Corpsec Hotline

November 07, 2008

FVCIS ARE BACK, BUT OFF TRACK

The Reserve Bank of India (**"RBI"**) has finally started approving select Foreign Venture Capital Investor (**"FVCI"**) applications after putting close to 70 applications on hold for a considerable period of time. It appears that only those applications are being cleared where the RBI does not have any policy level concerns, which concerns include potential investments in the Indian real estate sector, applicants having a low capital base, etc. While this development brings a big relief to several foreign private equity and venture capital funds who are looking to invest in India, the joy has been short-lived as the RBI has significantly clipped the wings of these FVCIs by restricting the investments to be made by these new FVCIs to 10 sectors. The sectors prescribed are infrastructure, biotechnology, IT related to hardware and software development, nanotechnology, seed research and development, research and development of new chemical entities in pharma sector, dairy industry, poultry industry, production of bio-fuels and hotel-cum-convention centers with seating capacity of more than 3,000. These sectors are similar to those prescribed under section 10(23FB) of the Indian Income-tax Act, 1961 for the purposes of domestic venture capital funds availing a tax pass through status.

Source: Economic Times, Mumbai edition, November 7, 2008 (attached)

- **Funds Practice Group**
You can direct your queries or comments to the authors

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