

Sector specific guidelines for foreign direct investment

Sl.NO	SECTOR	GUIDELINES
1.	Banking	NRI 40% Foreign investment of upto 20% is permitted.
2.	Non-banking financial services	i) Upto 51% foreign equity, no special conditions are attached except those requiring approval of SEBI/RBI etc. ii) For foreign equity beyond 51% but upto 75% ,it is necessary that foreign investment should be minimum US \$ 5 million and it should come in one lot. iii) For foreign investment beyond 75% minimum foreign investment should be US \$ 50 million.
3	Domestic Air-Taxi Operations/Airlines	i) foreign equity upto 40% can be permitted on a case-by-case basis. ii) 100% by NRIs.
4	Power	Foreign investment in power sector can either be in the form of a joint venture with an indian partner or as a fully-owned operation with 100% foreign equity.
5	Telecommunications (Basic, Value Added)	In basic, cellular mobile and paging services, foreign investments are limited to 49% subject to grant of licence from DoT.
6	Drugs and Pharmaceutical Industry	Foreign investment upto 51% in the case of bulk drugs, their intermediates and formulations thereof (except those produced by the use of recombinant DNA technology) are granted automatic approval by the RBI. Other proposals are considered on merit on a case-by-case basis by the Government Manufacturing activity essential for FDI above 51% as per Drug policy.
7	Petroleum	Foreign companies can invest upto 100% of equity in any venture in petroleum sector.
8	Real Estate	No foreign investment in this sector is permitted. NRIs/OCBs are allowed.
9	Roads and Highways	Private sector including foreign equity participation upto 100% in the highways is envisaged on Build, Operate and Transfer (BOT) concept. Investors in identified highway projects would be permitted to recover their investment by way of collection of tolls for specified periods. At the end of the agreed concession period, the facilities will revert to the Government. Construction of bypasses, bridges and widening of high density corridors, of National Highways have been identified for four laning through the BOT route. The Government has, in the Budget Session of 1995 passed the necessary legislation for collection of toll tax. The rates of toll charges as well as the period of concession will be on the basis of competition /bids and land requirement for the construction and operation of the facilities would be provided by the Government free from encumbrances. Private parties would also be allowed to develop service and the rest areas along the roads entrusted to them.
10	Ports	Indian ports offer significant potential to foreign investors in major operational and infrastructural areas. The following areas have been identified for participation /investment by the private sector: i) Leasing out existing assets of the Port.

		<p>ii) Construction/creation of additional assets, such as:</p> <p>a) Construction and operation of container terminals. b) Constructions and operation of bulk, break bulk, multipurpose and specialised cargo berths. c) Warehousing, container Freight Stations, storage facilities and tank farms. d) Cranage / Handling equipment. e) Setting up of captive power plants. f) Dry docking and ship repair facilities.</p> <p>iii) leasing of equipment for port handling and leasing of floating crafts from the private sector. iv) Captive facilities for Port based industries.</p> <p>These areas are indicative in nature. Further details regarding participation by the foreign investors are available with individual port authorities and the Ministry of Surface Transport, Government of India.</p>
11	Tourism	<p>This is a sector with immense possibilities for foreign investment. 100% foreign equity is permissible in the sector and automatic approvals are also granted by the Reserve Bank of India for foreign equity upto 51% and subject to specified parameters.</p>
12	Mining	<p>i) Foreign equity participation of upto 50% in the mining sector would be automatic, except for gold, silver, diamonds and precious stones. ii) For gold, silver, diamonds and precious stones, approvals would be given keeping in view inter alia, the following parameters.</p> <p>a) The size of the project. b) Commitment of external resources for funding project cost. c) Track record of the company in the mining sector. d) The level of technology sought to be employed in the project. e) Financial strength of the company f) Level of the Indian equity in the joint venture at the mining stage for the JV partner/ Indian partner.</p> <p>For companies which seek to set up 100 per cent wholly owned subsidiaries, permission may be given subject to the condition that in case the company wishes to enter into a joint venture for investment in mining where a foreign equity holding in excess of 50 per cent is envisaged, prior approval of the FIPB would be taken.</p>
13	Coal	<p>While this has been reserved for the public sector, private and foreign investment is permitted in coal for captive consumption only (generation of power) and for washeries, etc.</p>
14	Venture Capital Fund	<p>An offshore venture capital company may contribute 100% of the capital of a domestic venture capital fund and may also set up a domestic asset management company the fund. VCFs and VCCs are permitted upto 40% of the paid up corpus of the domestic VCF/VCCs.</p>

