

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY

DEPARTMENT OF INDUSTRIAL POLICY AND PROMOTION

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**PRESS NOTE NO. 9 (1999 SERIES)**

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**SUBJECT:** Policy relating to the standard conditions applicable to foreign owned Indian holding companies requiring prior and specific approval of FIPB/Government for downstream investment in Annexure III activities, which qualify for Automatic Approval.

1. *The Government have reviewed the existing policy relating to the standard conditions applicable to foreign owned Indian holding companies requiring prior and specific approval of FIPB/Government for downstream investment. On careful consideration of the matter and with a view to further simplifying the investment procedures for downstream investment, it has been decided to permit foreign owned Indian holding companies to make downstream investment in Annexure III activities, which qualify for Automatic Approval subject to the following conditions:-*
  - a. *downstream investments may be made within foreign equity levels permitted for different activities under the automatic route;*
  - b. *proposed/existing activities for the joint venture company being fully confined to Annexure III activities;*
  - c. *increase in equity level resulting out of expansion of equity base of the existing/fresh equity of the new joint venture company;*
  - d. *the downstream investment involving setting up of an EOU/STP/EHTP project or items involving compulsory licensing; SSI reserved items; acquisition of existing stake in an Indian company by way of transfer/ as also buyback shall not be eligible for automatic approval and shall require prior approval of FIPB/Government;*
  - e. *the holding company to notify SIA of its downstream investment within 30 days of such investment even if shares have not been allotted alongwith the modality of investment in new/existing ventures (with/without expansion programme);*
  - f. *proposals for downstream investment by way of induction of foreign equity in an existing Indian Company to be duly supported by a resolution of the Board of Directors supporting the said induction as also a shareholders Agreement and consent letter of the Foreign Collaborator;*
  - g. *issue/transfer/pricing/valuation of shares shall be in accordance with SEBI/RBI guidelines;*
  - h. *foreign owned holding companies would have to bring in requisite funds from abroad*

*and not leverage funds from domestic market for such investments. This would, however, not preclude downstream operating companies to raise debt in the domestic market.*

2. *The above procedure will form part of the FIPB Guidelines and paragraph 11 (a) of the AGuidelines for the consideration of Foreign Direct Investment (FDI) proposals by the Foreign Investment Promotion Board (FIPB)@ notified vide Press Note NO. 3(1997 Series) shall stand modified accordingly in respect of down stream investment by foreign owned Indian holding companies.*
3. *All investors and entrepreneurs may please take note of the aforesaid revision in the policy.*

*Sd/-*

**(ASHOK KUMAR)**

**JOINT SECRETARY**

F.No. 7(13)/99-IP

New Delhi, the 12<sup>th</sup> April, 1999

Forwarded to the Press Information Bureau for giving wide publicity to the contents of the above Press Note.

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Press Information Bureau,  
New Delhi.