Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
SIA (FC Division)

-

Press Note No. 9 (2000 series)

Subject : Review of existing sectoral policy and sectoral equity cap for Foreign Direct Investment (FDI) and investment by Non Resident Indians (NRI) / Overseas Corporate Bodies (OCB).

In pursuance of Government's commitment to liberalisting the FDI regime, Government, on review of the policy on FDI, has decided to bring about the following changes in the FDI policy :

I. FDI upto 100% is allowed through the automatic route for all manufacturing activities in Special Economic Zones (SEZs), except for the following activities :

a. arms and ammunition, explosives and allied items of defence equipment, defence aircraft and warships;

b. atomic substances;

c. narcotics and psychotropic substances and hazardous chemicals;

d. distillation and brewing of alcoholic drinks; and

e. cigarettes / cigars and manufactured tobacco substitutes.

II. FDI upto 100% is allowed for the following activities in the telecom sector :

a. ISPs not providing gateways (both for satellite and submarine cables);

b. Infrastructure Providers providing dark fibre (IP Category I);

c. Electronic Mail; and

d. Voice Mail

The above would be subject to the following conditions :

a. FDI upto 100% is allowed subject to the condition that such companies would divest 26% of their equity in favour of Indian public in 5 years, if these companies are listed in other parts of the world.

b. The above services would be subject to licensing and security requirements, wherever required.

c. Proposals for FDI beyond 49% shall be considered by FIPB on case to case basis.

III. Payment of royalty upto 2% for exports and 1% for domestic sales is allowed under automatic route on use of trademarks and brand name of the foreign collaborator without technology transfer.

IV. Payment of royalty upto 8% on exports and 5% on domestic sales by wholly owned subsidiaries to offshore parent companies is allowed under the automatic route without any restriction on the duration of royalty payments.

V. Offshore Venture Capital Funds / Companies are allowed to invest in domestic venture capital undertakings as well as other companies through the automatic route, subject only to SEBI regulations and sector specific caps on FDI.

(A.C. DUGGAL)
Director

No. 7(4)/2000-IP dated 8th September 2000