

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

UNSTARRED QUESTION NO:2800
ANSWERED ON:22.08.2006
HIKE IN FOREIGN DIRECT INVESTMENT
Gangwar Shri Santosh Kumar

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

- (a) whether the Government proposes to hike FDI in manufacturing sectors; and
- (b) if so, the details thereof sector-wise and extent to which it is likely to benefit this sector?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY (SHRI ASHWANI KUMAR)

- (a) & (b): Foreign Direct Investment (FDI) up to 100% is permitted on the automatic route in all the manufacturing activities except:-
- (i) Defence (where there is an equity cap of 26% and entry route restriction);
 - (ii) Cigar & Cigarette manufacturing (where there is an entry route restriction);
 - (iii) Where provisions of Press Note 1 (2005 series) are attracted i.e. where the foreign investor has an existing joint venture in India in the same field (where there is an entry route restriction);
 - (iv) Where more than 24% foreign equity is proposed to be inducted for manufacture of items reserved for Small Scale Sector (where there is an entry route restriction). The review of FDI policy is undertaken on a continuous basis with the objective to liberalise / rationalise / simplify both policy and procedures so as to optimise benefits for the industry and entrepreneurs. The policy was last reviewed in January 2006.