



India 2017 Taking Advantage of India's Improving Business Environment

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Advantage India

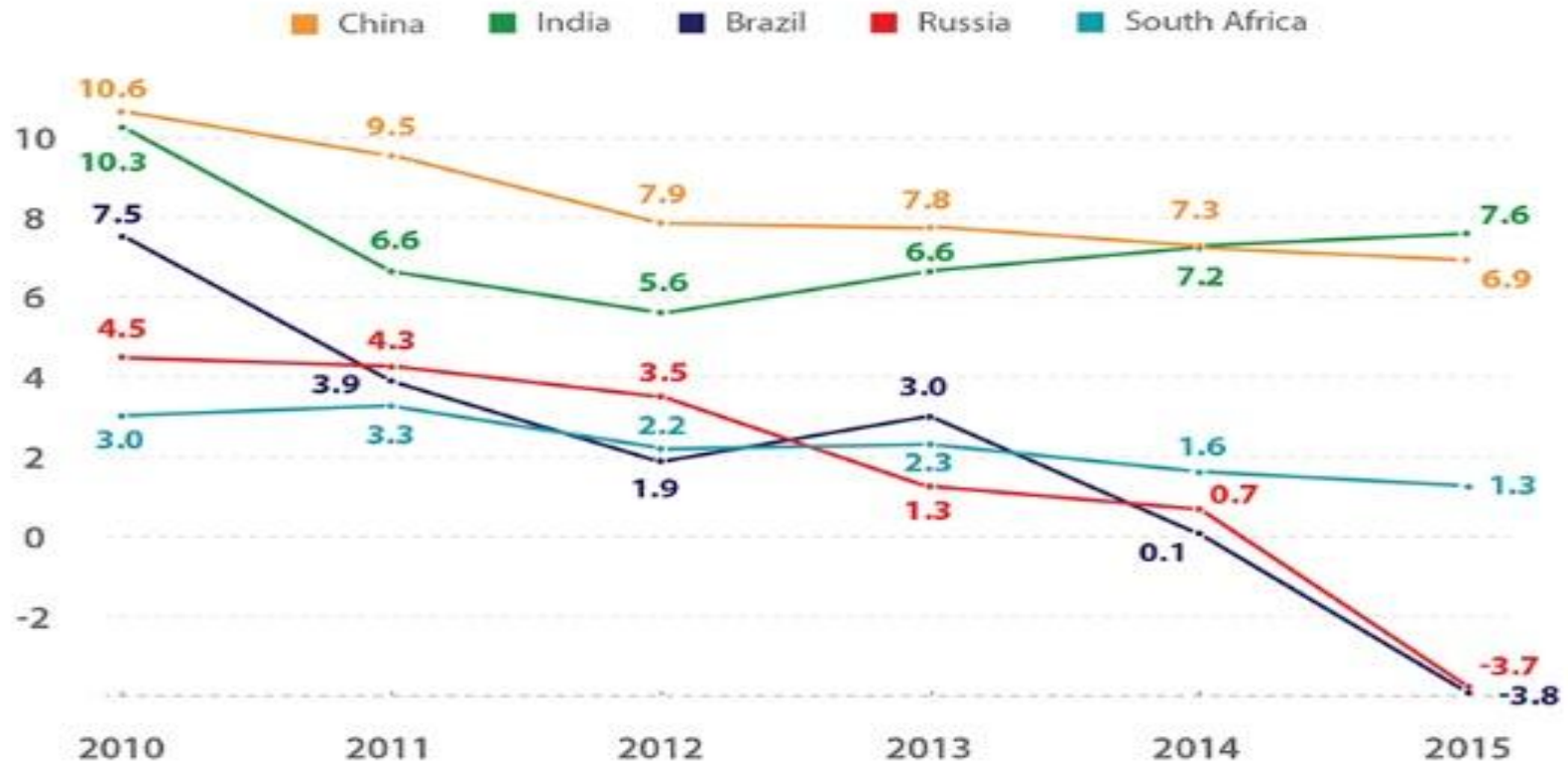


Advantage India

- World's largest democracy with 1.29 billion people.
- Stable political environment and responsive administrative set up.
- Well established judiciary to enforce rule of law.
- Land of abundant natural resources and diverse climatic conditions.
- Young country **with a median age of 26 years**: India's economy will benefit from this "demographic dividend".
- Cost Competitive labour force of nearly 530 million.
- Large pool of skilled manpower; strong knowledge base with significant English speaking population
- Investor friendly policies and incentive based schemes.
- Progressive simplification and rationalization of direct and indirect tax structures.
 - Goods and Service Tax (GST)
- Robust banking and financial institutions.
- Encouragement to Innovation and IPR protection

India Projected to grow at 7.6% in 2017- Highest amongst BRICS Countries

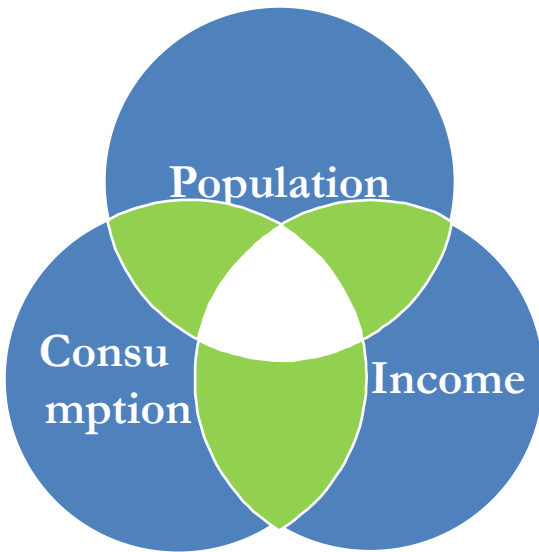
GDP growth in annual percentages



Source: World Bank

Potential for Growth:

“Bird of Gold”- McKinsey Report 2007



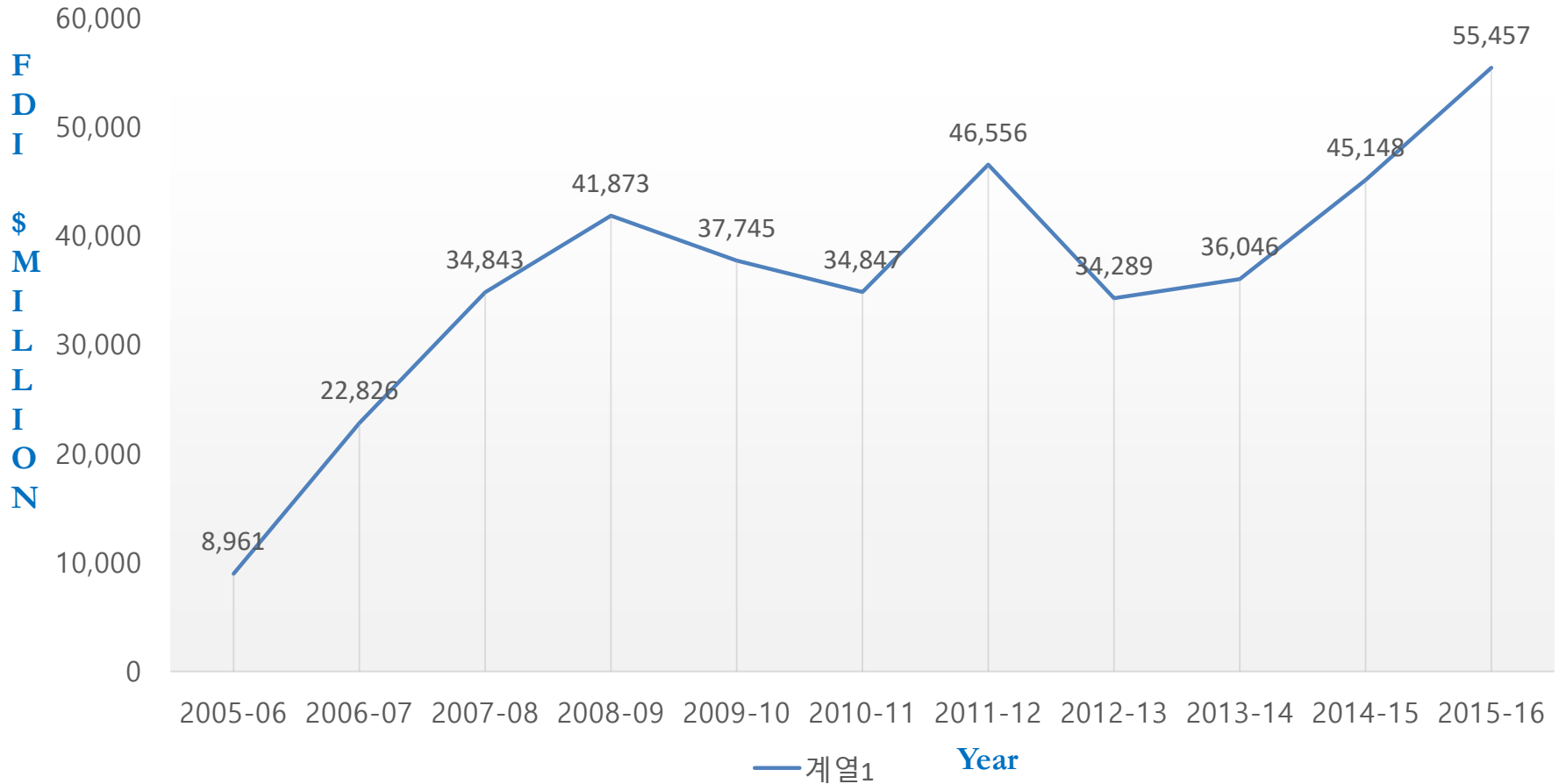
- India's Middle class expected to be 291 million in 2015-16 and expected to be 583 million by 2025-2026.
- The NCAER carried out an independent study in 2012 which reported that India's middle class population would be 267 million in 2015-2016 and by 2025-2026 is likely to more than double to 547 million.
- Over the next two decades, Indian Income will almost triple – Per Capita Annual Disposable Income will grow from ₹113,744/- (USD 1,750) in 2005 to ₹318,896/- (USD 4,908) by 2025.
- India is expected to become World's Fifth Largest Consumer Market by 2025. Consumption will be ₹70 Trillion (USD 107,800 Million) by 2025.

Foreign Direct Investment in India



Foreign Direct Investment in India

India Foreign Direct Investment Data*



*Ministry of Foreign Affairs – International Trade Policy (ITP) Division

Foreign Direct Investment in India

Total FDI in India in the year 2015-16 was USD \$ 55.46 Billion

Top 5 Investing countries in 2015-16

S.No	Countries	FDI
1	Singapore	US\$13.69 Billion
2	Mauritius	US\$8.35 Billion
3	USA	US\$4.19 Billion
4	Netherlands	US\$2.64 Billion
5	Japan	US\$2.61 Billion

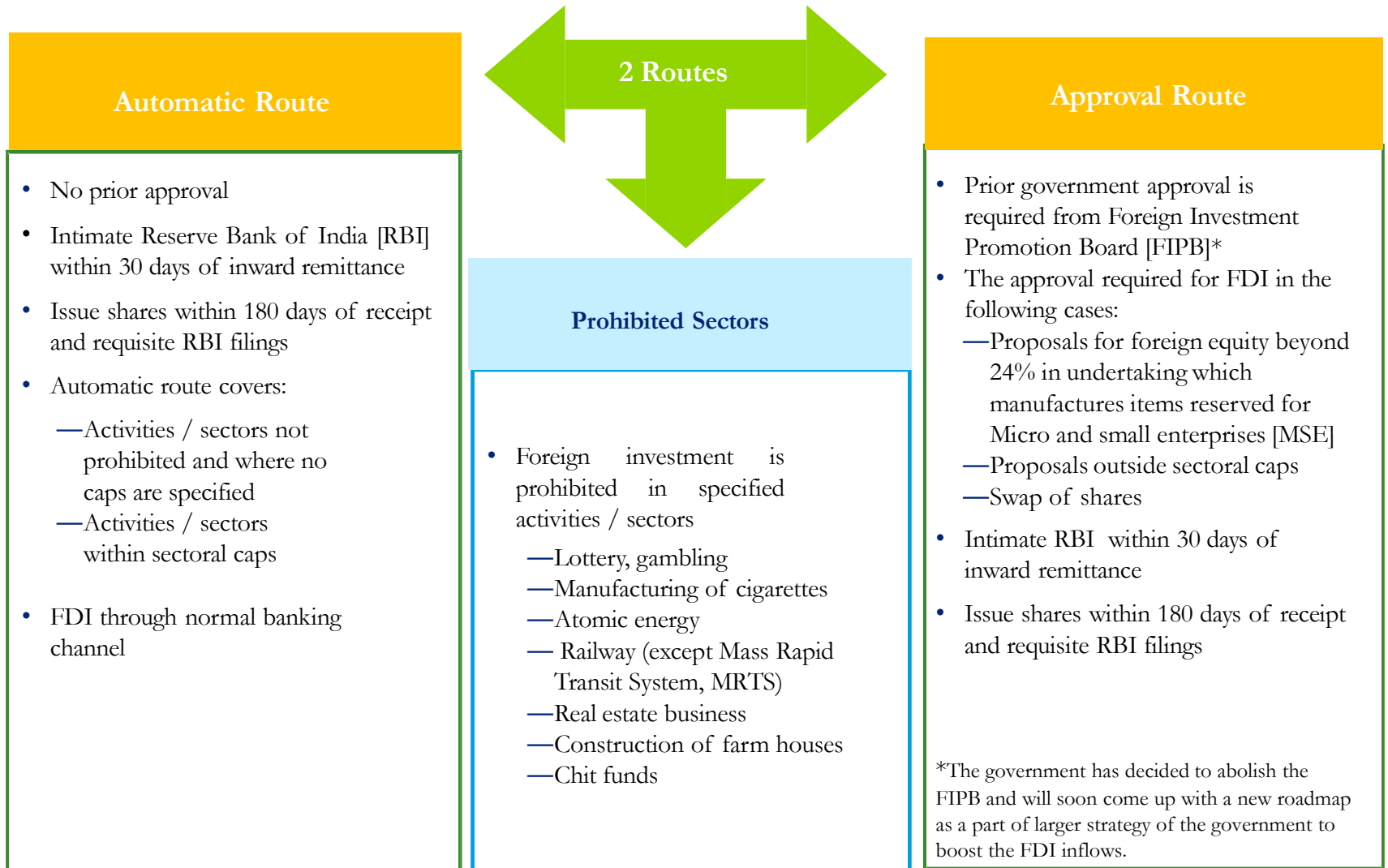
Top 5 sectors attracting investments in 2015-16

S.No	Sectors	FDI
1	Services	US\$6.88 billion
2	IT	US\$5.90 billion
3	Construction	US\$4.51 billion
4	Trading	US\$3.84 billion
5	Auto	US\$2.52 billion

Top 5 States attracting the largest FDI in 2015-16

S.No	Countries	FDI
1	NCR (Delhi & Others)	US\$ 12.74 billion
2	Maharashtra	US\$9.51 billion
3	Tamil Nadu	US\$4.52 billion
4	Karnataka	US\$4.12 billion
5	Gujarat	US\$2.24 billion

Entry Strategy



Comparing India's Automatic Route and Government Route for FDI

Automatic Route	
Sector	Investment Permitted
Broadcasting Carriage Services	100%
Airports	100%
Air Transport Service	100%
Ground Handling Services	100%
Maintenance and Repair Organizations; Flying Training Institutes; and Technical Training Institutions	100%
Construction Development	100%
Industrial Parks	100%
Trading – Wholesale & B2B e-commerce	100%
Duty Free Shops	100%
Railway Infrastructure	100%
Credit Information Companies	100%
Non-Banking Finance Companies	100%
Multi-Brand Retail	51%
Infrastructure Company in the Securities market	49%
Insurance	49%
Pension Sector	49%
Power Exchanges	49%
Telecom Services	49%

Government Route

Sector	Approval Required
Mining and mineral separation of titanium bearing minerals and ores	100%
Defence Manufacturing	Required beyond 49%
Publication of facsimile edition of foreign newspapers	100%
Print Media - Publishing of newspaper and periodicals dealing with news and current affairs	Limited to 26%
Print Media - Publication of Indian editions of foreign magazines dealing with news and current affairs	Limited to 26%
Air Transport Service	Required beyond 49%
Satellites – Establishment and Operation	100%
Telecom Services	100%
Trading – Single Brand Retail Trading	Required beyond 49%
Banking – Private Sector	Required beyond 49%
Banking – Public Sector	Limited to 20%
Private Security Agencies	Required beyond 49% & limited to 74%
Trading - Multi Brand Retail Trading	Limited to 51%

Policy Initiatives



Government Initiatives

- 1) Make in India
- 2) Digital India
- 3) Startup India
- 4) Smart Cities



1. Make in India



- Launched on September 25, 2014 as the Government's flagship economic program to encourage and promote manufacture in India by global as well as domestic entities
- **Based on Four Fundamental Principles:**
 1. **New processes:**

Introduce new de-licensing and deregulation measures to reduce complexity in the government procedures and help increase efficiency and transparency.
 2. **New infrastructure**

Develop smart cities and industrial clusters across different regions identified as potential investment destinations.
 3. **New mind – set**
 - ✓ Aim for Global Recognition
 - ✓ Limit government intervention in setting-up and operating manufacturing units
 - ✓ Promote Governance instead of Control

1. Make in India



4. Program aimed at promoting manufacture and relaxing FDI policy in 25 focus sectors:

- ✓ Automobiles
- ✓ Auto Components
- ✓ Aviation
- ✓ Bio technology
- ✓ Chemicals
- ✓ Construction
- ✓ Defence Manufacturing
- ✓ Electrical Machinery
- ✓ Electronics Systems
- ✓ Food Processing
- ✓ IT and BPM
- ✓ Leather
- ✓ Media & Entertainment
- ✓ Mining
- ✓ Oil & Gas
- ✓ Pharmaceuticals
- ✓ Ports & Shipping
- ✓ Railways
- ✓ Renewable Energy
- ✓ Roads & Highways
- ✓ Space
- ✓ Textiles and Garments
- ✓ Thermal Power
- ✓ Tourism & Hospitality
- ✓ Wellness

1. Make in India: Information Technology (IT) and Business Process Management (BPM)



- **Reasons to Invest**

- ✓ India's IT – BPM industry accounts for 56% of the global outsourcing market.
- ✓ Rapidly growing urban infrastructure has fostered several IT centers in the country.
- ✓ The government has announced many policies and incentives to facilitate investments in IT sector.
- ✓ Presence of skilled manpower, India is home to a large number of IT professionals.

- **Growth Drivers**

- ✓ Revival in demand for IT services from US and Europe.
- ✓ Widespread and rapid increase in the number of consumers of IT and Telecom based services globally and in India.
- ✓ Increasing use of IT to better manage the deployment of services in retail, healthcare, utilities and other sectors is driving growth in Indian IT sector.
- ✓ The global SMAC (Social, Mobile, Analytics, Cloud) market is expected to grow to USD 225 billion by 2020 with a target audience of Social Networking Companies, Wireless Device Manufacturers, Big Data and Analytics companies among others.
- ✓ India is focusing on creating a future-ready digital workforce with SMAC skills which is presently at 150,000

1. Make in India: IT and BPM



- **Growth Drivers (continued)**

- ✓ USD 1.6 billion is spent annually on training workforce and on R&D.
- ✓ The National Optical Fibre Network (NOFN) is being laid in phases to connect all the 250,000 gram panchayats in the country.
- ✓ The government's Digital India Campaign envisages a USD 20 billion investment covering mobile connectivity throughout the country, re-engineering of government process via technology and enabling e-delivery of services to citizens.
- ✓ Reduction in tax rate on Royalty and Technical Service fees from 25% to 10%.
- ✓ Domestic Transfer Pricing norms for small businesses in IT has been eased to reduce the compliance burden by increasing the threshold from USD .77 million to USD 3.07 million.
- ✓ Self Employment and Talent Utilization (SETU) program to give techno-financial, incubation and facilitation support to start up entrepreneurs in this sector.
- ✓ Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of USD 3.07 billion, and credit guarantee corpus of USD 461.53 million aiming to infuse funding among the new generation entrepreneurs.

1. Make in India: IT and BPM



Investment Opportunities

- ✓ The setting up of IT and BPM services, software product development companies, shared service centres.
- ✓ Fast-growing sectors within the BPM domain – knowledge services, data analytics, legal services, Business Process as a Service (BPaaS), cloud-based services.
- ✓ Solutions and services around SMAC, IT consulting, software testing.
- ✓ Engineering and R&D in the IT sector areas like telecom & semiconductors.

1. Make in India: Renewable Energy

Reasons to Invest



- ✓ India has power generation installed capacity of 315.42 GW as of February 2017 out of which 50.02 GW is of renewable sources of energy
- ✓ Economic growth, increasing prosperity, a growing rate of urbanisation and rising per capita energy consumption has led to increased demand for energy in the country.
- ✓ The government recognizes that fossil fuels will not be a viable source of energy in the future and it would be necessary to develop sustainable and renewable sources of energy.
- ✓ Government of India has a target of adding 175 GW of renewable power in the country by 2022, which will offer massive investment opportunities through the value chain.
- ✓ The target of National Solar Mission is to increase installed capacity of Solar Energy from the present 9.57 GW to 100 GW by 2022.
- ✓ The installed capacity of Wind energy is 27.44 GW with an estimated potential of 302 GW at 100 meter height.
- ✓ Small hydro has installed capacity of 4.3 GW and an estimated potential of 19.7 GW.
- ✓ Bio-power (including biomass and bagasse co-generation) has an installed capacity of 4.88 GW as opposed to an estimated potential of 22.5 GW.
- ✓ Land for the solar parks are identified in 21 of the 29 states in India.
- ✓ 34 Solar Parks with a capacity of 20GW have been sanctioned.

1. Make in India: Renewable Energy



- **Growth Drivers**

- ✓ India is the fourth largest importer of oil and the 15th largest importer of petroleum products and Liquefied Natural Gas (LNG) globally. The increased use of indigenous renewable resources is expected to reduce India's dependence on expensive imported fossil fuels.
- ✓ The Ministry of New and Renewable Energy (MNRE) is playing a proactive role in promoting the adoption of renewable energy resources by offering various incentives such as generation-based incentives (GBIs), capital and interest subsidies, viability gap funding (VGF), concessional finance, fiscal incentives etc.
- ✓ The objective of the National Solar Mission is to reduce the cost of solar power generation in the country through long-term policy, large scale deployment goals, aggressive R&D aimed at the domestic production of critical raw materials, components, accessories and products.
- ✓ The Indian Renewable Energy Development Agency (IREDA), has been established to give renewed impetus to the promotion, development and extension of financial assistance for renewable energy and energy efficiency/conservation projects. Foreign Investments will also be eligible for support under these schemes

1. Make in India: Renewable Energy



Incentives

- ✓ A 10-year tax holiday for solar power projects.
- ✓ Guaranteed market through solar power purchase obligation for states.
- ✓ Special incentives for exports from India in renewable energy technology under renewable sector-specific SEZ.
- ✓ A payment security mechanism to cover the risk of default by state utilities/discoms.
- ✓ A subsidy of 30% of the project cost for off-grid Photovoltaics (PV) and solar thermal projects.
- ✓ Loans at concessional rates for off-grid applications.
- ✓ Accelerated depreciation: a claim of 80% depreciation in the first year for certain specific equipment.

2. Digital India



- Flagship Program with a vision to transform India into digitally empowered society and knowledge economy
- Several strategies meant to take India closer to this goal:
 - establishing broadband highways;
 - universal access to mobile connectivity;
 - public internet access;
 - e-governance;
 - eKranti (electronic delivery of services) citizen communication;
 - electronics manufacturing;
 - jobs growth in the IT sector;

2. Digital India Vision



Digital Infrastructure as a Utility to Every Citizen

Availability of high speed internet as a core utility for delivery of services to citizens

Cradle to grave digital identity that is unique, lifelong, online and authenticable to every citizen

Mobile phone & bank account enabling citizen participation in digital & financial space

Easy access to a Common Service Centre

Shareable private space on a public cloud

Safe and secure cyber-space

Governance & Services on Demand

Seamlessly integrated services across departments or jurisdictions

Availability of services in real time from online & mobile platforms

All citizen entitlements to be portable and available on the cloud

Digitally transformed services for improving ease of doing business

Making financial transactions electronic & cashless

Leveraging Geospatial Information Systems (GIS) for decision support systems & development

Digital Empowerment of Citizens

Universal digital literacy

Universally accessible digital resources

Availability of digital resources / services in Indian languages

Collaborative digital platforms for participative governance

Citizens not required to physically submit Govt. documents / certificates

2. Digital India Initiatives



Aadhaar identity platform is one of the key pillars of 'Digital India', wherein every resident of the country is provided with a unique identity or Aadhaar number. Strategic policy tool for social and financial inclusion

Bharat
Broadband
Network
(BBNL)

Bharat Broadband Network - Mandated to create the National Optical Fiber Network (NOFN) in India.

A total of around 2,50,000 Gram Panchayats spread over 6,600 Blocks and 641 Districts are to be covered by laying incremental fiber.



Initiative to jump start the Internet of Things ecosystem taking advantage of India's IT strengths and help the country attain a leadership role in the convergent area of hardware and software.



CERT-In was formed with an aim to secure Indian cyber space. CERT-In provides Incident Prevention and Response services as well as Security Quality Management Services

2. Digital India Initiatives



DigiLocker

Targeted at the idea of paperless governance, DigiLocker is a platform for issuance and verification of documents & certificates in a digital way, thus eliminating the use of physical documents.



Digitize India

To provide digitization services for scanned document images or physical documents for any organization. Aim is to digitize and make usable all the existing content in different formats and media, languages, digitize and create data extracts for document management, IT applications and records management.



Direct Benefit Transfer

elets

Direct Benefit Transfer (DBT)

Aim to reform Government delivery system by re-engineering the existing process in welfare schemes for simpler and faster flow of information/funds and to ensure accurate targeting of the beneficiaries, de-duplication and reduction of fraud.

3. Startup India

#startupindia

- A Startup is an entity incorporated or registered in India :
 - ✓ Upto five years from the date of incorporation/registration,
 - ✓ With annual turnover not exceeding ₹ 250 million (USD 3.9 Million) in any preceding financial year, and
 - ✓ Working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property

3. Startup India

#startupindia

- **Incentives and Benefits**

- ✓ Self certification and ease of compliance under 9 environmental and labour laws by exempting from inspections in the first 3 years
- ✓ Startup patent application - Fast track and up to 80% rebate in filing fees
- ✓ Public procurement – Startups are exempted from the criteria of "prior experience/turnover" in all procurements by Central Government ministries and departments
- ✓ Winding up - in 90 days under Insolvency & Bankruptcy Code 2016
- ✓ ₹ 100 Billion (USD 1,540 Million) Fund for investment in Startups through Alternate Investment Funds (funds which do not come under the jurisdiction of any regulatory authority)
- ✓ ₹ 20 Billion (USD 308 Million) credit guarantee fund for Startups through National Credit Guarantee Trust Company /Small Industries Development Bank of India (SIDBI) over 4 years
- ✓ Tax Exemptions on Income tax for 3 years
- ✓ Tax Exemptions on Capital Gains

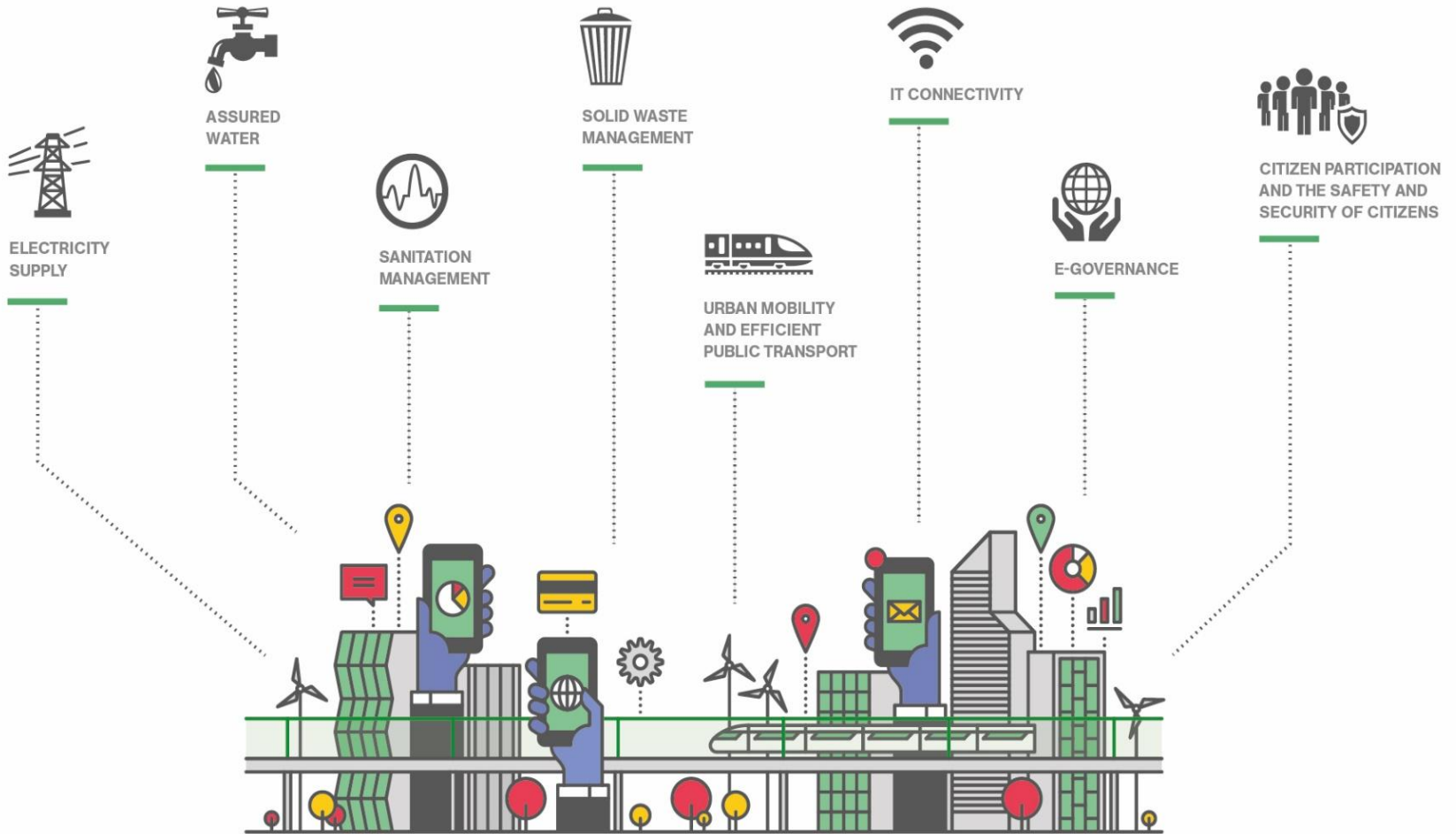
4. Smart Cities Mission



- The objective is to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of Smart solutions.
- Focus is on sustainable and inclusive development and the idea is to look at compact areas, create a replicable model which will act like a light house to other aspiring cities.
- Ministry of Urban Development kick-started the program in 2016 by shortlisting 20 cities in January, followed by 13 more in May, and 27 cities in September via a competitive selection process.

SMART CITIES

Features of smart cities



4. Smart Cities Mission- Distance from New Delhi



Metropolitan	Proposed Smart City	Distance From New Delhi (in miles)	Proposed Completion Year
New Delhi	Chandigarh	155	2019
	Ludhiana	210	2022
	Jaipur	170	2022
	Lucknow	360	2019
	Dharamshala	300	2019
	Varanasi	500	2022
	Agra	130	2022
	Gwalior	220	2022
	Faridabad	34	2022

4. Smart Cities Mission- Distance from Metroploitan & Major City



Metropolitan	Proposed Smart City	Distance From Mumbai (in miles)	Proposed Completion Year
Mumbai	Pune	90	2022
	Thane	15	2022
	Panaji	350	2019
	Nasik	100	2022
	Aurangabad	210	2022
	Nagpur	500	2022

Major City	Proposed Smart City	Distance From Bengaluru (in miles)	Proposed Completion Year
Bengaluru	Shivamogga	200	2022
	Devangere	165	2022
	Tumakuru	45	2022

4. Smart Cities Mission- Distance from Metroploitan & Major City



Metropolitan	Proposed Smart City	Distance From Chennai (in miles)	Proposed Completion Year
Chennai	Coimbatore	315	2022
	Madurai	285	2022
	Vellore	90	2022
	Salem	215	2022

Major City	Proposed Smart City	Distance From Ahmedabad (in miles)	Proposed Completion Year
Ahmedabad	Surat	180	2022
	Vadodara	80	2022
	Rajkot	150	2022
	Indore	255	2022

Key Regulatory Reforms & Impact



Key Regulatory Reforms

Law/ Regulatory Body	Reform/ Amendment	Impact
Goods and Services Tax, Act, 2016	<ul style="list-style-type: none">Replace all the indirect taxes levied on goods and services by the Centre and States	<ul style="list-style-type: none">Game changing reform for the Indian economy by creating a common Indian market and reducing the cascading effect of tax on the cost of goods and services.Will impact the tax structure, tax incidence, tax computation, tax payment, compliance, credit utilization and reporting, leading to a complete overhaul of the current indirect tax system.
Foreign Investment Promotion Board (FIPB)	<ul style="list-style-type: none">Abolition of FIPB	<ul style="list-style-type: none">Boost ease of doing business, reduce red tape and make FDI easier

Key Regulatory Reforms

Law/ Regulatory Body	Reform/ Amendment	Impact
Insolvency and Bankruptcy Code, 2016	<ul style="list-style-type: none">The Code repeals the Presidency Towns Insolvency Act of 1909 and the Provisional Insolvency Act of 1920, while also amending other laws, including the Companies Act of 2013, Recovery of Debts Due to Banks and Financial Institution Act of 1993, and the Sick Industrial Companies (Special Provisions) Repeal Act of 2003	<ul style="list-style-type: none">The Code assesses the viability of the debtor and stipulates a plan for either its revival or speedy liquidation.
Real Estate Act, 2016	<ul style="list-style-type: none">Amends the original Real Estate Bill, 2013 and became law on May 1, 2016	<ul style="list-style-type: none">Protect the interests of purchasers by promoting transparency, accountability, and efficiency in construction and execution of real estate projects by promoters.

Key Regulatory Reforms

Industry	Reform/ Amendment	Impact
E-commerce	<ul style="list-style-type: none"> Government clarified its policy on FDI in online retail. Consumer businesses that operate as marketplaces – which refers to companies that act as facilitators between buyers and sellers on a technology platform – are allowed 100 percent FDI under the automatic route. 	<ul style="list-style-type: none"> The e-commerce sector can be further liberalized, since the government has at least formalized its policy in a transparent manner, unlike previously, when companies worked under assumptions and without clear regulatory oversight.
National Intellectual Property Rights (IPR)	<ul style="list-style-type: none"> National laws on patents, trademarks, and IPRs will now be shaped by the overarching policy. DIPP will regulate intellectual property rights in India and the national IPR policy will be reviewed every five years Online registration of trademarks will be permitted 	<ul style="list-style-type: none"> Intends to safeguard the interests and rights of owners and tackles copyright infringement Government wants to expedite the process of trademark and patent examination to just one month Policy scope includes films, music and industrial drawings.

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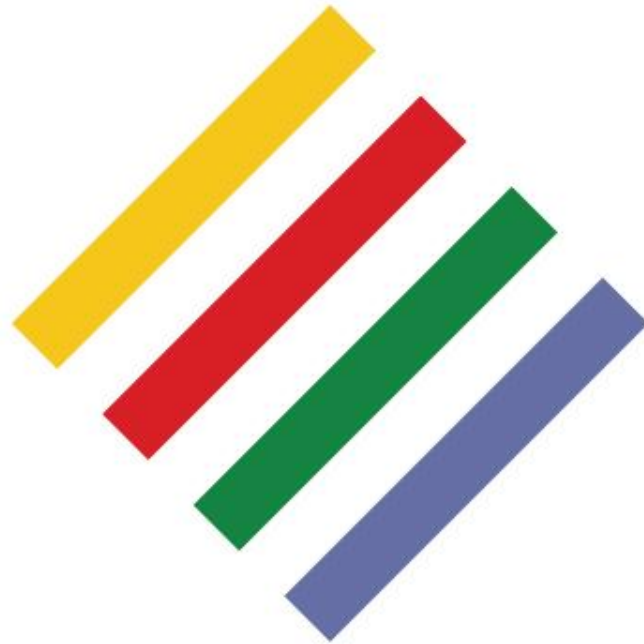
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