GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:5005
ANSWERED ON:07.05.2012
. FDI IN PHARMA
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Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the several pharma companies have been acquired by the multinational companies during the last three years in view of the liberalised FDI norms in pharma;

(b) if so, the reasons therefor alongwith the plan chalked out by the Government to review present limit of FDI in the pharmaceutical sector in view of the said acquisition;

(c) whether the Government proposes to hike the limit of Foreign Direct Investment (FDI) in Petroleum and Natural Gas and Micro, Small and Medium Enterprises;

(d) if so, the details thereof alongwith the existing limit of FDI on the above sec tors and rules and regulation laid down in this regard; and

(e) whether the Government proposes to change the FDI limit and norms in respect of commodity exchanges without prior approval and withdrawing facility of giving equity in lieu of import of second-hand equipment in order to discourage import of sub-standard ma chinery if so, the details thereof?

Answer

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

(a): Comprehensive data with regard to acquisition of Pharma companies by multi-national companies is not maintained by the Ministry of Commerce & Industry. However, FDI equity in flows, of US $ 341.49 million, have been recorded, under the acquisition route, in the drugs and pharmaceuticals sector, between April, 2009 to February, 2012.

(b): The existing policy on Foreign Direct Investment (FDI), in the pharmaceuticals sec tor, was reviewed, vide Press Note 3(2011), issued on 8 November, 2011, as under:

(i) FDI, up to 100%, under the automatic route, is permitted for greenfield investments.

(ii) FDI, up to 100%, under the Government approval route, is permitted for investments in existing companies.

(c) & (d): As per extant policy, FDI, up to 100%, under the automatic route, is permi tted in exploration activities of oil and natural gas fields, infrastructure related to ma rketing of petroleum products and natural gas, marketing of natural gas and petroleum prod ucts, petroleum product pipelines, natural gas/pipelines, LNG Regasification infrastructure, market study and formulation and Petroleum refining in the private sector, subject to the existing sectoral policy and regulatory framework in the oil marketing sector and the poli cy of the Government on private participation in exploration of oil and the discovered fie lds of national oil companies.

FDI, up to 49%, under the Government approval route, is permitted in Petroleum refining by the Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.

FDI in MSEs (as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED, Act 2006) is subject to the sectoral caps, entry routes and other relevant secto ral regulations. FDI in any industrial undertaking which is not a Micro or Small Scale En terprise, but manufactures items reserved for the MSE sector requires approval on the Gove rnment route, where foreign investment is more than 24% of the capital. Such an undertaking also requires an Industrial License under the Industries (Development & Regulation) Act, 1951, for such manufacture. The issue of Industrial License is subject to a few general conditions and the specific condition that the Industrial Undertaking shall undertake to export a minimum of 50% of the new or additional annual production of the MSE reserved it ems to be achieved within a maximum period of three years. The export obligation is appli cable from the date of commencement of commercial production and in accordance with the pr ovisions of section 11 of the Industries (Development & Regulation) Act, 1951.

At present, no proposal for change in the FDI Policy, in these sectors, is under consideration.

(e): Prior to 10.4.2012, investment by registered FIIs under the Portfolio Investment Scheme (PIS) and investment under the FDI scheme, was under the Government approval route . The Government, vide its Consolidated FDI Policy Circular, effective from 10.4.2012, has announced liberalization of this policy and mandated the requirement of Government appro val only for the FDI component of the investment.

Prior to 10.4.2012, conversion to equity was permitted for import of capital goods/ machi nery/ equipment (including second-hand machinery). With a view to incentivising machin ery embodying state-of-the-art technology, compliant with international standards, in terms of being green, clean and energy efficient, second-hand machinery has been excluded from the purview of this provision, in the Consolidated FDI Policy Circular effective from 10.4.2012.

FDI policy is reviewed on an ongoing basis, with a view to making it more investor friendly.