

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

UNSTARRED QUESTION NO:3951

ANSWERED ON:19.12.2006

FOREIGN DIRECT INVESTMENT

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**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) Whether the Union Government has formulated guidelines governing Foreign Direct Investment (FDI) in various sectors;
- (b) if so, the details thereof;
- (c) whether investors can withdraw the funds and their profits any time out of the country;
- (d) if not, the details of lock-in-period;
- (e) whether there is a security clamour against investments from any country;
- (f) if so, the details thereof and the reaction of the Government thereto;
- (g) the details of investment inflow from NRI and FDI into the country during each of the last three years, country-wise and sector-wise; and
- (h) the share of investment through FDI & NRI in total investment in India?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI ASHWANI KUMAR)

(a) & (b) : The extant policy for Foreign Direct Investment (FDI) in various sectors has been notified vide Press Note 4 (2006 Series) dated 10-2-2006 (Copy at Annex-I). The policy is subject to sector-specific regulations / guidelines notified by various Ministries/Departments of the Central Government.

(c) & (d): The policy allows full repatriation of investments and profits. The policy imposes a 3 year lock-in-period on original investments in a few sectors, such as defence production and construction development projects.

(e) & (f): FDI policy is incorporated in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 under the Foreign Exchange Management Act. These Regulations indicate the countries from where investment is not permitted.

(g): The inflows of FDI, including investment by NRIs, during the last 3 years, country-wise & sector-wise is enclosed in Annex-II.

(h): National Accounts Statistics, 2006 released by the Central Statistical Organisation show the Gross Capital Formation (GCF) at current prices for 2004-05 as Rs.889245 crore. The FDI inflows into India as per Secretariat for Industrial Approvals (SIA) data for 2004-2005 was Rs. 17,138 crores.

ANNEXURE-I

STATEMENT REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION NO. 3951 FOR ANSWER ON 19-12-2006.

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

PRESS NOTE NO.4 (2006 Series)

Subject: Rationalisation of the FDI Policy

The policy on Foreign Direct Investment (FDI) has been reviewed on a continuing basis and several measures announced from time to time for rationalization / liberalization of the policy and simplification of procedures.

2. Government of India has recently further reviewed the policy on FDI and decided as under:

a. To allow under the automatic route, FDI up to 100%, for :

i. distillation & brewing of potable alcohol;

ii. manufacture of industrial explosives;

iii. manufacture of hazardous chemicals;

iv. manufacturing activities located within 25 kms of the Standard Urban Area limits which require Industrial license under the Industries(Development & Regulation)Act, 1951;

v. setting up Greenfield airport projects;

vi. laying of Natural Gas/LNG pipelines, market study & formulation and Investment financing in the Petroleum & Natural Gas sector; and

vii. cash & carry wholesale trading and export trading.

b. To increase FDI caps to 100% and permit it under the automatic route for:

i. coal & lignite mining for captive consumption;

ii. setting up infrastructure relating to marketing in Petroleum & Natural Gas sector; and

iii. exploration and mining of diamonds & precious stones.

c. To allow FDI up to 100% under the automatic route in

i. power trading subject to compliance with Regulations under the Electricity Act, 2003;

ii. processing and warehousing of coffee and rubber.

d. To allow FDI up to 51 % with prior Government approval for retail trade of 'Single Brand' products, detailed guidelines for which have been notified vide Press Note 3 (2006 Series).

e. To allow under the automatic route transfer of shares from residents to non-residents in financial services, and where Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations are attracted, in cases where approvals are required from the Reserve Bank of India/ Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations /Insurance Regulatory & Development Authority. With this, transfer of shares from residents to non-residents, including acquisition of shares in an existing company would be on the automatic route subject to sectoral policy on FDI.

f. To dispense with the requirement of mandatory divestment of 26% foreign equity in B2B e-Commerce.

3. FDI/NRI investment under the automatic route shall continue to be governed by the Sectoral regulations/licensing requirements.

4. A summary of the FDI policy and regulations applicable in various sectors / activities is at the Annex.

(Umesh Kumar)

Joint Secretary to the Government of India  
F, No. 5(3)/2005-FC dated 10 -2-2006

Policy on Foreign Direct Investment (FDI)

I. Sectors prohibited for FDI

i. Retail trading (except Single Brand Product retailing)

ii. Atomic energy

iii. Lottery business

iv. Gambling and Betting .

II. All Activities/ Sectors would require prior Government approval for FDI in the following circumstances:

i. where provisions of Press Note 1(2005 Series) are attracted;

ii. where more than 24% foreign equity is proposed to be inducted for manufacture of items reserved for the Small Scale sector.

III. In Sectors/Activities not listed below, FDI is permitted up to 100% on the automatic route subject to sectoral rules / regulations applicable.

