

PREPARING FOR FOREIGN DIRECT INVESTMENT

Mr. Viraj Kulkarni

Founder and CEO

PIVOT Management Consulting (OPC) Pvt. Ltd.

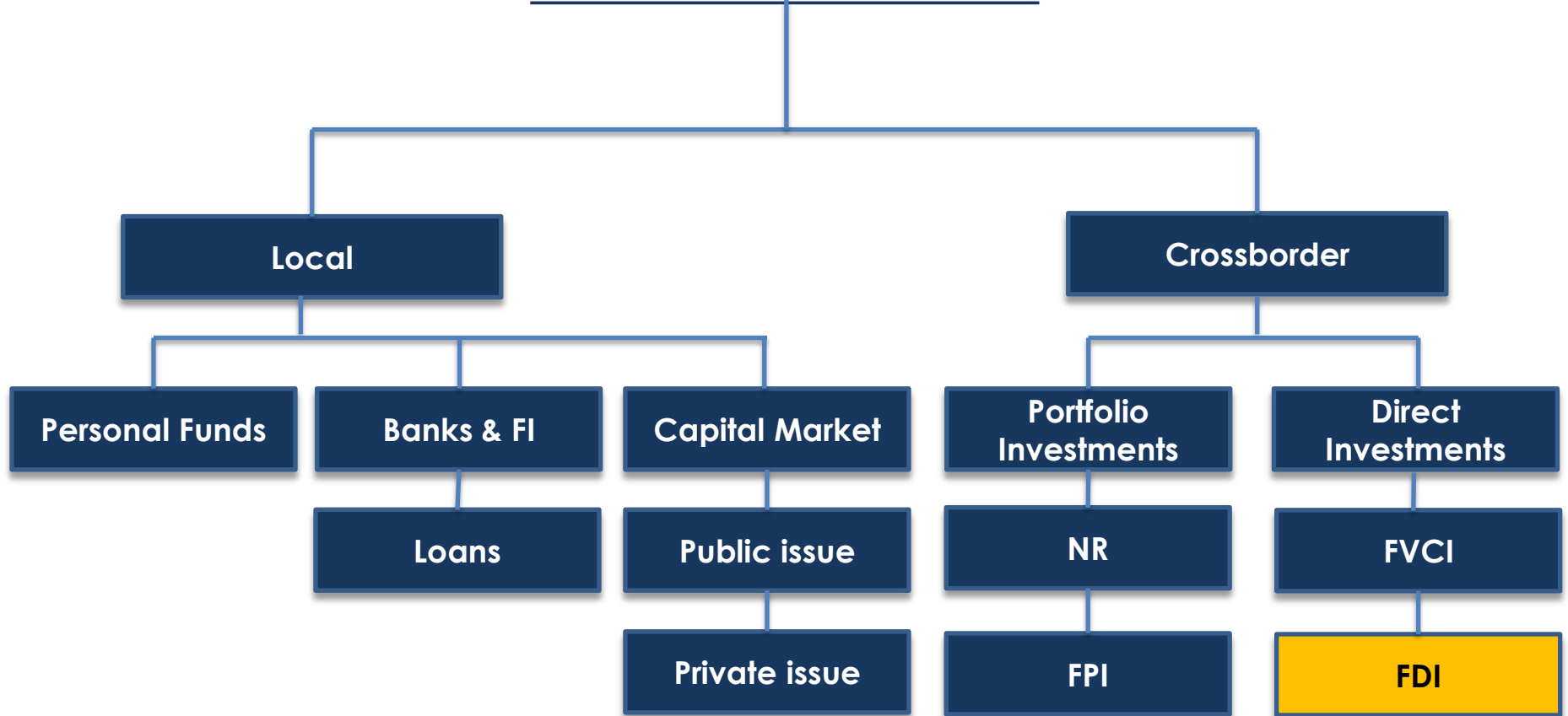
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FPI Sources of Funds for SME's



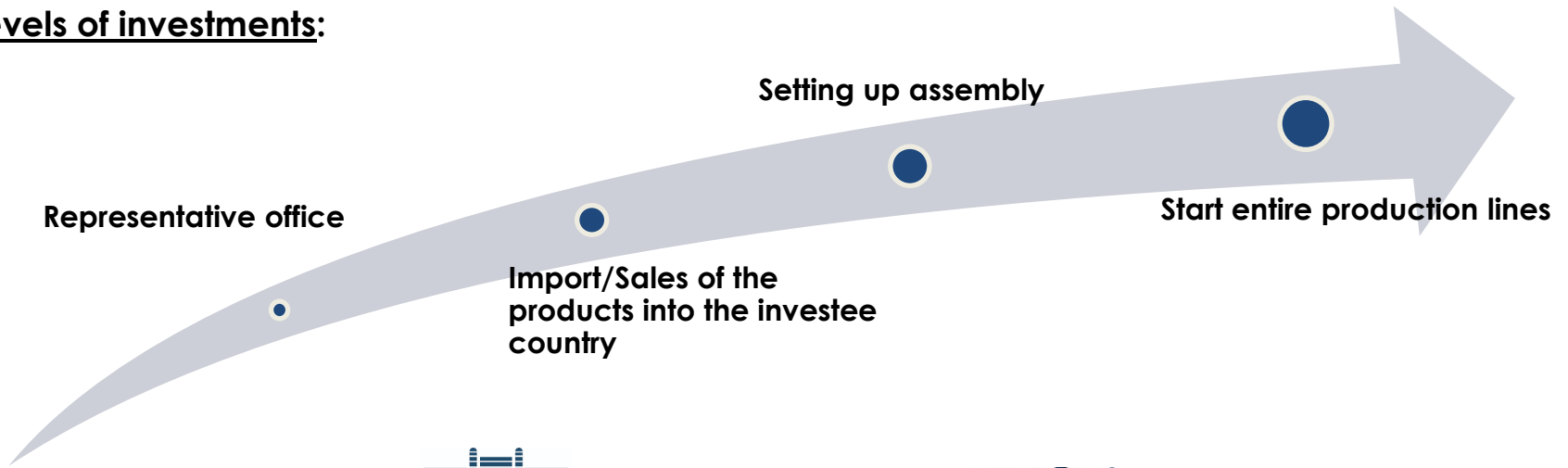
Foreign direct investment - Routes

What is FDI?

Foreign direct investment (FDI): Investor sets up/ invests in an enterprise in a foreign country



Levels of investments:



Expectations: Cross border Investor - Investee Company/ Country

Investor	Investee Company /Country
<ol style="list-style-type: none"> 1. Cultural fit 2. Here for long play 3. Stability of Government policies 4. Tax incentives 5. Stable Returns 6. Will look for exit routes 7. Good Governance and accounting practices 8. Business and company growth 9. Footprints in / Access to new market / jurisdiction 10. Visibility in new jurisdiction 11. Complement each other's strengths 12. Competitive edge 13. Access to customer base 14. Access to skills, knowledge 15. Access to human resource, raw material 16. Access to each others' product and services 17. Access to new technology 	<ol style="list-style-type: none"> 1. Cultural fit 2. Forex Inflows 3. Funds at low rate 4. Expansion – markets/products 5. Increase sales 6. Profit & revenue generation 7. Mature management/engagement 8. New thinking: Different insights and perspectives to solve challenges 9. Promote Employment locally 10. Good Business practices 11. Latest Technology Transfer 12. Competitive edge 13. Global market presence 14. Local market growth

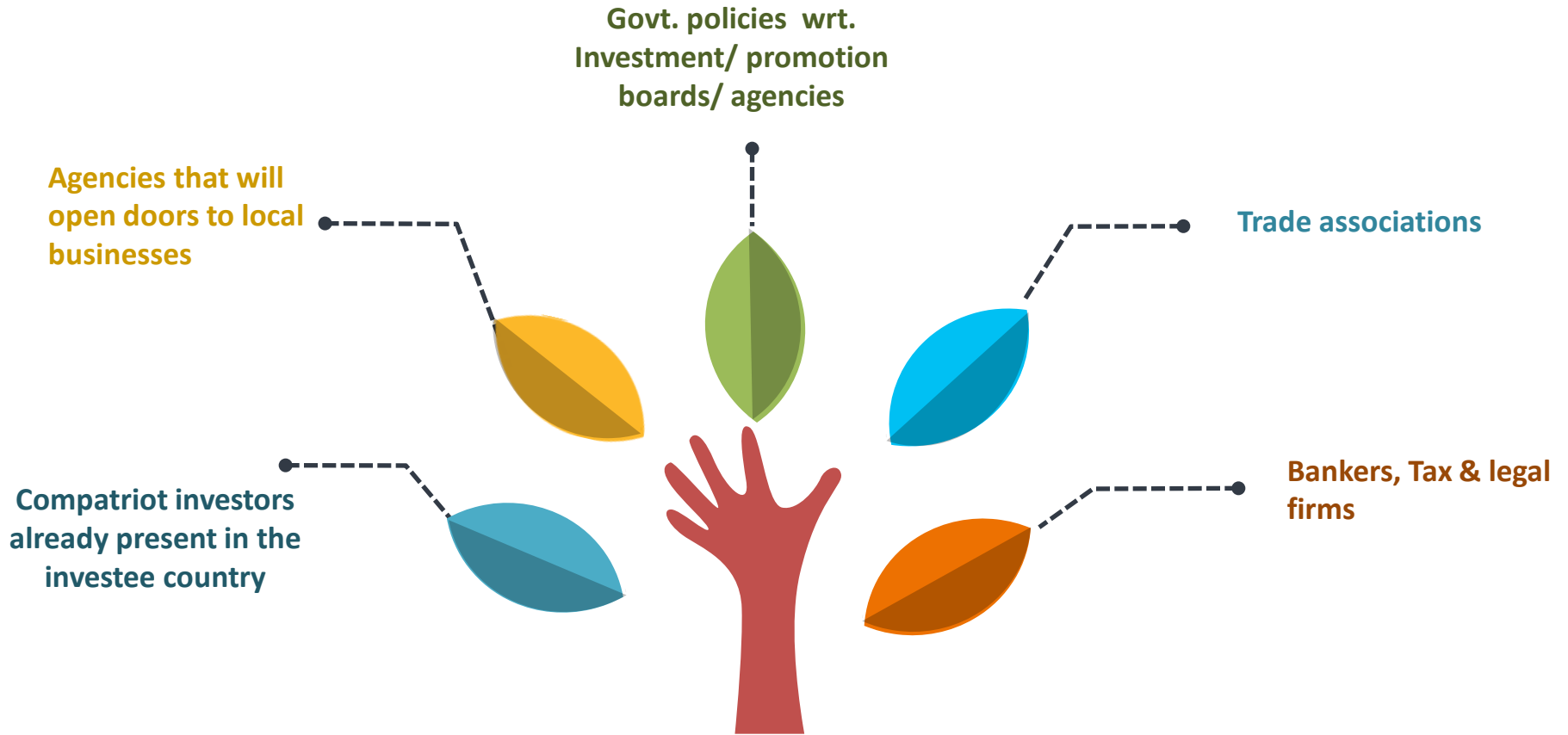


Things to look for a sustainable FDI partnership



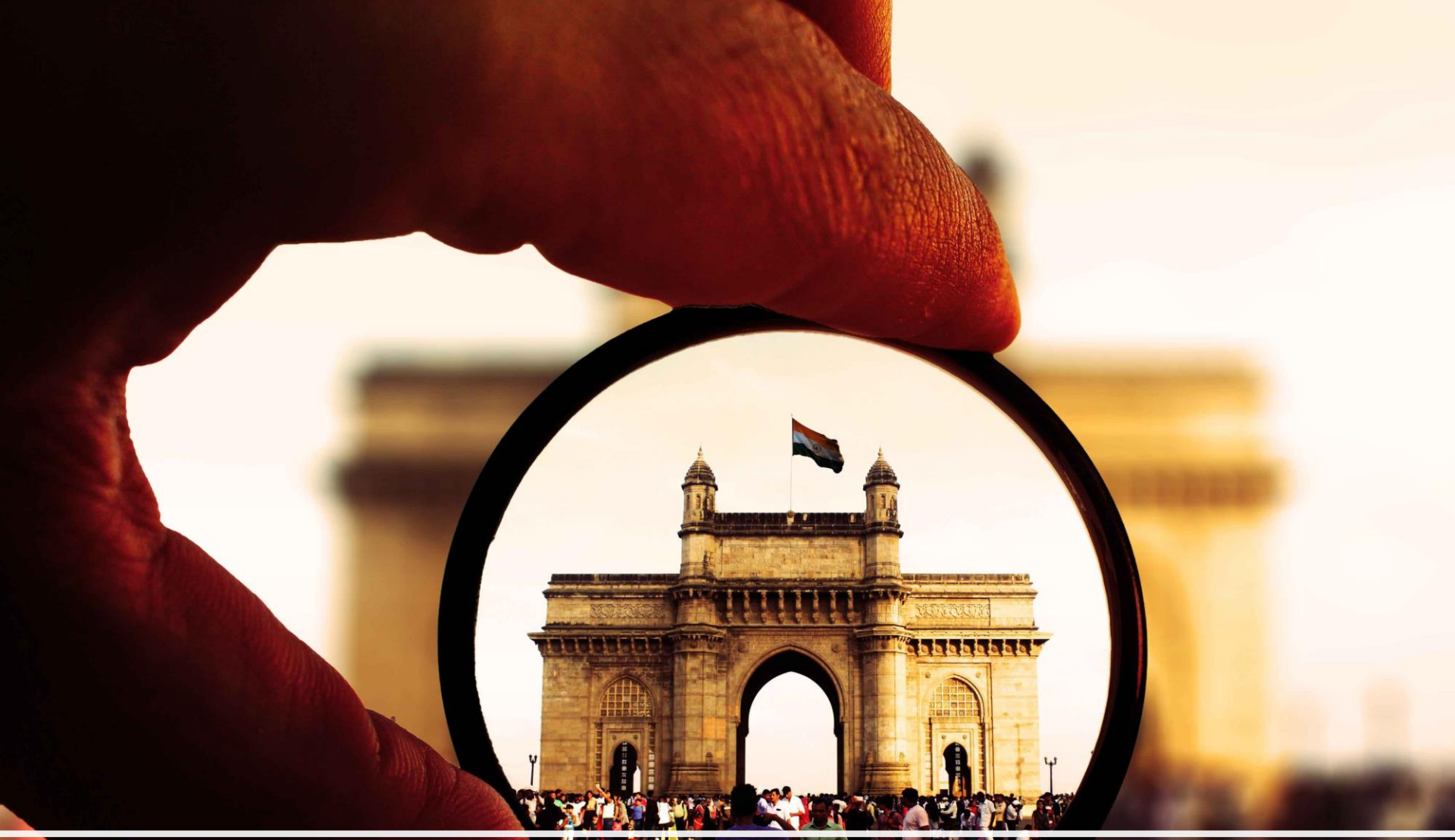
1. Be clear about partnership objectives
2. Shared values: Fair practices, Transparency, Governance etc.
3. Look for complementary strengths: Knowledge, Resource, Access to new markets etc.
4. Shared track records: scope to work together
5. Define roles and responsibilities of each business / project; Review roles and responsibilities regularly
6. Business structure: decide whether JV, LLP or Company; Legal and tax implications; Financial forecasting
7. Write it down: Memorandum of understanding (MoU) / Partnership Agreement / Contract covering business structure, capital contribution, liabilities, decision making arrangement, dispute resolution, business exit
8. Trust and honesty
9. Avoid or manage risk

Common external touch points for investor information



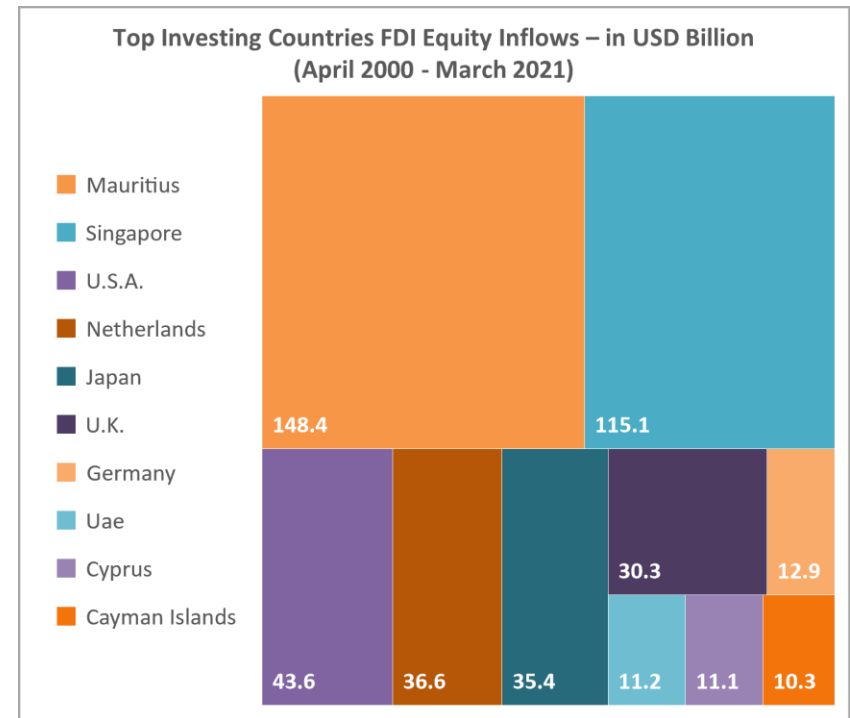
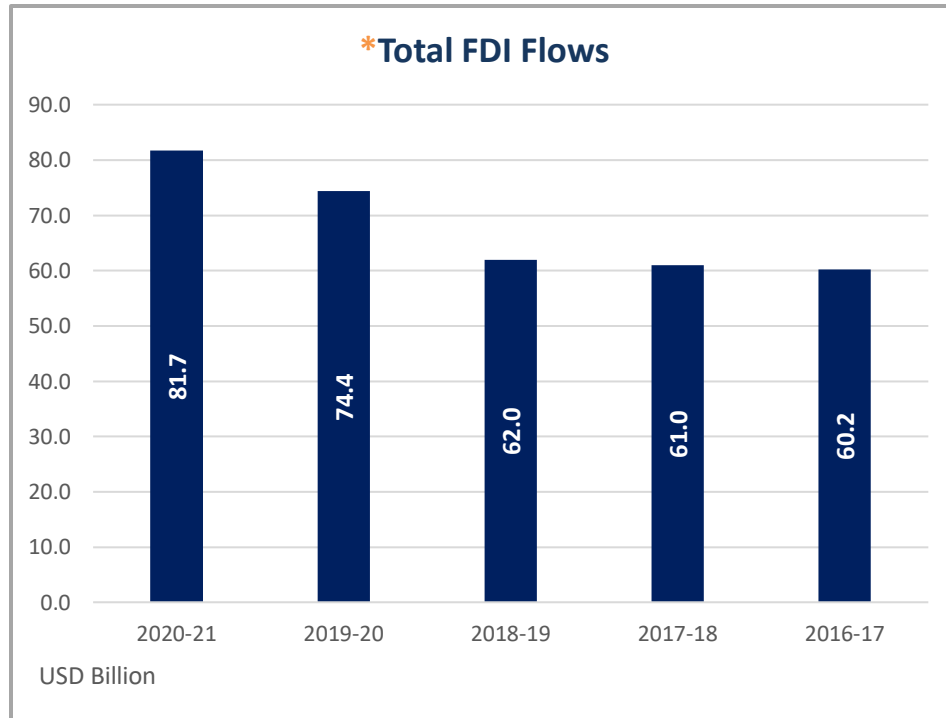
Useful Links: Investment Policies/ Connects

SME	Links	SME Specific Links
Cambodia	<ul style="list-style-type: none"> ▪ http://www.cambodiainvestment.gov.kh/investment-scheme/policies-toward-fdi.html ▪ https://unctad.org/system/files/official-document/iteiia20036_en.pdf 	-
Vietnam	<ul style="list-style-type: none"> ▪ https://fia.mpi.gov.vn/Home/en# ▪ http://www.mpi.gov.vn/en/Pages/default.aspx ▪ https://unctad.org/system/files/official-document/iteipc200710_en.pdf 	-
Thailand	<ul style="list-style-type: none"> ▪ https://www.boi.go.th/en/index/ 	<ul style="list-style-type: none"> ▪ https://www.sme.go.th/en/
India	<ul style="list-style-type: none"> ▪ https://www.investindia.gov.in/ ▪ https://dipp.gov.in/ ▪ http://www.bombaychamber.com/ 	<ul style="list-style-type: none"> ▪ https://msme.gov.in/



India Case History

Foreign Direct Investment in India: Statistics



Cumulative *Total FDI Flow (From April 2000 to March 2021): **763.58** USD Billion

*Total FDI Flows : Equity Inflows + Re-invested Earnings + Other Capital

Foreign Direct Investment in India

Governing Bodies & Regulations

- Consolidated Foreign Direct Investment Policy (FDI Policy), by Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce.
- Enforcement by Reserve Bank of India through Foreign Exchange Management Act (FEMA) & Regulations

Entry Process

FDI limits with respect to the shareholding of non-residents in an Indian Company are classified as either : prohibited or permitted sectors.

Prohibited Sectors

- Atomic Energy
- Chit Fund
- Nidhi Company
- Railway Operations
- Real Estate business or Construction of Farm houses
- Trading in transferable development rights
- Gambling and betting including casinos/lottery business, Manufacturing of Cigars, cheroots, Cigarillos and Cigarettes of tobacco or of tobacco substitutes

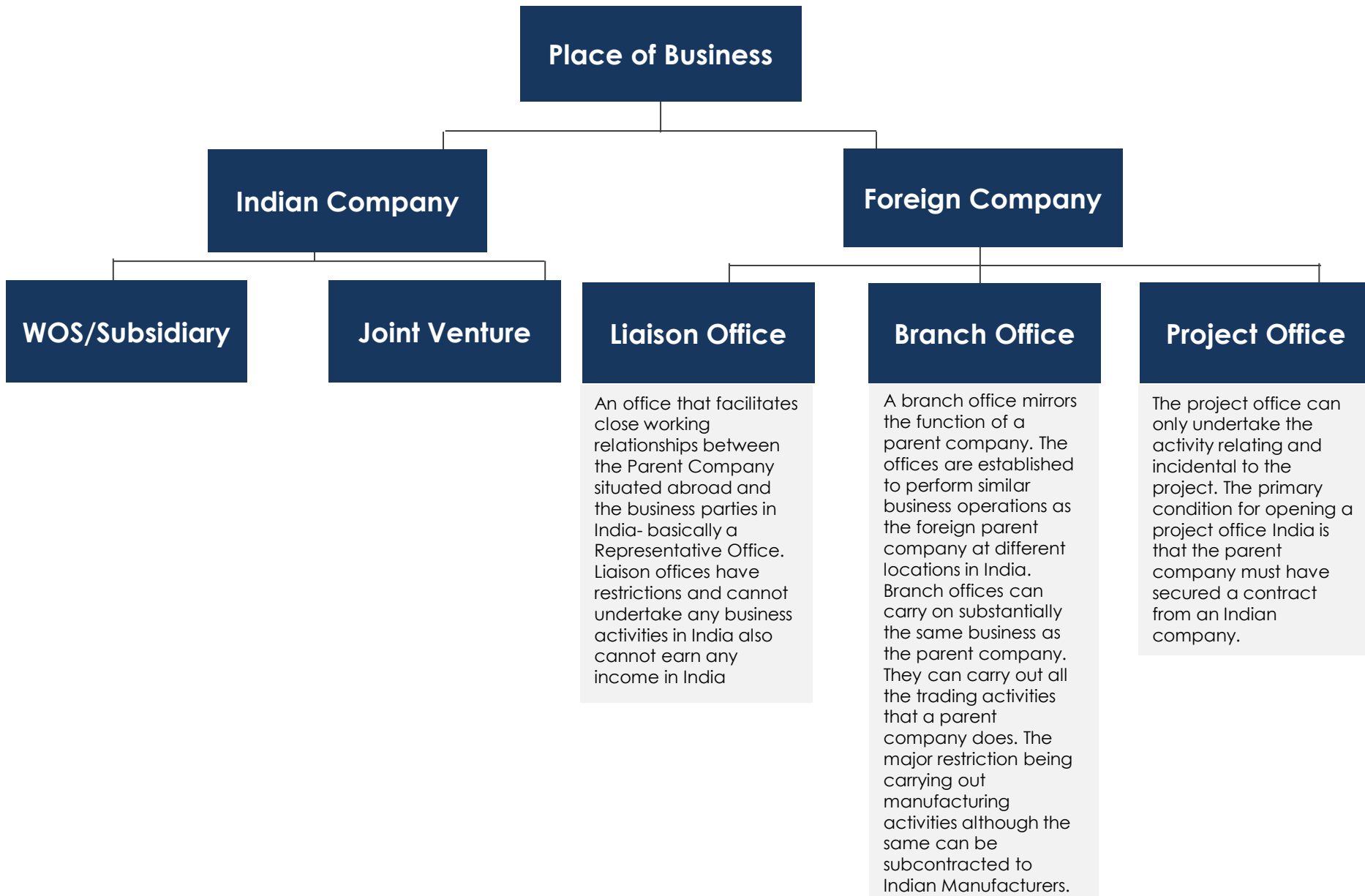
Permitted Sectors

Approval Route

Automatic Route

Foreign Investment in all sectors other than the Prohibited Sectors are allowed either under the automatic route or with RBI approval, subject to sectoral conditions.

Various Modes of Foreign Direct Investment in India



Foreign Direct Investment in India

Permitted Instruments

Capital Instruments

Primary and Secondary Investments in capital instruments of a Company or a Limited Liability Partnership by way of:

- Equity Shares,
- Compulsory Convertible Debentures
- Compulsory Convertible Preference Shares
- Share Warrants

Debt Instruments

Foreign Debt is regulated, and limits can be availed after meeting prescribed norms under External Commercial Borrowings (ECB) Regulations – requires prior approvals/registrations

Reporting Requirements

Investments are required to be reported with Reserve Bank of India (RBI) (online process) at below stages :

Stages	Timeline/Due Date	Responsible
Allotment of Shares	Within 30 days of allotment	Indian (Investee) Company
Share Transfers (From resident to Non-resident)	Within 60 days of receipt of Consideration	Resident Party
Annual Reporting of Foreign Assets & Liabilities	By 15 th July (every year)	Indian (Investee) Company

Profile



Viraj Kulkarni
PROFIT Accelerator Mentor

Viraj has over three decades of international experience in Senior management positions at Banking and Financial Sector, having served at leading Global Institutions as Citibank, J P Morgan, BNP Paribas, Morgan Stanley and others. Thereafter he founded PIVOT Management Consulting, based in India and Cyprus. PIVOT's advisory/ non-advisory focus areas include advising Corporates and banks(India and cross-border) in developing strategy, products, Operations, thought leadership, cross-border solutions, ease of doing business, Training, Marketing and innovative solutions that benefit clients. Viraj submitted a Study of the Cyprus SME Segment and regionalization, besides publishing over 18 papers in the domestic and international media. He holds Directorship positions of Companies in India and overseas and is also the CEO of TSSAG, UK. He has featured/ participated in Capital Markets Media and writes on Ease of doing business. He is a Fellow member of Institute of Company Secretaries of India, besides being a qualified Independent Director. Viraj has been recognised for Leadership in Asia by the Global Custodian.

He is reachable at Viraj@pivotmgmt.com +91 98213 21719

Thank You