



## **MARS & Partners**

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### **FOREIGN DIRECT INVESTMENT POLICY OF INDIA**

Foreign Direct Investment Policy of India is one of the most liberal and transparent policies among the emerging economies. FDI Policy of India has prescribed the [sectors/activities](#) under which the Foreign Investment can be infused. The foreign investors can induct their funds in India through the [Automatic Route](#) wherein investment is freely allowed without any limit in all sectors including the services sector and where Automatic Route is not available, through the [Government Approval route](#) wherein the sectoral policy permits FDI within the specified ceiling only.

### **PROCEDURES FOR FOREIGN DIRECT INVESTMENT**

#### **Procedure for Automatic Route**

No prior approval is required for FDI under the Automatic Route. Only information to the RBI within 30 days of inward remittances or issue of shares to Non Residents is required. RBI has prescribed a form, Form FC-GPR for reporting shares issued to the Foreign Investors by an Indian company.

#### **Procedure for Government Approval Route**

All other proposals for foreign investment, including NRI/OCB investment and foreign investment in EOU/EPZ/STP/EHTP units, which do not fulfill any or all of the parameters prescribed for automatic approval, are considered for approval on merits by the Government. In this regard, Government has delegated the powers Foreign Investment Promotion Board (FIPB) and therefore all such proposals are considered for approval by the FIPB. The FIPB also grants composite approvals involving foreign technical collaborations and setting up of Export Oriented Units involving foreign investment/foreign technical collaboration.

Application for all FDI cases, except Non-Resident Indian (NRI) investors, EOUs and for FDI in retail trading (single branded product), is to be submitted in FC/IL form or on plain paper to Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs, Ministry of Finance, Government of India North Block, New Delhi 110 001. However in case of Non-Resident Indian (NRI) investors, EOUs and for FDI in retail trading (single branded product), proposals are required to be submitted to the Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion, Government of India for consideration of FIPB.

### **FOREIGN TECHNOLOGY COLLABORATION**

Now a day, the prerequisites for getting success in Industrialization is the availability of Technical Know-how and the foreign technology can be acquired through foreign technology collaboration agreements. Such collaborations are permitted either through



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the Automatic Route or the prior Government approval route depending upon the amount/percentage of fees/royalty.

### **Procedure for Automatic Approval**

Authorised Dealers (ADs) appointed by the RBI allow remittances for royalty, payment of lump-sum fee and remittance for use of Trade mark/Franchise in India within the limits prescribed under the automatic route. RBI's prior approval is required for remittance towards purchase of trade marks/franchise.

### **Procedure for Government Approval**

Proposals for foreign technology agreement, not meeting any or all of the parameters for automatic approval, and all cases of extension of existing foreign technical collaboration agreement, are considered for approval, on merits, by the Project Approval Board (PAB) in the Department of Industrial Policy and Promotion. Application in respect of such proposals should be submitted in Form FC-IL to the Secretariat for Industrial Assistance. Proposals where both financial & technical collaboration are proposed, application is to be submitted to FIPB.

### **SPECIAL ECONOMIC ZONES (SEZs) AND EXPORT ORIENTED UNITS (EOUs)**

SEZ is a specifically delineated duty free enclave and is deemed to be foreign territory for purposes to trade operations and duties and tariffs. Goods and services going into the SEZ area from DTA are treated as exports and goods coming from the SEZ area to DTA are to be treated as if these are being imported.

100% FDI is permitted under automatic route for setting up SEZs and Free Trade Warehousing Zones (FTWZ) subject to the SEZ Act, 2005 and the Foreign Trade Policy. Press Note No. 2 (2005) does not restrict FDI in setting up of SEZ & units in SEZ.

### **Procedure for Approval**

Applications in the prescribed form for EOUs and units in SEZ should be submitted to the concerned Development Commissioners (DCs) of the SEZs. The application should be submitted along with a crossed demand draft of Rs. 5000/- drawn in favour of the "Pay and Accounts Officer, Department of Commerce, Ministry of Commerce and Industry" payable at New Delhi.

Proposals not covered by the Automatic Route are forwarded by the DC to the Board of Approval (BoA), Department of Commerce for consideration. For proposals not covered under automatic route, the applicant should seek separate approval of the FIPB.



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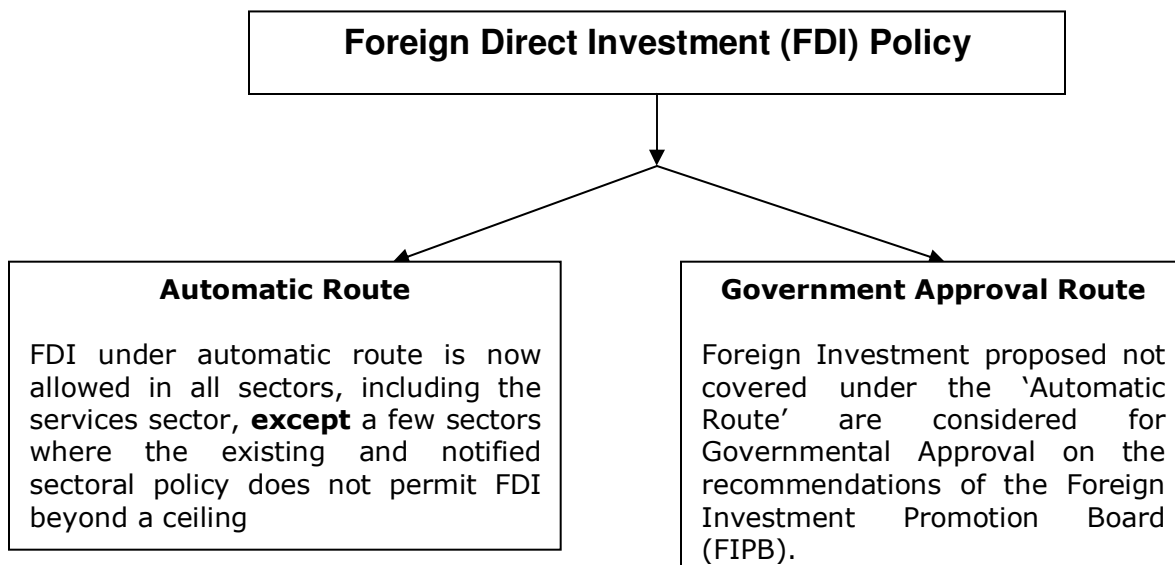
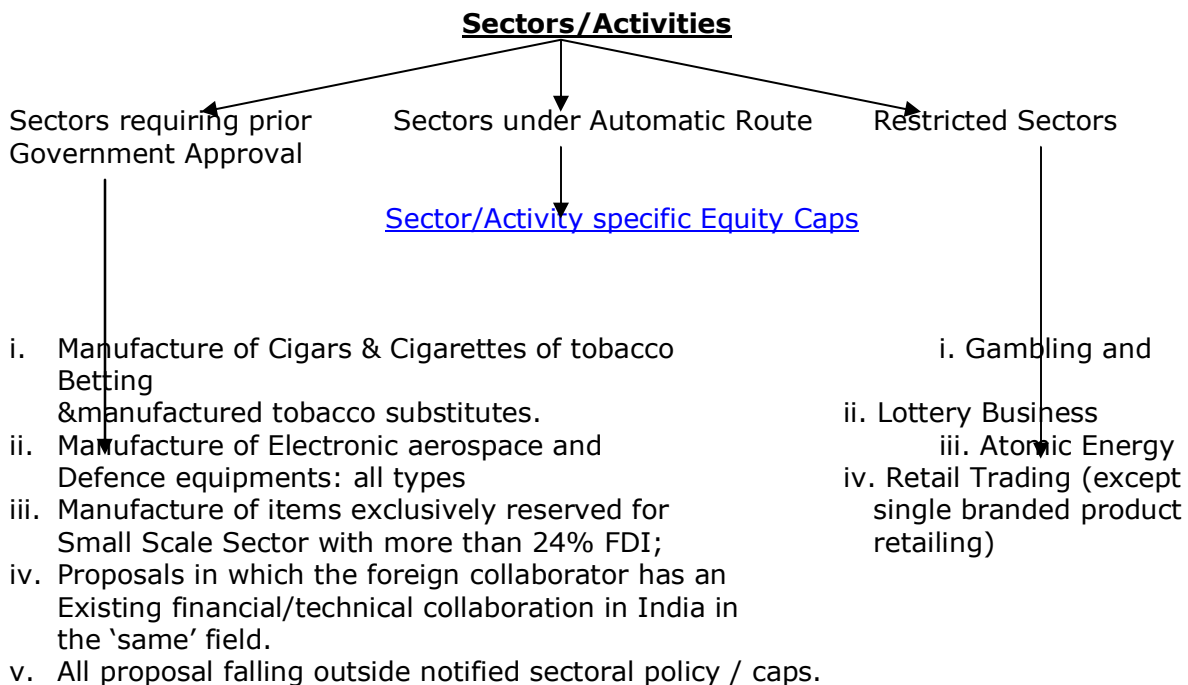
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## Policy on Foreign Direct Investment

Foreign Direct Investment Policy of India is one of the most liberal and transparent policies among the emerging economies. FDI Policy of India has distinguished the sectors/activities under which FDI is allowed or restricted.





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