Chinese firms, clarifies govt

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Global investors having Chinese shareholding of up to 10 per cent will be eligible to invest in India under the automatic route, across sectors. But this would depend on sectoral caps, according to changes approved under the foreign direct investment (FDI) policy, government officials said on Wednesday.

Earlier, foreign firms with shareholders from China or land-border nations owning even a single share had to seek mandatory approval to invest in any sector in India under the Press Note 3 of the FDI policy.

However, entities registered in China and Hong Kong and countries sharing land borders with India, will continue to need prior government approval in case they want to invest in India.

"All the restrictions for investors from land-bordering countries (LBCs) are still applicable. There is no relaxation so far as entities or investors in LBCs are concerned. This relaxation is only for entities in non-LBCs and having beneficial owners from LBCs below 10 per cent and non-controlling stake... there are no relaxations as far as investments from LBCs are concerned," Department for Promotion of Industry and Internal Trade (DPIIT) joint secretary Jai Prakash Shivahare said. He added that if a firm from a country sharing land border with India provides technology and holds even one per cent stake, through which it may exercise some form of control, the investment will still need approval through the government route.

Shivahare's statement came a day after the Union Cabinet adopted a calibrated approach of easing restrictions on investments from countries sharing land borders with India, including China. It made two amendments — allowed investors from

"IT'S A CHANGING WORLD AND THE OPENING UP DOESN'T MEAN THAT CONCERNS WITH REGARD TO SECURITY HAVE GONE AWAY"

Amardeep Singh Bhatia, DPIIT secretary

The fine print

- Sectors like rare earth magnets and battery components included in list
- List can be expanded or reduced by a CoS headed by Cabinet Secretary
- Despite expedited mechanism, security and political clearance will not be eased

China and other land-border countries holding up to 10 per cent non-controlling stakes under 'automatic-route' and introduced a definitive timeline for processing investment proposals in select sectors to boost domestic manufacturing.

The Press Note 3 restrictions to cases where land-border country investors have only non-strategic, non-controlling interest was seen as adversely affecting flows from investors, including private equity (PE) and venture capital (VC) funds.

DPIIT secretary Amardeep Singh Bhatia said that large global firms such as BlackRock, Carlyle were seeking the easing of the press note.

Press Note 3, notified on April 17, 2020, amended the FDI policy, which mandated prior government approval for investments from an entity of a country, which shares land border with India or where the beneficial owner of an investment into India is situated in or is a citizen of any such country. India's position was revised for 'curbing opportunistic takeovers/acquisitions' of domestic firms, considering their financial stress due to Covid.

The move was mainly targeted to restrict investments from China, amid tensions at the border. Before 17 April, 2020, investments from China could proceed without any prior government approval — also known as the automatic route.

Proposals for investments from China and other land-border countries will include advanced battery components, rare earth permanent magnets, rare earth processing sectors and such applications will be processed and decided within 60 days, Bhatia told reporters that this list can be expanded or reduced by a committee of secretaries (CoS) headed by the Cabinet Secretary. The list also includes sectors like capital goods, electronic capital goods, electronic components, polysilicon and ingot-wafer.

However, he clarified that despite the expedited mechanism being laid out by the government and a definitive 60-day timeline for processing investment proposals, the security and political clearance will not be eased. "It's a changing world and the opening up doesn't mean that concerns with regards to security have gone away," Bhatia said.

At present, about 600 applications are under Press Note 3. The amendments will come into effect after DPIIT and the finance ministry notify it.

Startups may get to access 'stalled' capital under new PN3 regime

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India's move to revise its Press Note 3 rules is expected to ease regulatory friction that has slowed funding from overseas entities with even minority Chinese investment. It would also potentially unlock stalled capital for startups while maintaining scrutiny over strategic investments, industry executives said.

The changes could revive cross-border capital flows, support fundraising momentum for technology startups and ease ownership complexities ahead of potential initial public offerings (IPOs), said industry experts. They said the Union Cabinet had approved important changes to the foreign direct investment (FDI) policy, providing greater clarity around the definition and determination of beneficial ownership. According to the new rules, overseas companies having Chinese shareholding of up to 10 per cent will be eligible to invest in India under the automatic route across sectors.

The revised framework introduces an expedited 60-day approval timeline for investments in select manufacturing sectors. The change is expected to ease cross-border mergers and acquisitions, minority investments and previously-delayed funding rounds. This is particularly beneficial for startups that have historically relied on Chinese venture capital.

"The policy is poised to revive deal activity and improve access to global capital," said Salman Waris, managing partner at tech law firm TechLegis Advocates & Solicitors.

Experts said the policy shift could also boost confidence among startups preparing to go public. This is because clearer rules and faster access to funding improve investor visibility, valuation prospects and operational stability.

"The 60-day approval timeline for proposals in key sectors like electronics and capital goods also supports timely scaling and integration into global supply chains. These are critical for IPO readiness," added Waris. While easing restrictions, the government maintains sectoral caps, majority ownership with Indian entities, and strict beneficial ownership disclosures, ensuring that national security and control are preserved.

The Indian Venture and Alternate Capital Association (IVCA), the apex industry body representing India's alternative capital ecosystem, also welcomed the government's decision to amend the guidelines. The industry body added that the amendments represent a constructive step towards balancing national security considerations with the need to maintain India's attractiveness as a destination for global capital.

Ashley Menezes, chairperson, partner and chief operating officer (COO), ChrysCapital, and chairperson, IVCA, said, "The government's decision to refine the Press Note 3 framework is a timely and thoughtful step. By providing clarity around beneficial ownership and enabling automatic route investments where there is a nominal holding, the policy addresses a long-standing concern faced by investors. This will help restore momentum to capital flows into the country."

Since the introduction of Press Note 3 in 2020, investments where the beneficial owner was from a country sharing a land border with India required government approval.

While the policy was introduced to safeguard against opportunistic takeovers during the pandemic, its application to cases involving minority and non-controlling investors in global fund structures had created practical challenges for cross-border investment flows.

Industry executives said the revised framework now provides clarity to global investors where land-bordering country investors may be present as minority limited partners in diversified global fund structures. This would thereby ease investment flows from international private equity and venture capital funds.

Rajat Tandon, president, IVCA, said: "IVCA welcomes the government's decision to refine the Press Note 3 framework and provide greater clarity around beneficial ownership and investment pathways. As the industry body representing India's alternative capital ecosystem, we believe this is a very constructive step that eases operational friction for global funds investing in India. The industry will now examine the benefits of the revised framework. But it is fair to say that the changes already mark a significant improvement for fund structures and cross-border capital flows."

IVCA also noted that the introduction of a defined timeline for approvals in specific manufacturing sectors will help accelerate technology partnerships, joint ventures and supply chain integration.

Pratibha Jain, group general counsel & head of strategy, Everstone group, said: "The government's clarification on the Press Note 3 framework is a welcome and pragmatic step. By bringing greater clarity to the treatment of beneficial ownership and minority participation in global fund structures, the revised policy addresses a long-standing ambiguity for the private equity/venture capital industry. This should help facilitate smoother capital mobilisation and investment flows into India's growing innovation, technology and manufacturing ecosystem."

Rohit Jain, managing partner, Singhania & Co, said, "Majority of the firms that are getting listed today have gone through that cycle where Chinese investments have been appropriately restructured. By and large, the shareholding would not be held by Chinese ultimate beneficial owners. That issue does not seem to affect too many current companies that are getting listed. With the 5-6 years cycle, most of the companies have restructured in some manner... On any future changes in these structures, the sentiments are very cautious given the geopolitical situation. Everyone is waiting to see how long this war continues and to what extent the situation worsens before clarity around expansion or other opportunities."

Centre proposes doing away with double testing of pooled blood plasma products

SANKET KOUL
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To ensure regulatory harmonisation in testing blood products with global norms, the Centre has proposed doing away with testing of pooled blood plasma for Hepatitis B surface antigen and antibodies to HIV and Hepatitis C, considering these therapeutic, diagnostic and research purposes.

In a gazette notification amending the Drugs and Cosmetics Act, the Union Health Ministry said the requirement of final products to be tested for freedom from HIV I and HIV II antibodies, Hepatitis B surface antigen and Hepatitis C virus antibody shall be omitted.

standards of patient safety," the ministry said in a press note.

It added that the first homogeneous pool of plasma is mandatorily tested for Hepatitis B surface antigen (HBsAg), Hepatitis C virus RNA and antibodies to HIV, according to the harmonised standards of Indian, British, European and United States pharmacopoeias, the ministry stated.

Despite this, experts said that under the current regulatory framework, the final products manufactured from already tested and qualified plasma pools are again tested.

"This results in duplication of testing for the same viral markers at both the pooled plasma stage and the finished