

FEMA Ke Fundae

#FamiliarwithFEMA

On Lending of ECB Funds

Issue No : 99

Date : 01-05-2024





MEHUL

Hey! Mr. FEMA Gyani. My company will be receiving an ECB of Rs. 100 Crores from our foreign shareholder. I wanted to know where can this money be put to use?

Hii Mehul. ECB funds must be utilized solely for their designated purpose. However, a negative list has been prescribed, where the ECB Funds cannot be used.



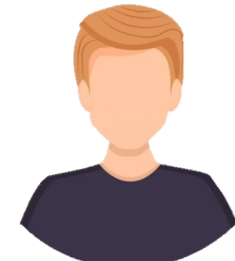
The FEMA Gyani



MEHUL

I want to use those funds for working capital purpose. Can I do so?

Yes, Mehul. You can use the ECB funds for working capital purpose



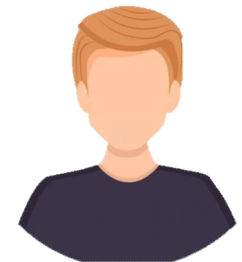
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Okay FEMA Gyani. However, I'm curious to know the negative list for the utilisation of ECB Funds.



MEHUL

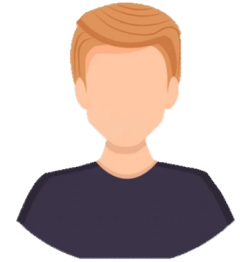
Sure, Mehul. Let me brief you about the same.



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RESTRICTED

Sr. No.	End-uses (Negative list)
A	Real estate activities.
B	Investment in capital market.
C	Equity investment.
D	Working capital purposes, except in case of ECB raised from foreign equity holder for working capital purposes, general corporate purposes or for repayment of Rupee loans or for (i) working capital purposes or general corporate purposes (ii) on-lending by NBFCs for working capital purposes or general corporate purposes.
E	General corporate purposes, except in case of ECB mentioned as above.
F	Repayment of Rupee loans, except in case of ECB raised for (i) repayment of Rupee loans availed domestically for capital expenditure (ii) on-lending by NBFCs for the same purpose and (i) repayment of Rupee loans availed domestically for purposes other than capital expenditure (ii) on-lending by NBFCs for the same purpose
G	On-lending to entities for the above activities, except in case of ECB raised by NBFCs as given above.



The FEMA Gyani



MEHUL

So, I received 100 crores and 60% of which I was planning to give further as a loan. Can I do so?



The FEMA Gyani

No Mehul, ON LENDING of funds is not allowed except in case of ECB raised by NBFCs. *(Refer point G of negative list mentioned above)*



MEHUL

OH! Can I invest these funds in my subsidiary, FEMA Gyani?



The FEMA Gyani

No Mehul, Equity Investment of ECB funds is not allowed



MEHUL

Thank you FEMA Gyani.

Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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

WEBSITE

<https://jainshrimal.com/>

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