

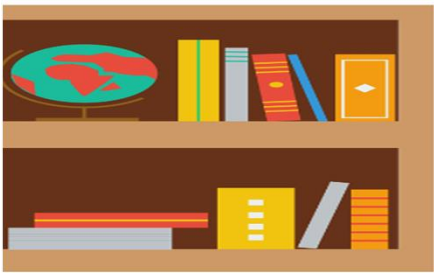
# FEMA Ke Fundae

#FamiliarwithFEMA

**Issuance of Non-  
Convertible Debentures  
by Indian Companies to  
NRI**

Issue No : 90

Date : 28<sup>th</sup> February, 2024





**Vaibhavi**  
**(Indian citizen)**

Hello, Mr Fema Gyani, I have a company in India and we needed funds for working capital purpose in the company. I know some NRIs who are willing to invest in my company. Can I borrow funds from them?

Hey Vaibhavi. Are those NRIs shareholders in your company?



**The FEMA Gyani**

No FEMA Gyani, they are not shareholders in our company

Okay Vaibhavi. You can borrow funds from them but by way of issue of Non-convertible Debentures (NCDs). But there certain points to be kept in mind while doing so.



**The FEMA Gyani**

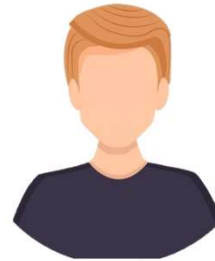


**Vaibhavi**  
**(Indian citizen)**

Borrowings can be on **repatriation** or **non-repatriated basis**.

Period of loan shall **not be less than three years**.

Funds should be received either by **inward remittance** from outside India or by **debit NRE/NRO/FCNR/NRNR/NRSR account** of your brother, **maintained with an authorised dealer or an authorised bank in India**.



**The FEMA Gyani**

Borrowing is by issuance of **Non-Convertible Debentures (NCDs)** and the same is made by **public offer**

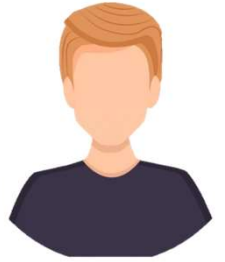
Payment of interest and repayment of principal amount shall be made only to the **NRO account of the holder**.

Rate of interest on the loans shall **not be more than the prime lending rate of State Bank of India as on the date on which the resolution for borrowings was passed plus three per cent**



**Vaibhavi**

Okay! Can I use such funds for the construction of my farmhouse ?



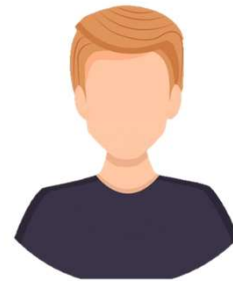
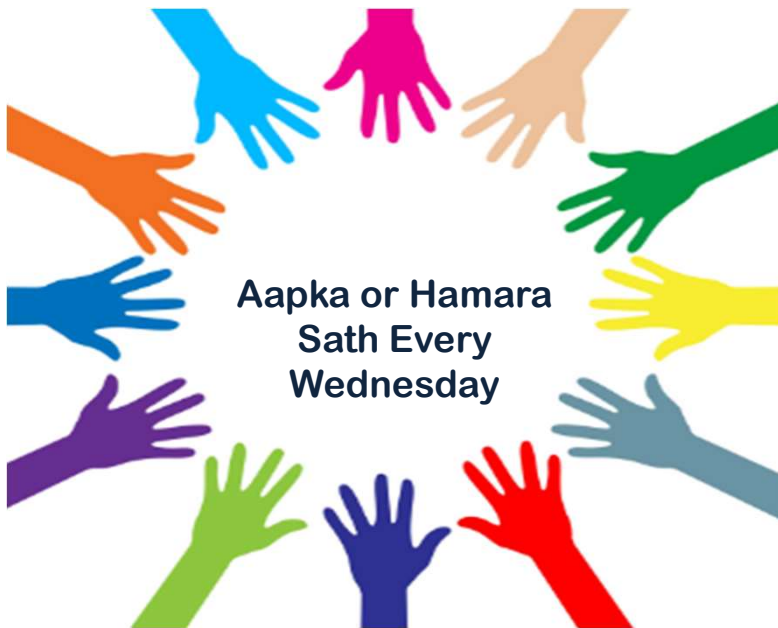
**The FEMA Gyani**

No, Vaibhavi. There are certain restrictions to such borrowed funds such as :

1. Such borrowed funds cannot be deployed to the following end uses :
  - i. Business of chit fund
  - ii. Nidhi company
  - iii. Agricultural or plantation activities
  - iv. Real Estate or Construction of Farm Houses ( Real estate does not include-development of townships, construction of residential/commercial premises, roads or bridges and purchase/ leasing of long term industrial land).
  - v. Investment in capital market including margin trading and derivatives
  - vi. Trading in Transferable Development Rights(TDRs).

2. Borrowed funds **shall not be used** for any investment or for on-lending in any manner whatsoever.

# Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



<https://in.linkedin.com/company/jscoa>

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan  
WhatsApp group



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