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Government finally approves 100 percent Foreign Direct Investment in Single Brand Retail Trading

The Department of Industrial Policy and Promotion vide Press Note 1 of 2012 has notified its approval to the much awaited decision on 100 percent Foreign Direct Investment ("FDI") in single-brand retail trading. This will now be permitted under government approval route subject to stipulated conditions. The decision to increase FDI limit in single-brand retail trading to 100 percent was taken by the Cabinet on November 24, 2011 along with the decision to allow 51 percent FDI in multi-brand retail trading. However, a surge of protests forced the government to suspend its decision on the latter relaxation.

The extant consolidated FDI policy allows FDI in single-brand retail trading upto 51 percent under government approval route subject to fulfillment of the following conditions:

(i) Product to be sold should be of a 'Single Brand' only.

(ii) Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.

(iii) 'Single Brand' product retailing would cover only products which are branded during manufacturing.

(iv) The foreign investor should be the owner of the brand.

While the present stipulations remaining untouched, the decision to increase the extant limit of 51 percent to 100 percent has been introduced coupled with an additional rider that in respect of proposals involving FDI beyond 51 percent, mandatory sourcing of atleast 30 percent of the value of products sold would have to be done from Indian 'small industries/ village and cottage industries, artisans and craftsmen. The compliance of this condition would need to be ensured through self-certification by the company and to be subsequently checked by statutory auditors,

Global Guide to Tax

- Getting the Deal Through – Tax on Inbound Investment 2012"
- Taxand's Global Guide to M&A Tax. Click here to view media commentary.
- Taxand voted Top Tax Planning Advisor in 32 countries in ITR's 2011 poll. Click here to view article.
- Taxand conducted Global Survey 2011 – Taxand the CFO. Click here to view full research findings.
- PERE together with Taxand produced the 2011 global guide to tax, advising on real estate investment opportunities. Click here to view guide.
- BMR Advisors, in association with, IPPAI, has produced a survey report "Impact of Taxation on the Energy Value Chain & Electricity Prices in India", analyzing the present regulatory and policy framework for the energy sector . Click here to view report.

Awards & Recognitions

- BMR Advisors has been rated as a Tier 1 firm according to ***International Tax Review***, World Tax Guide 2012 for the fifth consecutive year.
- BMR Advisors is ranked fourth most active financial advisor for India in

from the duly certified accounts to be maintained by the investors.

For the aforementioned stipulation, ‘small industries’ have been defined as 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. It has been further provided that if, at any point in time, this valuation threshold is breached, then the industry shall cease to qualify as a 'small industry'.

'Village industry' has been assigned the same meaning as under the Khadi and Village Industries Commission Act, 1956, as amended from time to time.

BMR comments

The development on single brand retailing was anticipated as the current FDI and ECB rules constraint the “high capex” investment needs of the emerging retail sector. It was hoped that the enablement of higher limits of sourcing of capital from overseas by single brand retailers would not arrive with riders.

Therefore, the current liberalisation will facilitate limited set of single brand retailers whose products and supply chain enable local procurement and that too from the SME sector. Typically the luxury segment of single brand retailers will not be able to meet their sourcing needs from local SME sector and hence will not be able to avail of the new sector limits for FDI.

Thomson Reuters Mid-Market Insight.

- BMR Advisors is ranked second Most Active Transaction Advisor (Private Equity) according to the *Venture Intelligence League Table* for the first quarter of 2011
- BMR wins India Case of the Year, and Best Use of the Internet awards at 5th *International Tax Review* Asia Awards, 2010.
- BMR is ranked Tier 1 in ITR’s “World Tax 2011” guide, to the World’s leading tax firms.
- BMR is rated Great Place to Work 2010; Great Place to Work Institute

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