

Easing of FDI norms in the space sector

The union cabinet chaired by the prime minister of India, on February 21, 2024, approved the amendment in the Foreign Direct Investment (“**FDI**”) policy (“**FDI Policy**”) on space sector (“**Amended Policy**”). Under the existing FDI Policy, FDI is permitted in the establishment and operation of satellites only through government approval. The Amended Policy seek to liberalize the FDI Policy provisions in space sector by prescribing liberalized entry route and providing clarity for FDI in the space sector *viz a viz* satellites, launch vehicles and associated systems or subsystems. The liberalized entry routes under the Amended Policy are aimed to attract potential investors to invest in Indian companies in space and to encourage collaboration between public and private entities. The specific amendments to the FDI Policy and the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 are awaited.

Early last year, the government of India introduced the Indian Space Policy, 2023 (“**Space Policy**”), which was formulated as an overarching, composite, and dynamic framework to implement the reform vision in the space sector. The Space Policy looks to (a) augment space capabilities; (b) enable, encourage, and develop a flourishing commercial presence in space; (c) use space as a driver of technology development and derived benefits in allied areas; (d) pursue international relations; and (e) create an ecosystem for effective implementation of space applications among all stakeholders. By now prescribing liberalized FDI thresholds for a variety of sub-sectors/activities, the union cabinet has eased the FDI policy on the space sector in tandem with the vision outlined in the Space Policy. For a detailed analysis on the Space Policy, please refer to the [JSA Prism of April 21, 2023](#).

The entry routes for various sub-sectors/activities under the Amended Policy are as follows:

1. **Upto 74% under automatic route:** satellite manufacturing and operation, satellite data products and ground segment and user segment. Beyond 74% these activities are under government route.
2. **Upto 49% under automatic route:** launch vehicles and associated systems. Beyond 49% these activities are under government route.
3. **Upto 100% under automatic route:** for activities involving the manufacture of components and systems/sub-systems for satellites, ground segment, and user segment.

The Amended Policy and the Space Policy aim to create a flourishing commercial presence in space. The amendments are likely to result in increased foreign investment in the space sector in India. Such increased foreign investment have the potential of increased technology transfers thereby giving impetus to larger private participation and India’s Make-in-India policies, that would in turn help in employment generation, and integrate Indian companies into the global space industry.

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