

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

UNSTARRED QUESTION NO:3180

ANSWERED ON:07.08.2015

Composite Caps on Foreign Investment

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

- (a) whether the Government has allowed or proposes to allow composite foreign investment caps, merging those on Foreign Direct Investment and portfolio investment to boost foreign investment in the country;
- (b) if so, the details thereof and the reasons therefor indicating the sectors on which such policy is applicable and the sectors excluded from this policy;
- (c) the likely impact of the decision to check misuse of the FDI policy and boost foreign investment in the country;
- (d) the time by which the proposed changes are likely to be incorporated in the FDI policy; and
- (e) the monitoring mechanism put in place by the Government to check such investments?

**Answer**

???????? ???? ???? ???? (?????) (?????) (?????)

THE MINISTER OF STATE (INDEPENDENT CHARGE)

OF THE MINISTRY OF COMMERCE & INDUSTRY

(SHRIMATI NIRMALA SITHARAMAN)

(a) to (e): The Government vide Press Note 8 (2015) (Annexure) issued on 30.07.2015 introduced composite caps on foreign investments in the country, so that uniformity and simplicity are brought across the sectors in Foreign Direct Investment (FDI) policy for attracting foreign investors. Composite cap is applicable across the sectors.

With the introduction of composite caps foreign investment shall include all types of foreign investments, direct and indirect, regardless of whether the said investments have been made under Schedule 1 (FDI), 2 [Foreign Institutional Investor(FII)], 2A [Foreign Portfolio Investor(FPI)], 3 [Non-Resident Indian(NRI)], 6 [Foreign Venture Capital Investor(FVCI)], 8 [A Qualified Foreign Investor(QFI)], 9[Limited Liability Partnership (LLP)] and 10 [Depository Receipts(DRs)] of Foreign Exchange Management Act (FEMA) (Transfer or Issue of Security by Persons Resident Outside India) Regulations. Foreign Currency Convertible Bond (FCCBs) and DRs having underlying of instruments which can be issued under Schedule 5, being in the nature of debt, shall not be treated as foreign investment. However, any equity holding by a person resident outside India resulting from conversion of any debt instrument under any arrangement shall be reckoned as foreign investment. The measure is expected to bring clarity in FDI policy and boost foreign investment.

As regards misuse of the FDI policy and the monitoring mechanism, it is mentioned that RBI monitors the foreign investment inflows and specific violations of FDI policy are investigated by Enforcement Directorate.

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