company;

(c) the issue of “employee’s stock option” or “sweat equity shares” or “Share Based Employee Benefits” in a company where foreign investment is under the approval route shall require prior government approval;

(d) issue of “employee’s stock option” or “sweat equity shares” or “Share Based Employee Benefits” to a citizen of Bangladesh or Pakistan shall require prior government approval :

Provided further that an individual who is a person resident outside India exercising an option which was issued when he or she was a person resident in India shall hold the shares so acquired on exercising the option on a non-repatriation basis.”.

4. In the said rules, in rule 19,

(i) for sub-rule (1), the following sub-rule shall be substituted, namely:-

“ (1) Where a scheme of compromise or arrangement or merger or amalgamation of two or more Indian companies or a reconstruction by way of demerger or otherwise of an Indian company, or transfer of undertaking of one or more Indian company to another Indian company, or involving division of one or more Indian company, has been approved by the National Company Law Tribunal (NCLT) or other authority competent to do so by law, the transferee company or the new company, as the case may be, may issue equity instruments to the existing shareholders of the transferor company resident outside India, subject to the following conditions, namely:-

(a) the transfer or issue is in compliance with the entry routes, sectoral caps or investment limits, as the case may be and the attendant conditionalities of investment by a person resident outside India :

Provided that where the percentage is likely to breach the sectoral caps or the attendant conditionalities, the transferor company or the transferee or new company may obtain necessary approval from the Central Government;

(b) the transferor company or the transferee company or the new company is not engaged in any sector prohibited for investment by a person resident outside India.

Note: Government approval shall not be required in case of mergers and acquisitions taking place in sectors under automatic route.”;

(ii) in sub-rule (2), after the words “where a scheme of”, the words “compromise or arrangement or” shall be inserted.

5. In the said rules, in Schedule I,

(i) in paragraph 2, in sub-paragraph (f), for the Explanation, the following Explanation shall be substituted, namely:-

“*Explanation:* For the purpose of this rule, 'real estate business' means dealing in land and immovable property with a view to earning profit from there and does not include development of townships, construction of residential or commercial premises, roads or bridges, educational institutions, recreational facilities, city and regional level infrastructure, townships, real estate broking services and Real Estate Investment Trusts (REITs) registered and



regulated under the SEBI (REITs) Regulations 2014 and earning of rent or income on lease of the property, not amounting to transfer.;

(ii) in the Table,-

(a) under the heading Insurance,

(A) after Sl. No. F.8.1, the following Sl. No. and entries shall be inserted, namely:-

(1)	(2)	(3)	(4)
"F.8.1A	Life Insurance Corporation of India	20%	Automatic";

(B) for Sl. No. "F.8.3" and the entry under column 2, the following Sl. No. and entry shall respectively be substituted, namely :-

(1)	(2)
"F.8.3.1	Other conditions applicable to Indian insurance companies and intermediaries or insurance intermediaries";

(C) For clause (k), the following clause shall be substituted, namely :-

"(k) Terms "Equity Share Capital", "Foreign Direct Investment" (FDI), "Foreign Investors", "Foreign Portfolio Investment", "Indian Insurance Company", "Indian Company", "Non-resident Entity", "Public Financial Institution", "Resident Indian Citizen" and "Total Foreign Investment" shall have the same meaning as specified in the rules under the Insurance Act, 1938 or in the regulations issued by Insurance Regulatory and Development Authority of India from time to time, in respect of foreign investment in Indian Insurance Companies and intermediaries or insurance intermediaries.";

(D) after Sl No. F.8.3.1, the following Sl.No. and entries relating thereto shall be inserted, namely :-

(1)	(2)
"F.8.3.2	<p>Other conditions applicable to the Life Insurance Corporation of India (LIC)</p> <p>(a) Foreign investment in LIC shall be subject to the provisions of the Life Insurance Corporation Act, 1956, (LIC Act) as amended from time to time (LIC Act) and such provisions of the Insurance Act, 1938, as amended from time to time, as are applicable to LIC</p> <p>(b) Provisions of clauses (e) and (f) under Sl. No. F.8.3.1, shall also apply to LIC, as if reference therein to an Indian Insurance Company is a reference to LIC.</p> <p>(c) The terms referred to in clause (k) under Sl. No. F.8.3.1 shall have the same meaning as referred to therein.</p> <p><i>Explanation:</i> For the purposes of this Sl. No., any reference to Indian insurance company or company referred to in clause (k) under Sl. No. F.8.3.1, shall be construed as a reference to LIC."</p>

[F. No. 01/05/EM/2019]

ANAND MOHAN BAJAJ, Addl. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended vide notification numbers: -

(i) S.O. 4355 (E), dated the 5th December 2019,



- (ii) S.O. 1278 (E), dated the 22nd April, 2020,
- (iii) S.O. 1374 (E), dated the 27th April, 2020,
- (iv) S.O. 2442 (E), dated the 27th July, 2020,
- (v) S.O. 4441 (E), dated the 8th December, 2020,
- (vi) S.O. 3206 (E), dated the 9th August, 2021,
- (vii) S.O. 3411 (E), dated the 19th August, 2021
- (viii) S.O. 4091 (E), dated the 5th October 2021 and
- (ix) S.O. 4242 (E), dated the 12th October 2021



MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 12th October, 2021

S.O. 4242(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2021.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, in Schedule I, in the Table, -

(i) against Sl. No. 14.1, -

(a) in column (2), under the heading “Sector/Activity”, for the entry, the following entry shall be substituted, namely:-

“All telecom services including Telecom Infrastructure Providers Category-I, viz. Basic, Cellular, United Access Services, Unified license (Access services), Unified License, National/International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), all types of ISP licenses, Voice Mail/Audiotex/UMS, Resale of IPLC, Mobile Number Portability services, Infrastructure Provider Category-I (providing dark fibre, right of way, duct space, tower), Other Service Providers and such other services as may be permitted by the Department of Telecommunications (DoT).”;

(b) in column (4), under the heading “Entry Route”, for the entry, the following entry shall be substituted, namely: -

“Automatic”;

(ii) against Sl. No. 14.2, in column (2), under the sub-heading “Other conditions”, for the entry, the following entry shall be substituted, namely: -

“The licensing, security and any other terms and conditions as notified by Department of Telecommunications (DoT) from time to time, shall be observed by licensee/entities providing services as referred in serial number 14.1 above as well as investors.”

[F. No. 01/05/EM/2019]
ANAND MOHAN BAJAJ, Addl. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), *vide* number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended *vide* notification numbers: -

- (i) S.O. 4355 (E), dated the 5th December 2019,
- (ii) S.O. 1278 (E), dated the 22nd April, 2020,
- (iii) S.O. 1374 (E), dated the 27th April, 2020,
- (iv) S.O. 2442 (E), dated the 27th July, 2020,
- (v) S.O. 4441 (E), dated the 8th December, 2020,
- (vi) S.O. 3206 (E), dated the 9th August, 2021,
- (vii) S.O. 3411 (E), dated the 19th August, 2021 and
- (viii) S.O. 4091 (E), dated the 5th October 2021



466. What is FEM (NDIs) (3rd Amendment) Rules, 2021?

MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 5th October, 2021

S.O. 4091(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely :-

1. (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2021.
- (2) They shall come into force on the date of their publication in the Official Gazette.
2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, in Schedule I, in the Table, after Sl no. 4.2, the following entries shall be inserted namely:-

“4.3	Notwithstanding anything contained at Sl. No. 4.2 above, foreign investment up to 100% under the automatic route is allowed in case an 'in-principle' approval for strategic disinvestment of a PSU has been granted by the Government.”
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[F. No. 01/05/EM/2019]

ANAND MOHAN BAJAJ, Addl. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), *vide* number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended *vide* notification numbers: -

- (i) S.O. 4355 (E), dated the 5th December 2019,
- (ii) S.O. 1278 (E), dated the 22nd April, 2020,
- (iii) S.O. 1374 (E), dated the 27th April, 2020,
- (iv) S.O. 2442 (E), dated the 27th July, 2020,
- (v) S.O. 4441 (E), dated the 8th December, 2020,
- (vi) S.O. 3206 (E), dated the 9th August, 2021,
- (vii) S.O. 3411 (E), dated the 19th August, 2021.

MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 19th August, 2021

S.O. 3411(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:

1. (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2021.
 - (2) They shall come into force on the date of their publication in the Official Gazette.
 2. In the Foreign Exchange Management (Non-debt Instruments) Rules 2019, in Schedule 1, in the Table,-
 - (i) against Sl. No. F. 2.1, for entry (c), the flowing entry shall be substituted, namely:-

“(c) Applications for foreign direct investment in private banks having joint venture or subsidiary in insurance sector may be addressed to the Reserve Bank for consideration in consultation with the Insurance Regulatory and Development Authority of India, in order to ensure that the limit of foreign investment applicable for the insurance sector as specified in serial number F. 8.1 and F. 8.2 is not breached.”;
 - (ii) against Sl. No. F. 8.1, in column (3), under the heading “Sectoral Cap,” for the entry, the following entry shall be substituted, namely:-

“74%”
 - (iii) gainst Sl. No. F. 8.3, in column (2), under the sub-heading “Other conditions,”-
 - (A) in clause (a), for the words “forty nine,” the word “seventy-four” shall be substituted;
 - (B) in clause (b), for the words “forty nine,” the word “seventy-four” shall be substituted;
 - (C) for clause (d), the following clause shall be substituted namely :-

“(d) (I) In an Indian Insurance Company having foreign investment,-

 - (i) a majority of its directors;
 - (ii) a majority of its Key Management Persons; and
 - (iii) at least one among the Chairperson of its Board, its Managing Director and its Chief Executive Officer,

shall be Resident Indian Citizens.
- Explanation:** For the above purposes, the expression- “Key Management Person” shall have the same meaning as assigned to it in guidelines made by the Insurance Regulatory and Development Authority of India on corporate governance for insurers in India.
- (II) An Indian Insurance company having foreign investment shall comply with the provisions under the Indian Insurance Companies (Foreign Investment) Rules, 2015, as amended from time to time and applicable rules and regulations notified by the Department of Financial Services or the Insurance Regulatory and Development Authority of India from time to time.”;
- (D) in clause (e), for the figures “2014,” the figures “2019” shall be substituted;
 - (E) in clause (g), for the portion beginning with the words “the condition of India owned and controlled,” and ending with the words “key management persons,” the following shall be substituted namely :-

“the composition of the Board of Directors and key management persons of Intermediaries or Insurance Intermediaries”;

(F) for clause (k), the following clause shall be substituted, namely :-

“(k) Terms „Equity Share Capital,” „Foreign Direct Investment” (FDI), „Foreign Investors,” „Foreign Portfolio Investment,” „Indian Insurance Company,” „Indian Company,” „Non-resident Entity,” „Public Financial Institution,” „Resident Indian Citizen,” „Total Foreign Investment” shall have the same meaning as provided in Notification No. G.S.R 115 (E), dated the 19th February, 2015 issued by Department of Financial Services and regulations issued by Insurance Regulatory and Development Authority of India from time to time.”.

[F. No. 01/05/EM/2019 Pt. II]

ANAND MOHAN BAJAJ, Addl. Secy.

Note : The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O. 3732(E), dated the 17th October, 2019 and subsequently amended *vide* notification numbers:-

- (i) S.O. 4355(E), dated the 5th December 2019,
- (ii) S.O. 1278(E), dated the 22nd April, 2020,
- (iii) S.O. 1374(E), dated the 27th April, 2020,
- (iv) S.O. 2442(E), dated the 27th July, 2020,
- (v) S.O. 4441(E), dated the 8th December, 2020,
- (vi) S.O. 3206(E), dated the 9th August, 2021.



468. What is FEM (NDIs) (Amendment) Rules, 2021?

MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 6th August, 2021

S.O. 3206(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. **Short title and commencement.** - (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2021.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, under Rule 23 in sub-rule (7), in clause (i), after sub-clause (B), for the purpose of sub-clause (A), the following Explanation shall be inserted, namely:-

Explanation: An investment made by an Indian entity which is owned and controlled by NRI(s), on a non-repatriation basis, shall not be considered for calculation of indirect foreign investment.

[F. No. 01/05/EM/2019]

ANAND MOHAN BAJAJ, Addl. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended vide numbers S.O. 4355 (E), dated the 5th December 2019, S.O. 1278 (E), dated the 22nd April, 2020, S.O. 1374 (E), dated the 27th April, 2020, S.O. 2442 (E), dated the 27th July, 2020 and S.O. 4441 (E), dated the 8th December, 2020.

469. What is FEM (NDIs) (2nd Amendment) Rules, 2020?

MINISTRY OF FINANCE
(Department of Economic Affairs)
NOTIFICATION

New Delhi, the 27th April, 2020

S.O. 1374(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. **Short title and commencement.** - (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2020.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (hereinafter referred to as the principal rules), in rule 7, the explanation shall be omitted.

3. In the principal rules, after rule 7, the following rule shall be inserted, namely:

“7A. Acquisition after renunciation of rights.- *A person resident outside India who has acquired a right from a person resident in India who has renounced it may acquire equity instruments (other than share warrants) against the said rights as per pricing guidelines specified under rule 21 of these rules”.*

4. In the principal rules, in Schedule 1, in the Table,-

(i) against serial number 15.3.1, in the entries under column (2), under sub-heading “Note”, in serial number (3), after the words “first store”, the words “*or start of online retail, whichever is earlier*” shall be inserted.

(ii) serial number F.8.1, for the entries in column (2), under the heading “Sector/Activity”, the following entry shall be substituted, namely:-

“Insurance Company”

(iii) for serial number F. 8.2 and the entries relating thereto, the following serial number and entries shall be substituted, namely:-

(1)	(2)	(3)	(4)
“F.8.2	<i>Intermediaries or Insurance Intermediaries including insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time.</i>	<i>100%</i>	<i>Automatic”</i>

(iv) after serial number F.8.2 as so substituted, the following serial number and entries shall be inserted, namely :-

(1)	(2)
“F.8.3	Other Conditions
	<p>(a) <i>No Indian Insurance company shall allow the aggregate holdings by way of total foreign investment in its equity shares by foreign investors, including portfolio investors, to exceed forty-nine percent of the paid up equity capital of such Indian Insurance Company.</i></p> <p>(b) <i>The foreign investment up to forty-nine percent of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route subject to approval or verification by the Insurance Regulatory and Development Authority of India.</i></p> <p>(c) <i>Foreign investment in this sector shall be subject to compliance with the provisions of the Insurance Act, 1938 and the condition that Companies receiving FDI shall obtain necessary license or approval from the Insurance Regulatory and Development Authority of India for undertaking insurance and related activities.</i></p> <p>(d) <i>An Indian Insurance company shall ensure that its ownership and control remains at all times in the hands of resident Indian entities as determined by Department of Financial Services or Insurance Regulatory and Development Authority of India as per the rules or regulation issued by them from time to time.</i></p> <p>(e) <i>Foreign portfolio investment in an Indian Insurance company shall be governed by the provisions contained in Chapter-IV, rule 10 and rule 11 read with Schedule-II of these rules and provisions of the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014.</i></p> <p>(f) <i>Any increase in foreign investment in an Indian Insurance company shall be in accordance with the pricing guidelines specified in these rules.</i></p> <p>(g) <i>The foreign equity investment cap of 100 per cent shall apply on the same terms as above to insurance brokers, re-insurance brokers, insurance consultants, corporate agents, third party administrator, Surveyors and Loss Assessors and such other entities, as may be notified by the Insurance Regulatory and Development Authority of India from time to time. However, the condition of Indian owned and controlled, as specified in clause (d) above, shall not be applicable to Intermediaries and Insurance Intermediaries and composition of the Board of Directors and key management persons shall be as specified by the concerned regulators from time to time.</i></p> <p>(h) <i>The foreign direct investment proposals shall be allowed under the automatic route subject to verification by the Authority and the foreign investment in intermediaries or insurance intermediaries shall be governed by the same terms as provided under rules 7 and 8 of the Indian Insurance Companies (Foreign Investment) Rules, 2015, as amended from time to time:</i></p> <p><i>Provided that where an entity like a Bank, whose primary business is outside the insurance area, is allowed by the Authority to function as an insurance intermediary, the foreign equity investment caps applicable in that sector shall continue to apply, subject to the condition that the revenues of such entities from the primary (non-insurance related) business must remain above 50 per cent of their total revenues in any financial year.</i></p>

	<p>(i) <i>The insurance intermediary that has majority shareholding of foreign investors shall undertake the following:</i></p> <p>(i) <i>be incorporated as a limited company under the provisions of the Companies Act, 2013;</i></p> <p>(ii) <i>at least one from among the Chairman of the Board of Directors or the Chief Executive Officer or Principal Officer or Managing Director of the insurance intermediary shall be a resident Indian citizen;</i></p> <p>(iii) <i>shall take prior permission of the Authority for repatriating dividend;</i></p> <p>(iv) <i>shall bring in the latest technological, managerial and other skills;</i></p> <p>(v) <i>shall not make payments to the foreign group or promoter or subsidiary or interconnected or associate entities beyond what is necessary or permitted by the Authority;</i></p> <p>(vi) <i>shall make disclosures in the formats to be specified by the Authority of all payments made to its group or promoter or subsidiary or interconnected or associate entities;</i></p> <p>(vii) <i>composition of the Board of Directors and key management persons shall be as specified by the concerned regulators;</i></p> <p>(j) <i>The other condition under the heading 'Banking-Private Sector' specified against serial number F.2.1 shall be applicable in respect of bank promoted insurance companies.</i></p> <p>(k) <i>Terms 'Control', 'Equity Share Capital', 'Foreign Direct Investment' (FDI), 'Foreign Investors', 'Foreign Portfolio Investment', 'Indian Insurance Company', 'Indian Company', 'Indian Control of an Indian Insurance Company', 'Indian Ownership', 'Non-resident Entity', 'Public Financial Institution', 'Resident Indian Citizen', 'Total Foreign Investment' will have the same meaning as provided in Notification No. G.S.R 115 (E), dated the 19th February, 2015 issued by Department of Financial Services and regulations issued by Insurance Regulatory and Development Authority of India from time to time."</i></p>
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(v) In the principal rules, in Schedule II, for the entries in clause (iii) of sub-paragraph (a) of paragraph 1, the following entries shall be substituted, namely:-

"The FPIs investing in breach of the prescribed limit shall have the option of divesting their holdings within five trading days from the date of settlement of the trades causing the breach. In case the FPI chooses not to divest, then the entire investment in the company by such FPI and its investor group shall be considered as investment under Foreign Direct Investment (FDI) and the FPI and its investor group shall not make further portfolio investment in the company concerned. The FPI, through its designated custodian, shall bring the same to the notice of the depositories as well as the concerned company for effecting necessary changes in their records, within -seven trading days from the date of settlement of the trades causing the breach. The divestment of holdings by the FPI and the reclassification of FPI investment as FDI shall be subject to further conditions, if any, specified by Securities and Exchange Board of India and the Reserve Bank in this regard. The breach of the said aggregate or sectoral limit on account of such acquisition for the period between the acquisition and sale or conversion to FDI within the prescribed time, shall not be reckoned as a contravention under these rules."

[F. No. 01/05/EM/2019]

ANAND MOHAN BAJAJ, Jt. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended vide numbers S.O. 4355 (E), dated the 5th December 2019 and S.O. 1278 (E), dated the 22nd April, 2020.



470. What is FEM (NDIs) (Amendment) Rules, 2020?

MINISTRY OF FINANCE
(Department of Economic Affairs)

NOTIFICATION

New Delhi, the 22nd April, 2020

S.O. 1278 (E).— In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following rules further to amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. Short title and commencement.— (1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, in rule 6, in clause (a), for the provisos, the following provisos shall be substituted namely:-

“Provided that an entity of a country, which shares land border with India or the beneficial owner of an investment into India who is situated in or is a citizen of any such country, shall invest only with the Government approval:

Provided further that, a citizen of Pakistan or an entity incorporated in Pakistan shall invest only under the Government route, in sectors or activities other than defence, space, atomic energy and such other sectors or activities prohibited for foreign investment:

Provided also that in the event of the transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction or purview of the above provisos, such subsequent change in beneficial ownership shall also require government approval”.

[F. No. 01/05/EM/2019-Part (1)]

ANAND MOHAN BAJAJ, Jt. Secy.

Note: The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), vide notification number S.O.3732 (E), dated the 17th October, 2019 and subsequently amended vide S.O. 4355 (E), dated the 5th December 2019.

471. What is FEM (NDIs) (Amendment) Rules, 2019?

MINISTRY OF FINANCE (Department of Economic Affairs)

NOTIFICATION

New Delhi, the 5th December, 2019

S.O. 4355(E).—In exercise of the powers conferred by clauses (aa) and (ab) of sub-section (2) of section 46 of the Foreign Exchange Management Act, 1999 (42 of 1999), the Central Government hereby makes the following amendments in the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, namely:-

1. **Short title and commencement.**—(1) These rules may be called the Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2019.
(2) These rules shall be deemed to have come into force on the 17th October, 2019, except items (i), (ii), (iii), (iv), (v) and (vii) of rule 6 which shall come into force on the date of their publication in the Official Gazette.
2. In the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, (hereinafter referred to as the principal rules), in rule 2,-
 - (i) in clause (ae), the words, brackets and figures “and (iv) mutual funds which invest more than fifty percent in equity governed by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996;” shall be omitted;
 - (ii) in clause (am), the words “and debt” shall be omitted.
3. In the principal rules, in rule 9, in sub-rule (4), the words “on a non-repatriation basis” shall be omitted.
4. In the principal rules, for rule 11, the following rule shall be substituted, namely:-

“11. Transfer of equity instruments of an Indian company by FPI – A FPI holding equity instruments of an Indian company or units in accordance with these rules, may transfer such equity instruments or units held by him in compliance with the conditions, if any, specified in the Schedules annexed to these rules, subject to the terms and conditions specified therein and by the Securities and Exchange Board of India:

Provided that, -

 - (i) prior Government approval shall be obtained for any transfer in case the company is engaged in a sector which requires the Government approval;
 - (ii) where the acquisition of equity instruments by FPI under Schedule II has resulted in a breach of the applicable aggregate FPI limits or sectoral limits the provisions of item (iii) of sub-paragraph (a) of paragraph (1) of Schedule II shall apply.”
5. In the principal rules, in rule 21, in sub-rule (2), after clause (ii), the following explanation shall be inserted, namely:

“Explanation: In case of convertible equity instruments, the price or conversion formula of the instrument should be determined upfront at the time of issue of the instrument. The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with these rules.”
6. In the principal rules, in Schedule 1, in the Table,-
 - (i) against Sl. No. 3.2, in column (2), under the heading Coal and Lignite,-
 - (a) for entry (a), the following entry shall be substituted, namely:

“(a) Coal and Lignite mining for captive consumption by power projects, iron and steel and cement units and other eligible activities permitted under and subject to the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957) and the Coal Mines (Special Provisions) Act, 2015 (11 of 2015).”;



(b) after entry (b), the following entry shall be inserted, namely:-

“(c) For sale of coal, coal mining activities including associated processing infrastructure subject to the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 and the Coal Mines (Special Provisions) Act, 2015 and as amended from time to time and other relevant Acts on the subject.”;

(ii) against Sl. No. 3.4, in column (2), under the heading Other Conditions, clauses (a) and (b) shall be re-lettered as clause (b) and (c) respectively and before clause (b) as so re-lettered, the following clause shall be inserted, namely:-

“(a) Associated Processing Infrastructure” as contained in 3.2 (c) includes coal washery, crushing, coal handling, and separation (magnetic and non-magnetic)”;

(iii) against Sl. No. 5.1, for “A manufacturer is permitted to sell its products manufactured in India through wholesale and/ or retail, including through e-commerce without Government approval.” the following shall be substituted, namely:

“Manufacturing activities may be either self manufacturing by the investee entity or contract manufacturing in India through a legally tenable contract, whether on Principal to Principal or Principal to Agent basis. Further, a manufacturer is permitted to sell his products manufactured in India through wholesale and/or retail, including through e-commerce, without Government approval.”;

(iv) against Sl. No. 7.2, Sl. No. 7.2.3, shall be renumbered as Sl. No. 7.2.4 and before Sl. No. 7.2.4 as so renumbered, the following Sl. No. shall be inserted, namely:-

“7.2.3	Uploading/Streaming of News and Current Affairs through Digital Media	26%	Government”;
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(v) against Sl. No. 15.2.3, for entry (p), the following entry shall be substituted, namely:-

“(p) e-commerce marketplace entity with FDI shall have to obtain and maintain a report of statutory auditor by 30th of September every year for the preceding financial year confirming compliance of the e-commerce guidelines.”;

(vi) against Sl. No. 15.3, in column (4), under the heading Entry Route, for the entries, the following entry shall be substituted, namely:-

“Automatic.”;

(vii) against Sl. No. 15.3.1, for the entries (e), (f) and (g), the following entries shall be substituted, namely:

“(e) In respect of proposals involving foreign investment beyond 51 per cent, sourcing of 30 per cent. of the value of goods procured, shall be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing shall be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company shall be required to maintain. The procurement requirement is to be met in the first instance as an average of five years total value of goods procured beginning 1st April of the year of the commencement of SBRT business (i.e. opening of first store or start of online retail, whichever is earlier). Thereafter, SBRT entity shall be required to meet the 30 per cent local sourcing norms on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company incorporated in India, which is the recipient of foreign investment for the purpose of carrying out single brand product retail trading.

(f) For the purpose of meeting local sourcing requirement laid down at entry (e), all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. SBRT entity is also permitted to set off sourcing of goods from India for global operations against the mandatory sourcing requirement of 30 per cent. For this, purpose, ‘sourcing of goods from India for global operations’ shall mean value of goods sourced from India for global operations for that single brand (in INR terms) in a particular financial year directly by the entity undertaking SBRT or its group companies (resident or non-resident), or indirectly by them through a third party under a legally tenable agreement.



(g) A SBRT entity operating through brick and mortar stores, can also undertake retail trading through e-commerce. However, retail trading through e-commerce can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within two years from date of start of online retail.”.

7. In the principal rules, in Schedule II, in paragraph (1), in sub-paragraph (a), in item (i), -

(i) after the words “Indian company”, the words “by FPIs” shall be inserted;

(ii) the following proviso shall be inserted at the end, namely:

“Provided the aggregate limit of 24 per cent may be increased by the Indian company concerned up to the sectoral cap/ statutory ceiling, as applicable, with the approval of its Board of Directors and its General Body through a resolution and a special resolution, respectively.”.

[F. No. 01/05/EM/2019]

ANAND MOHAN BAJAJ, Jt. Secy.

Note : The principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (ii), *vide* number S.O. 3732 (E), dated the 17th October, 2019.



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