

# **SERIES A: FOREIGN INVESTMENTS**

## **☞ A Glance at its Routes and Opportunities**

In India all the Foreign Exchange transactions particularly Inflow of Foreign Funds is governed by the provisions of Foreign Exchange Management Act 1999. This act allows Reserve Bank of India (RBI) in consultation with Government of India (GOI) to classify the classes of transactions allowed, including the debt and non- debt instruments.

There are broadly four routes of Foreign Funding/Investment into India.

- 1) Foreign Direct Investment ('FDI')
- 2) Foreign Portfolio Investment ('FPI')
- 3) Foreign Venture Capital Investment ('FVCI')
- 4) Alternative Investment Fund ('AIF')

Foreign Exchange Management Act 1999:

Scope: Applicable to whole India.

In this article, we will discuss various aspects of Foreign Direct Investment (FDI)

## **☞ Meaning:**

Foreign Direct Investment' (FDI) is the investment through equity instruments by a Person Resident outside India (PROI)

- a) In an unlisted Indian company; or
- b) In 10 percent or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company.

## **☞ Brief History**

In India the first consolidated policy related to FDI was laid down by Department of Indian Policy and Promotion (DIPP) in April 2010, which repelled all the previous Press Notes/Releases/Clarifications and the Circulars by DIPP. The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India makes policy pronouncements on FDI through Consolidated FDI Policy Circular/Press Notes/Press Releases which are notified by the Department of Economic Affairs (DEA), Ministry of Finance, Government of India as amendments to the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 under the Foreign Exchange Management Act, 1999 (42 of 1999) (FEMA).

**FDI into Indian Companies/Partnership Firms/LLP is Governed as follows:**

## **☞ Entry Routes:**

1. **Automatic Route:** The entry route in which investment by a person resident outside India does not require the prior approval from the Central Government.

☞ **Sector under Automatic Route with 100 % FDI:** FDI up to 100% is allowed under the Automatic Route in India. FDI is permitted up to 100% on the automatic route, subject to applicable laws/regulations; security and other conditionalities. Wherever there is a requirement of minimum capitalization, it shall include share premium received along with the face value of the share, only when it is received by the company upon issue of the shares to the non-resident investor.

#### **Examples of Sectors with 100% Equity/FDI cap under Automatic Route:**

1. Agriculture & Animal Husbandry \*
2. Plantation Sector\*
3. Mining and Petroleum & Natural Gas\*
4. Manufacturing

2. **Government Route:** Government Route is the entry route in which investment by a person resident outside India requires prior Government approval. Foreign investment received under this route shall be in accordance with the conditions stipulated by the Government in its approval.

#### **Sectors under Government Route with prescribed Max. % FDI Allowed:**

1. Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities – 100% FDI
2. Broadcasting Content Services:
  - i. Terrestrial Broadcasting FM (FM Radio) - 49% FDI
  - ii. Up-linking of 'News & Current Affairs' TV Channels – 49% FDI
3. Print Media
  - i. Publishing of newspaper and periodicals dealing with news – 26% FDI
  - ii. Publication of Indian editions of foreign magazines dealing with news and current affairs

Disclaimer: There may be other conditions, criteria and process involved with the above sectors. For detailed view kindly access the link: [Foreign Direct Investment Policy | Department for Promotion of Industry and Internal Trade | MoCI | GoI.](http://www.mca.gov.in/Ministry/Ministry.aspx?MinistryID=10)

#### **Regards**

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