FDI boosters on cards

The government is considering a series of measures to liberalise the country's foreign direct investment (FDI) policy.

As part of this, it is looking at permitting 26 per cent FDI in insurance broking through the automatic route, which would mean a nod from the Foreign Investment Promotion Board (FIPB) would not be necessary.

The Department of Economic Affairs has also suggested that activities covered under the non-banking financial company list be enlarged to include financial services such as insurance agencies and services auxiliary to insurance. It is also seeking to allow up to 100 per cent FDI in commodity broking under the automatic route, subject to certain capitalisation norms.

Many of these proposals would be incorporated in the consolidated FDI policy, which is modified every six months. The latest version is expected soon.

In a major boost to FDI in wholesale retailing, the government is set to clarify the definition of a group company. Under the definition, group companies would mean two or more enterprises that directly or indirectly are in a position to exercise 26 per cent or more of the voting rights of another company, or can appoint more than 50 per cent of the members of the board of directors.

Walmart had approached the government for a clarification on the definition of what constituted a group.

The government had earlier scrutinised the relationship between Bharti Walmart — a 50-50 joint venture for cash-and-carry between the Bharti group and Walmart — and Bharti Retail — a wholly owned front-end retail company of the Bharti group.

Branded international retail stores in the fashion and jewellery businesses have been stymied from setting up stores through the single-brand retailing window due to a clause that makes it mandatory for these to sell only those products "which are branded during manufacture". The government is planning to put a clarificatory guideline exempting such firms from this rider.

The government is also looking at permitting a foreign company that has picked up the entire stake in a pharma company to make additional investment through the automatic route, but with a few riders. It can now infuse fresh capital or convert external commercial borrowing in the Indian company into equity without going to the FIPB every time. But the money invested must not be used for acquisition of a domestic pharma company.

(Business Standard)