

# DOING BUSINESS IN INDIA

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# AREAS COVERED

- India's legal and regulatory framework
- Entry options
- Case Studies
- Indian Economy & Trends
- Foreign Direct Investment (FDI)
- Smart cities & Bullet Trains
- Make in India
- Start up India

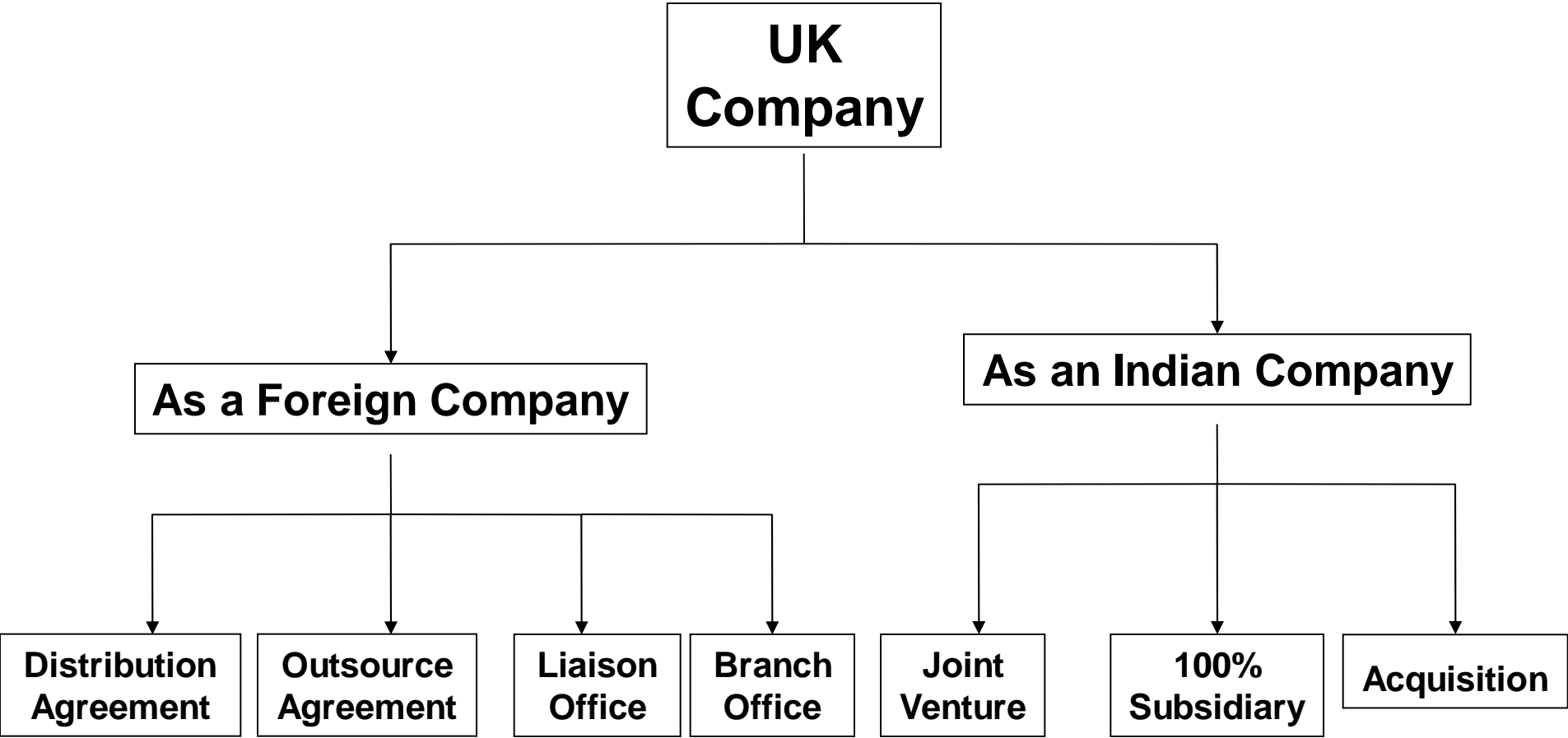


# THE LEGAL AND REGULATORY FRAMEWORK

- Based on English Legal System
- Foreign Investment Regulated
- India Signatory to WTO and GATT



# ENTRY OPTIONS CHART

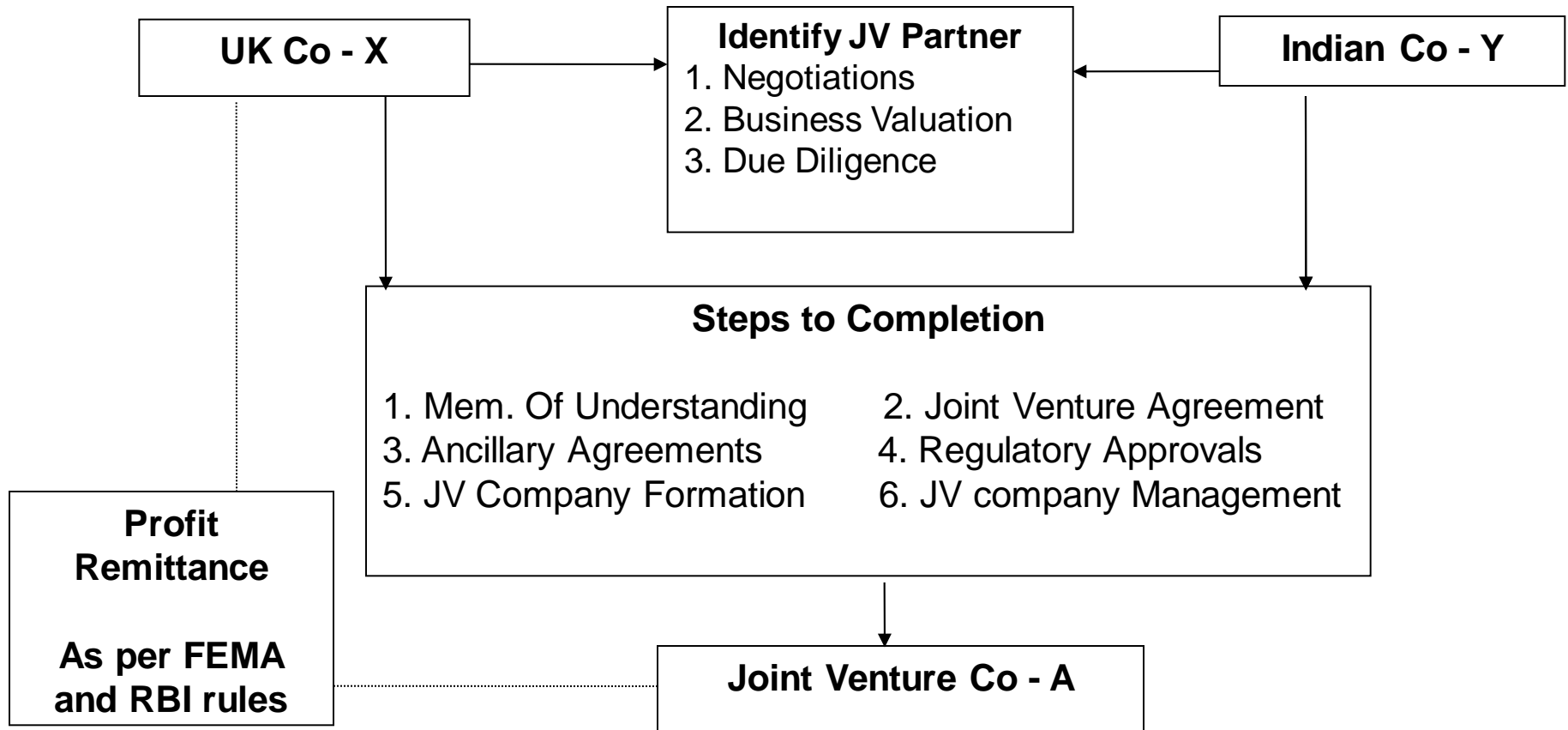


# **CASE STUDY - I**

**A UK Company – ‘X’ entered into a Joint Venture with an Indian Company – ‘Y’**



# JOINT VENTURE CHART



# DUE DILIGENCE

- Company information
- Directors
- Statutory compliances
- Share capital
- Intellectual property
- Litigation
- Indebtedness
- Licenses
- Environmental



# MEMORANDUM OF UNDERSTANDING

- Business of JV company
- Contributions to the JV company
- Management control of the JV company
- Confidentiality
- Validity of the MOU
- Non compete





# JV AGREEMENT

Most issues are already covered under MOU

- Deadlock
- Transfer of Shares
- Dispute Resolution
- Non – compete
- Intellectual Property Rights



# JV COMPANY FORMATION

- Registration of Indian Company
- Company Limited by shares (Private Limited Co)
- Process involved

Reserve company name

Memorandum & Articles of Association

A minimum of two shareholders

A minimum of two directors

Minimum authorised and paid up capital is INR 100,000/-

(GBP 1140)



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# CASE STUDY – II

UK Company – ‘X’ incorporated as a Wholly Owned Subsidiary (WOS) in India



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# INCORPORATION OF AN INDIAN COMPANY

- Registration of a Indian Company
- Company limited by shares (Private Limited Co)
- Reserve Company Name
- Memorandum and Articles
- Two shareholders
- Two directors
- Authorised & Paid up capital
- Tax Treatment
- Transfer pricing



# REGULATORY COMPLIANCE

- Legal Documentation
  - *Technology License Agreement*
  - *Name License Agreement*
  - *Employment Agreement*
  - *Various other formalities like Permanent Account Number (PAN) Cards, Bank Accounts, etc.*



# PRACTICAL TIPS

- Market Research on Fact
- Choose the Entry Vehicle
- Thorough Due Diligence
- Understand Regulatory Position
- Protect Intellectual Property
- Contract Clearly, build-in Exit Provisions
- Be Patient!



# Indian Economy & Trends

- India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF). According to IMF, Indian economy is expected to grow at 7- 7.75 per cent during FY 2016-17, despite the uncertainties in the global market.
- Foreign direct investment (FDI) in India have increased by 29 per cent during October 2014-December 2015 period post the launch of Make in India campaign, compared to the 15-month period before the launch.
- India has emerged as one of the strongest performers with respect to deals across the world in terms of Mergers and Acquisitions (M&A). The total transaction value of M&A involving Indian companies stood at US\$ 26.3 billion with 930 deals in 2015



# CONDUCTIVE ENVIRONMENT FOR INVESTMENT

## 1. STRONG FINANCIAL REGULATORY SYSTEM

- a. Reserve Bank of India (RBI) is among the best central banks in the world
- b. Indian regulatory system was applauded for its strong mechanisms that weathered the 2008 global crisis

## 2. PROMINENT STOCK EXCHANGE

- a. Bombay Stock Exchange (BSE) is the world's largest stock exchange in terms of number of listed companies; NSE takes the third spot in terms of number of transactions
- b. India entered the elite club of world's 10 largest stock markets
- c. In 2014, net foreign investment in equity and debt markets was USD16.1 billion and USD26.3 billion, respectively

## 3. LARGE & SKILLED LABOUR FORCE

- a. Working age population\* expected to increase from 58 per cent in 2001 to 64 per cent by 2021
- b. India has second largest number of engineers and scientists & second largest English-speaking population in the world
- c. Low average salary of USD 5,000–10,000 p.a.





# SPENDING BY MIDDLE CLASS POPULATION DRIVING GROWTH

- India has a very dynamic consumer market driven largely by the huge middle class population
- By 2020, India projected to be the world's third largest middle class consumer market behind China and the US
- By 2030, India likely to surpass both countries with an aggregated consumer spending of nearly USD13 trillion
- The consumer service industry is emerging as a sunrise industry and attracting investments
- The e-commerce sector is one of the sectors which has witnessed large investments



# Foreign Direct Investment (FDI)

- There are two routes by which India gets FDI
  - Automatic route: By this route FDI is allowed without prior approval by Government or Reserve Bank of India.
  - Government route: Prior approval by government is needed via this route. Foreign Investment Promotion Board is the responsible agency to oversee this route.
- India has already marked its presence as one of the fastest growing economies of the world. It has been ranked among the top 3 attractive destinations for inbound investments.
- According to the Financial Times, in 2015 India overtook China and the US as the top destination for the Foreign Direct Investment. In first half of the 2015, India attracted investment of \$31 billion compared to \$28 billion and \$27 billion of China and the US respectively.



# Automatic & Government Routes in FDI

## Automatic Route (100% FDI allowed) Sectors-

- Manufacturing
- Food Product Retail Trading
- Asset Reconstruction Companies
- Non-Banking Finance Companies
- Agriculture & Animal Husbandry
- Broadcasting Carriage Services (Teleports, DTH, Cable Networks, Mobile TV, HITS)
- Construction Development
- Trading – Wholesale
- Trading – B2B E-commerce
- Duty Free Shops
- Mining and Petroleum & Natural Gas
- Airports – Greenfield & Brownfield
- Industrial Parks – new and existing
- E-commerce activities
- Air Transport Service- Non-Scheduled, Helicopter Services/ Seaplane Services & Ground Handling Services

## Government Route- Sectors

- Defence – Beyond 49% & upto 100%
- Print Media – Upto 26%
- Investment by Foreign Airlines– Upto 49 %
- Telecom Services – Beyond 49% & Upto 100%
- Pharma (Brownfield) – Beyond 74% & Upto 100%
- Banking (Pvt Sector) –Beyond 49% & Upto 74%
- Banking – Public Sector – Upto 20%
- FM Radio – Upto 49%
- Uplinking of 'News & Current Affairs' TV Channels – Upto 49%
- Trading - MBRT – Upto 51%



# Make in India

- The Make in India campaign was launched in September 2014
- An initiative designed to facilitate investment, foster innovation, protect intellectual property, and build best-in-class manufacturing infrastructure
- The campaign is set of plans to cut red tape, develop infrastructure and create a business-friendly environment
- At present, manufacturing share in the GDP is 15 per cent and the government aims to reach 25 per cent
- eBiz portal has been made available 24\*7 for online application of Industrial License and Industrial Entrepreneur Memorandum. Validity of the Industrial License has been extended to three years
- Clearance process turned online



# SMART CITIES AND BULLET TRAINS

- Smart cities

- Government of India plans to build 100 smart cities and modern satellite towns near the existing cities
- According to United Nations, Indian urban population is expected to touch 843 million by 2050
- In Budget 2015, USD1.2 billion has been allocated for smart cities, USD83 million has been allocated for the digital India initiative
- India aims to invest USD1.2 trillion over the next 20 years in transportation, energy and public security to build smart cities

- Bullet trains

- The Indian rail system is the world's largest passenger carrier
- The government announced a diamond quadrilateral network of high-speed rail in Budget 2015. The objective of this high-speed rail network is to reduce journey hours and take the rail system to international standards
- A diamond quadrilateral rail line would cover major metro cities and growth centres of the country
- This project would comprise seven routes, including Mumbai-Ahmedabad, Howrah-Haldia, New Delhi-Patna, and Hyderabad-Chennai



# Startup India

- This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups.
- Main objective is to reduce the regulatory burden on Startups thereby allowing them to focus on their core business and keep compliance cost low
- Start-ups can self-certify their compliance with environment and labour laws. There will be no inspection for three years.
- Tax exemption for startups have been announced to promote their growth. Starting April 1, 2016, startups will be exempted from income-tax for three years.



# Thank You

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