

Corpsec Hotline

January 13, 2005

FOREIGN / TECHNICAL COLLABORATIONS BY FOREIGN COMPANIES HAVING PREVIOUS VENTURES / TIE-UP, NOW UNDER AUTOMATIC ROUTE

The Indian Government has, with a view to further liberalize foreign direct investment, notified vide Press Note No.1 dated January 12, 2005 that any new proposal for foreign investment or technical collaboration by a foreign investor, who has or had any previous joint venture or technology transfer / trademark agreement in the same or allied field in India, will be allowed under the automatic route. This route is however subject to the sectoral policies.

The said Press Note No. 1 has narrowed down the scope of the earlier Press Note No.18 (of 1998) which was applicable to the 'same' and 'allied' field. The Press Note No. 1 now requires prior Government approval only in cases where the foreign investor has an existing joint venture or technology transfer or trademark agreement in the 'same' field. The onus to provide requisite justification as also proof that the new proposal would or would not jeopardise the existing joint venture or other stakeholders would lie equally on the foreign investor or technology supplier and the Indian partner.

Even if the foreign investment is falling in the 'same' field, the Government has carved out following exceptions, for which no prior Government approval is required:

- Investments are made by Venture Capital Funds registered with the Securities Exchange Board of India.
- The existing joint-venture investment by either parties is less than 3%.
- The existing joint-venture or collaboration is defunct or sick.

Hopefully, the changes envisaged through the implementation of Press Note 1 would create the balance in achieving a liberalized environment in India and at the same time protecting to the joint-venture partners to safeguard their interests.

You can direct your queries or comments to [Siddharth Shah](#) or [Kishore Joshi](#)

Source: Press Note No.1 (2005 Series) dated January 12, 2005

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Start-up Governance Essentials

May 30, 2024

Handbook on New Labour Codes

April 29, 2024

Compendium of Research Papers

April 11, 2024

Research Articles

Private Client Insights - Sustainable Success: How Family Constitutions can Shape Corporate Governance, Business Succession and Familial Legacy

January 25, 2024

Private Equity and M&A in India: What to Expect in 2024?

January 23, 2024

Emerging Legal Issues with use of Generative AI

October 27, 2023

Audio

Third-Party Funding: India & the World

April 27, 2024

IBC allows automatic release of ED attachments: Bombay HC reaffirms

April 15, 2024

The Midnight Clause

February 29, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

Q&A 2024 Protocol to the Mauritius India Tax Treaty

April 22, 2024

Boost to India's Space Potential: India Liberalizes Foreign Direct Investment

**Cyber Incident Response
Management**

February 28, 2024