



Doing Business in India

A guide to India's business, tax & regulatory environment

Preface

Presenting our Annual Publication 2021 on Doing Business in India, a guide to India's business, tax & regulatory environment. India, 7th largest country of the world & representing 17.7% of the global population, is one of the top Foreign Direct Investment (FDI) destinations globally with a growth rate of 6.1% pre-COVID 19. Our Publication is meant to be a guide for companies that are doing business in India or planning to do so. We hope you find it useful.

India is one of the largest countries & fastest growing economies globally with a population of over 1.38 billion & a huge customer base. India ranks amongst the top FDI destinations globally. Huge working population, supportive government policies & availability of a variety of resources prove to be a perfect blend for setting up of business in India.

Global brands offered by large & medium companies have lined up to invest in India as the Government opened more sectors to foreign investment. FDI is freely allowed in most sectors / activities (more than 90%) without the requirement of prior approval from the Government. Major sectors attracting highest FDI are Services, Information Technology, Telecom, Trading, Construction-Development, Automobile, Chemicals, Infrastructure, Pharmaceuticals, Tourism, etc. Top investing countries are Mauritius, Singapore, USA, Netherlands, Japan, UK, Germany, Cyprus, France, Cayman Islands, etc.

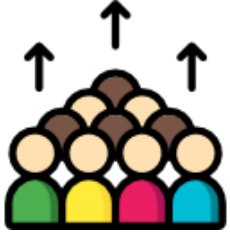
There are various organic options / forms in which a foreign company can do business in India (such as, representative office / branch office / private limited company etc.). Each form has its own set of advantages / limitations depending on requirement of the foreign company. A detailed description is provided in this document followed by how we can support.

Post COVID-19



India as an Economy

While all of us sincerely wish for well-being of humanity, the current pandemic outbreak could give a boost to economic positioning of India. With Americans, Japanese & Koreans seeking to move their business out of China, India seems to be one of the strongest contenders for the opportunity thus created.



Post COVID-19, India is likely to emerge in a new avatar. With its digital technology & a large English-speaking population, India will hopefully be able to reaffirm its position in the global market. With more than 65% of the population below the age of 35 years, India is expected to rise as an economic superpower, supplying more than half of Asia's potential workforce over the next decade.

With multinationals practicing to start 'economic distancing' from China, the Government of India is aiming to attract companies that wish to move out of China or are looking for an alternative to China. The global pandemic has taught a lesson to the world at large that over-dependence on a single country must be avoided at any cost. 'China + 1' is likely to be the order of the future with multinationals shifting manufacturing partly or completely out of China. The Government of India is already working hard on pro-investment strategies.



India holds a strategic position within Asia due to economic factors as well as geographical advantage including easy accessibility through sea & air. While India does face numerous difficulties in competing with China, India is balancing the economic situation in light of China–United States trade war.



New & huge potentials exist in unconventional sectors like electric vehicles, telemedicine, e-commerce, remote monitoring, artificial intelligence, etc. In the conventional sector, automobiles & electronic system are likely to gain momentum owing to the present day norms of social distancing & minimal physical contact wherein people are likely to avoid the risk of public transport & switch to privately owned vehicles.

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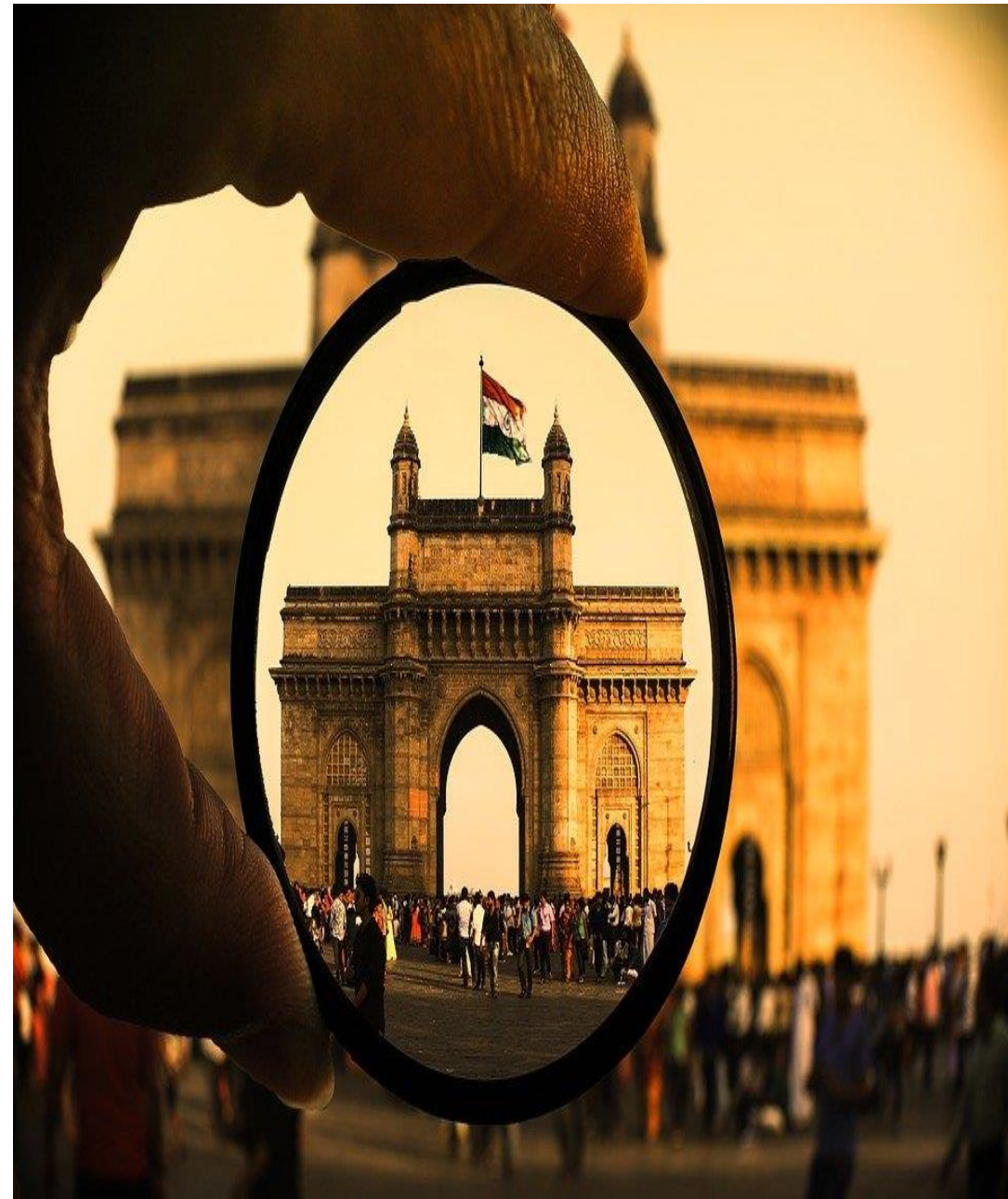
- Formation of Non-Corporate entity
 - ✓ Liaison Office / Representative Office
 - ✓ Branch Office
 - ✓ Project Office
- Formation of Corporate Entity
 - ✓ Wholly Owned Subsidiary (Company)
 - ✓ Limited Liability Partnership
 - ✓ Joint Venture Company

H. Comparison

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India at a Glance



The Geography



Area

3.2 million square kilometres, 7th largest country of the world

Population

1.38 billion, representing 17.7% of total world population

Languages

English, Hindi & other regional & foreign languages

Gross Domestic Product (GDP) Growth Rate

6.1% (Pre Covid-19)



Strengths

***7th largest
country of the
world***



***Huge
market /
demand***



***Young
working
population***



***Growing
economy***



***Supportive
government
policies***



***Rich natural
resources***



About India



India is one of the oldest civilizations in the world, with a population of over 1.38 billion. It is the 7th largest country in terms of area. Rich cultural heritage, geographical diversity & numerous traditions make India unique among all the South Asian countries



India is not only the world's largest democracy, but also a secular country where different religions like Hinduism, Islam, Christianity, Sikhism, Jainism, Buddhism etc. flourish simultaneously



Literacy rate here is around 74.04%. There are 21 official languages in this country apart from Hindi & English. It has over 134 airports & one of the largest rail networks in the world. India has coastline of around 7,517 km



A peace loving nation, where advanced farming, unique handicrafts & modern industries go hand in hand. India's natural resources include coal, iron ore, manganese, mica, limestone etc



India has business relations with other countries since ancient times. Recent liberalization has further aided foreign investment in the country

Huge working population, supportive government policies & availability of a variety of resources prove to be a perfect blend for setting up of business in India. Many Indian subsidiaries have the history of outperforming their global parent in terms of revenues / profits. Patience & Long term vision is the key to success in India

Foreign Investment in India

Foreign investments are a very vital part of any country's economy. Government of India has always shown keen interest in liberalizing the FDI Policy of the country & other investment regulations, with an intent to promote foreign investment in India, through a transparent & hassle free regulatory system. Over the past few years, the Indian Government's liberalized approach & robust business opportunities have strengthened the faith of foreign investors in India. Global brands have lined up to invest in India as the Government opened more sectors to foreign investment.

World Bank report on ease of doing business

India is at 63rd position among 190 countries, which is up by 14 positions since 2018

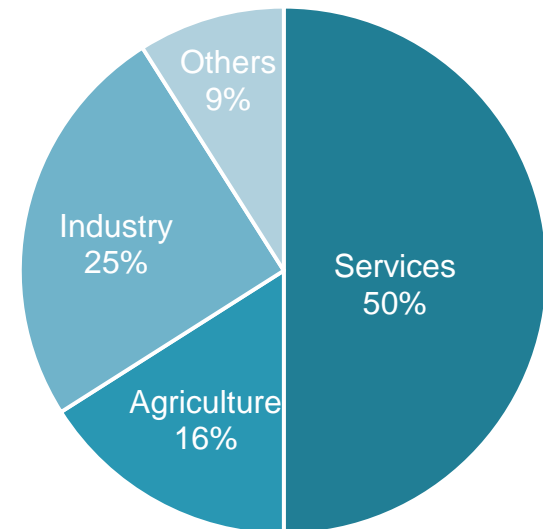
Growth rate of Indian economy for Financial Year (FY) 2019-20 was 4.2%. International Monetary Fund (IMF) forecasts India to grow at 8.8% in 2021-22

Working age population (20-35 years age group) in India is expected to grow by roughly 9.7 million per annum during 2021-31

India is among leading exporters to countries like US, Germany, Japan, Middle East, Thailand, Indonesia & Europe

India is also tapping newer markets in Africa, Middle East & Latin America

GDP Composition by Sector



India a Growing Economy

The Industrial Policy of India was opened up in 1991 to promote foreign investment in the country. Since then, the Government has been continuously liberalizing the regulatory & industrial policy framework of the country in a bid to make it investor friendly. India, with its vast range of industries & ample availability of skilled as well as unskilled manpower, has been successfully attracting foreign investment for past many years. Being one of the fastest growing economies in the world, India has not only sustained the downturn of 2008-09 but is also expected to recover soon from the effects of COVID-19. The country offers huge potential & promising business opportunities for the global investment community. Liberalized policies, simplified regulatory norms & adoption of ‘best practices’ in production of goods & services have been the key factors in attracting foreign investment in the country.

Top 10 sectors attracting highest FDI	Share in FDI
Services	17%
Information Technology	12%
Telecom	7%
Trading	6%
Construction Development	5%
Automobile	5%
Chemicals	4%
Infrastructure	3%
Pharmaceuticals	3%
Tourism	3%

Top 10 investing countries	Share in FDI
Mauritius	29%
Singapore	21%
USA	7%
Netherlands	7%
Japan	7%
UK	6%
Germany	2%
Cyprus	2%
France	2%
Cayman Islands	2%

A photograph taken from an airplane window, showing a red wingtip and a vast, snow-covered mountain range below. The sky is blue with some clouds. The text "FDI Policy In India" is overlaid on a red banner at the bottom.

FDI Policy In India

FDI Policy in India

What is FDI Policy?

It is a policy framework on foreign investment in the country, set out by the Government of India. The framework is embodied in a consolidated circular, which is updated annually or as & when required to keep pace with the regulatory changes.

Setting up operations in India or investing in India by foreign investors requires conformity with India's foreign exchange regulations, which mainly comprises of the FDI policy, the Foreign Exchange Management Act & the Industrial Policy.

Routes for FDI in India

An entity may receive FDI via two routes:-

Government approval route

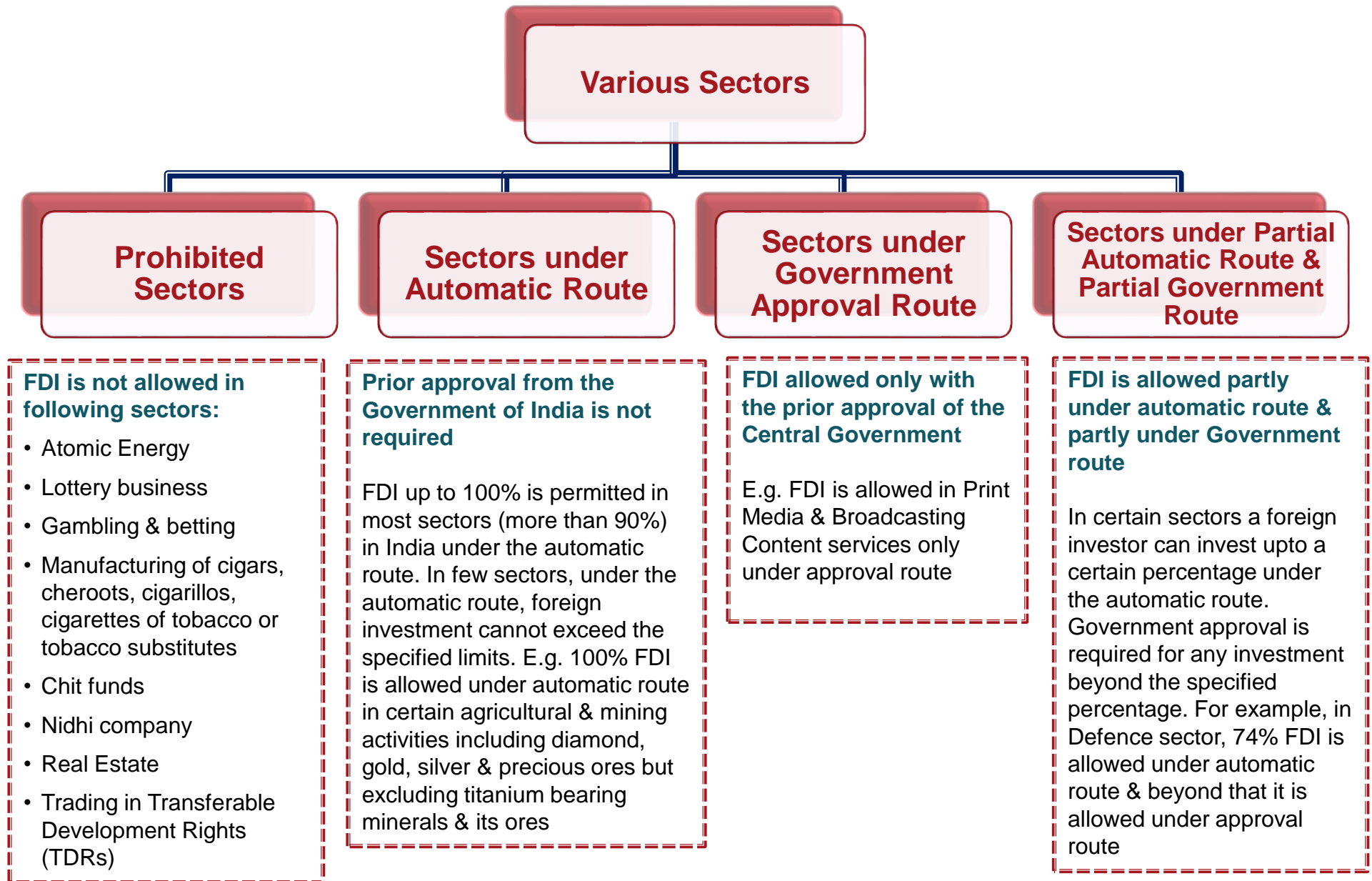
FDI in activities which are not covered under the automatic route require prior approval of the Government. Currently there are 10 sectors which require prior approval from the Government



Automatic route

FDI is allowed under the automatic route without prior approval of the Government or the Reserve Bank of India (RBI) in most activities/sectors (more than 90%)

FDI Policy in India



Liberalization of FDI Policy

1

India is a young, vibrant & growing economy, though geographically & culturally it is centuries old. India got freedom from colonial rule only in 1947. Economic liberalization started only in 1991 when the Indian economy was opened to Foreign investment. Since then, FDI has created more than 10 million jobs in India, which is more than population of some small countries globally



2

In 2013, India stood 15th globally in terms of FDI. In 2014, it stood 9th. The year 2015 saw a sharp growth in FDI wherein India overtook China & USA as the top destination for FDI. In 1st half of 2015 alone, India received FDI of \$ 31 billion, compared to \$ 28 billion received by USA & \$ 27 billion received by China



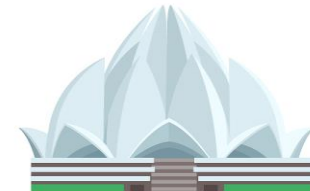
3

Keeping in line with the commitment to boost foreign investment in India, the Government of India has put in place a policy framework on FDI, which is regularly updated to align with the economic & regulatory situation of the country. The latest consolidated FDI Policy was issued by the Government of India on 15 October 2020



4

In the last few years, the Government has brought major FDI related reforms / liberalization touching more than 13 sectors of the Indian economy. The objective of these reforms is to further simplify process & limits of foreign investments in the country & to put more FDI proposals on automatic route instead of Government route where time & energy of the investors goes

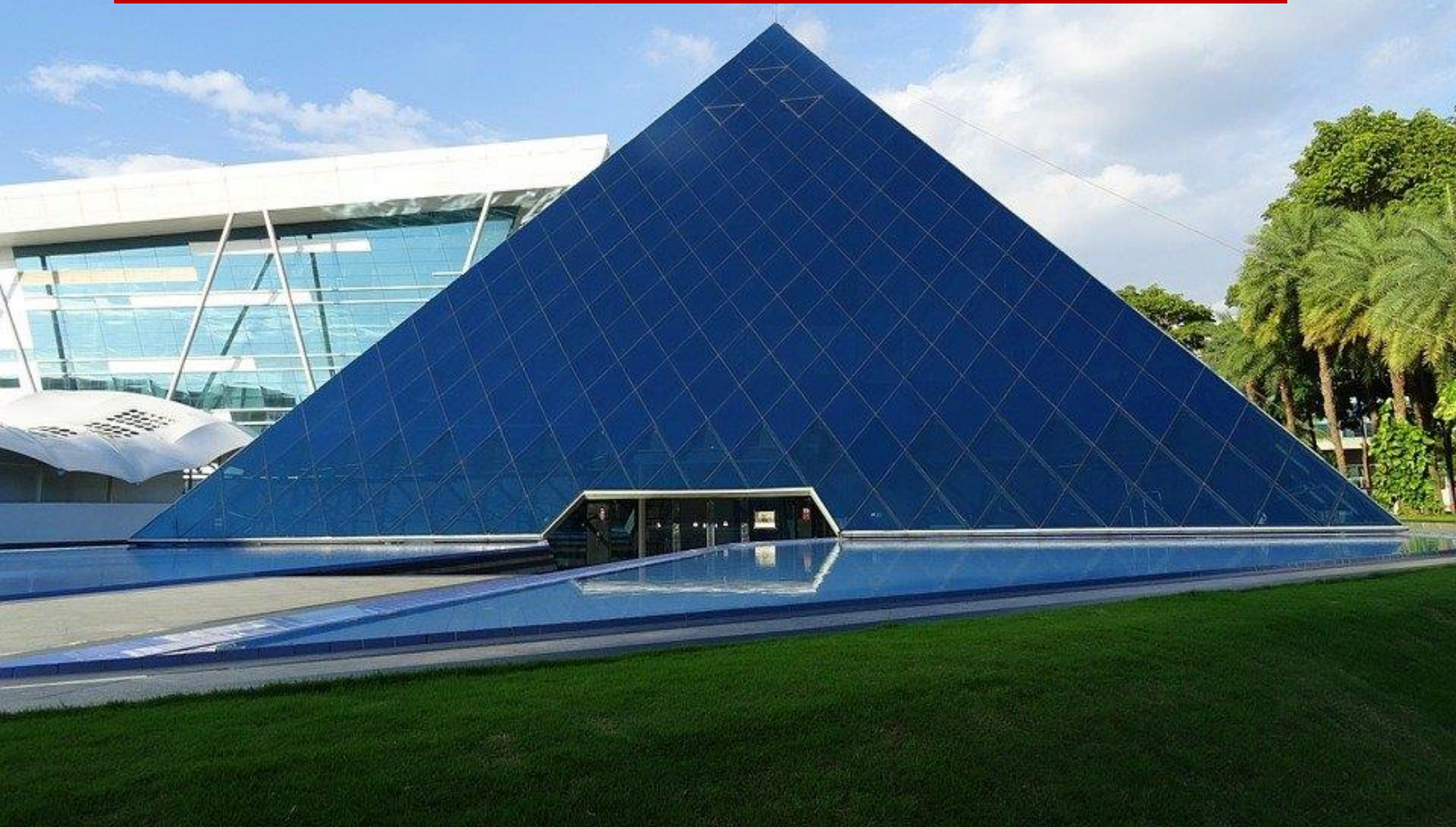


5

Other reforms include increase in sectoral caps & easing of restrictions on foreign investment. For sectors under approval route, the Government has come up with a new & simpler online single point interface for foreign investors, called Foreign Investment Facilitation Portal (FIFP), replacing the earlier Foreign Investment Promotion Board (FIPB)



Sector - wise FDI Limits



Sector - wise FDI limits

Sector	FDI Limit	Entry Route & Remarks
Agriculture & Animal Husbandry <ul style="list-style-type: none"> Floriculture, Horticulture, Apiculture & Cultivation of Vegetables & Mushrooms under controlled conditions Development & Production of seeds & planting material Animal Husbandry(including breeding of dogs), Pisciculture, Aquaculture Services related to agro & allied sectors 	100%	Automatic
Plantation Sector <ul style="list-style-type: none"> Tea sector including tea plantations Coffee plantations Rubber plantations Cardamom plantations Palm oil tree plantations Olive oil tree plantations 	100%	Automatic
Mining <ul style="list-style-type: none"> Mining & Exploration of metal & non-metal ores including diamond, gold, silver & precious ores but excluding titanium bearing minerals & its ores Coal & Lignite 	100%	Automatic
Mining Mining & mineral separation of titanium bearing minerals & ores, its value addition & integrated activities	100%	Government
Petroleum & Natural Gas <ul style="list-style-type: none"> Exploration activities of oil & natural gas fields, infrastructure related to marketing of petroleum products & natural gas, marketing of natural gas & petroleum products etc. 	100%	Automatic
Petroleum & Natural Gas <ul style="list-style-type: none"> Petroleum refining by the Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs. 	49%	Automatic

Sector - wise FDI limits

Sector	FDI Limit	Entry Route & Remarks
Defence Manufacturing <ul style="list-style-type: none"> Defence Industry Manufacturing of small arms & ammunition 	100%	Automatic up to 74% Above 74% under Government route
Broadcasting <ul style="list-style-type: none"> Teleports (setting up of up-linking Hubs/Teleports) Direct to Home (DTH) Cable Networks (Multi System operators (MSOs) operating at National or State or District level & undertaking upgradation of networks towards digitalization & addressability Mobile TV Head end-in-the Sky Broadcasting Service (HITS) Cable Networks (Other MSOs not undertaking up gradation of networks towards digitalization & addressability) & Local Cable Operators (LCOs) 	100%	Automatic
Broadcasting Content Services <ul style="list-style-type: none"> Terrestrial Broadcasting FM(FM Radio) Up-linking of 'News & Current Affairs' TV Channels 	49%	Government
Uploading / Streaming of 'News & Current Affairs' through Digital Media	26%	Government
Up-linking of non-'News & Current Affairs' TV Channels/ Down-linking of TV Channels	100%	Automatic
Print Media <ul style="list-style-type: none"> Publishing of newspaper & periodicals dealing with news & current affairs Publication of Indian editions of foreign magazines dealing with news & current affairs 	26%	Government
Publishing/printing of scientific & technical magazines/specialty journals/ periodicals , subject to compliance with the legal framework as applicable & guidelines issued in this regard from time to time by Ministry of Information & Broadcasting	100%	Government
Publication of facsimile edition of foreign newspapers	100%	Government

Sector - wise FDI limits

Sector	FDI Limit	Entry Route & Remarks
Civil Aviation – Airports <ul style="list-style-type: none"> Green Field Projects & Existing Projects 	100%	Automatic
Civil Aviation – Air Transport Services <ul style="list-style-type: none"> Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline Regional Air Transport Service 	100%	Automatic up to 49% Above 49% under Government route 100% Automatic for NRIs
Civil Aviation <ul style="list-style-type: none"> Non-Scheduled Air Transport Service Helicopter services/seaplane services requiring Director General Civil Aviation (DGCA's) approval Ground Handling Services subject to sectoral regulations & security clearance Maintenance & Repair organizations; flying training institutes; technical training institutions 	100%	Automatic
Construction Development: Townships, Housing, Built-up Infrastructure, Industrial Parks	100%	Automatic
Satellites- establishment & operation , subject to the sectoral guidelines of Department of Space / Indian Space Research Organisation (ISRO)	100%	Government
Private Security Agencies	74%	Automatic up to 49% Above 49% & up to 74% under Government route
Telecom Services	100%	Automatic up to 49% Above 49% under Government route
Duty Free Shops	100%	Automatic
Food products manufactured or produced in India Trading, including through e-commerce, in respect of food products manufactured / produced in India	100%	Government
Cash & Carry Wholesale Trading	100%	Automatic

Sector - wise FDI limits

Sector	FDI Limit	Entry Route & Remarks
E-commerce activities (includes 'marketplace' based model but excludes 'inventory' based of e-commerce)	100%	Automatic
Single Brand Retail Trading (SBRT) <ul style="list-style-type: none"> Local sourcing norms will be relaxed up to 3 years & a relaxed sourcing regime for another 5 years for entities undertaking SBRT of products having 'state-of-art' & 'cutting edge' technology 	100%	Automatic
Multi Brand Retail Trading (MBRT)	51%	Government
Railway Infrastructure (excludes operations) Construction, operation & maintenance of the following: <ul style="list-style-type: none"> Suburban corridor projects through Public Private Partnership (PPP) High speed train projects Dedicated freight lines Rolling stock including train sets, locomotives/coaches manufacturing & maintenance facilities Railway Electrification Signaling systems Freight terminals Passenger terminals Infrastructure in industrial park pertaining to railway line/sidings including electrified railway lines & connectivity' s to main railway line Mass Rapid Transport Systems. 	100%	Automatic
Asset Reconstruction Companies	100%	Automatic
Banking- Private Sector	74%	Automatic up to 49% Above 49% & up to 74% under Government route
Banking- Public Sector	20%	Government
Credit Information Companies (CIC)	100%	Automatic

Sector - wise FDI limits

Sector	FDI Limit	Entry Route & Remarks
Infrastructure Company in the Securities Market	49%	Automatic
Insurance Company	49%	Automatic
Intermediaries or Insurance Intermediaries including: <ul style="list-style-type: none"> Insurance brokers; Re-insurance brokers; Insurance consultants & corporate agents; Third Party administrators & Surveyors and Loss Assessors 	100%	Automatic
Pension Sector	49%	Automatic
Power Exchanges	49%	Automatic
White Label ATM Operations	100%	Automatic
Non-Banking Finance Companies (NBFC)	100%	Automatic
Pharmaceuticals (Green Field)	100%	Automatic
Pharmaceuticals (Brown Field)	100%	Automatic up to 74% Above 74% under Government route
Automotive	100%	Automatic
Capital Goods	100%	Automatic
Chemicals, except Hazardous Chemicals	100%	Automatic
Gem & Jewellery	100%	Automatic
IT, ITes, Business Process Management (BPM)	100%	Automatic
Manufacturing, including Contract Manufacturing	100%	Automatic
Renewable Energy	100%	Automatic
Textiles	100%	Automatic
Tourism & Hospitality	100%	Automatic
Electronics	100%	Automatic

Make in India



Make in India

- 'Make in India' is a major Government initiative to facilitate foreign investment, foster innovation & enhance skills of Young India
- The initiative is devised to transform India into a global design & manufacturing hub
- Launched in September 2014, in a short span of time, it has been proved to be a transparent & user friendly system that has helped to lure foreign investment in India & build best in class manufacturing infrastructure
- Government has also set up special management teams like 'Japan Plus' & 'Korea Plus' to facilitate & fast track investment proposals from Japan & South Korea respectively

Key incentives offered by the Government of India in last few years to encourage Make in India have been explained in the next slides



1. Reduction in Tax Rates

Corporate Tax Rate for new Manufacturing Companies reduced to 15% (plus surcharge)

Government of India has reduced effective corporate tax rate on new manufacturing companies as below, one of the lowest globally

Section 115BA of the India Income-tax Act			Concessional Tax Rate under section 115BAA of the India Income-tax Act <i>(applicable on fulfillment of certain conditions)</i>	Super-Concessional Tax Rate under section 115BAB of the India Income-tax Act <i>(applicable on fulfillment of certain conditions)</i>
Taxable Income (INR)				
< 10 million	10 million – 100 million	> 100 million		
26.00%	27.82%	29.12%	25.17%	<div><div></div>17.16%</div>

Applicable for a new company;

- Incorporated after **1st Oct 2019**
- &
- Commences manufacturing before **31st Mar 2023**

1. Reduction in Tax Rates

Abolition of Dividend Distribution Tax (DDT)

Government of India has abolished the age-old DDT of 15% (plus surcharge) payable by corporates on declaration of dividend to shareholders. The classical system of taxability in hands of shareholders has been restored

Reduction in Minimum Alternate Tax (MAT) Rate

Government of India has reduced MAT payable on book-profits from 18.5% to 15% (plus surcharge)



2. Electronics Manufacturing in India

Scheme for Promotion of manufacturing of Electronic Components & Semi Conductors (SPECs) in India

Concept

- Incentive launched by Ministry of Electronics & Information Technology, Government of India (MEIT) in April 2020 to encourage manufacture of Electronic Components in India

Incentive

- **Reimbursement (Cash-back) of 25% of Capital Expenditure** to units investing in manufacture of electronic components in India
- Capital expenditure includes expenditure in plant, machinery, equipment, associated utilities, technology & research & development (R&D)
- Eligible product-range covers 20 categories of products with minimum investment criteria ranging from \$ 0.7 million to \$ 140 million (approx.)

Eligibility

- Application can be made till 31st March 2023 by an entity registered in India
- Benefit available for investment made within 5 years from date of acknowledgement of the application by Government of India
- Lock in period - To remain in commercial production for minimum 3 years from date of commencement of production or 1 year from date of receipt of last incentive, whichever is later

2. Electronics Manufacturing in India

Production Linked Incentive (PLI) Scheme for Large Scale Electronics Manufacturing in India

Concept

- Incentive launched by MEIT in April 2020 to attract large investments in the mobile phone manufacturing & specified electronic components, including Assembly, Testing, Marking & Packaging (ATMP) units

Incentive

- An incentive of **4% to 6% on incremental sales** (over base year of FY 2019-20) of goods manufactured in India & covered under target segments, to eligible companies, for a period of 5 years subsequent to the base year

Modified Electronics Manufacturing Clusters Scheme (EMC 2.0)

Concept

- Incentive to support creation of quality infrastructure with common facilities & amenities to attract major global manufacturers along with their supply chains to set up a production base in India

Incentive

- Financial assistance of **50% of the project cost** to EMC projects subject to a ceiling of INR 700 million for every 100 acres of land

3. Self-Reliant India Program

Special Economic Package for a Self-Reliant India valued at INR 20,000 Billion, equivalent to 10% of India's GDP

Concept

- Special economic package announced by Prime Minister of India on 12th May 2020 to infuse liquidity within COVID-19 stricken economy
- Relief for
 - ✓ Micro, Small & Medium Enterprises (MSME)
 - ✓ Poor including migrants & farmers
 - ✓ Agriculture
 - ✓ Different sectors of the economy

5 Pillars of the Package

- *Economy* - Government intends to make India a \$ 5 trillion economy by 2025
- *Infrastructure* - More than INR 100,000 billion will be invested in infrastructure development in India over the next 5 years
- *Systems* - Based on 21st century technology driven arrangements
- *Demography* - A vibrant demography to be a competitive advantage for self-reliant India
- *Demand* - To be utilized to its full capacity

Focus area

- Strengthen manufacture in India to 25% of GDP (as against 17% currently)
- Land, Labour, Liquidity & Laws, common concerns of a running business
- Thrust to Prime Minister's vision of 'vocal for local'
- Transforming local Indian companies into global brands

4. Other Sectoral Schemes

HEALTHCARE

Manufacture of Medical Devices

- PLI Scheme for domestic manufacturing of Medical Devices
- Promotion of Medical Device Parks

INFRASTRUCTURE

Visionary Corridors across India

- Umbrella scheme for development of highways by the Ministry of Road Transport & Highways

DEFENSE

Defense Acquisition Procedure 2020

- To ease procurement & acquisition of upgraded technology, products & services for defense services

MSMEs

Promotion of Industry

- Collateral-free automatic loans for MSMEs
- Revision of MSME definition to extend maximum benefits
- Clearing of MSME dues within 45 days

PHARMACEUTICALS

Promotion of Industry

- PLI Scheme for promotion of manufacture of Bulk Drugs / Drug Intermediates / Active Pharmaceutical Ingredients
- Promotion of Bulk Drug Parks

AGRICULTURE

The Farming Produce Trade & Commerce Act

- Aimed at bringing transformational change in the agrarian sector & doubling farmers' incomes
- Free trade of farmers' produce
- Electronic trading & abolition of cess

5. State based incentives

- ❖ India is divided into 28 States & 8 Union Territories
- ❖ The States offer different incentives to attract manufacturing companies
- ❖ The incentives vary based on location, scale of investment, employment generation, products manufactured, etc.



Incentives are based on:

Capital Investment

- *Reimbursement / Cash-back*
 - ✓ Capital Subsidy
 - ✓ Interest Subsidy
 - ✓ Land Rebate



Expenditure incurred

- *Exemption of Government dues*
 - ✓ Electricity Duty Exemption
 - ✓ Stamp Duty Exemption
 - ✓ Exemption of External Development Charges
- *Reimbursement / Cash-back*
 - ✓ Employment generation subsidy



Sales made

- *GST subsidy*
 - ✓ GST Refund
 - ✓ Investment Promotion Subsidy



6. MOOWR, 2019

Manufacture & Other Operations In Warehouse Regulations, 2019 (MOOWR)

Concept

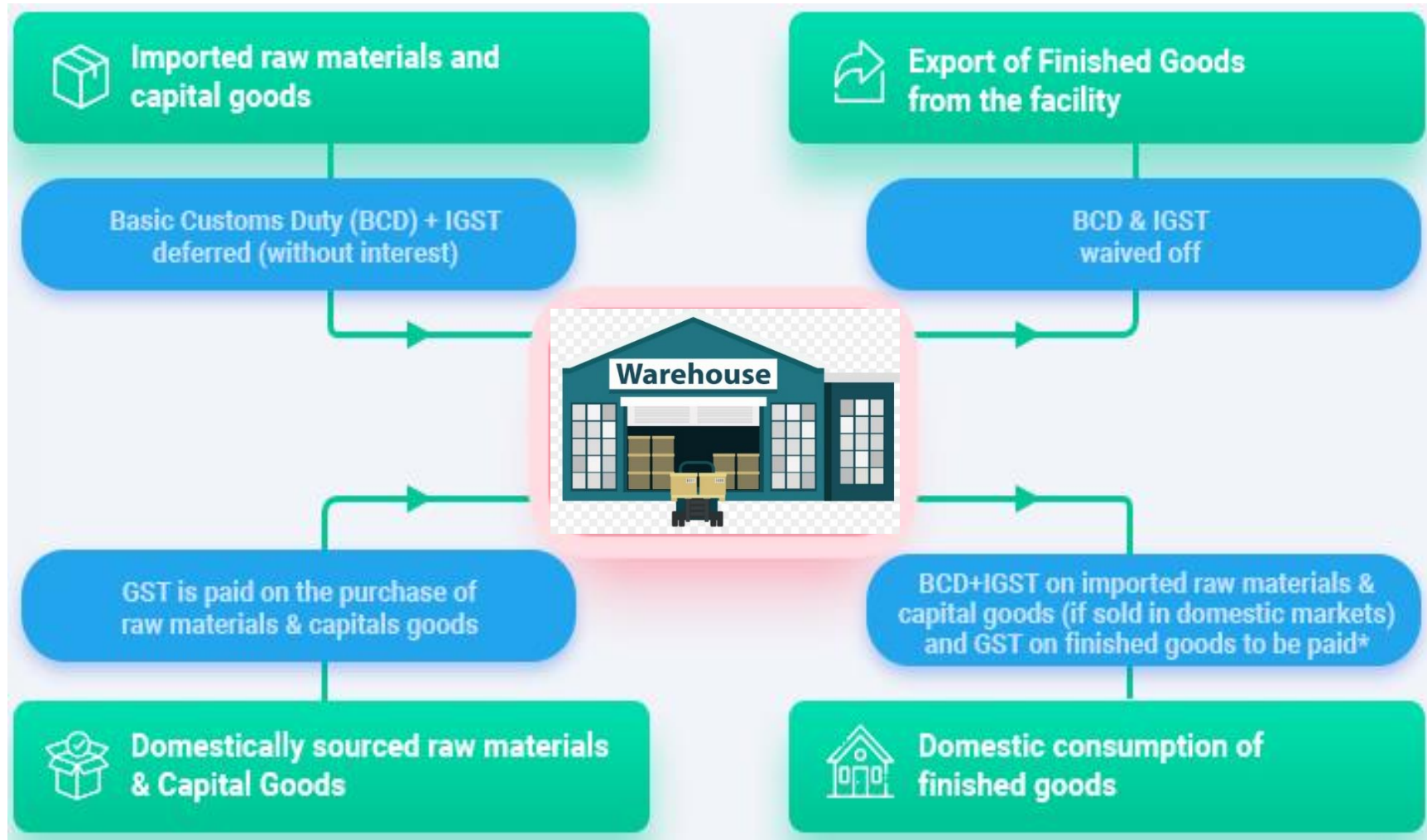
- Incentive scheme launched by Government of India in 2019 to encourage manufacture in India
- **Scheme for deferment of import duty & GST on raw material & capital goods imported into India**
- If the imported raw material & capital goods are utilised for exports, the deferred import duty & GST is exempted
- Only if the finished goods are sold locally within India, the deferred import duty & GST on imported raw material is required to be paid
- Deferred import duty on capital goods is required to be paid only when the capital goods are sold locally within India

Benefits

- Deferment of import duty on raw Material & capital goods
- Warehouse to Warehouse duty free transfer allowed
- No fixed export obligation – Company may sell full 100% output within India

Suitable for companies wanting to export goods that are manufactured using imported components

6. MOOWR, 2019



7. Other Incentives

Authorized Economic Operator (AEO) Scheme

- Deferment of import duty
- Fast track clearance
- Direct port delivery
- Duty drawback

Project Import Scheme

- Concessional Basic Customs Duty (BCD) on set up

Export Promotion Capital Goods (EPCG) Scheme

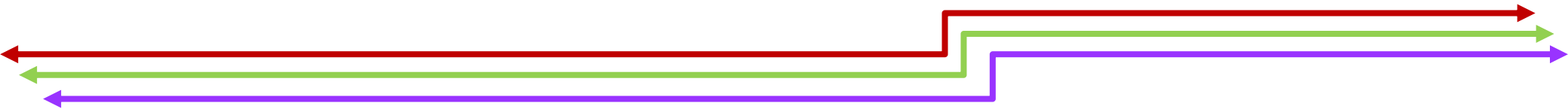
- Benefit of BCD & GST against future export obligation

Free Trade Agreements

- Benefit of concessional BCD on import from preferred nations

Foreign Trade Policy

- Benefit (3% to 7% of net exports) on export of Goods / Merchandise
- New Foreign Trade Policy to come into effect from April 2021 onwards

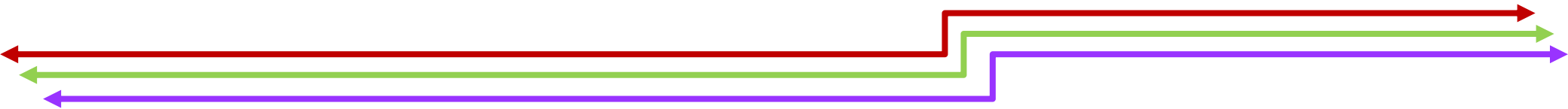


Key Considerations

Key Considerations for setting up Manufacturing Plant in India

- ❖ **Location & Amount of Investment** – To evaluate maximum benefits that can be availed under the Central & State laws of India
- ❖ **Product Line** – To identify the incentives under sector-specific policies of India
- ❖ **Sales Pattern (Export / Sale within India)** – To identify & quantify incentives available under Foreign Trade Policy & State Industrial Policies of India
- ❖ **Expenditure** – To quantify the incentives linked to expenditure incurred on the project

With proper planning & execution, it is possible to get overall benefit of upto 60% to 70% of total project cost for setting up Manufacturing Plant in India





References

<http://www.investindia.gov.in/>

<http://www.ibef.org/>

Sector Analysis Report

Automobile

Introduction

India has risen to become world's 4th largest vehicle market, holding a strong position specially in the international heavy vehicles arena. The industry accounts for 7.1% of the country's GDP & has generated employment for 35 million people. The Two Wheelers segment with 81% market share is the leader of the Indian Automobile market owing to a growing middle class & a young population. The industry's share in India's total exports is 4.3%. In April – March 2020, overall automobile exports registered a growth of 2.95%.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ In order to keep up with the growing demand, several auto makers have been investing heavily in various segments of the industry in India❖ The sector attracted \$ 24.5 billion FDI during April - June 2020; accounting for 5.1% of the total FDI inflows❖ The industry currently manufactures 26 million vehicles, of which 4.7 million vehicles are exported❖ India is the largest tractor manufacturer, 2nd-largest bus manufacturer & 3rd largest heavy trucks manufacturer globally	<ul style="list-style-type: none">❖ Low cost Electric Vehicles (EVs) – The Government envisions to have 100% electrical mobility by 2030❖ India accounts for 40% of global engineering & R&D spend❖ Replacement market share in sub-segments such as clutches is likely to grow due to rising traffic density. The entry of global players is expected to intensify competition in sub-segments such as gears & clutches❖ Manufacturers are expected to benefit from the growing demand for sheet metal parts, body & chassis, fan belts, pressure die castings, hydraulic pneumatic instruments in the two-wheeler segment	<ul style="list-style-type: none">❖ Present day norms of social distancing & minimal physical contact likely to encourage people to avoid risk of public transport & switch to privately owned vehicles❖ An emerging global hub for sourcing auto components despite temporary slowdown❖ Geographically closer to key automotive markets like the ASEAN, Japan, Korea & Europe.❖ Favorable trade policy with few restrictions on export-import❖ Establishment of automotive training institutes & auto design centers, special auto parks & virtual SEZs for auto components

Road Ahead:

 <p>Vehicle penetration to reach 72 vehicles per 1000 persons by 2025. EV Industry expected to create 50 million jobs by 2030</p>	 <p>\$ 118 billion Automobile industry is expected to reach \$ 300 billion by 2026</p>	 <p>By 2026, India is expected to be the 3rd largest automotive market by volume globally</p>	 <p>Global car majors have been ramping up investments in India to cater to growing domestic demand. These manufacturers plan to leverage India's competitive advantage to set up export-oriented production hubs.</p>
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FDI Policy

100% FDI allowed under automatic route

Infrastructure

Introduction

Infrastructure sector is a key driver for any economy. Infrastructure sector includes Construction-Development, Power, Bridges, Dams, Roads, Highways, Water supply, Sanitation & Urban Infrastructure development. Construction-development covers Residential, Office, Retail, Hotels & Leisure parks. The sector is highly responsible for propelling India's overall development & enjoys intense focus from Government of India for initiating policies that would ensure time-bound creation of world class infrastructure in the country.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ The sector has been the 2nd largest FDI recipient for India in 2017❖ Total FDI inflow during April 2014 – March 2018 was \$ 1.53 billion. In FY 2017-18 alone, FDI inflow was \$ 540 million❖ FDI inflows during April 2000 to September 2020:<ul style="list-style-type: none">✓ In construction-development - \$ 25.78 billion✓ In construction-infrastructure - \$ 17.2 billion	<ul style="list-style-type: none">❖ Technologies & solutions for smart sustainable cities & integrated townships❖ Technologies for the promotion of low cost & affordable housing❖ Green building solutions❖ Sustainable & environmental friendly building materials❖ Training & skill development of construction sector workers❖ Smart cities❖ Urban water supply, urban sewerage & sewage treatment	<ul style="list-style-type: none">❖ Despite temporary slowdown, construction sector in India will remain attractive over the long run due to demand from real estate & infrastructure projects❖ \$ 650 billion will be required for urban infrastructure over the next 20 years❖ Government aims to provide clean & sustainable environment. Focus would be on investment in green materials, smart cities, industrial corridors, railway lines & ports❖ Construction activities contribute 9% of India's GDP. The sector employs 51 million people

Road Ahead:



By 2025, construction market in India is expected to become 3rd largest globally. Construction output is expected to grow average @ 7.1% each year



Expected cement capacity addition of 80-100 MT per annum over next 5 years.



India will require investment worth \$ 777.73 billion across infrastructure by 2022 for sustainable development in the country



Only 24% of the National Highway network is 4 –lane, therefore immense scope for improvement

FDI Policy

100% FDI under automatic route allowed in construction-development, built-in infrastructure, townships, housing & industrial parks

Information Technology

Introduction

India is the largest outsourcing destination globally, accounting for more than 55% of the global market. IT sector is the largest employer within the private services sector. Indian IT industry has more than 17,000 firms, of which over 1,000 are large firms with over 50 delivery locations in India. India has become the global digital capabilities hub with 75% of global digital talent within the country. India's IT-BPM industry stood at \$ 177 billion in 2019. Total revenue from IT & BPM services for FY 2019-20 accounts for \$ 135 billion. The sector contributes to more than 45% share in India's exports. India spends \$1.6 billion annually on training workforce in the sector.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ The sector has seen 6 times growth in FDI during 2014-17 vis-à-vis 2011-14❖ The sector accounted for 12% share in total FDI inflows over April 2000 to September 2020. Total FDI inflows in computer hardware & software during the said period stood at \$ 62.46 billion❖ The Indian data centre industry has attracted an investment of \$396 million in 2020❖ India has the 2nd highest number of internet subscribers in the world	<ul style="list-style-type: none">❖ Setting up of IT services, BPM, software product companies, shared service centers❖ Fast-growing sectors within the BPM domain – knowledge services, data analytics, legal services, Business Process as a Service (BPaaS), cloud-based services❖ IT services & fast-growing sectors within it such as solutions & services around Social, Mobile, Analytics, Cloud (SMAC), Information Systems (IS) outsourcing, IT consulting, software testing❖ Internet of Things (IoT), Artificial intelligence (AI)	<ul style="list-style-type: none">❖ Largest market share in global services outsourcing industry. 2nd largest tech startup hub globally❖ Low-cost advantage by being 3-4 times inexpensive than US❖ India's IT industry contributed 8% to the country's GDP & is expected to contribute 10% of India's GDP by 2025❖ Rapidly growing urban infrastructure has fostered several IT centers in the country.❖ Tax holidays to the IT sector for Software Technology Parks of India (STPI) & Special Economic Zones (SEZs)

Road Ahead:



The industry is expected to grow to \$ 350 billion by 2025. BPM is expected to account for \$ 50-55 billion out of the total revenue. The sector is headed towards achieving \$1 trillion digital economy by 2025.



Private sector working in tandem with Government to strategize, implement & execute next generation tech like AI, smart cities, blockchain, IoT, etc.



Government has identified IT as 1 of the 12 champion service sectors for which an action plan is being developed. It is setting up a \$ 745.82 million fund for realizing true potential of these champion service sectors

FDI Policy

100% FDI allowed under automatic route

Healthcare

Introduction

Key components of the healthcare market in India are Hospitals (government & private), Pharmaceuticals, Diagnostics (imaging & pathology), Medical equipment, Supplies, Medical insurance & Telemedicine. The hospital industry in India accounting for 80% of the total healthcare market, is witnessing a huge investor demand from both global as well as domestic investors. The diagnostics industry & primary health-care industry has also been witnessing major growth. World's one of the largest government funded healthcare scheme, Ayushman Bharat was launched in September 2018. Over 50,000 Ayushman Bharat centres, which aims at providing primary health care services to communities closer to their homes, are operational in India.

Current Scenario Vis-à-vis foreign Investment

- ❖ FDI in hospitals & diagnostic centers stood at \$ 6.8 billion during April 2000 – September 2020, representing 1.38% of total FDI inflows during the above period
- ❖ The diagnostics industry in India is currently valued at \$4 billion. The primary care industry is valued at \$13 billion
- ❖ Over 2000-2014, there has been an increase of 3.7 times in health expenditure in India

Investment Opportunities

- ❖ Hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance, medical equipment
- ❖ Healthcare infrastructure, home-based care services, health-care & wellness centers
- ❖ Mobile & wearable devices (such as glucose monitors, exercise trackers, etc.) acting as preventive measures against health issues
- ❖ Technology, robotic process automation, Internet-of-medical-things (IOMT), AI

Reason to Invest

- ❖ Healthcare is one of India's largest sectors in terms of both revenue & employment
- ❖ Growing incidence of lifestyle diseases, rising demand for affordable healthcare delivery systems due to increasing healthcare costs, technological advancements, emergence of telemedicine, rapid health insurance penetration & government initiatives like e-health together with tax benefits & incentives are driving factors for growth of healthcare market in India
- ❖ The industry is growing at a tremendous pace owing to its strengthening coverage, services & increasing expenditure by public as well private players

Road Ahead:



Indian health-care industry is projected to reach \$ 372 billion by 2022 (more than 3 times from \$ 110 billion in 2017). The hospital industry alone is expected to reach \$ 132 billion by 2023 from \$ 61.8 billion in 2017, growing at CAGR of 16-17%



India plans to create 1 million skilled healthcare providers by 2022. Over \$200 billion is likely to be spent on medical infrastructure by 2024. Home-based care services to gain popularity as average life expectancy likely to cross 70 years by 2022



India is emerging as a strong market for wearables, with approx. 2 million units sold in 2017, expected to reach 129 million units in 2030

FDI Policy

100% FDI is permitted under automatic route for greenfield projects. For brownfield projects, upto 74% through automatic route, beyond 74% under approval route.

Electronic Systems

Introduction

With per capita disposable income & private consumption having doubled in the past 7 years, India has emerged as one of the largest markets for electronic products globally. The electronics market valued at \$120 billion in 2018-19 is segmented as Mobile Phones (24%), Consumer Electronics (22%), Strategic Electronics (12%), Computer Hardware (7%), LEDs (2%) & Industrial Electronics (34%) comprising of auto, medical & other industrial electronic products. India has witnessed more than double growth in domestic electronics production within 4 years from \$29 billion in 2014 to \$70 billion in 2018. The growth in domestic production of mobile devices has been more than 8 times. India is a global R&D destination, with 1140+ R&D centers of multinationals in India employing more than 0.9 million professionals

Current Scenario Vis-à-vis foreign Investment

- ❖ FDI inflows in the sector during April 2000 – September 2020 stood at \$ 2.94 billion. Domestic electronic components market in India for 2019 stood at \$ 20.8 billion (excluding imported printed circuit board assemblies)
- ❖ The global electronics market is estimated to be over \$ 2 trillion. India's share in global electronics manufacturing has grown from 1.3% in 2012 to 3% in 2018
- ❖ In 2018-19, FDI inflows in the sector accounted for \$ 452 million compared to \$ 197 million in 2017-18

Investment Opportunities

- ❖ Automotive Electronics - Engine control & advanced driver assistance systems, infotainment / navigation
- ❖ Medical devices - Remote patient monitoring, handheld portable healthcare devices
- ❖ IT office automation - E-governance & 'Digital India' to boost IT hardware
- ❖ Emerging Technologies - Utilization of 5G, AI, machine learning providing impetus to creation of advanced multi-utility electronic products
- ❖ Miniaturization of larger devices & parts, localization of supply chain, industrial automation & IoT-based advanced analytics

Reason to Invest

- ❖ Consumer base of 1.3 billion people engaged in rapid urbanization & digitization with increasing penetration of electronic products
- ❖ New schemes for promotion of electronics manufacturing – SPECS, PLI, EMC 2.0
- ❖ Initiatives such as 'Digital India' & 'Smart City' projects have raised the demand for IoT in the market which will definitely usher in a new era for electronic products
- ❖ 3rd largest startup ecosystem with new innovations, designs & technology propelling digitization within the country
- ❖ Robust R&D ecosystem, rollout of 5G, industrial use of IoT technology

Road Ahead:



Indian Electronics industry is anticipated to reach \$ 400 billion by 2025. Digital economy of \$1 trillion expected by 2025. Electronics System Design & Manufacturing (ESDM) sector is expected to generate \$100 - 130 billion in economic value by 2025



More than 900 million internet subscribers expected by 2025. Digital media, smart cities, cloud computing, better connectivity, solar projects, etc. are likely to be the growth factors for the industry going forward.

FDI Policy

100% FDI is allowed under automatic route

E-Commerce

Introduction

India is a shopper's paradise now, albeit, online. The unrivalled population in India armed with smart gadgets is spoilt for a choice. Aided by declining broadband subscription prices & high speed connectivity, consumers have become the driving force of e-Commerce in the country. From buying groceries to furniture, movie tickets, trains tickets to booking cabs – e-Commerce has empowered the consumers. With digital device & social media, online sellers are getting unprecedented opportunity for growth and have thus become continuously more attractive for investors.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ E-commerce & consumer internet companies in India received more than \$ 4.32 billion from private equity & venture capital players in 2019❖ Each month, India adds 10 million daily active internet users- the highest rate globally❖ Number of smartphones per 100 people has risen from 5.4 in 2014 to 26.2 in 2018. According to 2019 data, it was estimated that 1 in every 3 Indians shopped using a smartphone	<ul style="list-style-type: none">❖ Electronics & Apparel, which constitute 70% of the e-commerce market in terms of transaction value❖ Other upcoming categories such as baby products, furnishing, personal care, food & groceries❖ Consumer internet companies, Technology enabling innovations like IoT, digital payments, hyper-local logistics, analytics driven customer engagement & digital advertisements	<ul style="list-style-type: none">❖ Most of Indian internet users are in the age group of 15 to 34 years. This category shops more than the remaining population. Peer pressure, rising aspirations with career growth & fashion encourage this segment to shop more than any other category. Thus, India enjoys a demographic dividend that favors the growth of e-Commerce.❖ In coming years, as internet presence increases in rural areas, rural India will yield more e-Commerce business❖ 3 out of every 5 orders are from tier-2 & smaller towns, a target audience of nearly 200 million online shoppers by 2025 is expected

Road Ahead:



The Indian e-retail market is primed to reach nearly 300 - 350 million shoppers over the next 5 years, By 2034, India is predicted to surpass USA to become the 2nd largest e-commerce market globally



The share of Indian e-commerce is set to grow from current 4% of country's overall food, grocery, fashion, consumer electronics retail trade to 8% by 2025, even as the economic impact of Covid-19 is set to contract India's retail market by 25% to 40% in 2021



Digital India program of the Government aims at creating a trillion dollar online economy by 2025



Heavy investment by Government in rolling out fibre-network for 5G will help boost e-commerce in India

FDI Policy

100% FDI under automatic route is allowed in Business to Business (B2B) marketplace model

Telecom

Introduction

India has world's 2nd largest mobile market with a subscriber base of over 1.2 billion. The Telecom Industry contributes 6.5% to India's GDP, generating employment of 4 million people. There are more than 620 million smartphone subscriptions in India. The industry is divided into following subsectors: Infrastructure, Equipment, Mobile Virtual Network Operators (MNVO), White Space Spectrum, 5G, Telephone service providers & Broadband. More than 70 companies have received approval from the Department of Telecommunications (DoT) to provide MVNO services. The majority of these companies are focused on Tier 2 & Tier 3 cities.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ FDI inflows in the sector during the period April 2000 – September 2020 stood at \$ 37.27 billion❖ FDI inflows during July 2014 – June 2019 stood at \$20.5 billion❖ As on 30th October 2020 the total telephone connections rose to 1171.72 million out of which 1151.73 million are mobile connections	<ul style="list-style-type: none">❖ 4G & 5G ecosystem - High data speed & reliability, low latency & energy consumption❖ Production of mobile handsets & other equipment manufacturing, technologies to equip masses with better connectivity, security, storage, such as IOT, cloud computing, etc.❖ Non-traditional telecom services such as over the top (OTT), digital content, e-education, e-health, e-commerce.❖ Start-ups - India ranked #2 start-up ecosystem globally. Focus sectors: Fintech, Edtech, Enterprise tech & Healthtech	<ul style="list-style-type: none">❖ Indian smartphone users consume maximum data in the world at 12 GB per month which could increase to 25 GB per month by 2025❖ The industry has witnessed exponential growth primarily driven by affordable tariffs, wider availability, roll-out of Mobile Number Portability (MNP), expanding 3G & 4G coverage, evolving consumption patterns of subscribers & a conducive regulatory environment❖ PLI scheme worth INR 121.95 billion for manufacture of telecom & networking products❖ Phased Manufacturing Program (PMP) by Government to promote domestic production of mobile handsets

Road Ahead:



5G is set to be a game changer for the telecom industry expected to yield enormous economic opportunities over the next 3 – 5 years. India has the potential to unlock \$ 48.69 billion through deployment of 5G over the next 4 years



The DoT is targeting 70% fiberisation of towers, average broadband speeds of 50 Mbps & 50 lakh km of optic fibre rollouts at a pan-India level by end of 2024



India is on its way to becoming the 2nd largest smartphone market globally by 2025 with around 1 billion installed devices & is expected to have 920 million unique mobile subscribers by 2025 including 88 million 5G connections

FDI Policy

100% FDI is allowed, upto 49% through automatic route, beyond 49% under approval route

Food Processing

Introduction

India's food ecosystem offers huge opportunities for investments with stimulating growth in the food retail sector, favourable economic policies & attractive fiscal incentives. The Food & Grocery market in India is the 6th largest globally. Food & Grocery retail market in India constitutes 65% of the total retail market in India. The sector contributes to 11.6% of the national employment & 10.7% share in India's exports. The major industries constituting the food processing industry are Grains, Sugar, Edible Oils, Beverages & Dairy products. The key sub-segments include dairy, fruits & vegetables, poultry, meat processing, fisheries, food retail, etc. The Ministry of Food Processing Industries (MoFPI) is making efforts to encourage investments across the value chain

Current Scenario Vis-à-vis foreign Investment

- ❖ Food processing sector in India has received FDI of \$ 10.2 billion during April 2000- September 2020, contributing 2.04% of total FDI inflow during the said period
- ❖ FDI inflow during the period April 2014- March 2019 stood at \$ 3.28 billion
- ❖ Government of India has sanctioned over 134 food processing projects during 2020 across different states

Investment Opportunities

- ❖ Food preservation by fermentation: wine, beer, vinegar, yeast preparation, alcoholic beverages
- ❖ Beverages: fruit-based, cereal-based, seafood, fish processing
- ❖ Food preservation & packaging: metal cans aseptic packs, freezing units
- ❖ Consumer food: Frozen, processed, packaged food, aerated soft drinks & packaged drinking water
- ❖ Food supply chain infrastructure such as cold storage, abattoirs, food parks, etc.

Reason to Invest

- ❖ India is world's;
 - ✓ Largest producer, consumer & exporter of spices
 - ✓ largest processor, producer & consumer of cashew nuts
 - ✓ 2nd largest producer of food grains, fruits & vegetables
- ❖ Strategic geographic location & proximity to food-importing nations makes India favorable for the export of processed foods
- ❖ PLI scheme worth INR 10.9 billion for enhancing India's manufacturing capability & exports

Road Ahead:



By 2024, the Food Processing Industry is expected to attract \$33 billion investment & generate employment for 9 million people. By 2025, the sector is expected to be worth over half a trillion dollars



By 2030, Indian annual household consumption is likely to treble, making India 5th largest consumer globally. Rising youth population, increased desire for branded frozen & processed food is likely to increase India's overall food consumption

FDI Policy

100% FDI is permitted under automatic route in food processing industries

100% FDI is allowed through approval route for trading, including through e-commerce in respect of food products manufactured / produced in India

Retail

Introduction

The Indian retail industry has emerged as one of the most dynamic & fast-paced industries due to the entry of several new players. It has witnessed tremendous growth in the last 10 years. India ranks among the best countries to invest in Retail space. India ranked 2nd in Global Retail Development Index (GRDI) in 2019. Retail is India's largest industry accounting for more than 10% of the country's GDP & 8% of total employment. Government of India has introduced various reforms to attract FDI in Retail industry. GST regime introduced in 2017 as a single unified tax system has also been an enabler in this direction. India is largely an unorganized retail market, contributing 88% to the total retail sector in India. The organized retail market is currently valued at \$60 billion, while the unorganized market holds the rest.

Current Scenario Vis-à-vis foreign Investment

- ❖ Retail trading sector has received FDI inflows of \$ 3.35 billion during April 2000–September 2020
- ❖ The sector attracted \$ 970 million from private equity funds in 2019
- ❖ With the rising need for consumer goods in different sectors including consumer electronics, home appliances & utilities, many companies have invested in the Indian retail space

Investment Opportunities

- ❖ Organized Retail, Fast Moving Consumer Goods (FMCG), especially in tier-2 & tier-3 cities, Brick & Mortar
- ❖ Ecommerce, the biggest revolution in retail industry. Customers have the ever-increasing choice of products at the lowest rates
- ❖ Supply chain infrastructure - India is emerging as one of the important sourcing base for a wide variety of goods for international retail companies

Reason to Invest

- ❖ Relaxed sourcing & FDI rules
- ❖ Collective schemes of financial houses & banks with retailers, enabling consumers to buy durable products with easy credit
- ❖ 2nd largest population in the world, a middle class of 600 million people, increasing urbanization & connected rural consumers
- ❖ India is likely to add 90 million new households headed by millennials, who were born into liberalized India

Road Ahead:



India to become 3rd largest consumer economy by 2025. Direct-to-Consumer segment could have a \$100 billion addressable market. Consumption expenditure to increase by a factor of 3 to reach \$ 4 trillion



The overall Retail market is set to cross \$1.75 trillion mark by 2026 from \$ 795 billion in 2017. India's e-commerce retail market which stood at \$30 billion in 2019 is also set to grow at a CAGR of 30% for gross merchandise value to be worth \$200 billion by 2026



Rural per capita consumption is likely to grow 4.3 times by 2030, compared to 3.5 times in urban areas. Long-term outlook for the industry is positive

FDI Policy

100% FDI is permitted under automatic route in Single Brand Retail Trading (SBRT).

Upto 51% FDI is allowed through approval route in Multi Brand Retail Trading (MBRT)

Defence

Introduction

India has the 2nd largest armed forces & 5th largest defence budget globally. The country's defence services include the Armed Forces (Army, Navy, Air Force) & other Departments like Defence Research & Development Organisation (DRDO) & Defence Ordnance Factories. The value of ongoing projects of DRDO in India is \$ 7.3 billion. Annual turnover by private sector in Defence & Aerospace in 2018-19 was \$ 2.4 billion. The sector contributes to 2.3% of the total GDP spend by Government & 15% share in global arms import. A sum of \$ 64.4 billion was allocated to the sector in the union budget for 2020-21. The 'Innovations for Defence Excellence (iDEX)' program of the Government provides platform for start-ups to connect to the defence establishments & aims at developing new technologies/products in the next 5 years. The Defence Ministry has set a target of 70% self-reliance in weaponry by 2027, creating huge prospects for industry players. There is a critical need to build technological capabilities within the sector.

Current Scenario Vis-à-vis foreign Investment

- ❖ The sector received FDI of \$ 10.5 million during April 2000 –September 2020, witnessing CAGR of 3.9% between 2016 & 2020
- ❖ As of 2019, India ranked 19th in the list of top defence exporters globally by exporting defence products to 42 countries. The sector saw exports of \$ 780 million in March – December 2020 & \$ 1 billion in 2019

Investment Opportunities

- ❖ Defence products manufacturing
- ❖ Supply chain sourcing opportunity
- ❖ IT, high-tech engineering, R&D
- ❖ India can leverage its IT infrastructure & manufacturing potential to be one of the key global sourcing destinations for defence systems & equipment

Reason to Invest

- ❖ India plans to spend \$ 130 billion on military modernization in the next 5 years. Achieving self-reliance in defence production is a key target for the Government of India
- ❖ Government has opened up Defence sector for private sector participation to provide impetus to indigenous manufacturing. Opening up of the industry also paves the way for foreign original equipment manufacturers to enter into strategic partnerships with Indian companies
- ❖ Defence export strategy formulated with a view of facilitating Defence Public Sector Enterprises & private defence players in exploring business opportunities abroad

Road Ahead:



Defence Production & Export Promotion Policy 2020 formulated by Government to provide impetus to self-reliance in defence manufacturing. Estimated turnover of \$ 25 billion (including export \$ 5 billion) in Defence & Aerospace goods & services in next 5 years.



The industry is likely to accelerate with rising concerns of national security. Demand for defence equipment in India has been growing due to ongoing territorial disputes with neighbouring countries



Defence ministry estimates potential contract worth \$ 57.2 billion for the domestic industry in the next 5–7 years

FDI Policy

100% FDI is allowed, upto 74% through automatic route, beyond 74% under approval route

Textile

Introduction

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. The textiles & apparel industry in India has strengths across the entire value chain from fiber, yarn, fabric to apparel. It is highly diversified with a wide range of segments ranging from products of traditional handloom, handicrafts, wool & silk products to the organized textile industry which is characterized by use of capital-intensive technology for mass production of textile products & includes spinning, weaving, processing & apparel manufacturing. The sector contributes to 2% share in India's GDP, 12% share in India's overall exports & 7% share of industry output in terms of value. The sector has generated 45 million direct employments & 60 million indirect employments in allied industries.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ The sector (including dyed, printed textile) attracted FDI worth \$ 3.46 billion during April 2000 –September 2020❖ The domestic textiles & apparel industry stood at \$140 billion in 2018 (including handicrafts) of which \$100 billion worth (apparel, technical textiles, home furnishings) was domestically consumed while the remaining worth \$40 billion (apparel, technical textiles, handloom) was exported to the world market	<ul style="list-style-type: none">❖ Textile machinery manufacture across segments such as spinning, knitting, weaving & processing❖ Apparels, home & office furnishings❖ Technical textiles - Medical textiles, agro-textiles, geotextiles protective clothing❖ Branded garments - Combination of exclusive brand stores & multi-brand outlets❖ Man-made fibres - Carpets, conveyor belts, fire-resistant materials	<ul style="list-style-type: none">❖ India is;<ul style="list-style-type: none">✓ World's largest producer of cotton & jute✓ World's 2nd largest manufacturer of Personal protective equipment (PPE) & producer of polyester, silk & fibre✓ 2nd largest employment provider in India after agriculture❖ India has abundant availability of raw materials such as cotton, wool, silk & jute. It also enjoys a comparative advantage in terms of skilled manpower & cost of production❖ PLI Scheme in man-made fiber & technical textiles with financial outlay of INR 106.83 billion

Road Ahead:



Exports in the textiles & apparel industry are expected to reach \$300 billion by 2024-25 resulting in a tripling of Indian market share from 5% to 15%. 7 mega textile parks have been planned



More than 600 companies in India are certified to produce PPEs, whose global market worth is expected to exceed \$92.5 billion by 2025, up from \$52.7 billion in 2019



Increased focus on technical textiles due to growth of end-user industries such as automotive, healthcare, infrastructure, oil & petroleum

FDI Policy

100% FDI is allowed under the automatic route

Chemical

Introduction

Indian Chemicals industry is highly diversified, covering more than 80,000 commercial products. Market size of the sector is \$165 billion & contributes to 3.4% of the global chemical industry. It is broadly classified into Bulk chemicals, Specialty chemicals, Agrochemicals, Petrochemicals, Polymers & Fertilizers. India's proximity to the Middle East, the world's source of petrochemicals feedstock, helps in economies of scale. India is a strong global dye supplier, accounting for 16% of the world production of dyestuff & dye intermediates. India ranks 14th in export & 8th in import of chemicals (excluding pharmaceuticals products) globally. The sector employs more than 2 million people.

Current Scenario Vis-à-vis foreign Investment	Investment Opportunities	Reason to Invest
<ul style="list-style-type: none">❖ FDI inflow in chemicals (other than fertilizers) stood at \$ 18.07 billion during April 2000 – September 2020❖ Specialty chemicals constitute 18% of the total chemicals & petrochemicals market in India. As of 2019, the total market size was \$ 32 billion. The demand for speciality chemicals is expected to grow at 12% CAGR❖ Over the last decade, the Indian chemical industry has evolved from being a basic chemical producer to an innovative industry with investments in R&D	<ul style="list-style-type: none">❖ Agro-chemicals - India's 50% exports of Agro-chemical production is likely to continue❖ Petrochemicals - Demand for petrochemicals has grown at 5.4% CAGR during FY2015-18. 31% of this demand comes from polymers while 22% from olefins❖ Fertilizers - As of 2018, the Indian fertilizer market was around \$64 billion. The market is expected to grow at 13% CAGR to \$138 billion❖ Organic Chemicals - Demand for organic chemicals is expected to grow at 9% CAGR with phenol demand growing at 11%	<ul style="list-style-type: none">❖ India is world's;<ul style="list-style-type: none">✓ 6th largest producer of chemicals✓ 4th largest producer of agro chemicals✓ 3rd largest consumer of polymers❖ Shift in consumer preferences towards a healthier lifestyle & environment-friendly products❖ Chemicals industry in India is largely de-licensed except for few hazardous chemicals❖ Opportunity to produce \$111 billion worth of chemical products by 2023 for domestic requirements

Road Ahead:



Indian Chemicals & Petrochemicals market is projected to reach \$ 300 billion by 2025. Demand of chemical products is expected to grow @ 9% per annum over the next 5 years



The Agrochemicals market in India is expected to grow at 8% CAGR to reach \$4.7 billion by 2025



Upcoming Petroleum, Chemicals & Petrochemicals Investment Regions (PCPIRs) & Plastic parks will provide state-of-the-art infrastructure for Chemicals & Petrochemicals sector

FDI Policy

100% FDI is allowed under the automatic route (except certain hazardous chemicals)

Aviation

Introduction

India is globally the 5th largest market in terms of aircraft passengers (domestic & international) & 3rd largest & fastest growing in terms of domestic tickets sold. It is the 9th largest civil aviation market globally. India has 91 international carriers comprising of 5 Indian carriers & 86 foreign carriers, ensuring that India is well connected with most major countries. The country has 464 airports & airstrips, of which 125 airports are owned by Airport Authority of India (AAI). These 125 AAI airports manage 78% of domestic passenger traffic & 22% of international passenger traffic. There are 52 Aircraft Maintenance Engineering (AME) training institutes in India approved by the DGCA.

Current Scenario Vis-à-vis foreign Investment

- ❖ FDI in air transport (including air freight) during April 2000 – September 2020 stood at \$ 2.84 billion. Segmentation of passenger traffic over last 2 years is as below.

Year	Total Passenger Traffic (million)	Domestic Passenger Traffic	International Passenger Traffic
2018-19	316.51	79%	21%
2019-20	341.05	80%	20%

Investment Opportunities

- ❖ New airports, Public Private Partnerships (PPP) in greenfield airports, Modernization of existing airports, Infrastructure development
- ❖ Regional connectivity - Boosting air connectivity to smaller cities & northeastern states
- ❖ Maintenance, Repair, Overhaul (MRO) & Ground handling – Expenditure in MRO accounts for 12-15% of total revenues. It is the 2nd highest expense after fuel cost

Reason to Invest

- ❖ India has been projected to be the 2nd fastest-growing country globally for passenger traffic by the Airports Council International (ACI) in its traffic forecasts between 2017-40.
- ❖ Increase in Indian carriers – Number of airplanes expected to grow to 1100 by 2027. It is expected that by 2038, India will need 2380 new commercial airplanes
- ❖ AAI plans to invest \$ 3.58 billion in next 5 years to augment facilities & infrastructure at airports
- ❖ Launch of regional connectivity scheme by the Government of India to make flying affordable for common man

Road Ahead:



India is the fastest-growing aviation market expected to cater to 520 million passengers by 2037. Indian carriers are projected to increase their fleet size to 1200 aircrafts by 2024. Demand for aircraft in India is expected to be 1750 by 2037



India's aviation industry is largely untapped with huge growth opportunities, considering that air transport is still expensive for majority of the country's population, of which nearly 40% is the upwardly mobile middle class



Indian MRO industry is expected to exceed \$ 2.4 billion worth by 2028 from \$ 800 million in 2018

FDI Policy

100% FDI is allowed under automatic route in non-scheduled air transport services, helicopter services, MRO, ground handling services (subject to sectoral regulations)



Establishing Presence in India

Choosing the right form of Business

Foreign investment can come into the country in various forms & entities. Each form has its own set of merits and demerits. The key is to balance the advantages and disadvantages of various forms of business. A prospective foreign investor will have to keep in mind various aspects before entering into the Indian market, including regulatory requirements, sources of financing, setting up of infrastructure etc.

Key factors on which choosing the form of business depends:



Nature of business

Nature of business for which the foreign entity is desirous of making investment in India is one of the crucial factors. There are certain sectors where foreign investment is either partially allowed or completely prohibited by the Indian Government. A Joint Venture might be most suitable form if the foreign company is willing to provide technical know-how to an already established Indian entity & in turn Indian company may contribute in terms of infrastructural set up, manpower etc. Similarly, a Liaison Office might be set up in India to spread awareness about the foreign company, explore new markets or to promote its business interests.



Scale of Operations

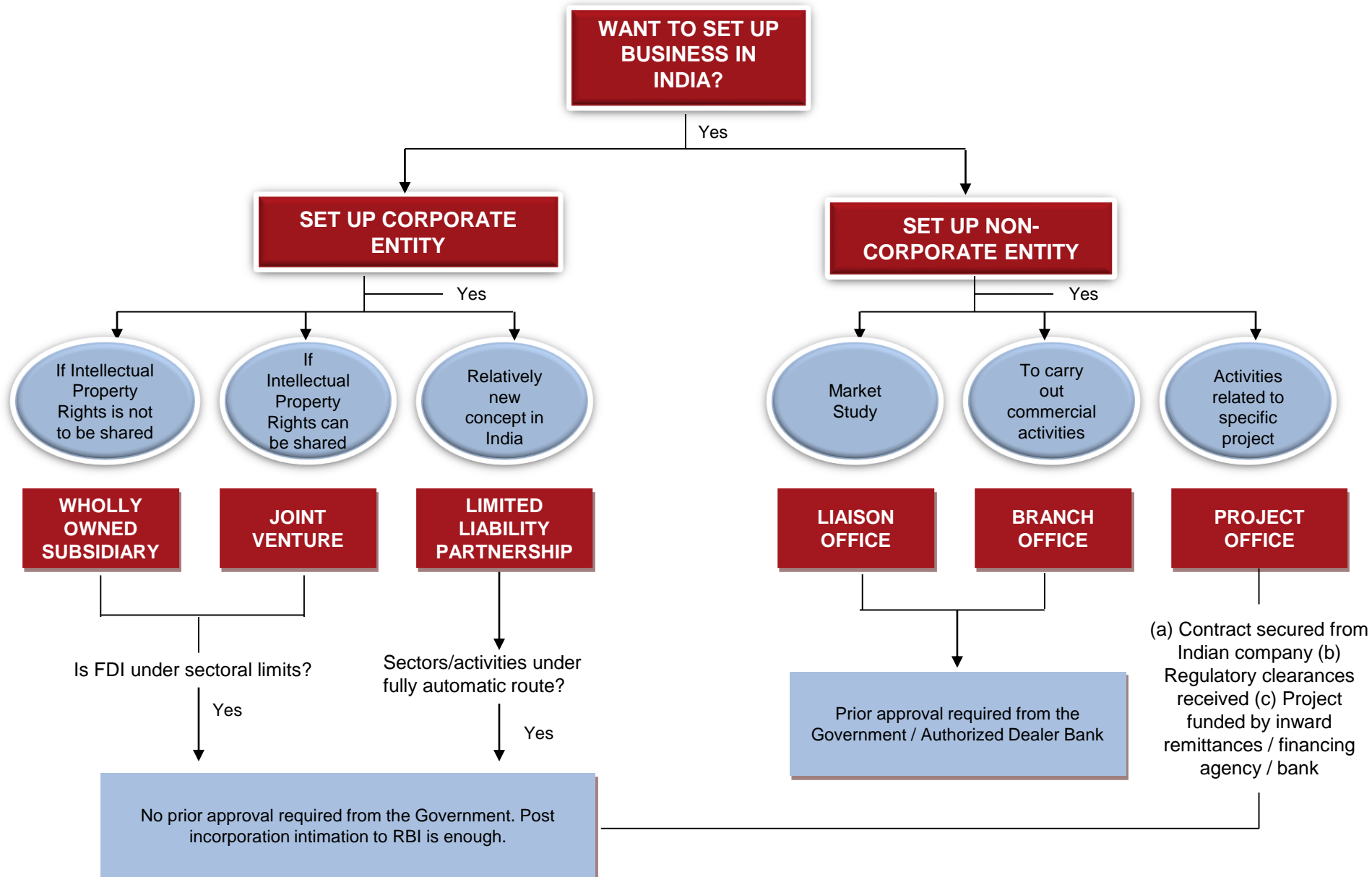
Another key factor in choosing the right form of setting up business in India is the scale of operations with which the foreign company is willing to start its business. If the volume of proposed operations is large then it is preferable to set up a wholly owned subsidiary company (Private or Public). If the foreign investor intends to invest for short duration or for a specific project in India, then a Liaison Office can be set up. Foreign companies engaged in the business of manufacturing & trading activities outside India, may set up a Branch Office to facilitate import / export of their goods or for providing services to their customers in India. Similarly, a Limited Liability Partnership is suitable for small & medium scale business.



Amount of capital to be invested

One of the major concerns before setting up a business entity in India by a foreign investor is the amount of capital proposed to be invested. Setting up of & complying with regulatory norms in case of a Branch Office or a Liaison Office requires less capital as compared to incorporating a wholly owned private or public subsidiary. Moreover, complying with the statutory requirements in case of a wholly owned subsidiary is also a costly affair.

Entry routes available to Foreign Investor



Roadmap for a Greenfield / Organic Project

Phase I - Market Entry / Strategy Formulation for India

Objective	Action Required	
	A- Market Study	B – Feasibility Report
<ul style="list-style-type: none">• Formulation of 360 degree Entry Strategy for India• Customization of the Entry Strategy depending on market opportunities for the specific industry	<ul style="list-style-type: none">• Company Capability & Preference Assessment• Evaluation of Market Opportunities• Mapping of Company Capabilities & Preferences to Market Opportunities• Evaluation & Prioritization of Entry Options based on results achieved above	<ul style="list-style-type: none">• Introduction, Promoters & Management• Project Description• Market Potential based on Inputs from Market Study (A)• Technical Analysis & Financial Aspects• Conclusion & Recommendation

Leverage existing knowledge & relationships to the extent possible

Roadmap for a Greenfield / Organic Project

Phase II – Location Assessment

Objective	Action Required
To identify Optimum Location for setting up manufacturing facility in India	<ul style="list-style-type: none">• Identification, evaluation & assessment of Location options• Factors to be considered such as land availability, status of power, water, manpower, government incentives, climatic condition, proximity to customers, etc.• Physical visit for Site Assessment of shortlisted locations• Conclusion for most suitable Location option for the company in India



Roadmap for a Greenfield / Organic Project

Phase III – Entity Formation in India

Objective	Action Required	
	A - Assessment of Legal Entity Options	B – Setting up / Registration of Legal Entity in India
Selecting right form of Legal Entity from all legal & regulatory aspects	<ul style="list-style-type: none">• Understanding the company's global organization structure & proposed activities in India• Analysis of alternative options to set up legal entity in India including evaluation from legal, tax & regulatory perspective• Conclusion for most suitable legal entity structure for the company in India	<ul style="list-style-type: none">• Formation of Corporate / Non-corporate entity in India• Obtaining Tax Registrations & opening of Bank Account in India• Preparation of Deputation / Secondment agreements, Employment contracts & Cost Reimbursement Agreements• Accounting, Tax & Regulatory compliance post set-up of entity in India

Roadmap for a Greenfield / Organic Project

Phase IV – Land Acquisition

Objective	Action Required
<ul style="list-style-type: none">• To acquire Land for manufacturing facility• Documentation for Clear title / Ownership of Land	<ul style="list-style-type: none">• Due Diligence, Survey, Valuation & Legal Verification of ownership of Land to be acquired• Negotiation with seller (in case of private ownership) along with proper documentation• Agreement with Government in case of public ownership• Execution of legal documents for transfer of ownership



Roadmap for a Greenfield / Organic Project

Phase V – Registrations & Approvals

Objective	Action Required
<p>Obtaining Regulatory Approvals & Clearances at various stages</p> <ul style="list-style-type: none">• Pre Construction• Construction• Post Construction	<ul style="list-style-type: none">• Approval from Development Authorities, State Industrial Development Corporations, etc.• Obtain Single Window Clearance (SWC) wherever possible• Consent to Establish (CTE) & Consent to Operate (CTE) from State Pollution Control Board• Approval of machinery layout drawing from Director of Industrial Safety & Health (DISH)• Principle Employer Registration under Building & Other Construction Workers' (BOCW) Act from Joint Director of Industrial Safety & Health• Contract Labour Registration & Migrant Labour Registration from Joint Director of Industrial Safety & Health• No Objection Certificate (NOC) from Fire & Rescue Services Department• Plan Approval from Health Services Department• Plan approval from Department of Town & Country Planning• Import-Export Code, Trade License

Roadmap for a Greenfield / Organic Project

Phase VI – Project Management

Objective	Action Required
Appointment of a Central Agency to manage external departments engaged during construction, installation & recruitment to ensure seamless execution	<ul style="list-style-type: none">• Overall co-ordination & integration management with departments engaged in the implementation of the entire project• Appointment of a Central Agency to act as company's official representative with clients / suppliers / partners / third party contractors• Prepare Plans for Project Management, Execution & Risk Management• Identify & agree upon the Project Control systems necessary for achieving the project goals. Prepare & facilitate their implementation



Roadmap for a Brownfield / Inorganic Project

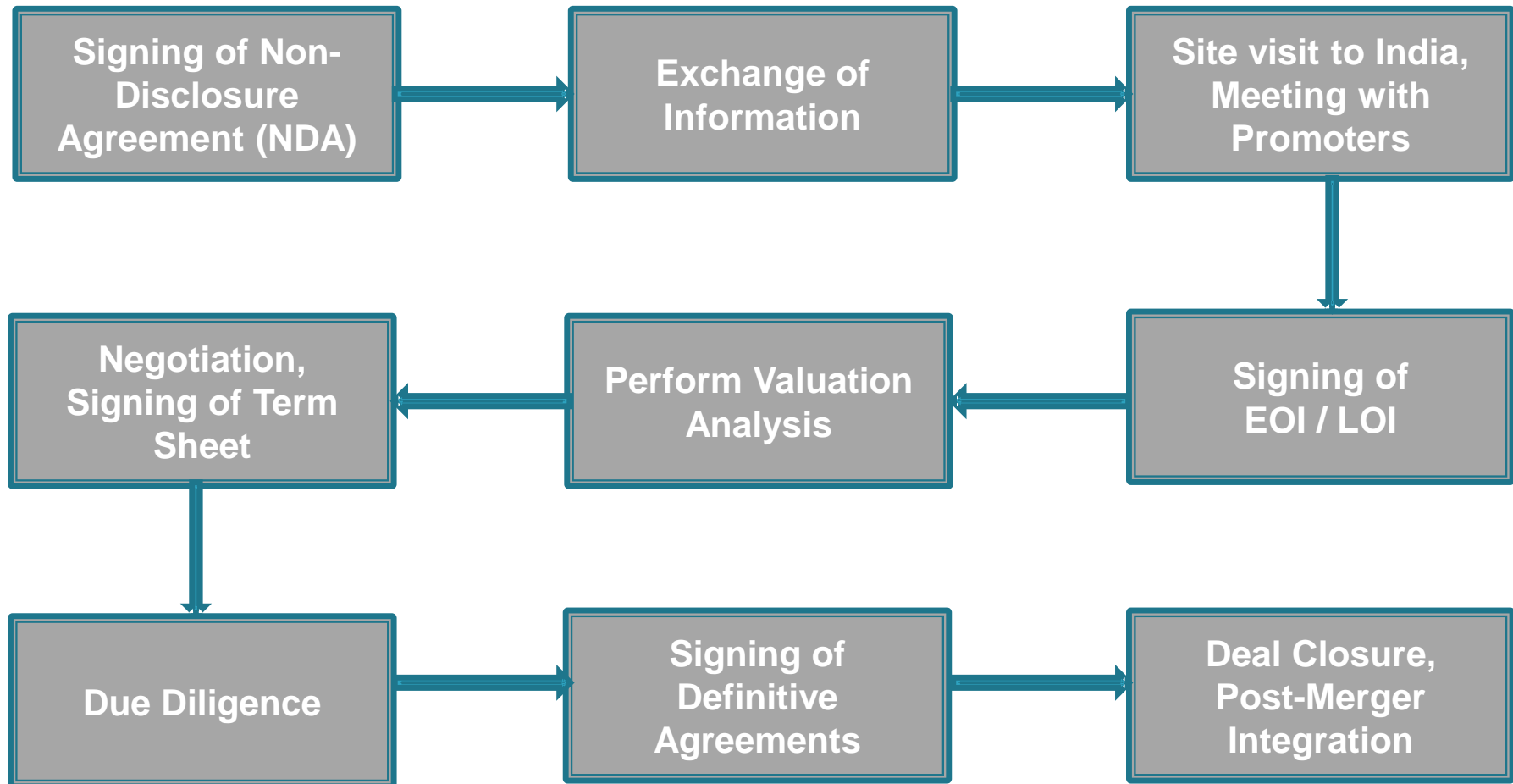
Acquisition through Merger / Sale of Shares / Joint Venture (JV)

- ❖ **Market Research** – Identification & Shortlisting of Potential Targets / JV Partners
- ❖ **Target / JV Partner Screening** – Finalization of Target / JV Partner
- ❖ **Acquisition Strategy Formation** – Including (a) Due Diligence (b) Asset, Business & Share Valuation (c) Statutory Approvals (d) Customer Contracts
- ❖ **Deal Negotiation** – Including (a) Expression of Interest (EOI) / Letter of Intent (LOI) (b) Finalization of Term Sheet (c) Execution of Definitive Agreements
- ❖ **Deal Closure** – Including (a) Media-communication (b) Post-merger integration



Roadmap for a Brownfield / Inorganic Project

Steps involved in Merger & Acquisition (M&A) / Establishment of JV



Different Forms of Doing Business in India



Formation of Non-Corporate Entity



Liaison Office / Representative Office

Foreign entity may not be keen to invest a huge amount of capital in India during its initial stage. It might simply be interested in evaluating business opportunities & explore markets in India. In such a case, it may form a non-corporate entity in India. Here, we shall discuss some common entry routes for the foreign investor:-

A. Liaison Office (LO) / Representative Office



What is an LO

- A body corporate incorporated outside India, including a firm or association of persons, may open a Liaison Office (LO) in India
- As the name suggests, it can only take up liaison activities in India & thus, act as a channel for communication between its head office abroad & Indian parties
- This form of business is best suited if the proposed foreign investor intends to mark its presence in India, explore the market & spread awareness about its products & services among Indian customers
- However, a major drawback of establishing an LO is that the foreign entity cannot carry any business activities through LO

Activities permitted to be undertaken by an LO



- Representing in India the parent company / group companies
- Promoting export / import from / to India
- Promoting technical / financial collaborations between parent / group companies & companies in India
- Acting as a communication channel between the parent company & Indian companies

Liaison Office / Representative Office



Steps for Incorporation: Approving Authority: RBI

Permission from RBI

Application in Form FNC is required to be submitted, along with other required documents, to the Foreign Exchange Department, through Authorised Dealer Bank.

There are 2 routes under which application in Form FNC is considered by Authorised Dealer Bank:

1. Reserve Bank Route

This route is followed where the principal business of the foreign entity falls under sectors where 100% FDI is permissible under the automatic route. The power to grant approval in such cases has been largely decentralized by the Reserve Bank to Authorised Dealer Banks in India.

2. Government Route

The application is considered under this route where principal business of the foreign entity falls under the sectors where 100% FDI is not permissible under the automatic route.

Additional criteria

There are few additional criteria which are considered by RBI on case to case basis. These are mentioned below:-

1. A **profit making track record** of the foreign company during the **immediately preceding 3 financial years** in the home country.
2. **Net Worth** of foreign company should **not be less than USD 50,000** or its equivalent.

Initially, the permission is granted by RBI for a period of 3 years, which can later be extended by the Authorised Dealer Bank. In case of construction-development companies, the permission is granted for a maximum of 2 years.

Foreign Insurance companies & Foreign banks

Foreign Insurance companies can establish LO in India only after obtaining approval from the Insurance Regulatory & Development Authority (IRDA). Similarly, foreign banks can establish LO in India only after obtaining approval from the Department of Banking Operations & Development (DBOD), Reserve Bank of India. Foreign law firms are not allowed to set up LO / Branch Office / Project Office in India.

Liaison Office / Representative Office

Post establishment compliances (immediately after establishment)

- After establishment, LO is required to intimate to Registrar of Companies (RoC) in Form FC-1, within 30 days of establishment, to obtain the Certificate of Incorporation (Col).
- After receiving the Col, LO is entitled to proceed with opening of bank account in India followed by obtaining the tax registrations. Usually a period of 6 months from the date of approval is allowed by the Authorized Dealer Bank to set up LO in India.



Branch Office

B. Branch Office (BO)

What is a BO: If the foreign company is engaged in the business of manufacturing or trading & it wishes to undertake certain business activities in India as well, then it can set up a Branch Office (BO) with approval from Authorised Dealer Bank.



Purpose of a BO

- Export / Import of goods (only on wholesale basis)
- Rendering professional or consultancy services
- Carrying out research work in areas in which the parent company is engaged
- Promoting technical or financial collaborations between Indian companies & parent or overseas group company
- Representing parent company in India & acting as buying / selling agent in India
- Rendering services in information technology & development of software in India
- Rendering technical support to the products supplied by parent / group companies
- Representing a Foreign airline / Shipping company

Things to be kept in mind before incorporation



- A BO is not allowed to carry following kinds of activities in India:
 - ✓ Retail trading
 - ✓ Manufacture / Processing
 - ✓ Construction-development
- Profits earned by the BO are freely remittable from India, subject to payment of applicable taxes.

Branch Office



Steps for Incorporation: Approving Authority: Reserve Bank of India (RBI)

Permission from RBI

The manner & procedure for making application to RBI seeking permission to set up a BO in India is similar to that of setting up a LO. Application is to be made in Form FNC.

Additional criteria

Similar to LO, there are few additional criteria for BO also, which are considered by RBI on case to case basis. These are mentioned below:-

1. A **profit making track record** of the foreign company during the **immediately preceding 5 financial years** in the home country.
2. **Net Worth** of foreign company **should not be less than USD 100,000** or its equivalent.

Branches of Foreign banks

Foreign banks are required to obtain necessary approval under the provisions of the Banking Regulation Act, 1949, from DBOD, Reserve Bank, to open a BO in India.

Branch Office in Special Economic Zones (SEZs)

Foreign companies can establish its branch in SEZ to undertake manufacturing & service activities. The general permission is granted by RBI & is subject to the following conditions:-

1. Such branches / units function in those sectors where 100% FDI is permitted;
2. Such units comply with the Companies Act as applicable to the companies incorporated outside India;
3. Such units function on a stand-alone basis.

Post establishment compliances (immediately after establishment):

The post establishment compliances of a BO are similar to that as in case of a LO

Project Office

C. Project Office (PO)

What is a PO: A Project Office (PO) is essentially a BO, but for a limited period of time & purpose. If a foreign company has secured a project from an Indian company, then in order to carry out such project conveniently & efficiently, it may open a PO in India. However, it must be borne in mind that a PO cannot carry out any other activity other than those which are incidental to or related to the project.

Steps for Incorporation:

No prior approval is required from RBI to set up a PO in India, subject to following conditions:-

1. Foreign entity has secured a project from an Indian company; and
2. The project has been cleared by an appropriate authority; and
3. (a) The project is funded directly by inward remittance from abroad; or (b) The project is funded by a bilateral or multilateral International Financing Agency; or (c) A company or entity in India awarding the contract has been granted Term Loan by a Public Financial Institution or a bank in India for the project.

The conditions mentioned in serial nos. (1) & (2) is mandatory. Out of remaining 3 conditions [3(a), (b), (c)], any one or more conditions can be fulfilled.

In case the above criteria are not met, the foreign entity has to approach the RBI for approval.



Setting up of Project Offices by foreign Non-Government Organisations/ Non-Profit Organisations/ Foreign Government Bodies/ Departments

- If any of the above foreign entities intends to set up a PO in India, then such entities are required to apply to the Reserve Bank for prior permission to establish an office in India, whether PO or otherwise. This is because it falls under the Government Route.



Post establishment compliances (immediately after establishment)

The post establishment compliances of a PO are similar to that of an LO or BO.

Additionally, the foreign company establishing a PO in India is to furnish report through the concerned Authorized Dealer branch, to the RBI, containing required information, within 2 months of its establishment.

Formation of Corporate Entity



Wholly Owned Subsidiary (Company)

If a foreign investor chooses to enter the Indian market through this route, then following choices are available:-

A. Wholly Owned Subsidiary

Foreign investors may set up wholly owned subsidiary (either public or private company) under the Companies Act, 2013. This will ensure an independent legal status, different from its parent foreign company, limited liability & a separate existence if its own.

Things to be kept in mind before incorporation:



Activities allowed by the Government

There are certain activities in which foreign investment is allowed completely & in some activities it is partially allowed. Also, some commercial sectors are open to foreign investment under automatic route, which means no prior approval from government is required, while others require prior approval from Government.

There is also a list of activities in which foreign investment is completely prohibited. Therefore, this is an important aspect to be kept in mind before setting up of a wholly owned subsidiary in India.



Requirement of minimum number of directors and shareholders

There is a requirement of minimum number of directors & shareholders as below:-

- Private Limited Company
 - ✓ Minimum Shareholders: 2 (Two);
 - ✓ Minimum Directors: 2 (Two)
- Public Limited Company
 - ✓ Minimum Shareholders: 7 (Seven)
 - ✓ Minimum Directors: 3 (Three)

It must be noted here that while only individuals can become directors, a shareholder can also be a company (including foreign company). Also, at least 1 of the directors on the Board of the company must be resident in India.



Statutory compliances

A wholly owned subsidiary, either public or private limited, is required to comply with all the laws, rules & regulations as applicable, including but not limited to Companies Act, 2013, Foreign Exchange Management Act, 1999, Shops and Establishment Act, Income Tax Act etc., failing which may result in heavy interest and / or penal implications.

This might result in increase in the running expenses of the Indian subsidiary as professional guidance shall be mandatorily required to stay compliant with all the applicable laws.

Wholly Owned Subsidiary (Company)



Steps for Incorporation: Approving Authorities: Registrar of Companies (ROC) & RBI

1. Obtaining approval from Government of India, if required

If the activities of the Indian wholly owned subsidiary fall under Government approval route, then the approval from the Government has to be obtained.

Currently, there are 9 sectors activities which require approval of the concerned Ministry/ Department. The Government has come up with Foreign Investment Facilitation Portal (FIFP), which is the new online single point interface of the Government of India for investors to facilitate FDI. The portal is likely to facilitate the single window clearance of applications which are through approval route. The portal has features like e-communication, quicker processing, reduced paperwork, SMS/email alert etc.

2. Obtaining DSC (Digital Signature Certificate) of proposed directors

DSC are the digital equivalent (that is electronic format) of physical or paper certificates. DSC is required to sign any electronic document like e-forms. DSC can be obtained from any licensed certifying authority.

3. Drafting of Memorandum of Association (MOA) & Articles of Association (AOA)

MoA is the charter of the company setting out its scope of activities. AoA on the other hand, regulates the internal working of the company. Both these documents are very crucial to the company & hence must be drafted with caution.

4. DIN (Director Identification Number) of proposed directors, Applying for availability of name & Filing incorporation documents can now be done online through a single web based form 'SPICe+'

Wholly Owned Subsidiary (Company)

Post establishment compliances (immediately after establishment)



Foreign Exchange Management Act (FEMA), 1999

1. Obtaining Foreign Inward Remittance Certificate (FIRC)

As soon as the subscription amount from foreign subscriber is received in India, Authorised Dealer Bank issues FIRC.

2. Reporting to the RBI

The company is required to report to RBI in online web based Form FC-GPR available on the FIRMS portal of RBI, along with other documents, within 30 days of allotment of shares. Shares have to be allotted within 180 days of the receipt of subscription amount.



Companies Act, 2013

In case of a wholly owned subsidiary, 100% shares of the Indian company are held by the foreign entity (in its own name as well as through a nominee).

Therefore, declarations from registered shareholder & beneficial shareholder have to be filed in Form BEN-2, within 30 days of receipt of such declarations.

Limited Liability Partnership (LLP)

B. Limited Liability Partnership

Limited Liability Partnership or LLP is relatively a new concept in India. An LLP is a corporate entity formed under the Limited Liability Partnership Act, 2008. One of its important characteristics is that its partners have limited liability (unlike partnership firms registered under the Indian Partnership Act, 1932).

An LLP has perpetual succession & separate legal existence from its members. Thus, an LLP is a corporate structure that combines benefits of both, a company & a partnership firm.

As the compliance cost for an LLP is lower than company form & because of its greater flexibility, LLP is a good option for foreign entities to start business in India. This form of business is best suited to service industry, as well as small & medium scale enterprises. Over the last few years, many businesses running in traditional form of partnership firms & companies have migrated to LLP form.



Limited Liability Partnership (LLP)



Steps for Incorporation: Approving Authorities: ROC & RBI

1. Foreign investment through automatic route

Foreign investment in LLP is allowed only in sectors where 100% foreign investment is permitted under automatic route with no FDI-linked performance conditions. There are certain other conditions also, as specified by Government, which needs to be fulfilled.

2. Obtaining DSC of proposed partners

As mentioned in case of wholly owned subsidiary, DSC can be obtained from any licensed certifying authority.

3. DIN / DPIN (Designated Partner Identification Number) of proposed partners

It is mandatory for proposed Designated partners to obtain DIN/ DPIN under the Companies Act, 2013. DIN/ DPIN can be applied electronically in Form DIR-3 on the website of Ministry of Corporate Affairs (MCA), along with required documents and filing fee.

4. Applying for availability of name

The foremost step in formation of an LLP is to apply for availability of name of the proposed LLP. Care must be taken to comply with the naming guidelines in this regard. Form Reserve Unique Name (RUN LLP) has to be filed with MCA for reservation of name of the proposed LLP.

5. Filing of incorporation document

Once the name of proposed LLP has been approved, incorporation documents, which includes subscriber's statement, details of partners and registered office etc. are required to be filed in e Form FiLLiP.

6. Drafting & execution of LLP Agreement

LLP Agreement is one of the most crucial document as it governs the rights & duties of partners. It may be drafted as per the convenience & mutual understanding among partners of LLP. Various aspects covered under the agreement may include amount & manner of contribution, rights & duties of partners, description of business of proposed LLP etc. It is worthwhile to mention that LLPs have much more flexibility to incorporate terms & conditions in its LLP agreement which companies may not have due to the stringent provisions of Companies Act, 2013.

7. Filing of LLP Agreement

LLP is formed once the Form FiLLiP is approved by the MCA. LLP Agreement duly executed & stamped as per the applicable stamp duty rates of the respective state stamp duty law shall then be filed within 30 days of incorporation of LLP in Form 3 with RoC.

Limited Liability Partnership (LLP)

Post incorporation compliances (immediately after incorporation)



Foreign Exchange Management Act (FEMA), 1999

1. Obtaining FIRC

As soon as the amount of capital contribution from the foreign investor is received in India, Authorised Dealer Bank will issue FIRC

2. Reporting to the RBI

LLP is then required to report to RBI (through its Authorised Dealer) in Form LLP-I, along with other documents, within 30 days of the receipt of amount of contribution.



Joint Venture Company

C. Joint Venture Company

Another option available for foreign entity to invest in India is to set up a joint venture company, which means collaboration with an Indian company and contributing in terms of capital, infrastructure, knowledge, technology etc. It may involve an entirely new business, or an existing business that is expected to significantly benefit from the introduction of the new participant. A Joint Venture company can be set up as a separate legal entity, distinct from both, the foreign entity & Indian entity.

Setting up of a joint venture

A joint venture may mean either to set up an entirely new company (public or private) in India with an Indian partner or it may involve investing in a pre-existing company in India.



Steps for Incorporation: Approving Authority: ROC & RBI

A new joint venture company

Procedure for incorporation & post incorporation statutory compliances of a new joint venture company is similar to that of a wholly owned subsidiary (public or private) in India, with only difference in its shareholding pattern. In this case, both Indian & foreign partners shall have their agreed percentage of stakes (shareholding / ownership) in the joint venture company.

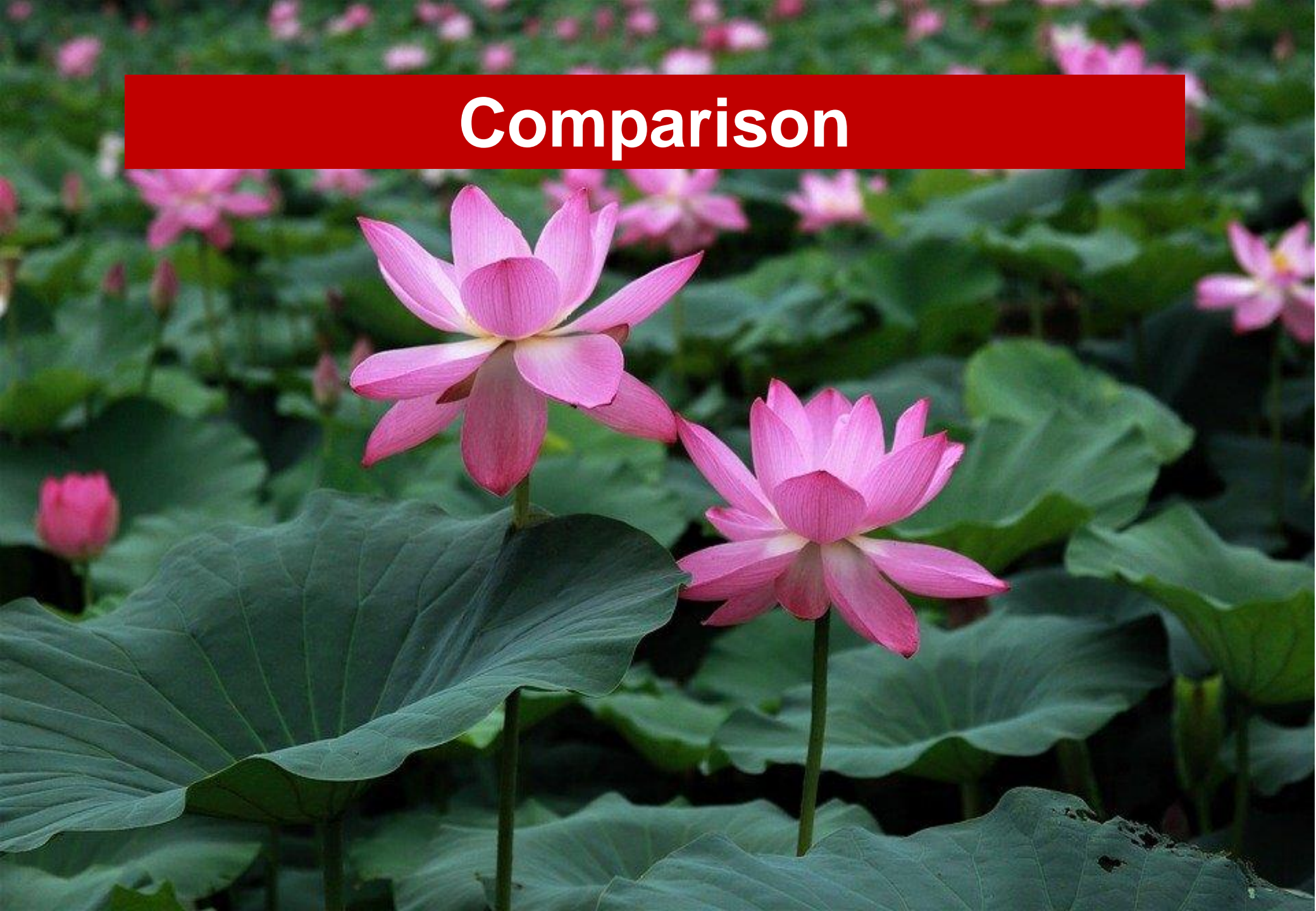
Investment in an existing Indian company

A foreign investor company may subscribe a percentage of shares of an existing Indian company by way of allotment or transfer of shares already allotted. This will help saving the initial cost of incorporation & other infrastructure. It will also save time of both the partners & the business can be started immediately once the initial formalities are completed.

Once the shares are allotted to the foreign investor, the details of the same shall be reported by the Indian company to the Reserve Bank in Form FC-GPR, within 30 days of allotment, through its Authorised Dealer.

On the other hand, if the shares are transferred from an existing shareholder (Transferor) to the foreign investor, then Form FC-TRS shall be filed with RBI, through its Authorised Dealer, within 60 days of receipt of full & final amount of consideration. Filing of Form FC-TRS is the responsibility of the transferor or transferee, whosoever is resident in India.

Comparison



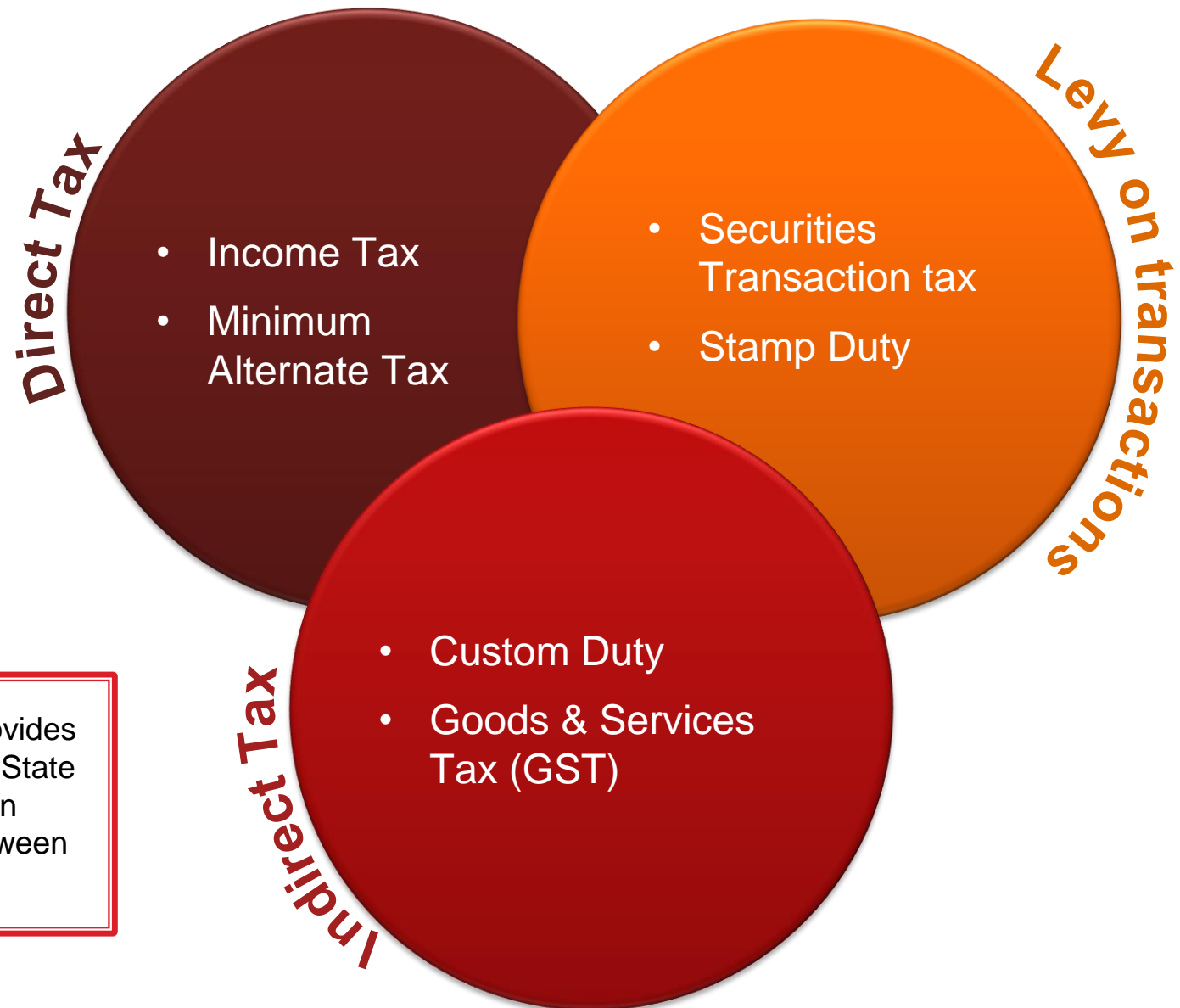
Comparison in Brief

Particulars	Wholly Owned Subsidiary (Company)	Joint Venture Company	Limited Liability Partnership (LLP)	Liaison Office (LO)	Branch Office (BO)	Project Office (PO)
Activities allowed	All commercial activities as per Company's Charter documents (unless specifically barred by Companies Act, LLP Act or FEMA guidelines)			To function only as a Communication channel; commercial activities not allowed	Commercial activities allowed	Activities as required for specific project
Ownership	Foreign company directly through holding shares	Foreign company in joint ownership	Foreign owned LLP	Treated as extension in India of the Foreign company		
Approving authority	RBI & ROC			RBI / Authorized Dealer Bank		
Control	Board of Directors		Partners	Foreign company through India operations head		
Corporate Tax (on profits)	25% (15% for manufacturing). Dividend taxable in hands of parent company @ 5% to 15%		30%. Share of profit tax-exempt in hands of Partner	40%		
Closure	Application to ROC & Tribunal		Application to ROC	Application to RBI		

Taxation



Gamut of Taxes in India



Constitution of India provides right to tax to Central & State Government based upon subjects distributed between Centre & State

Direct Taxes



Existing Taxation System in India

Corporate Tax



The Tax Year in India runs from 1st April to 31st March. Corporate Tax Rate in India depends on the origin of the company. A company resident in India is taxed @ 25% of its profits. Government has recently reduced corporate tax rate to 15% for new manufacturing companies.

Foreign companies including BO & PO are taxed at 40% of profits. Unabsorbed losses & depreciation are allowed to be carried forward for set-off against taxable profits of subsequent years, usually for a maximum period of 8 years from the year in which the loss is incurred.

MAT – In case of a company, where tax payable under regular provisions of the law < 15% of its book profits, such book profits is considered to be taxable income of the taxpayer & tax payable on such income is computed @ 15%. The objective of MAT is to prevent companies from tax evasion by claiming excessive deductions / exemptions.

Companies resident in India are taxed on worldwide income. Non-resident companies are taxed on the income earned / sourced from India. Income of non-resident companies may not be taxable or may be taxable on gross basis at a lower rate of 10% if they do not have a taxable presence (i.e, 'business connection' or 'permanent establishment') in India.

'Permanent establishment' (PE) is a fixed place through which business of an enterprise is wholly or partly carried on in India. It has a wide meaning. BO & PO of a foreign company constitute PE in India. A subsidiary (generally) does not. An LO will not constitute PE provided its activities are limited to liaising between head office & India parties as per approval granted by RBI.

The tax rates mentioned above exclude surcharge & cess levied by Government of India, rate of which depends on quantum of taxable income & nature of the entity.

Existing Taxation System in India

Withholding Tax



The objective of withholding tax provisions is to ensure that tax liability of a payee is recovered by the Government from the payer at the source which is the earliest point of time so that there is no difficulty in collection of tax later at the time of regular assessment (audit). Withholding tax is required to be deducted either at the time of crediting such sum to the account of payee or at the time of payment, whichever is earlier. The payer is required to deposit the taxes withheld with the tax authorities in the prescribed form on a monthly basis. Further, payer is required to make quarterly & annual filings with the India tax authorities.

Transfer Pricing



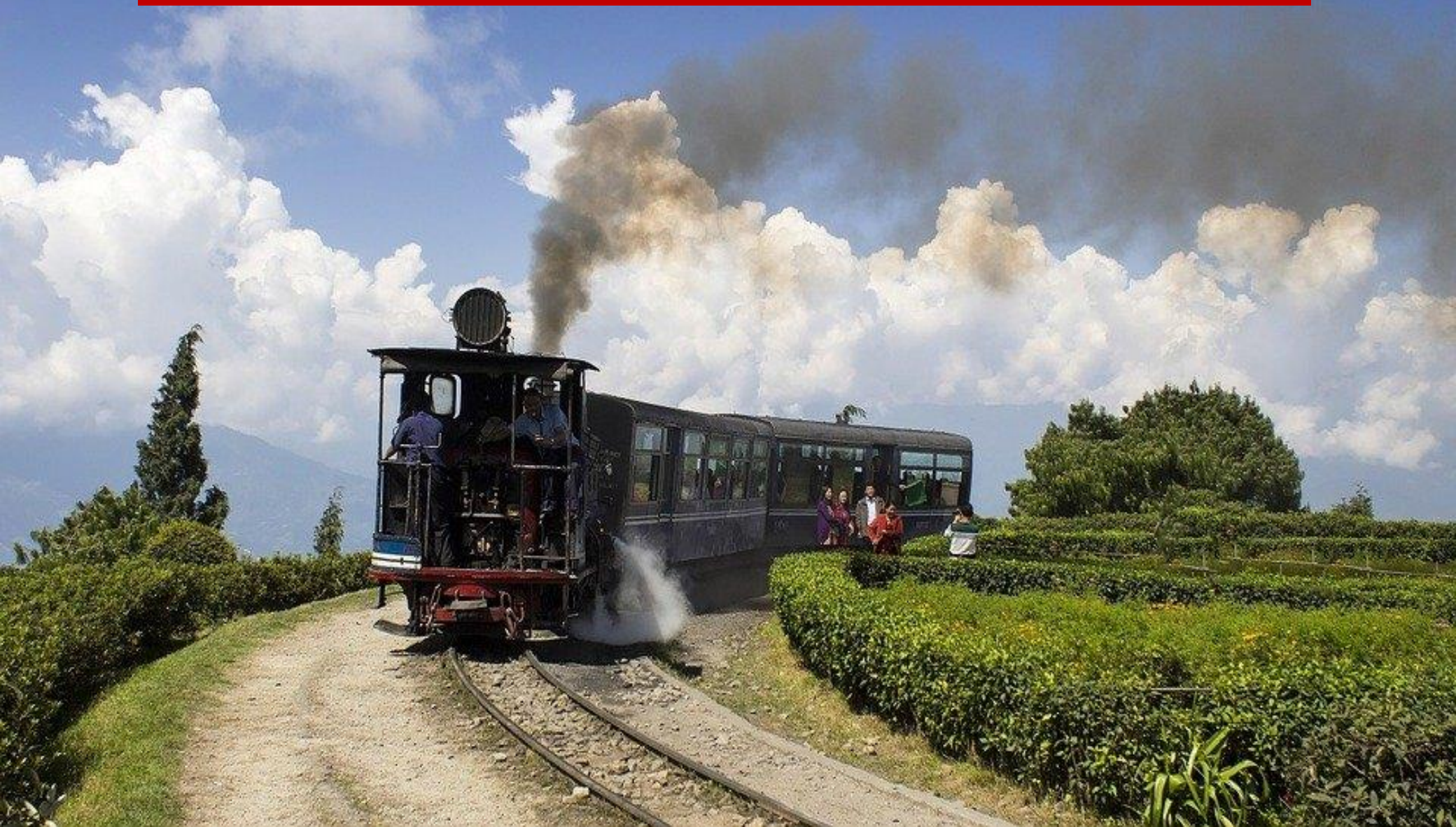
Transfer Pricing provisions require commercial outcomes arising from transactions between related enterprises to be consistent with the arm's length principle. 'Arm's length principle' refers to the conditions that exist between 2 independent entities dealing independently with each other. The purpose is to check whether independent persons would have transacted at similar prices. In case transaction appears under / over valued, transfer pricing laws require adjustment of prices of cross-border transactions as adopted by related parties. India has also introduced certain measures unilaterally in line with Base Erosion Profit Sharing (BEPS) recommendations in its domestic tax law to counter base erosion of taxes.

Double Taxation Avoidance Agreements (DTAA)



The objective of Double Tax Avoidance Agreements (DTAA) is that the same income earned by a foreign company is not taxed both, in host country as well as home country. In case of countries with which India has DTAA, the tax rates are usually determined by the DTAA because in case of non-residents, provisions of the DTAA are usually more beneficial than the domestic tax law of India. The Government of India has tax agreements with about 90 countries, including Japan, US, UK, most European countries, Mauritius, Singapore etc. As per DTAA as well as domestic tax laws of India, non-resident entities are entitled to Foreign Tax Credit (FTC) of taxes paid in India against their tax liability in the home country. This helps in elimination of double taxation.

Goods & Services Tax (GST)



Overview of GST in India

About GST

- GST is a comprehensive 'consumption tax' on supply of goods and services
- GST allows cross utilization of input tax credits between goods and services
- GST Returns to be filed on monthly / quarterly / annual basis
- State based 'E-way Bill' mandatory documentation for physical movement of goods

Dual GST Structure


- **Intra-state transactions**
 - *Location of supplier and place of supply in same State*
 - Central GST (CGST)
 - State (SGST) / UT GST
- **Inter-state transactions**
 - *Location of supply and place of supply in different State*
 - Integrated GST (IGST)

Exclusions

- Basic Customs Duty
- Stamp Duty
- Alcohol for human consumption
- Petroleum products
- Taxes on professions, trades, callings and employments

Rates	0%	5%	12%	18%	28%
Goods & Services covered	Essential Food, Medicines, Services	Precious metals, Common use items	Food, Industrial & Consumer Products	Standard Rate	Demerit Goods (Additional cess to be imposed on luxury goods)

Salient Features



Mandatory registration & compliance for taxpayers having aggregate turnover > INR 2 million (INR 4 million for taxpayers exclusively supplying goods)

Foreign company supplying goods / services to India generally not required to obtain GST registration

Separate registration required in each State from where business is undertaken

Multiple registration possible for various places of business within the same State

Reduced compliance burden for small taxpayers under Composition Scheme

A person wearing a brown robe stands with their back to the camera, looking out from a large, arched stone doorway. The scene outside is a landscape at sunset or sunrise, with a bright sun low on the horizon and mountains in the distance. The doorway is flanked by two ornate stone pillars topped with urns. The overall mood is contemplative and serene.

Compliances for a Foreign Company in India

Compliances for Foreign Company

Accounting / Book-keeping & Payroll management



A foreign company is required to maintain **Books of accounts** in India as per India accounting norms, along with supporting documentation. Further, it is required to implement monthly **Payroll processing** system for its employees & adhere with the employment based labour regulations in India.

Tax compliance



- **Annual Income-tax return:** As per India tax laws, foreign company is required to file its annual Income-tax return within the stipulated time limit (due date: 31 Oct in case Transfer Pricing provisions are not applicable / 30 Nov in case Transfer Pricing provisions are applicable)
- **Form 49C (for LO):** Foreign company having its presence in India in the form of LO is required to report in Form 49C. (due date: 30 May)
- **Withholding tax compliance:** As per India Income-tax laws, foreign company is required to withhold tax (WHT) on certain categories of payments. The taxes withheld are required to be deposited with the India Government within the stipulated time limit. Reporting of taxes withheld & deposited is done by way of filing quarterly WHT returns. Further, WHT certificates are required to be generated & issued to the payees.
- **Personal Income-tax:** As per the India Income-tax laws, the expatriate & local staff of the foreign company are required to report their income & pay Income-tax in India, & file Income-tax Return with the tax authorities on an annual basis (due date: 31 July)
- **Transfer Pricing:** As per Indian Transfer pricing regulations, an annual report in Form 3CEB may have to be obtained by foreign company from a Chartered Accountant, in relation to 'International transactions' entered into by it during the year, if applicable (due date: 30 Nov)
- **Goods & Services Tax:** Foreign company is required to deposit GST in India on monthly / quarterly basis on the manufacturing, trading activities carried out in India or taxable services provided in India. Reporting is required to be done on monthly / quarterly basis.

Compliances for Foreign Company

Statutory Audit, Tax Audit, GST Audit



In respect of **Statutory Audit**, the Auditor being an Indian Chartered Accountant firm has the responsibility to report by expressing an opinion on whether the annual financial statements prepared comply with the accounting standards issued by the Institute of Chartered Accountants of India (ICAI). The Auditor's deliverable is in the nature of an audit report as per provisions of Indian Companies law & applicable auditing standards.

Under the India Income-tax laws, **Tax Audit** report is required to be obtained from an India Chartered Accountant firm where the annual gross receipts / turnover exceeds a specified limit (currently INR 50 million for business).

GST Audit is applicable for businesses having aggregate turnover more than INR 50 million in a year, by sale of goods or services. It involves examination of records, returns & other documents maintained by a GST registered person. It also ensures correctness of turnover declared, taxes paid, refund claimed, input tax credit availed & other prescribed compliances under the GST laws to be certified by an authorized expert.

Company Law compliance



As per the Companies law, Office/ Liaison Office/ Project Office has to file an Annual **Form FC-3** with the Registrar of Companies in India, to report its annual accounts, consolidated financials of parent company, & list of places of business in India (due date: 30 Sep) & Annual Return in **Form FC-4** (due date: 30 May).

Wholly Owned Subsidiary/ Joint Venture company has to comply with norms as prescribed under Companies Act. Annual accounts, consolidated financials etc. has to be filed in **Form AOC-4 & Form MGT-7** annually. Other compliances include conducting meetings, maintaining of statutory registers etc., which is either on regular basis or event based.

An LLP is required to file **Form 8 & Form 11** on annual basis. Meetings among the Partners / Management & other requirements are governed by the LLP Agreement.

Compliances for Foreign Company

Shops & Establishments Act



A foreign company may be required to obtain registration under the relevant Shops & Establishments Act. Shops & Establishment Act deals mainly with employment related regulations.

Foreign Exchange law



For LO / BO / PO

Annual Activity Certificate : As per the exchange control regulations of India, the India BO / LO / PO has to obtain an Annual Activity Certificate (AAC) from the Auditor to certify that its activities during the year were in consonance with the terms & conditions stipulated by RBI. The AAC so obtained has to be filed with RBI (through Authorized Dealer Bank), Director-General of Income-tax (DGIT) on annual basis (due date: 30 Sep)

For corporate entities

Wholly Owned Subsidiary/ Joint Venture company shall file Statement of Assets & Liabilities with RBI annually on or before 15th July each year. In case of any transfer of shares to or from any non-resident person or entity, the same has to be reported to RBI. If any fresh allotment is made to any non-resident entity, then also reporting has to be done to RBI.



How We Can Assist

Our Services

Services	Description
Optimum organization structure - Assessment of Legal Entity Options:	<ul style="list-style-type: none">• Discussions with Client to understand the work being done / planned to be done in India & the region• Understanding Client's organization structure globally• Assessing and devising the entry level / setting up strategies• Preparing, reviewing & presenting report on entry options/strategies including analysis of various options to set up legal entity & assisting the Client to consider & evaluate various legal entity options from legal, tax & regulatory perspective <p>Our deliverable consists of a report analyzing the various options available under the existing legal & tax laws with recommendation for the most suitable legal entity structure for the Client in India.</p>
Assistance in establishment of the Indian Presence	<p>Once a suitable presence is identified, we assist the Client in legally establishing such presence in India under the applicable laws / regulations. Further, we assist in obtaining tax & other registrations & opening of bank account in India.</p>
Book-keeping, Assurance & Tax compliance services	<ul style="list-style-type: none">• Accounting Services• Assurance & Financial Reportings• Provision / Management of end to end outsource support for compliance management under tax & other applicable laws• Assistance in preparation & filing of Annual / Quarterly / Monthly Returns under Tax Laws:<ul style="list-style-type: none">– Income tax– Withholding taxes– GST

Our Services

Services	Description
Advisory Services - Strategic, Governance & Management Advisory to enhance the Clients Profile and Organizational Effectiveness	<ul style="list-style-type: none">• Developing the Governing Board & assisting the organisation in designing & implementing a best practice framework for organizational development and governance.• Assistance in developing & implementing organizational policies, systems & procedures aligned to the Clients frameworks & Indian law and regulation.• Assisting the Client in India in designing & implementing a robust, efficient & effective Planning, Budgeting & Reporting systems.• Designing & implementing robust & workable solutions for risk identification & risk management.• Business Development Advisory - Assisting in identification & conversion of business opportunities.• Assisting the Client in developing strategic & operational alliances & in becoming affiliated to/member of key institutions.
On-going Legal, Tax & Regulatory Advisory / Representation Services	<ul style="list-style-type: none">• Management counsel for providing legal, tax & regulatory advisory services• Drafting, reviewing & assistance in negotiation of contracts, agreements, employment contracts, leases, sub-contract agreements & other documents• Review & modification of organizational policies and procedures• Litigation Management Support• Due diligence on partners/grantees• Review of organizational policies and procedures - Legal Risk Assessment• Contract Management & Compliance Services• Assurance function- Internal (policies, systems & procedures) & external (compliance with tax / legal / regulatory regime).• Need based representation before judicial & quasi judicial authorities & Ministries / Departments of the Government of India/State Governments

About KrayMan

KrayMan Consultants LLP is an Accounting and multi-disciplinary Advisory Firm founded in 2012 by professionals with Big-4 Consulting and Industry experience. Our forte lies in handholding foreign companies establishing presence in India by demystifying the complex Indian regulatory environment making it easy for them to do business in India. Since inception, we have been delivering value to a mix of multinational Clients from across the globe

The Leadership team comes with rich experience and is supported by a capable & efficient team of professionals including Chartered Accountants, Company Secretaries, Cost Accountants, Advocates and MBAs who are committed in providing timely, professional and quality services to our Clients

We believe that in today's dynamic and ever changing business environment, it is important for accounting, tax & legal professionals to operate with a global approach and mind set. In pursuit of extending global footprints, we have a Japan Desk and an EU Desk to support investments from these countries into India.

In addition, we are members of various associations and forums both at national as well as international levels viz. JCCII, IICCI, IFCCI, CBA, PAN, CII and TiE Delhi

KrayManTM

Demystifying Complexities

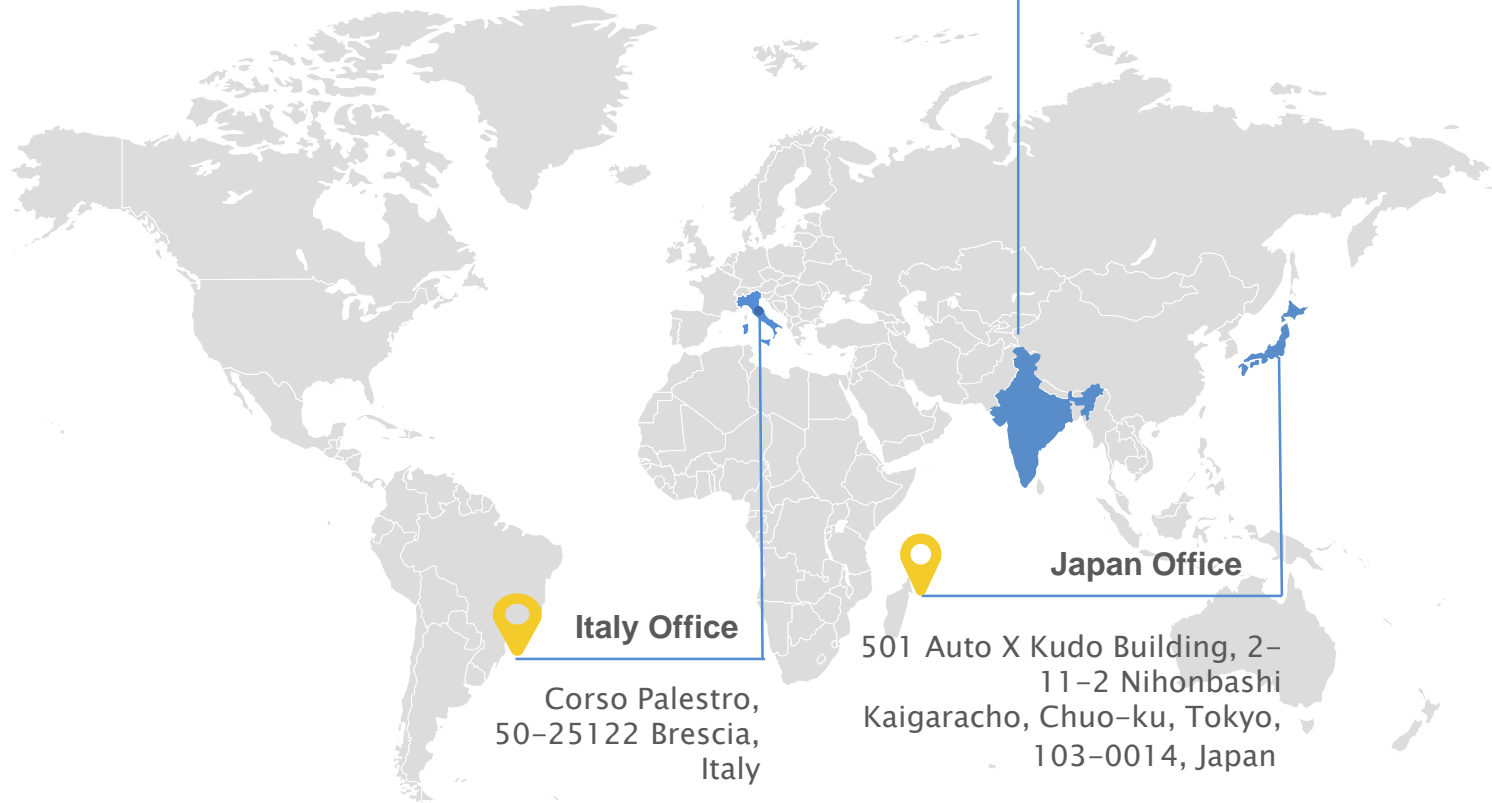
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