



PHARMACEUTICALS EXPORT PROMOTION COUNCIL
(Set up by Ministry of Commerce & Industry, Govt., of India)

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Dated: 1st Apr 2011

Centre opens FDI doors, announces flexible norms: Promoters Can No Longer Block Foreign Allys India Re- entry:

New Delhi:

One of the last remnants of government stranglehold on foreign direct investment (FDI) was removed on Thursday with the industry department doing away with the need for overseas investors to get a no-objection from their JV partner before venturing out on their own or roping in another local ally.

The same rules would also apply to technical collaborations that take place in the same sphere of activity. "There is a need to attract fresh investment and technology inflows into the country, as also to reduce the levels of state intervention in the commercial sphere. It is expected that this measure will promote the competitiveness of India as an investment destination and be instrumental in attracting higher levels of FDI and technology inflows into the country," a statement from the industry department that administers the FDI regime said. The government also decided to treat ICICI Bank and HDFC Bank as foreign owned Indian banks while easing the norms for pricing of convertible shares and bonds. Further, the Consolidated FDI circular issued by the industry department said companies would get a liberal regime in conversion of noncash such as machinery and pre-incorporation expenses, including rent into equity. According to the existing dispensation, only external commercial borrowings, or lump sum fee, or royalty can be converted into equity.



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In case of convertibles, companies can fix the issue price on the issue date itself. “Instead of specifying the price of convertible instruments upfront, companies will now have the option of prescribing a conversion formula, subject to the FEMA/ SEBI guidelines on pricing,” the circular said.

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