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

PRESS NOTE NO. 4 (2006 Series)

Subject: Rationalisation of the FDI Policy

The policy on Foreign Direct Investment (FDI) has been reviewed on a continuing basis and several measures announced from time to time for rationalization / liberalization of the policy and simplification of procedures.

2. Government of India has recently further reviewed the policy on FDI and decided as under:

a. To allow under the automatic route, FDI up to 100%, for :

i. distillation & brewing of potable alcohol;
ii. manufacture of industrial explosives;
iii. manufacture of hazardous chemicals;
iv. manufacturing activities located within 25 kms of the Standard Urban Area limits which require Industrial license under the Industries(Development & Regulation)Act, 1951;
v. setting up Greenfield airport projects;
vi. laying of Natural Gas/LNG pipelines, market study & formulation and Investment financing in the Petroleum & Natural Gas sector; and
vii. cash & carry wholesale trading and export trading.

b. To increase FDI caps to 100% and permit it under the automatic route for:

i. coal & lignite mining for captive consumption;
ii. setting up infrastructure relating to marketing in Petroleum & Natural Gas sector; and
iii. exploration and mining of diamonds & precious stones.

c. To allow FDI up to 100% under the automatic route in

i. power trading subject to compliance with Regulations under the Electricity Act, 2003;
ii. processing and warehousing of coffee and rubber.

d. To allow FDI up to 51 % with prior Government approval for retail trade of 'Single Brand' products, detailed guidelines for which have been notified vide Press Note 3 (2006 Series).

e. To allow under the automatic route transfer of shares from residents to non-residents in financial services, and where Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations are attracted, in cases where approvals are required from the Reserve Bank of India/ Securities & Exchange Board of India (Substantial Acquisition and Takeover) Regulations /Insurance Regulatory & Development Authority. With this, transfer of shares from residents to non-residents, including acquisition of shares in an existing company would be on the automatic route subject to sectoral policy on FDI.

f. To dispense with the requirement of mandatory divestment of 26% foreign equity in B2B e-Commerce.

3. FDI/NRI investment under the automatic route shall continue to be governed by the Sectoral regulations/licensing requirements.

4. A summary of the FDI policy and regulations applicable in various sectors / activities is at the Annex.

(Umesh Kumar)
Joint Secretary to the Government of India

F, No. 5(3)/2005-FC dated 10 –2-2006

ANNEX TO PRESS NOTE 4 (2006 Series)

Policy on Foreign Direct Investment (FDI)

I. Sectors prohibited for FDI

i. Retail trading (except Single Brand Product retailing)
ii. Atomic energy
iii. Lottery business
iv. Gambling and Betting .

II. All Activities/ Sectors would require prior Government approval for FDI in the following circumstances:

i. where provisions of Press Note 1(2005 Series) are attracted;
ii. where more than 24% foreign equity is proposed to be inducted for manufacture of items reserved for the Small Scale sector.

III. In Sectors/Activities not listed below, FDI is permitted up to 100% on the automatic route subject to sectoral rules / regulations applicable.

IV. Sector-specific policy for FDI

S.N	Sector/Activity	FDI Cap / Equity	Entry Route	Other conditions	Relevant Press Note issued by D/o IPP www.dipp.gov.in
1.	**Airports**-				
a.	Greenfield projects	**100%**	Automatic	Subject to sectoral regulations notified by Ministry of Civil Aviation www.civilaviation.nic. in	PN 4 / 2006
b.	Existing projects	**100%**	FIPB beyond 74%.	Subject to sectoral regulations notified by Ministry of Civil Aviation www.civilaviation.nic. in	PN 4 / 2006
2.	**Air Transport Services**	**49%- FDI; 100%- for NRI investment**	Automatic	Subject to no direct or indirect participation by foreign airlines. Government of India Gazette Notification dated 2.11.2004 issued by Ministry of Civil Aviation www.civilaviation.nic. in	.
3.	**Alcohol - Distillation & Brewing**	**100%**	Automatic	Subject to license by appropriate authority	PN 4 / 2006

4.	**Asset Reconstruction Companies**	**49% (only FDI)**	FIPB	Where any individual investment exceeds 10% of the equity, provisions of Section 3(3)(f) of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 should be complied with. www.finmin.nic.in	
5.	**Atomic Minerals**	**74%**	FIPB	Subject to guidelines issued by Department of Atomic Energy vide Resolution No. 8/1(1)/97-PSU/1422 dated 6.10.98.	
6.	**Banking - Private sector**	**74% (FDI+FII)**	Automatic	Subject to guidelines for setting up branches/ subsidiaries of foreign banks issued by RBI. www.rbi.org.in	PN 2 / 2004
7.	**Broadcasting**				
a.	FM Radio	FDI +FII investment up to **20%**	FIPB	Subject to Guidelines notified by Ministry of Information & Broadcasting www.mib.nic.in	PN 6 / 2005
b.	Cable network	**49%** (FDI+FII**)**	FIPB	Subject to Cable Television Network Rules (1994) Notified by Ministry of Information & Broadcasting www.mib.nic.in	
c.	Direct-To-Home	**49%** (FDI+FII**).** Within this limit, FDI component not to exceed 20%	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting www.mib.nic.in	
d.	Setting up hardware facilities	**49%** (FDI+FII**)**	FIPB	Subject to Up-linking Policy notified by	PN 1 / 2006

	such as up-linking, HUB, etc			Ministry of Information & Broadcasting www.mib.nic.in	
e.	Up-linking a News & Current Affairs TV Channel	**26% FDI+FII**	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting www.mib.nic.in	PN 1/ 2006
f.	Up-linking a Non-news & Current Affairs TV Channel	**100%**	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting www.mib.nic.in	PN 1 / 2006
8.	**Cigars & Cigarettes**- Manufacture	**100%**	FIPB	Subject to industrial license under the Industries (Development & Regulation) Act, 1951	PN 4 / 2006
9.	**Coal & Lignite mining** for captive consumption by power projects, and iron & steel, cement production and other eligible activities permitted under the Coal Mines (Nationalisation) Act, 1973.	**100%**	Automatic	Subject to provisions of Coal Mines (Nationalization) Act, 1973 www.coal.nic.in	PN 4 / 2006
10.	**Coffee & Rubber processing & warehousing**	**100%**	Automatic		PN 4 / 2006
11.	**Construction Development projects,** including housing, commercial premises, resorts, educational institutions, recreational facilities, city and regional level infrastructure, townships.	**100%**	Automatic	Subject to conditions notified vide Press Note 2 (2005 Series) including: a. minimum capitalization of US$ 10 million for wholly owned subsidiaries and US$ 5 million for joint venture. The funds would have to be brought within six months	PN 2 / 2005 & PN 2 / 2006

				of commencement of business of the Company. b. Minimum area to be developed under each project- 10 hectares in case of development of serviced housing plots; and built-up area of 50,000 sq. mts. in case of construction development project; and any of the above in case of a combination project. **[Note: For investment by NRIs, the conditions mentioned in Press Note 2 / 2005 are not applicable.]**	
12.	**Courier services** for carrying packages, parcels and other items which do not come within the ambit of the Indian Post Office Act, 1898.	**100%**	FIPB	Subject to existing laws and exclusion of activity relating to distribution of letters, which is exclusively reserved for the State. www.indiapost.gov.in	PN 4 / 2001
13.	**Defence production**	**26%**	FIPB	Subject to licensing under Industries (Development & Regulation) Act, 1951 and guidelines on FDI in production of arms & ammunition.	PN 4 / 2001 & PN 2 / 2002
14.	**Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, aqua-culture, cultivation of**	**100%**	Automatic		PN 4 / 2006

	vegetables,, mushrooms, under controlled conditions and services related to agro and allied sectors.				
15.	**Hazardous chemicals,** viz., hydrocyanic acid and its derivatives; phosgene and its derivatives; and isocyanates and di-isocyantes of hydrocarbon.	**100%**	Automatic	Subject to industrial license under the Industries (Development & Regulation) Act, 1951 and other sectoral regulations.	PN 4 / 2006
16.	**Industrial explosives**- Manufacture	**100%**	Automatic	Subject to industrial license under Industries (Development & Regulation) Act, 1951 and regulations under Explosives Act, 1898	PN 4 / 2006
17.	**Insurance**	**26%**	Automatic	Subject to licensing by the Insurance Regulatory & Development Authority www.irda.nic.in .	PN 10 / 2000
18.	**Investing companies in infrastructure / services sector (except telecom sector)**	**49%**	FIPB	Foreign investment in an investing company will not be counted towards sectoral cap in infrastructure /services sector provided the investment is up to 49% and the management of the company is in Indian hands.	PN 2 / 2000 & PN 5 / 2005
19.	**Mining** covering exploration and mining of diamonds & precious stones; gold, silver and minerals.	**100%**	Automatic	Subject to Mines & Minerals (Development & Regulation) Act, 1957 www.mines.nic.in Press Note 18 (1998) and Press Note 1 (2005) are not applicable for setting up 100% owned	PN 2 / 2000, PN 3 / 2005,& PN 4 / 2006

				subsidiaries in so far as the mining sector is concerned, subject to a declaration from the applicant that he has no existing joint venture for the same area and / or the particular mineral.	
20.	**Non Banking Finance Companies- approved activities**				
i) ii) iii) iv) v) vi) vii) viii) ix) x) xi) xii) xiii) xiv) xv) xvi) xvii) xviii) xix)	**Merchant banking** **Underwriting** **Portfolio Management Services** **Investment Advisory Services** **Financial Consultancy** **Stock Broking** **Asset Management** **Venture Capital** **Custodial Services** **Factoring** **Credit Reference Agencies** **Credit Rating Agencies** **Leasing & Finance** **Housing Finance** **Forex Broking** **Credit card business** **Money changing business** **Micro credit** **Rural credit.**	**100%**	Automatic	Subject to: a. minimum capitalization norms for fund based NBFCs - US$ 0.5 million to be brought upfront for FDI up to 51%; US$ 5 million to be brought upfront for FDI above 51% and up to 75%; and US$ 50 million out of which US$ 7.5 million to be brought upfront and the balance in 24 months for FDI beyond 75% and up to 100%. b. minimum capitalization norms for non-fund based NBFC activities- US$ 0.5 million. c. foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities subject to bringing in Under Secretary 50 million without any restriction on number of operating	PN 2 / 2000, PN 6 / 2000, & PN 2 / 2001

				subsidiaries without bringing additional capital. d. joint venture operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities subject to the subsidiaries also complying with the applicable minimum capital inflow. e. compliance with the guidelines of the RBI.	
21.	**Petroleum & Natural Gas sector**				
a.	Other than Refining and including market study and formulation; investment/ financing; setting up infrastructure for marketing in Petroleum & Natural Gas sector.	**100%**	Automatic	Subject to sectoral regulations issued by Ministry of Petroleum & Natural Gas; and in the case of actual trading and marketing of petroleum products, divestment of 26% equity in favour of Indian partner/public within 5 years. www.petroleum.nic.in	PN 1 / 2004 & PN 4 / 2006
b.	Refining	**26% in case of PSUs** **100% in case of Private companies**	FIPB (in case of PSUs) Automatic (in case of private companies)	Subject to Sectoral policy www.petroleum.nic.in	PN 2 / 2000
22.	**Print Media-**				
a.	Publishing of **newspaper and periodicals** dealing with news and	**26%**	FIPB	Subject to Guidelines notified by Ministry of Information &	

	current affairs			Broadcasting. www.mib.nic.in	
b.	**Publishing of scientific magazines/ specialty journals/ periodicals**	**100%**	FIPB	Subject to guidelines issued by Ministry of Information & Broadcasting. www.mib.nic.in	PN 1 / 2004
23	**Power** including generation (except Atomic energy); transmission, distribution and Power Trading.	**100%**	Automatic	Subject provisions of the Electricity Act, 2003 www.powermin.nic.in	PN 2 / 1998, PN / 7 2000, & PN 4 / 2006
24.	**Tea Sector**, including tea plantation	**100%**	FIPB	Subject to divestment of 26% equity in favour of Indian partner/Indian public within 5 years and prior approval of State Government for change in land use.	PN 6 / 2002
25.	**Telecommunication**				
a.	Basic and cellular, Unified Access Services, National/International Long Distance, V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS) and other value added telecom services	**74%** (Including FDI, FII, NRI, FCCBs, ADRs, GDRs, convertible preference shares, and proportionate foreign equity in Indian promoters/ Investing Company)	Automatic up to 49%. FIPB beyond 49%	Subject to guidelines notified in the PN 5 / 2005 Series	PN 5 / 2005
b.	ISP with gateways, radio-paging, end-to-end bandwidth.	**74%**	Automatic up to 49%. FIPB beyond 49%	Subject to licensing and security requirements notified by the Department of Telecommunications www.dotindia.com	PN 4 / 2001

c.	ISP without gateway, infrastructure provider providing dark fibre, electronic mail and voice mail	**100%**	Automatic up to 49%. FIPB beyond 49%	Subject to the condition that such companies shall divest 26% of their equity in favour of Indian public in 5 years, if these companies are listed in other parts of the world. Also subject to licensing and security requirements, where required. www.dotindia.com	PN 9 / 2000
d.	Manufacture of telecom equipments	**100%**	Automatic	Subject to sectoral requirements. www.dotindia.com	PN 2 / 2000
26.	**Trading**				
a.	Wholesale / cash & carry trading	**100%**	Automatic	Subject to guidelines for FDI in trading issued by Department of Industrial Policy & Promotion vide Press Note 3 (2006 Series).	PN 4 / 2006
b.	Trading for exports	**100%**	Automatic		
c.	Trading of items sourced from small scale sector	**100%**	FIPB		
d.	Test marketing of such items for which a company has approval for manufacture	**100%**	FIPB		
e.	Single Brand product retailing	**51%**	FIPB		
27.	**Satellites - Establishment and operation**	**74%**	FIPB	Subject to Sectoral guidelines issued by Department of Space / ISRO www.isro.org	
28.	Special Economic Zones and Free Trade Warehousing Zones covering setting up of these Zones and setting up units in the Zones	**100%**	Automatic	Subject to Special Economic Zones Act, 2005 and the Foreign Trade Policy. www.sezindia.nic.in	PN 9 / 2000; PN 2 /2006; & PN 4 / 2006

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