

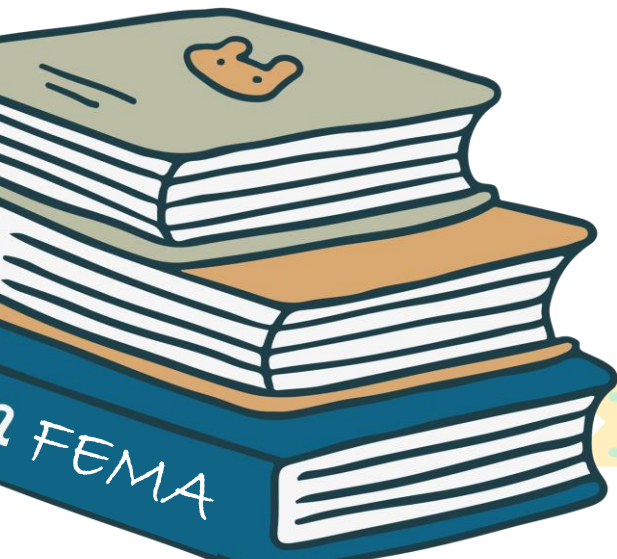
FEMA Ke Fundae

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**CROSS BORDER
“INBOUND
MERGER”
(Part 1 of 2)**

Date:29.01.2025

Issue no:138





Mr. Rishabh
**(Director of Indian Automobile
Manufacturing Co.)**

Hello! Mr. Fema Gyani, Myself Rishabh, director of an automobile manufacturing company. We're planning to merge with Europe premium car manufacturer to expand our product line. Can you help me understand the FEMA Regulation related to this ?

Of course! Mr. Rishabh, your expansion strategy through merger is great. Under FEMA, such merger is termed as cross border **"INBOUND MERGER"** which involve a foreign company merging with a domestic company .



The FEMA Gyani





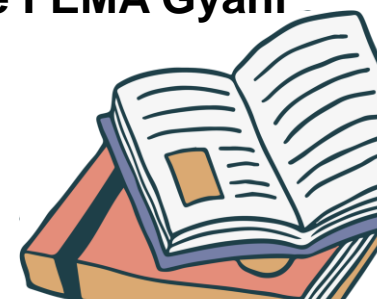
Mr. Rishabh

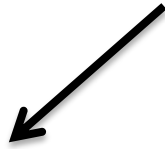
Yes! Mr. FEMA Gyani you are absolutely correct, the Europe entity would merge with our automobile manufacturing company. What should we be aware of in terms of regulation related to such inbound merger?

Okay, Mr. Rishabh. Let me walk you through **regulations compliance** imposed under FEMA which involves:



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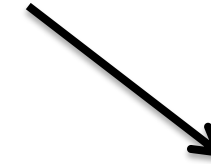
Issue or transfer of securities

When resultant company from a cross border merger is an Indian Company, **any issue or transfer of securities to a person residing outside India must comply with FEMA Regulations.**



Borrowings or Debts

Any borrowing of foreign company that becomes the borrowing of the resultant Indian Company **must confirm with External Commercial borrowing norms, Trade Credit norms or other norms** in Foreign Exchange Management(Borrowing or Lending in Foreign Exchange) Regulations,2000



Assets

The resultant Indian company can **acquire and hold any asset outside India** if Indian Companies are permitted to do so under FEMA regulations.



Mr. Rishabh

Okay I understood but I have a question whether there are any restrictions on assets that the resultant company is not allowed to hold?

Yes, after such a merger, if the resultant Indian company acquires any assets or securities, it is not permitted to hold. It must **sell those assets or securities within 180 days from the sanction date of the cross-border merger scheme**. The proceeds from the sale must be repatriated to India immediately through normal banking channels.



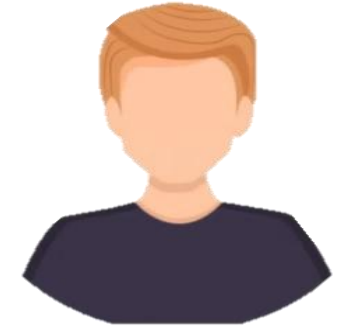
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Mr. Rishabh

Okay I understood. Is there any specific requirement imposed that need to be consider for inbound merger?

Yes, Mr. Rishabh. Let me walk you with specific requirement imposed under FEMA which involves:



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REPORTING OBLIGATION

Any transaction arising due to such cross border merger shall be **reported to RBI.**

VALUATION NORMS

Valuation of the Indian and Foreign company for the purpose of the cross border merger shall be done **as per internationally accepted pricing methodology** for valuation of shares.



Mr. Rishabh

Okay! Mr. FEMA Gyani, Thankyou for your guidance. I think now I have better grasp over the steps involved.



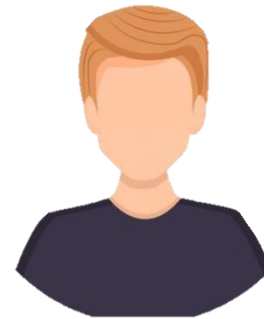
Mr. Rishabh

*In the next part, we will cover the details about
Outbound Merger.*

To be continued next
WEDNESDAY...



Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan
WhatsApp group



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