

Dear All,

Sub : Diwali Gift by PMO—DIPP Big Bang Reforms

Please find attached herewith new FDI (Foreign Direct Investment) Policy proposed by DIPP on 10th November 2015.

This is proposed to further boost the entire investment environment and to bring in foreign investments in the country, this FDI related Reforms and liberalization touching upon following 15 major Sectors of the Economy are proposed . The Crux of these reforms is to further ease, rationalize and simplify the process of foreign investments in the country and to put more and more FDI proposals on automatic route instead of Government route where time and energy of the investors is wasted.

Changes introduced in the policy include increase in sectoral caps, bringing more activities under automatic route and easing of conditionalities for foreign investment.

Further, new sectors have also been opened to foreign investments. These amendments are path breaking and provide a new direction to foreign investment regime in the country.

1. Limited Liability Partnerships, downstream investment and approval conditions.
2. Investment by companies owned and controlled by Non-Resident Indians (NRIs)
3. Establishment and transfer of ownership and control of Indian companies
4. Agriculture and Animal Husbandry
5. Plantation
6. Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities
7. Defense
8. Broadcasting Sector
9. Civil Aviation
10. Increase of sectoral cap
11. Construction development sector
12. Cash and Carry Wholesale Trading / Wholesale Trading (including sourcing from MSEs)
13. Single Brand Retail Trading and Duty free shops
14. Banking-Private Sector; and
15. Manufacturing Sector

There are radical changes in following sectors:

1. Construction Development sector--- 49% FDI permitted in completed real estate projects

2. Defence Sector--- FDI limit is increased from 26% to 49% through automatic route and in excess of that will be approved by FIPB (and not by Cabinet Committee on Security). However clearance by security agencies and defence ministry would still be needed. The increase in this limit by existing investors would still need FIPB approval.
3. Broadcasting Sector
4. Full Fungibility in Banking Sector
5. 100% Foreign Investment permitted in coffee/ rubber/ cardamom/palm oil and Olive Oil plantation
6. Investments by NRI on Non Repatriation basis to be treated as Domestic Investment
7. Permitting manufacturers to undertake wholesale and / or retail , including through E Commerce without Government approval
8. Review of FDI Policy conditionalities for Single Brand Retail Trading and Permitting 100% FDI in duty free shops
9. Permitting same entity to carry out both wholesale and single brand retail trading
10. 100% FDI in LLPs permitted under Automatic Route
11. Opening up FDI upto 49% in Regional Air Transport Services under Automatic Route
12. 100% FDI allowed in Non Scheduled Air Transport Services, Ground Handling Services, Satellites- establishment and operation and Credit Information Services .
13. Companies without operations now do not require Government approval for FDI for undertaking automatic route sector activities
14. For transfer of ownership and control of Indian Companies no Government approval is required unless the concerned company is operating in sector/ activities under Government approval route and not under capped sectors.
15. Further no approval of the Government is required for investment in automatic route sectors by way of SWAP of shares .
16. Certain conditions of FDI policy on Agriculture, Animal Husbandry , Mining and Mineral separations, its value additions and integrated activities have been simplified
17. Threshold limit for FIPB approval may be increased from Rs.3000 Crore to Rs.5000 Crore

These amendments to the FDI Policy are meant to liberalize and simplify the FDI policy so as to provide ease of doing business in the country leading to larger FDI inflows contributing to growth of investment, incomes and employment. This gives clear message that reforms are going to be on fast track mode and aggressively implemented

Office of Prime Minister had tweeted on Tuesday 10th November 2015 that “Today’s FDI related reforms will touch 15 sectors and benefit youth. Government’s commitment to development and reforms is unequivocal and unwavering .”