Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
SIA (FC Division)

Press Note No. 7 (2000 Series)

Subject : Review of existing sectoral policy and sectoral equity cap for Foreign Direct Investment (FDI) / Non Resident Indian (NRI) / Overseas Corporate Bodies (OCB) Investment.

In pursuance of Government's commitment to further liberalising the FDI regime, Government, on review of the policy on FDI, has decided to bring about the following changes in the FDI policy :

I. Foreign Direct Investment upto 100% is allowed for e-commerce activities subject to the condition that such companies would divest 26% of their equity in favour of the Indian public in 5 years, if these companies are listed in other parts of the world. Further, these companies would engage only in business to business (B2B) e-commerce and not in retail trading, inter alia, implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.

II. Vide Press Note No. 12 of 1992 series, it had been decided to withdraw the condition of dividend balancing in all foreign investment approvals except for industries in the 22 specified consumer goods sector. On review of the existing policy on dividend balancing applicable to 22 specified consumer goods industries, and with a view to attracting FDI, it has been decided, with immediate effect, to remove the condition of dividend balancing on these 22 consumer goods industries. This decision will come into force from the date of issue of this Press Note and the export obligation and concomitant dividend balancing will remain applicable until the date of issue of this Press Note.

III. Under Press Note No. 2 of 1998 series, projects for electricity generation, transmission and distribution with foreign equity upto 100%, had been made eligible for automatic approval provided the foreign equity in any such project does not exceed Rs. 1500 crore. The categories that qualified for such automatic approval are hydroelectric power plants, coal / lignite based thermal power plants, oil based thermal power plants and gas based thermal power plants. Generation, transmission and distribution of electrical energy produced in atomic reactor power plants is not elgible for automatic approval. Keeping in view the growing demand for power in the country and the need for more investment in this sector, Government, as part of further liberalisation of FDI regime, has decided to remove the upper limit for foreign direct investment in respect of projects relating to electric generation, transmission and distribution (other than atomic reactor power plants).

IV. As per existing guidelines for FDI in petroleum sector, FDI in refining is permitted upto 26% (public sector holding of 26% and balance 48% by public). In case of private Indian companies, FDI in refining is permitted upto 49%. Government, as part of liberalisation of FDI regime has decided to increase the level of FDI in oil refining sector under automatic route from the existing 49% to 100%.

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