

FOREIGN VENTURE CAPITAL INVESTOR

Venture Capital:

A fund raising technique for companies who are willing to exchange equity in the company in return for money to grow or expand the business. A venture capitalist usually wants greater control of company and quicker return on investment.

Foreign Venture Capital Investor (FVCI):

Is an investor established outside India, who proposes to make venture capital investments in India.

Investment by Foreign Venture Capital Investor.

- A registered Foreign Venture Capital Investor (FVCI) may, through the Securities and Exchange Board of India, apply to the Reserve Bank for permission to invest in Indian Venture Capital Undertaking (IVCU) or in a VCF or in a scheme floated by such VCFs. Permission may be granted by Reserve Bank subject to such terms and conditions as may be considered necessary
- The registered FVCI permitted by Reserve Bank may purchase equity / equity linked instruments/ debt / debt instruments, debentures of a IVCU or of a VCF through Initial Public Offer or Private Placement or in units of schemes/funds set up by a VCF.
- The amount of consideration for investment in VCFs/IVCUs shall be paid out of inward remittance from abroad through normal banking channels or out of funds held in an account maintained with the designated branch of an authorised dealer in India.

Benefits of registering as an FVCI:

- One time approval of the RBI for investments in Indian companies.
- Ability to purchase or sell securities at a price that is mutually acceptable to buyer and seller
- Shares held by FVCI in an unlisted company are not subject to the one year lock in generally applicable to the shares of the company undergoing an IPO.

Investment requirement and restrictions:

- At least 66.67% of its funds must be invested in unlisted equity shares (or equity-linked instruments of unutilised entities)
- Up to 33.33% of its funds may be invested in an IPO subscription for a venture capital understanding or through a preferential allotment of equity shares of a listed company.
- Subject to certain sectoral percentage caps, limitations on foreign investment.
- No more than 25% of its funds may be invested in nay one venture capital understanding.