

Corpsec Hotline

March 13, 2008

PRESS NOTES OF 2008 UNVEILED

The Department of Industrial Policy and Promotion ("DIPP") on March 12, 2008 issued series of Press Notes further liberalizing the foreign investment norms. Given below are the highlights of the press notes of 2008 series:

- Credit information Companies (Press Note 1 of 2008)
- Commodity Exchanges (Press Note 2 of 2008)
- Industrial Parks (Press Note 3 of 2008)
- Civil Aviation Sector (Press Note 4 of 2008)
- Petroleum & Natural Gas Sector (Press Note 5 of 2008)
- Titanium Bearing Minerals and Ores (Press Note 6 of 2008)

Credit Information Companies

Foreign investment through Foreign Direct Investment ("FDI") route together with investments by Registered Foreign Institutional Investors ("FIIs") in credit information companies is now allowed up to 49% with prior approval of Government and regulatory clearance from Reserve Bank of India. FIIs under the Portfolio Investment Scheme are now permitted to make investment up to 24% only in credit information companies listed at Stock Exchanges subject to overall cap of 49% of foreign investment in such companies and other conditions as laid down in the said Press Note.

Earlier 'Credit Reference Agencies' in the FDI Policy formed part of the list of Non Banking Finance Companies (NBFC) activities where 100% FDI was allowed under automatic route. Now, the said list is amended and Credit Rating Agencies is deleted from the list.

Commodity Exchanges

Foreign investment through FDI route together with investments by FIIs in Commodity Exchanges is now allowed up to 49% with prior approval of Government. Out of which, FDI up to 26% is permitted and investment by registered FIIs under Portfolio Investment Scheme is restricted up to 23%. It has been laid down that a single foreign investor/ entity, including persons acting in concert cannot acquire more than 5% of equity in these companies.

Industrial Parks

FDI up to 100% is allowed under the automatic route for both in setting up and in established Industrial Parks. It has been now clarified that conditions of Press Note 2 of 2005 applicable to construction and development projects will not be applicable for Industrial Parks subject to following conditions:

1. Industrial Park would comprise of a minimum of 10 units and no single unit shall occupy more than 50% of the allocable area;
2. The minimum percentage of the area to be allocated for industrial activity shall not be less than 66% of the total allocable area.

Civil Aviation Sector

Earlier under Press note 4 of 2006, FDI norms were provided for Airports and Air Transport Services. Air Transport Services norms are now extended to other services under the Civil Aviation Sector viz. Scheduled and Non-Scheduled domestic passenger airlines, Helicopter services / Seaplane services, Ground Handling Services, Maintenance and Repair organizations; Flying training institutes; and Technical training institutions.

Under Air Transport Services, following FDI ceilings have been introduced:

1. Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline - FDI up to 49% and investment by NRI up to 100% allowed under the automatic route.
2. Non-Scheduled Air Transport Service/ Non-Scheduled airlines, Chartered airlines, and Cargo airlines- FDI up to 74% and investment by NRI up to 100% allowed under the automatic route.
3. Helicopter services/seaplane services requiring Directorate General of Civil Aviation approval- FDI up to 100% allowed on the automatic route.

Further, under Civil Aviation sector, following FDI ceilings in other services have been introduced:

1. Ground Handling Services- FDI up to 74% and investment by NRI up to 100% allowed under the automatic route, subject to sectoral regulations and security clearance.

Research Papers

FAQs on Setting Up of Offices in India

December 13, 2024

FAQs on Downstream Investment

December 13, 2024

Gaming Law 2024

December 12, 2024

Research Articles

The Revolution Realized: Bitcoin's Triumph

December 05, 2024

The Bitcoin Effect

November 14, 2024

Acquirers Beware: Indian Merger Control Regime Revamped!

September 15, 2024

Audio

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

Renewable Roadmap: Budget 2024 and Beyond - Part I

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 FI8 event in Riyadh

October 31, 2024

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

2. Maintenance and Repair organizations; flying training institutes; and technical training institutions - FDI up to 100% allowed under the automatic route.

Petroleum & Natural Gas Sector

The FDI norms for Petroleum & Natural Gas sector are governed by Press Note 1 of 2004 and Press Note 4 of 2006. The said norms are relaxed *vide* this Press Note and now the ceiling on foreign investment in public sector petroleum refining as per earlier Press Notes has been raised from 26% to 49% and the condition of compulsory divestment of up to 26% equity in favour of Indian partner(s)/public within 5 years for actual trading and marketing of petroleum products is done away with.

Mining of Titanium Bearing Minerals & Ores

Earlier FDI up to 74% was permitted with prior Government approval, whereas now 100% foreign investment in mining and mineral separation of titanium-bearing minerals and ores is allowed with prior Government approval.

The newly introduced changes under the Press Notes provide for some relaxation / clarifications of FDI in various sectors which is a positive move. But there are some sectors such as real estate and retail wherein certain clarifications should have been made to clear the ambiguities but are not covered under the current issue of Press Notes.

Source: Department of Industrial Policy and Promotion:

- [Press Note 1 of 2008](#),
- [Press Note 2 of 2008](#),
- [Press Note 3 of 2008](#),
- [Press Note 4 of 2008](#),
- [Press Note 5 of 2008](#) and
- [Press Note 6 of 2008](#).

- Richie Sancheti & Divya Kataria

You can direct your queries or comments to the authors

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.

Scope of judicial interference and inquiry in an application for appointment of arbitrator under the (Indian) Arbitration and Conciliation Act, 1996

September 22, 2024