



INDIA EASES FOREIGN INVESTMENTS FROM LAND BORDERING COUNTRIES

BACKGROUND

On 17th April 2020, the government issued Press Note 3 of 2020 (“**PN3**”) amending the foreign direct investment policy (“**FDI Policy**”). The PN3 required prior government approval for investments from entities in countries sharing a land border with India or where the beneficial owner is from such jurisdictions. This was introduced to curb opportunistic takeovers/ acquisitions of Indian companies due to the COVID-19 pandemic.

KEY PROPOSED AMENDMENTS

The Union Cabinet has approved amendments to Press Note 3 of 2020 on 10th March 2026. Some of the key changes are:

1. **Definition of Beneficial Owner:** The proposal introduces a definition and criteria for determining beneficial ownership, aligned with the standards prescribed under the Prevention of Money Laundering Rules, 2005. The beneficial ownership test will be applied at the level of the investor entity. Investors with non-controlling land sharing border beneficial ownership of up to 10% shall be permitted under the automatic route, subject to applicable sectoral caps, entry routes, and reporting requirements by the investee entity to the Department for Promotion of Industry and Internal Trade (“**DPIIT**”).
2. **Expedited clearance for manufacturing sector:** Current proposal is that potential investment involving land sharing border investors in strategic manufacturing sectors including capital goods, electronic capital goods, electronic components, polysilicon, and ingot-wafer is to be processed within 60 (sixty) days. However, powers may be granted to the Committee of Secretaries chaired by the Cabinet Secretary to revise these eligible sectors from time to time.
3. **Indian Ownership and control:** For investments benefiting from the expedited approval mechanism, the majority ownership and control must remain with resident Indian citizens or Indian entities owned and controlled by resident Indian citizens at all times.

CONCLUSION

The DPIIT is expected to issue a Press Note to operationalise these changes. Corresponding amendments to the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 are also expected to be notified.

The amendments are expected to provide greater regulatory clarity for foreign investors, particularly global private equity and venture capital funds with minor exposure to land-bordering country investors.

They are also intended to facilitate faster investment approvals in priority manufacturing sectors, supporting India's objectives of strengthening domestic manufacturing capacity and attracting long-term foreign investment.

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