



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Presentation To



INTERNATIONAL PRACTICE GROUP

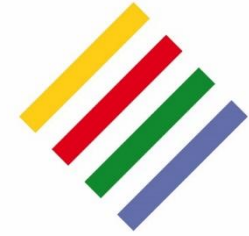
A Leading International Association of Lawyers, Accountants & Tax Specialists

On Doing Business in India

18th November 2016



Agenda



**DEZAN SHIRA
& ASSOCIATES**

1. Key information about India
2. Interesting facts
3. Doing Business in India
 - On recruiting an Indian
 - What you can expect in your interactions with Indians
 - Challenges of doing business in India
 - Benefits of doing business in India
 - Potential for growth
 - Attempts by government to reduce procedures
 - Government initiatives
 - Why the Swedes have been successful in India
4. About Dezan Shira & Associates

Key Information About India

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Key Information about India

Area	:3,300,000 Sq.km	
Population		
Rural Area	:72.20% / 881 Million in 638,000 villages	
Urban Cities	:27.80% / 339 Million in 5,480 Towns	
Male	:51.56% / 629 Million	Total :1,293 Million (2016 Est.)
Female	:48.44% / 591 Million	
Density	:389.70 per Sq. km (as per 2011 census)	
GDP (2016)		
	: \$8.727 Trillion (PPP)	
	: \$2.384 Trillion (Nominal)	
Per Capita	: \$6,746 (PPP)	
Per Capita	: \$1,942 (Nominal)	

*Area: <http://www.thecolorsofindia.com/interesting-facts/geography/geographical-area-of-india.html>

*Population: <http://www.indiaonlinepages.com/population/india-current-population.html>

*Density: http://populationcommission.nic.in/content/934_1_Densityofpopulation.aspx

*GDP: https://en.wikipedia.org/wiki/Economy_of_India

Key Information about India (cont.)

- 568 princely states were merged into the world's largest parliamentary democracy at the time of Independence. Now with 29 states and 7 union territories. Each having bicameral legislative houses.
- Secular state with 80.5% Hindus, 13.4% Muslims, 2.3% Christians and smaller percentages of Sikhs, Buddhists, Jains, Parsis, and Jews.
- A Hindu dominated secular democratic country in which:
 - Many Presidents have been Muslims.
 - Former Prime Minister, Dr. Manmohan Singh, who was much loved and highly respected, is from the minority community of Sikhs.
 - The leader of the largest political party, the Indian National Congress is a woman from Italy.
- 2nd Largest pool of scientists and engineers.
- 2nd Largest Muslim population.
- 3rd Largest standing army with 13,25,000 active troops.

Some Interesting Facts

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Some Interesting facts

- 49.4%* of the population is in the 20-55 age group, which is the earning, spending and consuming group.
- 216 “Mother Tongues”, 114 languages of which 22 are official.
- An urban North Indian generally knows 3 languages, a Mother tongue, Hindi and English.
- His counterpart in South India may not know Hindi but would likely know at least two South Indian languages and English.
- 5,600 dailies, 15,000 weeklies and 20,000 periodicals in 21 languages.
- At least 40 major cuisines with countless variations throughout the regions, superimposed with religious considerations.

*<http://www.livepopulation.com/country/india.html>

Doing Business In India

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Recruiting an Indian

- The median age of an Indian is 26 years old. You can expect young, energetic, enthusiastic, but relatively inexperienced candidates.
- Aspires to at least be a Graduate and get a white collared job, preferably with the Government.
- Hard working and diligent.
- Can be very innovative and result oriented. But has difficulty working in teams.
- Blend of the Traditional and the Modern. Open to external influences yet retaining traditional values and culture.
- Can be molded into the work culture of your organization.
- He may possess a professional degree but don't take his education for granted. Test his knowledge exhaustively. Satisfy yourself of his competence and temperament.
- India produced 1.5 million engineers and 300 thousand MBAs in 2015.
- However, given the poor quality of almost 80% of the institutions, the employability of the candidates being churned out of these institutions is questionable.
- Statements made in CVs need to be verified.
- Not process driven tends to circumvent them. "Means justify the Ends".
- "Big Picture" oriented. Lack of attention to detail.
- Overawed of and yielding to persons in position of authority.

What you can expect in your interactions with Indians

- Punctuality is expected but not always adhered to. You could be kept waiting.
- Will be formal till a certain level of comfort is reached after a few meetings.
- Often the background data or information sent by you would be crunched by a lower level executive and the senior you meet might have a summarized version of it.
- Tends to ask questions which may not be directly related to the subject of the meeting. It's a way to better understand you and the purpose of the meeting in the overall context.
- Relationships and feelings play a larger role in decision-making in India.
- Tend to take greater risks with people who they feel they can trust.

Interaction with Indians (Cont.)

- Does not openly express disagreements. Will say “will get back to you on this” or “lets explore other possibilities”, etc., rather than a candid “No”.
- Negotiations can be arduous, long winded and multi-tiered. You have to be prepared to invest a lot of time and patience in the process.
- Will commoditize your offer and question your value proposition to bring down its price.
- Purchase decision may not necessarily be forthcoming on completion of the negotiation. Internal approval processes are multi-hierarchical and time consuming.
- Tend to be particularly harsh with MNCs. Will doubt your motives. It will serve you well to bring down all “Us and Them” barriers and make efforts to inspire confidence in your immediate agenda and your long term plans.
- Payments are usually delayed.

Difficulties of Doing Business in India

- The Indian customer is discerning and not overawed by Brands.
- Tend to impose unreasonable demands on MNCs as compared to their attitude towards Indian companies.
- Exceptionally demanding in terms of Price and Delivery.
- Even today they will make some compromises on non critical quality parameters to achieve target pricing.
- Credit Worthiness of Buyers. Poor adherence to Credit Terms.
- Difficult to grasp and forecast the size and potential of the Market.
- Marketing Costs can easily go out of Control.
- Joint Ventures generally aren't successful.
- Complexities in laws related to Companies, IPR and Taxation.
- Corruption, Red Tapism and slow pace of Reforms.
- Poor Infrastructure. What you take for granted is a daily struggle in India: Safety, Health, Getting to Work, Uninterrupted Power Supply, etc.

Benefits of Doing Business in India

- The GDP is growing at an envious 7% plus per annum
- As per the McKinsey Global Institute there is a dramatic potential for growth in India.
- Government is committed to:
 - Investing in Infrastructure
 - Addressing and tackling corruption head on
 - Make India an attractive Investment destination
- All sectors in India are expanding/modernising. Manufacturing, Telecom, IT, Medical Care, Hospitality, etc
- All sectors have Export ambitions and are willing to invest in World Class Technologies to meet the expectations of their Customers.
- The cost of setting up and running a business in India is lower compared to other countries.
- The Legal, Commercial and Financial framework in India is strong

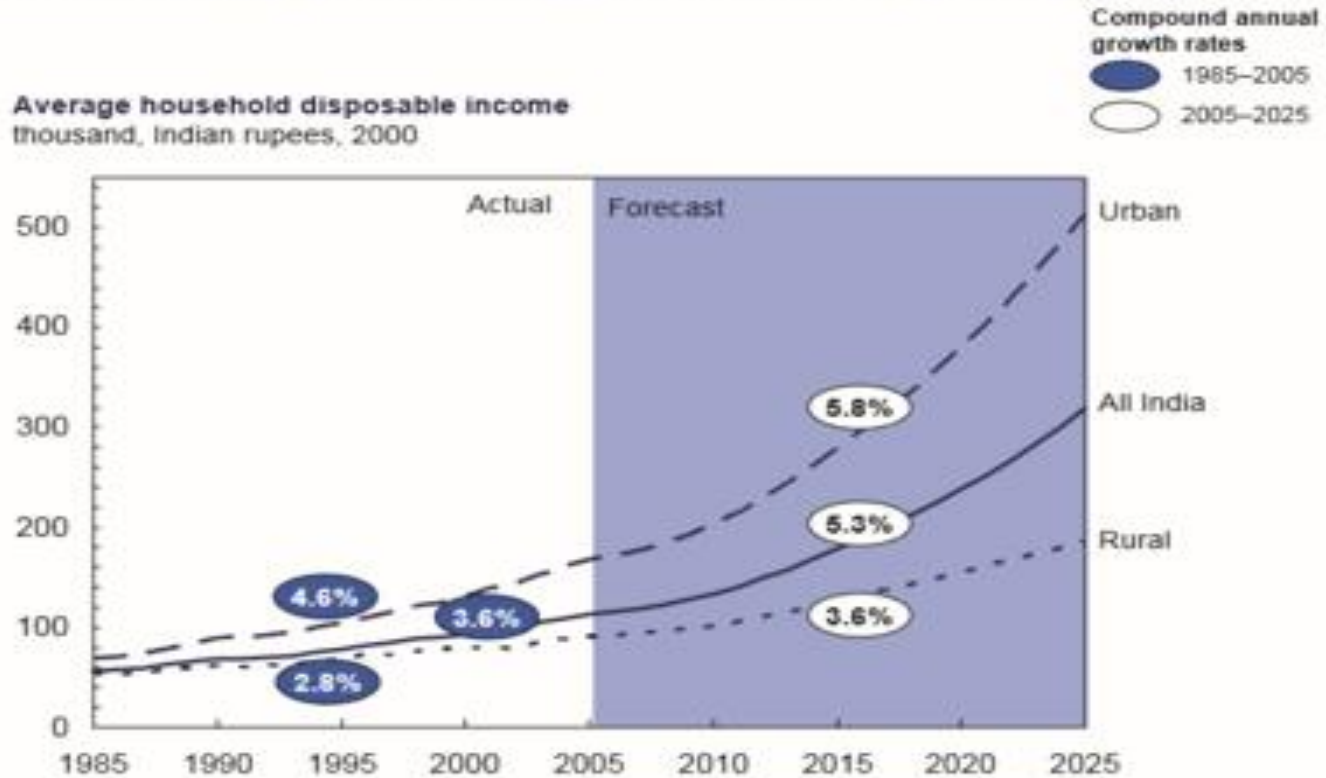
Potential for Growth

: "Bird of Gold"- McKinsey Report

- According to a McKinsey report, India's middle class was expected to be 291 million in 2015-16 and will reach 583 million by 2025-2026.
- The NCAER carried out an independent study which reported that India's middle class population would be 267 million in 2015-2016 and by 2025-2026 is likely to more than double to 547 million.
- Over the next two decades, Indian Income will almost triple – Disposable income will grow from ₹113,744/- in 2005 to ₹318,896/- by 2025.
- India is expected to become World's Fifth Largest Consumer Market by 2025. Consumption will be ₹17 Trillion by 2025.

“Bird of Gold” – McKinsey Report (Cont.)

HOUSEHOLD INCOME GROWTH WILL ACCELERATE ACROSS INDIA



Source: McKinsey Global Institute

Attempt to reduce Procedures

- Companies wanting to set up new businesses in India will have far fewer procedures to go through than before. The ministries of industry, labor, company affairs and finance have worked together on new systems to reduce time taken to get clearances from 305 days to 166.
- Lots of laws have become outdated and with the Governments efforts, business will be able to avoid some 120 procedures that they currently go through to meet the requirements.
- The implementation of the GST Bill, will do away with myriad “Indirect taxes” i.e., Excise Duty, Service Tax , VAT, Sales Tax, Octroi, etc.. This will not only eliminate the barriers to inter-state trade but will also stem the cascading cost escalation of goods and services on account of the compounding affect of these taxes.
- According to the World Bank’s Doing Business Report 2016, India now ranks 130 out of 189 countries in the ease of doing business, moving up four places from last year’s adjusted ranking of 134. Slow but steady progress.

Doing Business in India

GOVERNMENT INITIATIVES

- > MAKE IN INDIA
- > DIGITAL INDIA
- > SMART CITIES
- > SKILL INDIA
- > START UP INDIA
- > AADHAR CARD



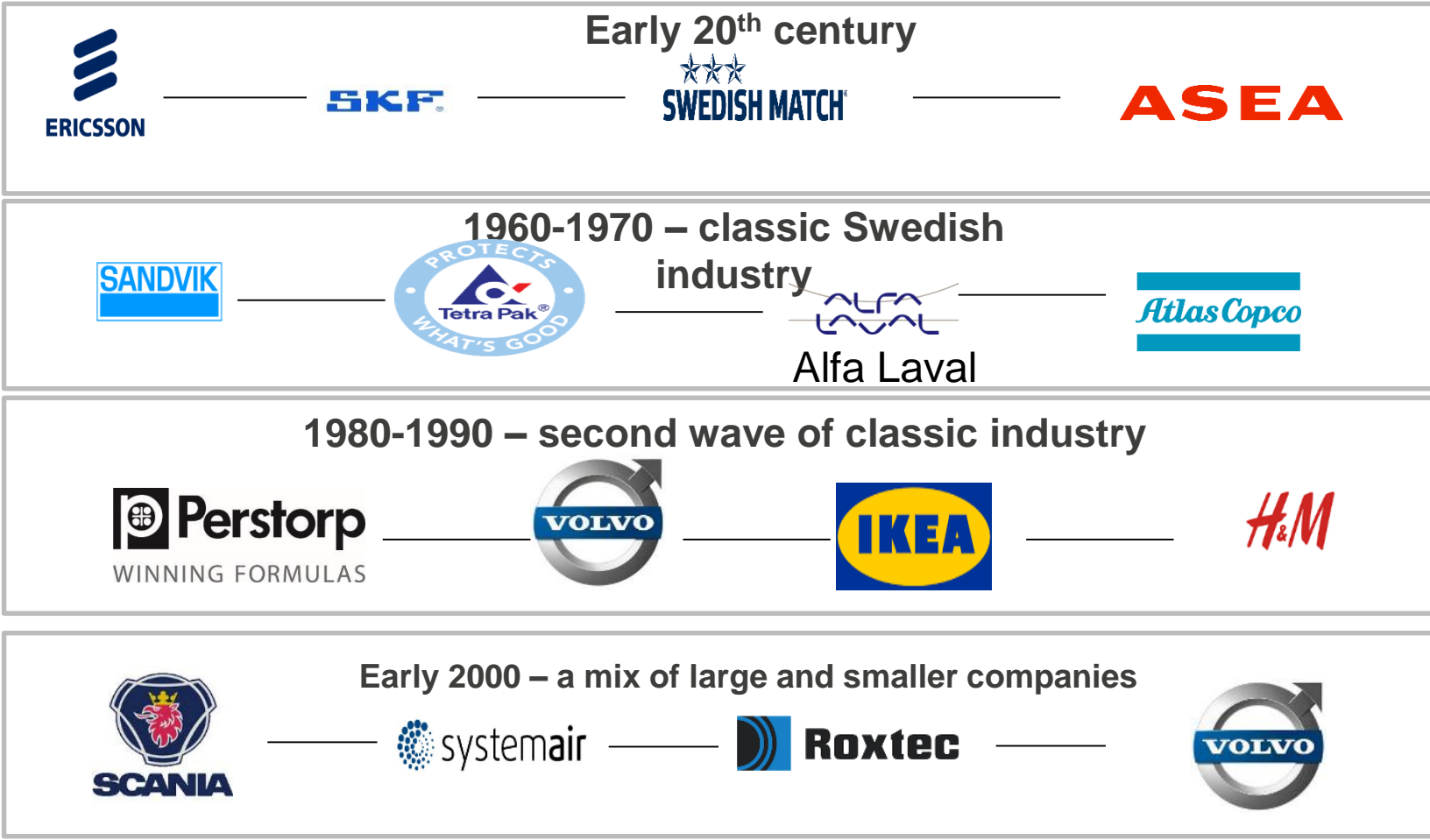
Why have the Swedes been successful in India



- They know that patience is the key which unlocks all doors and understand that being pushy could lead to reversals and hostility.
- Genuinely believe in equality and fair practices so they not only win the respect of Indians but also their friendship and cooperation.
- Do their homework, and take a long term view of the market they operate in.
- Demonstrated their long term commitment and stood by India through thick and thin. They have reaped rich dividends over the decades.
- Set up good and practical work processes and monitoring systems which are not intrusive, yet effective.
- At the operating level they have consciously practiced mutuality. Adopted a process of dialogue to agree on targets and goals. Never one sided.
- They understand the value of thinking globally but acting locally.

Swedish Companies in India

Swedish investments in India can be divided into four periods



Source - <http://www.business-sweden.se/India/>

About Us

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About Dezan Shira & Associates

- Dezan Shira & Associates is a pan-Asia, multi-disciplinary professional services firm, providing legal, tax and operational advisory to international corporate investors. Operational throughout China, ASEAN and India, our mission is to guide foreign companies through Asia's complex regulatory environment and assist them with all aspects of establishing, maintaining and growing their business operations in the region. With more than 23 years of on-the-ground experience and a large team of lawyers, tax experts and auditors, in addition to researchers and business analysts, we are your partner for growth in Asia.
- Originally incorporated in Hong Kong in 1992, Dezan Shira & Associates is in its third decade of operations and has subsequently grown to support 28 offices and over 300 staff in our operations throughout China, Hong Kong, India, Singapore, and Vietnam together with our alliance partners in Indonesia, Malaysia, the Philippines and Thailand. Our firm also maintains client liaison offices in the United States and Europe.

Our Select India Clients

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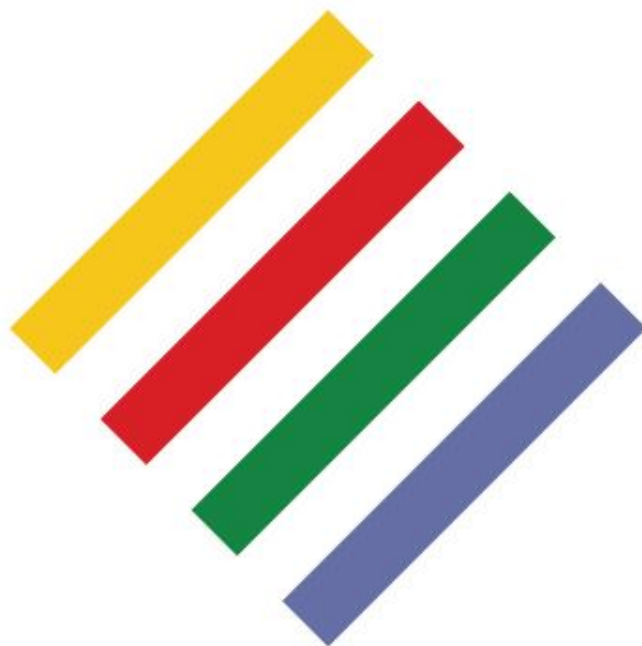
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