

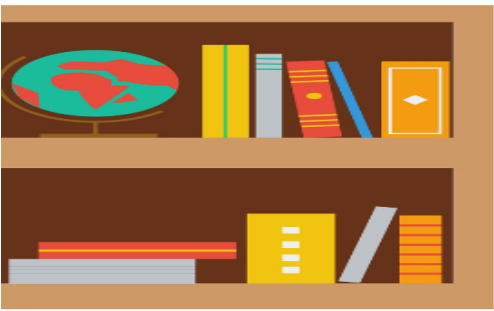
FEMA Ke Fundae

#FamiliarwithFEMA

Acquisition through
rights issue by NRI

Issue No : 95

Date : 3rd April 2024

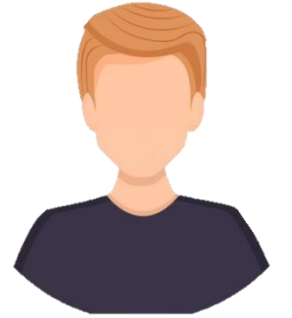




Diya
(Non-resident Indian
Investor)

Hello, Mr. FEMA Gyani. I am Diya, (the Director of an Indian company). We are intending to initiate a right issue to raise some additional capital and wish to incorporate our Non-Resident Indian (NRI) investors. Could you please berif me about it?

Absolutely! Diya, NRIs can indeed participate in a right issue of an Indian company, but it's essential to consider FEMA regulations concerning foreign exchange. These regulations outline specific guidelines that need to be adhered to that as below:



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1

Compliance:

Ensure the rights issue complies with the provisions of the Companies Act, 2013.

2

NRI Eligibility:

Ensure NRI investors acquired existing shares in compliance with FEMA regulations before involving them in the rights issue.

3

Sectoral Caps:

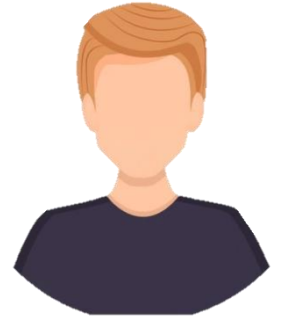
Verify sectoral caps on foreign investment before offering rights issue to ensure compliance with industry regulations.



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Investor)

How do we go about deciding the price for our right issue?

Diya, The pricing for rights issues can differ between listed and unlisted companies, especially for foreign investors, subject to regulatory requirements. This has been mentioned below:



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1

For unlisted companies, the price offered to foreign investors cannot be lower than the price offered to residents in India.



2

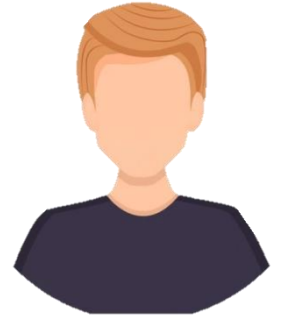
For listed companies, the pricing for foreign investors is determined by the company issuing the right shares.



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How do NRI investors pay for rights issues? Are there specific payment methods compliant with FEMA regulations for their participation?

NRI investors can pay for the rights issue through specified banking channels like NRE/FCNR accounts or through inward remittance.



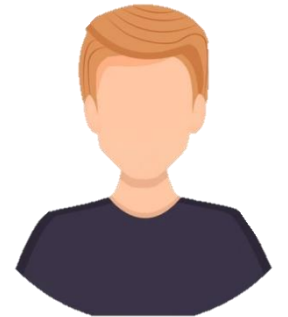
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Can NRI investors utilize their standard NRO account for subscribing to the rights issue?

Yes, NRI investors can utilize their regular NRO account for subscribing to the rights issue. This option is available if their original investment was made under non-repatriation conditions, i.e. the funds cannot be transferred outside India.



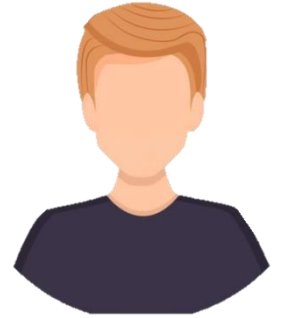
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What are the compliance requirements we need to follow when issuing such shares?

Once the NRIs get their new shares, you just need to File Form FC-GPR with authorized dealers within 30 days of issuing shares.



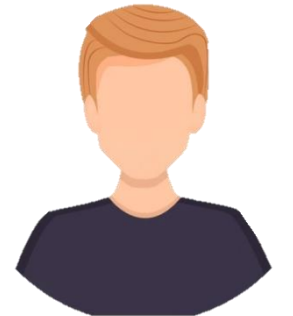
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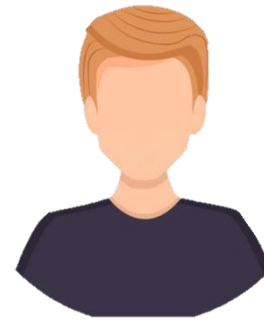
Thank you for the thorough explanation, Mr. FEMA Gyani.

You're welcome, Diya!



The FEMA Gyani

Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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<https://jainshrimal.com/>



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