

**GOVERNMENT OF INDIA
COMMUNICATIONS AND INFORMATION TECHNOLOGY
LOK SABHA**

UNSTARRED QUESTION NO:185

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FDI POLICY FOR TELECOM SECTOR

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Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

- (a) whether the Government propose to introduce FDI policy in the telecom sector;
- (b) if so, the salient features thereof;
- (c) the extent to which the Government and private service providers are likely to be benefited by this policy;
- (d) whether the Cellular Operators have raised some apprehensions regarding debts that can have an impact on foreign institutional investment; and
- (e) if so, the reaction of the Union Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (SHRI , PRADHAN)

- (a) to(c): Foreign Direct Investment (FDI) policy for telecom sector is already in place. The salient features of this policy are given at Annexure. The telecom sector as a whole has attracted FDI amounting to about Rs. 9,595 crores till August 2003.
- (d) No such apprehensions regarding debts having impact on Foreign Institutional investment have been received from cellular operators.
- (e) Does not arise.

ANNEXURE

FDI POLICY IN TELECOM SECTOR

Present FDI Policy for the Telecom sector is as under:-

1. In Basic, Cellular Mobile, National Long Distance, International Long Distance, Value Added service, and Global Mobile Persona Communications by Satellite, FDI is limited to 49% (under automatic route) subject to grant of license from Department of Telecommunications and adherence by the companies (who are investing and the companies in which investment is being made) to the license conditions for foreign equity cap and lock-in period for transfer and addition of equity and other license provision.
2. Foreign direct investment upto 74% permitted, subject to licensing and security requirements for the following:-
 - (i) Internet Service (with gateways)
 - (ii) Infrastructure Providers (category-II)
 - (iii) Radio Paging Service
3. FDI upto 100% permitted in respect of the following telecom services:-
 - i) ISPs not providing gateways (both for Satellite and submarine cables);
 - ii) Infrastructure Providers providing dark fibre (IP Category I);
 - iii) Electronic Mail ; and
 - iv) Voice mail The above would be subject to the following conditions:-
 - i) FDI upto 100% is allowed subject to the conditions that such companies would divest 26% of their equity in favour of Indian public in 5 years, if these companies are listed in other parts of the world.
 - ii) The above services would be subject to licensing and security requirements wherever required.

iii) Proposals for FDI beyond 49% shall be considered by FIPB on case to case basis

4. In manufacturing sector 100% FDI is permitted under automatic route.

5. Foreign Direct Investment upto 49% is also permitted in an investment company, set up for making investment in the telecom companies licensed to operate telecom services. Investment by these investment companies in a telecom service company is treated as part of domestic equity and is not set off against the foreign equity cap.

6. Non-convertible preference shares do not attract sectoral cap.