

GLOBAL COMPANIES MAY PARTICIPATE IN TOBACCO AUCTIONS DIRECTLY

Tobacco Board of India regulates the production of FCV tobacco, provides extension services to the growers, conducts e-auctions and involves actively in exports promotion. Auctions are conducted by Tobacco Board where private entrepreneurs (Registered cigarette manufacturers, exporters & dealers) participate in e-auctions & purchase leaf. There are opportunities for global entrepreneurs in FCV Tobacco Sector in India.

The Government of India has taken a decision to allow global companies to participate in auctions directly. Accordingly, the Reserve Bank of India issued an amendment recently stating that the prohibition imposed in the past under Schedules of FDI (Foreign Direct Investment) is not applicable now for the Tobacco related activities relating to wholesale cash and carry, retail trading etc. which shall be governed by the sectoral restrictions laid down in the FDI Policy framed by the Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India. In other words the prohibition will be applicable only to the manufacturing of Cigarettes, Cigars, Cheroots, Cigarillos of Tobacco or of Tobacco substitutes and not in the activities of purchasing leaf in auction platforms of Tobacco Board (after registration with Tobacco Board as exporter or dealer).

As per the amendment, any global company may directly participate in auctions. The global companies who closed their liaison offices in India in the past (especially in Guntur, which is a major hub of Tobacco Industry) may establish their branch offices in Guntur, or any other place to deal with tobacco samples and to co-ordinate with Indian exporters/ counterparts to do wholesale cash and carry, retail trading. In the wake of this amendment, the global companies may proactively interact with Tobacco Board and may visit auction platforms to see samples and check the quality etc.

Therefore, global companies are requested to participate in auctions in India to purchase FCV Tobacco leaf directly or they are also invited to extend their support to Indian entrepreneurs through the collaboration to purchase leaf jointly.
