Doing Business in India:

2015 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in India

Market Overview Return to top

The Republic of India is the 18th largest export market for U.S. goods. Two-way trade in goods and services reached $101.8 billion in 2014. U.S. companies exported $21.6 billion worth of goods to India, dominated by civil aircraft and spare parts, machinery and electrical machinery which accounts for approximately 30% of the total trade. The U.S. presently has a trade deficit with India. U.S. imports comprise primarily diamonds, pharmaceuticals and petrochemical products. The stock of U.S. foreign direct investment (FDI) in India was $24.32 billion in 2013 (latest data available).

The annual growth rate of the Indian economy is projected to have increased to 7.2% in 2014-15 from 6.9% in 2013-14. The IMF estimates India's growth rate to continue to rise to 7.5% in 2015-16.

U.S. FDI in India is largely in the professional, scientific, and technical services, finance/insurance services, and the information service sectors. Major U.S. companies include: AECOM, Bank of America, Bell Helicopter, Black and Veatch, Coca-Cola, DuPont, Dow, Federal Express, Ford, General Electric, General Motors, Jacobs Engineering, KFC, Lockheed Martin, McDonalds, Microsoft, Kimberly Clark, PepsiCo, Raytheon, United Airlines, among others. The fast growing franchising industry in the last two years attracted U.S. major food service brands such as Dunkin' Donuts, Krispy Kreme Donuts, Starbucks, and Burger King, establishing their businesses in metropolitan areas as well as tier 1 and tier 2 cities. India is the eighth fastest growing source of FDI into the United States. The total stock of FDI from India into the U.S. is $11.04 billion (2013 position per SelectUSA statistics).

In May 2014, the Narendra Modi-led Bharatiya Janata Party (BJP) won the world's largest democratic election, defeating a Congress-led coalition that had been in power for the past decade. The 2014 election marked a turning point in investor sentiment, as a fractured minority government, seemingly unable to advance essential economic reforms, was displaced in favor of a government that had won on a platform of economic growth. The advent of a BJP-led government at the center, combined with the continued monetary stewardship of Raghuram Rajan, the respected Governor General of the Reserve Bank of India, made an immediate mark on investor sentiment. Stabilized currency rates and improved economic performance seemed to demonstrate that an era of policy paralysis and populism had ended in favor of a business-friendly growth agenda.

On August 17, 2014, India's Independence Day, Prime Minister Modi announced his Make in India initiative—a branded campaign to attract international capital to the country's struggling manufacturing sector. As the government appeared slow to propose economic reforms that matched its rhetoric, and struggled to pass through Parliament many of the reforms it did propose, investors have begun to wonder about the government's strategy.

Part of the problem arises from the decentralized nature of India's political system. Investors in India should be prepared to face varied political and economic conditions across India's twenty-nine states and seven union territories. There are differences at the state level in the quality of governance, regulation, taxation, labor relations, and education levels. Although India prides itself on its rule of law, the country ranks 186 out of 189 in the World Bank's Ease of Doing Business Report in the category of Enforcing Contracts. Its courts have cases backlogged for years, and by some accounts more than 30 million cases could be pending at various levels of the judiciary.

While the government has managed to push through a number of investor-friendly reforms, including an increase in FDI limits in the insurance sector to 49%, on others, such as land acquisition, it has failed to muster sufficient political support. On still other long-awaited reforms—the Goods and Services Tax, labor law reforms, and subsidies reform among them—as of April 2015, the government had yet to put a program before Parliament. Thus, while the outlook has improved considerably, objective conditions for doing business in India remain similar to years past.

Opportunities in the current scenario, however, are manifold. Indian conglomerates and high technology companies are generally equal in sophistication and prominence to their international counterparts. Certain industrial sectors, such as information technology, telecommunications, and engineering are globally recognized for their innovation and competitiveness. Foreign companies operating in India emphasize that success requires a long-term planning horizon and a state-by-state strategy to adapt to the complexity and diversity of India's markets.

Market Challenges

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Infrastructure

Problems with the country's roads, railroads, ports, airports, education, power grid, and telecommunications are significant obstacles as the nation strives to achieve its full economic potential. India's ongoing urbanization, together with rising incomes, has resulted in a heightened need for improved infrastructure, both to deliver public services and to sustain economic growth. India is seeking to invest $1 trillion in its infrastructure during the 12th Five-Year Plan (2012-2017) and is looking for private sector participation to fund half of this massive expansion largely through its home-grown Public-Private Partnership (PPP) model. U.S. companies have been successful in certain areas of India's infrastructure development, but competition from other countries is becoming stiffer. As a result, U.S. industry's market share in India in this sector has been declining. Unfortunately, the current PPP model has had a mixed record, slowing the development of numerous metro transit, road/highways, airport, mining and energy projects. One of the main shortcomings of the PPP model is that it assigns too much risk to the private sector. As a result, a government committee is currently reviewing the model with a view to establishing a more equitable risk sharing arrangement.

High Tariffs and Protectionist Policies

Import duties continue to be comparatively very high. Exporters and investors are also faced with non-transparent and often unpredictable regulatory and tariff regimes. Most U.S. services are still strictly excluded from the market. According to the World Bank survey for 2014, India is ranked 142nd out of 189 countries due to its difficult business climate.

Local Content Requirements

The Indian government is pursuing local content requirements in specific areas including information and communications technologies (ICT), electronics, and solar energy to spur an increase in the manufacturing sector's contribution to GDP. These policies negatively affect U.S. exporters.

With regard to ICT, which has been a particular area of concern this past year, India recently drafted a policy expressing preference for domestically manufactured telecommunications and ICT products in government procurement, citing security concerns. In addition, all telecom and ICT product purchases by the government that have security implications have to be notified to the Department of Telecommunications. In April 2013, the Indian government announced that all imported ICT equipment would require mandatory licensing and certification from accredited labs in India. The limited number of labs has created yet another hurdle for U.S. exporters seeking to have their products quickly certified for sale and use here. This regulation has not been fully enforced due to the limited capacity of Indian testing labs.

This preferential market access (PMA) policy could result in hindering imports of innovative technologies, forcing the government to choose from a limited pool of approved locally-manufactured products for its ICT procurement needs. Most alarmingly, procurements by private telecom companies could be affected as well. Of similar concern is a newly evolving cloud computing policy, which could mandate that all government data remain in India, effectively denying market access to any foreign cloud storage companies.

Food Product Approval

Importers must seek formal product approval for "proprietary foods" from the Product Approval Division of the Food Safety and Standards Authority of India (FSSAI). Every "proprietary food" for which the FSSAI has not established a standard will be tested against safety and microbiological parameters, and for heavy metals, wherever applicable, depending upon the nature of the product. Product approvals are currently in abeyance due to a lawsuit filed in Bombay High Court by Vital Nutraceuticals Pvt. Ltd. against FSSAI, as FSSAI has been ordered to suspend approvals pending final disposition of the case.

Weakening of the Patent Regime for Pharmaceutical Industry

In 2013, large pharmaceutical companies holding patents on innovative medicines were negatively affected by a ruling that weakened protection of intellectual property, with the Indian Supreme Court's ruling in the Novartis Glivec patent case which interpreted Section 3(d) of the Indian Patents Act as barring the grant of patents for improved formulations and compounds that may have received patent protection in other countries. In the face of such obstacles, U.S. companies are re-evaluating their business models in India.

Powers of States

On June 2, 2014, Andhra Pradesh was officially split creating two states: Telangana and Seemandhra. Companies should be prepared to face varying business and economic conditions across India's now 29 states and 7 union territories. Power and decision-making are decentralized in India, making differences at the state level more apparent in political leadership, quality of governance, regulations, taxation, labor relations, and education levels.

Gujarat is an example of a state with a positive business climate that has succeeded in attracting significant foreign investment. Jharkand and West Bengal are on the other side of the spectrum. Each has a much lower level of foreign owned-business activity. West Bengal's continued efforts to make land more easily available through the government's "Land Bank" could spark interest in small greenfield projects. However, not enough land is available in tracts for heavy industrial projects. To do business in India successfully, an investor firm should factor differences in approach by different states into its national business strategy.

Overall, many businesses find they simply cannot afford to ignore the potentially lucrative Indian market despite its well documented poor infrastructure, high tariffs, protectionist policies, corruption, bureaucratic inefficiency, and intellectual property regime which present the biggest obstacles to domestic and foreign investment and growth. India's massive infrastructure requirements present trade and investment opportunities for U.S. companies seeking to compete against foreign bidders. Similarly, while recent modifications in India's defense procurement procedure will give priority to domestic public and private sector firms for major military procurements, thus reducing the country's dependence on imports from foreign vendors, major U.S. defense firms continue to succeed in the Indian market. Many large U.S. multi-nationals are more optimistic about India's long-term potential and are expanding and deepening their market penetration. American firms with advanced and niche-market products and services are entering the market for the first time, or are replacing legacy distributors appointed in the past with more capable and aggressive representatives. Logistics companies are discovering India as a base for distribution throughout Asia, Africa, and the Middle East. Finally, many smaller American firms have begun to view India as a top anchor market in the region for their products and services.

Market Opportunities

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These sectors present the best opportunities for U.S. entrants to the Indian market on the basis of estimated Indian imports and potential for growth for 2015:

- Agribusiness
- Civil Aviation
- Defense
- Education Services
- Environment and Water
- Franchising
- Healthcare and Medical Equipment
- Infrastructure/Smart Cities
- Mining and Mineral Processing Equipment
- Power and Renewable Energy
- Travel and Tourism
- Corrosion Control
- Supply Chain Management

Specific information on these sectors, as well as best prospects in agricultural sectors is listed in Chapter 4: Leading Sectors for U.S. Export and Investment.

Market Entry Strategy Return to top

Strategic planning, due diligence, consistent follow-up, and perhaps most importantly, patience and commitment are all prerequisites to successful business in India. This market necessitates multiple marketing efforts that address differing regional opportunities, standards, languages, cultural differences, and levels of economic development. Gaining access to India's markets requires careful analysis of consumer preferences, existing sales channels, and changes in distribution and marketing practices, all of which are continually evolving.

Finding Partners and Agents: New to market businesses must address issues of sales channels, distribution and marketing practices, pricing and labeling, and protection of intellectual property. These issues are best addressed through and with an Indian partner or agent. Relationships and personal meetings with potential agents are extremely important. Due diligence is strongly recommended to ensure that partners are credible and reliable.

Market Entry Options: Options include using a subsidiary relationship, a joint venture with an Indian partner, or using a liaison, agent, distributor, project, or branch office.

Geographic Diversity: U.S. companies, particularly small and medium-sized enterprises, should consider approaching India’s markets on a regional level. Good localized information is a key to success in such a large and diverse country. The U.S. Commercial Service offices in New Delhi, Mumbai, Chennai, Ahmedabad, Bengaluru, Hyderabad and Kolkata provide valuable local information and advice and are well connected with local business and economic leaders. Multiple agents are often required to serve the various geographic markets in the country.

The country can be broadly divided into four **economic regions**:

North India

North India, with a population of 369 million, is home to 30% of India's total population and comprises the second largest consular district in the world. The region includes the states of **Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand as well as Delhi/National Capital Region (NCR)**. Northern India's per capita incomes vary greatly, with several states including Delhi, Haryana and Punjab well above India's average per capita income of $1539, and others like Jammu & Kashmir and Uttar Pradesh significantly below. While North India is not as economically and commercially developed as southern or western India, certain sectors including agribusiness, renewable energy (especially solar), machine tools, automotive and medical/consumer goods are well represented. Education, travel & tourism and general trade and investment promotion are particularly strong opportunities given North India's significant population and wealth. Punjab, in particular, has very strong ties to the United States, with an estimated 350,000 Punjabis living there.

One of the Modi administration's top priorities is Smart Cities. The United States is supporting Smart City engagement in three Indian cities, with two of them – Ajmer, Rajasthan and Allahabad, Uttar Pradesh – falling in North India. With significant infrastructure needs across the regions, this activity will focus primarily on integrated urban development. Another economic growth priority is to increase states' competitiveness and improve the overall business climate.

The U.S. Commercial Service (CS) in New Delhi oversees North India.

Western India

The Western India Region comprises five states: **Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh and Goa.** The region is highly industrialized, with a large urban population. With a land area of 951,488 square kilometers, a population exceeding 250 million and an economy of $423 billion, the Western Region is an essential segment of the Indian market. The region is anchored by Mumbai, the financial, business and entertainment capital of the country, and includes major cities such as Pune, Nagpur and Aurangabad in Maharashtra; Ahmedabad, Surat, Vadodara and Rajkot in Gujarat; Indore, Bhopal and Gwalior in Madhya Pradesh; Panaji in Goa; and Raipur in Chhattisgarh.

The Western Region is an economic powerhouse in a wide range of sectors: conventional and renewable energy, chemical and allied products, electrical and non-electrical machinery, textiles, petroleum and allied products, wine, jewelry, pharmaceuticals, engineering goods, machine tools, steel and iron castings and plastic wares. The Western Region leads India in the production of petrochemicals, textiles, diamonds, and pharmaceutical products and is home to some of India's – and the world's best known corporations, such as Reliance, Tata, Aditya Birla Group, Godrej and Mahindra & Mahindra.

In addition to this manufacturing might, the Western Region is recognized as the hub of growing services sector in India. Several large, global banks and financial institutions are located in Mumbai, including the Reserve Bank of India (central bank), the two largest life and general insurance companies (LIC & GIC) and the two largest Stock Exchanges (BSE & NSE.) Mumbai's extensive infrastructure features the world's largest suburban railway network which is spread over 465 kilometers and carries more than 7.5 million commuters daily.

CS offices in Mumbai and Ahmedabad oversee Western India.

South India

The South India commercial district covers six states: **Tamil Nadu, Karnataka, Kerala, Telengana, Andhra Pradesh and Odisha; and the Union Territories of Puducherry (Pondicherry), Lakshadweep Islands and Andaman & Nicobar Islands.** With a collective population of 290 million and covering an area of 791,457 square kilometers, South India has a per capita net state domestic product that is above the country average.

Tamil Nadu has four major and forty four minor ports, and serves as an important gateway to Southeast Asia. The capital Chennai is home to many Indian companies that have a net worth of over $1 billion mostly engaged in the automotive, manufacturing, healthcare, information technology (IT) and financial services sectors. Apart from this, the state is seen as an educational hub of India. In addition to the United States, countries such as Japan, Korea, Germany and France have invested largely in the State. Investments are mostly in automotive, consumer electronics, and heavy machinery sectors from companies such as Ford, Caterpillar, Dell, Hyundai, Saint Gobain, Renault, Nissan, BMW, Visteon, Toshiba, Hewlett Packard, and Mitsubishi. The other two major cities in Tamil Nadu are Coimbatore and Madurai. A large number of textile mills and engineering units are located in these two cities.

Bengaluru (Bangalore), the capital of **Karnataka** is the hi-tech hub of India and one of the principal commercial and industrial centers in South India. Home to more than 2000 high-tech companies, including domestic giants like Wipro and Infosys Technologies, Bengaluru is popularly known as the 'Silicon Valley' of India. The clustering of aerospace, defense, machine tools, electronics-related industries, and around 200 biotech companies in Bengaluru have also made it the aerospace and bio-tech hub of the country. The city also has a booming organized retail market and is the first destination of many global consumer brands, especially luxury labels. Increasingly, the city is also seeing high growth in the healthcare, textiles/apparel, automotive, and construction industries. The other major cities of Karnataka are Mangaluru and Mysore.

Major business sectors in **Kerala** include construction, shipbuilding, transportation, shipping, seafood and spices exports, chemical industries, IT, tourism, health services, and banking. Kochi (Cochin) is widely referred to as the commercial capital of Kerala. The availability of electricity, fresh water, a long coastline, backwaters, good banking facilities, presence of a major port, container trans-shipment terminal, harbor terminal and an international air terminal are some of the factors that accelerated the industrial growth in the city and its adjoining districts. In recent years the city has witnessed heavy investment, thus making it one of the fastest-growing tier 2 cities in India. Thiruvananthapuram (Trivandrum) is the state capital.

Telangana is India’s newest state, created in 2014 after Parliament voted to bifurcate the state of Andhra Pradesh. Hyderabad, its capital, is known as a center for IT and other industries such as biotechnology, pharmaceuticals, aerospace, and defense manufacturing. Hyderabad will serve as the shared capital between Andhra Pradesh and Telangana for 10 years or until development of the new capital city for Andhra Pradesh, Amravati, is complete.

After the bifurcation, the residual coastal area and inland region retained the state name **Andhra Pradesh**. The coastal region is historically known as “The Rice Bowl of India,” and contains India’s second largest source of minerals. The state’s largest industrial hub is around Visakhapatnam (Vizag). The city’s natural deep water ports, proximity between Chennai and Kolkata, and access to highways and rail networks have allowed heavy industries in the areas of petroleum, steel and fertilizers to flourish.

Odisha, formerly Orissa, was once the poorest state in India but rapid economic growth during the past decade has greatly reduced poverty, although there are still many economically depressed regions. Driven by political stability and investments in the mining, power, steel and port sectors, Odisha has had average 12 percent annual GDP growth since 2004. Major industries related to steel, aluminum, coal and other minerals are present in Odisha. Recent developments in the IT industry have led to the development of IT Parks. Bhubaneswar is the capital of the state of Odisha.

CS South India has offices in Chennai, Bengaluru and Hyderabad. CS Chennai also oversees the partnership post in Sri Lanka.

Eastern India

The states covered under the Eastern India consular district include **West Bengal, Bihar, Jharkhand, Sikkim, Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Tripura** and **Manipur**.

The total land area of Eastern India is 524,866.27 square kilometers with a population of approximately 266 million.

Mining, metals and minerals, agriculture and agro based industries, service sector, oil & gas, petrochemical, paper, power generation are the major sectors in this region. Among the states of Eastern India, West Bengal and Jharkhand are the most industrialized. West Bengal is the sixth largest economy in the country and the main economic engine of Eastern India. It has fertile land, good reserves of coal, iron ore, limestone and other minerals. It is India's largest producer of rice and jute fiber and second largest producer of tea after Assam. Key industries include engineering, chemicals and petrochemicals, coal, iron and steel, tea processing, jute products, and finished leather goods. IT, construction and real estate, hospitality, healthcare, food processing are growing sectors. Jharkhand is the largest producer of coal, copper and mica in the country and also has considerable iron ore, bauxite, and uranium reserves. Steel making, automobile manufacturing and ancillary industries, and other engineering units are some of the leading industrial activities of the state.

Major festivals of this region include Durga Puja, Diwali, Bihu, Hornbill festival. Chhau dance is performed during spring festival of Chaitra Parva. The region has good tourism potential with attractive destinations located on the sea coast, in the mountains, national parks and heritage places. The region is the only place in the world to have one-horned rhinos and also features a variety of flora and fauna.

What makes this area unique from a business perspective is that it is a developing region with ample natural resources and well trained manpower to serve industrial needs.

CS Kolkata covers the Eastern India region and also oversees the partnership post in Bangladesh.

To expand the reach of the U.S. Commercial Service in India, we have built partnerships with key Indian chambers of commerce in 15 tier-2 cities by establishing American Business Corners. For more information, see Chapter 10.

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Chapter 2: Political and Economic Environment

Religion, caste, and language are major determinants of social, economic and political organization in India today. Hindi, the national language, is the most widely spoken, although English is the common language uniting the educated population in a nation with more than 30 major regional languages.

Recognizing India as a key to strategic U.S. interests, the United States has sought to strengthen its relationship with India. The two countries are respectively the world's oldest and largest democracies, both committed to political freedom protected by representative government. India is also moving gradually toward greater economic freedom.

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/3454.htm

For the latest developments in India consult the U.S. Embassy in New Delhi's website: http://newdelhi.usembassy.gov/.

Other websites of interest include: CIA World Factbook:
https://www.cia.gov/library/publications/the-world-factbook/index.html

Economist Country Briefing:
http://www.economist.com/countries/India/

Economy Watch:
http://www.economywatch.com/world_economy/india.html?page=full

The New York Times
http://topics.nytimes.com/top/news/international/countriesandterritories/india/index.html

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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Remember the Scale of India and Consider a Regional Approach: Creating a local presence in India is strongly advised, but if your company is not ready to establish a branch office or a subsidiary, you can get this on-the-ground presence by appointing an agent, representative, or distributor. It is vital to remember that India is a huge and diverse country, with over 30 regional languages. As such, it is strategically important to consider taking a regional approach. If your product has a wide market appeal, finding regional representatives and distributors is recommended.

Defining the Terms: An agent may only procure business and will be paid through a commission. A representative normally works on a retention fee plus a commission on the sales generated. Also, a representative is similar to an indenting agent, where the foreign company deals directly with an Indian importer and then an agent consolidates all the imports, taking a commission from the foreign company. A distributor acts as an importer and typically purchases the product on his own account and stocks the products before selling it to the end user. Due to the risk of stocking the products, the distributor's compensation is higher than that of an agent or a representative.

Use Caution when Establishing Critical Relationships: The Indo-American relationship is strong, and Indian firms are eager to buy U.S. products and services. As a result, U.S. exporters will find strong interest from potential representatives and distributors for a broad range of products. However, the enthusiasm of potential partners must be weighed against several factors before a relationship is considered. A thorough due diligence study is essential before establishing a relationship, no matter how positive initial meetings may be.

When evaluating a distributor or agent, the Indian firm's business reputation, financial resources, willingness and ability to invest, marketing strength, regional coverage, industry expertise, and credit worthiness should be considered. An ideal distributor will have an extremely good banking relationship to enable the extension of credit and also have the capacity to market a full range of products and services. It is important that the agent or distributor have solid infrastructure and facilities such as warehouses, service workshops, showrooms, and competent staff to meet and exceed the expected volume of business.

U.S. companies should be careful not to be influenced by the eagerness and persistence of a distributor or his representative. Sometimes, Indian firms represent so many companies that they have little time or interest in developing new markets. The Indian firm may not have the vision to go beyond the existing list of contacts that it has nurtured over time. While in the short run, this can still provide very positive returns, the real edge will be in the areas that are currently underdeveloped. Therefore it is critical to measure objectively the ability, willingness, and aggressiveness of the firm in developing new networks, contacts, and areas of business. By checking multiple professional references, a U.S. company can gain broad insight into an Indian counterpart.

Be Mindful of these Pitfalls:

<u>The long list syndrome:</u> U.S. companies should exercise pragmatic skepticism when the potential representative offers a long list of foreign clients. These lists may be outdated and the relationships may no longer exist. On the other hand, if all of these relationships do exist, the distributor or agent may not be able to fulfill all obligations and commitments to your product based on the time, financial, managerial, or logistical constraints of building the new relationship. U.S. companies should confirm that the distributor or agent is able to represent the product along with the products of current clients.

<u>The no follow-through syndrome</u>: U.S. companies should ensure that their distributor or agent is fully committed to promoting their product. Very often the distributors or the agents project a professional image backed by qualified staff, widespread distribution network and a countrywide presence. U.S. companies should make sure that such representatives do not leave the distribution of their products or services to the distribution network. It is imperative that U.S. companies carefully consider all factors prior to making the final selection of a distributor or agent.

Other Issues to Consider:

<u>Advantages of a small distributor</u>: A small distributor may be ideal for implementing a flexible distribution strategy. That India is a vast nation of diverse states poses a logistical challenge to a distributor or to an agent. A small distributor having a presence within a region of India where customers live may be more advantageous, as knowledge of the local market may be a competitive advantage. A small distributor with good product knowledge and marketing skills is often more desirable than a big distributor who leaves the marketing of the product to a section or department of their

larger organization. U.S. companies should consider appointing multiple representatives for different products where this is possible.

Due diligence checks: India is a rapidly growing economy. As such, simple and traditional methods of validating the credentials of a potential partner are less reliable, and a thorough due diligence study is critical. Before signing a representative's agreement, a credit check of the proposed partner is imperative. The U.S. firm should check with the distributor or agent's bank to determine the potential partner's financial health, reputation and credit worthiness, and seek additional details from accountants, lawyers, industrial associations, and other sources. For technical products, U.S. companies should also ensure the technical expertise of the distributor, the condition of the facilities, and the experience of the technical staff. Due care should be taken in finalizing the details of the contract or memorandum of understanding.

To identify agents and distributors, U.S. companies can take advantage of the International Partner Search (IPS) and Gold Key Service (GKS) programs offered by the U.S. Commercial Service through its seven offices in India. To assist with due diligence background checks on local agents and distributors, U.S. companies can take advantage of the Commercial Service's International Company Profile (ICP) service. Please see Chapter 10 for more information.

Establishing an Office Return to top

The most important parameters in choosing a location in India are: (1) physical infrastructure; (2) state government support and flexibility; (3) cost and availability of power; and (4) the law and order situation. Other factors to take into account include labor availability and cost, labor relations and work culture, and proximity to resources and/or markets. In the area of labor law, an employer with more than 100 workers cannot fire them without permission from a government labor commissioner -- something usually impossible to obtain.

Given the shortage of good commercial office space at reasonable prices in major Indian cities, business centers are a viable option for new companies wanting to establish a physical presence. Business centers are facilities that are ready to move in, wired for communications, and air-conditioned. Billing is normally done on a monthly basis. For long-term use, discounts are generally available. Many state governments are creating special Technology Parks for selected industry sectors like software, biotechnology, and automotive.

Type of Office: A foreign company or individual planning to set up business operations in India – but choosing not to establish a subsidiary or to form a joint venture with an Indian partner – can do so by establishing liaison, project, or branch offices in India. Approval from the Reserve Bank of India (RBI) is required, and can be obtained by submitting form "FNC" which can be downloaded here. Such companies also have to register themselves with the Registrar of Companies (ROC) within 30 days of setting up a place of business in India.

Liaison or Representative Office: Many foreign companies initially establish a presence in India with a liaison or representative office that is not directly engaged in commercial transactions in India. The purpose of these offices is to oversee their networking efforts, promote awareness of products, and to explore further opportunities for business and investment. A liaison office is not allowed to undertake any commercial activity and cannot earn any revenue in India. As no revenue is generated, there are no tax implications to the office in India. Such offices are not allowed to charge any commission or receive other income from Indian customers for providing liaison services. All expenses are to be borne by inward remittances. A foreign company establishing a liaison office cannot repatriate money out of India.

Branch Office: A branch office, like a liaison office, is not an incorporated company but an extension of the foreign company in India. A branch of a foreign company is limited to the following activities by the RBI: representing the parent company and acting as its buying/selling agent; conducting research for the parent company; carrying out import and export trading activities; promoting technical and financial collaborations between Indian and foreign companies; rendering professional or consulting services; rendering services in information technology and development of software in India; and rendering technical support to the products supplied by the parent/group companies.

A branch office actually does business in India and is subject to taxation in India. The branch office is allowed to repatriate profits generated from their Indian operations to the parent company after paying taxes. However, a branch office is not allowed to carry out manufacturing and processing activities directly (though it can sub-contract such activities to an Indian manufacturer).

Project Office: Foreign companies sometimes set up a temporary project office to undertake projects in India awarded to the parent company. It is essentially a branch office set up for the limited purpose of executing a specific project. Approval for project offices is generally accorded for executing government- supported construction projects or where the projects are financed by Indian and international financial institutions and multilateral organizations. In exceptional cases, approval is also given for private projects. Upon completion of the project, project offices may remit outside India the surplus of the project, after meeting tax liabilities.

None of these entities is permitted to acquire real estate without prior RBI approval. However, all these offices are allowed to lease property in India for a maximum period of five years.

For more information on establishing a physical presence, taxation, labor and other issues, see Chapter 6.

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Franchising a brand offers tremendous opportunities to U.S. franchisors of food and beverages, education and training, retail, health, beauty and wellness, among other products and services. For more information, see Franchising in Chapter 4.

Direct Marketing

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According to the Indian Direct Selling Association (IDSA), the Indian direct selling market was worth $1.19 billion in 2013-14, and estimated to grow to $3.77 billion by 2019-20. The industry, however, grew by only 4.3% in 2013-14 compared to a rate of 12.2% in 2012-13.

In terms of market share by category of products, wellness and healthcare dominates the market with a 44% market share, followed by beauty and cosmetics at 33%, home/home improvement products at 12%, consumer durables at 6%, and others including food and beverages, educational items, promotional items at 5%.

Just two Indian states have detailed and focused guidelines for direct selling companies -- Kerala and Rajasthan. On a national level, the Indian government formed a committee to strengthen the regulatory and supervisory cooperation among agencies of both the state and federal governments with regards to fraudulent financial pyramid schemes. Direct sellers should have a license to do business in India and should file all mandatory tax returns. It is mandatory to have trademarks or licenses.

According to IDSA, the direct selling industry offers alternate employment opportunities in India and has contributed significantly to self-employment generation for the country over the years. The total distributor base of the Indian direct selling industry during 2013-14 was 6.23 million up from 5.77 million in 2012-13. The growth of the total distributor network stands at 8% in 2013-14 over the previous year.

For more information about export opportunities in this sector, contact the U.S. Commercial Service:

Smita Sherigar: Smita.Sherigar@trade.gov

Useful Links include:
U.S. Commercial Service in India http://export.gov/india/
Ministry of Commerce http://commerce.nic.in/
Retailers Association of India http://www.rai.net.in/
Indian Direct Selling Association http://www.idsa.co.in/
India Brand Equity Foundation http://ibef.org/home.aspx

Joint Ventures/Licensing

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This type of arrangement is quite common because India encourages foreign collaborations to facilitate capital investments, import of capital goods, and transfer of technology. That aside, India is a market that requires a careful approach because mistakes can be quite costly.   Once a decision to go with a joint venture partner is made, it is important to keep in mind the following principles: define each partner's roles and expectations; experience is a key ingredient; there is no substitute for thorough research and due diligence; and consider the long term.

There are two channels for foreign investment entering India: the automatic route and the government route. Investments entering via the automatic route are not required to seek overall approval from the central government. The investor is expected to notify the RBI of its investment using the Foreign Collaboration - General Permission Route (FC-GPR) form within 30 days of inward receipts and issuance of shares: http://rbidocs.rbi.org.in/rdocs/notification/PDFs/102APD110214.pdf. The title "automatic route" is nonetheless a misnomer, since investments in most sectors still require some amount of interaction with the government at both the state and national levels.

The approving entity varies depending on the applicant and the product:

- The Ministry of Commerce and Industry's (MOCI) Department of Industrial Policy and Promotion (DIPP) oversees single-brand product retailing investment proposals as well as proposals made by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs). An NRI is an Indian citizen who has resided overseas for six months or more for any purpose. An OCB is a company, partnership, firm, or other corporate entity that is at least 60 percent owned, directly or indirectly, by NRIs, including overseas trusts.

- The MOCI's Department of Commerce oversees proposals from export oriented units (i.e., industrial companies that intend to export their entire production of goods and services from India abroad).

- The Ministry of Finance's Foreign Investment Promotion Board (FIPB) oversees all other applications.

For Sector-Specific Guidelines for foreign direct investment, please see Chapter 6.

Foreign Direct Investment (FDI) screening is undertaken by the Foreign Investment Promotion Board (FIPB), a Government of India entity that purportedly provides single window clearance for FDI proposals. The FIPB board consists of a chairman—Secretary in the MOF Department of Economic Affairs—and members from the MOCI Department of Industrial Policy & Promotion, the MOCI Department of Commerce, and the Ministry of External Affairs' Economic Relations Division. The Board is empowered to co-opt Secretary-level government functionaries and other top officials of financial institutions, banks, and professional experts, as required. The Minister of Finance approves FIPB decisions on investments up to $200 million, while larger investments require approval from the Cabinet Committee on Economic Affairs (CCEA).

For NRI investment and for investment in the retail sector, applications need to be submitted to Secretariat of Industrial Assistance (SIA) within the Department of Industrial Policy and Promotion (DIPP) in the Ministry of Commerce and Industry. It provides a single window for entrepreneurial assistance, investor facilitation, processing of all applications that require government approval, assisting entrepreneurs and investors in setting up projects (including liaison with other organizations and state governments) and monitoring the implementation of projects. The timeline for approval of applications made to FIPB and SIA that meet all the required criteria is usually one month.

All new investments require a number of industrial approvals and clearances from different authorities such as the Pollution Control Board, Chief Inspector of Factories, Electricity Board, and Municipal Corporation (locally elected entities). To fast track the approval process for investments greater than $200 million, the previous government established a Cabinet Committee on Investment (CCI) in December 2012, chaired by the Prime Minister. The CCI approved over 100 projects worth more than $60 billion, but foreign investors and many economists complained that these projects nonetheless stalled in central and state-level bureaucracies. In December 2014, the new government approved the formation of an Inter-Ministerial Committee led by the Department of Industrial Policy and Promotion (DIPP) to fast track investment proposals from the United States. Business Chamber and sources within the government have reported that the Inter-Ministerial Committee has been meeting informally and on an ad-hoc basis as they receive reports from business chambers and affected companies of stalled projects.

100 percent FDI is allowed in most categories of manufacturing; however, the government maintains set-asides for micro and small enterprises (MSEs), defined as companies with less than $1 million in plant and machinery assets. Any investment in manufacturing that does not qualify as MSE must enter via the government route for FDI greater than 24 percent. Since 1997, the government has steadily decreased the number of sectors it protects under the national small-scale industry (SSI) policy. At its peak in the late 1990s, more than 800 categories were protected. The most current list is publicly available at http://www.dcmsme.gov.in/publications/reserveditems/reserved2010.pdf. The 2011 National Manufacturing Policy (NMP) provides the framework for India's local manufacturing requirements in the Information and Communications Technology (ICT) and clean energy sectors. http://commerce.nic.in/whatsnew/National_Manfacruring_Policy2011.pdf.

FDI policy is governed by the Foreign Exchange Management Act of 1999 and the RBI. Details on current caps and procedures are available at: http://dipp.nic.in/English/policies/FDI_Circular_2015.pdf.

Investment in the Following Areas is Accorded Priority in Considering Investment Applications: Items listed in the automatic approval list, where conditions for automatic approval are not met; infrastructure; items with export potential; projects with large employment potential, particularly in rural areas; items which have a direct or indirect linkage with the agricultural sector; socially relevant projects such as hospitals and life-saving drugs; and projects which induct new technology or infuse capital. If the U.S. investor has written a comprehensive proposal, provided details, and the FIPB is fully satisfied that the investment meets India's industrial development goals, approval can be granted in as little time as three weeks. Proposals that are badly formulated, do not meet FIPB goals, and invite objections on political, environmental, public health or welfare grounds are likely to be denied.

Investment in Existing Pharmaceutical Companies: In October 2011, FDI rules were changed for the pharmaceutical sector. For investments in new projects (green field investments), 100 percent FDI is still allowed. In case of investment in existing companies (brown field investments), FDI will be overseen by the Competition Commission of India (CCI) in accordance with India's competition laws that will ensure a balance between public health concerns and FDI. At the time of this writing, FIPB approval is still required before any existing pharmaceutical manufacturer can be acquired by a multi-national company. The new government will also have to decide whether a greater percentage of foreign funds can be invested in existing listed companies than is currently allowed. At the heart of the matter is a perception that large foreign pharmaceutical companies may try to acquire existing companies and then change the products it makes to branded or patented generics. This is viewed in socio - economic terms as a grave concern for India's poorer population which needs access to affordable medicines. See http://www.livemint.com/Politics/7QKycBBJIdoD6NEcrJLnXP/A-trail-of-loose-ends-in-FDI-policies-awaits-new- government.html.

Industries Reserved for the Public Sector: Some industries are reserved exclusively for the public sector. The following industries are not available for private investment unless a specific approval is obtained: arms and ammunition and allied items of defense equipment, defense aircraft and warships, atomic energy and railway transport.

For more details please refer to the GOI Ministry of Commerce and Industry's FDI policy, which can be found at: http://dipp.nic.in/English/Policies/Policy.aspx.

Compulsory Licensing: Five industries are subject to compulsory licensing in India. The need for licensing is attributed to safety, environmental, and defense related considerations. The licensing authority in this case is the Ministry of Industrial Development and the industries are: distillation and brewing of alcoholic drinks; cigars and cigarettes of tobacco and manufactured tobacco substitutes; electronic aerospace and defense equipment of all types; industrial explosives including detonating and safety fuses, gun powder, nitrocellulose and matches and hazardous chemicals.

First Compulsory License to a Patented Pharmaceutical Product: In March 2012, the Controller General of Patents granted a generic drug manufacturer the right to make and sell generic copy of a Bayer patented cancer drug, citing that Bayer not only charged a price that was unaffordable to most Indians but also did not supply enough doses of the medication to make it available to patients in India. This case was the first compulsory licensing of a patented drug in India and paves the way for a series of similar rulings in the future.

Selling to the Government

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The estimated size of the government procurement market at the central government level in India is about $300 billion. Indian government procurement practices and procedures often lack transparency and standardization, which can frustrate foreign suppliers.

The Defense Procurement Procedure 2011 is under revision. There are occasional reports of government-owned companies calling in the performance bonds of foreign companies, even when there was no dispute over performance. It is not unusual for negotiations to drag on for months and be held up at more than one level within the Indian bureaucracy for long periods with no discernible movement or reason given for lack of progress.

With this in mind, some firms seek out local representatives who are familiar with the culture and customs of India and are familiar with ways to expedite their product or service through the maze of bureaucracy in government ministries. When foreign financing is involved, principal government procurement agencies tend to follow multilateral development bank requirements for international tenders. However, in other purchases, current procurement practices can result in discrimination against foreign suppliers when goods or services of comparable quality and price are available locally.

The Government of India regularly advertises its requirements for the purchase of supplies and new equipment.

The competent authority invites tenders with a view to purchase goods and services. Suppliers, including foreign companies, willing to compete, may submit tenders agreeing to supply goods of the requested specifications. Indian agents who desire to quote directly on behalf of their foreign manufacturers/principals can also apply. Evaluation of the tenders received is one of the most significant areas of purchase management. The Purchase Officer is required to prepare a comparative statement of quotations received, in the order in which the tenders were received. Upon completion of the scrutiny, tenders are consolidated into a statement, in ascending order of the evaluated prices, so as to get a clear picture of their standing as well as comparative financial impact. Before awarding a contract to the lowest evaluated responsive tender, the purchase organization, usually ensure that the price to be paid is reasonable. Before placing an order with the successful bidder, the latter is informed in writing of the acceptance of his proposal and the time within which he is required to furnish performance security.

Defense Sales: While most of India's defense equipment was previously purchased from non-U.S. sources, India has recently expressed increased interest in U.S. technologies. The Indian defense sales market today offers great potential for defense suppliers, but U.S. businesses desiring to make defense related sales to India should be aware that the process can be a daunting one. While "Make in India" regulations are still being developed, we anticipate most future procurements to require at least 51% local content. Off-set requirements, currently at 30% of contract value, are also under view. Under the "Make in India" program, there are broadly four procurement categories:

- Buy (Indian): Direct purchase from Indian vendors only
- Buy (Global): Foreign and Indian vendors
- Buy & Make: Purchase from a foreign vendor followed by licensed production/indigenous manufacture in the country
- Buy & Make (Indian): Purchase from an Indian vendor (including an Indian company forming joint venture/establishing production arrangement with OEM), followed by licensed production/indigenous manufacture in the country.

For more information about market opportunities in this sector see the defense section in Chapter 4 and contact Commercial Specialist Nisha Wadhawan at nisha.wadhawan@trade.gov.

Local Representation is Invaluable: U.S. defense suppliers should assess the merits of having some representation in India to assist in market assessments, logistical support, and after-sales contact. This representation can either be through the supplier's own office presence in India (see above section "Establishing an Office"), or through an authorized representative. Caution must be exercised when seeking local expertise because unless strict guidelines are followed, Indian law may be broken.

In November 2001, the Government of India lifted the ban on agents in defense purchases. Regulatory provisions were announced for Indian authorized representatives and agents, where permissible, in defense purchases. The regulations require both the principal as well as the potential local representative to meet the provisions stipulated – it is the foreign supplier that has to make an application to the Ministry to register the relationship reached with the agent. The regulations also call for complete disclosure of the principal agent relationship in all its aspects.

The process for gaining clearance from the Government of India (GOI) to hire such a representative can also be very slow. These requirements have discouraged many established local representatives in the defense business from registering as agents for new defense deals. The Office of Defense Cooperation (ODC) within the U.S. Embassy in New Delhi works with the Commercial Service in New Delhi to assist U.S firms by providing contact details of Ministry of Defense (MOD) and Military Service offices that are the main purchasers of foreign defense goods for India and offer advice on strategies for defense related sales. The tender process that the GOI uses to acquire new defense equipment is relatively slow and complex, with the average time between initial release of a request for proposal and the final contract award often taking several years. The most successful firms are those with the endurance to follow the process through and the situational awareness that comes from local representation or from contact with GOI officials. Tenders are generally posted to the Internet, but most U.S. firms will want to establish MOD contacts and understand emerging opportunities and the requirements process well before tenders are publicly announced at: http://www.tenders.gov.in/. Many ministries announce tenders specific to their ministry on their own website.

A private portal to several Government of India websites is found at: http://www.sarkaritel.com/ministries/.

Distribution and Sales Channels Return to top

There has been a significant expansion in distribution channels in India during the past few years. The Indian retail market, currently estimated at $490 billion, is projected to grow at a compounded annual growth rate of 6% to reach $865 billion by 2023. The total number of retail distribution outlets in the country is estimated at over 12 million, mostly family owned businesses. An annual growth rate for the fast moving consumer goods (FMCG) sector is predicted at 10-12% during the next 10 years. A firm can deliver its products to the user through a variety of channels, using a range of marketing intermediaries.

The three-tier system: Most Indian manufacturers use a three-tier selling and distribution structure that has evolved over the years. This structure involves: redistribution stockists, wholesalers and retailers. As an example, an FMCG company operating on an all-India basis could have between 40 and 80 redistribution stockists (RS). The RS will sell the product to between 100 and 450 wholesalers. Finally, both the RS and wholesalers will service between 250,000-750,000 retailers throughout the country. The RS will sell to both large and small retailers in the cities as well as interior parts of India. Depending on how a company chooses to manage and supervise these relations, its sales staff may vary from 75 to 500 employees. Wholesaling is profitable by maintaining low costs with high turnover with typical FMCG product margins anywhere from 4-5%. Many wholesalers operate out of wholesale markets. In urban areas, the more enterprising retailers provide credit and home-delivery. Now, with the advent of shopping malls, companies talk of direct delivery and discounts for large retail outlets.

Outsourcing logistics: In recent years, there has been increased interest from companies to improve their distribution logistics in an effort to address a fiercely competitive market. This in turn has led to the emergence of independent distribution and logistics agencies to handle this important function. Marketers are increasingly outsourcing some of the key functions in the distribution and logistics areas to courier and logistics companies and searching for more efficient ways to reach the consumer. The courier network India now spreads to smaller Class IV towns (defined as towns with populations less than 50,000).

Clearing and Forwarding: Most FMCG and pharmaceutical companies use clearing and forwarding (C&F) agents for distribution, with each C&F agent servicing stocks in an area, typically a state. It is important to note that duty structures vary among states for the same product, creating disparate pricing. But with the introduction of VAT at every stage from producer to end consumer, retail prices are now the same throughout India. With the cost of establishing warehouses extremely high, C&F agents are fast becoming the norm. Recently companies have been utilizing the same distribution channels for products with complementary characteristics.

India has 13 major (national government control) and 187 minor (local state/private control) ports, but in terms of gross weight tonnage conveyed annually, Mumbai and Marmagao on the west coast, and Vishakhapatnam and Chennai along the east coast are the most important ports in India. Mumbai, the financial capital of the country, is very important for international cargo trade.

Free Trade Warehousing Zones: In an effort to assist companies entering the Indian market, the Government of India introduced free trade & warehousing zones (FTWZ) as a special category of special economic zones with a focus on trading and warehousing. The objective of the FTWZ is to create trade-related infrastructure to facilitate the import and export of goods and services with the freedom to carry out trade transactions in free currencies. These zones are to be established in areas close to seaports, airports or dry ports. FDI in these zones is allowed up to 100% in the development and establishment of the zones and in their infrastructure facilities. The program envisages duty free import of all goods for warehousing (except prohibited items such as arms and ammunition, hazardous waste and special chemicals, organisms, materials, equipment and technology items). The maximum period that goods may be warehoused within the FTWZ is two years, after which the goods have to be re-exported or sold. On expiry of the two year period, custom duties as applicable would automatically become due unless the goods are re-exported with a grace period of three months.

Selling Factors/Techniques

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Poor infrastructure is a major problem that makes distribution difficult and reduces demand for some products in rural areas. In order for sales techniques to be successful, distribution coverage is important. Indian consumers are serviced by an efficient, but highly fragmented, trade system consisting of over 12 million retail and wholesale outlets, spread over many urban and rural population centers. India has the largest retail outlet density in the world, but the majority of these stores are very small in size and unorganized.

With more than 550 million people under the age of 25, India's rapidly growing population appears to present limitless opportunities, but many Indian and foreign companies have discovered that for many product categories, only a fraction of India's 1.2 billion population can be regarded as potential customers. Many companies have been disappointed with the response to products launched in India over the past few years. Initially, these companies grossly overestimated the depth and size of the Indian market for their products. Projections for the growing Indian middle-class range from 250-300 million but these figures have proven to be off the mark for certain products as marketed to the typical Western middle class consumer. Transposing brands and products from other markets will not always work. Suitability and adaptation to Indian preferences and conditions is regarded as a significant benefit to Indian consumers and is therefore an important factor to be considered while designing a sales strategy.

A successful sales strategy will recognize and deal with the existence of strong local competition - this exists in many product and service categories and should not be underestimated. U.S. firms must also carefully compare customer needs and the quality of latent demand with the level of service that they want to offer in India. Even among the affluent middle class, much of their money is still spent on need-based consumption rather than on luxury goods.

While selling in the Indian market can be a complicated and difficult experience for new entrants, this can be avoided if, at the outset, the market opportunity is assessed accurately and the capabilities of local competition are not underestimated. Only in unusual circumstances should new foreign entrants create a new and independent sales infrastructure, because it is very expensive in the short run and requires sustained investment to build over the long run even if the product is successful.

At first glance, the bulk of the purchasing power in India would appear to be concentrated in its urban markets. However, a majority of the Indian population lives in rural areas distributed over some 638,000 villages. The balance lives in 7,935 towns of which approximately 468 have a population of more than 100,000 inhabitants.

It is said that the real India lives in the villages. All marketers, both Indian and foreign, have benefited by paying attention to the marketing potential of rural India.

Analysis of consumer purchase data over the last several years by various research agencies has shown that rural markets in India are growing as disposable income and literacy levels increase, and television access stimulates demand. Analysts predict that Indian rural consumers worth $100 billion will drive consumption in the near future.

Due to the influence of the media, consumption patterns in rural households have also changed significantly in recent years. Indians in rural areas are far more brand conscious, and this is generating demand for some products that were previously unfamiliar. Growing brand awareness makes it all the more important for U.S. companies entering the Indian market to register their brand name with the Indian trademark office. For more information on this visit: http://www.ipindia.nic.in/.

Electronic Commerce

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The e-commerce sector has seen unprecedented growth in 2014. The sector in India has grown by 34% in terms of the compound annual growth rate (CAGR) since 2009 to touch $16.4 billion in 2014. The sector is expected to be in the range of $22 billion in 2015. Currently, e-travel comprises 70% of the total e-commerce market. E-tailing, which includes online retail and online marketplaces, has become the fastest-growing segment. Books, apparel and accessories and electronics are the largest selling products through e-tailing, constituting around 80% of product distribution. In terms of highlights, the growth shown by homegrown players such as Flipkart and Snapdeal and the huge investor interest around these companies displayed the immense potential of the market. Top 20 private equity deals in the e-commerce sector in 2014 have attracted over $3.6 billion.

The Indian government's ambitious Digital India project and the modernization of India Post will also affect the e-commerce sector. The Digital India project aims to offer a one-stop shop for government services that will have the mobile phone as the backbone of its delivery mechanism. The program will give a strong boost to the e-commerce market as bringing the internet and broadband to remote corners of the country will give rise to an increase in trade and efficient warehousing and will also present a potentially huge market for goods to be sold. For India Post, the government is keen to develop its distribution channel and other e-commerce related services as a major revenue model going forward, especially with India Post transacted business worth $44 million in the cash-on-delivery (CoD) segment for firms such as Flipkart, Snapdeal and Amazon. Both these projects will have significant impact on increasing the reach of e-commerce players to generally non-serviceable areas, thereby boosting growth.

The number of mobile subscribers in India jumped from 261 million in 2007-2008 to 940 million in 2014. Along with telephony, internet penetration is soaring in rural and urban India. Moreover, the number of rural internet users is growing by 58% annually. Increases in the number of smartphones and 3G subscriptions are further driving this growth. The number of smartphone users is expected to grow at a CAGR of 91% from 2012 through 2016, jumping from 29 million to 382 million. Similarly, the number of 3G subscribers could expand at a CAGR of 84%—from 23 million to 266 million—during the same period. Thanks to rising internet penetration, the gross number of online users in India now exceeds the number of people who have completed primary education. This shift emphasizes the increasing relevance of India's digital economy. The number of internet users soared from approximately 20 million in 2004 to nearly 250 million in 2014.

Indian Government forbids FDI in the B2C space. Laws regulating e-commerce in India are still evolving and lack clarity. The interpretation of intricate tax norms and complex inter-state taxation rules make e-commerce operations difficult to manage and to stay compliant to the laws.

Trade Promotion and Advertising

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Over the years, the Indian economy has moved from being a controlled sellers' market to a buyers' market. With the opening of the economy came increased competition and the need for increased advertising. Media availability has increased exponentially with unlimited competition. According to a joint report published by FICCI and KPMG on the Indian Media and Entertainment Industry in 2015, the entire industry (consisting of print, broadcast and digital media) was estimated to be approximately $6.6 billion in 2014, recording a growth rate of 14.2% over 2013. According to the report, newspapers and publications still held the largest share with approximately 42.6%, followed by television which captures 37.4% of all advertising expenditures. Digital media has 10.5% and radio, outdoor advertising and the internet are all in single digits, with digital media expected to grow the fastest. The total advertising market in 2019 is projected to be valued at $12.9 billion.

The key to gaining rural market share is increased brand awareness, complemented with a wide distribution network. Rural markets are best covered by mass media - India's vast geographical expanse and poor infrastructure pose problems for other media to be really effective.

India has a diverse and growing number of daily newspapers. Print media reaches 70% of urban adults. Further, the number of readers in rural India is now roughly equal to that in urban India. The print media, almost completely controlled by the private sector, is well developed and advertising and promotional opportunities are available in a large number of newspapers including daily, weekly or monthly business publications, news magazines and industry-specific magazines.

U.S. companies interested in advertising in Indian media can work through the many advertising agencies in India. Many large and reputable U.S. and other international advertising agencies are present in India in collaboration with local advertising agencies. The advertising sector in India is technologically advanced.

In addition to advertising, established public relations firms are also available to U.S. companies that require such services. This segment has a few U.S. and other international companies present in collaboration with local partners. Mumbai remains the center of the advertising industry in India.

Trade fairs are also an effective means of promotion. U.S. companies can select from a number of quality international trade fairs, both industry-specific and horizontal, to display and promote their products and services. The U.S. Department of Commerce certifies a number of Indian trade shows as good venues for U.S. companies; and the U.S. Commercial Service (CS) offices in India directly organize U.S. participation in a number of selected trade shows every year.

Trade development offices of the U.S. Department of Commerce, U.S. industry associations, and individual U.S. states organize trade delegations and missions to visit India to explore prospects for doing business with local firms in the private and public sectors. Participation in such trade missions, whose programs in India are managed by the U.S. Commercial Service, will be useful for U.S. companies interested in doing business in India. You can also visit http://export.gov/india/tradeevents/index.asp for a list of trade events supported or organized by CS in India.

The Commercial Service in India offers several easy and inexpensive options to begin promotion in the Indian market, which are particularly helpful to small and medium new-to-market companies:

- U.S. Exporters can arrange for customized services through our Single Company Promotions.
- Firms offering services to U.S. exporters and investors interested in India can be listed in our online Business Service Providers B2B directory.

Pricing Return to top

When formulating key strategies and making decisions about product pricing for the Indian market, it is important to remember that simple conversion of U.S. dollar prices to Indian rupees will not work in most cases. Also, the assumption that a latent niche market for premium products exists has often resulted in low sales volumes and negligible returns for some foreign companies.

If the product can be imitated easily in terms of quality and service, international pricing will not work in India. To reduce product import duties or other local costs and ensure a stable market share, several U.S. and other foreign companies have set up product assembly in India.

Pricing decisions also have some bearing on product packaging. Many consumer product suppliers have found it helpful to package smaller portions at reduced prices rather than "economy" sizes. Although some Indian consumers are aware of quality differences and insist on world-class products, many customers can sacrifice quality concerns for price reductions.

Bargaining for the best price is a routine process for the buyer and seller in India. For consumer goods, especially for durables, the sellers often give discounts on the listed prices during holiday seasons to attract more customers. Trade-ins of old products for new items are also increasingly popular among consumers. A pricing strategy must consider all of these factors.

Another key consideration in pricing is Indian import tariffs. These are high for most products, especially consumer products. There are pockets of affluent Indians who can afford to buy a variety of luxury branded goods. However, in general, consumer consumption patterns are very different from those in many other countries. The middle class is growing exponentially, providing a fertile market for moderately priced items, but the prohibitive import tariffs may serve to move some items out of the reach of the Indian middle class consumer. The Value Added Tax (VAT) in effect in most states compounds this issue.

Sales Service/Customer Support Return to top

To compete with local and foreign suppliers, it is essential that your company consider how to: establish a system for after-sales support including hiring and training maintenance teams; set up a call center in some form staffed with knowledgeable technical personnel; have people ready to go on call and have parts on hand when replacements are needed.

It is also worth noting that Indian buyers often consider low acquisition costs when making a buying decision without realizing that some products may require costly maintenance contracts and downtime due to the lack of spare parts. By comparison, U.S.-made equipment in particular enjoys a reputation in India for premium quality, durability and low maintenance costs.

Protecting Your Intellectual Property

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Gaps in the law and a weak enforcement environment create challenges for IP rights holders in India.

Regulatory Data Protection

Indian law does not provide for protection against unfair commercial use of test or other data that companies submit to the government in order to obtain marketing approval for their pharmaceutical or agricultural chemical products. Without specific protection against unfair commercial use of clinical test data, companies in India seek immediate government approval for marketing of pharmaceutical and agrochemical products based on the original developer's data.

In order to comply with its international obligations under the TRIPS Agreement, the Government of India designated the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers as the responsible ministry to suggest measures that should be adopted in context of Article 39.3 of TRIPS Agreement and to consider whether data protection can be offered under the existing legal provisions. An Inter-ministerial Committee was constituted on February 10, 2004 under the Chairmanship of Secretary Reddy to act as a consultative group on the matter. The Committee released the Reddy Report on May 31, 2007. The Reddy Report finds that the present Indian legal provisions on data protection are not adequate to meet the spirit of Article 39.3 of TRIPS Agreement, though it concludes that existing legislation may be amended to achieve TRIPS consistency. The report further recommends that an explicit legal mechanism in the Drugs and Cosmetics Act, 1940 and the Insecticides Act, 1968, and the Rules framed under these Acts, should be provided to ensure that undisclosed test data of the originator is not put to unfair commercial use by others. In 2008, the Ministry of Agriculture drafted the Pesticides Management Bill, 2008 which included provisions for data protection for agricultural chemicals and the bill was introduced in the Parliament on October 21, 2008. The bill was then referred to the Standing Committee on Agriculture for their recommendations. The Standing Committee recommended that the term of data protection in the bill be increased from three years to five years. The Ministry of Agriculture amended the bill in accordance with the Standing Committee’s recommendations but the amended bill has yet to be re-introduced in Parliament. While the Government of India has considered instituting a regulatory data protection system for agrochemicals, there has been little or no movement on providing data protection for pharmaceuticals. India also does not have a separate trade secrets law which would protect confidential business information. Trade secrets are currently only protected under contract law.

Copyrights: India's Copyright Act Amendment of 2012 brought India's copyright law into alignment with international standards by implementing key provisions of the World Intellectual Property Organization (WIPO) Copyright and Performances and Phonograms Treaties (the WCT and WPPT). Under the new law, composers and lyricists now receive a fair share of royalties for the commercial exploitation of their works. Anti-circumvention provisions permit copyright holders to protect their rights online by using encryption technology and technological protection measures (TPMs). Copyright owners have the right to ask intermediaries to take down infringing content for a minimum of 21 days, subject to intermediaries' safe harbors. While these new provisions are positive steps, the new law has several weaknesses including expanded fair dealing provisions and broad compulsory licensing provisions. The flaws in the law relating to the circumvention of TPMs and Internet service provider liability may in the long run outweigh any limited benefit arising from India implementing the WIPO treaties. Various provisions of the law are now being challenged by stakeholder groups.

Enforcement of copyright continues to be a problem in India. The Indian Constitution delegates enforcement responsibility to the state governments. The central government can pass laws but the states are responsible for implementing them. The Central Bureau of Investigation (CBI), for example, which has inter- state jurisdiction, does not pursue IPR-related cases. The state, municipal or local police forces, although untrained, are charged with enforcing IPR laws. Piracy of copyrighted materials (particularly software, films, music, popular fiction works and certain textbooks) remains a problem for both U.S. and Indian producers. India has considered introducing separate optical disc legislation and anti-camcording legislation to address widespread copyright theft but these initiatives have not been implemented. Under existing law, copyright and trademark infringement are characterized as "cognizable offenses" which means that police have expanded search and seizure authority and can make arrests without having a warrant from the court. The law provides for minimum criminal penalties, including mandatory minimum jail terms. Courts rarely impose the full range of penalties prescribed under the law. Due to backlogs in the court system and documentary and other procedural requirements, relatively few cases are prosecuted and U.S. and Indian industry report that piracy levels in all sectors remain high.

Cable television piracy also continues to be a significant problem, with estimates of tens of thousands of illegal systems in operation in India. Copyrighted U.S. content is transmitted over this medium without authorization, often using pirated videocassettes, VCDs, or DVDs as source materials. This widespread copyright infringement has a significant detrimental effect on all motion picture market segments in India: theatrical, home video and television. For instance, pirated videos are available in major cities before their local theatrical release. The proliferation of unregulated cable TV operators has led to cable piracy. The GOI, through the Ministry of Information and Broadcasting, has set up an anti-piracy taskforce which was constituted to recommend measures to combat film, video, cable and music piracy in India. Some of the taskforce's recommendations are being pursued by the industry and the government. In the film industry, for example, there has been a growing push for specific anti-piracy legislation from Hollywood, Bollywood and other Indian regional language film producers. This has resulted in the Ministry of Information and Broadcasting adding specific anti-camcording provisions into the draft Cinematographic Bill of 2013. The draft Cinematographic Bill is expected to be introduced in Parliament in the Winter Session 2015.

The Copyright Enforcement Advisory Committee, which operates under the Ministry of Human Resources Development and includes law enforcement representatives from all 28 states, was resurrected in 2013 and has held meetings with stakeholders. Recent projects endorsed by the committee include the introduction of an anti-piracy curriculum for school children and the preparation of a standard operating procedure for local police to use when registering criminal complaints relating to copyright infringement.

Trademarks: India's trademark legislation provides protection for trademarks and service marks. In 2012, India became a member of the Madrid Protocol and has begun accepting applications. The Intellectual Property Office has also upgraded its IT systems to allow for electronic filing of trademark applications and the Government of India is now considering making e-filing mandatory. Enforcement of trademarks in India's courts is improving and several precedential judgments recognizing the concepts of "well-known or famous marks" and "cross-border reputation" have been issued.

Enforcement: India's criminal justice system does not effectively support the protection of intellectual property. India's criminal IPR enforcement regime, including border protection against counterfeit and pirated goods, remains weak. There have been few reported convictions for copyright infringements resulting from raids, including raids against recidivists. Adjudication of cases is slow. Police action against pirates of motion pictures is slowly improving. However, obstruction of raids, leaks of confidential information, delays in criminal case preparation and the lack of adequately trained officials hamper the criminal enforcement process. The GOI has also passed the Drugs and Cosmetics (Amendment) Act, 2008 which enhances the penalties for any adulterated and spurious drugs. The Drugs and Cosmetics (Amendment) Act, 2008, created special courts to hear cases under the Act.

India is considering legislation to establish a special commercial division bench in all of its High Courts. The Ministry of Law and Justice established a committee chaired by Former Chief Justice of the Delhi High Court, AP Shah, to develop a report on "Building Capacity of Indian Courts." The report was released on February 5, 2015 and makes several recommendations regarding the management and disposal of commercial disputes. IP disputes were included as one of the Commercial dispute. The recommendations of the report could improve access to timely relief in IP cases.

IPR enforcement at the border in India is improving. In order to empower Customs officials to seize goods infringing intellectual property rights at the border without having to obtain an order from the court, Indian Customs authorities have promulgated the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The Customs authorities have also initiated a records system that will allow rights holders to record their patent, trademark, copyright, design or GI registrations. It also allows rights holders to request the suspension of clearance of potentially infringing goods. The electronic records system is now available at all ports of entry in India and contains over 900 records.

The U.S. Patent and Trademark Office (USPTO) is part of the U.S. Commercial Service in the U.S. Embassy in New Delhi, focusing exclusively on intellectual property issues. This office is currently working with the GOI and industry to promote high standards of IP protection and enforcement.

Protecting Your Intellectual Property in India:

Several general principles are important for effective management of intellectual property ("IP") rights in India. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in India than in the United States. Third, rights must be registered and enforced in India, under local laws. For example, your U.S. trademark and patent registrations will not protect you in India. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Granting patents registering are generally is based on a first-to-file [or first-to-invent, depending on the country], first-in-right basis. Similarly, registering trademarks is based on a first-to-file [or first-to-use, depending on the country], first-in-right basis, so you should consider how to obtain patent and trademark protection before introducing your products or services to the India market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in India. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in India law. The U.S. Commercial Service can provide a list of local lawyers upon request. You can find a list of lawyers at the U.S. Embassy website: http://newdelhi.usembassy.gov/mobile//service/other-citizen-services/judicial-assistance.html

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in India require constant attention. Work with legal counsel familiar with India laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both India or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit **www.STOPfakes.gov**.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit http://www.uspto.gov/.

- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit http://www.copyright.gov/.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at http://www.stopfakes.gov/resources.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.stopfakes.gov**/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

- The U.S. Department of Commerce has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers India at: kalpana.reddy@trade.gov

Due Diligence Return to top

The U.S. Commercial Service emphasizes the need for exercising prudent procedures and practices in all international business transactions. Every U.S. exporter is advised to conduct comprehensive due diligence on potential partners in any foreign market to meet obligations under the Foreign Corrupt Practices Act of 1977.

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Details are available in other chapters.

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Commercial Service: http://export.gov/india/index.asp
American Chamber of Commerce, India: http://www.amchamindia.com/
U.S. India Business Council: http://www.usibc.com/
Confederation of Indian Industry: http://www.cii.in/
Federation of Indian Chambers of Commerce and Industry: http://www.ficci.com/
Indo-American Chambers of Commerce: http://www.iaccindia.com/
The Franchising Association of India, www.fai.co.in

Reserve Bank of India: http://www.rbi.org.in/
Government of India Directory: http://goidirectory.nic.in/
Government of India Ministry of Finance: http://finmin.nic.in/
Government of India Ministry of Commerce and Industry: http://commerce.nic.in/

Foreign Exchange Management Act http://www.rbi.org.in/scripts/fema.aspx
CRISIL online (similar to the Better Business Bureau in U.S.): http://crisil.com/index.jsp

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

Agricultural Sectors

- Tree Nuts
- Pulses
- Cotton
- Fresh Fruits
- Wood Products
- Planting Seeds
- Alcoholic Beverages
- Condiments and Sauces
- Snack Foods
- Hides and Skins
- Vegetable Oil

Agribusiness

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India is an agriculture-based economy. More than 52% of India's land can be cultivated, compared to the global average of 11%. India ranks second worldwide in farm output. Agriculture and allied sectors like forestry, logging and fishing accounted for 17% of the GDP in 2012. The sector is witnessing a major shift from traditional farming to horticulture, meat and poultry and dairy products, all of which are perishables. The demand for fresh products of all types is increasing as urban populations and incomes rise and consumption habits change. The growth of an efficient cold chain network from 'farm to fork' will help to dramatically curb the current spoilage rate of almost 40 percent of total agricultural output. The processed food industry ranks fifth in size in the country, (and is estimated to be about $69.4 billion, including $22 billion of value added products). Despite substantial degree of economic liberalization since 1991, export of agricultural products has remained highly regulated. Policies on export of agricultural products have seen frequent changes mostly to protect interest of domestic consumers and industries.

Despite policy uncertainties, over the years India has developed export competitiveness/niche for certain specialized products like basmati rice, oil meals, cotton, maize, etc. India is among the 15 leading exporters of agricultural products in the world and has also emerged a significant exporter having share of more than 5% of global exports in certain crops like cotton, rice, eggs and oil meals.

In 2014, U.S. suppliers exported $36 million worth of agri equipment. Poultry machinery, though a small part of the agricultural equipment sector, has strong potential for growth. Increased demand for poultry products is leading to privatization and capital expansion in this investment-oriented sector.

Government Policy:

1. **Agricultural Machinery**

The easy availability of credit from banking institutions as well as Non-Banking Financial Companies (NBFCs) in the country has encouraged Indian farmers to buy agricultural machinery on credit. The Department of Agriculture and Cooperation, Ministry of Agriculture, has been providing financial assistance on agricultural equipment and implements to all categories of farmers under its various Central Sector Schemes.

2. **Food Processing**

Initiatives such as the 'National Food Processing Policy', offered by the Ministry of Food Processing Industries and related agencies, aim to increase investment in the sector and encourage the purchase of more modern equipment used in food processing and improvement of cold chain infrastructure and logistics.

3. **Poultry**

A central-sector Poultry Venture Capital Fund scheme is being implemented in capital subsidy by the government from 2011. Under the scheme, financial assistance is provided as loan to the rural/urban beneficiaries under a schematic proposal through bankable projects.

Barriers:

1. **Cold chain sector**

Operating costs for the cold storage business in India are approximately $1.10-1.42 per cu feet per year as compared to $0.63 per cu feet per year in the West. Energy expenses alone make up about 30% of the total expenses for the cold storage industry in India compared to 10% in the West, and the unreliability of power in many areas of the country hold the sector back. Moreover, consumers still favor fresh and local meat and produce, which hampers demand for cold chain development.

2. **Agri machinery sector**

Due to its capital intensive nature, the agri machinery remains beyond the reach of small and marginal farmers. Further, non-availability of the much needed technical and institutional support and after sales has further prevented this segment from developing and maturing.

3. **Food processing sector**

The most important challenges among others in the sector include avoidance of the significant wastage at every level and in value addition. High food inflation, high post-harvest wastage particularly in fruits and vegetables, and low level of processing are the main challenges in the food processing sector.

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Major opportunities in the sector:

1. **Agri Machinery**

Presently, India is the largest manufacturer of tractors in the world, accounting for about one-third of the global production. Power tillers are becoming popular in lowland flooded rice fields and hilly terrains. Growth is steady for manually operated tools, animal operated implements, and equipment operated by mechanical and electrical power sources.

2. **Cold Chain sector**

India is an agricultural-based economy. More than 52% of India's land is cultivable, compared to the global average of 11%. The Indian agricultural sector is witnessing a major shift from traditional farming to horticulture, meat and poultry and dairy products, all of which are perishables. CS India and the Foreign Agricultural Service in New Delhi have been collaborating with the Global Cold Chain Alliance (India chapter) to identify areas in which U.S. technology and expertise can help develop the cold chain sector in India.

3. **Food processing sector**

While India has an abundant supply of food, the food processing industry is still nascent. At present, only 6% of the food produced in India is processed, whereas in developed nations 60% to 80% of foods are processed. Despite this, the processed food industry ranks fifth in size in the country. It accounts for 13% of the country's exports and 6% of total industrial investment. The industry size is estimated at $69.4 billion, including $22 billion of value added products.

4. **Poultry sector**

India's poultry industry is booming and emerging as the world's 2^{nd} largest market. The demand for poultry is growing along with consumers' rising incomes. India is the world's fifth largest producer of eggs and the ninth largest producer of poultry meat. Overall, India is ranked 17^{th} in poultry production.

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Popular Trade Events:

Foodpro 2015, Aug. 28-30, 2015, Chennai Trade Centre, Chennai, Tamil Nadu
Description: The Confederation of Indian Industry (CII) is a leading organizer of events in different major sectors. Foodpro is billed as the 'Largest food processing show in south India with 155 exhibitors and more than 25,000 visitors. It focuses on Processing Technology, Equipment & Machinery, Refrigeration & Cold Chain Systems, Processed & Packaged Foods, Dairy Equipment and Technology, Packaging Materials, Retailing and Vending Systems, Hotel and Kitchen Equipment, Bakery Machinery and Bakery Technology.

India Cold Chain Expo, Nov. 19-20 2015, Chandigarh
Description: The India Cold Chain Expo (ICE) 2015 will be organized by the Global Cold Chain Alliance India office. According to the Global Cold Chain Alliance, ICE is 'India's largest and only refrigerated warehousing, cold storage construction, refrigerated logistics and refrigerated transportation event.

Agro Tech, Nov. 19-22, 2015, Chandigarh
Description: The Confederation of Indian Industry (CII) in partnership with Ministries of Agriculture and Food Processing in the Government of India will hold the 12th biannual edition of this show. The 11^{th} edition of CII Agro Tech in November 2014 at Chandigarh had 165 exhibitors and attracted eleven countries and 85,000 visitors. Areas of focus for this show will be technological innovation, food processing and agricultural infrastructure.

EIMA Agrimach India 2015, Dec. 3-5, 2015, Pusa Grounds, New Delhi
Description: EIMA Agrimach India, the business to business event of its kind offering a single venue interface between Indian & global players in agri-machinery sector. Conducted jointly by FICCI, UNACOMA and co-organized by Ministry of Agriculture and Indian Council of Agricultural Research, the event is inspired by EIMA International, the second largest exhibition and conference on farm mechanization in the world. The 2013 presentation featured several U.S. firms and large pavilions organized by Italy, China and the Republic of Korea.

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Ministry of Food Processing Industries, Ministry of Commerce and Industry, Government of India: http://www.mofpi.nic.in/
Indian Council of Agricultural Research, Ministry of Agriculture, Government of India: http://www.icar.org.in/en/aboutus.htm

Agricultural Food Products Export Development Authority, Ministry of Commerce and Industry, Government of India: http://www.apeda.gov.in/apedawebsite/index.asp
Food Safety and Standards Authority of India: http://www.fssai.gov.in/
Ministry of External Affairs, Government of India, Investment & Technology Promotion Division: http://www.indiainbusiness.nic.in/
Food and Agricultural Organization of the United States: http://www.fao.org
Department of Scientific and Industrial Research http://www.dsir.gov.in

For more information, please contact Commercial Specialist Shibu Mathews at shibu.mathews@trade.gov

Corrosion Control

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Corrosion is a naturally occurring phenomenon which can cause dangerous and expensive damage to everything from automobiles, home appliances, and drinking water systems to pipelines, bridges, public buildings and machinery. An earlier corrosion study on the United States by the National Association of Corrosion Engineers (NACE) International, a U.S.-based, global leader in the field of corrosion, indicated that the direct cost of corrosion is 3.14% of the U.S. GDP. Extrapolating this figure to the Indian context, taking the economy size to be $2 trillion in 2014, the estimated cost to the economy from corrosion is equivalent to $70 billion. That is in addition to the indirect costs. NACE International, along with the Federation of Indian Chamber of Commerce (FICCI), is currently undertaking a global study covering the world's 15 largest economies, including India. The final report is expected in late 2016.

In India, the demand for corrosion free materials is increasing especially in the sectors of chemicals, oil and gas, energy and shipping, railways and ports where corrosion is a serious problem. Additionally, there is no national corrosion standard in India, nor are there are any programs to certify corrosion engineers, who can then carry out regular corrosion audits that can begin to properly and systematically address India's industrial corrosion challenges. The most commonly used methods include protective coatings; corrosion resistant alloys, non-metallic materials; corrosion inhibitors and cathodic protection.

To combat corrosion NACE has suggested that the Indian Government formulate national corrosion standards, preferably taking into account global standards. They are working with the Indian government to change policies, regulations, standards, and management practices to decrease corrosion and to educate industry on cost savings through sound corrosion management. They are ready to implement corrosion training to create a pool of Certified Corrosion Engineers (CCE) by instituting training programs with links to the National Skill Development Mission (NSDM). They also are working with the Indian government to make corrosion audits compulsory and issue corrosion certificates with a specific validity period for companies and infrastructure projects.

Unit: USD millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	5456	6548	8092	10000
Total Local Production	6154	7316	8936	10974
Total Exports	1563	1719	1890	2079
Total Imports	865	951	1046	1105
Imports from the U.S.	80	90	103	112
Exchange Rate: 1 USD	62	62	63	63

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Actual statistics on this sector are not available since almost the entire industrial sector faces the corrosion problem. Most statistics are restricted to the oil and gas and the chemicals, petrochemicals and the fertilizer sector. Most corrosion control is in the form of paints and coatings. Information was collated from industry sources, NACE and other publicly available information.

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- Coatings
- Aircraft corrosion coatings
- Corrosion control coatings for bridges and other infrastructure
- Corrosion control and environmental protection coatings
- Pipeline corrosion coatings
- Storage tank corrosion coatings
- Specialty corrosion resistant materials
- Cathodic protection

Opportunities

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The key opportunities in the short term will involve working with the Indian government to promote global corrosion standards in key industries that are affected by corrosion. Other opportunities in the short term include working on corrosion training programs and working with the industry to promote corrosion control as a major solution to increase productivity in the industry.

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CSIR-Central Electrochemical Research Institute	http://www.cecri.res.in/
NACE INDIA	http://www.naceindia.org/
Knowledge Platform	http://www.wecancontrolcorrosioninindia.in/
Ministry of Chemicals and Fertilizer	http://chemicals.nic.in/

For more information on opportunities in this sector, please contact Commercial Specialist P. Srinivas at P.Srinivas@trade.gov

Civil Aviation

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India is the world's 9th largest aviation market and is growing rapidly. The IATA has been recording month-on-month domestic air passenger growth on the order of 15% from late 2014 through the first half of 2015. Growth in March 2015 compared to March 2014 was 17.9%. Government of India (GOI) officials regularly cite the correlation of every 1% increase in GDP with a 2% increase in growth in the aviation sector. With India's increasing GDP growth rate, continuing large increases in aviation sector growth are expected.

India is one of the least penetrated aviation markets in the world. More than 99% of Indians have never traveled by air, according to the Federation of Indian Chambers of Commerce and Industry (FICCI). The country's airports handled 190 million passengers in FY2015, more than three times the 59 million passengers handled just ten years earlier.

The GOI has made construction of new airports in second tier cities a major priority. Several major Indian cities have new terminals, but there are currently only 132 airports in the country. The GOI has plans to expand that to 500. The GOI has the ambitious vision to become the world's third largest aviation market by 2020, and the largest by 2030.

The Ministry of Civil Aviation (MoCA) is responsible for formulation of policies and programs for development and regulation of the sector. It exercises administrative control over the Directorate General of Civil Aviation (DGCA), the Bureau of Civil Aviation Security (BCAS), the Indira Gandhi Rashtriya Udan Academy, the National Aviation Company of India Limited (Air India), Pawan Hans Helicopters Limited and the Airports Authority of India (AAI).

Private carriers include IndiGo, Jet Airways, Jetlite, SpiceJet, GoAir, Air India Express, AirAsia India, Air Costa and Vistara. IndiGo enjoys 36.4% market share with Jet Airways at 25.4%. Foreign carriers handle about 65% of international traffic to/from India.

Despite growth in the sector, the airline industry has lost $10 billion since 2009, with debt at $11.3 billion. The recent decreases in losses are largely due to lower fuel costs. Traffic growth faster than capacity growth will contribute to increasing profitability.

In April 2015, the Federal Aviation Administration (FAA) restored India's category 1 aviation safety rating. FAA had downgraded India's aviation-safety ranking in January 2014.

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1. Commercial and general and business aviation aircraft
2. Maintenance Repair and Overhaul (MRO)

3. Avionics including Communication Systems & Navigation
4. Airplane and helicopter parts and components
5. Safety and security, rescue and emergency systems
6. Training of airport, ground crew, and aircraft staff

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Greenfield projects in Mumbai (Navi), Goa (Mopa), Dholera, and other cities provide opportunities in construction and equipment.

The U.S-India Aviation Cooperation Program (ACP) was established in 2007 as a public-private partnership between the U.S. Federal Aviation Administration (FAA), the U.S. Trade and Development Agency (USTDA), other US Government agencies and U.S. Companies. The ACP supports the growth of the Indian civil aerospace sector by working directly with the GOI to identify and execute projects that encourage collaborations between U.S. and Indian stakeholders, in the area of aerospace technology and best practices.

The USTDA sponsors the U.S.-India Aviation Summit in Bangalore November 3-5, 2015.

The Ministry of Civil Aviation and FICCI host India Aviation 2016 at Begumpet Airport, Hyderabad, March 16-20, 2016.

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Ministry of Civil Aviation:	www.civilaviation.gov.in
Airports Authority of India (AAI):	www.aai.aero
Director General of Civil Aviation:	http://dgca.nic.in
CAPA Centre for Aviation India:	www.capaindia.com
International Air Transport Association:	www.iata.org
US-India Aviation Cooperation Program:	http://us-indiaacp.com/
India Aviation 2016:	http://www.india-aviation.in/

For more information on opportunities in this sector contact Commercial Specialist Nisha Wadhawan at Nisha.wadhawan@trade.gov

Defense

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Unit: USD thousands

	2012-2013	2013-2014	2014-15 (estimated)	2015-16 (estimated)
Total Market Size	11,190,317	12,519,365	13,010,349	15,013,968
Total Imports (direct only)	4,827,143	6,066,508	N/A	N/A
Imports from the U.S. (total)	1,431,787	1,600,763	N/A	N/A
Exchange Rate: 1 USD=INR 63				

Data Sources:

Total Market Size: Government of India budget
Total Imports: Ministry of Defense and Defense Public Sector Undertaking reports, SIPRI, PIB
Imports from U.S.: U.S. Census Bureau

India plans to spend $100 billion in defense acquisitions over the next five years. This year's budget of $15 billion for acquisitions was a 15% increase over last year. While similar increases are not expected in the near term, there will be significant opportunities for U.S. exporters across all defense sub-sectors.

The Indian defense sector has historically been dominated by state-owned enterprises, known as Defense Sector Public Undertakings (DPSUs) and Ordnance Factory Boards (OFBs). The Government of India began allowing private sector participation in defense manufacturing legal only in 2001. While the Indian DPSUs and private sector suppliers produce combat aircraft, naval vessels, heavy trucks, and other military equipment, they invest little in research and development, resulting in slow development of new generation technologies. As a result, India's Defense Industrial base is underdeveloped. India directly imports 40% of its defense requirements, and total imports (with indirect imports to the DPSUs and private sector suppliers) total 60-70%.

India has become one of the world's top defense importers, and is currently the second largest importer after Saudi Arabia. While the Department of Defense Production was formed in 1962 to address shortcomings that became apparent in India's conflict with China and offsets became a requirement in 2005, also to develop India's defense industrial base, India continues to purchase major systems from foreign suppliers.

U.S. OEMs have had increasing success penetrating the market over the past ten years, selling about $10 billion in major systems, to include Boeing C-17 and P-8I aircraft and Lockheed Martin C-130 aircraft. The U.S. has become one of India's top three suppliers with Russia and Israel. U.S. firms shipped $1.2 billion in defense products to India in 2013. While U.S. second and third tier suppliers have not had as much success, other non-Indian suppliers do sell parts and components to Indian OEMs.

For national security reasons and to create jobs in India and to further develop its overall manufacturing capabilities, Prime Minister Modi announced the “Make in India” initiative in September 2014. Under this initiative and with continuing privatization efforts, more large Indian business conglomerates are entering the defense sector. In June 2015, India announced that the DPSUs would no longer receive preferential customs and duties treatment, further encouraging more private sector investment.

Tata and Mahindra already have entered into joint ventures with U.S. defense firms. Reliance Group and Adani both announced their entry into the sector this year. Larsen & Toubro and Kalyani Group are major players in the sector. All major Indian OEMs seek U.S. suppliers and partners, as U.S. technology is preferred by India’s armed forces. India raised is FDI limit from 26% to 49% in the defense sector, with up to 100% possible if there is high-technology transfer (to date, no U.S. company has tested this 100% limit). More U.S. investment is expected, which will create more opportunities for first, second and third tier suppliers.

While “Make in India” regulations are still being developed, we anticipate most future procurements will require at least 51% local content. Off-set requirements, currently at 30% of contract value, are also under review. The Indian Armed Services have created aggressive modernization plans, but with defense spending currently pegged at 1.75% of GDP, there will be budgetary pressure to delay spending.

While there is increasing opportunity in the market, India is still a challenging market and requires patience. Defense procurement timeframes are measured in years, there can be poor transparency in the procurement process, and offset regulations can be challenging to navigate. Poor infrastructure and skills gaps pose manufacturing challenges. There can also be payment delays.

Sub-Sector Best Prospects

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There are opportunities across most defense sub-sectors.

Land systems: The Future Infantry Combat Vehicle (FICV) program will meet a requirement for over 2,100 vehicles. BAE has recently been down-selected to supply M777 howitzers. There will be other opportunities in field artillery modernization (self-propelled howitzers and fire control systems) and in various munitions, to include surface to air missiles.

Maritime systems: Demand for fast patrol craft is expected to increase, while the Indian Navy is also planning to build more submarines and also begin construction of a second indigenous aircraft carrier. The Navy also has expanding requirements for fixed and rotary wing aircraft.

Aero systems: While the Prime Minister recently announced the purchase of 36 Rafale fighters, there is demand under “Make in India” for co-production of more aircraft. There is also demand for unmanned aerial systems of all sizes and capabilities, along with missiles of various ranges. The services also hope to expand their rotary wing fleets.

Maintenance, Repair, and Operations (MRO): With aging systems in all services and the purchase of more advanced systems, the requirement for more robust MRO capabilities is increasing.

Opportunities

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The next major defense trade event will be the biennial DEFEXPO, which will be held in February 2016, most likely in Delhi. Please monitor http://defexpoindia.in/ for updates.

Aero India, the biennial aerospace show will be held next in February 2017 in Bangalore. Monitor http://www.aeroindia.in/.

New RFI and RFP opportunities are listed on the tenders India and Central Public Procurement Portal listed below under “Web Resources.” Defence ProAc Biz News also lists future projects.

Web Resources

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Government of India

Ministry of Defence: http://mod.nic.in/
Department of Defence Production: http://ddpmod.gov.in/
Indian Army: http://indianarmy.nic.in/
Indian Navy: http://indiannavy.nic.in/
Indian Air Force: http://indianairforce.nic.in/
Border Security Force (Ministry of Home Affairs): http://bsf.nic.in/
Central Industrial Security Force (Ministry of Home Affairs): http://www.cisf.gov.in/
Tenders India: http://tenders.gov.in/
Central Public Procurement Portal: http://eprocure.gov.in/cppp/
Defence Procurement Procedures 2013 Capital Procurement Manual:
http://mod.nic.in/writereaddata/DPP2013.pdf

Media and Think Tanks

Institute for Defence Studies and Analyses: http://www.idsa.in/
Vivekananda International Foundation: http://www.vifindia.org/
Defence ProAc Biz News: http://www.defproac.com/
Defence Now: http://www.defencenow.com/

For more information on the defense sector, please contact commercial specialist Nisha Wadhawan at Nisha.wadhawan@trade.gov

Education Services

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India has one of the largest systems of higher education in the world, next only to China and the United States. There are 677 universities in the country, including 318 state universities, 129 deemed universities (a status of autonomy granted to high performing institutes and universities by the Department of Higher Education), 45 central universities (established by the Department of Higher Education), 185 private universities, and 73 institutes of national importance, such as Indian Institute of Technology (IIT), Indian Institute of Management (IIM), National Institute of Technology (NIT), etc. In addition, there are private and accredited universities, institutions created by an act of Parliament, independent institutes and over 37,204 colleges. Together they offer a wide range of degree and diploma programs.

Source: http://mhrd.gov.in/university-and-higher-education

Higher education in India is regulated by the University Grants Commission (UGC) except for technical institutes which are governed by All India Council of Technical Education (AICTE) and other councils established under applicable statutes for the regulation of education in specific fields. Some of the councils and the specific fields that they govern include the Council of Architecture, Pharmacy Council of India, Indian Nursing Council, Medical Council of India, and Distance Education Council. Higher education institutions operating in India for at least ten years can be conferred with a special status of 'deemed universities' (DUs) upon satisfying prescribed criteria. DUs have degree granting powers. AICTE is also the nodal body regulating the entry and operation of foreign universities / institutions in India.

Education Services

Market Value -> Private Education categories (in USD billions)	2009	2012	2015	Growth%
K-12 education sector	23	34	50	14.0%
Higher education	22	31	49	16.0%
Pre School	0	1	2	26.0%
Vocational Training	2	4	6	19.0%

Source: Deloitte report on India Education Practice – March 2015

United States - The chosen destination for Indian students

In the 2013/14 academic year, **102,673** students from India were studying in the United States (up 6.1% from the previous year). India is the second leading place of origin for students coming to the United States, comprising 11.6% of the total international students in the United States. Last year Indian students in U.S. colleges and universities contributed $3.3 billion to the U.S. economy. The majority of Indian students in the U.S.

study at the graduate level. In 2013/14, their breakdown was: 12.3% undergraduate; 59.5% graduate students; 1.2% other; 27% OPT (Optional Practical Training)

Source: Open Doors: Report on International Educational Exchange, published annually by IIE with support from the U.S. Department of State's Bureau of Educational and Cultural Affairs. http://www.iie.org/opendoors

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Partnerships and joint projects between Indian and U.S. higher education institutions produce advances in science, business, health, agriculture, and other sectors while strengthening civil society in both countries.

- The **U.S.-India Higher Education Dialogue** promotes enhanced opportunities for student and scholar mobility and faculty collaboration between the United States and India, as well as exchanges on technology-enabled learning.

- Through the ongoing **community college collaboration** between the American Association of Community Colleges and the All-India Council for Technical Education (AICTE), U.S. community colleges partner with Indian institutions to enhance economic opportunity in India through adoption of aspects of the community college education model and best practices in skills development and improving workforce training.

- The next dialogue will focus on India's new platform for **Massive Open Online Courses** (MOOC's) - **SWAYAM** and new collaboration opportunities around science, technology, and innovation fields and will link all of India's public higher education institutions with U.S. Universities.

- The United States and India have each pledged $5 million to **the 21st Century Knowledge Initiative** to support partnerships between higher education institutions in both countries to strengthen teaching and research in priority fields such as energy, climate change, and public health. Since the program's launch in 2012 both the governments have funded 24 different projects, ranging from support for science, technology, engineering, and mathematics education to exploration of the impacts of climate change on indigenous communities.

- The U.S. government re-launched the **Passport to India** initiative this year to develop the next generation of business, science, and political leaders of U.S.-India relations. Administered in partnership with the Ohio State University, Passport to India works with the private sector to increase the number of available internships, service learning, and study abroad opportunities in India. www.PassportToIndia.com

- The Government of India proposed several new initiatives to promote faculty exchange and knowledge sharing. Through its **Global Initiative of Academic Networks (GIAN) program**, India's Ministry of Human Resource Development and Department of Science and Technology will create a channel for U.S. professors in science, technology, engineering, and mathematics to teach in Indian academic and research institutions on short-term exchanges.

- India and the United States intends to establish a **knowledge partnership** to exchange expertise and best practices in support of the Department of Skills Development's efforts to develop nationwide skills standards and institutional structures to support skills development. In addition, the Government of India will explore **public-private partnerships** with U.S. businesses to set up skills development units in industrial hubs, with the aim to train up to 80,000 workers per year.

Apart from the above initiatives that will benefit both the countries, the potential fields of study to attract Indian students or partner with an Indian school are:

i. Engineering and Applied Sciences
ii. Business and Management
iii. Computer Science and IT
iv. Social Sciences
v. Physical and Life Sciences
vi. Humanities
vii. Medicine and Healthcare
viii. Art and Design Studies
ix. Music, Film Making and Dance
x. Sports and Nutrition Studies

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U.S. educational institutions can participate in the Indian education market in three ways: by recruiting Indian students for their programs, collaborating with the institutions for implementation of the schemes launched by the government and by creating educational exchange programs through joint ventures with Indian institutions.

A **Foreign Education Bill** permitting entry of foreign universities and issue of degrees in India is presently pending in the parliament. The Ministry for Human Resource Development (MHRD) and UGC are proposing regulations to allow entry of foreign universities to set up a campus in India.

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United States – India Educational Foundation www.usief.org.in
Ministry of Human Resource Development (MHRD) www.education.nic.in
University Grants Commission (UGC) www.ugc.ac.in
All India Council of Technical Education (AICTE) www.aicte.ernet.in
Central Board of Secondary Education (CBSE) www.cbse.nic.in
National Institute of Open Schooling (NIOS) www.nos.org
National Council of Educational Research and Training (NCERT) www.ncert.nic.in
National Assessment and Accreditation Council (NAAC) www.naac-india.com
India Gandhi National Open University (IGNOU) www.ignou.ac.in
Distance Education Council (DEC) www.dec.ac.in
Association of Indian Universities (AIU) www.aiuweb.org
National Board of Accreditation of AICTE www.nba-aicte.ernet.in

For more information on opportunities in this sector contact U.S. Commercial Service - Industry Specialist – **Sathya Prabha** at Sathya.Prabha@trade.gov

Environment and Water

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India is grappling with significant challenges on air, water and waste management fronts. The legislative framework is strong, but enforcement is relatively weak. The number of rivers defined as "polluted" in India has more than doubled in the last five years. A WHO study revealed that 13 of the world's top 20 most air polluted cities are in India. About 55 million tons of municipal solid waste is generated each year in the 468 cities of over 100,000 people; only 70% is collected and only 23% is processed or treated. India is also one of the largest and fastest growing greenhouse gas emitters. A 2013 World Bank study estimated that the annual cost of environmental degradation in India is $80 billion. Around 30-40% of India's industrial units produce sizeable quantities of pollutants. There are about 3 million small-scale enterprises in the country and most of these are not using any pollution control equipment. The Government of India has classified 17 industrial sectors as highly polluting; these sectors are subject to stringent standards. The Indian Parliament passed the National Green Tribunal Act in 2010, which led to the creation of the National Green Tribunal. Its purpose is the effective and expeditious disposal of cases relating to environmental protection. Orders of the Green Tribunal are driving many of the recent environment management initiatives.

Important environmental sub-sectors include: water supply and waste water treatment; solid waste management; air pollution; monitoring equipment and services; renewable energy and carbon abatement technologies.

The Indian pollution control industry consists of a large number of specialized equipment suppliers, chemical suppliers, engineering-procurement-construction (EPC) contractors, consultants, build-own-operate and transfer (BOOT)/build-own-operate (BOO) operators, analytical equipment and services companies. The equipment market is dominated by small and medium sized units, manufacturing end-of-pipe treatment solutions. Local production of pollution control equipment is limited to mainly standard, relatively low-tech equipment. Over 30% of market demand is met by imports. Major suppliers include the U.S., U.K., Germany, Japan, Canada, Australia, Netherlands, and Italy. Most of the leading international companies operate in India.

India's pollution control equipment market was growing at 10-12% per year over the last decade. However, from 2012-2015 the Index of Industrial Production in mining and manufacturing sectors has ranged from negative to a growth rate of less than 3%. This has resulted in some stagnation of the pollution control equipment industry in 2013-2015. We believe that this is a temporary phenomenon, and the market will grow again in the coming years. The total market size is estimated to be around $8.5 billion, with renewable and energy efficiency sectors capturing around half of the market share.

Data Table for estimated size of market:

Unit: USD thousands

	2013*	2014*	2015 (estimated)	2016 (estimated)
Total Market Size	8100	8100	8537	8964
Total Local Production	5900	5900	6219	6530
Total Exports	1300	1300	1370	1438
Total Imports	3500	3500	3689	3874
Imports from the U.S.	1100	1100	1159	1217
Exchange Rate: 1 USD	63	63	63	63

Total Market Size = (Total Local Production + Total Imports) – (Total Exports). Figures are approximate. 2015 and 2016 growth has been estimated at 5%.

*No change indicated between 2013 and 2014 since the index of industrial production was flat and the industrial sector posted zero/negative growth.

Data Sources: USG estimate

Sub-Sector Best Prospects

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The promising sub-sectors in pollution control equipment include (for the next 3-5 years):

Sub Sector	Project Growth Rate
Water and wastewater management	12-14%
Energy efficiency and renewable energy	10-12%
Municipal solid waste management	8-10%
Air pollution control	6-8%

Water and wastewater is the most promising sub-sector in India's environmental segment in the non-energy category. This sector accounts for 26% of India's pollution control industry, and is expected to grow at 12-14% over the next five years, according to the U.S. Commercial Service's Environment Technology Resource Guide 2013. Procurement is almost equally split between government and the private sector projects. However, sales to the industrial sector are growing at a higher rate. The government is primarily involved in treatment of raw water, water transmission and distribution and sewage treatment operations. The private sector industries in power, food and beverage, pharmaceuticals, refineries and textiles sectors are generating immense opportunities for water and wastewater treatment equipment. These industries prefer advanced treatment technological systems such as reverse osmosis membranes for treating their wastewater. The water treatment market is gradually shifting from chemical treatment and demineralization plants to membrane technology. The concept of wastewater recycling and zero discharge systems is becoming more widely accepted as new technologies such as sequencing batch reactor (SBR) and membrane bioreactor (MBR) based treatment gain in popularity.

In the municipal waste sector, India's Planning Commission Task Force Report of 2014 estimates that the capital costs for collection and transportation of municipal solid waste and for setting up of approximately 500 engineered sanitary landfill facilities to be approximately $1.7 billion. This includes the provision of mechanized sweeping in more than one million cities at a cost of $34 million.

For detailed analysis of the opportunities in India's water and wastewater sector, refer to our Market Research Report titled "Indian Water & Wastewater Sector – Opportunities for U.S. Companies" at http://www.buyusainfo.net/docs/x_8571366.pdf

For detailed analysis of the opportunities in India's municipal waste management sector, refer to our Market Research Report titled "Indian Municipal Solid Waste Management Sector – Opportunities for U.S. Companies" at
http://www.buyusainfo.net/docs/x_1222347.pdf

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According to India's Planning Commission, the total capital investment required to upgrade India's water infrastructure will be $126 billion over the next 20 years. The Commission estimated that India's municipal solid waste management sector will require an investment of $3.4 billion, of which 40% will come from the Government of India, 21% from state governments and 39% from the private sector. Responding to these needs, the Government of India rolled out, in April 2015, a $1 trillion urban sector plan to create 100 "Smart Cities" and rejuvenate 500 other cities and towns over the next five years. Clean water supply, sanitation and waste management, efficient mobility and public transport are important components of this new initiative. U.S. companies should position themselves and create local partnerships to take advantage of these opportunities.

We advise U.S. companies to monitor the U.N. Development Business, World Bank, Asian Development Bank (ADB),, the Japan Bank for International Cooperation (JBIC) websites and publications for soft loan and grant funded project announcements. These projects offer significant front-end consulting opportunities and the possibility to supply equipment during the project implementation phase.

Selected web-sites:

U.N. Development Business tenders:	http://www.devbusiness.com/
World Bank projects:	http://www.worldbank.org/projects/
Asian Development Bank projects:	http://www.adb.org/projects

Opportunities in industrial sector are primarily in the 17 most polluting industries, to include cement, steel, iron and power industries. These large end-user industries are buyers for air, water and hazardous industrial waste treatment solutions; and have been investing substantially in environmentally friendly production processes.

Monitoring equipment and services is also an important area of opportunity in both the public and private sectors.

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Ministry of Urban Development http://www.moud.gov.in
Central Pollution Control Board http://www.cpcb.nic.in/
Environmental Information System – ENVIS: India http://envis.nic.in/
JICA- http://www.jica.go.jp/india/english/
USAID- http://www.usaid.gov/india

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Arup Kumar Mitra at arup.mitra@trade.gov

Franchising

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Franchising as a concept has been prevalent in India for a long time. However, shifting consumer trends including growing preferences for branded products, global exposure and use of international brands is driving adoption of the franchising route to growth.

According to a recent KPMG and Franchise Association of India (FAI) report, the Indian Franchise Industry has a potential to grow to $51 billion in 2017 from the present $13.4 billion. The franchise industry is expected to contribute almost 4% of India's GDP.

India is witnessing a huge demographic transformation fuelled by a consumption boom. This has led to a population of over 250 million middle-income Indians with high disposable incomes, changing lifestyles, mounting aspirations, appetite for Western goods, international exposure, options for quality retail space, and greater product choice and availability. The greater demand for goods in India is in turn generating a greater demand for U.S. franchises.

The U.S. is a key player in India's franchise boom. Indians with growing incomes are demanding products and services of better quality, which can be delivered by U.S. franchises. Simultaneously, India is witnessing huge growth in entrepreneurial energy and talent, and most franchisees are in their first decade of operations and very receptive towards American franchises.

The legal environment in the United States is conducive to the healthy growth and evolution of franchising. In India, however, there are no laws enacted solely for the purpose of regulating the growing business of franchising. When franchisors enter India they are governed by a number of different national and regional statutes and codes rather than a single comprehensive enactment. These can vary by regions and should be considered before engaging in any franchising venture in India.

Despite potential challenges such as high real-estate prices, legal ambiguities, and regional differences, numerous U.S franchisors have been extremely successful in India. Most of them have adapted their products/services to local market preferences and have pursued effective market entry and expansion strategies.

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The top prospects for franchising are: education, food, health, beauty & wellness services, and retail sector. Other industry sectors with potential are apparel franchises, travel and tourism, and business/financial services.

- **Education & Training (estimated market potential $0.71 billion)**: Franchising in education is one of the most sought after sectors by Franchisors. Pre-school, international school and college preparation chains are steadily rising and Indian universities are strengthening their ties with American universities. Within the education sector, the corporate and leadership training industry also shows an increasing demand for customized training programs for Indian companies.

- **Food & Beverage (estimated market potential $1.2 billion)**: The Food & Beverage sector represents the maximum portion of the total franchised business in India. According to a study conducted by A.T. Kearney, India tops the list of the 30 most attractive emerging markets for investment opportunities by mass merchants and food retailers. Franchising is becoming a popular business model in the food & beverage sector, and it is growing in both large and medium-sized cities (tier 2 cities).

- **Health, Beauty & Wellness Services (estimated market potential $0.53 billion)**: The cosmetics market is growing at 15-20% annually, twice as fast as the United States and European markets. Skin care products, men grooming products, and hair care products continue to grow rapidly. In addition, the beauty service industry such as beauty salons, gymnasiums and spas has expanded significantly. It is expected that the spa and body treatment segment will be valued at approximately $772 million over the next five years.

- **Retail sector (estimated market potential $10.6 billion)**: The retail industry in India includes organized and unorganized retailing. For the organized retail sector, franchising is the most popular business format to attract consumers. KPMG Industry sources estimate that 43,000 franchisee establishments (valued at $36 billion) may be required in 2017 to meet the growing demand. The Government of India's policies allowing 51% FDI in multi-brand retail trading (MBRT) and 100% in single-brand retail trading (SBRT) is expected to attract Franchisors and retailers.

Source:
(http://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/Collaborating_for_Growth.pdf)

Opportunities Return to top

Since economic liberalization in 1991, India has witnessed huge growth in the number of new businesses. As a business model, franchising is ideally suited for Indian entrepreneurs. India has a vast pool of entrepreneurial energy and talent, and a pressing need for increasing self-employment and other employment opportunities.

With the Indian economy recording a sustained annual GDP growth rate of 6-7%, and the burgeoning Indian middle class promising to drive up nominal retail sales by 10% per year until 2020, the market is ripe for a franchising boom.

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Reserve bank of India: http://www.rbi.org.in
Franchising Association of India: http://www.fai.co.in/
Indian Brand Equity Foundation: http://www.ibef.org
Government of India Ministry of Finance: http://finmin.nic.in/

For more information about market opportunities in this sector, contact the U.S Commercial Service Industry Specialists in the following cities:

Ahmedabad – Sangeeta.Taneja@trade.gov ; Bangalore –Srinivasa.Murthy@trade.gov ; Chennai –Mala.Venkat@trade.gov ; Hyderabad –Sathya.Prabha@trade.gov ; Kolkata – Arup.Mitra@trade.gov ; Mumbai – Smita.Sherigar@trade.gov ; New Delhi – Shibu.Mathews@trade.gov

Healthcare and Medical Equipment

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The Indian healthcare sector is experiencing rapid change. Though this change has been under way for many years it has become significantly visible in the last decade, with a renewed thrust from both the government and a growing market for healthcare services and products. Rapid economic growth, rising middle class incomes and a surge in lifestyle diseases have created a booming life science market. According to the World Health Organization (WHO), Indian per capita health spending stands at just $132 (on a PPP-adjusted basis), ranking 145th amongst WHO nations and less than 2% of the $8,632 spent in the United States. India's annual healthcare expenditure stands at just $77 billion, against $300 billion in China, despite the fact that India is expected to surpass China as the most populous nation in the next 20 years.

The Indian healthcare industry amounted to $96 billion in 2013 and is expected to reach $280 billion by 2020, due to increased demand for specialized and quality healthcare facilities. The market is dominated by private players. The industry is rapidly developing and is being fueled by large investments from existing corporate hospital chains and new entrants backed by private equity investors. This growth will be driven by healthcare facilities, private-public projects, medical diagnostic and pathological laboratories and the health insurance sector. In addition, changing demographics, disease profiles and the shift from chronic to lifestyle diseases in the country has led to increased spending on healthcare delivery.

The Indian population of over one billion is growing at a rate of 1.6% per year. An ageing population of over 100 million, rising incidences of lifestyle diseases, rising incomes and increased penetration of health insurance are fuelling growth of the industry. Considerable challenges exist in terms of service accessibility and patient care quality. As such, government support plays a significant role in the overall development and growth of the sector.

High upfront investments, long gestation periods, and rising real estate costs are compelling private players to innovate with business models and to expand into under-penetrated tier 2 and tier 3 cities. As a result, these private players can capitalize on the opportunity to expand. The private sector is likely to contribute 80-85% of the $86 billion healthcare investment required by 2025.

The Indian medical device market is worth an estimated $3.2 billion (without the inclusion of the rural market potential) and expected to reach $5 billion by 2016. The medical device industry is a very attractive export sector for U.S. firms, which account for one quarter of exports to India. India imports nearly 80% of its medical devices and barriers to entry are low compared to other industries, despite a 4% additive import tax placed on most categories of devices in 2007. India remains highly dependent on imports for many types of medical devices, particularly higher-end products that include cancer diagnostics, medical imaging, ultrasonic scans, PCR technologies. Imports are growing rapidly as world-class hospital groups such as Fortis and Apollo build high-end infrastructure and open India to medical tourism, which now adds $2 billion to the Indian healthcare market.

Health insurance is gaining momentum in India. Currently 15% of the population is covered by government health insurance companies and 2% by private health insurance. For the purpose of regulation, health insurance companies are classified as non-life companies. General Insurance companies are called as Non-Life companies in India. The penetration of health insurance will significantly increase the affordability of healthcare services for the population. Several private insurance companies have entered the market and have selected certain hospitals to provide cashless treatment to subscribers of insurance companies.

In India, healthcare is provided through primary, secondary and tertiary care hospitals. The first two categories are fully managed by the government. While the tertiary care hospitals are owned and managed by either the government or private sector, the private sector's contribution to healthcare has been growing at a faster pace than the government. The medical infrastructure market is estimated to have a growth rate of 15%. Both the government and private sector are planning several new specialty and super-specialty hospital facilities, and modernization of existing hospitals. India currently faces a chronic shortage of healthcare infrastructure, especially in rural areas and tier 2 and tier 3 cities, and it is expected that India will have potential requirement of 1.75 million new beds by the end of 2025. The opportunity also exists for overseas organizations to set up hospitals in India through FDI. The hospital services market which represents one of the most important segments of the Indian healthcare industry is currently valued at $80 billion and accounts for 71% of the industry revenues.

The new specialty and super-specialty hospital facilities depend on the import of high-end medical equipment, accounting for over 65% of the entire market. There is a need for sophisticated hospital equipment, especially operation theater products and training through simulation labs. In view of the relatively low customs duty rates (9.2–15%) combined with an increasing number of healthcare centers specializing in advance surgery, India offers opportunities for the direct supply of high-technology, specialized medical equipment, products and systems.

The boom in medical tourism in the Indian healthcare sector is encouraging hospitals and hoteliers to strike alliances with each other. The presence of world-class hospitals and skilled medical professionals has strengthened India's position as a preferred destination for medical tourism. According to the industry estimates, the medical tourism market is expected to expand at a CAGR of 27% to reach $6 billion in 2018.

E-healthcare/Telemedicine, though in its infancy in India, is beginning to take root. Most public hospitals (funded by state governments) and private single and multi-super specialty hospitals have incorporated customized Hospital Management Systems and other medical based IT products. Given the poor availability of quality healthcare facilities outside the large and tier 2 cities, telemedicine is expected to become viable business proposition. Several major private players like Apollo, AIIMS, and Narayan Hrudalaya have adopted telemedicine services. With increased private participation, the healthcare sector has also witnessed a rise in FDI inflows. The Government of India has permitted 100% FDI for all health-related services under the “automatic route” process in which an investor is not required to seek approval but only notify the Reserve Bank of India.

To ensure quality healthcare, in October 2005, the Government of India increased the list of medical devices covered under the Drugs and Cosmetics Act of 1940, bringing fourteen categories of implantable devices under regulatory control. These include hypodermic syringes and needles, stents, heart valves, catheters, intra-ocular lenses, hip and knee implants, in vitro diagnostics devices and bone cements. An approved central licensing authority must license these devices for manufacture, sale or distribution. Hospitals are also seeking quality accreditations like JCI, NABH and ISO.

Unit: USD millions

Medical Devices & Equipment	**2013**	**2014**	**2015 (estimated)**
Total Market Size	5812	6509	6942
Total Local Production	2767	2800	3619
Total Exports	91	151	148
Total Imports	3136	3860	3471
Imports from the U.S.	509	522	509

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Statistical data are unofficial estimates from trade sources and industry. As this industry has not been well documented in the Indian context, the estimates of industry size vary significantly across different sources. (The 2015 figures have been re-stated @ 1 USD/ INR63)*

Imports from the U.S.: *United States Census Bureau*

Sub-Sector Best Prospects

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The most promising sub-sectors in the healthcare and medical equipment sector are:
Medical Infrastructure
Medical and Surgical Instruments
Medical Imaging
Electro Medical Equipment
Orthopedic and Prosthetic Appliances
Cancer Diagnostics
Ophthalmic Instruments and Appliances
Orthodontic Equipment's and Dental Implants
Point of Care Testing (POCT) Diagnostic devices

Opportunities

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The growing demand for quality healthcare and the absence of matching delivery mechanisms pose a challenge and certainly a great opportunity. In infrastructure – building, equipping, managing and financing of super specialty hospitals in India through the FDI route is another area for future growth.

A proper supply of equipment and medical consumables will also be an area with significant opportunity for U.S. companies. Several leading U.S. purveyors of hospital equipment and supplies have opened Indian operations to cater to this growing market.

Health insurance and hospital administration is another area in which U.S. companies can make a difference. This opportunity includes introducing and maintaining industry standards, and also classifying and certifying healthcare centers.

Other growth areas include diagnostic kits, reagents, hand-held diagnostic equipment and simulation for operating rooms. Imports constitute 50% of this market. Hand-held/portable diagnostic equipment (e.g. for blood sugar, blood pressure testing, etc.) is also a fast growing segment since India has around 45 million diabetics, which is expected to swell to 70 million by 2025.

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Central Drug Standard Control Organization (CDSCO): http://www.cdsco.nic.in
Ministry of Health and Family Welfare (MOHFW): http://mohfw.nic.in/
Indian Medical Association: http://www.ima-india.org
The Medical Council of India (MCI): http://mciindia.org
The Federation of Obstetric and Gynecological Societies of India: http://www.fogsi.org
The Association of Indian Medical Device Industry: http://www.aimedindia.com/

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist: Ruma Chatterjee at Ruma.Chatterjee@trade.gov

Infrastructure/Smart Cities

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Infrastructure needs in India are estimated to be in the $1.5 – $2 trillion range. This offers excellent opportunities for U.S. companies to participate in these projects in selected areas and sectors. The new Indian government has a strategic focus on economic development. To capture the popular imagination and motivate the people of India, the new government has proposed a dramatic nationwide program to build 100 Smart Cities. In practice this will mean a wide variety of major infrastructure projects across the country that will be funded by the central and state governments over the next few years along with private sector capital.

The U.S. President Obama and Indian Prime Minister Modi, agreed to establish an "Infrastructure Collaboration Platform" to identify projects and encourage U.S. company participation in a strategic and structured way. The U.S. Department of Commerce signed an MOU with the Indian Ministry of Finance to implement this platform. In recognition of cutting-edge U.S. technologies, products and services, the Government of India (Ministry of Urban Development) is encouraging the US government and U.S. companies to take the lead in developing Smart City projects in three major urban areas:

1. Ajmer in the state of Rajasthan
2. Allahabad in the state of Uttar Pradesh
3. Vishakhapatnam in the state of Andhra Pradesh

Funding infrastructure projects will remain a challenge so the Indian Government is looking for creative solutions and participation by both the public and private sectors. The Department of Commerce is working with the inter-agency (Department of State, Agency for International Development, Trade and Development Agency, the Department of Energy), multilateral development banks (Overseas Private Investment Corporation, Asian Development Bank), to support US company participation in a range of infrastructure projects.

Sub-Sector Best Prospects

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Key Priority Sectors and Sub-Sectors under **Smart Cities** include:

- **Power:** Solar and other renewable, thermal, energy efficiency, and smart grids
- **Water and Sanitation:** Recycling, water treatment, sewage, desalinization plants, water recycling
- **Transportation:** Railway equipment and systems, airports and air traffic control systems, aircraft maintenance, repair and overhaul, and cold chain
- **Safety and Security:** Security modernization, safe cities, integrated traffic management
- **Healthcare:** Hospital design, construction, operations and management, healthcare IT, and emergency management systems

Two other subsectors that are of strategic focus to CS India are:

Ports and Marine Technology

The ports and marine technology sector in India is expected to emerge as one of the leading Infrastructure sub-sector prospects presenting lucrative opportunities for U.S. companies providing products and services in the sector. India has an extensive coast line of 4,671 miles and operates 12 major ports (under national government control) and 187 minor ports (under local state/private control). These ports move 95% of the country’s trade by volume and 70% by value through the maritime transport. The recently introduced “MAKE IN INDIA” program is likely to pose a huge challenge to the ports and marine technology sector. The program is already set to attract investment and is expected to enhance manufacturing in India. According to an Ernst & Young-NMDC report titled Indian Coastline—A New Opportunity “The increasing trend of Western countries moving their manufacturing functions to low-cost countries, and the likely prospect of India emerging as a manufacturing outsourcing hub, is expected to contribute to the growth of the country’s marine industry,”. This critical development is expected to further increase the transit load, but will open new gateways in the ports infrastructure sector.

The Shipping Ministry is the primary nodal agency for ports and shipping, including shipbuilding and ship repair, major ports and inland water transport. As per the government policy, 100% FDI is allowed in port development projects and 100% income tax exemption is extended to companies investing in port infrastructure, in addition a 10-year tax holiday has also been extended to enterprises engaged in the business of developing, maintaining and operating ports, inland waterways and inland ports.

Railways

Current Status

India has the fourth largest railway network in the world. India is one of the four countries in the world that carry more than 1 billion tons of originating freight a year apart from China, Russia, the United States of America. Indian Railways contributes about 1% to the country’s GDP, 6% to the total direct employment of organized sector and an additional 2.5% through indirect employment in its affiliate organizations.

Market Size

Revenue growth has been strong over the years in the Indian Railways. During fiscal years (FY) 2007-2014, revenues increased at a compound annual growth rate (CAGR) of 7.1% to reach $23.2 billion in FY2014. It is expected to expand at a CAGR of 8.1% during FY2007-2015. The enormous network of the Indian Railways is growing at a healthy rate, given the rise in population and an upward economy that offers immense growth potential. In the next five years, the Indian railway market will be the third largest, accounting for 10% of the global market, with Metro rail becoming 70% of the railway market in India.

USD Million

	2013-14	2014-15 (estimated)	2015-16 (budget)

Gross Traffic Revenue	21782	24642	28653
Passenger Revenue	5700	6690	7831
Freight Revenue	14657	16712	18952
Investment	8994	10270	15610

Policy Framework

The new Government has undertaken a number of initiatives to attract private capital from domestic, as well as, foreign investors through adopting investor friendly approaches and policies.

In order to achieve this vision the Ministry of Railways has liberalized its policies:

- 100% foreign direct investment (FDI) under the automatic route is permitted in construction, operation and maintenance of projects through public private partnerships (PPP)
- Government has invited private sector participation in rail connectivity and capacity augmentation projects through five models with 80% assured investment
- Decentralization of authority to zonal railways
- Creation of constituting innovation council “Kayakalp” for technology and business re-engineering
- Simplification of policy procedures to ensure consistency
- Development of Transport Logistics Corporation of India (TRANSLOC) to provide end to end logistics solution at select railway terminals through PPP
- Prioritizing and setting timelines for completion of the ongoing projects

Vision for five years/Objectives:

1. Leveraging Additional Resources – Investment of $132 billion is envisaged for the next five years to be mobilized through multiple sources of investment - multilateral development banks such as World Bank, International Monetary Funds, Asian Development Bank and pension funds.

2. Expand the Indian Railways capacity substantially and modernize infrastructure.

3. Project Implementation - Fast tracking sanctioned works on 7000 kms of double/ third/fourth lines and commissioning of 1200 km in 2015-2016.

4. Electrification - Acceleration of the pace of railway electrification.

5. High Speed Trains –
    - Bullet train proposed on identified Mumbai-Ahmedabad sector with the feasibility study for bullet train on Delhi-Mumbai route to be completed during this year.
    - Invention of Diamond Quadrilateral Network of High Speed Rail connecting major metropolitans and growth centers of the country.
    - Increasing speed of trains to 160-200 kmph in select nine sectors.

- Freight Trains - speed to increase to 100 kmph from 75 kmph; loading density at major routes to be graded to 22.82 ton axle load.

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Smart Cities:

Working closely with US companies on the ground in India, and in cooperation with the American Chamber of Commerce in India and the US-India Business Council, we have identified the following target sectors where we believe US companies will be most competitive:

Smart Cities Core Elements

a. Project design and systems integration at the front end of infrastructure projects

b. IT-enabled services

c. Data analytics

Ports and Marine Technology:

During the 12th Five-Year Plan (2012–2017) about $28 billion is expected to be invested in the ports sector. The ministry proposes to develop the sector under the Public Private Partnership (PPP) model and plans to develop new terminals, inland waterway transport system, upgrade existing berths, and modernize operations by including state of the art cargo handling equipment, tracking systems, security systems, oil spill detection equipment, oil spill clean-up equipment, and dredging equipment. In general, Indian port expansions and Greenfield projects are being developed by private companies under concession by the Government of India or on private properties. For government-operated ports, government budget is being committed to some of these upgrades. For many government-owned ports, the Indian government is utilizing the PPP model, in which the government awards concession contracts to private companies or consortia, which to date have included Indian companies and some major international companies that provide part or all of the funding for the projects and operate the projects for a period of time.

Some of the ongoing and upcoming developments:

- Construction has begun for seven multipurpose cargo berths at various major ports, including Kandla, Visakhapatnam, New Mangalore, Mormugoa, Paradip and Ennore.
- 10 new public-private partnership port development contracts awarded in fiscal year 2014-15. The total investment involved is $1.5 billion to add 95.11 million tons of annual capacity to the combined cargo-handling capacity at major state-owned ports.
- Launch of Sagarmala – infrastructure development program to upgrade port connectivity infrastructure, especially intermodal rail and road access to the hinterland.
- Allocation of $18 million for the development of the outer harbor project - Phase 1 in Tuticorin, Tamil Nadu

- A Ganges-based project named ‘Jal Marg Vikas’ will be undertaken between Allahabad and Haldia. This project is to be completed over a period of 6 years at an estimated cost of $6.5 million.

Railways:

Investment Opportunities

1. Diamond Quadrilateral Network of bullet trains to connect metropolitan cities
2. High capacity, high speed dedicated freight corridors to be constructed along the Golden Quadrilateral and its diagonals.
3. Development of identified stations to international standards through PPP mode
4. Potential of port and mines connectivity through the PPP mode
5. Creation of Logistic Parks to modernize logistics operations
6. Top priority to mechanization of loading and unloading
7. Bullet train proposed on identified Mumbai-Ahmedabad corridor

Areas of partnerships/collaboration

1. Long/heavy haul for bulk materials
2. Technology for better wagon designs for improving weight to tare ratio
3. Retrofitting corridors for high density routes
4. Technology collaboration in safety and passenger comfort

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Ministry of Urban Development: http://moud.gov.in/
Smart City: http://indiansmartcities.in/site/index.aspx
Ministry of Shipping: http://shipping.nic.in/
Indian Ports Association: http://www.ipa.nic.in/
Ministry of Railways: http://www.indianrailways.gov.in/railwayboard/
Indian Railways: www.indianrailways.gov.in/
All India Railwaymen's Federation: http://www.airfindia.com/
Make In India: http://www.makeinindia.com/

For more information about in this sector contact U.S. Commercial Service Industry Specialists:

Infrastructure/Smart Cities: Bhavna Vishwakarma at bhavna.vishwakarma@trade.gov
Ports & Marine Technology: Sham Shamsudeen at sham.shamsudeen@trade.gov
Railways: Renie Subin at renie.subin@trade.gov

Mining and Mineral Processing Equipment

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Unit: USD millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	3100	2200	2290	2380
Total Local Production	2550	1850	1920	2000
Total Exports	200	150	155	160
Total Imports	750	500	525	540
Imports from the U.S.	200	160	170	170
Exchange Rate: 1 USD	63	63	63	63

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources

Total Local Production: ICRA
Total Exports: ICRA
Total Imports: ICRA
Imports from U.S.: U.S. Census Bureau

India possesses significant mineral resources. While production has not kept pace with demand, India ranks among the top ten global producers of mica, barites, coal & lignite, iron ore, chromite, bauxite and manganese. The proven reserves of iron ore in India is 28.5 billion tons (13% of global reserves), and coal reserves are 293.5 billion tons (10% of global reserves). India mines 89 different minerals from 3,722 mines. The value of minerals produced in India, excluding atomic minerals, was approximately $36 billion in 2014.

Coal is the leading product of the Indian mining industry, accounting for 78% of total mineral section production. India's demand for coal is increasing rapidly to meet the needs of coal-based thermal power plants and the steel industry. India produced 565 Million Metric Tons (MT) of coal and lignite in 2014 (3rd most in the world). However, consumption of coal and lignite stood at 739 MT, resulting in a shortfall of 174 MT. The Ministry of Coal estimates that this gap will widen to 185 MT by 2017 when demand will be 980 MT.

The coal mining industry accounts for about 80% of mining equipment demand. Most mining equipment demanded will be for open pit mines, which account for more than 90% of total coal production. The most attractive sector for U.S. companies is high end, large-sized specialized coal mining equipment.

The market for mining and mineral processing equipment is estimated at $2.29 billion. The mining equipment market is expected to increase marginally at about $2.4 billion in 2016.

Many mining projects across the country are stalled by court cases, environmental, regulatory and land acquisition issues and general delays in government decision-making.

Sub-Sector Best Prospects

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• Long wall loaders, draglines, jumbo drills and other long wall machinery
• Excavators, shovels and coal/rock cutters
• Feeder crushers and special stage loaders
• Continuous mining technology
• Highwall mining
• Mineral screening, washing, crushing and grinding equipment
• Underground communication and safety systems
• Coal mine methane utilization / Coal bed methane (CBM) technology
• Hydraulic/friction props and chocks
• Coal washeries
• Mine safety equipment

Opportunities

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The Indian government allocated coal blocks without competitive bidding from 2004 to 2009. In 2014, the Supreme Court of India ordered the cancelation of the allocation of 214 out of 218 coal blocks. The Indian Ministry of Coal completed the auction of the first set of 67 coal blocks in March, as the Indian government looks to increase domestic production, reducing imports and dependence on Coal India Ltd. (CIL), a government monopoly. Winning bidders, who generally paid higher than analysts' projections include Hindalco Industries, BALCO, Jaiprakash Associates, Sunflag Iron and Steel, OCL Iron & Steel, Reliance Cement, and Essar Power.

CIL is the single largest coal producer in the world. It mines more than 80% of India's coal production. The company offers both investment and export opportunities for U.S. companies in the mining sector. The Ministry of Coal directly administers CIL. CIL also oversees the activities of Central Mine Planning & Design Institute Ltd. (CMPDIL), which acts as a centralized planning organization assisting in mining operations and design. CIL runs a large fleet of nearly 600 heavy earthmoving machines (HEMM), including 36 draglines, 732 shovels, 2977 dump trucks, 977 dozers and 693 blast-hole drills. It is also actively seeking to buy coal assets abroad, in the United States and elsewhere. Details of various CIL tenders and investment opportunities, as well as its procurement processes are available at https://www.coalindia.in/tenders/.

CIL has 148 ongoing projects which are under different stages of implementation. The total target capacity of these projects is 446 MT with a sanctioned capital outlay of about $5 billion. Among other projects, it plans to set up 16 new coal washeries with combined capacity of 100.6 million tons. CIL has also identified 126 new projects for future.

Opportunities also exist for U.S. coal exporters as India is expected to import about 173 MT of coal during 2015, growing to 185 MT by 2017.

Increased mining activities at Coal India and new private sector competitors, coupled with replacement demand for ageing heavy engineering and mining machinery are expected to boost demand for mining equipment and services as well as project-based partnership opportunities. The Coal Ministry estimates that an investment of $21 billion in open pit mining and $5 billion in underground mining will be required to attain the target production level by 2025. Opportunities exists for U.S. manufacturers of longwall / highwall miners, continuous miners, coal washing equipment, coal bed methane technology, mine safety and communication equipment. NMDC Limited is India's largest iron ore producer and exporter, mining about 30 million tons per year from its three fully mechanized mines, with plans to increase output to 40 million tons. NMDC is acquiring new mining leases in iron ore, coal and diamonds.

Two other government-owned companies in South India – Singareni Collieries Ltd. in Andhra Pradesh and Neyveli Lignite Corporation in Tamil Nadu -- are other important end users of coal mining equipment. In the private sector, Tata Iron & Steel Company Ltd. (Tata Steel) in Jamshedpur, Jharkhand, continues to be a major buyer of equipment for its captive coal mines. India's private sector power utility companies like Reliance, CESC, Jindal and Tata are also working on projects to develop, own and operate captive coal mines which will require the latest technologies and equipment. Other large mining companies in India include Essel Mining, Rungta Mines, Orissa Minerals Development Company, Vedanta Resources, Hindalco, Nalco and Steel Authority of India.

There is also opportunity in the used equipment market, despite the lack of a common trading platform. Mining equipment rental is nascent and growing slowly. While companies with large fleets like Quippo, Sanghvi Movers, and ABG are entering the market, most services are still provided by small fleet owners (less than 10 machines on average).

India allows 100% FDI in mining and exploration of non-core minerals like gold, silver, and diamonds, as well as in oil exploration and captive mining of coal and lignite and in coal processing (washing and sizing). India allows 50% FDI through joint ventures with a public-sector unit. To meet the energy demand of its billion plus population, India needs to upgrade the equipment and technologies used in many of its mines, particularly in the coal sector. There are significant opportunities for further exploration of known deposits and discoveries of new deposits as well as using state-of-the-art technology and introducing larger capacity mining machinery.

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ICRA Limited (ICRA): http://www.icra.in
Ministry of Coal and Mines: http://www.coal.nic.in ; http://mines.nic.in
Coal India Limited: http://www.coalindia.in
Mineral Exploration Corporation Ltd.:http://www.meclindia.com
Central Mine Planning & Design Institute: http://www.cmpdi.co.in
Indian Institute of Coal Management, Ranchi: http://www.iicm-india.com
Publications of Indian Bureau of Mines: http://ibm.nic.in/publication.htm
Department of Heavy Industry: http://www.dhi.nic.in
Customs Duty: http://www.cbec.gov.in
India Mining: http://www.infomine.com/countries/india.asp
Indian Bureau of Mines: http://www.ibm.nic.in
Federation of Indian Mineral Industries: http://www.fedmin.com
Directorate General of Mine Safety: http://www.dgms.net
NMDC Limited: http://www.nmdc.co.in
Planning Commission of India: http://www.planningcommission.gov.in/

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Shantanu Sarkar at shantanu.sarkar@trade.gov.

Power and Renewable Energy

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India is a fast growing economy with substantial energy needs to power its future industrial expansion. Today India has an installed power generation capacity of 235 GW and over 200 million consumers (almost 800 million people) across a 3.28 million square kilometer territory. Indian power generation capacity has been growing at 8-10% per year over the last two decades. Despite that rapid growth, India still faces huge challenges in providing access to electricity for its citizens:

- 79 million households (almost 400 million people) are still not connected to the grid.
- Most parts of the country experience power outages of several hours on a daily basis.
- Transmission & Distribution (T&D) losses are very high – 26% at the distribution level and more than 8% at the transmission level, nationally. Several large states report more than 40% distribution losses. These issues are seriously affecting the financial viability of not only the distribution companies but also the entire power generation sector.
- Per capita consumption of electricity is about one-fourth of the world average.
- Although India has large coal reserves, owing to a combination of factors (geographically dispersed locations of coal reserves, relocation of villagers in coal rich regions, mining and transportation related bottlenecks, and environmental issues), power generation is increasingly dependent on imported coal which is a serious drain on the country's limited foreign exchange reserves.

India is already one of the world's largest renewable energy markets and a new national government commitment to clean energy should facilitate growth over both the short and medium-term. In 2014, India elected Prime Minister (PM) Narendra Modi in a sweeping election that carried with it a broad mandate to improve India's power sector. PM Modi has a strong track record of developing renewable energy from his time as Chief Minister in Gujarat and early signs indicate that he will continue to support clean energy development during his time as Prime Minister. PM Modi has reiterated his campaign pledge to ensure 24/7 power for all Indians. Given India's ongoing difficulties in traditional power generation, new renewable energy investment will likely need to be relied on to meet this commitment. While significant development is expected in the wind and hydropower sectors, solar is expected to play the most important role in India's power mix going forward both as a result of falling solar prices and PM Modi's history with the technology. Solar is also the sector where U.S. exporters face the most persistent policy challenges – namely, local content requirements that, in some cases, ban the import of technology. As such, unlike other markets where exports occur without a substantial amount of government support, promoting renewable energy exports to India requires a concerted effort on behalf of all U.S. Government trade and development agencies. Leverage will need to be applied in areas beyond traditional trade policy, since efforts only in that area are unlikely to be effective.

Renewable energy projects in India are expected to be developed and commissioned at a higher rate beginning in 2015, as the market responds to positive steps taken by the Modi government to encourage investment and make projects more attractive. In particular, new financing mechanisms announced by India in 2014 should increase both investment and installed capacity, perhaps leading to India meetings its installation goals for both wind and solar – something previously thought impossible before the reforms.

The July 2014 budget proposed by PM Modi even included a doubling of the tax on coal, which will generate an estimated $1.1 billion to fund several important clean energy subsidies. The budget also included a new proposal to offer a 10-year tax holiday to power companies that begin operations in India by 2017. While this may provide an incentive for American exporters to open manufacturing facilities in India, it also might put more capital in the hands of existing manufacturers who can then purchase U.S. technology or services.

Following the budget declaration, India's finance minister announced that Indian banks would be allowed to raise long-term funds for lending to the infrastructure sector through the easing of constraints on liquidity, cash reserves, and priority lending. This should support additional investment in renewable energy development, as well as, the grid infrastructure needed to move renewable electricity produced in rural areas to load centers around the country.

At this stage, the new Modi Government even appears willing to allow some foreign imports in an effort to stimulate investment and deploy technology more quickly. Despite the Directorate General for Anti-Dumping and Allied Duties conclusion that PV cells and modules were being dumped in the market by China, Taiwan, Malaysia, and the United States, the Ministry of Finance announced that it would not institute duties to keep prices low for Indian consumers. The announcement was met with considerable support from the global solar industry and should ensure some level of U.S. competitiveness in the sector, particularly in the supply of technology to projects backed by state-level incentives that do not require local content.

In November 2014, India again garnered international support by announcing it would dramatically increase its solar energy targets to 100 GW by 2019 (previously the National Solar Mission had targeted 22 GW by 2022) and 60 GW of wind by 2019. While the journey from megawatt to gigawatt in renewable energy is a very ambitious one, the nature of their announcement sends a positive signal to the market of India's willingness to use its policy tools to drive development.

Challenges and Barriers to Renewable Energy Exports

While many positive developments do suggest growing U.S. export competitiveness in India, exporters face two important challenges – one economy-wide and the other specific to renewable energy. First, exporters must engage with a slow, often overly bureaucratic regulatory system that includes highly regulated electricity prices and inefficient state-owned distribution companies. Developers of all power generation technologies face the same hurdles, which can slow development and make investment decisions less attractive.

Second, U.S. exporters, particularly those in the solar sector, continue to face a local content regime that is the most stringent of any employed globally. Phase 1 of the Jawaharlal Nehru National Solar Mission (JNNSM), India's flagship solar incentive program, banned the use of imported crystalline-silicon solar cells in JNNSM projects (the ban was later extended to include modules). Phase 2 of the JNNSM, which is ongoing, reserved half of the 750 MW auctions for developers who use only Indian-made content.

While thin-film suppliers could provide technology to the market under Phase I, the bifurcated nature of the Phase II auctions limits them to just 350 MW of available projects. Under the Phase II guidelines, solar developers can request Viability Gap Funding (VGF) to support projects that fall short of financial viability. Interestingly, developers using the portion of the JNNSM that requires local content requested twice as much VGF than those able to source product on international markets. For political reasons, removing the local content requirements (LCRs) appears unlikely, but United States government will continue to push for their reduction or removal to help create opportunities for U.S. exporters and also to set a precedent that LCRs are not acceptable in other markets that may pursue similarly harmful policies.

USD Billion	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	31.71	33.59	37.7	41.95
Total Local Production	20.40	21.6	24.2	27
Total Exports	4.69	4.97	5.5	6.05
Total Imports	16.00	16.96	19	21
Imports from the U.S.	0.65	0.69	0.77	0.85
Exchange Rate: 1 USD	63	63	63	63

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: Statistical data are unofficial estimates from trade sources and industry.

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Wind:
India's wind supply chain remains extensive, with local companies dominating the market. In fact, India enjoys 10 GW of wind turbine manufacturing capacity – three times its domestic demand, making it a key exporter to the international turbine market. The restoration of accelerated depreciation benefits in July 2014, which had supported wind investment in the past, should increase funding for the sector and accelerate development in the years ahead.

American exporters unfortunately can expect to be at a severe disadvantage. According to International Trade Administration (ITA) projections, less than 1% of the Indian wind import market will be captured by U.S. exports. U.S. companies may find some opportunities exporting component parts, as India does not charge an import duty for wind turbine components and exporters like AMSC, for example, have successfully licensed wind turbine technology for years.

Importantly, the Indian offshore market appears to be gaining momentum. In October 2014, the Indian Government announced the first offshore wind project off the coast of Gujarat. The project will receive financial support from the government and will be developed by Suzlon, India's largest turbine manufacturer. It was expected that the project will begin construction in 2015 with future projects likely to be announced shortly thereafter.

Solar:
While LCRs limit the opportunity for Indian buyers and project developers to source technology on international markets, some solar technologies are imported. Of these, U.S. exporters capture a surprisingly high market share. In fact, U.S. exporters are projected to capture nearly 12% of India's import market – more than double the share captured globally by U.S.-based suppliers and nearly ten-times more market share than what is expected in China. India therefore ranks second on ITA's list of top solar export markets in the short-term (it falls to fourth over the medium-term). In particular, exporters may find opportunities to supply wafers or polysilicon to Indian buyers, as the market maintains almost no production capability in these technologies.

Biomass:
India has abundant bioenergy resources, but only 10% of the total potential has been harnessed to date. The estimated power generation capacity from biomass, including rice husks, is 17,732 MW. In comparison, the existing capacity is just 1,785 MW. Despite proven and mature technology, the segment continues to lag behind in attracting investors' interest mainly due to concerns relating to the availability and procurement of biomass/feedstock as well as its pricing. This is likely to be corrected with the upcoming launch of the much awaited National Bio Energy Mission.

Hydropower:
With a fully developed hydropower supply chain, 39 GW of installed capacity, and nearly 80 GW of planned development, the Indian hydropower market remains both mature and difficult to enter for U.S. firms. However, to the extent that export promotion agencies can identify opportunities to demonstrate the advantages of small hydropower development, U.S. suppliers may be better positioned to find export sales.

Waste to Energy:
The Government of India (GOI) has developed a National Master Plan for development of waste to energy in India. The GOI estimates that the potential to generate power from municipal solid waste will more than double by 2020, while the generation potential from industrial waste is likely to increase by more than 50%. In a country with high population density and limited landfill capacity, waste to energy power generation is a major priority and opportunity.

Green Buildings:
India has emerged as one of the world's top destinations for green buildings and it has implemented a number of home-rating schemes and energy conservation building codes, which open up a wide range of opportunities for U.S. companies in the energy efficiency sector.

Transmission, Distribution and Smart Grids:
In India, the Transmission and Distribution (T&D) of power is dominated by the government with the overall private sector role limited to 1% in transmission and 5% in distribution (Delhi and Odisha states; City of Mumbai, and parts of Kolkata, Ahmedabad and Surat municipalities have private companies engaged in electricity distribution). One of the biggest challenges that the Indian power sector faces is T&D losses, which are very high – 26% at distribution level and more than 8% at transmission level nationally. Several large states report more than 40% distribution losses. The Power Grid Corporation of India (PGCIL) which is the owner, operator, and developer of the national interstate power grid says it will spend $18 billion in the next five years extending and upgrading the Indian power grid to include smart technology. Under the 12th Five Year Plan, PGCIL will extend and strengthen the grid; automate control and substations; and develop green corridors with green transmission control centers for the integration of renewable energy into the power grid. Spending on the power grid comes at a time when India's heavy power manufacturing sector is struggling, with a variety of challenges including overbuilt export capacity, Chinese import competition, and lack of fuel and transmission capacity to support newly built thermal power plants.

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The size of the Indian renewable energy market should drive export growth, as should the surprisingly high market share enjoyed by U.S. suppliers, which have often benefited from the presence of the U.S. Export-Import Bank in the country. Like other large markets, exporters and policy-makers are well served to consider distinct regions or states as different opportunities. Karnataka and Tamil Nadu, in India's far south, enjoy strong regional clusters of wind, solar, and hydropower companies and thus can be good destinations for export promotion activities. Gujarat and Rajasthan have excellent wind and solar resources and a history of successful clean energy projects. India's northern and eastern states do not offer strong resource potential and future development there is unlikely.

The Ministry of Power issued a Smart Grid Vision and Roadmap for India last year with the vision of a nationwide smart grid that will ensure 24/7 quality electricity supply to all citizens. In order to achieve the targets envisaged in the smart grid roadmap, a National Smart Grid Mission (NSGM) was proposed which was approved by the government with an outlay of approximately $155 million in the 12th Five Year Plan. The NSGM will serve as an institutional mechanism for planning, monitoring and implementing policies and programs related to the smart grid. The main activities envisaged under NSGM are development of smart grid and micro grids, consumer engagement, training, and capacity building. Grants up to 30% of the project cost will be available from the NSGM budget. For selected components such as training and capacity building, consumer engagement, etc., grants of 100% of costs will be available.

U.S. companies are advised to monitor the World Bank/Asian Development Bank/International Finance Corporation websites and publications for International Cooperation soft loan and grant funded project announcements. These projects offer significant front-end consulting opportunities and the possibility to supply power generation equipment during the project implementation phase.

U.S. companies interested in developing new business contacts in India's rapidly expanding renewable energy sector should consider participating in the U.S. Department of Commerce certified 9th Renewable Energy India (REI) 2015 Expo being held from September 23-25, 2015 at the India Expo Centre, Greater Noida (National Capital Region of Delhi), India. For additional information about 9th REI India 2015 see http://www.ubmindia.in/renewable_energy/home or contact:

Ms. Renie Subin
Commercial Specialist
Tel: 91-11-23472155
renie.subin@trade.gov

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Ministry of Power: www.powermin.gov.in
Ministry of New and Renewable Energy: www.mnre.gov.in
Central Electricity Authority - http://www.cea.nic.in/
Indian Renewable Energy Development Agency - www.ireda.gov.in
India Smart Grid Task Forum –http://indiasmartgrid.org
Confederation of Indian Industry: http://www.cii.in/
Federation of Indian Chambers of Commerce and Industry: http://www.ficci.com/

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist Renie Subin at: renie.subin@trade.gov.

Supply Chain/Logistics

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It is estimated that India spends 13% of its GDP on logistics, third only to China and Thailand and 3% more than the United States. Logistics involves all activities related to movement of goods from manufacturer to the end consumer through a chain of channel partners. The growth prospects of the sector are closely linked to the economic growth. The sector encompasses transportation, warehousing and packaging industries. The annual logistics cost in India is valued at $135 billion and it is growing at 8-10% annually *(Source CII & KPMG report)*.

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Warehousing
The size of the Indian warehousing industry is currently pegged at $11 billion and is growing at over 10% annually. Traditionally, warehouses in India were “godowns” (i.e. a store house for goods) but these are gradually evolving into modern operations. By 2016, the share of the organized sector of the warehousing industry is estimated to reach 15% from the current 9%, indicating immense potential for foreign players. This demand will be driven by a combination of growing GDP, maturing industry segments, rising external trade and share of organized retail.

Cold Chain Industry
Opportunities exist for foreign companies in the Indian cold chain industry, which is undergoing major changes due to the government’s increased focus on food preservation.

Commercial Vehicles and Material Handling Equipment
Growth in logistics has also created increased opportunities in related sectors such as commercial vehicles and material handling equipment. Need for increasing efficiency is a key growth driver in this sector. Other growth drivers include: better infrastructure, easy availability of credit, rapid urbanization, policy support, infrastructure spend by the government, rising amount of cargo and freight traffic.

Opportunities

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The logistics industry in India has strong growth drivers. In spite of issues with India’s supply chain, there are opportunities for U.S. businesses. The Indian government and industry know that supply chains must be improved, which means they are looking for products and solutions from all over the world. Below is a snap shot of some of the big opportunities for U.S. businesses in this sector.

Roads, Water, Rail and Air
An effective supply chain includes good roads, seaports, rail, and airports connecting suppliers, warehouses, and consumers. In each of these areas there is much need for

growth and investment, creating potential for products and services. The Government of India recognizes this fact and is trying to improve things.

Roads

In India, 60% of freight moves on the road network, most of which includes very slow, poorly kept infrastructure. Less than 5% of the road network in India includes national highways. The sector is very fragmented with 75% of truck owners operating under five trucks each. The trucks themselves tend to be in poor condition, with an average age at 10 years. Additionally, there has been very limited adoption of tracking and fleet management technology, which is a potential opportunity for U.S. businesses.

Other issues with the road network include lack of coordinated planning, intrastate border issues, cumbersome documentation, and the average speed of trucks -- just 13 miles per hour due to heavy road congestion and traffic. As a result, the average truck in India covers only about 125 miles per day versus double that figure in the larger developed countries.

The Government of India has plans to improve India's road network. For example, the trip from India's largest port near Mumbai (JNPT) to New Delhi, a very important freight route, takes 17 days. The Delhi Mumbai Industrial Corridor (DMIC) project promises to reduce this time to just 17 hours. Throughout India, planners are moving toward an integrated concept of building transportation corridors and connected urban areas to deal with logistical and population challenges between and within the major cities.

Seaports

There are 13 major (national government control) and 187 minor (local state/private control) ports across India's extensive, 4,500 mile coastline. These ports are overloaded, which results in shippers turning to the roads – the average containers handled per ship per hour in India is 18 as compared to 28 internationally. Yet overall export-import cargo at Indian ports is projected to increase by over 200% in the next seven years. The Government of India has plans to address this problem by increasing India's port capacity from one billion tons to 3.2 billion tons by 2020. The major and minor ports have formulated plans for developing new terminals, upgrading existing berths, and modernizing operations by including state of the art cargo handling equipment and tracking systems, by deepening of channels, and by widening of roads, all areas where U.S. companies can find opportunities. Additionally the majority of cargo-handling equipment at Indian ports was commissioned long ago and has outlived its life span, adding wait times at ports, increasing the price of shipping dramatically.

Rail

India's rail network is the fourth largest in the world and second largest under single management. But due to underinvestment, most freight ends up on the slow roads of India rather than the somewhat quicker rail lines.

The average freight train speed in India is 15 miles per hour as compared to 85 miles per hour in the United States. Not surprisingly, the priority of trains is the opposite of that in the United States – Indian passenger trains have the right of way over freight trains, further slowing down the cargo. But even with these issues, rail remains one of the fastest and cheapest ways to ship goods in India. India is slowly but surely implementing its Dedicated Freight Corridor plan, improving connectivity in two separate stretches on the eastern and western sides of the country with dedicated freight lines, spanning about 2,000 miles. As this project comes to fruition, U.S. companies can find good opportunities for their products and technology in signaling, construction equipment, and more.

Airports

The most overlooked piece of supply chain in India might be air cargo. With a GDP of about $1.67 trillion, India handles just 2.5 million tons of cargo by air. Historically, India's airports have been built and managed primarily to handle passenger traffic rather than a combination of cargo and passengers. But air cargo traffic is expected to grow as India builds new airports and improves existing ones in tier 1 and tier 2 cities. Newer airports are being built with better connectivity for air cargo, finally making it a viable option for the movement of goods. Cities like Pune and Ahmedabad in western India and Kochi in the south have seen sizeable increases of in air shipments over the last 10 years and are leading the charge in this sector for tier 2 cities.

The Indian government continues to increase investment in the airport sector with each 5-year plan. The last two plans saw an increase in combined public-private funding of approximately 400% and 85%, showing the government's commitment to improving this area. The entry into the market of third-party logistics companies such as FedEx should help keep up the momentum in India to continue to upgrade and invest in air cargo terminals. This creates opportunities for companies that make equipment and technology for air cargo handling and processing.

Cold Chain

Cold chain products and technology should see major growth in India in the coming decade. This highly-fragmented industry of over 3,500 companies is estimated to be as large as $2.78 billion, and expected to grow to $7.41 billion by 2015. India is the largest producer of fruit and second largest producer of vegetables in the world, with total production of 63.5 million tons of fruit and 125.89 million tons of vegetables per year. India is also the largest producer of milk in the world. 30,000 refrigerated vehicles are on the road in India, mostly operated by small and non-integrated firms to transport milk. But very little cold chain exists for other products. As a result, India wastes a staggering amount of food, somewhere between 30-40% of production. Even though India is the top producer of vegetables worldwide, it represents just one% of world exports.

The Indian government and industry are attempting to improve the situation. In 2011, the Government of India introduced a customs duty exemption on items such as refrigeration units, A/C equipment, refrigeration panels, and conveyor belts. It also set up "Mega Food Parks" and provided tax benefits on investments in the cold chain sector.

According to the latest reports, the cold chain market of India will grow at the compounded annual growth rate (CAGR) of 28% from 2012 to 2017, which will make the sector worth $11.6 billion.

FDI

Over the last few years, the Government of India opened a few sectors to more foreign direct investment, allowing foreign companies to own up to 51% of the business in India. This gradual opening of the FDI market in retail, aviation, and defense should help drive the expansion and improvement of the supply chain in India. The entry of multinational companies in sourcing, manufacturing and distributing should bring in funding, the latest technology, skills and know-how to help bring up to speed India's struggling system.

That said, the increase to 51% of the FDI limit in multi-brand retail has yet to have a very serious effect on supply chains.

India has a lot of challenges with its supply chain but these challenges present great opportunities. India will continue to grow as its young population enters the work force and its huge economy modernizes and multiplies.

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Infrastructure Industry and Logistics Federation of India: http://www.ilfi.in
Council of Supply Chain Management Professionals (CSCMP): https://cscmp.org

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist: Sangeeta Taneja at sangeeta.taneja@trade.gov

Travel and Tourism

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India is now one of the fastest growing outbound tourism markets in the world, second only to China. The United Nations World Tourism Organization (UNTO) estimates that India will account for 50 million outbound tourists by 2020. Despite the slowdown due to rupee fluctuations, the Indian outbound numbers have been consistently growing with around 12% average annual growth over the last six to seven years. A growing, consumption-driven economy, a large and increasingly affluent middle class, and the ongoing liberalization of air transportation have contributed significantly to this growth in international outbound travel. Indian spending outside the country while traveling abroad has doubled in the past 10 years, from $7.5 billion in 2004 to nearly $15 billion in 2014. The growth of the middle class should lead to a huge increase in traveler numbers from India. The figures below illustrate the growth in this sector.

(In USD billions)	2013 (estimated)	2014 (estimated)	2015 (estimated)	2016 (estimated)
Total Market Size (outbound travel)	108.5	125.2	134.6	142.5
Total domestic travel spending	77.5	87.9	94.3	99.3
Total foreign inbound visitor spending	18.50	20.1	21.1	21.9
Total outbound spending	7.11	14.7	15.4	16.3
Total travel to the U.S. from India (in thousands)	859	936	1011	1072

Sources: World Travel and Tourism Council Data Gateway:
http://www.wttc.org/datagateway/
U.S. Department of Commerce, ITA, National Travel and Tourism Office
http://travel.trade.gov/view/f-2000-99-001/forecast/Forecast-COUNTRIES.pdf

Currently, the top five destinations for Indian travelers are Macau, Papua New Guinea, China, Cambodia and Malaysia. For volume growth, the top five destinations are Singapore, China, Malaysia, Hong Kong and the United States. Recognizing this immense potential in outbound travel from India, about 70 National Tourist Organizations (NTOs) from around the world have set up local offices in India and are aggressively marketing their destinations.

Australia and France are good examples of destinations that are succeeding in their promotional efforts. For France, a key strategy has been the launch of the campaign “France Celebrates India,” which offered Indian travelers a whole array of travel services. It is not surprising that even destinations like Tobago and Ethiopia have stepped up their efforts to push Indian outbound numbers to their respective countries.

The United States is fast becoming a top destination for Indian travelers. In 2013, the United States welcomed over 800,000 visitors from India, a new record. At this rate, India is now poised to become one of the top 10 countries sending travelers to the United States, and is expected to cross the 1 million visitor mark in 2015. The United States is ahead of its rivals, receiving more than a 30% share of Indian outbound tourist spending. For perspective, Indian tourists' gross spending share in the United States is nearly five times more than its closest rival, Australia, which is followed by Singapore, Malaysia and the United Kingdom. Indians spend nearly $4.9 billion in the United States, and shopping is their top activity when they travel in the United States. And with a significant Indian diaspora in the United States, there are increasing familial, educational and commercial reasons for Indians to consider traveling to the United States.

However, there is much more that can be done to gain market share and become the destination of choice for Indian travelers. As competition from tourism promotion organizations of other countries is prevalent, Commercial Service India highly recommends that U.S. destinations and attractions, as well as Convention Visitors Bureaus and service providers, include India in their marketing and outreach strategies.

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MICE (Meeting, Incentives, Conferences and Exhibitions) including small intimate corporate groups, is one of the fastest growing segments of Indian outbound travel. Companies in India are realizing the benefits that accrue to their businesses from organizing MICE trips, which involve large or small groups of people from their company, or industry meetings at desirable foreign destinations. These MICE trips can include conferences, trade exhibitions, focused business meetings or just recreation. In addition, with Indian corporates expanding their global footprint, business executives traveling overseas are incorporating work with pleasure by taking their families with them on business trips.

According to industry experts, between 1.2 to 1.5 million Indians will travel only for MICE purposes all over the world in the years ahead, and they will spend around $1 billion. While this figure may sound small compared to developed markets, the Indian market for outbound MICE is growing at 16-18% each year.

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Recognizing this immense potential in MICE, the U.S. Commercial Service (CS) in India created a strategy to promote the United States as a top MICE destination, as Indian corporates say that the United States is a highly desirable destination. However, there continues to be misperceptions among Indian corporates that MICE travel to the United States is not feasible due to concerns about visa, costs and distance.

To counter these perceptions and to stimulate the selection of the United States as their top choice for MICE groups, the Commercial Service partnered with Brand USA, which is a public-private partnership to encourage travel and tourism in the United States. The Commercial Service (CS) India has also included consular managers at the U.S. Consulates throughout India into this promotional effort. The strategy they developed involved a joint action plan for outreach to key corporate decision makers to highlight the comparative advantage of U.S. travel: tremendous variety of destinations and experiences, wide-range of accommodations, moderate travel expense within the United States, and excellent shopping opportunities. After CS gauges if an individual corporation may be seriously considering the United States as a travel destination, CS asks if they would like to meet with consular management to learn more about the visa application process, especially the group visa process.

The outreach strategy includes seminars, presentations and workshops, corporate interactions or lunch with the Consul General, among other events, with the objective to promote the United States as a top destination, dispel visa myths, and convey that "the U.S. is open for business." CS, Consular, the Visit USA Committee (VUSACOM), Brand USA, destination representatives as well as hotel and airline representatives have made a concerted effort to provide accurate information to Indian travel agents and corporate travel planners about the options that are available to them as they make their MICE travel plans.

Under this collaboration, CS has recently teamed up with the Consular and Public Affairs sections of the U.S. Embassy to conduct outreach sessions called "USA to Go" in certain tier 2 cities in India. The initiative of "USA to Go" is to increase awareness in these key tier 2 cities about opportunities for tourism, education and investment in the United States.

An upcoming opportunity for U.S. destinations, convention bureaus and other service providers to access the Indian market is the SATTE (South Asia Travel and Tourism Expo) trade show scheduled for January 23-31, 2016 in New Delhi. This show draws hundreds of travel agents, and is a good venue for U.S. participants to reach out to a quality target audience. Brand USA is the organizer of the U.S. pavilion at SATTE.

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BrandUSA: http://www.thebrandusa.com/
Visit USA Committee–India Chapter: www.vusa.in
Travel Agents Association of India: www.travelagentsofindia.com/
Outbound Tour Operators Association of India: http://www.otoai.org/
Travel Agents Federation of India: www.tafionline.com/

For more information about opportunities in this sector contact U.S. Commercial Service Industry Specialist: Shibu Mathews at Shibu.mathews@trade.gov

Agricultural Sectors

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Tree Nuts

Tree nuts (primarily almonds) have been one of the leading U.S. agricultural exports to India. In 2014, imports of tree nuts from the United States exceeded $486 million. The United States is the largest supplier of almonds (mostly in-shell) to India, with a market share of about 70%. Other suppliers include Australia, Syria, China, Iran, and Afghanistan. Afghani almonds enjoy a 100% concession on the basic import duty under the Indo-Afghan trade agreement. Almonds are a preferred nut in India and are gaining popularity among the growing middle-income population due to their nutritional and health benefits. India also imports small quantities of pistachios and hazelnuts; mainly from the United States, Iran, Afghanistan, Pakistan, and the Middle East. Additionally, India gave market excess to U.S. origin walnuts in 2013 and trade has now started.

Pulses

India is the world's largest importer of pulses (peas, lentils, and beans), with annual imports ranging from 2.5-4.1 million tons. In Indian Fiscal Year (IFY) 2013/14 imports totaled 3.7 million tons. India is primarily a price (rather than quality) market with imports sourced largely from Canada, Myanmar, Australia, Russia, China and the United States. Typically higher-priced U.S. green and yellow peas, lentils and garbanzo beans (chickpeas) have become more price competitive in the Indian market in recent years. As a result, imports of pulses from the U.S., mostly of dry green peas and some yellow peas, witnessed significant growth during the past 5 years, reaching a record 389 thousand tons in calendar year 2014. India is the largest export market for U.S. pulses since 2013. In 2014, U.S. exports of pulses to India were a record $191 million. Pulses are currently exempted from import tariffs.

Cotton

India is one of the world's largest producers and exporters of cotton. However, India will continue to import extra-long staple (ELS) and quality long staple cotton (28-34 mm), with occasional imports of medium staple cotton when international prices are favorable. The United States has been one of the leading suppliers of cotton to India over the past few years. U.S. cotton exports to India in 2014 were valued at about $90 million. Other major suppliers include Egypt, Australia, Israel, Commonwealth of

Independent States (CIS), and West Africa. Indian mills that import U.S. Pima and upland cotton are appreciative of its superior quality, consistency and higher ginning yield.

Fresh Fruits

India provides market access for most fresh fruits. With a growing segment of consumers insisting on high standards and year-round availability, there is increasing demand for imported fresh fruits. Imports of U.S. fresh fruits (mostly apples and table grapes) into India in calendar year 2014 were valued at $79 million. Market sources expect imports to continue to show excellent growth over the coming years, with new products expected to enter the Indian market.

Wood Products

India has removed virtually all non-tariff trade barriers on wood product imports though tariffs remain high. Dwindling domestic supplies and restrictions on tree felling due to environmental concerns are likely to result in a more liberal import regime over the coming years. The domestic market is largely unorganized and price sensitive, but strong demand from the housing, furniture and construction sectors has made India a major market for imported wood products. Souring from all origins equaled $2.8 billion in calendar year 2014. Despite the preferential tariff structure, logs' share of India's forest product imports has been declining over the past decade. U.S. wood and wood product exports to India in 2014 were valued at a record $56 million with processed wood constituting 48% of the imports.

Planting Seeds

India imported planting seeds worth $100 million in calendar year 2014, up $26 million from 2013. The United States continues to be the fourth largest supplier to India with a market share of 10%. Imports from the United States grew to $10.5 million from $6.5 million in 2013. The Indian seed industry is undergoing a transformation, which includes an increasing role for private seed companies, the rising presence of multinational seed companies, and wide-ranging changes in the regulatory framework. All of these will likely affect seed research, marketing, and trade in coming years. With demand for high quality fruits and vegetables growing from domestic consumers and the food processing industry, India's seed imports will register a steady growth.

Alcoholic Beverages

Indian global imports of alcoholic beverages in calendar year 2014 exceeded $287 million with only $7 million originating from the United States. European (U.K.) whiskies comprised the largest share of imported alcoholic beverages, but there was strong growth in wines and beers from global origins. The food service sector; including restaurants, bars, and hotels, in India is continuing to grow and demand imported beverages to meet the needs of aspirational consumers.

Condiments and Sauces

Indian imports of condiments and sauces in calendar year 2014 exceeded $21.5 million of which nearly $4.5 million were from the United States. Other large suppliers included China, Thailand, and several European countries. Overall category growth in the first months of 2015 has exceeded 30%. Retail and restaurant sector offerings are growing and demand for imported condiments and sauces is on the rise as consumers develop a food culture and see how these imported ingredients can be paired with both imported and local products.

Snack Foods

Consumers' changing life styles and the increasing disposable income of the middle class have spurred rising demand for imported snack foods, despite competition from local players. Calendar year 2014 imports of snack foods into India (including cookies, chocolates, chewing gum, sugar confections, etc.) exceeded $120 million with nearly $3 million from the United States.

Hides and Skins

India imported hides and skins worth nearly $90 million during CY 2014. These were primarily used by the leather goods export sector. While India has historically imported from Europe, exporters from New Zealand, China and the Middle East have emerged as significant competitors. Imports of hides and skins from U.S. suppliers were almost negligible in 2014, but strong prospects remain. Raw hide imports attract a zero tariff in India while wet blues attract a tariff of 14.71%.

Vegetable Oil

India is the world's largest edible oil importer with market year 2015/16 (Oct to Sept) imports estimated at just over 14 million tons. While lower-priced palm oil has traditionally dominated this price- sensitive market, exporters with competitively priced supplies of other oils, (for example soybean, cottonseed, corn, or sunflower oil), often find buyers in India. As per Customs Notification No. 34/2014 dated December 24, 2014, import tariffs on crude and refined vegetable oils were raised by 5%, to 7.5% and 15%, respectively. There has been no commercial sale of U.S. soy oil to India since marketing year 2012/13.

For more details on how to do agriculture related business in India, see http://mumbai.usconsulate.gov/businessagrhowto.html.

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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The Foreign Trade (Development & Regulation) Act, 1992 and India's Export Import (EXIM) Policy govern the import and exports in India. The new guidelines on Foreign Trade Policy (2015-2020) were released in April 2015. The new government made efforts to support its initiative of ease of doing business in India.

The office of the Director General of Foreign Trade mandates registration for all importers before engaging in EXIM activities. Each importer receives an Importer Exporter Code Number (IEC) issued against their Permanent Account Number (PAN).

Tariff Rates: India has progressively cut duties and taxes since 1991, after it began switching from a Socialist-style system to a market economy. However, domestic industry still enjoys relatively high levels of protection in several areas. U.S. companies face tariff and non-tariff barriers that impede their exports. One such area of protection is in the agricultural sector where Indian tariffs remain high compared to international standards. For non-agricultural goods, however, India has made considerable progress in restructuring tariffs. In February 2007, the Government of India (GOI) further reduced the peak applied customs duty on non-agricultural goods from 12.5% to 10%. The Indian government plans to gradually ease currency restrictions and reduce tariffs to the low levels prevailing in other Asian countries in order to make the Indian environment more conducive to improved economic performance.

Classification: As there are thousands of goods that are imported into India, it is not possible to prescribe rates of duty for each type of merchandise. The basic applicable legislation is the Indian Customs Act of 1962, and the Customs Tariff Act of 1975. The Customs Act of 1962 was created to control imports and prevent Illegal imports and exports of goods. The Customs Tariff Act specifies the tariffs rates and provides for the imposition of anti-dumping and countervailing duties.

The Indian customs classification on tariff items follows the Harmonized Commodity

Description and Coding System (Harmonized System or HS).

Customs uses six-digit HS codes, the Directorate-General of Commercial Intelligence and Statistics (DGCI&S) uses eight-digit codes for statistical purposes, and the Directorate General of Foreign Trade (DGFT) has broadly extended the eight-digit DGCI&S codes up to 10 digits.

It is also worth noting that the excise authorities use HS codes for classifying goods to levy excise duty (manufacturing taxes) on goods produced in India.

How Customs Duty is calculated:

All goods imported into India are subject to duty. There are several factors that go into calculating customs duty, including:

Basic Customs Duty (BCD): This duty is levied either as 1) a specific rate based on the unit of the item (weight, number, etc.), or more commonly, 2) ad-valorem, based on the assessable value of the item. In some cases, a combination of the two is used.

Additional Customs Duty (ACD): This duty is typically referred to as Countervailing duty or (CVD) and is levied on the assessed value of goods plus basic customs duty. Goods that fall into this category are imported goods that have similar goods manufactured in India. The objective is to protect domestic industry from imports.

Special Additional Customs Duty (known as Special CVD): Earlier known as surcharge, Special CVD tax is applicable on all items. It is levied at the rate of 4% of the basic and the excise duty on all imports.

Anti-dumping Duty: This is levied on specified goods imported from specified countries, including the United States, to protect indigenous industry from injury.

Safeguard Duty: The Indian government may by notification impose a safeguard duty on articles after concluding that increased imported quantities and under current conditions will cause or threaten to cause serious injury to domestic industry.

Customs Education Cess: Effective July 2004, India introduced a new education cess (duty) assessment. The current rate is 3% of Basic Customs Duty (BCD) and Additional Duty of Customs (ACD). Goods bound under international commitments have been exempted from this cess.

Customs Handling Fee: The Indian government assesses a one% customs handling fee on all imports in addition to the applied customs duty.

Total Duty: Therefore, for most goods, total duty payable = BCD + ACD + Special CVD + Education Cess + Customs Handling Fee.

Tariff rates, excise duties, regulatory duties, and countervailing duties are revised in each annual budget in February, and are published in various sources, including BIGs Easy Reference Customs Tariff edition. A copy of this book is kept at the USA Trade Information Center in Washington DC and more specific information from this guide is available to U.S. Companies by calling 800-USA-TRADE.

While the Indian government publishes customs tariffs rates there is no single official publication that has all information on tariffs and tax rates on imports. Moreover, each Indian State levies taxes on interstate trade and commerce, which adds to the confusion. Effective April 2005, the Indian government implemented a Value-Added tax (VAT) system meant to replace the inter-state taxes, but implementation is not yet universal in all the States.

Duty exemption plan: The Duty Exemption Plan enables duty free import of inputs required for export production. An advance license is issued under the duty exemption plan. The Duty Remission Plan enables post export replenishment remission of duty on inputs used in the export product. Duty Remission plan consists of (a) DFRC and (b) DEPB. DFRC permits duty free import charges on inputs used in the export product. The government has wide discretionary power to declare full or partial duty exemptions "in the public interest" and to specify conditions such as end-use provisions. Almost half of India's total inputs enter under concessional tariffs, though the use of exemptions is falling in tandem with the tariff-reduction program.

Trade Barriers

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Any restriction imposed on the free flow of trade is a trade barrier. Trade barriers can either be tariff barriers (the levy of ordinary negotiated customs duties in accordance with Article II of the GATT) or non-tariff barriers, which are any trade barriers other than tariff barriers.

Import Licensing: One of the most common non-tariff barriers is the prohibition or restrictions on imports maintained through import licensing requirements. Though India has eliminated its import licensing requirements for most consumer goods, certain products face licensing related trade barriers. For example, the Indian government requires a special import license for motorcycles and vehicles that is very restrictive. Import licenses for motorcycles are provided to only foreign nationals permanently residing in India, working in India for foreign firms that hold greater than 30% equity or to foreign nations working at embassies and foreign missions. Some domestic importers are allowed to import vehicles without a license provided the imports are counterbalanced by exports attributable to the same importer.

Standards, testing, labeling & certification: The Indian government has identified 109 commodities that must be certified by its National Standards body, the Bureau of Indian Standards (BIS). Another agency, The Food Safety and Standards Authority of India established under the Food Safety and Standards Act, 2006 as a statutory body for laying down standards for articles of food and regulating manufacturing, processing, distribution, sale and import of food. The idea behind these certifications is to ensure the quality of goods seeking access into the market, but many countries use them as protectionist measures. For more on how this relates to labeling requirements, please see the section on Labeling and Marking Requirements in this chapter.

Anti-dumping and countervailing measures: Anti-dumping and countervailing measures are permitted by the WTO Agreements in specified situations to protect the domestic industry from serious injury arising from dumped or subsidized imports. India imposes these from time-to-time to protect domestic manufacturers from dumping. India's implementation of its antidumping policy has, in some cases, raised concerns regarding transparency and due process. In recent years, India seems to have aggressively increased its application of the antidumping law.

Export subsidies and domestic support: Several export subsidies and other domestic support is provided to several industries to make them competitive internationally. Export earnings are exempt from taxes and exporters are not subject to local manufacturing tax. While export subsidies tend to displace exports from other countries into third country markets, the domestic support acts as a direct barrier against access to the domestic market.

Procurement: The Indian government allows a price preference for local suppliers in government contracts and generally discriminates against foreign suppliers. In international purchases and International Competitive Bids (ICB's) domestic companies gets a price preference in government contract and purchases.

Service barriers: Services in which there are restrictions include: insurance, banking, securities, motion pictures, accounting, construction, architecture and engineering, retailing, legal services, express delivery services and telecommunication.

Other barriers: Equity restrictions and other trade-related investment measures are in place to give an unfair advantage to domestic companies. The Government of India continues to limit or prohibit FDI in sensitive sectors such as retail trade and agriculture. Additionally, there is an unpublished policy that favors counter trade. Several Indian companies, both government-owned and private, conduct a small amount of counter trade.

Import Requirements and Documentation

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Import licensing requirements: In the last decade, India has steadily replaced licensing and discretionary controls over imports with deregulation and simpler import procedures. The majority of import items fall within the scope of India's EXIM Policy regulation of Open General License (OGL). This means that they are deemed to be freely importable without restrictions and without a license, except to the extent that they are regulated by the provisions of the Policy or any other law.

Imports of items not covered by OGL are regulated, and fall into three categories: banned or prohibited items, restricted items requiring an import license, and "canalized" items importable only by government trading monopolies and subject to Cabinet approval regarding timing and quantity.

The following are designated import certificate issuing authorities (ICIA):

- The Department of Electronics for import of computer and computer related systems
- The Department of Industrial Policy and Promotion for organized sector firms except for import of computers and computer based systems
- The Ministry of Defense for defense related items
- The Director General of Foreign Trade for small-scale industries not covered in

the foregoing.

Capital goods can be imported with a license under the Export Promotion Capital Goods plan (EPCG) at reduced rates of duty, subject to the fulfillment of a time-bound export obligation. The EPGC plan now applies to all industry sectors. It is also applicable to all capital goods without any threshold limits, on payment of a 5% customs duty.

A duty exemption plan is also offered under which imports of raw materials, intermediates, components, consumables, parts, accessories and packing materials required for direct use in products to be exported may be permitted free of duty under various categories of licenses. For the actual user, a non-transferable advance license is one such license. For those who do not wish to go through the advance-licensing route, a post-export duty-free replenishment certificate is available.

Advance License: An advance license is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. that are consumed in the course of their use to obtain the export product, may also be allowed under the plan.

Duty free import of mandatory spares up to 10% of the CIF value of the license, which are required to be exported/ supplied with the resultant product, may also be allowed under Advance License.

Advance license can be issued for:

Physical exports: An advance license may be issued for physical exports to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.

Intermediate supplies: An advance license may be issued for intermediate supply to a manufacturer- exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License.

Deemed exports: An advance license can be issued for deemed exports to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned in paragraph 8.2 (b), (c), (d) (e) (f), (g), (i) and (j) of the Policy. An advance license for deemed exports can also be availed by the sub-contractor of the main contractor to such project provided the name of the sub-contractor(s) appears in the main contract. Such license for deemed export can also be issued for supplies made to United Nations Organizations or under the Aid Program of the United Nations or other multilateral agencies and paid for in foreign exchange.

Import Declaration: Importers are required to furnish an import declaration in the prescribed bill of entry format, disclosing full details of the value of imported goods.

Import Licenses (if applicable): All import documents must be accompanied by any import licenses. This will enable the customs to clear the documents and allow the import without delay.

Ex-factory invoice, freight and insurance certificates: These must be attached so that the customs can verify the price and decide on the classification under which the import tariff can be calculated.

Letter of Credit (L/C): All importers must accompany a copy of the L/C to ensure that payment for the import is made. Normally this document is counter-checked with the issuing bank so that outflow of foreign exchange is checked.

Not all consignments are inspected prior to clearance, and inspection may be dispensed with for reputable importers. In the current customs set-up, an appointment with the clearing agents for clearance purposes will avoid delays. In general, documentation requirements, including ex-factory bills of sale, are extensive and delays are frequent.

These cost investors time and money, including additional detention and demurrage charges, making it more expensive to operate and invest in India. For delayed clearances, importers seek release of shipments against a performance bond; furnishing a bank guarantee for this purpose is a more expensive proposition. Customs have recently extended operations to 24 hours a day to ensure timely clearance of export cargo.

U.S. Export Controls

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The Indian and the U.S. governments formed a High Technology Cooperation Group (HTCG) in November 2002 to facilitate and promote high technology bilateral trade. The Bureau of Industry and Security (BIS) (formerly known as the Bureau of Export Administration, BXA) is the American government agency responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. The BIS often refers to the items that they regulate as "dual- use" items, since these items have both commercial and military or proliferation applications, but purely commercial items without an obvious military use are also subject to the EAR. For further inquiries regarding the list of items requiring U.S. export clearance contact:

Director, Office of National Security and Technology Transfer Controls
14th Street and Constitution Avenue, NW U.S. Department of Commerce, Washington DC 20230
Telephone: 202-482-4196 Fax 202-482-4094
Website: http://www.bis.doc.gov/

For questions regarding end-use checks or to speak with enforcement, please contact:
Director, Office of Enforcement Analysis
14th Street and Constitution Avenue, NW Room 4065
U.S. Department of Commerce, Washington DC 20230
Telephone: 202-482-4255 Fax 202-482-0971
Website: http://www.bis.doc.gov/

In New Delhi, please contact the Bureau of Industry and Security, Jose Rodriguez, Export Control Attaché at jose.rodriguez@trade.gov.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here: http://developer.trade.gov/consolidated-screening-list.html.

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The Indian Customs Act, 1962 allows import of goods on a temporary basis into India. Section 74 of the Act provides for drawback on goods that are imported for a temporary period into India and exported out of the country.

As per the Section 74, drawback is allowable on re-export of duty paid goods. When the goods are re-exported out of India, the exporter will be entitled to a drawback of a specified percentage of the duty paid at the time of import. The procedure for claiming duty drawback under Section 74 is governed by provisions of the Re-Export of Imported Goods (Drawback of Customs Duties) Rules, 1995.

The rate of drawback available depends upon the time period for which the goods are stored in India or put to use. If goods are re-exported without being put to use in India, 98% of the customs duty would be available as duty drawback, provided that the exports have taken place within 24 months from the date of import.

However, under section 75 of the Act, where the goods are used in India subsequent to their import, the drawback is determined on the basis of the duration of use of the goods in India (the length of period from the date of clearance for home consumption and the date goods are placed under customs control for export). The procedure for claiming duty drawback under Section 75 is governed by provisions of the Customs and Central Excise Duties Drawback Rules 1995.

In addition, General Exemption No 14 of the Customs Tariff allows the import of goods for display or use at fair, exhibition, demonstration, seminar, congress and conferences, subject to specified conditions.

ATA Carnet: An ATA Carnet is an International Uniform Customs document issued in 71 countries including India, which are parties to the Customs Convention on ATA Carnet. The ATA Carnet permits duty free temporary admission of goods into a member country without the need to raise customs bond, payment of duty and fulfillment of other customs formalities in one or a number of foreign countries. The initials "ATA" are an acronym of the French and English word "Admission Temporaire / Temporary Admission".

Within the ICC World Chambers Federation, the World ATA Carnet Council (WATAC) runs the ATA system and its international guarantee chain. The Council is made up of representatives from the countries and territories where Carnets are issued and accepted.

Each country in the system has a single guaranteeing body approved by the national customs authorities and the ICC World Chambers Federation (Until June 2001, the International Bureau of Chambers of Commerce). The WCF is sponsored by the International Chamber of Commerce (ICC) in Paris. In India, Federation of Indian

Chambers of Commerce and Industry (FICCI), is appointed as National Guaranteeing & Issuing Association for ATA Carnets. http://www.atacarnet.in/about-ata-carnet.html.

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Labeling is an important element for products being exported to India. English is the favorable language for labeling. All packets or even containers should carry information depending upon the consignment. Indian Customs are strict and ensure that imported items have the legally required information before these enter the retail market or are sold for consumption, excluding those products that fall under the EOU segment.

As per a Notification issued by the Ministry of Commerce on November 24, 2000, all pre-packaged commodities (intended for direct retail sale only) imported into India must carry the following declarations on the label:

- Name and address of the importer;
- Generic or common name of the commodity packed;
- Net quantity in terms of standard unit of weights and measurement. All units of weight or measurements must be metric. If the net quantity of the imported package is given in any other unit, its equivalent of standard units must be declared by the importer, and
- Month and year of packing in which the commodity is manufactured, packed or imported, and the maximum retail sales price (MRP) at which the commodity in packaged form may be sold to the end consumer. The MRP includes all taxes, freight transport charges, commission payable to dealers, and all charges towards advertising, delivery, packing, forwarding and the like.

Compliance of the above-stated requirements has to be ensured before the import consignments are cleared by Customs in India. The import of pre-packaged commodities such as raw materials, components, bulk import etc., that need to undergo further processing before they are sold to end consumers are not included under this labeling requirement.

Labeling requirements for packaged food products as laid down in the Part VII of the Prevention of Food Adulteration (PFA) Rules, 1955, and the Standards of Weights and Measures (Packaged Commodities) Rules of 1977**,** require that the labels contain the following information:

- Name, trade name or description
- Name of ingredients used in the product in descending order of their composition by weight or volume
- Name and complete address of manufacturer/packer, importer, country of origin of the imported food (if the food article is manufactured outside India, but packed in India)
- Net weight, number or volume of contents

- Distinctive batch, lot or code number
- Month and year of manufacture and packaging
- Month and year by which the product is best consumed
- Maximum retail price

Wherever applicable, the product label also has to contain the following:

- The purpose of irradiation and license number in case of irradiated food
- Extraneous addition of coloring material
- Non-vegetarian food – any food which contains whole or part of any animal including birds, fresh water or marine animals, eggs or product of any animal origin as an ingredient, not including milk or milk products – must have a symbol of a brown color-filled circle inside a brown square outline prominently displayed on the package, contrasting against the background on the display label in close proximity to the name or brand name of the food
- Vegetarian food must have a similar symbol of green color-filled circle inside a square with a green outline prominently displayed

All declarations may be:

- Printed in English or Hindi on a label securely affixed to the package, or
- Made on an additional wrapper containing the imported package, or
- Printed on the package itself, or
- May be made on a card or tape affixed firmly to the package and bearing the required information prior to customs clearance

Products displaying only the standard U.S. label cannot enter. With regard to the shelf life of imported food items, a Notification issued by the Ministry of Commerce on July 30, 2001, states that: "Imports of all food products, domestic sale and manufacture of which are governed by the Prevention of Food Adulteration Act (PFA) shall also be subject to the condition that, at the time of importation, these products have a valid shelf life of not less than 60% of its original shelf life. The shelf life of the product is to be calculated based on the declaration given on the label of the product, regarding the date of manufacture and the due date of expiry."

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For the most current information on India's Prohibited Import List, please see: http://dgft.gov.in/

Customs Regulations and Contact Information Return to top

Information from the Government of India's Central Board of Excise and Customs, including FAQs for importers, is found here: http://www.cbec.gov.in/cae1-english.htm. Contact information and a telephone directory is included here: http://www.cbec.gov.in/tel-dir-180615.htm.

Standards

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Overview

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India has generally made efforts to match national standards in line with international norms, and most Indian standards are harmonized with ISO standards. Nonetheless, some Indian standards are not matched with international standards, and several recent standards-related regulations have created barriers to trade and posed challenges to expanding U.S. exports in certain sectors. India has also frequently failed to notify the WTO of new standards and allow time for discussion with its trading partners prior to implementation.

Because of pressure from consumer rights groups, NGOs, and environmental activists there is a growing emphasis on product standards in India in various industry sectors. The proactive role of the judiciary in formulating legal framework and regulations for better standards and control in sectors such as the environment have also contributed to an increased awareness and emphasis on product standards in India. But, for instance, while Indian food safety laws are outdated or in some cases more stringent than international norms, enforcement is weak.

Standards Organizations

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In India, voluntary standards are exclusively developed by the national standards body. The Bureau of Indian Standards (BIS), established under the Bureau of Indian Standards Act of 1986, is the national standards body of India responsible for development and formulation of standards. BIS is comprised of representatives of industry, consumer organizations, scientific and research bodies, professional organizations, technical institutions, Indian government ministries, and members of parliament.

Besides development and formulation of Indian Standards, BIS is involved with product certification, quality system certifications and testing, and consumer affairs.

The Ministry of Commerce, Government of India (GOI) has designated BIS as the National WTO-TBT Enquiry Point in accordance with its obligations to the agreement on Technical Barriers to Trade of the WTO. According to the agreement, BIS in liaison with the Indian Ministry of Commerce, issues notifications on proposed technical regulations and certification systems in India to the WTO. BIS's Technical Information Services Center responds to domestic and foreign requests for information about Indian standards, technical regulations and conformity assessment rules. U.S. companies that wish to make comments on any notifications can obtain copies of the text from BIS from the WTO-TBT Enquiry Point, Technical Information Services Center in BIS. BIS communicates comments to the Ministry of Commerce.

BIS is the only organization in India authorized to operate quality certification plans under an Act of Parliament. It serves as the official member and sets policy for Indian participation in the International Organization for Standardization (ISO) and International Electro technical Commission (IEC).

In addition, the Food Safety and Standards Authority of India (FSSAI) was established under the Food Safety and Standards Act, 2006 as a statutory body for laying down standards for articles of food and regulating manufacturing, processing, distribution, sale and import of food.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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A list of testing organizations spread throughout the country providing conformity testing against relevant Indian standards is available from the BIS website at: http://www.bis.org.in/lab/lab.htm.

In association with technical GOI agencies and NGOs, BIS carries out periodic surveillance inspections of products under mandatory certification. A provision exists for sub-contracting certification surveillance activities to relevant competent agencies in specific areas. Certain types of steel, rubber, and electronic products are presently under such surveillance agreements.

Product Certification

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BIS's product standards are basically voluntary in nature, but subsequent to the removal of quantitative restrictions (QRs) on imports by India in 2000, the GOI, in order to provide protection to domestic producers in certain sectors, promulgated regulations dictating that imports of 109 products are subject to mandatory compliance with specified Indian quality standards. For compliance, all exporters/manufacturers of the 109 products are required to register with, and obtain certification from the Bureau of Indian Standards, before exporting such goods to India.

The list of 109 products includes various food preservatives and additives, milk powder, infant milk food, certain kinds of cement, household and similar electrical appliances, several types of gas cylinders, and multi-purpose dry batteries.

These 109 products generally must be tested and certified by BIS in India. BIS now however, also has a system for foreign companies to receive automatic certification for products not manufactured in India. The system is based on a self-certification basis, under which a foreign manufacturer is permitted to apply the standards mark on the product after ascertaining its conformity to the Indian Standard licensed for. At the foreign manufacturer's expense, BIS inspectors travel to the manufacturer's country to inspect their production facility to pre-certify the company and its production system, and then authorize subsequent monitoring and compliance by an independent inspector to ensure that the company maintains the specified standards.

Information on the application procedure for BIS Product Certification Plan for foreign companies is available through the BIS website at: http://www.bis.org.in

Exporters/manufacturers of these products also are required to maintain a presence in India. This requirement does not apply if the foreign manufacturer nominates an authorized representative in India who agrees to be responsible for compliance with the provisions of BIS on behalf of the foreign manufacturer as per an agreement signed between the manufacturer and BIS. Under separate arrangements some products have been placed under special certification plans of lot or batch inspections carried out by BIS inspecting officers. A majority of gas cylinders, deep well hand pumps and valves are certified through such plans.

To facilitate international trade and cooperation, India has plans to harmonize its standards with other countries, primarily with its main trading partners. A serious effort is being made by BIS to have mutual recognition of standards with various countries so that other countries provide recognition of the Indian standards on certain products and vice versa. The BIS has expressed interest in having mutual recognition agreements with U.S. organizations.

The Food Safety and Standard Authority of India (FSSAI) issues food import clearance certificates for all food articles. The import requirements are listed on the internet URL: http://www.fssai.gov.in/importedfood.aspx.

Accreditation Return to top

The National Accreditation Board for Testing and Calibration Laboratories (NABL) established in 1985 as an autonomous body under the Department of Science & Technology is authorized by the GOI as the sole accreditation body for testing and calibration laboratories. More than 200 testing and calibration laboratories have been accredited to date. A list of accredited laboratories is available from NABL's website at: http://www.nabl-india.org/nabl/html/about-intro.asp.

For international mutual acceptance of test results in order to be compliant with the WTO/Technical Barriers to Trade (TBT) regulations, NABL is a member of international organizations such as International Laboratory Accreditation Co-operation (ILAC) and Asia Pacific Laboratory Accreditation Co-operation (APLAC). NABL is a signatory to ILAC as well as APLAC Mutual Recognition Arrangements (MRA), based on mutual evaluation and acceptance of other MRA Partner laboratory accreditation systems.

Indian manufacturing companies are investing in standards accreditation. The number of plants in India with ISO 9000 and ISO 14000 accreditation increased from a negligible figure in the early nineties to many thousands today and numerous Indian companies have won the Deming prize for total quality management.

Publication of Technical Regulations Return to top

An electronic version of Indian Standards is now available on CD-ROM from the Bureau of Indian Standards. Further information is available at http://www.bis.org.in

Labeling and Marking Return to top

Please see previous section for labeling and marking requirements.

Contacts Return to top

Bureau of Indian Standards
Manak Bhavan, 9 Bahadur Shah Zafar Marg
New Delhi 110 002
Tel: 91-11-2323 0131, 2323 3375, 2323 9402 (10 lines)
Fax: 91-11-2323 4062, 2323 9399, 2323 9382
Email: info@bis.org.in
Web: http://www.bis.org.in

NABL
Department of Science and Technology, Technology Bhawan, New Mehrauli Road
New Delhi 110 016
Tel no.: 91-11-2686 4642 / 2685 7661
Fax no.: 91-11-2686 4642 / 686 3866
Email: akc@alpha.nic.in
Web: http://www.nabl-india.org/

Director General of Foreign Trade Ministry of Commerce & Industries, Udyog Bhawan
New Delhi 110 011
Tel: 91-11-2301 1777
Fax: 91-11-2301 8613
Web: http://dgft.nic.in/

Department of Consumer Affairs
Office of the Additional Secretary (Weights & Measures), Krishi Bhawan
New Delhi 110 001
Tel: 91-11-2338 3027
Fax: 91-11-2338 6575

Food Safety and Standards Authority of India
FDA Bhawan (near Bal Bhavan), Kotla Road
New Delhi 110 002

Tel: 011-23236975
Fax: 011-23220994
Web: http://www.fssai.gov.in/

Trade Agreements

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India has entered into bilateral and regional trading agreements over the years. These agreements, besides offering preferential tariff rates on the trade of goods among member countries, also provide for wider economic cooperation in the fields of trade in services, investment, and intellectual property.

The preferential arrangement/plans under which India is receiving tariff preferences are the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP). Presently, there are 46 member countries of the GSTP and India has exchanged tariff concessions with 12 countries on a limited number of products.

Other such preferential arrangements include the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Agreement (SAPTA), the Bangkok Agreement and India–Sri Lanka Free Trade Agreement (ISLFTA). These arrangements/ agreements prescribe Rules of Origin that have to be fulfilled for exports to be eligible for tariff preference.

India and several Asian countries have signed a Comprehensive Economic Cooperation Agreement (CECA), which is an integrated package of agreements embracing trade in goods, services, investments and economic co-operations in education, science and technology, air services, and intellectual property. The agreements provide wide-ranging exemptions and reductions on basic customs duty on products imported from Singapore into India. The Indian Ministry of Commerce projected that 60% of India's future trade would be accounted for by free trade agreements (FTAs), with such countries as Paraguay, Argentina, Brazil, Pakistan and even China. In a major policy shift, the government has decided to convert all Preferential/Free Trade Agreements (PFA/FTA) into Comprehensive Economic Cooperation Agreements (CECA). This goes beyond the Indian government's bid in recent months to embrace bilateralism aggressively.

The decision seems to be aimed at mollifying the World Trade Organization (WTO), which cautioned India against negotiating exclusively PFAs/FTAs. PTAs/FTAs usually involve structured reduction in tariffs between two countries. CECAs would cover preferential relaxation of FDI rules vis-à-vis the partner country, tax holidays on investment and income, easing of visa restrictions etc. Trade in services too would come under the purview of CECA. Information on India's bilateral trade agreements is available at the Ministry of Commerce and Industry website: http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i.

Web Resources

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Trade regulations: Import tariffs http://dgft.nic.in
http://dgftcom.nic.in/exim/2000/policy/contents.htm http://www.dgciskol.nic.in/

http://www.cbec.gov.in/

Trade barriers
http://www.ustr.gov/about-us/press-office/reports-and-publications/2011-0
http://commerce.nic.in/medium_term/contents.htm
http://www.ustr.gov/

Import requirements and documentation
http://dgftcom.nic.in
http://dipp.nic.in/

U.S. export controls
http://www.bis.doc.gov/
http://www.access.gpo.gov/bis/ear/ear_data.html
http://www.cbp.gov/

Temporary entry
http://dgftcom.nic.in/exim/2000/policy/chap-02.htm
http://www.atacarnet.in/

Labeling and marking requirements
http://www.bis.org.in/cert/
http://www.bis.org.in/cert/

Prohibited and Restricted Imports
http://commerce.nic.in/qr/default.asp

Standards:

Overview
http://www.bis.org.in/bs/index.htm
http://www.bis.org.in/org/obj.htm

Standards Organizations
http://www.bis.org.in/sf/powork.htm

Conformity Assessment
http://www.bis.org.in/lab/lab.htm
http://www.bis.org.in/sf/nrstd.htm

Product Certification
http://www.bis.org.in/cert/fm.htm
http://www.bis.org.in/cert/procert.htm
http://www.bis.org.in/sf/nrstd.htm

Accreditation
http://www.nabl-india.org/nabl/html/contact.asp

Publication of Technical Regulations
http://www.bis.org.in/other/iscd.htm

Labeling and Marking
http://www.bis.org.in/cert/man.htm

Trade agreements
http://commerce.nic.in/
http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i

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Chapter 6: Investment Climate

Openness to Foreign Investment

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Attitude toward Foreign Direct Investment

In the past year, the BJP-led government took a number of steps to ease FDI restrictions in sectors including insurance, defense, railways, construction, and medical devices. The government also issued two successive ordinances to revise the Land Acquisition Act. While the current government appears generally friendly to FDI, many sectors of the economy retain equity limits for foreign capital, and this has proven a deterrent to investment. The long-awaited Insurance Act, which raises caps on FDI from 26% to 49% for instance, also mandates that insurance companies retain "Indian management and control. As discussed below, many sectors also require multi-step processes for central and state government approval.

While the previous and current governments have progressively opened the country up to greater FDI, the overall attitude remains mixed. Outside of pensions, insurance, and defense, the government is empowered to raise FDI limits up to 100% without Parliamentary approval, yet in sectors such as multi-brand retail (MBR), the government has taken an anti-FDI stance. While considered pro-business, much of the party's constituency is comprised of shop-owners and other small business owners whom could potentially suffer losses under a liberalized MBR regime.

Other Investment Policy Reviews

In 2011, the Government of India underwent an investment policy review in the context of a Trade Policy Review by the WTO, available here: http://www.wto.org/english/tratop_e/tpr_e/tp349_e.htm

The Government announced its Foreign Trade Policy for 2015-2020 on April 1, 2015: http://dgft.gov.in/exim/2000/ftp2015-20E.pdf

The Government also released its consolidated FDI policy circular: http://dipp.nic.in/English/Policies/FDI_Circular_2015.pdf

Laws/Regulations of Foreign Direct Investment

There are two channels for foreign investment entering India: the automatic route and the government route. Investments entering via the automatic route are not required to seek overall approval from the central government. The investor is expected to notify the RBI of its investment using the Foreign Collaboration - General Permission Route (FC-GPR) form within 30 days of inward receipts and issuance of shares: http://rbidocs.rbi.org.in/rdocs/notification/PDFs/102APD110214.pdf. The title "automatic route" is nonetheless a misnomer, since investments in most sectors still require some amount of interaction with the government at both the state and national levels.

Investments that take the government route are subject to authorization from the principal ministry involved and potentially the Foreign Investment Promotion Board (FIPB). The rules regulating government approval for investments vary from industry to industry, and the approving government entity varies depending on the applicant and the product. For example, the Ministry of Commerce and Industry (MOCI) Department of Industrial Policy and Promotion (DIPP) oversee single-brand product retailing investment proposals, as well as proposals made by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs). An NRI is an Indian citizen who has resided overseas for six months or more for any purpose. An OCB is a company, partnership, firm, or other corporate entity that is at least 60% owned, directly or indirectly, by NRIs, including overseas trusts. MOCI's Department of Commerce approves investment proposals from export-oriented units (i.e., industrial companies that intend to export their entire production of goods and services). The FIBP, led by the Ministry of Finance (MOF) and MOCI, approves most other investment applications.

All new investments require a number of industrial approvals and clearances from different authorities such as the Pollution Control Board, Chief Inspector of Factories, Electricity Board, and Municipal Corporation (locally elected entities). To fast track the approval process for investments greater than $200 million, the previous government established a Cabinet Committee on Investment (CCI) in December 2012, chaired by the Prime Minister. The CCI approved over 100 projects worth more than $60 billion, but foreign investors and many economists complained that these projects nonetheless stalled in central and state-level bureaucracies. In December 2014, the new government approved the formation of an Inter-Ministerial Committee led by the Department of Industrial Policy and Promotion (DIPP) to fast track investment proposals from the United States. Business Chamber and sources within the government have reported that the Inter-Ministerial Committee has been meeting informally and on an ad-hoc basis as they receive reports from business chambers and affected companies of stalled projects.

Industrial Promotion

Banking: Aggregate foreign investment from all sources in all private banks is capped at 74%. For state-owned banks, the foreign ownership limit is 20%. According to the 2011 road map for foreign bank entry, there are three distinct methods for entering the Indian banking sector. First, one may establish a branch in India. The second method is to establish a wholly-owned subsidiary (foreign banks can have either branches or subsidiaries). The third is to establish a subsidiary with total foreign investment of up to 74%. Foreign investors are legally permitted to acquire an ailing bank, though to date, the RBI has not authorized this type of transaction. Foreign institutional investment (FII) is limited to 10% of the total paid-up capital and 5% in cases where the investment is from a foreign bank/bank group. In December 2012, Parliament passed the Banking Regulation (Amendment) Act. The Act has increased the cap on voting rights for investors from 10 to 26% in private sector banks, and from one to 10% for public sector banks (PSBs), to make voting rights commensurate with economic ownership. The government recently signaled its intent to divest public sector banks (PSBs), i.e. to partially privatize PSBs to help in their re-capitalization efforts, particularly in light of new Basel 3 capitalization requirements. For the time being, however, divestment plans remain at the discussion stage.

Non-Banking Financial Companies (NBFC): 100% FDI is allowed via the automatic route. NBFCs can participate in the following activities: merchant banking, underwriting, portfolio management, financial consulting, stock-broking, asset management, venture capital, credit rating, housing finance, leasing and finance, credit card businesses, foreign exchange brokerages, money changing, factoring and custodial services, investment advisory services, and micro and rural credit. All investments are subject to the following minimum capitalization norms: $500,000 upfront for investments with up to 51% foreign ownership; $5 million upfront for investments with 51% to 74.9% ownership; $50 million total, with $7.5 million required up-front and the remaining balance within 24 months for investments with greater than 75% ownership. Wholly foreign-owned NBFCs with a minimum capitalization of $50 million are allowed to set up unlimited numbers of subsidiaries for specific NBFC activities, and are not required to enlist additional capital. RBI regulates and supervises the NBFCs.

Manufacturing: 100% FDI is allowed in most categories of manufacturing; however, the government maintains set-asides for micro and small enterprises (MSEs), defined as companies with less than $1 million in plant and machinery assets. Any investment in manufacturing that does not qualify as MSE must enter via the government route for FDI greater than 24%. Since 1997, the government has steadily decreased the number of sectors it protects under the national small-scale industry (SSI) policy. At its peak in the late 1990s, more than 800 categories were protected. The most current list is publicly available at http://www.dcmsme.gov.in/publications/reserveditems/reserved2010.pdf. The 2011 National Manufacturing Policy (NMP) provides the framework for India's local manufacturing requirements in the Information and Communications Technology (ICT) and clean energy sectors. http://commerce.nic.in/whatsnew/National_Manfacruring_Policy2011.pdf.

Limits on Foreign Control

Limits on foreign ownership and control vary by sector and industry. Please see Table 1 for a complete table of limits and procedures by sector.

Table 1:

Sector	% FDI	Route	Note
Advertising and Film	100%	Automatic	Includes film production, exhibition, distribution, and related services and products.
Agriculture Farming	None		
Agriculture-related Activities	100%	Automatic	a) Floriculture, Horticulture, Apiculture and Cultivation of Vegetables & Mushrooms under controlled conditions; b) Development and Production of seeds and planting material; c) Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture, under controlled conditions; and d) Services related to agro and allied sectors
	100%	Government	Tea plantations
Airline Carriers (air transport services)	49%	Government	Scheduled and non-scheduled airline carriers, although NRIs may own 100% of a domestic airline, as announced in September, 2012, by the Cabinet Committee on Economic Affairs. Investments are required to follow relevant SEBI regulations that include the Issue of Capital and Disclosure Requirements (ICDR) Regulations and the Substantial Acquisition of Shares and Takeovers (SAST) Regulations. (http://pib.nic.in/newsite/PrintRelease.aspx?relid=87785)
	74%	Up to 49% Automatic Above 49% government	Non-scheduled, chartered, and/or cargo airlines.
	100%	Automatic	Investments in helicopter and seaplane services. Investors are required to seek approval from the Directorate General of Civil Aviation.
Airport Infrastructure	100%	Automatic	Green-field projects.
	74%	Automatic	Existing projects. FDI greater than 74% requires FIPB approval.

	74%	Up to 49% Automatic Above 49% government	Ground-handling businesses at airports. (NRIs are allowed 100%).
	100%	Automatic	Maintenance and repair operations, flight training institutes, and technical training institutes.
Alcoholic Distillation and Brewing	100%	Automatic	Requires a license from DIPP under the provisions of the Industries (Development and Regulation) Act, 1951.
Asset Reconstruction Companies	100% (FDI+FII /FPI)	Up to 49% Automatic Above 49% government	An ARC is a company registered with the RBI under Section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act). FII is now permitted.
Automobiles	100%	Automatic	Local content requirements and/or export obligations apply.
Broadcasting	74%	Up to 49% Automatic Above 49% government	1) Teleports (setting up of up-linking HUBs/Teleports); 2) Direct to Home (DTH); 3) (Multi System 4) Mobile TV; 5) Head end-in-the Sky Broadcasting Service(HITS)
Broadcasting Content Services			
Terrestrial Broadcasting FM (FM Radio)	26%	Government	Subject to terms and conditions, as specified from time to time, by Ministry of Information &Broadcasting, for grant of permission for setting up of FM Radio stations
Up-linking of ‘News & Current Affairs’ TV Channels	26%	Government	
Up-linking of Non-‘News & Current Affairs’ TV Channels/ Down-linking of TV Channels	100%	Government	
Cable Networks	74%	Up to 49% Automatic Above 49% government	Multi System Operators (MSOs) operating at National or State or District level and undertaking upgradation of networks towards digitalization and addressability)
	49%	Automatic	Other MSOs not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators (LCOs)
Business Services	100%	Automatic	Data processing, software development, and computer consultancy services. FDI is also allowed for call centers and business processing outsourcing (BPO) organizations, subject to conditions.

Coal/Lignite	100%	Automatic	Coal mines for captive consumption in the power generation sector (subject to the provisions of Coal Mines (Nationalization) Act, 1973.
	100%	Automatic	Coal processing plants, so long as the equity recipient does not sell processed coal on the open market.
Coffee and Rubber Processing and Warehousing	100%	Automatic	
Commodity Exchanges	49% (FDI + FII/FPI)	Automatic	Registered FII/FPI investments are limited to 23% and the FDI investment is limited to 26%. No foreign investor or entity may hold more than 5% equity. http://dipp.nic.in/English/Policies/FDI_Circular_2014.pdf
Construction Development Projects	100%	Automatic	Permitted in the construction and maintenance of townships, housing, built-up infrastructure and construction development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure). The investment is subject to certain minimum capitalization and minimum area-of-development requirements. http://dipp.nic.in/English/acts_rules/Press_Notes/pn10_2014.pdf
Credit Information Companies	74% (FDI+FII / FPI)	Automatic	Requires RBI approval. FII/FPI investment permitted up to 24% within an overall limit of 74% for foreign investment. No single investor/entity can own shares worth more than 10% of total paid-up capital. Furthermore, any acquisition in excess of 1% requires mandatory reporting to RBI.
Courier Services (Other Than Distribution of Letters)	100%	Automatic	
Defense and Strategic Industries	49%	Government	Subject to a DIPP license in consultation with the Defense Ministry. Production of arms and ammunition is subject to additional FDI guidelines. Purchase and price preferences may be given to public sector enterprises as per Department of Public Enterprise guidelines. The licensee must establish adequate safety and security procedures once the authorization is granted and production begins.

			http://dipp.nic.in/English/acts_rules/Press_Notes/pn7_2014.pdf
Drug/Pharmaceuticals	100%	Automatic	Green-field investments.
	100%	Government	Brown-field investments.
Business to Business E-commerce	100%	Automatic	Only in Business to Business e-commerce and not in retail trading. The existing restrictions on FDI in domestic trading would be applicable to e-commerce as well.
Education Services	100%	Automatic	In practical terms, restrictions limit investments to education service providers rather than educational institutions. The Foreign Educational Institutions (Regulation of Entry and Operations, Maintenance of Quality and Prevention of Commercialization) Bill proposed in the previous Parliament would, if passed, allow foreign universities to establish campuses independently without working with an Indian partner institution, but with conditions attached.
Food Processing	100%	Automatic	For fruit and vegetable processing, dairy products, meat and poultry products, fishing and fish processing, grains, confections, consumer and convenience foods, soft bottling, food parks, cold chain, and warehousing. The exception is for alcoholic beverages and beer, where a license is required.
	100%	Automatic	For cold storage facilities.
Hazardous Chemicals	100%	Automatic	A DIPP license is required under the provisions of the Industries (Development and Regulation) Act, 1951.
Health Services	100%	Automatic	
Hotels, Tourism, and Restaurants	100%	Automatic	
Industrial explosives	100%	Automatic	Manufacturers of explosives or materials deemed by the authorities as explosives are required to obtain a license to set up factory operations from the state government's industry commissioner.
Industrial Parks	100%	Automatic	The industrial park must include at least ten units with no single unit occupying more than 50% of the area, and at least 66% of the area made available for industrial activity.
Information Technology	100%	Automatic	For software and electronics development. No FDI is allowed in companies that develop software for the aerospace and defense sectors.
Insurance	49%	Up to 26%	Investors must obtain a license from the

	(FDI+FII /FPI)	Automatic Above 26% government	Insurance Regulatory and Development Authority (IRDA). http://dipp.nic.in/English/acts_rules/Press_Notes/pn3_2015.pdf
Infrastructure Companies in the Securities Market (i.e., stock exchanges, depositories, and clearing corporations)	49% (FDI + FII/FPI)	Automatic	FDI limit of 26% and FII/FPI limit of 23% of the paid-up Capital.
Legal services	None		In March 2010, a Chennai-based attorney, on behalf of the Association of Indian Lawyers, filed a writ of petition in the Madras High Court against 31 foreign law firms, the Bar Council of India, and the Ministry of External Affairs to prevent foreign law firms from practicing in India. The Madras High Court has repeatedly delayed a decision in order to give the court more time to consult with foreign firms. The outcome of the case remains unresolved and the future of foreign law firms practicing in India remains uncertain. The petitioner in the Madras case and other opponents of foreign investment in legal services—with a particular focus on U.S. attorneys—insist foreign firms should be barred from practicing law in India until there is reciprocity in the U.S. market. Law firms from the UK and other countries have found alternatives to the ban on FDI.
Lottery, Gambling, and Betting	None		
Mining			Mining and Exploration of metal and non-metal ores including diamond, gold, silver and precious ores but excluding titanium bearing minerals and its ores; subject to the Mines and Minerals (Development & Regulation) Act, 1957.
Pensions	49%	Automatic	The Parliament passed the Pension Fund Development and Regulatory Authority (PFDRA) Act that lifted the ban on FDI. It is now linked to the Insurance Amendment Act for a further increase in the permitted FDI level.
Petroleum	100%	Automatic	Discovered small fields; refining with domestic private company; petroleum product/pipeline; petrol/diesel retail outlets; LNG pipeline; exploration; investment financing; market study and formulation.

Petroleum Refining	49%	Automatic	Petroleum refining by the Public Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.
Pollution Control	100%	Automatic	Manufacture of pollution control equipment and consultancy for integration of pollution control systems only.
Ports and Harbors	100%	Automatic	For construction and manufacturing of ports and harbors. Security clearances from the Ministry of Defense are required for all bidders on port projects, and only the bids of cleared bidders will be considered.
Power	100%	Automatic	For the power sector (except atomic energy) which includes generation, transmission, and distribution of electricity, and power trading. .
Power Exchanges	49% (FDI/FII +FPI)	Automatic	Foreign investment would be subject to an FDI limit of 26% and an FII/FPI limit of 23% of the paid-up capital. For power exchanges. No non-resident investor/entity, including persons acting in concert, can hold more than 5% of the equity in these companies
Print Media	26%	Government	Printing science and technology magazines/journals.
	100%	Government	Publication of facsimile editions of foreign newspapers.
Professional services	100%	Automatic	For most consulting and professional services, including accounting services.
Research and Development Services	100%	Automatic	
Railways	None		Train operations.
			Auxiliary areas such as rail track construction, ownership of rolling stock, provisioning of container services, and container depots.

	100%	Government	Installation and maintenance of Bio-toilets in passenger coaches Technological solutions for manned and unmanned level crossings Technological solutions to improve safety and reduce accidents High Speed Train Projects Mechanized laundry Producing non-conventional energy from sources such as solar, tidal, wind etc with open market tender being offered. Rolling stock procurement Testing facilities and world class laboratories for experimenting new technology Setting up Railway Technical Training Institutes Construction of world class passenger terminals and renovation/maintenance of existing stations Creation of Freight terminals/ Logistics Parks in strategically important locations Construction of new signaling system Railway Electrification Dedicated freight lines on a Joint Venture and/or PPP model, with clear revenue sharing guidelines Suburban corridor projects through PPP: http://dipp.nic.in/English/acts_rules/Press_Notes/pn8_2014.pdf
Retailing (single brand)	100%	Government	For FDI above 49% government approval is required. Investors are required to meet a 30% local content requirement sourced from domestic small and medium enterprises (SMEs). (http://pib.nic.in/newsite/PrintRelease.aspx?relid=87766).
Retailing (multi-brand)	51%	Government	Investors are required to seek: 1) state government approval, 2) open locations in cities with a population greater than a million residents, 3) commit 50% of first $100 million invested into developing backend infrastructure, and 4) source 30% of the total value of the products sold from Indian SMEs.
Roads	100%	Automatic	Including highways, and mass rapid transport systems.
Satellites	74%	Government	For the establishment and operation of satellites.
Security Agencies	49%	Government	
Shipping	100%	Automatic	

Storage and Warehouse Services	100%	Automatic	Including for cold storage warehousing of agricultural products.
Telecom Services	100%	Up to 49% Automatic Above 49% government	All telecom services including Telecom Infrastructure Providers Category-I, viz. Basic, Cellular, Unified Access Services, Unified license(Access services),Unified License, National/ International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS), All types of ISP licenses, Voice Mail/Audiotex/UMS, Resale of IPLC, Mobile Number Portability services, Infrastructure Provider Category – I (providing dark fiber, right of way, duct space, tower) except Other Service Providers.
Trading/Wholesale	100%	Automatic	For exporting, bulk imports with export warehouse sales, and cash-and-carry wholesale trading. A wholesaler /cash-and-carry trader cannot open a retail shop to sell directly to consumers.

Privatization Program

The Government of India has not generally privatized its assets to the extent of allowing changes in management. Instead, the government has adopted a gradual disinvestment policy that dilutes government stakes in public enterprises without sacrificing control. Such disinvestment has been undertaken both as fiscal support and as a means of improving PSU efficiency. Despite the financial upside to disinvestment in loss-making PSUs, the government has generally shied away from these efforts, as they have led to job losses and therefore engender political risks.

The government of late has begun to look to disinvestment proceeds as a major source of revenue to finance the fiscal deficit. However, the government has missed its disinvestment targets for the past four years. In the 2015-16 budget, the government has set a target of $11.4 billion (INR 695 billion) of earnings through disinvestment; if achieved, this would be an historic high.

Screening of FDI

Foreign Direct Investment (FDI) screening is undertaken by the Foreign Investment Promotion Board (FIPB), a Government of India entity that purportedly provides single window clearance for FDI proposals. The FIPB board consists of a chairman—normally Secretary in the MOF Department of Economic Affairs—and members from the MOCI Department of Industrial Policy & Promotion, the MOCI Department of Commerce, and the Ministry of External Affairs' Economic Relations Division. The Board is empowered to co-opt Secretary-level government functionaries and other top officials of financial institutions, banks, and professional experts, as required. The Minister of Finance approves FIPB decisions on investments up to $200 million, while larger investments require approval from the Cabinet Committee on Economic Affairs (CCEA).

Competition Law

The Competition Commission of India (CCI) is a statutory body responsible for enforcing the Competition Act of 2002. The CCI, first established in 2003, began functioning in May 2009. The Act is in consonance with international standards, prohibiting anti-competitive agreements and abuse of dominant position by enterprises. The Act regulates combinations (acquisition, acquiring of control, and mergers and acquisition) that cause or are likely to cause an appreciable adverse effect on competition. The CCI has also taken on the charge of protecting consumer interests, and it has come out with a number of orders that creatively interpret definitions of dominant position and cartel formation to protect consumer interests. In 2014, the CCI imposed a $400 million penalty on 14 auto companies that had been found guilty of indulging in anti-competitive practices in the sale spare parts.

Investment Trends

Apart from its role as an engine for economic growth, FDI has also served as a major source of non-debt finance for India's economic development. The Indian government's pro-business philosophy and a robust economy have ensured that foreign capital continue to flow into the country. The government expects new initiatives to eventually double the nation's FDI stock, reaching the $60 billion mark in FY15 as foreign investors gain increased confidence.

Table 2

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	85 of 175	**transparency.org/cpi2014/results**
World Bank's Doing Business Report "Ease of Doing Business"	2015	142 of 189	**doingbusiness.org/rankings**
Global Innovation Index	2014	76 of 143	**globalinnovationindex.org/content.aspx?page=data-analysis**
World Bank GNI per capita	2013	$1,499	**data.worldbank.org/indicator/NY.GNP.PCAP.CD**

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) or $4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

Conversion and Transfer Policies

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Foreign Exchange

A determined Reserve Bank of India (RBI) and the advent of a strong BJP-led government resulted in positive market sentiment, allowing the Rupee to stabilize in 2014 following its battering the previous year. From its August 2013 (and all-time) low of 68.36 to the $, the Rupee recovered to start the year 2014 at 61.93. It strengthened further to 58.42 in May, coinciding with the BJP's convincing electoral victory, and ended the year at 63.33. Though the Rupee lost ground for the fourth straight year, the decline was limited to roughly two% in 2014 as compared to 13% in 2013. Indeed, the Rupee was one of the year's best performing emerging market currencies, beating out the Russian Ruble which lost over 70% of its value in 2014, and the Brazilian Real which tumbled over 12%.

The Indian government and RBI have slowly relaxed the series of counter-measures introduced in 2013 to reduce the country's current account deficit. In November 2014, the government lifted the so-called 80:20 import restrictions, which had mandated that 20% of all imported gold must be re-exported before any new metal could enter the country. In February 2015, the RBI lifted the remittance limit under a Liberalized Remittance Scheme, allowing individuals to remit $250,000 per year out of the country, double the previous limit of $125,000.

The Rupee (INR) is fully convertible only in current account transactions, as regulated under the Foreign Exchange Management Act regulations of 2000. Foreign exchange withdrawal is prohibited for remittance of lottery winnings; income from racing, riding or any other hobby; purchase of lottery tickets, banned or proscribed magazines; football pools and sweepstakes; payment of commission on exports made towards equity investment in Joint Ventures or Wholly Owned Subsidiaries of Indian companies abroad; and remittance of interest income on funds held in a Non-Resident Special Rupee Scheme Account. Furthermore, the following transactions require the approval of the Central Government: cultural tours; remittance of hiring charges for transponders for television Channels under the Ministry of Information and Broadcasting and Internet Service Providers under the Ministry of Communication and Information Technology; remittance of prize money and sponsorship of sports activity abroad, if the amount involved exceeds $100,000; advertisement in foreign print media for purposes other than promotion of tourism, foreign investments and international bidding (in excess $10,000) by a state government and its public sector undertakings (PSUs); and multi-modal transport operators paying remittances to their agents abroad. RBI approval is required for acquiring foreign currency above certain limits for specific purposes including: remittances for maintenance of close relatives abroad; remittances for any consultancy services; remittances exceeding five% of investment brought into India or $100,000, whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses.

Capital account transactions are open to foreign investors, though subject to various clearances. NRI investment in real estate, remittance of proceeds from the sale of assets, remittance of proceeds from the sale of shares may be subject to approval by the RBI or FIPB.

Foreign institutional investors (FIIs) may transfer funds from Rupee to foreign currency accounts and back at market exchange rates. They may also repatriate capital, capital gains, dividends, interest income, and compensation from the sale of rights offerings without RBI approval. The RBI also authorizes automatic approval to Indian industry for payments associated with foreign collaboration agreements, royalties, and lump sum fees for technology transfer, and payments for the use of trademarks and brand names. Royalties and lump sum payments are taxed at 10%.

Remittance Policies

Remittances are permitted on all investments and profits earned by foreign companies in India once taxes have been paid. Nonetheless, certain sectors are subject to special conditions, including construction, development projects, and defense, wherein the foreign investment is subject to a lock-in period. Profits and dividend remittances as current account transactions are permitted without RBI approval following payment of a dividend distribution tax. The RBI has usually approved such transactions without delay.

Foreign banks may remit profits and surpluses to their headquarters, subject to compliance with the Banking Regulation Act, 1949. Banks are permitted to offer foreign currency-Rupee swaps without limits for the purpose of hedging customers' foreign currency liabilities. They may also offer forward coverage to non-resident entities on FDI deployed since 1993.

Expropriation and Compensation

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India's image as an investment destination was tarnished in 2010 and 2011 by high-profile graft cases in the construction and telecom sectors, exacerbating existing private sector concerns about the government's uneven application of its policies. In October 2012, India's Supreme Court cancelled 122 telecom licenses and the authorized spectrum held by eight operators under what came to be known as the 2G scandal. The decision impacted both domestic and foreign telecom operators. In 2014, the Supreme Court of India cancelled 214 out of 218 coal blocks allocated since 1993. Apart from the cancellations, the Supreme Court ordered that operational mines would have to pay a penalty of INR 295 ($5) for every ton of coal previously extracted. The U.S. Government continues to urge the Government of India to foster an attractive and reliable investment climate by reducing barriers to investment and minimizing bureaucratic hurdles for businesses. India would benefit from providing a secure legal and regulatory framework for the private sector, as well as institutionalized dispute resolution mechanisms that expedite resolution of commercial disagreements.

Dispute Settlement

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Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Foreign investors frequently complain about the overall lack of contract sanctity. According to the World Bank's, Report on Ease of Doing Business, it takes nearly four years on average to resolve a commercial dispute in India, the third longest average rate in the world (http://www.doingbusiness.org/data/exploreeconomies/india?topic=enforcing-contracts#resolving-insolvency). Indian courts are understaffed and lack the technology necessary to resolve an enormous backlog of pending cases—estimated by the UN at 30-40 million cases nationwide (http://www.refworld.org/docid/51ab45674.html) .

In an attempt to align its adjudication of commercial contract disputes with the rest of the world, India enacted the Arbitration and Conciliation Act based on the United Nations Commission on International Trade Law model in 1996. Judgments of foreign courts are enforceable under multilateral conventions like the Geneva Convention. The government established the International Center for Alternative Dispute Resolution (ICADR) as an autonomous organization under the Ministry of Law and Justice to promote the settlement of domestic and international disputes through alternate dispute resolution. The World Bank has also funded ICADR to conduct training for mediators in commercial disputes settlement.

India is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). It is not unusual for Indian firms to file lawsuits in domestic courts in order to delay paying the arbitral award. Seven cases are currently pending, the oldest of which dates to 1983. India is not a member state to the International Centre for the Settlement of Investment Disputes (ICSID).

The Permanent Court of Arbitration (PCA, The Hague), and the Indian Law Ministry agreed in 2007 to establish a regional PCA office in New Delhi to provide an arbitration forum to match the facilities offered at the Hague, but at a lower cost. Since that time, no progress has been made in establishing the office.

In November 2009, the Department of Revenue's Central Board of Direct Taxes established eight dispute resolution panels (DRPs) across the country to settle the transfer-pricing tax disputes of domestic and foreign companies. In his budget speech of February 2015, the Finance Minister announced the government's intention to propose a Public Contract Bill, aimed at streamlining the resolution of public contract disputes. Another proposal aims to establish specialized commercial divisions within domestic courts to settle long-pending commercial disputes. The government expects to introduce legislation following consultation with stakeholders.

Bankruptcy

According to the World Bank, it takes an average of 4.3 years to recover funds from an insolvent company in India, compared to 2.6 years in South Asia and 1.7 years in OECD countries. The Companies Act adopted by the erstwhile UPA government in 2013 introduced major changes to bankruptcy law, in both the procedures and the institutions involved. Under the law, the revival or liquidation of "sick companies" will be undertaken by a National Company Law Tribunal (NCLT) composed of legal and technical experts and presided over by a High Court judge. The new law does not, however, provide for

U.S. style Chapter 11 bankruptcy provisions. The current Finance Minister announced a proposal to introduce Chapter 11-type bankruptcy mechanisms during his budget speech in February 2015.

Investment Disputes

India received 17 notices under Bilateral Investment Treaties. Most recently, the British oil company Cairn has invoked the India-UK bilateral investment treaty to contest a retroactive taxation reassessment of $1.6 billion plus interest and penalties. Discussions are also underway in the dispute initiated by Vodafone against retrospective capital gains taxation, and firms including IBM and Royal Dutch Shell have been involved in similar disputes over retroactive taxation of transfer pricing.

International Arbitration

Given the amount of disputes, the Government of India circulated for two weeks, in April 2015, a new model bilateral investment treaty (BIT) for public comments. A number of provisions have been introduced to protect the sovereign from investment disputes. Foreign investors will also not have access to bilateral investment promotion and protection agreements (BIPPA, as BITs are known in India), if the contracts they have entered into with local investors or the government provide exclusively for legal recourse in India. As many as 17 companies or individuals – including Vodafone International Holdings BV, Deutsche Telekom, Sistema, Children's Investment Fund, and TCI Cyprus Holdings – have served arbitration notices on India under BIPPAs after their investments faced adverse policy action. Several investors have also challenged the legality of a Supreme Court decision to cancel telecom licenses.

ICSID Convention and New York Convention

Though India is not a signatory to the International Centre for Settlement of Investment Disputes (ICSID Convention), Current claims by foreign investors against India can be pursued through the ICSID Additional Facility Rules, the UN Commission on International Trade Law (UNCITRAL Model Law) rules, or through the use of ad hoc proceedings.

Duration of Dispute Resolution

According to the World Bank Ease of Doing Business Report, enforcement of contracts takes an average of 1,420 days in India. This includes an average of 20 days for filing the dispute, 1,095 days for trial, and 305 days for enforcement of judgments. As a%age of the total claim, dispute resolution will cost the litigant an average of 39.6%.

Under Indian law, the following types of disputes cannot be settled by arbitration, but must be settled through civil suits: matters of public rights; proceedings under the Foreign Exchange Management Act that are quasi-criminal in nature; validity of IPR granted by statutory authorities; taxation matters beyond the will of the parties; and disputes involving insolvency proceedings.

Arbitration is the preferred mode of commercial dispute resolution in India. In April 2009 the London Court of International Arbitration (LCIA), launched its first independent subsidiary in India.

Alternate Dispute Resolution (ADR)

Since formal dispute resolution is expensive and time consuming, many businesses are resorting to methods including ADR for resolving disputes. The most commonly used ADRs are arbitration and mediation. India has enacted the Arbitration and Conciliation Act (based on the UNCITRAL Model Laws of Arbitration). Experts agree that the ADRM techniques are extra-judicial in character and emphasize that ADRM cannot displace litigation. In cases that involve Constitutional or criminal law, traditional litigation remains necessary.

Dispute Resolutions Pending

India has seen a significant number of disputes in the recent past, many of which have made headline news globally. Finance Minister Arun Jaitley in his FY2014-15 budget speech announced that tax demands of $65 billion are under dispute and litigation, before various courts and appellate authorities. An increasing backlog of cases at all levels reflects the current state of India's legal apparatus, and the need for reform in dispute resolution. The dispute resolution infrastructure is characterized by an inadequate number of courts, benches and judges; inordinate delays in filling judicial vacancies; and only 14 judges per million people in India. Almost 25% of judicial vacancies can be attributed to procedural delays.

Performance Requirements and Incentives Return to top

WTO/TRIMS

In 1995, India is a member of the World Trade Organization (WTO) Trade Related Investment Measures Agreement (TRIMS). The TRIMS agreement requires member countries to notify and eliminate non-compliant TRIMS. India was given a five-year grace period to eliminate notified TRIMS, and according to the GOI, India no longer has any outstanding obligation under the agreement. India has not reported any additional TRIMS to the WTO since then. Nonetheless, domestic content requirements under the Jawaharlal Nehru National Solar Mission (NSM) for solar cells and solar modules appear to be discriminatory, and the U.S. has initiated action before the WTO against India. The case is still before the WTO Disputes Panel.

Investment Incentives

The government provides a 10-year tax holiday for knowledge-based startups. Many states also use local tax incentives to attract investment, and these benefits vary by state and by sector. In August 2009, MOCI released its foreign trade policy for fiscal years 2009-14, which highlighted various incentives for exporters with a particular emphasis on labor intensive sectors such as textiles, processed foods, leather, gems and jewelry, tea, and handloom items. The duty credit extended to exporters under this scheme is 3% of the free-on-board (FOB) export value. Exporters are also allowed to import machinery and capital goods duty free. More information can be found here: http://deity.gov.in/sites/upload_files/dit/files/Notification_Preference_DMEPs_Govt_%20

Proc_23_12_2013.pdf). Major changes in the revised policy include the exemption of private companies, and removal of the PMA Policy on equipment notified for security reasons. The former notifications under the 2012 Policy, including the notification of 23 telecom products by Department of Telecommunications, are still valid until revised further.

Research and Development

The GOI allows for 100% FDI in research and development, through the automatic route.

Performance Requirements

Foreign nationals executing projects or contracts in India are required to obtain "employment" visas. All foreigners (including foreigners of Indian origin) visiting India for more than 180 days—whether carrying a student, medical, research, or employment visa—are required to register with the Foreigners Regional Registration Officer (FRRO) in Delhi or the Foreigners Registration Officer (FRO) in their own jurisdiction within 14 days of arrival. The employment of foreigners for periods longer than 12 months requires the approval of the Ministry of Home Affairs (MHA).

Data Storage

The GOI does not require IT providers to turn over source code or provide access to surveillance. The Draft National Telecom M2M Roadmap, which has not been implemented and is currently undergoing a public comment period, states that "all M2M gateways and application servers serving customers in India, needs to be located in India only. The draft policy also proposes that foreign SIM cards should not be permitted in devices to be used in India.

Right to Private Ownership and Establishment Return to top

Foreign and domestic private entities are permitted to establish and own businesses in trading companies, subsidiaries, joint ventures, branch offices, project offices, and liaison offices, subject to certain sector-specific restrictions. The government does not permit foreign investment in real estate, other than company property used to conduct business and for the development of most types of new commercial and residential properties. FIIs can now invest in initial public offerings (IPOs) of companies engaged in real estate. They can also participate in pre-IPO placements undertaken by such real estate companies without regard to FDI stipulations.

To establish a business, various government approvals and clearances are required including incorporation of the company and registration under the State Sales Tax Act and Central and State Excise Acts. Businesses that intend to build facilities on land they own are also required to take the following steps: register the land; seek land use permission if the industry is located outside an industrially zoned area; obtain environmental site approval; seek authorization for electricity and financing; and obtain appropriate approvals for construction plans from the respective state and municipal authorities. Promoters also need to obtain industry-specific environmental approvals in compliance with the Water and Air Pollution Control Acts. Petrochemical complexes, petroleum refineries, thermal power plants, bulk drug makers, and manufacturers of fertilizers, dyes, and paper, among others, must obtain clearance from the Ministry of Environment and Forests.

Protection of Property Rights

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Real Property

Several cities, including the metropolitan cities of Delhi, Calcutta, Mumbai, and Chennai have grown according to a master plan registered with the central government's Ministry of Urban Development. Property rights are generally well-enforced in such places, and district magistrates—normally senior local government officials—notify land and property registrations. Banks and financial institutions will provide mortgages and liens against such registered property.

In other urban areas, and in areas where illegal settlements have been built up, titling remains unclear. As per the GOI Department of Land Resources, the Indian government has launched a National Land Records Modernization Program (NLRMP) to clarify land records and provide landholders with legal title. The program requires the government to survey an area of approximately 2.16 million square miles, including over 430 million rural households, 55 million urban households, and 430 million land records. The government acknowledges the enormity of the task and has not yet provided an estimate as to when the work will be completed.

Traditional land use rights, including communal rights to forests, pastures, and agricultural land, are sanctioned according to various laws, depending on the land category and community residing on it. Relevant legislation includes the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006 the Forest Rights Act, the Tribal Rights Act and the Tribal Land Act.

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The Foreign Exchange Management Regulations and the Foreign Exchange Management Act set forth the rules that allow foreign entities to own immoveable property in India and convert foreign currencies for the purposes of investing in India. These regulations can be found at http://rbi.org.in/scripts/BS_FemaNotifications.aspx and http://www.rbi.org.in/scripts/fema.aspx. Foreign investors operating under the automatic route are allowed the same rights as a citizen for the purchase of immovable property in India in connection with an approved business activity. India ranks 92 out of 189 for ease of registering property in the World Bank's Doing Business Report (http://www.doingbusiness.org/rankings) .

In India, a registered sale deed does not confer title ownership and is merely a record of the sales transaction. It only confers presumptive ownership, which can still be disputed. Actual title is established through a chain of historical transfer documents that originate from the land's original established owner. Accordingly, before purchasing land, buyers should examine all the link documents that establish title from the original owner. Many owners, particularly in urban areas, do not have access to the necessary chain of documents. This increases uncertainty and risks in land transactions.

On December 31, 2014, the government passed a Land Acquisition Amendment ordinance intended to meet the objectives of farmer welfare; along with expeditiously meeting the strategic and developmental needs of the country. However, the government has faced stiff resistance from opposition parties on legitimating the ordinance, as it negates the previous Land Acquisition law's social impact assessment and consent requirements (i.e. necessitating the consent of specified shares of landowners prior to the invocation of eminent domain). For now, the land acquisition/eminent domain regime remains in flux.

Intellectual Property Rights

India offers basic protections to copyright holders. However, enforcement is weak and piracy of copyrighted materials is widespread. India is a party to the Berne Convention, UNESCO, and the World Intellectual Property Organization (WIPO). In 2012, India amended its copyright laws and signed WIPO's Beijing Treaty on the Protection of Audiovisual Performances. However, the copyright law still contains several broad exceptions for personal use and fair dealing, and has weak protection against unlawful circumvention of technological protection measures. It also lacks an effective notice and take-down system for infringing materials posted online. India was listed on the Priority Watch List in USTR's Special 301 report for 2014. The country hosts six Notorious Markets according to USTR's latest report issued in February 2014. These include Nehru Place and Gaffar Markets in New Delhi; Mannish Market and Lamington Road in Mumbai, Cheney Trade Center and Hong Kong Bazaar in Hyderabad (http://www.ustr.gov/about-us/press-office/press-releases/2014/February/Notorious-markets-list-focuses-fight-against-global-piracy-and-counterfeiting). Several of these markets have appeared on previous lists but no identifiable, meaningful, or effective responses have been taken by the Indian government.

India updated its trademark law in recent years to approach international standards for filing and granting trademarks. It is worth noting that India acceded to and has implemented the Madrid Protocol as of July 2013. WIPO has been recognized as an International Search Authority/International Preliminary Examination Authority (ISA/IPEA) under the Patent Cooperation Treaty and began accepting applications in October 2013.

Pharmaceutical and agro-chemical products can be patented in India. Plant varieties are protected by the Plant Varieties and Farmers' Rights Act. Software embedded in hardware may also be patented. However, the interpretation and application of the patent law lacks clarity, especially with regard to several important areas such as compulsory licenses, pre-grant opposition provisions, and the scope of patentable inventions (e.g., whether patents are limited to new chemical entities rather than incremental innovation). In 2012, India issued its first compulsory license for a patented pharmaceutical product. In the case of Natco vs. Bayer, an Indian generics company sought and was granted a compulsory license under India's laws to make a generic version of Bayer's liver and kidney cancer drug, Nexavar. Indian law does not protect against the unfair commercial use of test data or other data submitted to the government during the application for market approval of pharmaceutical or agro-chemical products. The Pesticides Management Bill (2008), which would allow data protection of agricultural chemical provisions, stalled in the previous Parliament.

Indian law provides no statutory protection of trade secrets. The Designs Act allows for the registration of industrial designs. The Designs Rules, which detail classification of design, conform to the international system and are intended to take care of the proliferation of design-related activities in various fields. India's Semiconductor Integrated Circuits Layout Designs Act is based on standards developed by WIPO; however, this law remains inactive due to the lack of implementing regulations.

Customs officers have ex-officio authority to seize and destroy counterfeit goods, though rights holders must pay for storage and destruction of counterfeit materials. India offers all types of counterfeit goods for sale; the seven most vulnerable sectors for IPR crime include automotive parts, alcohol, computer hardware, fast-moving commercial goods (FMCG) for personal use, FMCG packaged foods, mobile phones, and tobacco products. India is slowly experiencing a marginal improvement in its IP protections, both in the ease of registering IP and in the ease of enforcement.

In multilateral negotiations and the WTO TRIPS Council, India, together with other countries, presses demands for unlimited technology transfer that could lead to coercion of private rights holders, weakening their property rights. These outcomes could undermine innovation, trade, and investment in IP-intensive products and services that are critical parts of the response to climate change, sustainable economic development, and other challenges. By advancing such positions, the Indian government is creating uncertainty with respect to its commitment to create a domestic environment that will encourage innovation and investment in high technology industries.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at U.S. Embassy
Kalpana Reddy

IP Attaché
+91-11-2419-2334
Kalpana.reddy@trade.gov

Country/Economy resources:

Madhvi Kataria
American Chamber of Commerce in India (AMCHAM)
Associate Director
madhvi.kataria@amchamindia.com
2652 5201 / 02; 2652 5203; 98102-02213

You can find a list of lawyers at the U.S. Embassy website:
http://newdelhi.usembassy.gov/mobile//service/other-citizen-services/judicial-assistance.html

Transparency of Regulatory System

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Despite progress, the Indian economy is still constrained by conflicting rules and a complex bureaucratic system that has broad discretionary powers. India has a decentralized federal system of government in which states possess extensive regulatory powers. Regulatory decisions governing important issues such as zoning, land-use, and the environment vary between states. Opposition from labor unions and political constituencies slows the pace of land acquisition, environmental clearances, and investment policy.

The central government has been successful in establishing independent and effective regulators in telecommunications, securities, insurance, and pensions. The Competition Commission of India (CCI), India's antitrust body, has taken up its enforcement powers and is now taking cases against cartelization and abuse of dominance, as well as conducting capacity-building programs for bureaucrats and company officials. Currently the commission's investigations wing is required to seek the approval of the local chief metropolitan magistrate for a search and seizure operation. In June 2011, the government enacted rules governing mergers and acquisitions. The Securities and Exchange Bureau of India (SEBI) enforces corporate governance and is well regarded by foreign institutional investors. The RBI, which regulates the Indian banking sector, is also held in high regard. Some Indian regulators, including SEBI and the RBI, engage with industry stakeholders through periods of public comment, but the practice is not consistent across the government.

The Companies Act adopted in 2013 brings India's corporate governance rules in line with international standards with regards to transparency and audit procedures. The new government made several amendments to the act in 2014 to make it more investor friendly.

Efficient Capital Markets and Portfolio Investment Return to top

Riding high on sentiments, the S&P BSE SENSEX index — India's benchmark 30-share index — ended the year 6,329 points or 30% higher at 27,499. The Sensex had a near-euphoric rise touching an all-time high of 28,822 on November 28, 2014, not long after a new government was installed in the center. Market capitalization of the Bombay Stock Exchange (BSE) hit $1.56 trillion on December 31, 2014. The year 2014 also marks the third consecutive year of gains for the stock market, after a sharp plunge in 2011. Globally, the Sensex was the second best performing index among major nations, following China's benchmark Shanghai Composite. The National Stock Exchange and BSE Ltd. together comprise about 100% of total Indian stock market turnover. In September 2014, MCX-SX, a stock exchange established in 2008, received SEBI approval to change its name to "Metropolitan Stock Exchange of India Ltd." Spot prices for index stocks are generally market-driven, and settlement mechanisms are consistent with international standards. Unlike Indian equity markets, local debt and currency markets remain relatively underdeveloped, with limited participation from foreign investors. Indian businesses receive the majority of their finance through the banking system, not through capital markets. Although private placements of corporate debt have increased, India's corporate bond market is small (equivalent to only13% of GDP according to a recent CARE Report) and daily trading volume remains thin.

Foreign investment in India can be made through various routes, including: FDI, the Portfolio Investment Scheme (PIS), and venture capital investment. The PIS route provides access to a wide range of foreign portfolio investors, including foreign institutional investors FIIs, FII sub-accounts, Qualified Foreign Investors (QFIs), and Non-NRIs. FIIs are divided into two categories: regular FIIs, which invest in both equity and debt; and 100% debt-fund FIIs. Eligible FIIs include the following: overseas pension funds, mutual funds, banks, foreign central banks, sovereign wealth funds, endowment and university funds, foundations, charitable trusts and societies, insurance companies, re-insurance companies, foreign government agencies, international and multilateral organizations, broad-based funds, asset management companies, investment managers, and hedge funds. FIIs must be registered and regulated by a recognized authority in their home country; as a result, many U.S.-based hedge funds cannot register as FIIs. "Sub-account" refers to any person residing outside of India on whose behalf investments are made within India by an FII. These include foreign individuals and corporations, broad-based funds, proprietary funds under the name of a registered FII, endowment and university funds, and charitable trusts and societies. Non-resident Indians (NRIs) are not eligible to apply as sub-accounts.

FIIs invested nearly $24.7 billion in the Indian debt market in 2014, the highest level of investment since 1997. Also, for the first time, FII investment in debt outpaced that in the equity market, as most debt inflows have gone to government securities. FIIs invested $16.3 billion in Indian equities in 2014. As the equity market rallied through most of calendar 2014, the total number of registered FIIs, qualified foreign investors (QFIs), and Foreign Portfolio Investors (FPIs) rose to 2,223 in December 2014. On the other hand, the number of registered FII sub-accounts dropped to 5,427. The revised FPI regulations (that combine existing FIIs, FII sub-accounts, and QFIs into a new class termed as FPI) issued in January by the Securities Exchange Board of India (SEBI) have made registration of foreign investors much simpler. Previously, foreign investors registered with SEBI, but the new rules allow designated depository participants (like NSDL and CDSL) to accept all applications for registration as FPIs. Industry watchers say that the NSDL database may not reflect new registrations accurately until all existing FIIs are registered as FPIs.

Indian equity markets have few restrictions on capital flows, but do limit foreign ownership stakes. FIIs and sub-accounts can own up to 10% and 5% respectively of the paid-up equity capital of any Indian company. Aggregate FPI investment in an Indian company is capped at 24%, unless specifically authorized by that company's board of directors. All investor classes are permitted to sell short, except for NRIs. Investors must, however, maintain a minimum margin requirement.

In June 2014, the RBI allowed FPIs to access the currency futures or exchange traded currency options market to hedge onshore currency risks in India, a move that was touted as a significant initiative in attracting Dollar inflows into the country. According to RBI data, the participation of FPIs in exchange traded currency derivatives has remained muted. Participation of FPIs in OTC currency derivatives has also remained quite low. India's growing importance in the global economy has led to increased interest in the Rupee. Yet, the persistence of capital controls in the onshore market has led to the development of an offshore Rupee market called Non Deliverable Forward (NDF), particularly in Singapore, Dubai, London, and New York. The RBI has taken a number of steps in the recent past to bring these offshore activities onshore, in order to deepen the domestic markets, enhance downstream benefits, and generally obviate the need for an NDF market.

Foreign firms and persons are prohibited from trading in commodities. SEBI allows foreign brokers to work on behalf of registered FIIs, but these FIIs can also bypass brokers and deal directly with companies in open offers. FII bank deposits are fully convertible, and their capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings post tax, may be repatriated without prior approval. NRIs are subject to separate investment limitations. They can repatriate dividends, rents, and interest earned in India, and specially designated NRI bank deposits are fully convertible.

Foreign venture capital investors (FVCIs) must register with SEBI to invest in Indian firms. They can also set up domestic asset management companies to manage funds. All such investments are allowed under the automatic route, subject to SEBI and RBI regulations, and to FDI policy. FVCIs can invest in many sectors including software business, information technology, pharmaceuticals and drugs, biotechnology, nanotechnology, biofuels, agriculture, and infrastructure. Companies incorporated outside India can raise capital in India's capital markets through the issuance of Indian Depository Receipts (IDRs). These transactions are subject to RBI and SEBI monitoring per conditions outlined at: http://www.sebi.gov.in/cms/sebi_data/commondocs/foreigncos1_p.pdf

Companies are required to maintain pre-issued, paid-up capital, and free reserves of at least $100 million, as well as an average turnover of $500 million during the three financial years preceding issuance. The company must be profitable for at least five years preceding the issuance, declaring dividends of no less than 10% each year and maintaining a pre-issue debt-equity ratio of no more than 2:1. Standard Chartered Bank, a British bank which was the first foreign entity to list in India in June 2010, remains the only foreign firm to have issued IDRs.

External commercial borrowing (ECB), or direct lending to Indian entities by foreign institutions, is allowed if funds are used for outward FDI, or for domestic investment in industry, infrastructure, hotels, hospitals, software, self-help groups or microfinance activities, or to buy shares in the disinvestment of public sector entities (http://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9069). ECBs cannot be used for on-lending, investments in financial assets, acquisition of real estate or a domestic firm, meeting of working capital requirements or repayment of existing Rupee loans. An ECB can raise a maximum of $750 million in a financial year, unless it is in the hotel, hospital, software, or miscellaneous services sectors. NGOs engaged in micro-finance activities and Micro Finance Institutions can raise ECB up to $10 million in a financial year, and must hedge 100% of their currency risk exposure. Non-bank Finance Company – Infrastructure Finance Companies (NBFC-IFCs) can raise ECB up to 75% of their owned funds and must hedge 75% of their currency risk exposure. The all-in cost ceilings for ECBs with an average maturity period of three-to-five years is capped at 350 basis points over the six-month LIBOR, and 500 points for loans maturing after five years. Indian companies borrowed close to $34.12 billion in foreign currency through ECBs and $400 million through foreign currency convertible bonds (FCCBs) in 2013.

Takeover regulations require disclosure upon acquisition of shares exceeding 5% of total capitalization. SEBI regulations require that any acquisition of 15% or more of the voting rights in a listed company must trigger a public offer. The public offer made by the acquiring entity (i.e., the individual, company, or other legal entity) must allow for the sale of at least 20% of the company's voting rights. Since October 2008, an owner holding between 55% and 75% of voting rights can acquire additional voting rights of up to 5% without making a public offer (i.e., creeping acquisition). However, the buyer can make a creeping acquisition only by open market purchases and not through bulk/block/negotiated deals or preferential allotment. Subsequent to such acquisition, the buyer's total shares should not cross the threshold of 75%. RBI and FIPB clearances are required to assume a controlling stake in an Indian company. Cross shareholding and stable shareholding are not prevalent in the Indian market.

Money and Banking System, Hostile Takeovers

Twenty-seven public sector banks (PSB) dominate the Indian banking market, the largest of which is the State Bank of India (SBI). PSBs accounted for 73.3% of aggregate deposits and 71.2% of gross bank credit at the end of December 2014. PSBs are not technically subject to any excess regulations over commercial banks, neither in terms of lending practice nor deposits. They do, however, have their CEOs, upper management, and a number of their board of directors appointed by the government, meaning that the government can become quite influential in credit decisions. The Non-Performing Assets (NPAs) of the banks stood at $49 billion as of December 2014 due to sluggish growth. PSBs accounted for over 90% of total NPAs.

The RBI has taken a number of steps to encourage recovery of NPAs, including mandatory board-approved loan recovery policies, establishment of effective mechanisms for information sharing regarding loan sanctions, and the establishment of legal mechanisms. The RBI released guidelines on January 30 for "Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders:

Framework for Revitalizing Distress Assets in the Economy" suggesting various steps for earlier recognition and resolution of stressed assets (http://www.rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=715).

The Guinness Book of World Records has recognized the achievements of the Pradhan Mantri Jan Dhan Yojana (PMJDY), the world's largest financial inclusion initiative. As of April 2015, 125 million bank accounts have been opened under the initiative, which aims to provide a bank account to every un-banked Indian. Though the number of accounts opened is immense, 84.4 million of these still maintain a zero-balance, and six months of "satisfactory transactions" are necessary before the account-holder qualifies for benefits including overdraft and life insurance. It is likely the number of transactions will rise once the government expands its initiative for providing subsidies and benefits through direct bank transfers.

Takeover regulation in India applies equally to domestic and foreign companies. The regulations do not recognize, however, any distinct category of hostile takeovers. RBI and FIPB clearances are required to acquire a controlling stake in Indian companies. Takeover regulations require disclosure on acquisition of shares exceeding 5% of total capitalization. As per SEBI's Substantial Acquisition of Shares and Takeovers (Amendment) Regulations, released in 2013, acquisition of 25% or more of the voting rights in a listed company triggers a public offering of an additional 26% stake at least. Under the creeping acquisition limit, the acquirer holding 25% or more voting rights in the target company can acquire additional shares or voting rights up to 5% of the total voting rights in any financial year, up to a maximum permissible non-public shareholding limit of 75% generally. Acquisition of control over the target company, irrespective of shares or voting rights held by the acquirer, will trigger a mandatory open offer.

Financial Sector in India

India has a diversified financial sector, which is undergoing rapid expansion. It can be classified into Banking, Pension, insurance, capital markets, investment management and foreign exchange services.

India is projected to become the fifth largest banking sector globally by 2020, as per a joint report by KPMG-CII. This report also expects bank credit to grow at a compounded annual growth rate (CAGR) of 17% in the medium term leading to better credit penetration.

Financial inclusion is among the topmost priorities of the New Indian Government. Prime Minister Narendra Modi launched the "Pradhan Mantri Jan Dhan Yojana" in August 2014. 125 million accounts have been opened as of January 31, 2015 under the scheme.

Banks

The size of banking assets in India reached $1.8 trillion in FY14 and is expected to touch $28.5 trillion by FY25.

The financial sector in India is predominantly a banking sector with commercial banks accounting for more than 60% of the total assets held by the financial system.

The Government of India has introduced reforms to liberalize, regulate and enhance this industry. The advent of technology has also aided the growth of the industry. There are total of 44 foreign banks operating in India and 45 foreign banks having Representative offices in India.

Foreign banks can operate in India through both a branch model as well as a subsidiary model, though recently it has been proposed that the entry of foreign banks should be through a setup of their wholly-owned subsidiaries only. Apart from the branch and the subsidiary route, a foreign bank can also operate in India through foreign direct investment ("FDI") of up to 49% in an Indian bank under the automatic route (i.e., without approval by the Government of India), and investments between 49% & 74% under the government approval route. The said limit of 74% is inclusive of any investment under the Portfolio Investment Scheme ("PIS") by Foreign Institutional Investors ("FIIs") and Non-Resident Indians ("NRIs").

Requirement to set up wholly owned Subsidiary (WOS) to enter Indian market, Priority Sector lending norms and lack of niche banking licensing are some of the regulatory hurdles the foreign banks face.

In spite of stringent regulations and restrictions by the central bank Reserve Bank of India (RBI), India will continue to attract foreign banks looking to set up branches/representative offices in order to facilitate trade and commerce in their home markets. Foreign banks in India are free to undertake any banking activity (e.g., wholesale, retail, investment banking, foreign exchange, etc.) which is allowed to all the domestic banks.

Insurance

Insurance industry in India can broadly be divided into Life Insurance and General Insurance. The Insurance industry in India consists of 24 Life insurance companies and 28 non-life insurance companies. General Insurance Corporation of India (GIC) is the sole national re-insurer.

With relaxation of foreign investment limit from 26% to 49% many companies have announced plans to increase their stakes in joint ventures with Indian companies.

During 2013-14, the life insurance industry recorded a premium income of $49.67 billion, as against $45.39 billion in the previous financial year, registering a growth of 9.4%.

India’s life insurance sector is the biggest in the world with about 360 million policies, which are expected to increase at a compounded annual growth rate (CAGR) of 12-15% over the next five years. The insurance industry is planning to hike penetration levels to 5% by 2020, and could top the $1 trillion mark in the next seven years.

As per the General insurance Council (GIC) report, the Non-life insurance Gross Domestic Premium has grown at a CAGR of 18% over the 10 years ending 2013-14.

Latest Government initiatives:

The RBI has allowed banks to become insurance brokers, permitting them to sell policies of different insurance firms to help increase the penetration.

Government of India has recently launched “Pradhan Mantri Suraksha Bima Yojana” (for Accidental Death and Disability) and “Pradhan Mantri Jeevan Jyoti Bima Yojana” (for life insurance) to start from June 1, 2015.

Pension Funds

Investment corpus in India’s pension sector is expected to cross $1 trillion by 2025, following the passage of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013.

More than 90% of the business is from the government. There are seven players in the domestic pension sector licensed by PFRDA as the pension fund managers for the corpus of National pension Scheme (NPS). The extra tax benefit and the option to select between Employers Provident Fund (EPF) and NPS is expected to bring in more business for the pension players.

Recently, the FDI cap in the sector has been introduced at 49%. No government approval is required till 26%. But Foreign Investment Promotion Board (FIPB) nod would be needed for investment beyond 26% and up to the cap of 49%.

All investments in the pension sector, however, will have to abide by the pension sector regulator PFRDA.

Entry of foreign pension funds will facilitate the government’s efforts to ensure a rapid increase in pension coverage of the private sector workforce in India. There will be more than 300 million people over the age of 60 by 2050, compared with nearly 100 million people in that age group in India at present as per the CRISIL study report.

“Atal Pension Yojana” starting from June 1, 2015 to provide Social security benefits to people working in the unorganized sector.

Non-Banking Financial Companies (NBFC)

NBFCs are a diverse mix of financial institutions which mainly carry out the business of receiving deposits, financing, leasing, and investing in securities, chit funds and lease purchase.

NBFCs can broadly be categorized as deposit taking ("NBFC-D") or non-deposit taking ("NBFC-ND").

100% Foreign Direct Investment (FDI) in NBFC is allowed under the automatic route in following activities- Merchant Banking, Underwriting, Portfolio Management Services, Investment Advisory services, Financial Consultancy, Stock Broking, Asset management, Venture Capital, Custodian Services, Factoring and Credit rating agencies, leasing & Finance, housing Finance, Forex broking, Credit Card business, Money changing business, Micro Credit and Rural Credit.

FDI into NBFCs are subject to the following minimum capitalization requirements:

- $0.5 million to be brought upfront for foreign capital up to 51%

- $5 million to be brought upfront for foreign capital more than 51% and up to 75%
- $50 million to be brought for foreign capital more than 75% ($7.5 million to be brought up front and the balance in 24 months)

Currently, investment activities are not permitted under the automatic route. Accordingly, foreign investment in an investment NBFC or an NBFC falling under the definition of Investing Company under the FDI Policy would require prior approval of Foreign Investment Promotion Board (FIPB).

The RBI and Ministry of Finance through their recent working group reports have recognized the importance of NBFCs for the financial system and suggested expansion of the NBFC sector while strengthening the regulatory framework.

Asset Management Companies (AMC) / Mutual Funds

AMCs are regulated by Securities and Exchange Board of India (SEBI), which was established in 1992. In contrast with the U.S., an Indian “mutual fund” is a multi-tier pass-through trust established by a sponsor. Trustees oversee an AMC, which in turn manages a portfolio of investments. Governance is an important consideration for AMCs; all mutual funds must register with SEBI before launching an individual fund offering, and SEBI includes strict independence regulations governing members of trustee and AMC boards.

The Association of Mutual Funds in India (AMFI) data shows that assets of the mutual fund industry have hit an all-time high of about $190 billion as of April 2015 with 47.3% held by individual investors and 52.7% by institutional investors.

Foreign Exchange – Authorized Money Changers

The Foreign Exchange Management Act, 1999 or FEMA regulates the Foreign Exchange market in India. The foreign exchange market in India is growing very rapidly with annual turnover of the market crossing $400 billion mark.

Foreign Exchange Dealers Association is a voluntary association that helps in regulating the market to some extent. Buyers, Sellers, market mediators and monetary authority of India are all part of the Foreign Exchange Ecosystem in India.

Besides, Authorized Dealers and brokers, authorized moneychangers, travel agents, certain hotels and government owned shops are provided with limited rights to accept the foreign currency.

Payment Banks

What are payments banks?

Such banks can be set up with a minimum capital of INR 100 crore ($15.8 million) as against INR 500 crore ($79.3 million) required for normal commercial banks.

People can open current and savings accounts with payment banks up to the maximum balance of INR 100,000 ($1587). The banks can issue ATM and debit cards but not credit cards, and they can't give loans.

RBI is hoping that payments banks will usher in financial inclusion and provide payments and remittance services to a migrant workforce, low-income households and others.

Telecom companies, retailers, mobile wallet providers, large business houses and several others are betting that the country's huge unbanked population will take to payments banks just as they took to cell phones.

A CRISIL report projects that $12.7-14.3 billion domestic remittances market will grow at 11% to 13% CAGR in the next few years based on an assessment of remittances to the low-income migrant population. This segment is expected to be among the early users of payments banks.

REITs

The Securities and Exchange Board of India (SEBI) recently approved the formation of real estate investment trusts (REITs) in India.

REITs are listed entities that mainly invest in income-producing real estate assets, the earnings of which are mostly distributed to their shareholders. REITs will be allowed to invest only in commercial properties.

FDI is allowed in REITs subject to permission in keeping with the Department of Industrial policy and Promotion (DIPP) guidelines, which actually prohibit FDI in real estate business. Currently, FDI regulations by DIPP allow investments in under-construction real estate and complete projects for operation and management of townships.

Notably, the guidelines for foreign direct investment in REITs are still awaited.

Alternative Investment Funds (AIF)

SEBI is working on a new platform for fund raising, meant for startups and SMEs which cannot opt for the IPO route. Venture Capital firms, High Net Worth Individuals and Financial Corporations can use this platform to fund promising startups.

Considering that majority of the tech enabled startups are not clearly understood by traditional investors and shareholders, this alternate investment platform will act like a stock exchange for these early stage companies working on new technology and new domains.

Alternative investment funds can attract capital from foreign investors. With the objective of increasing investment opportunities for Indian alternative investment funds (AIFs), the RBI has allowed these funds to invest overseas as well.

About $80 billion plus investment was made in Indian companies by PE/VC over last 10 years.

AIF can be divided into three types:

1. Category I- venture Capital Funds

2. Category II- PE Funds
3. Category III- Hedge Funds

Wealth Management Services – Family Offices

The concept of family office is gaining popularity and becoming a normal business practice.

The overall growth in wealth has created a need for professional companies offering wealth management solutions, chartered accountants and legal experts specializing in estate and succession planning.

The trend began about 20 years ago with liberalization, but blossomed in the last 10 years with equity evolution.

More and more business houses in India are opening family offices, 200 at last count, and trending towards 500 in the next five years.

As new millionaires emerge every year, a family office is becoming the norm rather than the exception, according to wealth management experts.

Estimates of high-net-worth households in India

	2009	2010	2011	2015	2020
Net worth of $1m - $5m	157,000	183,333	210,000	315,000	508,127
Net worth of $5m - $30m	36,000	43,000	50,000	84,000	13,280
Net worth above $30m	17,000	21,000	26,000	40,000	56,000
Total wealth holdings of millionaires ($ Bn)	361.78	503.12	584.49	1,559.06	2,950.06
Total households	210,000	247,333	286,000	439,000	694,406

Source: Deloitte Center for Financial Services

GIFT City

Gujarat International Finance Tec-City (GIFT) is an under-construction central business district in the Indian state of Gujarat. GIFT is conceptualized as a global financial and IT services hub, a first of its kind in India.

GIFT city aspires to cater to India's large financial services potential by offering global firms world-class infrastructure and facilities in the areas of offshore banking, fund custody, insurance, assurance and reinsurance, corporate treasury management, securities trading and other related services.

It aims to attract the top talent in the country by providing the finest quality of life all with integrated townships, IFSC and multi-specialty special economic zone. The site is 12 KM from the Ahmedabad International Airport and 8 KM from Gandhinagar.

Competition from State Owned Enterprises

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In India, the government owns or controls interests in key sectors with significant economic impact, including infrastructure, oil, gas, mining, and manufacturing. Over the decades, the Indian government has taken a number of steps to improve the performance of Central Public Sector Enterprises (CPSEs), including improvements to corporate governance. Reforms carried out in the 1990s focused on liberalization and deregulation of most sectors and disinvestment of government shares. These and other steps to strengthen CPSE boards and enhance transparency evolved into a more comprehensive governance approach, culminating in the Guidelines on Corporate Governance of State-Owned Enterprises issued in 2007 and their mandatory implementation from 2010. Governance reforms gained prominence for several reasons: the important role that CPSEs continue to play in the Indian economy; increased pressure on CPSEs to improve their competitiveness as a result of exposure to competition and hard budget constraints; new listings of CPSEs on capital markets.

OECD Guidelines on Corporate Governance of SOEs

The Organization for the Economic Cooperation and Development (OECD) Guidelines on Corporate Governance of State-Owned Enterprises (SOEs) give concrete advice to countries on how to manage more effectively their responsibilities as company owners, thus helping to make state-owned enterprises more competitive, efficient and transparent. Adopted in 2005 as an internationally-agreed standard on how governments should exercise ownership of SOEs, the guidelines underwent review and revision in 2014 to take into account developments since their adoption and the experiences of the growing number of countries that have taken steps to implement their recommendations. The revision process is overseen by the OECD Corporate Governance Committee's Working Party on State Ownership and Privatization Practices. It involves extensive consultations with business and labor representatives, civil society, and representatives of OECD's partner countries.

Sovereign Wealth Funds

India does not have a sovereign wealth fund. Under the previous government, the Prime Minister’s Council on Trade and Industry had suggested setting up a sovereign fund with an initial corpus of $5 billion to help fund acquisition of companies abroad; however, the idea has not found much traction under the current government. Looking to attract larger inflows from sovereign wealth funds and foreign pension funds, government and financial sector regulators have renewed their efforts to make Indian markets, especially government bonds, much more appealing to such investors. The policymakers view the overseas investments by sovereign wealth funds, multilateral agencies, endowment funds, pension funds, insurers, and foreign central banks as much more stable in nature, as compared to institutional investors and hedge funds. The world’s largest sovereign wealth fund, Norway’s Government Pension Fund Global (GPFG), plans to significantly increase its holdings in India. Mr. Yngve Slyngstad, Chief Executive Officer GPFG said “India is one of those markets where you should expect that we will continue to increase our investments over time, significantly.” He added that the BJP-led government has shifted toward more market-based energy pricing, allowed more foreign investment in the defense industry, and pushed to revive the manufacturing. These and other reforms, he noted, have increased investor confidence in the country.

Corporate Social Responsibility

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The Companies Act of 2013 marked a dramatic change in India's corporate social responsibility (CSR) policy, as the law requires a minimum level of CSR spending for large, profitable companies, as well the formation of CSR committees by company boards of directors. Section 135 requires publicly-held companies to spend 2% of annual domestic profits on CSR-related activities. As of the law's enactment on April 1, 2014, domestic companies (including subsidiaries of multinational companies) generating approximately $200 million or more in sales, with a net worth greater than $100 million, or with annual profits greater than $1 million for three consecutive years, must issue a public report of their CSR expenditures, or provide an explanation of why they failed to meet the minimum CSR spending requirements. The directors of companies that fail to report are held personally accountable under the law and can face fines or imprisonment. According to a recent joint handbook published by the Confederation of Indian Industries (CII) and Price Waterhouse Coopers on Corporate Social Responsibility in India, the industry has responded positively to CSR reform measures. The combination of regulatory and social pressures has led companies to pursue their CSR activities more systematically. The same handbook states that the Indian Institute of Corporate Affairs (under the Ministry of Corporate Affairs) estimates that a minimum of 6,000 Indian companies will be required to undertake CSR projects in compliance with the Companies Act. Many will be undertaking these initiatives for the first time.

By requiring companies with a minimum net profit of $1 million to invest in CSR, the Companies Act is likely to bring many small and medium enterprises (SME) into the CSR fold. The lower threshold could usher in a fresh set of challenges as companies must become compliant with a diverse set of requirements.

There are many NGOs working on CSR in India, including the following:

- GiveIndia (http://www.giveindia.org) Give India gives a donation platform that allows companies to support a cause of choice from about 200 NGOs that have been scrutinized for transparency and credibility
- Transparency International India (TII) (http://www.transparencyindia.org). TII sponsors the Advocacy and Legal Action Center, which runs an Anti-Corruption Hotline and provides training sessions on corporate governance and CSR.
- Charities Aid Foundation (http://www.cafindia.org/) CAF India provides strategic and management support to corporates, individuals and PSUs in order to ensure greater impact of their philanthropic and CSR investments

OECD Guidelines for Multinational Enterprises

GOI does not adhere to the OECD Guidelines for Multinational Enterprises.

Political Violence
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There have been no significant incidents involving political violence since mid-2014. However, outbursts of violence related to insurgent movements continue in Jammu and Kashmir and some northeastern states. Maoist/Naxalite insurgent groups also remain active in some eastern and central Indian states, including the rural areas of southern Bihar, Jharkhand, Chhattisgarh, and Orissa. Travelers to India are invited to visit the U.S. Department of State travel advisory website at: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1139.html for the latest information and travel resources.

Corruption
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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at: http://www.justice.gov/criminal/fraud/fcpa/guidance/. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: http://www.justice.gov/criminal/fraud/fcpa/.

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (negotiated under the auspices of the OECD), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to the United Nations Conventions against Corruption and is a member of the G20 Working Group against Corruption.

OECD Antibribery Convention: The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see http://www.oecd.org/corruption/oecdantibriberyconvention.htm). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. India is not a party to the OECD Antibribery Convention.

UN Convention: The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. India is a party to the UN Convention.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2015, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see http://www.oas.org/juridico/english/mesicic_intro_en.htm). India is not a party to the OAS Convention.

Council of Europe Criminal Law and Civil Law Conventions on Corruption: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp. As of January 2015, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173; http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174). India is not a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. India does not have an FTA with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at www.trade.gov/cs.

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp. Potential violations of the FCPA can be reported to the Department of Justice via email to FCPA.Fraud@usdoj.gov.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at http://www.justice.gov/criminal/fraud/fcpa/guidance/. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Public sector corruption, including bribery of public officials, remains a major challenge for U.S. firms operating in India.

India is a signatory to the United Nations Conventions against Corruption and a member of the G20 Working Group against Corruption. India is ranked 85 out of 175 countries surveyed in Transparency International's 2014 Corruption Perception Index, which is an improvement over last year's ranking of 94 out of 177. The legal framework for fighting corruption in India is addressed by the following laws: the Prevention of Corruption Act, 1988; the Code of Criminal Procedures, 1973; the Indian Contract Act, 1872; the Prevention of Money Laundering Act, 2002; and the Companies Act, 2013. Anti-corruption laws amended since 2004 have granted additional powers to vigilance departments in government ministries at the central and state levels. The amendments also elevated India's Central Vigilance Commission (CVC) to a statutory body. India's Parliament enacted the Lokpal bill in 2013, which created a national anti-corruption ombudsman and requires states to create state-level ombudsmen within one year of the law's passage. The government has yet to implement the law, however, and as yet, no ombudsmen have been appointed.

In February 2014, the government enacted the Whistleblower Act, intended to protect anti-corruption activists, but as yet unimplemented. Experts believe that the prosecution of corruption has proven effective only among the lower levels of India's bureaucracy; senior bureaucrats have generally been spared. Businesses consistently cite corruption as a significant obstacle to FDI in India and identify government procurement as a process particularly vulnerable to corruption.

The Companies Act, 2013, established rules related to corruption in the private sector by mandating mechanisms for the protection of whistle blowers, industry codes of conduct, and the appointment of independent directors to company boards. As yet, the government has established no monitoring mechanism, and it is unclear the extent to which these protections have been instituted. No legislation focuses particularly on the protection of NGOs working on corruption issues, though the Whistleblowers Protection Act, 2011, may afford some protection once it has been fully implemented.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

India is a signatory to the United Nations Conventions against Corruption and is a member of the G20 Working Group against Corruption.

India is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

John E. Zak
Political Officer
U.S. Embassy New Delhi
Shantipath, Chanakyapuri
New Delhi
+91 11 2419 8000
Zakje@state.gov

Ashutosh Kumar Mishra
Executive Director
Transparency International, India
Lajpat Bhawan, Room no.4
Lajpat Nagar,
New Delhi - 110024
+91 11 2646 0826
info@transparencyindia.org

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa and http://www.justice.gov/criminal/fraud/fcpa/guidance/

- The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: https://www.sec.gov/spotlight/fcpa.shtml. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.

- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website:http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives

- The Trade Compliance Center hosts a website with anti-bribery resources, at http://tcc.export.gov/Bribery. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at:http://www.oecd.org/corruption/oecdantibriberyconvention.htm See also Antibribery Recommendation http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm and Good Practice Guidance Annex for companies: http://www.oecd.org/daf/anti-bribery/44884389.pdf.

- GRECO monitoring reports can be found at: http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp

- MESICIC monitoring reports can be found at: http://www.oas.org/juridico/english/mesicic_intro_en.htm

- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at http://businessethics.apec.org/, and the APEC Anti-Corruption and Transparency Working Group, at http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx. For more information on APEC generally, http://www.apec.org/.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/research/cpi/overview. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/research/gcr.

- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See http://info.worldbank.org/governance/wgi/index.aspx#home. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: http://www.doingbusiness.org/

- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See http://www.weforum.org/reports/global-enabling-trade-report-2014.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. (The 2012 and 2013 reports covered a small number of countries as the organization focused on re-launching a modernized methodology in mid-2014.) For more information on the report, see https://www.globalintegrity.org/global-report/what-is-gi-report/.

Bilateral Investment Agreements

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As of July 2012, India had concluded 82 bilateral investment treaties (BIT) including with the United Kingdom, France, Germany, Switzerland, Malaysia, and Mauritius. Of these, 72 agreements are currently in force. The complete list of agreements can be found at: http://www.finmin.nic.in/bipa/bipa_index.asp.

In early 2012 local media reported that Coal India lost in international arbitration against an Australian firm. The Australian firm reportedly won its case based on more favorable treaty language from a third country investment treaty, leading the Government of India to temporarily suspend all BIT negotiations until it had drafted a new model agreement.

The Government of India circulated a new model BIT in April 2015 for two weeks of public comment. A number of provisions have been introduced to protect the sovereign from investment disputes. Foreign investors will not have access to bilateral investment treaties, if the contracts they have entered into with local investors or the government provide exclusively for legal recourse in India.

In 2009, India concluded a Comprehensive Economic Cooperation Agreement (CEPA) with ASEAN and a free trade agreement (FTA) in goods, services, and investment with South Korea. In February 2011, India signed CEPAs with Japan and Malaysia. FTA negotiations with the EU and Canada are still under way, and India is negotiating a CEPA with Thailand.

In February 2014, the United States and India held technical discussions on a BIT. The U.S. Department of Commerce International Trade Administration's Invest in America program (SelectUSA), and Invest India, a joint venture between DIPP and the Federation of Indian Chambers of Commerce and Industry (FICCI), signed a Memorandum of Intent in November 2009, to facilitate FDI in both countries.

Bilateral Taxation Treaties

India has a bilateral taxation treaty with the United States.

OPIC and Other Investment Insurance Programs Return to top

The Overseas Private Investment Corporation (OPIC), a U.S. government agency created to protect U.S. investor interests abroad, offers capital and risk mitigation tools including: financing (from large structured finance to small business financing), political risk insurance, and support for private equity investment funds. Since 1974, OPIC has invested nearly $2.7 billion in 148 projects in India. OPIC is a key member of the U.S.-India Partnership to Advance Clean Energy (PACE,) and since 2009, OPIC has invested over $900 million in India, with one third of those investments in renewable energy (http://www.energy.gov/ia/initiatives/us-india-energy-cooperation). In fiscal year 2014, OPIC committed over $84 million to seven new projects in India, including investments in solar energy and loans to microfinance and SME lenders. OPIC's portfolio in India totals almost $734 million in 22 projects; with over $300 million in funds invested in over 20 companies across a variety of industries including clean energy, transportation/logistics, healthcare, financial services, and consumer goods.

Labor Return to top

Although there are more than 20 million unionized workers in India, unions represent less than 5% of the total work force. Most of these unions are linked to political parties. According to provisional figures from the Ministry of Labor and Employment (MOLE), over 3.6 million workdays were lost to strikes and lockouts in 2013, as opposed to 2 million workdays lost in 2012.

Labor unrest occurs throughout India, though the reasons and affected sectors vary widely. Some labor problems are the result of workplace disagreements over pay, working conditions, and union representation. South Indian states count as the most industrialized in India, and due to strong labor representation, Kerala stands out for most frequent strikes. Tamil Nadu and Karnataka follow, and the states of Gujarat and Andhra

Pradesh also experience similar strikes and lockouts, according to government statistics. Nationally, the banking sector faces the most labor unrest.

India's labor regulations are among the world's most stringent and complex, and over time have limited the growth of the formal manufacturing sector. The rules governing the payment of wages and salaries are set forth in the Payment of Wages Act, 1936, and the Minimum Wages Act, 1948. Industrial wages vary by state, ranging from about $3.50 per day for unskilled laborers to over $200 per month for skilled production workers. Retrenchment, closure, and layoffs are governed by the Industrial Disputes Act of1947, which requires prior government permission to lay off workers or close businesses employing more than 100 people. Foreign banks also require RBI approval to close branches. Permission is generally difficult to obtain, which has resulted in the increasing use of contract workers (i.e. non-permanent employees) to circumvent the law. Private firms successfully downsize through voluntary retirement schemes.

The BJP-led government that took office in May 2014 promised to reform labor laws and ease conditions for doing business in India. To date, much of the movement on labor laws has taken place at the state level, particularly in Rajasthan, where the government has passed major amendments to allow for quicker hiring, firing, laying off, and shutting down. The Government of India's Ministry of Labor and Employment launched a web portal to assist companies in filing a single online report on compliance with 16 labor related laws. The Ministry also tabled legislation to amend India's Factories Act that would encourage voluntary compliance of occupational safety and health standards and would reduce government inspections. India's major labor unions have opposed the labor reforms, arguing that they compromise workers' safety and job security.

On December 5, major trade unions led protests against the government's attempt to reform the nation's labor laws. Unions in the coal industry went on strike for two days in January 2015 to protest the government's move to divest in government controlled coal companies responsible for a majority of India's coal production.

There are no reliable statistics for the number of unemployed in India due to the informal nature of most employment. The Government of India nonetheless acknowledges a shortage of skilled labor in high-growth sectors of the economy, including information technology and manufacturing. The current government has established a Ministry of Skill Development, has embarked on a national program to increase skilled labor.

Foreign-Trade Zones/Free Ports Return to top

The government established several foreign trade zone schemes to encourage export-oriented production. These include Special Economic Zones (SEZ), Export Processing Zones (EPZ), Software Technology Parks (STP), and Export Oriented Units (EOU). The newest category is the National Industrial and Manufacturing Zones (NIMZ), of which 14 are being established across India. These schemes are governed by separate rules and granted different benefits, details of which can be found at: www.sezindia.nic.in; www.stpi.in; and www.eouindia.gov.in/handbook_procedures.htm.

SEZs are treated as foreign territory; therefore businesses operating within SEZs are not subject to customs regulations, nor FDI equity caps. They also receive exemptions from industrial licensing requirements, and they enjoy tax holidays and other tax breaks.

Export Processing Zones (EPZs) are industrial parks with incentives for foreign investors in export-oriented businesses. STPs are special zones with similar incentives for software exports. Export Oriented Units (EOUs) are industrial companies established anywhere in India that export their entire production and are granted the following: duty-free import of intermediate goods; income tax holidays; exemption from excise tax on capital goods, components, and raw materials; and a waiver on sales taxes.

As part of its new industrial policy, the government has now begun the establishment of NIMZs. Fourteen NIMZs have been approved to date, of which eight are planned on the Delhi-Mumbai Industrial Corridor route. NIMZs have been envisioned as green-field integrated industrial townships with a minimum area of 5000 hectares and managed by a special purpose vehicle, headed by a government official. Publicly available information suggests that foreign and domestic companies will be able to seek all state and central government authorizations for operating with NIMZs via single window

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Table 3: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($T USD)	2014	2.1	2013	1.87	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2014	37,758	2013	24,318	http://bea.gov/international/factsheet/factsheet.cfm?Area=612
Host country's FDI in the United States ($M USD, stock positions)	2012	3,970	2013	7,118	http://bea.gov/international/factsheet/factsheet.cfm?Area=612
Total inbound stock of FDI as	2014	1.8%	2013	1.3%	

% host GDP					

*GOI Gross Domestic Product at **http://indiabudget.nic.in/es2014-15/estat1.pdf**. Inward FDI data available at **http://dipp.nic.in**. Outward FDI data available at **http://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/OV27022012.pdf**. Note that DIPP figures include equity inflows, reinvested earnings and "other capital," and therefore are not directly comparable with the international data.

Table 4: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	243,224	100%	Total Outward	29,294	100%
Mauritius	86,187	36%	Netherlands	8,427	28.8%
Singapore	30,707	13%	Singapore	4,454	15.2%
UK	21,911	9%	British Virgin Islands	3,687	12.6%
Japan	17,879	7%	Mauritius	3,029	10.3%
Netherlands	14,371	6%	United States	2,052	7.0%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: Department of Industrial Policy and Promotion, Government of India

Table 5: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
All Countries	1,684	100%	All Countries	1,664	100%	All Countries	20	100%
United States	634	37%	United States	623	67%	United States	11	55%
Luxembourg	456	27%	Luxembourg	456	27%	Sri Lanka	5	25%
Bermuda	231	23%	Bermuda	231	14%	Mauritius	1	5%
Mauritius	112	6%	Mauritius	111	7%	UK	1	5%
China, P.R.: Hong Kong	52	3%	China, P.R.: Hong Kong	52	3%	Singapore	1	5%

Source: IMF Coordinated Portfolio Investment Survey

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Scott Schlossberg
Economic Officer
U.S. Embassy New Delhi
+91-11-2419-8275
schlossbergse@state.gov

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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Import financing procedures adhere to western business practices. The safest method of receiving payments is through an irrevocable letter of credit (L/C). The L/C should be payable in favor of the supplier against presentation of shipping documents through the importer's bank. Importers open L/Cs valid for three to six months depending upon the terms of the agreement. Typically, L/Cs are opened for a period of time to cover production and shipping. They are normally paid within seven working days of the receipt of goods. There are several lines of credit available to U.S companies.

Commercial banks continue to be the main source of short-term finance and working capital requirements of Indian firms. Indian companies also raise funds by issuing commercial paper and debentures, from inter-corporate borrowings, and by accepting public deposits. Several term-lending public financial institutions provide local and foreign exchange loans for new capital investment projects. They also provide deferred payment loans, long-term working capital finance, export credit and stock underwriting services. Lending banks secure their loans with company assets, corporate guarantees from a parent company, and, in some cases, by personal guarantees from company directors.

Local and resident foreign companies are permitted to raise medium-to-long-term loans in foreign currency for projects requiring capital equipment, technology imports, or the purchase of aircraft or ships. The Indian government permits borrowing through suppliers' credits, buyers' credits, syndicated loans, floating-rate notes, revolving underwriting facilities and bonds. The Reserve Bank of India (RBI) permits loans, which mature within one year, to be repaid from net foreign exchange earnings without prior government approval.

Loans in foreign currencies can be obtained through foreign commercial banks, overseas financial institutions (e.g., the International Finance Corporation and the Asian Development Bank), and foreign export-credit agencies, in addition to Indian development and commercial banks. Indian companies can also raise foreign currency loans in accordance with the guidelines for External Commercial Borrowings (ECBs), issued by the Ministry of Finance. There are no restrictions on the use of such loans, except that they cannot be used for stock market speculation. Once the RBI and Ministry of Finance have approved a loan and its terms, no limitations are placed on interest and principal payments. A firm, however, must report to the RBI through its designated banker every time an interest payment is made.

How Does the Banking System Operate

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India has an extensive banking network, in both urban and rural areas. The banking system has three tiers:

- Scheduled commercial banks;
- Regional rural banks (operate in rural areas, not covered by the scheduled banks);
- Cooperative banks and special purpose rural banks.

Timely availability of adequate credit is of utmost importance for the development of the Indian rural economy and agriculture. At present regional rural banks, commercial banks and credit cooperatives, encouraged mainly by the Government of India (GOI), undertake this function. The GOI, during the recent budget, announced that it would encourage private banks to open branches in rural areas, to service both farm and non-farm sectors.

Scheduled commercial banks include 44 foreign banks, 19 nationalized banks, 6 State Bank of India and its associates and 20 private sector banks. Large Indian banks and most Indian financial institutions are in the public sector. Though public sector banks currently dominate the banking industry, numerous private and foreign banks exist. Several public sector banks are being restructured, and in some cases the government either has already reduced, or is in the process of reducing its ownership. In terms of the market share, the state-owned banks account for more than 72%, private banks handle 16%, foreign banks account for more than 7% and old-generation private lenders control 5% of the market.

The RBI is the central banking institution. It is the sole authority for issuing bank notes and the supervisory body for banking operations in India. It supervises and administers exchange control and banking regulations, and administers the government's monetary policy. It is also responsible for granting licenses for new bank branches. The Deposit Insurance and Credit Guarantee Corporation, an organization promoted and fully funded by the RBI, offers deposit insurance facilities. The RBI directs banks to meet Bureau of Indian Standards guidelines. Indian banks must also adhere to the prudential norms laid down by the Basel Group.

Foreign-Exchange Controls

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The RBI sets India’s exchange-control policy and administers foreign exchange regulations in consultation with the GOI. India's foreign exchange control regime is governed by the FEMA (Foreign Exchange Management Act), enacted with the objective of facilitating external trade and payments, promoting the orderly development and maintenance of the foreign exchange market in India, and liberalization of economic policies.

U.S. Banks and Local Correspondent Banks
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LIST OF U.S. BANKS

American Express Bank Ltd.
Maoj Adlakha
Chief Executive Officer
Cyber City, Tower C/8
DLF City Phase II, Sector 25
Gurgaon 122002, Haryana
Tel: +91-0124-4190555; 1800-419-1222 (Toll Free)
Fax: +91-0124-2801144

Bank of America NA
Kaku Nakhate
Country Head and President (India) Express Towers
16th Floor, Nariman Point
Mumbai 400 021
Tel: +91-22-6632 3184
Fax: +91-22-2202 9016

J.P. Morgan Chase
Ms. Kalpana Morparia
Chief Executive Officer
J. P. Morgan Tower, Off CST Road,
Kalina, Santacruz (E) Mumbai 400098
Tel: +91-22-6157 3000

Citibank N.A.
Mr. Pramit Jhaveri
City Country Officer
Citi Center, 5th Floor, Plot C-61
G Block, Bandra Kurla Complex Bandra (East), Mumbai 400 051, India
Tel: +91-22-40015757
Fax: +91-22-26535861

LIST OF U.S. FINANCIAL/LENDING INSTITUTIONS

Elizabeth Littlefield
President & CEO
Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W. Washington, D.C. 20527 87
Tel.: (202) 336-8799
Fax: (202) 336-7949
Email: info@opic.gov
Website: http://www.opic.gov

Raymond J. Ellis
Vice President

Global Business Development Division
Export-Import Bank of the United States
811 Vermont Avenue, N.W., Office 911
Washington, DC 20571
Tel: 202-565-3946
Website: http://www.exim.gov

Mr. Henry Steingass
Regional Director
U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite-1600
Arlington, VA 22209 - 2131
Tel: 703-875-4357
Fax: 703-875-4009
Website: http://www.ustda.gov/

LIST OF REGIONAL MBD/IFI OFFICES

M Teresa Kho
Country Director- India
Asian Development Bank (ADB)
4, San Martin Marg
P.O. Box 5331, Chanakyapuri
New Delhi 110021, India
Tel: +91-11-24107200
Fax: +91-11-26870945
E-mail: adbinrm@adb.org
Website: http://adb.org/countries/india/contacts

Margaret Keshishian
Director / Senior Commercial Officer
U.S. Commercial Liaison Office for ADB (CS/ADB)
US Embassy – NOX 2
1201 Roxas Boulevard, Ermita Manila
Philippines 1000
Tel: 63-2- 301-2000, 63-2-516-5093
Email: Office.ManilaADB@trade.gov
Website: http://export.gov/adb/contactus/index.asp

ADB, North American Representative Office
900 17th Street NW Suite 900
Washington DC 20006
Tel: 202-728-1500
Fax: 202-728-1505
Email: naro@.adb.org
Website: http://www.adb.org/offices/north-america/contacts

Anuja Beri
Head, New Delhi
International Finance Corporation
Maruti Suzuki Building

3rd & 4th Floor, Nelson Mandela Road
Vasant Kunj, New Delhi 110070, India
Tel: +91-11- 4111 1000/ 3000
Fax: +91-11- 4111 1001/ 3001
Email: Aberi@ifc.org
Website:http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/south+asia/countries/southasia_india

Mr. Onno Ruhl
Country Director
The World Bank
70 Lodi Estate
New Delhi 110 003
Tel: 91-11-2461-7241
Fax: 91-11-2461-9393
Email: indiaexperts@worldbank.org
Website: https://www.worldbank.org/en/about/people/onno-ruhl

E. Scott Bozek
Advisor & Director of Business Liaison
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
Tel: (202) 458-0120
Fax: (202) 477-2967
E-mail: ebozek@worldbank.org;scott.bozek@trade.gov
Website: http://export.gov/worldbank/contactus/index.asp

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THE EXPORT-IMPORT BANK OF THE UNITED STATES

The Export-Import Bank (Ex-Im Bank) is the official export credit agency of the United States and supports the purchase of U.S. goods and services by creditworthy Indian buyers that may have difficulty obtaining credit through traditional financing sources.
Ex-Im Bank provides U.S. exporters with the financing tools they need to successfully compete for business in India. Ex-Im Bank support gives protection against international political and commercial risk, and gives U.S. exporters the ability to offer competitive financing to their Indian buyers through export credit insurance and loan guarantees. Over the past 80 years, Ex-Im Bank has supported more than $567 billion of U.S. exports worldwide.

For more info on Ex-Im Bank please visit website: http://www.exim.gov

THE OVERSEAS PRIVATE INVESTMENT CORPORATION

The Overseas Private Investment Corporation (OPIC) is an independent U.S. government agency whose mission is to mobilize and facilitate the participation of U. S. private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies. OPIC assists U.S. companies by providing financing (from large structured finance to small business loans), political risk insurance, and investment funds. OPIC complements the private sector in managing risks associated with foreign direct investment and supports U.S. foreign policy. OPIC was established as an agency of the U.S. government in 1971 and currently does business in over 150 countries.
For more info on OPIC, please visit website: http://www.opic.gov

U.S. TRADE AND DEVELOPMENT AGENCY (USTDA)

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. Commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

For more information, please visit website: www.ustda.gov

ASIAN DEVELOPMENT BANK (ADB)

Asia's premier non-profit financial institution, the Asian Development Bank (ADB), is headquartered in Manila, Philippines. The ADB’s major objective is the promotion of the social and economic well-being of its developing member countries in Asia and the

Pacific. This is achieved by lending funds to projects involving agriculture, energy, industry, transportation, and communication, as well as for social infrastructure projects such as water supply, sewage and sanitation, education, health and urban development. The ADB also invests in, and lends to, the private sector for Build-Own-Operate (BOO) and Build-Operate-Transfer (BOT) infrastructure, industrial and capital market development projects and mobilizes additional resources through co-financing arrangements, including the bank's credit enhancement instruments such as guarantees and complementary financing plans.

To learn more about ADB's partnership with India, please visit:
http://www.adb.org/documents/india-country-partnership-strategy-2013-2017

The U.S. Department of Commerce maintains a Congressionally-mandated Commercial Liaison Office for the ADB (CS ADB). The Office's mission is to help American firms access, enter and expand in Asian markets that benefit from ADB assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the U.S. to help U.S. firms take advantage of commercial opportunities in countries borrowing from the ADB. To perform its mandate, the office cooperates with the U.S. Director's Office at ADB and works closely with Commercial Service posts in the region. An American Senior Commercial Officer heads the office, assisted by two Commercial Specialists.

THE WORLD BANK

The World Bank Group is one of the world's largest sources of development assistance. The World Bank supports the efforts of developing country governments to build schools and health centers, provide water and electricity, fight disease, and protect the environment. The "World Bank" is the name that has come to be used for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together, these organizations provide low-interest loans, interest-free credit, and grants to developing countries. For information on World Bank engagement with India, please visit: http://www.worldbank.org.in/

The World Bank's New Delhi office has an active public information center with a large collection of World Bank and other publications on India and international development, and documents on projects financed by the Bank. In recent years, the World Bank's IBRD has been giving support for India's economic policy reforms and expanded social and environmental programs.

The U.S. Department of Commerce maintains a Commercial Liaison Office at the World Bank. The Office's mission is to help American firms access, enter and expand in markets that benefit from World Bank assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the U.S. to help U.S. firms take advantage of commercial opportunities in countries borrowing from the World Bank.

INTERNATIONAL FINANCE CORPORATION (IFC)

The International Finance Corporation (IFC) promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. IFC is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. It promotes sustainable private sector development primarily by financing private sector projects located in the developing world; helping private companies in the developing world mobilize financing in international financial markets; providing advice and technical assistance to businesses and governments.

Although the IFC coordinates its activities in many areas with the other institutions in the World Bank Group, the IFC generally operates independently as it is legally and financially autonomous with its own Articles of Agreement, share capital, management and staff. The IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

For more information on IFC please visit http://www.ifc.org

THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank group, supplements the activities of the IBRD (International Bank for Reconstruction and Development), IFC (International Finance Corporation) and other international development finance institutions. It complements the activities of national and regional development insurance through co-insurance and reinsurance agreements with these institutions, bilateral exchanges of information, and its membership in the Berne Union. MIGA issues guarantees against noncommercial risks for investments in its developing member countries. MIGA guarantees cover the following risks: currency transfer, expropriation, war and civil disturbance and breach of contract by a host government.

Since its inception in 1988, MIGA has issued nearly 800 guarantees worth more than $28 billion in political risk insurance for projects in a wide variety of sectors covering all sectors of the world. MIGA is committed to promoting socially, economically, and environmentally sustainable projects that are, above all, developmentally responsible. The agency mobilizes additional investment coverage through its Cooperative Underwriting Program (CUP), encouraging private sector insurers into transactions they would not have otherwise undertaken, and helping the agency serve more clients.

For more information please visit http://www.miga.org

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Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team:
http://www.export.gov/tradefinanceguide/index.asp
Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov

Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov

Multilateral Development Bank web resources:
Asian Development Bank http://www.adb.org/countries/india/main
The World Bank http:/www.worldbank.org
Multilateral Investment Guarantee Agency http://www.miga.org
International finance Corporation http://www.ifc.org

State Bank of India and associates:
State Bank of Bikaner and Jaipur (SBBJ) https://www.sbbjbank.com/
State Bank of Hyderabad (SBH) http://www.sbhyd.com
State Bank of India (SBI) http://www.sbi.co.in

Nationalized banks:
Bank of India http://www.bankofindia.co.in/english/home.aspx
Bank of Maharashtra http://www.bankofmaharashtra.in/
Central Bank of India https://www.centralbankofindia.co.in
Corporation Bank http://www.corpbank.com
Indian Overseas Bank https://www.iobnet.co.in/
Oriental Bank of Commerce https://www.obcindia.co.in/obcnew/site/index.aspx
United Bank of India http://www.unitedbankofindia.com/
Canara Bank http://www.canarabank.com/
Syndicate Bank http://www.syndicatebank.com/

Other Nationalized banks: http://www.iba.org.in/viewmembanks.asp?id=1

Financial Institutions:
Credit Guarantee Fund Trust for Small Industries (CGTSI) http://www.cgtsi.org.in
Economic Development Corporation Limited, Goa – http://www.edc-goa.com
Export-Import Bank of India – http://www.eximbankindia.com
Himachal Pradesh Financial Corporation (HPFC) - http://hpfc.nic.in/
Indian Renewable Energy Development Agency Limited (IREDA) - http://www.ireda.in/
Industrial Development Bank of India (IDBI) – http://www.idbi.com
Industrial Investment Bank of India Limited (IIBI) – http://www.iibiltd.com
Power Finance Corporation Limited – http://www.pfcindia.com

Insurance Companies:
Agriculture Insurance Company of India Limited
http://www.aicofindia.com/AICEng/Pages/Default.aspx
Export Credit Guarantee Corporation of India Limited (ECGC) https://www.ecgc.in/
Insurance Regulatory and Development Authority http://www.irdaindia.org
Life Insurance Corporation of India (LIC) http://www.licindia.com/dbs-index.htm
General Insurance Corporation of India http://gicofindia.com/index.php?lang=en
Oriental Insurance Company Limited (OICL) http://www.orientalinsurance.org.in/
SBI Life Insurance Company Limited (SBI LIFE) http://www.sbilife.co.in/

Securities and Exchanges:

Securities and Exchange Board of India http://www.sebi.gov.in/
Inter-connected Stock Exchange of India Limited (ISE) http://www.iseindia.com/
National Securities Depository Limited (NSDL) http://www.nsdl.co.in/
National Stock Exchange (NSE), India http://www.nse-india.com/
Stock Exchange, Mumbai (BSE) http://www.bseindia.com/

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Chapter 8: Business Travel

Business Customs

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One of the most striking features about India is the size and diversity of the country. Given its vastness and variety, there is no single way to understand India. That said, there are a couple of major issues that business visitors should keep in mind:

The sense of time is much different for Indians than it is for Americans. If there is a business event such as a cocktail hour at night, it may begin at 7, but expect that people will not show up until an hour or so later. Although many Indians are aware of Americans' adherence to time, business meetings can also start late, so it's important to keep your schedule flexible.

It is considered polite in India to inquire about dietary preferences, since Hindus abstain from beef, Muslims abstain from pork, and Indians of many religions are vegetarians.

For your reference, some popular English-language guidebooks include: Lonely Planet India, Fodor's India, and the India Eyewitness Travel Guide.

Travel Advisory

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The U.S. Department of State consular information sheet for India can be found at:
http://travel.state.gov/travel/cis_pa_tw/cis/cis_1139.html

We strongly urge U.S. travelers to review this information before their trip, which includes updated safety and security information.

Visa Requirements

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A passport and visa are required for U.S. citizens traveling to India for any purpose. The U.S. Government cannot assist travelers who arrive in India without proper documentation.

The Government of India has launched Tourist Visa on Arrival - enabled with Electronic Travel Authorization scheme (TVOA-ETA) on 27 November 2014 for citizens of 43 countries, including the United States of America.

Citizens of these 43 countries can apply online for tourist visas (twice a year, each visit not exceeding 30 days, visa duration non-extendable) which shall be granted through email.

The applicant is expected to take a print of the email (which is the Electronic Travel Authorization for Tourist Visa on Arrival) and can travel to India through 9 designated international airports (Bangalore, Chennai, Cochin, Delhi, Goa, Hyderabad, Kolkata, Mumbai and Thiruvananthapuram). The TVOA-ETA scheme entails capture of biometric data of the visitor on arrival at the airport.

The Indian Embassy outsources visa collection and delivery processing to Cox & Kings Global Services Pvt. Ltd.: Suite 100, 1250 23rd Street NW, Washington, DC 20037 http://www.in.ckgs.us.

However, the Embassy in Washington, D.C. and Consulates in New York, San Francisco, Chicago and Houston will continue to receive and service emergency visa cases from applicants of Indian origin on extreme compassionate grounds. They will also continue to directly accept visa applications from diplomatic/official/laissez-passers passport holders.

For current entry and customs requirements for India, travelers may contact the Embassy of India at: 2536 Massachusetts Ave., NW , Washington, DC 20008 (202-939-9888) or the nearest Consulate General: Chicago (312-595-0405/0409), Houston (713-626-2148/9), New York (212-774-0600), Atlanta (404-963-5902) or San Francisco (415-668-0683/0662).

Information is also available at:

- https://indianvisaonline.gov.in/visa/tvoa.html
- http://indianconsulate.com/pdf/tourist_visa_on_arrival.pdf
- http://www.indianembassy.org/

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

Telecommunications Return to top

While telecommunication service is generally adequate in India, knowing what digits to dial can be a little complicated, especially between landlines and cell phones, and when making international calls. The following dialing instructions are worth keeping handy:

AC = area code
CC = country code

Caller in USA to Local Cell Phone	[011] + 91+Local Cell number
Caller in USA to Local Landline	[011] + 91+AC+Number
Local landline to international number	00+CC+AC+Number
Local landline to local long distance	0+AC+Number
Local Landline to Local Cell phone	Local cell number
Local Cell to India Landline	0+AC+number
Local Cell to Local Cell	Local cell number
Local Cell to Local Cell (in another city)	0+Cell number
Local Cell to International long distance	00+CC+AC+Number

The country code for India is 91

Major Indian area codes:

Ahmedabad	79
Bangalore	80
Chennai	44
Delhi	11
Hyderabad	40
Kolkata	33
Mumbai	22
Pune	20

Transportation

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To and From India

There are just a few direct flights to India from the United States on a U.S. carrier. Flight times are 14-16 hours.

Getting to South or East India from the United States requires connecting, with the most and fastest options through Europe. United/Lufthansa has a fight connecting through Frankfurt, Delta/Air France through Paris, and British Airways through London. Travelers from the West Coast might consider going through Bangkok or Singapore.

Within India

Travel by road in India is dangerous. A number of U.S. citizens have suffered fatal traffic accidents in recent years. Travel at night is particularly hazardous. Buses, patronized by hundreds of millions of Indians, are convenient in that they serve almost every city of every size. However, they are usually driven fast, recklessly, and without consideration for official rules of the road. Trains are somewhat safer than buses, but train accidents still occur more frequently than in developed countries.

In order to drive in India, one must have either a valid Indian drivers' license or a valid international drivers' license. However, the vast majority of foreign visitors to India hire a car and driver. This is highly recommended. Travelers should remember to use seatbelts in both rear and front seats where available and to ask their drivers to maintain a safe speed.

Heavy traffic is the norm and includes (but is not limited to) overloaded trucks and buses, scooters, pedestrians, bullock and camel carts, horse or elephant riders en route to weddings, and free-roaming livestock. Traffic in India moves on the left. It is important to be alert while crossing streets and intersections, especially after dark as traffic is coming in the “wrong” direction (i.e., from the left).

If a driver hits a pedestrian or a cow, the vehicle and its occupants are at risk of being attacked by pedestrians. Such attacks pose significant risk of injury or death to the vehicle's occupants or at least of incineration of the vehicle. It can thus be unsafe to remain at the scene of an accident of this nature, and drivers may instead wish to seek out the nearest police station.

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Although English is considered to be the official language of business, it is important to keep in mind that the American accent is very difficult for the Indian ear to understand – likewise, the Indian accent is often difficult for Americans to understand – so at times, we remain divided by a common language. Remember to speak slowly and clearly.

India has a diverse list of spoken languages among different groups of people. At least 30 different languages and around 2000 dialects have been identified, fifteen of which can be found on India’s currency in addition to English. The Constitution of India has stipulated the usage of Hindi as the official language and English as the associate official language for official communication for the national government. Additionally, it contains a list of 22 scheduled languages.

Health Return to top

One of the major challenges for all travelers to India is staying healthy. While adequate to excellent medical care is available in the major population centers, it is usually very limited or unavailable in rural areas, so it is important to take precaution to avoid getting sick in the first place. Most important is to wash your hands at every opportunity with warm soapy water for at least 20 seconds. Dry them with a paper towel and use the towel to turn off faucet handles.

Wash your hands particularly before you handle food, after you handle food, before you eat, and also before you touch your face. Use an alcohol hand sanitizer when you cannot get to a faucet.

Water and Ice: Do not drink hotel or restaurant water. Only bottled water, soft drinks, beer, wine, hot tea and coffee are considered safe. Order all drinks without ice.

Meat and Fish: All meat and fish should always be cooked well done, ordered well done in restaurants, and eaten hot to prevent illness.

Salads, unpeeled fruit and vegetables: Generally, it is not safe to eat unpeeled fruit and vegetables. But if you are so inclined, you can prepare them properly in your hotel room (see below). As beautiful as some of the salad bars look, they should be totally avoided in restaurants and in homes where you are not certain about the kitchen practices. People get sick from salad bars, even those in 5 star hotel restaurants.

Decontamination of fresh fruits and vegetables:
Buy only fruits and vegetables without holes or broken skin.
Wash all fruits and vegetables with soap and warm water. Clean each with a vegetable brush to remove dirt. Rinse in cold tap water. Soak all fruits and vegetables for 20 minutes in a 5% bleach solution. Prepare 5% bleach by adding one tablespoon of Clorox (household bleach, U.S. or foreign) to one gallon of water. Rinse the fruits and vegetables with potable bottled water. Drain and allow to dry before refrigerating.

Local milk: The medical staff of the U.S. Embassy does not recommend drinking local milk. In restaurants milk added to tea or coffee is boiled and therefore considered safe. To be sure, ask if the milk has been boiled.

Diarrhea is usually caused by ingesting food or water containing viruses, parasites, bacteria, or bacterial toxins. Hands (yours or someone else's), non-potable water and contaminated raw fruits and vegetables are the usual vehicles that carry the offending agent(s) into your mouth and then into the intestinal tract. Diarrhea can be treated with supportive measures. Pepto-Bismol is quite effective in most cases. The routine use of Lomotil, Imodium, or antibiotics is discouraged. If diarrhea persists for longer than 24 hours or any of the symptoms of dysentery develop, you should seek medical care.

As the treatment for diarrhea varies depending on its etiology (bacteria, giardia, amoeba, etc.), it is preferable to identify the cause and take only those medications truly necessary. Most diarrhea is self- limited and will resolve in 3–5 days.

In addition to any medications used for diarrhea, it is important to replace the fluid lost in the stool in order to maintain adequate hydration. Many of the symptoms are due to fluid and electrolyte (salts) loss. If adequate fluids cannot be taken, medical advice should be sought.

To replace lost fluids and electrolytes, you should consume large amounts of liquids, especially Oral Rehydration Solution (ORS). ORS packets are available in most upscale hotels. Other helpful fluids include soft drinks and clear soup. Eat a bland diet (bananas, rice, apple sauce, and toast). Avoid dairy products until recovery occurs.

Seek medical care in the following cases:

- Diarrhea is accompanied by blood
- Diarrhea persists for more than 48 hours
- Vomiting persists
- Cramps are severe and/or are accompanied with persistent abdominal pain
- Persistent fever over 101 degrees F
- Noticeably reduced urinary output or loss of weight

Most individuals rely on their thirst mechanism to "tell" them when to drink. In temperate climates this is adequate, but the thirst mechanism can become inadequate in tropical climates and individuals can become chronically dehydrated. You should drink at least 2 quarts (8 glasses) of non-alcoholic beverages daily to assist your body in maintaining a good fluid balance. Remember that alcohol is a dehydrating agent and can actually increase risk.

Parasitic Diarrheal Infections are quite common throughout most of India. The two most common types are amebiasis and giardiasis. Diagnosis and treatment require stool examinations.

Many amebic infections are without symptoms. Symptomatic cases may present with mild abdominal discomfort and diarrhea alternating with periods of constipation or acute dysentery with fever, chills, and bloody or mucoid diarrhea.

Giardiasis, while often asymptomatic, may also be associated with a variety of symptoms such as abdominal discomfort, bloating, vomiting, loose malodorous stools, fatigue, and weight loss.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection and malaria information, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's Internet site at http://wwwnc.cdc.gov/travel/destinations/india.htm. For information about outbreaks of infectious diseases abroad consult the World Health Organization's (W HO) website at http://www.who.int/countries/ind/en/. Further health information for travelers is available at http://www.who.int/ith.

Indian health regulations require all travelers arriving from Sub-Saharan Africa or other yellow-fever areas to have evidence of vaccination against yellow fever. Travelers who do not have such proof are subject to immediate deportation or a six-day detention in the yellow-fever quarantine center. U.S. citizens, who transit through any part of sub-Saharan Africa, even for one day, are advised to carry proof of yellow fever immunization.

Medical insurance: Americans should consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see information on medical insurance overseas at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1470.html.

Local Time, Business Hours, and Holidays Return to top

Despite its geographic size, India has adopted one time zone, five and one-half hours ahead of Greenwich Mean Time (GMT). It has not adopted daylight savings time and uses standard time countrywide throughout the year.

Therefore, the time difference between India and the United States varies depending on the time of year. India is nine hours and 30 minutes ahead of Washington, D.C., during daylight savings time and 10 hours and 30 minutes ahead of Washington, D.C., during standard time.

The standard six-day working week is Monday through Friday, 9:30 a.m. to 5:30 p.m., with a half-day on Saturday. Normally lunch is for one hour, between 1:00 p.m. and 2:00 p.m. However, in some large cities such as Mumbai, businesses start working earlier to avoid congested traffic while commuting. Central government offices are closed on Saturdays. Banking hours are 10:00 a.m. to 2:00 p.m. on weekdays and 10:00 a.m. to

12:00 noon on Saturdays. In major metropolitan cities, several foreign and Indian-owned banks are beginning to provide 24-hour banking services

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http://www.state.gov
http://travel.state.gov
http://www.indianembassy.org
http://www.incredibleindia.org

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Chapter 9: Contacts, Market Research and Trade Events

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The U.S. Commercial Service India Senior Commercial Officer is John McCaslin: John.McCaslin@trade.gov

U.S. Commercial Service New Delhi
The American Center
24, Kasturba Gandhi Marg
Connaught Place
New Delhi 110 001
Tel: (91–11) 2347 2000
Fax: (91–11) 2331 5172

Deputy Senior Commercial Officer: Dillon Banerjee dillon.banerjee@trade.gov

Principal Commercial Officer: Robyn Kessler robyn.kessler@trade.gov
Commercial Officer: Tyrena Holley tyrena.holley@trade.gov
Commercial Officer: Paul Frost paul.frost@trade.gov

U.S. Patent and Trade Office (USPTO) IPR Attaché: Kalpana Reddy kalpana.reddy@trade.gov

Bureau of Industry and Security (BIS) Export Control Officer: Jose Rodriguez jose.rodriguez@trade.gov

U.S. Commercial Service Mumbai
American Consulate General
C-49, G-Block, Bandra Kurla Complex (BKC)
Bandra East
Mumbai 400 051
Tel: (91–22) 2672 4000
Fax: (91–22) 2672 4400

Principal Commercial Officer: Camille Richardson camille.richardson@trade.gov

U.S. Commercial Service Chennai
American Consulate General
220 Anna Salai
Chennai 600 006
Tel: (91–44) 2857 4477

Fax: (91–44) 2857 4212

Principal Commercial Officer: John Fleming john.fleming@trade.gov

U.S. Commercial Service Kolkata
The American Center
38-A, Jawaharlal Nehru Road
Kolkata 700 071
Tel: (91–33) 3984 6402
Fax: (91–33) 2288 1207

Principal Commercial Officer: Jonathan Ward jonathan.ward@trade.gov

U.S. Commercial Service Ahmedabad
5th Floor, Radisson Blu Hotel
Panchvati Cross Roads, Off C.G. Road
Ambawadi
Ahmedabad 380 006
Tel: (91–79) 2656 5210 / 16
Fax: (91–79) 2656 0763

Sr. Commercial Specialist: Sangeeta Taneja sangeeta.taneja@trade.gov

U.S. Commercial Service Bengaluru (formerly Bangalore)
9th Floor, JW Marriott Hotel
24/1 Vittal Mallya Road
Bangalore 560 001
Tel: (91) 99018 44211

Sr. Commercial Specialist: Manjushree Phookan manjushree.phookan@trade.gov

U.S. Commercial Service Hyderabad
152, First Floor, Taj Deccan Hotel
Road No. 1, Banjara Hills
Hyderabad 500 034
Tel: (91–40) 2330 5000 / 4025
Fax: (91–40) 2330 0130

Sr. Commercial Specialist: Sathya Prabha sathya.prabha@trade.gov

Chambers of Commerce & Associations

Ms. Nivedita Mehra
Director, India Office
U.S.-India Business Council
12 Hailey Road
New Delhi 110001
Tel: + 91-11-4350 4964 / 4357 9861
Fax: + 91-11-4357 0860
Email: nmehra@usibc.com
Website: www.usibc.com

Mr. Ajay Singha, Executive Director
American Chamber of Commerce in India (AMCHAM)
PHD House, 4th Floor,
4/2, Siri Institutional Area, August Kranti Marg, New Delhi -110016
Tel: +91-11-2652 5201/ 2652 5202
Fax: +91-11-2652 5203
Email: amcham@amchamindia.com
Website: http://amchamindia.com

Mr. Prem Behl, President
Council of American States in India (CASI)
217B (II Floor) Okhla Industrial Estate, Phase III, New Delhi 110 020
Email: prem.behl@development.ohio.gov
Tel: +91-11-4279-5000
Fax: +91-11-4279-5098

Mr. Chandrajit Banerjee, Director General
Confederation of Indian Industry (CII)
CII Central Office
Mantosh Sondhi Centre
23 Institutional Area
Lodi Road, New Delhi-110003
Tel: +91-11-24629994 - 7
Fax: +91-11-24682229
Email: cb@cii.in
Website: http://cii.in

Dr. A. Didar Singh
Secretary General
Federation of Indian Chambers of Commerce & Industry (FICCI)
Federation House, Tansen Marg
New Delhi 110001
Tel: +91-11-23738760-70
Direct: +91-11-2335-7364
Fax: +91-11-23320714, 23721504
Email: didar.singh@ficci.com
Website: http://ficci.com

Ms. Ranjana Khanna, Secretary General
Indo-American Chamber of Commerce (IACC)
4th Floor, PHD House
4/2 Siri Institutional Area
August Kranti Marg, New Delhi 110 016
Tel: +91-11- 26963387 / 26531965
Fax: +91-11-26531954
E-mail: ranjana.khanna@iaccindia.com
Email: http://www.iaccindia.com

Mr. D. S. Rawat
Secretary General

The Associated Chambers of Commerce & Industry of India (ASSOCHAM)
ASSOCHAM Corporate Office, 5, Sardar Patel Marg
Chanakyapuri, New Delhi – 110 021
Tel: +91-11-46550555 (Hunting Line)
Fax: +91-11-23017008 / 9
E-mail: assocham@nic.in
Website: http://www.assocham.org

Mr. Krishna Rohit, Secretary General
U.S.-India Importers' Council (USIIC)
108, Gokul Arcade B, Subhash Road, Opp. Garware Factory
Vile Parle (E), Mumbai 400 057
Tel: +91- 22-6166 9070 / 1
Fax: +91-22-4054 3990
Email: krishna@usiic.in
Website: http://www.usiic.in/

Mr. Manoj Gursahani, Chairman
Ms. Shital Kapoor, Director
U.S.-India Investors Forum (USIIF)
7, Tulsiani Chambers, Free Press Journal Road
Nariman Point, Mumbai 400 021
Tel: +91 98211 49366
Email: manoj@usiif.in , shital@usiif.in
Website: http://www.usiif.in/

Please contact the U.S. Commercial Service for details of regional chambers of commerce in India.

Industry Associations

In addition to the industry associations mentioned in the web resources sections in Chapter 4: Leading Sectors for U.S. Export and Investment, a partial list of other industry associations are given below:

Mr. Sunil Kher, President - India Chapter
American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE) and Indian Society of Heating, Refrigerating and Air-conditioning Engineers (ISHRAE)
K-43 Kailash Colony (Basement) New Delhi 110092
Tel: +91-11-4163 5655
E-mail: ashraeic@touchtelindia.net
Website: http://www.ashraeindia.org

Mr. Rohit Kumar, President
Association of Publishers in India
C/o Overleaf, B-519A, Sushant Lok I
Gurgaon 122002
Tel: +91-11-4575 5888
Email: associationofpublishers@gmail.com

Website: http://www.publishers.org.in/

Mr. Vinnie Mehta, Executive Director
Automotive Component Manufacturers Association of India
6th Floor the Capital Court, Olof Palme Marg, Munirka
New Delhi 110067
Tel.: +91-11-2616 0315
Fax: +91-11-2616 0317
E-mail: acma@acma.in
Website: http://www.acmainfo.com

Mr.V. Anbu, Secretary & Director General
Indian Machine Tool Manufacturers' Association
Bangalore International Exhibition Centre (BIEC)
10th Mile, Tumkur Road, Madavara post
Bangalore 562123
T: +91-80-6624 6600
F: +91-80-6624 6661
Email: imtma@imtma.in
Website: http://www.imtma.in

Mr. Anwar Shirpurwala, Executive Director
Manufacturers' Association for Information Technology
Ramakrishna Dalmia Wing, 4^{th} Floor
PHD House, Sri Institutional Area, August Kranti Marg
New Delhi 110016
Tel: +91-11-2685 5487, 4287 8418
Fax: +91-11-2685 1321
E-mail: contact@mait.com
Website: http://www.mait.com

Mr. R. Chandrashekhar, President
National Association of Software and Service Companies (NASSCOM)
International Youth Centre Teen Murti Marg, Chanakyapuri
New Delhi 110021
Tel: +91-11-4767 0100
Fax: +91-11-2301 5452
Email: info@nasscom.in
Website: http://www.nasscom.org

Mr. Daara B. Patel, Secretary General
Indian Drug Manufacturers' Association
102, Poonam Chambers, 'A' Wing, 1st Floor
Dr. A. B. Road, Worli
Mumbai 400 018
Tel: +91-22-2494 4624, 2497 4308
Fax: +91-22-2495 0723
Email: daara@idmaindia.com
Website: http://www.idma-assn.org

Mr. Sunil Misra, Director General

Indian Electrical & Electronics Manufacturers Association
501, Kakad Chambers,132, Dr. Annie Besant. Road,
Worli, Mumbai 400018
Tel: +91-22-2493 0532 / 6528 / 6529
Fax: +91-22-2493 2705
Email: sunil.misra@ieema.org
Website: http://www.ieema.org

Dr. Shailesh Ayyangar, President
Organization of Pharmaceutical Producers of India
Peninsula Chambers, Ground Floor, Ganpatrao Kadam Marg
Lower Parel, Mumbai 400013
Tel: +91-22-2491 8123, 2491 2486, 6662 7007
Fax: +91-22-2491 5168
E-Mail: admin@indiaoppi.com
Website: http://www.indiaoppi.com

Mr. Arun Mahajan, General Manager - India
The Association for Manufacturing Technology (AMT)
Chennai Technology & Service Center
A44 Phase 1, Madras Export Processing Zone (MEPZ), GST Road, Tambaram
Chennai 600045
Tel: +91-44-22622690
Fax: +91-44-22622693
Email: arunmahajan@amtindia.org
Website: http://www.amtindia.org

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Trade Events

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Please click on the link below for information on upcoming trade events.

http://www.export.gov/tradeevents/index.asp
http://export.gov/india/tradeevents/index.asp

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Chapter 10: Guide to Our Services

National Export Initiative:

The President's National Export Initiative/NEXT marshals Federal agencies to provide customer service-driven services and actionable information resources that ensure American businesses are able to capitalize on expanded opportunities to sell their goods and services abroad.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov.

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:
http://export.gov/india/servicesforu.s.companies/index.asp

The Commercial Service in India (CS India)

CS India is one of the U.S. Commercial Service's largest operations, with seven offices, ten American officers and over 55 Indian staff members, all of whom are based in India. Our staff members have a wealth of sector-specific experience and understand well how to deliver exceptional service to U.S. companies.

Our offices are located in New Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabad, and Ahmedabad. Contact any of our India offices to schedule a visit or a conference call. Please see Chapter 9 for information on how to get in touch with us.

Our offices work in conjunction with the entire network of the Commercial Service, which includes domestic U.S. Export Assistance Centers throughout the United States. To find an office near you, visit: http://export.gov/usoffices/index.asp .

We are happy to provide U.S. companies with our on-hand research, knowledge, and counseling services free of charge. We also offer U.S. companies specific partner search, due diligence, research, and business facilitation services tailored to your company's needs at very nominal fees. Our standard services are listed below. We are also able to offer customized solutions to fit your company's needs.

American Business Corners (ABCs)

The U.S. Commercial Service has partnered with various business chambers across India to open our American Business Corners (ABC). The ABC program is a major initiative in support of advancing business and trade cooperation between U.S. and Indian companies and aims to increase U.S. commercial engagement in tier 2 cities where the U.S. government does not have a physical presence.

ABCs provide a focused point of engagement for U.S. trade promotion in India's up and coming tier 2 cities and offer opportunities to Indian importers in these cities to learn about our services and programs and make connecting with American businesses as easy as A.B.C.

These centers provide resources to assist Indian companies with doing business with the United States and inform them of upcoming business opportunities. For U.S. companies, the ABCs enable structured outreach to untapped markets with potential outside of the bigger metropolitan cities.

Currently, ABCs have been launched in the cities of Madurai, Coimbatore, Salem, Vizag, Trivandrum, Kochi, and Mangaluru in South India; Guwahati, Patna and Bhubaneswar in Eastern India; Surat, Indore and Pune in Western India; and Jaipur and Chandigarh in North India.

For more information on how the American Business Corners can help your firm, please visit: http://export.gov/india/americanbusinesscorners/index.asp .

SelectUSA:

SelectUSA was created by President Obama in June 2011 through Executive Order 13577, as the U.S. government-wide program to promote and facilitate business investment into the United States, including foreign direct investment (FDI) and reshoring.

The program is housed within the Commerce Department and coordinates investment-related resources across more than 20 federal agencies through the Interagency Investment Working Group (IIWG).

SelectUSA provides services to two types of clients: investors and U.S. economic development organizations at the state and local level. Services include:

Information Assistance:

- SelectUSA provides information to investors on the benefits of establishing operations in the United States, as well as the information needed to move investments forward. Investors can access facts, data and local contacts for the U.S. market.
- SelectUSA also works closely with state, local and regional economic developers to provide counseling on strategy, best practices, and on-the-ground intelligence

from the Foreign Commercial Service network across more than 70 foreign markets.

Ombudsman Services: SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues – helping them to navigate an unfamiliar system.

Investment Advocacy: U.S. state and local governments often find themselves competing with a foreign location for a project. SelectUSA can coordinate senior U.S. government officials to advocate to the investor to bring those jobs to the United States.

Promotional Platform: SelectUSA brings the power of the "USA" brand to high-profile events, such as the 2015 Investment Summit, to attract investors to learn about our nation's investment opportunities. SelectUSA organizes international Road Shows and missions to trade fairs, while also offering tailored on-the-ground assistance in more than 70 markets.

Note: SelectUSA exercises strict geographic neutrality, and represents the entire United States. The program does not promote one U.S. location over another U.S. location.

For more information on SelectUSA and services provided for investors and economic development organizations please click on the following link:
http://selectusa.commerce.gov/

Gold Key Service

The Gold Key Service (GKS), which arranges pre-screened one-on-one appointments with potential business partners, is our most popular program for U.S. executives exploring business opportunities in India. Gold Key Service (GKS) services include:

- Four to six appointments with pre-qualified sales representatives and partners, appropriate government officials, related associations and others
- Customized market and industry briefings with U.S. Commercial Service staff in advance of your travel to develop your schedule
- Mid-term report/profile on each Indian company/partner you will meet
- Escort by a U.S. Commercial Service staff member for meetings
- Assistance with travel and accommodation at preferred rates
- Post meeting assistance with U.S. Commercial Service staff to discuss results of meetings and develop appropriate follow-up strategies

Coverage

The GKS is available in seven Indian posts: New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmedabad, and Hyderabad. Based on your company's goals, as provided by you in a business confidential questionnaire, CS India will provide you with a pre-GKS assessment for one or all of these markets. Then, as part of your schedule development, we will discuss with you which cities we believe to hold the best potential for your product or service to help your company make the best decision on where to travel.

Duration of the GKS and Schedule of Meetings

The GKS is scheduled for a minimum of one day in each selected city. Any request for additional days will be considered subject to availability of resources. On average, companies will have four pre-screened meetings a day. As appropriate, appointments are scheduled at the Indian companies' offices, or at our offices when needed to eliminate drive time and facilitate additional meetings.

Price and Delivery Time

SME Company: $700 (four to six appointments), Additional request of appointments for SME company: $300
Large Company: $2,300 (four to six appointments); Additional request of appointments for large company: $1,000
SME New-to-Export companies using this service for the first time: $350 (four to six appointments), Additional request of appointments for SME company: $300

If required, actual travel cost and overnight stay for GKS meetings that involves a Commercial Service Specialist to travel outside the city will be applicable.

Typically six weeks are needed to set up an effective GKS agenda. All GKS requests will be confirmed by the country-wide GKS Program Manager only after the payment is received by the U.S. Commercial Service, New Delhi.

GKS Questionnaire and Product/Company Catalogs

A completed GKS questionnaire and 10 sets of company catalogs or literature should be received by CS India at least four to six weeks prior to your GKS program to ensure the best possible service. This allows us to thoroughly identify potential business partners according to your company requirements.

You will be given specific instructions on where to send the catalogs/literature. Please note that appointments with Indian firms will often only be scheduled after they receive your catalogs/literature. Therefore, timely delivery of the U.S. company/product catalogs is critical to ensure high quality meetings.

Express Gold Key Service (EGKS)

Express Gold Key Service (EGKS) is our latest offering for U.S. executives who want to take the most expedient and quickest route to reach potential customers and partners in India. The EGKS service provides you with the entire range of services expected of a Gold Key Service with a shorter lead time.

Delivery Time

Two to four weeks advance scheduling required. All EGKS requests will be confirmed by the country-wide GKS Program Manager only after the payment is received by the U.S. Commercial Service, New Delhi.

Price and Payment

SME Company: $1400, Additional request of appointments for SME company: $600
Large Company: $4,600; Additional request of appointments for large company: $2,000
SME New-to-Export companies using this service for the first time: $700

Platinum Key Service

The Platinum Key Service (PKS) provides sustained marketing support over a six to twelve month period by the U.S. Commercial Service in India for U.S. companies. A Commercial Specialist will be assigned as a "dedicated account executive" to develop and implement a customized market expansion program for the client. This program will be implemented according to a defined scope of work that includes specific deliverable agreed upon between the U.S. client and the Commercial Service in India. The PKS service also includes the use of official meeting facilities and basic secretarial support from the Commercial Service.

Cost: Varies according to scope of work and level of efforts.

Delivery: As determined in the work plan with the U.S. client.

International Company Profile

An International Company Profile (ICP) is a due-diligence check that helps U.S. companies evaluate potential business partners. The report includes factual data as well as CS India’s evaluation to help U.S. firms assess risk, reliability, and capability. The ICP analyzes the overall strength of an Indian company and provides useful information collected from our industry contacts, local publications/press, and other sources. An ICP provides:

- A detailed background report, based on a variety of research sources, including an on-site visit by a Commercial Specialist.
- A listing of the company's senior management
- Main business activities and product/service lines
- Comments from company references
- Banking and financial information [note: an ICP is not a credit report and, therefore may not contain the detailed financial information that is obtainable from mercantile credit agencies. However, reliable basic financial information is included in the report]
- CS India insight on whether the prospective partner can meet your needs - trading experience, market coverage, stature, business connections in the country

Price and Delivery Time

The following pricing schedule is for a standard ICP in India with a delivery time of 20 business days from receipt of payment:

SME Company: $600; Large Company: $900; SME New-to-Export companies using Service for the first time: $350 - for ICP checks conducted within the city and adjoining areas that can be covered within office hours.

SME Company: $600; Large Company: $900; SME New-to-Export companies using Service for the first time: $350 and actual travel cost and overnight stay (if required) - for ICP checks that involve a Commercial Service Specialist to travel outside the city.

International Partner Search

The International Partner Search (IPS) is designed to help identify suitable Indian companies and distributors, who are keen to represent U.S. firms in India If your firm is small, new to exporting, or if you don't have sufficient resources for research or overseas travel, this service provides an easy, economical, quick-access opportunity to assess and enter the Indian market. We will locate, screen, and assess potential qualified overseas sales representatives, agents, distributors, joint venture partners, licensees, franchises or strategic partners for your products or services. IPS offers:

- Company report on four to six potential qualified sales representatives, agents, distributors, joint venture partners, licensees, or franchisees that are interested in your products and services
- Key contacts of interested Indian companies
- Feedback/ findings of Commercial Specialist after their interaction with interested companies

IPS Coverage

India is a regionally diverse market, so you may wish to order a separate IPS for each region. The IPS service is available at all our seven posts: Northern India (New Delhi), Eastern India (Kolkata), Western India (Mumbai, Ahmedabad), and Southern India (Chennai, Bangalore, Hyderabad). If you want to do an IPS search in only one of our seven posts, we can help you pick the most appropriate post for your search. CS India prefers to carry out a pre-IPS survey for all IPS requests to assess its feasibility.

Price and Delivery Time

SME Company: $550; Large Company: $1,400; SME New-to-Export companies using service for the first time: $350 per business category per city, the IPS service provides the contacts you need to launch your marketing efforts in India.

Turnaround time is 30 working days from the day we receive your company's product literature. As a next step, if you plan a visit to India, you may also order our Gold Key Service (described above) for appointments with prospective agents and distributors and key government officials relevant for your industry.

Product/Company Catalog

Ten to fifteen sets of product /company catalogs must be received by CS India 30 days prior to the expected delivery time of the report.

Business Facilitation Service

Business Facilitation Service (BFS) will provide U.S. firms with pre-screened appointments to explore the Indian market, establish relationships with potential overseas agents, distributors, sales representatives, pre- determined government officials and / or U.S. Commercial interests. The U.S. companies operating in India at times have special needs. In specific situations, CS India staff may be able to offer a BFS to qualified U.S. firms or their local representatives, who request assistance. Appointment requests may be for Government of India, State Government or private sector meetings.

Coverage

The BFS is available in seven Indian posts: New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmedabad, and Hyderabad. Based on your company's goals, as provided by you in a business confidential questionnaire, CS India will provide you with a pre-GKS/BFS assessment for one or all of these markets.

Duration of the BFS

The maximum number of appointments allowable under this service is up to three.

Price and Delivery Time

$350 up to three appointments. Delivery time for BFS will be two to three weeks or as negotiated. Please contact Program Manager to inquire about lead times.

Special Notes: The CS Specialist is not obligated to join the meetings. However, if the CS staff member wants to accompany the client, there is no extra fee.

Unlike the Gold Key Service (GKS), this service is not subject to the midterm report requirement.

If the meeting is with the Government of India for an approved Advocacy case, there is no charge for the appointment. To be an approved Advocacy case, the U.S. firm must be listed on the CS India Advocacy matrix or present the required, cleared advocacy questionnaire.

BFS Questionnaire and Product/Company Catalogs

A completed BFS questionnaire and 10 sets of company catalogs or literature should be received by CS India at least four to six weeks prior to the BFS.

You will be given specific instructions on where to send the catalogs/literature. Please note that appointments with Indian firms will often only be scheduled after they receive your catalogs/literature. Therefore, timely delivery of the U.S. company/product catalogs is critical to ensure high quality meetings.

Initial Market Check

Initial Market Check (IMC) is customized and effective service offered to U.S. firms. It is a written report that gathers feedback on a company's product(s)/ service(s) from industry players, providing insight into the company's potential strengths, weaknesses, opportunities and challenges in a particular market. It can be used as a tool to gauge interest of prospective Indian buyers prior to another CS service, but is not required to do Gold Key Service or any other service involving travel to India. IMC contains:

- A snapshot of U.S. firm's product/service preliminary market potential
- Feedback and level of interest on their product/service from in-country contacts
- CS analysis and recommendations for next steps

IMC Coverage

You can order IMC service at any of CS India posts: Northern India (New Delhi), Eastern India (Kolkata), Western India (Mumbai, Ahmedabad), and Southern India (Chennai, Bangalore, Hyderabad). The report will cover market potential in the principal distributing hubs and in the India as a whole or specified otherwise.

Price and Delivery Time

SME Company: $25 per hour and **any direct expenses; Large Company: $70 per hour and any direct expenses; SME New-to-Export companies using Service for the first time: $25 and any direct expenses

** In some cases additional fees may be required to cover costs billed to CS India for transportation, translation/interpretation, contractors and any other direct expenses.

Service delivery time is within five weeks of payment and receipt of product brochures, or as negotiated

Product/Company Catalog

Ten to fifteen sets of product /company catalogs should be received by CS India at least four to six weeks prior to the expected delivery time of the report.

For more information:
For answers to questions on our product and service offerings, please contact:

Ms. Uma Katoch
Tel: 91-11-2347-2340, Fax: 91-11-2331-5172
Email: uma.katoch@trade.gov

or

Contact your local U.S. Export Assistance Center (USEAC). To locate the USEAC nearest to you, visit: http://export.gov/usoffices/index.asp

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact **(800) USA-TRAD(E).**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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