



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2013-14/ 567
A.P. (DIR Series) Circular No.124

April 21, 2014

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Foreign Direct Investment in Pharmaceuticals sector – clarification

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to [A.P. \(DIR Series\) Circular No.56 dated December 9, 2011](#) and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), as amended from time to time. In terms of Schedule 1 to the Notification *ibid*, Foreign Direct Investment (FDI) up to 100 per cent is permitted under automatic route for greenfield investments and FDI up to 100 per cent is permitted under Government approval route for brownfield investments (i.e. investments in existing companies) in pharmaceuticals sector.

2. The extant FDI policy for pharmaceutical sector has since been reviewed and it has now been decided with immediate effect that the existing policy would continue with the condition that 'non-compete' clause would not be allowed except in special circumstances with the approval of the Foreign Investment Promotion Board (FIPB) of the Government of India.

3. A copy of [Press Note No.1 \(2014 Series\)](#) dated January 8, 2014 issued in this regard by Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India is enclosed.

4. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.

5. Reserve Bank has since amended the subject Regulations accordingly through the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) (Amendment) Regulations, 2014 which have been notified vide [Notification No. FEMA.296/2014-RB dated March 3, 2014](#), vide G.S.R. No. 270(E) dated April 7, 2014.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(C.D.Srinivasan)
Chief General Manager