

# FEMA ke FUNDAE

## Loans to Foreign entity

#FamiliarwithFEMA

Date : July,13,2022

Issue No. : 5

Jain Shrimal & Co.

Hey, Mr. FEMA Gyani, one of my friend have a cloth manufacturing company in England and he is in need of some funds for the expansion purposes. So, he is asking me if I can give him loan. However, I am curious that being an Indian Resident can I give loan to a foreign entity?

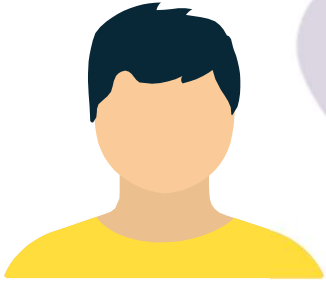
Hello Aditya! Happy to say that you can do it. I'll tell you some important points in this regard.



**Aditya**  
**(An Indian Resident)**



**The FEMA Gyani**



**The FEMA Gyani**

You may extend loans to any foreign company only if you have equity participation in that company . If there is no equity participation in your friend's company, you need to take prior approval of RBI.



**The FEMA Gyani**

Of course, you can convert your loan into equity.



**The FEMA Gyani**

Yes, You can convert your equity into loan or any other form like preference capital, debenture, etc by taking prior approval of RBI.



**Aditya**

Oh! Okay . If I give loan now by taking RBI's approval then in future can I capitalise my loan into equity?



**Aditya**

Oh! Great. One last question. If I give him funds by taking equity in his company now instead of loan and in future I wish to convert such equity into loan, then Can I do so?

# Thank You!

Let's meet every  
Wednesday.

To make you more familiar with FEMA,  
we are happy to listen to your

Comments

Feedbacks

Suggestions



**The FEMA Gyani**

**Jain Shrimal & Co.**



<https://www.linkedin.com/company/jsco>  
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