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INDIAN IMPORTERS ASSOCIATION

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FOREIGN INVESTMENTS IN INDIA

Primary routes for foreign investment into India

(a) The Foreign Direct Investment ("**FDI**") route,

(b) The Foreign Venture Capital Investors ("**FVCI**") route; and the

(c) Foreign Portfolio Investment ("**FPI**") route.

Please Note: In a bid to simplify and rationalize the foreign portfolio investment regime, Securities and Exchange Board of India ("**SEBI**") has recently introduced the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 ("**FPI Regulations**"). Under the FPI Regulations, SEBI proposes to harmonize foreign institutional investors ("**FIIs**"), sub-accounts and qualified foreign investors ("**QFIs**") into a single investor class with a view to ensure uniform guidelines and provide a single window clearance for different categories of foreign investors.

EQUITY-LINKED INVESTMENTS- FOREIGN DIRECT INVESTMENT (FDI)

- Governed by FDI Policy, 2014.

Instruments which can be issued by the Indian entity, which receives funds via FDI route:

- equity shares;
- compulsorily and mandatorily convertible preference shares; and/or
- compulsorily and mandatorily convertible debentures.

Whether Automatic or Approval Route?

Sector-specific conditions for FDI

DEBT-LINKED INVESTMENTS- EXTERNAL COMMECIAL BORROWING (ECB)

Instruments which can be issued by the Indian entity, which receives funds:

- Under the ECB regime, the Indian entity, which receives such debt via ECB can choose such security to be provided to the lender/supplier on its own.
- Creation of charge over immovable assets and financial securities, such as shares, in favour of the overseas lender is subject to Regulation 8 of Notification No. FEMA 21/RB-2000 dated May 3, 2000 and Regulation 3 of Notification No. FEMA 20/RB-2000 dated May 3, 2000 as amended from time to time, respectively.

INVESTMENT IN LISTED NON-CONVERTIBLE DEBENTURES ("NCD")

- SEBI has notified the SEBI (Issue and Listing of Debt Securities) Regulations, 2008 ("**Debt Regulations**"). The amendments to the Debt Regulations have also come into effect from 13 November 2012.
- The equity route in the form of FDI is complemented by the ECB route, which regulates debt investments into India.
- NCDs may have ordinarily fallen under this route, however, on account of specific exemptions made in this regard under the FPI route, through the TISPRO Regulations and the FPI Regulations, investment in certain rupee denominated NCDs have been exempted from being categorized as ECB and are available for investment by FPIs.

ENTRY STRATEGIES FOR FOREIGN INVESTOR

A foreign company has the following options to set up business operations in India:

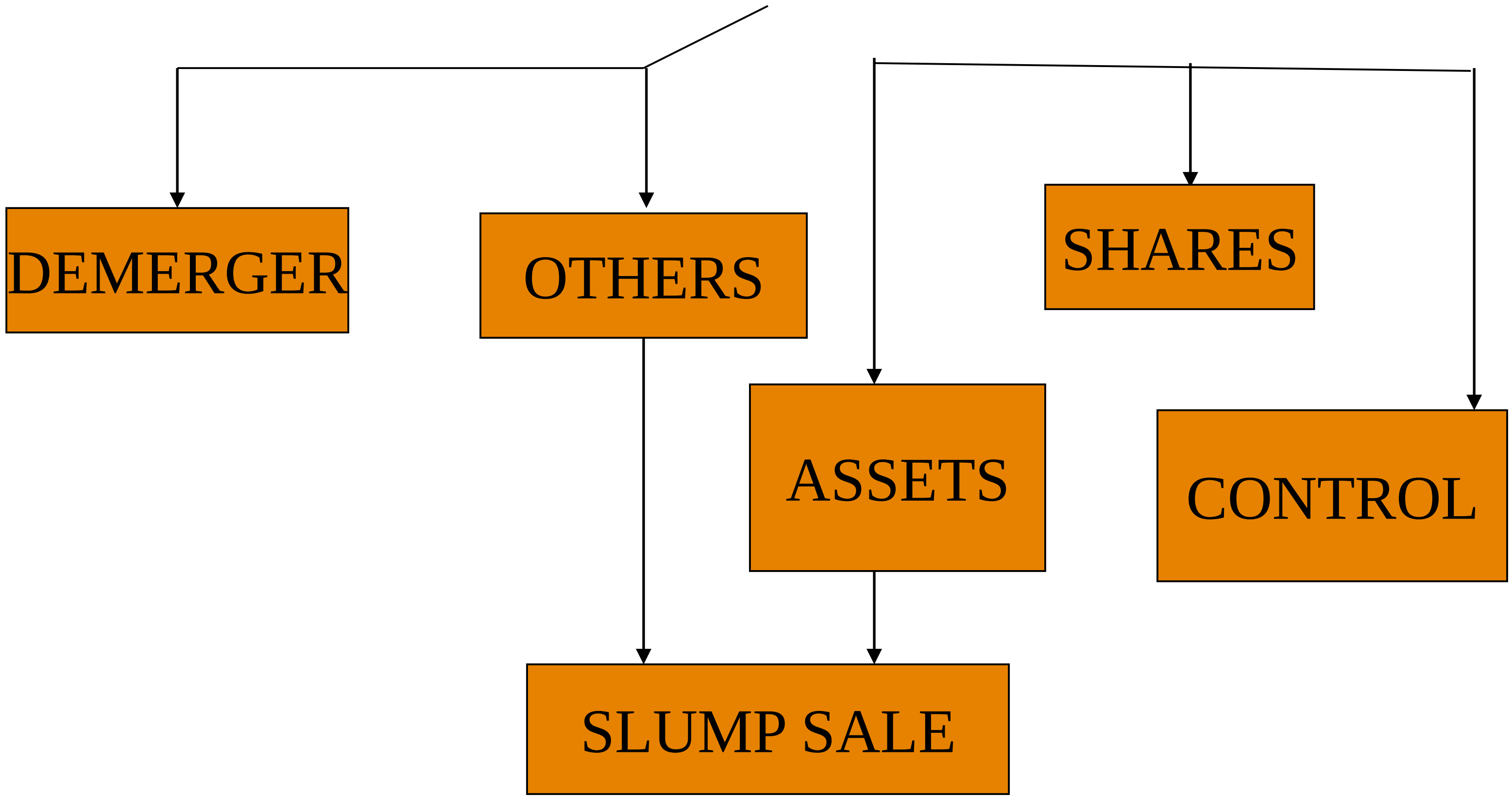
- By incorporating a Company under the Companies Act, 2013.
- Through a wholly owned subsidiary
- A joint venture with an existing company in India or by incorporating a new entity.

As an unincorporated entity:

- Liason Office
- Branch Office
- Project Office

Mergers & Acquisitions OVERVIEW

Mergers Spin Offs Acquisitions



Acquisitions

- Acquisition
  - Shares
  - Control

Application of Takeover Code (in Public Listed Companies)

- Acquisition of Assets
  - Slump Sale

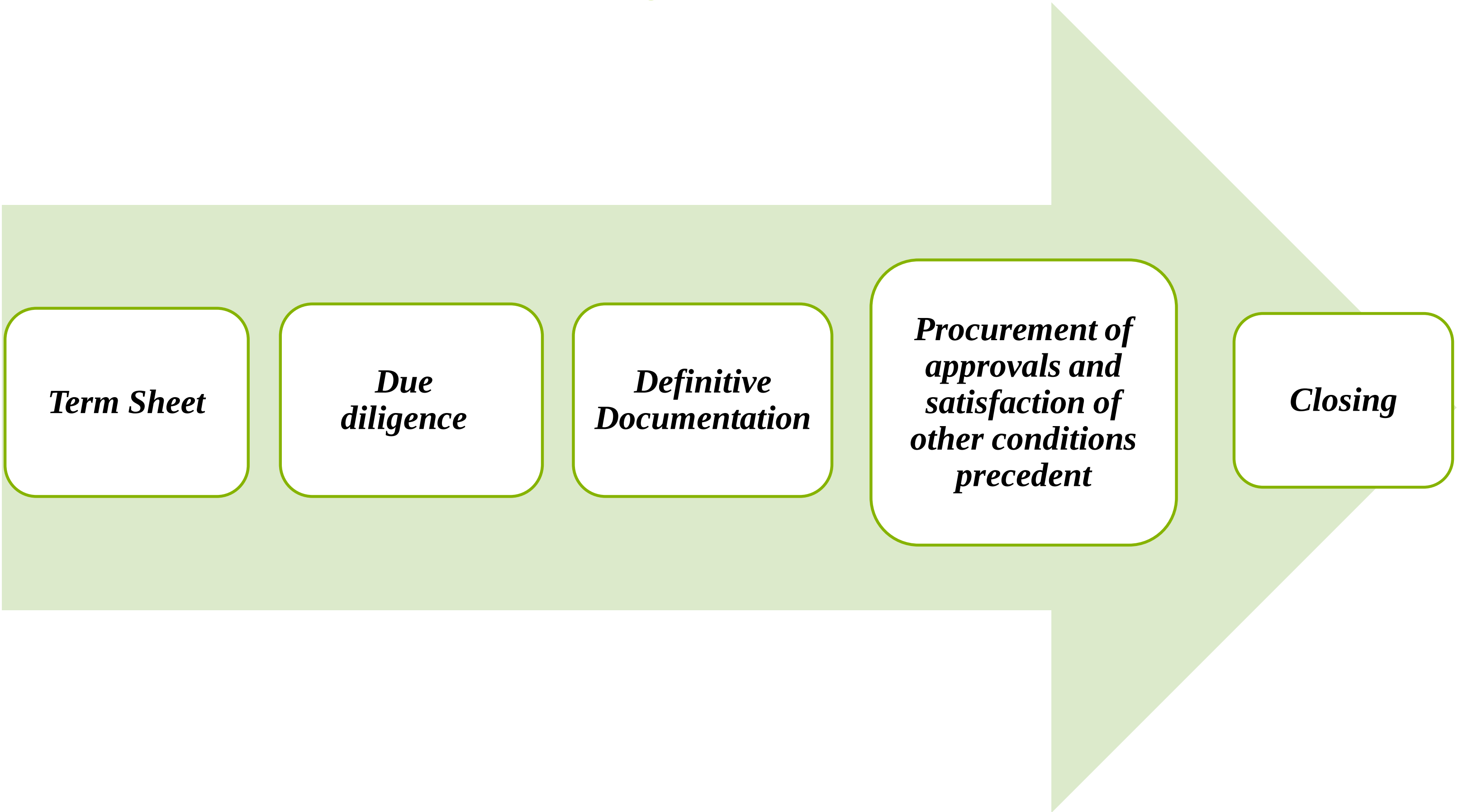
Mergers

- Mergers
- Spin-offs
  - Demergers

Joint Ventures

A joint venture is the coming together of two or more businesses for a specific purpose, which may or may not be for a limited duration. The purpose of the joint venture may be for the entry of the joint venture parties into a new business, or the entry into a new market, which requires the specific skills, expertise, or the investment of each of the joint venture parties. The execution of a joint venture agreement setting out the rights and obligations of each of the parties is usually a norm for most joint ventures. The joint venture parties may also incorporate a new company which will engage in the proposed business. In such a case, the byelaws of the joint venture company would incorporate the agreement between the joint venture parties.

TRANSACTION PROCESS: STOCK DEAL AN OVERVIEW



DUE DILIGENCE: KEY ASPECTS

- **Structure and design the due diligence exercise depending on the:**
  - *Business of the Target*
  - *Nature of the transaction*
  - *Determination of materiality from a commercial perspective*
  - *Listed Companies*
- **Purpose of a due diligence exercise:**
  - *Risk Matrix*
  - Identification of *potential value depletors*
  - Determination of *conditions precedent*
  - Critical for evaluation of *representations and warranties*
  - Identification of items for *specific indemnities*

THANK YOU

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