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08-11-2010

To,

Shri R. P. Singh, I.A.S.,
Secretary, Department of Industrial Policy & Promotion
Room No.-157, Udyog Bhawan, New Delhi-110011.

Subject: Views and suggestions on the observations made in the discussion Paper on “Approval of Foreign/ Technical Collaborations in case of Existing Ventures/ Tie UP’s in India”.

Sir,

Indian Industries Association (IIA) is an apex body of SME’s in India having more than 7000 members. IIA founded in 1985 has been actively involved in Industrial Policy formulations both at National as well as State level. President IIA has been a member of PM’s task force on MSME which has submitted its recommendations in the recent past for the development of this sector.

We have gone through the third discussion paper on “Approval of foreign/ Technical collaborations in case of existing ventures/ tie ups in India” released by your department. We are submitting following Views and suggestions on this discussion paper for your kind consideration in the overall interest of industrial development as well as Indian Partners in joint ventures with foreign companies:-

1. Scrapping of Press note1 [2005] will be highly detrimental for the interests of Indian JV Partners who have put in lot of hard work in establishing the markets. It appears that the Foreign Companies want to retain their partnership in the existing JV and make profits out of it and simultaneously they want to establish their own subsidiary or a new JV and reap Profit with both hands. The argument put forward for scrapping of press Note 1 [2005] on the basis that new investments are not coming to India and they would find their way to other competitive economies, is absolutely incorrect. If foreign company desires to invest in India of their own they should sell their shares in the existing JV and then they will not be covered by press Note 1 and hence will be free to tie up for a new JV or set up their own subsidiary.

2. In case there is no share holder agreement for sale and purchase of shares, a frame work can be devised for determining the sale and Purchase of shares between the joint venture partners. Foreign companies may be allowed to sell their shares at book value to the existing partner. In case the existing Partner is not interested to buy the Shares, the foreign company may sell the shares to anyone else. This will facilitate the foreign company to invest for their own subsidiary or in a new JV and the interests of the Indian partner will also be protected.
3. We strongly believe that the Indian Economy will flourish if the interests of Indian partners in JV are protected than that of foreigners.

Submitted for your kind consideration and favourable action.

Thanking You,

Yours Truly,

D.S. Verma
(Executive Director)