

Corpsec Hotline

February 25, 2005

FDI IN REAL ESTATE: FOR 'REAL'

After a long wait finally India is all set to open up its door for Foreign Direct Investments (FDI) in the real estate sector. The proposal had been under consideration for some time and was facing some resistance from certain quarters of the political alliance.

However finally it appears that the Finance Minister and his 'dream team' has been able to impress upon these factions the need for opening up the sector for foreign investors.

Accordingly, the Cabinet Committee on Economic Affairs (CCEA) announced its in-principle approval for 100 per cent FDI in all forms of housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure.

The procedure for approval of investment proposals would be through the automatic route. However, the power of approving individual construction projects with FDI component will be delegated to the local government authorities.

The CCEA indicated that such investment would be subject to the certain conditions, such as:

- Minimum capitalization requirement of USD 10 million for wholly owned subsidiaries and USD 5 million for joint ventures with Indian partners. Further the minimum capitalization amounts have to be brought into India within six months of commencement of business.
- Minimum area to be developed under each project would be a minimum land area of 10 hectares (i.e. 25 acres) in the case of serviced housing plots against the earlier requirement of 100 acres and 50,000 square meters (i.e. 12.5 acres) in the case of construction-development projects against the earlier requirement of 2,000 dwelling units. In the case of combined project, any one of the above two conditions would suffice.
- Conformity with the existing norms and standards, including land use requirements and provision of community amenities and common facilities, as laid down in the applicable building control regulations, by-laws, rules and other regulations of the State Governments, municipal bodies and other concerned local bodies.
- Repatriation of original investment will be permitted only after three years from completion of minimum capitalization. However, the investor may be permitted to exit earlier with the prior approval of the Government through the Foreign Investment Promotion Board.

In keeping with the tenor of the liberalizations being more construction-centric than land-centric and towards avoiding speculation in real estate, the CCEA's has indicated that:

- Development of the project has to commence within a specific time-frame; and
- Foreign investors will only be permitted to sell fully developed service plots and not undeveloped land.

Upon finalization of the guidelines in this regard, the Department of Industrial Policy and Promotion, Ministry for Commerce and Industry will issue a notification implementing this liberalization.

You can direct your queries or comments to [Kishore Joshi](#) or [Roshan Thomas](#)

Source: [Press Trust of India](#)

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

Little International Guide (India) 2024

November 08, 2024

Unmasking Deepfakes

October 25, 2024

Are we ready for Designer Babies

October 24, 2024

Research Articles

The Bitcoin Effect

November 14, 2024

Acquirers Beware: Indian Merger Control Regime Revamped!

September 15, 2024

Navigating the Boom: Rise of M&A in Healthcare

August 23, 2024

Audio

Renewable Roadmap: Budget 2024 and Beyond - Part I

August 26, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part II

August 26, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part III

August 26, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

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

Video

"Investment return is not enough" Nishith Desai with Nikunj Dalmia (ET Now) at FI18 event in Riyadh

October 31, 2024

Analysing SEBI's Consultation Paper on Simplification of registration for FPIs

September 26, 2024

