

# FEMA ke FUNDAE

## Downstream Investment

#FamiliarwithFEMA

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Jain Shrimal & Co.

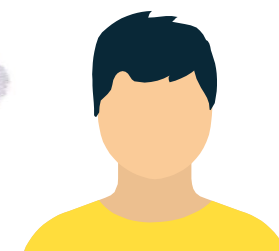


**Kaira**

**Director of Happy Pvt. Ltd.**

Hey! Mr. FEMA Gyani, Happy to share that our company, Happy (India) Pvt. Ltd. have acquired 100% of the equity of Joy Pvt. Ltd., an Indian Company.

Hello Kaira. Wow! That's a great news. I am aware that your company is the Wholly Owned Subsidiary of the Happy Group having headquarters in Malaysia.



**The FEMA Gyani**

Yes, Happy Pvt. Ltd. is the WOS of the Happy Group.

Great, Then have you heard anything about a Downstream Investment.

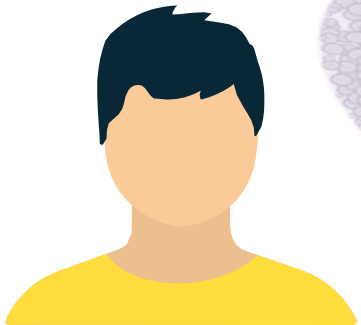


**The FEMA Gyani**

No, I don't know anything about downstream investment. What is it?



**Kaira**



The FEMA Gyani

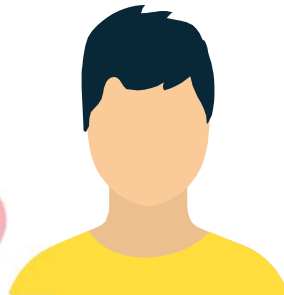
“Downstream Investment” means investment by an Indian entity having FDI into another Indian entity. In our case, “**Downstream Investment**” is investment made by Happy Pvt. Ltd., India (which is a WOS of Happy Group, Malaysia) in Joy Pvt. Ltd. Now, since, Joy Pvt. Ltd. will be receiving an investment from Happy Pvt. Ltd., which is a WOS of Happy Group, Malaysia, such investments shall be treated as “**Indirect Foreign Investment**” for Joy Pvt. Ltd.



Happy Pvt. Ltd. shall be responsible for ensuring compliances with the provisions for the Downstream Investment.

**Form DI** shall be filled on the **SMF portal** with the **RBI** within **30 days** from the date of investment.

**Secretariat for Industrial Assistance, DPIIT** should be notified within **30 days** of investment, even if equity instruments have not been allotted, along with the modality of investment in new/existing ventures.



### The FEMA Gyani

The few compliances which needs to be followed :

**Certificate from Statutory Auditors** shall be obtained on the **Annual basis** as regard to the compliances of Downstream investments instructions and other FEMA prescriptions have been followed and the same should be duly mentioned in the **Director's Report in the Annual Report**.

In case **Qualified Report** has been given by Statutory Auditor, such information shall be bring into notice of RBI, FED and RO of the RBI. Also, **Acknowledgement** to be obtained from RBI of being intimated.





**Kaira**

Okay! So this means Form DI needs to be filled by Happy Pvt. Ltd.

No Kiara, Form DI has to be filled by the company receiving investment i.e., Joy Pvt. Ltd on its SMF portal , but the responsibility of compliances have to be ensured by the Happy (India) Pvt. Ltd.



**The FEMA Gyani**



**Kaira**

Okay, Got it. Is there anything else that I need to take care of?



**The FEMA Gyani**

Yes, there are two conditions attached with Downstream Investment that I hope you must have complied which are as follows:

Downstream Investment should have the **approval** of the **Board of Directors of Happy (India) Pvt Ltd** with a **shareholders agreement**, if any.

Investments made by Happy Pvt. Ltd. should be made out of **funds received from Happy Group** or **reserves available after payment of taxes** but not out of funds borrowed in India.

Yes, we have complied with these conditions and we'll ensure to fulfil the compliances stated by you at the earliest.



**Kaira**

**Jain Shrimal & Co.**

# 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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**Jain Shrimal & Co.**