

## Corpsec Hotline

January 20, 2006

### FOREIGN DIRECT INVESTMENT IN HOTELS, HOSPITALS, SPECIAL ECONOMIC ZONES, ETC.

#### Foreign Direct Investment in Hotels, Hospitals, Special Economic Zones, etc.

In pursuance of the Indian Government's commitment to the implementation of economic reforms and with a view to liberalizing the Foreign Direct investment (FDI) regime, the Department of Industrial Policy & Promotion (DIPP) of the Ministry of Commerce & Industry, Government of India, vide [Press Note 2 \(2005 Series\)](#) dated [March 3, 2005](#), had notified the policy for Foreign Direct Investment in townships, housing, built-up infrastructure and construction-development projects, etc. where FDI up to 100% was permitted under the automatic route, subject to the conditions laid down therein. However there were certain ambiguities regarding the applicability of the liberalization where investments were to be made only in the construction and/or development of a particular sector, particularly investments concerning Hotels, Hospitals, Special Economic Zones (SEZs), etc.

In order to eliminate the ambiguities related to the FDI in the aforesaid sectors, DIPP has issued a clarification by way of a press note, viz. [Press Note 2 \(2006 Series\)](#), dated [January 16, 2006](#).

The Press Note clarifies the position of the Government on the issue and states that the FDI up to 100% in investments concerning Hotels and Hospitals is allowed under the automatic route; in the Hotel and Tourism sector vide [Press Note 4 \(2001 Series\)](#), dated [May 21, 2001](#) and in the Hospital sector vide [Press Note 2 \(2000 Series\)](#) dated [February 11, 2000](#). It further clarifies that Special Economic Zones are separately regulated under the Special Economic Zone Act, 2005. The press note also states that all the three sectors stated above fall outside the purview of the Press Note 2 (2005 Series) dated March 3, 2005 of 2005.

- **Reuben Chako & Ruetveij Pandya**

You can direct your queries or comments to the authors

Source: *Department of Industrial Policy and Promotion, Ministry of Commerce & Industry*

### DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### Decoding Downstream Investment

August 27, 2025

### Mergers & Acquisitions

July 11, 2025

### New Age of Franchising

June 20, 2025

## Research Articles

### 2025 Watchlist: Life Sciences Sector India

April 04, 2025

### Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

### INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

## Audio

### CCI's Deal Value Test

February 22, 2025

### Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

### Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

[Click here to view Hotline archives.](#)

## Video

### Nishith Desai Unplugged - Law, AI & the Future

August 20, 2025

### Webinar : Designing Innovative Share Swap and Deferred

**Consideration Structures for PE and  
M&A Deals**

July 15, 2025

**Webinar: Blended Finance  
Structures to Scale up Climate  
Smart Agriculture**

July 03, 2025