

## Nod for 80 FDI proposals from China entities

### Synopsis

Following the skirmish at the border, New Delhi in 2020 made a prior government approval, including a security clearance, mandatory for any FDI coming from countries that share land borders with India.

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India has approved 80 **Foreign Direct Investment (FDI)** proposals involving Chinese entities as on June 29, according to data accessed through Right to Information (RTI).



It is not clear as to how many proposals have been rejected.

The government received 382 proposals from the Chinese in all for consideration since India imposed restrictions on investments from countries that share land border with it, Department for Promotion of Industry and Internal Trade (DPIIT) said in response to the RTI.

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Following the skirmish at the border, New Delhi in 2020 made a prior government approval, including a security clearance, mandatory for any FDI coming from countries that share land borders with India.

### Chinese Checkers

**Govt** 382 FDI applications from Chinese entities

**Data as on June 29**

**Security** clearance mandatory for FDI from neighbouring countries

**Rule introduced in 2020, post border skirmish with China**



**What industry participants are saying:**

**Approval process is still slow**

**Minority** stakes without control and manufacturing sector getting preference

**Entities** involving politically exposed persons not being viewed favourably

Until mid-2021, the government did not give any approvals for such FDI. However, since then, it has started considering the applications on a case-to-case basis.

Market participants said the government was adopting a cautious approach in evaluating such proposals therefore approvals are slower. Besides, the deals getting government's nod are generally ones involving acquisition of minority stakes that doesn't result in change of control. Capital-intensive sectors, such as manufacturing, are getting preference over the sought-after sectors for FDI such as e-commerce and financial services

"The applications getting approved seem to be for relatively lower stakes. In terms of sectors, it seems that applications in the manufacturing sectors are getting ahead faster than others," said Nandini Pathak, leader, fund formation & regulatory practice at Nishith Desai Associates. "Some of the applications have been pending for over a year, whereas the industry expectation is to get a response within 3-4 months."

DPIIT did not respond on the questions regarding how many applications were rejected or the quantum of investment that will come into India through the 80 applications that were approved.

Another key factor being considered by the government is the profile of the investor. Market participants said the government is going slow on the investment proposals that involve entities close to Beijing. In some cases, the founders or promoters of the funds/investing entities are known for their closer ties to the current ruling dispensation of [China](#).

"The ministries are exercising lot of caution when it comes to applications involving politically exposed persons (PEPs) in China or Hong Kong. Also, the arrangements where the Chinese entity will get board representation or other passive control tools are not being viewed favourably," said an industry expert seeking anonymity.

Another person who handles the FDI proposals told ET that entities that set up physical infrastructure carry lower potential risk than the ones involving digital assets. "With digital platforms, there are always concerns over data privacy, while physical assets are easier to defend even in adverse scenarios."

While the approvals have started finally coming, the government is simultaneously tightening the rules for Chinese entities investing in India. Last month, the ministry of corporate affairs (MCA) brought out a slew of measures to check Chinese influence in the corporate sector.

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