

INVESTMENT IN INDIA



WHY INVEST IN INDIA?

FASTEST GROWING ECONOMY

India is one of the fastest growing economies in the world and India has emerged as one of the most attractive business and investment destination.

India is likely to grow at consistently higher rates (>7%) and retain its position as one of the fastest growing economies till 2020.¹

Foreign exchange reserves have been at a comfortable level over recent years. Currently, India's reserves stand at USD 371.279 Billion.²

India has shown a growth of 8% in FDI Inflow from FY 2015-16 to FY 2016-17, and a growth of 9% in FDI Equity Inflows from FY 2015-16 to FY 2016-17.³

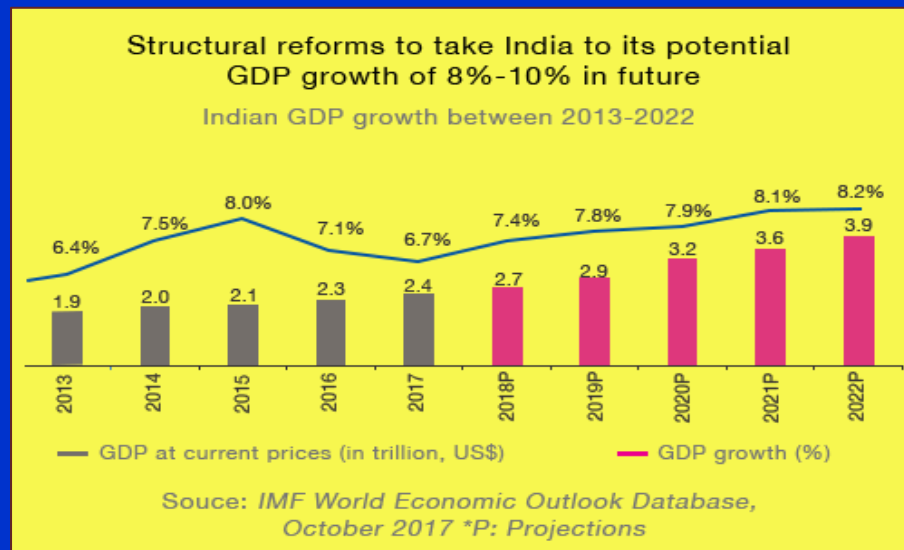
¹Source: International Monetary Fund

²Source: Reserve Bank of India as on 9th September, 2016

³Source: Make in India

In the next five years, India shall have a greater economic influence across the Asia Pacific region.⁴

India may have the world's largest youth population by 2020.⁵ Currently, India has the third largest group of scientists and technicians in the world.⁶



POLICY FRAMEWORK

- Foreign Investors may commence business in India in the following modes⁷:-
 - An Indian Company:
 - Joint Venture
 - Wholly owned subsidiary permissible in sectors where 100% FDI is permitted.
 - Limited Liability Partnership
 - A Foreign Company can open:
 - Liaison Office to represent the parent company in India.
 - Branch Office for activities such as export – import of goods; research, consultancy etc.
 - Project Office for execution of project.

⁴Source: Baker McKenzie and Merger Market Group

⁵ Source: United Nations Population Fund

⁶ Source: All India Management Association and The Boston Consulting Group

⁷ Source: Department of Industrial Policy and Promotion (DIPP)

- Major FDI Policy Reforms have been made in a number of sectors where 100% FDI has been allowed through the automatic route, without the need of Government approval, namely, Mining, Broadcasting, certain services under Civil Aviation, Construction Development etc.
- The Central and State Governments have formulated sector specific policies, incentives and subsidies to promote manufacturing in India. The Government has made efforts to improve infrastructure by increased allocation in the Budget, which is vital for future economic growth.

RECENT DEVELOPMENTS IN THE INFRASTRUCTURE SECTOR



- **Sagarmala Project:** This Project includes modernization of ports, setting up of coastal economic zones, new major ports and fish harbors with a Capital outlay of USD 10 Billion.
- **Smart Cities Mission:** This Mission involves development of 100 smart cities as satellite towns of larger cities and modernization of existing cities with a Capital outlay of USD 15 Billion.
- **Atal Mission for Rejuvenation and Urban Transformation (AMRUT):** This Mission is an effort to recast urban landscape and make urban centers more livable with a Capital outlay of USD 7.69 Billion.
- **Roads and Highways:** This initiative involves development of about 7000 km of National Highways under Bharatmala Pariyojana with a Capital outlay of USD 12 Billion.
- **Railways:** This initiative involves construction and development of dedicated freight corridor for decongesting existing network with a Capital outlay of USD 12.3 Billion.

FOREIGN DIRECT INVESTMENT IN INDIA

SECTORS OPEN FOR FOREIGN INVESTMENT

Some of the primary sectors are Aerospace, Agriculture, Automotive Industry, Aviation, Construction, Defence Manufacturing, Food Processing, Gems and Jewelry, Information Technology, Infrastructure, Mining, Oil and Gas, Pharmaceuticals, Ports and Shipment, Railways, Renewable Energy, Roads and Highways, Steel Industry, Telecom, Textiles and Garments.

SECTORS UNDER AUTOMATIC ROUTE

Up to 100%:

Agriculture, Plantation, Mining – Metal and non-metal ores; Lignite and Coal, Manufacturing, Broadcasting Carriage Services (Teleports, DTH, Cable Networks, Mobile TV, HITS), Broadcasting Content Service – Up-linking of Non-‘News and Current Affairs’ TV Channels/ Down-linking of TV Channels, Airports – Greenfield; Brownfield, Airport Transport Services – Non-Scheduled; Helicopter/Seaplane Services, Ground Handling Services, Maintenance and Repair Organizations; Flying Training Institutes; Technical Training Institutions, Construction Development, Industrial Parks – New and Existing, Trading – Wholesale; B2B e-commerce, Duty Free Shops, Railway Infrastructure, Asset Reconstruction Companies, Credit Information Companies, White Label ATM Operations, Other Financial services (includes NBFCs; via automatic route if regulated by any financial sector regulator/Government Agencies, Pharma – Greenfield, Petroleum and Natural Gas – Exploration Activities of Oil and Natural Gas Fields.

SECTORS WHERE GOVERNMENT APPROVAL IS REQUIRED

Up to 100%:

Mining and mineral separation of Titanium bearing minerals and ores, Publishing/printing of scientific and technical magazines/specialty journals/periodicals, Publication of facsimile edition of foreign newspapers, Satellites - establishment and operation, Food product retail trading

Beyond 74%:

Pharma – Brownfield

Beyond 49% and Up to 100%:

Defence, Air Transport Service - Scheduled and Regional Air Transport Service, Telecom Services, Single Brand Retail Trading Services

Beyond 49% and Up to 74%:

Banking - Private Sector, Private Security Agencies

Up to 51%:

Trading - Multi Brand Retail Trading

Up to 49 %:

Broadcasting Content Services for:

- Setting up of FM Radio
- Up-linking of news and current affairs TV Channels

Up to 26 %:

Print Media - Publication of Indian editions of foreign magazines dealing with news and current affairs, Print Media - Publishing of newspaper and periodicals dealing with news and current affairs.

Up to 20 %:

Banking - Public Sector

GOVERNMENT INITIATIVES

The following business processes and procedures have opened up new avenues of opportunities to create confidence among entrepreneurs and investors worldwide:

- Incorporation of a company reduced to 1 day instead of 10 days
- Power connection provided within a mandated time frame of 15 days instead of 180 days
- Number of documents for exports and imports reduced from 11 to 3
- Validity of industrial license extended to 7 years from 3 years
- The Permanent Residency Status for foreign investors for 10 years
- Implementation of the Competition Act, 2002 to prevent practices having adverse effect on competition, to protect the interests of consumers, and ensure freedom of trade in the markets of India.
- Implementation of Goods and Services Tax (GST) Laws, whereby GST will subsume the existing multiple taxes which may reduce the cost of tax compliance, logistics cost, transaction cost, etc and bring a stability and transparency in the tax regime which will make it easier to do business in India.
- Implementation of the Insolvency and Bankruptcy Code, 2016 to consolidate and amend the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner.
- The RBI has also allowed a number of foreign investors to invest, on repatriation basis, in non-convertible/redeemable preference shares or debentures issued by Indian companies listed on established stock exchanges in India. The investment should be within the overall

limit of USD 51 Billion allocated for corporate debt. Long-term investors registered with SEBI will also be deemed as eligible investors.

- Setting up of Securities Exchange Board of India (SEBI) to ensure protection of investors and regulation of the securities market in India. SEBI has relaxed norms for registered Foreign Portfolio Investors (FPIs) in India, allowing them to operate through the International Financial Services Centre (IFSC) without any additional documentation or prior approval process.
- An investor facilitation cell has been created in 'Invest India' to guide, assist and handhold investors during the entire life-cycle of the business.

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SOURCES

- (1) www.makeinindia.com
- (2) <https://www.ibef.org/economy/foreign-institutional-investors.aspx>
- (3) <http://www.investindia.gov.in/about-invest-india>