

**Government of India**  
**Ministry of Commerce & Industry**  
**Department of Industrial Policy & Promotion**  
**(FC-I Section)**

**Press Note No. 1(2011 Series)**

**Subject:** Review of the policy on Foreign Direct Investment– Allowing FDI in Limited Liability Partnership firms-amendment to paragraphs 2.1, 3.3.5 and 3.3.6 of ‘Circular 1 of 2011-Consolidated FDI Policy’

The Government of India has reviewed the extant policy on FDI and decided to permit FDI in LLP firms, subject to specified conditions.

**2.0** Accordingly, the following changes are made in ‘Circular 1 of 2011-Consolidated FDI Policy’, which became effective from April 1, 2011:

**(A) Insertion of a new paragraph (2.1.41):** A new paragraph (2.1.41) is inserted, as below:

“Limited Liability Partnership” means a Limited Liability Partnership firm, formed and registered under the Limited Liability Partnership Act, 2008.

**(B) Insertion of a new paragraph 3.3.5, replacing the present paragraph 3.3.5:** A new paragraph (3.3.5) is inserted, replacing the present paragraph 3.3.5, as below:

**“3.3.5 FDI in Limited Liability Partnerships (LLPs):** FDI in LLPs is permitted, subject to the following conditions:

- (a) FDI in LLPs will be allowed, through the Government approval route, only for LLPs operating in sectors/activities where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance related conditions (such as ‘Non Banking Finance Companies’ or ‘Development of Townships, Housing, Built-up infrastructure and Construction-development projects’ etc.).
- (b) LLPs with FDI will not be allowed to operate in agricultural/plantation activity, print media or real estate business.
- (c) An Indian company, having FDI, will be permitted to make downstream investment in an LLP only if both-the company, as well as the LLP- are operating in sectors where 100% FDI is allowed, through the automatic route and there are no FDI-linked performance related conditions.
- (d) LLPs with FDI will not be eligible to make any downstream investments.
- (e) Foreign Capital participation in the capital structure of LLPs will be allowed only by way of cash consideration, received by inward remittance, through normal banking channels or by debit to NRE/FCNR account of the person concerned, maintained with an authorized dealer/authorized bank.

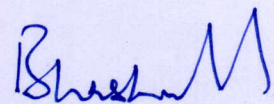
- (f) Investment in LLPs by Foreign Institutional Investors (FIIs) and Foreign Venture Capital Investors (FVCIs) will not be permitted. LLPs will also not be permitted to avail External Commercial Borrowings (ECBs).
- (g) In case the LLP with FDI has a body corporate that is a designated partner or nominates an individual to act as a designated partner in accordance with the provisions of Section 7 of the LLP Act, 2008, such a body corporate should only be a company registered in India under the Companies Act, 1956 and not any other body, such as an LLP or a trust.
- (h) For such LLPs, the designated partner "*resident in India*", as defined under the '*Explanation*' to Section 7(1) of the LLP Act, 2008, would also have to satisfy the definition of "*person resident in India*", as prescribed under Section 2(v)(i) of the Foreign Exchange Management Act, 1999.
- (i) The designated partners will be responsible for compliance with all the above conditions and also liable for all penalties imposed on the LLP for their contravention, if any.
- (j) Conversion of a company with FDI, into an LLP, will be allowed only if the above stipulations are met and with the prior approval of FIPB/Government.

(C) **Renumbering of the present paragraph 3.3.5, as paragraph 3.3.6:** The present paragraph 3.3.5 is renumbered as paragraph 3.3.6, to read as below:

"3.3.6 **FDI in other Entities:** FDI in resident entities, other than those mentioned above, is not permitted."

3.0 The above decision will take immediate effect.

4.0 The above provisions will be incorporated in the next Circular on Consolidated FDI Policy to be issued on 30.09.2011.



(V Bhaskar)

Joint Secretary to the Government of India

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D/o IPP File No. 5/19/2010-FC-I dated 20 May, 2011.

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