

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2661
ANSWERED ON:31.08.2007
DISINVESTMENT CLAUSE
Acharia Shri Basudeb

Will the Minister of FINANCE be pleased to state:

- (a) Whether there is disinvestment clause regarding foreign companies;
- (b) If so, whether Government is considering to review the policy of imposing a disinvestment clause on foreign companies in some key sectors; and
- (c) If so, the details thereof and the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (PAWAN KUMAR BANSAL)

(a) Yes, Sir. The disinvestment clause for divestment of 26% equity in favour of Indian partner/public within 5 years is applicable in the following sectors/activities:-

- (1) In the Petroleum & Natural Gas sector for undertaking trading & marketing of petroleum products
- (2) In Tea sector including Tea plantation
- (3) In Telecommunication sector for
 - (i) undertaking ISP without gateway,
 - (ii) infrastructure provider providing dark fibre, right of way, duct space, tower(category-I), and
 - (iii) electronic mail and voice mail, if these companies are listed in other parts of the world.

(b) & (c) : Government has put in place a liberal & transparent FDI policy according to which FDI in most sectors/activities is permitted up to 100% under the automatic route. The FDI policy, including caps on foreign equity limits, compulsory divestment and procedures are reviewed on a continuing basis with a view to creating an improved investment regime for higher FDI inflows. Recently, a review of the FDI policy was undertaken by the Government in January, 2006. Press Note 4 (2006 series) containing the rationalization measures is available on the Department of Industrial Policy & Promotion's website <http://dipp.nic.in>.