# Regulators make it easier for FPIs to get FDI tag

## Allowed to raise stake beyond the 10% cap without divesting

**NEW NORMS**

- Easier reclassification of FPI into FDI may boost capital inflow into productive sectors, say some experts

- Move in line with Arvind Mayaram panel report, which recommended that such investment of 10% or more in a listed firm be treated as FDI
- Others point out investee firms may not give nod in most cases for smooth transition

**MUKESH JAGOTA & PRIYANSH VERMA**
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**THE RESERVE BANK** of India (RBI) on Monday effectively eased the capital controls on foreign portfolio investors (FPIs) by allowing them to transition into foreign direct investment (FDI) smoothly under a new operational framework.

The Securities and Exchange Board of India (Sebi) also issued a circular detailing the reclassification norms later in the day.

While investments by a single portfolio investor or investor group in an Indian-listed company will continue to be capped at 10%, any such entity wanting to raise the holding will now have the option of turning the entire investment into FDI without having to divest the extant stake, and coming in via the FDI route afresh. The facility would, however, be subject to conditions specified by RBI and the Sebi within 5 trading days from the date of settlement of the trades causing the breach, RBI said. Also, the FPI will have to take necessary approvals from the government and concurrence of the Indian investee company concerned.

Analysts are divided on whether the move would encourage capital inflows into the country or whether it will promote a shift from short-term speculative investments typical of FPIs to more stable, long-term commitments associated with FDIs.

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