



Eased FDI Policy for Space Sector

For Prelims: [Foreign Direct Investment](#), [Indian Space Policy 2023](#), [Aditya L1](#), [Chandrayaan-3](#), [Mars Orbiter Mission](#), [Indian National Space Promotion and Authorisation Centre](#), Recent Trends Related to FDI

For Mains: Key Amendments in FDI Policy Related to the Space Sector, FDI Prohibited Sectors in India

[Source: PIB](#)

Recently, the Union Cabinet approved **amendments in the [Foreign Direct Investment \(FDI\) policy](#) pertaining to the space industry.**

- This development comes in alignment with the [Indian Space Policy 2023](#), which seeks to unlock the nation's potential in the space domain through enhanced private participation.

What are the Recent Amendments in FDI Policy for the Space Sector?

- **100% FDI Allowed:** Under the amended policy, [100% FDI](#) is permitted in the space sector, aiming to attract potential investors to Indian space companies.
- **Liberalised Entry Routes:** The entry routes for various space activities are as follows:
 - **Up to 74% under Automatic Route:** Satellites-Manufacturing & Operation, Satellite Data Products, Ground Segment & User Segment.
 - Beyond 74%, the government route applies.
 - **Up to 49% under Automatic Route:** Launch Vehicles, associated systems or subsystems, Creation of Spaceports.
 - Beyond 49%, the government route applies.
 - **Up to 100% under Automatic Route:** Manufacturing of components and systems/sub-systems for satellites, ground segment, and user segment.

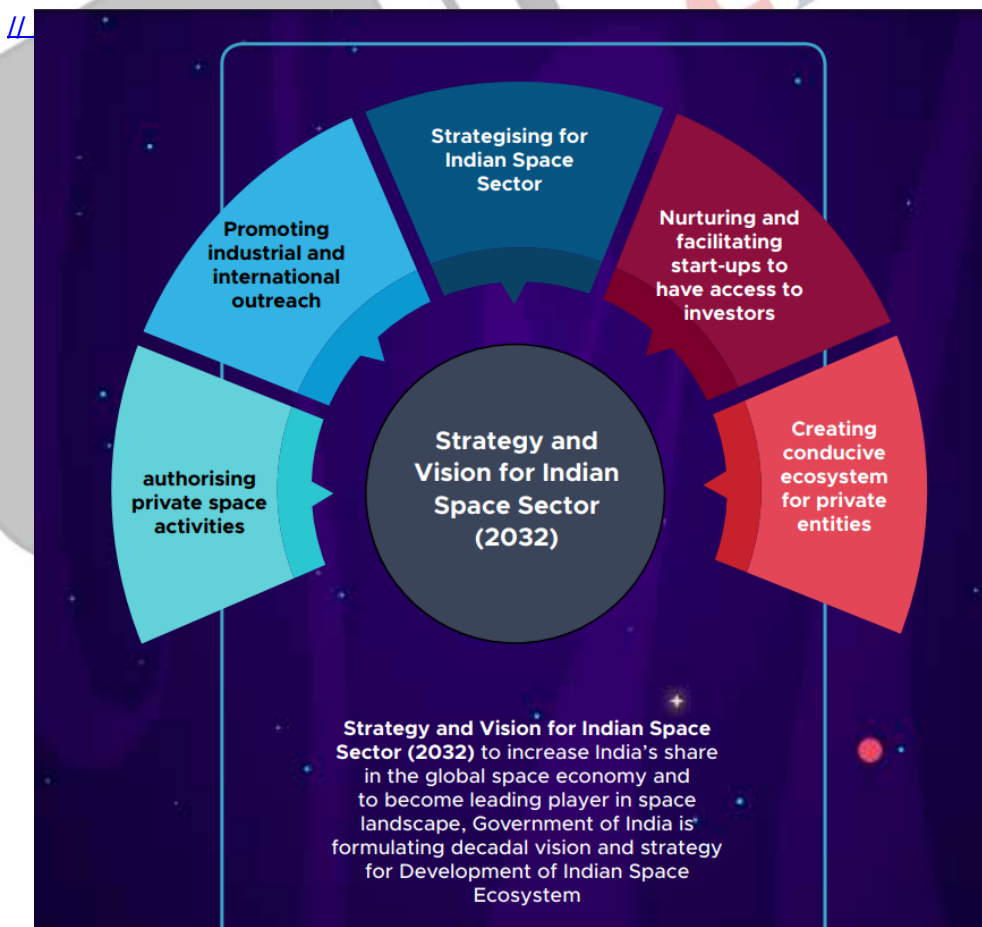
What are the Major Developments in the Space Sector in India?

- **About:**
 - India constitutes **2-3% of the global space economy (US: 40%, UK: 7%)** and is expected to enhance its share to more than **10% by 2030**.
 - [ISRO](#) is one of the **six largest space agencies** in the world.
- **Recent Major Successful Missions:**
 - [Aditya L1](#)
 - [Chandrayaan 3](#)
 - [Mars Orbiter Mission \(Mangalyaan\)](#)
- **Advancements in Launch Vehicles:**
 - [GSLV Mark III](#)
 - [Small Satellite Launch Vehicle \(SSLV\)](#)
 - [PSLV](#)
- **Missions for International Clients**
 - [TeLEOS-2 \(2023\)](#): Singaporean Earth observation satellite

- [PSLV-C51 \(2021\)](#): Launched Brazil's Amazonia-1 satellite and 18 smaller satellites.
- **Other Key Developments:**
 - [NavIC](#)
 - [Bhuvan](#)
 - Number of Space Start-Ups have gone up (189 in 2023)

What are the Key Features of Indian Space Policy 2023?

- **Transition of ISRO's Role:** ISRO to transition out from manufacturing operational space systems and **concentrate on research and development** in advanced technologies.
- **Private Participation Encouragement:**
 - Non-government entities (NGEs) permitted to **offer national and international space-based communication services** through self-owned, procured, or leased satellite systems.
 - NGEs encouraged to manufacture and operate space transportation systems, including **launch vehicles, shuttles, and develop reusable, recoverable,** and reconfigurable technologies and systems for space transportation.
 - NGEs permitted to engage in the **commercial recovery of asteroid resources** or space resources.
 - Entitled to possess, own, transport, use, and sell obtained resources in accordance with applicable laws.
- **Industry Collaboration and Commercialisation:** [Indian National Space Promotion and Authorisation Centre \(IN-SPACE\)](#) mandated to promote, handhold, guide, and authorise space activities autonomously.
 - [NewSpace India Limited \(NSIL\)](#) is tasked with **commercialising space technologies and platforms**, manufacturing, leasing, or procuring space components, and servicing space-based needs on commercial principles.



What is Foreign Direct Investment?

- **About: FDI** is an investment made by a foreign entity into a business or corporation in another country.
 - FDI can be in the form of equity instruments, or it can be a controlling ownership stake in a business.
- **FDI in India:**
 - In India, FDI is defined as an investment made by a person who is not a resident of India. This can be in the form of:
 - An investment in an unlisted Indian company
 - An investment in **10% or more of the post-issue paid-up equity capital** of a listed Indian company.
 - Total FDI inflows in India in FY 22-23 is **USD 70.97 billion**.
 - According to the [Reserve Bank of India](#), The **United States** was the largest source of FDI in India in 2022-23.
 - It was followed by Mauritius, the United Kingdom and Singapore.
- Also, during 2022-23, market value of FDI in India increased by **6.9% in rupee terms**, primarily due to the rise in FDI in unlisted companies.
- **Routes of FDI in India:**
 - **Automatic Route:** Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from the Government of India for the investment.
 - **Government Route:** Prior to investment, approval from the Government of India is required.
 - Proposals for FDI under this route are considered by the respective Administrative Ministry/ Department.
- **FDI Prohibited Sectors in India:**
 - **Gambling and Betting**
 - **Chit Funds**
 - **Nidhi Company**
 - **Trading in Transferable Development Rights (TDR)**
 - **Real Estate Business**
 - **Manufacturing of Tobacco Products**
 - **Sectors Not Open to Private Sector Investment:** Includes atomic energy and railway operations (except for permitted activities under the Consolidated FDI policy).
 - **Lottery Business:** Including government or private lotteries, and online lotteries.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

Q. Consider the following: (2021)

1. Foreign currency convertible bonds
2. Foreign institutional investment with certain conditions
3. Global depository receipts
4. Non-resident external deposits

Which of the above can be included in Foreign Direct Investments?

- (a) 1, 2 and 3
- (b) 3 only
- (c) 2 and 4
- (d) 1 and 4

Ans: (a)

Mains:

- Q.** What is India's plan to have its own space station and how will it benefit our space programme? (2019)
- Q.** Discuss India's achievements in the field of Space Science and Technology. How the application of this technology helped India in its socio-economic development? (2016)

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