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| 1 | Sector: | All Sectors |
| | Sub-Sector: | |
| | Industry Classification: | |
| | Type of Reservation: | National Treatment (Article 85)<br><br>Most-Favoured-Nation Treatment (Article 86) |
| | Measures: | Article 73 of the Constitution of India read with Article 246 of the Constitution of India.<br><br>Foreign Exchange Management Act, 1999 and all regulations/rules/orders issued thereunder.<br><br>Press Notes and Circulars on FDI Policy issued by the Central Government.<br><br>The Companies Act, 1956 and all regulations/rules/orders issued thereunder.<br><br>Indian company means a company incorporated in India under the Indian Companies Act, 1956. |
| | Description: | A person resident outside India, including an entity incorporated outside India, can purchase shares of an Indian company under the FDI Scheme.<br><br>There are separate regulatory treatment provided to Foreign Institutional Investors (FIIs) and Venture Capital Funds in relation to investment in Indian Companies, which may be modified from time to time.<br><br>FDI is not permitted in Indian partnerships and any association of persons (which would include societies and trusts) except upon obtaining the prior consent of the Reserve Bank of India for such investment.<br><br>When the total holdings of FIIs/Non Resident Indians (NRIs) under the Scheme reach the trigger limit, which is 2 percent below the applicable limit (for companies with paid-up capital of Rs. 1000 crores and above, the trigger limit is 0.5 percent below the applicable limit), Reserve Bank will issue a notice to all designated branches of banks cautioning that any further purchases of shares of the particular Indian company will require prior approval of Reserve Bank. Reserve Bank gives case-by-case approvals to FIIs for purchase of shares of companies included in the Caution List. This is done on a first-come-first-served basis. Once the shareholding by FIIs/NRIs reaches the overall ceiling/sectoral cap/statutory limit, Reserve Bank puts the company on the Ban List. Once a company is placed on the Ban List, no FII or NRI can purchase the shares of the company under the Portfolio Investment Scheme. |