F. No. 7(10)/99-IP

Government of India

Ministry of Industry

Department of Industrial Policy & Promotion

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PRESS NOTE NO.7(1999 series)

As per existing provision, the foreign collaboration approvals are subject to the condition that the total non resident shareholding including foreign holding in the Indian company should not exceed the amount as well as the percentage specified in the approval letter. For any proposed increase in the amount as also the percentage of non resident shareholding, prior approval of the Government is necessary.

Proposals are received by the Government for financial restructuring in the following manner :

a. In the case of joint venture companies, proposals for increase in the amount of non resident equity within the approved percentage of non resident equity and

b. In case of wholly owned subsidiaries or holding companies of foreign companies in India, proposals relating to enhancement of paid up capital.

Government, keeping in view the desirability of infusion of additional funds as equity by the foreign company, leading to increased investment inflows, have reviewed the existing provision for obtaining prior approval of the Government for increase in the amount of foreign equity without change in the percentage of equity in the above type of cases and decided that henceforth there would be no need for obtaining prior approval of FIPB / Government for increase in the amount of foreign equity within the percentage of foreign equity already approved in all cases in which the original project cost was up to Rs. 600 crore. Any company can henceforth infuse additional funds by way of foreign equity as a result of financial restructuring (provided there is no change in the percentage of foreign equity) and notify the same to the Secretariat of Industrial Assistance (SIA) within thirty days of receipt of funds as also allotment of shares to non resident shareholders.

The above procedure will, however, not apply in cases of increase in the percentage of foreign equity as also where initial approval was granted by CCFI. Such cases shall require prior approval of the FIPB / Government as per the existing procedure.

This is for general information of investors.

Sd/-

(ASHOK KUMAR)

Joint Secretary to the Government of India

F. No. 7(9)/99-IP dated

1st April, 1999

Copy forwarded to the Press Information Officer, Press Information Bureau, for giving wide publicity to the above Press Note.