

FDI IN MULTI - BRAND RETAIL

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Foreign Capital, Foreign Trade & BOP

Ministry of Commerce & Industry

FDI in Multi - Brand Retail

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India has received FDI in multi-brand retail from one foreign company of United Kingdom. State/UT-wise data of FDI inflow is not centrally maintained.

There is no proposal under consideration of the Government to increase Foreign Direct Investment (FDI) in multi brand retail sector in the country.

The retail market sector depends on a number of factors, including FDI. However, FDI is largely a matter of private business decisions. FDI inflows depend on a host of factors such as availability of natural resource, market size, infrastructure, general investment climate as well as macro-economic stability and investment decision of foreign investors.

Under the Foreign Direct Investment (FDI) Policy, the details of norms for undertaking multi-brand retail trading in the country is given below:

FDI Policy in Multi Brand Retail Trading

| Sector/Activity | % of Equity/ FDI Cap | Entry Route |
|----------------------------|-------------------------|-------------|
| Multi Brand Retail Trading | 51% | Government |

1. FDI in multi brand retail trading, in all products, will be permitted, subject to the following conditions:

(i) Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded.

(ii) Minimum amount to be brought in, as FDI, by the foreign investor, would be USD 100 million.

(iii) At least 50% of total FDI brought in the first tranche of USD 100 million, shall be invested in 'back-end infrastructure' within three years, 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 and agriculture market produce infrastructure. Expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure. Subsequent investment in backend

infrastructure would be made by the MBRT retailer as needed, depending upon its business requirements.

(iv) At least 30% of the value of procurement of manufactured/processed products purchased shall be sourced from Indian micro, small and medium industries, which have a total investment in plant & machinery not exceeding USD 2.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. The 'small industry' status would be reckoned only at the time of first engagement with the retailer, and such industry shall continue to qualify as a 'small industry' for this purpose, even if it outgrows the said investment of USD 2.00 million during the course of its relationship with the said retailer. Sourcing from agricultural co-operatives and farmers' co-operatives would also be considered in this category. The 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.

(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.

(vi) Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per 2011 Census or any other cities as per the decision of the respective State Governments, 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.

(vii) Government will have the first right to procurement of agricultural products.

- 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 at (2) below. 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 list at (2) below 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.
- 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.

This information was given by the Minister of Commerce and Industry, Piyush Goyal, in a written reply in the Lok Sabha today.

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