



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/180

A. P. (DIR Series) Circular No.23

August 14, 2013

To

All Category-I Authorised Dealer Banks

Madam / Sir,

Overseas Direct Investments

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to the [Notification No. FEMA.120/RB-2004 dated July 7, 2004](#), [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004], as amended from time to time (the Notification) and the [A.P. \(DIR Series\) Circular No. 11 dated September 26, 2007](#); [A.P. \(DIR Series\) Circular No. 48 dated June 3, 2008](#) and [A.P. \(DIR Series\) Circular No. 99 dated April 23, 2013](#). On a review, it has been decided to rationalize the regulations governing the overseas direct investments with immediate effect as under:

2. Reduction of limit for Overseas Direct Investment

In terms of the extant provisions under the Foreign Exchange Management Act, 1999 (FEMA, 1999) on overseas direct investments, the total overseas direct investment (ODI) of an Indian Party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity should not exceed 400 per cent of the net worth of the Indian Party as on the date of the last audited balance sheet under the Automatic Route.

It has now been decided:

- a) To reduce the existing limit of 400 per cent of the net worth of the Indian Party to 100 per cent of its net worth under the Automatic Route. Accordingly, AD Category - I banks may allow overseas direct investments under the Automatic Route up to 100 per cent of the net worth of the Indian party, as on the date of the last audited balance sheet;
- b) To reduce the existing limit of 400 per cent of the net worth of the Indian company, investing in the overseas unincorporated entities in the energy and natural resources sectors, under the automatic route, to 100 per cent of the net worth of the Indian company investing in the overseas unincorporated entities in the energy and natural resources sectors, as on the date of last audited balance sheet; and
- c) Any ODI in excess of 100% of the net worth shall be considered under the Approval Route by the Reserve Bank of India.

3. In respect of the Navaratna Public Sector Undertakings (PSUs), ONGC Videsh Limited (OVL) and Oil India Ltd (OIL), the extant provision for investing in overseas unincorporated entities and the overseas incorporated entities in the oil sector (i.e., for exploration and drilling for oil and natural gas, etc.), which are duly approved by the Government of India, without any limits under the automatic route, would however continue as hitherto.

4. The above provisions shall come into effect with immediate effect and would apply to all fresh Overseas Direct Investment proposals on a prospective basis but would not apply to the existing JV/WOS set up under the extant regulations.

5. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. Necessary amendments to the Notification No. FEMA.120/2004-RB dated July 7, 2004, [Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations 2004] are being notified separately.

7. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(C.D. Srinivasan)
Chief General Manager

Related Press Release/Notification	
Aug 14, 2013	<u>RBI announces measures to rationalise Foreign Exchange Outflows by Resident Indians</u>
Aug 14, 2013	<u>Liberalised Remittance Scheme for Resident Individuals- Reduction of limit from USD 200,000 to USD 75,000</u>