

EEPCINDIA

ENGINEERING THE FUTURE

THE EEPC INDIA

'DOING BUSINESS' SERIES



DOING BUSINESS IN INDIA

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February 2019

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India is a top investment destination in the world today. Twenty states have their Startup policies. India is one country where almost every citizen is an entrepreneur and where 600 million farmers and retailers take enormous risks.

A quantum jump to 77 in World Bank's Ease of Doing Business ranking in 2018, a record 23% surge in FDI flows in Q1FY19 at US\$12.7 billion over Q1FY18; over 50 PMI (Purchasing Managers' Index) value for 15 consecutive months indicating growth in the manufacturing sector; a 215% rise in DIPP-recognised startups to 14,545 in 2018 generating 130,424 jobs paint a very ambitious and promising picture of the current and future Indian economy.

The Government of India has taken a slew of export promotion measures particularly in the MSME sector with the inclusion of Merchant Exporters within the ambit of the Interest Equalisation Scheme and the restructuring of existing loans for MSMEs at the beginning of this year. The Interim Budget for 2019-20 of Prime Minister Mr Narendra Modi's Government gives a clear vision for further improving the Ease of Doing Business by committing increased investment to projects relating to key infrastructure projects which would reduce the cost of transactions for India's exports.

During 2017-18, shipments grew by 30%, clocking the highest growth in several years to reach US\$303 billion with the engineering sector making a record US\$76.2 billion. India is preparing a specific strategy for exports for each geography as part of plans to make 2019 a new year for exports where overall merchandise exports of US\$350 billion and engineering exports of US\$80 billion seem feasible during 2018-19 !

This compilation of trade, investment and export data would help overseas investors to understand the basics of our economy.

A handwritten signature in black ink that reads "Ravi Sehgal." The signature is written in a cursive style with a horizontal line underneath the name.

Ravi Sehgal
Chairman, EEPC India

Foreword



India, striving to be a US\$5 trillion economy by 2027, of which US\$3 trillion is expected from services, US\$1 trillion from industry and another trillion from the agriculture sector, has charted a unique, inclusive, empowering and transformative growth path. 8.2% GDP in Q1, 4.5% IIP growth, 10% growth of money supply, 2.4% CAD and 3.3% inflation validate an IMF growth forecast of 7.5% during 2019-20.

MSMEs are driving the economy with 45% of the total manufacturing output, nearly 40% of India's exports and generating 93% GST revenues. We are at the threshold of receiving a New Industrial Policy. Our industrial sector has a 29% share and manufacturing sector has a 16-17% share in GDP. The New Industrial Policy targets US\$100 billion FDI annually, raising the share of the manufacturing sector to 25% GDP by 2022 and improved access to capital for micro, small and medium enterprises (MSMEs). EEPC India has equipped Indian SMEs to compete globally. We congratulate the Prime Minister for conducting the 100-day MSME Abhiyan of the Government of India and unveiling 12 key initiatives that will help the growth, expansion and facilitation of the sector. We also worked in tandem with our members to make the Swatchcha Pakhwada initiative of the Government of India a success.

Integrated Industry is the defining trend of 21st Century manufacturing. India's manufacturing industry is already moving in the direction of industry 4.0 where everything will be connected and every data point analysed. Reports peg the smart factory industry to touch \$215 billion by 2025 and there is no major economy in the world that is not embracing it. The setting up of the National Programme on Artificial Intelligence is lauded as a big initiative for technology upgradation with the help of artificial intelligence. EEPC India is already working on several technology-related projects for upgradation in the engineering sector.

This compendium of snapshots of India's economy and key sectoral updates would serve as a useful handbook for prospective investors.

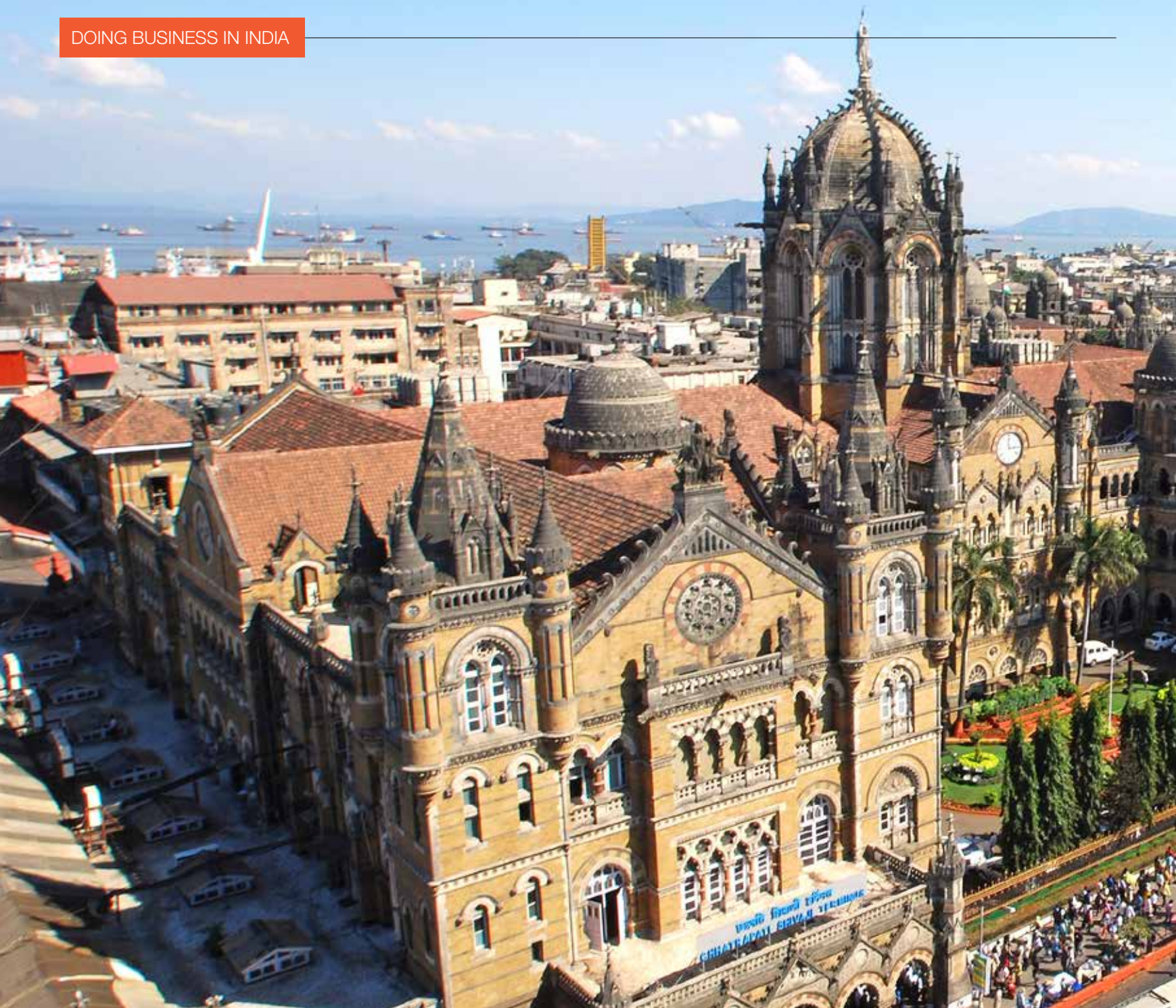
A handwritten signature in black ink, appearing to read 'Suranjan Gupta', with a horizontal line underneath.

Suranjan Gupta
Executive Director, EEPC India

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DOING BUSINESS IN INDIA



India at a historic high

01 India overtook France in 2018 to become the world's sixth largest economy. It will take fifth position from the UK this year on way to a \$3 trillion GDP in 2020.

02 Since 2000, India's share in global economy has doubled from 1.5% to 3.2%.

03 Per capita income (real measure of prosperity) is now nearing US\$2,000, twice the level 10 years ago, China topped US\$2,000 in 2006 and is now at US\$9,000.

04 Fiscal deficit as a percentage of GDP is down by more than one percentage point since 2013-14, aided by low global crude prices.

05 Deficit was kept in check by a dramatic fall in subsidies from 18.2% of total spending in 2012-13 to 11.8% in 2016-17. There has been a marginal reversal since 2017-18.

06 Low and stable inflation combined with falling deficit (which meant lower govt borrowing) helped RBI cut interest rates by more than one percentage point.

07 Foreign investment flows kept breaking records during the first four years of the Modi govt, crossing \$61bn in 2017-18. A chunk of these investments were for acquiring existing businesses, not setting up new ones.



Introduction

INDIA is one of the oldest civilizations in the world with a kaleidoscopic variety and rich cultural heritage. It is the seventh-largest country by area, the second-most populous country with over 1.2 billion people, and the most populous democracy in the world. In the present scenario, India's economy is the third largest by purchasing power parity (PPP) and third largest by nominal gross domestic product (GDP), globally.

India has seen a systematic transition from being a closed door economy to an open economy since the beginning of economic reforms in the country in 1991. These reforms have had a far-reaching impact and have helped India unleash its enormous growth potential.

Today India is one of the fastest growing economies in the world and has emerged as a key destination for foreign investors in recent years. According to UNCTAD's World Investment Prospects Survey 2014-16, India is the sixth-most attractive destination for FDI in the world.

India's GDP has also grown at around 7.9 per cent between 2003 and 2012. This trend, according to the International Monetary Fund (IMF), is likely to continue for the next five years with an average GDP growth rate of 7.7 per cent per annum till 2017. India's GDP for 2017, valued at US\$9.585 trillion is the 3rd largest in the world (estimates for 2017).



India – A snapshot



Capital
New Delhi

Location
India is located in south Asia and is bordered by other countries like Pakistan in the west, China and Nepal in the north to north eastern part, Bhutan in the north east and Burma in the west.

States and Union Territories
India consists of 29 states and 7 union territories

Natural resources
Coal (fourth largest reserve in the world), manganese, bauxite, iron-ore, chromites, diamond, limestone, titanium ore, natural gas, petroleum, and arable land form India's natural resource

Coastline
7000 km of coastline, which includes that of the Andaman, Nicobar and Lakshadweep islands.

Languages
English, Hindi (Official)

GDP (official exchange rate)
US\$ 2.251 trillion (2016 est)

GDP – per capita (PPP)
\$8.721 trillion (2016 est.)

Industries
Textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, software, pharmaceuticals

Exports
\$262.3 billion (2016 est.)

Exports – commodities
Petroleum products, precious stones, machinery, iron and steel, chemicals, vehicles, apparel

Export partners
US 15.2%, UAE 11.4%, Hong Kong 4.6%, (2016)

Imports
\$381 billion (2016 est.)

Imports – commodities
Crude oil, precious stones, machinery, chemicals, fertilizer, plastics, iron and steel

Import partners
China: 15.7%, Saudi Arabia 5.4%, Switzerland: 5.4%, US 5.3%, UAE 5.2%, (2016)

Exchange rate
Indian rupees (INR) per US dollar: 64.4208 (as on 26 July 2017, RBI)

Source: IMF

Expanding infrastructure in India



THE infrastructure sector has become a focus area of the Government of India. Under Union Budget 2018-19, US\$ 92.22 billion was allocated to the sector.

Increased impetus to develop infrastructure in the country is attracting both domestic and international players. Private sector is emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. In order to boost the construction of buildings in the country, the Government of India has decided to come up with a single window clearance facility to accord speedy approval of con-

struction projects.

The cumulative growth in the index of eight core industries was 4.2 per cent in 2017-18. Significant allocation to the infrastructure sector in the 12th Five-Year Plan, and investment requirement of US\$ 1 trillion is expected to create huge demand for construction equipment in India. The country needs around 55 new airports by 2030 with an investment of US\$ 36-45 billion. In the road's sector, the government's policy to increase private sector participation has proved to be a boon for the infrastructure industry with a large number of private players entering the business through the public-private partner-

ship (PPP) model. During the next five years, investment through PPP is expected to be US\$ 31 billion. India has a requirement of investment worth Rs 50 trillion (US\$ 777.73 billion) in infrastructure by 2022 to have sustainable development in the country.

Indian infrastructure sector witnessed 91 M&A deals worth US\$ 5.4 billion in 2017. All villages in India will be connected through a road network by 2019 under Pradhan Mantri Gram Sadak Yojana (PMGSY). In August 2017, a new Metro Rail Policy was announced to boost private investment in the sector. In January 2018, the National Investment and Infrastructure Fund (NIIF) partnered with UAE-based DP World to create a platform that mobilise investments worth US\$ 3 billion into ports, terminals, transportation, and logistics businesses in India. The Government is also working on improving energy infrastructure in the country and investment opportunities worth US\$ 300 billion will be available in the sector in the coming 10 years.

Market size

Foreign Direct Investment (FDI) received in Construction Development sector (townships, housing, built up infrastructure and construction development projects) from April 2000 to December 2017 stood at US\$ 24.67 billion, according to the Department of Industrial Policy and Promotion (DIPP). The logistics sector in India is expected to increase at a Compound Annual Growth Rate (CAGR) of 10.5 per cent, from US\$ 160 billion in 2017 to US\$ 215 billion by 2020.

Investments

India has a requirement of investment worth Rs 50 trillion (US\$ 777.73 billion) in infrastructure by 2022 to

have sustainable development in the country. India is witnessing significant interest from international investors in the infrastructure space. Some key investments in the sector are listed below.

- In February 2018, the Government of India signed a loan agreement worth US\$ 345 million with the New Development Bank (NDB) for the Rajasthan Water Sector Restructuring Project for desert areas.
- In January 2018, the National Investment and Infrastructure Fund (NIIF) partnered with UAE-based DP World to create a platform that will mobilise investments worth US\$ 3 billion into ports, terminals, transportation, and logistics businesses in India.

Government initiatives

The Government of India is expected to invest highly in the infrastructure sector, mainly highways, renewable energy and urban transport, prior to the general elections in 2019.

The Government of India is taking every possible initiative to boost the infrastructure sector. Some of the steps taken in the recent past are being discussed hereafter.

- Announcements in Union Budget 2018-19:
 - Massive push to the infrastructure sector by allocating Rs 5.97 lakh crore (US\$ 92.22 billion) for the sector.
 - Railways received the highest ever budgetary allocation of Rs 1.48 trillion (US\$ 22.86 billion).
 - Rs 16,000 crore (US\$ 2.47 billion) towards Sahaj Bijli Har Ghar Yojana (Saubhagya) scheme. The scheme aims to achieve universal household electrification in the country.
 - Rs 4,200 crore (US\$ 648.75 billion) to increase capacity of Green Energy Corridor Project along with

- other wind and solar power projects.
- Allocation of Rs 10,000 crore (US\$ 1.55 billion) to boost telecom infrastructure.
- The 90 smart cities shortlisted by the Government of India have proposed projects with investments of Rs 191,155 crore (US\$ 30.02 billion) which include Projects Focusing on Revamping an Identified Area (Area Based Projects) with investment of Rs 152,500 crore (US\$ 23.95 billion).
- Contracts awarded under the Smart Cities Mission would show results by June 2018 as the work is already in full swing, according to Mr Hardeep Singh Puri, Minister of State (Independent Charge) for Housing and Urban Affairs, Government of India.
- The Government of India is working to ensure a good living habitat for the poor in the country and has launched new flagship urban missions like the Pradhan Mantri Awas Yojana (Urban), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), and Swachh Bharat Mission (Urban) under the urban habi-

tat model, according to Mr Hardeep Singh Puri, Minister of State (Independent Charge) for Housing

Road ahead

India's national highway network is expected to cover 50,000 kilometres by 2019, with around 20,000 km of works scheduled for completion in the next couple of years, according to the Ministry of Road Transport and Highways.

The Government of India is devising a plan to provide wifi facility to 550,000 villages by March 2019 for an estimated cost of Rs 3,700 crore (US\$ 577.88 million), as per the Department of Telecommunications, Government of India.

India and Japan have joined hands for infrastructure development in India's north-eastern states and are also setting up an India-Japan Coordination Forum for Development of North East to undertake strategic infrastructure projects in the northeast.

Trade

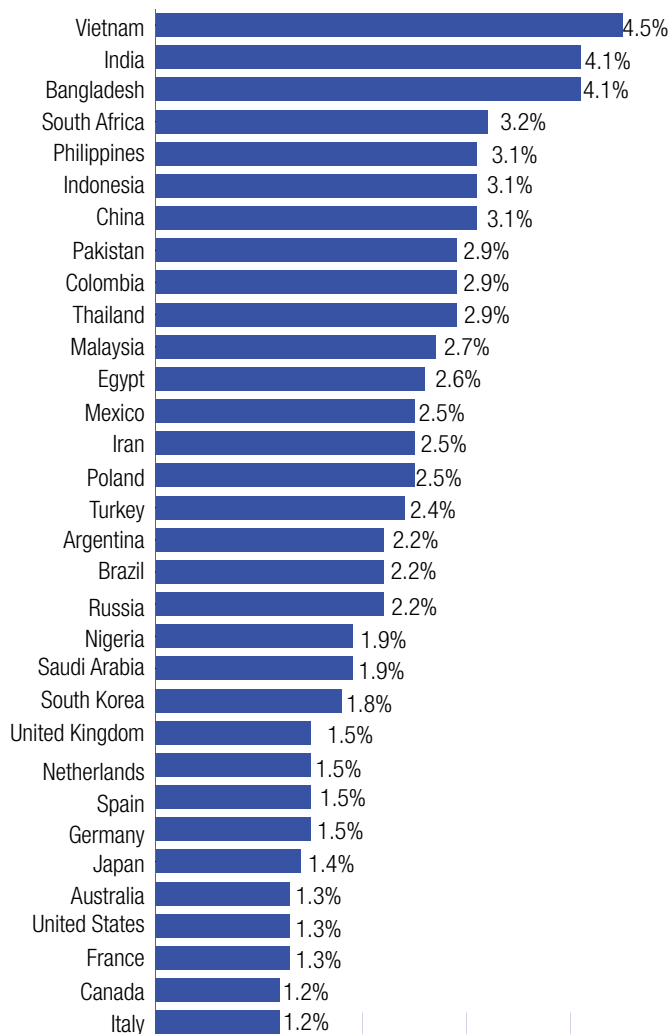


INDIA is currently the world's fastest-growing major economy. And before long, it may leapfrog the US on a ranking of the largest. In a new report titled "The World in 2050," consulting firm PwC projects that India's GDP

would exceed US GDP in purchasing power parity terms by 2040 (purchasing power parity accounts for the different prices levels across countries). This would make India the largest economy in the world after China.

Projected GDP growth per capita (2016-2050)

Growth per year in purchasing power parity



During the last 27 years, India's exports have increased more than 16 times, from US\$ 18.1 billion in 1990-91 to US\$ 302.84 billion in 2017-18, and India's imports have increased over 19 times, from US\$ 23.5 billion in 1990-91 to US\$ 459.67 billion in 2017-18. India's share in global exports has moved up from mere 0.6 percent in early nineties to 1.7 percent currently. Likewise, India's share in global imports has increased from around 0.6 percent during early nineties to 2.8 percent currently.

Table 1 A - India's trade performance: Percentage share in world trade

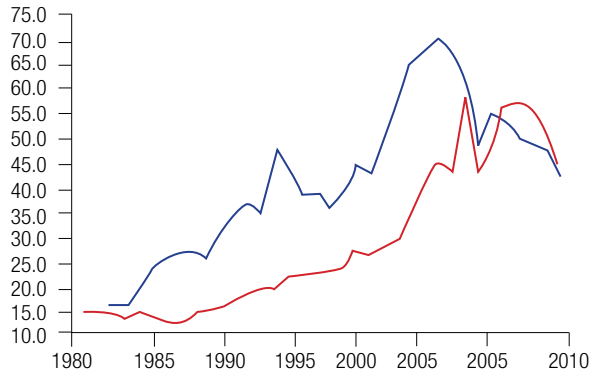
Years	India's share in world merchandise exports	India's share in world commercial services exports	India's share in world merchandise plus services exports
2011	1.7	3.2	1.9
2012	1.6	3.2	1.9
2013	1.7	3.1	2.0
2014	1.7	3.1	2.0
2015	1.6	3.3	2.0

Source: World Trade Organization and PIB

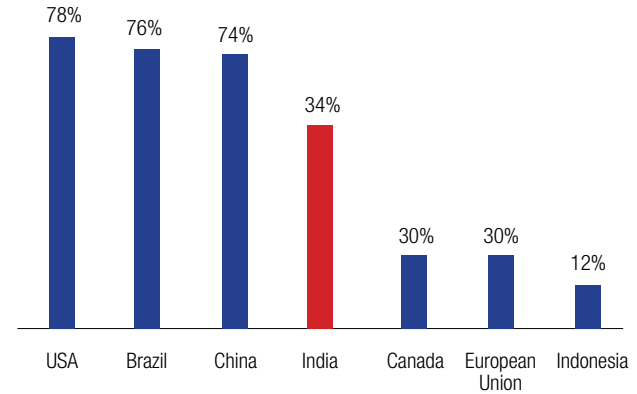
India trades more than China and a lot within itself

As of 2011, India's openness – measured as the ratio of trade in goods and services to GDP – has far overtaken China's, a country famed for using trade as an engine of growth. India's internal trade to GDP is also comparable to that of other large countries and very different from the caricature of a barrier-riddled economy.

Trade (as percent of GDP)



Internal trade (as percent of GDP)

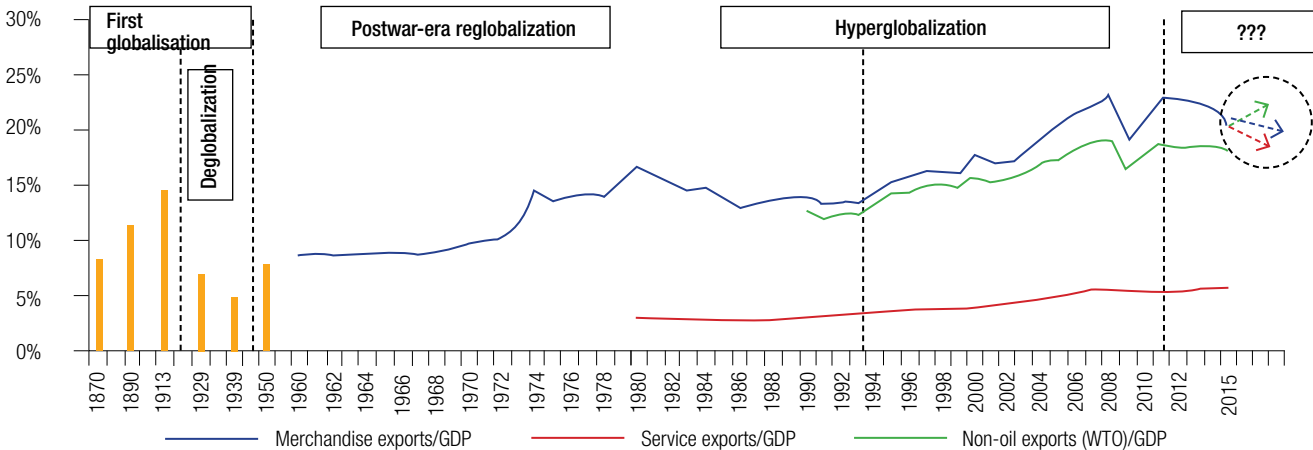


Globalization and the world (1870 to present)

Recent events suggest that the world cannot bear too much globalization either. What does this mean for India’s exports?

The figure plots the trade-GDP ratio for the world since 1870 and highlights four phases. There were two phases of globalization (1870-1914, 1945-1985), one phase of hyper-

globalization (*Subramanian and Kessler, 2014*) between 1985-2008, and one phase of deglobalization in the inter-war period. The question today is what is likely to happen going forward represented by the three arrows: further globalization, deglobalization, or stagnation? These will have potentially important consequences for Indian exports and growth.



India	
GDP (million current US\$, 2016)	2 256 397
GDP per capita (US\$, 2014-2016)	1 645
Current account balance (% GDP, 2016)	-0.9
Trade per capita (US\$, 2014-2016)	369
Trade (% GDP, 2014-2016)	22.4

India's rank in world trade		
	Exports	Imports
Merchandise	20	14
excluding intra-EU trade	14	9
Commercial services	8	10
excluding intra-EU trade	5	6

Million US\$	Value		Annual percentage change	
	2016	2010-2016	2015	2016
Merchandise exports, f.o.b.	264 020	3	-17	-1
Merchandise imports, c.i.f.	359 065	0	-15	-9
	2016			2016
Share in world total exports (%)	1.65	Share in world total imports (%)		2.21

Breakdown of India's total exports

By main commodity group, % (2015)



■ Agricultural Products: 10.2 ■ Fuels and mining products: 15.7
 ■ Manufactures: 68.4 ■ Other: 2.7

Breakdown of India's total imports

By main commodity group, % (2015)



■ Agricultural Products: 7.1 ■ Fuels and mining products: 33.1
 ■ Manufactures: 47.8 ■ Other: 12

By main destination, % (2016)



■ European Union (28): 17.6 ■ United States of America: 16.1
 ■ United Arab Emirates: 11.5 ■ Hong Kong, China: 5.1
 ■ China: 3.4 ■ Other: 46.3

By main origin, % (2016)

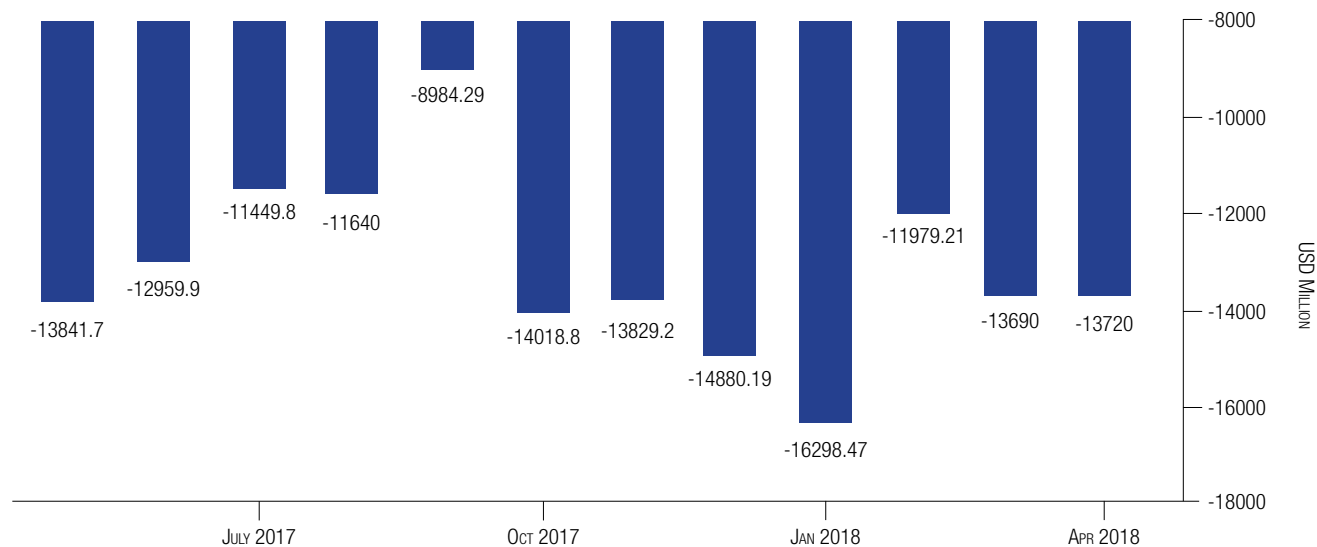


■ China: 17 ■ European Union (28): 11.3
 ■ United States of America: 5.7 ■ United Arab Emirates: 5.4
 ■ Saudi Arabia, Kingdom of: 5.2 ■ Other: 55.5

India's trade deficit widened slightly to USD 13.72 billion in April of 2018 from USD 13.25 billion a year earlier, below market expectations of a USD 15 billion gap. Exports increased 5.17% year-on-year to USD 25.91 billion, rebounding from a 0.7% drop in March. Sales went up for organic and inorganic chemicals (38.5%); plastic and linoleum (30%); engineering goods (17.6%); cotton yarn, handloom products (15.7%); drugs and pharmaceuticals (13.6%) but fell for petroleum products (-4.5%) and gems and jewelry (-17%). Imports rose 4.6% to USD

39.63 billion, lower than a 7.2% gain in March. Purchases went up for petroleum, crude and products (41.5%); transport equipment (33.2%); coal, coke and briquettes (20.4%); organic and inorganic chemicals (18.4%) and machinery, electrical and non-electrical (9.1%) but fell for gold (-33%). Balance of Trade in India averaged -2378.69 USD Million from 1957 until 2018, reaching an all time high of 258.90 USD Million in March of 1977 and a record low of -20210.90 USD Million in October of 2012.

INDIA'S BALANCE OF TRADE



Source: Tradingeconomics.com | Ministry of Commerce and Industry, India

LIST OF TOP 15 TRADING PARTNERS OF INDIA

Below is a list highlighting 15 of India's top trading partners – countries that imported the most Indian shipments by dollar value during 2017. Also shown is each import country's percentage of total Indian exports.

1. United States: US\$46.1 billion (15.6% of total Indian exports)
2. United Arab Emirates: \$30 billion (10.1%)
3. Hong Kong: \$15 billion (5.1%)
4. China: \$12.5 billion (4.2%)
5. Singapore: \$11.6 billion (3.9%)
6. United Kingdom: \$9 billion (3%)
7. Germany: \$8.2 billion (2.8%)
8. Vietnam: \$8.1 billion (2.7%)
9. Bangladesh: \$7.2 billion (2.4%)
10. Belgium: \$6.2 billion (2.1%)
11. Italy: \$5.7 billion (1.9%)
12. Malaysia: \$5.5 billion (1.9%)
13. Nepal: \$5.5 billion (1.9%)
14. Netherlands: \$5.4 billion (1.8%)
15. Saudi Arabia: \$5.2 billion (1.8%)

Over three-fifths (61.3%) of Indian exports in 2017 were delivered to the above 15 trade partners.

Singapore increased its import purchases from India from 2016 to 2017 by 57.4%. In second place was China with a 40.1% gain in value. Vietnam boosted its imports from India by 36.3%, trailed by a 32.2% improvement for Malaysia and a 27.2% boost from Bangladesh-based importers.

United Arab Emirates was the only top trade partner to cut back on its imports from India, posting a modest 0.1% year-over-year decline.

Source : <http://www.worldstopexports.com/indias-top-import-partners/>

Merchandise trade

India's trade performance in last five years (US\$ billion)					
Trade Flow	2013-14	2014-15	2015-16	2016-17	2017-18
India's total exports	313.5	310.34	262.290	276.280	302.84
India's total imports	450.6	447.964	381.006	384.319	459.67
Balance of trade	-137.1	-137.625	-118.716	-108.039	-156.83
Total	764.1	758.301	490.206	660.599	762.51

Source: DGFT

Trade agreements

Over the years, India has entered numerous bilateral and regional trade agreements with key trading partners as an instrument of Department of Commerce to make India a significant player in World trade by 2020. Apart from offering preferential tariff rates on the trading of goods among member countries, these agreements also enable increased economic intellectual property, resulting in enhanced trade liberalization.

Agreements already concluded

- MoU with Argentina
- MoU with Colombia
- Agreement of Cooperation with Nepal to Control Unauthorised Trade
- Agreement on Economic Cooperation between India and Finland
- Agreement on SAARC Preferential Trading Arrange-

ment (SAPTA)

- Agreement on South Asia Free Trade Area SAFTA
- Asia Pacific Trade Agreement APTA
- India Singapore CECA
- India Malaysia CECA
- Agreement on implementation of India – Malaysia CECA
- India ASEAN Agreements
- India Africa Trade Agreement
- India Chile PTA
- Expansion India-Chile PTA
- India Japan CEPA
- India-Ecuador Joint Economic and Trade Committee (JETCO)
- India Afghanistan PTA
- India Bhutan Trade Agreement
- India Korea CEPA
- India MERCOSUR PTA
- India Nepal Trade Treaty
- India Sri Lanka FTA
- SAARC Agreement on Trade in Services SATIS
- Treaty of Transit between India and Nepal
- Agreement of Trade, Commerce and Transit between the Government of the Republic of India and the Royal Government of Bhutan

Other Agreements/ Negotiations

- Framework Agreement with MERCOSUR
- Framework agreement with Chile
- Framework Agreement with GCC States
- Framework Agreement with Thailand
- India US Trade Policy Forum Joint Statement
- India and Australia Joint Free Trade Agreement Fea-

sibility Study

- India Bangladesh Trade Agreement
- India Ceylon Trade Agreement
- India DPR Korea Trade Agreement
- India EU Strategic Partnership Joint Action Plan
- India Indonesia Joint Study Group Report
- India Maldives Trade Agreement
- India Mongolia Trade Agreement
- India New Zealand Joint Study Report
- India United States Commercial Dialogue
- Joint Communique for setting up the India Russia Joint Task Force
- MoU and Mode of operation between India and Bangladesh for establishing Border Haats across the border_2010
- MoU and Mode of operation between India and Bangladesh for establishing Border Haats across the border_2017
- MOU between India and Indonesia on the establishment of Biennial Trade Ministers' Forum
- MOU between India and Viet Nam on the recognition of Vietnam as a Full Market Economy
- MoU on Establishment of Border Haats across the border between India and Myanmar
- MoU on Establishment of Joint Trade and Investment Forum between India and Myanmar
- MoU on Establishment of Joint Trade Committee between India and Myanmar
- MoU on Establishment of Joint Trade Committee with Brunei
- Mou on Economic Cooperation between India and Costa Rica
- • MoU on Economic Cooperation between India

and Ecuador

- Five-Year Development Program for Economic and Trade Cooperation between the People's Republic of China and the Republic of India September 18, 2014

India's Current Engagements in RTAs

Indian Papers/submissions in WTO

- Association of South East Asian Nations (ASEAN) and India Free Trade Agreement (FTA) negotiations
- India-Thailand Comprehensive Economic Cooperation Agreement (CECA) negotiations
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Agreement (FTA) negotiations
- India-Gulf Cooperation Council (GCC) Free Trade Agreement (FTA) negotiations
- India-SACU Preferential Trade Agreement (PTA) negotiations
- Second Review of India-Singapore Comprehensive Economic Cooperation Agreement
- Expansion of India-Chile Preferential Trade Agreement (PTA)
- India-MERCOSUR Preferential Trade Agreement (PTA) Negotiations
- India-EU Broad Based Trade and Investment Agreement (BTIA) negotiations
- Brief on India-EFTA Broad based Trade and Investment Agreement (BTIA) negotiations
- Global System of Trade Preferences (GSTP)
- Asia Pacific Trade Agreement (APTA)
- India - New Zealand Free Trade Agreement Comprehensive Economic Cooperation Agreement
- India-Canada Comprehensive Economic Partnership Agreement (CEPA)

- India-Australia Comprehensive Economic Cooperation Agreement (CECA)
- India-Indonesia Comprehensive Economic Cooperation Agreement (CECA)
- Joint Study on the India- COMESA (Common Market for East and Southern Africa) Joint Study Group Report to examine the feasibility of a Preferential Trade Agreement (PTA) Free Trade Agreement (FTA) bet
- India - Israel Free Trade Agreement FTA Negotiations
- Brief on Regional Comprehensive Economic Partnership (RCEP)

Regional Comprehensive Economic Partnership (RCEP)

The Regional Comprehensive Economic Partnership (RCEP) is a proposed Free Trade Agreement (FTA) between sixteen countries namely the 10 countries of ASEAN (Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) and their 6 FTA partners namely Australia, China, India, Japan, South Korea and New Zealand which together control a quarter of the US\$75 trillion global economy.

RCEP is considered to be the biggest FTA opportunity for India with a market size of US\$ 3.4 billion or 49% of the world population and economic size (GDP) of US\$ 17 trillion or 40% of the world s.

RCEP is expected to contribute 29% of the world trade. From India's point of view, the RCEP presents a decisive platform which could influence its strategic and economic status in the Asia-Pacific region and bring to fruition its act east policy.

The RCEP framework also intends to facilitate engagement in global and regional supply chains. The RCEP can provide benefits like larger market access for

Indian goods and services and linkage effects of regional and global value chains. Additionally, the framework of RCEP supports equitable economic development, which can be a basis for mutually beneficial agreements on various trade issues given the diverse levels of development and needs of the member countries. 22 rounds of talks have been completed so far on this.

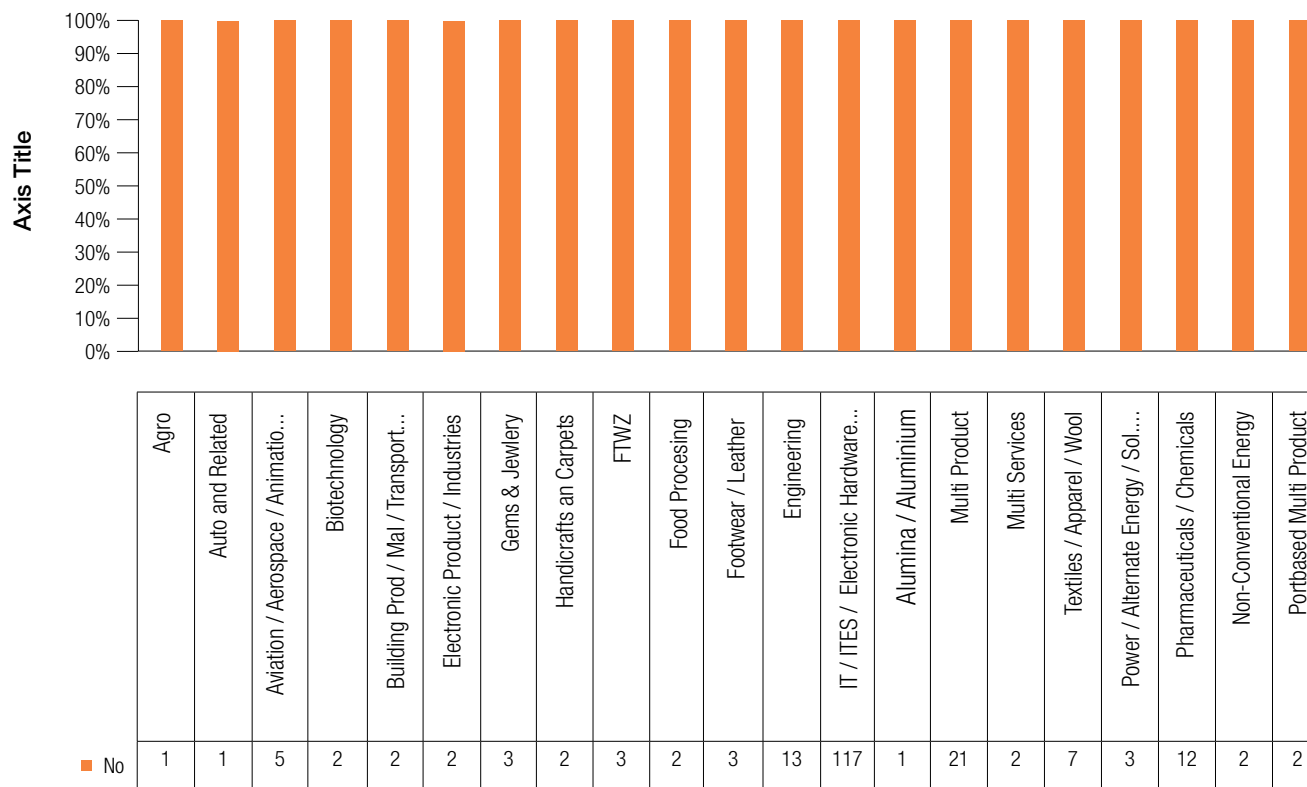
SEZs in India

India was the first country in Asia to realize and introduce the concept of EPZ (Export Processing Zone) model since 1965. Currently 223 SEZs are exporting while 419 had received formal approvals. SEZs have garnered US\$70.36 billion worth of investments with INR 4749.17 billion during 2017-18

Export Performances

Exports from the operational SEZs during the last twelve years and current year are as under:

Exports			
Years	(Value in Rs. Crores)	(Billion USD)	Growth over previous year (INR)
2005-2006	22,840	5.08	-
2006-2007	34,615	7.69	52%
2007-2008	66,638	14.81	93%
2008-2009	99,689	21.71	50%
2009-2010	2,20,711	46.54	121.40%
2010-2011	3,15,868	69.30	43.11%
2011-2012	3,64,478	76.01	15.39%
2012-2013	4,76,159	87.45	31%
2013-2014	4,94,077	81.67	4%
2014-2015	4,63,770	75.84	-6.13%
2015-2016	4,67,337	71.38	0.77%
2016-2017	5,23,637	78.07	12.05%
2017-2018	5,81,033	86.08	10.96%

Fig 6: Sectorwise distribution of operational SEZs in India

Source: DGFT

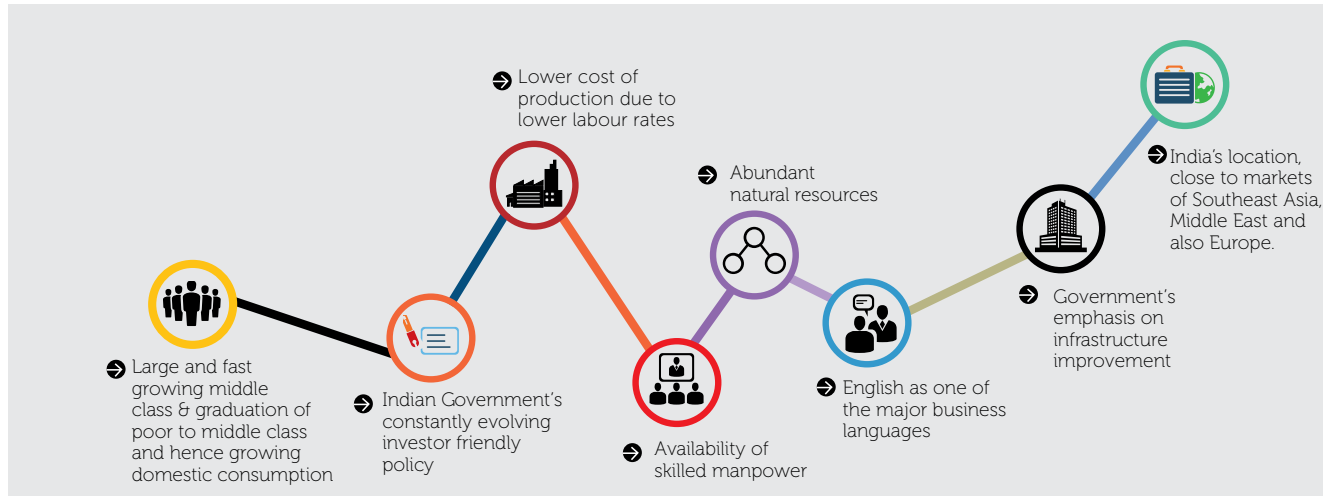
Investment



ECONOMIC activity in both advanced economies and emerging market and developing economies (EMDEs) is forecast to accelerate in 2017-18, with global growth projected to be 3.4% and 3.6%, respectively. India's growth in 2017, is projected as 7.2% and 7.7% in 2018, according to the WEO update. The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive

the growth in India's gross domestic product (GDP) in FY 2018-19.

According to the United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2016, India acquired 10th slot in the top 10 countries attracting highest FDI inflows globally in 2015. The report also mentioned that among the investment promotion agencies, India has moved up by one rank to become the sixth most preferred investment destination.



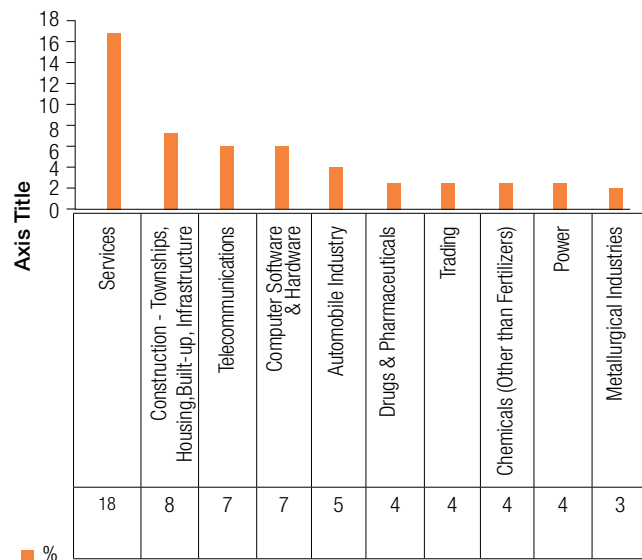
Apart from being a critical driver of economic growth, foreign direct investment (FDI) is a major source of non-debt financial resource for the economic development of India. Foreign companies invest in India to take advantage of relatively lower wages, special investment privileges such as tax exemptions, etc. For a country where foreign investments are being made, it also means achieving technical know-how and generating employment.

The Indian government's favourable policy regime and robust business environment have ensured that foreign capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

Market size

According to Department of Industrial Policy and Pro-

Top FDI receiving sectors



motion (DIPP), the total FDI investments in India April-June 2018 stood at US\$ 12.75 billion, indicating that government's effort to improve ease of doing business and relaxation in FDI norms is yielding results.

Data for April-June 2018 indicates that the services sector attracted the highest FDI equity inflow of US\$ 2.43 billion, followed by trading – US\$ 1.63 billion, telecommunications – US\$ 1.59 billion and computer software and hardware – US\$ 1.41 billion. Most recently, the total FDI equity inflows for the month of June 2018 touched US\$ 2.89 billion.

During April-June 2018, India received the maximum FDI equity inflows from Singapore (US\$ 6.52 billion), followed by Mauritius (US\$ 1.49 billion), Japan (US\$ 0.87 billion), Netherlands (US\$ 0.84 billion), and United Kingdom (US\$ 0.65 billion).

Investments/ developments

India emerged as the top recipient of greenfield FDI Inflows from the Commonwealth, as per a trade review released by The Commonwealth in 2018.

Some of the recent significant FDI announcements are as follows:

- In August 2018, Bharti Airtel received approval of the Government of India for sale of 20 per cent stake in its DTH arm to an America based private equity firm, Warburg Pincus, for around \$350 million.
- In June 2018, Idea's appeal for 100 per cent FDI was approved by Department of Telecommunication (DoT) followed by its Indian merger with Vodafone making Vodafone Idea the largest telecom operator in India
- In May 2018, Walmart acquired a 77 per cent stake in Flipkart for a consideration of US\$ 16 billion.
- In February 2018, Ikea announced its plans to invest

up to Rs 4,000 crore (US\$ 612 million) in the state of Maharashtra to set up multi-format stores and experience centres.

- In November 2017, 39 MoUs were signed for investment of Rs 4,000-5,000 crore (US\$ 612-765 million) in the state of North-East region of India.
- In December 2017, the Department of Industrial Policy and Promotion (DIPP) approved FDI proposals of Damro Furniture and Supr Infotech Solutions in retail sector, while Department of Economic Affairs, Ministry of Finance approved two FDI proposals worth Rs 532 crore (US\$ 81.4 million).
- The Department of Economic Affairs, Government of India, closed three foreign direct investment (FDI) proposals leading to a total foreign investment worth Rs 24.56 crore (US\$ 3.80 million) in October 2017.
- Kathmandu based conglomerate, CG Group is looking to invest Rs 1,000 crore (US\$ 155.97 million) in India by 2020 in its food and beverage business, stated Mr Varun Choudhary, Executive Director, CG Corp Global.
- International Finance Corporation (IFC), the investment arm of the World Bank Group, is planning to invest about US\$ 6 billion through 2022 in several sustainable and renewable energy programmes in India.

Government Initiatives

The Government of India is planning to consider 100 per cent FDI in Insurance intermediaries in India to give a boost to the sector and attracting more funds.

In January 2018, Government of India allowed foreign airlines to invest in Air India up to 49 per cent with government approval. The investment cannot exceed 49 per cent directly or indirectly.

No government approval will be required for FDI up to

an extent of 100 per cent in Real Estate Broking Services.

In September 2017, the Government of India asked the states to focus on strengthening single window clearance system for fast-tracking approval processes, in order to increase Japanese investments in India.

The Ministry of Commerce and Industry, Government of India has eased the approval mechanism for foreign direct investment (FDI) proposals by doing away with the approval of Department of Revenue and mandating clearance of all proposals requiring approval within 10 weeks after the receipt of application.

The Government of India is in talks with stakeholders to further ease foreign direct investment (FDI) in defence under the automatic route to 51 per cent from the current 49 per cent, in order to give a boost to the Make in India initiative and to generate employment.

In January 2018, Government of India allowed 100 per cent FDI in single brand retail through automatic route.

Road ahead

India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).

Annual FDI inflows in the country are expected to rise to US\$ 75 billion over the next five years, as per a report by UBS.

The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.

Sector-wise prohibition of FDI

Foreign investment is prohibited in the following sectors:

- i. Lottery Business including Government/ private lottery, online lotteries, etc
- ii. Gambling and Betting including casinos etc.
- iii. Chit funds
- iv. Nidhi company
- v. Trading in Transferable Development Rights (TDRs)
- vi. Real Estate Business or Construction of Farm Houses
- vii. Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- viii. Activities / sectors not open to private sector investment e.g. (I) Atomic energy and (II) Railway operations (other than permitted activities mentioned in entry 18 of Annex B).

(Source: RBI)

Note: Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting activities.

Modes of payment allowed for receiving Foreign Direct Investment in an Indian company

(Source: Reserve Bank of India)

An Indian company issuing shares/ convertible debentures to a person resident outside India shall receive the amount of consideration by:

- a. inward remittance through normal banking channels;
- b. debit to NRE/ FCNR (B) account of a person concerned maintained with an AD Category I bank;
- c. debit to non-interest bearing Escrow account in Indian Rupees in India which is opened with the approval from AD Category – I bank and is maintained with the AD Category I bank on behalf of residents and non-residents

Make in India: a doorway to business opportunities

Make in India is the Indian Government's flagship program, intended to help turn India into a global manufacturing hub. It aims to:

- Promote the manufacturing of low-cost, eco-friendly and zero-defect products
- Foster innovation
- Enhance skill development
- Protect intellectual property
- Build best-in-class manufacturing infrastructure

In support of the Make in India initiative, the Government has embarked on a series of actions, including those outlined below.

- 1** A new trade policy: export and import taxes on small volumes of goods have been abolished, and incentives have been introduced for export-oriented units (EOUs) and export processing zones (EPZs).
- 2** New labor laws: these include a "single-window" labor compliance process for companies, simpler Provident Fund (compulsory employee insurance and pension) procedures and a new inspection scheme.
- 3** Simplification of regulatory compliance: to make doing businesses easier, companies can now obtain environmental approvals and licenses online.
- 4** Improvement of its resource management program:

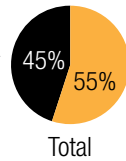
India has ample reserves of natural resources, including bauxite, coal and iron ore, that can fuel its manufacturing ambitions. The Government is taking steps to ensure they are used more efficiently. It concluded several coal block auctions in early 2015, enabling companies to access these resources. The Government is also encouraging solar and wind renewable power generation projects.

- 5** Focus on skill development: to ensure workers have the right skills, the Government launched its Skill India initiative to help the development of manufacturing. The initiative will train over 500 million young people by 2020 to make them more employable.

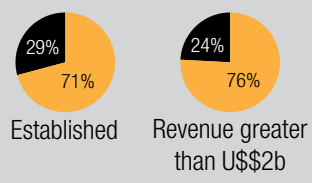
Source: Make in India website, makeinindia.com, accessed 22 June 2015.

Make in India strikes a chord with existing investors, but needs to increase awareness among those not present in India

Are you aware of the Indian Government's Make in India program?



Total



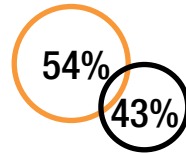
Established

Revenue greater than US\$2b

■ Yes
■ No

Those aware are more upbeat about expansion plans

How likely are you to expand or relocate your manufacturing facilities to India in the next five years?*



Companies related to manufacturing sectors, with overseas expansion plans (n= 234)

Respondents who are aware of the Make in India program (n=129)

○ Likely
○ Unlikely

Source: EY's 2015 India attractiveness survey.

Note: the question on awareness of the Make in India program was asked to respondents from companies related to manufacturing sectors, with overseas expansion plans: 234 respondents, established: 173, non-established: 61; Companies with revenue greater than US\$2b:102,

*Remaining responded "can't say".

Within six months of its announcement, 55% of our survey's respondents were aware of the Make in India program. However, there is a need to create visibility for the campaign among non-established players, as only 10% of those without a presence in India were aware of it.

Prime Minister Modi has sought to promote the Make in India program overseas and has visited more than 25 countries, including the US, Japan, Germany, China, Korea and Australia (by July 2015), securing significant commitments.

Overall, 70% of respondents from companies with revenue above US\$2b said they plan to expand or relocate manufacturing facilities to India in the next five years.

Gross share of top investing countries FDI equity inflows

Amount Rupees in crores (US\$ in millions)

Ranks	Country	2016-17 (April – March)	2017-18 (April – March)	2018-19 (April 2018–Sept 2018)	Cumulative Inflows (April 2000 – Sept 2018)	%age to total inflows (in terms of US\$)
1	MAURITIUS	105,587 (15,728)	102,492 (15,941)	27,100 (3,886)	708,117 (130,271)	33%
2	SINGAPORE	58,376 (8,711)	78,542 (12,180)	58,228 (8,622)	451,813 (75,393)	19%
3	JAPAN	31,588 (4,709)	10,516 (1,633)	12,902 (1,885)	165,677 (29,193)	7%
4	U.K.	9,953 (1,483)	5,473 (847)	5,738 (845)	136,756 (26,283)	7%
5	NETHERLANDS	22,633 (3,367)	18,048 (2,800)	15,987 (2,318)	151,202 (25,801)	6%
6	U.S.A	15,957 (2,379)	13,505 (2,095)	6,719 (970)	130,756 (23,388)	6%
7	GERMANY	7,175 (1,069)	7,245 (1,124)	3,449 (500)	62,738 (11,322)	3%
8	CYPRUS	4,050 (604)	2,680 (417)	664 (95)	50,075 (9,668)	2%
9	FRANCE	4,112 (614)	3,297 (511)	2172 (306)	36,106 (6,543)	2%
10	UAE	4,539 (675)	6,767 (1,050)	1,432 (207)	34,385 (5,961)	2%
TOTAL FDI INFLOWS FROM ALL COUNTRIES*		291,696 (43,478)	288,889 (44,857)	155,117 (22,664)	2,224,136 (398,440)	

Source: Department for Promotion for Industry and Internal Trade, Govt. of India

Sectors with their FDI Cap and Route (as on 08.07.2016)			
S NO.		Sector/Activity	Cap
1.	Agriculture	100% - Automatic	
2.	Plantation Sector	100% - Automatic	
3.	Mining of metal and non-metal ores	100% - Automatic	
4.	Mining – Coal & Lignite	100% - Automatic	
5.	Manufacturing	100% - Automatic	
6.	Broadcasting Carriage Services (Teleports, DTH, Cable Networks, Mobile TV, HITS)	100% - Automatic	
7.	Broadcasting Content Service - Up-linking of Non-'News & Current Affairs' TV Channels/ Down-linking of TV Channels	100% - Automatic	
8.	Airports – Greenfield	100% - Automatic	
9.	Airports – Brownfield	100% - Automatic	
10.	Air Transport Service - Non-Scheduled	100% - Automatic	
11.	Air Transport Service - Helicopter Services/ Seaplane Services	100% - Automatic	
12.	Ground Handling Services	100% - Automatic	
13.	Maintenance and Repair organizations; flying training institutes; and technical training institutions	100% - Automatic	
14.	Construction Development	100% - Automatic	
15.	Industrial Parks -new and existing	100% - Automatic	
16.	Trading – Wholesale	100% - Automatic	
17.	Trading – B2B E-commerce	100% - Automatic	
18.	Duty Free Shops	100% - Automatic	
19.	Railway Infrastructure*	100% - Automatic	
20.	Asset Reconstruction Companies	100% - Automatic	
21.	Credit Information Companies	100% - Automatic	
22.	White Label ATM Operations	100% Automatic	
23.	Non-Banking Finance Companies	100% - Automatic	
24.	Pharma – Greenfield	100% - Automatic	
25.	Petroleum & Natural Gas - Exploration activities of oil and natural gas fields	100% - Automatic	
26.	Petroleum refining by PSUs	49% -FDI cap – Automatic	

Sectors with their FDI Cap and Route (as on 08.07.2016)			
S NO.		Sector/Activity	Cap
27.	Infrastructure Company in the Securities Market	49% - FDI cap – Automatic	
28.	Commodity Exchanges	49% - FDI cap – Automatic	
29.	Insurance	49% - FDI cap – Automatic	
30.	Pension	49% - FDI cap – Automatic	
31.	Power Exchanges	49% - FDI cap – Automatic	
32.	Defence Industry subject to Industrial License under the Industries (Development & Regulation) Act, 1951	49%- Automatic Beyond 49% – under Government route on a case to case basis	
33	3. a. Banking (private) sector- FDI cap 74%	Automatic upto 49% and Government route beyond 49% and upto 74%	
34	3. b. Banking- Public Sector. –FDI cap 20%	20% cap Of FDI Government	
35	Satellites – establishment and operation , subject to the sectoral guidelines of Department of Space/ISRO	100%- Government	
36	Print Media a. Publishing of newspaper and periodicals dealing with news and current affairs and Indian editions of Foreign Magazines b. Publishing of scientific magazines / speciality journals/periodicals	a. 26% - Cap of FDI b. 100% - Both through Government	
37.	Telecom Services (including Telecom)	Automatic up to 49% and Government route beyond 49%.	
38.	a. Single Brand Product Retail Trading	Automatic upto 49% and Government route beyond 49%	
	b. Multi Brand Retail Trading	51% Cap in FDI -Government route entirely	
39.	Private Security Services	49% cap of FDI Government	

**Proposals involving FDI beyond 49% in sensitive areas from security point of view, to be brought by the Ministry of Railways before the Cabinet Committee on Security (CCS) for consideration on a case to case basis.*

- towards payment of share purchase consideration;
- d. conversion of royalty/ lump sum/ technical know-how fee due for payment or conversion of ECB;
 - e. conversion of pre-incorporation/pre-operative expenses incurred by the a non-resident entity up to a limit of five percent of its capital or US\$500,000 whichever is less;
 - f. conversion of import payables/ pre incorporation expenses/ can be treated as consideration for issue of shares with the approval of FIPB;
 - g. against any other funds payable to a person resident outside India, the remittance of which does not require the prior approval of the Reserve Bank or the Government of India: and
 - h. Swap of capital instruments, provided where the Indian investee company is engaged in a Government route sector, prior Government approval shall be required

If the shares or convertible debentures are not issued within 180 days from the date of receipt of the inward

remittance or date of debit to NRE/ FCNR (B)/ Escrow account, the amount shall be refunded. Further, Reserve Bank may on an application made to it and for sufficient reasons permit an Indian Company to refund/ allot shares for the amount of consideration received towards issue of security if such amount is outstanding beyond the period of 180 days from the date of receipt.

Some observations on the attractiveness of India over the past few years and future perception

While the speed of India's economic reforms may vary, the direction is firmly set toward higher growth. There is a new vibrancy in India, a new energy. We have opened up all the major sectors to FDI and are the world's most open economy. Every sector, except for multibrand retailing, is now open. This has contributed to a 48% upsurge in FDI this year in dollar terms.

India's top FDI destinations

Bengaluru

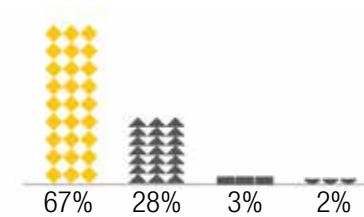
9.4%



2.4b

The technology hub of India attracted more than 45% of the investments in the TMT sector (electronic components and software and IT services), as the Government offers 50% capital subsidy on R&D units, Industrials (diversified) is picking up pace: foreign investors initiated six industrial projects worth US\$236 million in 2014, up from just one in the previous year,

- The new Industrial Policy (2014-19) is in place to attract INR5 trillion (US\$83b) of investments and create 1.5 million jobs in manufacturing, particularly industrial.



Mumbai

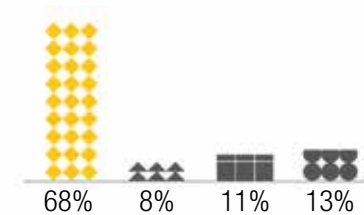
8.6%



2.1b

The financial capital of India received most interest in the financial services sector, with 14 projects, worth US\$734 million, in 2014. The UAE was the top investor in the financial services sector, while the US is investing in the TMT sector

- Rapid Urbanization is happening in the suburbs nearby Mumbai (Navi Mumbai, Thane, etc.) as cost and resources constrain the city. This will open opportunities for financial services, technology and infrastructure sectors.



Delhi-NCR

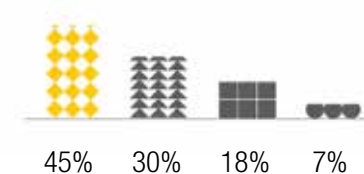
6%



1.5b

In 2014, FDI in the Delhi-NCR region slipped to US\$15 billion, from US\$23 billion in 2013. The FDI landscape in the region is dominated by infrastructure investments, as the NCR region (nearby area to the capital city) continues to witness a high urbanization rate. Also, as the region hosts a vast talent pool, it is the hub of various MNCs, particularly in the business services domain.

- The Delhi-NCR region has developed into a strong business centre, attributable to high talent availability in the region and also being the country's capital. As the urbanization rate and geographical spread of the Delhi-NCR region expands further, it is expected to continue attracting investment.



Hyderabad

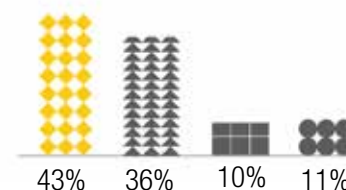
5.4%



1.4b

The city received the highest number of projects in the past five years, worth US\$1.4b. Most of the investment was directed toward the financial services and consumer products sectors, with life sciences picking up. After the split of Telangana from Andhra Pradesh, Hyderabad became the joint capital of the two states and is, therefore, receiving special focus.

- A new industrial policy was launched in 2015, with a focus to promote manufacturing and enhance ease of doing business. The State Government has created a land bank of more than 150,000 acres for industrial purposes.



Pune

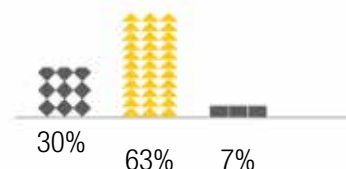
5.3%



1.3b

Pune attracted smaller projects- most of them toward the TMT sector. In terms of FDI capital, automotive was the most attractive sector.

- Large IT parks, such as Hinjawadi and Magarpatta and three SEZs in Pune, offer IT and Software services companies a robust infrastructure to set up operations at a reasonable cost



Chennai

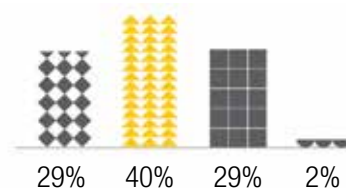
4.5%



1.1b

TWIT and automotive were the most preferred sectors in Chennai. Chennai Port has a dedicated berth for automobile exports. Also, the modern Chennai Port acts as a gateway for exports and imports.

- The Government's Super-Mega Policy - investment of INR15b-INR40b (US\$250m-US\$670m) and Ultra Mega Policy- investment over INR15b-INR40b (US\$250m-US\$670m) for integrated automobile projects will attract investors.



India's engineering sector



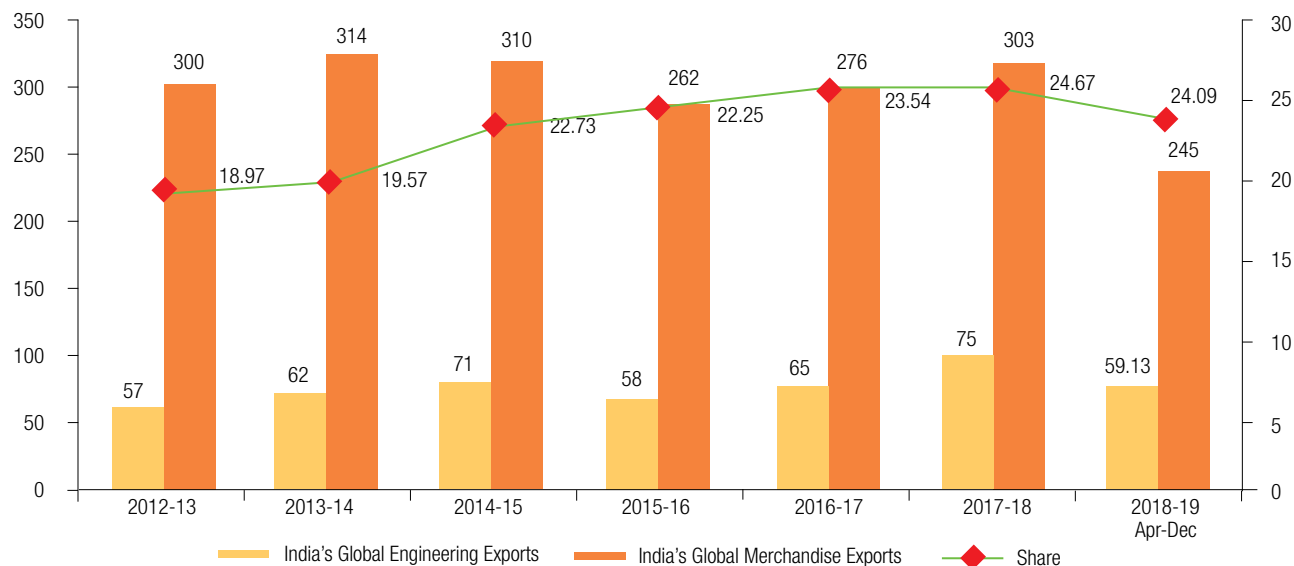
THE Indian engineering sector achieved astounding growth over the last few years driven by increased investments in infrastructure and manufacturing following some much-needed reform measures by the incumbent government. The engineering sector, being closely associated with both the aforesaid sectors, is of strategic importance to Indian economy. India on its quest to become a global superpower has made signifi-

cant strides towards the development of its engineering sector. Development in sectors such as infrastructure, power, mining, oil and gas, refinery, steel, automobiles and consumer durables are driving demand in the engineering sector.

India's engineering exports

Fiscal 2017-18 was a remarkable year for Indian engi-

Trend in India's overall merchandise exports and engineering exports (in US\$ billion)



Source: DGCI&S, Govt. of India

neering as engineering exports from India once again saw its lifetime high after three years at US\$ 76.2 billion securing 16.8% growth over the previous fiscal. Again, it is most likely to see another year of record high exports in fiscal 2018-19 as the first nine months saw engineering exports outshined that of fiscal 2017-18 by around 6%. Indian engineering has been steadily growing and the performance has exceeded all expectations ever since the birth of EEPIC India. Apart from being one of the largest stakeholders contributing around one-fourth of total merchandise exports, the engineering exporters are the foremost net foreign exchange earner in the country.

The following figure shows the trend in India's engi-

neering exports for the last five fiscal years:

Important facts about the sector

India exports engineering goods to around 228 countries;

- Share of Indian engineering exports increased to around 25% in 2017-18 as well as during April-December 2018-19 from 19% in 2012-13.
- USA like before is the most desired destination for India's engineering exporters with increased share of 14.8% in India's total engineering exports during April-December 2018-19. UAE was the immediate follower of USA with 5.6% share. Germany replaced

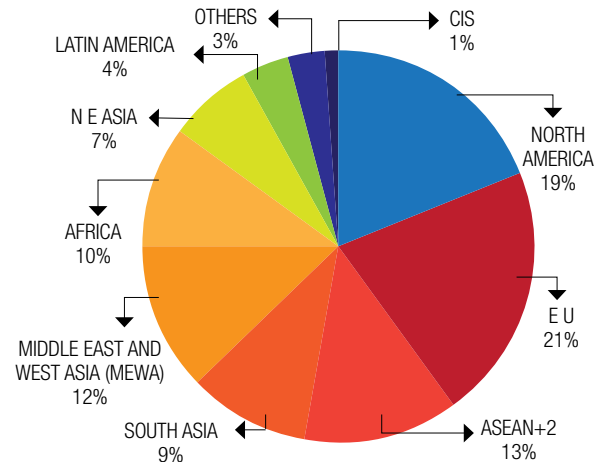
China to become India's third highest destination for engineering exports with 4.21% share during the same time period.

- Region wise, EU retained its top position as importer of Indian engineering products with around 20.6% share in April-December 2018-19 followed by North America (19.2% share) and ASEAN+2 (12.7% share)

Recent trend in India's engineering exports (April-December 2018-19)

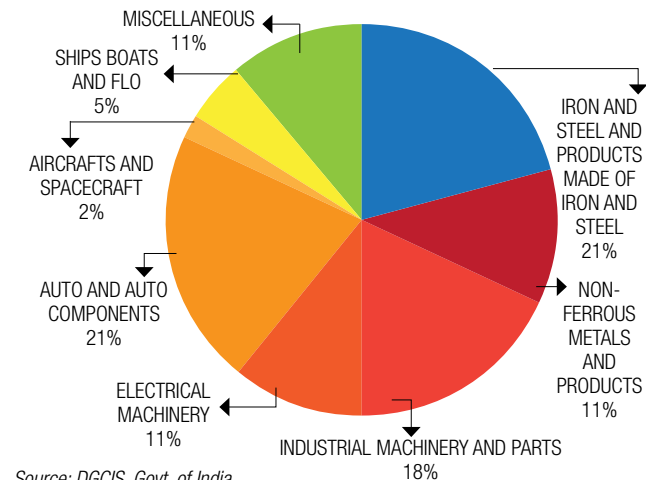
- During fiscal 2017-18, growth of India's engineering exports outperformed that of the overall merchandise export once again by registering 16.8% y-o-y growth during 2017-18.
- During the first nine months of Fiscal 2018-19, engineering exports grew further by 5.95% on a year-on-year basis.
- 28 out of 33 engineering panels recorded growth in exports during April- December 2018-19 over the same period last fiscal,
- Exports of Electric Machinery, one of the top exported panels recorded a substantial 34.5% growth in overseas shipment during April-December 2018-19 over April-December 2017-18.
- Exports of Iron and Steel products, Aluminum and its articles, Industrial machinery, Other construction machinery, Ships Boats and Floating bodies, Automobile and Auto components, Medical & scientific equipments, Railway and Transport equipments and Accumulator and Batteries also witnessed decent positive growth during April-December 2018-19 over the same period last fiscal.
- EU was the region with highest demand for Indian engineering products during April-December 2018-19

Region-wise India's engineering exports during 2018-19 (Apr-Dec)



Source: DGCIS, Govt. of India

Share of Principle Commodity Groups in Total Engineering Exports during 2018-19 (Apr-Dec)



Source: DGCIS, Govt. of India

sharing of 20.6% of India's total engineering exports

- India's engineering exports to South Asia, Africa and North America recorded noteworthy positive growth year-on-year during April-December 2018-19

Inflow of Foreign Direct Investments

- FDI inflow into the Indian engineering sector in the last ten years to FY18 was 284% higher compared to the inflow recorded up to FY10.
- The government's increasing focus on attracting foreign investors in manufacturing and infrastructure is likely to boost FDI in engineering

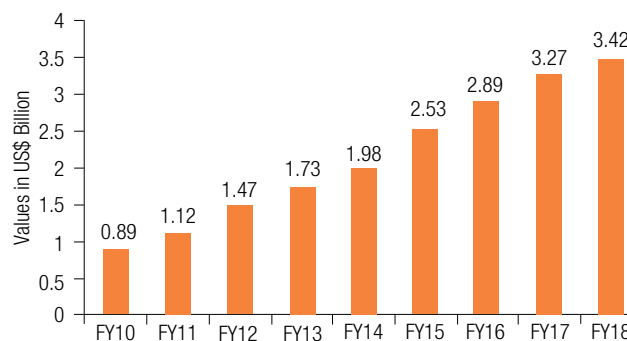
Source : Department of Industrial Policy & Promotion, TechSci Research

Notes: Cumulative from April 2000 to September 2018, FDI inflows includes Automobile industry, Electrical equipment, Miscellaneous mechanical and engineering industry, Industrial machinery, Machine tools, Agriculture machinery, Earth-moving machinery and Industrial instrument

Investments

- The engineering sector in India attracts immense interest from foreign players as it enjoys a comparative advantage in terms of manufacturing costs, technology and innovation. The above, coupled with favourable regulatory policies and growth in the manufacturing sector has enabled several foreign players to invest in India.
- The Foreign Direct Investment (FDI) inflows into India's miscellaneous mechanical and engineering industries during April 2000 to June 2018 stood at around US\$ 3.45 billion, as per data released by the Department of Industries Policy and Promotion (DIPP).

FDI Inflow in Engineering Sector



Source: IBEF

- In the recent past there have been many major investments and developments in the Indian engineering and design sector:
- As of December 2018, SANY India, the Indian arm of Beijing-headquartered construction equipment maker SANY Group, is planning to invest Rs 1,000 crore (US\$ 142.49 million) to expand its construction machinery production capacity to 25,000 units.
- Schneider Electric and Temasek acquired Larsen & Toubro's (L&T) electrical and automation business in May 2018.

Government Initiatives

- The Indian engineering sector is of strategic importance to the economy owing to its intense integration with other industry segments. The sector has been delicensed and enjoys 100 per cent FDI. With the aim to boost the manufacturing sector, the government has relaxed the excise duties on factory gate tax, capital

goods, consumer durables and vehicles.

- In the Union Budget 2018-19, the government allocated US\$ 92.22 billion for the infrastructure sector. Allocation to the defence sector was raised to US\$ 45.57 billion under Union Budget 2018-19. In addition, Make in India policy is being carefully pursued to achieve greater self-sufficiency in the area of defence equipment including air-craft.
- The Union Cabinet has approved incentives up to Rs

10,000 crore (US\$ 1.47 billion) for investors by amending the M-SIPS scheme, in order to further incentivise investments in electronics sector, create employment opportunities and reduce dependence on imports by 2020.

- The Government of India on 29 January 2019 reduced the import or customs duty on Electronic Vehicles and its parts and components in order to promote emission-free mobility in the country.



Tax and other regulatory measures

Tax is imposing financial charges on an individual or company by the central or state governments.

Tax system in India

The taxation system in the Republic of India is quite well structured. The Department of Revenue of the Finance Ministry of the Government of India is responsible for the computation; levy as well as collection of most the taxes in the country. However, some of the taxes are even levied solely by the Local State Bodies or the respective governments of the different states in the nation.

Changes in the Indian taxation system

Over a period of 10 years to 15 years, the tax system in the nation has undergone some significant changes. The entire system has been tremendously reformed. The slabs for the imposition of taxes have been modified. Besides that, the rates at which any particular tax is being levied have been restructured as well as the various laws that govern the levying of taxes were being simplified. All of these reformations have resulted in the following:

- Better compliance
- Better enforcement
- Easy payment of the levied taxes

Tax incentives in India

The India Government offers tax incentives that are subject to some specified conditions. Such incentives are provided for the following:

- Allowance for accelerated depreciation

- Corporate profit
- Certain expense deduction on the basis of some particular conditions
- A tax incentive is available for any fresh investment in any of the below mentioned sectors
- Companies involved in Research and Development
- Development of housing projects
- Development by undertakings
- Food processing industry
- Infrastructure
- Mineral oil production and refining
- Operating industrial places Organisations handling food grains
- Power distribution
- Hospitals located in the rural areas

Income Tax Rate is the vital part of the income tax as charged by the Indian government on taxable incomes of the individuals, companies, co-operative societies, firms, trusts and any other artificial person.

Income tax, which is calculated on the basis of India's income tax rate, is levied on each of the individual person and is governed by the Indian Income Tax Act, 1961. It is the Ministry of Finance along with the Government of India, which determines the India income tax rate.

INTRODUCTION FOR SLABS

In India, income tax is levied on individual taxpayers on the basis of a slab system where various rates are prescribed for various slabs. These rates keep increasing with an increase in the income slab. The tax slabs tend to undergo a change after every budget. But the Interim Budget of 2019 has not announced any changes in income tax slabs this time and it remains the same as that of last year.

There are three categories of individual taxpayers: 1. Individuals (below the age of 60 years) that include residents as well as non-residents 2. Resident Senior citizens (60 years and above but below 80 years of age) 3. Resident Super senior citizens (above 80 years of age)

Earlier, under section 87A of the ITA, the rebate for resident individuals whose total income did not exceed INR350,000 per annum was INR2,500. The proposal is to increase the rebate to INR12,500 where income does not exceed INR 500,000 per annum. Accordingly, resident individuals with income upto INR500,000 do not have to pay tax.

Standard Deduction

- The standard deduction for salaried individuals is proposed to be increased from INR40,000 to INR50,000 per annum.

Income Tax Slabs for Individual Tax Payers & HUF (less than 60 Years Old) for FY 2018-19 – Part I

Income Tax Slabs	Tax Rate	Health and Education Cess
Income up to Rs 2,50,000*	No tax	
Income from Rs 2,50,000 – Rs 5,00,000	5%	4% of Income Tax
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax
Income more than Rs 10,00,000	30%	4% of Income Tax

Invest Now & Save Upto ₹46,800 on Taxes
 Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.
 Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.
 *Income tax exemption limit for FY 2018-19 is up to Rs. 2,50,000 for individual & HUF other than those covered in Part(II) or (III)w

Income Tax Slabs for Senior Citizens (60 Years Old Or More but Less than 80 Years Old) for FY 2018-19 – Part II

Income Tax Slabs	Tax Rate	Health and Education Cess
Income up to Rs 3,00,000*	No tax	
Income from Rs 3,00,000 – Rs 5,00,000	5%	4% of Income Tax
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax
Income more than Rs 10,00,000	30%	4% of Income Tax

Invest Now & Save Upto ₹ 46,800 on Taxes
 Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.
 Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.
 *Income tax exemption limit for FY 2018-19 is up to Rs. 3,00,000 other than those covered in Part(I) or (III)

Income Tax Slabs for Senior Citizens(80 Years Old Or More) for FY 2018-19 – Part III

Income Tax Slabs	Tax Rate	Health and Education Cess
Income up to Rs 5,00,000*	No tax	
Income from Rs 5,00,000 – 10,00,000	20%	4% of Income Tax
Income more than Rs 10,00,000	30%	4% of Income Tax

Invest Now & Save Upto ₹ 46,800 on Taxes
 Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore.
 Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.
 *Income tax exemption limit for FY 2018-19 is up to Rs. 5,00,000 other than those covered in Part(I) or (II)

Income Tax Slabs for Domestic Companies for FY 2018-19 – Part IV

Income Tax Slabs	Tax Rate	Health and Education Cess
Gross turnover up to 250 Cr. in the previous year	25%	4% of Income Tax
Gross turnover exceeding 250 Cr. in the previous year	29%	4% of Income Tax

In addition, cess and surcharge are levied as follows: Cess: 4% of corporate tax Surcharge:
 Taxable income between 1Cr and 10Cr: 7%
 Taxable income is more than 10 cr: 12%

Income Tax slab rates for FY 2017-18 (AY 2018-19)

Income Tax slabs for Individual Tax Payers & HUF (Less Than 60 Years Old) for FY 2017-18 – Part I

Income Tax Slabs	Tax Rate	Health and Education Cess
Income Tax Slabs	No tax	
Income up to Rs 2,50,000*	5%	3% of Income Tax
Income from Rs 2,50,000 – Rs 5,00,000	20%	3% of Income Tax
Income from Rs 5,00,000 – 10,00,000	30%	3% of Income Tax
Invest Now & Save Upto ₹ 46,800 on Taxes Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore. Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore. *Income tax exemption limit for FY 2017-18 is up to Rs. 2,50,000 for individual & HUF other than those covered in Part(II) or (III)		

Income Tax Slabs for Senior Citizens (60 Years Old Or More but Less than 80 Years Old) for FY 2017-18 – Part II

Income Tax Slabs	Tax Rate	Health and Education Cess
Income up to Rs 3,00,000*	No tax	
Income from Rs 3,00,000 – Rs 5,00,000	5%	3% of Income Tax
Income from Rs 5,00,000 – 10,00,000	20%	3% of Income Tax
Income more than Rs 10,00,000	30%	3% of Income Tax
Invest Now & Save Upto ₹ 46,800 on Taxes Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore. Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore. *Income tax exemption limit for FY 2017-18 is up to Rs. 3,00,000 other than those covered in Part(I) or (III)		

Income Tax Slabs for Senior Citizens(80 Years Old Or More) for FY 2017-18 – Part III

Income Tax Slabs	Tax Rate	Health and Education Cess
Income up to Rs 5,00,000*	No tax	
Income from Rs 5,00,000 – 10,00,000	20%	3% of Income Tax
Income more than Rs 10,00,000	30%	3% of Income Tax
Invest Now & Save Upto ₹ 46,800 on Taxes Surcharge: 10% of income tax, where total income exceeds Rs.50 lakh up to Rs.1 crore. Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore. *Income tax exemption limit for FY 2017-18 is up to Rs. 5,00,000 other than those covered in Part(I) or (II)		

Income Tax Slabs for Domestic Companies for FY 2017-18 – Part IV

Income Tax Slabs	Tax Rate
Gross turnover upto 50 Cr. in the previous year 2015-16	25%
turnover exceeding 50 Cr. in the previous year 2015-16	30%
In addition cess and surcharge is levied as follows: Cess: 3% of corporate tax Surcharge: Taxable income is more than 1Cr. but less than 10Cr.: 7% Taxable income is more than 10Cr. :12%	

3. Tax Rate For Partnership Firm

A partnership firm (including LLP) is taxable at 30%.

Plus:

Surcharge: 12% of tax where total income exceeds Rs. 1 crore

Education cess: 3% of tax plus surcharge

4. Income Tax Slab Rate for Local Authority

A local authority is taxable at 30%.

Plus:

Surcharge: 12% of tax where total income exceeds Rs. 1 crore

Education cess: 3% of tax plus surcharge

5. Tax Slab Rate for Domestic Company

A domestic company is taxable at 30%. However, tax rate is 25% if turnover or gross receipt of the company does not exceed Rs. 50 crore.

Plus:

Surcharge: 7% of tax where total income exceeds Rs. 1 crore
12% of tax where total income exceeds Rs. 10 crore
Education cess: 3% of tax plus surcharge

6. Tax Rates for Foreign Company:

A foreign company is taxable at 40%

Plus:

Surcharge: 2% of tax where total income exceeds Rs. 1 crore

5% of tax where total income exceeds Rs. 10 crore

Education cess: 3% of tax plus surcharge

7. Income Tax Slab of a Co-operative Society**Plus:**

Surcharge: 12% of tax where total income exceeds Rs. 1 crore

Education cess: 3% of tax plus surcharge

Taxable income	Tax Rate
Up to Rs. 10,000	10%
Rs. 10,000 to Rs. 20,000	20%
Above Rs. 20,000	30%

Key Corporate Tax-related considerations

Computation of income A company's taxable income is divided into the following categories or heads of income

- Income from profits and gains from business and profession
- Income from house property
- Income from capital gains
- Income from other sources

Books of accounts and tax audit

- Every company engaged in a business and profession is required to maintain books of accounts and get them audited by an accountant if its total sales, turnover or gross receipts exceed INR 10 million during the year.

OTHER MATTERS

Relief on second self occupied property

- Earlier, an individual owning more than one self occupied property was required to offer to tax the notional rent in respect of such additional property/properties. It is now proposed to exempt the notional rent on a second self-occupied / vacant property.
- The limit to claim house property loss in respect of interest on loan taken for both the properties in aggregate will continue to be INR 200,000. Hence, maximum INR 200,000 loss can be claimed in respect of such properties in one financial year.

Exemption under section 54 extended to investment in two house properties

- Currently, exemption under section 54 of the ITA in respect of long-term capital gains arising on sale of residential property is available where the individual invests such capital gains to purchase/construct one residential property in India (subject to other conditions).
- It is proposed that the said exemption will be available even if such capital gain is invested to purchase/construct two residential properties provided the capital gains do not exceed INR 20,000,000.
- This exemption can be claimed by the individual taxpayer once in a lifetime.

Tax Deduction at Source (TDS)

Increase in the threshold limit for TDS on interest

- Under section 194A of the ITA, the existing threshold limit of INR 10,000 per year for application of TDS on interest earned from banks, post office and other qualified institutions is proposed to be increased to INR 40,000 per year.
- The amendment will ease the TDS compliance burden of banks, co-operative society, post office as there would be significant decrease in such transaction volumes.
- The amendment will also benefit small depositors who do not have taxable income but were subjected to withholding tax on such income and had to file return of income to claim tax refund. Increase in the threshold limit for TDS on rent
- Under section 194I of the ITA, the existing threshold limit for TDS from rental income is proposed to be increased from INR 180,000 per year to INR 240,000 per year.

'Black Money' Act

- The Black Money (Undisclosed Income and Foreign Assets) and Imposition of Tax Act, 2015 (the Black Money Taxation Act), covers all persons who are residents in India, in accordance with the provisions of the Income-tax Act, 1961 (the Act). Those qualifying as RNOR in India are excluded from the ambit of this Act. Any undisclosed foreign income or assets detected are to be taxed at 30% under this new law. In addition, there is a provision for penalty of 300% of tax and imprisonment of up to 10 years. Non-disclosure or inaccurate disclosure will attract a penalty of INR 1 million and may attract imprisonment of up to seven years.

Aadhaar registration in India

- The Aadhaar number is a 12-digit individual identification number issued by the Government of India. It is based on an individual's biometric and demographic data. It is not a proof of Indian citizenship and only serves as proof of identity. The Finance Act, 2017, has introduced a new section 139AA, which provides mandatory quoting of the Aadhaar number or the Enrolment ID of the Aadhaar application form for filing Income-tax returns, applying for a PAN or keeping an existing PAN active. This will be effective from July 1, 2017, and will be applicable for all individuals with Aadhaar numbers. According to the Aadhaar Act, every individual who has resided in India for an aggregate of 182 days or more in any preceding 12-month period is eligible for an Aadhaar number. However, it has been recently clarified by the Government of India that this requirement will not apply to individuals who do not have Aadhaar numbers or Enrolment IDs and are:
 - Residing in Assam, Jammu and Kashmir, and Meghalaya
 - Non-residents according to the Act

- 80 years or more at any time during the tax year
- Not citizens of India

Tax structure with effect from 1 July: Introduction of the GST regime

- GST is a consumption-based tax, which aims to transform India's indirect tax landscape. Hailed as the most important tax reform since Independence, GST subsumes applicable additional Customs Duty levied in lieu of Central Excise Duty, Special Additional Duty of Customs, Central Excise Duty, Service Tax, cesses applicable for goods and services, CST, VAT and other state levies. India has opted for a dual GST model under which the Central Government and state governments have the power to levy GST on supply of goods and services. Taxes applicable under GST include the following:

Tax type Levied on Levied by

- Central Goods and Services Tax (CGST) Intra-state (within the state) supply of goods/services Central Government
- State Goods and Services Tax (SGST) Intra-state (within the state) supply of goods/services State governments
- Union Territory Goods and Services Tax (UTGST) Supply of goods/services within a Union Territory Central Government
- Integrated Goods and Services Tax (IGST)
- Inter-state supply of goods/services Import of goods/ services
- Supplies to units/ developers of Special Economic Zones (SEZs)
- GST being a consumption-based tax, revenue accrues for a transaction based on the consumption/destination state, unlike under the past indirect tax regime, wherein rev-

enue accrued to the supplying state.

GST rates

- The Government has set the following slabs for GST rates:
- 0%
- 5%
- 12%
- 18%
- 28%
- The tax rates mentioned above denote the cumulative rates for CGST and SGST/UTGST or IGST (depending on whether a transaction is local/intrastate or inter-state). For local transactions, the rates given above are to be bifurcated equally into CGST and SGST/UTGST. Essential items have been included in the 0% tax slab, most goods and services in the 18% bracket and specified luxury goods/services in the 28% slab. Identified luxury goods and services are also liable to Compensation Cess. The rate of Compensation Cess varies from 1% to 15%. It is higher for tobacco and tobacco products.

Exemption of threshold

- A supplier with an annual turnover of up to INR 20 lakh in a financial year is exempt from GST and is not required to obtain GST registration. In the case of some northeastern states (that have been identified), this threshold has been fixed at INR 10 lakhs.

Registration

- A supplier of goods and/or services is required to obtain GST registration in every state from which it supplies goods and/or services. GST registration is not required if the turnover of a supplier is less than the threshold limit

mentioned above or the person is exclusively engaged in supplying GST-exempt goods and/or services. However, specified categories of persons (such as those making inter-state supplies or those liable to pay tax as recipients) are mandatorily required to obtain GST registration even if their annual turnover is less than the prescribed threshold.

Composition Scheme

- To ease the compliance burden, small taxpayers with an aggregate turnover of up to INR 75 lakhs have been given the option to opt for a Composition Scheme. Under this scheme, suppliers can pay tax at a specified percentage of their turnover during the year without claiming benefit of ITC on their procurement. Such suppliers cannot separately recover taxes from buyers on their invoice. Consequently, buyers are not eligible for claiming ITC on the tax paid by suppliers wanting to pay under the Composition Scheme. A supplier making interstate supplies is not eligible for the Composition Scheme and cannot opt for it. The tax rate prescribed under the Composition Scheme: The highest tax rate prescribed under the Composition Scheme:
- 5% of their turnover for persons engaged in supply of food or beverages for human consumption
- 2% of their turnover for manufacturers
- 1% of their turnover for other suppliers in states or Union Territories The Government may prescribe a lower tax rate for the categories mentioned above.

ITC

- One of the key features of GST is that it has brought in a liberal ITC regime. Taxpayers are permitted to avail ITC of GST they have paid on procurement during the

course of or in furtherance to business to make taxable supplies. ITC can also be utilised to make payment for output GST liability. ITC is not allowed for procurement, including rent-a-cab, outdoor catering and expenses for personal consumption. Under the earlier indirect tax regime, cross utilisation of VAT paid on goods against output Service Tax liability, and vice-versa, was not permitted. Under GST, cross utilisation of taxes paid on goods and services is allowed. Under GST, a supplier's eligibility to claim ITC is subject to a vendor's compliance.

Transaction between related persons

- Generally, only supplies made for a consideration are liable to GST. However, in the case of transactions between related parties and the locations of the same entity in different states, even supplies made without consideration will attract GST.

Exports and supplies to SEZs

- Export of goods or services and supplies to SEZs have been categorised as zero-rated supplies. A supplier making zero-rated supplies is eligible to either:
- Supply goods or services under a bond or Letter of Undertaking without payment of tax
- Supply of goods or services by paying tax, and thereafter claiming rebate for the tax paid.

Import of goods

- Import of goods into India continues to be governed by the Customs law. Such imports will attract Basic Customs Duty (BCD), Customs Cess, IGST and Compensation Cess (if applicable). BCD and Customs Cess paid at the time of import is non-creditable and is therefore a

cost. However, ITC of IGST will be available for adjustment against output GST liability. ITC of Compensation Cess is only available for utilisation against an output Compensation Cess liability.

Liability to pay GST

- Generally, the supplier of goods or services bears the liability to pay GST. However, the recipient is liable to pay tax for certain types of transactions (such as procurement from unregistered suppliers or import of services). This is usually referred to as reverse charge mechanism. In addition to the payment of tax under reverse charge mechanism, the recipient may be required to raise a 'self-invoice' and 'payment voucher' for tax reporting and compliance purposes.

Compliance requirements

- The GST law prescribes stringent compliance-related requirements. A supplier of goods and services is required to file multiple returns within a month on a state-wise basis for each registration. All mandatory compliances under GST are to be undertaken on a common portal managed by the Goods and Service Tax Network (GSTN). It is clear that businesses will need to be supported by robust IT/ERP systems in order to comply with the complex compliance-related requirements under GST.

Stamp Duty

- Stamp Duty is levied by the Government on documents such as bills of exchange, promissory notes, insurance policies, contracts effecting transfer of shares, debentures and conveyances for transfer of immovable property.

The list

1.	Armenia	29.	Italy	57.	Romania
2.	Australia	30.	Japan	58.	Russia
3.	Austria	31.	Kazakhstan	59.	Saudi Arabia
4.	Bangladesh	32.	Kenya	60.	Serbia
5.	Belarus	33.	Korea	61.	Singapore
6.	Belgium	34.	Kuwait	62.	Slovenia
7.	Botswana	35.	Kyrgyz Republic	63.	South Africa
8.	Brazil	36.	Libra	64.	Spain
9.	Bulgaria	37.	Lithuania	65.	Sri Lanka
10.	Canada	38.	Luxembourg	66.	Sudan
11.	China	39.	Malaysia	67.	Sweden
12.	Cyprus	40.	Malta	68.	Swiss Confederation
13.	Czech Republic	41.	Mauritius	69.	Syrian Arab Republic
14.	Denmark	42.	Mongolia	70.	Tajikistan
15.	Egypt	43.	Montenegro	71.	Tanzania
16.	Estonia	44.	Morocco	72.	Thailand
17.	Ethiopia	45.	Mozambique	73.	Trinidad and Tobasco
18.	Finland	46.	Myanmar	74.	Turkey
19.	France	47.	Namibia	75.	Turkmenistan
20.	Georgia	48.	Nepal	76.	UAE
21.	Germany	49.	Netherlands	77.	UAR (Egypt)
22.	Greece	50.	New Zealand	78.	Uganda
23.	Hashemite Kingdom of Jordan	51.	Norway	79.	United Kingdom
24.	Hungary	52.	Oman	80.	Ukraine
25.	Iceland	53.	Philippines	81.	United Mexican States
26.	Indonesia	54.	Poland	82.	United States of America
27.	Ireland	55.	Portuguese Republic	83.	Uzbekistan
28.	Israel	56.	Qatar	84.	Vietnam
				85.	Zambia

Relief from double taxation

- India has entered into DTAA (Double Taxation Avoidance Agreements) with 88 countries

Indirect taxes

Relief from double taxation

- India has entered into DTAA (Double Taxation Avoidance Agreements) with 88 countries with 85 effective (*see list on next page*). Generally, the provisions of DTAA prevail over domestic tax provisions. However, the domestic tax provisions may apply to the extent they are more beneficial to the taxpayer. The benefit of the DTAA will not be available unless a taxpayer obtains a TRC from the government of the home country.

OTHER LAWS***Companies Act 2013 – salient features***

- The Companies Act 2013
- Mandatory for certain company to spend at least 2 percent of the average net profits for social purposes.
- Increase in the limit of members in a private limited company to 200.
- Financial year defined as April to March.
- One director of a company has to be resident in India (i.e. stay over 182 days or more).
- A body, National Financial Reporting Authority (NFRA) to constitute for monitoring the compliance and overseeing the quality of service of professionals.
- Transfer to reserves is not mandatory before declaring the dividend.
- Consolidated financial statements of companies are required to also include financial statements of associate companies and joint ventures.
- Merger of Indian companies with a foreign company

(incorporated in notified countries) permitted.

Types of companies

The Companies Act provides for incorporation of different types of companies, the most popular ones engaged in commercial activities being private limited and public limited companies (liability of members being limited to the extent of their shareholding).

Private company

A private company is required to be incorporated with a minimum paid-up capital of \$1838 and two subscribers. Broadly, the Companies Act 2013 removes the condition relating to non-acceptance of deposits from the public and increases the limits of the company's members (shareholders) to 200.

Public company

A public company is a company which is not a private company. A public company is required to be incorporated with a minimum paid-up capital of \$9191 and seven subscribers. The profit-and-loss account and balance sheet, along with the reports of the directors and auditors, of a public company are required to be filed with the RoC and are available for inspection by the public at large. Usually, foreign corporations set up their subsidiary companies as private companies. A private company is a more popular form as it is less cumbersome to incorporate and also has less stringent reporting requirements.

One-man company

The Companies Act 2013 proposes insertion of a new concept of 'One-man company,' having one shareholder and requiring a minimum of one director.

Labour laws in India



LABOUR laws in India can be a challenge for many foreigners who start a business in India for the first time. The tricks to avoid much of labour trouble in India can be summed up as follows:

a) Do not employ anyone with a salary of less than Rs.

10,000 per month. If one can keep all its employees above Rs. 15,000 per month, that is even better.

b) Keep the number of employees on the company rolls to a bare minimum. This can be done by outsourcing all that is either not critical or not specific to the business.

c) If possible, employ less than 20.

If one is able to ensure that one does not have any employee earning less than Rs. 10,000 per month, the only (well, almost, the only) labour laws that will be applicable to the company are:

The Employees' State Insurance Act, 1948:

Applicable when the number of employees is ten or more and only on employees earning less than Rs. 15,000 per month and in some areas of the country

Payment of Gratuity Act, 1972: Applicable when number of employees is ten or more

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952: Applicable when number of employees is twenty or more

A quick glance at the three laws:

The Employees' State Insurance Act, 1948

Employer is required to deduct 1.75% of employee's salary and add 4.75% of the salary from his side. Total contribution is 6.5% of salary of all employees earning less than Rs. 15,000 per month. Employees covered by insurance receive medical benefits as well as all insurance benefits.

Payment of Gratuity Act, 1972

Under the Act, the employer is required to pay gratuity to an employee as and when he leaves employment either on termination or resignation or superannuation or death of an employee if the employee has worked for a continuous period of five years or more. For every completed year of service or part thereof in excess of six months, gratuity is payable at the rate of fifteen days' wages based on the rate of wages last drawn by the employee concerned.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

Employer is required to deduct 10% of the salary of employee, add equal amount of contribution from its side and deposit the total with provident fund. The employee can withdraw from provident fund either when he / she is out of job or at the time of retirement or under some other emergencies. In addition to the above, irrespective of the number of employees if your unit is not a factory it will need to be registered with labour department under the relevant state's Shops and Establishment Act. Different states have different provisions under their Shops and Establishment Acts. However, in general the Acts provide for working hours, holidays and leaves of employees. In case the nature of your business requires you to employ large number of workers, many of whom are earning less than Rs. 10,000- per month, you should be prepared to deal with all the labour related matters including unions. If this is the case, you should either partner with an Indian associate who understands Indian workers and related laws or you should get a professional manager who is an expert on such matters.

Important information

Trade Information Sources

Department of Commerce and Industry	www.commerce.nic.in
Directorate General of Commercial Intelligence and Statistics	http://www.dgciskol.nic.in
Director General of Foreign Trade, Government of India	http://dgft.gov.in
Reserve Bank of India - Foreign Trade Statistics	www.rbi.org.in , dbie.rbi.org.in
Ministry of Statistics and Programme Implementation, India	http://mospi.nic.in/Mospi_New/site/home.aspx
Department of Industrial Policy	https://dipp.gov.in
Department of Heavy Industry	http://dhi.nic.in

Industry associations in India

EEPC India	www.eepcindia.org
Confederation of Indian Industry (CII)	www.cii.in
Federation of Indian Chambers of Commerce and Industry (FICCI)	www.ficci.com
The Federation of Indian Export Organizations (FIEO)	www.fieo.org
The Associated Chambers of Commerce and Industry of India (ASSOCHAM)	www.assochem.org
The Automotive Component Manufacturers Association of India (ACMA)	www.acma.in
Consulting Engineers Association of India	www.ceaindia.com
Indian Drug Manufacturers Association (IDMA)	www.idma-assn.org
Chemical and Allied Products Export Promotion Council (CAPEXIL)	www.capexil.com
The Gem and Jewellery Export Promotion Council (GJEPC)	www.gjepc.org
Indian Electrical & Electronics Manufacturers' Association	www.ieema.org
Indian Machine Tool Manufacturers' Association	www.imtma.in
Society of Indian Automobile Manufacturers (SIAM)	www.siamindia.com
Sponge Iron Manufacturers Association	www.spongeironindia.in
All Indian Cycle Manufacturers Association	www.aicma.org
Association of Indian Forging Industry	www.indianforging.org

Tax-related information

CBDT (Central Board of Direct Taxes)	www.incometaxindia.gov.in
CBIC (Central Board of Indirect Taxes and Customs)	www.cbic.gov.in (was known as Central Board of Excise and Customs or CBEC till 1 April 2018)

SEZs in India

SEEPZ Special Economic Zone	SEEPZ, Andheri (East) Mumbai-400096 E-mail: dc@seepz.com Website: www.seepz.com
Kandla Special Economic Zone	KSEZ, Gandhidham, Kachchh E-mail: dc@kasez.com Website: www.kasez.com
Cochin Special Economic Zone	CSEZ, Kakkanad, E-mail: dc@csez.gov.in Website: www.csez.com
Madras Special Economic Zone	MEPZ Special Economic Zone, National Highway 45 Tambaram, Chennai-600045 MEPZ CHENNAI Email: dc@mepz.gov.in Website: www.mepz.gov.in
Visakhapatnam Special Economic Zone	VSEZ, Duvvada, Visakhapatnam, 530046 E-mail: dc@vsez.com Website: http://vsez.gov.in
Falta Special Economic Zone	FSEZ, M.S.O Building, 4th Floor, Nizam Palace, Kolkata-700020 Email: fepz@wb.nic.in Website: http://www.fsez.gov.in
Noida Export Processing Zone	NSEZ, Noida Dadri Road, Phase-II, Noida District, GautamBudh Nagar-201305 (U.P.) Email: dcnepz@nda.vsnl.net.in Website: http://www.nsez.gov.in

Useful contacts

Department of Commerce, Ministry of Commerce and Industry

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February 2019

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CIN: U51900WB1955NPL022644