प्रेस प्रकाशनी PRESS RELEASE

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RBI announces simplification of procedures for Foreign Direct Investment

In a major drive to simplify procedures for foreign direct investment under the "automatic" route, RBI has dispensed with the need for its prior approval for such proposals. Indian companies have been given general permission to accept investments under this scheme as per policy guidelines laid down by the Government of India.

In terms of the policy of the Government of India, Indian companies engaged in manufacturing items falling under priority industries and certain other approved activities are permitted to invite investment from foreign collaborators for starting new ventures or for expanding existing ones. As a part of this policy, an "automatic approval route" is available for getting quick approvals for foreign investment in those priority areas. Government of India have recently revised/recast list of industries included in Annexure III which are eligible for foreign investment under automatic route vide Ministry of Industry's Press Note No.14 dated 8th October 1997.

2. In terms of this Press Note, approval for foreign investment will be freely available upto 50%, 51% and 74%, in respect of items/activities listed in Part A, B and C respectively of the list enclosed with the said Press Note dated 8th October 1997.
3. According to the present procedure in vogue, the applicant Indian companies are to lodge applications in Form FC(RBI) with the Central Office of the RBI, Mumbai to get an "in principle" permission for foreign investment through the automatic route. Thereafter, the Indian company has to approach the concerned Regional Office of RBI to obtain permission under FERA by producing documentary evidence for receipt of consideration in foreign exchange, before the issue of shares
4. In order to simplify the procedure under the automatic route of RBI for foreign ivestment, RBI has now decided to grant general permission under FERA to obviate the necessity for the aforesaid companies approaching RBI for permission before getting inward remittance and issuing of shares in India to the foreign investors. Necessary Notification under FERA, to give effect to the revised simplified procedure is under issue. After the revised procedure comes into effect, with the issue of Notification under FERA, companies getting foreign investment under the automatic route will not require prior clearance from Reserve Bank of India for this purpose. These companies will however have to file the required documents with the concerned Regional Office of the RBI within 30 days after issue of shares to foreign investors.

5. The proposed general permission would cover only Foreign Direct Investment under the "automatic route of RBI". As regards investment proposals requiring approval of FIPB and for NRI investment, the existing procedure will continue.

(Alpana Killawala)
General Manager

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