What's New
News Flash

pwc

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Acquisition of shares of listed Indian Company on Stock Exchange under the Foreign Direct Investment scheme

Currently, only Foreign Institutional Investors (**FIIs**), non-resident Indians (**NRIs**) and Qualified Foreign Investors (**QFIs**) are allowed to acquire shares of an Indian company listed on a recognised stock exchange.

The Reserve Bank of India (**RBI**) has now liberalised the foreign direct investment (**FDI**) policy to allow non-residents, including NRIs, to acquire shares of listed companies on recognised stock exchanges through a registered broker, provided the non-resident investor has already acquired, and continues to hold control, in accordance with the Securities and Exchange Board of India's (**SEBI**) Takeover Code.

As per the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 'control' includes the right to appoint a majority of the directors, or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their share holdings, management rights, shareholders' agreements or voting agreements, or in any other manner. A director or officer of a target company shall not be considered to be in control of such target company merely because of holding such a position.

The amount of consideration for transfer of shares can be paid by way of:

- inward remittances;
- debit to Non-Resident External/Foreign Currency Non-Resident bank account;
- debit to non-interest bearing INR Escrow bank account;
- out of dividend payable by the Indian investee company, provided the right to receive dividend is established, and the dividend amount has been credited to a specially designated non-interest bearing rupee account for acquisition of shares on the recognised stock exchange.

A.P. (DIR Series) Circular No. 30 dated September 4, 2013

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With Best Regards
PwC TRS Team

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