



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/251

A. P. (DIR Series) Circular No.42

September 12, 2013

To

All Category-I Authorised Dealer Banks

Madam / Sir,

Foreign Investment in India – Guidelines for calculation of total foreign investment in Indian companies, transfer of ownership and control of Indian companies and downstream investment by Indian companies

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to Para 6 (ii) of Annex to [A.P. \(DIR Series\) Circular No. 1 dated July 04, 2013](#) as regards downstream investments by an Indian company which is not owned and/or controlled by resident entity/ties. .

2. On review of the policy, it has now been decided to amend condition at (d) in the aforesaid para. The amended condition is given in the Annex.
3. All the other conditions contained in the A.P. (DIR Series) Circular No.1 dated July 04, 2013, shall remain unchanged.
4. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.
5. Reserve Bank has since amended the Regulations and notified vide [Notification No.FEMA.284/2013-RB dated August 27, 2013](#) and notified vide G.S.R.596 (E) dated September 06, 2013.
6. 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.

Yours faithfully,

(C.D. Srinivasan)
Chief General Manager

**[Annex to A.P.(DIR Series)
Circular No.42 dated 12.09.2013]**

c.f. Annex to A.P.(DIR Series) Circular No. 1 dated July 04, 2013	Earlier Condition	Revised condition
ParaE 6 (ii) (d)	<p>For the purpose of downstream investment, the Indian companies making the downstream investments would have to bring in requisite funds from abroad and not use funds borrowed in the domestic market. This would, however, not preclude downstream operating companies, from raising debt in the domestic market. Downstream investments through internal accruals are permissible by an Indian company engaged only in activity of investing in the capital of another Indian company/ies, subject to the provisions above and as also elaborated below:</p>	<p>For the purpose of downstream investment, the Indian companies making the downstream investments would have to bring in requisite funds from abroad and not use funds borrowed in the domestic market. This would, however, not preclude downstream operating companies, from raising debt in the domestic market. Downstream investments through internal accruals are permissible by an Indian company, subject to the provisions of clause 6(i) and as also elaborated below:</p>