# What's new
## Regulatory News Alert

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***Enhancement in foreign investment caps***

Dear All

Tuesday evening, the Indian Government announced a series of foreign investment reforms to increase the sectoral caps and alter the investment routes in various sectors, including Telecom and Defence.

The announcements were made pursuant to select decisions taken in a high powered meeting chaired by the Prime Minister. The Government took cognisance of the recommendations put forth by the Arvind Mayaram Committee which was constituted to review the foreign investment caps in most sectors, The Committee has recommended, automatic route for foreign investments upto 49% in almost all sectors to be allowed (i.e. without prior approval from the Foreign Investment Promotion Board (FIPB)).

The current and proposed scheme of FDI Caps & investment route is set out below:

| | Sector | Existing | | Proposed | |
|---|---|---|---|---|---|
| | | Cap | Route | Cap | Route |
| 1. | Petroleum and Natural Gas and Refining (PSU) | 49% | FIPB | 49% | Automatic |
| 2. | Commodity Exchanges | 49%* | FIPB | 49% | Automatic |
| 3. | Power Exchanges | 49%* | FIPB | 49% | Automatic |
| 4. | Stock Exchanges, Depositories, Corporation | 49%* | FIPB | 49% | Automatic |
| 5. | Asset Reconstruction companies | Upto 49% | FIPB | Upto 49% | Automatic |
| | | 49% to 74% | FIPB | 49% to 100% | FIPB |
| 6. | Credit Information companies | Upto 49% | FIPB | 74% | Automatic |
| 7. | Single Brand Retail trading | Upto 49% | FIPB | Upto 49% | Automatic |
| | | 49% to 100% | FIPB | 49% to 100% | FIPB |
| 8. | Basic and Cellular Services, etc. | Upto 49% | Automatic | Upto 49% | Automatic |
| | | 49% to 74% | FIPB | 49% to 100% | FIPB |
| 9. | Courier Services | 100% | FIPB | 100% | Automatic |
| 10. | Defence Production | 26% $ | FIPB | - | CCS |

* FDI -26% - FIPB, FII - 23% - Automatic route

$ - Cabinet Committee on Security (CCS) may approve proposals on case to case basis beyond 26% which are likely to result in access to modern and "state of the art" technology in the country

It is pertinent to note that the above-mentioned changes shall be applicable once Department of Industrial Policy and Promotion (DIPP) - the nodal body for formulation of FDI policy notifies the changes in due course. Once notified, the increased foreign investment limits would enable foreign investors to enhance their equity stakes in existing business ventures and allow fresh players to enter the Indian market without approaching the FIPB for investments upto 49% (except in defence, civil aviation, multi brand retail trading and insurance sectors). This enhancement and liberalisation is also expected to provide an opportunity for companies to restructure their capital by off-loading high cost debt and replace it with equity.

We shall keep you posted on the latest developments in this regard.

If your interest lies in a specific area or subject, do advise us so we can send you only the relevant alerts. For any additional information, please reach out to your PwC relationship manager or write in to ***pwctrs.knowledgemanagement@in.pwc.com***

With Best Regards,
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***www.pwc.in/***