

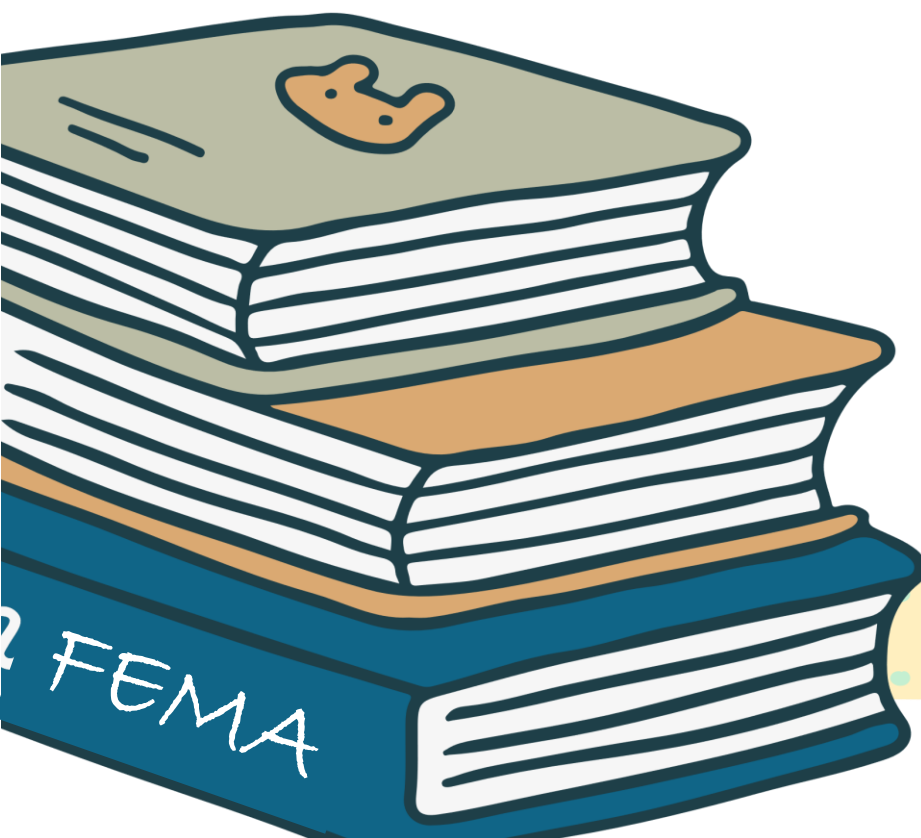
# FEMA Ke Fundae

#FamiliarwithFEMA

ODI by way  
of Swap of  
Securities

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Issue no:142





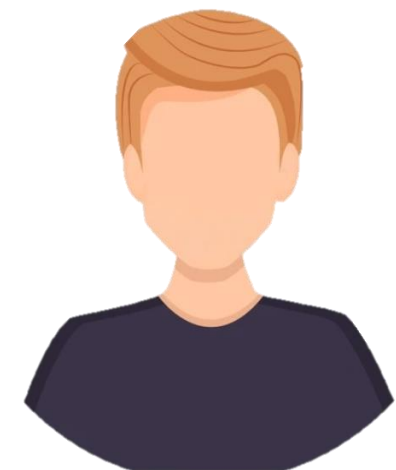
**Neha**  
Resident Indian

Hello Mr. FEMA Gyani, I'm Neha Arora, an Investment Analyst at JPIS Limited. I am currently leading a project and need to gather expert insights for it.



**Neha**  
Resident Indian

OK. How may I assist you?



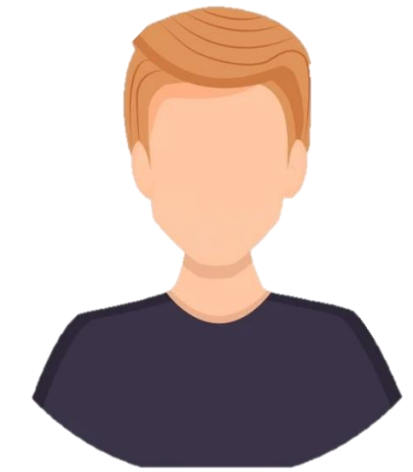
**The FEMA Gyani**

JPIS Limited wants to invest in a foreign company, but the management team is looking for an alternative transaction other than currency transaction.





OK. So your company is planning for Overseas Direct Investment (ODI). I get your query.



The FEMA Gyani

Neha, you can opt for **ODI by way of Swap of Securities** as an alternative. Swap of Securities is like a barter system- instead of using cash, companies exchange shares with each other.

Indian Companies can swap shares with foreign companies. But make sure the **Swap of Securities must be for a business purpose, like a merger or strategic partnership.**

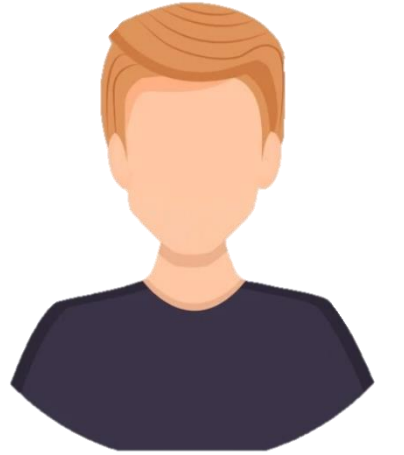
Indian companies can swap their shares with foreign companies, but they need to **make sure valuation of the shares must be fair and complies with the regulations.**





**Neha**  
Resident Indian

That sounds interesting!



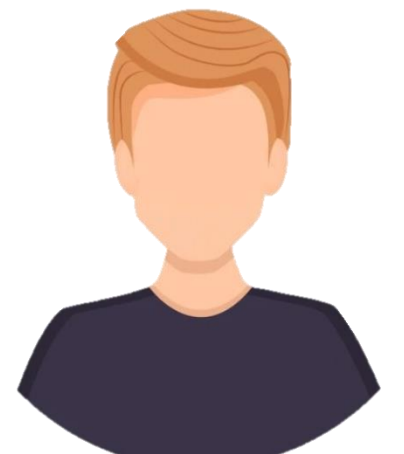
**The FEMA Gyani**

Neha, is there any foreign subsidiary of JPIS Limited?



**Neha**  
Resident Indian

Yes, the Company has a wholly owned subsidiary, JPIS Inc., which further has a subsidiary called NM Inc.



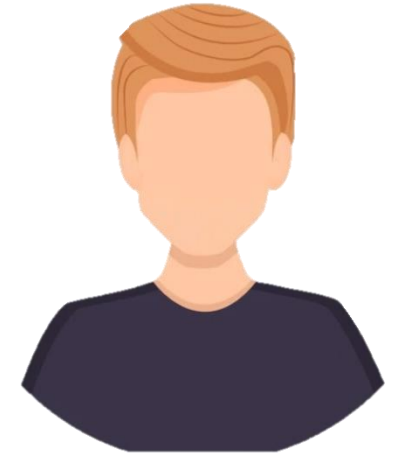
**The FEMA Gyani**

That's great. Neha, an Indian company can exchange shares of its foreign subsidiary with another foreign company. Let me give you an example to make it more clear for you.



For example:

Jethalal Ltd., an Indian company, owns a US subsidiary called Tarak Mehta Inc. Now, Jethalal Ltd. wants to invest in another US company, Babita Inc. To do this, Jethalal Ltd. has decided to exchange 30% of its shares in Tarak Mehta Inc. for 30% of the shares in Babita Inc. This swap allows Jethalal Ltd. to invest in Babita Inc. while reducing its ownership in its US subsidiary, Tarak Mehta Inc.



**The FEMA Gyani**



**Neha**  
Resident Indian

OK, that sounds more interesting.

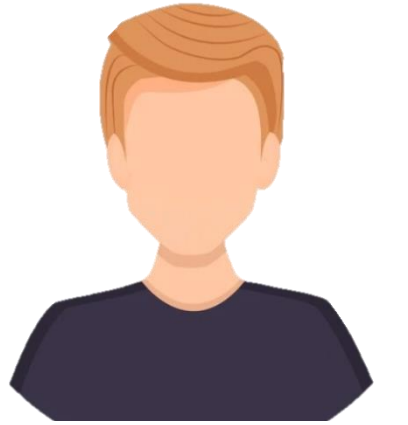


**Neha**  
Resident Indian

So, after the swap:

1. Jethalal Ltd. will own 30% of **Babita Inc.**, and
2. Babita Inc. will own 30% of **Tarak Mehta Inc.**  
**(Subsidiary of Jethalal Ltd.)**.

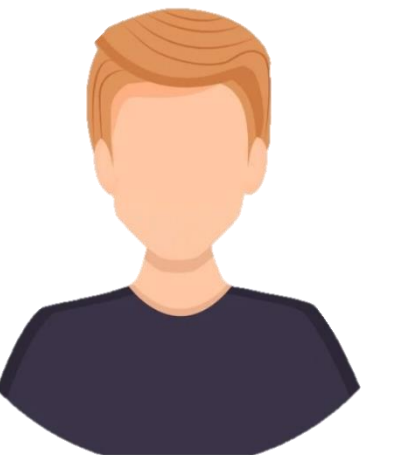
This means Jethalal Ltd. and Babita Inc. are exchanging stakes in each other's businesses.



**The FEMA Gyani**

What if Babita Inc. and Tarak Mehta Inc. merge ?

If Babita Inc. merges with Tarak Mehta Inc, Jethalal Ltd. can acquire shares in Babita Inc. as part of the merger.



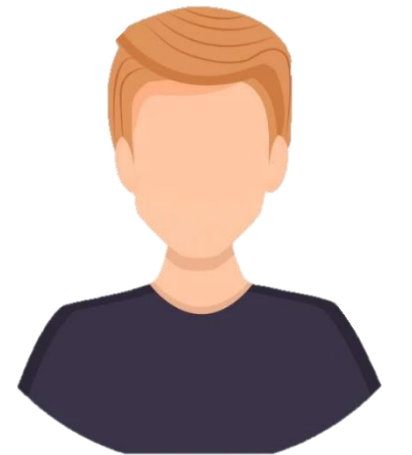
**The FEMA Gyani**



**Neha**  
Resident Indian

OK. What other things we must make sure of ?

Communicate with the **Authorized Dealer Bank** before proceeding, They'll help ensure everything complies with FEMA rules, especially for complex transactions like mergers or cross-border swaps.



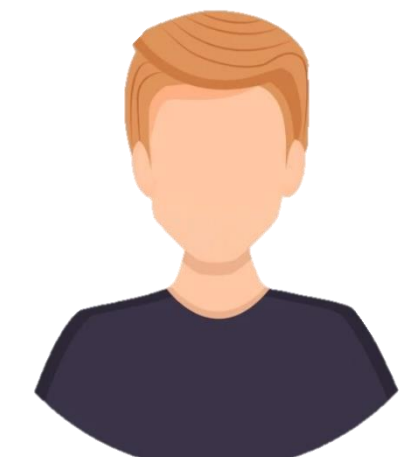
**The FEMA Gyani**



**Neha**  
Resident Indian

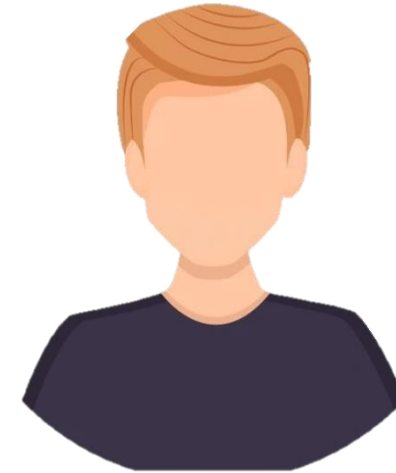
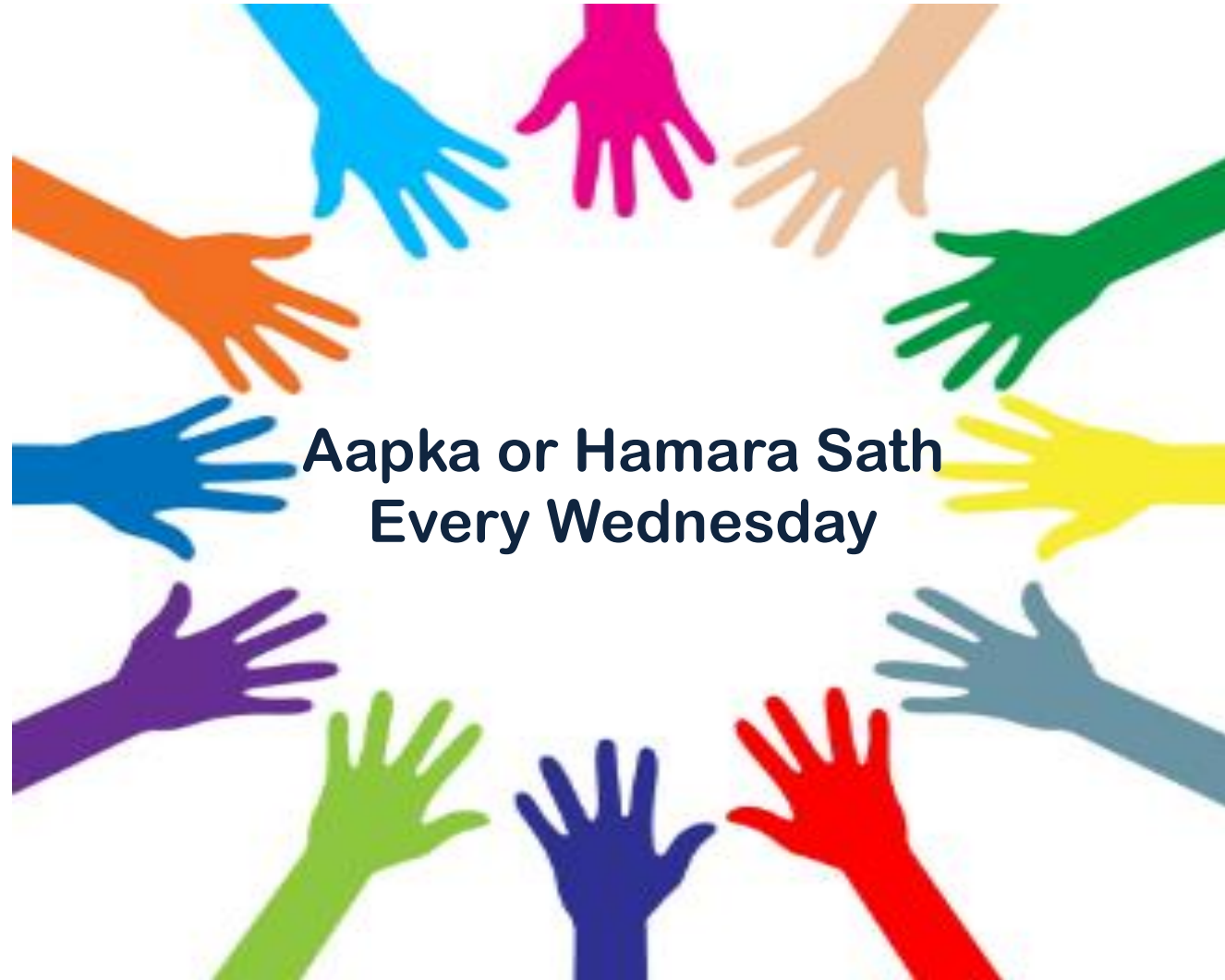
Thanks, This is really helpful.

You're welcome! And let me know if you need more clarification on this concept for your project study.



**The FEMA Gyani**

# Thank You



The FEMA Gyani

Comments

Feedbacks

Suggestions



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

WEBSITE

<https://jainshrimal.com/>



International Tax Gyan     
WhatsApp group





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