

Government of India
Ministry of Commerce & Industry
Department of Industrial Policy & Promotion
(FC-I Section)

Press Note No. 5 (2012 Series)

Subject: Review of the policy on Foreign Direct Investment- allowing FDI in Multi-Brand Retail Trading.

1.0 Present Position:

Foreign Direct Investment (FDI) is prohibited in retail trading, except in single-brand product retail trading, in which FDI, up to 100%, is permitted, under the Government route, subject to specified conditions.

2.0 Revised Position:

The Government of India has reviewed the extant policy on FDI and decided to permit FDI, up to 51%, under the Government route, in Multi-Brand Retail Trading, subject to specified conditions.

3.0 Accordingly, the following amendment is made in '*Circular 1 of 2012- Consolidated FDI Policy*', issued on 10.04.2012, by the Department of Industrial Policy & Promotion:

3.1 Paragraph 6.1 – 'Prohibited Sectors', is substituted with the following:

"6.1 PROHIBITED SECTORS:

FDI is prohibited in:

- (a) Lottery Business, including Government /private lottery, online lotteries, etc.
- (b) Gambling and Betting, including casinos etc.
- (c) Chit funds
- (d) Nidhi company
- (e) Trading in Transferable Development Rights (TDRs)
- (f) Real Estate Business or Construction of Farm Houses
- (g) Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- (h) Activities / sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

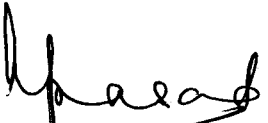
Foreign technology collaboration in any form, including licensing for franchise, trademark, brand name, management contract, is also prohibited for Lottery Business and Gambling and Betting activities."

3.2 A new paragraph as paragraph 6.2.16.5 is inserted below paragraph 6.2.16.4 as below:

| 6.2.16.5 | Multi Brand Retail Trading | 51% | Government |
|----------|---|-----|------------|
| | <p>(1) FDI in multi brand retail trading, in all products, will be permitted, subject to the following conditions:</p> <p>(i) Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded.</p> <p>(j) Minimum amount to be brought in, as FDI, by the foreign investor, would be US \$ 100 million.</p> <p>(iii) At least 50% of total FDI brought in shall be invested in 'backend infrastructure' within three years of the first tranche of FDI, where 'back-end infrastructure' will include capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure.</p> <p>(iv) At least 30% of the value of procurement of manufactured/ processed products purchased shall be sourced from Indian 'small industries' which have a total investment in plant & machinery not exceeding US \$ 1.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. Further, if at any point in time, this valuation is exceeded, the industry shall not qualify as a 'small industry' for this purpose. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the manufactured/ processed products purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.</p> <p>(v) Self-certification by the company, to ensure compliance of the conditions at serial nos. (ii), (iii) and (iv) above, which could be cross-checked, as and when required. Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.</p> <p>(vi) Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per 2011 Census and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to conforming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking; In States/ Union Territories not having cities with population of more than 10 lakh as per 2011 Census, retail sales outlets may be set up in</p> | | |

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| | <p>the cities of their choice, preferably the largest city and may also cover an area of 10 kms around the municipal/urban agglomeration limits of such cities. The locations of such outlets will be restricted to conforming areas, as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.</p> <p>(vii) Government will have the first right to procurement of agricultural products.</p> <p>(viii) The above policy is an enabling policy only and the State Governments/Union Territories would be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States/Union Territories which have agreed, or agree in future, to allow FDI in MBRT under this policy. The list of States/Union Territories which have conveyed their agreement is annexed. Such agreement, in future, to permit establishment of retail outlets under this policy, would be conveyed to the Government of India through the Department of Industrial Policy & Promotion and additions would be made to the annexed list accordingly. The establishment of the retail sales outlets will be in compliance of applicable State/Union Territory laws/ regulations, such as the Shops and Establishments Act etc.</p> <p>(ix) Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of multi-brand retail trading.</p> <p>(x) Applications would be processed in the Department of Industrial Policy & Promotion, to determine whether the proposed investment satisfies the notified guidelines, before being considered by the FIPB for Government approval.</p> |
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4.0 The above decision will take immediate effect.


(Anjali Prasad)

Joint Secretary to the Government of India

D/o IPP File No.: 5/12//2010-FC-I dated: 20th September, 2012

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1. **Press Information Officer, Press Information Bureau-** *for giving wide publicity to the above Press Note.*
2. **BE Section in the Department of Industrial Policy and Promotion-** *for uploading the Press Note on DIPP's website.*

**LIST OF STATES/ UNION TERRITORIES AS MENTIONED IN
PARAGRAPH 6.2.16.5(1)(viii)**

1. Andhra Pradesh
2. Assam
3. Delhi
4. Haryana
5. Jammu & Kashmir
6. Maharashtra
7. Manipur
8. Rajasthan
9. Uttarakhand
10. Daman & Diu and Dadra and Nagar Haveli (Union Territories)