

**Overseas Direct Investment – Liberalisation of Automatic Route
A.P.(DIR Series) Circular No.83 (March 1, 2003)**

**Reserve Bank of India
Exchange Control Department
Central Office
Mumbai-400 001**

A.P.(DIR Series) Circular No.83

March 1, 2003

To

All authorised Dealers in Foreign Exchange

Madam/Sirs,

Overseas Direct Investment – Liberalisation of Automatic Route

Attention of authorised dealers is invited to Regulation 6 of the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 notified by the Reserve Bank, vide Notification No. FEMA 19/RB-2000 dated May 3, 2000, as amended from time to time.

2. Authorised dealers are aware that at present, Indian companies are permitted to make investment without prior approval of the Reserve Bank, up to an amount of USD 100 million provided that the drawal of foreign exchange from an authorised dealer in India does not exceed 50 per cent of the net worth of Indian company, the Indian company is not on the Reserve Bank's caution/defaulters list, and, the investment is made in a foreign entity engaged in the same core activity.

3. As a part of further liberalisation it has been decided as under :

- i) The limit of 50 per cent of net worth for market purchases of foreign exchange for investment in JV/WOS abroad is enhanced to 100 per cent of the net worth of the investing company.
- ii) An Indian company with a proven track record would now be eligible to invest up to 100 per cent of its net worth within the overall limit of USD 100 million by way of market purchases for investment in a foreign entity engaged in any bonafide business activity.

4. However, companies wishing to undertake financial activities would continue to be governed by the requirements prescribed in Regulation 7 of FEMA Notification No.19/RB-2000 dated 3rd May 2000.

5. The prohibition in respect of Two-Tier investments as prescribed vide A.P.(DIR) Circular No.23 dated February 19, 2002 shall remain unchanged.

6. The stipulation regarding non-availability of the automatic route facility to those companies that figure on Reserve Bank's caution/defaulters list shall continue.
7. Necessary amendment to the Foreign Exchange Management (Transfer or Issue of any Foreign Security) Regulations, 2000 are being issued separately.
8. Authorised Dealers may bring the contents of this circular to the notice of their constituents concerned.
9. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999).

Yours faithfully,

Grace Koshie

Chief General Manager