

# Investment Opportunities For Foreign Investors In India – PruVisor Management Consulting



**New York, New York City, Jul 29, 2021 ([Issuewire.com](https://www.issuewire.com))** - The Covid-19 pandemic has caused huge economic disruptions and changes in attitudes towards national security, public health, and globalization. It has had a significant effect on a number of countries, and India is no exception. During Phase 1 of unlocking, the Government of India has announced a slew of business-friendly reforms to kickstart the economy. It had announced an economic package of 20 Trillion INR (\$265 billion) for industrial development through the Atma Nirbhar Bharat (Self Reliant India) program. This is intended to promote local manufacturing and enable India to become a leading manufacturing hub. To achieve this objective, the government has cut red tape for foreign investments across various industry sectors.

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## The self-reliant Bharat

The government has announced five stages of the economic stimulus package under the Atma Nirbhar Bharat scheme. It is aimed to relieve the stressed economy while introducing measures such as credit and liquidity infusion for the MSME sector, equity options for small and medium businesses, a moratorium on loans installments and interest payments, easy access to working capital financing, special liquidity for mutual funds, funds for commercial real estate projects, special liquidity scheme for NBFCs and microfinance institutions, etc.

The government has also announced structural reforms in 8 key sectors, including civil aviation, defense manufacturing, coal, atomic energy, minerals, and power distribution. These reforms are intended to simplify policy, enabling investors (domestic and foreign) to invest in growth sectors, invite new

participation, and boost employment growth and employment opportunities. In addition, the government has also established fast track clearing system for project approvals in coordination with various ministries.

### **FDI liberalization in key sectors**

The typical route for [Foreign Direct Investments in India](#) is through the automated route or approval route. Under the automatic route, FDI can be done without the Reserve bank of India or Government approval. Under the approval route, prior government permission is required. The Indian government has liberalized investment across various sectors to encourage foreign investments in India.

### **FDI limit revision in the defense sector**

In the defense sector, the existing policy caps the foreign investment to 49 percent, and it requires government approval depending on the level of modern technology used. However, under the economic stimulus package, the government has proposed to increase FDI limits from 49 to 74 percent with automatic approval, thus increasing the ease of doing business in this sector.

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### **Product linked incentive scheme in Pharma sector**

The production-linked incentive scheme announced by the government aims to give impetus to the pharmaceutical sector. It aims to encourage domestic manufacturing of bulk drugs and important drug intermediaries. Under PLI, investors can apply for establishing large-scale greenfield facilities in the bulk drugs and 53 important drug intermediaries currently not manufactured in India. This includes the ingredients used in the common prescriptive medicines such as aspirin, paracetamol, metformin, etc. The government has announced investments for “bulk drug parks” to reduce drug import on Active pharmaceutical ingredients (APIs). This facility will have easy access to infrastructure, standardized testing, and value addition.

### **Civil aviation reforms**

Civil aviation has got a big boost from the government with the new reforms. The use of Indian airspace has been eased so as to enable civil flying without impediments. This is expected to greatly improve efficiencies. This move will benefit consumers and businesses by shortening air travel, saving fuel costs, and increase the annual revenues by 10 Billion INR for the industry. Under this scheme, FDI is allowed in air transport services such as regional air transport, scheduled passenger airlines through automatic approval and a 49 percent cap. Twelve airports are selected for modernization under Public-Private Partnership, allowing 100 percent foreign investment through automatic investment.

### **Other reforms**

The government plans to announce a new Public Sector Enterprise Policy, which allows private companies to invest in new sectors. It is going to announce key strategic sectors which will have a public sector presence, and the rest will be open for private participation. In key sectors, there will be at least one public sector enterprise and will also allow private investment. This policy is aimed to improve the innovation and competitiveness of the companies involved in this sector.

The government has introduced reforms in the power distribution sector by protecting consumer rights,

timely payments to power generation companies, reduced subsidies, and fast-tracking grants for open access. It also provides a level playing field for private space companies to promote rocket launchers, satellites, space-based services and provide remote sensing data to tech entrepreneurs.

## **India, the potential of a new manufacturing hub**

During the Covid-19 pandemic, various countries have suffered material shortages due to their over-reliance on China. This has led these countries to look for alternatives to China as it has caused significant supply shocks due to the lockdown in China. This will enable them to diversify their production value chain and safeguard their interests.

India is especially of interest to foreign investors because it is one of the world's largest economies, with an abundant and young workforce. The country is also easing up regulations such as land, labor, tax reforms, fast-tracking of clearances, and streamlining processes. There is also competition between states to promote economic growth and improve livelihoods. The government has improved its ease of doing business ranking by relaxing the timeline for compliance to tax, employment, corporate, and securities law by listed and unlisted companies. It has also taken steps to decriminalize compliance-related offenses. It has also boosted technology transfer and investment in the MSME sector and encourage technology upgradation.

The Reserve bank of India has also announced measures to improve the financial flows and promote financial stability. These include reforms to improve the market functioning, reduction in repo rate, reducing financial stress in industry sectors, promoting export and imports, and reducing financial constraints at the state government level to promote businesses.

## **Conclusion**

While the current pandemic has severely affected the economy and industries globally, the Indian government has taken this as an opportunity to simplify its regulations and promote business friendliness. The self-reliant India movement is a great boon for foreign investors to enter into new sectors. It is expected that these moves will enable increased investment and lead the way for India to become a global investment and manufacturing hub. India has become an attractive destination for global investors because of these reforms.

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