



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

RBI/2010-11/427
A.P. (DIR Series) Circular No. 45

March 15, 2011

To

All Category - I Authorised Dealer Banks

Madam / Sir,

**Introduction of Annual return on
Foreign Liabilities and Assets reporting by Indian Companies and
discontinuation of the Part B of form FC-GPR**

Attention of the Authorised Dealer Category – I (AD Category – I) banks is invited to [A. P. \(DIR Series\) Circular No.40 dated April 20, 2007](#) wherein, it was, inter-alia, stipulated that Part B, which is an annual return of all investments made in the company during a financial year, is required to be submitted directly by the Company to the Director, Balance of Payment Statistics Division, Department of Statistics and Information Management, Reserve Bank of India, C-9, 8th floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051, by June 30th of every year.

2. In order to capture the statistics relating to Foreign Direct Investment (FDI), both inward and outward in a more comprehensive manner as also to align it with international best practices, it has been decided to replace Part B of the Form FC-GPR by a separate 'Annual Return on Foreign Liabilities and Assets' given as Annex-I. The return should be submitted by July 15 of every year to the Director, External Liabilities and Assets Statistics Division, Department of Statistics and Information Management (DSIM), Reserve Bank of India, C-8, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051. Further, the return should be submitted by all the Indian companies which have received FDI and/or made FDI abroad (i.e. overseas investment) in the previous year(s) including the current year. The Annex –II gives the concepts and definitions useful in filling the Annual Return on Foreign Liabilities and Assets.

3. These directions will come into force with immediate effect. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. Necessary amendments to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 and the Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004 notified vide Notification No. [FEMA 20/2000-RB dated May 3, 2000](#) and [Notification No. FEMA 120 dated July 07, 2004](#), respectively will be issued separately.

5. 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 is without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Meena Hemchandra)
Chief General Manager-in-Charge

RESERVE BANK OF INDIA
Annual Return on Foreign Liabilities and Assets

INSTRUCTIONS

The Reserve Bank's **Co-ordinated Direct Investment Survey** (CDIS) and **Co-ordinated Portfolio Investment Survey** (CPIS) are conducted under the auspices of the International Monetary Fund (IMF), wherein information is collected from **Indian resident companies on their foreign financial liabilities and assets position** as at end-March of the previous financial year (FY) as well as the end-December and end-March of the latest FY. This information is used in the compilation of India's Balance of Payments (**BoP**), International Investment Position (**IIP**), Coordinated Direct Investment and Coordinated Portfolio Investment.

The completed return along with a copy of the reporting company's Balance Sheet for the latest year should be sent by **July 15 every year** at the following address:

The Director
External Liabilities and Assets Statistics Division
Department of Statistics and Information Management (DSIM)
Reserve Bank of India
C 8, Bandra-Kurla Complex
Bandra (East)
Mumbai- 400 051

Confidentiality Clause: The company-wise information so provided will be kept confidential and only consolidated aggregates will be released by the Reserve Bank.

Guidelines for filling-in the Schedule:

- 1) Refer to the **definitions given in Annex** before filling-in the return.
- 2) If yours is a Group company, then please ensure that a **consolidated return covering all the Branches/Offices in India** is furnished.
- 3) All amounts should be reported as follows:
 - Lakh of Indian rupees for Blocks 1 to 5 & Block 9
 - Actual foreign currencies for Blocks 6 & 7
- 4) If any block is not sufficient to report all your data, additional sheets as per the respective block's format may be enclosed.

- 5) It may be possible that all blocks of this schedule are not applicable to you. If there are no data to report in a block, please indicate “Nil” or “Not Applicable” depending upon the case.
- 6) **In case balance sheet is not audited, kindly submit the information based on un-audited figures.** The balance sheet may be forwarded in due course. After auditing, if there are major differences in the reported figures, revised return may be submitted along with a copy of balance sheet.
- 7) Balance Sheet for the reporting year of your company should be enclosed along with the return.

Methodology for valuation of foreign liabilities and foreign assets:

- Debt securities should be valued at market price, while all other types of debt, viz., loan, trade credit, deposits, other accounts payable/ receivable should be valued at nominal value.
- For the valuation of the outstanding investment, use the corresponding **end-March/ end-December market price/exchange rate**.
- For **listed companies**, the **share price on the closing date of reporting period** should be used for valuation of Equity.
- For **unlisted companies**, use the **concept of "Own Funds at Book Value (OFBV)"** for valuation of Equity, to have consistency in valuation. OFBV reflects the value of enterprise recorded in the book of Direct Investment Enterprise, which is the sum of (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts); (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines considered them company reserves); and (iii) cumulated reinvested earnings (which may be negative), which would take into account charges for consumption of fixed capital.

Example:

Suppose company's paid up capital = Rs 250 lakh, with FDI 50 % (i.e. Rs 125 lakh)

Accumulated reinvested earnings = Rs 75 lakh

Revaluation of land & shares = Rs 159 lakh

Total = Rs 484 lakh

Therefore, Equity investment by foreign direct investor based on OFBV method is Rs 242 lakhs (50 per cent of Rs.484 lakh).

Before filling the return to the Reserve Bank of India, please check that:

- You have reported all the items of the return relevant to you and as per your records.
- You have signed and dated the schedule.
- All the Annexes, indicated by you, are attached with the return.
- You have enclosed a copy of balance sheet of your Company for the latest year along with the return.

- You have kept a copy of the filled-in schedule in your own records.

For any clarification, please contact:

Smt. Jolly Roy, Research Officer
or
Shri Rajesh Kavediya, Research Officer
External Liabilities and Assets Statistics Division
Department of Statistics and Information Management (DSIM)
Reserve Bank of India
C-8, Bandra - Kurla Complex
Bandra (East)
MUMBAI - 400 051

Telephone No. : (022) 26571265 / 26578340 / 26578241

FAX No. : (022) 26571265 /26570848

[e-mail](#):

RESERVE BANK OF INDIA

Annual Return on Foreign Liabilities and Assets

(Return to be filled under A.P. (DIR Series) Circular No.45 dated March 15, 2011
to the Department of Statistics and Information Management, RBI, Mumbai)

Please read the guidelines/definitions carefully before filling-in the Return

Section I: Identification Particulars

For RBI's use

1. Name and Address of the Indian Company

City: _____ Pin: _____

State: _____

COMPANY CODE

--	--	--	--	--

2. Income-Tax allotted PAN Number of Company:

--	--	--	--	--	--	--	--	--	--

3. Registration No given by the Registrar of Companies:

--	--	--	--	--	--	--	--	--	--

4. Name of the CONTACT PERSON : _____ DESIGNATION: _____

Tel.No. (with STD code): _____ Fax: _____ e-mail: _____

3. Account closing date: (dd/mm/yy) _____ Web-site (if any): _____

4. In case of change in Company Name and/or activity, specify the old and new Company Name and activity:

Old Company Name : _____ New Company Name _____

Effective Date _____

Old Activity: _____ New Activity _____

5. Nature of Business: Please tick (✓) the appropriate group of activity to which your principal line of business pertains and also mention, if possible, the NIC code in the bracket.

Industry	Revenue (%)	Industry	Revenue (%)	Industry	Revenue (%)	Industry	Revenue (%)
1. Power ()		2. Electrical & Electronics ()		3. Non - financial services ()		4. Financial Services ()	
5. Telecom ()		6. Hotels & Tourism ()		7. Metallurgical Industry & Mining ()		8. Food Processing Industry ()	
9. Transportation ()		10. Petroleum & Natural Gas ()		11. Chemicals (other than fertilizers) ()		12. Construction ()	
13. Software and ITES/BPO ()		14. Pharmaceutical ()		15. Other ()			

For RBI's use (Industry Code)

--	--	--	--

7. Whether your company is listed in India [please tick (✓)]?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

8. Whether your company has any Foreign Collaboration?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
-----	--------------------------	----	--------------------------

If yes, please indicate whether it is (please tick the appropriate one)

(a) Technical collaboration	<input type="checkbox"/>	(b) Financial collaboration (foreign equity participation)	<input type="checkbox"/>	(c) Both	<input type="checkbox"/>
-----------------------------	--------------------------	---	--------------------------	----------	--------------------------

Block 1A : Total Paid up Capital of Indian Company

Item	End-March of previous FY		End-March current FY	
	Number of Shares	Amount in ₹ lakh	Number of Shares	Amount in ₹ lakh
1.0 Total Paid-up Capital [(i)+(ii)]				
(i) Ordinary/Equity Share				
(ii) Preference Share [(a)+(b)]				
(a) Participating				
(b) Non-participating				
2.0 Non-resident Equity Holdings				
1 Individuals				
2 Companies				
3 FIIs				
4 FVCIs				
5 Foreign Trusts				
6 Private Equity Funds				
7 Pension/ Provident Funds				
8 Sovereign Wealth Fund (SWF) [§]				
9 Partnership/ Proprietorship firms				
10 Financial Institutions				
11 NRIs/PIO				
12 Others (please specify)				

Note: FY: Financial Year

Block 1B : Free Reserves & Surplus and Retained Profit

Item	Amount in ₹ lakh as at the end – March of	
	Previous FY	Current FY
3.1 Free Reserves & Surplus as at the end of		
	Amount in ₹ lakh	
	During Previous FY	During Current FY
3.2 Profit (+) / Loss (-) after tax		
3.3 Dividend Declared (excluding tax on dividend)		
3.4 Retained Profit / loss (3.4 = 3.2 -3.3)		

Section II

FOREIGN LIABILITIES

2. Investments made under Foreign Direct Investment (FDI) scheme in India:

In case of listed companies, equity should be valued using share price on closing date of reference period, while in case of unlisted companies, Own Fund of Book Value (OFBV) Method should be used (see the attached guidelines for details)

Block 2A: Foreign Direct Investment in India (10% or more Equity Participation)

[Please furnish here the outstanding investments made under the FDI Scheme in India by Non-resident Direct investors, who were individually holding **10 per cent or more** ordinary/equity shares of your company on the reporting date]

If this block is **Non-NIL**, then please give the Name & Addresses of your subsidiary in India, if any, in BLOCK 9.

Name of the non-resident Company/ Individual	Type of Capital	Country of non-resident investor	Equity holding (%)	Amount in ₹ lakh as at the end of		
				March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.2-1.1)					
	1.1 Claims on Direct Investor					
	1.2 Liabilities to Direct Investor					
	2.0 Other Capital(2.0 = 2.2-2.1)					
	2.1 Claims on Direct Investor					
	2.2 Liabilities to Direct Investor					
	3.0 Disinvestments in India during the year					

Note: (i) if investor is a company, then country is the country of incorporation;

(ii) Please use different sheet using same format to report different non-resident company/individual.

Block 2B: Foreign Direct Investment in India (Less than 10% Equity Holding)

[Please furnish here the outstanding investments made under the FDI Scheme in India by Non-resident Direct investors, who were individually holding **less than 10 per cent** ordinary/ equity shares of your company on the reporting date]

Name of the non-resident Company/ Individual	Type of Capital	Country of non-resident investor	Equity holding (%)	Amount in ₹ lakh as at the end of		
				March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.2-1.1)					
	1.1 Claims on Direct Investor					
	1.2 Liabilities to Direct Investor					
	2.0 Other Capital(2.0 = 2.2-2.1)					
	2.1 Claims on Direct Investor					
	2.2 Liabilities to Direct Investor					
	3.0 Disinvestments in India during the year					

Note: (i) if investor is a company, then country is the country of incorporation;

(ii) Please use different sheet using same format to report different non-resident company/individual.

3. Portfolio and Other Liabilities to Non-residents (i.e. position with unrelated parties)

Block 3A: Portfolio Investment

Please furnish here the outstanding investments by non-resident investors made under the **Portfolio Investment Scheme in India**. In case of listed companies, equity should be valued using share price on closing date of reference period, while in case of unlisted companies, Own Fund of Book Value (OFBV) Method should be used. (see the attached guidelines for details)

Portfolio Investment	Country of non-resident investor	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
1.0 Equity Securities			
2.0 Debt Securities(2.0 = 2.1+2.2)			
2.1 Bonds and Notes (original maturity more than 1year)			
2.2 Money Market Instruments (original maturity upto1year)			
3.0 Disinvestments in India during the year			

Note: Data pertaining to each type of investment are to be reported consolidating the information country wise. If more countries are involved to report the data for the particular type(s) of investment, it should be reported in the same format using additional sheets separately for each country.

Block 3B: Financial Derivatives (with non-resident entities only)

Please furnish here the outstanding foreign liabilities on account of financial derivatives contract entered into with non-residents.

Financial Derivatives	Country of non-resident investor	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
(i) Notional Value			
(ii) Mark to market value			

Note: If more countries are involved to report the data for the particular type(s) of investment, it should be reported in the same format using additional sheets separately for each country.

Block 3C: Other Investments:

This is a residual category that includes all financial outstanding not considered as direct investment or portfolio investment (**outstanding liabilities with Unrelated Parties**)

Other Investment	Country of non-resident lender	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
4.0 Trade Credit (4.0 = 4.1+4.2)			
4.1 Short Term (4.1= 4.1.1+4.1.2)			
4.1.1. Up to 6 Months			
4.1.2. 6 Months to 1 Year			
4.2. Long Term			
5.0 Loans (5.0 = 5.1+5.2)			
5.1 Short Term			
5.2 Long Term			
6.0 Other Liabilities (6.0 = 6.1+6.2)			
6.1 Short Term (Up to 1 yr.)			
6.2 Long Term			

Note: (i) Data pertaining to each type of investment are to be reported consolidating the information country wise. If more countries are involved to report the data for the particular type(s) of investment, it should be reported in the same format using additional sheets separately for each country.

(ii) At item 5.0, loan should include the ECB loan other than those taken from non-resident parent company. ECB loan taken from parent company abroad should be shown under Other Capital of Block 2A.

Section –III

FOREIGN ASSETS

1. Please use the **exchange rate as at end-March/end-December** (as applicable) of reporting year while reporting the **foreign assets in ₹ lakh**.
2. In case, the overseas company is listed, equity should be valued using share price on closing date of reference period, while in case of unlisted company, use Own Fund of Book Value (OFBV) method for valuation of equity (*see the attached guidelines for details*)

Block 4: Direct Investment Abroad under Overseas Direct Investment Scheme

Block 4A: Direct Investment Abroad (10 % or more Equity holding)

[Please furnish here your outstanding investments in Non-resident enterprises [Direct Investment Enterprises (DIE)], **made under the Overseas Direct Investment Scheme**, in each of which **your company hold 10 per cent or more** Equity shares on the reporting date]. *If this block is Non-NIL, then please furnish the information in BLOCK 6.*

Name of the non-resident Direct Investment Enterprise (DIE)	Type of Capital	Country of non-resident DIE	Equity holding (%)	Amount in ₹ lakh as at the end of		
				March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.1-1.2)					
	1.1 Claims on Direct Investment Enterprise					
	1.2 Liabilities to Direct Investment Enterprise					
	2.0 Other Capital(2.0 = 2.1-2.2)					
	2.1 Claims on Direct Investment Enterprise					
	2.2 Liabilities to Direct Investment Enterprise					
	3.0 Disinvestments made abroad during the year					

Note: Please use separate sheets in the above format to report for separate DIEs

Block 4B: Foreign Direct Investment Abroad (Less than 10 % Equity holding)

[Please furnish here your outstanding investments in non-resident enterprises (Direct Investment Enterprises DIE), **made under the Overseas Direct Investment Scheme**, in each of which **your company holds less than 10 per cent** Equity shares on the reporting date].

Name of the non-resident enterprises	Type of Capital	Country of non-resident enterprises	Amount in ₹ lakh as at the end of		
			March Previous FY	December Current FY	March Current FY
	1.0 Equity Capital (1.0 = 1.1-1.2)				
	1.1 Claims on non-resident Enterprise abroad				
	1.2 Liabilities to non-resident Enterprise abroad				
	2.0 Other Capital (2.0 = 2.1-2.2)				
	2.1 Claims on non-resident Enterprise abroad				
	2.2 Liabilities to non-resident Enterprise abroad				
	3.0 Disinvestments made abroad during the year				

Note: Please use separate sheets in the above format to report different non-resident fellow enterprises.

Portfolio and Other Assets Abroad (*i.e.*, position with unrelated parties)

Block 5A: Portfolio Investment Abroad

1. Please furnish here the outstanding investments in non-resident enterprises, **other than those made under Overseas Direct Investment Scheme** in India (*i.e.*, other than those reported in Block 4A & 4B).
2. In case overseas companies are listed, equity should be valued using share price on closing date of reference period, while in case of unlisted companies, use Own Fund of Book Value Method (OFBV) (*see the attached guidelines for details*)

Portfolio Investment	Country of non-resident enterprise	Amount in ₹ lakh as at the end of		
		March Previous FY	December Current FY	March Current FY
1.0 Equity Securities				
2.0 Debt Securities (2.0=2.1+2.2)				
2.1 Bonds and Notes (original maturity more than 1 year)				
2.2 Money Market Instruments (original maturity up to 1 year)				
3.0 Disinvestments Abroad during the year				

Note: Data pertaining to each type of investment are to be reported consolidating the information country wise. If particular type(s) of investment spreads over more than one country, it should be reported in the above format using separate additional sheet for each country.

Block 5B: Financial Derivatives (with non-resident entities only)

Please furnish here the outstanding claims on non-residents on account of financial derivatives contract entered into with Non-residents.

Financial Derivatives	Country of non-resident enterprise	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
(i) Notional Value			
(ii) Mark to market value			

Note: If particular type(s) of investment spreads over more than one country, it should be reported in the above format using separate additional sheet for each country.

Block 5C: Other Investment (Outstanding claims on Unrelated Parties):

This is a residual category that includes all financial outstanding claims not considered as direct investment or portfolio investment.

Other Investment	Country of non-resident enterprise	Amount in ₹ lakh as at the end of	
		March Previous FY	March Current FY
4.0 Trade Credit (4.0=4.1+4.2)			
4.1 Short Term (4.1=4.1.1+4.1.2)			
4.1.1. Up to 6 Months			
4.1.2. 6 Months to 1 Year			
4.2 Long Term			
5.0 Loans (5.0=5.1+5.2)			
5.1 Short Term (Up to 1 year)			
5.2 Long Term			
6.0 Other Assets (6.0=6.1+6.2)			
6.1 Currency & Deposits			
6.2 Others			

Note: (i) Data pertaining to each type of investment are to be reported consolidating the information country wise. If particular type(s) of investment spreads over more than one country, it should be reported in the above format using separate additional sheet for each country.

Block 6: Equity Capital, Free Reserves & Surplus of Direct Investment Enterprise Abroad

[Please report here the total equity, the **equity held by your company** and the total free reserves & surplus of those non-resident enterprises in each of which **your company held 10 per cent or more** shares on the reporting date].

If this block is **Non-NIL** then please make sure that you have provided the relevant information in BLOCK 4A.

Name of the DIE	Item	Currency	Amount in Foreign Currency as at the end of (in actual)	
			March Previous FY	March Current FY
(1)	(2)	(3)	(4)	(5)
	1. Total Equity of DIE			
	2. Equity of DIE held by you			
	3. Free Reserves & Surplus of DIE			
	4. Dividend Received by you during the year			
	5. Amount of your Profit retained by DIE during the year			

Note: If your company is a Direct Investor in more than one DIE, the data should be provided in the same format in respect of each such DIE using additional sheets.

Block 7: Contingent Foreign Liabilities

[Please report here the relevant details about the contingent foreign liabilities of **your company**]

Description of Contingent Liability	Country	Currency [#]	Amount in Foreign Currency as at the end of (in actual)	
			March Previous FY	March Current FY
(1)	(2)	(3)	(4)	(5)

Note: # Currency of denomination of the contingent foreign liability should be mentioned in Col. 3. Refer to the details on Contingent liabilities given in Annex.

Block 8: Employee Information of reporting Indian company

	As at the end-March of	
	Previous FY	Current FY
No. of Employees on Payroll		

**BLO
CK
9:**

Name(s) & Address (es) of your subsidiary in India

Sr. Nos.	Name of Subsidiary in India*	Your Equity holding in subsidiary %	Address	Retained profit/ loss of your subsidiary in India during the current FY (Amount in ₹ lakh)

Certificate

We hereby certify that all the facts and figures furnished in this schedule reflect the accurate position of the company and reported after understanding all the items of all the blocks of the schedule.

Place :

Signature and Name of the Authorised person

Date :

Seal/Stamp of the Company

**Concepts & Definitions to be used while filling-in
the Annual Return on Foreign Liabilities and Assets**

Residence of Enterprises

An enterprise is said to have a center of economic interest and to be a resident unit of a country (economic territory) when the enterprise is engaged in a significant amount of production of goods and/or services there or when it owns land or buildings located there. The enterprise must maintain at least one production establishment in the country and must plan to operate the establishment indefinitely or over a long period of time.

Free Reserves and Surplus (Block 1B, Item 3.1)

Free Reserves and Surplus should **include** all unencumbered reserves such as

- i) General Reserve net of losses, if any
- ii) Capital Reserve
- iii) Development Rebate Reserve
- iv) Premium on shares
- v) Dividend Equalization Reserve
- vi) Investment Allowance (**utilized**) Reserve.

Free Reserves and Surplus should **exclude** Tax provisions and other items such as

- i) provision for deferred taxation
- ii) Tax Equalization Reserve
- iii) Investment Allowance (**unutilized**) and
- iv) Revaluation Reserve

Retained Profit (Block 1B, Item 3.4)

Retained profit = Profit after tax – Dividend declared (excluding tax on dividend)
(i.e. Item 3.4 = Item 3.2 minus Item 3.3, of Block 1B)

A. Direct Investment:

Direct investment is a category of international investment in which a resident entity in one economy (direct investor (DI) acquires a lasting interest in an enterprise resident in another economy (Direct Investment Enterprise (DIE). It consists of two components, viz., Equity capital and Other Capital.

(i) Equity Capital under Direct Investment

It covers (1) Equity in branches and all shares (except non-participating preferred shares) in subsidiaries and associates; (2) Contributions such as the provision of machinery, land & building(s) by a direct investor to a DIE by equity participation; (3) Acquisition by a DIE of shares in its direct investor, termed as Reserve investment (i.e. claims on DI).

(a) Foreign Direct Investment in India (Block 2A, 2B)

If the Indian company has issued the shares to non-resident entities under the FDI scheme in India, then it should be reported under the Foreign Direct Investment in India (Liabilities), Section II of the return. If the non-resident entity **holds the 10 per cent or more** equity/ ordinary shares in the reporting Indian company, then it should be reported under **Block 2A** (item 1.2, liabilities to direct investment). However, if the non-resident entity holds **less than 10 per cent** of the equity capital of reporting Indian company, then it should be reported under **Block 2B** (item 1.2, liabilities to direct investment). In both the cases, the investing non-resident entity is called as the Direct Investor (DI) while the reporting Indian company is called as Direct Investment Enterprise (DIE).

If the **reporting Indian company** also holds the **equity shares in its DI** company abroad and if its share is **less than 10 per cent** of equity capital of DI company, then it is called as **reverse investment** and same should be **reported under item 1.1** (claim on direct investor) of the respective block i.e. **Block 2A or 2B**.

(b) Foreign Direct Investment abroad by Indian companies (Block 4A and 4B)

If the reporting Indian company invest in equity shares of non-resident company, under the Overseas Direct Investment scheme in India, i.e. investment in Joint venture or Wholly owned subsidiaries abroad, then it should be reported under the Foreign Direct Investment abroad, Section III. If the equity holding of Indian

company in non-resident company is **10 per cent or more**, then it should be reported under **Block 4A** (item 1.1 claim on DIE), **otherwise**, it should be reported under **Block 4B** (item 1.1, claim on DIE). In both the cases, Indian company is called as the Direct Investor (DI) while the non-resident company is called as Direct Investment Enterprise (DIE).

If the **non-resident DIE** also holds the **equity shares in Indian reporting company** (DI) and if its share is **less than 10 per cent** of equity capital of reporting company, then it is called as **reverse investment** and same should be reported **under item 1.2** (liabilities to DIE) of the respective block i.e. **Block 4A or 4B**.

(ii) Other Capital under Direct Investment (Block 2A, 2B, 4A and 4B)

The **other capital** (inter-company debt transactions) component of direct investment covers the outstanding liabilities or claims arising due **borrowing and lending of funds, investment in debt securities including non-participating preference shares, trade credits, financial leasing, share application money, between direct investors and DIEs and between two DIEs that share the same Direct Investor**. Non-participating preferred shares owned by the direct investor are treated as debt securities & should be included in Other Capital.

B. Portfolio Investment:

(i) Portfolio Investment (Block 3A & 5A)

It covers **external claims by or liabilities to reporting Indian company** in equity and debt securities **other than those included in direct investment** (Block 2A, 2B and 4A, 4B). Debt securities include long-term bonds and notes, short-term money market instruments.

Any investment is made **by the non-resident entities in Indian company** under the **Portfolio Scheme in India** should be should be reported under **Block 3A** (Portfolio liabilities).

Any investment made **by the Indian company** in foreign shares and / or debt securities, **apart from the investment made under the Overseas Direct Investment Scheme**, should be reported under **Block 5A** (Portfolio assets).

(ii) Equity Securities (Block 3A & 5A, Item 1.0)

Equity securities are instruments acknowledging the holders' claim to the residual income of the issuing enterprise after the claims of all creditors have been met. These include ordinary shares, stocks, participating preference shares, depository receipts (ADRs/GDRs) denoting ownership of equity securities issued to non-residents, shares/units in mutual funds & investment trusts, equity securities that are sold under repurchase agreement, equity securities that are sold under securities lending arrangement.

(iii) Debt Securities (Block 3A & 5A, Item 2.0)

These include bonds and notes, money market instruments.

(iv) Bonds and Notes (Block 3A & 5A, Item 2.1)

This category includes debt securities with original contractual maturities of more than one year (long-term). It includes the long-term securities such as Debentures, Non-participating preference shares, Convertible bonds, Negotiable certificates of deposit, Perpetual bonds, Collateralized mortgage obligations, Dual currency, Zero coupon and other Deep discounted bonds, Floating rate bonds and Index-linked bonds.

(v) Money Market Instruments (Block 3A & 5A, Item 2.2)

These short-term instruments include treasury bills, commercial paper, banker's acceptances, short-term negotiable certificates of deposit and short-term notes issued under note issuance facilities. It may be noted that the instruments that share the characteristics of money market instruments but are issued with maturities of more than one year are classified as Bonds and Notes.

C. Financial Derivatives (Block 3B and 5B)

Financial derivatives are linked to a specific financial instrument, indicator, or commodity and through which specific financial risks can be traded in the financial markets in their own right. Derivative instruments include futures, interest and cross-currency swaps, forward rate agreements, forward foreign exchange contracts, credit derivatives and various types of options.

D. Other Investments: (Block 3C and 5C)

This is a residual category that **includes** all financial outstanding **not considered as direct investment or portfolio investment** such as:

(i) Trade Credits (Block 3C & 5C, Item 4.0)

Trade credits are assets and liabilities that arise from the **direct extension of credit** from a **supplier to a buyer** for transactions in **goods and services** and **advance payments** by buyers for transactions in goods and services and for work in progress. **Trade credit assets** are **advance payments** made by **importer (you)** for (your) imports or **credit extended by exporter (you)** directly to (your) importer. **Trade credit liabilities** are **advance payment received** by the exporter (you) for (your) exports or **credit received by importer (you)** directly from (your) exporter. It may be noted here that **funding provided by an enterprise other than the supplier** for the purpose of purchasing goods or services is treated as a **loan** and not as trade credit.

(ii) Loans (Block 3C & 5C, Item 5.0)

Loans are direct lending of funds by a creditor to a debtor through arrangements. These include, loans to finance trade (i.e. Buyers' credit in which a bank or a financial institution or an export credit agency in the exporting country extends a loan directly to a foreign buyer or to a bank in the importing country to pay for the purchase of goods and services), mortgages, and other loans and advances. Financial leases and repurchase agreements are also considered loans.

Note that **loan received from the non-resident direct investor** should be reported under **Other Capital of Block 2A or 2B** while **loan extended** to your **subsidiaries/ associates abroad** should be reported under **Other Capital of block 4A or 4B**. These outstanding loans should be reported under the loan item of Block 3C or 5C.

(iii) Other Liabilities and Assets (Block 3C & 5C, Item 6.0)

These are the residual items that include all external financial liabilities and assets not recorded elsewhere in the liabilities/assets. These are miscellaneous accounts receivable and payable such as accounts relating to interest payments in arrears,

loan payments in arrears, wages and salaries outstanding, prepayments of insurance premiums, taxes outstanding & the like.

(iv) Long-term and Short-term Investment (Block 3C & 5C)

Long-term investment is defined as investment with an original contractual maturity of more than one year. Short-term investment includes currency, investment payable on demand or with an original contractual maturity of one year or less.

E. Disinvestments in India and Abroad (Item 3.0 in Block 2A, 2B, 3A, 4A, 4B & 5A)

Any disinvestments made by non-resident direct investor of the reporting Indian company during the year should be reported in Block 2A and Block 2B and portfolio disinvestments in Block 3A. Likewise, any disinvestment made by the reporting Indian company in its DIE abroad during the year should be reported in Block 4A and 4B and portfolio disinvestments by reporting company should be reported in Block 5A.

F. Contingent Liabilities (Block 7)

Contingent liabilities are obligations that **arise from a particular discrete event(s), which may or may not occur**. Contingent liabilities are (i) **explicit - arise from a legal or contractual arrangement** (Loan & other payment guarantees, credit guarantees, Contingent credit availability guarantees, exchange rate guarantees, etc) and (ii) **implicit - do not arise from a legal or contractual source, but recognized after a condition or event is realized**.

If the Indian company has extended a guarantee to a loan taken by non-resident entity (may be its subsidiary abroad), such guarantees are part of contingent foreign liabilities. In this case, under column 1 of block 7, "Loan Guarantee" needs to be mentioned.

Country should relate to the country of location of the non-resident creditor involved in the transaction. To illustrate, as mentioned above, if the contingent foreign liability is in connection with guarantees on loans, the country of location of the non-resident creditor to whom such guarantees are given, needs to be reported in column 2.