India's Recent Inward Foreign Direct Investment: An Assessment

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An Assessment

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Abbreviations

AD Bank	Authorised Dealer Bank
AGM	Annual General Meeting
ARF	Advance Remittance Form
BEA	Bureau of Economic Analysis (USA)
BoP	Balance of Payments
BPM	Business Process management
CAD	Current Account Deficit
CCD	Compulsorily Convertible Debentures
CCPS	Cumulative/Compulsorily Convertible Preference Share
CIN	Company Identification Number
CSG	Corporate Studies Group
CSO	Central Statistical Office
DGCI&S	Directorate General of Commercial Intelligence & Statistics
DIPP	Department of Industrial Policy and Promotion
DTH	Direct to Home
ECB	External Commercial Borrowings
ED	Enforcement Directorate
ESOP	Employee Stock Ownership Plan
FATS	Foreign Affiliates Trade Statistics
FC-GPR	Foreign Collaboration- General Permission Route
FC-TRS	Foreign Currency- Transfer of Shares
FDI	Foreign Direct Investment
FEMA	*Foreign Exchange Management Act, 1999*
FERA	*Foreign Exchange Regulation Act, 1973*
FFI	Foreign Financial Investors
FII	Foreign Institutional Investor
FIPB	Foreign Investment Promotion Board
FLA	Foreign Liabilities and Assets
FPI	Foreign Portfolio Investor
FVCI	Foreign Venture Capital Investor
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GF	Greenfield
GM	Genetically Modified
GSK	GlaxoSmithKline
HILM	Holderind Investments Ltd.
HUL	Hindustan Unilever Ltd.
ICSSR	Indian Council of Social Science Research
IEM	Industrial Entrepreneurs Memorandum
IIPA	Indian Institute of Public Administration
ILPC	Industrial Licensing Policy Inquiry Committee
IPO	Initial Public Offering

IPS 1991	Statement on Industrial Policy, 1991
ISID	Institute for Studies in Industrial Development
JV	Joint Venture
KMB	Kotak Mahindra Bank
M&As	Mergers and Amalgamations
MBRT	Multi-brand Retail Trade
MCA	Ministry of Corporate Affairs
MII	Make in India
Mn	Million
MNC	Multinational Corporation
MSIL	Maruti Suzuki India Ltd
MTS	Meters
NBFC	Non-banking Financial Company
NCAER	National Council of Applied Economic Research
NMCC	National Manufacturing Competitiveness Council
NRI	Non-resident Indian
OECD	Organisation for Economic Cooperation and Development
PE	Private Equity
PIO	Person of Indian Origin
QFI	Qualified Financial Investor
RBI	Reserve Bank of India
RFDI	Realistic Foreign Direct Investment
SBRT	Single Brand Retail Trade
SEZ	Special Economic Zone
SIL	Signature India LLC
SSL	Signature Senior Living
SSLP	Serene Senior Living Pvt Ltd.
TOR	Terms of Reference
UIN	Unique Identification Number
UN ISIC	United Nations International Standard Industrial Classification
UNCTAD	United Nations Conference on Trade and Development
USDA	U.S. Department of Agriculture
VC	Venture Capital
WTO	World Trade Organisation

Units

1 Crore	10 million
1 lakh	0.1 million

Preface

The Institute for Studies in Industrial Development (ISID) has been supporting a research programme on foreign direct investment (FDI), the origins of which can be traced back to the late '1970s. The studies under the programme examined the FDI inflows in the early years of liberalisation and suggested the need to critically examine the operational dimensions of FDI that are conceptually associated with advanced technologies, marketing expertise, modern managerial techniques, export possibilities, etc. An earlier study examined FDI inflows during 2004-14 and concluded that inflows potentiality having the above mentioned attributes form just about half of the reported inflows. The remaining inflows were on account of the involvement by financial investors and India-related investors. The study, sponsored by the Indian Council of Social Science Research (ICSSR), also analysed the 'Mauritius phenomenon' and provided estimates of the shares of different 'ultimate home' countries of foreign direct investors in India. It also identified some little highlighted operational aspects of FDI companies. The case studies dealing with the evolution of FDI policy towards multi-brand retail trade and the defence industries reflected upon the process of FDI policymaking in India.

The present study updates the earlier one by providing recent evidence on the nature and sectoral involvement of FDI in India from the point of the nature of investors and their sectoral preferences. A critical issue alluded to in this study is that the government and its agencies have paid less than adequate attention to ensure that reporting of FDI is done in a manner that facilitates proper analysis of inflows and operations of FDI companies. This is in spite of the fact that a vast amount of literature underscores that benefits from FDI do not flow automatically to host countries. A strand of this thinking appears in the Discussion Paper on "Industrial Policy 2017" circulated by the Department of Industrial Policy and Promotion (DIPP). The Discussion Paper expressed dissatisfaction about FDI not delivering the expected benefits and further underlined the need to review the FDI policy. This was probably inevitable as over the years FDI is increasingly being seen to alleviate the current account deficit, and correspondingly its role as the provider of development finance and technology has diminished. Thus conceived, not all the FDI would be associated with technology infusion, let alone infusion of advanced technology. Further, for decades, many questions relating to FDI and MNCs have been answered in the Parliament, but the answers have often lacked the desired clarity. Given the absence of quality datasets for analysing the behaviour of FDI, there is little evidence that FDI policy changes have been 'evidence-based'.

The present exercise identified problems regarding the reported time of inflow, actual amount of inflow, mode of entry, route of entry and activity. There have also been some serious omissions and commissions. Delayed reporting and inclusion of notional inflows turned out to be some of the other major concerns. The distortions in official statistics show up prominently when the inflows are examined at the level of individual companies/industries. These limitations make the data unsuitable for drawing straightforward conclusions, especially when commenting on the effectiveness of specific policy changes. Even the annual aggregate inflows cannot be relied upon to provide guidance regarding year-to-year changes because of omissions and commissions involving very large remittances. Nor do they truly reflect the extent of capacity creation in the economy. It is not the distortions alone which the Indian policymakers should be concerned about as the annual inflows are simultaneously being balanced to a significant extent by repatriations and disinvestments.

While the RBI, the main agency which puts together the data on inflows, is well aware of some of the critical problems, it does not seem to have done enough to sensitise the users. Consequently, the users, including official departments like the DIPP and the Ministry of Finance, use the data uncritically. When millions of transactions (including those by FIIs) on the stock exchanges are tracked on real time basis, it is difficult to understand how the much smaller number of remittances on account of FDI could not have been managed in a meaningful manner. Even while providing data as per international reporting requirements, the RBI should have kept India's policy needs in focus. It is also puzzling why the RBI is not analysing a variety of information collected through different returns. At another level, the study suggests that global FDI aggregates should not be relied upon blindly to provide guidance to developing countries like India. India should neither take comfort nor get concerned with uninformed compliments or comparisons. Undue attention should also not be paid to indices which purportedly reflect countries' potential or their attractiveness for FDI. Instead of benchmarking against FDI into other countries, India's inflows should be assessed from the viewpoint of its sectoral needs.

The attempt here has been to provide best approximations to the various dimensions of India's FDI data during the recent past. We do hope that this study will convince the Indian authorities and caution the users nationally and internationally about the pitfalls in offering straightforward explanations for the reported developments and that it would help develop a template to analyse the inflows purposefully. We believe that the study will have additional relevance in the context of the government expressing the need to review India's FDI policy to ensure greater technology transfer, promote strategic linkages and encourage innovation.

Given the long history of FDI-related research at the Institute for Studies in Industrial Development (ISID) and its predecessor, the Corporate Studies Group (CSG) at the Indian Institute of Public Administration (IIPA), it is probably natural that this understanding of FDI data should also come from the ISID. Starting from an in-depth analysis of the pattern of transactions in foreign exchange by foreign subsidiaries by Prof. S.K. Goyal in the late 1970s, the CSG/ISID brought out a number of studies, some of those in association with international scholars, each attempting to provide a realistic picture of the foreign sector of the Indian economy using primary data.

We are extremely grateful to the management of ISID, in particular to Shri T.N. Chaturvedi (Chairman), Prof. S.K. Goyal (Vice-Chairman) and Prof. M.R. Murthy (Director) for enabling us to pursue this work. Special thanks are due to our colleagues Prof. K.V.K. Ranganathan, Dr. Reji K. Joseph, Dr. Satyaki Roy and Dr. Santosh Das for helpful suggestions and support. A draft version of this study was discussed in a workshop organised by the Institute on January 12, 2018. It was widely represented and the participants included academics, representatives of official agencies, industry bodies and the media. We have revised and expanded the draft report keeping in view the comments and suggestions of the participants and the discussants.

The cooperation and support extended by Shri P. Kameswara Rao and Shri Jeet Singh, in the ISID's office, Shri Amitava Dey in the library, Shri Rakesh Gupta and Shri Sudhir Aggarwal in the Computer Centre, Shri B. Dhanunjai Kumar in the Media Centre and Ms. Puja Mehta in the editorial section are also gratefully acknowledged. The responsibility for the presentation and interpretation of data and the views expressed is, however, entirely ours.

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Section I
Introduction

Over the past three decades, one of the key features of economic policymaking in many countries, particularly in the developing world, has been the increasingly favourable treatment given to foreign direct investment (FDI). This attraction towards FDI seems inexplicable for at least two reasons, given the experience gained during the intervening period. The first was that the policy framework that underlined the importance of FDI was proposed as a part of the so-called "Washington Consensus", whose questionable bases are now beyond doubt.[1] Second, the impact of FDI on host countries' economic development remains ambiguous.[2] The vagueness extends to the concepts used and the criteria followed. Emergence of new types of investors on the scene could have contributed to this uncertainty in no small measure. Ironically, these and high level of aggregation which treats FDI as homogenous (thus ignoring the investor characteristics) might themselves be contributing greatly to this uncertainty. Though sustained efforts are being made at the international level to improve the data on FDI and to generate additional data on its associated concepts, the stage has not been reached where one can interpret the available data confidently. Global focus, led by the international agencies, is heavily biased towards quantum of FDI rather than on its consequences. Compared to the developed ones, developing countries are probably the least equipped to assess FDI's contribution to their respective economies. In spite of this

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1 Joseph Stiglitz has been questioning these policies for more than a decade, but more importantly, one of the principal architects of the framework, John Williamson, has argued later that the framework was not designed to be used in the way it was. See, Joseph E. Stiglitz, *The state, the market, and development*, WIDER Working Paper 2016/1, January 2016, accessed from: https://www8.gsb.columbia.edu/faculty/ jstiglitz/sites/jstiglitz/files/WIDER%20The%20state.pdf and John Williamson, "Did the Washington Consensus Fail?", November 6, 2002, accessed from: https://piie.com/commentary/speeches-papers/did-washington-consensus-fail.

2 For instance, Cohen surmised that: "[T]o describe the nature and impact of FDI/MNCs in all-encompassing or immutable terms is to repeat the mistakes of the blind men separately touching individual parts of the elephant. … the best way to assess FDI and MNCs is to accept the thesis that the appropriate answer to most of the important questions about them is "it depends"". Stephen D. Cohen, *Multinational Corporations and Foreign Direct Investment: Avoiding Simplicity and Embracing Complexity*, Oxford University Press, New York, 2007, pp. 362-363.

On their part, Mo Yamin and Frederick Nixson inferred in their review paper that "the creation of an effective regulatory framework to deal with these problems [caused by MNCs' behaviour] requires a state structure with the political will, political power and competence to bargain effectively with MNCs, a set of conditions long recognised as essential but rarely achieved in practice". See: Mo Yamin and Frederick Nixson, "New Directions of Foreign Direct Investment and Industrial Development", in John Weiss and Michael Tribe (Eds.), *Routledge Handbook of Industry and Development*, London and New York, 2016, p. 180.

incapability[3], most developing countries pursue FDI vigorously and the success of the policies is measured in terms of the quantities attracted.

Open FDI policy, whether adopted voluntarily or enforced through international agreements, is an antithesis of the calibrated approach suggested by many studies[4] and country experiences. Such a strategy has no place when there is a single-minded drive towards attracting larger amounts of FDI, year after year. India's case is no exception. As a result, even after a quarter century of opening up, except offering some aggregate inflow figures and perfunctory analysis of FDI companies' operations, the country is in no position to assess the efficacy of particular FDI-oriented policies or major initiatives such as Make in India (MII). The main objective of the present study is to demonstrate that India, while striving hard to provide an investor-friendly environment, failed to put together meaningful data even on inflows.

The awareness that the essence of FDI is not capital per se but technology and other intangibles it brings along[5] was evident even during the early years after independence. This was in spite of the prevailing adverse sentiment against foreign capital. Prime Minister Nehru had reasoned that "Indian capital needs to be supplemented by foreign capital not only because national savings will not be enough for the rapid development of the country on the scale we wish, but also because in many cases scientific, technical and industrial knowledge and capital equipment can

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3 For instance, UNCTAD has said not too long ago that "FDI data should ... be interpreted and used with... caveats in mind. More importantly, developing countries need to improve the quality of their FDI statistics – a major challenge for many of them. Moreover, FDI data alone are not enough to assess the importance and impact of FDI in host economies. They should be complemented with statistical information on the activities of TNCs and their foreign affiliates (e.g. sales, employment, trade, research and development (R&D))". UNCTAD, *World Investment Report*, 2006, p. 13.

Helleiner had noted earlier that FDI data are "highly imperfect and difficult to interpret. The definition of "direct foreign investment" is itself a source of great confusion and difficulty". See G.K. Helleiner, "Transnational Corporations and Direct Foreign Investment", in Hollis Chenery and T. Srinivasan (eds.), *Handbook of Development Economics*, Vol. 2, Elsevier, 1989, p. 1445.

4 While there are a number of studies, one may refer to a more recent paper from the World Bank which underscored that "[I]nvestment policy formulation requires a framework sophisticated enough to differentiate between the various kinds of foreign direct investment, as well as potential challenges and benefits for development". See: Roberto Echandi Jana Krajcovicova Christine Zhenwei Qiang, "The Impact of Investment Policy in a Changing Global Economy: A Review of the Literature", *World Bank Policy Research Working Paper*, No. 7437, October 2015.

5 Johnson said that the "essence of foreign direct investment is the transmission to the "host" country of a "package" of capital, managerial skill and technical knowledge". See: Harry G. Johnson, "Survey of the Issues" in Peter Drysdale (ed.), *Direct Foreign Investment in Asia and the Pacific*, Australian National University Press, 1972. Such intangibles are also central to Dunning's OLI paradigm. Kojima also said that "… main role of foreign direct investment is to transplant superior production technology through training of labor, management and marketing, from the advanced industrial country to lesser developed countries, …. foreign direct investment is to be a starter and a tutor of industrialization in less developed countries…". (Kiyoshi Kojima, "International Trade and Foreign Investment: Substitutes or Complements", *Hitotsubashi Journal of Economics,* Vol. 16, Issue No. 1, 1975, pp: 6-7).

Earlier, Nurkse had also noted that "[I]t [FDI] helps to promote the spread of modern technology and efficient management methods". See: Ragnar Nurkse, *Problems of Capital Formation in Underdeveloped Countries*, Oxford University Press, Bombay, 1972 p. 82. (First published in 1953 by Basil Blackwell).

best be secured along with foreign capital."[6] Notwithstanding the efforts to regulate it, this desire to benefit from foreign capital remained the basis for India's approach towards it.[7] Such expectation from foreign capital was also evident when at the time of opening up the economy in 1991 the policymakers of the day explained that India "will … welcome foreign investment which is in the interest of the country's industrial development" due to its attendant advantages of technology transfer, managerial techniques, marketing expertise and export potential.[8]

Over the years after 1991, however, the scope for FDI has expanded gradually to cover not only the industrial sector, but also almost all services. Barring the attempt to protect the Indian entrepreneurs in 1998 through the requirement of obtaining no-objection certificates from the existing Indian joint venture partners/technology licensees, which was subsequently reversed by the next government, the FDI policy has been relaxed by successive governments at the centre.[9] By the early 2010s, the non-differentiated nature of FDI as generic foreign investment became explicit. As India failed to "pay for imports through [the country's] own foreign exchange earnings"[10] and facing a huge current account deficit (CAD), the then finance minister had said in the Budget Speech (2013-14) that:

> This year, and perhaps next year too, we have to find over USD 75 billion to finance the CAD. There are only three ways before us: FDI, FII or External Commercial Borrowing (ECB). That is why I have been at pains to state over and over again that India, at the present juncture, does not have the choice between welcoming and spurning foreign investment. If I may be frank, foreign investment is an imperative. What we can do is to encourage foreign investment that is consistent with our economic objectives.[11]

The initial focused approach thus gave way to the generalised objective of attracting foreign investment irrespective of its specific attributes. Over the years, attracting

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6 "Prime Minister's Statement in Parliament on Participation of Foreign Capital in Industries", April 6, 1949.

7 In fact, a review of India's approach towards FDI since independence suggested that the country had been "caught in the web of dependence on foreign private capital". See: Biswajit Dhar, "State Regulation of Foreign Capital in India", ISID Working Paper No. 006, 1988. http://isid.org.in/pdf/statreg.PDF.

8 Government of India, "Statement of Industrial Policy", July 24, 1991, para 24. The Union Budget Speech delivered on the same day further underlined this objective when it stated that "[T]he thrust of the reform process would be to increase the efficiency and international competitiveness of industrial production, to utilise for this purpose foreign investment and foreign technology to a much greater degree than we have done in the past...". para 9. The opening was thus limited to the erstwhile Appendix I industries which had already been open to companies registered under the *Foreign Exchange Regulation Act, 1973*.

9 Another change was with regard to the pharmaceutical sector where brownfield investment beyond 49 per cent was required to seek government approval.

10 The IPS 1991 stated that greater emphasis would be placed on meeting the country's import requirements through foreign exchange earnings. Specific mention was made of encouraging foreign investment, technology and foreign trading companies in this endeavour.

11 Ministry of Finance, "Budget 2013-14", Speech of the Minister of Finance, para 11.

large amount of FDI has captivated the psyche of the policymakers to such an extent that the earlier government even ignored the advice of the expert group constituted by the then Prime Minister. The expert group called for a relook at India's FDI policy and reasoned that:

> Technology transfer is considered to be one of the most important benefits of permitting FDI into a country. In India, however, in attracting the FDI the emphasis appears to be substantially on the amount of FDI flows. All announcements of successive Governments have been on the quantum of FDI received rather than on the quality of FDI. The benefits that accrued to the economy in terms of transfer of Technology, if any, is rarely highlighted possibly because no such assessments have been made.
>
> …, there is clearly a need to have a relook at our FDI policy in terms of the technological benefits the country needs to derive.[12]

Even earlier, contrary to the general belief that India placed excessive restrictions on foreign investments, the Industrial Licensing Policy Inquiry Committee (ILPIC) which made a painstaking empirical analysis of the operation of the Industrial Licensing System in its various dimensions, noted that industrial licensing approvals were influenced significantly by "[S]hort-term balance of payments mitigation rather than long-term import substitution or self-reliance.... This also led to an increasing emphasis on foreign collaborations."[13]

The ILPIC further noted that:

> [T]he craze for foreign collaborations resulting from Government's policy of favouring those applicants for licences who could secure foreign collaborations with equity participation and foreign credits made it difficult in some cases for genuine Indian parties to establish themselves".[14]

Keeping in view the unsatisfactory nature of some foreign collaboration agreements approved by the Government, the ILIPC suggested that:

> ... Government should undertake a review of the existing policy and procedures relating to foreign collaboration including foreign equity participation and take steps to remove the defects.[15]

During more than 25 years since 1991, only one official committee had looked into the formulation of FDI policy per se. The Steering Group on Foreign Direct

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12 India, National Manufacturing Competitiveness Council, *Report of the Prime Minister's Group: Measures for Ensuring Sustained Growth of the Indian Manufacturing Sector*, September 2008 (Chairman: V. Krishnamurthy), hereafter the NMCC Report.

13 Department of Industrial Development, Ministry of Industrial Development, Internal Trade and Company Affairs, *Report of the Industrial Licensing Policy Inquiry Committee (Main Report)*, July 1969, p. 123, para 6.75.

14 *Ibid*., p. 138, para 6.95.

15 *Ibid*., p. 138, para 6.96.

Investment constituted by the Planning Commission was set up with the specific mandate to suggest steps to achieve a "sharp step up in FDI" which was "necessary for achieving the growth targets of the Tenth Plan". The review of the caps and bans on FDI by the Steering Group was thus guided by the following consideration.

> Given the imperative of attracting FDI for increasing India's GDP growth rate, there should be a presumption in favour of permitting FDI. Accordingly, entry barriers to FDI (...) in any industry must be explicitly justified. [16]

Obviously, there was little scope for critically examining the pros and cons of FDI. The scope of another committee set up by the RBI was restricted to compilation and reporting of FDI flows with the objective of aligning the same with the international reporting system.[17] To clear the ambiguity regarding the identification of FDI and FII, the then Finance Minister, in his Budget Speech (2013-14), proposed to follow the international practice and laid down the broad principle that, "where an investor has a stake of 10 per cent or less in a company, it will be treated as FII and, where an investor has a stake of more than 10 per cent, it will be treated as FDI". A committee headed by Dr. Arvind Mayaram, the then Finance Secretary, was set up to further operationalise this proposition. The Committee was obviously not concerned with either the developmental impact of both types of investments or the desirability of adhering to the 10 per cent ownership criterion.[18]

Identification and Classification of FDI

At this point it would be relevant to describe in brief how FDI is defined and measured. This is because there is a wide gap between what is meant by FDI and what is measured (and reported) as FDI. While FDI is inalienably associated with the attributes of technology, managerial capabilities, marketing expertise, etc., in policy pronouncements and academic exercises, the definition adopted for identifying the same is merely based on "direct or indirect ownership of 10% or more of the voting power".[19] Thus, all investments from abroad meeting this lone criterion irrespective

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[16] Planning Commission, *Report of the Steering Group on Foreign Direct Investment* (Chairman: N.K. Singh), August 2002, p. 35.

[17] The Committee on Compilation of Foreign Direct Investment in India was set up by the Reserve Bank of India. It was concerned with inclusion of items under FDI. The Committee's report was submitted in October 2002. Following its suggestions, the reported FDI inflows started incorporating reinvested earnings, other capital (inter-company borrowings) and equity capital of branches of foreign companies operating in India. Neither the Committee on Rationalisation of Investment Routes and Monitoring of Foreign Portfolio Investments set up by SEBI under the Chairmanship of Shri K.M. Chandrasekhar (June 2013) nor the Committee on Rationalizing the FDI /FII Definition set up by the Ministry of Finance constituted by the Ministry of Finance (June 2014) dealt with the FDI policy dimension.

[18] Ministry of Finance, *Report of the Dr Arvind Mayaram Committee on Rationalizing the FDI/FII Definition*, June 2014.

[19] OECD*, OECD Benchmark Definition of Foreign Direct Investment*, Fourth Edition, 2008.

of whether they are made by financial investors[20] or national investors investing in the domestic economy through the foreign route, get counted as FDI.[21] In India, however, all investments by persons/entities resident outside India in the capital of Indian companies other than those through the portfolio investment scheme are treated as FDI *irrespective of the extent of shares* held by them. This was made clear by the RBI when it had said that:

> … while as per the international definition, for an investment to qualify as FDI the foreign investor needs to have a 10 per cent or higher stake in a given company, in India this has not been strictly adhered to. Irrespective of the extent of holding in a particular company, it is considered as an FDI if the non-resident acquires shares in a company other than by way of acquisition from the stock market, *i.e.*, through initial public offerings (IPO) or through private arrangements …[22]
>
> Thus, credit (inflows) under FDI 'to India' includes all types of investments in equities (investments made by non-residents in the shares/mandatorily convertible debentures/ preference shares of an Indian company), reinvested earnings of both incorporated and unincorporated bodies (mainly foreign bank branches operating in India) and other capital of FDI companies. "Other" under FDI includes inter-corporate loans given by parent companies to their affiliates.[23]

In November last year, the RBI came out with a different way of identifying FDI when it issued the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017. The revised regulations defined FDI as an "investment through capital instruments by a person resident outside India in an unlisted Indian company; or in 10 per cent or more of the post issue paid-up equity capital on a fully diluted basis of a listed Indian company."[24] It explained that even if the investment in a listed Indian company falls below 10 per cent of the post-issue paid-up equity capital on a fully diluted basis subsequently, such investment will continue to be treated as FDI. This approach follows the recommendations of the Arvind Mayaram Committee. It may be noted that the 10 per cent criterion applies to listed companies only. In any case, the definition does not once again take into consideration the character of foreign investors. Additionally, with listed companies being far too few in number compared to the universe of companies in India, in an overwhelming number of cases the 10 per cent criterion mentioned by the RBI will be irrelevant. Further, there being a general ceiling of 10 per cent on individual foreign

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20 Private equity funds, hedge funds, mutual funds, property and real estate funds, etc., fall under this category.

21 While this is the primary determinant, for reporting purposes, the associated reinvested earnings and debt instruments are also included under FDI flows.

22 RBI, *Balance of Payments Manual of India*, September 2010, p. 83.

23 *Ibid*., p. 85.

24 Issued in supersession of Notification No. FEMA 20/2000-RB and Notification No. FEMA 24/2000-RB both of May 3, 2000.

portfolio investors in a listed company, the possibility of such investments getting classified as FDI is quite small.[25]

The relevance of classifying the investors can be understood from an earlier study of ours. The study sought to distinguish the inflows according to three major types of investors: (i) foreign investors investing in their respective lines of activities who can thus be expected to possess the attributes associated with FDI; (ii) financial investors; and (iii) India-related investors. It estimated that out of the reported FDI inflows during 2004-14, *only about half* could be termed as realistic FDI (RFDI). About 15 per cent of the inflows were by India-related investors and the remaining were by various types of financial investors. Within RFDI, what was targeted at the manufacturing sector was a little less than half.[26] Further, and obviously, the amounts targeted at new capacity creation were even smaller.

Limitations of International Data on FDI Flows Impact Cross-country Comparisons

There are many important but little highlighted aspects of global data on FDI flows (concepts used, methods of estimation, nature of investors, sectors of investment, mode of entry, etc.).[27] Starting from the definition itself, most of the associated important concepts are prone to estimation problems, be it greenfield investments or M&As. The three main components of the reported FDI flows are: (i) equity capital representing the purchase of shares in the host country; (ii) earnings retained by the already existing foreign companies in the host country; and (iii) lending of funds between direct investors. Reinvested earnings, which are not actual cross-border flows, form a major component of the reported global FDI flows. For some countries, these could be quite substantial. Being un-repatriated profits, which are earned in the host economy, other countries cannot obviously expect to have a share of such FDI 'flows'. In fact, in the balance of payments (BoP) data there will be simultaneous contra entries. On the other hand, not all individual countries' report reinvested earnings. The *World Investment Report 2017* informs that about half of the

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[25] Even so, one finds some instances of SEBI-registered foreign portfolio investors holding more than 10 per cent shares in certain companies. E.g.: Nalanda India Equity Fund (Just Dial Ltd), Nalanda India Fund (Vaibhav Global Ltd), Aspire Emerging Fund (Winsome Textile Industries Ltd), One Earth Capital (Sathavahana Ispat Ltd), WF Asian Reconnaissance Fund (Niyogin Fintech Ltd) and SAIF India IV FII (Pennar Industries Ltd).

[26] See: K.S. Chalapati Rao and Biswajit Dhar, "Analysis of India's FDI Inflows during 2004-05 to 2013-14", in *India's Inward FDI Experience in the Post-liberalisation Period with Emphasis on the Manufacturing Sector*, project report submitted to the ICSSR, Institute for Studies in Industrial Development, January 2016 (hereinafter ISID-ICSSR FDI Project Report, 2016).

Some important problems with global FDI data were recently highlighted in Karl P. Sauvant, "Beware of FDI statistics!", Columbia FDI Perspectives, No. 215, December 18, 2017.

[27] This was discussed in some detail in K.S. Chalapati Rao and Biswajit Dhar, "Glimpses of the Global Situation", in the ISID-ICSSR FDI Project Report, 2016.

Additionally, India does not even follow the internationally adopted definition of 10 per cent foreign ownership. For a discussion see: K.S. Chalapati Rao and Biswajit Dhar, "Concept of FDI and how India has dealt with it", in ISID-ICSSR FDI Project Report, 2016.

FDI outflows from developed countries are of this nature – profits earned and retained in host countries by the already invested foreign companies. In case of developing countries, the corresponding share increased from 45 per cent in 2015 to 66 per cent in 2016.[28] Out of the $299 billion FDI outflow from the United States, as much as $280 billion were reinvested earnings (93.6 per cent).[29]

The inflows could result in acquisitions (including buying out of the existing joint venture (JV) partners) or in retirement of debt or creation of new capacities by augmenting the already available resources. In the former type of cases there would be no addition to the resources available to the enterprise under consideration. As discussed above, foreign investors could also be financial investors or returning natives. In both these cases, the additional attributes associated with FDI would be missing. Further, corporate reconfigurations while effecting large movements in the BoP often will have no bearing on actual operations.[30] An indication of their importance in 2015 can be seen from the fact that UNCTAD estimated that the rise in global FDI flows would have worked out to only about 15 per cent instead of 38 per cent if the 'flows' on their account had been excluded. Then there are intra-company loans which are counted as FDI.

Global data on inflows, cross-border greenfield investments (GF) and M&As are not strictly comparable not just because they are compiled by different private agencies,[31] but also because of conceptual issues. The reported GF includes not only fresh inflows, but also funding from all other sources (whether local or foreign) and within or outside the multinational group. At the extreme, the new investment could be entirely from domestic sources. Further investments could come from the already existing foreign enterprises using accumulated earnings and/or local resources. In case of M&As again, the acquisitions can be through fresh cross-border flows or by the already established host country arms of the MNC. If the acquisition is through an existing subsidiary in the host economy, it would not get reflected in inflows but will be counted when adding up the M&A values. One main question is how long after the initial investment should further investments be considered as M&A.

Further, not all inflows can be strictly classified as GF (new facility creation) or M&A (takeover of unrelated enterprise/activity/business). The new inflows could be used to repay debt or to meet working capital needs or to revive struggling enterprises. These could also be used indirectly in M&As. The investments at the initial stage may not replace the existing shareholders completely or even partially because the inflows can give the foreign investor a majority stake even while the incumbents remain invested. Further, there being extensive data gaps, the private data providers either keep the figures blank or provide some estimated (using undisclosed criteria) figures

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28 UNCTAD, *World Investment Report: 2017*, p. 15.

29 *Ibid.*, p. 77.

30 This phenomenon partly explains the huge jump in Hong Kong's FDI inflows in 2015 over 2014 -- by 53 per cent to $175 billion. These are characterised by changes in legal or ownership structures including corporate inversions.

31 See for instance, UNCTAD, *Training Manual on Statistics for FDI and the Operations of TNCs,* Volume I: FDI Flows and Stocks, 2009.

which make the data extremely tentative. Since GFs are based on announcements only, one is not sure how many get translated into actual investments. Again, at the international level, not all countries follow the same methodology/criteria for reporting the inflows/outflows, though efforts are being made to standardise the reporting of FDI. Another issue with international data is that even if the ultimate entities involved belong to the same country, it might be counted as cross-border acquisition.[32] The fact that the different types of reported investments cannot be reconciled is evident from the case of India. According to UNCTAD, the value of GF announcements and M&A sales for the period 2010-16 were $293 billion and $43 billion respectively whereas the inflows were much smaller at $239 billion.

The case of investments by domestic entrepreneurs who use the foreign route not being associated with additional technological advantage is obvious. There could be a variety of motives for such investors: tax and fiscal advantages, property right protection, expectation on exchange control and exchange rate, accessing better financial services, money laundering, etc.[33] The OECD Benchmark definition indeed recommended compilation of separate supplementary breakdowns of such investments when round-tripping is significant for any country.[34]

The other important category of investors is of financial institutions, of which private equity funds is a major segment. Their case is best described by UNCTAD when it said that

> Unlike other kinds of FDI, private equity firms tend not to undertake long-term investment, and exit their positions with a time horizon of 5 to 10 years (or an average of 5-6 years), long enough not to be regarded as typical portfolio investors. Thus host countries, and developing ones in particular, need to be aware of this difference in time horizon.[35]

UNCTAD, however, suggested that such foreign ownership *can* bring market access and new technologies and help host-country enterprises to move to a new phase of development. Given the fact that such investors would not generally own proprietary technologies and marketing channels, their role could be mainly in facilitating them through providing finance. Such possibilities cannot, however, be ruled out when host country enterprises obtain finance from local sources or from foreign portfolio investors through the stock market. In fact, the OECD in the Benchmark Definition underlined the need for individual countries to compile data separately for sovereign wealth funds and collective investment institutions.[36] It also discussed at length the problems associated with M&As and greenfield investments.

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32 For a relevant analysis of large M&A sales in case of India and China, see: ISID-ICSSR FDI Project Report, 2016.

33 *Supra* note 19, p. 159.

34 *Ibid.*, p. 159.

35 UNCTAD, *World Investment Report*, 2006, p. xviii.

36 E.g.: mutual funds, hedge funds, private equity funds, distressed funds, and property and real estate funds.

Further, as we shall describe in detail in the case of India, there could be serious practical problems in reporting the inflows to the national authorities by the recipients. For instance, given the context of MII initiative of the new government at the centre in which India's FDI inflows are being viewed, a critical dimension is the initial decision to invest in India. This is because decisions on long-term investments will not be made instantly. The investment decisions will be based on careful analysis of investors' future requirements and the relative advantages offered by alternative locations globally. The same may not hold good for foreign financial investors, even though their investments might be counted as FDI. They invest either in greenfield or other enterprises which are at various stages (including distressed ones) with the prime objective of exiting with handsome gains. The promoters of such projects will be mainly local entrepreneurs. Round-tripped investments fall in a category of their own. Further, irrespective of their nature, foreign investors bring funds in multiple tranches depending upon the progress of a project or as follow-up of initial investments as the situation demands. There could be other situations also. Thus, the decision to invest initially and the nature of investors are important aspects which should be taken note of when analysing the inflows from a particular policy's stand point. Yet another factor is the gap between actual inflows and the time of taking them on record/reporting by the authorities. This dimension of FDI data is hardly discussed.

Concern about India's Manufacturing Sector and FDI

India has been striving hard to develop the manufacturing sector for many years. In particular, when opening up the economy in 1991 it was explained that foreign investment and foreign technology would help improve the efficiency and international competitiveness of India's industrial sector. Two decades later, the National Manufacturing Competitiveness Council (NMCC) was set up to provide inputs to enhance the competitiveness of the manufacturing sector. In the context of a stagnant share of manufacturing sector in India's GDP, the Council had estimated in 2005 that the sector had to grow by 12 per cent in order for its share in GDP to increase from about 17 per cent to 23 per cent by 2015.[37] Subsequently, the National Manufacturing Policy, which was announced in 2011, aimed to achieve the share of 25 per cent by 2022. Inadequate physical infrastructure, complex regulatory environment and lack of enough skilled manpower were identified as chief constraints to the growth of the sector. It proposed to leverage the large and expanding market for manufactured goods to benefit from foreign investments and technologies. It underlined the need to "ensure access for Indian companies to foreign technologies". One of the instrumentalities identified was fostering "[J]oint ventures between foreign companies and Indian partners". Instead of amending the FDI policy in line with this objective, the Indian policymakers, however, continued to dilute it. In fact, even by then, most branches of manufacturing were open for 100 per cent FDI through the automatic route. The policymakers failed to take note of the reality that in a liberalised FDI policy environment, there will be little incentive for forging JVs. From an analysis of the FDI received during the decade of 2004-2014, it emerged that very few of the

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[37] "NMCC sets 12% growth target for industry", *Financial Express*, September 26, 2005.

manufacturing companies, which received large amount of RFDI during 2004-14, were operating as JVs. The exercise also demonstrated that notwithstanding the 10 per cent ownership criterion prescribed for identifying FDI, in practice, realistic FDI investors would go for far higher shares unless constrained by national legislations or for immediate strategic reasons.[38]

When the new government was formed at the centre in May 2014, it had to deal with the fact that no perceptible improvement had taken place in the share of the sector in GDP. The MII initiative, the first major programme of the new government to transform India into a global manufacturing hub, was initiated in September 2014. In the new scheme of things, the earlier goal of reaching the 25 per cent share in GDP was pushed by three years to 2025. The initiative made specific reference to harnessing the potential of FDI. Twenty-five sectors, almost half of which were non-manufacturing ones, were identified for special focus under the programme.[39] Although the statement of intent of MII speaks of encouraging both "multinational as well as domestic companies to manufacture their products within the country", liberalisation of FDI policy pertaining to different sectors that was initiated earlier in August 2014, underlines the reliance placed on foreign companies to contribute to the "making of India". This became more than evident from the following unequivocal statement: "FDI reforms reflect a decisive change in philosophy, from viewing FDI as a tolerable necessity to something to welcome".[40]

Operationally, the policy changes were intended to "put more and more FDI proposals on automatic route instead of government route where time and energy of the investors is wasted".[41] In keeping with the critical role that it had visualised for FDI in the implementation of MII, the government made a series of announcements for relaxing the FDI policies. These announcements were aimed at increasing the presence of "foreign direct investors" in the Indian economy -- treating investments by certain foreign investors as not FDI for policy purposes but considering the same as FDI for reporting purposes, further relaxing the limits on FDI and significantly expanding the scope for automatic entry. The Budget Speech 2017-18 declared the government's intention to further liberalise the FDI policy and to abolish the Foreign Investment Promotion Board (FIPB). The Board was abolished finally in May 2017

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38 Out of the 602 manufacturing companies which received RFDI of at least $5 mn., as many as 468 companies, or 78 per cent of the total, could be termed as solo ventures. Foreign companies held minority shares in case of only 49 companies or 8 per cent of the total. RFDI investor's share was less than 10 per cent in only seven companies. A majority of the remaining were older companies which were transformed into JVs. Only a small fraction originated as JVs. Foreign companies were equal partners in 11 new companies and six older companies.

39 The thirteen manufacturing ones are: automobiles, auto components, aviation, biotechnology, chemicals, defence manufacturing, electrical machinery, electronic system design and manufacturing, food processing, leather, oil and gas, pharmaceuticals and textiles. The remaining are in infrastructure and services: construction, IT and BPM, media and entertainment, mining, ports, aviation, railways, renewable energy, roads and highways, mining, space, thermal power, construction, tourism & hospitality and wellness.

40 Ministry of Finance, *The Economic Survey 2015-16*, Volume 1, p. 2.

41 Press Information Bureau, "Reforms in FDI", November 10, 2015, accessed from http://pib.nic.in/newsite/PrintRelease.aspx?relid=130371.

and in its place a Foreign Investment Facilitation Portal came into existence as a single point interface between foreign investors and the government.

In an interesting turn of events, the Discussion Paper "Industrial Policy – 2017" released by the government on August 29, 2017, just a couple of days after the much delayed Consolidated FDI Policy Circular 2017 was announced, expressed concern over difficulties in ensuring technology transfer though FDI. In specific, it said that:

> FDI policy has largely aimed at attracting investment. Benefits of retaining investment and accessing technology have not been harnessed to the extent possible. FDI policy requires a review to ensure that it facilitates greater technology transfer, leverages strategic linkages and innovation.[42]

This realisation should be seen in conjunction with the observation of the Prime Minister's group, which had said earlier in 2008 that:

> The Multinational Companies are also permitted to open 100 per cent owned subsidiaries in India. In other words, in those areas the technology would continue to remain with the Multinational Companies themselves.[43]

If the official Discussion Paper on industrial policy found technology transfer to be a major problem, a right question should be whether all of the FDI that is coming to India has the potential to transfer technology. Only then, the next question whether those who possess technology are transferring it or not, will arise. India's entry route-based approach for distinguishing between direct and portfolio investments does not take into account the character of foreign investments and their potential contribution. In fact, even the international definition which follows the 10 per cent thumb rule will be of little use as it ignores the essential characteristics of FDI like technology, management and marketing techniques. Adopting a generalised characterisation of FDI and following a liberal FDI policy which removed the compulsion to form JVs or to share technologies with domestic companies and then finding fault with FDI for not delivering technology is obviously illogical.

The issue with FDI, however, is not technology transfer alone. FDI, in general, is known to have both positive and negative impacts on the host economy. There is thus a need to acquire a deeper understanding of its functioning. As the government itself has admitted, the focus has been on the aggregates. But, do we know enough even about these aggregates?

Post-MII FDI Inflows

According to the government, strong positive responses were received spontaneously from foreign investors following the initiation of MII and the

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[42] India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, "Industrial Policy – 2017: A Discussion Paper", August 29, 2017, accessed from http://dipp.nic.in/whats-new/industrial-policy-2017-discussion-paper.

[43] S*upra* note 12, p. 98.

reforms made in the FDI policy. The *Economic Survey 2015-16* stated that after "the launch of the initiatives in September 2014, there was nearly 40 per cent increase in FDI inflows during October 2014 to June 2015 over the corresponding period of the previous year".[44] Subsequently, it was reported that FDI equity inflows increased by 46 per cent during October 2014 to May 2016 over that received during the 20 months prior to October 2014.[45] Indeed, the reported inflows crossed $55 billion during 2015-16, the highest in any single financial year till then. National and international sources went a step further and started relating the rise to the new initiatives. Moody's, the influential international rating agency, ascribed the rise in inflows to the liberalised FDI policy and the MII campaign.[46] fDi Intelligence, a division of the Financial Times group that monitors global cross-border greenfield investments, reported in April 2016 that during 2015 India had surpassed China as regards capital investment in cross-border greenfield investment projects.[47] Taking cue from this, the World Bank Chief underlined that "[O]ne of the ways to look at how the world is reacting is through foreign direct investment. Now, more FDI is coming into India than China."[48] UNCTAD also noted that the liberalisation steps taken by the Indian government since it took office contributed to attracting FDI from all quarters.[49]

Interestingly, at one stage the Indian government was cautious in relating the inflows to the policy changes. It said that:

> FDI is largely a matter of private business decisions, global investors normally take time to assess a new policy and its implications in the context of a particular market before making investment.[50]

In the budget speech 2017-18 it was, however, stated that despite a 5 per cent reduction in global FDI inflows, India's FDI inflows increased during the first half of 2016-17 by 36 per cent over the corresponding period of 2015-16. The further rise in inflows during 2016-17 seems to have convinced the government that the new approach was yielding results.

> If the FDI inflows of US Dollar 55.6 billion for the year ending March, 2016 were an all-time high, the record was not meant to last long. The country registered FDI inflow of US Dollar 60.08 billion in 2016-17, thereby scaling an even higher peak.

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44 India, Ministry of Finance, *Economic Survey 2015-16*, Volume II, p. 24.

45 Rajya Sabha, Unstarred Question No. 298, replied on July 20, 2016.

46 "FDI inflow credit positive, 'Make in India' bearing fruit: Moody's", *The Economic Times*, April 8, 2016, accessed from http://articles.economictimes.indiatimes.com/2016-04-08/news/72161358_1_current-account-deficit-net-fdi-inflows-trade-deficit.

47 "India knocks China from top of FDI league table", *The Financial Times*, April 20, 2016, accessed from http://www.ft.com/cms/s/3/94351bda-0620-11e6-a70d-4e39ac32c284.html#axzz4AVpznBZL.

48 "India came out of Brexit relatively well: World Bank chief", *The Times of India*, July 1, 2016, accessed from http://timesofindia.indiatimes.com/business/india-business/India-came-out-of-Brexit-relatively -well-World-Bank-chief/articleshow/53000823.cms.

49 UNCTAD, *World Investment Report*, 2016, p. 47.

50 Lok Sabha, Unstarred Question No. 101, answered on July 18, 2016.

> ...
> It has been the endeavor of the Government to put in place an enabling and investor friendly FDI policy. ... The steps taken in this direction during the last three years have borne fruit as is evident from the ever increasing volumes of FDI inflows being received into the country.[51]

As noted above, commenting on global data and comparing individual country experiences by ignoring its finer aspects could lead to gross misinterpretations.

India's Ill-preparedness to Assess FDI

Seen in the context of different factors at play, beyond releasing some broad aggregates of FDI, India is far from offering an analytical picture of what is happening on the FDI front. A study of India's FDI statistics by the National Council of Applied Economic Research (NCAER) had earlier brought out that:

> ... government ministries confront noticeable difficulties in answering Data and Impact Questions. This is largely because they do not have the requisite information, cannot access it in the detail or format being requested, or have not yet begun to study the economic contribution and impact of foreign firms. This is why ministries could completely answer just 58 per cent of the Data Questions and just 39 per cent of the Impact Questions. In contrast, they fully answered 81 per cent of the Policy Questions.
>
> Judging by ministries' responses, the principal data gaps appear to be the lack of information on FDI inflows into individual states, on the universe of foreign firms in particular states and sectors, and their contribution in terms of employment, trade, and overall economic value-addition. Ministries were also unable to answer most of the queries about foreign firms' share of total national investment or sales in particular sectors, and the urban-rural break-up of FDI inflows, saying that government data does not distinguish between foreign and domestic firms, or urban and rural investments.[52]

On its part, when it was told that it was not feasible to arrive at an accurate assessment of the response to greenfield FDI in the pharmaceuticals sector because the data on FDI equity inflows, maintained by the Reserve Bank of India, do not distinguish between greenfield and brownfield investments, the Department Related Parliamentary Standing Committee on Commerce said that:

> The Committee finds this argument naive and desires that the government should stop behaving like an ostrich but instead take cognizance of the ground reality. Absence of such a mechanism is a handicap for the government while formulating policies for the sector. It is, therefore, high

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[51] Press Information Bureau, "Foreign Direct Investment Inflows-A Success Story", May 19, 2017, accessed from http://pib.nic.in/newsite/PrintRelease.aspx?relid=161955.

[52] NCAER, *Enhancing the Scope and Quality of FDI Statistics,* Report No. 2016-03-1, March 2016, p. xviii.

> time that suitable mechanism be established to keep track of the nature of Foreign Direct Investments (brownfield and Greenfield investments) coming in the country. The Committee calls upon the Department to provide forth with the segregated data on greenfield and brownfield foreign direct investments made in the pharma sector.[53]

Earlier the ILPIC (1969) had underlined that:

> It is surprising that on a vital problem like this, there has been no attempt in Government to put together essential data [on foreign collaborations] so as to draw proper conclusions. Government appointed a committee in 1965 to examine questions relating to foreign collaborations. This committee, which reported in may (sic), 1967 does not however seem to have attempted to collect facts about all the foreign collaborations that have been entered into during the last decade or more.[54]

The above clearly underlines India's continued lack of preparedness to assess not just the impact of FDI, but also to understand even its basic characteristics. A few of the replies in Parliament, given at various points of time, which provide further evidence to the state of affairs, are given in Box-A. It is obvious that, with very few exceptions, India has taken an axiomatic approach towards FDI and did not make a serious effort in assessing its developmental impact. Even when it exercised some caution in opening up, subsequent relaxations negated the initial rationale.

The Present Study

There has been a surfeit of literature on issues which relates FDI with economic development, including in India, to which we have also been contributing in a small way. A few years back we started examining the fundamental issue of what is FDI and based on our understanding tried to give a break-up of the reported FDI inflows according to the nature of foreign investors in the Indian case.[55] We had also analysed some operational aspects of FDI companies, including a few large unlisted ones. Time of actual inflow was never felt to be an important factor, particularly when examining data over a considerable length of time. When we started analysing the inflows in the immediate context of MII, we had to necessarily take that aspect into consideration. The process has gradually led us to discover more issues relating to FDI data which seriously undermine their suitability to policy analysis.

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[53] Parliament of India, Rajya Sabha, *One Hundred and Ninth Report on FDI in Pharmaceutical Sector*, presented to the Rajya Sabha on August 13, 2013, pp. 8-9.

[54] *Ibid*., p. 138, para 6.96. The committee in question was Ministry of Industrial Development and Company Affairs, *Committee on Foreign Collaboration*, May 1967. (Chairman: Mr. A Ramaswami Mudaliar).

[55] K.S. Chalapati Rao and Biswajit Dhar, *India's FDI Inflows: Trends and Concepts*, accessible from http://isidev.nic.in/pdf/FDI_2011.pdf.

Box-A: Responses to Select Questions in the Parliament which Indicate Lack of Relevant Information on FDI

(b) the details of the domestic and multi-national companies which have invested or shown interest to invest in the country under the said programme along with the total domestic and foreign investment made so far, company-wise, sector-wise and the target fixed for the next three years.

Data with regard to the domestic and multi-national companies which have invested or have shown interest to invest in the country under the MII initiative is not centrally maintained. ... However, after the launch of MII initiative in September, 2014, there has been unprecedented increase in the FDI in the country. During the period starting from October, 2014 to September, 2016, total FDI equity inflows of US$77.86 bn. was recorded as against US$48.57 bn. received during the preceding 24 months with an increase of 60%.

-- Lok Sabha, Unstarred Question No. 910, November 21, 2016

Whether the FDI has adversely affected the viability of domestic small scale industries in the country?

No such assessment has been made. However, FDI complement and supplement domestic investment. Domestic companies are benefited through FDI by way of enhanced access to supplementary capital and state-of-art-technologies; exposure to global managerial practices resulting into employment generation and accelerated growth of the sector.

-- Lok Sabha, Unstarred Question No. 2922, March 20, 2017.

Whether employment percentage has registered a growth as a result of increase in foreign direct investment and if so, the percentage increased in employment in the country, State-wise including Rajasthan; ...

Data is not maintained centrally for assessing the impact of increased FDI on the employment generation. However, FDI directly supplements the domestic capital and brings technology and skill in the sectors of direct entry. It has indirect multiplier effects on other related sectors also thereby stimulating economic growth leading to increased production, exports and employment generation.

-- Lok Sabha, Unstarred Question No. 1371, December 7, 2015.

(a) the number of companies in the country with foreign equity ownership

The Companies Act, 1956 does not distinguish between the local equity ownership and foreign equity. As such, statistics regarding number of companies with foreign equity ownership is not separately maintained.

-- Rajya Sabha, Unstarred Question No. 1807, August 17, 1995.

(c) whether Government has studied the impact of such a move [raising of FDI limit in various sectors] on domestic industries and consumers; (d) if so, the sector-wise details thereof; and (e) if not, the reasons therefor?

The Government reviews the FDI policy on an ongoing basis, to ensure that India remains an attractive & investor friendly destination. .... FDI directly supplements the domestic capital, technology and skills in the sectors of direct entry. It has indirect multiplier effects on other related sectors also thereby stimulating economic growth.

-- Rajya Sabha, Unstarred Question No. 335, August 7, 2013.

Whether the growth in employment has been noticed by the Government after liberalisation of FDI policy in the country; if so, the details thereof along with the employment generated in the country as a result thereof;

No such data is maintained centrally.

-- Lok Sabha, Unstarred Question No. 3300, March 18, 2013.

(c) whether the indigenous and foreign companies have shown interest to set up industries under the said programme (MII) in the country, if so, the details thereof during each of the last three years, company-wise;

Yes. Details of foreign companies who have shown interest to set up industries in India under Make in India initiative, is available on the web link - https://drive.google.com/file/d/0B-Tv7_upCKANWHBON1 VOQzZ2RDg/view. No such data is centrally maintained in respect of domestic companies.

-- Lok Sabha, Unstarred Question No. 3995, March 27, 2017.

Contd…

Box-A: Continuation

(a) the details of the proposals received and sanctioned by the Government from various foreign companies for establishment of industrial units in the country under new economic reforms and the Make in India programme during each of the last three years and the current year, State/UT-wise;

(b) … the amount of investment involved, number of companies that have started production out of the sanctioned ones and details of employment likely to be generated therefrom ..;

(c) whether the Government has received any complaints from the foreign companies regarding difficulties being faced by them in land acquisition; and

(d) if so, the details thereof along with the corrective steps taken by the Government in this regard?

a): Scheme/Programme/Economic reform wise data on the proposals received and sanctioned by the Government from various foreign companies is not maintained centrally.

(b): Data related to the details of the amount of investment involved, number of companies that have started production based on the programme/ initiative is not maintained.

... No data related to Employment generation with respect to investments by such foreign companies is centrally maintained.

(c) & (d): No such data is centrally maintained.

-- Lok Sabha Unstarred Question No: 444 Answered on December 18, 2017.

The objective of this study is to analyse India's reported FDI inflows during the recent past keeping the above factors in mind and to sensitise the users about the caveats with which the data has to be interpreted. It is also to impress on the authorities to take corrective steps urgently. Thus, it goes beyond the usual analysis of taking the official data as given and proceeding to identify the causative factors and the implications. We have generally avoided discussing the pros and cons of FDI as understanding FDI in India's case and measuring it are equally important but grossly neglected aspects. This is particularly a matter of concern when more than theoretical understanding empirical evidence should have been guiding policymaking.

In Section I, we have provided the background to the study and also tried to establish the need to interpret global FDI flows with caution. Section II briefly describes the FDI policy changes announced in 2016 and their implications. It provides the background to the subsequent sectoral analysis of inflows. In Section III, we try to identify the broad features of the officially reported aggregate FDI inflows during the recent past as also the reported tranche-wise actual inflows during the period October 2014 to March 2016. The initial sectoral and investor type-wise analysis made us acutely aware of certain aspects and deficiencies of the data. Hence, the detailed sectoral analysis was restricted to the period October 2014 to March 2016 only as no useful purpose was expected to be served by extending it to cover 2016-17.

Section IV presents various dimensions of the data-related issues. It will not be possible to provide reliable estimates of the extent of distortion these issues have caused as it would not only mean sifting through an enormous number of company documents, but also identifying the time of initial decision-making and the circumstances associated with individual cases. Section V, therefore, seeks to provide a broad indication of the extent of distortions through an analysis of large tranches of inflows. Inflows into different individual sectors, especially manufacturing, will be subjected to little closer scrutiny. The section makes use of the brochures on achievements in different sectors, released by the government. Section VI offers some explanation for the possible acceleration in the reporting of old cases after April 2014 when the powers to condone FEMA violations were delegated to the regional offices of the RBI. It also describes a few cases which highlight the problem of duplicate reporting prior to April 2014. Section VII summarises the observations and offers a few suggestions. Keeping in view the heavy emphasis on attracting FDI in policymaking circles and various national and international fora, this exercise is restricted to inflows only. Further investments in India by the already operating foreign companies using domestic resources (reinvested earnings and borrowings from local and foreign sources), though important, are beyond the scope of this study.

Section II
Changes in FDI Policy in 2016

Starting with the targeted relaxations in 1991, when the focus was on what were termed as high priority industries requiring 'large investments and advanced technology', the scope for foreign participation was expanded gradually by opening up more sectors, enhancing the limits and curtailing the scope for case-by-case approval. In the process, by the early 2000s, FDI had unrestricted entry into most of the manufacturing industries.[56] Since practically the entire manufacturing sector had already been opened for 100 per cent FDI by the previous governments, there was very little scope left for further relaxation by the new government coinciding with the Make in India initiative. In other words, possibilities of incremental FDI inflows into the manufacturing sector based on mere changes in FDI policies were limited. This perhaps also explains the emphasis on enhancing the presence of foreign investors in defence industries and services sectors. The twenty-five focus sectors under MII cover as many as 12 non-manufacturing sectors including tourism and hospitality, wellness, media and entertainment.[57]

The present government initiated the process of further liberalising the FDI policy in August 2014 by raising the general cap on FDI in defence industries and by allowing foreign participation in the upgradation of railway infrastructure. While periodic announcements were made regarding the construction development, insurance, pension funds and white label ATMs, a major push came in November 2015 which covered plantations, defence industries, broadcasting, air transport, construction development, single brand retail trade, credit information companies and establishment of satellites. Another round of major changes was announced on June 20, 2016. These were made operational through the Press Note No. 5 issued by the Department of Industrial Policy and Promotion (DIPP) on June 24, 2016. Interestingly, these changes were unveiled just a fortnight after the Consolidated FDI Policy Circular (henceforth, "the Circular") which was issued on June 6, 2016. As a result, the Circular, whose objective was to provide a one-shot view of India's extant FDI policy, could no longer provide the latest position.

While on the face of it no major developments took place in respect of the sectors concerned in the interregnum and some motives other than sectoral needs[58] were

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56 This fact was noted by the Steering Group set up by the Planning Commission when it said that "[M]ost of the manufacturing sectors have been for many years on the 100 per cent automatic route. Foreign equity is limited only in production of defence equipment (26 per cent), oil marketing (74 per cent) and government owned petroleum refineries (26 per cent)", *supra* note 16, p. 22.

57 *Supra* note 39.

58 See for instance, "Raghuram Rajan fiasco followed by 100% FDI: How Narendra Modi Government Efficiently Manages Headlines", June 20, 2016, accessed from http://www.india.com/news/india/

indeed attributed to the 'radical' changes announced within such a short period of issuing the Circular, it undoubtedly reflected the government's resolve to accelerate the liberalisation of the FDI policy regime. In October 2016, 100 per cent FDI was permitted in 'other financial services', which are regulated by the respective regulators, through the automatic route. In February 2017 the conditions attached to FDI in stock exchanges, commodity exchanges, depositories, etc., were modified. The latest in this series of FDI policy reforms was made in January 2018. The important changes were: (i) permitting 100 per cent FDI through the automatic route in Single Brand Retail Trade (SBRT); (ii) allowing FDI up to 49 per cent in Air India, thereby paving the way for its privatisation; and (iii) dispensing with the requirement of prior government approval in respect of FDI in NBFCs.

The year-wise changes in FDI policy, effected since the present government took over and until December 2016, are summarised in Table-1. The sector-wise description of the changes is given in Annexure-A. As described above, it can be seen from the Table-1 that a number of changes occurred first during November 2015 and later in June 2016. Since most changes took place in November 2015, one may not expect them to have an immediate and major effect on the inflows during 2015-16.

Table-1: Changes Effected in the FDI Policy Applicable to Different Activities during June 2014 –December 2016

Sector	**2014**		**2015**		**2016**	
	May-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Manufacturing Sector						
• Defence Industries (M)	Jun	Jul, Aug			Jun	
• Medical Devices (M)			Jan			
• Pharmaceuticals (M)					Jun	
Services						
• Railway Infra (M)		Aug				
• Construction (M)		Dec		Nov		
• Trading				Nov	Mar, Jun	
• Civil Aviation, Ground Handling, Satellites, etc. (M)				Nov	Jun	
• Broadcasting (M)				Nov	Jun	
• Private Security Agencies					Jun	
Financial Sector						
• Insurance, Pension Fund, Financial Services			Mar, Apr		Mar	Oct
• ATMs				Oct		
• Credit Information Cos				Nov		
• Stock Exchanges					Feb	
• Asset Reconstruction Cos					May	
Agricultural Services						
• Plantations				Nov		
• Animal Husbandry					Jun	

Source: Based on the Press Notes and the Consolidated FDI Policy Circulars issued by the DIPP.
(M) Indicates that it is either fully or partially covered in the Make in India thrust sectors.
Note: Press Note 1 of February 20, 2017 while retaining the 49% cap on FDI through the automatic route in case of infrastructure companies in the securities market, reframed the associated conditions.

raghuram-rajan-fiasco-followed-by-100-fdi-how-narendra-modi-government-efficiently-manages-headlines-1274737/.

Similarly, the changes that were announced in June 2016 would not have had an immediate effect on the inflows during 2016-17. So, the FDI policies per se may not explain the reported rise in the inflows in 2015-16 or 2016-17. It can, however, be argued that the change in the overall approach towards FDI, the addressing of issues relating to the business environment and the change in the government in general might have been responsible for the sharp rise in the reported inflows.

In the following discussion, we shall describe the "radical changes in FDI regime" introduced in June 2016,[59] the most recent major attempt, and their implications. The changes introduced have noteworthy and far-reaching consequences for sectors such as agriculture and pharmaceuticals, especially from the point of view of the domestic producers and consumers.

Defence Industries

India first opened the defence industries sector to FDI in 2001 with a 26 per cent cap on foreign ownership. While in all other manufacturing activities, 100 per cent FDI was allowed, ownership caps were put in place in case of defence manufacturing. This was because (i) development of indigenous defence manufacturing base has both economic and strategic objectives and (ii) involving FDI has security implications also. The present government raised the cap on foreign investment to 49 per cent in August 2014 with a sub-limit of 24 per cent for foreign portfolio investors. Within a few months (in November 2014) the sub-limit was done away with.

The FDI policy relating to the defence sector, which is one of the thrust sectors identified under the MII, saw major changes being introduced as a part of the policy changes in June 2016. These were: (i) removing the cap of 49 per cent and explicitly stating that 100 per cent FDI will be allowed, (ii) allowing foreign shareholding beyond 49 per cent through the government route wherever it is likely to result in access to modern technology or "other reasons to be recorded", and (iii) bringing small arms and ammunition under the ambit of the policy. In the extant policy, which had been in place since 2013, 100 per cent foreign ownership was allowed "on a case to case basis, which ensures access to modern and state of art technology in the country"[60]. However, in the June 2016 FDI policy amendments, the "condition of access to 'state-of-art' technology in the country [was] ... done away with".[61] Dispensing with the critical term "state-of-art technology" and substituting it with the milder term "modern technology" seems to suggest that the policymakers were no longer hopeful that the country would get access to advanced military technologies by attracting FDI. What is more interesting is that while the term "modern

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59 Press Information Bureau, "Major Impetus to Job Creation and Infrastructure: Radical Changes in FDI Policy Regime; Most Sectors on Automatic Route for FDI", June 20, 2016, accessed from http://pib.nic.in/newsite/PrintRelease.aspx?relid=146338. For details of the policy changes, see India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, "Review of Foreign Direct Investment (FDI) policy on various sectors", Press Note No. 5 (2016 Series), June 24, 2016.

60 India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion, Press Note No. 6 (2013 Series), August 22, 2013, p. 2.

61 Press Information Bureau, *supra* note 59.

technology" was not explained in the relevant Press Note, there was an exercise afoot before the June 2016 amendment to draw up guidelines to define 'state-of-art' technology.[62] Given the eagerness shown by the Indian policymakers to attract more FDI, dilutions in policies appear to have been introduced in order to provide greater scope for 100 per cent FDI. However, as we have mentioned elsewhere[63], FDI policy can at best be an enabling mechanism since access to advanced defence technologies is controlled by home governments but not by the investing companies themselves.

Pharmaceuticals and Medical Devices

Foreign direct investment in the sector has been one of two most discussed topics because of the two related factors. One, takeovers of many domestic generic pharmaceutical companies by large global companies, a phenomenon that is better known as "brownfield FDI", and two, the consequences of this development on public health, not only for India, but also many other countries which benefit from the cheap medicines produced by the generic Indian producers. Following the concern expressed by many, the earlier government was obliged to restrict the automatic approval facility to 49 per cent foreign ownership in case of brownfield investment. Acquisitions beyond this share were subject to government approval and to conditions like restricting the use of non-compete clauses and maintaining a minimum level of R&D.

The June 2016 changes in FDI policy regime raised the limit for brownfield FDI through the automatic route to 74 per cent. The stated objective of this change was "promoting the development of this sector". If takeovers by foreign companies will necessarily promote and develop the sector, a question arises as to why the automatic route was limited to 74 per cent? Why not 100 per cent? What role are the Indian shareholders owning the remaining 26 per cent share expected to play? Will they have any say in deciding the product mix, technology transfer/local R&D, pricing, markets to be served, etc.? The policymakers might be taking comfort from the fact that the holders of the remaining 26 per cent equity can exercise veto powers in cases where special resolutions are mandatory. However, shareholder agreements and articles of association define the control relationship among the parties. If the idea was that the Indian party would have a chance to learn from the foreign partner, that would be better served when the foreign shareholder is in minority. The foreign acquirer can suffocate the residual Indian shareholder so that he would be forced to seek an exit instead of engaging in confrontation with the dominant foreign investor. On the other hand, if he remains and agrees not to compete, how would the policy objective be met?

In any case, the 74 per cent threshold does not pose any limitation when listed pharma companies are the targets because listing guidelines stipulate that there should be at least 25 per cent public shareholding. Theoretically, the new FDI regulations facilitate takeover of any listed pharma company without specific government

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[62] "Government defining 'state-of-the-art' technology to draw defence FDI", *Economic Times*, May 28, 2016, accessed from http://economictimes.indiatimes.com/news/defence/government-defining-state-of-the-art-technology-to-draw-defence-fdi/articleshow/52473504.cms.

[63] See: "India's Defence FDI Policy: Issues and Prospects", in ISID-ICSSR FDI Project Report, 2016.

approval, e.g. Sun Pharma, Aurobindo, Lupin, Wockhard, Cadila, Torrent and Biocon. The general public as shareholders can never be an effective force to direct the way the foreign acquirer steers the future of the acquired company.

In January 2015, up to 100 per cent brownfield investment was allowed through the automatic route in medical devices. It was stated that "[D]omestic capital market is not able to provide much needed investment in the sector. Easing of norms for medical devices industry by creating special carve out in the extant FDI policy on pharma sector will encourage FDI inflows in this area".[64] The fact, however, is that greenfield FDI was already allowed through the automatic route without any cap and acquisition up to 49 per cent was also allowed. The new policy would thus only encourages sell-offs by Indian companies rather than 'providing them with capital'.

In other words, the latest relaxation of FDI policy applicable to the pharmaceuticals sector, coupled with the complete freedom allowed to foreign investors to acquire existing medical devices manufacturing facilities, implies that practically there is no hindrance and progressively both pharmaceutical and medical devices industries would be dominated by large global players, raising the spectre of higher prices of health services. Interestingly, it has been reported that the Indian government, in the context of the strained relations with China, was thinking of blocking the acquisition of Gland Pharma by Shanghai Fosun Pharmaceuticals Group of China. The reason stated was that the Chinese company would gain proprietary technology developed by the Indian company.[65] The deal finally went through and the Fosun Pharmaceuticals Group acquired 74 per cent shares of the KKR-backed Gland Pharma in October 2017.[66] In fact, India should be concerned with many other takeovers also as the leadership of Indian industry including some promising start-ups is passing on to foreign companies irrespective of their nationality. As in the case of Gland Pharma, the sell-offs by many Indian companies have been associated with the involvement of private equity investors (e.g. Mylan Laboratories, Paras Pharma and International Tractors). This experience should serve as yet another reminder of the risks associated with PE/VC investors when promoting start-ups.

Civil Aviation

In case of airports, the requirement that mandates government approval for taking a stake beyond 74 per cent in existing projects was done away with. Further, according to the revised policy, an airline company can be entirely foreign-owned but the share of a 'foreign airline' cannot exceed 49 per cent! The FDI policy applicable to the civil aviation sector over the years makes quite an interesting reading. While initially no foreign investment was allowed in the sector, foreign investment in Jet Airways was

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[64] Press Information Bureau, "Review of the policy on Foreign Direct Investment in Pharmaceutical Sector – Carve out for Medical Devices", accessed from http://pib.nic.in/newsite/PrintRelease.aspx?relid=114030.

[65] See: http://www.businesstoday.in/current/corporate/citing-genuine-concerns-modi-govt-stops-13bn-chinese-firm-fosuns-bid-for-gland-pharma-report/story/257530.html and http://www.livemint.com/Companies/1ZEJKUzAMIXS0Cw6CGxNlM/Gland-Pharma-investors-weighing-74-stake-sale-to-Fosun-in-a.html.

[66] R. Ranjani. "Fosun completes revised deal for 74% stake in Gland Pharma", October 3, 2017, accessed from https://www.vccircle.com/fosun-completes-revised-deal-for-74-stake-in-gland-pharma/.

permitted on the ground that it was made by NRIs. It was a different matter that the ownership of the foreign investor in the company was shrouded in controversy. Till September 2012, FDI up to 49 per cent was allowed in Scheduled Air Transport Service/Domestic Scheduled Passenger Airlines but "[N]o foreign airlines [was] allowed to participate directly or indirectly". Full ownership by NRIs was permitted. Obviously, the very essence of FDI, implying long-term investment and domain knowledge, was missing in India's FDI policy applicable to the sector as the 49 per cent investment could only be by foreign portfolio investors.

Earlier, due to the restriction on the entry of foreign airlines in the airline industry, the Tata Group could not form a JV with Singapore Airlines. In September 2012, this restriction was withdrawn but it was stated that the "49 per cent limit will subsume FDI and FII investment". The new policy while permitting up to 49 per cent FDI through the automatic route (earlier through the approval route), opened FDI up to 100 per cent through the approval route. NRIs will continue to have the freedom to invest up to 100 per cent. Interestingly, the Press Note did not annul the other conditions mentioned in the Circular, namely (i) Chairman and two-thirds of the Board members should be Indian citizens and (ii) substantial ownership and effective control of the company is vested in Indian nationals. One is not sure whether it was due to oversight or was a deliberate decision. Continuance of the second condition would prevent majority ownership by a foreign airline unless 'effective control' is redefined to mean a majority of Indians in the Board. Another clause of the 'Other Conditions' clearly stated that foreign airlines are allowed to invest up to 49 per cent. It appears that the government might be aiming at more portfolio investment in the sector other than that by NRIs. The new policy may not have much practical value because portfolio investors already invest in listed airline companies. Since the promoters would have some controlling stakes, foreign portfolio investors can never reach the 100 per cent mark. The Circular categorically stated that the provisions are not applicable to Air India. The latest FDI Policy Circular issued in January 2018, however, allowed FDI up to 49 per cent in Air India as a prelude to its privatisation.

The sector offers an interesting insight into the government's approach -- on the one hand, it considers certain types of foreign investments as not "direct investment" (portfolio investors neither have lasting interest nor possess other attributes which are associated with FDI) and on the other these investments are considered as FDI for reporting purposes. It is difficult to understand why such awareness of the distinction between direct and portfolio investment has not been applied uniformly (e.g., e-commerce).

Single Brand Retail Trade

The changes in FDI policy applicable to this sector are proceeding on the expected pattern of gradual relaxations. The June 2016 decision followed up the proposal made in November 2015 to relax sourcing norms for products having 'state-of-art' and 'cutting edge' technology. The new policy relaxed local sourcing norms up to three years for entities undertaking Single Brand Retail Trading of such products. Reports suggest that Apple has started getting its low-end iPhone SE assembled in India on a trial basis through its Taiwan-based contract manufacturer Wistron. The government seemed to have stood its ground against the demand for further relaxation.[67] However, since the company has three years to meet the local sourcing requirements, it is too early to say anything. On the other hand, the government imposed 10 per cent customs duty on mobile phones and certain parts w.e.f. July 1, 2017 which should make foreign sellers think of some indigenisation. The FDI policy applicable to SBRT was relaxed further in January 2018 when 100 per cent FDI was allowed in the sector through the automatic route.

In this context, a comment on FDI in the trading sector would be in order in view of hopes being still nursed by India to develop critical infrastructure for marketing agricultural produce with the help of foreign retail majors notwithstanding their lukewarm response even to watered down conditions. The *Economic Survey 2014-15* underlined the need to liberalise the FDI policy with regard to retail trade and said that:

> In view of the difficulties in attracting domestic capital for setting up marketing infrastructure, particularly, warehousing, cold storages, reefer vans, laboratories, grading facilities etc. liberalisation of FDI in retail could create the possibilities for filling in the massive investment and infrastructure deficit which results in supply-chain inefficiencies.[68]

The Budget Speech 2016-17 followed by announcing that:

> Our FDI policy has to address the requirements of farmers and food processing industry. A lot of fruits and vegetables grown by our farmers either do not fetch the right prices or fail to reach the markets. Food processing industry and trade should be more efficient. 100% FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India. This will benefit farmers, give impetus to food processing industry and create vast employment opportunities.[69]

As a follow-up, Press Note 5 of June 2016 stated that "[N]otwithstanding the FDI policy provisions on trading sector, 100 per cent FDI under government approval route is allowed for trading, including through e-commerce, in respect of food products manufactured and/or produced in India". That means they can sell dals and rice, as also Kellogg's Cornflakes, Pepsi's *Tropicana*, Cadbury chocolates, General Mills' wheat flour, Cargill's vegetable oils and Coke's *Maaza*. In this context, it is relevant to reiterate that foreign retail majors resisted the safeguards especially with regard to the minimum investment in backend infrastructure and how it will be

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67 See: "Give me more, demands Apple but Government Declines", February 7, 2017, accessed from https://yourstory.com/2017/02/apple-iphone-manufacture-india/ and Muntazir Abbas, "MeitY optimistic about Apple's production plan", February 12, 2017, https://retail.economictimes.indiatimes.com/news/consumer-durables-and-information-technology/mobiles/meity-optimistic-about-apples-production-plan/57091957.

68 India, Ministry of Finance, *Economic Survey 2014-15*, Volume 1, pp. 120-121.

69 India, Ministry of Finance, "Budget Speech 2016-17", para 87.

reckoned with and sourcing from MSMEs which forced the government to dilute the conditions.[70]

The policy change of June 2016 once again illustrated how the government, after seeing the writing on the wall, withdrew the obligations of investing in backend infrastructure (for agriculture), an important consideration for opening up retail trade. The relaxations come in the face of FDI in wholesale trade being misused to facilitate retail trade. It is likely that foreign retailers will force Indian suppliers of agricultural produce to invest in such infrastructure. Investment is being poured in both by private equity investors and global players in India's e-commerce. E-commerce can hardly make a dent in the 'massive' market failures which have severely undermined the interests of the Indian farmers.

Amazon was allowed in June 2017 to open 'food only' retail outlets. The company was reported to have proposed an investment of $515 million over the next five years. This follows the opening up of retail trading of locally procured food items. In the meanwhile other original entrants in MBRT are keeping quiet. The government has so far not conceded the demand to expand further by allowing personal care products by the 'food retailers'.[71] Gradually, however, the distinction between online and brick and mortar trading is getting blurred both due to changes in the FDI policy and also due to the business models followed by the online traders. One can only expect the process of opening up to progress further in due course. Given the diversity of Indian consumers with their varied needs, abilities to use technology and financial status, the local shopkeepers may still keep their place for sometime. It should, however, be noted that the online sellers give unfair competition to them as they offer extensive discounts backed by credit card companies and financial investors for whom top line happens to be more important than the bottom line.

Agriculture & Animal Husbandry

Several sub-sectors of agriculture and animal husbandry were long opened up for 100 per cent foreign participation. Until 2010, floriculture, horticulture, development of seeds and cultivation of vegetables and mushrooms[72] were all fully opened up for foreign participation, with a condition that such production in these sub-sectors would have to be undertaken "under controlled conditions", which in essence were conditions for production of agricultural products, for rearing animals and for raising fish in artificial conditions. A separate set of conditions was imposed on foreign companies dealing with development of transgenic seeds/vegetables.

A major change in the above-mentioned conditions imposed on foreign investors was seen in the Consolidated FDI Policy of June 2016. The conditions on companies developing genetically modified (GM) seeds were removed. This should be seen as a major step towards encouraging foreign companies to introduce genetically modified seeds, overruling the slew of concerns that have been raised by both farmers'

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[70] Discussed in detail in K.S. Chalapati Rao and Biswajit Dhar, "Evolution of India's MBRT FDI Policy", in ISID-ICSSR FDI Project Report, 2016.

[71] Amazon is using local shops as neighbourhood delivery points from where the buyers can personally collect items. It is also providing platform for selling groceries in a big way.

[72] In 2011, apiculture was added to this list.

organizations and environmental groups. The June 2016 policy announcement went even further when it removed the conditions for all sub-sectors of agriculture and animal husbandry, except floriculture, horticulture and cultivation of vegetables and mushrooms. This development could be a precursor to opening up of the agricultural sector to foreign companies. If this move does take place, millions of small farmers would find themselves struggling for survival.

Security Agencies

Almost the same logic in respect of foreign control as in the case of pharmaceutical industry applies to the relaxation of FDI policy in this sector wherein 74 per cent FDI was permitted in private security agencies: 49 per cent foreign share through the automatic route (earlier through approval route), and higher equity up to 74 per cent through the approval route. It is pertinent to note that the government expressed its distinct dislike for the FIPB route as it 'wastes time and energy' of the investors.

Broadcasting Carriage Services

Earlier FDI up to 49 per cent was allowed through the automatic route and participation by foreign investors above 49 per cent required government's approval. Now the need for seeking government approval has been done away with. This is once again in line with the government's desire to minimise the role of FIPB. Government approval would, however, be needed by companies which do not seek licence/permission from the sectoral ministry.

A Round-up

It is perhaps apt that the government chose to label the June 2016 amendments in FDI policy regime as "radical changes", for these changes could have far reaching implications on at least two key sectors of the economy, namely agriculture and health. FDI policy changes could drastically alter the country's agriculture and health systems that could result in adverse impact on the domestic constituencies. The raising of the cap on foreign investment in brownfield investments in the pharmaceutical sector would provide added incentive for the takeovers of producers of generic medicines, who have been supplying affordable medicines not only to the Indian market, but also to several parts of the world. Medicines are the most important component of healthcare costs in India, and therefore the consequences of this affront on the producers of generic medicines on the citizens' health can easily be understood.

The amendments in the FDI policy applicable to agriculture and animal husbandry would facilitate the operations of the producers of genetically modified seeds. Despite the concerted opposition by farmers' organizations to genetically modified seeds, strong advocacy for the use of these seeds has come from within the government.[73] While the official report has backed the use of genetically modified seeds, arguing that it promises "high productivity and lower use of fertilizers,

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[73] Niti Aayog, "Raising Agricultural Productivity and Making Farming Remunerative for Farmers: An Occasional Paper", December 2015.

weedicides and pesticides"[74], the scientific assessment of this technology does not share the optimism expressed by the official report.[75]

There are implications for several other sectors as well. In defence, foreign companies seem to be not so keen to manufacture in India. They might be encouraged to take up some manufacture to meet defence offset obligations with the inevitable caveats on technology transfer. In civil aviation, the policy change was relevant for portfolio investors. The latest change was clearly aimed at privatising Air India. In retail, the door for foreign investors is now opened wider. On the other hand, the moves to push e-commerce into the WTO would have implications for the trading sector in general. The policy changes, as has often been the case in India, are not preceded by public consultations or are based on any study.[76] These were based on expectations and have the objective of attracting large amount of FDI. Otherwise, one would not have come across replies like the one listed in Box-A wherein the government listed the expected benefits even while admitting that it had no relevant data.

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74 *Ibid.*, section 3.3.1.

75 A major assessment of genetically modified crops was undertaken by the Committee on Genetically Engineered Crops: Past Experience and Future Prospects of the National Academies of Sciences, Engineering, and Medicine of the United States. The Committee made "detailed surveys and experiments comparing GE (genetically engineered) with non-GE crop yields" and "examined changes over time in overall yield per hectare of maize, soybean, and cotton reported by the U.S. Department of Agriculture (USDA) before, during, and after the switch from conventionally bred to GE varieties of these crops". The Committee could discern "no significant change in the rate at which crop yields increase" and concluded that "there is no evidence from USDA data that they have substantially increased the rate at which U.S. agriculture is increasing yields". For details, see: National Academies of Sciences, Engineering, and Medicine, *Genetically Engineered Crops: Experiences and Prospects*, The National Academies Press, Washington DC, 2016.

76 The stock response one finds in the replies to questions in the Parliament runs like the following.

> The Government reviews the FDI policy on an ongoing basis, to ensure that India remains an attractive & investor friendly destination. ... Government takes into consideration the concerns of all stakeholders including domestic industry and consumers while formulating FDI policy. (Rajya Sabha Unstarred Question No. 335, answered on 7-8-2013).
>
> Government reviews FDI policy on an ongoing basis. With a view to liberalise and simplify the FDI policy and to provide ease of doing business in the country leading to larger FDI inflows, significant changes are made in the FDI policy regime, from time to time. ... The Government receives suggestions/ grievances on various issues in different sectors. The same are considered by the Government in consultations with stakeholders including Ministries/ Departments, State Governments, apex industry chambers and other organizations and necessary amendments, if required, are made in the policy. (Rajya Sabha Unstarred Question No. 2568 answered on 9-8-2017).

Section III
Trends in and Characteristics of the Reported FDI Inflows

India's reported total FDI inflows increased from $36 billion in 2013-14 to $45.1 billion during 2014-15, the first year covering the new regime. The year 2015-16 witnessed a further rise to $55.6 billion. In terms of total FDI inflows or the subset of equity inflows,[77] till then this was the highest ever level of this form of investment. While the total inflows increased by 23.1 per cent, equity inflows rose much higher relatively – by 28.8 per cent (Table-2). The increase, however, does not appear that spectacular when seen in relation to the inflows recorded in 2014-15, a year in which FDI policy changes could not have made much impact. Total inflows increased by an impressive 25.3 per cent in 2014-15 over those reported in 2013-14; in fact, a little higher than that during 2015-16. On the other hand, increase in equity inflows though was a little lower in 2014-15, at 26.1 per cent it cannot be said to be quite low. It is possible that the recovery in inflows which started in 2013-14, continued into 2015-16. From Graph-A, which is based on quarterly data on equity inflows, it appears that the recovery started in the last quarter of 2013-14. The increase in 2015-16 thus may not be entirely related to the policy and procedural changes and other initiatives. Further, the peaks of 2011-12 could not be bettered till 2015-16. As noted earlier, 2016-17 witnessed further peaks both in total inflows and equity inflows which, as noted earlier, convinced the government of the success of the initiatives taken by it. It should, however, be noted that growth in inflows during the year was substantially lower than that in the previous two years.

Equally importantly, there was considerable decline in inflows during the first two quarters of 2016. Both the total equity inflows and the inflows through the automatic route slid back significantly. In fact, inflows through the automatic route almost returned to the level of Apr-Jun 2014, *i.e.* the pre-MII period. The third quarter, however, witnessed sharp recovery. Jan-Mar 2017 again witnessed a steep fall in inflows through the automatic and the approval routes while those through the acquisition route maintained their earlier position. The recovery in inflows through the automatic route in Apr-Jun 2017 was short-lived as the Jul-Sep 2017 quarter witnessed a considerable slide back. However, a sharp jump in the inflows through the approval route lifted the total inflows to a point which is higher than any of the preceding 25 quarters. But, inflows again fell in the subsequent quarter. The approval route witnessed the sharpest fall. While inflows through the automatic route also fell, those through the acquisition route more than doubled over the previous quarter thereby cushioning the fall to some extent.

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[77] Equity inflows refer to inflows through government, acquisition and automatic routes and equity capital of unincorporated bodies. In addition to these, total FDI inflows include reinvested earnings and 'other capital' (which are essentially inter-company loans).

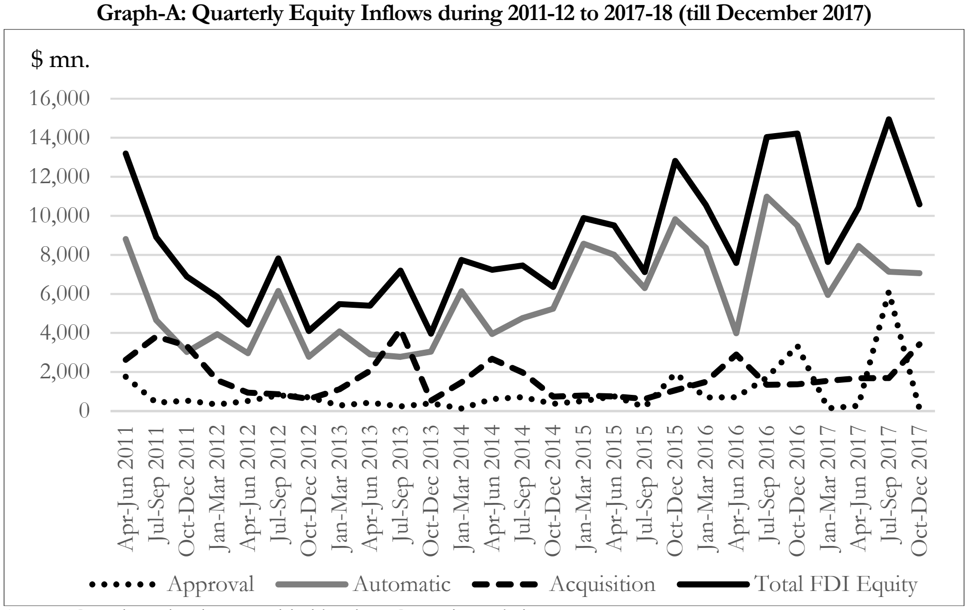
Table-2: India's Gross FDI Inflows ($ billion)

Year	*Total FDI Inflows*	*Of which,*			*Change over the Previous Year (%)*	
		Equity Inflows#	*Reinvested Earnings*	*Others*	*Total Inflows*	*Equity Inflows*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
2016-17	60.1	44.7	12.2	3.2	8.3	8.8
2015-16	55.6	41.1	10.4	4.0	23.1	28.8
2014-15	45.1	31.9	10.0	3.2	25.3	26.1
2013-14	36.0	25.3	9.0	1.8	5.0	10.5
2012-13	34.3	22.9	9.9	1.5	-26.4	-36.2
2011-12	46.6	35.9	8.2	2.5	33.9	61.0
2010-11	34.8	22.3	11.9	0.7	-7.7	-17.7
2009-10	37.7	27.1	8.7	1.9	-10.0	-15.6
2008-09	41.9	32.1	9.0	0.8	20.4	19.3
2007-08	34.8	26.9	7.7	0.3		

Source: (i) Based on data provided by DIPP in the *Quarterly Fact Sheet on Foreign Direct Investment (FDI)* from April 2000 to March 2016 and (ii) by RBI on its website for 2016-17.

#: Inflows through government, acquisition and automatic routes & equity capital of unincorporated bodies.

Graph-A: Quarterly Equity Inflows during 2011-12 to 2017-18 (till December 2017)



Source: Based on the data provided by the RBI on its website.

It is apparent from Table-3 that during Jan-May 2016, inflows under the head 'FDI Equity Inflows' fell by 7.5 per cent over the corresponding five months of 2015. At the same time, there was considerable divergence in the behaviour of its different components. Inflows through the approval route and the equity capital of unincorporated bodies rose by 16.8 per cent and 25.4 per cent respectively, but inflows under the automatic route, the main component of the inflows, declined by nearly 30 per cent. The overall decline would have been sharper but for the 222 per

Table-3: India's FDI Flows during 2014-15 to 2016-17: A Comparison

SN.	*Item*	*2014-15 ($ mn.)*	*2015-16 ($ mn.)*	*2016-17 ($ mn.)*	*Increase / Decrease (%)*	
					Jan-May 2016 over Jan-May 2015	*Change: 2016-17 over 2015-16*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	A. Inward FDI					
1	FDI Equity Inflows (2+3+4+5)	31,911	41,112	44,701	-7.5	8.7
2	• Automatic Route (RBI)	22,530	32,494	30,417	-29.6	-6.4
3	• Acquisition of existing shares	6,185	3,933	7,161	222.4	81.8
4	• Approval Route (SIA/FIPB)	2,219	3,574	5,900	16.8	65.1
5	• Equity Capital of unincorporated bodies	978	1,111	1,223	25.4	10.1
6	Other Capital	3,249	4,034	3,176	-53.3	-21.3
7	Reinvested Earnings	9,988	10,413	12,343	21.8	18.5
8	Total FDI Inflows (1+6+7)	45,148	55,559	60,220	-7.3	8.4
9	Repatriations/Disinvestments	9,864	10,652	18,005	33.8	69.0
10	*Of which, Equity*	9,612	10,524	17,318	35.3	64.6
11	Direct Investment to India (8-9)	35,284	44,907	42,215	-18.9	-6.0
	B. Outward FDI					
12	Outward Investment by India	10,680	13,205	17,167	47.6	30.0
13	Repatriation/Disinvestment	6,649	4,320	10,564	14.7	144.5
14	Net Outward FDI from India (12-13)	4,031	8,885	6,603	87.5	-25.7
	C. Net FDI Inflows					
15	Net FDI Inflows (11-14)	31,252	36,021	35,612	-33.2	-1.1
	D. Ratios					
16	Ratio of Equity Disinvestment to Total Equity -- (10/1)x100	30.1	25.6	38.7		
17	Share of Acquisitions in Equity other than unincorporated entities - (3/(2+3+4/))x100	20.0	9.8	16.5		

Source: Based on the data provided by the RBI on its website.

cent jump in the inflows through the acquisition route. Other capital, which essentially comprises of loans, fell by 53.3 per cent. The reinvested earnings (which cannot be termed as inflows in the strict sense since their origin lies in the profits earned by foreign firms in India and there is no cross-border flow of capital) increased by 21.8 per cent. On the other hand, capital outflows on account of repatriations/ disinvestments rose by 33.8 per cent and net outward investment by India rose by 87.5 per cent. Consequently, net FDI flows into India fell by as much as 33.2 per cent.

A few things stand out from the above: (i) inflows under the automatic route, where there are no constraints, fell significantly initially; (ii) the equity inflows were sustained mainly by a substantial increase in acquisitions of Indian companies/displacing the existing shareholders; and (iii) a significant part of the inflows were neutralised by large outflows on account of repatriations/ disinvestments. Obviously, relaxations in policies cannot by themselves ensure substantial inflows of FDI. Since disinvestments drain out resources and acquisitions replace existing investors without adding to the equity base of the investee companies, the net contribution of the inflows to new capacity creation would have been quite small relatively. Had the foreign investors responded enthusiastically to the new initiatives, there was no scope for such steep fall during the first five months of 2016. Thus, the inflows scenario till May 2016 was not in line with the optimism exuded by many, including the influential international organisations.

In the context of the record inflows during 2016-17, a quick look at the individual component-wise inflows during the year, however, suggests that acquisitions accounted for practically the entire increase in equity inflows over the previous year. While total equity inflows increased by $3,589 million, inflows on account of acquisitions increased by $3,228 million (nearly 90 per cent). It is relevant to note that inflows through the automatic route fell by 6.4 per cent. It was due to a substantial rise in inflows through the government route, non-acquisition related inflows could show a marginal increase of 1 per cent. While the overall increase in FDI Equity Inflows was 8.7 per cent, direct investment into India net of repatriations fell by 6.0 per cent due to a sharp rise in repatriations/disinvestments. It was only because Indian companies who were invested abroad also withdrew their investments substantially, net FDI inflows fell by only 1.1 per cent. There could be certain amount of ambiguity in classifying inflows through the approval and acquisition routes. This is in addition to the problem of the inflows through the automatic route being used indirectly for acquisition purposes. Since the inflows are classified into only one of the three routes, how companies report when they receive approval for acquiring existing shares is not clear.

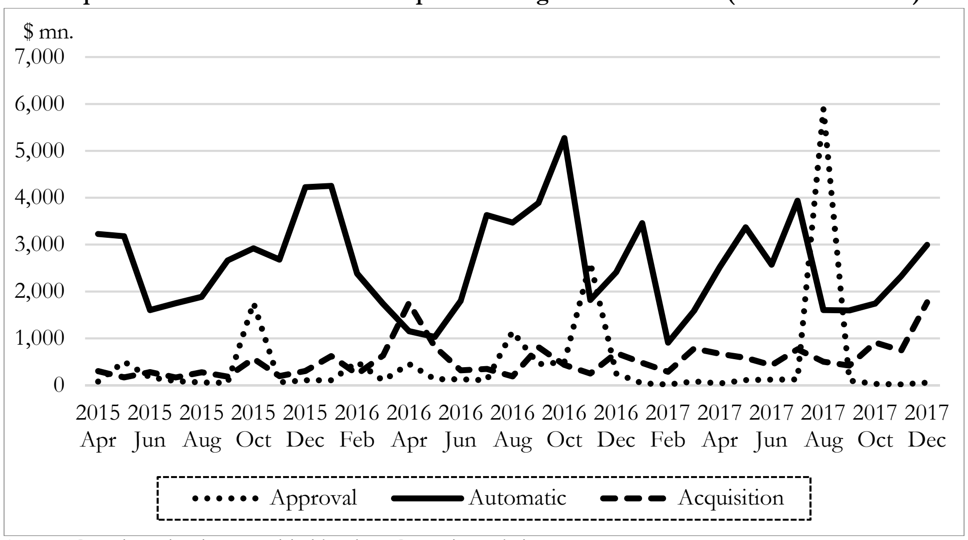
Some of the major cases of acquisition were from the insurance industry. It may be noted that in March 2015 the government had raised the limit of foreign share in insurance companies from 26 to 49 per cent, though investments exceeding 26 per cent would have to follow the approval route. This condition was removed in March 2016 and investing up to 49 per cent was permitted through the automatic route. By that time many companies had sought and received approval to increase the foreign share. The immediate response of the foreign investors to the relaxation was to partially buyout the Indian investors.[78] The new measure thus resulted in the displacement of existing investors rather than expanding the equity base of the target insurance companies. The share of insurance sector was nearly 29 per cent in the reported acquisition-related inflows during the year.

Going by the month-wise inflows, there was major recovery in the inflows through the automatic route during October 2016 followed by a sharp fall. January 2017 again registered a minor recovery. On its part, inflows through the approval

[78] The prominent ones are: Sun Life in Birla Sun Life ($250 million); Mitsui Sumitomo in Cholamandalam MS General Insurance ($132 million); FAL Corp in ICICI Lombard General Insurance ($232 million); Compassvale investments in ICICI Prudential Life ($97 million) ; Macritchie Investments and Value Line in SBI Life Insurance (264 million); Standard Life in HDFC Standard Life ($257 million); Ergo International in HDFC Ergo General Insurance ($167 million); and, AIA International in Tata AIA Life.

route witnessed a spurt in August 2016 and a particularly sharp rise in November 2016 (See Graph-B). These sudden jumps may be indicative of the influence of a few large tranches of inflows. In the context of getting a proper picture of the increase in inflows during 2016-17, it should be useful to examine the characteristics of such tranches. We shall address this aspect in Sections IV & V.

Graph-B: Month-wise FDI Inflows Reported during 2015-16 to 2017-18 (till December 2017)



Source: Based on the data provided by the RBI on its website.

Another important aspect of India's FDI flows is the substantial amount of repatriations/disinvestments. While their share in equity inflows varied from year to year, they reached as high as 35.8 per cent in 2016-17. That means a little more than one-third of the inflows were balanced by sell-offs. This is in addition to outward remittances on account of dividends and payments towards technology, other services, etc. It appears that sell-offs are gaining momentum (Table-4). The already high ratio of equity disinvestments at almost 30 per cent during 2010-11 to 2013-14 jumped further to nearly 35 per cent in the next four years. In fact, the estimate for 2017-18 (up to January) turns out to be close to half at 47 per cent (Graph-C). Such withdrawal of investments would be more prominent when foreign financial investors are involved and M&As happen to be their exit options. The initial jump during 2010-11 to 2013-14 could be in part due to the exit options exercised by private equity players who entered during the mid-2000s.

The focus being firmly on the quantum of inflows, such huge amount of outflows has failed to attract the attention it deserved. Interestingly, the RBI, however, has expressed concern about the servicing burden when it said that:

> ... robust FDI inflows which were at the forefront in financing CAD in the previous three years, entail servicing through higher income payments which could have implications for CAD.[79]

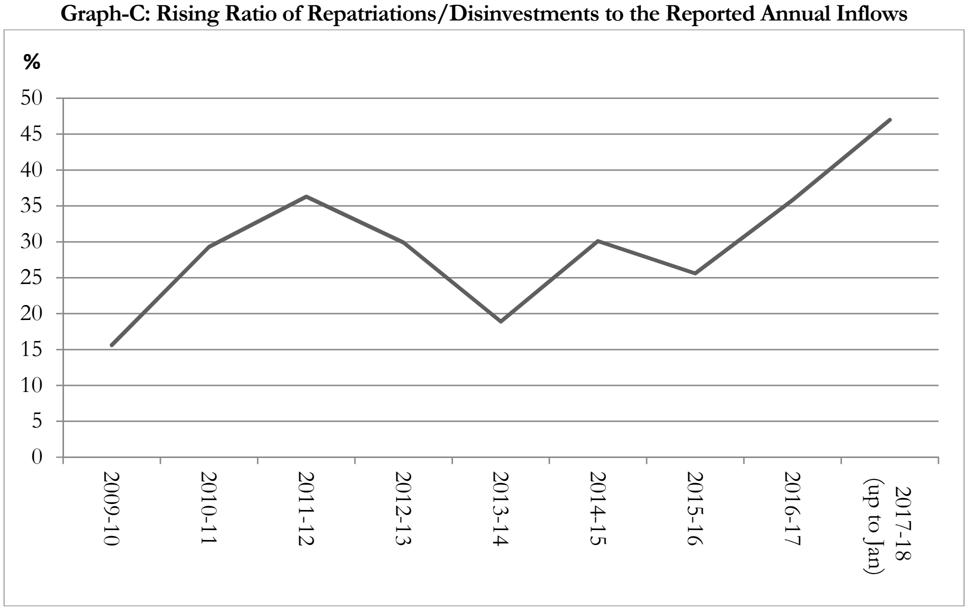
[79] Reserve Bank of India, *Annual Report: 2016-17*, p. 62.

Table-4: Repatriations/Disinvestments are increasingly Offsetting the FDI Inflows

Year/Period	*Equity Inflows ($ mn.)*	*Equity Repatriations/ Disinvestments ($ mn.)*	*Net Equity Inflows (2)-(3) ($ mn.)*	*Ratio of Disinvestments to Inflows (%)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
2005-06	6,711	61	6,650	0.9
2006-07	16,481	87	16,394	0.5
2007-08	26,864	108	26,756	0.4
2008-09	32,066	166	31,900	0.5
2009-10	27,146	4,241	22,905	15.6
2010-11	22,250	6,514	15,736	29.3
2011-12	35,856	13,019	22,837	36.3
2012-13	22,884	6,853	16,031	29.9
2013-14	25,274	4,786	20,488	18.9
2014-15	31,911	9,612	22,299	30.1
2015-16	41,112	10,524	30,588	25.6
2016-17	44,705	16,002	28,703	35.8
2017-18 (up to Jan)	38,953	18,307	20,646	47.0
Memorandum Items				
2006-07 to 2009-10	**102,557**	**4,602**	**97,955**	**4.5**
2010-11 to 2013-14	**106,265**	**31,171**	**75,094**	**29.3**
2014-15 to 2017-18*	**156,681**	**54,445**	**102,236**	**34.8**

Source: Based on the data provided by the RBI on its website https://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics.
* Up to January 2018.

Graph-C: Rising Ratio of Repatriations/Disinvestments to the Reported Annual Inflows



Source: See Table-4.

Obviously, disinvestments of such large magnitude undermine the effectiveness of inflows in addressing the CAD. There is a possibility of direct investment into India in 2017-18 being lower than that in 2016-17, which itself was lower than that in 2015-16.

On their part, withdrawal of investments by Indian companies from their overseas operations cannot be equated with disinvestments by foreign investors in India as Indian companies generally do not make PE investments abroad. While one could be tempted to view this as an indication of Indian investors' liquidating their overseas investments to invest in India following the improved domestic investment climate, the simultaneous increase in outward investment does not go well with such an impression. In their case, withdrawals may indicate failure of the overseas ventures. This phenomenon indeed needs a very close look.

Reported Sectoral Classification of Inflows

The prevailing perception in general has been that the initiatives taken by the present government since September 2014 started yielding results quickly. Most comparisons, especially those by the government, take October 2014 as the reference point. Hence, we have also decided to follow the same practice. A tabulation based on the reported sectoral distribution of the FDI equity inflows shows that for the entire period October 2014 to March 2017, the share of manufacturing sector was 30.3 per cent. It should be noted that during the two years prior to October 2014, the share of manufacturing sector was substantially higher at 47.8 per cent. In the face of increasing inflows, it seems that the share of manufacturing sector fell drastically while that of services increased sharply (Table-5). The manufacturing sector's share, however, looked up substantially during 2016-17 as it jumped from 25.4 per cent in 2015-16 to 32.6 per cent in 2016-17.

A comparison of the sectoral distribution of non-acquisition related inflows reported by the RBI with that of all the inflows reported by the DIPP, suggests that the share of acquisition related inflows into the manufacturing sector was substantially higher at 39.3 per cent during 2010-11 to 2013-14 compared to the 18.1 per cent share during 2014-15 to 2016-17. During 2007-08 to 2010-11, the corresponding share was 26.4 per cent. Thus, acquisitions might have contributed substantially to the increased share of manufacturing sector in the inflows during 2010-11 to 2013-14.

Going by the officially reported aggregates one finds that during October 2014 to March 2017, the omnibus Services sector stood at the top followed by computer software and hardware (Table-6). This was followed by trading, construction (including townships and housing) activities and telecommunications in that order. The automobile industry topped the manufacturing activities with a share of 5.8 per cent in the total. Its share within the manufacturing sector was quite substantial at 19.3 per cent. Incidentally, official data suggest that the addition to inflows on account of defence industries during October 2014 to March 2017 was a mere $0.17 million.

Three things stand out from the sectoral distribution of FDI equity inflows when data for 2016-17 are examined separately. While there are inter se changes in the sectoral rankings, the share of the omnibus services turn out to be slightly higher at 20.0 per cent. Telecommunications stood at the second place with a substantially higher share of 12.8 per cent. Out of the total $7.3 billion FDI into the telecom sector

Table-5: Broad Sectoral Distribution of FDI Inflows during the Recent Years

(Percentages)

Sector	*Oct 2012 – Sep 2014*	*Oct 2014 – Mar 2017*	*2015-16*	*2016-17*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
Services	44.1	64.3	68.7	62.3
Manufacturing	47.8	30.3	25.4	32.6
Energy (incl. Petroleum & Natural Gas)	6.5	4.4	4.4	4.8
Primary	1.6	1.0	1.5	0.3
All Sectors	100.0	100.0	100.0	100.0
Inflows ($ billion)	48.4	99.7	40.0	43.5

Source: Based on the data provided by the DIPP on its website.

Table-6: Top 15 Recipients of Reported FDI Inflows during October 2014 to March 2017

Sector/Industry	*Oct 2014-Mar 2017*			*2016-17*		
	Rank#	*Inflows ($ mn.)*	*Share in Total (%)*	*Rank#*	*Inflows ($ mn.)*	*Share in Total (%)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Services Sector*	1	18,775.2	18.8	1	8,684.1	20.0
Computer Software & Hardware	2	11,430.3	11.5	3	3,651.7	8.4
Trading (incl. retail)	3	8,650.0	8.7	4	2,789.3	6.4
Construction (Infrastructure activities, townships, etc.	4	7,522.9	7.5	7	1,965.9	4.5
Telecommunications	5	7,312.2	7.3	2	5,563.7	12.8
Automobile Industry	6	5,826.1	5.8	8	1,609.3	3.7
Chemicals (Other than fertilizers)	7	3,211.4	3.2	11	1,392.8	3.2
Electrical Equipment	8	2,840.6	2.8	5	2,230.7	5.1
Information & Broadcasting (Including Print Media)	9	2,731.2	2.7	9	1,516.7	3.5
Hotel & Tourism	10	2,608.9	2.6	13	916.1	2.1
Cement and Gypsum Products	11	2,254.9	2.3	6	2,130.1	4.9
Power	12	2,240.1	2.2	12	1,113.0	2.6
Metallurgical Industries	13	2,059.1	2.1	10	1,440.2	3.3
Drugs & Pharmaceuticals	14	2,016.8	2.0	14	857.4	2.0
Hospital & Diagnostic Centres	15	1,844.5	1.8			
Non-Conventional Energy				15	783.6	1.8
Sub-total		81,324.0	81.6		36,644.6	84.3
Total (incl. Others)		99,718.4	100.0		43,478.3	100.0

Source: Based on data provided by the DIPP on its website.
* Includes finance, banking, insurance, non-financial/business, outsourcing, R&D, courier, tech. testing and analysis, etc.
# Ranks based on Col. (3) and (6) respectively.
Note: Percentage shares for sub-totals do not add up because of rounding-off

during Oct 2014 – Mar 2017, inflows of as much as $5.6 billion were reported in 2016-17. Shares of computer software & hardware, trading, construction, etc. were much lower. Among the manufacturing industries, the share of automobile industry was much lower in 2016-17 compared to the overall period. Electrical equipment, cement & gypsum products and metallurgical industries had much higher shares. Share of the three together was higher by 6.1 per cent compared to their share in the overall period. This appears to be the main reason for the substantial increase in the share of manufacturing sector during 2016-17. (Table-5) In fact, electrical equipment and cement & gypsum products replaced the automobile industry to secure top two positions within the manufacturing sector. Keeping in view this significant development, we shall discuss in Section V the nature of reported inflows into the three industries which contributed to the increase in the share of manufacturing sector in 2016-17.

A broad categorisation of the inflows during the two years prior to the announcement of MII and subsequently till March 2017 based on their relationship with the 25 focus sectors of MII also suggests that the rise had a weak association, if at all, with MII (Table-7). First of all, the share of MII thrust sectors fell marginally from 62 per cent to nearly 60 per cent. While the share of MII manufacturing industries within the total manufacturing sector remained stable at 62.2 per cent during the two periods, their share in the overall as well as within the MII thrust sectors fell substantially. This is in line with the earlier observation that the FDI policy changes (November 2015 and June 2016) could not have made an immediate impact on the respective year's inflows. Classification of the inflows according to their status under MII is given in Annexure-B.

Table-7: Inflows into the MII Thrust Sectors during Two Periods

	Equity Inflows ($ mn.)	*2012 & 2013*	*Oct 2014 to Mar 2017*
	(1)	*(2)*	*(3)*
1	Reported FDI Equity Inflows	44,826.9	99,892.4
	Of which,		
1A	Total Manufacturing Sector	20,268.5	30,552.6
1B	MII Thrust Sectors	27,773.1	59,687.3
1C	MII Manufacturing Industries	12,614.9	19,021.2
1D	MII Other Sectors	15,158.3	40,666.1
2	Shares (%)		
2A	MII Thrust Sectors in Total (1B/1)x100	62.0	59.8
2B	MII Manufacturing Industries in Manufacturing Sector (1C/1A)x100	62.2	62.2
2C	Manufacturing Sector in Total Inflows (1A/1)x100	45.2	30.6
2D	MII Manufacturing Industries in Total (1C/1)x100	28.1	19.0
2E	MII Manufacturing Industries in MII Thrust Sectors (1C/1B)x100	45.4	31.9

Source: Authors' calculations based on data provided in the *SIA Newsletter*, various issues.

Analysis of Individual Tranches of Inflows (October 2014-March 2016)

In view of the highly aggregated character of the reported inflows,[80] which in any case do not say anything about the types of the investors, at the initial stage of this exercise, we made an attempt to understand the nature of inflows based on the classification of companies which received at least $5 million[81] during October 2014 to March 2016 and the entities investing in such companies. The inflows data were collected from the *SIA Newsletter* published online by the Department of Industrial Policy and Promotion (DIPP).[82] These cover equity inflows through the approval, acquisition and the automatic routes. We could identify 1,188 recipients with total equity inflow of $51,772 million. The corresponding number of individual tranches[83] of inflows was 6,349. This works out to 92.0 per cent of the reported FDI equity inflow of $56,238 million for the period. We have broadly followed the UN ISIC Rev 3.1 for classifying the activities of the recipients. Instead of solely relying on the officially reported product/activity description we have referred to the description given in company websites, annual reports, news reports and other websites giving corporate information. In case of intermediates and components, a secondary classification based on their dominant use was also made to a limited extent.

Further, to the extent publicly available information helped, the foreign investors were classified as realistic FDI (RFDI), portfolio and India-related ones. Foreign investors investing in their respective lines of businesses have been classified as RFDI investors by us. For instance, Suzuki Japan's investment in Suzuki Motor Gujarat is treated as RFDI as it is likely to possess the theoretically expected attributes. Investment of a foreign bank in a bank in India is treated as RFDI while its investment in a non-banking non-financial company was treated as portfolio investment. Investments by Vedanta group, Essar, Videocon, Hinduja, etc., were classified as India-related investments. In some cases, where the investing entity was having equity participation by portfolio investors together with Indians, such cases were marked separately.[84] The main points emanating from this exercise are described below.

Overall, the share of RFDI was about 58 per cent while foreign portfolio investors accounted for nearly 27 per cent. The remaining was by India-related investors directly or together with foreign private equity investors. Thus, the relative share of RFDI was slightly higher than what was noticed for the period September 2004 to March 2014 when it was estimated at 53.5 per cent.[85] It is relevant to note that a single company was reported to have invested as much as $2.25 billion during Oct-Dec 2015 to create living facilities for senior citizens (retirement homes). Even though we have serious reservations about the veracity of the size of this investment,

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[80] In fact, the *Economic Survey 2014-15* expressed reservations about the sectoral classification of inflows.

[81] The choice is based on the need to keep the exercise within manageable limits even while covering a substantial part of the inflows.

[82] The periodicity of the *SIA Newsletter* changed from monthly to quarterly from the October 2015 issue. The *SIA Newsletter* has since been renamed as *FDI Newsletter*.

[83] The *SIA Newsletter* refers to the data as 'remittances'.

[84] For an elaboration of the classification, see: Rao and Dhar (2011), *supra* note 55.

[85] K.S. Chalapati Rao and Biswajit Dhar, "Analysis of India's FDI Inflows During 2004-05 to 2013-14", in the ISID-ICSSR FDI Project Report, 2016.

(discussed in detail in Section IV) it is unlikely that such huge investments flow in regularly. Excluding this investment, the shares of different types of investors turn out to be similar to the pattern observed for the decade 2004-05 to 2013-14. Thus, in a broad sense, there is not much of a change in the character of inflows (implying continuity from the earlier period) except that within services there is a quantum jump led by trading (especially e-commerce) and its associated activities.

Out of the 1,188 recipients, 442 belong to the manufacturing sector and 746 to other activities (Table-8). The share of manufacturing sector in the inflows was 26.2 per cent. Within the manufacturing sector, transport equipment, expectedly, turned out to be the most important segment followed by chemicals (pharmaceuticals contributing a little more than half), machinery & equipment, food products and beverages, coke and refinery products, electrical machinery and apparatus, and rubber and plastic products. It should be underlined that radio, television & communication equipment, medical, precision & optical instruments, etc., and office accounting & computing machinery together accounted for less than 1 per cent of the total inflows during the period. What we have categorised as RFDI accounted for a substantial part (81.6 per cent) of the inflows into the manufacturing sector. The remaining was by foreign portfolio investors and India-related investors. In case of pharmaceuticals, most of the RFDI went into the already taken over companies (e.g., Abbot Healthcare, Hospira Healthcare and Shantha Bio), thus probably indicating consolidation of the acquisitions.

Table-8: Distribution of Top FDI Inflows during October 2014 to March 2016

($ million)

Sector/Industry/Activity	*No. of Cos.*	*RFDI*	*Non-RFDI*	*Total*	*Share of RFDI (%)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
I. Manufacturing (26.2%)	**442**	**11,070.0**	**2,492.3**	**13,562.4**	**81.6**
• **Transport Equipment (incl. parts, etc.) (7.9%)**	**75**	**3,890.4**	**182.0**	**4,072.4**	**95.5**
- Parts & Components		1,150.1	170.1	1,320.2	87.1
- Aircrafts & Railways		60.7		60.7	100.0
• **Chemicals (4.5%)**	**73**	**1,693.4**	**623.9**	**2,317.3**	**73.1**
- Pharmaceuticals		909.4	269.9	1,179.2	77.1
- FMCG		221.7	26.6	248.3	89.3
• **Machinery & Equipment (2.7%)**	**70**	**1,109.3**	**269.8**	**1,379.1**	**80.4**
• **Food Products & Beverages (2.2%)**	**46**	**897.7**	**247.3**	**1,145.0**	**78.4**
- Bakery, Confectionery items & Beverages		282.0	137.2	419.2	67.3
- Spirits, Wines, etc.		297.0	11.8	308.7	96.2
- Grain milling, vegetable oils, etc.		164.2	36.9	201.1	81.7
• **Coke & Refined Petroleum Products (1.8%)**	**3**	**929.5**	**6.1**	**935.6**	**99.3**

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
• **Metals & Metal Products (1.4%)**	**42**	**504.7**	**196.8**	**701.5**	**71.9**
• **Electrical Machinery & Apparatus (1.4%)**	**30**	**503.2**	**196.6**	**699.8**	**71.9**
• **Rubber & Plastic Products (1.3%)**	**20**	**477.9**	**193.3**	**671.3**	**71.2**
- Automotive Tyres & Components		375.5	17.9	393.3	95.5
• **Non-metallic Mineral Products (0.5%)**	**19**	**195.5**	**88.7**	**284.2**	**68.8**
- Glass & Ceramics		70.3	76.1	146.4	48.0
- Cement & Lime		125.2	12.7	137.8	90.9
• **Paper & Paper Products (0.4%)**	**7**	**185.6**	**20.8**	**206.5**	**89.9**
• **Radio, Television & Communication Equipment (0.3%)**	**8**	**100.9**	**78.9**	**179.8**	**56.1**
• **Medical, precision & optical instruments, etc. (0.3%)**	**10**	**117.3**	**26.1**	**143.5**	**81.7**
• **Office, Accounting & Computing machinery (0.2%)**	**5**	**112.6**	**7.9**	**120.6**	**93.4**
• **Miscellaneous & Others (1.4%)**	**34**	**352.0**	**354.1**	**705.8**	**49.9**
Memo: Automotive & Allied Industries#		***4473.5***	***200.5***	***4674.0***	***95.7***
Share of Automotive & Allied in Total Mfg. (%)		***40.4***	***8.0***	***34.5***	
II. Non-Manufacturing (73.8%)	**746**	**19,251.3**	**18,958.3**	**38,209.6**	**50.4**
• **Trade (15.7%)**	**119**	**3,106.0**	**5,038.6**	**8,144.6**	**38.1**
Retail Trade (incl. E-commerce)		1,847.5	4,459.4	6,306.8	29.3
Wholesale Trade		1,054.5	292.0	1,346.7	78.3
• **Transport & Storage & Communications (11.9%)**	**72**	**2,975.8**	**3,208.4**	**6,184.3**	**48.1**
Tele-communications		1,869.5	853.3	2,722.8	68.7
Online travel ticketing & hotel booking		456.4	31.5	487.9	93.5
Ports, Container Terminals, Harbour Services		102.6	382.9	485.4	21.1
Couriers, Logistics, etc.		95.3	428.8	524.1	18.2
Cab Aggregators		20.0	1,300.4	1,320.4	1.5
Air Transport		379.4		379.4	100.0
• **Construction (11.5%)**	**135**	**3,314.0**	**2,642.8**	**5,956.8**	**55.6**
Housing, Commercial Complexes, Malls, etc.		2,390.2	1,688.1	4,078.4	58.6
SEZs, Technology Parks, etc.		10.5	834.7	845.3	1.2
Engineering, Turnkey Contractors, etc.		805.8	105.6	911.4	88.4
Roads, Bridges, etc.		107.5	14.3	121.8	88.3
• **Business Services (8.8%)**	**129**	**3,161.8**	**1,374.8**	**4,536.7**	**69.7**
Computer & Related Activities		2,026.0	1,183.2	3,209.2	63.1
- Online Payment Facilities		773.7	143.4	917.1	84.4

Contd…

(1)	(2)	(3)	(4)	(5)	(6)
- Online Data Dissemination		347.8	456.8	804.6	43.2
- Software Development		334.4	420.9	755.3	44.3
- BPO and Data Processing		474.0	162.1	636.1	74.5
Other Business Activities		1,064.9	117.0	1,181.9	90.1
Research & Development		70.9	74.7	145.6	48.7
• Financial Intermediation (8.2%)	**101**	**2,609.2**	**1,647.4**	**4256.6**	**61.3**
Credit, Investment, etc.		1,266.0	1,246.0	2,512.0	50.4
- Finance for Auto/Equipment Purchase		644.7	7.6	652.3	98.8
- Microfinance		29.7	350.8	380.5	7.8
- Other Finance		591.6	887.6	1,479.2	40.0
Stock markets, investment, research, etc.		478.7	384.4	863.1	55.5
Insurance & Pension Funding		864.6	17.1	881.6	98.1
• Hotels & Restaurants (5.5%)	**51**	**1,891.4**	**979.8**	**2,871.2**	**65.9**
Hotels		1,777.0	773.6	2,550.6	69.7
Restaurants, Eating Places, etc.		114.5	206.1	320.6	35.7
• Electricity, Gas & Water Supply (4.4%)	**58**	**1,131.4**	**1,143.2**	**2,274.5**	**49.7**
Electric Power (excl. Solar & other renewable)		689.1	552.0	1,241.0	55.5
Solar Power		193.1	209.3	402.4	48.0
Other Renewable Energy		249.2	381.9	631.1	39.5
• Other Services (3.8%)	**18**	**645.1**	**1,322.1**	**1,967.2**	**32.8**
Entertainment		638.4	1,322.1	1,960.5	32.6
• Healthcare (1.8%)	**36**	**306.2**	**650.0**	**955.8**	**32.0**
• Mining & Quarrying (1.6%)	**9**	**89.5**	**732.8**	**822.3**	**10.9**
• Education (0.4%)	**14**	**6.5**	**200.4**	**206.9**	**3.1**
• Agriculture, Hunting & Forestry (0.1%)	**4**	**14.3**	**18.5**	**32.9**	**43.5**
Grand Total (I + II)	**1,188**	**30,321.3**	**21,450.7**	**51,772.0**	**58.6**

Source: Based on the analysis of individual tranches of inflows reported in the *SIA Newsletter*.
Note: Companies which received at least $5 million during October 2014 to March 2016 are considered. The classification broadly follows ISIC Rev 3.1.

While transport equipment alone accounted for 30.0 per cent of the inflows into the manufacturing sector, together with other closely associated industries (e.g.: automotive tyres) its share reached 34.5 per cent. It should be underlined that the emergence of the automobile sector is a case of classic industrial policy. It is interesting to note that China is seeking entry into India by buying into General Motors' India. It should also be noted that the sector is known to pay heavy royalties and make other payments to foreign parents and affiliates in multiple forms.[86] If such

[86] See for instance, Biswajit Dhar and K.S. Chalapati Rao, "Some Key Aspects of Functioning of FDI and Domestic Companies in India" and Swati Verma and K.V.K. Ranganathan, "FDI, Technology Transfer and Payments for Know-How: A Case Study of Automobile Sector", in ISID-ICSSR FDI

payments are taken into account, the net inflow may be much smaller than what the reported inflow figures suggest. For instance, Maruti Suzuki India Ltd (MSIL) paid out $3,565 million toward royalty/technical know-how during 2009-10 to 2016-17.[87] On its part, Suzuki invested back $477 million till March 2016 and a further $393 million subsequently in its Gujarat facility which has been set up under the ownership of a new wholly-owned company instead of the publicly traded MSIL. If one adds the payments made by Suzuki Powertrain India (till its amalgamation in MSIL) in the form of royalties and professional fees, what India got as FDI into the Gujarat facility from Suzuki works out to be even relatively smaller. Another relevant case, though it belongs to the subsequent period, is that of Bosch Ltd. The company transferred its Starter Motors and Generators business to a newly set up company Robert Bosch Starter Motors Generators India Pvt Ltd with effect from August 1, 2016. An amount of Rs. 486 crore was brought as FDI by the German parent company into the new company later in the year. This was the exact amount that was to be paid to Bosch Ltd for transferring its business. Incidentally, Bosch Ltd. declared a special dividend of Rs. 276 crore "on account of consideration received from sale of the Starter Motors and Generators business".[88] Being a 70.49 per cent shareholder, the foreign parent's share in this would be Rs. 194 crore. Since FIIs (owning 7.37 per cent at the end of March 2017) would also be entitled to the Special Dividend, they would have received about Rs. 20 crore. That is, while Rs. 486 crore came in as FDI due to this restructuring, Rs. 214 crore went out of the country as Special Dividend. If such associated facts are not taken into account, the addition to investible resources would turn out to be artificially high.

On the other hand, RFDI accounted for only half of the inflows into the non-manufacturing activities. Trading has the highest share in this segment with retail trade accounting for bulk of the inflows. Non-RFDI was the mainstay of retail trade. On the other hand, RFDI contributed relatively far more to wholesale trade. The retail sector was dominated by e-commerce companies. While telecommunications has the highest share of inflows (44.0 per cent) in the transport, storage and communications sector, cab aggregators accounted for a little more than one-fifth of the inflows into this group. Interestingly, most of the investment into this activity is by non-RFDI investors. Ports and port-based infrastructure, courier and other logistics companies (some of which are expanding on the back of retail e-commerce) were the other important recipients of inflows but in their case also the share of RFDI was quite low. Inflows into travel portals were dominated by RFDI. Like in trade, the influence of e-commerce (car/auto aggregators, couriers, travel portals) cannot be missed in this infrastructure segment. Ports, other port-based infrastructure and air transport received far less RFDI than e-commerce related activities.

The construction sector received almost equal amount as that of the transport, storage and communications group – a little more than one-tenth of the total inflows

Project Report, 2016.

87 We are not making any distinction between "public limited" and "private limited" in this study as a company's status may change over time. There are many cases in the reported inflows where in some instances the same company was referred to as public and in some others as private.

88 Bosch Ltd., *Annual Report 2016-17*, p. 38.

for the period. The sector has a fairly large share of non-RFDI type inflows. Housing, commercial complexes, etc. is the dominant group within this sector, accounting for over two-thirds of the inflows. Next in importance is engineering turnkey contractors which received $911 million. This was followed by SEZs, technology parks, etc. However, practically the entire investment into this group was of the non-RFDI type. It is relevant to note that this segment has experienced relatively high share of acquisitions (26.0 per cent). The non-RFDI investors may be either bailing out the promoters and/or are providing an exit for the existing portfolio investors (secondary investments). Companies engaged in construction of roads and bridges received the least -- just about $122 million.

The diversified business activities group followed with 8.8 per cent share in total. While computer related activities accounted for bulk of the inflows, a significant portion of it was on account of online payment services and local and other services listing portals. At 6.2 per cent of the total inflows, share of computer related services, however, works out to far less than what the official data suggests. Some of the e-commerce related companies might have been clubbed together under computer software and hardware category by the official agencies. Another category of companies which could have been classified as IT-related ones were cab aggregators.[89] Thus, investment into those engaged in software development for export purposes would be less than one-fourth of what even our classification suggests.

In this context, it is relevant to note that leading information technology companies made little additional investment during this period either for manufacture or for software development. Very small amounts were invested by (i) CISCO in IL&FS Technologies, One Mobikwik Systems and Videonetics Technology; (ii) Google Capital in commonfloor.com; (iii) Microsoft for acquiring InMage Systems Ltd and (iv) Facebook towards acquisition of a start-up. However, CISCO also invested $144 million in a company that provides loans/leases to its customers. On the other hand, Hewlett Packard invested $174 million in reorganising existing operations into two newly incorporated companies.[90] The small-sized investments into Oracle by individuals (possibly ESOPs) cannot be called RFDI. Uber invested a little less than $20 million in its Indian operations during this period. In the backdrop of the above, Computer Software & Hardware, of which the former a net earner of foreign exchange, being placed at the second position by the official agencies (Table-6) is quite untenable.

Next in importance is financial intermediation with a share of 8.2 per cent in the inflows under study. While $1,479 million was invested in general financing activities, notable amounts were also invested in financing of purchases of group companies' products and microfinance companies – $652 million and $380 million respectively.

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89 Ministry of Commerce and Industry, DIPP, *Electronics and IT Sector: Achievements Report*, November 8, 2016, confirms such a classification. Snapdeal, Paytm and Ola figure at the very top of the list of recipients. See Table-24 in Section V.

90 The business of desktop computers, personal systems, inkjet printers, 3D printing, etc., was transferred from Hewlett Packard (India) Software Operations Pvt Ltd to HP PPS Services India Operations Pvt Ltd. The technology Services, consulting, enterprise storage, servers and networks and software business units were transferred from HewlettPackard India Sales Pvt Ltd to Hewlett Packard Enterprise India Pvt Ltd.

Stock market related activities attracted $863 million. Insurance and pension funds received $882 million. Seventy per cent of the investment in the insurance sector, however, was in the form of replacing the existing investors, thus, resulting in changed ownership pattern following the hike in the cap on foreign share from 26 per cent to 49 per cent. Thus, net addition to the investment in the sector would have been quite small. For example, practically the entire investment in Bharti Axa Life Insurance Co Ltd by Axa India holdings was of the acquisition type. Another case which boosted inflows into the sector was the acquisition of shares by Nippon Life in Reliance Life Insurance Co Ltd.

Hotels and restaurants activity also received substantial amounts -- $2,871 million or 5.5 per cent of the total inflows. The hotels segment which accounted for bulk of the investment also received relatively higher amount of RFDI. On the other hand, the restaurant segment received more of non-RFDI investment. About half of the inflows into Electricity, Gas and Water Supply, which has an overall share of 4.4 per cent, is accounted for by what appears to be generation/distribution of electricity through thermal and hydel means. Solar and other renewable power generation/distribution together was close behind. Overall, about half of the inflows are of the non-RFDI type. The entertainment sector followed closely with inflows of $1,961 million -- a share of 3.8 per cent in total (an important case will be explained in Section IV). Bulk of the investment into mining and quarrying, healthcare and education was of the non-RFDI variety.

Inflows According to the Period of Incorporation of the Top Investee Companies

As noted earlier, foreign investors often bring funds in multiple tranches. Also, there can be many reasons for older companies to attract investment from abroad. Given the prevailing view that the high quantum of inflows was due to the foreign investors' response to the new initiatives, it may be worthwhile to distinguish the recipients according to their period of incorporation and the type of investments received. We have, therefore, grouped the recipients into different periods based on their year of incorporation. In a few cases where it was clearly known that a new company was set up to reorganise an existing business of the same foreign investor, the period of incorporation of the original divesting company was assigned (e.g., reorganisation of the Indian business of Hewlett Packard following its global restructuring). Data on actual inflows at the level of individual tranches are being reported since September 2004. Hence those incorporated prior to 2005 were placed together. The groupings are: (i) up to 2004, (ii) 2005-2009, (iii) 2010 and until September 2014 and (iv) October 2014 onwards. An attempt was also made to check whether these companies received inflows during September 2004 to September 2014.

Out of the 1,188 companies, only 44 fell in the last category, *i.e.* the period during which the inflows are perceived to have reached unprecedented levels (Table-9). Their share in total inflows was a mere 2.7 per cent. Out of the 44 companies, 21 received RFDI and their share in total RFDI was 2.0 per cent. RFDI is a better indicator of the efficacy of FDI policy because the motives of portfolio investors and returning Indians are quite different from those of RFDI investors. Further, decisions on long-

Table-9: Distribution of Top 1,188 FDI Recipients during October 2014 to March 2016 according to the Period of Incorporation and the Nature of Foreign Investor

Period of Incorporation of the Investee Co.	*All Companies*			*Companies which already received inflows during Sep 2004 – Sep 2014*			*Other Companies*		
	All Sectors (Number of companies)								
	RFDI	*Non-RFDI*	*Total*	*RFDI*	*Non-RFDI*	*Total*	*RFDI*	*Non-RFDI*	*Total*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*
All Sectors (Number of companies)									
Up to 2004	218	181	384	148	122	257	70	59	127
2005-2009	242	175	401	211	120	321	31	55	80
2010-2014S	206	159	359	150	65	212	56	94	147
2014O-2015	21	23	44				21	23	44
Total	**687**	**538**	**1,188**	**509**	**307**	**790**	**178**	**231**	**398**
All Sectors (Inflows $ million)									
Up to 2004	10,663	7,527	18,190	8,870	5,015	13,885	1,793	2,512	4,305
2005-2009	10,093	6,431	16,524	9,331	4,879	14,209	762	1,552	2,314
2010-2014S	8,950	6,694	15,644	7,746	4,693	12,439	1,204	2,001	3,205
2014O-2015	616	798	1,414				616	798	1,414
Total	**30,321**	**21,451**	**51,772**	**25,947**	**14,586**	**40,533**	**4,375**	**6,864**	**11,239**
Manufacturing (Number of companies)									
Up to 2004	125	59	180	81	30	108	44	29	72
2005-2009	117	21	137	106	12	117	11	9	20
2010-2014S	94	23	117	69	9	78	25	14	39
2014O-2015	8		8				8		8
Total	**344**	**103**	**442**	**256**	**51**	**303**	**88**	**52**	**139**
Manufacturing (Inflows $ million)									
Up to 2004	5,585	1,337	6,922	4,789	839	5,627	796	498	1295
2005-2009	3,192	741	3,933	3,039	467	3,506	152	274	427
2010-2014S	2,076	414	2,490	1,679	103	1,782	397	311	708
2014O-2015	217		217				217		217
Total	**11,070**	**2,492**	**13,562**	**9,507**	**1,408**	**10,915**	**1,563**	**1,084**	**2,647**

Source: Based on a classification of the inflows reported in *SIA Newsletter*, various issues.
Notes: (i) Companies which received at least $5 million during October 2014 to March 2016 are considered. Due to rounding off, totals may not match exactly.
(ii) Since some RFDI receiving companies also received other type of investments, total number of companies in some cases will be less than those given under the two categories.
2014S: Until September 2014; 2014O: October 2014 onwards.

term investments will not be taken instantly and will be based on careful analysis of RFDI investors' future requirements and the relative advantages offered by alternative locations globally. For unequivocally crediting the increased inflows to the new regime, logically there should have been far larger number of new companies and much higher share in total RFDI than those that have been observed here. Out of the

1,188, as many as 790 received inflows at least once during September 2004 to September 2014. For some of them it can be additional capital infusion and for some others it could be replacement of the existing investors. Majority of the remaining 398 companies did not receive RFDI during this period. Out of the 178 companies which received RFDI, 70 belong to the first period of incorporation. Among the 70 companies definitely there are cases which already had foreign equity (e.g., Becton Dickinson, GE Money Financial, SKF Technologies, Panasonic Appliances and Piaggio Vehicles). Further, in case of as many as 25 of the 70 companies, inflows followed the acquisition route.

Further, compared to the overall share of acquisition-related inflows in total RFDI, the set of 157 companies (incorporated prior to October 2014) have a far higher share of acquisition-related inflows – 21.9 per cent against 8.9 per cent. The companies involved include: Sembcorp Green Infra; Prism TV; Hyderabad Chemical; SJS Enterprises; ABEC Exhibitions; and Yoboho New Media. It should be underlined that buying into a company by taking up additional capital can lead to change in control even when the existing shareholders remain invested. For instance, DLF Midtown Pvt Ltd and DLF Urban Ltd formed 50:50 JVs with GIC of Singapore by issuing new shares. At the next stage, the Indian promoters might exit by selling their shares to the foreign investor. These cases illustrate the difficulties in distinguishing between greenfield projects and M&As. Such investments are not treated as acquisition-related by the official agencies.

It is thus possible that in most of the remaining 87 cases either the investment was on account of replacing the existing shareholders or fresh entry as JV/strategic/dominant partner. In some cases, the initial entry could have been made by an Indian affiliate of the foreign investor or some of the affiliate's operations have been transferred to a newly set up company. Examples of business acquisitions include: Vai Metals Technologies; FCC Clutch; Archroma India; Middleby Cellfrost Innovations; SMAS Auto Leasing; and Shriram Axiall. It is also possible that in a few cases we might not have been able to relate with the earlier investments due to name changes. Though this possibility was minimised by the use of CIN numbers assigned by the MCA, one cannot rule it out altogether because we were focusing on relatively large remittances. In general, out of the different possibilities when older companies receive foreign investment, buying-in and/or takeovers seem to dominate (Table-10). Yet another possibility, which casts serious doubts on the reporting system, as we will be describing in Section IV, is that the inflows reported during this period might have come in the earlier years. Delayed reporting is *not uncommon*.

Even when one examines the period after March 2016, there is no significant change in terms of the relative importance of newly set up manufacturing companies receiving RFDI. Out of the 701 companies which received a minimum of $5 million inflows during Apr-Dec 2016 and which accounted for 92.5 per cent of the total inflows for the period, there were possibly 227 manufacturing companies. Out of the 227, the ones incorporated after September 2014 and which were not meant to carry on the already existing businesses were only 9 companies with a total inflow of $160 million. Even among the nine there was one company which may not be taking up manufacturing directly but is likely to hold the shares of an already existing company.

Table-10: Different Possibilities when Older Companies Receive Inflows

The Investee is			
Wholly Indian-Owned	*Indian Company having foreign Financial Investment*	*Joint Venture/ Listed Partly Foreign Owned Co.*	*Wholly Foreign-Owned*
(1)	*(2)*	*(3)*	*(4)*
• Seeks additional capital from financial investors	• The financial investor exits by ***selling off*** to a foreign investor who is either financial or other	• ***Buys out*** the Indian JV Partner wholly or partially (JV breakup)	• ***Acquires*** businesses • ***Sells off*** to another Foreign Investor (either financial or other) • Issues shares (non-cash) to foreign investors following group internal reconfiguration (no real cash flow)
• Seeks additional capital from strategic investors (JV formation) • ***Sells off*** partly to strategic investors (JV formation)		• ***Buys out*** partially or fully public shareholders (delisting process)	• Retires Debt • Converts foreign debt into equity • Recapitalises a loss making entity
• Local investor ***sells off*** completely to foreign financial Investors • Local investor ***sells off*** completely to other foreign Investors			• Implements projects which were planned in the earlier period • Expands existing facilities • Sets up greenfield projects

Source: Authors' own compilation.

If inflows into that company are excluded, the inflows into the remaining 8 would be only about $64 million, or 1.7 per cent of the inflows into the manufacturing companies. Again, in case of the Jan-Mar 2017 quarter, there was not much of a change in the situation. Out of the 42 companies which received a minimum of $5 million realistic FDI and which were identified as belonging to the manufacturing sector, only four were registered after September 2014. These four accounted for a mere $32 million out of the $1,556 million reported by the 42 companies. Thus, even in 2016-17, the surge in inflows was essentially due to older companies. There is very little representation of newly incorporated companies in the manufacturing sector.

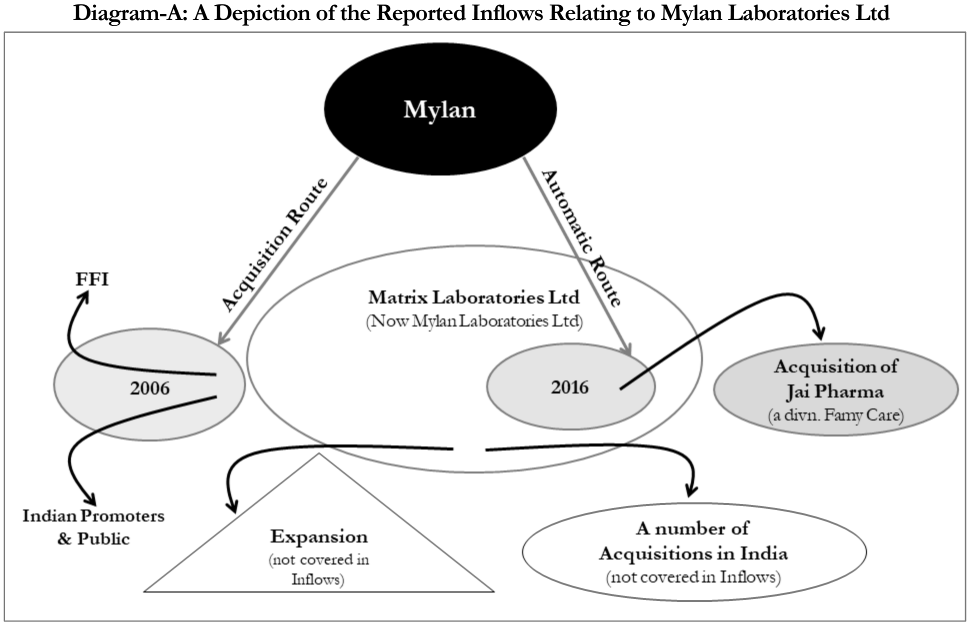
A few of the manufacturing companies incorporated in the new period to takeover existing businesses are shown in Table-11. The corresponding inflows would not be classified under the 'Acquisition Route' in the official data, thereby underestimating the role of acquisitions in the inflows. Underestimation also occurs when the inflows into existing companies are utilised for acquisition of other businesses. The case of Mylan Laboratories (earlier Matrix Laboratories) illustrates this possibility quite well (Diagram-A). Earlier in 2006, the inflows on account of this company were utilised to buy the shares from existing shareholders some of whom were again foreign financial investors. An investment of $373 million in the company was reported during the quarter Apr-Jun 2016. This amount was, however, utilised

Table-11: Illustrative Cases which could be Mistaken as New Operations

Name of the Company	*Incorporation*	*Remarks*
(1)	*(2)*	*(3)*
Anik Milk Products Pvt Ltd	May 2016	The dairy business of Anik Industries Ltd was transferred to this newly incorporated company. Lactalis of France is the foreign acquirer.
Avanti Frozen Foods Pvt Ltd	April 2015	Avanti Feeds Ltd transferred its shrimp processing facilities to the company.
Baxalta Bioscience India Pvt Ltd	April 2015	Baxter India's bioscience business was transferred to this new company. This was consequent to the global restructuring of Baxter of USA.
Cavendish Industries Ltd	January 2015	Formed to acquire three units of Birla Tyres. Acquirer is JK group's Mexican subsidiary and a trading arm in UAE.
Cipla Health Ltd	August 2015	Consumer healthcare business of Cipla Ltd was transferred to this new company. Foreign Investors are financial
Crompton Greaves Consumer Electricals Ltd	February 2015	Resultant company following the demerger of consumer electricals business of Crompton Greaves Ltd. Acquirers are financial investors led by Temasek of Singapore.
Elanco India Pvt Ltd	November 2014	Novartis India transferred its animal health business to the company.
Modern Food Enterprises Pvt Ltd	December 2014	Acquired the Hindustan Unilever Ltd.'s (HUL) bread and bakery business which itself was acquired by HUL when Modern Food Industries was privatised in 2000. Acquired by India-based PE investors through their Singapore arm.
Robert Bosch Starter Motors Generators India Pvt Ltd	February 2016	Bosch ltd transferred its operations of starter motors and generators business to this newly set up company.

Source: Compiled by the authors.

Diagram-A: A Depiction of the Reported Inflows Relating to Mylan Laboratories Ltd



Source: Based on various sources including inflows reported in the SIA Newsletter, filings with the stock exchanges, press reports.

entirely for taking over Jai Pharma.[91] Obviously, Mylan Laboratories did not benefit directly from these inflows.

Portfolio investment was highly concentrated. More than half of it went into retail trading, web portals, cab aggregators and construction. Most of the it came through just two countries: Mauritius (46.9 per cent) and Singapore (40.8 per cent). Cyprus and Cayman Islands contributed another 2.6 per cent. The combined share of these four countries works out to 90.3 per cent. India-related investors other than those covered under the portfolio investment category preferred Mauritius, Singapore, UAE and Cyprus. The combined share of these countries was 91.9 per cent. On the other hand, the share of Singapore and Mauritius in RFDI was 30.5 per cent and 5.5 per cent respectively. While RFDI investors sparingly use the Mauritius route, Singapore offers a mixed bag of RFDI and portfolio investors. This will partially address the following concern expressed by the government.

> [T]hese inflows [from Singapore and Mauritius] need perhaps to be examined more closely to determine whether they constitute actual investment or are diversions from other sources to avail of tax benefits under the Double Tax Avoidance Agreement that these countries have with India.[92]

A more fundamental question is that whether the policymakers who have been observing the phenomenon of Mauritius for such a long time and about which a lot of discussion has taken place should have expressed such lack of awareness of the nature of investments through Mauritius.

In any case, are comparisons of the above type regarding period-wise inflows and their sectoral classification, often made by many, valid? Infirmities in the reported data, described in the following sections in detail, strongly suggest otherwise. The sectoral and incorporation period-wise distribution presented above will only suggest the manner in which one could examine the inflows instead of bringing out broad aggregates only which, at times, are not only inappropriate, but also misleading. It also offers a template for presenting sectoral distribution of inflows. One will appreciate after going through Sections IV and V, why this exercise was not extended to cover 2016-17.

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91 Formerly a division of Famy Care.

92 India, Ministry of Finance, *Economic Survey 2015-16,* p. 133.

Section IV
Some Serious Issues with the Reported Inflows

The issue of definition of FDI notwithstanding, one has come to place a lot of reliance on the reported data on inflows, especially because the source is the Reserve Bank of India. This data also go into the international data on BoP, International Investment Position and FDI statistics. In an earlier study of ours, we came across a few cases where there was some gap between the time of reporting and remittance of funds/issue of shares. When looking closely at the case of the largest investment during the period of reference for the current study, we realised that the reported figures may not always match with the amounts reported by the companies to the Ministry of Corporate Affairs (MCA) and there could be problems of interpretation as well. In the following, we dwell deep into this aspect because of its implications for the relationship between the policy/procedural changes and foreign investors' response as also the sectoral distribution of inflows. First we will describe certain individual cases to illustrate the nature of problems encountered. This will be followed in Section V by an examination of the top inflows listed as part of the sectoral report cards of MII issued by the DIPP, and the character of inflows into the manufacturing industries that received maximum amounts during 2016-17.

Serene Senior Living: Improbable Inflow of $2.25 billion

Serene Senior Living Pvt Ltd. (SSLP) is reported to have received $2.25 billion in a single tranche from Signature India LLC, USA (SIL) during Oct-Dec 2015. In fact, this is the single largest amount received by a company figuring in the list of 1,188 companies referred to in the previous section. Earlier, the same foreign investor brought in a total of $1.91 million in five tranches into the company. The first tranche was reported to have been received in February 2014. The name of the investee company was changed from Covai Senior Care Constructions Pvt Ltd. to Serene Senior Living Pvt Ltd. in September 2014. A search of the internet did not throw up evidence to show the financial strength of the foreign investor to be able to bring in such large investment. Based on the claim that during 2014-15 the company entered into a "Technical Know-How Licence Agreement" with Signature Senior Living USA (SSL), the presence of SSL and SIL's directors[93] on the board of the Indian company and the share of foreign investor being 21 per cent as on March 31, 2015, we have treated this as a case of RFDI.

The filings with the MCA, however, did not reflect the receipt of such a large amount (Rs. 15,000 crore). The company's authorised capital of Rs. 5 crore would have been grossly insufficient to absorb such huge inflow unless a very huge premium was assigned to the equity shares or the amount came in the form of convertible

[93] See: https://www.corporationwiki.com/Texas/Irving/senior-signature-living-llc/60086095.aspx#.

debentures. In fact, the company's paid-up capital as on March 31, 2016, was Rs. 1.48 crore. Forty eight thousand seven hundred and eighty six shares having face value of Rs. 10 were allotted to the foreign investor on June 4, 2015 at a premium of Rs. 307.46 per share– total consideration was Rs. 1.55 crore. Earlier on September 4, 2014, 39,756 shares were issued on the same terms – valued at Rs. 1.26 crore. Reserves as on that date were Rs. 29.57 crore. Share application money was Rs. 5,000. Short term borrowings were Rs. 28 crore. Total liabilities including advances received from customers (Rs. 97.6 crore) were Rs. 160.6 crore. Further, SSL's website did not refer to its projects in India.[94] It is thus obvious that somewhere along the line a serious mistake was committed and information was entered/interpreted incorrectly. In March 2017, it was reported that the company was taken over by Columbia Pacific Management for an undisclosed sum.[95]

Suryadev Alloys & Power: Eight-year Lag in Reporting

Table-12 shows the sequence of allotment of shares by Suryadev Alloys & Power Pvt Ltd. and the time of reporting of the inflows. The *SIA Newsletter* reported all the inflows into the company against the month of June 2015. However, from the filings of the company with the Ministry of Corporate Affairs it is apparent that shares were issued to foreign investors in June 2007, April 2011, March 2013 and March 2015. It seems that shares issued as far back as June 2007 were reported eight years

Table-12: Apparent Long Gap between Allotment of Shares and Official Reporting of Inflows: The Case of Suryadev Alloys & Power Pvt Ltd

Name of the Foreign Investor	*Shares Allotted*					*Shares held as on 16-07-2013 (No.)*	*Inflow reported: June 2015 (Rs. Million)*
	In June 2007	*In April 2011*	*On 30-03-2013*		*In March 2015*		
	No.	*No.*	*No.*	*Amount (Rs. mn.)*	*No.*		
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
Paper Chase International INC, UAE	264,082					264,082	13.20
Gulf Recycling F.Z.C	264,207					264,207	13.21
Buoysail TR. EST, UAE	44,132					44,132	2.21
Buoy Charting & Trading Ltd, UAE	132,464					132,464	6.62
Terentula Holdings Ltd, Cyprus		343,560				2,548,147	137.42
Terentula Holdings Ltd, Cyprus			2,204,587	881.83			881.83
Greta Metal Pte Ltd, Singapore			341,539	136.62		341,539	136.62
Greta Metals DMCC, UAE			183,769	73.51		183,769	73.51
Surendra Jhunjhunwala			142,210	56.88		142,210	56.88
Globusstar Trading Co LLC, UAE			50,231	20.09		50,231	20.09
Al Saham Al Fadhi Metal Tdg Ltd, UAE	3,12,433					665,583	15.62
Al Saham Al Fadhi Metal Tdg Ltd, UAE			353,150	141.26			141.26
Globusstar Trading Pte, Singapore					294,493		NR
Greta Industries Pte Ltd, Singapore					414,430		NR

Source: Based on the inflows reported in the *SIA Newsletter* and filings with the Ministry of Corporate Affairs.
NR: Not reported.

94 See: http://www.signatureseniorliving.com/communities_find.html.

95 See: http://www.seattletimes.com/business/columbia-pacific-expands-into-india-senior-care-market/.

later in June 2015together with those received in 2011 and 2013, in one go. The fact that the amounts corresponding to the shares issued in April 2011 and March 2013 exactly match with the amounts reported in June 2015 lends further credence to this possibility.

United Biscuits: Clearing the Backlog and Duplicate Reporting

It appears as if companies have started clearing the backlog. For instance, United Biscuits India also informed the RBI about the recent as well those past tranches which it had failed to report earlier (Table-13). Further, it also illustrates the possibility of duplicate entries.

Table-13: The Case of United Biscuits Ltd which Illustrates Delayed as well as Possible Duplicate Reporting

SN	*Foreign Investor*	*Country*	*Amount (Rs. mn.)*	*Period of Reporting the Inflow*	*Date of Allotment of Shares*	*Lag between Allotment and Reporting (months)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1	United Biscuits Cyprus Ltd	Cyprus	23.21	2009 Jul	2009 Jul 08	0
	United Biscuits	Cyprus	23.21	2015 Jul-Sep	Duplicate Reporting#	
2	United Biscuits Cyprus Ltd	Cyprus	212.06	2015 Jul-Sep	2009 Oct 16	70
3	United Biscuits Cyprus Ltd	Cyprus	125.17	2010 Jun	2010 Mar 11	3
	United Biscuits Cyprus Ltd	Cyprus	125.17	2015 Jun	Duplicate Reporting#	
4	United Biscuits Cyprus Ltd	Cyprus	149.42	2011 Sep	2010 Jul 02	14
5	United Biscuits Ltd	British Isles	148.09	2011 Jan	2010 Oct 29	3
	United Biscuits Cyprus Ltd	Cyprus	148.09	2015 Jun	Duplicate Reporting#	
6	United Biscuits Cyprus Ltd	Cyprus	234.02	2011 Aug	2011 May 16	3
7	United Biscuits Cyprus Ltd	Cyprus	263.09	2012 Jan	2011 Oct 24	3
8	United Biscuits Cyprus Ltd	Cyprus	200.66	2012 May	2012 Mar 12	2
9	United Biscuits Cyprus Ltd	Cyprus	289.78	2012 Nov	2012 Sep 06	2
10	United Biscuits Cyprus Ltd	Cyprus	350.14	2015 Jul-Sep	2013 Mar 15	29
11	United Biscuits Cyprus Ltd	Cyprus	271.91	2015 Jul-Sep	2013 Oct 22	22
12	United Biscuits Cyprus Ltd	Cyprus	203.74	2015 Jul-Sep	2014 Mar 13	17
13	United Biscuits Cyprus Ltd	Cyprus	50.58	2014 Oct	2014 Jun 12	4
14	United Biscuits Cyprus Ltd	Cyprus	152.74	2014 Nov	2014 Aug 14	3
15	United Biscuits Cyprus Ltd	Cyprus	100.01	2014 Dec	2014 Oct 22	2
16	United Biscuits Cyprus Ltd	Cyprus	97.50	2015 Feb	2015 Jan 02	1
17	United Biscuits Cyprus Ltd	Cyprus	189.10	2015 Apr	2015 Mar 31	1
18	United Biscuits Cyprus Ltd	Cyprus	197.00	2015 Jul-Sep	2015 Aug 25	0
19	United Biscuits Cyprus Ltd	Cyprus	1.62	2015 Jul-Sep	2015 Sep 07	0
20	United Biscuits Cyprus Ltd	Cyprus	190.80	2016 Apr-Jun	2016 Mar 30	0
21	United Biscuits Cyprus Ltd	Cyprus	193.82	2016 Apr-Jun	2016 May 18	0

Source: Same as Table-12.

Notes: Two small tranches each equal to Rs. 0.01 million have been left out.

Excluding these three cases and taking into account the transfers from domestic investors, the number of shares referred to in the 'List of Allottees' tally with the shares outstanding as on March 31, 2015.

DV Travels Guru: Reported Inflows had been Already Divested

In case of DV Travels Guru Pvt Ltd, the *SIA Newsletter* reported inflows into the company by Travelguru Mauritius and TG India Holdings Co, also of Mauritius, in September 2014 through the automatic route. A perusal of the company's filings with the Ministry of Corporate Affairs and press/web reports clearly indicate that the start-up company initially attracted investment from an India-based private equity fund and subsequently it was taken over by Travelocity (USA) in 2009. Yatra Online Pvt Ltd., which itself is private equity backed, subsequently acquired the company in 2012 from Travelocity. The much delayed reporting to the RBI by the company gives the impression that both the private equity investor and Travelocity invested in the company in September 2014 while the fact is that both have exited and at one stage it involved acquisition of existing shares by one foreign investor from another foreign investor (Table-14).

It is also relevant to note that while DV Travels Guru reported that TG India Holdings Company belonged to Cayman Islands, the *SIA Newsletter* showed the country of investment as Mauritius. Incidentally, the parent company of TG India Holdings in its filings with the SEC also showed it to be a Cayman Islands company. On its part, the official Mauritius company registry did not show any such entity 'LIVE' or 'DEFUNCT'. This is another dimension of the reporting of data on inflows.

Table-14: Apparent Case of Reporting Inflows Long after the Foreign Investors had Divested: The Case of DV Travels Guru Pvt Ltd

(Number of Shares)

Date of Annual Return	*Mr. Ashwin Damera Venkata*	*Mrs. Asha Devi*	*Travelguru, Mauritius*	*Bennett, Coleman & Co Ltd., India*	*TraveloCity.com Pvt Ltd., India*	*TG India Holdings Co. Cayman Islands*	*Yatra Online Pvt Ltd., India & nominee*
	India	*India*	*Mauritius*	*India*	*India*	*Cayman Islands*	*India*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
Nov. 2, 2006	5,000	5,000	990,000				
Nov. 2, 2007	5,000	5,000	990,000				
Sep. 30, 2008	5,000	5,000	1,026,623	1,20,711			
Sep. 30, 2009					@10,000	*1,195,310	
Sep. 30, 2010					10,000	1,271,306	
Sep. 30, 2011					10,000	1,474,788	
Sep. 28, 2012							16,53,787

Source: Same as Table-12.
@ Acquired from Mr. Ashwin Damera Venkata and Mrs. Asha Devi on July 11, 2009
* Acquired 1,074,599 shares from Travelguru and 120,711 shares from Bennett, Coleman & Co. Ltd. on July 11, 2009.

Some Large and Important Cases

The following Table-15 which gives some of the largest tranches of inflows provides further indication of the dimension of the problem. There is something seriously wrong if the largest four tranches during October 2014 to March 2016 which together

Table-15: Select Suspect Large Tranches of Inflows Reported during September 2014 to March 2016

Indian Company	*Foreign Investor*	*SIA Newsletter Reference*	*Reported Inflow*		*Observation*
			Rs. Mn.	*US $ mn.*	
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
1. Top Four Tranches					
Serene Senior Living Pvt Ltd	Signature India LLC, USA	R2015/10-12(2561)	149,998.07	2,252.38	Doubtful
Keyman Financial Services Pvt Ltd	BK Media Mauritius Pvt Ltd., Mauritius	R2015/01(315)	75,000.00	1,205.29	Rs. 750 mn. was invested in 2007.
Triguna Hospitality Ventures (I) Pvt Ltd	APHV India Investco Pte Ltd., Singapore	F2015/10-12(70)	56,702.10	871.56	Doubtful
Triguna Hospitality Ventures (I) Pvt Ltd	AAPC (Singapore) Pte Ltd., Singapore	F2015/10-12(69)	50,405.86	774.78	Doubtful
2. Some Other Large Tranches					
Ford India Pvt Ltd	Ford Motor Co., USA	R2014/09(426)	26,665.41	438.11	Doubtful.
	Ford International Services LLC, USA	R2014/09(425)	14,434.59	237.16	
	The amount invested after March 2014 and till March 2015 was only Rs. 18,180 million Thus there seems to be excess reporting of Rs. 22,920 million for the period.				
Jet Airways India Ltd	Etihad Airways, UAE	R2016/01-03(2673)	20,576.65	305.96	Not of this period.
	The shares were allotted in November 2013 but were reported in March 2016.				
Renault Nissan Automotive India Pvt Ltd	Nissan Motor Co Ltd	R2014/11(289)	10,440.31	169.20	ECBs of 2011 converted
	Renault Group BV	R2014/11(470)	4,474.42	*72.51	
	* Includes fresh investment of $24.65 million.				
Wal-Mart India Pvt Ltd (earlier Bharti Wal-Mart Pvt Ltd)	Wal-mart Mauritius (1) Holdings Co Ltd	R2013/02(121)	272.00	5.06	11-Dec-12
	Wal-mart Mauritius (1) Holdings Co Ltd	R2014/03(270)	269.09	4.41	27-Feb-13
	Wal-mart Investments Cooperatie UA	R2014/09(222)	13,279.20	281.18	27-Mar-14
	Wal-mart Investments Cooperatie UA	R2014/09(229)	6,235.43	102.45	24-Jun-14
	Wal-mart Mauritius (1) Holdings Co Ltd	R2015/01(319)	272.00	4.37	*
	Wal-mart Mauritius (1) Holdings Co Ltd	R2015/01(323)	269.09	4.32	*
	Wal-mart Investments Cooperatie UA	R2015/01(471)	13,279.20	213.40	*
	Wal-mart Investments Cooperatie UA	R2015/01(472)	6,235.43	100.21	*
	There are no filings with the MCA regarding allotment of shares corresponding to the above four tranches. Excluding them, the outstanding shares at the end of				

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	March 2015 match exactly with the shares allotted (and for which details are available at the MCA website) till January 2015. The JV was dissolved w.e.f. December 31, 2013 and Bharti group's shares were transferred to Wal-Mart Mauritius (1) Holdings Co. Ltd.				
Essel Mining & Industries Ltd	Surya Abha Investments Pte Ltd	R2015/07-09(2020)	16,065.00	242.61	allotted in 2013-14
	Surya Abha Investments Pte Ltd	R2015/07-09(1850)	10,001.00	157.16	existed on 24 Sep 2012
	Surya Abha Investments Pte Ltd	R2015/07-09(2021)	5,499.67	83.05	21-Mar-12#
GMR Infrastructure Ltd	Dunearn Investments (Mauritius) Pte Ltd	R2015/03(480)	7,888.17	126.31	CCPS were issued on 26-03-2014
	GKFF Ventures	R2015/03(511)	544.83	8.72	
ICRA Ltd	Moody's Singapore Pte Ltd	A2014/10(34)	5,171.33	84.30	Shares were acquired in June 2014
	Moody's increased its stake to majority through an open offer.				
Idea Cellular Ltd	Axiata Investments 2 (India) Ltd	F2014/09(10)	7,500.00	123.22	Shares were issued in July 2014
Fulford India Ltd	Dashtag	A2015/10-12(187)	1,502.23	23.09	Open offer was made in June 2014
Sesa Sterlite Ltd (Now Vedanta Ltd)	Twinstar Holdings	A2014/10(30)	9,741.79	158.81	Most of the inflow likely to belongs to the earlier period.
	Twinstar Holdings	A2014/12(50)	2,502.78	39.88	
	The number of shares held by Twinstar Holdings, which is part of the promoter group, increased by 917,315,594 shares during Jul-Aug 2013 probably following the merger of Sesa Goa and Sterlite Industries. Subsequently, its holdings increased by 62,342,706 shares during Apr-Jun 2104, by 62,423,849 shares during July-Sep 2104 and by 10,657,160 shares during Oct-Dec 2014.				
	Sesa Sterlite made two disclosures under SEBI takeover regulations on June 23, 2014 and September 26, 2014 for 59,432,485 and 64,730,399 shares respectively. The shares were acquired by Twinstar Holdings through open market purchases on various dates starting from May 20, 2014 to September 25, 2014. Thus most of the increase appears to belong to the pre-Sep. 2014 period. In any case the process of creeping acquisition began in May 2014.				
Adani Estates Pvt Ltd	Vakoder Investments Ltd	R2014/09(30)	6,094.57	100.13	Debentures were issued during 2013-14
Bharti Infratel Ltd	QIB Class (Total 33 Investors)	R2015/10-12(746)	15,638.19	240.37	No change in the number of shares since the IPO in 2012. The
	Anchor Investors (Total 6 Investors)	R2015/10-12(706)	2,120.12	32.59	

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Retail (Total 325 Investors)	R2015/10-12(1778)	19.56	0.30	reported inflows may thus relate to 2012.
	HNI (Total 6 Investors)	R2015/10-12(1777)	3.20	0.05	
	Apart from the problem of the inflows not falling within the study period, this case highlights the extent to which the inflows could be far removed from the concept of FDI.				

Source: Based on the inflows reported in the *SIA Newsletter*, various issues.

Notes: Column 3 gives the route, year of inflow, month(s) and serial number in the newsletter. R stands for automatic route, F stands for approval route and A stands for acquisition of existing shares.

The date on which shares were allotted.

amount to more than Rs. 33,000 crore ($.5.1 billion) are associated with one kind of problem or the other. The case of SSLP has already been discussed at length at the beginning of this section. While Rs. 7,500 crore was reported to have been invested in Keyman Financial Services in January 2015, we came across evidence to the effect that the foreign investor was issued shares worth Rs. 75 crore on October 1, 2007. The premium component of this was Rs. 67.50 crore. The paid-up capital of the company as on March 31, 2015 was Rs. 9.2 crore with an additional Rs. 64.5 crore reported under the reserves and surplus head. Total liabilities were Rs. 73.76 crore. It is thus obvious that the Rs. 75 crore investment of 2007 was reported in 2015 and it seems to have been incorrectly entered as Rs. 7,500 crore. Based on the investee company's profile it was classified by us in the entertainment sector (Table-8).

In the face of the paid-up equity share capital and reserves & surplus of Triguna Hospitality Ventures as on March 31, 2016 being Rs. 355.46 crore and Rs. 198.17 crore respectively, and the changes during the year being quite small, the reported inflow of Rs. 10,710.80 crore (Rs. 5,670.21 crore + Rs. 5,040.59 crore) into the company could only be termed as an error. In case of Walmart India there seems to be repetitive reporting which amounts to about Rs. 2,006 crore. This being the most likely possibility, all the other four remittances listed in the table must have been received prior to October 2014. The joint venture agreement of Walmart with the Bharti group was dissolved at the end of December 2013. We are not sure whether this duplicate reporting happened in the process of transition from a JV to a wholly foreign owned subsidiary. Bharti Infratel is another interesting case. The reported inflows into the company are not only old, but they also illustrate how the reported investments could be far from the theoretical position of FDI.

The case of Ford India is somewhat more complicated compared to the others in this category. While many inflows matched with the allotment of shares to foreign investors, a few did not exactly match. A comparison of year-wise inflows (all through the automatic route) and allotments show that there was an excess reporting of Rs. 471 crore. In any case, in respect of a better part of the unmatched inflows, shares were allotted before 2013-14. Table-16 provides the details.

Table-16: Discrepancy between Share Allotments and Reported Inflows in Case of Ford India

Financial Year ending/ Date of Allotment		*Shares As on Date*	*No. of Shares Allotted*	
			Matched with Inflows	*Not matched with Inflows*
(1)		*(2)*	*(3)*	*(4)*
31/03/2008		109,700,000		
	November 2008		65,000,000	
	30/03/2009		22,500,000	
31/03/2009		197,200,000		
	24/03/2010			15,000,000
31/03/2010		212,200,000		
31/03/2011		212,200,000		
	22/11/2011			11,200,000
	27/03/2012			65,500,000
31/03/2012		288,900,000		
	27/11/2012			14,000,000
	26/03/2013			173,800,000
31/03/2013		476,700,000		
	12/09/2013			21,000,000
	20/12/2013			16,500,000
	29/01/2014			18,600,000
	25/03/2014			37,200,000
31/03/2014		570,000,000		
	09/01/2015		24,600,000	
	09/01/2015		18,900,000	
	20/03/2015		138,300,000	
31/03/2015		751,800,000		
Total			269,300,000	372,800,000
Value of the Allotted Shares (Rs. mn.)			26,930.00	37,280.00
Matching with Inflows (Rs. mn.)			26,930.00	41,986.22
Excess Inflows Reported (Rs. mn.)				4,706.22

Source: Same as Table-12.

A long list of relevant cases is given in Annexure-C. In most cases, we relied upon the documents downloaded from the MCA website in connection with an earlier study which had a special emphasis on RFDI in India's manufacturing sector. Hence, the list predominantly contains cases belonging to this category. Since this paper underwent multiple revisions with the availability of more recent data each time, we included a few problem cases that came up after March 2016. In putting together the cases, we tried to match the reported inflows and the amounts reported to the MCA in terms of millions of rupees to the second decimal point. While we do not rule out some mismatches, we believe that the chances of wrong association are quite low.

The list includes many large companies like Amazon, Cargill, Carrefour, Daikin, Daimler, General Motors, Shell and Valeo. In most cases which are reported after

September 2014, the shares were issued prior to that. In fact, some duplicate reporting cannot be ruled out. While some of the cases cited by us may not technically fall in the category of delayed reporting as some delay is built into the reporting requirements, for the purpose of assessing the impact of the new policies and programmes even a month's delay could alter the conclusions. If inflows into leading companies in different industries are either suspect or they do not belong to the corresponding period, activity-wise analysis in different years would be grossly misleading.[96] We referred to the aforementioned cases to emphasise the point that data limitations can seriously undermine meaningful analysis of the inflows in terms of their character and period of investment and why straightforward comparisons should be avoided.

India is known to promote the country as an investment destination in multiple ways including the foreign visits of national leaders. There is, however, no mechanism to assess the outcome. The statistics routinely issued by official agencies are of little help not just because of foreign investors routing investments through third countries, especially the tax havens. How different types of problems affect country-wise inflow figures can be seen in case of USA from Table-17. Out of the top 25 remittances reported officially as many as 10 are portfolio investments. One is by an India-related investor. Two others are by RFDI investors from other countries. Though USA-based RFDI investors accounted for 62.5 per cent of the inflows covered by the top 25 remittances (41.9 per cent if the doubtful one is excluded), their number at 12 is less than half. Other categories of investors account for more than a third of the inflows. On the other hand, the list fails to include some large investments by American companies which invested through other countries. A few of the important tranches are: Abbott ($2,397 million in May 2017); Pioneer Overseas Corp ($1,206 million in July 2009); Oracle (1,084 million in January 2007); Genpact ($664 million in March 2016; and ATC Tower ($459 million in June 2016) – all much higher in ranking compared to the $408 million investment listed at the second place in Table-17. The irrelevance of the routinely issued official list of top inflows from the USA is obvious.

Table-17: Remittance-wise Details of Top 25 FDI Inflows Received from USA#
(through Indian companies, from April 2000 to March 2017)

SN	*Name of Indian Company*	*Name of Foreign Collaborator*	*Item of Manufacture*	*Amount (In US$ million)*	*Comment*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
1	Serene Senior Living (Covai Sr Care Cons	Signature India LLC	Other specialized construction activities	2,252.38	RFDI – USA (highly improbable)
2	Indusind Bank Ltd.	Various	Monetary intermediation of commercial banks, …	408.29	Portfolio
3	Ford India Limited	Ford Motor Company	Manufacture of motor cars & other motor vehicles …	438.11	RFDI – USA

Contd…

[96] E.g.: Ford, Daimler, Renault and General Motors in case of automobiles; Walmart and Carrefour in case of wholesale trade; Serene Senior Living in case of housing; Triguna Hospitality in case of hotels, Keyman Financial in case of entertainment.

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
4	Essar Steel Ltd	Essar Logistics Holdings Ltd	Steel mfr..	451.97	India Related
5	Ford India Limited	Ford International Services Ltd	Manufacture of motor cars & other motor vehicles …	237.16	RFDI – USA
6	Cairn India Ltd	Petronas Intl Corp. Ltd	Business services not elsewhere classified	297.21	RFDI - Other
7	Amazon Data Services India Private Limit	A 100 Row, Inc	Data processing activities including report writing	206.43	RFDI - USA
8	GMR Infrastructure Ltd	26 Various FIIs	Miscellaneous	256.28	Portfolio
9	Ford India Private Limited	Ford Motor Company	Manufacture of passenger cars	185.39	RFDI - USA
10	Cairn India Ltd	Orient Global Tamarind Fund Pvt Ltd	Business services not elsewhere classified	233.36	Portfolio
11	Anant Raj Industries Ltd.	Deutsche Bank Trust Co.	Miscellaneous	132.30	Portfolio
12	Adani Power Limited	Various Investors	Electric power generation by coal based thermal power plants	86.41	Portfolio
13	Ford India Ltd	Ford Motor Company	Manufacture of motor cars & other motor vehicles	111.96	RFDI - USA
14	Fedex Express Transportation & Supply	Federal Express Europe Inc	Storage and warehousing services not elsewhere classified	105.43	RFDI - USA
15	E-Serve International Ltd	Citibank Overseas Investment Corp.	Leasing hire purchase	112.81	RFDI - USA
16	PTC India Ltd.	As Per Annexure	Electricity generation, transmission & distribution	103.22	Portfolio
17	Reebok India Company	Reebok International Ltd	Wholesale of textiles, fabrics, yarn, household linen, …	69.89	RFDI - Other
18	Kotak Mahindra Bank Ltd.	BK of New York	Banking activities including financial services	102.21	RFDI - USA
19	Veritas Software Technologies India Pvt	Veritas Operating Corporation	Providing software support and maintenance to the clients	64.30	RFDI - USA
20	JSW Energy Ltd	Various Investors	Generation and transmission of electric energy produced in hydro-electric power plants	97.14	Portfolio
21	Vardhman Yarns & Threads Limited	American & Efird Global Llc	Manufacture of thread, including thread ball making	61.88	RFDI - USA

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
22	Religare Enterprises Ltd	Industrial Finance Corp	Other financial services n.e.c.	67.41	Portfolio
23	Citicorp Finance (I) Ltd	*	Mgt consultancy/call centres	87.15	RFDI - USA
24	GMR Infrastructure Ltd	FII	Miscellaneous	88.48	Portfolio
25	W.S. Electric Ltd	Schroder Credit Renaissance Fund Ltd	Construction and maintenance not elsewhere classified.	86.22	Portfolio
	Total			6,343.37	
	Memorandum:				
	Investor Category	Number of Remittances		Amount	Share in Total (%)
	RFDI -USA	12		3,965.21	62.5
	RFDI - Other Countries	2		367.10	5.8
	Portfolio	10		1,559.11	24.6
	India-Related	1		451.97	7.1
	Total	25		6,343.37	100.0

Source: Based on: http://dipp.nic.in/sites/default/files/fdi_Synopsis_USA_1.pdf
The original list was based on rupee value of the inflows.
* Presumed to be by a Citi group company.

Duplicate Reporting

There is yet another problem which further reflects adversely and seriously on the quality of inflows data. We have indicated above that there were duplicate entries in respect of Walmart India and United Biscuits. Such double counting could have serious implications when examining the inflows during a certain period, especially at the sectoral level. A few major cases are listed in Table-18. The list contains some large and well-known companies. The most important one from the point of the value involved is JSW Steel in which JFE Steel Corp of Japan invested. Against this strategic investment of Rs. 48,007.20 million ($1,060.26 million), fully and compulsorily convertible debentures were issued by the company on July 27, 2010. The same were converted into equity shares on October 7, 2010. The inflow corresponding to this investment was reported against the month of August 2011. JFE was also allotted equity shares priced at (including premium) Rs. 147.66 crore and Rs. 3.08 crore worth GDRs having underlying 3,085,814 equity shares to the foreign investor through the local custodian of Citibank on December 14, 2010. The issue of equity shares was reported earlier against the month of January 2011. By the end of 2012-13 all GDRs were surrendered.

Exactly the same amount of Rs. 48,007.20 million was again reported for the quarter Oct-Dec 2016. The equivalent foreign currency was reported as $719.23 million, obviously based on the then prevailing exchange rate. It may be noted that during June 2012, the shareholding/GDRs held by JFE Steel were transferred to JFE Steel International Europe BV. The European wholly-owned subsidiary of JFE Steel was set up in September 2011. The parent company's equity shares and GDRs

Table-18: A few Important Cases of Apparent Duplicate Reporting

Name of the Indian Company	*Name of the Foreign Investor*	*Amount in Rs. Cr.*	*Reported*	
			Recent	*Earlier*
(1)	*(2)*	*(3)*	*(4)*	*(5)*
JSW Steel Ltd	JFE Steel Corp., Japan	4,800.7	2016 Dec	2011 Aug
Walmart India Ltd	Walmart Investments Cooperatie	1,327.9	2015 Jan	2014 Sep
		623.5	2015 Jan	2014 Sep
BNP Paribas India Holding Pvt Ltd	BNP Paribas SA	85.8	2016 Jun	2013 Jan
		140.6	2016 Jun	2013 Jan
		34.5	2016 Jun	2013 Jan
Bridgestone India Pvt Ltd	Bridgestone Asia Pacific Pte Ltd	221.2	2016 Sep	2013 Aug
DB (BKC) Realtors Pvt Ltd	IL& FS Realty Fund LLC	52.1	2016 Jun	2007 Oct
	Trinity Capital (Ten) Ltd	50.0	2016 Jun	2008 Jun
	In case of both the investors there appears to be duplicate reporting as well. No change in the number of different categories of shares till March 2016. Further, no shares have been issued after January 2008.			
Showa India	Showa Corp	175.2	2015 Sep	2014 Feb
	Showa Corp	38.8	2015 Sep	2010 Sep
Getit Infoservices Pvt Ltd	Astro Entertainment Networks Ltd	294.5	2015 Jun	2015 May
	Astro Entertainment Networks Ltd	11.6	2016 Mar	2011 Apr
Goldman Sachs India Capital Markets Pvt Ltd	Goldman Sachs Mauritius NBFC	172.1	2016 Sep	2011 May
		126.6	2016 Sep	2014 Jan
Hewlett Packard Fin Serv (India)	HPFS Venture Holdings Ltd	217.9	2016 Jun	2009 Feb
Hershey India Pvt Ltd	Hershey Intl Ltd	81.4	2016 Sep	2013 May
Hindustan Coca-Cola Holdings Pvt Ltd	Hindustan Coca Cola Overseas	312.6	2016 Dec	2011 Nov
	Bharat Coca Cola Overseas HPL	562.0	2016 Dec	2011 Apr
	Hindustan Coca Cola Overseas	1,281.2	2016 Dec	2011 Apr
HSBC Securities & Capital Mkts	HSBC Investment Bank Hldgs	946.5	2016 Sep	2009 Mar
Huawei Telecommunications (I) Co Pvt Ltd	Huawei Technologies Coopertief UA	83.6	2009 Sep	2009 Aug
Bureau Veritas India Pvt Ltd	Bureau Veritas SA	74.5	2016 Dec	2013 Jan
Ibibo Group Pvt Ltd	MIH India Ecommerce Pvt Ltd	307.6	2015 Jun	2015 Apr
	MIH India Ecommerce Pvt Ltd	307.6	2015 Jun	2015 Apr
IKEA India Pvt Ltd	INGKA Holding Overseas BV	889.1	2016 Sep	2016 Jun
Caparo Engg (India) Pvt Ltd	Blue Elephant Finance Ltd	158.0	2015 Sep	2011 May
Varsity Education Management Pvt Ltd	NSR PE Mauritius	125.0	2015 Apr	2012 Apr
	NSR PE Mauritius	175.0	2015 Apr	2012 Apr

Contd…

(1)	(2)	(3)	(4)	(5)
Showa India Pvt Ltd	Showa Corp	175.2	2015 Sep	2014 Feb
Amazon Seller Services Ltd	Amazon Asia-Pacific Resources	410.2	2015 Apr	2014 Nov
Baxter India Pvt Ltd	Baxter Pacific Investments Pte Ltd	150.5	2011 Jun	2009 May
	Though there were two filings showing allotment of 150,500,000 shares of Rs. 10 each in Dec. 2009 and Feb. 2009, the actual increase in the number of shares during the year indicate that there was only one such allotment.			
Brainbees Solutions Pvt Ltd	Valiant Mauritius Partners FDI Ltd	123.5	2016 Mar	2015 Mar
Kotak Mahindra Bank Ltd	Heliconia Pte Ltd (now Caladium Invest)	1296.0	2016 Sep	2013 Jun
	Sumitomo Mitsui Banking Corp	1366.1	2016 Jun	2010 Nov
Mahindra & Mahindra Financial Services Ltd	TPG-Axon (Mauritius) II Ltd	266.0	2009 Apr	2008 Aug
	Standard Chartered Private Equity	148.2	2009 Apr	2008 Aug
Hitachi Consulting Software Services Pvt Ltd	Hitachi Consulting Software Services Inc.	88.2	2016 Dec	2016 Jun
	There was only one allotment (made on March 30, 2016) corresponding to this amount after 2014.			
JP Morgan Securities (India) Pvt Ltd	JP Morgan International Finance Ltd	324.0	2008 Aug	2008 Aug
	The first entry gives the recipient as "JP Morgan Securities Pvt Ltd". Since there has been no such company, it is taken as JP Morgan Securities India Pvt Ltd.			
Asianet Communications Ltd	SVJ Holdings Ltd	425.0	2010 Aug	2010 Aug
	While one amount is shown as through the acquisition route and the other was shown as through the automatic route. Comparison of the annual returns corresponding to the AGMs dated 29-9-2009 and 29-9-2010 suggest that the amount could have come through the acquisition route only as the number of shares held by the foreign investor matched exactly with the shares transferred during the intervening period (on 30-6-2010). There was no specific share allotment to the foreign investor. Hence, the entry corresponding to the automatic route is identified as a duplicate one.			
Ackruti City Ltd (now Hubtown)	Various/Various FIIs	233.3	2016 Dec	2009 Nov
Gilbarco Veeder Root India Pvt Ltd	Kollmorgen India Investment Co	194.9	2016 Jun	2014 Dec
Shell India Markets Pvt Ltd	Shell Gas BV	538.7	2015 Dec	2015 Jan
	Shell Gas BV	474.2	2015 Dec	2015 May
Agile Real Estate Pvt Ltd	Vostok Ltd	1.8	2014 May	2012 Feb
	Stillwind Holdings Ltd	382.8	2014 May	2012 Feb
Azure Power India Pvt Ltd	Helion Venture Partners II LLC	12.4	2015 Dec	2015 Feb
	FC VI India Venture (M) Ltd	15.0	2015 Feb	2013 Dec
	Helion Venture Partners II LLC	15.0	2015 Mar	2013 Dec
	International Finance Corp	20.4	2015 Mar	2013 Dec

Contd…

(1)	(2)	(3)	(4)	(5)
	FC VI India Venture (M) Ltd	30.9	2015 Dec	2015 Feb
	DEG Deutsche Investitions	68.0	2015 Feb	2014 Jan
	Though there were two allotments corresponding			
Decathlon Sports India Pvt Ltd	Decathlon SA	216.3	2015 Sep	2016 Mar
Shreshta Conbuild Pvt Ltd	Emaar Holding II	215.4	2016 Mar	2009 Jun
DLF Homes Rajpura Pvt Ltd	Ridgewood Holdings	40.1	2014 Apr	2009 Apr
	Ridgewood Holdings	20.0	2014 Apr	2009 Apr
Soma Tollways Pvt Ltd	AIRRO Mauritius Holdings VI	270.0	2016 Jun	2012 Oct
Valeo Lighting Systems India Ltd	Valeo Bayen SAS	5.8	2017 Mar	2015 Apr
	Valeo Bayen SAS	6.6	2017 Mar	2015 Apr
	Valeo Bayen SAS	20.6	201703	201509
	Valeo Bayen SAS	70.0	201703	201504
	Valeo Bayen SAS	70.0	201703	201504
	Equipment 11	0.4	201703	201504
	Equipment 11	1.1	201703	201509
	All of these except for Rs. 70 crore for which shares were allotted in October 2014, were related to the shares allotted during August 2008 to July 2013. In fact, acquisition of shares of Asia Investments Pvt Ltd by Equipment 11 on February 1, 2009 was not found in the reported inflows.			
Naiknavare Constructions Pvt Ltd	AMIF Re Investments V Ltd	77.2	201410	201011
Tata Bluescope Steel Ltd	Bluescope Steel Asia Holdings Pvt	75.0	201603	201305
Unitech Wireless (Delhi) Pvt Ltd	Telenor Asia Pte Ltd	67.0	201505	201004
	Telenor Asia Pte Ltd	99.1	201505	201004
Unitech Wireless (East) Pvt Ltd	Telenor Asia Pte Ltd	15.3	201505	201005
	Telenor Asia Pte Ltd	217.9	201505	201005
Unitech Wireless (Kolkata) Pvt Ltd	Telenor Asia Pte Ltd	29.1	201505	201005
	Telenor Asia Pte Ltd	99.1	201505	201005
Unitech Wireless (North) Pvt Ltd	Telenor Asia Pte Ltd	88.3	201505	201004
	Telenor Asia Pte Ltd	257.6	201505	201004
Unitech Wireless (West) Pvt Ltd	Telenor Asia Pte Ltd	124.4	201505	201005
	Telenor Asia Pte Ltd	247.7	201505	201005
All these companies were amalgamated with Unitech Wireless (Tamil Nadu) Pvt Ltd. in 2010 following the order of Hon'ble High Court of Delhi on September 27, 2010. Hence there was no question of investments being made in them subsequently.				
HSBC Securites & Capital Markets (I) Pvt Ltd	HSBC Investment Bank Holdings	946.5	201609	200903
	HSBC Investment Bank Holdings	21.7	201609	201307
Carlsberg India Pvt Ltd	South Asian Breweries Pte Ltd	201.4	201410	201408
IKEA India Pvt Ltd	INGKA Holdings Overseas BV	889.11	201609	201606

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*
	INGKA Proholding BV	0.89	201609	201606
Procter & Gamble Home Products Ltd	Procter & Gamble Overseas India BV (7-11-2012)	167.7	201612	201303
	(Apr 2010-Mar 2011)	270.0	201612	201109
	(2-2-2012)	290.0	201609	201203
	(13-10-2011)	360.0	201612	201112
	(26-9-2012)	447.3	201609	201301
Robert Bosch Automotive Steering Pvt Ltd.	ZF Lenksysteme GMBH	2.22	201612	201204
	ZF Lenksysteme GMBH	6.66	201612	201204
	ZF Lenksysteme GMBH	17.54	201612	201404
	ZF Lenksysteme GMBH	29.60	201612	201403
	ZF Lenksysteme GMBH	50.99	201612	201305
	ZF Lenksysteme GMBH	50.99	201612	201305

Source: Source: Same as Table-12.
Note: From September 2015 onwards, the month represents the quarter ending in that month.

in JSW Steel were to be transferred to it.[97] Obviously, there was no fresh flow of funds into JSW Steel from abroad during 2016. Did JSW Steel feel that it should inform RBI about the change in the ownership of foreign-held shares? Has it disclosed the investment in original rupee terms and adjusted it to the exchange rate applicable at that time or has RBI converted the same automatically based on the prevailing exchange rate? Even so why was JFE Steel, Japan, reported in 2016 as the foreign investor instead of JFE Steel International, Netherlands? Whatever are the reasons for such repeated reporting, the fact remains that a very large sum ($719 million) was credited inappropriately to the metallurgical industries for the year 2016-17. That this amount accounted for quite a substantial part of the inflows into the metallurgical industries during 2016-17 is elaborated in the next Section.

Inflows were reported against a number of Unitech group companies during May 2015 by Telenor Asia Pvt Ltd. Exactly the same amounts were reported earlier in Apr/May 2010. It should be noted that all recipient companies were amalgamated with Unitech Wireless (Tamil Nadu) Pvt Ltd in 2010 itself. Those companies could not have received FDI in 2015. Duplicate reporting appears to be the only possible explanation. An investment of Rs. 1,296 million in Kotak Mahindra Bank Ltd (KMB) by Heliconia Pte Ltd, an affiliate of GIC, Singapore, was reported against the month of June 2013. It may be noted that the name of Heliconia Pte Ltd was changed to Caladium Investment Pte Ltd and the shareholding pattern of KMB has been showing Caladium Investment as a shareholder for many years. In fact, the director's report of KMB for the year 2013-14 referred to allotment of "2,00,00,000 equity shares of ₹5 each to Caladium Investment Pte Ltd. (earlier known as Heliconia Pte Ltd.)".[98]

[97] Information released to the stock exchanges by JSW Steel on May 31, 2012, accessed from https://www.nseindia.com/corporate/JSWSteel_disc_01062012.zip.

[98] Kotak Mahindra Bank Ltd, *Annual Report: 2013-14*, p. 75.

Subsequently Caladium offloaded a part of its holding through market sales and at the end of June 2015, it held 1,50,00,000 shares. Following the bonus issue in July 2015, the number of shares held by Caladium increased to 2,91,66,992. Again, through market sales the number reduced to 2,59,66,992 by the end of March 2016. There has been no change till the end of June 2017. Seen in this background, an inflow of exactly the same amount (Rs. 1,296 million) from Heliconia being reported for the quarter Jul-Sep 2016 is untenable. Had there been fresh inflow (given the number of shares held by the foreign investors it is impossible), the investor's name should have been reported as Caladium instead of Heliconia.

Another interesting case is that of Ackruti City Ltd. The name of this listed company was changed to Hubtown Ltd with effect from October 31, 2011. Initially an amount of Rs. 2,333.37 million from "VARIOUS FIIS" was reported against the month of November 2009. Again the same amount from "Various" was reported against the quarter Oct-Dec 2016. The investee company's name, however, remained the same, *i.e.* Ackruti City Ltd. Had there been a fresh inflow during 2016, the investee's name would have been reported as Hubtown Ltd.

These cases, which are not merely based on the equivalence of the amounts, establish the existence of duplicate reporting. The reasons might vary from case to case. It is not possible for us to identify all duplicate cases and the possible causes. Apparently there is no incentive for such duplicate reporting by the companies. The cases do underline the need to develop systems to prevent such occurrences in future. It is pertinent to note that many of these belong to 2016-17, the year in which the inflows reached unprecedented levels.

Non-reporting: A Facet of Delayed Reporting

Another dimension which we wish to underline is regarding the non-reporting of inflows which is obviously related to delayed reporting. While going through individual company filings we did come across a few cases. It should be understood that while it is relatively easy to crosscheck the reported inflows under automatic/approval routes with the filings with the MCA to find out about the date of allotment, it is not the case with discovering the unreported ones. It is also difficult to properly match the investments made through the acquisition route not only because share transfers are reported by companies at the end of the accounting period (unlike new issues which are reported as and when they happen), but also the filings do not have the provision to report the amounts involved. Non-reporting is a long standing problem. In a more recent case, Rising Stars Mobile India Pvt Ltd issued shares in four tranches during September 2015 to April 2016 to Wonderful Stars Pte Ltd of Singapore, a part of the Foxconn group. This company, set up in Sri City, Andhra Pradesh, has started contract manufacturing for a number of leading mobile companies. The total amount invested was about Rs. 472 crore. None of these tranches appeared in the *SIA Newsletter* till December 2017, *i.e.* a delay of more than a year. Obviously, to that extent inflows into the electronics sector are underreported. The issue of $5.5 billion worth of shares by Vodafone India Ltd during September 2016 did not find a mention in the inflows reported till June 2017 (discussed in detail in Section V).

While inflows against which shares are issued in the last couple of months will understandably take some time to be reported in the *SIA Newsletter*, such long gap, especially in case of large investors, should be a matter of concern. But some cases of acquisitions are yet to be reported even after many years have passed and even if some are reported the amounts happen to be much lower than the reported value of acquisition, thereby suggesting that some tranches could have been left out (Table-19). Problems with reporting of acquisition-related inflows found a special mention by the RBI. This aspect is elaborated in Section VI.

Table-19: Illustrative Non-reporting/Under-reporting of Inflows Relating to Acquisitions

Investee Indian Company	*Foreign Investor*	*Remarks*
(1)	*(2)*	*(3)*
A: Non-reporting		
Apollo Health Street Ltd (now Sutherland Healthcare Solutions Pvt Ltd)	Sutherland Global Services (Mauritius) Holding Ltd	The foreign investor acquired shares during June and August 2013 from a number of other incumbent foreign shareholders. These transactions were not reported in the *SIA Newsletter*.
Asianet Communications Ltd	SVJ Holding Ltd	4,857,113 shares were transferred to the foreign investor on June 30, 2010. No corresponding entry in the *SIA Newsletter*.
BOC India Ltd (now Linde India)	Linde Group	Foreign promoter acquired public shareholding during Jan 2008 to increase its share from 54.8% to 89.48% by the end of Sep 2008. No reflection of this in the reported inflows.
Bosch Chassis Systems (I) Ltd (earlier Kalyani Brakes Ltd)	Bosch Group	Kalyani group sold its 40% stake in the company to the foreign promoters in July 2005 for Rs. 285 crore. The *SIA Newsletter* reports $3.93 mn. (Rs.26.4 crore) in Jul-Sep 2016. This could be related to the buyout of the public shareholders. There is, however, no entry relating to 285 crore.
Capital First Ltd	Cloverdell (Warburg Pincus group)	The total consideration in June 2012, according to Prowess, for buying the promoters' stake, was Rs. 338 crore. The *SIA Newsletter* reported an amount of Rs. 270 crore which matches with the amount spent by the acquirer in open offer. That means there is no entry corresponding to the acquisition of promoters' stake.
Chiron Behring Vaccines Pvt Ltd	Novartis AG	On September 23, 2010, the foreign investor acquired the 4,900,000 shares previously held by Aventis Pharma Ltd. This has not been reported in the *SIA Newsletter*.
Fresenius Kabi Oncology (earlier Dabur Pharma)	Fresenius	Acquired 73.3% at a cost of Rs. 8,782 million in April 2008.
Kamaz Motors Ltd (formerly Kamaz Vectra Motors Ltd)	CJSC KAMAZ Foreign Trade Co. OJSC Kamaz	While there were a series of share transfers, the major ones were: (i) CJSC KAMAZ Foreign Trade Co. buying from Vectra Investments Pvt Ltd, Mikam Holdings Ltd, Cyprus buying from Vectra Ltd (UK), and Vectra Ltd (HK) in (Dec. 2013) and (ii) OJSC Kamaz buying from Mikam Holdings Ltd (June 2014). None of these acquisitions figure among the tranches reported in the *SIA Newsletter*.
Lintas India Pvt Ltd	IPG Mauritius	In June 2007, IPG Mauritius acquired shares of six Lintas Employee Trusts. The deal is not reported in the *SIA Newsletter*.

Contd…

(1)	(2)	(3)
Millipore India Pvt Ltd (now Merck Life Science Pvt Ltd)	Millipore Mauritius Ltd	Foreign investor acquired shares held by Chemsworth Pvt Ltd and Bioworth India Pvt Ltd during November 2009 making Millipore India a wholly foreign-owned company. These acquisitions were not reported in the *SIA Newsletter*.
Novateur Electrical & Digital Systems Pvt Ltd (earlier Indo Asian Electric Pvt Ltd)	Legrand France SA	Acquired 9,999 shares on September 1, 2010. The total amount invested by Legrand to buy the Indian business was reported to be Rs. 600 crore. The acquisition-related inflows were not reported in the *SIA Newsletter*.
Tecnimont ICB Pvt Ltd	Tecnimont SPA	694,335 shares held by 48 individuals were transferred to the foreign acquirer on September 29, 2008. These were not reported in the *SIA Newsletter*.
Timesof Money Ltd	Network International Investment Pte Ltd	Times Internet Ltd sold its remaining stake to the foreign acquirer in January 2016. Not reported in the *SIA Newsletter*.
Transcend Infrastructure Ltd	Insight Infrastructure Pte Ltd	Insight acquired shares held by Indian shareholders on April 29, 2009. These were not reported in the *SIA Newsletter*.
Trelleborg Vibracoustic (I) Pvt Ltd	Freudenberg SE	Shares of Indian shareholders were acquired in December 2013. Not reported in the *SIA Newsletter*.
Yazaki India Ltd	Yazaki Corp	44,999,437 shares were transferred by Tata Autocomp Systems Ltd to during January 2013. Not reported in the *SIA Newsletter*.
B: Under-reporting		
Celio Future Fashion Ltd	Celio International	According to the Annual Report of Future Lifestyle Fashions Ltd the company divested its 31.5% stake in the JV for Rs. 75 crore. However, the *SIA Newsletter* reported only one tranche of acquisition related inflow Rs. 35 crore during the month of June 2015.
Edict Pharmaceuticals Pvt Ltd	Par Pharmaceutical Cos. Inc	$37.6 mn. according to the investing company's filing with the SEC. Total inflows reported by DIPP: $12.43 mn.
Matrix Laboratories	Mylan	The Indian company was acquired by Mylan first in 2006 by buying the stakes of the Indian promoter as well as foreign financial investors. The latter entered the company in 2004 through the acquisition route. The Indian promoter alone was expected to receive Rs. 550 crore for transferring his 12% stake. From the inflows data one however finds that acquisition-related inflows amounted o Rs. 199.7 crore in 2009. By September 2010, Mylan group's shareholding reached 96.88%. As on March 31, 2017 practically all the equity shares are held by the Mylan group. Obviously, the amount reported under the acquisition by the Mylan group falls far short of the amount reported to have been received by the Indian promoter.
Shatha Bio	Sanofi Pasteur Merieux Sas	The reported inflows under the acquisition route amount to Rs. 287 crore, mainly during 2009 and 2010. A tabulation based on the share transfers reported for the period April 2009 to September 2010 and the consideration shown suggests that out of the total Rs. 694 worth of shares acquired

Contd…

(1)	*(2)*	*(3)*
		by Sanofi, Rs. 514 crore worth of shares were from Indian shareholders and the remaining from non-resident shareholders. In September 2013 Rs. 16 lakh worth of shares were acquired from another Indian shareholder.
Tulip Diagnostics Pvt Ltd	Perkinelmer Holding Luxembourg SARL	Against the company's disclosure that the Indian company was acquired for a total consideration of $125 mn., the *SIA Newsletter* shows an inflow of $64.11 mn. (Jan-Mar 2017)

Source: Based on a comparison of the share transfers reported by individual companies to the Ministry of Corporate Affairs with the inflows reported in the *SIA Newsletter*.

Section V
Data Infirmities and Distortions at the Sectoral Level

In the following, we shall provide some broad indications of the extent of distortions caused by various facets of the reported data, first at the aggregate level and later at the sectoral level, as the distortions have the potential to seriously undermine the integrity of the FDI data system, thereby undermining its relevance for policy analysis. As will be elaborated in Section VI, the powers to condone certain violations of FEMA were delegated to the regional offices of the RBI in April 2014. We tried to identify the possible changes in the pattern of reporting before and after the change and the relative contribution of inflows of different vintages and types of the reported remittances to the record inflows of 2016-17. The former is examined by categorising the individual remittances each amounting to at least $100 million reported for the five-year period 2012-13 to 2016-17. The 216 remittances thus identified, accounted for about 38 per cent of the reported equity inflows for the period.

Fifty-six out of the 216 remittances examined belonged to April 2012 – April 2014. The remaining were reported during May 2014 to March 2017 (Table-20). During the second period, while the current year reporting improved, reporting of the preceding year's remittances declined significantly. Simultaneously, reporting of the earlier years' inflows increased, thereby suggesting some improvement in current reporting as also efforts to clear the backlog. The relative share of wrong and duplicate entries had a higher share in the second period. A similar picture could be seen in terms of the amount of inflows (Table-21). While in both the periods a little more than one-sixth of the inflows can be attributed to incorrect and duplicate entries, the fact that there were considerably larger number of such entries in the second period raises the possibility of their distorting the distribution of inflows at different levels of disaggregation to a much higher degree.

An analysis of large tranches of inflows during 2016-17 each of at least $50 million reveals that duplicate and notional inflows constituted 10.3 per cent and 12.2 per cent of the inflows covered by the 137 tranches, which accounted for about 52 per cent of the inflows reported for the year. About 27 per cent of the inflows were on account of acquisitions (Table-22). Thus, only about half of the large inflows could have contributed to new capacity creation. On the other hand, inflows relating to current year share allotments also account for only a little more than half of the total. Realistic FDI not only accounted for all the notional investments, but also and more importantly, for majority (60 per cent) of the investment covered by duplicate entries. Only about 45 per cent of the RFDI inflows represented by large tranches could have contributed to new capacity creation. One-third of the inflows belonged to the shares allotted during the earlier years.

Table-20: Distribution of Very Large Remittances* during April 2012 to March 2017 According to the Time of Allotment and Time of Reporting (Nos.)

Issue of Shares	*No. of Remittances Against which Shares were issued*			*Share in Total (%)*	
	Apr 2012 – Apr 2014	*May 2014 - Mar 2017*	*Total*	*Apr 2012 - Apr 2014*	*May 2014 - Mar 2017*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Current Financial Year	24	81	105	42.9	50.6
Previous Financial Year	19	34	53	33.9	21.2
Older Financial Years	6	25	31	10.7	15.7
Difficulty in Matching	5	4	9	8.9	2.5
Duplicate Reporting	1	12	13	1.8	7.5
Incorrect Entries	1	4	5	1.8	2.5
Grand Total	**56**	**160**	**216**	**100.0**	**100.0**

Source: Based on the inflows reported in the *SIA Newsletter*.
* $100 million and above.

Table-21: Distribution of Very Large Remittances* during April 2012 to March 2017 According to the Time of Allotment and Time of Reporting (Amount)

Issue of Shares	*Value of the Shares Issued ($ mn.)*			*Share in Total (%)*	
	April 2012 - April 2014	*May 2014 - March 2017*	*Total*	*Apr 2012 - Apr 2014*	*May 2014 - Mar 2017*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Current Financial Year	7,347	19,229	26,576	41.7	45.1
Previous Financial Year	4,429	8,732	13,161	25.1	20.5
Older Financial Years	1,719	5,893	7,612	9.8	13.8
Difficulty in Matching	1,171	1,308	2,479	6.7	3.1
Duplicate Reporting	108	2,382	2,490	0.6	5.6
Incorrect Entries	2,836	5,104	7,940	16.1	12.0
Grand Total	**17,610**	**42,648**	**60,258**	**100.0**	**100.0**

Source: Same as Table-20.
* $100 million and above.

Table-22 Distribution of Large Remittances* during 2016-17 According to their Type and Time of Allotment

Period of Allotment	*Type of Inflow*					
	Acquisition	*Notional Inflows*	*Duplicate Reporting*	*Others*	*Total*	*Share in Total (%)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
Current Financial Year	3,426	2,741		5,806	11,973	53.1
Previous Financial Year	1,116			3,292	4,408	19.6
Older Financial Years	1,528			2,312	3,840	17.0
Duplicate Reporting			2,325		2,325	10.3
Total	6,070	2,741	2,325	11,410	22,547	100.0
Share in Total (%)	26.9	12.2	10.3	50.6	100.0	

Source: Same as Table-20.
* $50 million and above.

During the second half of 2016, the government started issuing a series of brochures to highlight the achievements made in different sectors under MII. Services of a private company were enlisted as 'Knowledge Partner'[99] in preparing these brochures. One finds that the brochures put together some routine information provided by various ministries, departments and agencies. Besides incorporating the steps taken in respect of the concerned sector they give lists of FDI inflows selected from the database maintained by the DIPP. The brochures, however, do not highlight the names of large Indian investors in the respective sectors. It is difficult to understand why some effort was not made to look into the IEMs which could have provided a more complete and comparative picture of the new investments. On the other hand, neglecting them reflects the special importance attached to FDI compared to domestic investments. Interestingly, the lists cover different periods often beginning with some months much before the MII was announced and even before the present government came into being.[100] If MII's performance was to be projected, obviously April 2014 could not have been taken as the starting point. There appears to be no systematic approach in including or excluding some tranches of inflows.[101] In some cases the related recipients were grouped together even while the DIPP reports individual remittances in the *SIA Newsletter*. On the other hand, no attempt was made to present the lists on the basis of total inflows received by a company. When companies' names appear in different forms in the lists of inflows and name changes do occur, in the absence of a code which identifies the companies uniquely, it requires quite some effort to aggregate inflows at individual company level. Apparently, neither the Knowledge Partner nor the official agencies made any attempt to consolidate inflows at the individual investee level. Incidentally, we tried to do this and much more (e.g. Table-8). In the following, we shall examine the lists contained in a few brochures. This will be followed by a critical look at the inflows into industries that were reported to have received substantial inflows during 2016-17.

Automotive Sector

We made an attempt to identify the top inflows reported by the brochure on the Automotive Sector, the most important manufacturing industry from the point of inflows, according to the time of allotment of shares by the respective recipients. First of all, it was difficult to understand why logistics as also transportation companies including airlines were clubbed together under the inflows into the sector. In the description, however, there was no reference to these activities and the aggregate figures also do not include inflows into air and sea transport. Out of the 28 recipient companies, seven are in logistics and transportation. They, however, accounted for only a small portion of the inflows covered by the 28 companies. While the description refers to realistic FDI cases only, the lists contain all types of investments, thus including private equity and other portfolio investments. The result of the

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99 The Knowledge Partner belongs to one of the Big Four accounting firms.

100 E.g.: Electronics & IT (possibly April 2014-March 2016), Automotive (April 2014-March 2016), Telecommunications (April 2014-March 2016), Textile (April 2014-March 2016), Leather (March 2014-September 2016), and Food Processing (possibly June 2014-July 2016).

101 We cross-checked the entries in the lists with the inflows database maintained by us.

exercise done to match the top inflows reported in the DIPP's sectoral achievement report, its disclosures in the *SIA Newsletter* and the recipient companies' filings with the MCA reveal that only a little less than two-fifths of the reported inflows could be attributed to the new period (Table-23). In respect of almost an equal amount, though reported in the new period, the shares were issued prior to October 2014. This latter group includes shares issued in the current period against the conversion of ECBs availed earlier. About one-fifth of the inflows were reported in the earlier period. A good part of this, however, could not be located in the filings with the MCA. Given the clubbing of various tranches, this is the best approximation we could arrive at.

Table-23: An Analysis of the Top Inflows into the Automotive Sector*

Name of the Foreign Investor	*Inflow ($ mn.)*	*Share in Total (%)*
(1)	*(2)*	*(3)*
1 Reported in the New Period	**1,512.5**	**39.6**
a) Incorporated before October 2014	1,417.3	
Suzuki Motor Corp (1)	461.0	
Ford Motor Co	243.7	
Daimler AG	236.8	
SAIC General Motors Investment Ltd	183.0	
Continental Automotive GMBH	61.1	
Isuzu Motors Asia Ltd	59.8	
Ford International Services LLC	46.0	
Yorozu Corp	33.1	
Toyoda Iron Works Co Ltd	27.8	
Ainos Holdings Ltd	24.8	
Blue Elephant Finance Ltd	23.1	
Valeo Bayen	11.2	
Continental Automotive Holding Netherlands	5.9	
b) Incorporated after September 2014	95.2	
FCC Co Ltd	95.2	
2 Reported in the New Period but the shares were issued prior to October 2014	**1501.3**	**39.3**
SAIC General Motors Investment Ltd (2)	790.9	
Nissan Motor Co Ltd	169.2	
Daimler AG	152.2	
Renault Group BV	72.5	
Caparo India Ltd	56.8	
Showa Corp	52.9	
Fiat Group Automobiles SPA	48.5	
Lear Corporation Mauritius Ltd	38.1	

Contd…

(1)	*(2)*	*(3)*

	NHK Spring Co Ltd	31.3	
	Blue Elephant Finance Ltd	30.8	
	Bussan Automotive (Singapore) Pte Ltd	29.7	
	Lear Automotive Services (Ned)	11.6	
	Valeo Bayen	11.2	
	Continental Automotive Holding Netherlands	5.6	
3	**Reported in the Earlier Period**	**806.1**	**21.1**
	a) Investments that could be traced	130.8	
	Isuzu Motors Ltd	56.9	
	Man Nutzfahrzeuge AG	42.7	
	Suzuki Motor Corp	16.7	
	Ford International Services LLC	14.6	
	b) Investments that could not be traced	675.3	
	Ford Motor Co	438.1	
	Ford International Services LLC	237.2	
	Total	**3,819.6**	**100.0**

Source: Based on DIPP, *Automotive Sector Achievements Report*, Make in India, November 24, 2016.
* The period covered was April 2014 to March 2016. Investments into non-manufacturing companies have been excluded.
(1) The intention to invest was announced in January 2014 and the company was incorporated in March 2014.
(2) Includes two tranches relating to issue of shares against conversion of ECBs availed earlier. $229.38 million and $117.14 million were converted in October 2014 and March 2015 respectively.

Another important aspect of the inflows into transport equipment and parts is that except for FCC Clutch India all the other companies were incorporated prior to October 2014. Suzuki Motor Gujarat, the only other company incorporated in 2014, was registered on March 31, 2014. The decision to invest in Gujarat by the company was announced earlier in January 2014. Obviously, any subsequent investment, including the $461 million (Rs. 3,100 crore[102]) reported during Jan-Mar 2016 and $383 million reported during Oct-Dec 2016 would be a follow-up of that decision. Obviously, the reported inflows cannot be taken as reflecting the achievements in the new period.

Computer Hardware and Software

The classification of e-commerce related companies, cab aggregators, etc., under the computer software and hardware gets clearly established from the list provided in the report on achievements made in Computer Hardware and Software sector (Table-24). It is not merely a question of following some classification system but to respond to the needs of policymakers and analysts. Out of the total $3.8 billion inflows into the companies listed by the respective brochure, as much as $3.5 billion was invested in such companies. Further, more than half of the $3.5 billion was by private

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[102] Incidentally, it was reported in January 2014 that the foreign company would invest Rs. 3,000 crore in the *first phase* of the project. See: https://www.autocarindia.com/car-news/suzukis-gujarat-unit-to-be-100-per cent-subsidiary-370883. The Rs. 3,100 crore inflow should be seen in this context.

Table-24: List of Major Foreign Investments in Computer Hardware & Software Sector

Type/Name of the Investee Company	*Website/Activity*	*Reported Inflow ($ mn.)*
(1)	*(2)*	*(3)*
A. E-commerce & Online Information		**3,498.6**
Jasper Infotech Pvt Ltd.	Snapdeal	1,067.4
Ani Technologies Pvt Ltd.	Olacabs	870.3
One97 Communications Ltd.	Paytm	473.1
One97 Communications Ltd. & Jasper Infotech Pvt Ltd.	Paytm & Snapdeal	344.2
Ibibo Group Pvt Ltd.	Ibibo	213.9
Getit Infoservices Pvt Ltd.	Askme	163.6
Amazon Seller Services Pvt Ltd & Amazon Internet Services Pvt Ltd.	Amazon	114.9
Ebay India Pvt Ltd.	Ebay	93.7
Indiaideas.Com Ltd.	Billdesk	90.2
Maxheap Technologies Pvt Ltd.	Commonfloor	29.4
Urban Ladder Home Décor Solutions Pvt Ltd.	Unrbanladder	25.2
Solvy Tech Solutions Pvt Ltd.	Zopper	12.7
B. Others		**322.6**
Integrascreen Services Pvt Ltd.	Software for securities trading	115.3
Quest Global Engineering Services Pvt Ltd.	Engineering services	92.5
Aon Consulting Pvt Ltd.	Risk management services	84.1
Citius IT Solutions Pvt Ltd.	Healthcare software development	17.2
Omnesys Technologies Pvt Ltd.	Software for Securities Markets	13.5
Total (A+B)		**3,821.2**

Source: Based on DIPP & Ministry of Electronics & Information Technology, *Electronics and IT Sector Achievements Report*, Make in India, November 8, 2016.

equity investors. Incidentally, no company belonging to the hardware sector finds a place in the list. In fact, it remains a puzzle why the DIPP has been clubbing computer hardware with software for many years. From a less-highlighted tabulation of DIPP, it becomes obvious that hardware contributes negligible amounts. During 2016-17, it was just $70 million out of the total $3,652 million reported under this head.[103] In this context, it would be relevant to note that according to the government, FDI into the e-commerce sector was only $8.84 million during 2015-16 and 2017-18 (Apr-Oct).[104] This is surprising, particularly in the context of market-based model of e-commerce

[103] Out of the $6,630.72 million inflow reported for computer hardware and software during 2015, only $133.01 million were in the hardware industry. The corresponding figures for 2016 were: $2,412.28 million and $89.05 million.

[104] This was mentioned in the reply to the Lok Sabha Unstarred Question No. 288, answered on February 5, 2018.

which has been defined in the FDI policy as "Marketplace based model of e-commerce means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller."[105] We are not able to express any opinion as to why inflows into Amazon, Flipkart, Snapdeal and other market-based players were not counted as investments in e-commerce.

Food Processing Industries

As was discussed in Section II, there has been considerable emphasis on attracting FDI into the food processing sector. The justification offered for this as well as for opening up the trading sector wider was to create the much-needed infrastructure for the Indian agricultural sector, minimise wastage and in the process help the farmers. One vividly remembers the arguments for and against opening up MBRT, put forward inside and outside the Parliament. Given the importance attached to the sector one would expect that the investments would be looked into closely. We shall, therefore, try to describe the data related issues at some length. Interestingly, unlike in other sectors where the focus was on 'top inflows', the inflows into the food processing industry listed in the initial version of the brochure contained only those cases where the inflow was less than \$15 million. It is difficult to fathom why instead of top inflows those at the lower end were being projected and the rationale for choosing \$15 million as the cut-off.[106] A later version of the brochure listed seven remittances all less than \$75 million.

At this stage, it may not be out of place to discuss the confusion in compiling and presenting the data. In response to a question in the Rajya Sabha it was informed that FDI in food processing industries increased from \$170.2 million in 2011-12 to \$505.88 million in 2015-16 and that it was one of the reasons for the 5.78 per cent growth in gross value added in food processing industries in 2014-15 (at 2011-12 prices).[107] Besides this assertion, the Lok Sabha was also informed that the sector attracted FDI amounting to \$5,005 million during 2013-14 to 2015-16. Inflows of 2015-16 could not have contributed to the growth in 2014-15. Interestingly, as much as \$3,983 million of this came in 2013-14 alone.[108] The information provided to the Parliament also shows that in 2013-14 just one country, namely the United Kingdom (UK) contributed as much as \$3,023 million, *i.e.* nearly 76 per cent of the total for the year. It should, however, be noted that the total inflow from UK into all the sectors during the year was \$3,215 million. The question that arises here is whether 94 per cent of the FDI from the UK went into the food processing industries.

A perusal of the inflows reported in the *SIA Newsletter* reveals that during 2013-14 Unilever PLC was the top most investor with \$1,789 million from UK (obvious recipient was Hindustan Unilever Ltd - HUL). The 'item' mentioned was 'CONSUMER GOODS BUSINESS'. Since the remaining investment from UK was

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105 5.2.15.2.2 (iii) of the Consolidated FDI Policy (Effective from August 28, 2017).

106 While in the text \$15 million was mentioned, the title of the annexure referred to \$20 million. The maximum investment listed was, however, \$14.99 million.

107 Rajya Sabha Unstarred Question No. 2227, answered on August 5, 2016.

108 Lok Sabha Unstarred Question No. 1500, answered on July 26, 2016.

$1,426 million, unless Unilever's investment was treated as belonging to food processing industries, the totals would not tally. Packaged foods and beverages contributed only 18.0 per cent of the revenue of HUL during 2014-15. Even if all the sales under the head 'Others' is taken as belonging to the foods category, the share would not be more than 22.3 per cent. Soaps and detergents and personal products accounted for bulk of the company's sales during the year. Additionally, the investment that was brought in was on account of buying out the public shareholders in order to increase the parent company's share in the Indian subsidiary. No new project in the food sector was associated with it.

What is also worrying is that while the consolidated country-wise inflows reported during the year show that investors from UK invested $3,215 million, monthly data on individual tranches show that the investment was only $ 1,997 million. Further, initially inflows under the acquisition route were reported by the *SIA Newsletter* as $2,131 million for the month of September 2013. The figure was, however, revised two months later to $3,349 million – an increase of $1,218 million. The *SIA Newsletter Annual Issue* for the calendar year 2013 shows Unilever as the largest investor from UK with $3,008 million during 2000-2013. *There is no other single investor belonging to the food processing industry which invested a minimum of $100 million during the period.* The fact that the *SIA Newsletter Annual Issue* for the year 2012 did not list Unilever's investment in the top 25 investors from UK, it suggests that the additional investment in September 2013 which was reported with a delay of two months, could be related to Unilever's attempt to hike the parent company's stake by partially buying out the public shareholders. Since the share of FIIs reduced substantially (from 20.23 per cent at the end of June 2013 to 15.33 per cent at the end of September 2013) following the hike in the parent company's share, funds would also have flown out of India through the selling FIIs. Since they accounted for about one-third of the increase in Unilever's share, one can safely assume that the outgo would have been about $1 billion. That is, an overwhelming part of the inflows in the sector were on account of Hindustan Unilever, a company that cannot be strictly termed as a food processing company. On top of that, the inflows did not lead to any additional capacity creation.

Incidentally, the company increased the rate of royalty paid to its parent company and decreased the R&D expenditure. During 2009-10 to 2015-17, it remitted dividends to the tune of $2,097 million and royalty of about $ 691 million. From the high of $32 million in 2011-12, R&D expenditure by the company came down to $4.25 million in 2016-17. These figures are based on CMIE Prowess IQ database. It is obvious that most of the inflow has already been neutralised by the net outgo during the past eight years. It is also relevant to note that the company demerged the erstwhile Modern Foods business which it acquired in 2000 following the privatisation of the public sector enterprise Modern Food Industries India Ltd. The business was transferred in 2015 to a new company Modern Food Enterprises Ltd., a special purpose vehicle (SPV) set up by the Everstone group, which is an India-based private equity and real estate investor/fund. So far the SPV received $25 million inflows from a Singapore arm of the PE investor.[109] Hindustan Unilever also divested its rice

[109] See:http://www.cci.gov.in/sites/default/files/Notice_order_document/Modern%20Foods%20 order%20C-201510315.pdf.

exports business to LT Foods Middle East DMMC, belonging to India's LT Foods group further reducing its engagement with the food processing sector. Two major components of the remaining food products category are Foods (Packaged Foods and Popular Foods) and Refreshments (Tea, Coffee, Ice cream and Frozen Desserts). The former accounted for 3.25 per cent of the sales during 2016-17 while the share of the latter was 14.15 per cent – combined share of 17.40 per cent.

Further, according to the official review of the MII, over the last two years,[110] the sector, besides investment by Indian companies, has attracted over $1 billion by nearly 40 companies which include Mondelez India Foods (earlier Cadbury India, mainly chocolate confectionary), Kellogg (breakfast cereals) and Mars International (chocolate confectionary and pet foods). The Review further states that 32 lakh tonne cold chain capacity was added with an estimated investment of around Rs 9,000 crore.[111] There are, however, no details about who were responsible (FDI companies or Indian) for this addition. It is unlikely that these three companies would have contributed to the enhanced capacity the brochure was referring to. In fact, we did not find any inflow on account of Mondelez India Foods (MIF) during the period. Instead of bringing in fresh equity, MIF followed the external commercial borrowings route which obviously entails interest payments and depresses profits. One is aware that MIF had set up a new facility in Andhra Pradesh. The ECB funds could have been meant to part-finance the project. It may not be out of place to mention that the company started paying substantial amounts as royalties and management charges abroad. During the past six years (2010 to 2015-16) it paid out Rs. 466 crore as royalties and an additional Rs. 510 crore towards consultancy fees, information technology expenses and regional/global management expenses, making a total of Rs. 976 crore. Even when corresponding receipts from abroad are taken into account, the outgo works out to be substantial. In contrast, the dividend paid was only Rs. 24 crore. Indeed, no dividend was paid during the last two years. Obviously, quantum of profits and dividend payment have no relevance for unlisted foreign subsidiaries. In fact, by not paying dividends they can save on dividend distribution tax.

Mars International, which announced setting up its facility in Maharashtra, brought in $62.8 million (Rs. 402 crore) during 2015. Subsequently, $99 million (Rs. 661 crore) inflows were reported till June 2017. The company paid out Rs. 108.8 crore towards reimbursement of expenses during 2013-14 to 2015-16.[112] The $12.4 million inflows (Rs. 75 crore) on account of Kellogg were actually reported in April 2014. Incidentally, in just four years (2009-10 to 2012-13) Kellogg India made royalty payments worth Rs. 64 crore. Obviously, much of the inflow could be set-off against royalty payments. We did not come across information about Kellogg setting up any

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110 Here we are necessarily going by the year of reporting rather than the year in which the investments were actually made.

111 "Government begins review of 'Make in India' targets", *The Economic Times*, August 18, 2016, accessed from http://economictimes.indiatimes.com/news/economy/policy/government-begins-review-of-make-in-india-targets/articleshow/53753700.cms.

112 Due to change in the reporting format prescribed by the MCA, it is going to be difficult to get information on transactions in foreign exchange in a consistent manner.

production facility in the new period other than the one in Sri City Andhra Pradesh, which was planned earlier in 2013.[113]

As mentioned above, the revised brochure picked up seven remittances into six companies. The top most remittance ($73.72 million) was related to the acquisition of Anik Milk Products Pvt Ltd (carved out of Anik Industries Ltd) by BSA International. Two remittances ($31.34 million and $24.32 million) were reported against Ferrero India Pvt Ltd., a confectionary maker. Next comes Cavin Kare Pvt Ltd which received $25.47 million from an India-based financial investor, namely ChrysCapital, through its Mauritius arm. Incidentally, this amount was invested in 2013. The financial investor sold back its stake to the Indian promoters of Cavin Kare in March 2017, *i.e.* in less than four years, at double the amount invested by it.[114] The case of the next placed Modern Food Enterprises Pvt Ltd has already been explained above. According to the brochure, Kellogg brought in $23.97 million. Had the Knowledge Partner searched the FDI database, it would have come across three other tranches together amounting to $9.99 million, reported in Jul-Sep 2016 quarter along with the $23.97 million tranche. Incidentally, the item mentioned was "Manufacture of cereal breakfast foods obtained by roasting or swelling cereal grains". The last company in the list, namely Kerry Ingredients India Pvt Ltd., a manufacturer of food ingredients, received $21.53 million It can once again be seen how little the investments highlighted under MII could have contributed to the Indian agricultural sector.

Interestingly, DIPP reports inflows under the heads (i) food processing industries, (ii) sugar, (iii) fermentation industries, (iv) vegetable oils and vanaspati, and (v) Tea and coffee (processing & warehousing coffee & rubber). The FDI figures referred to at the beginning of this sub-section relate to the first category only. On the other hand, when referring to the food processing sector in general all five are considered. The industries listed under food processing indeed include "Food preservation by fermentation: wine, beer, vinegar, yeast preparation, alcoholic beverages" and "Consumer food: packaged food, aerated soft drinks and packaged drinking water".

As was noted earlier (Table-8), out of the $1,145 million inflows in the food and beverages industry, as much as $419 million went into confectionary and beverages while spirits and wines received $308 million, $201 million went into grain milling and vegetable oils leaving $216 million that went into sugar ($131 mn), food preparations ($44 million) and milk products[115] ($41 million). It is difficult to visualise which of these investments would create the type and extent of storage capacity one is looking forward to. Further, in the context of the claim that FDI is one main reason for the growth of the sector, the fact that a good part of the inflows were of the acquisition variety and some of the recipients may not be strictly termed as food processing companies, there may not have been new capacities of the required type, large enough to justify the conclusion drawn by the government. Further there are serious public health concerns associated with the type of processed foods that such companies, whether Indian or foreign, promote. It is

[113] See: http://1nellore.com/4591/kelloggs-flakes-to-be-made-in-sri-city-sez-nellore/.

[114] See: http://www.business-standard.com/article/companies/chryscapital-exits-from-cavinkare-with-2x-returns-117031300227_1.html.

[115] One of the companies acquired the food business of Wockhardt and thus there is no additional capacity creation. The other one is a probiotic manufacturer.

time the policymakers spell out the additional benefits they perceive from FDI in the food processing sector other than those that Indian companies cannot offer and which directly help the Indian farmers and minimise wastage.

Telecommunications

i) Vodafone

The telecommunications sector which received much media attention provides another important case study. Vodafone India appears at the top in the inflows listed in the corresponding brochure with an inflow of $1,501 million. But, the shares corresponding to this tranche were actually acquired by a Vodafone group company, namely Prime Metals Ltd, in May 2014, much before the announcement of MII. It was widely reported in September 2016 that Vodafone India received more than Rs 47,000 crore from its parent company. This was said to be the largest FDI infusion as it exceeded British Petroleum's investment of $7.2 billion in the Reliance group earlier. The funds were to be utilised to strengthen the company's telecom operations as also to retire debt. Most commentators attributed this huge investment to the threat posed by the entry of Reliance Jio in the Indian telecom market. It should also be noted that the Vodafone group in India has been under heavy debt burden. The reported borrowings from banks at the end of 2015 were as much as Rs. 45,700 crore.[116] The total inflows on account of Vodafone India during March 2015 to September 2016 were of the order of Rs. 54,600 crore, or approximately $8.4 billion (Table-25).

Incidentally, some of these amounts against which shares were allotted to foreign investors could be found among the inflows under the approval route reported in the *SIA Newsletter* till June 2017. The unreported ones totalling $5,893.54 million were finally reported in the *SIA Newsletter* for the period Jul-Sep 2017, *i.e.* after almost a year. The amount was thus credited to 2017-18. Had these inflows been reported in the relevant financial year, i.e., 2016-17, the year would have seen a substantial jump as the equity inflows would have been boosted by almost $6 billion, *i.e.* higher by 13.6 per cent. Correspondingly, equity inflows for the year 2017-18 would most probably have ended much lower compared to 2016-17. Incidentally, the unusual steep jump in the inflows through the approval route during August 2017 was due this delayed reporting (Graph-B).

ii) NTT Docomo

The sector also provides another important example of the uncertainty surrounding the reported inflows. The brochure on the sector's achievements lists an investment of $1,458 million in Tata Teleservices by NTT Docomo. One does find the inflow of $1,458 million among the individual tranches of inflows reported in the SIA Newsletter for the Jul-Sep 2016 quarter. We, however, felt that it was highly unlikely that NTT Docomo would invest such huge amount in Tata Teleservices during the past two years as it was contemplating to exit from the latter since April 2014 and the dispute between the two has become a subject of international arbitration. Not

[116] Vodafone Group Plc, *Annual Report 2015*, p. 144.

Table-25: Inflows into Vodafone India since March 2015

*Date of Allotment of Shares**	*Corresponding filing with the MCA*	*Amount Remitted*	
		(Rs. Cr.)	*($ million)*
(1)	*(2)*	*(3)*	*(4)*
A: Inflows reported in the *SIA Newsletter* during Oct-Dec 2016			
09/03/2015	Form PAS-3-060415.OCT	4,521.1	668.54
12/03/2015	Form PAS-3-060415.OCT	1,478.9	218.70
31/05/2016	Form PAS-3-28062016_signed	7,749.0	1,145.86
10/06/2016	Form PAS-3-28062016_signed	2,251.0	332.86
B: Reported in the *SIA Newsletter* during Oct-Dec 2016 but could not be traced in filings with MCA		917.4	135.20
C: Reported in the *SIA Newsletter* of Jul-Sep 2017			
16/09/2016	Form PAS-3-27102016_signed	30,819.5	
26/09/2016	Form PAS-3-27102016_signed	6,880.5	
Total A+B+C		**54,617.4**	**8,394.70**

Source: Based on the company's filings with the MCA.
* Al-Amin Investments Ltd, Asian Tele-communication Investments Mauritius Ltd, CC II Mauritius Inc., Euro Pacific Securities Ltd, Vodafone Tele-communications India Ltd, Mobilvest, Prime Metals Ltd and Trans Crystal Ltd, all registered in Mauritius, were the allottees.

surprisingly, there was no corresponding entry in the filings of Tata Teleservices with the MCA for the recent years. The alliance between the Tata group and NTT Docomo dates back to 2008 and the investment was to be a combination of fresh capital infusion, acquisition of existing shares and tender offer for purchase of about 12 per cent shares of Tata Teleservices Maharashtra Ltd. Among the various tranches of inflows reported in the *SIA Newsletter* for the quarter Jul-Sep 2016 in respect of this alliance three were through the automatic route. These were: Rs. 97,966.01 million ($1,457.66 million); Rs. 3,899.62 million ($58.02 million); and Rs. 3,940.00 million ($58.62 million). The corresponding dates of allotment of shares as reported to the MCA were, however, March 25, 2009; March 30, 2011; and May 30, 2011. That means $1,574 million inflow of the earlier years was credited to 2016-17. Had the Knowledge Partner and the DIPP viewed the reported inflows in 2016-17 in the context of the strained relationship between the two parties, the mistake would have been detected. While delayed reporting of investments into Vodafone depressed the inflows for the year 2016-17, those into Tata Teleservices increased the same, though to a much lesser extent. In essence, the reported data suffers from serious omissions and commissions. The two cases demonstrate how large inflows can seriously affect year-to-year comparisons.

Other Problem Cases

There are some major misclassifications in the brochures. For instance, United Spirits with $ 998 million inflow was shown as the largest investee in the Oil & Gas sector while the entire inflow into the sector mentioned by the brochure was $1.18 billion (Exhibit-A). This acquisition-related inflow associated with an open offer made in April 2014 into United Spirits by Relay BV, a subsidiary of Diageo, was actually reported in July 2014. This inflow was related to the open offer by the foreign acquirer to buy a part of the public shareholding of United Spirits. It should be underlined that there was no ambiguity in the product mentioned in the entry corresponding to this amount in the *SIA Newsletter*. It clearly read "BREWERIES & DISTILLERIES". The next placed Praxair India with $48 million is essentially a company engaged in industrial gases and not in natural gas. The next two investments are by an Indian business group (Jubilant). Portfolio investments follow these. The realistic FDI into the sector among those listed in the brochure could be just about $25 million of the total $1.18 billion.

Another important case is that of Signode India Ltd, the largest inflow listed under the chemicals and petrochemical industry in the corresponding brochure. Though Signode India has plastic packing material business also, it accounts for less than 10 per cent of its total turnover. In fact, its most recent expansion was through setting up of steel strap manufacturing facility in Gujarat. The company's classification under the chemicals and petrochemicals industry, therefore, appears to be inappropriate.

Though two separate brochures were prepared for Pharmaceuticals and Biotechnology sectors, the two major investments (Glaxo and Sanofi) listed under the latter were also listed in the former. Incidentally, the reported $228 million inflow reported against GlaxoSmithKline Pharmaceuticals (GSK Pharma) actually came much earlier in May 2014 and was meant to acquire shares of existing shareholders whereby the foreign promoter's shareholding increased from 50.6 per cent to 75.0 per cent. The offer was made in December 2013. Even in case of Abbott Healthcare Pvt Ltd., the one listed at the top, the inflow came in the same month.

It is also relevant to note that one of the recipients reported by the brochure relating to the leather sector was ZF India Pvt Ltd. ($4.81 million from ZF Friedrichshafen AG, Germany), a manufacturer of automobile steering gears. The corresponding entry in the DIPP list did read "MANUFACTURE OF TRAVEL GOODS LIKE SUITCASES, BAGS & HOLDALLS ETC". While this is yet another example of the types of deficiencies which the official data suffer from, it is expected that the analysts would have paused and cross-checked the correctness of the entry instead of merely going by the given description before reporting the same in a prominent manner. This adversely reflects on the care with which the data are handled by the Knowledge Partner.

Mere listing of the inflows and ignoring the associated characteristics could provide a grossly misleading picture. Probably, the Knowledge Partner tried to highlight the achievements instead of critically looking at the inflows. Such publicity brochures can hardly provide guidance to the policymakers and analysts.

Exhibit-A: An Alcoholic Beverages Company Topping the List of Inflows into the Oil & Gas Sector

Department of Industrial Policy and Promotion | Ministry of Petroleum & Natural Gas | 5

Some of the salient features of the reform measures are:

- **Extension of Appraisal period** for submission of Declaration of Commerciality (DOC)
- **Extension of time period for submission of Field Development Plan** (FDP)
- Permission for drilling of Appraisal Wells after submission of DOC
- **40 cases have already been resolved under this policy framework. This has also led to the development of 5 discoveries with associated resources of USD 5 billion.**

Major Investments & FDI Inflows

FDI equity inflows during April 2014-March 2016 increased by 261% to USD 1.18 billion from USD 327 million during the same period in 2012-14.

Major investments during the two year period until September 2016 are provided in the table.

Fiscal Incentives

Basic Customs duty and Countervailing Duty exemption on specified goods imported for petroleum exploration under various types of licenses or mining leases, pre-NELP contracts, NELP contracts, Marginal Fields Policy and the Coal Bed Methane Policy have been **merged into a single exemption, with unified list of goods and conditions.**

Foreign Company	Country	Indian Company	FDI Equity Inflows (USD million)
Relay B.V.	Netherlands	United Spirits Ltd	998.2
Praxair Pacific Limited	Mauritius	Praxair India Private Ltd	48.43
Jubilant Energy N.V	Netherlands	Jubilant Offshore Drilling Pvt Ltd, Jubilant Oil & Gas Pvt Ltd(Ear Jubilant)	27.36
Jubilant Oil & Gas India Ltd.	Cyprus	Jubilant Offshore Drilling Pvt Ltd, Jubilant Oil & Gas Pvt Ltd	20.08
Various Investors As Per List	U.S.A	Gujarat Gas Ltd	18.7
Cvcigp Ii Employees Rosehill Ltd.	Mauritius	Shiv-Vani Oil & Gas Exploration Services	15.21
Samara Capital Partners Fund I Limited	Mauritius	Oilmax Energy Pvt Ltd	14.88
Gulf Petrochem FZC	UAE	Gulf Asphalt Private Limited (Ear:Aspam)	13.9
Superior Energy Services Pvt Ltd.	Netherlands	Ses Energy Services India Pvt Ltd	10.33

Source: DIPP, *Oil & Gas Sector*, Achievements Report, Make in India, January 18, 2017, p. 5.

Incidentally, Videocon Energy Mauritius Holdings Ltd is the largest among those listed under the electronics industry's inflows accounting for one-third of the total $220 million. It needs to be underlined that India's Videocon group is also a major outward investor. Since 2007-08 it invested more than $1 billion in a number of foreign subsidiaries and joint ventures in the form of equity and loans. This shows how one has to discount the already low investment in the industry. The Videocon and the Jubilant (referred to in the discussion on inflows into the Oil and Gas sector) cases also give a dimension of reported FDI flows which are related to Indian entrepreneurs. That a few of the inflows/outflows by Indian entrepreneurs either remain unreported or shrouded in controversies should be of particular interest to the policymakers. How are these inflows funded? Earlier the Reliance group explained that its investment through Biometrix Singapore was financed by the ICICI Bank's Singapore Branch.[117] In another case, the ED investigated whether the loan raised from the Dubai branch of IDBI Bank was used in round-tripping by the Deccan Chronicle group.[118] The NDTV group is also under investigation for alleged round-tripping.[119] One was also aware that the Tata group was financed by SBI at the time of acquiring Corus. It was reported last year that the Essel group was raising funds to the tune of $1 billion abroad to refinance the debt incurred for its investments in India.[120] Obviously, inflows financed by foreign branches of Indian banks and outward investments by group companies cannot be called FDI by any stretch of imagination.

Largest FDI Recipient Manufacturing Industries in 2016-17

In response to a question the Parliament was informed that FDI equity inflow into the manufacturing sector during Apr-Nov 2016 was $ 16.13 billion which was 82 per cent higher than that received during the corresponding period of 2015 ($8.85 billion)[121] thereby suggesting that investments into the manufacturing sector were picking up rapidly. If one regroups the officially reported sectoral aggregates, inflows into manufacturing industries increased from $10,260 million in 2015-16 to $14,271 million in 2016-17 – an increase of 39.1 per cent. The sector's share in total inflows correspondingly increased from 25.4 per cent to 32.6 per cent (Table-5). The individual industries each receiving at least $1 billion during 2016-17 were: (i) electrical equipment ($2.2 billion); (ii) cement and gypsum products ($2.1 billion); (iii) automobile industry ($1.6 billion); (iv) metallurgical industries ($1.4 billion); and (v) chemicals (other than fertilisers) ($1.4 billion) (Table-6). We shall describe some of the top inflows into these industries other than automobiles in the following.

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117 "Reliance hits out at AAP, says Biometrix investment was from ICICI bank loans", *The Times of India*, February 28, 2014, accessed from http://timesofindia.indiatimes.com/india/Reliance-hits-out-at-AAP-says-Biometrix-investment-was-from-ICICI-bank-loans/articleshow/31184412.cms.

118 "Enforcement Directorate looking into Deccan Chronicle Holdings Ltd affairs", *The Times of India*, August 21, 2012, accessed from http://timesofindia.indiatimes.com/business/india-business/Enforcement-Directorate-looking-into-Deccan-Chronicle-Holdings-Ltd-affairs/articleshow/15579531.cms.

119 "Unravelling the tax travails of NDTV", *The Hoot*, June 22, 2017, accessed from http://www.thehoot.org/media-watch/media-business/unravelling-the-tax-travails-of-ndtv-10163.

120 See: http://www.livemint.com/Companies/kCuEyZsKKLRcBMRnt2giqK/Essel-Group-may-raise-1-billion-to-refinance-offshore-debt.html.

121 Rajya Sabha Unstarred Question No. 649, answered on February 8, 2017.

i) Electrical Equipment

We have indicated earlier that electrical equipment reached the 5th position in the overall inflows and top position in the manufacturing sector (far exceeding the automobile sector) in 2016-17. To understand the sudden surge of FDI into this industry an attempt was made to identify the inflows which could have been classified under the electrical equipment industry from out of the reported individual tranches of inflows during 2016-17. Since the officially reported data do not contain industrial classification we relied upon the item description. There could, therefore, be some issues relating to classification of companies. The companies which received at least $5 million during the year are shown in Table-26. The contents are summarised in Table-27. The eighteen companies listed therein received $2,318.62 million. Since the official figures show the inflows into the sector at $2,230.70 million, there could be a few companies among the eighteen which would not have been classified under the industry by the official agencies. Since the difference in the total is quite small, the classification could have affected only those which received tiny amounts.

The cases described in Table-26 further reflect the different types of issues relating to the data on FDI inflows. The topmost case of Essar Power seems to be a case of gross misclassification. Similar is the case with Suryadev Alloys & Power. The two together account $994.3 million or 43.0 per cent of the $2,318.6 million received by the eighteen companies. In the context of the financial difficulties the group has been going through, we wished to check how the Essar group could invest almost $1 billion during 2016-17. It was not surprising to find that none of the shares were allotted during the year.[122] In almost all cases the shares were allotted between 2009-10 and 2010-11. In one case ($12.30 million) it was March 2014. Further, there was duplicate reporting to the tune of $242.80 million. Thus, even in the most unlikely event of Essar Power taking up manufacturing of electrical equipment, it would not have added to the inflows into the sector during 2016-17. We are not aware whether at the time of inflow the company was planning to enter manufacturing. It should also be noted that Essar Oil, a group company, was ordered to pay as much as Rs. 241 crore as compounding charges for contravention of FEMA Notification 20/2000-RB.[123] As noted earlier, inflows on account of Suryadev Alloys & Power also belong to earlier years (Table-12).

The second placed Crompton Greaves Consumer Electricals, which accounted for 13.1 per cent of the inflows covered, is a case of hiving off an existing unit and divestment to financial investors. Though GE India Industrial appears to be a case of large realistic FDI, there was no actual inflow as it involved only an inter se transfer of shareholdings following the restructuring of the group in India (Diagram-B). This 'inflow' accounted for a further 12.6 per cent of the reported inflows examined by us. A portion of the inflows on account of Toshiba JSW Power System were allocated on conversion of ECBs availed earlier.

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122 In only one case amounting to $12.79 million we could not identify the date of allotment.

123 See:https://rbidocs.rbi.org.in/rdocs/CompoundingOrders/PDFs/09ESSAROIL8D38878C80394E65877EBF4E8327CFB0.PDF. The contraventions sought to be compounded were: (i) equity instruments issued to the foreign investor, beyond 180 days of the receipt of the inward remittance and (ii) delay in reporting receipt of foreign inward remittance towards subscription to equity.

Table-26: Nature of the Reported Inflows into Companies that could have been Classified under Electrical Equipment Industry during 2016-17

Name of the Company	*Reported Inflows*		*Remarks*
	Rs. (mn.)	*$ (mn.)*	
(1)	*(2)*	*(3)*	*(4)*
1. Essar Power Ltd [1991] -- $ 968.52 mn.	Manufacture of electricity distribution and control apparatus (electrical apparatus for switching or		
Essar Power Holdings Ltd	9,960.24	149.24	This investee is a power generation company operating power plants in various locations (http://www.essar.com/ section_level1.aspx?cont_id=VQnaaH3tLmI=). There is nothing which suggests that the company has taken up manufacture of electrical apparatus. Moreover, in almost all the cases, the shares were allotted during 2009-10 to 2010-11.
Essar Power Holdings Ltd	3,197.15	47.91	
Hazira Steel	3,197.15	47.91	
Essar Power Holdings Ltd	8,102.08	121.40	
Essar Power Hazira Holdings Ltd	8,102.08	121.40	
Essar Power Holdings Ltd	8,102.08	121.40	
Essar Power Hazira Holdings Ltd	8,102.08	121.40	
Essar Power Holdings Ltd	735.08	11.01	
Essar Power Holding Ltd	9,264.15	138.81	
Essar Power & Essar Power Hazira Holdings	820.79	12.30	
Essar Power Holdings Ltd	853.50	12.79	
Essar Power Holdings Ltd	4204.12	62.99	
2. Crompton Greaves Consumer Electricals Ltd. [2015] **--** $299.68 mn.	Manufacture of electric lighting equipment		
Macritchie Investments Pte Ltd	6,999.83	104.89	The recipient company was formed through hiving off the consumer products division of Crompton Greaves Ltd in February 2015. The first named investor is a subsidiary of Singapore government's Temasek. The second one belongs to Advaent International Corp, a global private equity firm. The mode of investment is acquisition.
Amalfiaco Ltd	12,999.69	194.79	
3. GE India Industrial Pvt Ltd [1992] -- $293.25 mn.	Manufacture of other electrical equipment		
GE Pacific Pvt Ltd	19,630.00	293.25	The shares were issued "in consideration of transfer of shares of GE India Exports Private Limited and GE India Technology Centre Private Limited". Hence there was no actual funds transfer from abroad.
4. Toshiba JSW Power System Pvt Ltd [2008] **--** $250.46 mn.	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines		
Toshiba Corp	3,300.00	50.09	Conversion of ECBs availed earlier.
Toshiba Corp	4,500.00	68.31	SA: Apr 2016
Toshiba Corp	8,700.00	132.06	SA: Aug 2016
5. Luminous Power Technologies Pvt Ltd. [1988] **--** $144.65 mn.	Manufacture of primary cells and primary batteries and rechargeable batteries, cells containing manganese oxide, mercuric oxide silver oxide or other material		
Schneider Electric South East Asia	4,057.50	61.59	Acquisition of the remaining 26% shareholding of the promoters.
Schneider Electric South East Asia	3,964.26	60.18	
Schneider Electric South East Asia	1,507.36	22.88	

Contd…

(1)	*(2)*	*(3)*	*(4)*
6. Sunk Rock Metal Foundries (I) Pvt Ltd [2016] **--** $86.15 mn.	Manufacture of other electrical equipment		
Sunk Rock Mauritius Acquisition Co	1,921.02	28.41	SA: Oct 2016
Sunk Rock Mauritius Finance Co	3,904.03	57.73	SA: Oct 2016
7. Techno Electronics Ltd [2007] **--** $67.43 mn.	Manufacture of domestic electric appliances such as refrigerators, washing machines, vacuum cleaners		
Videocon Mauritius Energy Ltd	4,500.75	67.43	This can be viewed as return investment by the Videocon group which has substantial overseas investments.
8. TMEIC Industrial Systems India Pvt Ltd [2010] **--** $65.49 mn.	Manufacture of power generators (except battery charging alternators for internal combustion engines)		
Toshiba Mitsubishi Electric Indl.	1,042.03	15.48	These inflows, reported in the Apr-Jun quarter of 2016, were not found among the filings of the company with the MCA till August 2017. Further, the number of shares allotted for which details are available at the MCA website tally with the outstanding shares and those reported in the company's financial statement for the year 2015-16. It is thus unlikely that these two tranches were reported correctly.
Toshiba Mitsubishi Electric Indl.	300.00	4.46	
Toshiba Mitsubishi Electric Indl.	300.00	4.50	SA: Dec-2015
Toshiba Mitsubishi Electric Indl.	1,750.00	26.14	SA: May-2016
Toshiba Mitsubishi Electric Indl.	1,000.00	14.91	SA: Nov-2016
9. Emerson Network Power India Pvt Ltd [1993] **--** $32.22 mn.	Manufacture of electricity distribution and control apparatus (electrical apparatus for switching or		
EMR Mauritius Ltd	2,150.00	32.22	SA: Sep-11
10. Suryadev Alloys and Power Pvt Ltd [2006] **--** $25.76 mn.	Manufacture of electricity distribution and control apparatus (electrical apparatus for switching or		
Coral Power Development Ltd	765.22	11.51	This investee describes itself as a "leading manufacturer of steel products, with a wide and specialized range in TMT and Wire Rod Coils." (http://www.suryadev.in/about.html). There is nothing which suggests that the company has taken up manufacture of electrical apparatus. All the shares were issued much earlier. (See Table-12)
Coral Power Development Ltd	34.78	0.52	
Coral Power Development Ltd	629.69	9.47	
Globusstar Trading Pte Ltd	117.80	1.77	
Greta Industries	165.77	2.49	
11. Haier Appliances (I) Pvt Ltd [2003] **--** $15.85 mn.	Manufacture of domestic electric appliances such as refrigerators, washing machines, vacuum cleaners.		
Haier Singapore Investment Holdings Pte	1,076.16	15.85	SA: Aug 2016
12. Panasonic Minda Storage Batteries India Pvt Ltd [2011] **--** $13.78 mn.	Manufacture of primary cells and primary batteries and rechargeable batteries, cells containing manganese		
Panasonic Holding (Netherlands)BV	926.00	13.78	While the shares were allotted in July 2016, Panasonic exited from the JV completely within a few months, namely in September 2016.

Contd…

(1)	*(2)*	*(3)*	*(4)*
13. Agile Electric Sub Assembly Pvt Ltd [2005] **--** $ 18.82 mn.	Manufacture of electric motors (except internal combustion engine starting motors)		
Jose K Joseph	62.81	0.93	SA: Aug-12 (Non-cash). May not be foreign investment because the address given is Indian.
Igarashi Electric Works (H.K.) Ltd	8.66	0.13	SA: Aug-12 (Non-cash)
Yangwell International Co Ltd	14.79	0.22	SA: Apr-11 (non-cash?)
Blackstone Capital Partners (S'pore)	395.01	5.87	SA: Aug-13
Igarashi Electric Works (H.K.) Ltd	82.80	1.23	
Igarashi Electric Works Ltd	379.10	5.63	
Igarashi Electric Works Ltd	3.60	0.05	
Igarashi Electric Works Ltd	25.79	0.38	
Igarashi Electric Works Ltd	30.19	0.45	
Yangwell International Co Ltd	22.93	0.34	
Yangwell International Co Ltd	23.07	0.34	
Yangwell International Co Ltd	67.33	1.00	
	There is no change in the number of outstanding equity shares between September 2013 and March 2016. The financial statement for the year ending March 2016 reported change in promoters on July 30 2015. Blackstone group (holding 97.9% of the shares) sold its shareholding, among others, to Igarashi Japan and a Singapore based financial investor. Thus sum of these transactions are acquisition related which fact does not get reflected in the reported inflows. In general there appear to be other inaccuracies as well.		
14. Wago Pvt Ltd [1995] **--**$10.63 mn.	Manufacture of electricity distribution and control apparatus (electrical apparatus for switching or		
Wago Auslandsbeteiligungs-GMBH	700.00	10.63	SA: Feb 2017
15. Spanco Power Distribution Pvt Ltd [2011] **--** $7.49 mn.	Manufacture of electricity distribution and control apparatus (electrical apparatus for switching or		
Bessemer Venture Partners Trust	500.00	7.49	Financial investor
16. BTW-Atlanta Transformers (I) Pvt Ltd [2012] **--** $7.29 mn.	Manufacture of electric power distribution transformers, arc-welding transformers, fluorescent ballasts,		
Baoding Tianwei Baobien Electric Co. Ld.	495.15	7.29	SA: Nov 2016
17. Leoni Cable Solutions India Pvt Ltd [2006] **--** $5.95 mn.	Manufacture of other electronic and electric wires and cables (insulated wire and cable made of steel,		
Leoni Kabel Holding GMBH	400.00	5.95	SA: Feb 2015 & Mar 15. Those issued in Nov 2105 have not been reported so far.
18. TSMT Technology (I) Pvt Ltd. [2016] **--** $5.21 mn.	Manufacture of other electrical equipment		
TSMT Technology Singapore Pte Ltd	349.00	5.20	SA: Nov 2016
Total for the eighteen companies	1,54,598.66	2,318.62	

Source: Details of inflows were taken from the *SIA Newsletter*.

Note: SA: Month and year of allotment of shares according to the respective company's filings with the MCA.

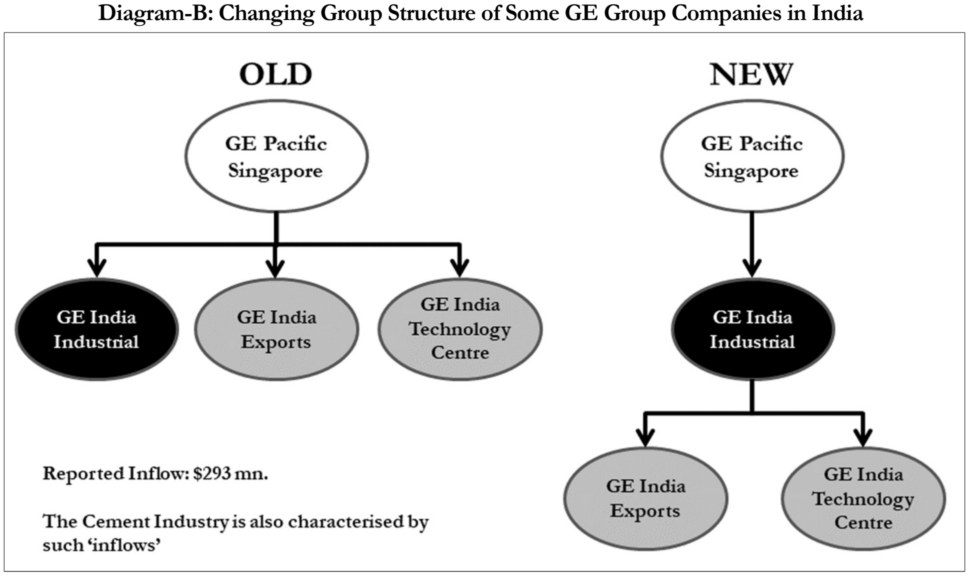
Figures in brackets in Column (1) are the year of incorporation. These are followed by the reported inflows into the company during 2016-17.

Table-27: Nature of the Reported Inflows into the Electrical Equipment Industry during 2016-17: Summary

Classification of Inflows	*Amount ($mn.)*	*Share in Total (%)*
(1)	*(2)*	*(3)*
Misclassification of industry	994.28	42.9
Financial Investors (Acquisition and New Investment)	307.17	13.3
India-related Investors	67.43	2.9
Possible Duplicate/Non-existent inflows	19.94	0.9
RFDI: Pre-period allotments	107.08	4.6
RFDI: Book Entry	293.25	12.6
RFDI: Acquisition	144.65	6.2
RFDI: Other received during the year	384.82	16.6
Total	2,318.62	100.0

Source: Same as Table-26.

Diagram-B: Changing Group Structure of Some GE Group Companies in India



Source: Based on company documents.

Inflows into Luminous Power Technologies were related to acquisition of remaining shareholding of the Indian promoters and hence did not add to the funds available to the company. The investment into Emerson Network Power actually came in 2011. Agile Electric Sub Assembly Pvt Ltd offers mixed experience as some of the investments are by financial investors and belong to an earlier period. There appear to be some serious reporting mistakes in respect of this company. If all such cases are excluded realistic FDI that could have added to new capacities or revival of struggling ventures would work out to about $385 million or 16.6 per cent of the inflows into the electrical equipment industry (Table-27). It is thus easy to see how aggregate figures could be extremely misleading. Incidentally, except for three, all the remaining companies were incorporated before 2014.[124]

ii) Cement & Gypsum Products

Another important case is that of cement & gypsum products, the second largest recipient in the manufacturing sector with $2,130 million reported inflows. It is relevant to note that just two companies account for $1,979 million of these inflows. Similar to GE India Industrial, referred to in the above, in the case of Ambuja Cements the inflow of $1,660.59 million (Rs. 11,084 crore) is notional (Exhibit-B). The company issued shares to Holderind Investments Ltd, Mauritius (HILM) following the amalgamation of Holcim India Ltd with it. The other two major inflows were on account of HILM's acquisition of public shareholding in ACC Ltd ($179.35 million) and Ambuja Cements Ltd ($139.48 million). These three inflows which together accounted for $1,979 million did not contribute to any additional capacity creation. It is also relevant to note that Ambuja Cements Ltd had paid Rs. 3,500 crore to HILM for acquiring its shareholding in Holcim India ltd. The amount involved in buying out the public shareholders of ACC and Ambuja Cements by HILM was considerably lower at Rs. 2,171 crore. Lafarge Aggregates & Concretes (I) Pvt Ltd was the other major recipient with an inflow of $109.78 million reported for the quarter Oct-Dec 2016. It should, however, be noted that the company was amalgamated with Lafarge India Ltd during 2015. In view of this, either this inflow refers to an earlier

Exhibit-B: Shares Issued to Foreign Investors without Payment in Cash Consequent to Amalgamation

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Notes to Consolidated Financial Statements *(Contd.)*

	As at 31.12.2016		As at 31.12.2015	
	No. of shares	% holding	No. of shares	% holding
d) Details of equity shares held by shareholders holding more than 5% shares in the Company				
i) Holderind Investments Limited, Mauritius (Refer note 42)	**1,253,156,361**	**63.11%**	629,638,433	40.57%
ii) Holcim (India) Private Limited amalgamated with the Company (Refer note 42)	-	-	150,670,120	9.71%
iii) Life Insurance Corporation of India	**131,404,954**	**6.62%**	124,434,343	8.02%

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represent both legal and beneficial ownership of shares.

e) Outstanding tradable warrants and right shares kept in abeyance exercisable into 186,690 (previous year - 186,690) and 139,830 (previous year - 139,830) equity shares of ₹ 2 each fully paid-up respectively.

f) **Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:**

Pursuant to the Scheme of amalgamation of Holcim (India) Private Limited (HIPL) with the Company, 584,417,928 equity shares were allotted as fully paid up to the Equity Shareholders of HIPL, without payment being received in cash.

Source: Ambuja Cements Ltd, *Annual Report for the year ended December 2016*, p. 184.

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[124] However, Crompton Greaves Consumer Electricals has been incorporated to take over an old business. Indirectly, Sunk Rock seem to be doing the same. Thus, TSMT Technology seems to be the only one incorporated in the new period to take up new activities.

period or there was some other problem in reporting because a company which no longer exists would not have received FDI and reported them. As a result, only a small amount of about $40 million remains that could have financed new capacity creation in this industry during the year.

One finds similar problems in respect of some other large inflows into the manufacturing sector during this period. In case of the fourth placed metallurgical industry, the inflow of $719 million into JSW Steel amounts to duplicate reporting. It thus nullifies about half of the $1,393 million reported inflows into the industry. The fifth-placed chemical industries (excluding fertilisers) having a reported inflow of $1.4 billion should have covered Procter & Gamble Home Products Ltd which accounts for $356 million (about one-fourth of the total during 2016-17). However, as can be seen in Table-28 none of this came in 2016-17. In the case of UPL Ltd, which also

Table-28: Duplicate & Delayed Reporting in Case of Procter & Gamble Home Products Ltd which Completely Nullifies the Inflow of $515 million Reported for the MII Period

Year end/Date of Allotment of New Shares	*Outstanding Number of Shares*	*Increase over the Previous Year*	*New Shares Issued during the Previous Year*	*Issue Price including Premium (Rs.)*	*Value of Shares Issued – Matches with reported Inflows (Rs. mn.)*	*($ mn.)*	*Month of Reporting in the SIA Newsletter*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
2009-10	11,292,247						
Apr 2010-Mar 2011			3,600,000	750	2,700.00	40.45	Sep 2011 & Dec 2016
2010-11	14,892,247	3,600,000	*3,600,000*				
May 11, 2011			4,600,000	750	3,450.00	51.69	Dec 2016
Oct 13, 2011			4,800,000	750	3,600.00	53.93	Dec 2011 & Dec 2016
Feb 2, 2012			3,866,667	750	2,900.00	43.45	Mar 2012 & Sep 2016
2011-12	28,158,914	13,266,667	*13,266,667*				
Sep 26, 2012			5,808,830	770	4,472.80	67.02	Jan 2013 & Sep 2016
Nov 7, 2012			2,178,312	770	1,677.30	25.13	Mar 2013 & Dec 2012
Dec 6, 2012			3,630,519	770	2,795.50	41.89	Sep 2016
Mar 14, 2013			2,805,194	770	2,160.00	32.37	Sep 2016
2012-13	42,581,769	14,422,855	*14,422,855*				
Jun 10, 2013			3,064,935	770	2,360.00	37.61	Apr 2015
Oct 9, 2013			3,681,818	770	2,835.00	45.18	Apr 2015
Mar 31, 2014			3,168,832	770	2,440.00	38.88	Apr 2015
2013-14	52,497,354	9,915,585	*9,915,585*				
Sep 29, 2014			4,500,000	524	2,358.00	37.58	Apr 2015
2014-15	56,997,354	4,500,000	*4,500,000*				
2015-16	56,997,354	0					
2016-17	Not Available						
Total						515.18	

Source: Same as Table-12.

belongs to this industry, the $480 million inflow reported for the quarter Jan-Mar 2017 relates to the amalgamation of Advanta Ltd with it. Thus, a major chunk of inflows into the chemical industry are only book entries. The reported inflow of $33.95 million on account of Bayer Seeds was again such an entry consequent to the issue of 9,577,557 shares pursuant to the scheme of amalgamation.

iii) Medical Devices

It may be recalled that the FDI policy applicable to medical devices was relaxed in January 2015. The sharp rise in the reported inflows into 'Medical and Surgical Appliances' to $480 million during 2016-17[125] might, at the first glance, be attributed to this change. Going by the description in the annual sectoral distribution provided in the *SIA Newsletter*, the entire investment was classified under the manufacturing sector in our tabulations. However, since the reported inflows into trading activities appear to be covering only (i) Wholesale Cash & Carry, (ii) e-commerce and (iii) Single Brand Retail[126], it is imperative that 'Medical and Surgical Appliances' would consist of investments in both manufacturing and trading companies. This is especially because there is no such heading as 'Medical and Surgical Appliances' in NIC 2008. After intense search in the description of items and going through the names of companies we could identify inflows of the order of $408.9 million that fall under this category. Within these, inflows under 'Wholesale of scientific, medical and surgical machinery and equipment' and 'Wholesale of pharmaceutical and medical goods' together accounted for as much as $231.5 million Interestingly, a few companies which had some manufacturing activity were also part of these two classifications. Those that were directly referred to as manufacturing attracted $138.5 million or about one-third of the inflows into the identified companies.

An analysis of the inflows into the top twenty companies which received $331.3 million revealed, as expected, the presence of inflows against which shares were issued in the earlier years. Such inflows accounted for about one-third of the total. Nearly two-fifths of the inflows went into manufacturing companies. The remaining went into trading companies including those having some manufacturing activity. Since most of the inflows are of the RFDI variety, they follow a similar sectoral pattern. Though the mode of entry of RFDI was predominantly non-acquisition type, much of it did not go into manufacturing. On the other hand, the acquisition type RFDI was directed at taking over Indian companies. Overall, non-acquisition type RFDI that went into manufacturing companies constituted only 7.4 per cent of the total inflows into the 20 companies. The relevant observations are depicted in Graph-D. This exercise further confirms that most of the investment cannot be credited to manufacturing of medical and surgical appliances and a considerable portion of the investment should have been credited to the earlier years. Thus, the reported inflows into 'Medical and Surgical Appliances' do not necessarily represent increased interest in the manufacture of medical devices.

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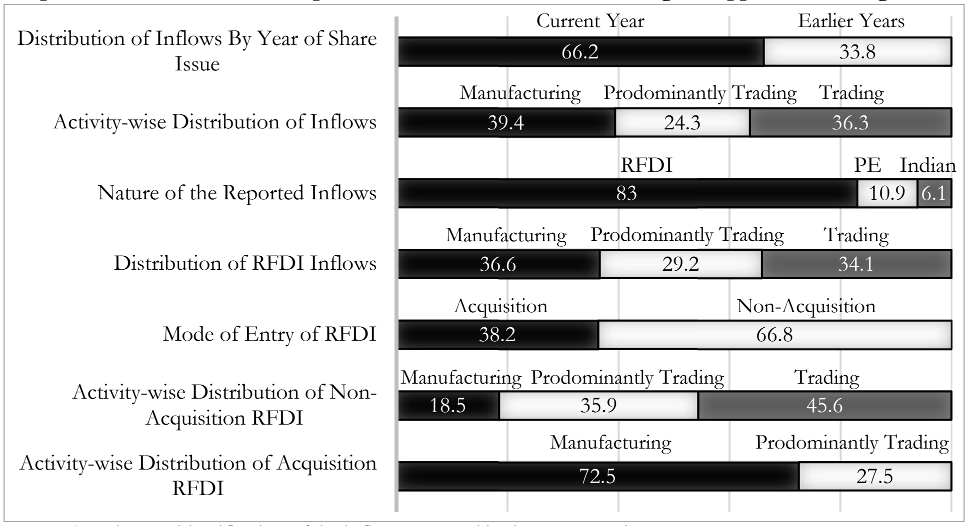
125 Average for the earlier five years was $145 mn.

126 This is apparent from the calendar year-wise sectoral distribution of inflows reported in the *SIA Newsletters*.

Graph-D: Distribution of the Reported Inflows into Medical and Surgical Appliances during 2016-17



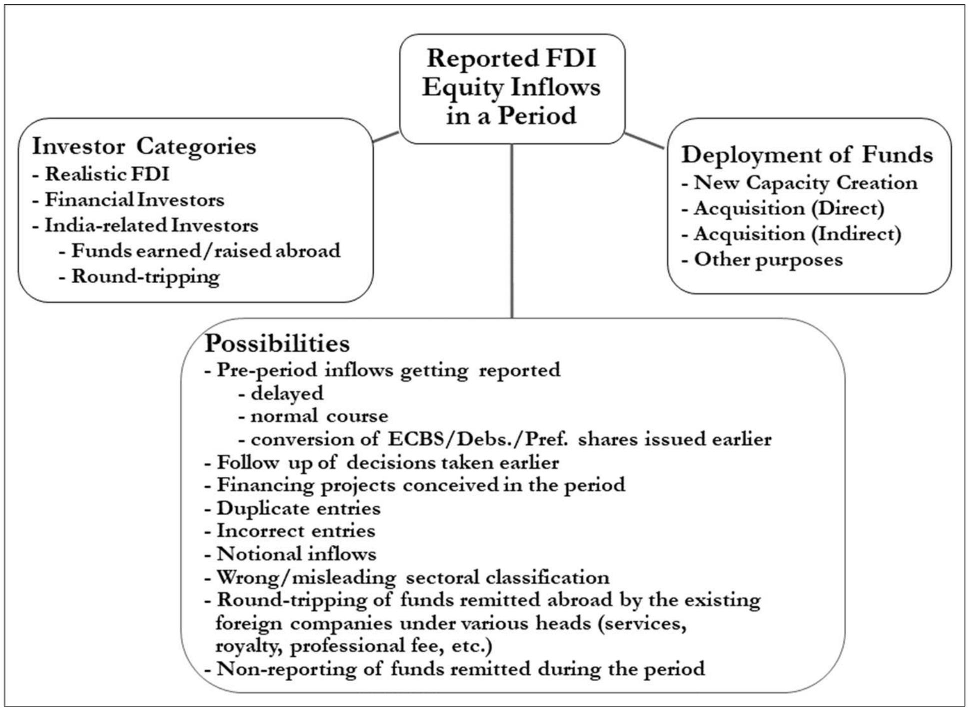
Source: Based on an identification of the inflows reported in the SIA Newsletter.

The examination of top inflows into 'Medical and Surgical Appliances' suggests the possibility of FDI into trading and manufacturing activities of the relevant industry being clubbed together in the official tabulations. There is a clear possibility of the estimated share of manufacturing sector being on the higher side when derived from official tabulations. Incidentally, the FC-GPR and FC-TRS require the companies to report their main business activity (See Section-VI). Ideally, the inflows should be classified based on the specific activity into which the funds are intended to be deployed. The companies may be under no compulsion to report precisely when they receive FDI through the automatic route. Further, when the funds are going to be utilised for general expansion purposes or for working capital needs it may not be possible to apportion the funds to a specific activity. The problem is more severe in case of diversified companies and holding companies.

It is thus important not only to know the date of allotment, but also the context and the manner in which the shares were allotted. An attempt has been made in Diagram-C to depict the problems and possibilities that have been described above and which need to be kept in mind while analysing inflows during a period.

Earlier, in the introductory section it was indicated that the growth in global FDI flows during 2015 over the previous year would have been 15 per cent instead of 38 per cent had the inflows on account of corporate reconfigurations been excluded. The case of Ambuja Cement cited earlier shows how in some sectors the actual inflow would get reduced drastically if intra-group reorganisation of ownership is taken note of. A few more cases are given in Table-29. The case of Optum business solution has been included in the list, though it does not exactly fall in this category because, it illustrates how a part of the funds brought in are withdrawn. Do the timing and pricing suggest advance planning?

Diagram-C: Problems and Possibilities when Analysing FDI Inflows during a Period



Source: Compiled by the authors.

Table-29: Some Large Notional (Almost) Inflows relating to Acquisitions

Investee Indian Company	*Foreign Investor*	*Remarks*
(1)	*(2)*	*(3)*
Hitachi Consulting Software Services Pvt Ltd	Hitachi Consulting Software Services Inc	Issued shares worth Rs. 1,177.99 crore (March 19, 2014) and Rs. 88.18 crore (March 30, 2016) to the parent company to fund the acquisition of Hitachi Payment Services (I) Pvt Ltd (HPS). The acquisition of HPS being from the parent company, the company was to pay it a total consideration of Rs. 1,494.08 crore. The parent company was already paid back Rs. 1,299.49 crore. The remaining amount was to be paid in two instalments on March 31, 2017 and March 31, 2018. The company had already issued shares worth Rs. 32.72 crore on March 30, 2017. Obviously, all these inflows amount to mere book entries as far as India is concerned. Incidentally, the Inflow of Rs. 1,177.99 crore of March 2014 has not been reported in the *SIA Newsletter*. Further, the amounts corresponding to the shares acquired by Hitachi Ltd in HPS in March 2014 have not been reported possibly because the selling shareholders were foreign.
Yazaki India Ltd	YGP Pte Ltd	Shares valued at Rs. 268 crores were issued in December 2016 pursuant to amalgamation of Yazaki Wiring Technologies India Pvt Ltd. No cash inflow.

Contd…

(1)	*(2)*	*(3)*
Accenture Solutions Ltd	Accenture Services (Mauritius) Ltd	Shares were issued against amalgamation of Accenture Services Pvt Ltd. Amount: Rs. 5,361 crore.
UPL Ltd	As per list.	Two tranches: Rs. 3,270 crore and Rs. 82 crore reported during Jan-Mar 2017. The instruments were issued consequent to the amalgamation of Advanta Ltd with the company. The allottees appear to be GDR holders.
Optum Global Solutions (I) Pvt Ltd	Optum Global Solutions Intl BV	This case is particularly interesting as the Company's board resolved to issue 2,820,975 shares at a premium of Rs. 12,610 on a share having nominal value of Rs. 10, on Aug 10, 2016.

Board Resolution to issue shares: *Aug 10, 2016*
Hon'ble High Court order for convening Transferor's Shareholders and unsecured creditors Meeting: *Sep 1, 2016*.
Date of Court/NCLT Order: *Mar 20, 2017*
Resolution for Buyback passed: *Mar 22, 2017*.
Buy back was of 458,700 shares at a premium of Rs. 15,984.64, worth Rs. 733.67 crore the maximum permissible amount.
A question arises when amalgamation was already on the cards shares were issued at a premium of Rs. 12,610 per share. But, the buyback as soon as the amalgamation was sanctioned was made at a much higher premium of Rs. 15,984.64, *i.e.*, higher by 27%. So, the company paid much more to buyback the same shares. Out of the Rs. 2,929 crore against which shares were issued in August 2016, Rs. 734 crore went back in the form of buyback leaving a net inflow of Rs. 2,195 crore.

Source: Same as Table-12.

Section VI
Changes in the Reporting Requirements

Under the rules governing the reporting of FDI inflows which were in force till November 7, 2017, companies which receive funds under the FDI automatic and approval routes have to inform the concerned regional office of the RBI within 30 days of their receipt and further they have to inform the RBI within 30 days of issue of shares/instruments through Authorised Dealer Category - I banks. Additionally, the instruments have to be issued within 180 days of receipt of the funds. Otherwise, the amounts have to be refunded[127] (Diagram-D1). If the RBI is reporting 'inflows', there cannot be a gap of more than a month between inflows and their reporting. If the reporting is based on issue of shares/instruments, the gap could be as much as seven months. If shares are issued against convertible debentures/preference shares/ECBs, there could be long gap between inflow and conversion. In case of full conversion of ECBs into equity, the RBI has to be informed within seven days of the conversion. Reporting of transfer of shares between residents and non-residents, however, needs to be done within 60 days. There are severe penalties in case of non-compliance.[128] From the cases we have examined, it appears that RBI may be going by the date of issue of instruments, reported in Form FC-GPR. This is in spite of the fact that the titles given to the respective lists in the *SIA Newsletter* start with "Statement on Remittance-Wise Details of FDI Equity Inflows Received … During". Diagram-D1 given below illustrates this possibility. Hence, the gap could be as much as seven months.

The Notification issued on November 7, 2017 reduced the time of allotment from the date of receipt of funds from 180 days to 60 days in line with the provisions of the *Companies Act, 2013* (Diagram-D2). This should be only a technical amendment because under the *Companies Act, 2013* shares have to be issued within 60 days. Since most of the recipients are bound by the *Companies Act*, they should normally issue shares within 60 days. The gap between receipt of funds and reporting to the RBI should not be more than 3 months. However, the cases cited above and those listed in Annexure-C indicate, that in large number of instances there is considerable gap between actual inflow and its reporting.[129] Given this built-in gap, the practice of taking October 2014 as the reference point for MII purposes appears inappropriate.

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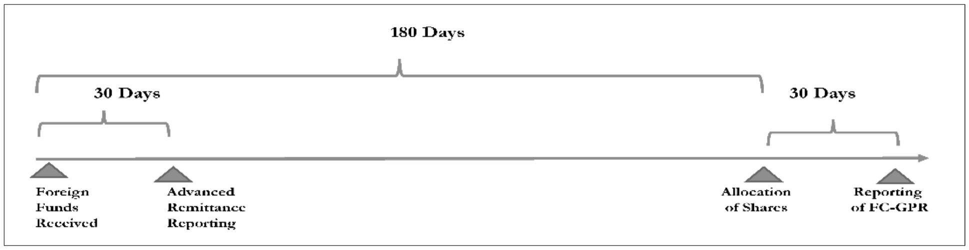
[127] The penalties are imposed under Paragraphs 9(1)(A), 9(1)(B) and 8 respectively of Schedule I to FEMA 20/2000-RB dated May 3, 2000. See RBI Master Direction No. 4/2015-16.

[128] For details, see: Annexure-6 of the Consolidated FDI Policy Circular 2016.

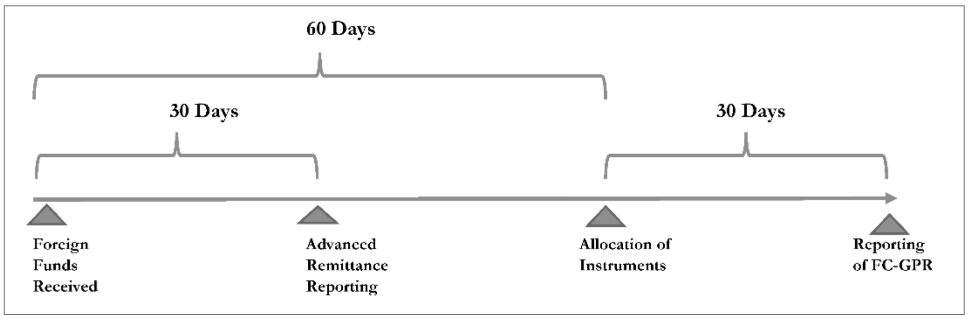
[129] In fact, the *SIA Newsletter* never reported the inflows relating to the takeover of Ranbaxy by Daiichi. It was only from the annual issue of the *SIA Newsletter* which gave the list of top inflows, one could gather information on the size of the amount involved. In case of Walmart's investment in the CCDs of Cedar support Services, it is known that RBI did not take the inflow into account as it was not sure whether the investment was in conformity with the extant FDI policy or not.

Diagram-D1: Timelines for Reporting FC-GPR (prior to November 7, 2017)



Source: http://www.ebiz.gov.in/fc-gpr-central

Diagram-D2: Timelines for Reporting FC-GPR (since November 7, 2017)



Source: http://services.ebiz.gov.in/content/services/fc_gpr_central

The RBI has been seized of the problem of non-reporting and delayed reporting for quite sometime. After the government delegated to it the powers (which till then were being exercised through the Enforcement Directorate) in September 2004 to compound contravention of the provisions of *FEMA, 1999*[130], the RBI formulated the relevant procedures in February 2005.[131] The RBI identified in January 2013, inter alia, the following problems in this regard.

i) Delay in submission of the Advance Reporting Format in respect of Foreign Direct Investment (FDI) to the concerned Regional Office of the Reserve Bank …;
ii) Delay in filing of details after issue of eligible instruments under FDI within 30 days in form FC-GPR to the concerned Regional Office of the Reserve Bank …; and
iii) Delay in filing of details pertaining to transfer of shares for FDI transactions in form FC-TRS by resident individual/companies …

It was noted that more than 70 per cent of the cases which came up for compounding pertained to FDI. Within the FDI cases, most (72 per cent) relate to delay in advance reporting/submission of FC-GPR.[132] Problems were also found in

[130] Except clause (a) of Section 3 of the Act which essentially deals with hawala transactions.

[131] RBI/2004-05/355, A.P.(DIR Series) Circular No. 31, February 1, 2005.

[132] Form in which the issuing company has to file through its Authorised Dealer Category – I bank with the Regional Office of the RBI under whose jurisdiction the Registered Office of the company making the declaration is situated as and when shares/convertible debentures / others are issued to the

respect of reporting outward investments. It may be noted that delay in share transfers (FC-TRS) was mentioned specifically. In view of this severe problem, RBI underlined the need for reliable data on FDI and said that:

> All the transactions involving Foreign Direct Investment (FDI), External Commercial Borrowing (ECB) and Outward Foreign Direct Investment (ODI) are important components of our Balance of Payments statistics which are being compiled and published on a quarterly basis. Any delay in reporting affects the integrity of data and consequently the quality of policy decisions relating to capital flows into and out of the country …[133]

In April 2014, the powers to compound the violations were given to the regional offices of RBI.[134] The pace of reporting of old cases might have increased following the delegation of powers and what we have described above may be a reflection of the same.

Reliable Data on FDI is not required for BoP Purposes Alone

From the above quotation it appears that the RBI is not adequately sensitive to the use of FDI data other than for BoP related issues. It would, therefore, be in order to delve on this aspect at some length. Since the reporting by RBI/DIPP appears to be based on issue of instruments, the gap between receipt of funds and their reporting could be considerable even if there is no technical delay. Implication of this practice for assessing the impact of MII on inflows is obvious. Absence of information on the time of receipt of funds resulted in directly associating the surge in inflows to changes in policies and procedures. Given its importance, users (especially the government) should have been explicitly cautioned about this phenomenon by incorporating the same in the data reported by the RBI. While there is no doubt that the delayed reporting of earlier investments could have contributed to the spurt in inflows in a significant manner, the extent of this problem cannot be easily estimated. A possibility about which we cannot comment upon is regarding the delays in compiling the data on inflows/issue of instruments received[135] by different regional offices of the RBI. In fact, where does the problem lie: with the investee companies, AD Category-I banks, RBI regional offices or RBI headquarters? This will be examined to a limited extent in the following.

Since the middle of 2016, the RBI has been reporting individual cases of compounding of FEMA violations which, inter alia, relate both to inward and outflows. In the context of delayed reporting and non-reporting noticed by us, it is apparent that these cases[136] appear to provide only a glimpse of the problem. They do, however, offer instances where there is a long gap between the reporting of share

foreign investor.

[133] RBI/2012-13/383, A.P. (DIR Series) Circular No. 76, January 17, 2013.

[134] RBI/2013-14/553, A.P. (DIR Series) Circular No. 117, April 4, 2014.

[135] Form of submitting -- online, soft copy or paper -- of the respective forms is also relevant.

[136] See: https://rbi.org.in/scripts/Compoundingorders.aspx.

issues by the company to the AD Bank/RBI and their finally being taken on record. A few relevant cases are listed in Table-30.

During the Workshop on the draft version of the present study it was suggested that RBI would also be examining whether the reported investments fall under the category of FDI or not and such scrutiny could explain some cases of delayed reporting. It, however, does not repudiate the fact of delays in final reporting which was underlined by the RBI itself and the large number of cases discovered by us suggest. Some cases cited in Table-30, however, raise further questions about the reporting practices. For instance, Kellogg India Pvt Ltd which delayed reporting of one instance of receipt of funds and two instances of issue of shares approached the RBI towards the end of October 2016 for condoning the delays. The relevant order was issued on January 6, 2017 and the company was asked to pay Rs. 4,20,000 for getting the delays condoned. What is more relevant in this case, however, is that a lot of time elapsed between the company informing the RBI about the issue of shares and their being reported in the *SIA Newsletter* (Serial No. 19 of Table-30). While some shares issued in May & October 2010 were reported in April 2014, those issued earlier in February and June 2012 were reported in the Apr-Jun 2016 quarter along with those issued in October 2013 and June 2014. The one received in June 2016 was reported in the Newsletter of the following quarter, namely Jul-Sep 2016 (Graph-E). Since the order condoning the delay was passed in January 2017, the RBI was obviously not waiting to complete the compounding proceedings. In any case, the delay affected only three of the tranches of inflows. The remaining should have been reported at the earliest. Why did the RBI wait till the second quarter of 2016 to report the information it received as far back as in February 2012, *i.e.* by more than four years even while it reported other share issues about which it obtained information later?

Table-30: Select Cases of Long Gap between Reporting of Allotment of Shares to the AD Bank/RBI and Taking them on Record

SN	*Investee Company*	*Investor & Country*	*Inflow (Rs. Mn.)*	*Issue of Shares*	*Reporting to Ad Bank/RBI*	*Reported in SIA Newsletter (NL)*	*Remarks*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
1	Acciona Energy India Pvt Ltd	Acciona Energy Intl, Spain	53.47	13.09.2010	12.10.2010	2011 Apr	Long gap between reporting to AD Bank/RBI and reporting in the NL.
		Acciona Energia Intl, SA	38.84	01.03.2011	30.03.2011	2011 Aug	
		- do -	16.66	30.05.2014	12.06.2014	2014 Sep	
2	Aspen Care Pvt Ltd	University of Pasadena, USA	105.07	25.02.2015	19.03.2015	2017 Apr-Jun	Compounding Order (CO) was passed on Nov 30, 2017.
		- do -	33.30	27.06.2016	26.07.2016	2017 Apr-Jun	

Contd…

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		- do -	20.13	04.10.2016	19.10.2016	2017 Apr-Jun	
3	Arani Agro Oil Industries Ltd	Premium Nutrients Pvt Ltd, Singapore	545.57	31.12.2012	30.01.2013	2016 Apr-Jun	12 other allotments totalling Rs. 78.30 mn. have not been reported in the NL.
4	Bashkent (India) Education Pvt Ltd	Teyfik Aydinliaglu, Turkey	1.34	15.09.2010	19.08.2011	2013 Nov	
5	C-Kam Steel Wire Solutions Pvt Ltd	Kiswire Arcelormittal Ltd, South Korea	232.23	18.02.2011	25.02.2011	2016 Jul-Sep	CO passed on 5.7.2016.
		- do -	127.50	23.06.2011	05.07.2011	2016 Jul-Sep	
		- do -	0.10	27.08.2010	25.02.2011	2016 Jul-Sep	
6	Carryage Technologies Pvt Ltd	K2 Investment & Advisory Ltd	36.26	02.02.2016	08.04.2016	2017 Jan-Mar	
		- do -	2.86	15.03.2016	02.01.2017	2017 Jan-Mar	
7	Changyou.com India Pvt Ltd	Changyou.com HK Limited	70.00	24.02.2014	12.03.2014	2016 Apr-Jun	
8	Daechang (India) Seat Co Ltd	Daechang Seat Co Ltd., South Korea	135.03	08.06.2011	24.06.2011	2015 May	
9	Dentsu One Pvt Ltd (earlier Dentsu Marcom Pvt Ltd)	Dentsu Inc., Japan	110.00	30.08.2011	23.09.2011	2016 Apr-Jun	
			5.21	18.03.2006	17.04.2006	2008 Feb	
		- do -	7.40	14.04.2004	27.05.2009		Not reported in the NL.
10	Dropsa Spicelube India Pvt Ltd	Walter Frank Divisi	0.10	22.08.2015	16.11.2015	2017 Jan-Mar	
		- do -	6.43	24.09.2015	16.11.2015	2017 Apr-Jun	
		- do -	6.57	11.12.2015	14.04.2016	2017 Jan-Mar	
		- do -	4.89	04.01.2016	14.04.2016	2017 Jan-Mar	
11	DSRK Holdings Chennai Pvt Ltd	Silva Ltd., Mauritius	1200.00	15.03.2007	11.01.2008	2017 Apr-Jun	The compounding order covering various violations was passed on 23.12.2016.

Contd…

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
12	Durag India Instrumentation Pvt Ltd	Durag GMBH	10.00	26.04.2006	29.06.2007	2017 Jan-Mar	The compounding application was filed on June 9, 2017 and the CO was issued on 15.12.2017.
		- do -	20.00	15.12.2006	31.01.2008	2017 Jan-Mar	
		- do -	60.00	26.09.2011	03.11.2011	2017 Jan-Mar	
13	EDAC Engineering Pvt Ltd	EDAC Universe Pte Ltd., Singapore	80.40	07.07.2008	05.08.2008	2009 Dec	
			42.00	25.09.2009	01.10.2009	2010 Feb	
14	Guetermann India Pvt Ltd	Guetermann SE Holding, Germany	43.79	25.06.2014	04.08.2014	2015 Feb	
		Guetermann SE, Germany	29.38	30.03.2010	29.09.2010	2011 Feb	
15	Hyoseong Electric India Pvt Ltd	Hyoseong Electric Co Ltd, South Korea	20.29	15.06.2007	06.07.2007	2016 Oct-Dec	All these were reported to the RBI at various points of time.
		- do -	1.14	06.07.2010	06.05.2015	2016 Oct-Dec	
		- do -	30.11	27.01.2015	13.02.2015	2016 Oct-Dec	
		- do -	30.34	26.02.2015	23.04.2015	2016 Oct-Dec	
		- do -	129.00	20.06.2016	06.10.2016	2016 Oct-Dec	
		- do -	90.91	20.06.2016	06.10.2016	2016 Oct-Dec	
16	Ion Exchange Waterleau Ltd	Wateleau Group, Belgium	11.10	14.05.2010	07.12.2016	2017 Jul-Sep	
		- do -	8.90	25.06.2007	10.05.2016	2017 Jul-Sep	
17	Jupiter Corporate Services Pvt Ltd	Royal Exports Ltd,	146.32	06.06.2007	03.01.2011		Not reported in the NL.
18	Kadavanthara Builders Pvt Ltd	Elbit India Real Estate Holdings, Cyprus	1397.65	10.12.2007	02.01.2008	2012 Jan	Entire amount was reported as a single remittance in the Jan. 2012 NL. The CO was passed on 9.11.2017.
			244.29	11.07.2008	10.09.2008		
			164.93	04.09.2009	25.09.2009		

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
			210.43	02.11.2009	16.11.2009		
			212.97	17.02.2010	08.03.2010		
			67.68	13.04.2010	06.05.2010		
			742.02	13.10.2010	09.11.2010		
19	Kellogg India Pvt Ltd	Kellogg Co., USA	195.75	11.01.2012	03.02.2012	2016 Apr-Jun	
		- do -	203.16	30.05.2012	18.06.2012	2016 Apr-Jun	
		- do -	481.72	19.04.2013	15.05.2013	2014 Apr	
		- do -	268.70	19.09.2013	17.10.2013	2014 Apr	
		- do -	1593.30	27.09.2013	21.10.2013	2016 Apr-Jun	
		- do -	265.54	25.03.2014	13.06.2014	2016 Apr-Jun	
20	Kukdong Coolant India Pvt Ltd	KukdongJeyen Co.Ltd, South Korea	0.13	28.07.2008	29.07.2008		Yet to be reported in the NL.
			10.22	03.11.2008	13.01.2014		
			28.02	07.06.2013	20.06.2013		
21	MYK Scomburg India Pvt Ltd	Aquafin International, Germany	14.00	24.10.2007	02.11.2016	2017 Jul-Sep	
		Aquafin International, Germany	55.49	30.03.2016	27.01.2017		Not reported in the NL. The company transferred shares without obtaining certified copy of FC-TRS.
22	Network Solutions & Consulting Pvt Ltd	NSC Global Ltd., UK	18.20	29.12.2013	29.01.2014	2016 Jan-Mar	
23	Novus Animal Nutrition India Pvt Ltd	Novus International Pte Ltd., Singapore	5.00	04.10.2010	05.08.2016	2017 Apr-Jun	
			35.00	11.03.2011	25.05.2011	2017 Apr-Jun	
24	Perstorp Chemicals India Private Ltd	Perstorp Speciality Chemicals Holding BV, Netherlands	46.72	4.10.2000	01.08.2016		Not reported in the NL.
		- do -	126.20	26.03.2003	01.08.2016		Not reported in the NL.

Contd…

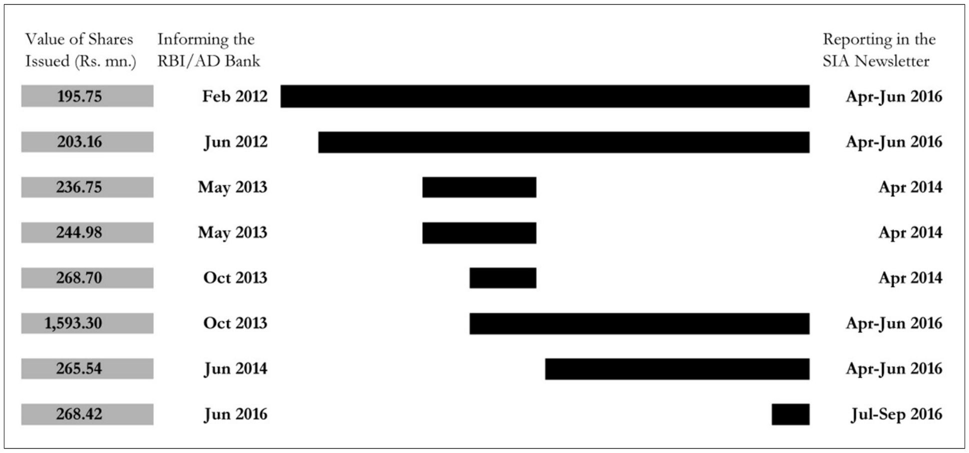
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		- do -	97.59	27.05.2005	02.12.2016	2017 Oct-Dec	Reported in the NL in two tranches Rs.74.44 mn.+ Rs.23.15 mn., almost a year after the FC-TRS was filed.
25	Polypeptide Laboratories Pvt Ltd	Polypeptide Laboratories BV. Netherlands	64.16	26.03.2007	19.04.2007	2007 Aug	
		- do -	29.40	30.05.2011	21.08.2015	2017 Apr-Jun	
		- do -	156.40	30.07.2011	25.08.2015	2016 Oct-Dec	
		- do -	101.03	02.03.2012	22.08.2015	2017 Apr-Jun	
26	RA Chem Pharma Ltd	Laxmi RA Holdings	22.57	13.10.2015	15.07.2017 @	2017 Oct-Dec	
			22.48	13.10.2015	18.11.2016 @	2017 Oct-Dec	
27	Raqmiyat Information Technology Pvt Ltd	Raqmiyat LLC	17.84	25.05.2009	03.08.2016	2017 Jul-Sep	
28	RMZ Somerset Galleria Hotels Pvt Ltd	Ascot International	151.75	28.01.2011	25.02.2011	2017 Apr-Jun	
29	Shiva Mall & Hotels Pvt Ltd	Pavillion Developments Ltd, UK	110.00	01.10.2014	31.07.2015	2015 Jul-Sep	
		Shiva Hotels (Mauritius) Ltd	251.00	01.10.2014	31.07.2015	2015 Jul-Sep	
		Shiva Hotels (Mauritius) Ltd	189.00	01.10.2014	31.07.2015	2015 Sep	
		Verite Trust Co Ltd	50.00	01.10.2014	04.08.2015	2016 Jan-Mar	AD bank further reported eight months later to the RBI on 18.03.2016.
30	South Asia FM Ltd	South Asia Multimedia Tech, Mauritius	149.23	28.02.2008	31.03.2008	2008 Jun	
		- do -	19.23	22.06.2009	04.11.2009	2010 May	
		- do -	193.89	23.07.2009	04.11.2009	2010 May	
		- do -	439.00	03.08.2009	04.11.2009	2010 May	

Contd…

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
		- do -	28.00	20.12.2010	01.02.2011	2016 Jul-Sep	
31	Southside Hotels & Resorts Ltd	Mahadevan Ganesh	199.00	12.3.2008	01.06.2009	2016 Oct-Dec	
			17.11	31.05.2010	03.07.2010	2016 Oct-Dec	
32	Statkraft India Pvt Ltd	SN Power Holding Singapore Pte. Ltd.	32.00	12.03.2012	12.03.2014	2015 Jan	
		- do -	26.00	10.05.2012	10.05.2014	2015 Jan	
		- do -	12.14	30.08.2012	15.09.2014	2015 Jan	
		- do -	11.00	08.11.2012	30.09.2014	2015 Jan	
33	Tinius Olsen India Pvt Ltd	Tinius Olsen Ltd U.K.	1.80	24.09.2009	08.02.2011	2016 Jul-Sep	
34	Toyotsu Rare Earths India Pvt Ltd	Toyota Tsusho Corp., Japan	325.00	19.07.2012	21.08.2012	2013 Apr	
		- do -	200.00	23.04.2013	17.06.2013	2014 Jan	
35	Turmeric Vision Pvt Ltd	South Asia Creative Assets Ltd, Mauritius	90.60	19.11.2010	07.12.2010	2011 Apr	
		- do -	177.23	29.05.2015	30.10.2015	2016 Jan-Mar	
		- do -	165.00	10.04.2013	28.06.2013	2016 Mar	
		- do -	153.00	09.12.2013	08.01.2014	2016 Mar	
		South Asia Assets Creative Ltd, Mauritius	70.00	20.03.2014	19.06.2014	2014 Jul	
		- do -	30.00	23.02.2015	17.04.2015	2016 Jan-Mar	
36	Universal Sportsbiz Pvt Ltd	Accel India III (Mauritius) Ltd	131.97	24.05.2016	22.06.2016	2017 Jul-Sep	
37	YSI Automotive Pvt Ltd	Yushin Precision Indl, Japan	130.62	02.06.2008	25.10.2016	2017 Oct-Dec	Reported a year later in the NL
		- do -	68.19	01.10.2008	03.09.2016	2017 Oct-Dec	
		- do -	6.97	27.03.2009	03.09.2016	2017 Oct-Dec	
		- do -	1.47	04.10.2009	03.09.2016	2017 Oct-Dec	

Source: Based on company-wise details provided by the RBI at https://m.rbi.org.in/scripts/Compoundingorders.aspx

Graph-E: The Gap between Informing the RBI about the Issue of Shares by Kellogg India and their Reporting in the *SIA Newsletter*



Source: Based on the information provided in the compounding order available at http://rbidocs.rbi.org.in/rdocs/CompoundingOrders/PDFs/11KELLOGGINDIA3098E9D2EC66487AA8EADBD3A7839921.pdf

In case of Kadavanthara Builders Pvt Ltd (Serial No. 18, Table-30), the inflows were reported with some delay in January 2012. The compounding order was issued after many years in November 2017, in response to the application filed by the company in June 2017. It is relevant to note that there was a gap of more than five years between the filing of information regarding issue of shares and the company's request to the RBI to condone the delay. By implication, these investments were credited to later years instead of the years in which the shares were issued and the RBI was informed. Another important example for lumpy reporting is that of Volkswagen Finance Ltd (Table-31). A number of tranches, most of which are duplicate in nature, were reported in one go during Apr-Jun 2017, *i.e.* a long time after the powers to compound were delegated to the regional offices of the RBI. This case was not, however, reported by the RBI on its website thereby raising doubts whether it was a case of default by AD Bank/RBI.

Does RBI force companies to file compounding applications after finding from the returns that they had delayed reporting beyond the permissible limits? Sectoral inflows would also be affected to that extent. It is also relevant to note that not many large companies figure in the list of cases mentioned at the RBI's website. As explained in Section V, very few large tranches of inflows into Vodafone India Ltd were reported with considerable delay. Will its case come up for compounding at a future date? Or, has RBI delayed its announcement as it was examining whether the investment was in conformity with the FDI policy? Or, was it a case of mere oversight?

Duplicate Reporting has been a Continuing Phenomenon

The problem of duplicate reporting in the post-September 2014 period was discussed at some length in the previous sections. A few instances in the earlier years involving large inflows indicate that it was happening earlier too and that is seems to be continuing even after 2016-17 (A glimpse of this was provided in Tables 20 and 21).

Table-31: Inflows Reported against Volkswagen Finance Pvt Ltd during the quarter Apr-Jun 2017

Name of the Foreign Investor	*Inflow (Rs. mn.)*	*Earlier Reporting, if any*	*Allotment of Shares*
(1)	*(2)*	*(3)*	*(4)*
Volkswagen Financial Services AG	60.97	200906	N.A.
Volkswagen Financial Overseas BV	6.03	200906	N.A.
Volkswagen Financial Services AG	62.48	201002	Dec-09
Volkswagen Financial Overseas BV	6.18	201002	Dec-09
Volkswagen Financial Services AG	54.16	201009	Aug-10
Volkswagen Financial Overseas AG	5.21	201009	Aug-10
Volkswagen Financial Overseas BV	31.64	201108	Mar-11
Volkswagen Financial Services AG	318.36		Mar-11
Volkswagen Financial Services AG	630.63	201109	Jun-11
Volkswagen Financial Overseas BV	62.37	201109	Jun-11
Volkswagen Financial Services AG	1,436.66	201201	Nov-11
Volkswagen Finance Overseas BV	142.09	201201	Nov-11
Volkswagen Financial Services AG	3,977.84	201205	Feb-12
Volkswagen Financial Services BV	393.41	201205	Feb-12
Volkswagen Financial Overseas BV	405.00		Aug-12
Volkswagen Financial Services AG	4,095.00		Aug-12

Source: Same as Table-12.

We did think initially that duplicate reporting could be due to the defaulters' anxiety to be on the safe side. However, it may not fully explain the problem. A few instances, which give raise to this doubt, are described briefly in the following.

- On February 28, 2008, TPG Axon (Mauritius) II Ltd, was allotted 70,00,000 equity shares of Rs. 10 each, on preferential basis, by Mahindra & Mahindra Financial Services Ltd. at a premium of Rs. 370 per share for a total consideration of Rs. 2,660 million. Simultaneously, Standard Chartered Private Equity was allotted equity shares priced at Rs. 1,482 million. These amounts were reported twice: first in August 2008 and later in April 2009. The entire stake was offloaded by TPG-Axon in June 2009, *i.e.* within one and a half years.
- Golboot Holdings Ltd., a controlled entity of Goldman Sachs, subscribed to 93,95,974 FCDs of Mahindra and Mahindra Ltd at the issue price of Rs. 700 crore in July 2008. The same were converted into equity shares in January 2010. It appears that both the instances were reported separately in November 2008 and March 2010: each of Rs. 700 crore. Obviously, there was only *one inflow* of Rs. 700 crore.
- With effect from October 30, 2012, Timesofmoney Ltd became a subsidiary of Network International Investment Pte Ltd. following the acquisition of 75 per cent stake by the foreign company. The deal value was reported to be Rs. 2,643.3 million or $48.30 million. The reported inflow figures, however, suggest that there were two tranches of Rs. 2,643.31 million in the months

of November 2012 and December 2012 which were valued at $48.26 million and $48.37 million respectively.

- In case of Agile Real Estate two inflows of Rs. 3,828 million each were reported against the months of February 2012 and May 2014 from Stillwind Holdings Ltd of Cyprus. From the filings with the MCA one finds that as on September 29, 2012, the foreign investor held CCD of Series I and II which together were valued at Rs. 3,828 million which it continued to hold on March 31, 2015. In case of equity shares issued to Vostok Ltd of Mauritius also, duplicate reporting in the same months was noticed. Obviously, the same inflows were reported again in May 2014.
- BOC India issued shares worth Rs. 5,973 million to BOC Group PLC on January 19, 2008. There were, however, two entries for the same amount in the *SIA Newsletter* for the months of June 2008 and August 2012.
- Morgan Stanley (India) Securities Pvt Ltd. allotted 198,550,000 equity shares at the face value of Rs. 10 and 137,793,700 preference shares at Rs. (including a premium of Rs. 99 per share) to Morgan Stanley Mauritius Co Ltd on October 5, 2007. The corresponding amounts were Rs. 1,985.50 million and Rs. 13,779.37 mllion respectively. Both the amounts were reported twice against the months of February 2008 and April 2009.
- Two tranches of Rs. 4,249.99 million were reported against Asianet Communications Ltd. for the month of August 2010, one through the automatic route and the other by way of acquisition. The annual return of the company corresponding to the AGM held on 29 September 2010 shows that SVJ Holding Ltd acquired 4,657,113 shares from Westex Infotech Pvt Ltd. on 10 June 2010. As on the date of AGM, these were the only shares held by the foreign investor in the company. It thus implies that the reported inflow through the automatic route was reported erroneously.
- Two tranches of Rs. 3,485.10 million were reported as inflows into Suzuki Motor Cycle India Pvt Ltd. against the months of June 2009 and August 2009. Going by the total number of shares issued by the company as on September 10, 2010 and the available lists of allottees, it becomes obvious that shares against this amount were issued only once *i.e.* in June 2008.
- The June 2008 and December 2008 the SIA Newsletter reported one trance each of Rs. 8,100.30 million inflow into Ambuja Cement India Ltd. The company's annual reports and annual returns filed with the MCA, however, show that the foreign investor held only $8,100.30 million worth of cumulative preference shares which appear to have been issued on April 7, 2005.

The period also witnessed a major case of incorrect reporting involving more than $2.8 billion. This was in a way comparable in terms of size with that of Serene Senior Living described in Section IV. An investment of $2,836.43 million, equivalent to Rs. 154,884.49 million, by Blue Ridge Holdings Ltd of Mauritius in Blue Ridge Hotels Pvt Ltd through the automatic route was reported against the month of September 2012. We could trace the following share allotments to the foreign investor from the filings of the investee company with the MCA.

30-7-2008	444 shares	consideration: Rs. 43.02 million
16-8-2012	185 shares	consideration: Rs. 17.93 million

Net worth of the investee company at the end of March 2013 was Rs. 255 crore and borrowings stood at Rs. 269 crore.[137] Obviously, there is no way such huge inflow of nearly Rs. 16,000 crore would have been directed at the investee company. The total project cost for setting up a 543 Room, 5-Star business hotel, in Mumbai was reported to be Rs. 714 crore, way below the purported inflow.[138] The reported improbable inflow works out to as much as 13 per cent of the equity inflows reported for the year 2012-13. In the context of the steep fall of 37.3 per cent in the reported FDI inflows during the year, the actual fall would have been 45.5 per cent, had this incorrect entry not been there!

RBI Receives Considerable Amount of Data

The form of FC-GPR in which issue of instruments has to be reported underwent a few changes over the years. Particularly the 2008 amendment[139] required the investee companies to report about the nature of the foreign investor under the following categories.

1. Individual
2. Company
3. FII
4. FVCI
5. Foreign Trust
6. Private Equity Fund
7. Pension / Provident Fund
8. Sovereign Wealth Fund (SWF) *
9. Partnership / Proprietorship Firm
10. Financial Institution
11. NRIs / PIO
12. Others (please specify)

* Government investment vehicle which is funded by foreign exchange assets, and which manages those assets separately from the official reserves of the monetary authorities

137 See:https://www.brickworkratings.com/Admin/PressRelease/Blue-Ridge-Hotels-BankLoan_358Cr_ USD_25_Ml -Reaffirmation-Rationale-5Jun2014.pdf.

138 See: IL&FS Financial Services Ltd., "Execution of financing documents of Novotel Hotel, Mumbai - Blue Ridge Hotels Private Limited (BRHPL)", dated July 29, 2012 accessed from http://www.ilfsifin.com/pdf /blue%20ridge-website%20write-up.pdf.

139 See: https://rbidocs.rbi.org.in/rdocs/notification/PDFs/84724.pdf.

Besides, information was sought regarding the nature of issue (IPO, Preferential allotment, rights, bonus, ESOPs, conversion, etc.), type of security (equity, CCD, CCPS, etc.), post-issue pattern of shareholding, location of the project, whether the investee company was new or existing, etc. Part-B of the FC-GPR was an annual report on all foreign investments made into the investee company which were outstanding as on the date of the balance sheet, indicating separately "direct/portfolio investments/re-invested earnings/others". Both foreign assets and liabilities were to be reported as also the retained earnings and disinvestments under the FDI head. Names of all those investors who were holding 10 per cent or more of the shares were to be furnished. Portfolio investments were to be reported separately. End-March non-resident shareholdings were to be reported under the same 12 categories which are listed above. The number of employees, direct and indirect separately, also was to be reported.

While the FC-GPR continues to ask for the above information even now, Part-B was discontinued in 2011 and in its place a separate 'Annual Return on Foreign Liabilities and Assets reporting by Indian Companies' was introduced. The Annual Return once again seeks information on investors according to the above 12 different categories, reinvested earnings and disinvestments, both with respect to inward and outward investments. Foreign direct investment in India is required to be reported separately for investors holding 10 per cent or more of equity participation and those holding less than 10 per cent share in equity. Unlike the earlier Part B, it seeks information on employees who are on payroll only. Form FC-GPR now asks the investees whether they are old or new companies. It makes a simple distinction: new company means greenfield and old company means brownfield![140] In case of FC-TRS also the category of the foreign investors has to be reported.

It is relevant to note that FC-GPR has been modified over the years, the most recent one being in February 2014. Even more importantly, from the middle of 2015 inflows have to be reported mandatorily online through the ebiz portal www.ebiz.gov.in. A few months later the mandatory online filing was extended to FC-TRS (transfer of shares). That means data for the full year 2016-17 must have been captured online. Had the RBI started analysing this information thoroughly it would have quickly come to know about some of the issues pointed out by us. Far from cautioning the users and bringing out a more realistic picture, it is surprising to find RBI, the custodian of the inflows data, to come out with routine explanation for the reported rise in inflows during 2016-17 by mentioning many conceivable factors. On top of that, observations by international agencies have been referred to without examining them critically.

> This jump [in inflows during 2016-17] was catalysed by wide ranging domestic reforms, in particular, easing of FDI norms; the Goods and Services Tax; the Insolvency and Bankruptcy Code 2016; the new corporate insolvency framework, including the National Company Law Tribunal and the National Company Law Appellate Tribunal; and ease of doing business. Services topped the list of recipient sectors, followed by manufacturing and construction. A recent report by FDI Intelligence reveals that India was ahead of China and

[140] See: https://rbidocs.rbi.org.in/rdocs/Forms/PDFs/AP110214_ANN.pdf.

the US as the world's top destination for greenfield FDI in 2016. Further, the UNCTAD's survey of multinational enterprises ranked India as the third most favourite host country for FDI for 2017-19 after the US and China.[141]

One would not expect such generalised catchall explanation from the country's Central Bank. Nor does one look forward to repeating statements made by other sources without providing further insights. India's problem is that the official agencies who have data do not examine it closely and critically and those outsiders who are entrusted by them with such a job are TOR-bound and are keen to meet the deadlines instead of getting to the bottom of the things. Often, they will also not be privy to the vast amount of information lying with the agencies. Some of them may even suffer from ideological bias, have vested interest or are stuck with their own beliefs. On their part, the official agencies may be worried about the weaknesses of their systems getting exposed if the information is fully shared with outsiders. The agencies are also known to preserve their individual turfs, thus adversely affecting information sharing among themselves.

When the information on industrial classification is readily available in the database, what prevents the same from being provided to the public through the *SIA Newsletter?*[142] When a UIN is generated at the time of initial remittance, what prevents the RBI from matching the same with data on allotment of instruments? What prevents RBI from sending notices when after the stipulated time FC-GPR is not filed? When millions of transactions on the stock exchanges are captured real-time why similar systems could not be developed for the inflows which are far fewer in number? Should the scope of FLA and FATS be restricted to a few variables only? Why was an important parameter like employment dropped from the FLA? Why a part of the information on foreign investors remain unanalysed? Is it that the responses provided are not good enough for analysis? Table-32 lists some of the key elements of the forms submitted by investee companies. Far from remaining silent, what is required is enhancing the scope of FLA/FATS and full analysis of FC-GPR and FC-TRS. One finds that a lot of useful information is also collected on the functioning of Indian JVs and Wholly-owned Subsidiaries abroad in the form of Annual Performance Report.[143] One is not aware about its analysis by the RBI. When even US, which is important for both inflows and outflows of FDI, collects and disseminates data on more key operational aspects[144] of foreign companies in the country and of its own companies in host countries, should India not expand the scope of its own analysis?

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141 Reserve Bank of India, *Annual Report 2016-17*, p. 60.

142 We made a futile attempt at getting the same some years back.

143 See: https://rbidocs.rbi.org.in/rdocs/notification/PDFs/13MDRD77DCF42C4E64B6C9A83C24EF5D4E188.PDF.

144 These include assets, capital expenditures, employment, compensation of employees, R&D spending and value added. Besides the industry, the tabulations are also based on the particular States of USA and country of the ultimate beneficial ownership in case of inward investments. For details one may visit: https://www.bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=1&isuri=1&202=1&200=2&201=3

Table-32: Key Elements of the Reporting of Inflows and Others to the RBI

Type of Information	*Advance Remittance Form (ARF)*	*FC-GPR*	*FC-TRS*	*FLA*	*FA TS*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Date of Receipt of Funds	√				
PAN No of Investee	√	√	X	√	
Unique Identification Number allotted by the RBI for the Amount Received (UIN)	√	√	X		
Route (Automatic or Approval)	√	√	√		
Date of Issue of Shares/Convertible Debentures		√			
Investor Category					
Investee Company Registration No.		√			
Existing or New		√			
Registration Number of the Investee allotted by RBI, if any	X	√	X	CIN	
Main Business Activity (NIC 2008 Code)		√	√	√	
Location of the Project (State & District)		√			
Investee details (Foreign Subsidiary, Associate, etc.; Asset Mgt. Co.; Technical Collaboration)				√	
Details of Foreign Investor (under 12 Categories)		√			
Nature and date of Issue (IPO, Private Placement, Rights, Conversion, etc.)		√			
Type of Security Issued (Equity, CCD, CCP, etc.) and Inflow		√	Details of Inflow/ Outflow		
Details of Premium (control, non-compete, etc.)		√			
Method of Valuation		√			
Post-issue Pattern of Shareholding Non-resident (12 categories) as well as Resident – Number of Shares, Value & % Share		√	√ (post-transfer foreign shareholding)	Details of foreign Share-holding (12 categories) for past 2 years	
Nature of Transaction: Resident to Non-Resident or other way Round			√		
Details of the Buyer /Seller (12 categories)			√		
Particulars of Earlier RBI/FIPB Approvals			√		
PBT, PAT, Tax on Dividend, Retained Profit, Net worth				√	

Contd…

(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
Sales, purchases, Exports, Imports during past two years in case of a single foreign investor holding more than 50% share in equity					√
Details of Foreign Investors holding 10% or more, less than 10% for past two years				√	
i) Disinvestments during the year ii) Employees on Payroll				Missing in the latest version	

Source: ARF, FC-GPR and FC-TRS: Based on Master Direction – Reporting under Foreign Exchange Management Act, 1999 (updated as on May 15, 2017).
Notes: ESOPs, Depository Receipts, LLPs, ODI, etc., are not covered here.
FLA: Foreign Liabilities and Assets; FATS: Foreign Affiliate Trade Statistics

At this point, it is relevant to note that indirect subsidiaries of foreign companies might be outside the scope of FATS and the studies of finances of FDI companies. In the former case, the instructions for filing the return run like the following:

> To be filled in by company where single foreign direct investor holding is more than 50% in total equity (*i.e.* if reporting Indian company is subsidiary of foreign company).[145]

Thus, it appears that the provision leaves out step-down subsidiaries in India of companies having more than 50 per cent foreign equity. The implications of this for cases where the foreign investor opts for holding company structure are obvious. At times, such omitted companies can be large and/or leading companies in their respective activities as the cases listed in Table-33 suggest. There is also the possibility of companies in which a foreign investor invests in India through multiple arms each holding less than minority shares but the combined shareholding exceeds 50 per cent. Vodafone India Ltd offers a prime example in this regard. While direct shareholding of the group entities together works out to 89.11 per cent, as on March 31, 2017, the one which held the highest share was Euro Pacific Securities Pvt Ltd, Mauritius with 26.98 per cent share.[146] While the company describes itself as a wholly owned subsidiary of Vodafone Plc., Vodafone India would not be required to file information under FATS. On the other hand, its subsidiaries numbering nine[147] would not be covered under FLA because they do not have foreign equity 'directly'. Similar is the case with Saint-Gobain India Ltd and its subsidiary Saint-Gobain Research India Pvt Ltd. The two main shareholders of Saint-Gobain India Ltd, which belong to the Saint-Gobain group and which together held majority shares at the end of March 2016, were: Saint-Gobain Glass

[145] See: https://rbidocs.rbi.org.in/rdocs/Forms/DOCs/FLR180614FL_A.XLS.

[146] The remaining were: Prime Metals Ltd (14.79%); Mobilvest (11.33%); Vodafone Telecommunications India Ltd (10.99%); Trans Crystal Ltd (9.88%); Asian Telecommunication Investments (Mauritius) Ltd (6.63%); Al-Amin Investments Ltd (5.49%); and CCII (Mauritius) Inc (3.02%).

[147] These were: Vodafone Mobile Services Ltd; Mobile Commerce Solutions Ltd; Vodafone Towers Ltd; Vodafone Business Services Ltd; Vodafone m-pesa Ltd; Vodafone Technology Solutions Ltd; Connect (India) Mobile Technologies Private Ltd; Vodafone India Ventures Ltd; and Vodafone India Digital Ltd.

Table-33: Select List of Step-down Subsidiaries that would Possibly Remain outside the Purview of FLA/FATS

Immediate Foreign Parent	*Indian Subsidiary*	*Step-down Indian Subsidiary*
(1)	*(2)*	*(3)*
Adidas International BV	Adidas India Pvt Ltd	Adidas India Marketing Pvt Ltd
Holderind Investments Ltd, Mauritius	Ambuja Cements Ltd	ACC Ltd
CAG Tech Mauritius Ltd	Agro Tech Foods Ltd	Sundrop Foods India Pvt Ltd
Cummins Inc, USA	Cummins India Ltd	Cummins Sales & Service Pvt Ltd
Federal Mogul Holdings Ltd, Mauritius	Federal-Mogul Goetze (India) Ltd.	Federal-Mogul TPR (India) Ltd
GE Pacific, Singapore	GE Power India Ltd	GE India Exports Pvt Ltd
Hindustan Coca-Cola Overseas Holdings Pte Ltd., Singapore	Hindustan Coca Cola Holdings Pvt Ltd **$**	Hindustan Coca-Cola Beverages Pvt Ltd Hindustan Coca-Cola Marketing Pvt Ltd
Unilever Plc., UK	Hindustan Unilever Ltd	Unilever India Exports Ltd Lakme Lever Pvt Ltd
Hyundai Motor Co., Korea	Hyundai Motor India Ltd	Hyundai Motor India Engg Pvt Ltd
John Deere Asia (Singapore)	John Deere India Pvt Ltd	John Deere Financial India Pvt Ltd
Suzuki Motor Corp., Japan	Maruti Suzuki India Ltd	JJ Impex (Delhi) Pvt Ltd
PepsiCo Panimex Inc. Mauritius	Pepsico India Holdings	PepsiCo India Sales Pvt Ltd
Koninklijke Philips NV, Netherlands	Philips India Ltd	Preethi Kitchen Appliances Pvt Ltd Philips Homecare Services India Pvt Ltd
Reckitt Benckiser Group Plc., UK	Reckitt Benckiser (India) Pvt. Ltd.	Reckitt Benckiser Healthcare India Pvt Ltd Reckitt Piramal Pvt Ltd
Buzzer Investments, Mauritius	Star India Pvt Ltd.	Novi Digital Entertainment Pvt. Ltd.
Relay BV, Netherlands	United Spirits Ltd.	Sovereign Distilleries Ltd Four Seasons Wines Ltd Tern Distilleries Pvt Ltd
Zoetis Inc., USA	Zoetis Pharmaceutical Research Pvt. Ltd. **$**	Zoetis India Ltd

Source: Based on information collected from documents filed with the MCA, Prowess IQ database and public sources.
$ Only these have "FTC" in the CIN number indicating that they are subsidiaries of foreign companies.

Deutschland GMBH, Germany (25.69 per cent) and Societe De Participations Financieres et Industrielles, France (36.82 per cent). Akzo Nobel India, BASF India, Clariant Chemicals, Colgate-Palmolive India, Crisil, Esab India, Gillette India, Glaxosmithkline Consumer Healthcare, Glaxosmithkline Pharmaceuticals, Goodricke Group, Grindwell Norton, Merck, Morganite Crucible, Nestle India, Pfizer and SKF India are the other possible omissions. One can imagine how the exclusion of these important companies will affect sectoral values. For instance, Vodafone's absence will seriously dent the representation of foreign companies in the telecomm sector. On the other hand, RBI's FATS data suggests that foreign subsidiaries in pharmaceuticals, medicinal and chemical products show positive trade balance of Rs. 1,580 crores for the year 2015-16. The negative trade balance of pharmaceuticals companies which might have been omitted, namely Glaxosmithkline Pharmaceuticals, Merck and Pfizer during the same year were Rs. 387 crore, Rs. 115 crore and Rs. 347 crore respectively. Had these companies been included in FATS, the surplus of Rs. 1,580 crore the trade balance would have been less than half at Rs. 731 crore!

Incidentally, one finds that the CIN number assigned by the MCA which has provision for the status of a company does not always reflect its *current* status as subsidiary of a foreign company. It can be seen from Table-33 that only two of the companies listed therein have "FTC" (subsidiary of a foreign company) in their CIN numbers. In fact, CIN numbers cannot remain static as a company's status can change from public to private, listed to unlisted and *vice versa* as also the registered offices can be shifted from one state to another. This makes comparisons overtime and across different data sources difficult. At another level, one should take a re-look whether arms of large Indian and global companies should be extended exemptions available to small and private limited companies under the *Companies Act, 2013*.[148]

When evidence-based policymaking is the need of the hour, official agencies cannot be too protective of critical data. One wonders why the filings are treated as confidential when one can get considerable amount of information about the investee companies, including ownership details (Indian as well as foreign shareholders), by paying just Rs. 100 per company to the MCA. There is little justification for treating the *entire* information furnished in the filings through FC-GPR, FC-TRS or FLA as confidential. If these statutory filings are properly designed, they can help assess the role and place of FDI, which has been given a pride of place in India's economic policies. But, what one gets today are perfunctory analysis of finances of 'FDI companies', broad aggregates based on the FLA and a few tables regarding the operation of foreign subsidiaries. The evasive/irrelevant replies one finds in the Parliament are a logical outcome of this ill-preparedness.

On its part, the Ministry of Corporate Affairs has changed the forms for filing information repeatedly. In fact, with the latest set of reporting norms it would not be possible to get information on transactions in foreign exchange in a consistent manner. The MCA should consult a wider body of stakeholders including academic researchers to make the information furnished in company annual returns amenable for a broader and deeper analysis of the Indian corporate sector with *ease*. The RBI, MCA and other official agencies may also devise a mechanism similar to the "Special Sworn Employee Program" of US Bureau of Economic Analysis (BEA) which enables qualified researchers to analyse data as unpaid employees of the BEA.[149] Though contribution of FDI to India's economic development should be of great interest by itself, the concerns raised recently by the Discussion Paper on industrial policy, add further urgency to this dimension.

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148 For an elaboration, see: Foreign Investments Study Team, "FDI Companies and the Indian Company Law: Regulations vs. Disclosures", a Discussion Note, July 1, 2014. The note was prepared under the ISID-ICSSR FDI Project. Accessible from http://isid.org.in/pdf/DN1405.pdf.

149 Raymond J. Mataloni Jr., "American Multinationals and American Interests 40 Years Later What Have We Learned From Research Using BEA Data?", *Survey of Current Business*, November 2017, pp. 1-4. Available at https://www.bea.gov/scb/pdf/2017/11-November/1117-american-multinational-enterprises-research-using-bea-data.pdf.

The MCA has made a good beginning by introducing a scheme whereby it will share select data with researchers. The Ministry has also started publicising the scheme for the benefit of users.

Section VII
Summing Up

As we had mentioned at the outset, this study is part of an on-going research programme of the ISID, which has been analysing the changing behaviour of FDI in India. Data and information for the recent years have been used for the analysis here. The accompanying discussion on FDI policy changes was meant to put the reported increase in inflows during the last few years in perspective. An important backdrop of this study is the Discussion Paper released by the Department of Industrial Policy and Promotion in August 2017. This paper expressed the need to review the FDI policy, which being largely aimed at attracting investment has failed to harness technology to the extent possible. Coming as it did in the wake of formulation of new industrial policy and the spurt in inflows having been widely attributed to the Make in India initiative, it was an unexpected but welcome development. Incidentally, this rethinking on FDI is in line with the observations and recommendations of an expert group set up by the then Prime Minister in 2008 and which the previous government did not act upon. While the Discussion Paper reopened the issue of quality versus quantity of FDI, this study examined, for the first time, the problem of quality of the reported FDI data from the point of its utility in understanding the ground level developments appropriately.

FDI Policy Changes

There remaining very little scope for further opening up of the manufacturing sector to FDI, the attention of the new government was naturally on defence industries and the service sectors. The changes not only reflect the government's keenness to reduce its intervention and the desire to increase inflows (by trying to differentiate between FDI and non-FDI and raising the caps on share of FDI in the equity of individual companies), but also indicate the tacit admission that the extant policy failed to attract large enough inflows into defence industries. As has been the general practice of incremental opening since 1991, this opening up was also not based on studies that have been publicly referred to.

The very first change made in June 2014 covered defence industries which by narrowing the ambit of industrial licensing indirectly enhanced the scope for FDI participation. In addition to defence industries, railway infrastructure and construction were covered in the changes announced in August 2014. In all, four announcements were made till June 2016 regarding FDI in defence industries. The other changes made in respect of manufacturing industries were only with regard to easing the constraints on brownfield investments in pharmaceuticals and medical devices. There had been otherwise no restriction on greenfield FDI in these industries. In specific, major changes in FDI policy were introduced at two points, namely November 2015 and June 2016. Construction, trading, civil aviation and plantations were the main areas addressed in November 2015. Trading, civil aviation and broadcasting again featured in June 2016 along with animal husbandry, defence industries and pharmaceuticals.

Broadly speaking, the FDI policy changes relating to the trading sector reflect a faith in the contribution of foreign trading companies to the development of critical infrastructure needed by the Indian farmers. It is well-known that benefitting the farmers/agriculture was the main plank used to permit FDI in multi-brand retail trade in 2012. It is difficult to justify how far the major chunk of inflows into the food processing sector on the one hand and the storage and distribution infrastructure created by the foreign traders (online, wholesale and retail) on the other help the Indian farmers. The amendments in the FDI policy applicable to agriculture and animal husbandry would facilitate the operations of the producers of genetically modified seeds. These changes, however, expose the Indian agricultural sector further to global companies. In retail, the door for foreign traders is now open wider. Pressure is being built up to further liberalise the facility to permit foreign retail trading companies to sell non-food items along with food products manufactured in India.

In the pharmaceutical sector, by further facilitating takeovers the interests of domestic industry which is closely intertwined with public health have been compromised. Now there is even greater scope for foreign companies to consolidate control over the medical devices industry, too. In defence, foreign companies are not too keen to manufacture in India. They might be encouraged to take up some manufacture to meet defence offset obligations with the inevitable caveats on technology transfer. In any case, even if some advanced home countries permit their companies to set up manufacturing facilities in India to serve their own strategic interests, technology would still be controlled by the foreign companies. In civil aviation, while the policy change was relevant for portfolio investors, the latest amendment was aimed at privatising Air India.

Limited Impact of FDI Policy Changes on Inflows

The reported total FDI inflows during 2014-15, 2015-16 and 2016-17 were $45.1 billion, $55.6 billion and $60.1 billion respectively. The corresponding equity inflows were $31.9 billion, $41.1 billion and $44.7 billion (Table-2). It may be noted that earlier equity inflows came off the 2011-12's peak of $35.9 billion and fell to $22.9 billion in 2012-13. The inflows recovered partially to $25.3 billion in 2013-14. Thus, at the first glance, the recent experience appears to be a continuation of the recovery that started in 2013-14. In fact, if one takes into consideration the inflows in the immediately preceding quarters, the recovery in inflows appears to have started in the last quarter of 2013-14 following the steep fall in 2012-13 (Graph-A).

It would not be logical to expect the inflows to respond within a few days of announcing the policy initiatives. If nothing else, such an assumption ignores the basic reporting requirements and practices followed in India. Further, unlike portfolio investors, RFDI investors who invest for the long-term will take considerably long time to commit themselves to any country. Be that as it may, since most comparisons have taken October 2014 (MII was announced in September 2014) as the reference point, our exercise also followed this practice. The next issue is to determine to what extent the FDI policy changes could have influenced the increase in inward FDI. The major changes in FDI policy effected at the two points, namely November 2015 and June 2016 (Table-1), might not have led to immediate strong response from foreign investors in the corresponding financial years. More specifically, the November 2015 changes could not have had a reflection in the increased inflows of 2015-16 and the June 2016 changes on the inflows during 2016-17.

A regrouping of the officially reported sector-wise inflows suggests that the share of manufacturing sector fell from 47.8 per cent during October 2012 - September 2014 to 30.3 per cent in October 2014 - March 2017 and that it staged a considerable recovery during 2016-17 (Table-5). At the broader level, the activities in respect of which FDI policy was relaxed accounted for 18.6 per cent of the total inflows during October 2014 to March 2017. The corresponding share for the years 2012 and 2013 was slightly higher at 20.8 per cent. Further, a regrouping of the inflows according to the 25 MII thrust sectors suggests that the MII sectors did not gain in the post-MII period compared to 2012 and 2013; there was actually a slight decline in their share in the total inflows (Table-7 and Annexure-B). Further, whichever way one looks at it, the share of manufacturing sector fell substantially. The share of manufacturing sector remained low and that too was concentrated heavily in automotive and allied industries, which in any case have been among the top recipients for many years.

It is also relevant to note that just three activities accounted for 83.0 per cent of the inflows into the sectors that were subjected to FDI policy changes in the post-MII period – trading (42.8 per cent), insurance (25.5 per cent) and information and broadcasting (14.7 per cent). The policy changes could, at the most, have influenced the inflows into these three activities. It should, however, be noted that there has been intense competition in the e-commerce sector and private equity is pouring in from abroad. On the other hand, most of the investment into the insurance sector was directed at partially buying out the shares of Indian partners following the hike in the permissible foreign share in equity from 26 per cent to 49 per cent. In fact, the articles of association of JVs in the insurance sector generally contained clauses which gave the foreign partner the right to increase its stake as and when the official policy permitted the same – it was thus just waiting to happen. It appears that an incorrect entry might have boosted the reported inflows into information and broadcasting services.

The relative share of medical devices increased while that of pharmaceuticals declined substantially in the post-MII period. The combined share of the two fell from 5.9 per cent to 2.7 per cent. However, there appear to be major classification issues with regard to medical and surgical appliances. Most of the reported inflow seems to have gone into trading and a substantial part of RFDI that went into manufacturing companies was directed at acquisitions (Graph-D). The policy change, which allowed 100 per cent brownfield FDI through the automatic route, would in any case encourage sell-offs rather than promote greenfield investments. By its very nature, brownfield FDI more often than not supplants existing capital instead of supplementing it. The case of medical devices indicates the possibility of the estimated share of manufacturing sector being on the higher side when derived from official tabulations. The fact that the official data on inflows so far do not contain much additional investment in defence industries and railway infrastructure shows that the relevant policy relaxations have yet to influence the inflows.

Influence of Past Decisions on Recent Inflows

The reported large inflows during the past three years have been widely attributed to the initiatives taken by the new government. We have seen in the above that FDI policy changes, if at all, could have only a limited influence. Further, contrary to the expectations, the first few months of 2016 recorded a fall in the quantum of inflows (Table-3). Such a fall would not have occurred had the foreign investors responded consistently to the more liberal policy environment and the steps taken towards improving the investment climate. Among the variety of situations in which further investments are made into existing companies, a prominent one is acquisition of existing shares. It is relevant to note that while the increase in equity inflows during 2016-17 was $3,589 million, the increase on account of acquisition of existing shares was as much as $3,228 million. The increase in inflows through the approval route ($2,326 million) almost matched the fall of $2,077 million in inflows through the automatic route. Thus, acquisitions provided sustenance for the rise in inflows during 2016-17. While focusing on the quantum of inflows, this important dimension should not be lost sight of.

Equally importantly, the contribution of newly incorporated companies is not significant in terms of their share in total inflows. The number of new companies is also not large enough to indicate a strong and unambiguous response from the foreign investors (Table-9). The few that were incorporated since October 2014 would have most likely come into being even if the MII did not happen. Most of the investments thus appear to be follow-up of the earlier envisaged investments.

The real test of FDI policy is in attracting what we term as realistic FDI (RFDI) and getting the expected benefits from it. Financial investors who differ from RFDI investors invest mainly in projects initiated by domestic entrepreneurs. Compared to RFDI investors, these would respond quickly to the changed environment. The behaviour of India-related ones also cannot be equated with that of RFDI investors. During October 2014 to March 2016, the share of RFDI was a little above 50 per cent. Thus, there was no drastic change in the broad character of the inflows compared to the earlier years (2004-05 to 2013-14) to indicate a shift in the nature of inflows received till March 2016 (Table-8).

However, a Number of Factors Cast Doubt on the 'Real' Size of Annual Inflows

Although a few of the limitations of India's FDI data which prevent it from properly representing the related aspects (location in India, source country, nature of investors, etc.) are known, at least among select audience, the accuracy of the size of yearly inflows, which has turned out to be the policymakers' main focus, was never in doubt. The present study, however, finds that the data on inflows reported by the official agencies suffer from major weaknesses. Because of these problems and the circumstances surrounding some large remittances, it is difficult to draw firm conclusions, particularly in respect of individual industries. The main observations with regard to the reported inflows can be summarised as:

1. Delayed reporting
2. Duplicate reporting
3. Non-reporting
4. Incorrect entries
5. Notional Inflows
6. Inappropriate industrial classification
7. Inadequate representation of acquisitions
8. Limited disclosure/analysis of the information obtained from investees

A depiction of problems and possibilities associated with the data can be found in Diagram-C.

- **Delayed/Duplicate Reporting**

Some delay is built into the reporting requirements themselves. Even if the recipients adhere to the guidelines, there could be a gap between the time of remittance of the funds and final reporting to the RBI after issuing the relevant instruments (Diagrams D1 and D2). Long delays, sometimes running into many years beyond the permissible limits, in reporting of the inflows has been acknowledged by the RBI itself. The delays also imply that there could be substantial amounts that have been received but are not reflected in the official data. Delayed, duplicate and non-reporting are often intertwined. The 'inflows' on account of corporate restructuring also turned out to be a major distorting factor (Diagram-B and Exhibit-B). These multiple issues seriously dent the veracity of the effective size of inflows that could be attributed to any single year and raise doubts about the inflows scaling a new peak in 2016-17. These also make sectoral data less reliable.

Reporting of many inflows in subsequent years could have been taken as normal and not very serious as its regular occurrence would have evened out over the years and total inflows would not have been affected unduly. In the present circumstances, however, since the discussion centres on the efficacy of the measures taken since September 2014, time of inflow/decision-making becomes extremely critical. When assessing the impact of the new policies and programmes, even a month's delay could alter the conclusions. Further, if the already invested foreign investors bring back a part of the funds transferred by them out of the country under various heads, as FDI, the inflow numbers would be illusory.

Yet another serious problem which surfaced was that of duplicate entries (Table-18). Obviously, the problem of delayed reporting is a long standing one cutting across the tenures of different governments. The delegation of powers to compound the delays to regional offices of RBI in April 2014 (*i.e.* just prior to the forming of the new government in May 2014) might have prompted a number of companies to clear the backlog subsequently. In the process of clearing the backlog, some companies might again have reported a few inflows which were already reported by them either due to a slight change in the status or sheer oversight/abundant caution. The existence of duplicate reporting even prior to May 2014, however, suggests the failure of the systems to detect such entries. When the amounts involved are large, duplicate reporting could significantly (artificially) boost inflows into specific sectors.

Following the delegation of powers to the regional offices of the RBI, there appears to be some improvement in current reporting as also efforts to clear the backlog. Incorrect and duplicate entries had a higher share during May 2014 to March 2017 compared to the April 2012 to April 2014 period (Table-20). A similar picture could be seen in terms of the amount of inflows (Table-21). An analysis of large individual tranches, each of which was at least $50 million, suggested that during 2016-17 out of the inflows other than acquisitions, notional and duplicate reporting, only about half of the reported inflows match with the shares actually issued during the year. Inflows other than those against which shares were issued in the earlier years again were close to half of the year's reported total. If acquisitions and problem cases are also kept out, the share comes down to just one-fourth (Table-22). A good portion of the increased inflows during 2016-17 may be attributed to reporting of the older cases (including duplicate reporting) – a case of past omissions bolstering current inflows. Alternatively speaking, the delayed and duplicate reporting may have been a major contributing factor for the character of the inflows practically remaining the same compared to the pre-MII period.

- **Incorrect Entries**

One of the remittances that caught our attention initially was the single tranche of $2,252.38 million into Serene Senior Living which was reported during October-December 2015. Even after multiple checks, we could not find any evidence to support such a large inflow. It is easy to see how much difference a remittance of such a large size, which accounted for 5.6 per cent of the reported equity inflows during the year, can make to sectoral distribution of inflows and the distribution according to the nature of foreign investors. It is also relevant to note that an investment of $2,836.43 million in Blue Ridge Hotels Pvt Ltd reported earlier against the month of September 2012 also turned out to be suspect. This reported inflow works out to as much as 13 per cent of the equity inflows reported for the year 2012-13! We did come across a few other entries that are suspect.

- **Investees May not Always be Responsible for the Delays**

In case of acquisition of shares, the onus to report to the AD Bank is on the transferor/transferee who is a resident of India. The shares should be transferred to the buyer only after the AD Bank certifies FC-TRS for the receipt/transfer of funds. Here again, there appear to be quite a few gaps (Table-19). It is in the interest of the buyer that the procedure is completed as otherwise the shares would not get transferred in his/her name. Do AD Banks fail to report all the receipts to the RBI after certifying FC-TRS? Is RBI failing to match the returns in R-Form submitted by the AD Banks? The number of compounding cases that are reported by the RBI on its website since the middle of 2016 appear to be too small in view of the large number of cases of delayed reporting identified by us. It is inexplicable why a number of large companies — which would not like to break rules unless there are substantial gains (or possibilities of minimising losses) — wilfully expose themselves to severe penalties. Why would not Vodafone India report $5.5 billion inflows, shares against which were allotted in September 2016, till August 2017? (Table-25) There is in fact, a distinct possibility that the delays cannot be entirely attributed to the investee companies as there were instances of considerable delay between reporting to the RBI/AD bank and taking them on record (Table-30). The wording "Remittance-Wise Details of FDI Equity Inflows Received…. During" which describes the inflows listed in the *SIA Newsletter* is thus obviously misleading.

- **Problems get Amplified at Sectoral Level**

Official data suggest that the inflows overcame the dip in the first few months of 2016 and climbed to a higher peak during 2016-17. It also suggests a sharp rise in the share of the manufacturing sector with electrical equipment, cement and gypsum products, chemicals and metallurgical industries gaining in importance and pushing back the automobile sector which had been the topmost recipient among manufacturing industries for a number of years. Here again, the data either suffered from long delays in reporting or some of the large tranches were only notional because of the ownership restructuring of group companies. In some important cases, there are even grave classification errors. The electrical equipment industry, reportedly the top gainer in the manufacturing sector, illustrates many facets of the problem (Table-26). Out of the total $2,319 million inflows identified by us, only about $385 million could actually have contributed to new capacity creation or rehabilitation of troubled companies (Table-27). Due to large notional inflows and buying out of the public shareholders, the corresponding amount in the case of cement industry was $40 million out of the total $2,130 million of the reported inflows. One duplicate entry accounted for almost half of the inflows into the metallurgical industries during 2016-17! An indication of the different dimensions of the inflows could also be seen from the case of the automobile industry. Analysis of the top inflows into the automotive sector, listed in the relevant official brochure, shows that only about half of the inflows could be identified with the shares allotted after September 2014 (Table-23). Even in some important cases falling in this category, like Suzuki's new plant in Gujarat, the decision to invest in India was taken much earlier.

Discovery of long delays in reporting of inflows and the possibility of grave mistakes in the reported figures seriously dented the belief that the increased inflows were a result of the policy reforms and other initiatives of the new regime. The problem is quite serious because often it involved leading recipients in various sub-groups of industries/activities. As a result, we were forced to undermine our painstakingly constructed exercise at classifying the foreign investors and the investees of the October 2014 to March 2016 period. We realised that given the data limitations, no useful purpose would be served by extending it till March 2017.

- **Capital Repatriations/Disinvestments**

In India's case, on an average, as much as 34.8 per cent of the equity inflows went towards balancing the repatriations/disinvestments by the earlier investors during the past four years. This ratio seems to be increasing fast as during the previous quadrennium (2010-11 to 2013-14) it was 29.4 per cent whereas it was just 4.5 per cent during 2006-07 to 2009-10. Acquisitions and disinvestments (not to speak of outward FDI) not only undermine the contribution of the inflows to new capacity creation in the economy, but also draw out surpluses. This is where the nature of foreign investors and the mode of entry are again relevant. The substantial disinvestments might have prompted the Discussion Paper "Industrial Policy – 2017" to state that the 'benefits of retaining investment have not been harnessed to the extent possible'. The concern could, however, be related to getting a greater proportion of the profits earned by foreign companies reinvested in India instead of being remitted abroad in the form of dividends. It should, however, be noted that the reported profits may not adequately reflect the advantage derived by the foreign investors as there are many avenues for transferring profits, especially for unlisted companies which far outnumber the listed ones.

The policymakers should take a hard look at the takeovers particularly when the targets happen to be healthy companies and/or leaders in their respective segments/potential future winners. This is happening in multiple forms and the data system is not able to capture the phenomenon fully (Table-11).

FDI is Neither an Unmixed Blessing, nor is it Homogeneous

FDI is not an unmixed blessing as a number of adverse effects on host countries are identified with it.[150] It is a misnomer that FDI invariably provides capital to *Indian* enterprises. FDI as it is being measured now can be categorised into three major types.[151] First, in a liberalised policy environment, RFDI which is associated with capital *and* the expected attributes of technology, management skills, etc., would have little interest to finance domestic entrepreneurs or to transfer advanced technologies to them unless they are bound in some subordinate relationship. It will indeed be naïve to expect RFDI, especially the market seeking type, to facilitate the emergence of local competitors.[152] Far from that, it will be inclined to not only displace existing entrepreneurs but also to inhibit the emergence of newer ones. In the process, national champions, lead firms and start-ups nurtured though various types of incentives by developing countries like India could end up as constituents of global corporations. The investors can also be differentiated according to their motives: natural resource seeking, efficiency seeking, market seeking and strategic asset seeking.

The remaining two types of investors can bring in capital *but* would more often than not have very little to contribute in terms of technology. Foreign financial investors, the second main type of FDI, would play the financing role. But, the downside risks are large capital outflows and loss of control over domestic enterprises when RFDI investors provide the exit route to them. The third main form of FDI, *i.e.* inflows on account of domestic entrepreneurs could be return of flight capital and/or disguised portfolio investment/borrowings. Such financing could, however,

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[150] While it is difficult to generalise the impact of FDI on host country's development, the negative effects generally associated with it are: balance-of-payments problems, crowding out, transfer pricing, abuse of market power, labour issues and environmental effects. See: United Nations, *The Development Dimension of FDI: Policy and Rule-Making Perspectives*, New Yok and Geneva, 2003.

[151] Though some overlapping exists (e.g., Corporate Venture Capital arms belonging to companies like Google, Qualcomm, Intel and Johnson and Johnson), it seems to be quite small at present in India's case.

[152] According to Dunning's eclectic paradigm, multinational enterprises "internalise" their firm-specific "ownership advantages" through FDI. This is the key element, which explains FDI.

be obtained through FIIs, GDRs, ECBs and borrowings from local banks. Only a detailed micro-level analysis can help assess the nature of the FDI flows and their contribution to national economic development. Obviously, seen in this context, India's official approach regarding expectations from FDI and its analysis appears to be too simplistic (and even misleading).

Relevant Data on Inflows and Investees' Operations is Essential

The problems noted above leave one deeply concerned about the state of India's FDI data and its analysis. These are a legacy of the past, which placed premium on the quantum of FDI. The RBI did express concern about the implications of the delayed reporting for the BoP data. But, this is only one facet of the problem. It is doubtful whether the RBI is aware of the full import of the delays and other anomalies which render the data unsuitable for a proper understanding of the trends and characteristics of the inflows. Its explanation for the increase in inflows during 2016-17 bears testimony to its absence. Obviously, the Indian policymakers are not getting the right type of inputs. They should, therefore, refrain from giving undue importance to the uninformed interpretation of the 'record' FDI inflows even if it comes from highly reputed quarters. Such analysts necessarily depend upon the national sources for basic information with all its deficiencies. On the other hand, there are many nuances to the data on global FDI flows because of which they cannot be taken at their face value. Hence, the suggestion that 'more FDI is coming into India than China' cannot be taken as an informed compliment. In fact, statements which do not distinguish between different types of FDI should be best ignored.

Keeping the nuances of FDI in context, there is a need to put together more relevant data on FDI and its related transactions. One should know the character of foreign investors which has direct implications for technology transfer, participation in global value chains, impact on BoP, stability of investment, etc. For instance, even the RBI underlined that while the increased FDI inflows of the past few years provided a cushion against CAD, the income payments on account of the larger volume of FDI may in turn put adverse pressure on CAD in future. It is, however, silent on other forms of payments some of which are avoidable and others which emanate from the very nature of the foreign investors.

A good deal of information collected by RBI through various returns is either not analysed or is not reported by it, possibly even to the government (Table-32). Many of the problems (delays, duplicates, incorrect entries, notional entries, conversions, issue of shares against imports, nature of investors, ultimate home country, purpose of investment and industry classification) can be and should be addressed by the RBI. One hopes that to begin with the RBI will take advantage of the mandatory online filing of returns and release far more useful information and analysis than that is available at present as also improve the utility of annual studies of finances of FDI companies and the FATS. It should also be explored how step-down subsidiaries and those in which the ultimate foreign investors hold majority even while each of the individual shareholders own only minority shares. The government may like to introduce a one-time amnesty scheme for non-declaration and, on its part, the RBI may regenerate the inflows/outflows data with enhanced information content, at least for the past five years. Further reporting of inflows could follow in that pattern. When even the USA finds it necessary to monitor the operations of its inward as well as outward FDI investors, can India afford to undermine their importance?[153] If RBI, MCA, CSO, DIPP and the DGCI&S work together, a wealth of information can be generated on both foreign and domestic investors.[154]

Strengthening Internal Systems is Imperative

India should strengthen its own institutions. Capabilities thus developed within the government will also enable it to assess the advice received from different quarters. If a small fraction of what is spent on investment promotion meets, publicity, running joint websites with industry bodies and the consultancy fee paid out[155] is utilised in strengthening data collection, organisation and analysis, coupled with better inter-organisational coordination, the policymakers would be better informed in their efforts to harness the potential of FDI. It will also help India to put its case effectively in international fora. The practice of engaging almost the same set of private consultants as knowledge partners by the government, industry bodies and individual large companies for analysis and advice is another matter for concern. The deficiencies, some of which are quite serious, noticed in the brochures prepared by the Knowledge Partner on the achievements in different sectors under the MII, are quite harmless in comparison to the serious risk of conflict of interest.

Further, there is no apparent justification for treating a lot of information that is collected as confidential because the same can be obtained from the MCA by paying a nominal fee.[156] There is no point in collecting information if it is not analysed and applied in public policymaking. The government could engage the vast number of researchers in public-funded universities and research centres and provide them easy and regular access to required information. Many studies conducted in universities and institutions could be thus made more policy relevant instead of remaining mere academic exercises for obtaining degrees and for career promotion. More time can be devoted to analysing data instead of wasting it on 'data collection'. The Corporate Data Management scheme announced by the MCA is a welcome development. The Ministry could organise interactions with the user community to improve disclosures and to realize the scheme's objectives better. The official bodies could also devise schemes like the special sworn employee programme of the US Bureau of Economic

[153] Regarding the collection of statistics on Activities on Multinational Enterprises, it was indeed emphasised that the statistics "which include sales, employment, value added, capital expenditures, and balance sheets, are critical for understanding the role played by multinational enterprises in an increasingly integrated global economy". See: United States, Bureau of Economic Analysis, *U.S. International Economic Accounts: Concepts and Methods*, updated June 6, 2014, p. 1-2. Even though importance of such statistics should be obvious for a developing country like India, reference to the US official source had to be made here to impress upon the Indian authorities regarding their relevance.

[154] The need for such a coordination was underlined in an earlier study at the ISID. See: "Impact of FDI on Select Sectors of India—A Comparative Study with Select Countries", project report submitted to the Office of the Economic Adviser, Ministry of Commerce & Industry, 2007.

[155] Till 2016-17, the expenditure on Make in India initiative was about Rs. 500 crore. The combined revised and budgeted amounts for 2017-18 and 2018-19 work out to Rs. 450 crore.

[156] It is relevant to note that with the change in reporting norms, getting information on transactions in foreign exchange by individual companies is going to be difficult as it will also affect RBI's company finance studies. This fact should receive the urgent attention of the authorities.

Analysis, beyond the limited efforts that are being made already. Researchers would be in a better position to analyse the data as, unlike the official bodies, they do not need to go by legal and technical provisions strictly. The feedback mechanism could indeed help improve those provisions. On their part, having been exposed to the real world better, the researchers could be made to revisit the received wisdom. In sum, besides "Ease of Doing Business" let there be emphasis on "Ease of Doing Policy Relevant Analysis" also.

This study has brought out some serious limitations afflicting the aggregate FDI figures. It is, therefore, imperative that along with a review of the FDI policy, which was proposed by the official Discussion Paper, the reporting mechanism also is reviewed to make the data on inflows facilitate drawing of meaningful inferences and to provide guidance to policymakers and other national and international analysts. One should be able to view the inflows inter alia by the types of investors, modes and time of entry as also minimise errors. In parallel, operational aspects of FDI should be analysed at more levels and details than at present. The review should also cover the impact of FDI on domestic enterprises.[157]

[157] Going by the UNCTAD data, except in 2008, FDI inflows as a percentage of capital formation did not exceed 10 per cent for India. Even otherwise, the role of local enterprises has been stressed by many. See for instance, Sanjaya Lall and Rajneesh Narula, "Foreign Direct Investment and its Role in Economic Development: Do We Need a New Agenda?", *The European Journal of Development Research*, Vol. 16, No. 3, Autumn 2004, pp. 447–464.

Annexure-A

Major Modifications/Announcements Regarding India's FDI Policy since August 2014

1. Defence Industries

Aug 2014: While raising the general cap to 49 per cent, it was stated that the combined share of FII, FPI, NRI, FVCI and QFI investment cannot exceed 24 per cent (portfolio investors). However, the portfolio investment was allowed though the automatic route.

Nov 2015: The sub-limit of 24 per cent for portfolio investments within the 49 per cent foreign investment in defence industries was removed.

An important addition was that the"[I]nvestee company should be structured to be self-sufficient in areas of product design and development. The Investee/joint venture company along with manufacturing facility, should also have maintenance and life cycle support facility of the product being manufactured in India".

Jun 2016: The cap on FDI was completely removed. Investments up to 49 per cent can avail the automatic route. Govt. can permit shares beyond 49 per cent wherever it is likely to result in access to 'modern technology or for other reasons'.

2. Railway Infrastructure:

Aug 2014: FDI policy for railway infrastructure was relaxed -- construction, operation and maintenance of high speed trains, freight and passenger terminals and rolling stock, including train sets, and locomotives/coaches: 100 per cent FDI through the automatic route.

3. Construction Development

Dec 2014: Relaxed the policy applicable to the sector.

Development of serviced plots: minimum land area of 10 hectares removed.

Construction-development projects: minimum floor area 20,000 sq. mts. Earlier, minimum built-up area 50,000 sq. mts.

Minimum inflow $5 mn. (earlier $10 mn.) for wholly-owned subsidiaries and $5 mn. for joint ventures.

Investor will be permitted to exit on completion of the project or after development of trunk infrastructure. The government may permit repatriation of FDI or transfer of stake from one non-resident investor to another before completion of the project. Earlier there was a lock-in of 3 three years, with provision to exit with prior government approval.

Nov 2015: Construction Development: Minimum floor area and investment requirements were removed. Transfer of stake from one non-resident investor to another would neither be subject to lock-in period requirement nor would specific government approval be needed.

4. Civil Aviation, Ground Handling and Satellites

Nov 2015: The limit of 74 per cent was abolished for non-scheduled air transport service.

Ground Handling Services: 74 per cent cap and the requirement of approval for FDI beyond 49 per cent was removed.

Satellites establishment and operation: 100 per cent through approval route. Earlier the limit was 74 per cent.

Jun 2016: Scheduled/Regional Air Transport Service: FDI limit was raised from 49 per cent to 100 per cent (automatic up to 49 per cent and approval route beyond 49 per cent).

Existing airport projects, 100 per cent automatic. Earlier automatic up to 74 per cent and approval route beyond 74 per cent.

Jan 2018: Foreign investment was permitted in Air India Ltd.

5. Trading

Nov 2015: 30 per cent sourcing norm could be relaxed in case of Single Brand Retail Trading for trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible.

Unlike earlier, SBRT FDI companies can undertake retail trading through e-commerce also.

New provision permitting 100 per cent FDI in Duty Free Shops through automatic route introduced.

Mar 2016: Share of a single vendor cannot exceed 25 per cent of the sales effected though marketplace-based e-commerce entity. Influencing of sale prices was prohibited.

Jun 2016: Sourcing norms will not be applicable up to three years from commencement of the business for undertaking SBRT of products having state-of-art and 'cutting-edge' technology and where local sourcing is not possible.
100 per cent FDI under approval route is allowed for trading, including through e-commerce, in respect of food products manufactured and/or produced in India.

Jan 2018: 100 per cent FDI allowed in SBRT through the automatic route.

6. Pharmaceuticals

Jun 2016: Limit for automatic approval in case of brownfield investment was raised from 49 per cent to 74 per cent.

7. Medical Devices

Jan 2015: Carving out of medical devices and freeing it from the requirement of government approval in case of brownfield investments.

8. Broadcasting Sector

Nov 2015: FDI limits applicable to the sector were relaxed substantially. For Teleports, DTH, Cable Networks, Mobile TV and Head-in-the Sky Broadcasting Service, the cap of 74 per cent removed: up to 49 per cent FDI through automatic route and beyond 74 per cent through approval route. For Cable Networks the limit was raised from 49 per cent to 100 per cent: automatic up to 49 per cent and approval route beyond 49 per cent.
For FM the limit was raised from 26 per cent to 49 per cent; up-linking of News & Current Affairs channels: 26 per cent to 49 per cent. Up-linking of Non-'News & Current Affairs' channels (limit already 100 per cent) the requirement for government approval was done away with.

Jun 2016: Teleports, DTH, Cable Networks, Mobile TV, Head-in-the Sky Broadcasting Service, Cable Networks: 100 per cent FDI through the automatic route (earlier up to 49 per cent through automatic route and approval route beyond 49 per cent).

9. Insurance, Pension Sector and other Financial Services

Mar 2015: FDI limit was raised from 26 per cent to 49 per cent: automatic up to 26 per cent and approval route for foreign share exceeding 26 per cent. Limit is composite for FDI, FPI (FII/QFI), NRI, FVCI and Depository Receipts.

Apr 2015: Pension sector opened to FDI. Applicable conditions same as for insurance.

Mar 2016: Foreign investment allowed in the insurance and pension sectors through the automatic route up to 49 per cent.

Oct 2016: 100 per cent FDI was allowed through the automatic route in 'other financial services', which are regulated by the respective regulators.

10. ATMs

Oct 2015: FDI up to 100 per cent was allowed in White Label ATMs (WLAs) through the automatic route. Non-bank entity intending to set up WLAs must have a minimum net worth of Rs. 100 crore.

11. Asset Reconstruction Companies

May 2016: 100 per cent FDI was allowed through the automatic route.

12. Credit Information Companies

Nov 2015: The 74 per cent cap on FDI was removed.

13. Stock Exchanges

Jul 2016: Cabinet accords approval for raising the limit of FDI in Stock Exchanges from 5 per cent to 15 per cent.

Feb 2017: FDI up to 49 per cent in infrastructure companies in Securities Markets, namely stock exchanges, commodity exchanges, depositories and clearing corporations, in compliance with SEBI Regulations.

14. Plantations

Nov 2015: 100 per cent FDI through Automatic Route was allowed in Tea, Coffee, Rubber, Cardamom, Palm Oil tree and Olive Oil tree plantations. Earlier 100 per cent FDI had been allowed in Tea plantations though the approval route.

15. Animal Husbandry

Jun 2016: The requirement of 'under controlled conditions' was removed.

16. Private Security Agencies

Jun 2016: FDI Limit was raised from 49 per cent to 74 per cent -- approval route for FDI between 49 per cent and 74 per cent; earlier up to 49 per cent under approval route.

17. Definition

Jun 2015: Definition of NRI was expanded to include 'Overseas Citizen of India' in addition to 'Persons of Indian Origin' cardholders. Further, NRI investments "will be deemed to be domestic investment at par with the investments by residents".

18. CPSEs

Feb 2016: Budget Speech:

(i) The existing 24 per cent limit for investment by FPIs in Central Public Sector Enterprises, other than Banks, listed in stock exchanges, will be increased to 49 per cent.

(ii) To ensure effective implementation of Bilateral Investment Treaties signed by India with other countries, it is proposed to introduce a Centre State Investment Agreement. This will ensure fulfilment of the obligations of the State Governments under these Treaties.

Annexure-B

A Distribution of the Reported Inflows According to the Make in India Thrust Sectors in Two Periods

	Sector	*Reported Inflow ($ mn.)*	
		2012 & 2013	*Oct. 2014 to Mar 2017*
(1)	*(2)*	*(3)*	*(4)*
A	**Make in India**	**27,773.09**	**59,687.28**
1	**Energy**	**3,150.63**	**4,285.89**
	• Power	1,289.96	2,279.16
	• Non-Conventional Energy	1,565.34	1,799.57
	• Others (Fuels)	295.33	207.16
2	**Manufacturing**	**12,614.84**	**19,021.18**
	• Automobile Industry	2,721.75	5,827.20
	• Chemicals (Other Than Fertilizers)	951.13	3,211.86
	• Electrical Equipment	479.22	2,847.20
	• Drugs & Pharmaceuticals	2,428.44	2,018.18
	• Food Processing Industries	3,908.28	1,466.32
	• Textiles (Including Dyed, Printed)	303.37	976.37
	• Medical and Surgical Appliances	227.87	705.27
	• Fermentation Industries	891.00	431.22
	• Electronics	152.21	316.26
	• Vegetable Oils and Vanaspati	126.03	254.53
	• Computer Hardware	1.51	246.33
	• Fertilizers	63.21	200.90
	• Railway Related Components	187.41	169.55
	• Sugar	13.87	148.54
	• Commercial, Office & Household Equipment	51.20	55.92
	• Aircraft Manufacturing	16.38	48.13
	• Leather, Leather Goods and Pickers	54.67	37.43
	• Ship Building	2.51	24.15
	• Oil Refinery	33.05	21.62
	• Dye-Stuffs	0.50	14.02
	• Defence Industries	1.23	0.18
3	**Services**	**12,007.62**	**36,380.21**
	• Computer Software Industry	1,169.04	11,153.72

Contd…

(1)	(2)	(3)	(4)
	• Telecommunications	394.19	7,317.94
	• Construction (Infrastructure) Activities	572.37	7,119.41
	• Information & Broadcasting (Including Print Media)	1,134.15	2,731.30
	• Hotel & Tourism	3,714.49	2,611.12
	• Hospital & Diagnostic Centres	1,053.75	1,844.51
	• Shipping	104.83	1,339.58
	• Mining Services/Mining	71.15	803.96
	• Outsourcing	66.06	464.91
	• Air Freight	40.76	424.21
	• Construction Development: Townships, Housing, Built-Up Infrastructure, etc.	3,594.29	418.97
	• Oil Exploration	2.21	112.71
	• Others (Software)	88.11	30.87
	• Airports	1.30	5.08
	• Ports	0.00	1.91
	• Transportation (Oil Refinery)		0.01
	• Ground Handling	0.92	
B	**Others**	**17,053.81**	**40,205.11**
1	**Primary**	**230.32**	**191.61**
	• Agriculture Services	230.32	191.61
2	**Manufacturing**	**7,653.61**	**11,531.49**
	• Cement and Gypsum Products	350.62	2,254.93
	• Metallurgical Industries	2,056.69	2,059.13
	• Miscellaneous Industries	746.01	1,523.20
	• Industrial Machinery	1,066.86	1,276.48
	• Rubber Goods	966.76	723.24
	• Miscellaneous Mechanical & Engineering Industries	414.65	669.32
	• Prime Mover (Other than Electrical Generators)	422.65	582.73
	• Diamond, Gold Ornaments	98.84	442.55
	• Paper and Pulp (Including Paper Products)	127.17	394.91
	• Soaps, Cosmetics & Toilet Preparations	303.04	370.90
	• Printing of Books (Including Litho Printing Industry)	127.69	214.08
	• Earth-Moving Machinery	24.25	166.96
	• Machine Tools	241.54	162.17
	• Boilers and Steam Generating Plants	20.40	131.81

Contd…

(1)	*(2)*	*(3)*	*(4)*
	• Glass	265.91	117.16
	• Glue and Gelatin	0.28	95.99
	• Ceramics	129.99	93.55
	• Scientific Instruments	85.51	84.48
	• Agricultural Machinery	137.84	83.40
	• Timber Products	53.27	71.28
	• Industrial Instruments	1.11	9.07
	• Tea and Coffee (incl. processing & warehousing Coffee & Rubber)	5.64	4.15
	• Mathematical, Surveying and Drawing Instruments	6.71	
	• Coir	0.18	
3	**Services**	**9,169.88**	**28,482.01**
	• Trading	1,375.88	7,937.13
	• Non-Financial Services/Business Services	3,631.11	5,549.00
	• Financial	1,581.28	5,540.94
	• Insurance	568.55	4,734.51
	• Banking Services	353.30	1,193.23
	• Consultancy Services	341.86	936.70
	• Retail Trading		829.40
	• Other Services	597.30	737.36
	• Education	449.46	452.17
	• Research & Development (R&D)	56.55	376.34
	• Courier	88.85	127.09
	• Technical Testing And Analysis	111.01	68.14
	• Commodity Exchange	9.27	
	• Retail Trading (Single Brand)	5.46	
	Grand Total (A + B)	**44,826.90**	**99,892.39**

Source: Based on the sectoral distribution of inflows reported in the *SIA Newsletter*.

Annexure-C

Illustrative List of Inflows Reflecting the Gap between Reporting of Inflows and Allotment of Shares

SN.	*Name of the Co/Foreign Investor*	*Month of Reporting*	*Allotment of Shares*	*Inflow (Rs. mn.)*
	(1)	*(2)*	*(3)*	*(4)*
AAM India Mfg.				
1	AAM International Holdings Inc.	Nov-14	10-Mar-14	586.50
Acebright India Pharma Pvt Ltd				
2	Couplet Ltd	Dec-14	20-May-14	360.72
Adamas Builders Pvt Ltd				
3	Green World Developments Ltd	Feb-15	28-Mar-12	1,150.00
4	Golden Bella Holdings Ltd	Feb-15	Rs. 600 mn. on 15-04-2014	1,000.00
Alexis Multi Speciality Hospital Pvt Ltd				
5	Alexis Healthcare Holding Ltd	Mar-16	03-Apr-12	30.87
6	Alexis Healthcare Holding Ltd	Mar-16	26-Nov-12	174.97
7	Alexis Healthcare Holding Ltd	Mar-16	25-Nov-13	171.18
Alpha-Pharma Healthcare India Pvt Ltd				
8	Alpha-Pharma Group Ltd	Feb-15	05-Jun-13	18.13
9	Alpha-Pharma Group Ltd	Feb-15	01-Aug-13	36.15
10	Alpha-Pharma Group Ltd	Feb-15	23-Sep-13	23.52
11	Alpha-Pharma Group Ltd	Feb-15	14-Nov-13	82.28
12	Alpha-Pharma Group Ltd	Feb-15	30-May-14	42.00
Amazon Seller Services Pvt Ltd				
13	Amazon Asia Pacific Resources Pte Ltd	Apr-15	24-Mar-14	3,224.58
14	Amazon Eurasia Holdings Sarl	Apr-15	24-Mar-14	0.05
15	Amazon Asia Pacific Resources Pte Ltd	Apr-15	9-Dec-13	1,116.98
16	Amazon Asia Pacific Resources Pte Ltd	Apr-15	24-Mar-14	3,224.58
ANI Technologies Pvt Ltd				
17	Matrix Partners India Investment Holding	Oct-14	12-Nov-13	365.34
18	Steadview Capital Mauritius Ltd	Oct-14	09-Jul-14	9.55
19	Massachusetts Institute of Technology	Oct-14	09-Jul-14	6.88
20	LTR Focus Fund	Oct-14	09-Jul-14	5.77
21	Tiger Global Six India II Holdings	Oct-14	09-Jul-14	22.20
22	Sequoia Capital India Investments IV	Oct-14	24-Jul-14	277.50
Apache SEZ Development India Ltd				
23	Apache Investment Holding Pte Ltd	Dec-15	31-08-2014 (date approved: 15-Feb-2014)	62.01

Contd…

	(1)	(2)	(3)	(4)
24	Apache Investment Holding Pte Ltd	Dec-15	04-Apr-13	19.24
Archroma India Pvt Ltd				
25	SK Spice Sarl – Pe	Mar-15	FCDs already held on March 31 2014	1,692.53
26	Archroma Textiles Sarl	Mar-15	21-Mar-14	304.92
27	Archroma Textiles Sarl	Mar-15	21-Mar-14	126.27
28	Archroma Paper Sarl	Mar-15	21-Mar-14	3.08
29	Archroma Paper Sarl	Mar-15	21-Mar-14	1.28
Arkray Healthcare Pvt Ltd				
30	Arkray Global Business Inc	Jun-15	26-Feb-14	557.97
Arksun Systems Solutions Pvt Ltd				
31	AIRI Consulting SA	Sep-14	12-Jul-14	293.96
Ashok Leyland John Deere Construction Equipment Pvt Ltd				
32	John Deere Asia (Singapore) Pte Ltd	Mar-16	07-Feb-12	100.00
33	John Deere Asia (Singapore) Pte Ltd	Dec-15	29-Nov-12	100.00
34	John Deere Asia (Singapore) Pte Ltd	Sep-15	16-Jul-14	50.00
Baxter India Pvt Ltd				
35	Baxter Pacific Investments Pte Ltd	Feb-15	17-Feb-14	1,604.47
		Issued against conversion of ECBs of earlier years.		
Big India Malls Pvt Ltd				
36	Big Global Enterprises	Sep-15	most likely to have been issued on 06-12-2011	325.06
37	LBREP II Big India Mauritius Holdings	Feb-15	06-Dec-11	141.62
Bridgestone (India) Pvt Ltd				
38	Bridgestone Asia Pacific Pte Ltd	Sep-16	28-Nov-14	1,243.00
Caparo Engineering India Pvt Ltd				
39	Blue Elephant Finance Ltd	Sep-15	17-Jan-12	250.55
Capital First Ltd				
40	Cleverdale Investment Ltd	Dec-16	18-Mar-14	1,285.33
41	Cleverdale Investment Ltd	Dec-16	28-Sep-12	500.00
42	Cleverdale Investment Ltd	Sep-16	28-Sep-12	500.00
Cargill India Pvt Ltd				
43	Cargill Mauritius Ltd	Oct-14	12-Aug-14	3,598.13
Carlsberg India Pvt Ltd				
44	South Asian breweries Pte Ltd	Oct-14	25-Aug-14	802.87
Carrefour WC &C India Pvt Ltd				
45	Carrefour Nederlands BV	Sep-14	16-Dec-13	1,520.00

Contd…

	(1)	(2)	(3)	(4)
46	Carrefour Nederlands BV	Oct-14	16-Dec-13	712.50
47	Carrefour Nederlands BV	Oct-14	16-Dec-13	712.50
48	Intercross Roads BV	Sep-14	16-Dec-13	80.00
49	Intercross Roads BV	Oct-14	16-Dec-13	37.50
50	Intercross Roads BV	Oct-14	16-Dec-13	37.50
Celio Future Fashion Ltd				
51	Celio International S A	Mar-16	20-Nov-09	35.10
52	Celio International S A	Mar-16	27-Dec-11	50.00
53	Celio International S A	Mar-16	28-Jan-13	49.00
54	Celio International S A	Mar-16	13-Jan-14	234.00
CGI Information Systems & Management				
55	CGI Technologies & Solutions Inc	Dec-14	22-Nov-13	1,695.00
Chiripal Industries Ltd				
56	Orange Mauritius Investment Ltd	Apr-15	13-Jan-12	430.84
Chiripal Poly Films Ltd				
57	Opullance Investments Ltd.	Mar-16	30-Mar-13	166.64
58	Dessert Diamond General Trading	Mar-16	16-Jul-10	12.98
Continental Automotive Brake Systems India				
59	Continental Automotive Holding Netherlands	Oct-14	25-Jun-12	275.60
60	Continental Automotive Holding Netherlands	Oct-14	31-Aug-12	69.48
61	Continental Automotive Holding Netherlands	Oct-14	11-Nov-13	80.88
62	Continental Automotive Holding Netherlands	Oct-14	25-Jun-14	81.00
63	Continental Automotive Holding Netherlands	Jan-15	12-Aug-14	350.00
Continental India Ltd				
64	Continental Global Holding Netherlands	Dec-14	31-Jul-14	2,860.90
Corning Technologies India Pvt Ltd				
65	Corning (Singapore) Holding Co	Sep-14	15-Jul-14	3,077.91
66	Corning Finance Bv	Sep-14	15-Jul-14	31.09
Coslight India Telecom Pvt Ltd				
67	I- Coslight Hong Kong Ltd	Nov-14	21-Feb-14	52.87
68	Harbin Coslight Storage Battery Co Ltd	Jan-15	28-Mar-14	53.81
69	Harbin Coslight Storage Battery Co Ltd	Jan-15	29-May-14	83.28
Cosma International India Pvt Ltd				
70	Magna Cyprus Holding Ltd	Sep-15	11-Sep-13	864.42
71	Magna Cyprus Holding Ltd	Apr-15	24-Feb-14	751.44
Daikin Airconditioning India Pvt Ltd				
72	Daikin Industries Ltd	Dec-14	18-Dec-13	3,300.00
Daimler Financial Services India Pvt Ltd				

Contd…

	(1)	(2)	(3)	(4)
73	Daimler Ag	Dec-14	16-Jun-11	2,900.00
74	Daimler Ag	Dec-14	11-Jul-11	925.00
75	Daimler Ag	Dec-14	08-Mar-12	1,164.70
76	Daimler Ag	Dec-14	29-Nov-13	1,275.00
Daimler India Commercial Vehicles Pvt Ltd				
77	Daimler Ag	Oct-14	31-Mar-14	9,338.87
Demag Cranes And Components India Pvt Ltd				
78	Terex Singapore Pte Ltd	Mar-16	19-Mar-14	501.60
Dresser Rand India Pvt Ltd				
79	Dresser Rand Co	Mar-16	#	487.65
	# No evidence of fresh issue of shares/ debentures since 2007 except 1 share being issued for Rs. 78 on September 21, 2010.			
E Land Fashion India Pvt Ltd				
80	E-Land Asia Holdings Pte Ltd	Jan-15	27-Dec-13	795.55
Ecolab Food Safety & Hygiene Solutions Pvt Ltd				
81	Ecolab Luxembourg 7 Sarl	Dec-14	21-May-14	1346.63
Eicher Polaris Pvt Ltd				
82	Polaris Industries Inc	Mar-15	20-Dec-12	55.00
83	Polaris Industries Inc	Mar-15	17-Jul-13	200.00
84	Polaris Industries Inc	Mar-15	03-Feb-14	300.00
85	Polaris Industries Inc	Feb-15	08-May-14	250.00
Emerson Process Management (I) Pvt Ltd				
86	Rutherfurd Acquisitions Limited	Sep-16	01-Oct-13	21,323.76
Fiat Group Automobiles India Pvt Ltd				
87	Fiat Group Automobiles Spa	Oct-14	18-Nov-13	289.00
88	Fiat Group Automobiles Spa	Oct-14	12-Feb-14	500.00
89	Fiat Group Automobiles Spa	Oct-14	27-Aug-14	1,950.00
Ferrero India Pvt Ltd				
90	Ferrero Spa	Jun-15	24-Oct-13	959.74
91	Simest S.P.A	Jun-15	24-Oct-13	165.57
92	Magic Production Group S.A	Jun-15	24-Oct-13	66.30
Fiat India Automobiles Ltd				
93	Fiat Group Automobiles S.P.A	Mar-16	27-Jun-13	3,250.00
Foundation Brake Manufacturing Ltd				
94	Chasis Brakes Intl BV	Dec-16	10-Jun-14	1,160.00
95	Chasis Brakes Intl BV	Sep-16	19-Nov-13	210.00
Fresenius Kabi India Ltd				
96	Fresenius Kabi AG	Oct-14	29-Mar-14	300.00

Contd…

	(1)	(2)	(3)	(4)
GE India Industrial Pvt Ltd				
97	GE Energy Europe BV	Oct-14	25-Mar-13	1,893.32
98	GE Pacific Pte Ltd	Oct-14	25-Mar-13	306.68
General Cable Energy India Pvt Ltd				
99	GCNZ India Cable	Sep-15	14-Oct-13	81.45
100	GCNZ India Cable 2 Ltd	Sep-15	14-Oct-13	81.45
101	General Cable Trading	Sep-15	14-Oct-13	108.96
102	General Cable Trading	Oct-14	18-Jul-14	123.76
General Motors India Pvt Ltd				
103	SAIC General Motors Investment Ltd	Jan-15	18-Dec-12	7,368.54
104	SAIC General Motors Investment Ltd	Jan-15	16-Jan-14	5,062.31
105	SAIC General Motors Investment Ltd	Jan-15	16-Jan-14	2,165.05
106	SAIC General Motors Investment Ltd	Jan-15	28-Feb-14	1,858.70
107	SAIC General Motors Investment Ltd	Jan-15	30-Apr-14	1,814.48
Geosansar Advisors Pvt Ltd				
108	Gaia Finance Ltd	Mar-16	31-Mar-10	6.74
109	Gaia Finance Ltd	Mar-16	01-May-11	4.99
110	Geosansar Mauritius Ltd	Mar-16	03-Oct-11	33.67
111	Gaia Finance Ltd	Mar-16	30-Apr-12	44.99
112	Gaia Finance Ltd	Mar-16	21-Oct-12	49.88
113	Geosansar Mauritius Ltd	Mar-16	21-Oct-13	129.24
114	Geosansar Mauritius Ltd	Mar-16	06-Jun-14	67.17
Getit Infoservices Pvt Ltd				
115	Astro Entertainment Networks Ltd	Jun-16	10-Oct-13	450.00
116	Astro Entertainment Networks Ltd	Mar-16	04-Sep-14	573.24
117	Astro Entertainment Networks	Mar-16	13-Mar-14	1,875.68
Global Textile Alliance India Pvt Ltd				
118	Oostrofil NV Belgium	Oct-14	30-Jun-14	81.20
GMR Infrastructure Ltd		Mar-15	26-Mar-14	7,888.17
119	Dunearn Investments (Mauritius) Pte Ltd			
Gokaldas Exports Ltd				
120	Blackstone FP Capital Partners	Sep-16	20-Aug-07	4,735.84
		Blackstone exited the company in July 2017.		
Grainger Industrial Supply India Pvt Ltd				
121	India Pacific Brands Mauritius	Sep-16	16-Jan-08	86.02
122	India Pacific Brands Mauritius	Jan-15	18-Mar-13	480.15
Henkel Adhesive Technologies India Pvt Ltd				
123	Henkel KGaA	Sep-16	13-Nov-08	2,725.00

Contd…

	(1)	(2)	(3)	(4)
Hewlett Packard Financial Services India Pvt Ltd				
124	HPFS Venture Holdings Ltd	Mar-16	28-Mar-14	935.33
Highly Electrical Appliances India Pvt Ltd				
125	Shanghai Hitachi Elcectrical Appliances	Oct-14	23-Jun-14	206.48
Hi-Lex India Pvt Ltd				
126	Hi-Lex Corp (Ear: Nippon Cable Sy	May-15	31-Mar-14	700.00
Hitachi Hi Real Power Electricals Pvt Ltd				
127	Hitachi Ltd	Mar-16	shares were transferred on 13-06-2014	2,032.23
Ibibo Group Private Limited				
128	MIH India Ecommerce Pte Ltd	May-15	29-Nov-13	370.74
129	MIH India (Mauritius) Ltd	May-15	02-Feb-13	741.94
130	MIH India Ecommerce Pte Ltd	May-15	21-Mar-14	683.51
131	MIH India Ecommerce Pte Ltd	Sep-15	02-May-14	332.91
132	MIH India Ecommerce Pte Ltd	May-15	06-Jun-14	324.63
133	MIH India Ecommerce Pte Ltd	Sep-15	25-Jul-14	360.69
Ikea India Pvt Ltd				
134	Ingka Holding Overseas BV	Sep-14	were already held at the end of March 2014	209.79
Inbisco India Pvt Ltd				
135	Equidad International Pte Ltd	Mar-15	20-Mar-13	216.40
Insitel Services Pvt Ltd				
136	SSA Fund (Singapore) Pte Ltd	Sep-15	30-Oct-12	4,811.40
137	SSA Fund (Singapore) Pte Ltd	Sep-15	30-Nov-12	2,640.24
138	SSA Fund (Singapore) Pte Ltd	Sep-15	12-Dec-12	7,037.68
139	SSA Fund (Singapore) Pte Ltd	Sep-15	20-Dec-12	4,430.46
140	SSA Fund (Singapore) Pte Ltd	Sep-15	04-Jan-13	1,036.75
141	SSA Fund (Singapore) Pte Ltd	Sep-15	23-Dec-13	2,032.94
142	SSA Fund (Singapore) Pte Ltd	Sep-15	20-Mar-14	14,145.48
143	SSA Fund (Singapore) Pte Ltd	Sep-15	27-Mar-14	1,326.38
144	SSA Fund (Singapore) Pte Ltd	Sep-15	13-May-14	1,443.00
145	SSA Fund (Singapore) Pte Ltd	Sep-15	19-May-14	2,955.35
Jamshedpur Continuous Annealing & Process				
146	Nippon Steel Corp	Jun-15	17-Aug-12	2,180.34
Jasper Infotech Pvt Ltd (Snapdeal)				
147	Ebay (Singapore) Services Pte Ltd	May-15	30-Apr-13	259.97
148	Nexus India	May-15	30-Apr-13	259.97

Contd…

	(1)	(2)	(3)	(4)
149	Samma Capital II	May-15	30-Apr-13	27.00
150	Anand & Venky LLC	May-15	30-Apr-13	13.50
151	Kenneth Glass	May-15	30-Apr-13	5.38
152	The Entrust Group Inc	May-15	30-Apr-13	5.38
153	Hans Tung	May-15	30-Apr-13	2.75
154	Ebay (Singapore) Services Pte Ltd	May-15	04-Mar-14	5,517.89
155	Kalaari Capital Partners-II LLC	May-15	04-Mar-14	185.78
156	Nexus India Direct Investment-II	May-15	04-Mar-14	123.97
157	Baccasnapdeal Mauritius Pvt Ltd	May-15	04-Mar-14	123.91
158	Kalaari Capital Partners-II LLC	May-15	04-Mar-14	123.91
159	Saama Capital Us Advisors	May-15	04-Mar-14	123.91
160	Shali Mauritius Pvt Ltd	May-15	04-Mar-14	123.91
161	Baccasnapdeal Mauritius Pvt Ltd	May-15	04-Mar-14	61.82
162	Shali Mauritius Pvt Ltd	May-15	04-Mar-14	61.82
163	Ebay (Singapore) Services Pte Ltd	May-15	04-Mar-14	28.74
164	Anand & Venky LLC	May-15	04-Mar-14	9.40
165	Kenneth Glass	May-15	04-Mar-14	6.01
166	Saama Capital II Ltd	May-15	04-Mar-14	6.01
167	The Entrust Group Inc	May-15	04-Mar-14	5.92
168	Nexus Opportunity Fund Ltd	May-15	29-Apr-14	929.68
169	Dunearn Investments (Mauritius) Pte Ltd	May-15	13-May-14	1,859.81
170	Myriad Opportunities Master Fund Ltd	May-15	13-May-14	1,332.96
171	Tybourne Equity Master Fund	May-15	13-May-14	929.91
172	Pan Asia Opportunities Master Fund Ltd	May-15	13-May-14	390.38
173	Blackrock International Opportunities P	May-15	13-May-14	316.45
174	Blackrock International Growth And Income	May-15	13-May-14	168.15
175	Emerging Markets Alpha Master Fund Limit	May-15	13-May-14	158.55
176	Blackrock Global Opportunities Equity Tr	May-15	13-May-14	112.38
177	Blackrock Science & Technology Opportuni	May-15	13-May-14	60.42
178	Optimum International Fund	May-15	13-May-14	59.99
179	Blackrock Global Opportunities Portfolio	May-15	13-May-14	34.22
Jet Airways Ltd				
180	Etihad Airways	Mar-16	24-Apr-13	20,576.65
Jet Privilege Private Ltd				
181	Etihad Airways	Mar-16	Investment agreement signed in Nov 2013 to issue 54,997 shares aggregating to $150	9,169.65

Contd…

(1)		(2)	(3)	(4)
			mn. The shares were issued on March 24 2014 - Rs. 8,539.82 mn	
Jubilant Generics Ltd				
182	Jubilant Pharma Ltd., Singapore	May-15	02-Jul-14	4,241.00
183	Jubilant Pharma Ltd., Singapore	Jun-16	28-May-14	4,117.40
Kobelco Cranes India Pvt Ltd				
184	Kobelco Cranes Co Ltd	Oct-14	22-Aug-14	223.57
Komatsu India Ltd				
185	Komatsu Asia & Pacific Pvt Ltd	Sep-16	11-Dec-08	1,500.00
186	Komatsu Asia & Pacific Pvt Ltd	Sep-16	26-Feb-10	2,400.00
187	Komatsu Asia & Pacific Pvt Ltd	Sep-16	07-Jun-13	2,700.00
Lanxess (India) Pvt Ltd				
188	Lanxess Deutschland Gmbh	Sep-16	18-Jul-12	2,063.10
Liebherr Cmctech India Pvt Ltd				
189	Liebherr Cmctec Gmbh	Apr-15	06-Oct-09	230.06
190	Liebherr Cmctec Gmbh	Apr-15	25-Jan-11	246.40
191	Liebherr Cmctec Gmbh	Apr-15	01-Aug-11	463.11
Magna Closures Automotive Pvt Ltd				
192	Magna Cyprus Holding Ltd	Jan-15	04-Jan-13	193.23
193	Magna Cyprus Holding Ltd	Mar-16	28-Oct-13	83.18
194	Magna Cyprus Holding Ltd	Feb-15	20-Jan-14	134.52
195	Magna Cyprus Holding Ltd	Mar-16	07-Mar-14	16.11
Matix Fertilisers & Chemicals Ltd				
196	Essar Capital Holding Ltd	Oct-14	14-Dec-10	501.78
197	Matix Fertilisers Holdings Ltd	Oct-14	09-Feb-11	1,114.56
198	Matix Fertilisers Holdings Ltd	Oct-14	31-Mar-11	1,126.70
199	Matix Fertilisers Holdings Ltd	Oct-14	30-Aug-11	1,517.17
200	Matix Fertilisers Holdings Ltd	Oct-14	09-Jan-13	1,511.73
201	Matix Fertilisers Holdings Ltd	Oct-14	10-Apr-13	663.29
202	Matix Fertilisers Holdings Ltd	Oct-14	14-Jun-13	833.57
203	Matix Fertilisers Holdings Ltd	Oct-14	20-Aug-13	829.36
204	Matix Fertilisers Holdings Ltd	Oct-14	16-Oct-13	300.15
205	Matix Fertilisers Holdings Ltd	Oct-14	28-Nov-13	745.72
206	Matix Fertilisers Holdings Ltd	Oct-14	01-Jul-14	389.82
Mitsuba Sical India Ltd				
207	Mitsuba Corp	Mar-15	13-Jul-12	714.00
208	Mitsuba Corp	Mar-15	22-Nov-13	817.83

Contd…

	(1)	(2)	(3)	(4)
209	Mitsuba Corp	Mar-15	26-May-14	634.97
Nipro Tube Glass Pvt Ltd				
210	Nipro Corp	Jan-15	03-Aug-12	412.00
211	Nipro Corp	Jan-15	28-May-13	931.93
212	Nipro Corp	Jan-15	24-Jan-14	396.22
Nivea India Pvt Ltd				
213	Beiersdorf AG	Oct-14	25-Mar-14	379.17
214	Phanex Handelsgesells Chaft	Oct-14	25-Mar-14	3.83
215	Beiersdorf AG	Feb-15	06-Aug-14	1,002.38
216	Phanex Handelsgesellschaft Mbh	Feb-15	06-Aug-14	10.13
Novateur Electrical And Digital Systems Pvt Ltd				
217	Legrand Nederland BV	Mar-16	24-Sep-12 (Eq.)	677.15
218	Legrand Nederland BV	Mar-16	24-Sep-12 (Db.)	7,787.29
NSK-ABC Bearings Pvt Ltd				
219	NSK Ltd	Mar-16	04-Aug-09	440.00
220	NSK Ltd	Mar-16	22-Jul-10	450.00
221	NSK Ltd	Mar-16	28-Jul-11	820.00
222	NSK Ltd	Mar-16	12-Jan-12	1,590.00
223	NSK Ltd	Mar-16	07-Mar-13	1,200.00
NSK India Sales Company Pvt Ltd				
224	NSK Ltd	Sep-15	19-Mar-08	99.80
225	NSK Ltd	Sep-15	27-Dec-12	1900.00
Nutricia International Pvt Ltd				
226	Danone Asia Pacific Holdings Pte Ltd	May-15	10-Jun-12	53.20
227	Danone Asia Pacific Holdings Pte Ltd	Oct-14	22-Aug-14	425.00
Omori India Pvt Ltd				
228	Omori Investments Co Ltd	Dec-15	Bought 31,700 shares from existing shareholders on 20/09/2013	366.00
Par Formulations Pvt Ltd				
229	Par Pharmaceutical Inc	Dec-15	13-Aug-12	215.68
Permian Investments Pvt Ltd				
230	Pill G Raja	Jun-15	17-Mar-14	45.85
231	Ravikumar P Vemuru	Jun-15	17-Mar-14	18.43
232	Shyleshganta	Jun-15	17-Mar-14	9.35
233	Swapna G Patel	Jun-15	17-Mar-14	9.35
234	Sai P Gundlapalli	Jun-15	17-Mar-14	9.34
235	Vikram N Patel	Jun-15	17-Mar-14	9.34

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	(1)	*(2)*	*(3)*	*(4)*
236	Ashit Singh	Jun-15	17-Mar-14	9.22
237	Pillarisetty G Raja	Jun-15	16-Aug-14	15.55
238	Ravikumar P Vemuru	Jun-15	16-Aug-14	7.50
239	Sreehari Patibandla	Jun-15	16-Aug-14	3.71
240	Srinivas P Kadiyala	Jun-15	16-Aug-14	3.71
241	Sai P Gundlapalli	Jun-15	16-Aug-14	3.70
242	Trupti Patel	Dec-15	16-Aug-14	3.58
243	Shylesh Ganta	Jun-15	16-Aug-14	3.10
Piaggio Vehicles Pvt Ltd				
244	Piaggio & C. Spa	Feb-15	30-Sep-13	639.97
Posco Maharashtra Steels Ltd				
245	POSCO	Sep-16	07-Jul-14	4,621.67
246	POSCO	Sep-16	03-Oct-13	1,521.80
247	POSCO	Sep-16	03-Feb-14	1,264.80
Procter & Gamble Home Products Ltd				
248	Procter & Gamble Overseas India BV	Sep-16	26-Sep-12	4,472.80
249	Procter & Gamble Overseas India BV	Dec-16	13-Oct-2011	3,600.00
250	Procter & Gamble Overseas India BV	Dec-16	11-May-2011	3,450.00
251	Procter & Gamble Overseas India BV	Sep-16	2-Feb-2012	2,900.00
252	Procter & Gamble Overseas India BV	Apr-15	9-Oct-2013	2,835.00
253	Procter & Gamble Overseas India BV	Sep-16	6-Dec-2012	2,795.50
254	Procter & Gamble Overseas India BV	Dec-16	Apr 2010-Mar 2011	2,700.00
255	Procter & Gamble Overseas India BV	Apr-15	31-Mar-2014	2,440.00
256	Procter & Gamble Overseas India BV	Apr-15	10-Jun-2013	2,360.00
257	Procter & Gamble Overseas India BV	Apr-15	29-Sep-2014	2,358.00
258	Procter & Gamble Overseas India BV	Sep-16	14-Mar-2013	2,160.00
259	Procter & Gamble Overseas India BV	Dec-16	07-Nov-12	1,677.30
Quest Diagnostics India Pvt Ltd				
260	Quest Diagnostics Inc	Sep-15	28-Jun-13	215.20
Reid & Taylor India Ltd				
261	Indivest Pte Ltd	Dec-16	FY 2008-09	6,900.04
Rieter India Pvt Ltd				
262	Rieter Holding AG	Jun-15	Rieter Holding AG acquired shares from existing shareholders on May 21 2014	420.00
Robert Bosch Automotive Steering Pvt Ltd				
263	ZF Lenksysteme GMBH	Dec-16	26-May-10	22.20

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	(1)	(2)	(3)	(4)
264	ZF Lenksysteme GMBH	Dec-16	03-Feb-11	66.60
265	ZF Lenksysteme GMBH	Dec-16	30-Jan-14	175.38
266	ZF Lenksysteme GMBH	Dec-16	30-Oct-13	296.00
267	ZF Lenksysteme GMBH	Dec-16	20-Aug-14	429.20
268	ZF Lenksysteme GMBH	Dec-16	08-Feb-12	509.86
269	ZF Lenksysteme GMBH	Dec-16	30-Jan-13	509.86
Roquette Riddhi Siddhi Pvt Ltd				
270	Roquette Freres	Sep-14	shares were transferred on 25 june 2014	1,850.00
Samhi Hotels (Ahmedabad) Pvt Ltd				
271	Ray Ltd	Sep-14	26-Nov-13	11.76
272	Blue Chandra Pte Ltd	Sep-14	26-Nov-13	881.94
273	GTI Capital Alpha Pvt Ltd	Sep-14	26-Nov-13	311.62
Sacmi Engineering India Pvt Ltd				
274	Holding Partecipazioni Sacmi S P A	Nov-14	02-Apr-13	160.96
275	Holding Partecipazioni Sacmi S P A	Nov-14	28-Jul-14	32.26
SCA Hygiene Products India Pvt Ltd				
276	SCA Group Holdings BV	Mar-15	17-Jul-13	436.00
277	SCA Group Holdings BV	Mar-15	16-Dec-13	395.00
278	SCA Group Holdings BV	Nov-14	30-Apr-14	500.00
279	SCA Group Holdings BV	Mar-15	14-Aug-14	200.00
Scania Commercial Vehicles India Pvt Ltd				
280	Scania Cv Ab	Dec-15	12-May-14	255.73
Schott Glass India Pvt Ltd				
281	Schott Glaswerke Beteiligungs-Und Export	Mar-16	28-Jun-13	350.00
Seiren India Pvt Ltd				
282	Seiren Co Ltd	Jun-15	15-Mar-13	1,250.00
Serco BPO Pvt Ltd				
283	Serco International Sarl	Dec-15	04-Nov-11	1,949.87
Sharp Business Systems India Ltd				
284	Sharp Corp	Jun-15	28-Sep-12	316.00
285	Sharp Corp	Jun-15	01-Feb-13	364.00
Shell India Markets Pvt Ltd				
286	Shell Gas BV	Dec-15	21-Mar-07	4,471.08
287	Shell Gas BV	Dec-15	24-Dec-09	478.46
288	Shell India Ventures Pte Ltd	Dec-15	12-Apr-10	4,136.40
289	Shell Gas BV	Dec-15	08-Sep-10	923.90
290	Shell Gas BV	Dec-15	17-Mar-11	678.60

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	(1)	*(2)*	*(3)*	*(4)*
291	Shell Gas BV	Dec-15	17-Mar-11	89.99
292	Shell Gas BV	Dec-15	30-Aug-11	379.50
293	Shell Gas BV	Dec-15	23-Nov-11	5,145.00
294	Shell Gas BV	Dec-15	15-Mar-12	404.40
295	Shell Gas BV	Dec-15	15-Mar-12	247.80
296	Shell Gas BV	Dec-15	21-Jan-14	316.98
Showa India Pvt Ltd				
297	Showa Corp	Sep-15	25-Oct-06	388.22
298	Showa Corp	Sep-15	21-May-10	799.12
299	Showa Corp	Sep-15	27-Sep-12	1,752.00
300	Showa Corp	Sep-15	27-Sep-13	500.00
Soma Tollways Pvt Ltd				
301	Airro (Mauritius) Holdings VI	Jun-16	28-Jul-11	2,300.00
302	Airro (Mauritius) Holdings VI	Jun-16	28-Jun-12	3,300.00
Summit Developments Pvt Ltd				
303	Onega Ltd	Sep-15	14-Dec-11	128.41
Syngenta India Ltd				
304	Syngenta Research Services Pte Ltd	Dec-14	28-Aug-14	972.69
Tata Bluescope Steel Ltd				
305	Bluescope Steel Asia	Mar-16	15-May-12	300.00
306	Bluescope Steel Asia Holdings Pty Ltd.	Mar-16	28-Mar-13	750.00
Techno Electronics Ltd				
307	Tusker Overseas Inc	Mar-16	27-Feb-08	1,040.00
308	Videocon Mauritius Energy Ltd	Dec-16	27-Mar-14	4,500.75
Telewings Communication Services Pvt Ltd				
309	Telenor South Asia Investment Pte Ltd	Jan-15	11-Dec-13	9,785.07
Thyssenkrupp Elevator India Pvt Ltd				
310	Thyssenkrupp Elevator Ag	Mar-15	12-Mar-14	420.00
Toyo Ink India Pvt Ltd				
311	Toyo Ink SC Holdings Ltd	Jan-15	29-Nov-12	243.00
TPG Wholesale Pvt Ltd				
312	TPG Asia Sfv Pte Ltd	Sep-14	23-Apr-14	2170.00
313	TPG VW Ltd	Mar-16	31-Oct-12	415.32
Unicharm India Pvt Ltd				
314	Unicharm Corp	Apr-15	15-Dec-13	500.00
315	Unicharm Corp	Sep-14	16-Dec-13	1,200.00
316	Unicharm Corp	Sep-14	26-Feb-14	190.00
Uttam Galva Metallics Ltd				

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	(1)	(2)	(3)	(4)
317	Liberty FE Trade DMCC	May-15	05-Mar-12	121.99
318	Sanjeev Gupta	May-15	05-Mar-12	30.00
319	Banyantree Crowth Capital LLC	Mar-16	28-Sep-12	773.12
320	Liberty Steel Holdings Pte Ltd	Mar-16	28-Sep-12	562.09
321	Liberty Steel Holdings Pte Ltd	Apr-15	14-Jan-13	1,095.53
322	UD Industrial Holding Pte. Ltd.	Mar-16	03-Dec-13	478.75
323	Deg Deutsche Investitions - Und Entwickl	Dec-14	29-Mar-14	1,000.00
324	UD Industrial Holding Pte Ltd	Dec-14	29-Mar-14	155.59
Valspar India Coatings Corp Pvt Ltd				
325	The Valspar (Singapore) Corp Pte	Sep-15	04-Jun-12	600.00
Valeo Lighting Systems India Pvt Ltd				
326	Valeo Bayen	Apr-15	06-Aug-08	58.10
327	Valeo Bayen	Sep-15	18-Feb-10	206.15
328	Equipment 11	Sep-15	18-Feb-10	10.85
329	Valeo Bayen	Apr-15	21-Jun-10	66.50
330	Equipment 11	Apr-15	21-Jun-10	3.50
331	Valeo Bayen	Apr-15	07-Jan-13	700.00
Vijay Television Pvt Ltd				
332	SVJ Holdings Ltd	Mar-17	07-Jan-09	11,940.85
WMI Konecranes India Ltd				
333	Konecranes Finance Corp	Sep-15	25-Mar-14	1,079.63
334	KCI Cranes Holding (Singapore) Pte Ltd	Sep-15	25-Mar-14	170.38
Wrigley India Pvt Ltd				
335	WM Wrigley Jr. Co	Sep-15	28-Jun-12	110.13
336	WM Wringley Jr	Sep-14	30-Oct-12	189.14
337	WM.Wrigley J R Co	Nov-14	28-Mar-14	119.85
Wuerth India Pvt Ltd				
338	Wuerth International Ag	Mar-16	30-Apr-13	868.11
Yakult Danone India Pvt Ltd				
339	Danone Probiotics Pte Ltd	Dec-14	28-Feb-14	800.00
340	Yakult Honsha Co Ltd	Dec-14	28-Feb-14	800.00
Yokohama India Pvt Ltd				
341	The Yokohama Rubber Co Ltd	Nov-14	31-Mar-14	373.56
ZF India Pvt Ltd				
342	ZF Friedrichshafen Ag	Oct-14	28-Aug-14	294.91

Note:. (i) Column (2) refers to the reporting in the *SIA Newsletter*. As the frequency shifted to quarterly reporting, from September 2015 onwards, the months refer to quarter ending in those months (e.g. Sep-15 stands for Jul-Sep 2015).
(ii) Some duplicate entries (including those at a later time) cannot be ruled out.

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