

5 Things That Go Wrong When Indian Startups Expand Abroad

And how to avoid each one

FOR FOUNDERS

FEMA & RBI COMPLIANCE



MISTAKE #1

You Set Up the Foreign Company, Then Forget to Tell RBI

→ ODI Registration is Mandatory

When you invest in a foreign company, RBI requires you to register it – this is called **Overseas Direct Investment (ODI)**.

→ Most Founders Miss This Entirely

The majority of founders don't know ODI exists until it's already too late to fix cleanly.

→ The Penalty is Brutal

Up to **3x the amount you sent abroad** – not a slap on the wrist.

Real Case

"**14 months** without a single filing – and the founder had no idea they were non-compliant the entire time."



MISTAKE #2

You Send Money Abroad the Wrong Way



Personal transfers and business investment are governed by **completely different rules** – and mixing them up is a serious violation.

LRS — Personal Route

Liberalised Remittance Scheme. For personal use, education, travel. **Not** for funding your foreign company.

ODI — Business Route

Overseas Direct Investment. The **only** compliant way to fund your foreign subsidiary as an Indian company.

  **Your bank won't stop you** from using the personal route – but the regulator will catch up. Ignorance is not a defence under FEMA.



MISTAKE #3

You Don't File the Annual Report RBI Expects

Who Must File?

Every Indian company that has a foreign subsidiary is required to submit a yearly report to RBI – no exceptions.

When is it Due?

Due every **December**. Most founders don't even know this filing exists, let alone the deadline.

What Happens if You Miss It?

Penalties **plus** RBI can block all your future international transactions – effectively freezing your global operations.

Dec

Annual Deadline

Every year, without fail

0

Exceptions Allowed

None. Every Indian parent company must file

MISTAKE #4

You Don't Set Transfer Prices from Day 1

When your Indian company does business with your foreign company, the pricing must be at "arm's length" – what you'd charge a complete stranger. The tax department checks this even at seed stage.

1 What is Arm's Length Pricing?

Every transaction between your Indian entity and foreign entity – services, IP, software, salaries – must be priced as if the two companies are unrelated parties.

2 The Tax Department Audits Early

Don't assume you're too small to be noticed. Transfer pricing scrutiny begins at seed stage, not Series B.

3 Document Everything from Day 1

Retroactively justifying pricing is expensive and often impossible. Set the policy before the first invoice.

₹4.2Cr

Average Tax Audit Adjustment

This is what founders face when transfer pricing is not documented correctly from the start



MISTAKE #5

You Value Your Company the Wrong Way for the Regulator

RBI Has Its Own Valuation Rules

For cross-border transactions, RBI mandates specific valuation methodologies. These are **not optional** and are separate from commercial norms.

Investor Valuation \neq RBI Valuation

The valuation your investors agree to in a term sheet may be completely different from what RBI considers compliant for the same transaction.

Wrong Method = Non-Compliant Fundraise

Using the wrong valuation method can render your **entire fundraise non-compliant** – even if every other document is perfect.



Always get a **FEMA-compliant valuation certificate** from a registered valuer before closing any cross-border round.

3 Steps Before You Set Up Abroad

Most compliance disasters are entirely preventable. Here is the exact sequence every founder should follow before incorporating outside India.



Step 1 — Get a Compliance Opinion First

Before you incorporate, get a **compliance opinion** — not just entity structuring advice. Know your FEMA obligations before you sign anything.



Step 2 — Map Every Filing Before Sending Money

List every RBI, FEMA, and income tax filing you will owe — ODI forms, APR, transfer pricing reports — **before** the first remittance leaves India.



Step 3 — Build the Compliance Calendar on Day 1

Set up your compliance calendar the **same day** you set up the entity. Deadlines don't wait for your product launch.



FREE LIVE SESSION

5 Mistakes Indian Startups Make When Going Global

 Date & Time

Saturday, 18 April 2026 at 11 AM IST

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