

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

UNSTARRED QUESTION NO:1901

ANSWERED ON:22.11.2010

VIOLATION OF FDI POLICY

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

(a) whether domestic companies are violating FDI policy by issuing shares against non-cash consideration like trade payables and import of capital goods to foreign entities;

(b) if so, the facts thereof;

(c) whether there is a need to issue fresh guidelines to check FDI policy violation and money laundering; and

(d) if so, the steps taken in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI JYOTIRADITYA M. SCINDIA)

(a) & (b): FDI policy allows for issue of shares:

(i) by conversion of External Commercial Borrowings (ECB) (excluding those deemed as ECB) in convertible foreign currency, into equity shares/fully compulsorily and mandatorily convertible preference shares and

(ii) against lump sum technical know-how fee and royalty.

Such issue of shares would be subject to conditions detailed in paragraph 3.4.6 of Circular 2 of 2010, issued by the Department of Industrial Policy & Promotion. The Circular is available in the public domain, on the website of the Department of Industrial Policy & Promotion (www.dipp.gov.in).

Other forms of conversion against non-cash consideration, including trade payables and import of capital goods, are not allowed under FDI policy.

(c) & (d): The Department of Industrial Policy and Promotion has released a Discussion Paper on 'Issue of shares for considerations other than cash', calling for views/suggestions from the stakeholders/public. The discussion paper and the comments received thereon are available in the public domain, on the website of the Department of Industrial Policy & Promotion (www.dipp.gov.in). Government has not taken a final view in the matter.