

**GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE
LOK SABHA**

**UNSTARRED QUESTION NO. 628
TO BE ANSWERED ON WEDNESDAY, THE 20TH NOVEMBER, 2019.**

FDI NORMS

**628. SHRI SUBBARAYAN K.:
SHRI M. SELVARAJ:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether the Government has allowed Foreign Direct Investment (FDI) in coal mining, contract manufacturing and digital media and eased rules for single branded retail to make it attractive for global brands to invest in the country; and
- (b) if so, the details thereof and the response of the foreign investors in this regard and the details of the proposals coming from the foreign investors since the announcement was made in the last week of August this year?

ANSWER

वाणिज्य एवं उद्योग मंत्री (श्री पीयूष गोयल)

**THE MINISTER OF COMMERCE & INDUSTRY
(SHRI PIYUSH GOYAL)**

ANSWER

**THE MINISTER FOR COMMERCE & INDUSTRY
(SHRI PIYUSH GOYAL)**

- (a) & (b):** Government has liberalized FDI policy in the coal mining, contract manufacturing and digital media and eased rules for single branded retail vide Press Note 4(2019) issued by Department for Promotion of Industry & Internal Trade on 18.09.2019, which is annexed. Further, the amendments made in FDI Policy under Press Note 4(2019) will take effect after notification under Foreign Exchange Management Act, 1999, which is yet to be issued.

ANNEXURE REFERRED TO IN REPLY TO PARTS (a) & (b) OF THE LOK SABHA UNSTARRED QUESTION NO. 628 FOR ANSWER ON 20TH NOVEMBER, 2019.

**Government of India
Ministry of Commerce & Industry
Department for Promotion of Industry and Internal Trade
FDI Policy Section**

Press Note No. 4 (2019 Series)

Subject: Review of Foreign Direct Investment (FDI) policy on various sectors

The Government of India has reviewed the extant FDI policy on various sectors and has made following amendments in the Consolidated FDI Policy Circular of 2017 (**FDI Policy**), effective from August 28, 2017, and as amended from time to time.

2. Coal Mining:

Para 5.2.3.2 of FDI Policy is amended to be read as under:

Sector/Activity	% of Equity/ FDI Cap	Entry Route
<p>5.2.3.2 (1) Coal & Lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities permitted under and subject to the provisions of Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957. (2) Setting up coal processing plants like washeries subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.</p>	100%	Automatic
<p>(3) For sale of coal, coal mining activities including associated processing infrastructure subject to the provisions of Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957 as amended from time to time and other relevant Acts on the subject.</p>	100%	Automatic

Following new Clause 5.2.3.3.2 (iii) is added under other conditions of Para 5.2.3.3.2 of FDI Policy:

“Associated Processing Infrastructure” as contained at Para 5.2.3.2 above includes coal washery, crushing, coal handling, and separation (magnetic and non-magnetic).”

3. **Contract Manufacturing:**

Para 5.2.5.1 of FDI Policy is amended to be read as under:

“Subject to the provisions of the FDI policy, foreign investment in ‘manufacturing’ sector is under automatic route. Manufacturing activities may be either self manufacturing by the investee entity or contract manufacturing in India through a legally tenable contract, whether on Principal to Principal or Principal to Agent basis. Further, a manufacturer is permitted to sell its products manufactured in India through wholesale and/ or retail, including through e-commerce, without Government approval.”

4. **Single Brand Retail Trading**

Para 5.2.15.3 of FDI Policy is amended to read as under:

Sector/Activity	% of Equity/ FDI Cap	Entry Route
Single Brand Product retail trading	100%	Automatic
<p>(1) Foreign Investment in Single Brand Product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.</p> <p>(2) FDI in Single Brand Product retail trading would be subject to the following conditions:</p> <ul style="list-style-type: none">(a) Products to be sold should be of a ‘Single Brand’ only.(b) Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.(c) ‘Single Brand’ product-retail trading would cover only products which are branded during manufacturing.(d) A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake ‘single brand’ product retail trading in the country for the specific brand, either directly by the brand owner or through a legally tenable agreement executed between the Indian entity undertaking single brand retail trading and the brand owner.(e) In respect of proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods procured, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met, in the first instance, as an average of five years’ total value of the goods procured, beginning 1st April of the year of commencement of SBRT business (i.e. opening of first store or start of online retail, whichever is earlier). Thereafter, SBRT entity shall be required to meet the 30% local sourcing norms on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of foreign investment for the purpose of carrying out single-brand product retail trading.(f) For the purpose of meeting local sourcing requirement laid down at para (e) above, all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. SBRT entity is also permitted to set off sourcing of goods from India for global operations against the mandatory sourcing requirement of 30%. For this purpose, ‘sourcing of goods from India for global operations’ shall mean value of goods sourced from India for global operations for that single brand (in INR terms) in a particular financial year directly by the entity undertaking SBRT or its group companies (resident or non-resident), or indirectly by them through a third party under a		

legally tenable agreement.

- (g) An SBRT entity operating through brick and mortar stores can also undertake retail trading through e-commerce. However, retail trading through e-commerce can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within 2 years from date of start of online retail.

Note:

- (i) Conditions mentioned at Para 5.2.15.3 (2) (b) & 5.2.15.3 (2) (d) will not be applicable for undertaking SBRT of Indian brands.
- (ii) Indian brands should be owned and controlled by resident Indian citizens and/or companies which are owned and controlled by resident Indian citizens.
- (iii) Sourcing norms will not be applicable up to three years from commencement of the business i.e. opening of first store or start of online retail, whichever is earlier for entities undertaking single brand retail trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible. Thereafter, provisions of Para 5.2.15.3 (2) (e) will be applicable. A Committee under the Chairmanship of Secretary, DPIIT, with representatives from NITI Aayog, concerned Administrative Ministry and independent technical expert(s) on the subject will examine the claim of applicants on the issue of the products being in the nature of 'state-of-art' and 'cutting-edge' technology where local sourcing is not possible and give recommendations for such relaxation.

5. Digital Media

Following new clause 5.2.7.2.3 is added under para 5.2.7.2 of the FDI policy:

5.2.7.2.3 Uploading/ Streaming of News & Current Affairs through Digital Media	26%	Government
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Existing Para 5.2.7.2.3 shall be renumbered as 5.2.7.2.4

6. The above decision will take effect from the date of FEMA notification.

(Sumita Dawra)

Joint Secretary to the Government of India

DPIIT File No.: 5/3/2019-FDI Policy, dated 18.09.2019

Copy forwarded to:

1. **Press Information Officer, Press Information Bureau-** for giving wide publicity to the above Press Note.
2. **Joint Secretary(I&C), Department of Economic Affairs, North Block, New Delhi**
3. **Reserve Bank of India, Foreign Exchange Department, Mumbai**
4. **NIC Section in the Department for Promotion of Industry and Internal Trade** - for uploading the Press Note on DPIIT's website.
5. **Hindi Section, DPIIT-** for providing Hindi version.

For suitably incorporating the policy changes in Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and the relevant schedules thereof.
