

India Liberalises FDI in Broadcasting Sector

On 20 September 2012, the Government of India ("GOI") amended its foreign investment policy liberalising foreign direct investment ("FDI") in companies operating in the broadcasting sector.

The GOI liberalised the policy on FDI in companies operating in the broadcasting sector ("Policy") making the FDI policy for the broadcasting sector consistent to a very large extent across various sub-sectors in the broadcasting sector.

Accordingly, the Policy provides that as in the case of the telecommunications sector, the foreign investment limit in companies engaged in various sub-sectors of the broadcasting sector shall include, in addition to FDI, investment by Foreign Institutional Investors (FIIs), Non Resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and convertible preference shares held by foreign entities. Other changes brought about by the Policy on investment limit and applicable route are:

S.No.	Area	Earlier Limit and Route	New Limit and Route
1	Teleports (setting up up-linking HUBs/Teleports)	49% with prior approval of the GOI	74% (up to 49% under automatic route)
2	Direct to Home (DTH)	49% with prior approval of the GOI	74% (up to 49% under automatic route)
3	Cable Networks (Multi-System-Operators undertaking upgradation of networks towards digitalization and addressability)	49% with prior approval of the GOI	74% (up to 49% under automatic route)
4	Mobile TV	-	74% (up to 49% under automatic route)
5	Headend-in-the Sky Broadcasting Service	74% (up to 49% under automatic route)	No revision
6	Cable Networks (Other Multi-System-Operators not undertaking up-gradation of networks towards digitalization and addressability and Local Cable Operators)	49% with prior approval of the GOI	49% under automatic route
7	Up-linking of 'News & Current Affairs' TV channels /FM Radio	26% with prior approval of the GOI	No revision
8	Up-linking of Non-'News & Current Affairs' TV Channels / Down-linking of TV Channels	100% with prior approval of the GOI	No revision

Foreign investment in broadcasting carriage services is subject to certain security conditions relating to, *inter-alia*, Indian citizenship requirement for majority of the Board and key executives of investee company, security clearance of significant shareholders and senior management and inspection/ information requirements, as further specified in the Policy.

The Policy is being looked at as a positive development and is expected to improve accessibility of the broadcasting services, bring in international best practices and allow funds in the cable industry to fund the digitisation process in the country.

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