Ministry of Commerce & Industry

Measures to Promote FDI

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To promote Foreign Direct Investment(FDI), the Government has put in place an investor-friendly policy, wherein except for a small negative list, most sectors are open for 100% FDI under the Automatic route. Further, the policy on FDI is reviewed on an ongoing basis, to ensure that India remains attractive & investor friendly destination. Changes are made in the policy after having intensive consultations with stakeholders including apex industry chambers, Associations, representatives of industries/groups and other organizations taking into consideration their views/comments. The FDI policy is applicable across the sectors/ industries and equally applies to SME sector. Moreover, the recent measures taken to promote FDI in the country are provided in 'Consolidated FDI Policy Circular of 2016', as amended from time to time, through Press Notes, which is available at the website of Department of Industrial Policy and Promotion at www.dipp.nic.in. A gist of recent reforms is at **Annexure.**

Separate data regarding investment made by foreign companies in Small and Medium Enterprises (SMEs) is not maintained. Further, investment by foreign companies who invested in India is maintained remittance wise, which is very voluminous and is available in public domain at the website of Department of Industrial Policy & Promotion at www.dipp.nic.in under the heading `Publication' at 'SIA Newsletter'.

Foreign Investment in various sectors bring international best practices and latest technologies leading to economic growth in the country and providing much needed impetus to manufacturing sector and job creation in India. In line with the policy to provide boost to the manufacturing sector and give impetus to the 'Make in India' initiative, the Government has permitted a manufacturer to sell its product through wholesale and/or retail, including through e-commerce under automatic route.

To look after the interest of Indian SME sector, certain provisions have been provided for FDI in retail trading sector. For retail trading of single brand products, in respect of proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods purchased, has been mandated to be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors.

With a view to benefit farmers, give impetus to food processing industry and create vast employment opportunities, 100% FDI under Government route for trading, including through e-commerce, has been permitted in respect of food products manufactured and/or produced in India.

This information was given by the Commerce and Industry Minister Smt. Nirmala Sitharaman in a written reply in Rajya Sabha today.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE RAJYA SABHA UNSTARRED QUESTION NO. 667 FOR ANSWER ON 8th FEBRUARY, 2017.

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· Investment made by NRIs, PIOs and OCIs under Schedule 4 of FEMA (Transfer or Issue of Security by Persons Resident Outside India) Regulations on non-repatriation basis is now deemed to be domestic investment at par with the investment made by residents.

· The special dispensation of NRIs has also been extended to companies, trusts and partnership firms, which are incorporated outside India and are owned and controlled by NRIs.

· In order to provide simplicity to the FDI policy and bring clarity on application of conditionalities and approval requirements across various sectors, different kinds of foreign investments have been made fungible under one **composite cap**.

· FDI up to 100% through automatic route has been allowed in **White Label ATM Operations**.

· Reforms in FDI Policy on **Construction Development** sector include:

§ Removal of conditions of area restriction and minimum capitalization to be brought in within the period of six months of the commencement of business.

§ Exit and repatriation of foreign investment is now permitted after a lock-in-period of three years. Transfer of stake from one non-resident to another non-resident, without repatriation of investment is also neither to be subjected to any lock-in period nor to any government approval.

§ Exit is permitted at any time if project or trunk infrastructure is completed before the lock-in period.

§ 100% FDI under automatic route is permitted in completed projects for operation and management of townships, malls/ shopping complexes and business centres.

· Foreign investment up to 49% in **defence sector** has been permitted under automatic route along with specified conditions. Further portfolio investment and investment by FVCIs has been allowed up to permitted automatic route level of 49%. The foreign investment beyond 49% has been permitted through government approval in cases resulting in access to modern technology in the country or for other reasons to be recorded. Further, FDI limit for defence sector has also been made applicable to Manufacturing of Small Arms and Ammunitions covered under Arms Act 1959.

· Sectoral cap on **Broadcasting sector** has been raised across various activities as follows:

§ 74% to 100% in Teleports, DTH, Cable Networks (Digital), Mobile TV, HITS

§ 26% to 49% for FM Radio, up-linking of news and current affairs

§ 49% to 100% for Cable Networks (not undertaking digitisation)

· FDI route for Teleports, DTH, Cable Networks (Digital), Mobile TV, HITS, Cable Networks (not undertaking digitisation), and Up-linking of Non-'news and current affairs' and down-linking of channels has been changed to automatic route.

· Full fungibility of foreign investment has been introduced in **Banking-Private sector**. Accordingly, FIIs/FPIs/QFIs, following due procedure, can now invest up to sectoral limit of 74%.

· Certain **plantation** activities namely coffee, rubber, cardamom, palm oil tree and olive oil tree plantations have been opened for 100% foreign investment under automatic route.

· A manufacturer has been permitted to sell its product through wholesale and/or retail, including through e-commerce under automatic route.

· Government has reviewed **single brand retail trading** (SBRT) FDI policy to provide that sourcing of 30% of the value of goods purchased would be reckoned from the opening of first store. In case of entities undertaking Single Brand Retail Trading of products having 'state of art' and 'cutting edge' technology and where local sourcing is not possible, sourcing norms have been relaxed up to three years for entities undertaking Single Brand Retail. Further, an entity operating SBRT through brick and mortar stores has been permitted to undertake e-commerce activities as well.

· Indian brands are equally eligible for FDI to undertake SBRT. In this regard, it has been provided that certain conditions of the FDI policy on the sector namely- products to be sold under the same brand internationally and investment by non-resident entity/ entities as the brand owner or under legally tenable agreement with the brand owner, will not be made applicable in case of FDI in Indian brands.

· 100% FDI is now permitted under automatic route in **Duty Free Shops** located and operated in the Customs bonded areas.

· FDI policy on wholesale cash & carry activities has been reviewed to provide that a single entity will be permitted to undertake both the activities of SBRT and wholesale.
· 100% FDI is now permitted under the automatic route in **Limited Liability Partnerships (LLP)** operating in sectors/activities where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance conditions. Further, the terms ‘ownership and ‘control’ with reference to LLPs have also been defined.
· **Regional Air Transport Service** has been opened for foreign investment up to 100%, with 49% under automatic route, and beyond that through government approval route. Foreign equity cap of activities of Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline has been increased from 49% to 100%, with 49% under automatic route, and beyond that through government approval route. Further, foreign equity cap of activities of Non-Scheduled Air Transport Service, Ground Handling Services have been increased from 74% to 100% under the automatic route.
· With a view to aid in modernization of the existing airports to establish a high standard and help ease the pressure on the existing airports, 100% FDI under automatic route has been permitted in Brownfield Airport projects.
· Foreign investment cap on **Satellites- establishment and operation** has now been raised from 74% to 100% under the government route.
· Foreign investment cap on **Credit Information Companies** has now been increased from 74% to 100% under the automatic route.
· In order to achieve faster approvals on most of the proposals, the Government has raised the threshold limit for approval by FIPB to Rs. 5000 crore.
· FDI Policy on **Insurance** and **Pension** sector has been reviewed to permit foreign investment up to 49% under the automatic route.
· In order to provide clarity to the e-commerce sector, the Government has issued guidelines for foreign investment in the sector. 100% FDI under automatic route is permitted in the marketplace model of e-commerce.
· With an objective of increase investment in the country, 100% FDI in Asset Reconstruction Companies has been allowed under automatic route.
· 100% FDI under government approval route has been permitted for trading, including through e-commerce, in respect **food products** manufactured and/or produced in India.
· In **Pharmaceutical** sector, with the objective of making the sector more attractive to foreign investors, 74% FDI under automatic route has been permitted in brownfield pharmaceuticals. FDI beyond 74% will be allowed through government approval route.
· FDI limit for **Private Security Agencies** has been raised to 74%. FDI up to 49% is permitted under automatic route in this sector and FDI beyond 49% and up to 74% would be permitted with government approval.
· For establishment of branch office, liaison office or project office or any other place of business in India if the principal business of the applicant is Defence, Telecom, Private Security or Information and Broadcasting, it has been provided that approval of Reserve Bank of India would not be required in cases where FIPB approval or license/permission by the concerned Ministry/Regulator has already been granted.
· As per FDI Policy 2016, FDI in Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture and Apiculture was allowed 100% under Automatic Route under controlled conditions. This requirement of ‘controlled conditions’ for FDI in these activities has now been done away with.
· Government has reviewed FDI policy on Other Financial Services and NBFCs to provide that foreign investment in financial services activities regulated by financial sector regulators such as RBI, SEBI, IRDA etc. will be 100% under the automatic route. In financial services, which are not regulated by any financial sector regulator or where only part of the financial service activity is regulated or where there is doubt regarding regulatory oversight, foreign investment upto 100% will be allowed under the government approval route.

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