



## **Session 4: Attracting sustainable FDI in Strategic Sectors**

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# Strong Investment Destination

*“India’s growth rate is expected to rise from 6.7 percent in 2017 to 7.3 percent in 2018 and 7.5 percent in 2019, as drags from the currency exchange initiative and the introduction of the goods and services tax fade.” - World Economic Outlook Update, July 2018*

**Key trends in 2017 in Asia-Pacific** – India is at second place with a total of 637 projects in 2017. India topped the table for job creation in 2017, with 161,445 jobs announced. – **The FDI Report 2018, Global Greenfield Investment Trends, FDI Intelligence**

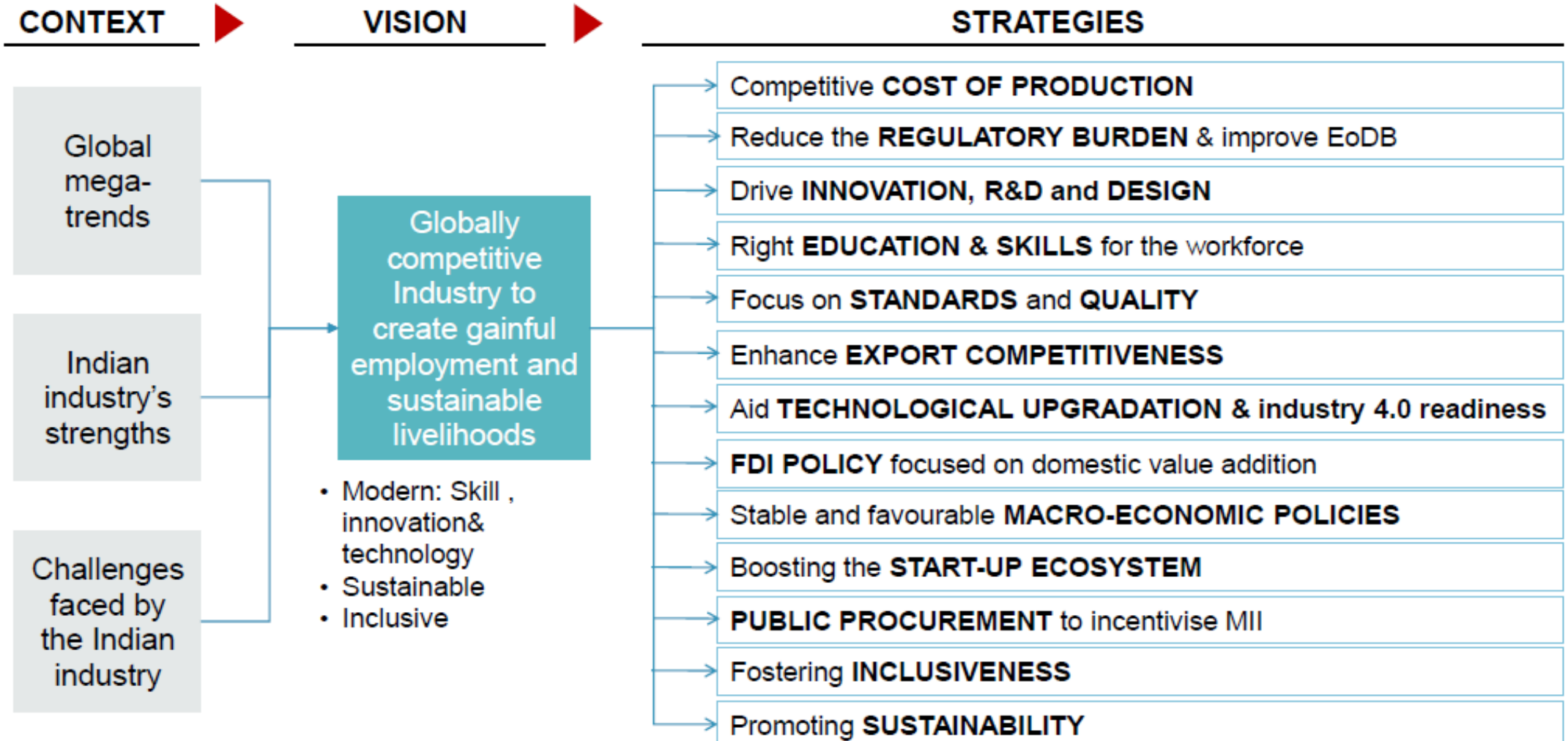
*“... The IMF projects India’s economy will grow by 7.4% in 2018, the fastest growth rate of any major economy. ..”*

*....India ranks 11<sup>th</sup> in this year’s index, holding its position as the **second-highest ranking emerging market**.....Investors based in the Americas and in the industry sector rank India the highest in terms of their intention to invest there. This confidence may be a result of the government’s ‘Make in India’ initiative, which aims to boost investment in India’s manufacturing sector as well as its pursuit of closer ties with the United States....Strong economic performance and the sheer size of the Indian market are also likely to attract investors. **Inward FDI flows already increased to an estimated \$45 billion in 2017, a record high.** Japan, the United States, the United Kingdom, and Singapore consistently serve as large sources of FDI for India. And the country’s service sector is a target of particular interest for investors, with the government’s Economic Survey 2017-2018 noting that inward FDI to the service sector will grow by 15 percent from 2017-2018...” – **The 2018 A.T. Kearney FDI Confidence Index***

# Transformative ongoing initiatives

Preferred manufacturing destination			
Ease of Doing Business			
Entrepreneurship			
Skills & Innovation			
Inclusiveness			
Sustainability			

# Vision & Strategies



# Vision & Goals

**To create a globally competitive Indian industry which generates gainful employment and sustainable livelihoods.**

It entails creating industry that is

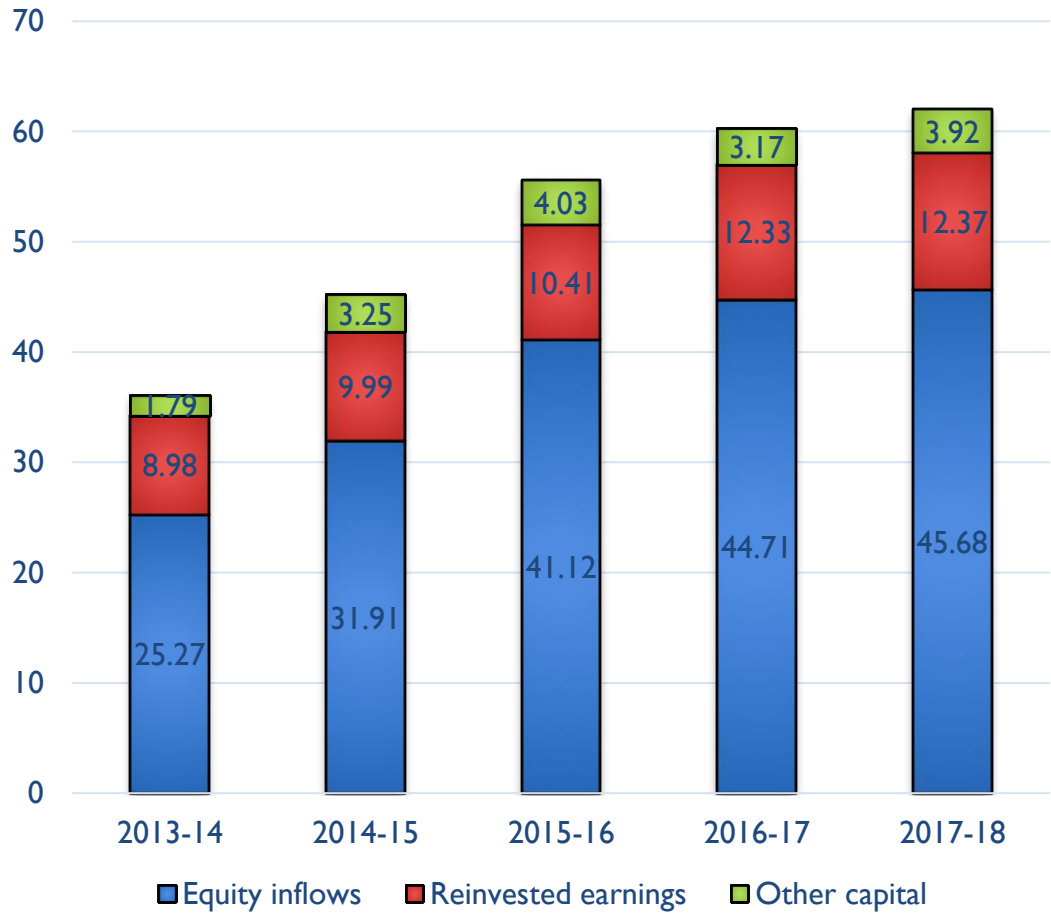
- ✓ Modern – equipped with skill, innovation and technology;
- ✓ Sustainable – financially viable and environment friendly; and
- ✓ Inclusive – benefits are shared by all sections

## **Goals**

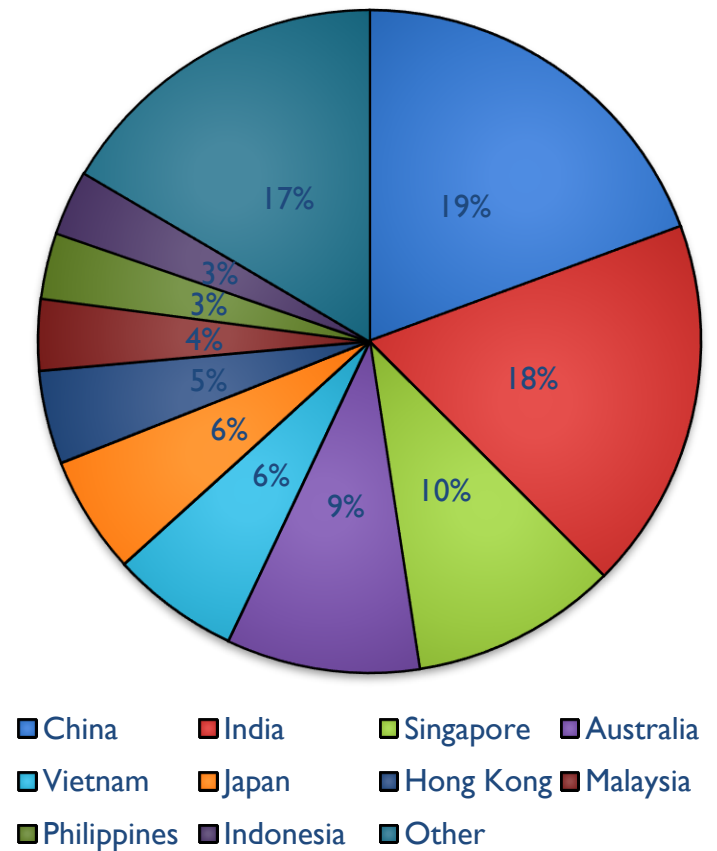
- Create employment and livelihood for the Indian workforce
- Increase technological depth and innovation
- Integrate Indian firms into global value chains  
Scale up small businesses
- Enhance sustainability
- Promote inclusion

# FDI Inflow trend

**FDI into India** *Source: DIPP (In USD Billion)*

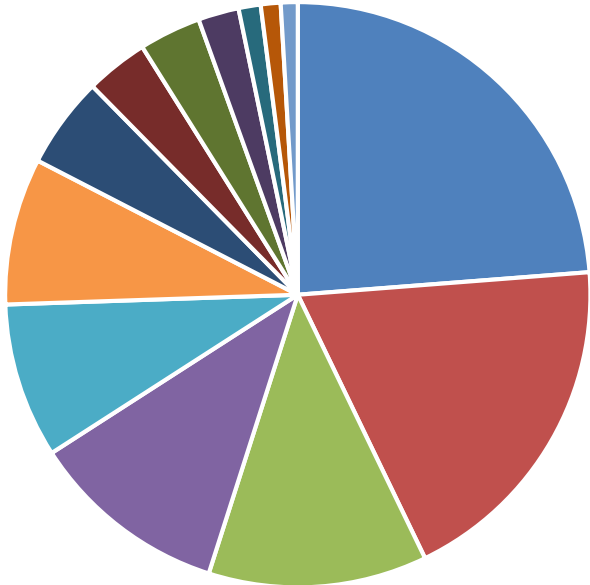


**FDI into Asia Pacific in 2017 (project numbers)**



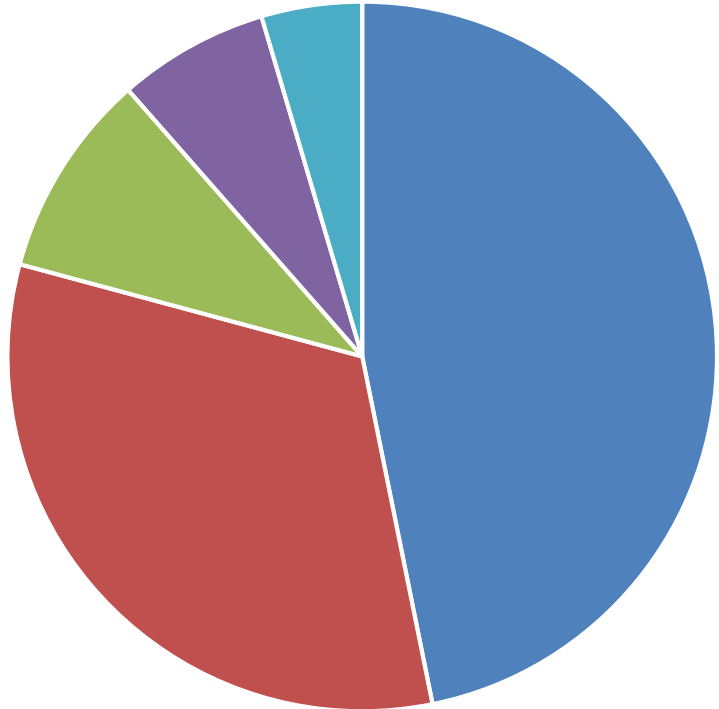
# FDI Inflow trend...Contd.

Sector wise FDI trend in 2017-18



- Communication services
- Manufacturing
- Retail & Wholesale trade
- Financial services
- Computer services
- Business services
- Electricity
- Construction
- Transport
- Miscellaneous services
- Restaurants & Hotels
- Real Estate activities
- Educations, R&D

Top FDI source destinations in 2017-18



- Mauritius
- Singapore
- Netherlands
- USA
- Japan

# Global FDI trend

Global FDI flows fell by 23% to \$1.43 trillion

FDI flows to developing economies remained stable at \$671 billion

FDI flows to developed economies fell sharply by 37% to \$712 billion

FDI flows to transition economies declined by 27% to \$47 billion



# FDI Regulatory Framework: Overview

- FDI Policy has been liberalized progressively through review of the policy on an ongoing basis.

Automatic route	Government route
FDI up to 100% is allowed under the automatic route in most sectors/activities. FDI under automatic route does not require prior approval either by the Government of India or the Reserve Bank of India (RBI). Investors are only required to notify and file documents with the RBI.	Prior Government approval is required for foreign investment. Applications for FDI proposals are considered and approved by the concerned sectoral Ministry/Department within the prescribed timelines through the Foreign Investment Facilitation Portal (FIFP) - new online single point interface between the Government and Investors.

- FDI Policy also prescribes: (i) prohibited sectors/activities; and (ii) sector specific entry caps and conditionalities for foreign investment. In unlisted sectors/activities, FDI is permitted up to 100% on the automatic route, subject to applicable laws/regulations, security and other conditionalities.
- **FDI in over 90% sectors/activities is under automatic route**

# FDI Attractiveness of Strategic Sectors

## Education

- 100% FDI is allowed under automatic route

## Renewable Energy

- 100% FDI is allowed under automatic route

## Construction

- 100% FDI is allowed under automatic route in construction development (townships, housing, built-up infrastructure) subject to certain conditions

# FDI Attractiveness of Strategic Sectors..Contd.

## Infrastructure

- FDI is permitted in investment vehicles such as SEBI registered Infrastructure Investment trusts, real estate investment trusts and Alternative Investment Trusts. Relaxed norms for FVCI investments.

## Start-Ups

- Relaxed regulatory regime for Start-ups. In 2017, Government has allowed FDI through convertible notes for start-ups

## Pharmaceuticals

- Sectoral cap in brownfield Sector has been relaxed. Now, in Brownfield Pharma sector, 74% FDI is allowed on automatic route and beyond it to 100% on approval route.

# Other Policy Reforms

Foreign Investment Promotion Board has been abolished and FDI approval process has been assigned to sector administrative Ministries/Department

100% FDI under automatic route is now allowed in investing companies registered with the RBI

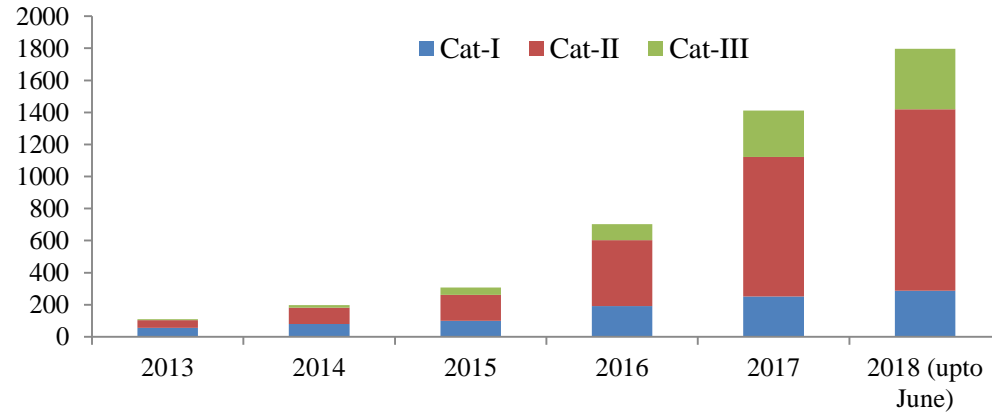
100% FDI under automatic route is allowed in regulated 'other financial services'

FII/FPIs allowed to invest in Power Exchanges through primary market in addition to secondary market

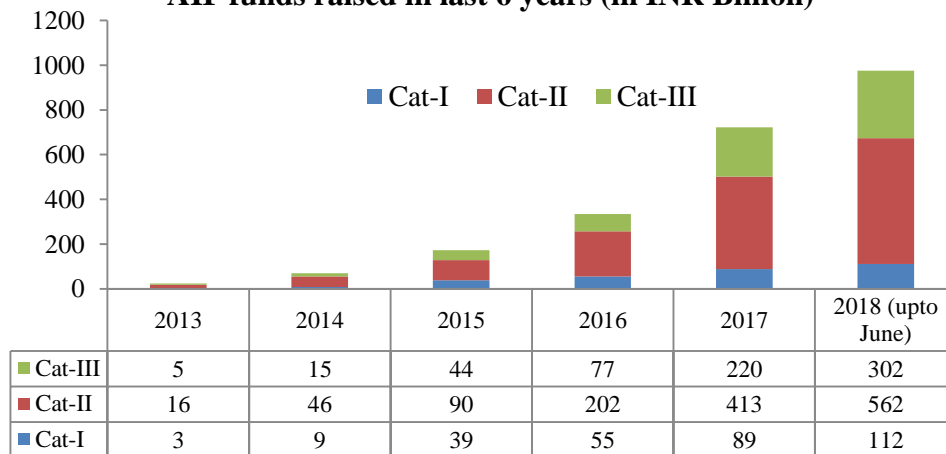
100% FDI is allowed in Single Brand Retail Trading under automatic route now and local sourcing norms have been relaxed

# Alternative Investment Funds (AIFs)

AIF commitments in last 6 years (in INR Billion)



AIF funds raised in last 6 years (in INR Billion)



✓ **AIFs introduced in 2012** as a distinct asset class to promote start-ups and early stage companies. AIFs invests in infrastructure funds, social venture funds & venture capital funds

✓ In 2015, **ownership & control regulations** were eased for Indian managed and sponsored AIFs (irrespective of the extent of foreign investment in AIF).

✓ As announced in **Union Budget 2018-19**, further steps to ease taxation and regulatory framework

# Proposed Framework on Hybrid Instruments

## Global Trend

Global markets are fast moving from traditional investment options to new and innovative instruments, having combined characteristics (both equity and debt) with embedded derivatives.

## Integration

Suitable hybrid instruments are being identified, inventorized and customized in line with the domestic requirements/environment.

## Benefits

Access to greater capital  
Flexibility  
Innovation  
Entrepreneurship

# Big ticket Reforms

**GST – One Nation, One Market One Tax**

**IBC** – Time bound resolution

**Bank recapitalisation**  
– Responsible & Responsive PSBs

**Jan Dhan Yojana**  
– Financial Inclusion

**National Health Protection Scheme** – Health for all

**Swachh Bharat Abhiyan** – Clean India

# Reforms to improve Ease of Doing Business

Easier  
Construction  
permit

Starting  
Business

Access to  
Electricity

Enforcing  
Contracts

Paying Taxes

Access to  
Credit

Minority  
Investor  
Protection

Trading  
Across  
Borders

Easier  
compliances  
(SMF)





**Thank you!**