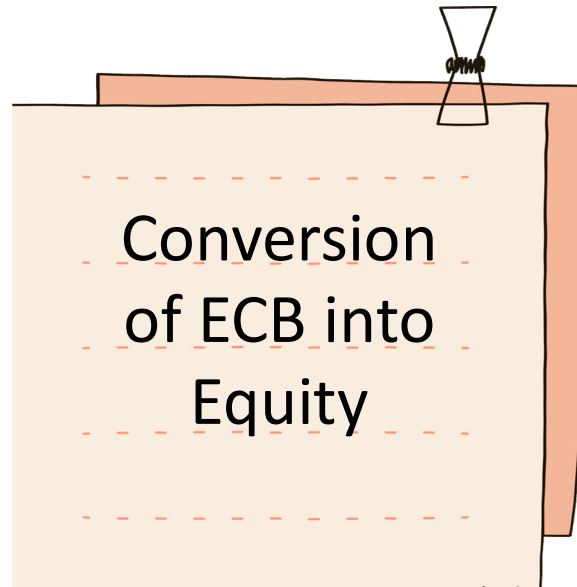
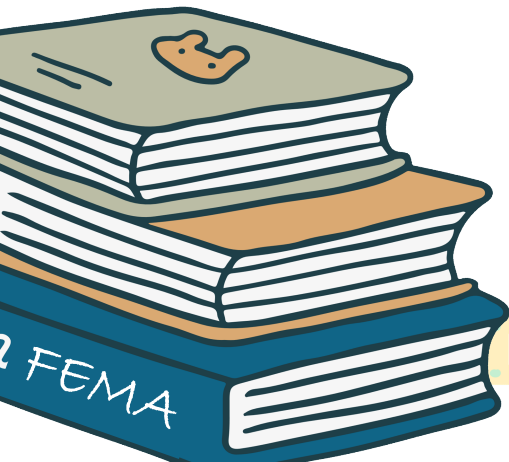


JAIN SHRIMAL & CO.

FEMA Ke Fundae

#FamiliarwithFEMA



Date: 16/10/2024

Issue no: 122

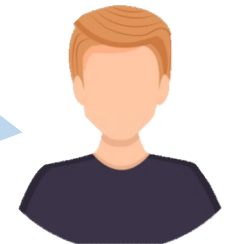




**Harsh (Director
of Indian Co.**

Hey! Mr. FEMA Gyani. My company took an ECB by way of 100 Foreign Currency Convertible Bonds (FCCBs) from an investor and now they want to convert some of the bonds into equity shares. Are there any reporting requirements or conditions for the same?

Hii Harsh. Yes there are reporting requirements that are to be complied with for conversion of FCCBs into equity and also some conditions for the same.



FEMA Gyani



Harsh

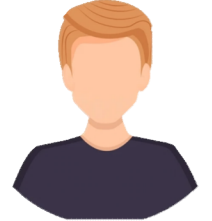
Can you brief me more about the same.



The activity of the borrowing company is covered under the automatic route for FDI or Government approval is received, wherever applicable, for foreign equity participation as per extant FDI policy



The conversion, which should be with the lender's consent and without any additional cost, should not result in contravention of eligibility and breach of applicable sector cap on the foreign equity holding under FDI policy



FEMA Gyani

Consent of other lenders, if any, to the same borrower is available or at least information regarding conversions is exchanged with other lenders of the borrower.

Applicable pricing guidelines for shares are complied with;





Harsh

What if we want to partially convert the shares. What are the reporting requirements then?

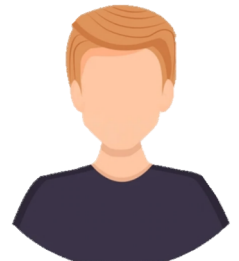
Reporting requirements are as under:

For **partial conversion**, the converted portion is to be reported in **Form FC-GPR** prescribed for reporting of FDI flows, while **monthly reporting** to DSIM in **Form ECB 2**

Return will be with suitable **remarks, viz., "ECB partially converted to equity"**

For **full conversion**, the entire portion is to be reported in Form FC-GPR, while reporting to DSIM in **Form ECB 2 Return should be done with remarks "ECB fully converted to equity"**. Subsequent filing of Form ECB 2 Return is **not required**.

For conversion of ECB into equity in **phases**, reporting through Form FC-GPR and Form ECB 2 Return will also be in phases.



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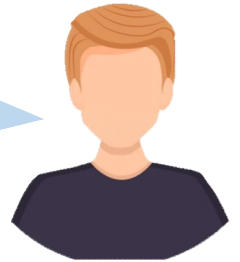




Harsh

What will be the exchange rate for the conversion of bonds into equity?

For conversion of ECB dues into equity, the **exchange rate** prevailing on the **date of the agreement** between the parties concerned for such conversion or **any lesser rate can be applied with a mutual agreement with the ECB lender.**



FEMA Gyani

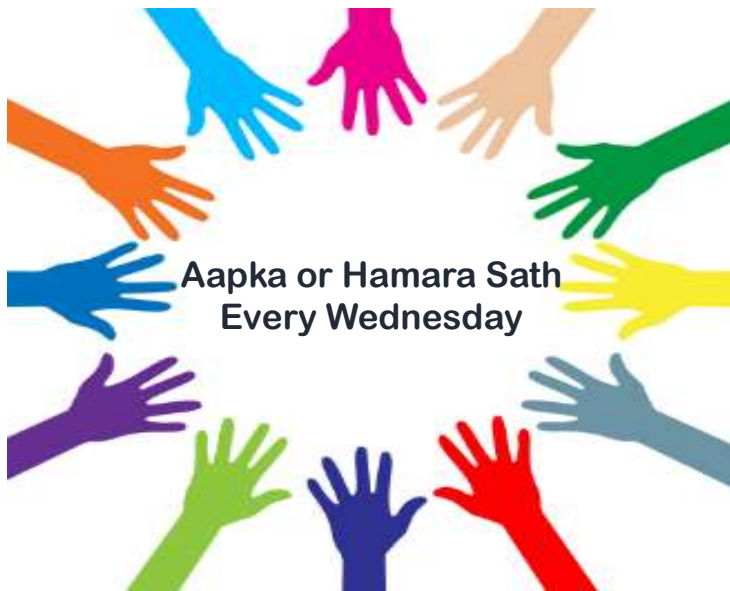


Harsh

Okay, FEMA Gyani. I understood your point. Thank You.



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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