OCTOBER, 2016

MAHESWARI & CO

Advocates & Legal Consultants

NEWSLETTER

HOISTING THE FOREIGN INVESTMENT

The Central Bank has allowed *100%* foreign investment through automatic route to regulated financial services companies, other than banks or insurance companies, and simplified rules for easier entry of venture capital funds to start-up ventures.

India witnessed a 28% rise in FDI to $44.20 billion in 2015. A ***'United Nation Report'*** said FDI flows to India might cross $60 billion this year with liberalized Foreign Investment Regulations.

To revitalize the inflows, RBI has allowed foreign investment up to 100% under the automatic route in other financial services, *which includes*, activities that are regulated by any financial sector regulator like RBI, Securities& Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority.

RBI said that in financial services activities which are not regulated or partly regulated or where there is lack of clarity regarding regulatory oversight, foreign investment will be allowed up to 100% under the Governmental approval route.

NO PRIOR PERMISSION FOR FVCIs

The Central Bank has said that ***Foreign Venture Capital Investors*** *(FVCIs)* can invest in Indian startups without prior permission of the RBI. The investors will be allowed to invest in equity or equity linked instrument or debt instrument issued by an Indian company whose shares are not listed on a recognized stock exchange.

FVCI will be allowed to invest in *startups* under following ten (10) sectors:

- Biotechnology
- IT related to hardware and software development
- Nanotechnology
- Seed research and development
- Research and development of new chemical entities in Pharma
- Dairy Industry
- Poultry Industry
- Production of Biofuels
- Hotel and Convention centres
- Infrastructure Segment

This applies to all FVCIs registered under ***the Securities and Exchange Board of India (FVCI) Regulations, 2000.***

There will be no restriction on transfer of any security/instrument held by the FVCI to any person resident in or outside India. A startup receiving investment directly from a registered FVCI will be required to report the investment in form FCGPR. The RBI mentions that changes are being made to the e-biz portal and separate instructions will be provided on completion, enabling reporting online.

<u>FDI IN INDIAN BROADCASTING SECTOR</u>

Department of Industrial Policy and Promotions has significantly opened up the sector for FDI in Broadcasting Sector and now up to 100% FDI is allowed in Teleports DTH, Cable Networks *[Multi System Operators (MSOs) undertaking upgradation of networks towards digitalization and addressability]*, Mobile TV, Headend in the Sky and in Cable Networks comprising of other MSO's not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators.

FDI up to 49% by way of Government route is permitted in the Broadcasting Content Services in case of Terrestrial Broadcasting FM *(FM radio)* and in Up-linking of ***'News and Current affairs***' TV channels.

FDI up to 100% under automatic route is permitted in Up-linking of 'Non-News and Current Affairs' TV channels.

Foreign Investment Promotion Board (FIPB) approval however, is required in situations where the license already exists in the Company and it is going for either foreign investment resulting in change in the ownership pattern, or where there is transfer of stake by existing investor to a new foreign investor.

ESPAUSALING OF GST TAX

Asserting that, India has shown that progress on reforms could initiate business investment, **as per the International Monetary Fund** (IMF), the adoption of Goods and Services tax (GST) is poised to enhance the country's medium-term growth. The IMF said in its latest Asia Pacific Regional economic streamlined that-

'*India's strong reform push in 2016 is welcome and should continue apace'.*

Greater labour market flexibility and product market competition remain essential to create jobs and raise growth. It said that priorities also include effective implementation of the new corporate debt restructuring mechanisms. The IMF posited, *as shown by India,* progress on reforms could initiate business investment, including already strong FDI inflows, which will further increase domestic demand.

Over the medium term, a number of Asian economies stand to benefit from a demographic dividend, as the working-age population in some economies like India and Indonesia continues to grow, potentially helping sustain strong potential growth.

The IMF said India's growth has continued to benefit from the large improvement in terms of trade, positive policy actions, including implementation of key structural reforms, gradual reduction of supply-side constraints, and an enhancement in confidence.

Corporate Office

B-7/1, Safdarjung Enclave Extn.

New Delhi – 110029, India

T. +91 11 26101906, 41354615

F. +91 11 26171201

E. info@maheshwariandco.com

Mumbai

Level 8, Vibgyor Towers, C-62

Block-G, Bandra Kurla Complex

Mumbai – 400098, India

T. +91 22 40907271

Lucknow

IInd Floor, YMCA Complex

13 Rana Pratap Marg,

Lucknow – 226001

Uttar Pradesh

T. +91 522 2209390

F. +91 522 2209749

Network Offices

Bangalore | Chennai | Hyderabad | Pune | Kolkata

www.maheshwarianco.com