

## COVID-19: Changes to India's FDI Regime

In a significant move, the Government of India has reviewed the Indian FDI policy to “[curb] opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic”, ostensibly by Chinese investors.

The amendments are contained in Press Note No. 3 (2020 Series) dated April 17, 2020 issued by the Department for Promotion of Industry and Internal Trade, Government of India, and will become effective from the date on which the principal foreign exchange regulations are amended.

Pursuant to the amendment:

1. all investments by entities incorporated in 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” will require prior regulatory approval;
2. in the event of any transfer of ownership of any existing or future FDI in an entity in India, directly or indirectly, resulting in the beneficial ownership falling within the restriction/purview of paragraph 1 above, such change in beneficial ownership will also require prior regulatory approval.

The following countries share a land border with India:

- Afghanistan
- Bangladesh
- Bhutan
- China
- Myanmar
- Nepal
- Pakistan

---

Foreign investment from Pakistan and Bangladesh was already subject to restrictions under the Indian FDI policy. The above amendment, seemingly targeted at Chinese investors, comes in the wake of the COVID-19 pandemic, recent acquisitions and exploration of investment opportunities by Chinese investors in India, scrutiny by the Indian securities regulator of Chinese ownership of portfolio investors and the introduction of stricter FDI regimes worldwide. Although triggered by COVID-19, the amendment is neither restricted to essential sectors nor specified to be applicable for a defined time period. Investments through the foreign portfolio investor (FPI) route will remain unaffected by this amendment.

---

*This update has been authored by **Rajat Sethi** (Partner) and **Tanya Aggarwal** (Partner). They can be reached on [rsethi@snrlaw.in](mailto:rsethi@snrlaw.in) and [taggarwal@snrlaw.in](mailto:taggarwal@snrlaw.in) for any questions. This update is intended only as a general discussion of issues and is not intended for any solicitation of work. It should not be regarded as legal advice and no legal or business decision should be based on its content.*

**S&R**  
**ASSOCIATES**  
**ADVOCATES**



**NEW DELHI**

64 Okhla Industrial Estate  
Phase III  
New Delhi 110 020  
Tel: +91 11 4069 8000

**MUMBAI**

One Indiabulls Centre, 1403 Tower 2 B  
841 Senapati Bapat Marg, Lower Parel  
Mumbai 400 013  
Tel: +91 22 4302 8000