



TCF NEWSLETTER

**Press Note-3:
A Strategic Shift in
India's FDI Landscape**



CABINET EASES PRESS NOTE-3 RESTRICTIONS TO FACILITATE MANUFACTURING & TECHNOLOGY INVESTMENTS

The Union Cabinet on **10 March 2026** approved key amendments to India's Foreign Direct Investment (FDI) policy governing investments from **countries sharing a land border with India (LBCs), including China**. The changes modify the framework introduced through **Press Note- 3, 2020 (PN-3)** and aim to strike a balance between **national security considerations and the need to attract capital, technology partnerships, and global supply chain integration**.

BACKGROUND

In **April 2020**, the Government introduced **Press Note 3** to prevent opportunistic takeovers of Indian companies during the COVID-19 pandemic. Under PN-3, **prior Government approval is required for:**

- any investment from an **entity of a country sharing a land border with India**, or
- any investment where the **beneficial owner was located in such a country**, or
- any transfer of **ownership resulting in such beneficial ownership**.

While this measure strengthened investment screening, it also created unintended compliance challenges for **global private equity (PE) and venture capital (VC) funds** where investors from land-bordering countries held small, passive and non-controlling stakes.

KEY POLICY CHANGES

The revised policy introduces clear thresholds and timelines to streamline investments:

➤ 10% Automatic Route Threshold

Under the revised framework, investments where the **beneficial ownership from a land-bordering country is up to 10% and non-controlling in nature** will now be permitted under the **automatic route**, subject to applicable sectoral caps and conditions. This change primarily benefits PE and VC Funds with minor, passive LBC Participation removing a long-standing procedural bottleneck. The relaxation does not extend to direct investments by LBCs entities or citizens, which continue to require prior Government approval.

➤ **Standardised Definition of Beneficial Owner**

The FDI Policy now adopts the definition and criteria for determining **Beneficial Ownership** aligned with the **Prevention of Money Laundering Rules, 2005**, bringing greater clarity and uniformity for investors.

➤ **Expedited 60-Day Clearances**

A definitive **60-day timeline** has been established for processing investment proposals for LBCs in critical sectors/activities of manufacturing in Capital Goods, Electronic capital goods, Electronic components, Polysilicon and Ingot-wafer manufacturing.

➤ **Indian Ownership and Control Requirement**

For investments in these fast-tracked sectors, majority ownership and control must remain with resident Indian citizens or Indian entities controlled by them.

➤ **Mandatory Reporting Requirement**

Investee entity receiving investment under the automatic route involving LBC beneficial ownership must **report the relevant details to the Department for Promotion of Industry and Internal Trade (DPIIT)**.

Comparison:

PN-3 (2020) Vs. Amended Framework (2026)

Feature	PN-3 (2020)	Amended Framework (2026)
Automatic Route	Automatic route not permitted	Permitted for up to 10% non-controlling beneficial ownership.
Approval Timeline	No fixed timeline.	60-day definitive window for specified manufacturing sectors.
Beneficial Ownership	No standardized definition.	Aligned with PMLA Rules (2005) standards.
Control Requirement	Subject to case-by-case case review.	Indian residents must maintain majority ownership & control at all times.
Reporting Obligation	Not applicable under automatic route.	Mandatory reporting to DPIIT by Indian Investee Companies where LBC beneficial ownership is present.

Please refer to the web link below for the notification regarding changes in Press Note-3:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2237806®=3&lang=2>

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