

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
Secretariat for Industrial Assistance

PRESS NOTE NO. 4 (2001 SERIES)

Subject : Revision of existing sectoral guidelines and equity cap on Foreign Direct Investment (FDI), including investment by Non Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs)

With a view to further liberalising the FDI regime, Government have effected the following changes in the FDI policy:

- i. FDI up to 100% is permitted on the automatic route for manufacture of drugs and pharmaceutical, provided the activity does not attract compulsory licensing or involve use of recombinant DNA technology, and specific cell / tissue targeted formulations. FDI proposals for the manufacture of licensable drugs and pharmaceuticals and bulk drugs produced by recombinant DNA technology, and specific cell / tissue targeted formulations will require prior Government approval.
- ii. FDI up to 100% is permitted in airports, with FDI above 74% requiring prior approval of the Government.
- iii. The defence industry sector is opened up to 100% for Indian private sector participation with FDI permissible up to 26%, both subject to licensing.
- iv. FDI up to 100% is permitted for development of integrated townships, including housing, commercial premises, hotels, resorts, city and regional level urban infrastructure facilities such as roads and bridges, mass rapid transit systems; and manufacture of building materials. Development of land and providing allied infrastructure will form an integral part of township's development, for which necessary guidelines/norms relating to minimum capitalisation, minimum land area, etc., will be notified separately by the Government. FDI in this sector would be permissible with prior Government approval.
- v. FDI up to 100% is permitted on the automatic route in hotel and tourism sector.
- vi. FDI up to 100% is permitted in courier services subject to existing laws and exclusion of activity relating to distribution of letters. FDI in this sector would be

permissible with prior Government approval.

vii. FDI up to 100% is permitted on the automatic route for Mass Rapid Transport Systems in all metropolitan cities, including associated commercial development of real estate.

viii. NRI investment in foreign exchange is made fully repatriable whereas investments made in Indian rupees through rupee accounts shall remain non-repatriable.

ix. FDI up to 74% is permitted for the following telecom services subject to licensing and security requirements:

- a. Internet service providers with gateways;
- b. Radio paging; and
- c. End-to-end bandwidth

Proposals with FDI beyond 49% shall require prior Government approval.

x. FDI up to 49% from all sources is permitted in the banking sector on the automatic route subject to conformity with guidelines issued by RBI from time to time.

2. The provisions of Press Note No. 2 of 2000 stand modified to the above extent.

(M. S. SRINIVASAN)
Joint Secretary

No. 5(6)/2000-FC I dated: 21 May 2001.