

“FOREIGN DIRECT INVESTMENT (FDI) in INDIA”: A SHORT SUMMARY

“The world has acknowledged the arrival of India. We no longer discuss the future of India; we say the future is India”- Minister for Commerce and Industry, India, 2004

At the time of independence in 1947 the small industrial base of India was dominated by the private foreign capital, concentrated mostly in extractive industries and trade, and managed by expatriates. The Industrial Policy Resolution of 1948 was formulated to promote the Indian industries which were heavily restrictive with majority foreign equity permitted only in a handful of export-oriented, high technology industries.

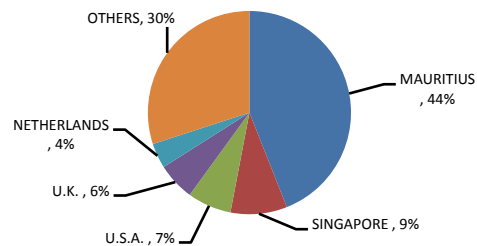
The year 1991 marked a key transition in India’s foreign investment policy. The transformation was induced by the government’s decision to open up certain sectors for FDI. The sectors approved upon for the investment were where advanced technology could make a significant difference to industrial capacities and competitiveness. The two routes for foreign investments were approved by government, I) Automatic route and II) Government route.

Sectors opened to FDI included machineries sector, processed food, oil extraction, cement, metallurgical industries, chemical, ceramics, paper, fibers, pharmaceuticals, fertilizers, automobiles & auto components, electrical equipment, hotels & tourism and software. Through progressive de-licensing and continuous regulatory reforms, the FDI ceiling which was initially capped at 51%, was subsequently increased to 100% for sectors like power, infrastructure and construction including maintenance of roads, highways, vehicular bridges, toll roads, vehicular tunnels, ports and harbours. However in sectors like gambling, lottery, atomic energy, agriculture (with

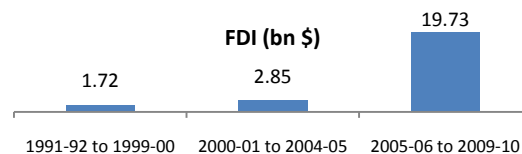
exceptions) and housing (with exceptions), FDI is still prohibited.

Top Investing Countries

The top 5 countries which had the highest share of FDI equity in India from 2000 to 2009¹ are:



The volume-wise breakup of FDI across the past two decades is²:



The sudden increase in FDI in 2005-06 is due to the fact that the government approved 100% FDI under the automatic route in townships, housing, built-up and construction development projects.

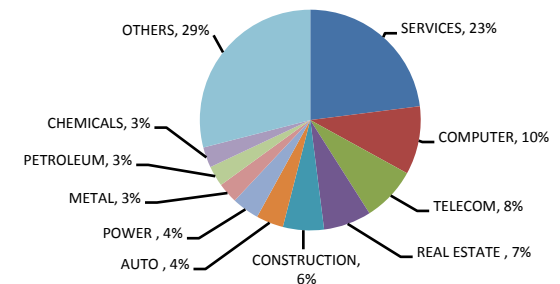
¹ www.startbizindia.in/india_fdi_trend.php#4

² K.S. Chalapati Rao & Biswajit Dhar, ISID, Working Paper February 2011

The year 2005 also witnessed the enactment of the Special Economic Zones (SEZ) Act which led to increase in the number of infrastructure projects.

Growth Sectors

The top 10 sectors which have attracted the highest FDI from 2000 to 2009¹ are:



FDI in Retail

In 2011, Committee of Secretaries (CoS) Government of India proposed 51 per cent FDI in multi-brand retail with the condition of mandatory 50 per cent investment in backend infrastructure and minimum investment of \$100 million. This presents a great opportunity for the multi brand retails to tap the billion consumer’s untapped market. Additionally excellent opportunities would rise for the warehousing, cold storage, transportation and logistics services companies which all are part of the supply chain network which is a pivotal part of the retail sector and require significant improvements in India.

Future

As per the UNCTAD report 2008 India is the second most-preferred global location for foreign investment after China. Foreign direct investment (FDI) inflows into the country

show the robustness of, and trust of investors in the, growing economy of India despite the global financial crisis. The growth has been attributed to opening up of telecommunications, single-brand retail, as well as increasing cross-border merger and acquisitions. With the

approval of FDI in the retail sector underway, India presents tremendous prospects for the foreign investors. India has the manufacturing and engineering capabilities and it has a pool of skilled expertise, and its size offers it a strategic advantage for serving markets across the globe.

LATEST OPPORTUNITIES in INDIA

S.NO.	OPPORTUNITY	SECTOR	DEADLINE	REMARK
1	Development of "Personal Rapid Transit System at Amritsar" on Public Private Partnership Format	Infrastructure	09-Sep-11	Punjab Industrial Development Board (PIDB)
2	Request for Qualification for Operate, Maintain and Transfer (OMT) for 21 National Highway Projects	Infrastructure	09-Sep-11	National Highways Authority of India (NHAI)
3	Providing Consultancy services in tendering process for Construction of 40 MGD Water Reclamation Plant Treated Water Pumping Station	Clean-Tech	12-Sep-11	Delhi Jal Board
4	Sealed tenders (Technical & Financial) for Tunnel Design Consultancy, Site Service and 3D Monitoring of between Katra - Dharam Section of USBRL Project, in State of Jammu & Kashmir, India.	Infrastructure	16-Sep-11	Konkan Railways
5	Global notice inviting bids for Design, Engineering, Manufacture, Supply, Erection and Commissioning of a Paper Machine	Engineering	22-Sep-11	Hindustan Newsprint Limited
6	Request for Proposal for conducting pre-feasibility study for high speed rail corridor between Chennai - Bengaluru -Coimbatore – Ernakulum	Infrastructure	22-Sep-11	IRCON
7	Tenders are Invited for Supply of Shoulder three Ballast Cleaning Machines	Engineering	23-Sep-11	Ministry of Railways

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