

FDI Amendment in pricing guidelines

FDI -Initial investments in Indian Companies by Non Residents through subscriptions of MOA allowed at Face value

As per existing regulations FDI including initial investments through MOA was subject matter of the Valuations guidelines. For listed Companies, SEBI valuations guidelines were applicable and for Non listed companies a valuations certificate from Chartered Accountants or merchant bankers. These valuations norms were also applicable even in the case of new companies wherein Non Residents used to subscribers of the MOA, and in these cases investors need to follow the DFCE valuation for pricing of shares.

Now RBI has done away with pricing guidelines for the investment through subscription of MOA.

Relevant texts of the Notification.

Foreign Direct Investment (FDI) in India -
Allotment of Shares to person resident outside India under Memorandum of
Association (MoA) of an Indian company - Pricing guidelines

Attention of Authorised Dealers Category-I (AD Category - I) banks is invited to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 notified vide [Notification No. FEMA 20 / 2000 -RB dated May 3, 2000](#) (hereinafter referred to as Notification No. FEMA 20), as amended from time to time.

2. In terms of sub-regulation (1) of Regulation 5 of the Notification *ibid*, a person resident outside India or an entity incorporated outside India may purchase shares or convertible debentures of an Indian company under Foreign Direct Investment Scheme, subject to compliance with the issue price specified in para 5 of Schedule 1 of the Notification *ibid*.

3. It has been decided that in cases, where non-residents (including NRIs) make investment in an Indian company in compliance with the provisions of the Companies Act, 1956, by way of subscription to Memorandum of Association, such investments may be made at face value subject to their eligibility to invest under the FDI scheme.

4. AD Category - I banks may bring the contents of the circular to the notice of their concerned constituents and customers.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.