

NATIONAL LAW UNIVERSITY JODHPUR

End Term Examination August-December - 2025

Semester - I/II Semester - VII (Business Laws Honr.)

Subject: Investment Law

Time: 3 hours

Marks: 100 marks

Instructions:

- i. All the questions carry equal marks
 - ii. The students are required to attempt **Five** questions only.
 - iii. Please substantiate your statement(s)/argument(s) with relevant case laws, whenever necessary.
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Q.1.) UrbanVista Realty Pvt. Ltd., an Indian real estate development company, sought to attract foreign investment to expand its portfolio of residential and commercial projects across India. The company entered into negotiations with Skyline Capital LLC, a prominent real estate investment firm based in the United States. The parties reached an investment agreement wherein Skyline Capital LLC would acquire a 26% equity stake in UrbanVista Realty Pvt. Ltd., with the aim of supporting the development and scaling of UrbanVista's projects throughout the country.

Prior to this negotiation, UrbanVista Realty Pvt. Ltd. had already undertaken multiple rounds of funding from several other foreign venture capital firms and corporate investors, all of whom were unconnected entities. These foreign investments collectively amounted to USD 300 million, representing roughly 40% of the total equity. In addition, a number of NRIs and OCIs, who were family members and related parties of the company's founders, collectively held 9.2% of the company's shares. The remainder of the shares were held by resident Indian shareholders.

Skyline Capital LLC and UrbanVista Realty Pvt. Ltd. proposed to formalize their arrangement through a Share Subscription Agreement (SSA), under which Skyline Capital LLC would invest INR 170 crores at INR 170 per share, thereby acquiring a 26% equity stake in UrbanVista. A valuation was conducted by an independent registered valuer in accordance with applicable Indian law, and the resulting report indicated a fair value of INR 130 per share. However, UrbanVista's executives maintained that, given the company's prime land bank, strategic project pipeline, regulatory approvals, and projected market demand, a higher share price was justified. Accordingly, it was decided that the shares would be issued at INR 170 per share.

During the negotiations, the parties expressly agreed to this higher pricing, which exceeded the fair market valuation as indicated by the independent report. UrbanVista Realty Pvt. Ltd., in its internal report to shareholders for requisite approvals, emphasized the company's unique assets, established presence in competitive urban markets, and ambitious expansion plans as grounds for the premium. After securing approval from its shareholders, both UrbanVista Realty Pvt. Ltd. and Skyline Capital LLC determined that it would be prudent to seek regulatory clarity prior to proceeding. They therefore filed the relevant documentation with the Reserve Bank of India (RBI), requesting its advice and guidance on the proposed transaction.

Kindly draft a reasoned response from the RBI concerning the feasibility of the transaction from the perspective of applicable foreign investment regulations and valuation guidelines. (Word Limit: 1000 words) **(Marks 20)**

- Q.2.) *“The essential features of the model BIT include an “enterprise” based definition of investment, non-discriminatory treatment through due process, national treatment, protections against expropriation, a refined Investor State Dispute Settlement (ISDS) provision requiring investors to exhaust local remedies before commencing international arbitration, and limiting the power of the tribunal to awarding monetary compensation alone”.*

In context of the above discussion, provide your opinion regarding the balancing exercise that the Model Indian Bilateral Investment Treaty (BIT), 2016 has attempted protection of investor rights **(Word Limit: 1000 words)** **(Marks 20)**

- Q.3.) BlueSky Solutions Pvt. Ltd., an established Indian technology company, is pursuing a global expansion strategy. As part of this, it incorporates a wholly-owned holding company, BlueSky Holdings (UK) Ltd., in London in March 2023, with an initial equity investment of INR 15 crore from the Indian parent. In June 2023, BlueSky Holdings (UK) Ltd. establishes BlueSky Global Solutions Ltd., a 100% owned operating subsidiary, headquartered in Manchester, which focuses on cloud solutions and IT services for European clients. The holding company transfers GBP 1.3 million as equity capital to fund the subsidiary’s European operations.

By March 2024, BlueSky Global Solutions Ltd. has generated modest revenue, but is sitting on significant cash reserves from the Indian parent’s infusion. BlueSky Global Solutions Ltd. now proposes to use these reserves to acquire a 30% equity stake in TechVista Innovations Pvt. Ltd., an Indian start-up operating in the fintech domain. TechVista Innovations was promoted by key Indian residents, who are also significant shareholders in BlueSky Solutions Pvt. Ltd. The purchase of shares from existing shareholders would make BlueSky Global Solutions Ltd. a minority (30%), but influential, stakeholder in TechVista.

Simultaneously, in April 2024, BlueSky Holdings (UK) Ltd. also sets up a fully-owned Singapore subsidiary, BlueSky Asia Pte. Ltd., aimed at investment and strategic partnerships in Asia. BlueSky Asia Pte. Ltd. signals its intention to participate in funding rounds of Indian start-ups, including making angel investments in TechVista Innovations Pvt. Ltd. and potentially other ventures promoted by the BlueSky Solutions group or its Indian shareholders.

The board structure of BlueSky Holdings (UK) Ltd. mirrors that of BlueSky Solutions Pvt. Ltd., with mostly overlapping directors. The investment flows are structured such that, over time, capital from the Indian parent can travel through multiple overseas entities (holding and operating companies), eventually returning to India by way of investments in domestic businesses, directly or indirectly promoted by the same persons.

- i. For the purposes of Rule 19 of the Overseas Investment Regulations, 2022, explain how the “number of layers” is calculated in this scenario when the investment chain involves both a holding and an operating company abroad, as well as downstream subsidiaries. **(Marks 15)**
- ii. Assess whether, at any point, the above structure violates the prohibition on round-tripping or regulatory cap on layers under the OI Regulations. **(Marks 05)**

Q.4.) Company X Pvt Ltd, headquartered in Mumbai, is an Indian unlisted company specializing in technology-enabled logistics solutions. Its operations involve digital supply chain platforms, warehousing, route optimization, freight tracking, and allied e-logistics services for B2B clients.

As per its shareholding pattern, Foreign Co A, incorporated in Singapore, holds 60% equity and appoints a majority of Company X's directors in accordance with the shareholders' agreement, while Indian resident investors hold the remaining 40%. Company X is therefore a "foreign-owned and controlled company" (FOCC) under Rule 23 of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (NDI Rules).

In September 2025, Company X's board proposes a strategic investment in Company Y Pvt Ltd, a Bengaluru-based Indian company that operates a leading digital logistics management platform for third-party vendors. Company Y's business falls under the "logistics services" sector, classified as part of the larger "services sector," for which the Consolidated FDI Policy 2020 expressly permits up to 100% foreign direct investment (FDI) via the automatic route—with no government approval required and no FDI-linked performance conditions, provided sector-specific guidelines such as pricing and downstream reporting are observed.

The proposed transaction involves:

- Company X acquiring a 30% equity stake in Company Y through fresh issue of shares at a price compliant with SEBI and RBI pricing guidelines;
- The investment being financed partly from Company X's internal reserves and partly through new foreign currency funds remitted by Foreign Co A for this purpose;
- No domestic borrowings being used;
- The investment amounting to direct downstream FDI by a FOCC as defined by the NDI Rules.

On account of the above facts and the basis of Rule 23 of the NDI Rules, 2019 read with the relevant provisions of the Consolidated FDI Policy 2020, analyze the validity of Company X's proposed acquisition of a 30% stake in Company Y as a downstream investment, focusing on the applicable sectoral cap, entry route, and compliance requirements for FDI in the logistics technology/services sector. (Marks 20)

Q.5.) *"The Model BIT attempts to recalibrate the balance between investment protection and the State's right to regulate by expressly affirming the host state's right to take measures for legitimate public welfare objectives such as public health, environment, and labor rights".*

Discuss the salient changes brought about in the Indian Model Bilateral Investment Treaty (BIT) 2015 in comparison to its. How does it seek to balance the protection of foreign investors with the regulatory autonomy of the host state?

Q.6.) Write Short Notes on the following:

- (a) Applicability of 'Police Power Doctrine' and 'Sole Effects Doctrine' vis-à-vis Expropriation. (Marks 15)
- (b) Issue of 'Public – Private Divide' vis-à-vis enforcing Investment Arbitral awards (Marks 05)