

NEWSALERT

GREEN SIGNAL FOR 100% FOREIGN DIRECT INVESTMENT IN SINGLE BRAND RETAIL



INTRODUCTION

The Department of Industrial Policy & Promotion on January 10, 2012 enhanced the limit of Foreign Direct Investment in Single Brand Retail Trading from 51% to 100%, subject to certain conditions (Please refer to Press Note No. 1 (2012 series)). The approval of the Indian Government increasing the FDI limit aims at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.

TERMS AND CONDITIONS

The conditions for 51% 'Single Brand product retail trading, which continues to apply in the revised policy allowing 100% FDI in this sector are as under:

1. Products to be sold should of a 'Single Brand' only;
2. Products should be sold under the same brand internationally i.e. in one or more countries other than India;
3. Products should be branded during manufacturing;
4. Foreign Investor should be the owner of the brand.

In addition to the aforesaid conditions, the revised policy prescribes that in respect of proposals involving FDI beyond 51%, there should be mandatory sourcing of at least 30% of the value of the products sold from Indian Small Industries/Village and Cottage Industries, Artisans and craftsmen. Small Industries has been defined as Industries which have a total investment in Plant and Machinery not

exceeding USD 1 Million. The aforesaid valuation is the value ascertained at the time of installation of Plant and Machinery, not including depreciation. If at any time, the valuation of Plant and Machinery exceeds the aforesaid sum of USD 1 Million, the given industry would not qualify as 'Small Industry'. The aforesaid compliance would be ensured by the FDI company through self-certification, to be subsequently checked by the statutory auditors of the FDI company from its audited accounts.

PROCEDURE

An application has to be filed with the Secretariat for Industrial Assistance (SIA) in DIPP, seeking permission of the Indian Government for making 100% in Single Brand product retail trading. The application should specifically indicate the product/product categories which are proposed to be sold under a 'Single Brand'. Any addition to the product/product categories to be sold under 'Single Brand' would require a fresh approval of the Indian Government. All the applications filed would be processed in DIPP, to determine whether the products proposed to be sold satisfy the notified guidelines, before being considered by FIPB for Government approval.