

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1364
ANSWERED ON:07.03.2008
OPENING OF BRANCHES BY FOREIGN COMPANY
Dube Shri Ramesh

Will the Minister of FINANCE be pleased to state:

- (a) whether a foreign company is permitted to open a branch office in India under automatic route with the permission of Reserve Bank of India even though the item concerned is under the Compulsory Licencing for manufacture under the Industrial Policy;
- (b) if so, the norms thereof;
- (c) whether such Branch Offices are allowed to carry out commercial transactions such as sales, purchase, lease or trading activities without going through the Foreign Investment Promotion Board (FIPB); and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

- (a) : Foreign companies are permitted to open Branch Offices in India in terms of Notification No FEMA 22/2000-RB dated 3rd May 2000 viz. Foreign Exchange Management (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000 under automatic route with the permission of RBI provided
 - (i) such units are functioning in those sectors where 100% FDI is permitted;
 - (ii) such units comply with part XI of the Companies Act (Section 592 to 602) and
 - (iii) such units function on a stand-alone basis.
- (b) : Applicants are required to submit their applications in the prescribed proforma to the RBI along with a copy of their certificate of incorporation attested by a Notary Public or Indian Embassy In country of incorporation and latest audited Balance Sheet of the company. Based on financial statements submitted along with the application a company with profitable track record of 5 years is considered for permission.
- (c) and (d): Branch Offices are allowed to carry out activities permitted in Schedule I of FEMA 22/2000-RB. Branch Office can act as buying and selling agent of its parent company in India.