

CMS QUICK REFERENCE GUIDE TO INDIA'S FDI LIMITS¹

| Sector | Limit under Automatic Route | Limit under Government Route | Overview of conditions |
|---|--|--|--|
| BANKING AND FINANCIAL SERVICES | | | |
| <p>Banking (A)</p> <ul style="list-style-type: none"> • credit information companies (“CICs”) | <p>100% FDI is permitted under the Automatic Route</p> | <p>N/A</p> | <p>FDI is subject to the Credit Information Companies (Regulation) Act 2005 and regulatory clearance being obtained from the Reserve Bank of India (“RBI”).</p> <p>FDI by a Foreign Institutional Investor (“FII”) and Foreign Portfolio Investor (“FPI”) is subject to the following conditions:</p> <ul style="list-style-type: none"> • single entities must hold less than 10% of the equity in a CIC; • acquisitions of over 1% of the equity in a CIC should be reported to the RBI; and • FIIs and FPIs investing in CICs may not seek representation on a board of directors based on their shareholdings in the CIC. |
| <p>Banking (B)</p> <ul style="list-style-type: none"> • private sector | <p>FDI of up to 49% is permitted under the Automatic Route</p> | <p>FDI of over 49% and up to 74% is permitted under the Government Route</p> | <p>FDI in a bank (from all sources) may not equal more than 74% of the paid-up share capital of the bank. 26% of the paid-up share capital must be held by Indian residents, except where the bank is a wholly-owned subsidiary of a foreign bank.</p> |

¹ This guide reflects the position as at 24 June 2016. It is intended as a guide only and specific legal advice should be sought. State rules may also apply to investments, together with rules on security clearance and key executives in sectors such as publishing, broadcasting and defence.

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| | | | Other conditions also apply for FIIs, FPIs and non-resident Indians (“NRIs”). |
| Banking (C) <ul style="list-style-type: none"> public sector | N/A | FDI of up to 20% is permitted under the Government Route | <p>FDI is subject to the Banking and Companies (Acquisition and Transfer of Undertakings) Acts 1970 and 1980.</p> <p>The 20% limit under the Government Route is also applicable to FDI in the State Bank of India and associate banks.</p> |
| Financial services <ul style="list-style-type: none"> asset reconstruction companies (“ARCs”) | 100% FDI is permitted under the Automatic Route | N/A | <p>Financial investment in financial services other than those set out in the 2016 Circular will require Government approval.</p> <p>ARCs are those registered with the RBI under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act 2002. FDI in ARCs must comply with this act.</p> <p>Additional limits also apply for FIIs/FPIs which require relevant shareholdings to be below 10% of the paid-up share capital in the ARC and apply to investment in security receipts issued by ARCs by FIIs and FPIs.</p> |

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| Infrastructure companies in the securities market (in compliance with SEBI regulations) <ul style="list-style-type: none"> • stock exchanges; • commodity exchanges; • depositories; and • clearing corporations | FDI of up to 49% is permitted under the Automatic Route | N/A | <p>FII and FPI may only invest through purchases in the secondary market.</p> <p>Investors who are not resident in India may not hold more than 5% of the equity in commodity exchanges.</p> |
| Non-banking finance companies (“NBFCs”) Including industries such as merchant banking, underwriting, portfolio management services etc. | 100% FDI is permitted under the Automatic Route | N/A | Minimum capitalisation norms which are set out in the 2016 Circular apply to FDI in non-banking finance companies. |
| White label ATM operations | 100% FDI is permitted under the Automatic Route | N/A | Non-banking entities looking to establish such companies must have a prescribed net worth and in certain circumstances, capitalisation norms apply. |
| CONSUMER PRODUCTS | | | |
| Trading (A) <ul style="list-style-type: none"> • business to business e-commerce activities | 100% FDI is permitted under the Automatic Route | N/A | FDI is only permitted under the marketplace model of e-commerce. No FDI is permitted under the inventory model and so not in business to consumer e-commerce. |
| Trading (B) <ul style="list-style-type: none"> • cash and carry wholesale trading and wholesale trading (including sourcing from MSEs) | 100% FDI is permitted under the Automatic Route | N/A | <p>The relevant trading licences must be obtained.</p> <p>FDI is subject to sales being made to valid customers and conditions being fulfilled, including entities holding trade licenses, records of trades being</p> |

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| | | | maintained and restrictions on group company sales. |
| Trading (C) <ul style="list-style-type: none"> duty free shops | 100% FDI is permitted under the Automatic Route | N/A | FDI is subject to the Customs Act 1962, alongside other laws and regulations. Duty free entities are prohibited from engaging in retail trading in India’s Domestic Tariff Area. |
| Trading (D) <ul style="list-style-type: none"> food products manufactured or produced in India | N/A | 100% FDI is permitted under the Government Route | Manufacturers are permitted to trade food products manufactured or produced in India, including trading via e-commerce. Applications for FDI in food products will be reviewed by the relevant government department before being submitted for government approval. |
| Trading (E) <ul style="list-style-type: none"> multi brand product retail trading | N/A | FDI of up to 51% is permitted under the Government Route | FDI in multi brand product retail trade is permitted subject to the following conditions: <ul style="list-style-type: none"> fresh agricultural produce may not be branded; minimum FDI limits apply; specifications on the type of investments also apply, with the aim of improving ‘back-end infrastructure’; and at least 30% of the value of goods procured should be sourced from Indian SMEs which satisfy certain criteria; |

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| | | | <ul style="list-style-type: none"> • certification requirements apply; • limits apply on the size of cities in which sales outlets may be established; • the government reserves a right of first procurement for agricultural products; • implementation of the policy will be at a state/union level; and • FDI in e-commerce retail trading is not permissible for multi-brand retail trading. |
| <p>Trading (F)</p> <ul style="list-style-type: none"> • single brand product retail trading | <p>FDI of up to 49% is permitted under the Automatic Route</p> | <p>FDI of over 49% and up to 100% is permitted under the Government Route</p> | <p>The 2016 Circular sets out that the policy behind the limits is based on attracting investment in production and marketing of goods and improving the availability of the goods to the customer, alongside encouraging foreign sourcing of goods from India and improving the competitiveness of Indian businesses through access to global design, technology and management.</p> <p>Conditions apply such as products being of a ‘single brand’ only and of the brand being the same as the one used internationally by the seller. Single brand retail covers only products which are branded during manufacturing.</p> <p>Local sourcing norms (which require foreign investors investing in excess of 51% to source 30% of the value of their goods from India) are relaxed by up to three</p> |

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| | | | <p>years. For entities using ‘state-of-art’ and ‘cutting edge’ technology, these norms have been relaxed for another five years (presumably from the date of the investment, but this remains unclear).</p> <p>The 2016 Circular also contains administrative details for applications under both routes.</p> |
| ENERGY | | | |
| <p>Mining (A) - coal and lignite</p> <ul style="list-style-type: none"> coal and lignite mining for consumption by power projects, iron and steel and cement units; and establishing coal processing plants. | 100% FDI is permitted under the Automatic Route | N/A | FDI limits related to coal processing plants are subject to the condition that the company may not mine for coal or sell washed coal or coal from processing plants on the open market. Companies may not supply coal to companies supplying raw coal to processing plants. |
| <p>Mining (B) - mining and mineral separation of titanium-bearing minerals and ores</p> <ul style="list-style-type: none"> mining and mineral separation of titanium-bearing minerals and ores, attributed value addition and integrated activities | N/A | 100% FDI is permitted under the Government Route | <p>FDI is subject to sectoral regulations and the Mines and Minerals (Development and Regulation Act) 1957.</p> <p>This is subject to a number of other conditions set out in the 2016 Circular which have the objective of ensuring that Indian raw materials are used for establishing down-stream industries and ensuring that internationally available technology is made available.</p> |
| <p>Mining (C) - mining and ore exploration</p> <ul style="list-style-type: none"> diamond, gold, silver and precious ores | 100% FDI is permitted under the Automatic Route | N/A | <p>FDI is subject to the Mines and Minerals (Development and Regulation) Act 1957.</p> <p>This limit excludes titanium-bearing minerals and ores.</p> |

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| <p>Petroleum and natural gas (A) – exploration</p> <ul style="list-style-type: none"> exploring oil and natural gas fields, infrastructure related to marketing petroleum products and natural gas, related product pipelines, LNG regasification infrastructure and petroleum refining in the private sector | 100% FDI is permitted under the Automatic Route | N/A | FDI is subject to existing policy and regulation relating to oil marketing and the policy on private participation in oil exploration and discovery. |
| <p>Petroleum and natural gas (B) – refining</p> <ul style="list-style-type: none"> petroleum refining by Public Sector Undertakings (“PSU”) without any disinvestment or dilution of domestic equity in the existing PSU | 49% FDI is permitted under the Automatic Route | N/A | N/A |
| <p>Power exchanges</p> | FDI of up to 49% is permitted under the Automatic Route | N/A | <p>FII/FPI purchases are restricted to the secondary market.</p> <p>Non-resident investors and entities (including persons acting in concert) may not hold more than 5% of the equity in power exchanges.</p> <p>FDI is subject to applicable laws and regulations.</p> |

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| INFRASTRUCTURE PROJECT FINANCE | | | |
| <p>Civil aviation (A) - air transport services</p> <ul style="list-style-type: none"> • non-scheduled air transport services; and • helicopter services/seaplane services requiring DGCA approval | <p>100% FDI is permitted under the Automatic Route</p> | <p>N/A</p> | <p>Foreign entities are permitted to acquire equity in companies operating cargo airlines, helicopter and seaplane services.</p> <p>Foreign entities may invest in Indian companies operating scheduled and non-scheduled air transport services up to the limit of 49% of their paid-up capital subject to a number of specific conditions.</p> <p>FDI is subject to sectoral regulations and security clearance.</p> |
| <p>Civil aviation (B) - air transport services</p> <ul style="list-style-type: none"> • scheduled air transport services/domestic scheduled passenger airlines; and • regional air transport services | <p>FDI of up to 49% is permitted under the Automatic Route</p> <p>For NRIs, FDI of up to 100% is permitted under the Automatic Route</p> | <p>FDI of over 49% and up to 100% is permitted under the Government Route</p> | <p>Foreign entities are permitted to acquire equity in companies operating cargo airlines, helicopter and seaplane services.</p> <p>Foreign entities may invest in Indian companies operating scheduled and non-scheduled air transport services up to the limit of 49% of their paid-up capital subject to a number of specific conditions.</p> <p>FDI is subject to sectoral regulations and security clearance.</p> |

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| Civil aviation (C) - airports <ul style="list-style-type: none"> existing projects | 100% FDI is permitted under the Automatic Route | N/A | <p>Foreign entities may acquire equity in companies operating cargo airlines, helicopter and seaplanes services.</p> <p>FDI is subject to sectoral regulations and security clearance.</p> |
| Civil aviation (D) – airports <ul style="list-style-type: none"> greenfield projects | 100% FDI is permitted under the Automatic Route | N/A | <p>Foreign entities are permitted to acquire equity in companies operating cargo airlines, helicopter and seaplane services.</p> <p>FDI is subject to sectoral regulations and security clearance.</p> |
| Civil aviation (E) - other <ul style="list-style-type: none"> ground handling services; and maintenance and repair organisations, flight and technical training institutions | 100% FDI is permitted under the Automatic Route | N/A | <p>Foreign entities are permitted to acquire equity in companies operating cargo airlines, helicopter and seaplane services.</p> <p>FDI is subject to sectoral regulations and security clearance.</p> |
| Construction development - towns, housing and infrastructure <ul style="list-style-type: none"> construction projects (which includes the development of towns, residential and commercial premises, roads, bridges, hotels, resorts, hospitals, educational institutions, recreational facilities and city and regional infrastructure) | 100% FDI is permitted under the Automatic Route | N/A | <p>Each phase of a construction project is regarded as separate for FDI purposes.</p> <p>A number of conditions for FDI are set out in the 2016 Circular which seek to protect the Indian construction sector from transient FDI resulting in unfinished construction projects and poor standards. For example:</p> <ul style="list-style-type: none"> investors may exit on completion of projects or after infrastructure such as roads, water, lighting |

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| | | | <p>and drainage have been established. However, the foreign investor may exit before completion provided a lock-in period of three years has been met;</p> <ul style="list-style-type: none"> • projects must be in line with standards such as land use requirements and the provision of common facilities and community amenities set out in applicable regulations; and • Indian investee companies may only sell developed plot and will be responsible for obtaining approvals. |
| <p>Industrial parks</p> <ul style="list-style-type: none"> • new and existing industrial parks | <p>100% FDI is permitted under the Automatic Route</p> | <p>N/A</p> | <p>A number of other conditions on FDI are set out in the 2016 Circular.</p> |
| <p>Railway infrastructure</p> <ul style="list-style-type: none"> • construction, operation and maintenance of a number of railway projects, lines, trains, terminals and infrastructure | <p>100% FDI is permitted under the Automatic Route</p> | <p>N/A</p> | <p>FDI is subject to the guidelines of the Ministry of Railways.</p> <p>Where FDI of above 49% is proposed, the Ministry of Railways may bring the case before the Cabinet Committee on Security for consideration.</p> |

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| INSURANCE | | | |
| <p>Insurance</p> <ul style="list-style-type: none"> • insurance companies; • insurance brokers; • third party administrators; • surveyors and loss assessors; and • other insurance intermediaries (appointed under the Insurance Regulatory and Development Authority Act 1999) <p>together, “Insurance Companies”</p> | <p>FDI of up to 49% is permitted under the Automatic Route</p> | <p>N/A</p> | <p>FDI in Insurance Companies is subject to the approval and licencing of the Insurance Regulatory and Development Authority of India, compliance with the Insurance Act 1938.</p> <p>FDI (including portfolio investors) in an Indian Insurance Company (from all sources) may not equal more than 49% of the paid-up share capital of the Insurance Company. Control of the company must stay with resident Indian entities and foreign portfolio investment in Insurance Companies is subject to a number of regulations.</p> <p>Increase in FDI in an Insurance Company must be in accordance with RBI pricing guidelines.</p> <p>Entities which function as insurance intermediaries (where their primary business is outside of the insurance industry) must comply with FDI limits in the primary industry, subject to the condition that revenues from the primary industry are above 50% of their total annual revenue.</p> |

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| LIFESCIENCES | | | |
| <p>Agriculture and animal breeding</p> <ul style="list-style-type: none"> flowers, plants, bees, vegetables and mushrooms (under ‘controlled conditions’); the development and production of seeds and planting materials; breeding animals including fish; and services related to agriculture and related sectors | <p><i>100% FDI is permitted under the Automatic Route</i></p> | <p>N/A</p> | <p>The 100% FDI limit under the Automatic Route is subject to a number of ‘controlled conditions’ where stated². These have been significantly reduced and now only apply to activities relating to flowers, plants, bees, vegetables and mushrooms, where the atmosphere is artificially regulated.</p> |
| <p>Pharmaceuticals (A)</p> <ul style="list-style-type: none"> brownfield pharmaceuticals | <p>FDI of up to 74% is permitted under the Automatic Route</p> | <p>FDI of over 74% and up to 100% is permitted under the Government Route</p> | <p>Non-compete clauses are not permitted other than with the approval of the Foreign Investment Promotion Board. The 2016 Circular also contains administrative details for applications.</p> <p>Further conditions may be applied by the government prior to approval of the FDI application.</p> <p>FDI is subject to additional conditions including:</p> <ul style="list-style-type: none"> the level of production and domestic supply of drugs on the national list of essential medicines being maintained at a specific level; research and development expenses being |

² For further information on the ‘controlled conditions’, please refer to the Indian Ministry of Commerce and Industry’s Consolidated FDI Policy Circular of 2016 (the “**2016 Circular**”) and the associated press releases dealing with FDI.

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| | | | <p>maintained at a specific level; and</p> <ul style="list-style-type: none"> provision of information regarding FDI and the transfer of technology to the relevant administrative department. |
| <p>Pharmaceuticals (B)</p> <ul style="list-style-type: none"> greenfield pharmaceuticals | <p>100% FDI is permitted under the Automatic Route (including for manufacturing medical devices)</p> | <p>N/A</p> | <p>Non-compete clauses are not permitted other than with the approval of the Foreign Investment Promotion Board. The 2016 Circular also contains administrative details for applications.</p> |
| <p>Pharmaceuticals (C)</p> <ul style="list-style-type: none"> manufacturing medical devices | <p>FDI of 100% is permitted under the Automatic Route</p> | <p>N/A</p> | <p>N/A</p> |
| <p>Plantations</p> <ul style="list-style-type: none"> plantations of tea, coffee, rubber, cardamom, palm oil and olive trees | <p>100% FDI is permitted under the Automatic Route</p> | <p>N/A</p> | <p>The prior approval of the relevant State Government is required in the event of a change of future land use.</p> |
| OTHER | | | |
| <p>Defence industry</p> | <p>FDI of up to 49% is permitted under the Automatic Route</p> | <p>FDI of over 49% and up to 100% is permitted on a ‘case by case basis’ under the Government Route</p> | <p>FDI is subject to the requirement to obtain an industrial licence under the Industries (Development and Regulation) Act 1951, security clearance and guidelines of the Ministry of Defence.</p> <p>FDI of less than 50% in a company which has not sought an industrial license where a change of</p> |

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| | | | <p>ownership or the transfer of a stake to a new foreign investor occurs will require Government approval.</p> <p>Under the Government Route, FDI of over 49% is permitted where likely to result in access to modern technology (or for other reasons to be recorded).</p> <p>Manufacturing certain small arms and ammunitions is now subject to the FDI rules.</p> |
| Manufacturing | Manufacturing | 100% FDI is permitted under the Automatic Route | Manufacturers may sell products which are manufactured in India via wholesale or retail trading, including e-commerce, without Government approval. |
| Private security agencies | FDI of up to 49% is permitted under the Automatic Route | FDI of over 49% and up to 74% is permitted under the Government Route | FDI is subject to compliance with the Private Security Agencies (Regulation) (PSAR) Act 2005. |
| PENSIONS | | | |
| Pensions | FDI of up to 49% is permitted under the Automatic Route | N/A | <p>FDI is subject to the Pension Fund Regulatory and Development Authority Act 2013 and the necessary regulatory approvals and regulations.</p> <p>Approvals are required to be obtained by Indian investee pension fund companies where FDI involves the foreign investor gaining control or ownership of the fund in a number of ways.</p> |

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| TMC | | | |
| <p>Broadcasting carriage services</p> <ul style="list-style-type: none"> • HUBs and/or teleports; • direct to home connections; • cable networks including multi system operators operating at national, state or district level which are upgrading networks for digitalisation; • mobile TV; • HITS broadcasting services; and • cable networks including multi system operators which are not upgrading networks for digitalisation and local cable operators | 100% FDI is permitted under the Automatic Route | N/A | FDI of over 49% in a company which has not sought a licence or permission from the relevant government ministry but where there is a change of ownership or the transfer of a stake to a new foreign investor will require Government approval. |
| <p>Broadcasting content services (A) - news and current affairs TV</p> <ul style="list-style-type: none"> • up-linking ‘news and current affairs’ TV channels | N/A | FDI of up to 49% is permitted under the Government Route | FDI is subject to the terms and conditions of the Ministry of Information and Broadcasting. Further detailed guidelines on the broadcasting sector are contained in the 2016 Circular. |
| <p>Broadcasting content services (B) - non-news and current affairs TV/down-linking</p> <ul style="list-style-type: none"> • up-linking non ‘news and current affairs’ TV channels and down-linking TV channels | 100% FDI is permitted under the Automatic Route | N/A | FDI is subject to the terms and conditions of the Ministry of Information and Broadcasting. Further detailed guidelines on the broadcasting sector are contained in the 2016 Circular. |

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| Broadcasting content services (C) - terrestrial broadcasting <ul style="list-style-type: none"> establishing terrestrial broadcasting FM radio stations | N/A | FDI of up to 49% is permitted under the Government Route | <p>FDI is subject to the terms and conditions of the Ministry of Information and Broadcasting.</p> <p>Further detailed guidelines on the broadcasting sector are contained in the 2016 Circular.</p> |
| Print media (A) - magazines <ul style="list-style-type: none"> publishing and printing scientific and technical magazines, journals and periodicals | N/A | FDI of up to 100% is permitted under the Government Route | FDI is subject to compliance with laws and guidelines issued by the Ministry of Information and Broadcasting. |
| Print media (B) –magazines (foreign) <ul style="list-style-type: none"> publishing Indian editions of foreign magazines dealing with news and current affairs | N/A | FDI of up to 26% is permitted under the Government Route | <p>A magazine is defined as a periodical publication brought out on a non-daily basis, containing public news or comments on public news.</p> <p>FDI is subject to the Guidelines for Publication of Indian editions of foreign magazines issued by the Ministry of Information and Broadcasting.</p> |
| Print media (C) - newspapers <ul style="list-style-type: none"> publishing current affairs newspapers and periodicals | N/A | FDI of up to 26% is permitted under the Government Route | FDI is subject to the Guidelines for Publication of Indian editions of foreign magazines issued by the Ministry of Information and Broadcasting. |
| Print media (D) – newspapers (foreign) <ul style="list-style-type: none"> publishing reproductions of foreign newspapers | N/A | FDI of up to 100% is permitted under the Government Route | <p>FDI should be made by the owner of the foreign newspaper intending to publish reproductions in India. The publishing entity should be incorporated or registered in India.</p> <p>FDI is subject to compliance with laws and guidelines issued by the Ministry of Information and</p> |

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| | | | Broadcasting. |
| Satellites - establishment and operation <ul style="list-style-type: none"> establishment and operation of satellites | N/A | 100% FDI is permitted under the Government Route | FDI is subject to the sectoral guidelines of the Department of Space/ISRO |
| Telecom services <ul style="list-style-type: none"> all telecom services including telecom infrastructure providers, PMRTS services, GMPCS services ISP licenses, voice mail, mobile number portability services etc. | FDI of up to 49% is permitted under the Automatic Route | FDI of over 49% and up to 100% is permitted under the Government Route | FDI is subject to licensing and security conditions by the licensee and investors in accordance with the Department of Telecommunications. Other service providers are permitted to undertake 100% FDI under the Automatic Route. |

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