

**GOVERNMENT OF INDIA  
COMMERCE AND INDUSTRY  
LOK SABHA**

UNSTARRED QUESTION NO:2400  
ANSWERED ON:10.03.2000  
FOREIGN COMPANIES IN INDIA  
MANSINH PATEL

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

- (a) The existing rules for making investment in India in collaboration with a foreign company;
- (b) Whether the Government are aware of violation of these rules in this regard;
- (c) If so, the details of last two years in this regard; and
- (d) The action taken by the Government thereon so far?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY ( DR. RAMAN SINGH )

(a): Government, in its commitment towards economic reforms, have announced the new Foreign Direct Investment (FDI) Policy thereby placing all items/activities under the automatic route for Foreign Direct Investment (FDI), Non-Resident Indians (NRI) and Overseas Corporate Body (OCB) investment except the following:

1. All proposals that require an Industrial Licence which include
  - (i) the item requiring an Industrial Licence under the Industries (Development and Regulation) Act, 1951;
  - (ii) foreign investment being more than 24% in the equity capital of units manufacturing items reserved for small scale industries; and
  - (iii) all items which require an Industrial Licence in terms of the locational policy notified by Government under the New Industrial Policy of 1991.
2. All proposals in which the foreign collaborator has a previous venture/tie-up in India. The modalities prescribed in Press Note No. 18 dated 14.12.1998 of 1998 series, shall apply in such cases.
3. All proposals relating to acquisition of shares in an existing Indian company in favour of a foreign/NRI/OCB investor.
4. All proposals falling outside notified sectoral policy/caps or under sectors in which FDI is not permitted and/or whenever any investor chooses to make an application to the FIPB and not to avail of the automatic route.

All proposals for investment in public sector units as also for EOU/EPZ/EHTP/STP units would qualify for automatic route subject to above parameters.

Foreign Direct Investment (FDI) is approved under two routes:- (i) automatic route and (ii) FIPB/Government route. In so far as automatic route is concerned as per existing policy, the applicant has to file the requisite documents with RBI within 30 days from the date of receipt of inward remittance. RBI on scrutiny of such proposals, if observes any violation of automatic route under existing FDI policy, refers such cases for consideration of FIPB/Government. Proposals not falling under automatic route are considered by FIPB as per Sectoral Guidelines for FDI.

(b) to (d): During last two years, 3 cases of violations of terms and conditions of FC approvals issued by the Government have come to notice and these are being processed for further action in consultation with concerned Ministries/Departments of Government of India.