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POLICY

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India

Post: New Delhi

India Approves Foreign Direct Investment in Multi-Brand Retail

Report Categories:

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Report Highlights:

The Government of India has again approved foreign direct investment in multi-brand retail. The government suspended implementation of the policy in late 2011. The new policy is largely unchanged from the 2011 policy, but emphasizes the role of the states in approving investment and sets a three-year time limit for firms to complete their investment in “backend” operations. Several Indian states have indicated that they will likely support investment.

General Information:

Foreign Direct Investment in Multi-Brand Retail Approved

On September 14, 2012, the Government of India (GOI) again approved 51 percent foreign direct investment (FDI) in multi-brand retail. The GOI had approved a similar proposal on November 24, 2011, but suspended the decision on December 7, 2012. This latest announcement lifts the suspension and establishes procedures for foreign retailers and hypermarkets, which have thus far been limited to wholesale operations, to invest in the Indian market subject to certain requirements.

The latest policy upholds the provisions of the original policy while amplifying the role of the states in the approval process; stressing that new retail outlets can only be established in states that support the policy. The announcement indicates that the chief ministers of Delhi, Assam, Maharashtra, Andhra Pradesh, Rajasthan, Uttarakhand, Haryana and several union territories have indicated their support for FDI in multi-brand retail. This could open Delhi and its surrounding edge cities to investment as well as the major metropolitan areas of Mumbai and Hyderabad. The GOI indicated that six states have expressed reservations; the positions of India's remaining states were not mentioned. The new policy continues the requirement that firms direct 50 percent of their investments to the development of "backend" infrastructure, but places a time limit of three years for firms to complete this investment.

The GOI approved 100 percent FDI in single-brand retail in January 2012 and relaxed certain provisions in a separate September 14, 2012 announcement. Chiefly, foreign investors need not be the owner of the retail brand and companies can source products from any Indian supplier. The previous policy required investors to source up to 30 percent of their products from small and micro enterprises.

A summary of key provisions from the November 2011 policy follows with key updates from the recently announced policy in *italics*.

- Foreign direct investment will be allowed at up to 51 percent foreign equity subject to government approval. *Individual states will have final approval.*
- A foreign company must invest at least \$100 million initially, at least 50 percent of which is required to be in back-end infrastructure, such as supply-chain operations. *The investment in backend operations must be completed within three years.*
- Investors will have to source 30 percent their products from "micro and small" industries with no more than \$1.0 million in capital investment.
- Foreign direct investment will only be allowed in retail stores operating in cities with populations of over one million. According to the Commerce Ministry, there are 53 cities that meet this criterion.

Additional Information:

Readers can access the latest press releases concerning the new policy via the following links:

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=87768>

<http://pib.nic.in/newsite/PrintRelease.aspx?relid=87766>

The following reports may be of interest to U.S. stakeholders interested in India. These, and related reports prepared by this office, can be accessed via the FAS Home Page: www.fas.usda.gov by clicking on “Attaché Reports” and searching by the report number. Reports given below will provide additional information to exporters interested in the Indian market.

Report Number	Subject
IN1208	The Government of India Approves FDI in Multi-Brand Retail
IN1215	Exporter Guide
IN1211	India Suspends Multi-Brand Retail Policy
IN2059	India’s Food Retail Sector Growing