GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:5
ANSWERED ON:01.08.2011
FDI POLICY
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government is satisfied with the pace and implementation of Foreign Direct Investment Policy, in realising the projected economic growth targets;

(b) if so, the reaction of the Government thereto;

(c) the details of pitfalls/deficiencies in the policy framework;

(d) whether the Government proposes to further liberalise the Foreign Direct Investment (FDI) Policy; and

(e) if so, the measures taken thereon?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI ANAND SHARMA)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 5 FOR ANSWER ON MONDAY, THE 1st AUGUST, 2011 ON 'FDI POLICY'.

(a) to (c): Government has put in place an investor-friendly policy, to promote FDI, with a view to complement and supplement domestic capital formation. Except for a small negative list, most sectors are open for FDI. Significant rationalization of the FDI policy regime has been undertaken in recent years, to maintain India's attractiveness as an investment destination.

(d) & (e): The policy on FDI is reviewed on an ongoing basis, through a consultative process, so as to facilitate FDI inflows. Some of the significant measures taken towards rationalization and simplification of the policy in recent years include:

(i) Consolidation of FDI policy:

FDI Policy has been consolidated into a single document for ease of reference, which is being updated every six months.

(ii) Review of policy on cases requiring prior Government approval for foreign investment:

Only proposals involving total foreign equity inflows of more than Rs.1200 crore (as against the earlier limit of the total investment being more than Rs.600 crore), now require to be placed for consideration of the Cabinet Committee on Economic Affairs.

(iii) Introduction of a specific provision for 'downstream investment through internal accruals':

This measure implies that Indian companies have full freedom in accessing their internal resources for funding their downstream investments.

(iv) Flexibility in fixing the pricing of convertible instruments through a formula, rather than upfront fixation:

This change, which provides flexibility in price fixation of convertible instruments, through a formula, rather than through upfront fixation, has been made intended to assist recipient companies in obtaining a better valuation based upon their performance.

(v) Inclusion of fresh items for issue of shares against non-cash considerations, including import of capital goods/ machinery/ equipment and pre-operative/ pre-incorporation expenses:

This measure, which liberalizes conditions for conversion of non-cash items into equity, has been introduced to significantly ease the conduct of business.

(vi) Removal of the condition of prior approval in case of existing joint ventures/technical collaborations in the 'same field'':

The requirement of Government approval for establishment of new joint ventures/technical collaborations in the 'same field' has been done away with.

(vii) Permitting of FDI in Limited Liability Partnerships (LLPs), subject to specified conditions:

This change, which permits induction of FDI through the new modality of LLPs, implies significant benefits to the Indian economy, by attraction of greater FDI, creation of employment and bringing in international best practices and latest technologies.