

The government has cleared the proposal to hike the cap in foreign direct investment (FDI) in the telecom sector to 74 per cent from the current 49 per cent. It has, however, specified that 50 per cent of the board must comprise resident Indians and that key positions in the telecom company be held by Indians.

The 74 per cent cap now relates to the composite foreign holding, including investments by FIIs, NRIs/OCBs, FCCBs, ADRs/GDRs, convertible preference shares, and proportionate foreign investment in Indian promoters/investment companies including their holding companies. Companies will have to disclose the status of their foreign holding and certify that the ceiling is within the 74 per cent limit on a half-yearly basis. The remaining 26 per cent equity will be held by Indian citizens or an Indian company. A single Indian promoter must hold at least 10 per cent equity in the licensee company.

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