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India Focus


RBI Governor, Dr Raghuram Rajan

this issue

BUSINESS

PSA signs Rs 8,000-cr JNPT contract for 4th container terminal

Business Standard: May 07, 2014

The Jawaharlal Nehru Port Trust (JNPT) at Navi Mumbai and the Port of Singapore Authority (PSA) on Tuesday signed a concession agreement for the Port's fourth container terminal.

While a formal statement was not issued because of the model code of conduct, a senior government official confirmed the signing and said financial closure would be within the next 80 days. The agreement was signed in the presence of PSA's group chief executive officer, Tan-Chong Meng, and shipping secretary Vishwapati Trivedi. The Rs 8,000-crore project is being funded through 100 per cent foreign direct investment and is the fourth project by PSA in India. It operates container terminals in Kolkata, Tuticorin and Chennai ports, with a total capacity of two million twenty-foot equivalent units (TEUs). The fourth container terminal would have a capacity of 4.8 million TEUs. PSA had earlier won the project in partnership with ABG Ports but later backed out.

TOP NEWS » ECONOMY

India's economic growth rate will pick up soon, says RBI Governor Raghuram Rajan

PTI | Oxford | Updated: May 06 2014

Reserve Bank of India (RBI) Governor Raghuram Rajan has expressed optimism on India's growth rate going beyond the 5 per cent mark soon.

"The economy has been growing at a flat rate of 5 per cent and hopefully we will see it picking up in the near future," he said on the sidelines of a special talk at Oxford University yesterday. Rajan also reiterated his view on the growth rate being inextricably linked with curbing inflation. "I have always stressed that stimulating growth and controlling inflation are not opposed to each other. Inflation is what is standing in the way of India's growth," he added.

Rajan was addressing student members of the Oxford Union Society (OUS) on his way to Switzerland, where he has meetings planned with the Bank for International Settlements (BIS) on May 11 and 12.

Rajan also expressed confidence that whichever government takes over, will lay a clear path to revive growth as he answered a series of questions on the state of the Indian economy from students.

The senior economist joined a league of distinguished speakers at the OUS, which has hosted Queen Elizabeth II, the Dalai Lama and Mother Teresa in the past.

Chidambaram pitches for more investments to attain higher growth

PTI, The Hindu

Finance Minister P. Chidambaram on Thursday made a strong case for encouraging foreign and domestic investment to boost growth and said PSUs alone are expected to pump in Rs 1.33 lakh crore in the current financial year.

"Investment must revive in this country...the economy has stabilised. The investment cycle has to start again. Both domestic investment and foreign investment must be encouraged. That will lead us to high growth," he said while addressing the media at the AICC headquarters.

The minister said the capital expenditure plan of 23 public sector undertakings, including Oil & Natural Gas Corp, Oil India Ltd, Indian Oil Corp and NTPC, will go up to Rs 1.33 lakh crore from Rs 1.25 lakh crore in 2013-14.

He said the capital requirement of banks in 2014-15 is estimated at Rs 45,528 crore, as against Rs 14,000 crore in the previous financial year. In the interim budget, the government proposed to infuse Rs 11,200 crore in public sector banks.
Mr. Chidambaram said foreign direct investment inflows in 2013-14 would exceed USD 27 billion. The inflows were USD 26.95 billion in 2012-13 and as per the latest estimate, it was USD 26.9 billion during April-February.

The Finance Minister said inflation is being driven mainly by food items and the open market sale of food grains is a way of cooling prices.
While keeping inflation under check, Mr. Chidambaram said the central bank should keep in mind the need to spur growth.
He expressed confidence that the Reserve Bank of India would keep this in mind while deciding on monetary policy initiatives.
India's economic growth rate, which slipped to a decade low of 4.5 per cent in 2012-13, is estimated to inch up to 4.9 per cent in 2013-14. It is projected to increase to 5.5 per cent in the current financial year.
To a query regarding the international arbitration notice served by British telecom giant Vodafone over the Rs 20,000 crore tax dispute, Mr. Chidambaram said the government will contest the notice.
"I have already proposed to the cabinet that since they have gone back and issued arbitration notice, the original offer of non-binding conciliation stands withdrawn. That offer is no longer valid," he said, adding the government will defend its case during the arbitration.

The Cabinet had in June 2013 approved a Finance Ministry proposal to go in for conciliation with Vodafone to resolve the capital gains tax dispute related to its 2007 acquisition of assets in India from Hong Kong-based Hutchison Whampoa.
Replying to a question on the exchange rate, Mr. Chidambaram said, "We think that rupee at about 60 to a dollar, given the REER (real effective exhange rate), is more or less an accurate reflection of the true value of the currency."

CAD likely to stay around 2% of GDP: Rangarajan

PTI *Hyderabad, May 05, 2014*

India's current account deficit (CAD) is likely to be around 2% of gross domestic product (GDP) in the coming few years due to slackening of gold imports, among other factors, Prime Minister's Economic Advisory Council chairman C Rangarajan said on Monday.

"With inflation showing signs of decline and gold prices also not rising, the attraction of gold as an asset is coming down. And as we go ahead we should find the demand for gold falling. There are also other factors contributing to improvement in exports.
"Therefore, I expect the current account deficit to remain around 2% of the GDP over the years," Rangarajan told reporters here on the sidelines of a programme organised by Centre for Economic and Social Studies.
Finance minister P Chidambaram recently said the CAD, the difference between inflows and outflows of foreign currency, was brought down significantly to $32 billion in 2013-14 as against $88 billion during 2012-13 and fiscal deficit contained within the target in the last fiscal.
The CAD in 2012-13 was at 4.7% of GDP and in 2013-14 it will be only 1.7%, the finance minister had said.
Replying to a query, he said administrative restrictions that were imposed on gold import may be relaxed as the prices of the yellow metal are stabilised.
"I think the restrictions that have been imposed administratively will be relaxed. I think the import of gold will come down because of the natural factors like inflation coming down, and gold prices not rising and the attraction of gold as an asset will come down. That's what reflects in the reduction of gold import," he said. Gold and

silver imports contracted by 40% to $33.46 billion in 2013-14, or just 7% of total import bill, against 11% in the earlier fiscal, after the government put in place steps to check their runaway imports.
On the reported likely El Nino effect on the country's GDP, Rangarajan said "We do not know what the ultimate impact will be. Sometimes these forecasts also will go wrong. So we will have to wait and see".
An HSBC report recently said inflation in India may remain sticky in the current financial year as a possible El Nino effect on the monsoon is likely to push up food prices.

Exports up 5.26 % in the first month of this fiscal

Continuing fall in gold imports narrowed India's trade deficit to barely $10 billion in April against $18 billion in the same month the previous year. Exports grew 5.26% to $26 billion in said month raising hope that the weak export momentum could be improving. Exports were $24 billion in April, 2013.
Gold imports continued to decline during the month under reference and were down 74% to $1.75 billion.
Total imports dipped 15% to $36 billion in April, leaving a trade deficit of $10 billion, according to official data released on Friday.
Prime Minister's Economic Advisory Council Chairman C. Rangarajan had said in Hyderabad on Monday that the current account deficit (CAD) was likely to be around 2% of gross domestic product in the coming few years due to slowing gold imports, among other factors. "With inflation showing signs of decline and gold prices also not rising, the attraction of gold as an asset is coming down… As we go ahead we should find the demand for gold falling," he had said.
Gold and silver imports had contracted 40% to $33 billion in 2013-14, or just 7% of the total import bill, against 11 % in 2012-13, after the government put in place curbs.
Federation of Indian Export Organisations (FIEO) chief M. Rafeeque Ahmed said in a statement on Friday that the new Foreign Trade Policy should target to increase exports to at least $750 billion by 2019. "This would require CAGR of 19% per annum, and would need major thrust on manufacturing," Mr. Ahmed said. The Commerce Ministry has already kicked off meetings to gather feedback on the formulation of the Foreign Trade Policy 2014-19.

Cabinet clears KKR's $400-mn pharma FDI proposal

***Business Standard**: May 15, 2014*

New Delhi: The Union Cabinet cleared the $400-million foreign investment proposal by a global buyout fund, KKR, at its final meet on Tuesday.
The deal, a two-part transaction, is a combination of fresh equity infusion and a buyout of Evolvance India Life Science Fund (EILSF), which invested $30 million in Gland Pharma in 2008.
KKR proposed to buy a 37.98 per cent stake in Hyderabad-based Gland Pharma, which develops and manufactures generic injectables, primarily in the cardiovascular and orthopaedic segment.
The transaction would also involve a 29.4 per cent share purchase in Gland Celsus Bio Chemicals from an existing investor. The Cabinet cleared both proposals.
Currently, the government allows 100 per cent FDI in both new and existing drug manufacturing companies. While investments in new ventures are allowed through the automatic route, those in existing facilities are required to take approval from the Foreign Investment Promotion Board (FIPB).

MARKETS

FII holding in India Inc hit a record high of 25% in Q4

***Business Standard**: May 12, 2014*

Foreign institutional investors (FIIs) continue to drive Indian equities. In the March quarter, FIIs have invested Rs 21,921 crore ($3.6 billion), owning a quarter of the top 75 listed stocks of India. During the quarter, their stakes have risen by 33 basis points sequentially.
Analysts track the quarterly ownership data to track purchases and preferences of large institutions both in terms of sectors and specific stocks. Foreign institutions benchmark their investments against the MSCI Emerging Market Index.
As far as the broader market is concerned, their stakes have risen by 17 basis points to 22.3 % in the 1,200 companies listed on the National Stock Exchange (NSE). Morgan Stanley, which has analysed the change in ownership pattern of Indian equities in the March quarter , says FIIs' stakes in Indian companies have hit a record high.
The estimated value of FII holdings in India

stands at $279 billion.

Taking a cue from FIIs, domestic institutions too have turned buyers with their stakes rising by 30 basis points in the three months ended March. The only category that has reduced their stakes are promoters and their stake has declined 98 basis points to 49.3 per cent during the quarter.

The steady buying by FIIs and domestic institutions has taken their average sector positions to a five-year high. Ownership data suggests that FIIs remain bullish about financials, consumer discretionary and telecom. They are underweight in technology and healthcare. Holdings in financials have hit a eight-and-a-half-year high, while stakes in consumer staples have hit a five-year low. Morgan Stanley says domestic institutions added most positions in financials and reduced positions the most in materials and technology.

The stock that has been sold by both categories of institutional investors — FIIs and DIIs — is Infosys, while State Bank of India remained the most bought stock. The names most heavily purchased by FIIs were Axis Bank and Tata Steel, whereas Glaxo and Tata Power were the most sold. FIIs are overweight on ICICI Bank but were underweight on Reliance Industries. Currently, FIIs own 5.4 per cent of RIL against the stock's weightage of 7.9 per cent on the MSCI Index.

FIIs have remained overweight (wherein they own higher percentage of stocks compared to their weight on MSCI Index) three out of the 10 MSCI sectors, with financials in lead position, followed by consumer discretionary and telecoms. The biggest underweight positions are in energy, consumer staples and technology.

Going by the inflows in April, the pattern of foreign inflows might continue. In the month of April, the investments of FIIs into Indian equities stood at Rs 10,182 crore. Kotak Institutional Equities, which analyses fund flows into emerging markets, says, "Allocations to India by GEM funds reached 10.5 per cent in March, indicating an overweight status for the region. Net asset allocations to China and Russia have dropped over the past four weeks; Indonesia and Brazil saw the largest upsurge."

BUSINESS

India is home to 54 of world's biggest companies: Forbes

The Hindu Business Line: *May 09, 2014*

Mukesh Ambani-led Reliance Industries leads the pack of 54 Indian companies in Forbes' annual list of the world's 2000 largest and most powerful public companies, with Chinese companies occupying the top three slots on the list.

The Forbes 'Global 2000' is a comprehensive list of the world's largest, most powerful public companies, as measured by revenues, profits, assets and market value.

China is home to the world's top three biggest public companies and five of the top 10.

The US retains its dominance as the country with the most Global 2000 companies at 564. Japan trails the US with 225 companies in aggregate.

India is home to 54 of the world's biggest companies.

Reliance Industries is ranked 135 on the list with a market value of $50.9 billion and $72.8 billion in sales as on May 2014.

Reliance is followed by State Bank of India which is ranked 155 and has a $23.6-billion market value.

Other Indian companies on the list are Oil and Natural Gas ranked 176, ICICI Bank (304), Tata Motors (332), Indian Oil (416), HDFC Bank (422), Coal India (428), Larsen & Toubro (500), Tata Consultancy Services (543), Bharti Airtel (625), Axis Bank (630), Infosys (727), Bank of Baroda (801), Mahindra & Mahindra (803), ITC (830), Wipro (849), Bharat Heavy Electricals (873), GAIL India (955), Tata Steel (983) and Power Grid of India (1,011).

Also making the list are Bharat Petroleum (1,045), HCL Technologies (1,153), Hindustan Petroleum (1,211), Adani Enterprises (1,233), Kotak Mahindra Bank (1,255), Sun Pharma Industries (1,294), Steel Authority of India (1,329), Bajaj Auto (1,499), Hero Motocorp (1,912), Jindal Steel & Power (1,955), Grasim Industries (1,981) and JSW Steel (1,990).

This year's Global 2000 companies are from 62 countries, up from 46 in the inaugural 2003 rankings.

In total, they raked in revenues of $38 trillion and profits of $3 trillion, with assets worth $161 trillion and a market value of $44 trillion.

NEW

CHEMICALS SECTOR — FACTSHEET

India's strengths in this sector / reasons to invest	• Indian chemical industry stood as 3rd largest producer in Asia and 12th in the world. • The chemical industry in India is a key constituent of Indian economy, accounting for about 7% of the GDP. • India is currently the world's third largest consumer of polymers and fourth largest producer of agrochemicals. • India has the capacity for major value addition being close to Middle East. This is a cheap and abundant source for petrochemical feedstock. • Strong government support for R&D. • Polymers and agrochemicals industries in India present immense growth opportunities.
Basic Facts of the sector (Statistics)	• The estimated size of market currently is at USD 136 billion approximately and is likely to grow at a compound annual growth rate of 10-12 percent over the next five years. Indian chemical industry could grow at 15% p.a. to reach size of $290 billion by 2017. • India accounts for approximately 7 per cent of the world production of dyestuff and dye intermediates, particularly for reactive acid and direct dyes. • Total production in the Indian chemical industry was 8,402 MMT in FY13. • One of the most diversified sectors, covering more than 70,000 commercial Products. • 10 per cent of overall industrial index Production (IIP), 20 per cent contribution to national tax Revenue.
Growth drivers	• Large population, dependence on agriculture, and strong export demand are the key growth drivers for the chemicals industry. • Global shift of chemical industry to Asia. • Per-capita consumption of chemicals in India is lower relative to Western countries • Huge growth potential for the domestic market; Rise in GDP and purchasing power • Focus on new segments such as specialty and knowledge chemicals • Low-cost manufacturing. • Skilled science professionals and English speaking workforce. • World class engineering and strong R&D capabilities.

<table>
<tr><td>Investment opportunities</td><td>

Agrochemicals:

India is the fourth largest producer of agrochemicals globally
India exports about 50 per cent of its current production; exports are likely to remain a key component of the industry

Specialty Chemicals:

Specialty chemicals market has expanded at a CAGR of about 12 per cent over FY07–11; the figure is expected to rise to 13 per cent over the next five years to reach USD45 billion by FY17
India is currently the world’s third largest consumer of polymers and is expected to grow further due to growth in plastic demand
Growth drivers include growing construction industry and adoption of advanced coating, ceiling & polymer-based reinforcing material in construction; plastics, paints and coatings usage in automotive sector.

Colourant chemicals

Indian colourant industry is valued at USD3.4 billion, with exports accounting for nearly 68 per cent
India accounts for 12.5 per cent of the global share and is expected to increase further
The Indian pigment market size stands at USD970 million, with a production capacity of 0.7million tonnes per annum in FY12

Others segments including petrochemicals, Bio-pharma, bio-agri, and bio-industrial products.

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<tr><td>FDI Policy</td><td>

100% FDI is allowed under the automatic route in chemicals sector subject to all the applicable regulations and laws.
Few chemical products like wax candles, laundry soups, safety matches, fireworks, agarbattis falls under the items reserved for small scale sector in which FDI beyond 24% is under the government route.

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<tr><td>Sector Policy</td><td>

Industrial licensing has been abolished for most sub-sectors (except a small list of hazardous chemicals).
The government is continuously reducing the list of reserved chemical items for production in the small-scale sector, thereby facilitating greater investment in technology up-gradation and modernisation.
Petroleum, Chemicals & Petrochemicals Investment Regions: Policies have been initiated to set up integrated Petroleum, Chemicals and Petrochemicals Investment Regions (PCPIR). PCPIR will be an investment region spread across

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Sector Policy	250 square kilometres for manufacturing of domestic and export-related products of petroleum, chemicals and petrochemicals. • **Some of the milestone proposed in the current five year plan includes:** • Implementation of strategy for sourcing and allocation of feedstock. • Setting up of technology up-gradation fund of USD100 million. • Allocation of 10 per cent share of the USD1 billion National Innovation Fund to chemicals. • Development of the first set of chemical usage standards for the industry addressing key issues related to water supply, environmental impact, raw materials supply, safety over lifecycle, and energy use. • Setting up of a national chemical inventory. • Committee to frame regulatory structure and eliminate redundancies.
Financial Support (Incentives)	• **Tax incentives:** • Units are eligible for weighted tax deduction at 200 per cent for the R&D expenditure incurred. • **State incentives:** • Apart from above each state in India offers additional incentives for industrial projects. Incentives are in areas like rebated land cost; relaxation in stamp duty exemption on sale/lease of land; power tariff incentives; concessional rate of interest on loans; investment subsidies / tax incentives; backward areas subsidies; special incentive packages for mega projects. • **Export Incentives:** • Export promotion capital goods scheme. • Duty • East Region, Jammu & Kashmir, Himachal Pradesh & Uttarakhand. remission scheme. • Focus product scheme, special focus product scheme, focus market scheme. • **Areas based incentives:** • Incentives for units in SEZ/NIMZ as specified in respective acts or setting up project in special areas like
Useful Links	www.**chemicals**.nic.in/ www.**investindia**.gov.in

As on 31 May, 2014.

LOCAL EVENTS

High Commissioner speaks at the ISAS AMBASSADOR SERIES

High Commissioner Ms. Vijay Thakur Singh spoke at the ISAS AMBASSADOR SERIES on "Opportunities Opening Up in an Emerging India" on 14th May, 2014 at the Institute of South Asian Studies (ISAS).The Session was Chaired by Dr. Iftekhar Ahmed Chowdhury, Principal Research Fellow at the ISAS. Dr. Chowdhury is a former Foreign Minister of Bangladesh (2007 to 2009).

INVESTMENT RELATED DEVELOPMENTS FOR APRIL 2014

FDI Policy update:

1. DIPP has released consolidated FDI policy for 2014. The detailed policy can be seen from the following link-(http://dipp.nic.in/English/Policies/FDI_Circular_2014.pdf)

2. RBI notifies foreign investments in Limited Liability Partnerships in FEMA.

3. Change in procedure of reporting mechanism for transfer of FDI instruments. The details can be seen from the following link-(http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8859&Mode=0)

RBI Actions:

1. Changes in Fund/Non-Fund based Credit Facilities to Overseas Joint Ventures / Wholly Owned Subsidiaries /Wholly owned Step-down Subsidiaries of Indian Companies. The details can be seen from the following link-(http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8846&Mode=0)

2. New Direct to account facility in case of remittances. Details can be seen from the following link-(http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8832&Mode=0)

3. RBI has issued 2 new banking license to IDFC Limited and Bandhan Financial Services Private Limited-(http://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=30931)

Tax updates:

1. India signs its first set of Advance Pricing Agreements (APAs) in one year since introduction of the APA program.

2. CBDT clarifies that the partner's share of the profit in the firm's total income is exempt in the hands of partner even if the income is exempt in the hands of the firm.

3. India concludes in substance agreement pact with US on tax evasion under FATCA.

4. CBDT clarifies that the cost of construction on development of infrastructure facility like roads and highways under BOT projects may be amortized and claimed as allowable business expenditure.

Others:

1. Employees' provident fund organization issues new circulars to secure proper compliance in respect of international workers.

2. Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Amendment Regulations, 2014 (***Amendment Regulations***), published in the Official Gazette on 28 March 2014.

3. Supreme court lifts ban on iron ore mining in the state of Goa with riders.

Companies Act, 2013

1. Every company in India shall have at least one resident director who stays in India for at least 182 days during the previous calendar year.

Notifications

Securities and Exchange Board of India

SEBI (Foreign Portfolio Investors) Regulations, 2014

http://www.sebi.gov.in/cms/sebi_data/attachdocs/1389083605384.pdf

Ministry of Corporate Affairs

Mapping of e forms prescribed under the Companies Act, 2013 with e forms prescribed under Companies Act , 1956

http://www.mca.gov.in/Ministry/pdf/eformsMapping.pdf

Notification relating to effective date of provisions of Section 135 and Schedule VII of Companies Act, 2013

http://www.mca.gov.in/Ministry/pdf/CompaniesActNotification1_2014.pdf

Reserve Bank of India

Foreign Portfolio Investor - investment under Portfolio Investment Scheme, Government and Corporate debt

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8787&Mode=0

Foreign investment in India - participation by SEBI registered FIIs, QFIs and SEBI registered long term investors in credit enhanced bonds

http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8563&Mode=0

Ministry of Finance, Dept of Economic Affairs

8% Savings (Taxable) Bonds 2003

http://www.finmin.nic.in/the_ministry/dept_eco_affairs/budget/8perSavingsBonds2003_21042014.pdf

Central Board of Excise and Customs

Notification seeking to levy definitive anti-dumping duty on imports of 'Vitamin A Palmitate ', originating in, or exported from, Switzerland and People's Republic of China for a further period of five years

http://www.cbec.gov.in/customs/cs-act/notifications/notfns-2013/cs-add2013/csadd-30-2013.htm

Circular regarding import of pets as baggage

http://www.cbec.gov.in/customs/cs-circulars/cs-circ13/circ15-2013-cs.htm

TENDER NOTICES >>>> *INDIA*

Tender invitation for supply of the following:

Crawler mounted/Truck mounted Hydrostatic Core Drill having capacity to drill 1000m (Minimum) in NQ size (75.7mm) - Crawler mounted-01unit & Truck mounted-04 units

Mineral Exploration Corporation Limited , URL : http://ofbeproc.gov.in

Closing Date : 22nd May, 2014

Tender invitation for :

Supply, Installation & Commissioning of Skid Mounted LN2 Tank

Oil and Natural Gas Corporation limited , URL : https://etender.ongc.co.in

Closing Date : 4 June, 2014

Tender invitation for :

Supply of Downhole Motors

Oil and Natural Gas Corporation limited , URL : https://etender.ongc.co.in

Closing Date : 9 June, 2014

Tender invitation for :

Supply of Full Opening Safety Valves & Kelly Cock

Oil and Natural Gas Corporation limited , URL : https://etender.ongc.co.in

Closing Date : 18 June, 2014

Tender invitation for :

Supply of Kelly Swivel

Oil and Natural Gas Corporation limited , URL : https://etender.ongc.co.in

Closing Date : 27 June, 2014

Indian innovation offers cheap and effective test for heart disease

http://goo.gl/bMF5Vs

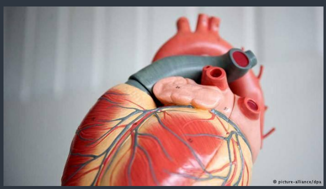

Image-free and non-invasive technology is being developed in India to help detect cardiovascular disease. If successful, the device could bring affordable healthcare to India where millions die of the disease each year.

Scientists at the Healthcare Technology Innovation Centre (HTIC) in the southern Indian city of Chennai have invented a friendly device that keeps a check on artery stiffness and gives an alert when issues arise.

The ARTSENS [Arterial Stiffness Evaluation for Non-Invasive Screening] device helps prevent cardiovascular diseases which are becoming more prevalent because of factors like unhealthy eating and stress.

How it works

An ARTSENS machine, Joseph added, assists in identifying premature vascular abnormalities and could assist in preventing heart disease through early diagnosis and treatment. "This has got tremendous potential in early detection of possible vascular events in the future," he adds. The use of a singular ultrasound probe is another great advantage of the ARTSENS machine.

FAQs on Foreign Investments In India

The fortnightly FAQs will broadly cover the following areas

I. ***Foreign Direct Investment***

II. ***Foreign Technology Collaboration Agreement***

III. ***Foreign Portfolio Investment***

IV. ***Investment in Government Securities and Corporate debt***

V. ***Foreign Venture Capital Investment***

VI. ***Investment by QFIs***

I. Foreign Direct Investment (FDI)

Q. What are the instruments for receiving Foreign Direct Investment in an Indian company?

Ans. Foreign investment is reckoned as FDI only if the investment is made in equity shares , fully and mandatorily convertible preference shares and fully and mandatorily convertible debentures with the pricing being decided upfront as a figure or based on the formula that is decided upfront. Any foreign investment into an instrument issued by an Indian company which:

- gives an option to the investor to convert or not to convert it into equity or
- does not involve upfront pricing of the instrument

as a date would be reckoned as ECB and would have to comply with the ECB guidelines.

The FDI policy provides that the price/ conversion formula of convertible capital instruments should be determined upfront at the time of issue of the instruments. The price at the time of conversion should not in any case be lower than the fair value worked out, at the time of issuance of such instruments, in accordance with the extant FEMA regulations [the DCF method of valuation for the unlisted companies and valuation in terms of SEBI (ICDR) Regulations, for the listed companies].

Source: RBI

For Feedback & Comments, please contact:
Mr. Amitesh Bharat Singh, First Secretary (Commerce)
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High Commission of India
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