

## OPPORTUNITIES AVAILABLE FOR FOREIGN INVESTORS

- Direct Investment
- Investment through Stock Exchanges
- Investment in Euro Issues/Mutual Funds floated overseas
- Broking Business
- Asset Management Companies / Merchant Banking

### Direct Investment

Foreign companies are now permitted to have a majority stake in their Indian affiliates except in a few restricted industries. In certain specific industries, foreigners can even have holding upto 100 percent.

### Investment through Stock Exchanges

Foreign Institutional Investors (FIIs) upon registration with the Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) are allowed to operate on the Indian stock exchanges subject to the guidelines issued for the purpose by SEBI.

#### Important guidelines are as under:

1. Portfolio investment in primary or secondary market of a company by all registered FIIs, NRIs and OCBs is subject to a ceiling of 30/40 per cent of issued share capital. In any one company, holding by a single FII, NRI or OCB is subject to a ceiling of 10 percent of the total issued capital. However, in applying the ceiling of 30/40 percent the following are excluded:
  - Foreign investment under a financial collaboration which is permitted upto 51 percent in all priority areas.
  - Investment by FII's through offshore single/regional funds, GDR's and euro convertibles.
1. Disinvestment is allowed through a member broker of a Stock Exchange.
2. A registered FII is required to buy or sell securities on the Stock Exchanges only for delivery. It is not allowed to offset a deal in the same settlement. It is also not allowed to sell short, i.e., sell a security without having the stock in its portfolio.

### Investment in Euro Issues/Mutual Funds floated overseas

Foreign investors can invest in Euro issues of Indian companies and in India-specific funds floated abroad.

### Broking Business

Foreign brokers upon registration with the SEBI are now allowed to route the business of their registered FIIs clients through the members of Stock Exchanges. Guidelines for the purpose have been issued by SEBI.

### Asset Management Companies / Merchant Banking

Foreign participation in Asset Management Companies and Merchant Banking Companies is permitted.