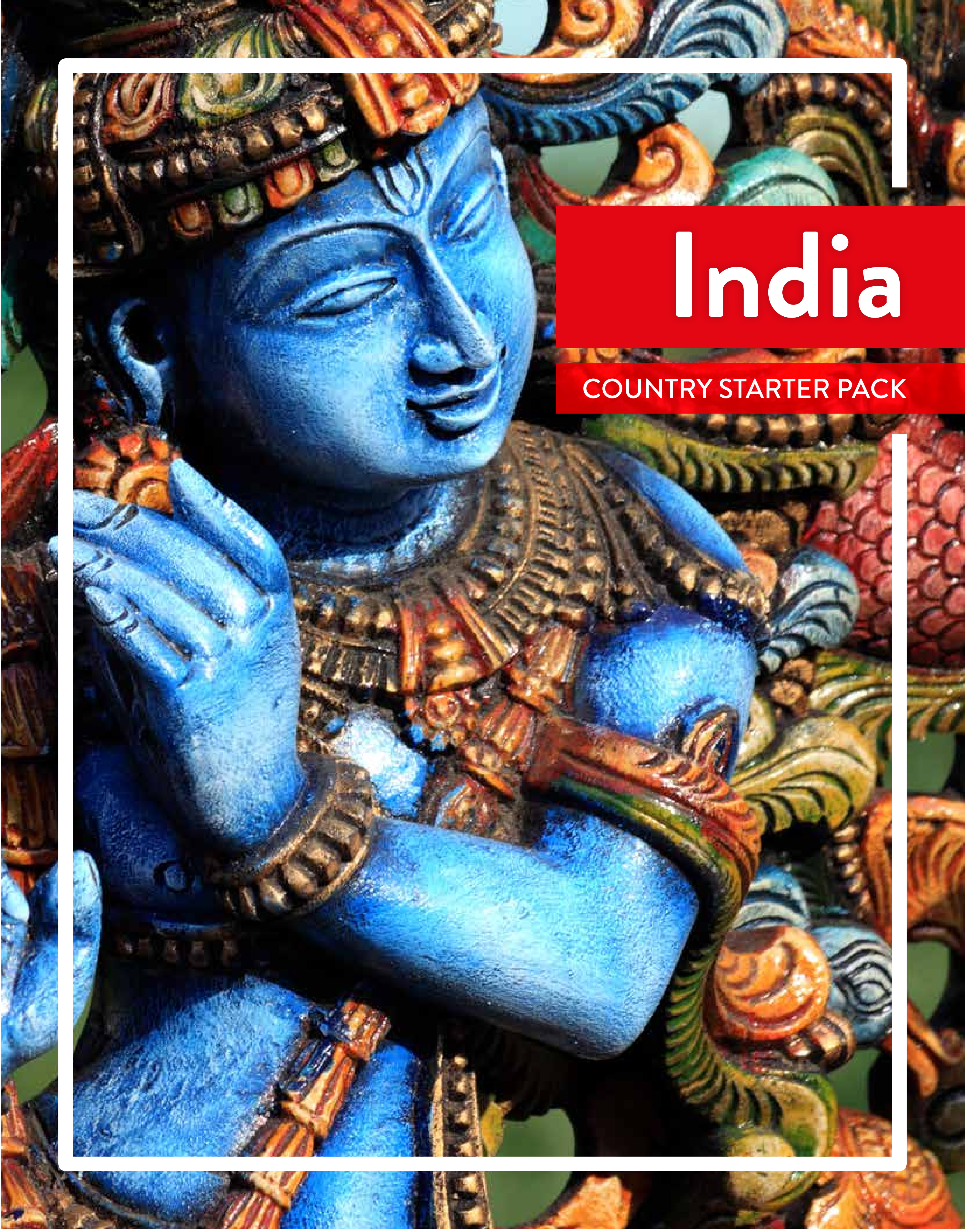


India

COUNTRY STARTER PACK

Asialink Business

pwc

India at a glance

POPULATION - 2014

1.267 BILLION

GNI PER CAPITA (PPP) - 2014*

US$1,610

INCOME LEVEL

LOWER MIDDLE

*Gross National Income (Purchasing Power Parity) World Bank

GDP GROWTH 2014

7.2%

GDP GROWTH FORECAST (IMF)

7.4% (2015), 7.4% (2016) & 7.5% (2017)

CAPITAL CITY

NEW DELHI

RELIGION

HINDUS: 80%, MUSLIMS: 13%, CHRISTIANS: 2%, SIKHS: 1%

CLIMATE

EXTREMELY DIVERSE

ARID DESERT IN THE WEST, GLACIERS IN THE NORTH, TROPICAL AND HUMID IN THE SOUTH

CURRENCY

INDIAN RUPEE (INR)

FISCAL YEAR

APR-MAR

1 APRIL - 31 MARCH

TIME DIFFERENCE FROM AUSTRALIA

4.5 HOURS BEHIND (AEST)

AUSTRALIAN IMPORTS FROM INDIA (2014)

A$4.31 BILLION

AUSTRALIAN EXPORTS TO INDIA (2014)

A$10.46 BILLION

EXCHANGE RATE (2015 AVERAGE)

(INR/AUD) A$1 = INR 47.06

SURFACE AREA

3.3 MILLION SQUARE KMS

GDP 2014

US$2.067 TRILLION

POLITICAL STRUCTURE

CONSTITUTIONAL DEMOCRATIC REPUBLIC

GENERAL BUSINESS HOURS

MONDAY TO FRIDAY 9AM TO 4.30PM SATURDAY 9AM TO 2PM

INTERNATIONAL DIALLING CODE

+91

STOCK EXCHANGE

NATIONAL STOCK EXCHANGE OF INDIA (NSE)

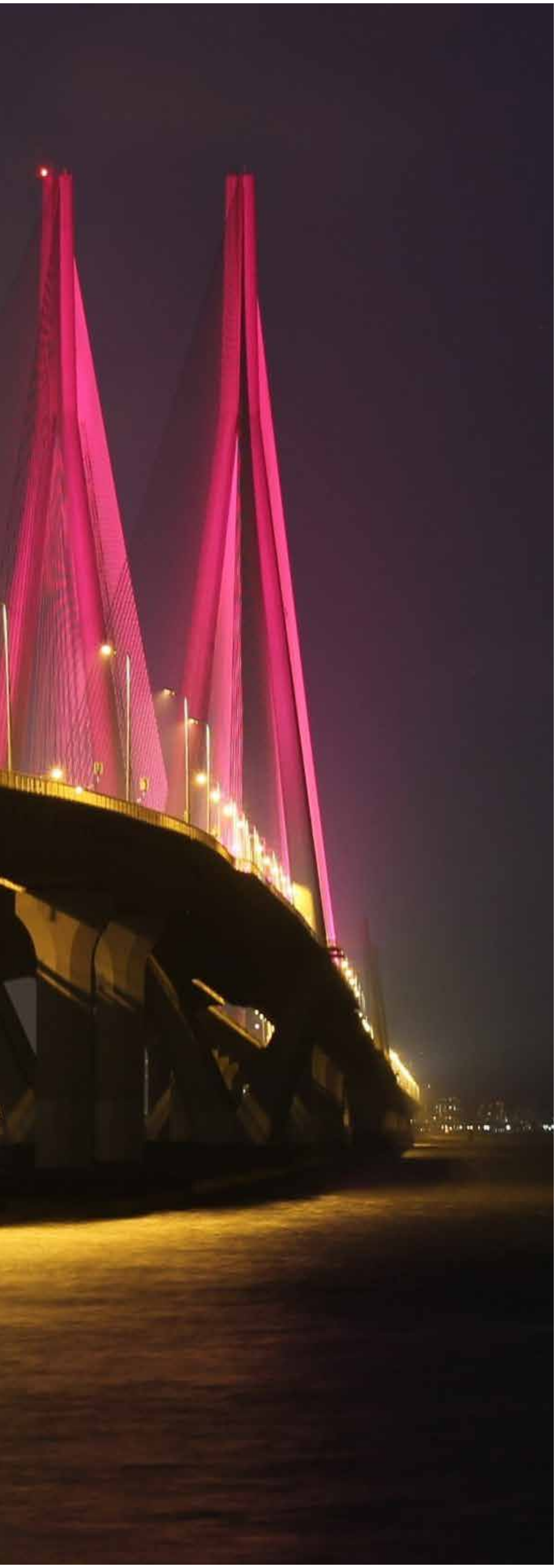
OFFICIAL LANGUAGE

HINDI AND ENGLISH

हिन्दी

Contents

1. Introduction



1.1 WHY INDIA? OPPORTUNITIES FOR AUSTRALIAN BUSINESSES

India is one of the two 'giants' of Asia, and one of the world's fastest-growing economies. It is also a democracy – the largest in the world. And it has one of the world's oldest and most diverse civilisations. Yet for all its outstanding attributes as a nation – and as a place for outsiders to consider investing and doing business – India is still not quite in the same stratosphere as that other Asian giant, China, when it comes to economic drawing power.

But the gap is surely closing. With a rapidly growing population of more than 1.2 billion, India is expected to overtake China as the world's most populous nation within a decade. It may be a lot longer than that before China's economic supremacy in the region is challenged. But if there is a single serious long-term rival to China as an economic powerhouse in Asia, India is it. And all the signs are that India's rapid economic expansion will continue, making it an even more compelling option for Australian businesses looking to expand their operations into Asia.

Consider some key facts:

- India was the world's ninth-largest economy in 2014, with gross domestic product (GDP) of just over USD 2 trillion
- With GDP predicted to continue growing at more than seven per cent, India has been forecast to jump two places to become the world's seventh-largest economy by the end of 2015, overtaking Brazil and Italy
- On the alternative measure of purchasing power parity, India is predicted to replace the United States as the world's second-largest economy by 2050
- Household incomes in India are steadily increasing, creating a burgeoning population of middle-class consumers that will reach 583 million in 2025
- India's middle-class population is expected to soar to about 200 million by 2020, generating huge demand for high-quality, protein-rich foods as well as numerous opportunities across a number of different sectors of the economy, including healthcare, infrastructure, education and financial services.

China's staggering economic growth of the past three decades has tended to dominate the global conversation about Asia's rise, often overshadowing the opportunities that other Asian nations present. In the case of India, all signs point to strong and steady growth over the next decade, with a continuing explosion in the extent and range of business and investment opportunities for Australians and other outsiders.

India is currently Australia's 12th-largest trading partner and its seventh-biggest export market. In 2014 Australia exported goods and services worth about $10.5 billion to India, while our imports from India totalled just over $4.3 billion.

In an effort to further deepen trade links, the nations' two governments began negotiating the Australia-India Comprehensive Economic Cooperation Agreement (CECA) in 2011. The negotiations are expected to conclude at the end of 2015, bringing to fruition another in a series of bilateral trade agreements between Australia and its key partners in the Asian region.

The implementation of CECA with India is expected to make a major contribution to further growth in trade in goods and services, as well as investment. India's vast geographical area and diverse regions present numerous market opportunities for Australian businesses. Differing levels of wealth and development across the country create the need to import a wide range of goods and services, including food, education, financial services and infrastructure.

Doing business in India is not without challenges, some of which may seem insurmountable at first. Cultural barriers aside, bureaucratic red tape and India's numerous distinct and diverse markets across the country may all seem like impediments to success. These issues are compounded by a complex regulatory framework that can vary from state to state.

But Australian businesses willing to invest the time and energy required to research opportunities and prepare for the potential obstacles could reap considerable rewards. Successive Indian governments have instituted economic liberalisation policies over the last two decades, making foreign investment and trade in the country a more attractive option than ever. The following sectors of the economy are among those that could present big opportunities for Australian businesses:

Resources and mining: India's rapid economic growth since its initial economic liberalisation in 1991 has generated increasing demand for resources and minerals. The country's mining sector spans a vast geographical area, and extracts more than 80 different types of minerals. Much of the sector has historically been dominated by a handful of public sector companies, but more private sector participation has emerged in the last decade. With the Indian Government's focus on amplifying the efficiency and profitability of the local mining sector, there are abundant opportunities for Australian businesses with expertise in mining to supply mining equipment, technology and services. This could include mine management systems, safety systems, environmental protection technology as well as simulation training for industry professionals and workers

Agriculture: With India's population expected to exceed China's within a decade, the country faces an enormous task just feeding its own population and establishing more sustainable agricultural practices while relying on quickly depleting resources. India's jobs market is heavily reliant on this sector, with 70 per cent of the total population engaged in agriculture and related business activities. To date, the sector has been buoyed by significant government intervention. Currently, India contributes to one per cent of the global food trade and the Government is aiming to double this figure. To achieve this target, the Ministry of Agriculture has made policy amendments to encourage more private sector participation in the industry, to improve efficiency and productivity. Among the current inhibitors to the sector's advancement are a lack of modern storage and infrastructure to handle grain supplies (resulting in annual

Considering doing business in India?

1. **Do your Research**
    - Speak to industry experts
    - Connect with Australian businesses operating in India
    - Go to industry events & information seminars
    - Seek professional advice.
2. **Become aware of cultural differences and ways of doing business in India**
    - Gain an understanding of your customer & local business partners
    - Be flexible & open to difference
    - Understand the local culture and prepare before meeting with local business partners
    - Practice Indian business etiquette.
3. **Building relationships is crucial in Indian culture, but it can take time**
    - Be patient with developing relationships
    - Follow up and maintain contact with your networks.

losses of up to 12 per cent of production), low or stagnant crop yields, unscientific and outdated production methods and below-par water application and irrigation. The Government's aspiration to overcome these shortcomings presents huge opportunities for Australian businesses that can provide the necessary technology and expertise to help India achieve a much-needed boom in agricultural production.

Food and food products: The increasing affluence of the Indian middle class is generating big changes in dietary habits and, by extension, changing demands on the agriculture sector. Demand is increasing for animal-based protein-rich foods as well as value-added and processed food products. Milk and dairy are major focuses of India's food industry development, and opportunities in this market exist along the entire value chain, particularly for businesses with expertise in improving the yield of each animal and those that can strengthen India's ability to be more self-sufficient when creating milk and other value-added milk products. Other food products in high demand include wine (for which Australia is one of India's three biggest suppliers), beer, jams, honey, canned meat and vegetables, health foods and baby foods.

Education: In 2014, Indian student enrolments in Australia numbered 63,096, accounting for just under 11 per cent of all international enrolments (second only to China at 26 per cent). Enrolments from India were up approximately 30 per cent from the previous year, making it the fastest-growing source of international students in Australia. Of the Indian students in Australia in 2014, 41 per cent were enrolled at higher education institutions, including universities, while 44 per cent were in vocational education and training (VET) courses. Although Indian student enrolments fell significantly in 2009, following the introduction of more stringent visa rules for vocational course applicants as well as a short spate of attacks on people of South Asian appearance in Melbourne, the numbers are now on a strong upward trajectory. With millions of people joining India's middle classes every year, education has become a key priority for many families, and Australia is the third most popular destination, behind the United States and the United Kingdom, for Indians travelling abroad for higher education. There is clear potential for significant and sustained further growth in Australia's provision of education services to India in coming years. According to Austrade, VET providers wanting to provide vocational courses in India may struggle to find the right model in the short term due to a number of factors. For now, education providers wanting to set up in India may need to focus on other areas of education.

Information communications technology (ICT) and services: India's ICT market is growing exponentially, and now accounts for 47 per cent of the nation's services exports. Mobile technology in particular is seeing unprecedented uptake, with 10 million new subscribers each month. Members of remote or low socio-economic communities are now commonly accessing and owning mobile technology. Significant potential opportunities exist in this area for Australian businesses across a number of diverse sub-sectors including banking and financial services, logistics and value chains, health-related IT and mobile applications, as well as media and entertainment.

CECA – what are we negotiating?

The trading relationship between Australia and India has grown remarkably in recent years. The total volume of goods and services traded between the two countries has more than doubled to $14.8 billion in the last decade.

The focus of the CECA negotiations are:

1. **Expanding the import and export of goods and merchandise by addressing tax and tariff barriers as well as customs prohibitions and restrictions**
2. **Increasing trade in services by promoting transparency in regulations and legislation and reducing barriers to entry**
3. **Building investor confidence by improving existing investment protections and promoting greater transparency.**

Biotechnology and pharmaceuticals: Significant opportunities for investment exist in India's biotechnology sector, which is the third largest in the Asia-Pacific. It is a rapidly growing market, in part due to progressive government attitudes towards research and development (R&D) and the promotion of such activities in India. The establishment of nationwide flagship programs to improve India's technological competitiveness, high government investment in scientific expertise, as well as incentivising of R&D investment through tax benefits, have all contributed to the rapid growth of the biotechnology and pharmaceutical industries in India. India's combined biotechnology industry is expected to keep growing at an annual rate of 30 per cent, until reaching approximately USD 100 billion by 2025.

Aged care: The number of people aged over 65 in India is forecast to quadruple over the next 40 years, a phenomenon that is expected to significantly contribute to the prevalence of lifestyle or non-communicable diseases, including hypertension, diabetes and other chronic conditions. The healthcare expectations and needs of older Indians will vary according to their socio-economic group. With respect for elders remaining a core value of modern Indian society, families and younger generations continue to provide primary care for parents and grandparents. However, with rising numbers of young professionals migrating to urban areas or overseas, India's older population will increasingly require access to assisted living facilities and the necessary infrastructure to support independent lifestyles. Australia, with its ageing population and a mature assisted living industry, is well positioned to take advantage of opportunities in India by providing senior living facility management services, home care services and expertise to design facilities and train professionals, to meet demand in this still underdeveloped and underserviced sector.

Automotive: India is the world's sixth-largest automobile producer, by volume and value, with output having grown just under 15 per cent in the last 10 years. The country's 35 vehicle producers account for seven per cent of India's national GDP and almost eight per cent of local employment. India is now also seen as a global incubator for innovation in the small-car market, having recently attracted a significant number of international car component makers to set up operations locally. Two-wheelers, tractors and larger commercial vehicles also make up a significant portion of the Indian automotive industry, and have contributed to growth in the country's exports of automobiles. The health of the industry sits in contrast to those of some traditional car manufacturing nations including the United States and Japan, and has helped it to attract capital from around the world. With only about one per cent of India's population owning a passenger car, the potential for more growth in the industry is enormous, particularly given the predicted expansion of the middle class. By contrast, in Europe, 50 per cent of the population already owns or has access to a car. As competition in India's domestic car market increases, the demand for innovative technology and design is growing. This demand is supported by a change in policy to manage fuel economy, emissions and safety standards. This increasing competition has opened new opportunities for engineering and design consultants, academic researchers, joint ventures and technical collaborations. Australian businesses particularly could provide value by selling IP agreements for local manufacturing and sharing expertise in new manufacturing techniques.

Rail infrastructure: The state-owned Indian Railways is beginning to court private investment to support its freight and passenger train operations, signalling the emergence of valuable opportunities for world-leading Australian expertise in rail infrastructure, especially in areas such as rail safety training, signalling and heavy haul. Other opportunities could include the provision of consulting and project management services to the country's rail infrastructure development. Competition from other international providers will be intense, especially from the US, Canada, Europe and China. However, joint ventures with Indian Railways and other public sector groups involved in the Indian rail industry will be a feasible avenue through which companies with the right expertise might enter the Indian market.

Road infrastructure: India is infamous for its road safety issues, with close to 137,000 people killed and almost 500,000 injured on its roads each year. The design and maintenance of roads and other infrastructure in India, including in its largest metropolitan areas, has failed to keep pace with rapid urbanisation. Roads are overcrowded with a wide range of vehicles including bicycles, rickshaws, animal carts and handcarts, all of which move at a much slower pace than modern vehicles. Hence, road rules and laws on speed, safety and driving while intoxicated are poorly enforced, if at all. Safety equipment in many older vehicles is virtually non-existent and poorly regulated, while more modern vehicles do not often have access to the latest safety technology. Australia, as a world leader and early adopter of road safety, traffic and policing systems, could have much to offer – and to gain – from future efforts in India to improve road safety. Specific opportunities for Australian businesses include the provision of road design and engineering services, road and parking consultancies, crash investigation expertise as well as design, engineering and maintenance of intelligent transport systems. Australian businesses can also provide skills and training for police and road safety officers, heavy vehicle drivers, emergency services and more.

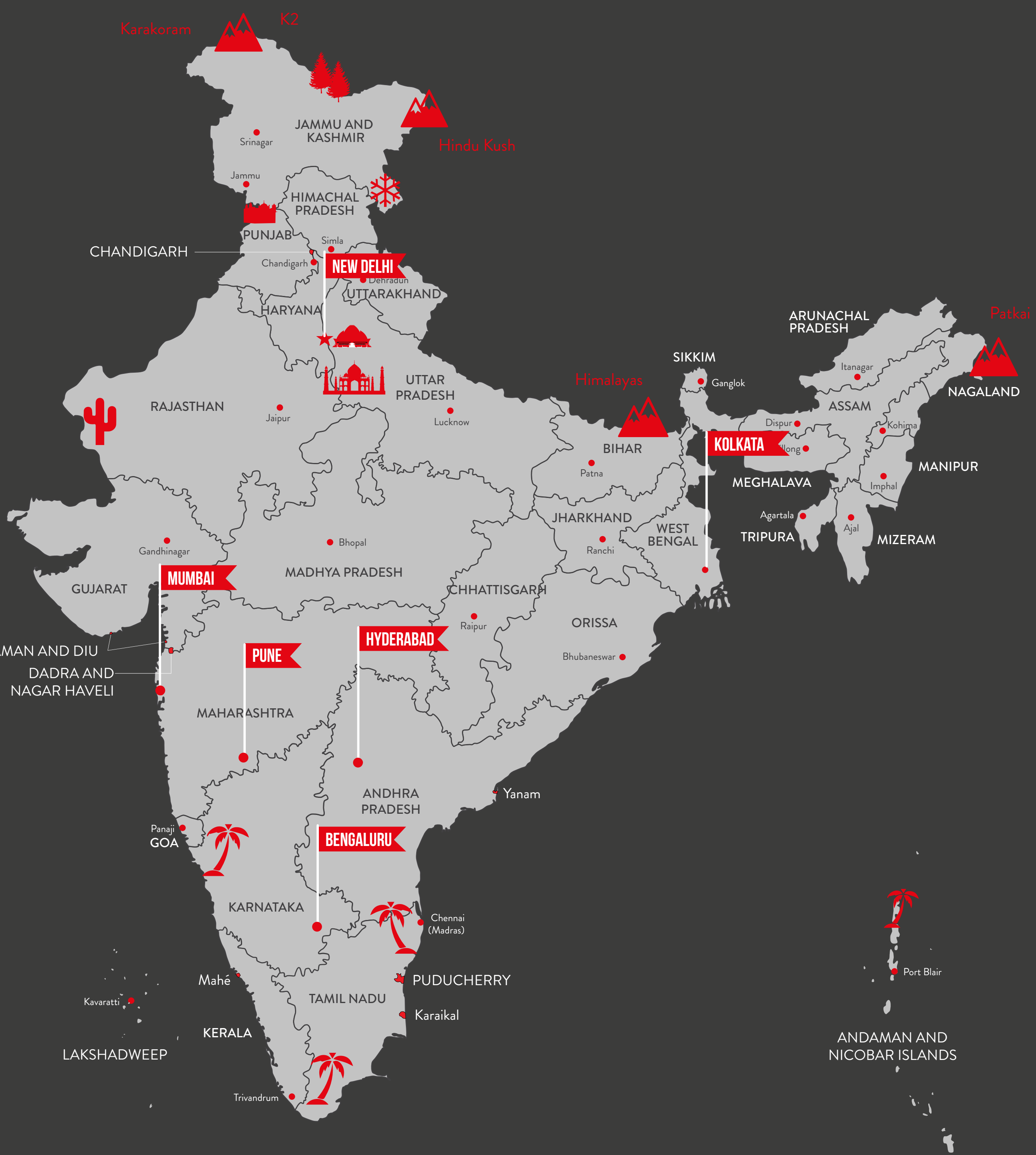
Water, waste and environment: A key environmental focus for the Indian Government in the near future will be water management and security. Population and economic growth is escalating the demand for fresh, clean water in a country where water pollution and the associated adverse health effects are of paramount concern. A severe lack of treatment capacity is putting undue pressure on many cities' current capacities to deal with rapidly growing amounts of industrial and domestic waste. The policy environment is moving towards better regulation of water distribution and measures to improve water sustainability. The Government has also introduced the National Ganga River Cleaning Project to clean out existing waste in the Ganges. The Ganges River is the third-largest river in the world (measured by discharge)

and many small communities established along its banks continue to rely on it. A similar project is also under way to combat water pollution in 61 lakes across 14 states. Opportunities in this field for Australian businesses include the provision of expertise and solutions to control industrial pollution, treat wastewater and effluent water, manage riverfronts and protect the shoreline. The World Bank works closely with India on a number of its water de-pollution initiatives, and private sector expertise in the areas of water recycling and demand management can make an important and profitable contribution to improving water efficiency. Many projects in this space are tendered and Australian businesses are permitted to be involved.

Tourism: India is one of the biggest and fastest-growing sources of foreign tourists coming to Australia. Annual revenue from Indian visitors to Australia, currently at about $800 million, is expected to more than double to $2.3 billion by 2020. In the 12 months to June 30 2015, a total of 219,400 Indians visited Australia, a 20 per cent increase on the previous year. May and December are the busiest months for Indian visitors, and the peak booking periods for travel are between September and November and between February and April. Indian travellers tend to be drawn to the safety and security Australia offers, and are likely to visit locations with access to beaches, nature and wildlife. In surveys of Indians' travel destination aspirations, Australia ranks third, behind Mauritius and Switzerland. However, this currently does not correlate to actual visitation numbers, with Australia ranked ninth on the list of actual destinations for Indian travellers, behind countries including France, the United States and the United Kingdom. Although retail travel agents in India continue to dominate the market, more Indians are beginning to research and book their travel arrangements online, with online-only travel agencies attracting just under 50 per cent of all visits to travel sites. The rapid growth in online travel services for Indian tourists presents a variety of opportunities for Australian businesses.

Heritage conservation: As one of the world's oldest civilisations, India is home to a rich and culturally diverse range of architecture, literature and art. Physical heritage sites largely belong to the Indian Government through the Archaeological Survey of India, while a small number of sites are owned by families or private organisations. In 2013, the Government introduced the Corporate Social Responsibility (CSR) Companies Act 2013, which requires all companies to fulfil a minimum CSR contribution each year. A growing number of private companies are choosing to meet this obligation by donating resources towards activities that promote and protect India's fascinating heritage, architecture and art. Australian experts could play a role in filling the gap in local capability around museum management, audience development, art and manuscript restoration and conservation, as well as development of national overarching policy frameworks to manage tourist ecosystems and preservation projects – which are now managed on an inconsistent, state-by-state basis. The states of Maharashtra, Punjab and Rajasthan have the largest budgets dedicated to heritage conservation and often have a higher number of active projects than other states. Government tenders in this particular sector are open to global service providers, including Australians. Keep in mind, however, that the majority of tenders are awarded on the basis of cost and that Australian businesses could be competing with some less widely skilled, but more cost-effective local providers.

States, union territories and major cities of India



1.2 INDIA AT A GLANCE

Geography

India is the seventh largest country in the world by land area, occupying 3.287 million square kilometres. It measures 2,933 kilometres from east to west and 3,214 kilometres from north to south. An arc of mountain ranges that defines the north of India includes the Himalayas, the Hindu Kush and Patkai ranges, as well as Karakoram, which sits in the disputed state of Jammu and Kashmir and includes K2, the second-highest peak in the world. Due to the sheer vastness of India's land area, its climate is very diverse, with six major climate subtypes. The west is largely arid desert while the far north consists of alpine tundra and glaciers. The Himalayas block frigid winds from the north, allowing cool winters and relatively hot summers in northern India. Southern states have a more humid climate year-round, with tropical rainforests in the south-west and on India's island territories.

India is made up of 29 states and seven union territories. The capital city is New Delhi and other major cities for business include Bangalore (referred to officially as Bengaluru), Mumbai, Pune and Hyderabad.

India recognises four distinct seasons, namely winter (January to February), summer (March to May), monsoon season (June to September) and the post-monsoon period (October to December). In many of the urban parts of India, summer temperatures can be as high as 45°C. The hottest temperatures occur in the geographic middle of the country, not in the humid and tropical southern states.

YEARLY AVERAGE TEMPERATURES IN °C

	Mumbai	Bangalore	Hyderabad
January	23.8	21.5	22.2
February	24.5	23.7	25.1
March	26.8	21.25	28.4
April	28.5	28.8	31.5
May	29.8	27.4	33.0
June	29.0	24.8	29.3
July	27.3	29.0	27.0
August	27.2	28.5	26.2
September	27.4	29.0	26.6
October	28.3	28.7	25.7
November	27.2	22.4	23.2
December	20.3	21.1	21.6

History

India has a rich history dating back thousands of years. The ancient Indus Valley Civilisation, which occupied large areas of present day Pakistan and northwest India, flourished between 3300 BCE and 1300 BCE, but its origins can be traced as far back as 7500 BCE. During this long history, India and its earlier civilisations contributed a number of important discoveries and inventions to the world, including the standardised measurement of length, time and mass, as well as some forms of mathematics and geometry. Ayurveda, a traditional form of Indian medicine, is the earliest form of medicine known to man and is believed to have originated around 5000 BCE. Ancient India is also believed to be the birthplace of navigation.

The Gupta Empire, which spanned the early fourth to the late sixth century CE, is regarded as India's Golden Age and was a period when strong trade ties were established across the region, cementing India's cultural influence on the nearby kingdoms of Bhutan, Sri Lanka and parts of Southeast Asia, including Indonesia and Thailand.

Europeans first visited India in 1498, when a Portuguese fleet led by Vasco da Gama discovered a new sea route from Europe to Asia. Portuguese colonisers soon controlled several trading posts in India, facilitating the first period of commerce between India and Europe. When the British East India Company first arrived in 1617, it was allowed to trade freely, and a century later was even permitted to trade tax-free in some areas. By 1818, following a number of wars, vast regions of India were under the company's control, with further wars bringing Nepal and the Gurkhas under British influence, while annexing Kashmir, the North-West Frontier Province (now part of Pakistan) and Punjab. By the 1850s, the British East India Company controlled much of South Asia, including present-day Bangladesh and Pakistan.

The British Raj (or British Crown rule) came after the rebellion of 1857, in which soldiers employed by the East India Company rebelled in protest at the lack of funding, training and equipment they received. The new British Raj enforced legal procedures and statutes with the creation of the Indian Penal Code and established a court system. Education was also made a priority and English was the designated language of instruction. The rebellion, however, was never fully quelled. In 1905, the British sought to divide Bengal into a majority-Muslim eastern half and a majority-Hindu western half, citing a need for more efficient administration. The decision drew outrage and marked the inception of an organised anti-colonial movement in India, to which the British responded by ceding a small amount of power. The Viceroy's executive council gained its first Indian member in 1909 and at the same time, provincial executive councils with Indian members were introduced. A decade later, the British accepted the Government of India Act 1919, which legislated a dual administrative system in which British officials shared power with Indian legislators.

Arguably India's most famous historical figure, Mahatma Gandhi was one of a small number of leaders who began peaceful mass movements against British rule in 1920. The next 27 years leading to independence was peppered with periods of both non-violent and violent conflict. Peaceful methods advocated by Gandhi and other like-minded revolutionaries included non-cooperation, economic resistance and civil disobedience. The British reaction was not always as peaceful, and some more militant Indians responded with armed struggle. Alongside the movement towards independence, religious tensions between Hindus and Muslims began to develop, with the Muslim minority wary of the prospect of a Hindu-dominated independent government.

On 15 August 1947, the partition of India saw the British Raj cede control, creating the sovereign states of India and Pakistan. It is estimated that close to a million deaths resulted from the religious violence that preceded partition. Fearing persecution by the religious majority in the newly formed states of India and Pakistan, more than 14 million Hindus, Sikhs and Muslims moved across the India-Pakistan border at the time of partition, making it the largest mass migration in modern history. Religious tension has simmered beneath the surface of Indian society since partition, resulting in occasional spikes of violent protest or conflict. Hindu-Muslim and Sikh-Muslim conflict garners the most attention. The immediate post-independence period was dotted with outbursts of sectarian violence between some religious fundamentalists. Religious tensions have, in the past, resulted in the assassination of at least six political leaders. This tension also underpins the political strains between Pakistan and India, which are particularly focused on the disputed territories of Jammu and Kashmir. Australian travellers are advised to avoid these areas. However, the absence of any major religious riots in the past two decades should assure Australian businesses that it is unlikely to be a major disruption to their business efforts in India.

Culture

Modern Indian culture has developed over several millennia and is richly diverse, informed by a wide range of religions, languages and traditions. India is home to more than 700 languages, at least 29 of which are spoken by more than 1 million people. There is no particular majority ethnic group, although the majority of the population falls within one of two linguistic groups: Indo-Aryan (referring mainly to languages from the northern parts of South Asia) and Dravidian (referring mainly to languages from the southern parts of the sub-continent). A large proportion of Indians are deeply religious, and religion is therefore a key influence on the nation's culture.

The primary unit of Indian society is the family. A strict generational hierarchy is followed, where elders are respected and revered and both children and adults may refer to older people as uncle or aunty, even when they are not related. Respect for elders is a core value of Indian society, with the onus of caring for older people resting on the next generation. Traditionally, children and their spouses have lived in their parents' homes, although more recently many ageing parents have been moving in with adult children and their spouses.

Physical contact is uncommon between acquaintances or with people considered to be in positions of authority. Indians commonly greet relatives, acquaintances and strangers by placing the palms of their own hands together, as if in prayer, and saying *namaste* (pronounced nah-mas-tay). It is also common to just make the gesture while bowing your head slightly, without saying the word itself. The same is used for goodbyes. In a business setting, however, handshakes are widely used.

Vegetarianism is very common in India and is largely borne out of religious belief. This will affect a number of different aspects of doing business there, from food labelling requirements to ordering food when socialising with business contacts. The left hand is also considered unclean to almost all Indians (although this varies between religions), and since food is commonly eaten with hands, it is only acceptable to eat with your right hand. More information on cultural nuances to be aware of is in Chapter 4.

There is continuing debate on whether India's caste system – the world's longest-surviving social stratification arrangement – could still be considered strict or widespread, even if there is no doubt that it still exists in some form. The system's most surprising trait is that it has endured without legislative backing and has enjoyed no official status or recognition since independence in 1947 – other than for certain scheduled tribes and castes that are recorded for the purpose of affirmative action. Although there is still a stigma in some communities around *dalits*, or untouchables, in a non-business setting, today's Indian workplace is largely meritocratic and little notion of caste-based disparity or disadvantage remains. In smaller businesses, however, you should be aware of residual bias affecting how managers may communicate with staff whom they believe to be from a lower social rung.

In the major cities where Australian businesses are likely to operate, women are just as well respected in business as men are, although you may find some gender bias among the older generation. But many rural and regional communities are still strongly paternalistic and it is worth considering this when researching where you would like to set up your business. It is widely believed that the further north you go in India, the more gender inequality you may find.

Business relationships take time to curate in India, where long-established hierarchies are often maintained over generations. Colleagues in positions of authority are shown high levels of respect, seldom challenged (even if in the wrong) and always obeyed. 'Saving face' is a common societal concern in many parts of Asia and it is no different in India. Criticism and negative feedback is often

Culture in India

GREETING AND GOODBYE

Namaste – palms and fingers of hands together as if in prayer

STRICT FAMILY AND SOCIAL HIERARCHIES

Grandparents to parents to children; teachers to students; priests to all communities; manager to staff; husband to wife (to a small extent and more pronounced in rural communities)

RIGHT HAND, NOT LEFT

Business cards, serving and eating food, any type of contact

CELEBRATIONS

As a religious people, Indians love festivals. These are often marked by singing, dancing and public celebrations. It is considered rude to decline an invitation to someone's home or neighbourhood to celebrate with them, no matter what their religion.

avoided and mistakes are sometimes corrected or covered up without discussion. With foreigners, however, Indians can be quite forgiving of ignorance about traditional business practice, and internationally accepted practices are widely adhered to. Verbal and written communications are generally in English and Indian businesses and their staff tend to possess similar managerial, technical and negotiation skills to Australians. It is worth noting that our shared colonial history has made the relationship between Indians and Australians quite warm. This applies also to our economic and political relations. Like Australia, India has a strong sporting culture. To many Indians, cricket is almost a religious pursuit, and the friendly rivalry between our sporting teams can be a helpful ice breaker when forming deeper relationships with Indian contacts.

Religion

Religion informs many Indians' cultural beliefs and practices. India is the birthplace of four religions: Hinduism, Buddhism, Jainism and Sikhism. Almost 1.03 billion Indians, or 80 per cent of the population, are Hindus, while just under 15 per cent are Muslims, making India home to the world's third largest Muslim population. There are 300,000 active mosques in India, more than in any other country.

Many of Hinduism's principles are shared by all of India's people, regardless of religious belief. For instance, the sacred status of cows is broadly embraced across the country; their slaughter is prohibited and beef is banned in a number of states. However, beef is eaten by some minority communities in Goa, which has begun to import it due to shortages caused by drought. You will find cows walking many of the roads in India's large cities, especially in Mumbai and New Delhi, but keep in mind that hitting a cow with your vehicle is a serious offence.

Many Indians are deeply religious, and priests of all religions hold a particularly high status in society. Varanasi in the north of India is believed to be where Lord Buddha first delivered a sermon on the principles of Buddhism. By many accounts it is the oldest continuously inhabited city in the world today.

Jews and Christians have lived continuously in India since 200 BCE and 52 CE respectively, and both Judaism and Christianity are still practised in India today. The oldest European church and synagogue in India date back to the 1500s in the city of Kochi, in Kerala, where churches, mosques and temples can be found side-by-side, along many streets.

The world's largest religious pilgrimage is the Hindu Maha Kumbh Mela, held over 55 days every 12 years, when pilgrims bathe in the Ganges in the belief that it cleanses them of their sins. The festival attracted 100 million people during its last occurrence in 2013. Given the diversity of religions and the high rates of devotion and practice across India, religious festivals are numerous. Depending on the region and festival, entire cities can be brought to a standstill for up to a week during major religious festivals like Diwali (Hindu), Vaisakhi (Sikh) and Eid (Muslim). For foreigners doing business in India, it is worth noting how many festivals are celebrated in the state in which you are based, and how your operations might be affected by long stretches of public holidays or traffic stoppages and road closures.

Politics and government

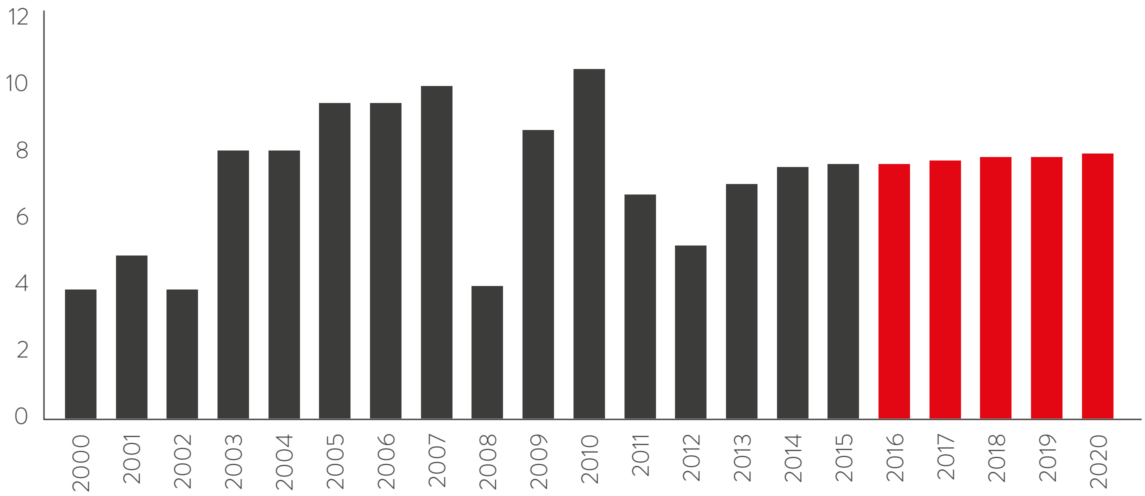
The Republic of India is a constitutional democracy comprising 29 states and seven national and union territories. The Constitution of India came into force in 1950, and provides that the Prime Minister will be publicly elected and serve as the Head of Government. India also has a President who acts as the Head of State in a largely ceremonial capacity. All of the 36 states and union territories have their own governments. In Kerala and West Bengal, the Communist Party of India still holds substantial power, but in the previous round of elections in 2011, the party lost leadership in both states. Occasional workers' strikes are evidence of these states' deep communist roots and should be kept in mind when deciding where to set up your business.

The Constitution dictates the powers of India's Federal Government, which is often referred to locally as the Central or Union Government, as well as those of the state governments. Similar to Australia's Governor-General, the President of India acts on the advice of the Prime Minister's Council. The bicameral Parliament comprises the Rajya Sabha (upper house) and Lok Sabha (lower house). Elections for the Lok Sabha take place every five years, when Prime Ministers are also elected or re-elected. There are no limits to the number of terms an individual may serve as Prime Minister.

According to the Constitution, the Government must establish and make efforts to achieve goals for the welfare of India's citizens. These include a minimum wage, employment opportunities for less privileged members of society, and healthcare subsidies.

The 2014 national Indian election was won by the Bharatiya Janata Party (BJP), one of India's two main political parties, with its centre-right coalition partners under the banner of the National Democratic Alliance (NDA). The BJP itself won 282 seats, or just over 51 per cent of the 545 seats in the Lok Sabha, making it the first single party to win a majority in its own right since 1984. Other parties in the NDA won a further 54 seats. The current leader of the BJP is incumbent Prime Minister Narendra Modi, whose Cabinet was sworn in in May 2014. The BJP is sometimes characterised as nationalistic and certainly holds stronger anti-Pakistan sentiment than its opposition. Its economic policies, which used to be largely protectionist, have evolved considerably since the late 1990s. It is now a strong proponent of foreign investment in priority sectors such as infrastructure, as well as privatisation of government-owned companies. Factions of the BJP identify as Hindu nationalist, and the party's political rhetoric on social policies can, although rarely, strain religious harmony in India. But no major incidents have occurred in India's larger cities since the 1990s.

INDIA REAL GDP GROWTH %



Source: IMF World Economic Outlook Databases

The other major party, the Indian National Congress (INC), was co-founded by British and Indian members and was central to India's independence movement in the early 1900s. It was the first Indian political party to hold power after independence, and is closely identified with the Nehru-Gandhi family. Jawaharlal Nehru was elected India's first Prime Minister and his daughter, Indira Gandhi (no relation to Mahatma Gandhi), was India's first and only female Prime Minister. She was succeeded by her son Rajiv after she was assassinated in 1984. Her Italian-born daughter-in-law, Sonia Gandhi, now leads the party. The INC espouses pragmatic foreign relations, supports critical public health initiatives and advocates for a mixed economy and progressive environmental policy.

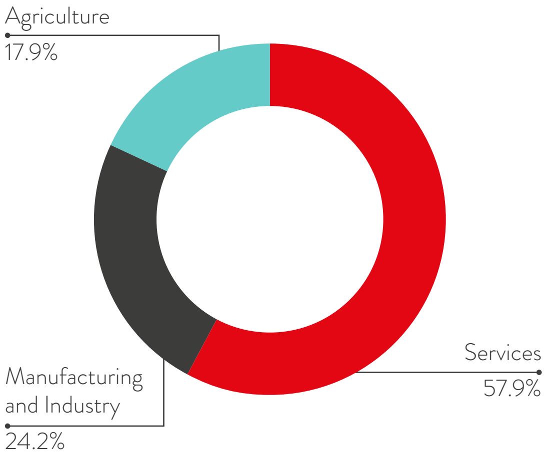
Economy

India is currently the world's ninth-largest economy, when measured by GDP. On the alternative measure of purchasing power parity, India ranks third, after China and the United States. According to the International Monetary Fund, India is now the fastest-growing economy in the world and will outgrow all others again in 2016 – an expectation underpinned by Prime Minister Modi's recent introduction of economic liberalisation policies.

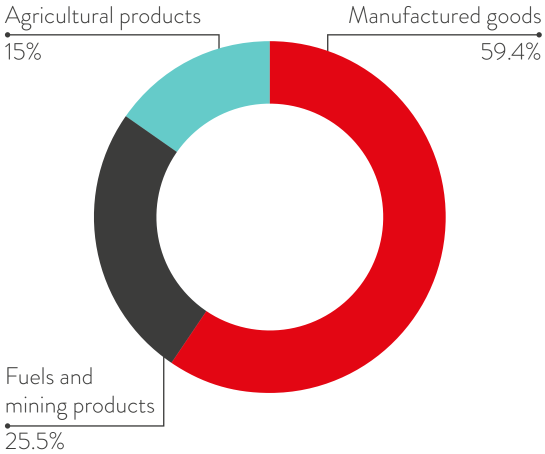
In the half century following independence, the economy was characterised by protectionist policies and extensive regulation. An economic crisis in 1991 ignited a process of economic liberalisation, moving India towards a market-based economy. Economic growth began to take off in the late 1990s, and averaged more than 7 per cent through the first decade of this century. However, growth slowed from 2011 through to 2014, after which sentiment again picked up on the back of reforms introduced by the newly elected Prime Minister Modi and inflation dropped to its lowest level in years. Since the second half of 2014, the economy has again been in a rapid growth phase, while the Reserve Bank of India has taken steps towards restoring balance of payments stability and reducing currency volatility. Economic optimism around increasing exports and renewed growth in industrial production inspired a revision of the IMF's GDP growth forecast for 2015 to 7.2 per cent, up from 5.6 per cent. GDP growth in India in 2016 is expected to be as high as 7.5 per cent. A decline in oil prices around the world has, among other factors, contributed to a remarkable reduction in India's current account deficit between 2012 and 2014.

In spite of these positive developments, India still faces a number of impediments to its economic progress, including poor infrastructure, low agricultural yields and low productivity, as well as relatively low ease of doing business, which can dissuade foreign investors. India's rapid population growth and uneven distribution of wealth is also seen as a barrier to progress. Although tens of millions of people have been lifted above the poverty line in recent years, average literacy rates and incomes remain relatively low. India is still home to about one third of the world's extreme poor who also make up a

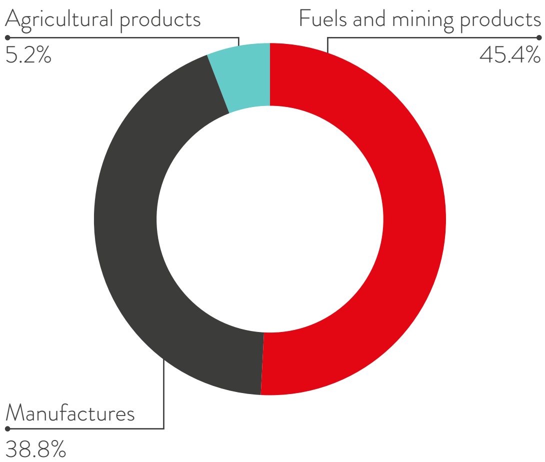
GDP BY SECTOR, 2014



MAJOR EXPORT ITEMS BY SECTOR, 2014



MAJOR IMPORT ITEMS BY SECTOR, 2014



third of India's total population. As a result, India is one of the World Bank's largest beneficiaries of finance and development support, receiving USD 948 million in loan funding in 2012-13. However, the challenges facing India do not negate the opportunities presented for Australian businesses by the nation's rapid population and economic growth, which brings with it greater demand for food, health and medical services as well as an infrastructure boom across the road, rail and housing sectors.

Legal system

The Indian legal system is built on a unique combination of a common law system inherited from the British with statutory or regulatory law. The Constitution includes a guarantee of equal rights to its citizens and prohibits discrimination on a multitude of bases, including ethnicity, gender, race and religion. Its universal enfranchisement makes India the world's largest democracy.

Supreme Court of India

India's judiciary is led by the Supreme Court, which comprises a Chief Justice and 25 other justices. Judicial appointments are made by the President. Its jurisdiction extends to disputes between the national Government and one or more states, and to disputes between states. Judgments and law pronounced in the Supreme Court are binding on all other courts in India and can only be overruled by a larger bench of the same court.

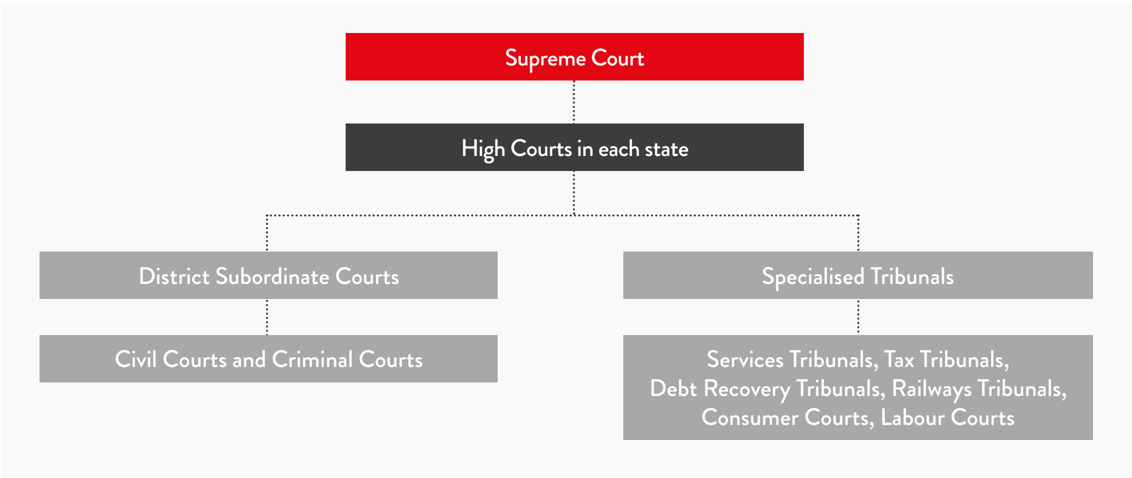
High Courts of India

There are 24 High Courts, three of which have jurisdiction of several states. Although the Supreme Court does not exercise administrative control over the High Courts, it provides supervision of these lower courts. High Court decisions are binding on their jurisdictions, until and unless overruled by the Supreme Court. The majority of cases brought to the High Court are appeals from lower courts. The President consults with the Chief Justice of India to appoint judges in the high courts. District Subordinate Courts are established by the state governments and have appellate jurisdiction over other lower courts in civil and criminal matters. Village courts also exist in India and provide an alternative form of dispute resolution in rural areas. Most types of disputes Australian businesses are likely to be involved in will not be addressed by these courts, although it should be noted that these types of courts are recognised and encouraged by the Government as a means of unburdening the rest of the judicial system. Village courts have the power to grant jail terms of up to two years for small crimes as well as petty civil cases, such as property disputes.

Infrastructure

Infrastructure development in India is expected to drive the economy over the next decade or so. India's Planning Commission releases five-year plans for development of the economy and infrastructure to support growth. Infrastructure development features heavily in its

HIERARCHY OF INDIA'S JUDICIAL SYSTEM



current plan (2012-17), with spending on infrastructure expected to reach nine per cent of GDP by the end of 2017. Among the aims are to connect all villages with all-weather roads (dirt roads that currently link many rural communities to larger towns are not traversable during monsoon season) and to complete eastern and western dedicated freight corridors to reduce agricultural wastage and improve domestic supply chains. Other infrastructure goals set for this period include ensuring that 50 per cent of the rural population has access to piped drinking water, and upgrading major highways to a minimum two-lane standard.

Energy and power

A major focus for the Government is to improve access to electricity. About 45 per cent of rural Indian households had no access to electricity at the start of this decade, according to the current Five-Year Plan documents. And those with access to electricity in urban areas are still at the mercy of occasional power outages. The Government's aim is to provide all villages with electricity, while reducing losses in the energy sector by 20 per cent. The Government is also open to greater reliance on renewable energy if technological advancements in this area make such options more price-competitive

Roads, railways, airports and ports

Road infrastructure in India is generally poor but is quickly improving, jumping from 76th out of 144 countries in the World Economic Forum's Global Competitiveness Report in 2014-15 to 61st in 2015-16. It can still, however, be a significant impediment in business supply chains. It is important to factor in delays you may face not only when moving your materials and goods, but also when travelling to meetings. Travelling between suburbs in Mumbai for instance can often take at least an hour each way. The Government's current Five-Year Plan aims to address some of these problems.

Railways, airports and ports have also become the subject of much-needed policy attention. Improving the access to and the capacity of India's railway system could help alleviate the burden on the country's road transport system; the Government also sees rail as more energy efficient and therefore preferable. The state-owned Indian Railways operates the fourth-largest rail network in the world, which is divided into 17 major zones across India. Indian Railways is beginning to court private investment to support its freight and passenger train operations by developing modern stations, building and facilitating dedicated freight corridors (which is also funded by the World Bank and the Japan International Cooperation Agency) and developing metro rail systems in major cities including Mumbai, New Delhi, Hyderabad, Bangalore and Kolkata.

Growing demand for domestic and international air travel has necessitated the development and upgrading of India's airports. Four new major international airports have been developed since 2007, and many more are planned for completion before 2017. Major sea ports are overseen by the national Government, while minor ports are generally managed by state governments. Although the development of major ports has not received as much attention as airports, two major port projects in West Bengal and Andhra Pradesh were announced in mid-2013. The Government is currently pursuing public-private partnership (PPP) initiatives to finance the large infrastructure gap that exists across a number of different transportation systems. This gap was recently estimated by the Indian Government to be around $1 trillion. It is also projected that private sector investment will need to account for up to 48 per cent of the total investment in new infrastructure projects, but that this level can only be reached if necessary policy initiatives to facilitate such a level of investment are introduced.

Telecommunications

Telecommunications infrastructure is also a key focus for the Government, with teledensity (the number of phone connections for every 100 people) having tripled from 26.2 per cent in 2008 to 76.8 per cent in late 2014. An average of 10 million new mobile phone subscribers are signed up each month, and currently just under 1 billion mobile phone subscriptions are active in India. India's internet usage is the third-largest in the world, behind China and the United States. The telecommunication boom has significantly contributed to the economic integration of regional and rural communities. For instance, mobile banking has allowed villagers without access to physical bank branches virtually direct access to banking and financial services. Farmers in remote communities are now able to access information about prices in nearby markets, possible disease outbreaks in particular crops and other environmental conditions that affect productivity – all through simple text messages.

1.3 INDIA AND AUSTRALIA: THE BILATERAL RELATIONSHIP

India is the world's second most populous nation, with a huge and rapidly growing economy. It is a democracy, it has a large, educated population of English speakers and it shares a colonial history with Australia.

Yet, for all that our two nations have in common, and for all the obvious potential to build closer political and economic ties, India is well down the list of countries with which Australia does business. In 2014 India ranked only 12th among our trading partners, behind much smaller Asian nations like Malaysia, Singapore and Thailand, as well as Germany and New Zealand. Two-way trade in goods and services between Australia and India totalled just under $15 billion in 2013-14. While this might sound like a big figure in its own right, it is dwarfed by the figures for our biggest trading partners – most notably China, with which we now do more than $150 billion worth of trade in goods and services annually.

There are a number of reasons why our business relations with India might lag behind those of other nations. First, despite India's economic reforms of the past two decades, its tariff rates and other official and unofficial barriers to trade remain high. Further, India remains many years behind its main Asian rivals in terms of industrial and economic development. Initiatives to open up and modernise its economy only really started in the 1990s – and then from a relatively low base. Hence, despite the great progress of the last two decades, its national infrastructure – particularly transport, power and water – remains poor relative to more developed nations in the region. This has added to the constraints on its economy and its capacity to conduct and expand business with countries like Australia.

But things are changing fast – both in India itself, and in the prospective nature and extent of its relationship with Australia. At the same time as India was taking over as the fastest-growing economy in the world towards the end of 2014, big developments were occurring in the bilateral relationship between our nations. Visits to each country by our respective prime ministers in the second half of 2014 underlined the higher priority being assigned to the relationship at both ends and resulted in renewed commitments to negotiate the principles of a Comprehensive Economic Cooperation Agreement (CECA) between Australia and India by the end of 2015.

Australia and India share a long-standing bilateral relationship – formal diplomatic ties were established back in the 1940s – but in many respects much of the relationship building might still be in front of us. The signs are that, as India sits on the cusp of a huge expansion of its economy and its global power, the relationship between India and Australia – and in particular the business and trading relationship – is also poised for a period of rapid expansion. In this context, the opportunities now and in the future for Australian businesses to operate successfully in India and with the Indian people seem almost limitless.

History

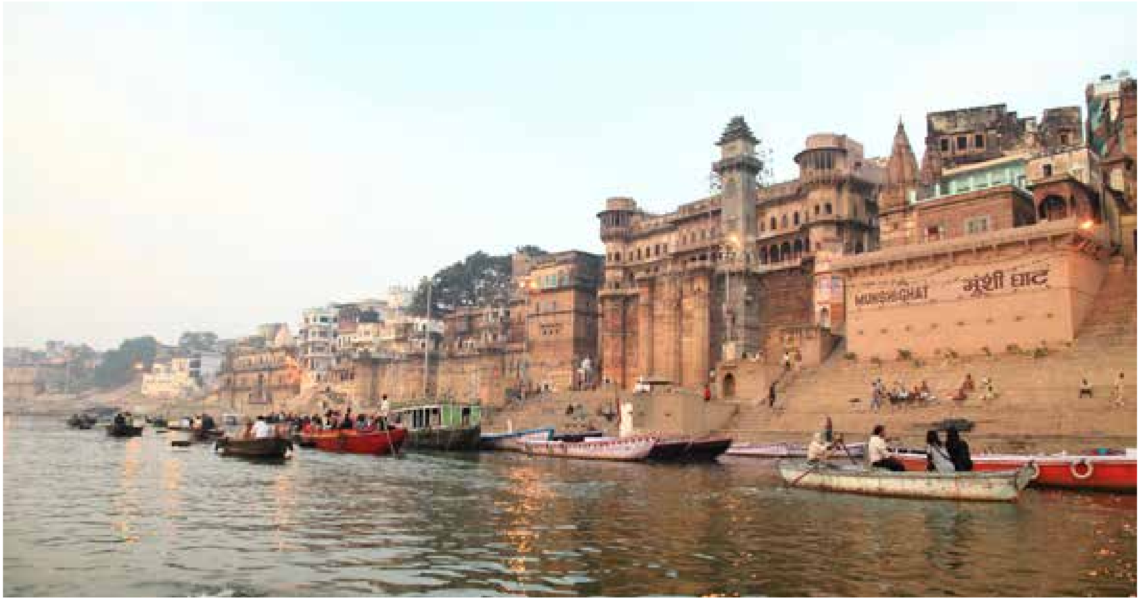
Australia's commercial ties with India date as far back as the late 18th century, when supplies for the then infant penal colony of New South Wales were shipped in from Calcutta, and the first Australian coal exports were sent to Bengal. India continued to be a source of food and other provisions to Australia through the 19th century.

But it was not until the 1940s that Australia and India established formal diplomatic relations. The Consulate General of India was opened as a Trade Office in Sydney in 1941. In March 1944, Australia appointed its first High Commissioner to India, Lieutenant-General Iven Mackay. India's first High Commissioner to Australia was then posted to Canberra the following year.

In the late 1940s, after World War II, Ben Chifley's Australian Labor government backed the independence of India from the British Empire and later, under Liberal Prime Minister Robert Menzies, Australia supported India's admission as an independent republic to the Commonwealth of Nations. Menzies became the first Australian Prime Minister to visit India, in 1950. Under the subsequent Colombo Plan, Indian students were sponsored to study in Australia in the 1950s and 1960s.

The continuing elevation in the status of the relationship over subsequent decades has been reflected in numerous visits to each country by the respective prime ministers. Following Menzies in 1950, Australian Prime Ministers to have travelled to India include Malcolm Fraser, Bob Hawke (twice), John Howard (twice), Kevin Rudd and Tony Abbott. Australia has received visits from Indian Prime Ministers Morarji Desai (1978), Indira Gandhi (1981), Rajiv Gandhi (1986) and the current incumbent Narendra Modi (2014).

Relations between India and Australia have bounded ahead since India's introduction of fundamental economic reforms in the early 1990s, which have cleared the way for significant growth in trade, investment and co-operation on various fronts. During Prime Minister Rudd's visit to India in 2009, the countries formally increased the status of their ties to a Strategic Partnership. The rapid growth of the India-Australia relationship has also been signified in recent years by an increased number of scheduled ministerial visits between the two countries.



Trade

Australia's economic relationship with India has expanded significantly in recent years – particularly exports of minerals and energy, as well as our provision of education services to tens of thousands of Indian students. This expansion has been driven by the huge growth in demand for resources by India's burgeoning industrial sector, along with the increased spending power and size of India's middle class.

But the trading relationship has been held back somewhat by the persistence of significant tariffs and other barriers to trade imposed by India which, despite some recent reforms, remain among the highest in the world. In addition to tariffs, India imposes various duties, such as safeguard and anti-dumping duties, and non-tariff restrictions such as import bans and standards or certification agreements.

Two-way goods and services trade between Australia and India totalled $14.8 billion in 2013-14. Major Australian exports to India included coal ($5 billion), education-related travel ($1.5 billion) and copper ore and concentrates ($943 million). Our main imports from India were personal travel services ($676 million), business services ($376 million), passenger vehicles ($234 million), pearls and gems ($224 million) and medicaments ($197 million).

The total value of Australian goods exports to India for the 12-month period was $8.4 billion, making it our fifth-largest goods export market. We exported an additional $2.1 billion in services to India, a figure primarily made up of education-related travel services and other personal travel.

The total stock of Australian investment in India totalled $9.8 billion at the end of 2014, while Indian investment in Australia equalled $11 billion. Australian investment in India covers a range of sectors, including manufacturing, telecommunications, hotels, minerals processing, food processing, oil and gas, and the automotive sector.

Leading Indian IT software firms – Tata Consultancy Services, Satyam, Infosys, Pentasoft and HCL – are represented in Australia and have a small but growing market presence. There is also strong Indian interest in investing in the Australian energy and resources sector.

Education has been a major and growing component of the bilateral relationship in recent years, largely due to Australia's popularity as a destination for Indian students. More than 63,000 of the foreign students in Australia in 2014 were from India, making it our second-largest source country for overseas students, behind China.

Amid the growth in the education trade, Australia and India have also instituted closer cooperation at a government level on education. Since 2009, Australian and Indian education ministers have met annually. The Australia India Education Council also builds partnerships between each country's skills authorities in key industry areas.

Our countries also now have an Australia-India CEO Forum, which uses direct engagement between business leaders to build the bilateral trade and investment relationship. The forum met for the first time in New Delhi in March 2012. The forum includes Australian and Indian business chiefs from sectors including energy and resources, agribusiness, finance, telecommunications, IT, education and pharmaceuticals. The forum is currently chaired jointly by Sam Walsh, chief executive of Rio Tinto, and Gautam Adani, chairman of Adani Group.

AUSTRALIA'S TRADE AND INVESTMENT RELATIONSHIP WITH INDIA

Australian merchandise trade with India 2014	A$m	Total share*	Growth (yoy)
Major Australian Exports, 2014 (A$m)	**8,887**	**3.3%**	**-6.6%**
Coal	5,191		
Copper ores and concentrates	779		
Gold	699		
Wool and other animal hair	193		
Major Australian Imports, 2014 (A$m)	**3,077**	**1.2%**	**28%**
Refined petroleum	299		
Pearls and gems	232		
Medicaments (incl veterinary)	223		
Passenger motor vehicles	205		
Total trade (exports and imports)	**11,965**	**2.3%**	**0.4%**

Australian services trade with India 2014			
Major Australian service exports, 2014 (A$m)	**2,498**	**4.2%**	
Education-related travel	1,805		
Personal travel excl education	297		
Major Australian service imports, 2014 (A$m)	**1,416**	**2.0%**	
Personal travel excl education	601		
Prof, tech & other business services	403		

Source: Department of Foreign Affairs and Trade India fact sheet 2014 (www.dfat.gov.au/trade/resources/Documents/inia.pdf)
*Total share of Australia's international trade

Comprehensive Economic Cooperation Agreement (CECA)

Australia and India are progressing towards the conclusion of the Comprehensive Economic Cooperation Agreement (CECA) which is expected to provide a significant boost to two-way investment and further strengthen the bilateral economic relationship. Independent modelling conducted in 2008 indicated that an Australia-India CECA could result in a net increase in Australia's GDP by up to USD 32 billion (AUD 45.5 billion) and India's GDP by up to USD 34 billion (AUD 48.3 billion) over a period of 20 years. The study concluded that resources, agriculture, manufacturing, financial services, software, telecommunications and education were the sectors likely to benefit most from a trade agreement enacted between India and Australia. Since the study was completed, these opportunities have only become clearer and larger.

Formal negotiations for the CECA were launched in 2011, and were advanced in 2014 when Prime Ministers Abbott and Modi renewed both countries' commitment to an early conclusion of a balanced and mutually beneficial agreement. This was followed up in April 2015 with a visit to India by Australian Trade Minister Andrew Robb.

In addition to CECA, Australia and India are involved in the Regional Comprehensive Economic Partnership negotiations – an ASEAN-centred proposal for a free trade area that would initially include the 10 ASEAN member states and countries that have existing free trade agreements with ASEAN.

Diplomacy and regional security

With a growing number of shared interests and concerns in Asia and the Indian Ocean region, the Australian and Indian governments have in recent years stepped up dialogue and cooperation on various fronts. The two countries' foreign ministers now meet every year, alternately in Australia and India, as do the respective trade, industry and education ministers.

During former Prime Minister Abbott's visit to India in September 2014, Australia and India signed a Civil Nuclear Cooperation Agreement, as well as a number of memoranda of understanding. In June 2013, Australia hosted its first bilateral visit by an Indian Defence Minister. At the meeting, the ministers agreed to continue bilateral naval exchanges to build confidence and familiarity and to work towards a bilateral maritime exercise – which was expected to take place in the second half of 2015.

In November 2013, Australia took over from India the two-year role of chairing the Indian Ocean Rim Association (IORA), which aims to build a safer and more prosperous region. As the only ministerial-level forum that spans the Indian Ocean, IORA focuses on building effective, practical regional cooperation in the six priority areas of maritime safety and security, trade and investment facilitation, fisheries management, disaster risk reduction, tourism and cultural exchanges, and academic, science and technology co-operation.

In 2014, India hosted the inaugural Indian Ocean Dialogue, bringing together officials, academics and strategic thinkers from 26 countries to identify and discuss policy approaches to key challenges and opportunities facing the Indian Ocean region. Separately, Australia, India and Indonesia interact under the Trilateral Dialogue on the Indian Ocean, addressing an agreed issue relevant to the Indian Ocean each year.

In 1992 the Australia-India Council (AIC) was established by the Australian Government to broaden the bilateral relationship through increasing levels of knowledge and understanding between Australia and India. The council comprises a board of members with interests in the Australia-India relationship, drawn from a cross-section of the Australian community. It is serviced by a secretariat located in the Department of Foreign Affairs and Trade in Canberra. The Australian High Commission in New Delhi manages the AIC's activities in India.

People-to-people contact

Indians have become a major part of Australia's migration program in recent years, with the number of Australians born in India more than doubling in just five years from 2006 to the 2011 census. At last count there were about 450,000 people of Indian descent living in Australia, and Punjabi has become Australia's fastest-growing language. These dramatic demographic developments surely augur well in terms of opportunities for future broadening and strengthening of the bilateral relationship between Australia and India.

2. Getting started in India

Now that you have decided to launch your business in India, you must carefully plan your next steps. The first thing to do before entering an overseas market is research – lots of it. Deep knowledge of a market is a key factor to success anywhere. Inadequate research will almost certainly result in failure.

A country as diverse as India inevitably brings with it diverse needs and tastes, as well as a multitude of different regulations, industrial relations laws and tax legislation. Invest time in becoming familiar with the culture and business practices of India, and develop a thorough understanding of the specific market and target customers you are considering.

This chapter provides detailed information to kick start your research of the Indian market – including what to look for and where to find it. It also includes advice on the major considerations and decisions you will need to factor in to launching your business venture. This includes choosing a location, hiring an interpreter, assessing potential risks of operating in unknown territory (and planning for them), as well as potential structures for your business.

India's business environment can be challenging compared with Australia's. In the 2015 Australian International Business Survey (AIBS), 38 per cent of respondents felt it was more difficult to do business in India than it was in Australia, while 35 per cent felt it was much more difficult. A lack of understanding about local culture and business practices was identified as the main barrier to doing business there. Other specific concerns included payment issues and a lack of understanding of local regulations.

2.1 WHAT YOU NEED TO CONSIDER

You should develop an India strategy before deciding how to launch your business there. In particular:

- Avoid going into India cold. Get a foot in the door first
- Take care when selecting advisers, partners and contractors
- Choose a business structure based on research specific to your industry, your objectives and the product or service you are offering
- Be directly involved in the setting-up process
- Allow time for bureaucracy – both filling in forms and waiting for approvals.

India is not a single market. Profound differences can exist from region to region, from industry to industry, and market to market. The most successful foreign companies in India are flexible, and adapt quickly to the realities of their particular industry and market.

Location

As referenced in the previous chapter, India is a country of incredible regional diversity. There is a wide range of income levels, wealth, culture, language, education, skill levels, market preferences and consumer needs and tastes across the country. This diversity will not only affect how you do business in a particular area, but where you choose to do business in the first place.

In part due to this diversity, different cities and regions are becoming more specialised in their economic and business functions. Mumbai is the financial centre and Bangalore its Silicon Valley, while Pune is the automotive hub of India and also has a rapidly growing IT sector.

Unless your product or service is specifically targeting more regional communities, it can be advantageous to set up in an urbanised area, in spite of potentially higher operating costs and more expensive labour. Locations that appear at first to be cheaper to operate in may eventually surprise you with hidden costs associated with unreliable or poor infrastructure that could affect your supply chain. Less urbanised areas also tend to have lower-skilled workers and scarce management talent. Distribution systems could also be fragmented, affecting not only your outgoing distribution but also how easily your supplies and materials can get to you. You could overcome some of these issues by completing part of your manufacturing process in India, then undertaking final assembly and customisation in a region that is close to your target customers' location.

Factors to consider when deciding where to locate:

- Proximity to market and suppliers
- Quality of logistics and labour skill levels
- Costs – for example land, labour, utilities
- Reliability of local infrastructure, particularly the power supply and access to water
- Availability of a good agent or distributor
- Fast growth and high costs versus low costs and low competition
- Demographic factors such as income levels, market size and preferences
- Availability and duration of tax or other incentives
- Coat-tailing on someone else's existing marketing and distribution network
- Leveraging off an existing Australian business or a sister-city relationship
- The level of local authority support for foreign businesses
- Using a foreign trading zone, trade development zone or special economic zone
- Why another Australian company selected a particular entry point.

Common reasons why some Australian businesses fail in India

- **Going it alone or picking the wrong partner:** Lack of understanding and knowledge of the Indian business environment, culture and regulations can be a major reason for failure. However, a bad partner can be worse than no partner. Make sure you develop relationships with the right people at the right level.
- **Failing to adapt to local tastes and attitudes:** Some Australian businesses make the mistake of assuming that business in India is just like it is at home. Do your research on the market, industry and primary competitors. Your product or service may need to be adapted to local tastes or attitudes.
- **Neglecting to seek professional experienced help in India:** A basic understanding of the Indian regulatory environment is not sufficient. To launch successfully in India, businesses must engage professional services firms to provide the most accurate and up-to-date advice on regulations and strategic issues such as marketing.
- **Don't understand their Indian business partner:** Some Australian businesses have failed to be proactive in developing and maintaining relationships with Indian business partners. Time and money must be invested to help you understand your business partner's expectations and ways of doing business. Communication and setting clear expectations are essential. It would be wrong to assume that the relative lack of a language barrier will avoid the risk of miscommunication or differing expectations.

India's major industries

MAJOR INDUSTRIES INCLUDE

IT
$118 billion 2.5 million IT jobs in India. 77% of the IT sector's revenue comes from exports.

AGRICULTURE
2nd largest in the world (behind China) $528.3 billion.

RICE
2nd largest producer in the world (behind China) – 21% of world supply.

WHEAT
2nd largest producer of wheat (behind China).

MOTOR VEHICLE
World's 6th-largest motor vehicle producer

IT IS THE WORLD'S LARGEST PRODUCER OF

MILLET	LEMONS
BANANAS	GUAVAS
PAPAYAS	CHILLI
MANGOES	GINGER

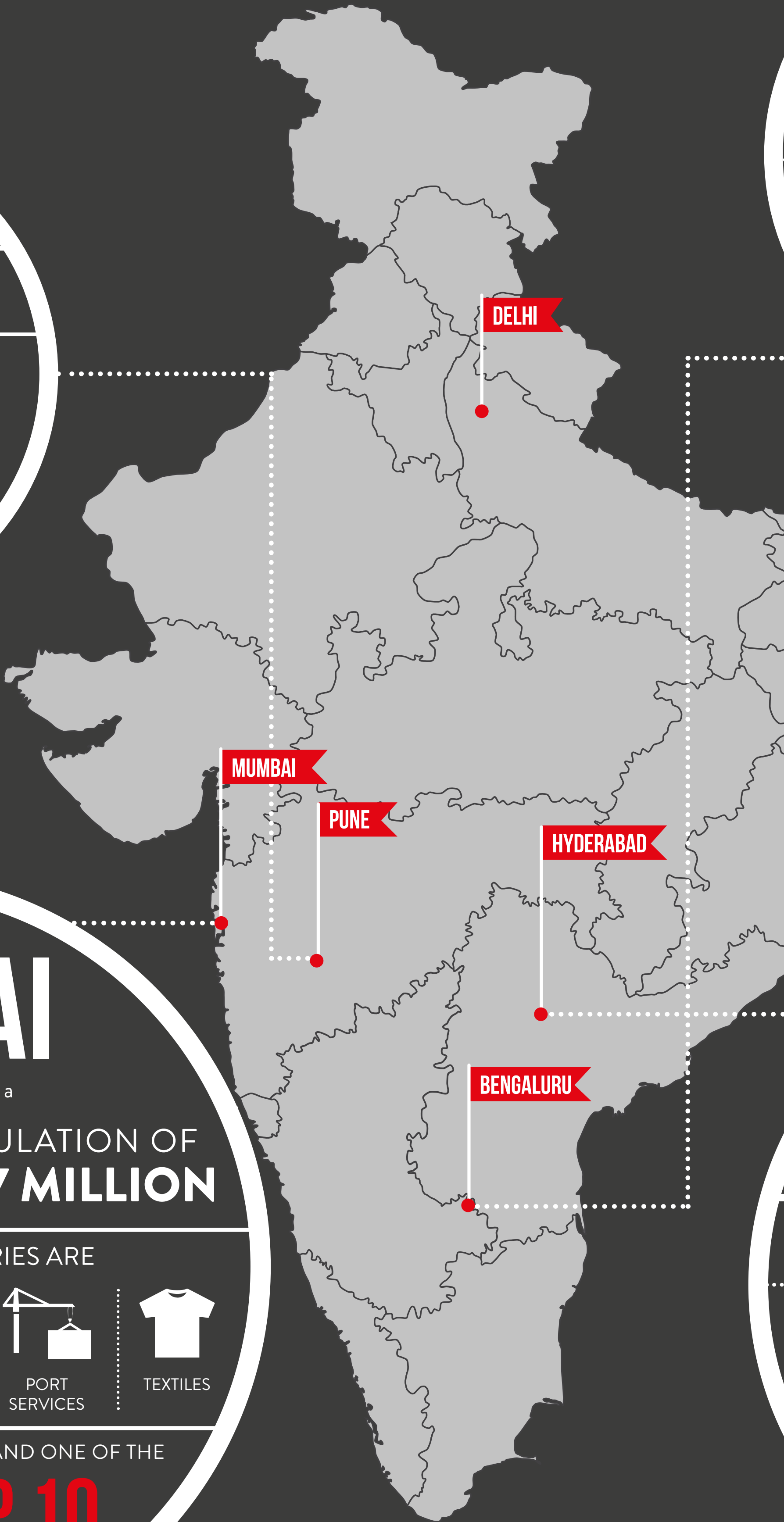
Major cities

PUNE

AUTOMOTIVE HUB

with a growing IT sector (employing some **70,000** people) and manufacturing industry.

High number of tertiary institutions and large student population.



MUMBAI

is the largest city in India with a

POPULATION OF
20.7 MILLION

AMONG IT'S MAJOR INDUSTRIES ARE

- FINANCIAL SERVICES
- ENTERTAINMENT (BOLLYWOOD)
- ENGINEERING
- PORT SERVICES
- TEXTILES

IT IS THE FINANCIAL CENTRE OF INDIA AND ONE OF THE

WORLD'S TOP 10

CENTRES OF COMMERCE IN TERMS OF GLOBAL FINANCIAL FLOW

Generally, infrastructure in India is poor compared to more advanced economies in the region. Major cities still have poor road conditions and weak traffic management systems, and can often experience power outages because grids are overloaded. Kerala and Tamil Nadu in the country's south are generally considered to have the most reliable infrastructure in India. But other more popular states should not be ruled out when picking your location as major government initiatives are set to bring better transport, energy and technological connectivity to India's major cities.

Special Economic Zones

India has a number of different types of special economic zones (SEZs), where laws governing trade and investment are more lenient than elsewhere in India. There are a number of sub-categories of SEZs, including Free Trade Zones (FTZs), Export Processing Zones (EPZs), Free Zones (FZs), Industrial Estates (IEs), Free Ports, Urban Enterprise Zones and more. India's Ministry of Commerce and Industry presides over the SEZs, many of which have been in operation since 2000, although EPZs were established as early as 1965. The Government wants these zones to attract greater foreign investment to a nation that it admits has an unstable fiscal regime and is lacking in world-class infrastructure. Many of these zones guarantee reliable access to power, water and medical facilities as well as skilled, price-competitive labour and single-window clearance on all official processes. Zones are generally sponsored by major Indian corporations and are therefore named after different companies.

Incentives for setting up a sourcing or manufacturing operation within an SEZ include duty-free purchase of domestic goods that contribute to the maintenance and development of your company, a high cap on external commercial borrowing (up to USD 500 million annually), as well as a full income tax exemption on income earned from exports in the first five years of operation, followed by a 50 per cent exemption for the following five years. Exemptions from a variety of other taxes such as the Minimum Alternate Tax, Central Sales Tax, Service Tax, State Sales Tax and other local government taxes also apply. Major SEZs in India include the Infosys Rajiv Gandhi Infotech Park in Pune (IT and IT services), the Reliance Industries SEZ in Gujarat (oil and energy) and the Maharashtra Airport Development Corporation in Nagpur (multi-product). The IT sector dominates India's SEZs, with 113 of the 199 currently exporting SEZs in India focused on exporting IT and IT services, semiconductors and electronic hardware.

As part of the Government's 'Make in India' initiative to drive the manufacturing sector, National Investment and Manufacturing Zones are being created too, each expected to be a minimum of 50 square kilometres wide with at least 30 per cent of space available to house processing facilities. The Central Government will find and build these zones, as well as the transport and utilities infrastructure required to make them viable and attractive destinations for businesses.

Free Trade Agreements (FTAs)

The Australia-India Comprehensive Economic Cooperation Agreement (CECA) is currently being negotiated by our two governments. If you are thinking of using India as a launch pad for further international operations, it is worth noting that the country is party to a number of other free trade and economic cooperation agreements. These include:

- South Asia Free Trade Area (SAFTA)
- India Sri Lanka FTA
- India MERCOSUR Preferential Trade Agreement (MERCOSUR refers to a trading bloc in Latin America, comprising Brazil, Argentina, Uruguay and Paraguay)

Using interpreters

India's official national languages are Hindi and English. The language of all international business is English and an interpreter is not usually necessary, unless you have picked a remote or rural region. As in most other bilingual or multilingual countries, interpreters can be helpful in more complex negotiations, especially if there are a number of people involved in the conversation. It is not uncommon for Indians to quietly discuss aspects of the negotiation among themselves in their mother tongue. Learning a few simple phrases in Hindi or the main language of the state you are travelling to will go a long way towards securing some goodwill from potential partners in India. An interpreter on whom you can call regularly will be a valuable investment for your business as, over time, they will get to know your business thoroughly and could prove to be a useful asset as you expand.

There are a range of considerations to take into account when hiring an interpreter:

- You should check that the interpreter is professionally trained and experienced
- You need trust and confidence in your interpreter in communications and presentations
- Your interpreter should have an effective technical understanding of your business and approach. They should be fully briefed before important meetings and, where necessary, provided with a list of terminology well in advance.

Translators: Interpreting and translating are two different disciplines with totally different skills. Interpreters are for oral interpreting and translators are for written translation. Although many people have both skills, some of them specialise in one discipline. Decide which one you want.

Finding an interpreter or translator: The best way to find the right translator or interpreter is to use the recommendation of someone you trust who has used them before. Proficiency in Hindi (or the language of the state you are operating in) alone does not make someone a good interpreter. It's not advisable to hire an interpreter or translator straight off the internet or a trade directory unless they have reputable third-party endorsements.

Indians sometimes avoid saying "no" to requests when that is what they really mean. Interpreters may fail to properly convey the reluctance your potential Indian partner or client is expressing, even if he or she seems to be agreeing with you. It can therefore be helpful to engage an Indian interpreter who understands your need for openness and transparency and who advises you on cues or body language to look out for, to bridge your gap in communication.

Cost: The cost of hiring an interpreter could vary depending on the nature of the meeting (ranging from informal factory visits to formal business meetings or seminars), the duration of the meeting and whether the meeting is in a major city or not. The average cost of hiring an interpreter for an informal meeting in Mumbai or Pune is approximately $550 for half a day and up to $950 for a full day.

Financing your Indian business venture

Understanding the additional costs associated with conducting business overseas is essential to making an informed decision on whether you are ready to take the plunge. The main differences in India compared to operating in Australia may include:

- A longer cash flow cycle, which could increase the pressure on cash flow and working capital
- Being further away from clients, which can increase the risk of non-payment and makes it more difficult to collect debts
- Getting paid in other currencies, which can expose you to foreign exchange risk and affect profit margins
- Greater difficulty accessing finance, as Australian banks are often reluctant to accept overseas assets as security for loans
- A longer timeframe to recover the upfront costs of establishing operations, which can reduce the cash flow and working capital available for domestic operations.

Adequate funding will be critical to your success, and having a detailed financial plan is crucial. You may be eligible for financing from a variety of sources in Australia – depending on the nature of your business in India. Your financing options could vary according to whether you are exporting, importing or investing. A wide range of funding options exists, with various grants, venture capital and equity sharing deals increasingly commonplace. However, banks remain the easiest and most approachable source of funding, with most of them offering tailored services. Your existing bank manager may be your best first port of call.

Venture capital could be an attractive alternative financing vehicle if you are comfortable with a third party taking an equity stake – and a share of the profits – in your business. As a first step to research the venture capital market, go to the Australian Private Equity and Venture Capital Association Limited website at www.avcal.com.au.

Angel investment is an alternative to venture capital, although you are likely to raise a smaller amount of capital than you would through venture capitalists. Typically angel investors provide capital in the range of $300,000 to $400,000, which means you may need to go through more than one round of investment to achieve your funding goal. Angel investor groups often comprise high net worth individuals who are seeking to invest seed capital in start-up enterprises in exchange for equity in the business. Popular sectors for angel investment in Australia are biotechnology, clean energy technology and web-based services. Different angel investor groups have their own criteria for what will make a funding applicant successful. Indians generally have a reasonably entrepreneurial mindset and angel investment is popular there too. A useful starting point is the Indian Angel Network, which can be found at indianangelnetwork.com.

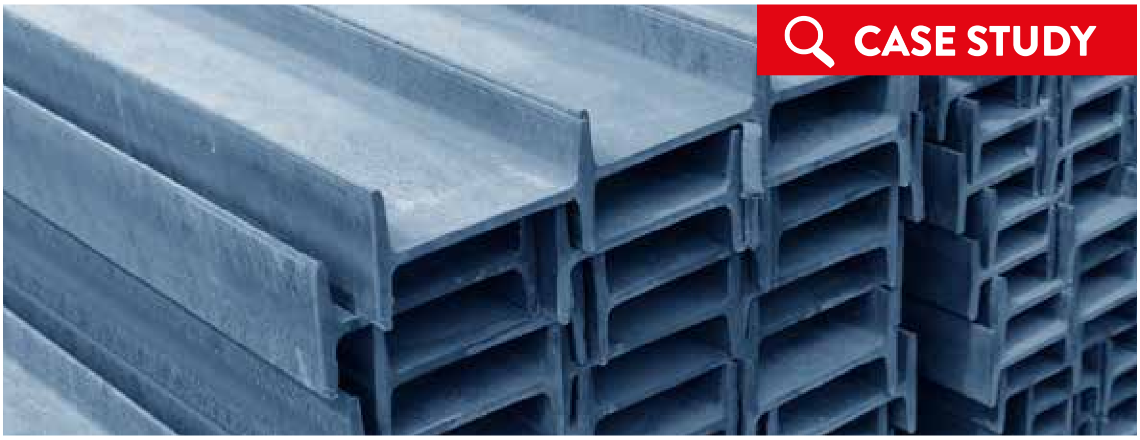
Government assistance – both federal and state – is available to Australian businesses wanting to expand overseas, especially exporters, through a number of grants, loan facilities and reimbursement schemes. These include Export Finance Insurance Corporation (Efic) – the Australian Government's export credit agency, go to: www.efic.gov.au; and the Export Market Development Grants (EMDG) scheme, administered by Austrade. Full information on EMDG can be found at: www.austrade.gov.au/EMDG.

Individual state and territory government websites also contain information on what financial assistance they can offer. Another source of finance you could consider early on is a joint venture arrangement with a trusted partner in India.

Is India a viable option?

Have a detailed financial plan that considers:

- Regular visits to the market and possible provision of samples
- Hiring dedicated staff in India to assist with start-up
- Business advisory services and legal consultants
- Updates and adjustments as you collect more data and knowledge
- Contains scenario planning and risk mitigation approaches.



Greenard Willing India

Jeff Castellas, Managing Director

Jeff Castellas' clients were on the cusp of signing off on a world-first coal-technology agreement of when the vagaries of India's bureaucracy kicked in.

As Managing Director for corporate advisory and financial services provider Greenard Willing in India, Castellas is lead adviser for Australian company Environmental Clean Technologies' efforts to establish the world's first commercial demonstration and pilot-scale Coldry and Matmor technologies for coal de-watering and iron-making plants in India, a project Castellas says will "change the way energy and steel is produced in India". But first, a tri-party agreement between ECT and two Indian public-sector corporations had to be signed.

"It's quite the process to work out who signs it, it has to be representatives in equal positions...and [include] different stampings, and all the parties need to agree to that."

"Then the ministries have to address this, the Ministry of Coal and the Ministry of Steel, then the Ministry of External Affairs comes along and says that because the project deals with an international company, it needs Cabinet approval in order for the parties to be able to sign. This triggers delays to achieve signing with the need for more correspondence and visits to India."

Castellas and ECT argued that Cabinet approval was not needed, and after a few months, with the Australian High Commission in Delhi engaging directly with India's Ministry of External Affairs almost daily, it was recognised Cabinet approval was not needed.

"Now we're back down to making sure we sign on the right paper and confirming the date," says Castellas. "The point is that in India the complexities and the surprises that can come up all of a sudden are really challenging and Australian businesses need to be prepared to accept this and work with the culture and system."

"You need to have people on the ground to help you move through the process because the nuances of what goes on in India, the way that people operate, is a very cultural thing. Relationships have to be very carefully managed."

Castellas has worked in India for "the best part of 20 years", and stresses that the most important relationship for Australian businesses to build is with an Indian company's "promoter", the key decision maker and usually a member of the family that owns the business. "You can go up through the management group, work your way through the engineers and CEOs and the boards, but you have to get to the promoter and build trust from which can flow mutual prosperous business outcomes."

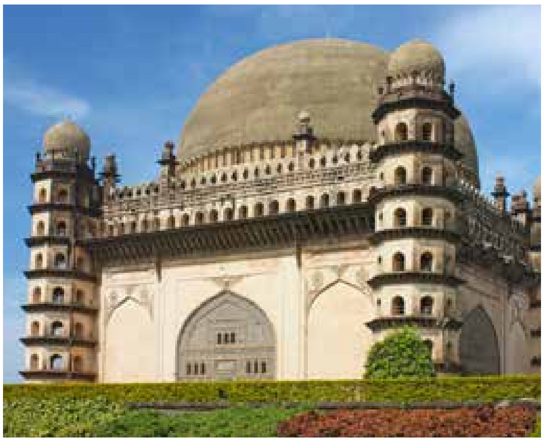
Once relationships and trust are established, there is much to be gained from engaging with India, says Castellas. "The Indian market is hard to crack but once you're in, you're in. The returns and benefits are long term and there's a level of surging market demand there and it's a very trusting, respectful society. Build your commercial relationship over time and you can be very confident those returns will be delivered and probably exceeded."

www.greenardwilling.com

Risks

Your research into any overseas market should include, along with the opportunities, a careful assessment of the risks associated with doing business there. While India presents Australian businesses with numerous opportunities for growth, going offshore entails increased risks that need to be identified, managed and reduced as far as possible. Your business's risk management strategy also has to include thorough due diligence.

India's sovereign risk is moderate, with a BBB- credit rating from Standard & Poor's. Efic suggests there is a relatively low likelihood of India defaulting on its debt obligations, even if individual or private sector debts could default. However, it still ranks relatively poorly on the World Bank scorecard for ease of doing business, coming in 130th out of 189 countries in the 2016 Doing Business report. Efic has identified difficulties in enforcing contracts, paying taxes and gaining permits as the key business risks in India. Corruption is also a relevant concern. In 2014 India was ranked 85th out of 175 countries on Transparency International's Corruption Perceptions Index, which is a significant improvement on recent years when it was ranked in the mid-90s. Keep in mind that a country that ranks relatively weakly on the competitiveness index could still be a viable option for setting up your overseas business, as you could benefit from improvements and advancements in government policy, infrastructure and connectivity that will be made in the near future. An operating environment that appears to be more risky could also mean less competition for your business. It is worth noting that on the Corruption Perceptions Index, India ranks 12th out of 28 Asia Pacific countries measured, performing better than China (100) and Indonesia (107).



Common areas of risk

When doing business overseas, Australians must consider multiple areas of risks and associated potential difficulties. These include:

Political risk: how stable is the market politically, economically and socially?

- Government and international enforced trade embargoes may affect the flow of goods and services and could affect your delivery of goods and getting paid
- Another potential consideration is whether the country complies with international law requirements, such as on human rights, trade sanctions and recognition of personal property rights.

Legal and regulatory risk: Challenges may arise due to differing legal and regulatory systems. For example:

- Common law systems versus civil law systems, IP issues, taxation and auditing requirements
- Differences in contract law: get tailored advice on contract terms due to differences with contract laws
- Access to courts and dispute resolution mechanisms: some countries may not permit local litigation or place restrictions on the types of claims that can be made.

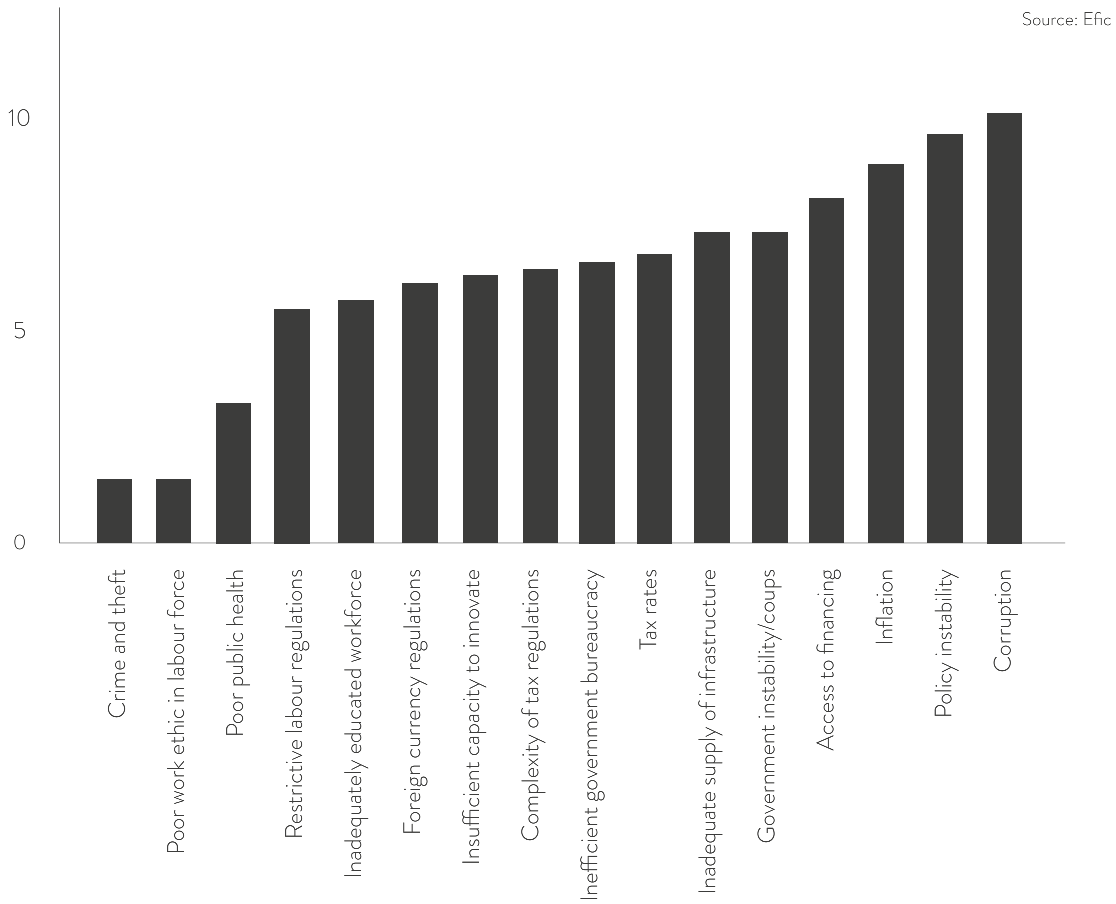
Bribery, graft and corruption risk:

- Bribery, graft and corruption are illegal in most countries. Under Australian law (*Division 70 of the Criminal Code Act 1995)* you can face criminal prosecution in Australia for bribing a public official in another country.

Exchange rate risk: How will adverse movements in exchange rates impact on your profits?

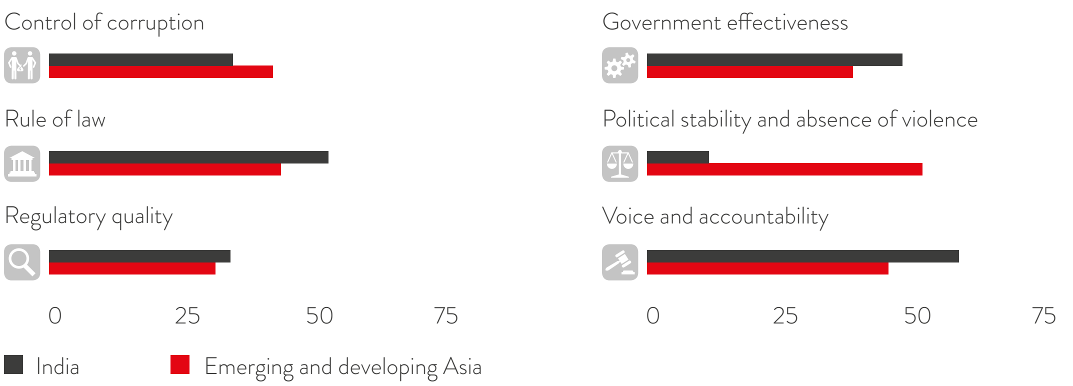
Non-payment risk: What is the likelihood of your suppliers or customers defaulting or becoming insolvent?

THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS



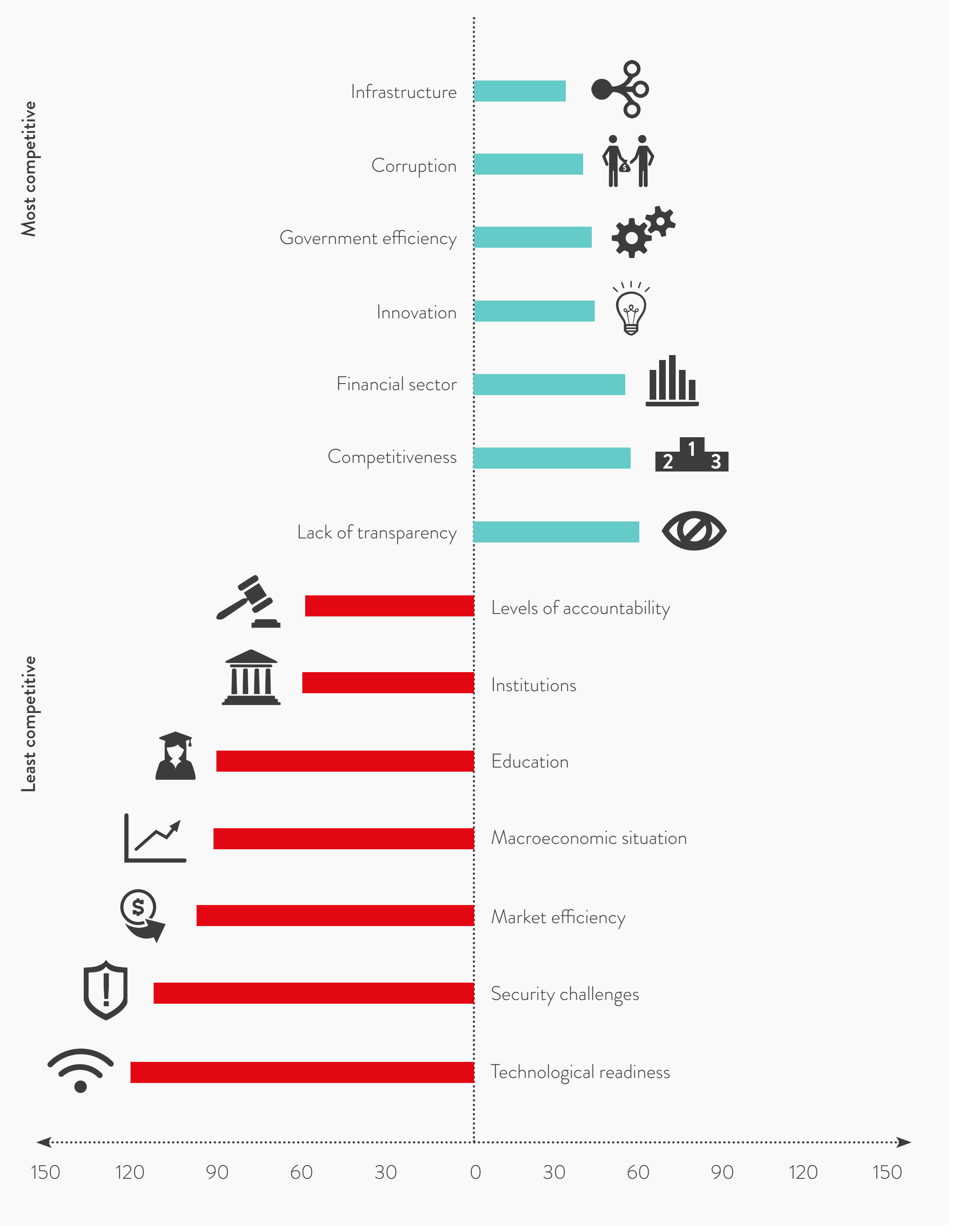
2014 BUSINESS CLIMATE INDICATORS*

GOVERNANCE INDICATORS



Source: World Bank & Efic
*Country percentile rank

INTERNATIONAL COMPARISONS OF COMPETITIVENESS*



Source: The 2015-16 World Economic Forum Global Competitiveness Report
*Ranking out of 144 countries

Rank out of 144 countries: 1 being the most competitive.

32ND

Infrastructure is steadily improving, given focused government effort on PPP investment in this area.

38TH

Corruption ranks 38th, a significant jump from 65th in previous year.

41ST

Government efficiency ranks 41st, somewhat hampered by red tape and complicated bureaucracy.

42ND

Innovation ranks 42nd - the Government is increasingly awarding grants for R&D activities.

53RD

The **financial sector** is improving steadily from a relatively weak position.

55TH

India ranks 55th in the world for **competitiveness**, a significant jump from 71st the previous year.

58TH

Transparency in policy-making is steadily increasing, thereby improving trust and confidence in public institutions.

59TH

There are increasing levels of **accountability** in institutions, with the Modi Government enforcing better standards.

60TH

Institutions – 60. Improvement since previous year's 70 but there remains some mistrust of public and private institutions on measures of ethics and accountability.

90TH

The quality of the **education** system varies greatly, with a handful of world-renowned institutions. As the middle class grows, enrolment rates will also.

91ST

The **macroeconomic** environment is an improvement from the previous year's rank of 101. Although India is not expected to default on public debt, it still has a high inflation rate and a high public debt-to-GDP ratio.

97TH

Supply chain inefficiencies contribute to relatively low goods **market efficiency**.

112TH

Like other countries, India faces **security challenges** with terror threats, food scarcity and environmental concerns.

120TH

India ranks poorly on **technological readiness** but will continue to improve as infrastructure grows.

Some useful data sources on the Indian market include:

- **Open Government Data Platform India** – publicly accessible datasets on India, with a very user-friendly interface **www.data.gov.in**
- **India in Business** – the investment and technology promotion division of India's Ministry of External Affairs **www.indiainbusiness.nic.in**

Intellectual property (IP)

Intellectual property (IP) rights can be a challenge to your business in India if you are not proactive about the process. India has a 'first-to-use rule' for securing trademarks, giving the application that is filed the earliest superior rights to any subsequent applications. Trademarks may be invalidated if they are not used within five years. India's IP protection legislation also extends to customs regulations, which enforce cross-border measures to protect IP. Copyrights and patents can be registered in India, although patent examiners often raise clarity objections, and multiple modifications may be required to comply with local regulations. Ten-year protection is also available for design, and is awarded at the end of a six to nine-month application process. In all cases, your best chances of securing IP rights will come from seeking professional advice from a lawyer experienced in Indian IP laws and regulatory processes. India and Australia are both signatories to the Madrid Protocol, which allows trademarks in one geographical jurisdiction to also be recognised in others. Protecting your IP in India is discussed in more detail in Chapter 5.

Regional political risk

Relations between India and Pakistan have been strained since independence in 1947, and are particularly tense over the disputed territories of Jammu and Kashmir. As mentioned earlier in this guide, extreme factions of both India's and Pakistan's populations tend to harbour hateful sentiment towards the other country. The two countries have so far managed to co-exist reasonably peacefully, in spite of a small number of nuclear threats and an accusation that the Pakistan Government supported the November 2011 terrorist attacks in Mumbai. Current Indian Prime Minister Narendra Modi recently made a joint statement with his Pakistani counterpart, Nawaz Sharif, committing to abide by their collective responsibility to promote peace and development in the region. In the past, Sri Lanka's separatist group the Liberation Tigers of Tamil Eelam (LTTE), has incited some political unrest in India. For instance, in 1991, a young member of the LTTE carried out a suicide bomb attack, assassinating India's Prime Minister at the time, Rajiv Gandhi. Since then, the LTTE has posed little threat to India, although civil unrest in Sri Lanka continues to cause turmoil in the region. In early 2015, Sri Lanka signed a nuclear energy pact with India, preferencing this deal over a similar one negotiated but never signed with Pakistan in 2013. The deal outlines the sharing of knowledge and expertise in the peaceful and civilian use of nuclear energy.

Labour and protests

India is a founding member of the International Labor Organisation (ILO) and has been a permanent member of the governing body since 1922. Trade unions are legal in India, but only 5 million people belong to any of the 14 Central Trade Union Organisations (CTUOs) recognised by the Government. The CTUOs are groupings of India's trade unions, which number just under 100. The CTUOs are generally aligned to particular political parties. Trade unions can hold significant power. In the manufacturing sector, for instance, firms need to obtain permission to make factory workers redundant. In cases involving larger firms (over 100 staff), permission is usually denied. As a result, 87 per cent of Indian manufacturing firms employ small numbers of staff, often fewer than 10 people (in China, the corresponding figure is only 5 per cent). Because of their small production capacity, Indian firms can struggle to achieve economies of scale. In services industries, however, where the majority of employees are non-unionised white-collar professionals, companies operate with far less restriction and much larger staff numbers. Changes in this area are afoot, with the new Government's drive towards competitiveness, and this could bode well for businesses seeking to scale up their operations in India in the medium to long term.

India is a stable and democratic society. However, disruptive protests do occur. Australians and Australian businesses were the target of recent protests when reports of attacks on Indians in Melbourne were covered by the local media. Such incidents specifically targeting Australians are rare. It is also worth noting that international businesses that fail to respect local tastes, attitudes and customs can quite quickly be shunned. For example, given the sacredness of cows in India, the community's response to allegations that a global fast food chain was using beef oil to cook its french fries was met with large-scale protests. Generally, however, protests are peaceful and the greatest inconveniences are traffic jams and road closures.

2.2 RESEARCHING INDIA

Comprehensive research is crucial when entering the Indian market because of its unique features, including:

- Geographical size, diversity and cultural complexity
- The speed with which the market can change and evolve
- Rapidly changing rules, regulations and the focus of enforcement authorities
- A lack of consumer information and vague regulations
- A shortage of publicly available information to assist with understanding processes and rules.

Your market research should cover a very wide field, from import duties and other regulations to market-specific issues such as distribution channels, market size and growth, competition, demographics and local production. Gathering this information is usually straightforward, but it's easy to get overwhelmed by research and all the information that exists. This section condenses the main topics that can assist you. However, you should not limit your Indian market investigation to this guide.

When researching India, it is important to pay attention to the needs of the Indian market, as opposed to your own company's needs. It is critical to think of India as several different Indias, each with its own demographics, attitudes and tastes. There can even be differences in tastes within a state. In the state of Maharashtra, for instance, you will find large numbers of English and Hindi speakers, as well as white-collar professionals, in the major cities of Mumbai and Pune. Nagpur in the state's north, however, has a less developed economy and is a region where Marathi is the most widely spoken language. Each region needs to be thoroughly researched before entry, as customer preferences, regulatory processes, value chain considerations and marketing strategies can vary considerably. Keep in mind that in any one region, apart from language and other demographic disparities, income levels can vary significantly. With India's growing middle class, consumer preferences are evolving at a rapid pace, and your business needs to stay flexible to meet this dynamic market's demands.

The internet is a good place to start researching India, but it should not be your only source of information. You may need to commission professional India-based research, and should visit your target region numerous times to develop the critical relationships that will help your business get off the ground. Data availability and reliability are also important considerations for any market study. Fortunately, much of the research available on the Indian market is in English, but the depth of information you may need about consumer tastes and preferences is not always publicly available online.

Some specific issues and challenges that Australian businesses might encounter include:

- The Indian Patent Office's enforcement of a first-to-use rule when registering trademarks
- The absence of a land acquisition process, which has made the purchase of land a complicated and time-consuming exercise
- Relatively high business start-up costs if you require construction permits and environmental clearances, and electricity connections can be difficult to establish
- Tax policy, which is not conducive to growth. High tax rates in some states as well as retrospective amendments to tax policy have reduced investor confidence
- Strict labelling requirements on all food to denote whether it is vegetarian or non-vegetarian
- Enforcement of contracts, which can be a lengthy and complex process. Although legal fees are relatively low, the length of the process can increase legal bills exponentially
- Problems with using multiple agents, including confusion for end users.

Getting help

A variety of research organisations in India, including the big international professional and accounting firms, can be a major source of information. Austrade has a significant presence on the ground in India, with offices in 10 major cities. It provides a range of services for Australian firms seeking to go offshore, including:

- Information and advice with market entry and business expansion
- Help with location selection
- Access to local contacts and networks
- Identification and follow-up on specific business opportunities
- Market research services across a wide variety of sectors.

In addition to Austrade, the Queensland, South Australian, Tasmanian, New South Wales, Victorian and Western Australian state governments have representative offices throughout India and may be able to assist with further information. The Australian Government's Export Market Development Grant (EMDG) scheme can help meet these costs and state and territory governments may provide grants too.

Market visits

After doing as much research as possible in Australia, you will need to visit India to confirm the results of your research, develop a deeper understanding of potential markets, establish relationships and eventually negotiate contracts and agreements. Business visits to India require patience, understanding and commitment.

Determine where and when to visit. There are no fixed rules about when to visit a market, except that you should do so before entering into any agreements with prospective agents, distributors or other business partners that could influence your future dealings. Consider meeting with several potential partners first to give you a basis for comparison. It can be helpful to leave it towards the end of your trip to meet with the contact that you believe will be the best fit for your business. Meet with them once you have a better understanding of the market and are more prepared to handle questions and discuss strategic options. Concentrate your efforts on only one or two markets at first to ensure a better chance of success.

Plan your trip at least six weeks in advance. To ensure a successful trip, you should arrange in-country assistance for the planning and setting up of your program. This will help you see the right agents and customers who will be briefed and screened for interest and suitability. Take note of holidays and religious festivals that occur at the same time as your planned visit, some of which are referred to in Chapter 6. Also, before leaving for India, ensure you have completed all your required paperwork, including the appropriate visa and take with you (if applicable) any necessary legal items such as financial documents and regulation information. It is also vital, for developing business relationships, to carry with you information on your company and product, as well as business cards.

Do some background reading. If you have never visited India and don't know much about the country and its way of life, you should do some research online. News articles and travel guides can also provide useful information. Having some background knowledge about the area you are visiting will inform and focus your discussions when negotiating with local partners. Business guides such as this one and others with a more specific industry or product focus, will also be beneficial.

Have a good website before you go. A website for your business is your corporate brochure – prospective customers and agents will usually go straight to it to find out more about your product or service. The website needs to be informative and attractive – it doesn't need to be loaded with information, but it should be cleanly laid out with interesting graphics. Websites of many smaller Indian businesses lack user-friendliness, so a well-designed website could give your business a critical marketing advantage. If applicable, use customer or client endorsements and photographs to show your products or services. Make sure that contact details are easy to find and use – preferably a direct email with a photo of the staff member.

English is widely spoken by middle-income earners in India and it is possible an English language website will suffice. However, depending on the demographics of your target market, you could consider having a version in Hindi (or the language of the state you are targeting) to ensure it is widely accessible by your potential partners and customers, especially if they are older or if you are targeting a lower-income group. If this is the case, a website may not be your best marketing tool for this market, given lower technological access among older generations and lower-income earners in India. Investing in search engine optimisation (SEO) tools could help to make your website more visible to potential customers. The Google search engine is used by most Indians, and this is where you should focus your SEO efforts. Rival search engine Bing, by contrast, is only used by two per cent of internet users in India. Facebook, YouTube and Twitter are popular social media marketing platforms, and could also be useful for your business (see Chapter 3). Given the importance of protecting intellectual property in India, it is worth ensuring that content on your website is copyrighted and that your IP is patented.

An easy-to-navigate, well-constructed and up-to-date website is crucial.

It allows you to:

- Present your product to your overseas potential customers and business partners in cost-effective ways
- Project the impression of a professional and trustworthy business
- Convey that your business is 'modern' and uses new technology
- Avoid problems with time differences
- Introduce, promote new products and sell directly to customers.

Attend trade shows and exhibitions. Numerous trade shows and exhibitions take place in India throughout the year. They can provide an excellent opportunity to meet potential customers face to face. Arranging appointments in advance to meet pre identified contacts at niche industry events is advisable if you want to make effective use of your time.

Infoactiv

Helen Jarman, Managing Director and Founder

Infoactiv is an independent provider of supply chain and sustainability needs. It moved into India in 2010, capitalising on its work with IBM Australia. The company's Indian launch strategy focused on ECOACTIV its product stewardship and environmental product recovery solution – a smart move in a country where about 800,000 tonnes of e-waste is generated every year. Specifically, the company opted to set up in Bangalore due to its established reputation as a hub for IT development.

Short-term results are rarely achieved or sustained in this market. Infoactiv found that the business development cycle was longer than might be expected in Australia, taking time as relationships and trust are built. Significant stakeholder engagement is required by customers internally and externally before commitments are made.

It is crucial that you take sufficient time to develop a qualified team of professionals, the infrastructure and the mechanics of the corporate structure. This allows a business to become familiar and capable in the eyes of the customers and partners. As Helen said: "It also communicates the intention that you are there [in India] to invest and stay." Patience and persistence will be rewarded.

Infoactiv also developed close contacts with the Victorian Government Business Office (VGBO), India, building on this relationship through the Victorian Trade Mission in 2012. This created a window of opportunity for Helen and her team to pursue the interest of the business to a higher level.

"When the mission was announced, the VGBO had a sound working knowledge of the company, the management team, our local capability and the solutions we provide," she said. As a result, the process of being introduced to customers and strategic partners became much easier. The VGBO also helped in facilitating Infoactiv's attendance at relevant meetings, providing pre-briefings and generally assisting with local business advice.

The Infoactiv team continues to leverage these resources to open as many doors as possible. Strategically, planning meetings and engagements with potential customers and partners directly following the formal meetings of the mission helped to extend the breadth and depth of contacts being made. Regular follow-ups and return visits were then conducted by the management team to build relationships with those key contacts. Working through networks and associations that were both trusted and in harmony with their vision and approach was of paramount importance to Infoactiv.

www.infoactiv.com.au

Building relationships and making connections

To get the most out of your visit, be well prepared before you arrive. Don't waste valuable time in India doing what you can do back in Australia. Training courses and seminars that can expand your knowledge about India and doing business in a different culture are offered by various organisations in Australia, including Asialink Business, Austrade, the Export Council of Australia and the various state and territory governments. Attending seminars and courses will enable you to establish networks and to speak to experts with experience in India before you enter the market.

Pre-arrange as many of your meetings as possible, and make sure you have information on the people you are meeting, and that you reconfirm meetings a day in advance. Carrying business cards is essential, and you should follow up with those who have provided their cards to you. It is recommended that within 48 hours of each appointment, you should send an email thanking your contact for the meeting, providing follow-up information and noting, if necessary, that you will get back to them within a specified time period on particular requests. This will leave a good impression and demonstrate that you are someone with whom business can be reliably done.

Many Australian cities have sister-city relationships in India, including those between Melbourne and New Delhi, Ipswich (QLD) and Hyderabad, Rockingham (WA) and Kalyanpur, and Brisbane and Lucknow. There are also sister-state relationships, including between New South Wales and Maharashtra. These relationships provide additional assistance such as networking events and an established contact base of investors and potential partners that businesses can tap into. As mentioned earlier, the Queensland, Western Australian, New South Wales and Victorian governments have representative offices in different parts of India. Check with your local state government for more details.

Joining a business association is another great way to learn more about what is going on in the local business community and to meet potential colleagues and partners. In Mumbai and other major cities, you will find well-established country-specific business associations with large membership bases. Among them is the Australia India Business Council (AIBC), which has played an important role in facilitating bilateral trade between the two countries for more than 25 years. There are active chapters in all Australian states (except Tasmania), which could offer useful resources and networks to help refine your approach to setting up in India. The Indo-Australia Chamber of Commerce is another useful industry body. Based in Chennai in India's south, it provides a useful reference point for small to medium Australian enterprises looking to set up in India. It also hosts trade and business missions to different parts of India and helps businesses find the right partners across India.

The Federation of Indian Chambers of Commerce and Industry (FICCI) is a well-respected and well-resourced organisation. It runs informative briefing sessions on a wide range of issues affecting business and trade in India for both Indian and foreign businesses. Its events target a wide range of sectors and industries and can be helpful for networking with established local businesses. See the Resources and Contacts section in this guide for more information.

2.3 POSSIBLE BUSINESS STRUCTURES

After deciding to set up a business in India, there are many elements to consider. What type of business structure will you use? Will you open a branch office, or incorporate locally? What legal and administrative processes must you go through to get established? There is no single business structure that holds the key to unlocking the Indian market. Cultivating a network of local contacts in government, while gaining an understanding of local practices, will help lower your compliance risks and assist in choosing the most appropriate business structure.

There are multiple channels of entry open to foreign businesses in India, and the one you choose must ultimately suit your company's objectives. There are five primary entities for foreigners to choose from:

- Limited Liability Company (LLC)
- Limited Liability Partnership (LLP)
- Branch office
- Liaison office
- Project office.

If do not want to set up an entity, you can pursue other avenues to sell your product in India, either via an agent or distributor. Note that e-commerce websites in India require you to have an Indian business address and cannot solely be operated from elsewhere. In the case of LLCs and LLPs, at least one of the directors or partners needs to be an Indian resident. See Chapter 3 for further information.

Before deciding how you would like to set up your Indian business, take note of the caps placed on the percentage of foreign investment allowed in particular industries, as this may affect how you set up. As a foreign entity investing in India, your investment will follow either one of two foreign direct investment routes:

- The Government Route: Investment in business sectors requiring prior approval from the Foreign Investment Promotion Board (FIPB) or the Reserve Bank of India (RBI).
- The Automatic Route: Investment in business sectors that do not require prior approval from the government.

Cap on foreign investment

AUTOMOBILES / AUTO PARTS
100%

E-COMMERCE
100% for B-to-B e-commerce
50% for multi-brand retail

EDUCATION
100%

ELECTRONICS
100% for design and manufacturing
49% for electronics related to defence

MEDICAL DEVICES
100%

MINING
100%

PHARMACEUTICALS
100% for greenfield projects
49% for brownfield projects

PRINT PUBLICATIONS
100%

RENEWABLE ENERGY
100%

TELECOM
49% automatic
100% government

TEXTILES
100%

Limited Liability Company (LLC)

Foreign businesses most commonly establish either a public or private LLC, with the latter being the more popular choice as it offers greater freedom of operations and fewer regulatory requirements. Private LLCs are required to have at least two directors, one of whom must be an Indian resident. The identification number and an electronic signature for each of the proposed directors must be submitted. The availability of your proposed company name also needs to be clarified with the Registrar of Companies, after which the Articles of Association are filed with the same office. Incorporating and establishing a private LLC in India requires registration, filing fees and the payment of stamp duty. You may also need to pay fees to lawyers or consultants to help you with the process. The process usually takes from four to six weeks and the Government requires proof of capital of at least INR 100,000 (approximately A$1800) for private LLCs and INR 500,000 (approximately A$9100) for public LLCs. When the capital of a company is in excess of INR 50 million (approximately A$910,000), a full-time company secretary must be employed.

Limited Liability Partnership (LLP)

Establishing as an LLP provides a flexible option for businesses that require flexibility in setting up their organisational structure. Full foreign ownership is prohibited in agriculture, print media and real estate. LLPs require at least two partners, with at least one needing to be an Indian resident. If one or all of the partners are companies, each company must select an individual to be the designated partner in the LLP. Capital contributions to an LLP partnership must be in cash, and other assets may not be put up as collateral. An LLP with foreign partnership and a foreign capital contribution requires approval from the Foreign Investment Promotion Board (FIPB) before it can be fully operational.

The differences between an LLP and a private LLC are outlined on the next page. Entrepreneurs and small to medium businesses are far more likely to establish as private LLCs given the lower minimum share capital and the lower thresholds for the number of directors and shareholders.

ESTABLISHING AN LLC

Step	Public LLC	Private LLC
Step 1 Appoint and register directors	• Three directors, at least one of whom is an Indian resident • Register directors through India's e-filing system to obtain Director Identification Numbers • Submit directors' electronic signatures • Seven shareholders (who can be the same people as the directors)	• Two directors, at least one of whom is an Indian resident • Register directors through India's e-filing system to obtain Director Identification Numbers • Submit directors' electronic signatures • Two shareholders (who can be the same people as the directors)
Step 2 Show minimum share capital	INR 500,000 (5 Lakhs)	INR 100,000 (1 Lakh)

Step 3
Register the company name

- A brief description of the company must be submitted, along with the company name, to the Registrar of Companies (RoC)
- The name of the business must indicate the core business or objectives of the company
- The RoC will accept or reject the application based on the name's appropriateness or availability

Step 4
Submit Memorandum and Articles of Association

Within 60 days of name approval

- Both the Memorandum of Association (MoA) and Articles of Association (AoA) must be filed with the RoC
- The MoA includes the company name and location of the registered office, object clauses and liability of the members, and the total amount of capital registered with the RoC
- Make sure both documents are stamped with the correct duty when you pay your RoC fees and stamp duty
- Both forms must be signed by two subscribers and a witness
- Formal incorporation filings must be made within this timeframe

Step 5
Incorporate your company

Within 10 days of RoC approval

Via the Ministry of Corporate Affairs web portal, submit the following forms:

- Form 1: Application for incorporation where you will need to include the approved MoA and AoA
- Form 18: Notice of situation for the registered office (providing proof of address)
- Form 32: Details of the company's board of directors

THE DIFFERENCE BETWEEN LLPs AND LLCs	LLP	Private LLC
Incorporation	Two partners minimum No upper limit on partners	Two shareholders minimum LLC exceeding 50 shareholders becomes a public LLC, requiring five times the minimum shared capital
Obligations of partners or directors	No requirements for board meetings or constitution	Board members must meet regularly and a constitution or Memorandum of Association must be submitted to the Registrar of Companies
Withdrawing as a partner/director	Partners can withdraw their share of the company (post tax)	Directors must sell their shares to someone else or the company must carry out a buy-back process, offering the shares to all shareholders. This process can take place only once every two years
Voting rights and decision-making power	Can be structured to give some partners greater decision-making powers than others	Decision-making powers are proportional to shares, i.e. one-share/one-vote. Depending on the number of shareholders, minority shareholders can subvert strategic decisions
Profit distribution	Tax regulations are similar to LLC but there is no dividend distribution tax and no minimum alternate tax	A dividend distribution tax of 15 per cent applies, as well as a minimum alternate tax

Partnership firms

A partnership firm requires two or more people to be involved, one of whom must be an Indian resident. Under India's current Foreign Direct Investment policy, legislated by its Foreign Exchange Management Act, any foreign investment in partnership firms is subject to approval from the Reserve Bank of India (RBI).

Branch office

The fundamental aim of setting up a branch office is to expand your customer base. If setting up your business as a branch office of your Australian goods business, you must obtain approval from the RBI. This generally takes between two and four weeks. Branch offices are allowed to operate for an initial three years, but extensions to that time can be applied for. The parent company must have:

- A five-year record of operating profitably in the home country
- A minimum net worth of USD 100,000 (approximately $120,000) must be proven using your most recent audit or financial statement.

If your business is unable to meet these requirements but is a subsidiary of another company that does, your parent company should submit a Letter of Comfort on your behalf. The RBI's regulations prohibit foreign business branch offices from manufacturing goods in India. A branch office is permitted to carry out only a small range of business activities, which include:

- Providing professional or consulting services
- Exporting and/or importing goods
- Acting as the buying and/or selling agent in India for the overseas parent company
- Conducting research directly related to the core overseas business of the parent company
- Providing technical support for goods and/or services
- Providing IT and software development services
- Promoting collaboration between Indian companies and the overseas parent company
- The business activities of foreign-owned airlines and shipping companies.

Liaison office (or representative office)

Liaison offices could be the best business structure for your business if you do not wish to trade or invest in India and simply want to establish an on-the-ground presence for your company. Operations within the liaison office must be confined to collecting information about market opportunities and providing your prospective customers with information. The liaison office is prohibited from earning any income or undertaking any business activities in India. Approval from the RBI is required prior to setting up.

Nine areas to consider when setting up a business in India

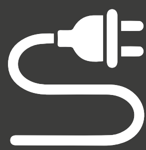
STARTING OFF

It takes 14 procedures to establish a corporate entity in India (compared to an OECD average of five), and it takes an average of 29 days to complete.

CONSTRUCTION PERMITS

Construction permits take an average of 147 days to acquire and involve 40 procedures.

ELECTRICITY CONNECTION



Connecting electricity requires five procedures and takes an average of 53 days.

REGISTERING PROPERTY

It takes an average of 47 days and seven procedures to register a property. The cost of registering a property is generally 7 per cent of the purchase price – double the rate in China.

GETTING CREDIT

India is ranked 42nd in the world on the ease of obtaining credit, significantly higher than many developing Asian nations, but still lower than regional peers such as Singapore (19th).

PROTECTING INVESTORS

India has very strong investor protection, with a world ranking of eight. Disclosure requirements have improved as the Government tries to increase transparency and accountability.

PAYING TAXES

Firms in India on average make 33 tax payments each year and spend 243 hours filing, preparing and paying taxes.

TRADING ACROSS BORDERS

To export from India, it takes an average of eight documents and 22 days, and costs $1,617 per container of goods.

ENFORCING CONTRACTS AND RESOLVING INSOLVENCY

It takes an average of 3.8 years and 46 procedures to enforce a contract in India, with costs averaging 40 per cent of the value of the claim.

Source: World Bank Doing Business Report 2016
Statistics apply to procedures in Mumbai but are broadly indicative of process across India.

Project office

If your business is looking to execute a specific project within a stipulated timeframe in India, a project office could be the most suitable structure. In this case, RBI approval is not necessary, as long as you have secured a contract from an Indian company to carry out specific work in India and submit a report to the jurisdictional regional office of the RBI, stating the terms of the contract. When the project is complete, as defined in the terms of the submitted contract, the project office has to be shut down. Along with obtaining clearance from the appropriate authority, project offices must fulfil one of the following criteria:

- The project is funded directly by inward remittance from abroad; or
- The project is funded by a bilateral or multilateral International Financing Agency; or
- A company or entity in India awarding the contract has been granted a term loan by a public financial institution or a bank in India for the project.

Ease of doing business

How does India rank relative to other countries for ease of establishing a business? The World Bank and International Finance Corporation, in the Doing Business Report 2016, have compared 189 nations on nine specific measures related to establishing a business. As highlighted earlier in this chapter, India was ranked 130th out of 189 economies for overall ease of doing business – with Singapore number one and Australia ranked 13th. India has much room to improve by reducing bureaucracy and public inefficiency, as well as improving infrastructure. The Government's 'Make in India' campaign is expected to have an increasingly positive effect on India's attractiveness to foreign businesses and investors.

2.4 MANUFACTURING IN INDIA

While China has become Asia's manufacturing hub in the last decade, India's growth has been focused on the services sector. The Modi government, however, intends to re-establish India as an attractive destination for manufacturing. The Government's 'Make in India' campaign is designed to attract foreign direct investment and provides a running report of positive change in the sector.

India's manufacturing sector is backed by strong technical and engineering capabilities and a high degree of expertise. However, the average skill level of the labour force is arguably lower than in some neighbouring countries. This can be a positive for small-to-medium enterprises, as a lower-skilled workforce can mean lower manufacturing costs, especially when considering the recent sharp increase in China's minimum wage. India's vast population gives it the advantage of an abundant labour supply, relative to other cost-competitive markets such as Indonesia and Vietnam. Establishing your manufacturing operations in India could lead to exceptional gains in the long term. Businesses also have the opportunity to create significant positive impacts in the communities within which they establish factories or plants, by upskilling local workers. This may even help to fulfil their corporate social responsibility (CSR) requirement, which is a condition of incorporating in India. Two per cent of a company's annual profit must be spent on CSR initiatives. Major manufacturing hubs in India include Mumbai and Pune in Maharashtra, Gujarat, Tamil Nadu and West Bengal.

A major downside to manufacturing in India is the current lack of infrastructure. Although the Government plans to improve road and rail infrastructure, it is critical that you factor existing energy, transport and telecommunications infrastructure into deciding where you would like to set up your manufacturing operations. While a less urban location could have lower labour costs, it may end up costing you more if there is little or no access to water and power or if supplies and the supply of materials to you is delayed.

The 'Make in India' campaign identifies the following as specific benefits to small-to-medium enterprises planning to manufacture in India:

- Rollover relief from long-term capital gains tax to individuals on sale of residential property in case of re-investment of sale consideration
- A tax pass-through status for venture capital funds with a focus on SMEs in the manufacturing sector
- Liberalisation of RBI norms for banks investing in venture capital funds with a focus on SMEs, in consultation with RBI
- The liberalisation of IRDA guidelines to provide for investments by insurance companies
- The inclusion of lending to SMEs in manufacturing as part of priority sector lending
- Easier access to bank finance through appropriate bank lending
- The setting up of a stock exchange for SMEs
- Service entity for the collection and payment of statutory dues of SMEs.

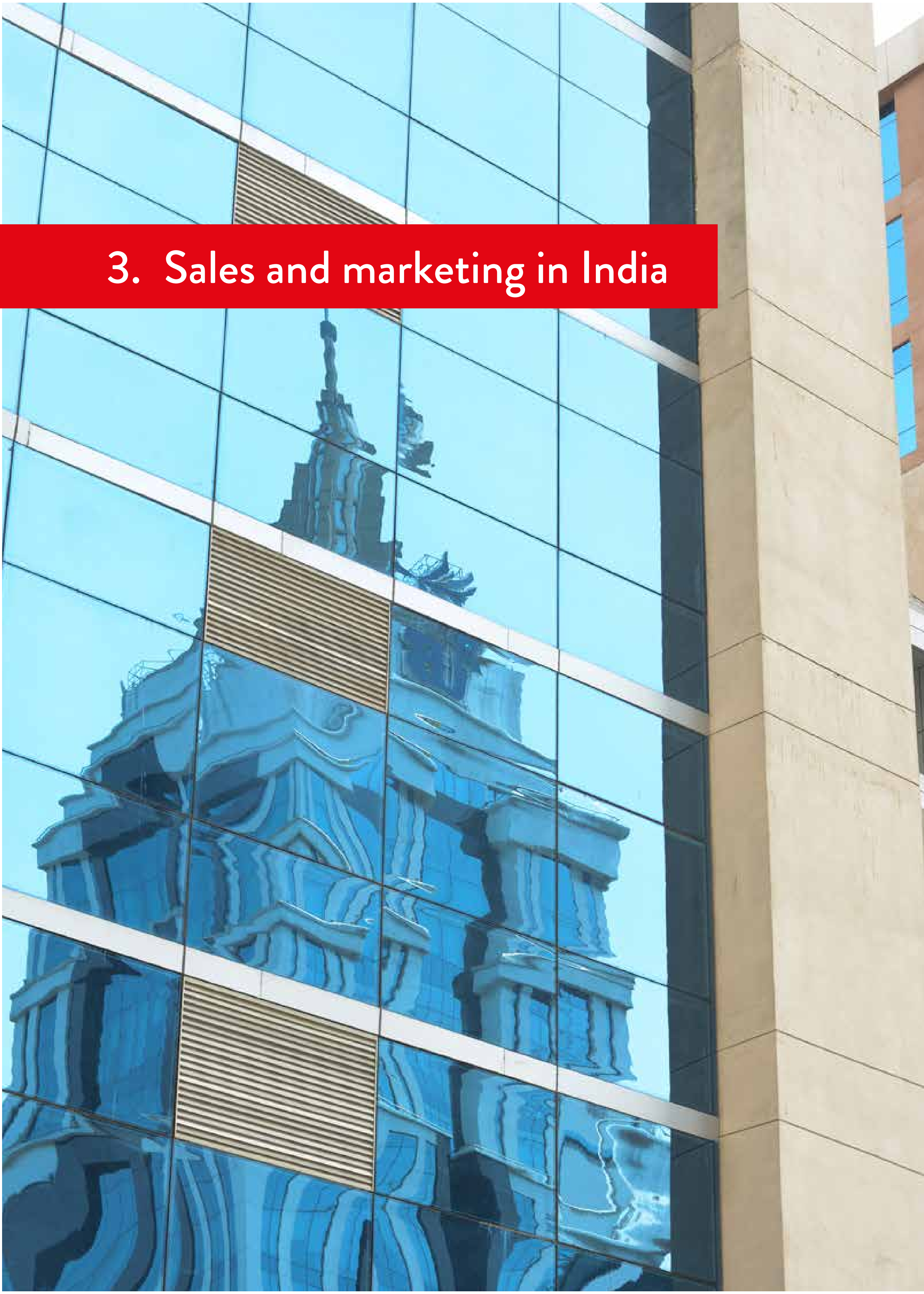
Contract manufacturing in India

Contract manufacturers provide engineering and manufacturing services to companies and brands that do not want to own and operate their own factories. Indian contract manufacturers range in size and are available across a number of different industries including electronic hardware and garments. Some of India's largest contract manufacturing outputs are in biopharmaceuticals and vaccines. Contract manufacturers are typically experts in manufacturing and can quickly integrate your products into their manufacturing lines and schedules.

Quality control

Quality control is an important consideration when you are manufacturing in India. If you fail to maintain strict oversight of every aspect of your manufacturing process, including staff training, you risk producing goods that may not comply with the minimum standards of the countries to which you wish to export. This is a concern across a number of industries, including toys, food, electronics and mechanical and automotive parts. Make sure you have robust quality mechanisms in place and always perform your due diligence. See Chapter 4 for further information.

3. Sales and marketing in India



How can you sell and market your products (or services) in India? Should you sell online? Should you use an agent? Should you set up a franchise? What are the labelling requirements? There are many options for getting your products marketed, distributed and sold in the Indian market, and these will be examined in this chapter.

The most common method for Australian businesses seeking to sell and distribute products within India is to use agents and distributors. Online sales are also becoming increasingly popular due to lower risks and costs than having a physical presence in the market. Australian businesses are strongly advised to conduct due diligence and careful research, beyond this guide, into the marketing and sales strategies that will best suit their business objectives.

3.1 AGENTS AND DISTRIBUTORS

Most Australian firms rely on agents or distributors to represent their businesses and sell their products in international markets. The roles of agents and distributors are often confused, so it is important to understand the difference between them. The definition and responsibilities of agents and distributors can also vary depending on the country or industry in which you are involved, so you will need to confirm their specific roles and responsibilities. The information below is of a general nature. It is therefore important to make sure you have the role of the Indian party clearly defined and confirmed in the agreement or contract you have with them and not assume they will take on all activities that an agent or distributor may generally perform in Australia.

Agent: An agent is a representative of the supplier, but does not take ownership of the goods. An agent is generally paid a commission based on an agreed percentage of sales value generated. Agents tend to be based in India and often represent numerous service or product lines. They may operate on an exclusive basis, where they are the sole agent for a company's goods or services in that market, or as one of a number of agents.

Distributor: A distributor takes ownership of the goods by buying them and reselling them in India, either to local retailers or consumers directly. In some cases, the distributor may sell to other wholesalers who then sell to local retailers or end users. Distributors may carry

Why use an agent?

- Generally cheaper than a distributor.
- You have greater control over terms of sale and marketing, and choice of customers to deal with.
- Direct contact between manufacturer and customer.

Why use a distributor?

- You can pass a great degree of risk onto them.
- A distributor has greater incentive to sell your product as they also have to cover the costs of holding stock.
- Only have to monitor distributor's accounts rather than all customers.

Why not use an agent?

- It may involve tax implications (check the relevant laws for that area).
- Maintaining stock inventory can be costly.
- An agent may be selling products that compete with yours.

Why not use a distributor?

- Less control over marketing, terms of sale etc.
- The credit risk is with the distributor rather than with customers.
- Distribution agreements are regulated by local competition law.

complementary and competing lines and usually offer after-sales service. They earn money by adding a margin to product prices. Distributor margins are generally higher than agent fees because distributors have larger costs, such as for storage of inventory. Australian businesses considering a distributor in India should note that, although in some other international markets a distributor will generally take on the role and responsibility of marketing, this is rarely the case in the Indian context. Marketing needs to be discussed in detail with a potential distributor – in particular, whether they will do it or not. The more suitable option is often the use of a marketing company.

Choosing an agent or distributor. The most important consideration when choosing an agent or distributor is to ensure that you can establish a close working relationship; you must be able to build high levels of trust and regular communication. Before making a final choice, meet with a potential partner in their own market. This allows you to get to know them better and observe their knowledge and presence. Also ask your potential business partner for trade references and consider using a professional credit checking agency to confirm their financial stability.

When assessing potential agents or distributors, consider:

- Do they have good networks and contacts? Do they have relationships with the right people, especially at the local and state government level?
- What is their experience in that sector? Do they have good knowledge and have they represented a similar product previously? Can they help with marketing?
- A well-established company with a good network of contacts may not be flexible or open to your ways of business.
- A young, energetic company will tend to be flexible, innovative and trying to prove its worth. The downside is it may have limited experience or contacts.

Many Indian agents and distributors work for trading companies that are authorised to deal in a wide range of products. Some of the larger companies have offices in other countries, along with a network of offices and affiliates in India. However, large agents and distributors sometimes manage so many products that yours may not get enough attention.

India's size and regional diversity also mean you may need to engage several agents to cover different areas. Remember, payments can only be repatriated after end-of-year tax has been paid.

Contracts

If you are going to use agents or distributors in India, make sure you have detailed and well-constructed contracts in place. As there are no laws or regulations covering agents and distributors in India, you will have to rely on contracts to define the relationship and enforcement.

Contracts with agents and distributors should:

- Allow you to keep your options open. Agents and distributors will likely want exclusive access to your products, even if they cannot cover the whole country. Agreeing to exclusivity may limit your access to markets. It is recommended not to engage in exclusivity until there is mutual trust and a track record of doing business together.
- Include escape clauses in case you wish to change agent or distributor and be conservative with payment terms. Setting a trial period can also be a helpful way of managing your risk.
- Manage risks in areas such as transportation, warehousing and intellectual property. Also include a mechanism for arbitration in case of dispute.
- Set the terms of standard individual sales order.
- When dealing with distributors, establish that you have ownership of approved labels after the verification process. For more information on this, see section 3.6 on labelling requirements at the end of this chapter.
- Set sales volumes for agents and link performance to incentives. Make sure you follow up on progress and seek regular reports on prospects, not just at the agreed milestone or delivery date.

3.2 ONLINE SALES

Internet usage in India has seen dramatic growth in the last decade. In late 2014, there were 243 million active internet users in India. At 19 per cent of the population, this is a low penetration rate by international standards, leaving incredible growth potential. Projections indicate internet usage could grow to as many as 500 million people by 2017. People who access the internet through mobile devices currently number 82 million, with this figure expected to more than triple, reaching 284 million by the end of 2017. The number of internet users in rural India is about 63 million, just seven per cent of the overall rural population of 905 million. In 2012, just 0.4 per cent of the country's rural population accessed the internet using a mobile device. This figure has recently passed five per cent, signalling exponential growth in the uptake of mobile technology among Indians in rural areas.

In the three years to the end of 2014, annual e-commerce growth averaged 34 per cent. This growth rate was expected to jump to 70 per cent in 2015, with revenue from e-commerce to surge from USD3.5 billion to USD6 billion. Still, in 2014, online retail or eTail accounted for only 0.4 per cent of all retail sales, which was minuscule compared to China's figure of 8 per cent. Online retail is expected to grow to 3 per cent by 2020 which, although seemingly insignificant, will mean a jump in orders per million people from five million in 2014 to 37.5 million in 2020. Currently, approximately 75 per cent of Indian internet users are between 15 and 34 years old, the demographic most likely to shop online. A number of factors have pushed online sales growth, including the increasing trend consciousness of younger Indians, as well as peer pressure among young middle-income earners. Although the growth so far has been rapid, the potential for India's online retail market remains huge.

In the next two years, as India hits more than 500 million internet users and online retail sales skyrocket, there will be a major boost in investment in e-commerce. The top category for online sales is travel and ticketing, accounting for 70 per cent of online purchases by Indians. Online portals for cars, jobs and match-making are also very popular. However, online sales figures for clothing, accessories and toys are still small compared to those in Australia or North America. India's top e-commerce sites find that a third of their sales are made through their mobile apps and not their full websites, with customer feedback citing the simplified browsing and payment methods as key conveniences of mobile shopping.

Most popular Indian social networking sites and apps:

- **Facebook** – With 108 million users, India has the second-largest number of Facebook users after the US, and Facebook advertising in India will reach a broad but young audience.
- **Twitter** – With 33 million active users (defined as users who use or contribute at least once a month), India is home to the second-largest number of Twitter users. It is a useful marketing avenue especially if using a celebrity endorsement.
- **WhatsApp** – 65 million users (largest usage of any country in the world) and is used by some businesses as a direct message marketing tool.
- **Hike Messenger** – Gained 35 million users in 18 months, making it one of the fastest-growing mobile apps in India. It incorporates a patent-pending SMS conversion tool so that messages can be shared equally between 3G/4G devices and 2G-only devices. This is critical as although mobile phone use is common, Indian users commonly deactivate the data function on their mobile devices to save money.

Most popular online shopping sites (B2C):

- **Flipkart.com** – Sells a wide variety of products and carries its own line of electronic goods.
- **Snapdeal.com** – Also sells a wide variety of goods and has acquired a number of smaller e-commerce sites as well as FreeCharge.com, a large Indian online payments system company.
- **Amazon India** – Expected to be the largest Amazon market outside of the US with the parent company expected to invest USD 5 billion.

How India is different

The growth potential for the Indian online sales market is almost infinite, with existing vendors courting more investment to expand their platforms across more devices. But significant barriers to growth remain, stemming from a lack of physical and digital infrastructure in India. Limited internet access and penetration, low e-commerce volume, multiple payment models (including cash on delivery, credit card and wire transfers), logistics and fulfilment challenges, higher rates of return orders and low average order value are all putting pressure on the profitability and viability of B2C e-commerce businesses. Some of these barriers to success can only be addressed by emerging government policies aimed at addressing regional and rural road, rail, energy and digital connectivity in India. The Modi Government has cited these as critical priorities, suggesting that trends in e-commerce could be supported by increased infrastructure development.

The Indian e-commerce landscape is very different from Australia's. Australian businesses need to adapt and tailor their offerings in India, as Indians have defined preferences. It is also important to consider the types of products Indian customers are willing to buy online. Retail in India is generally dominated (91.6 per cent) by small independent retailers, with a small number of larger bricks-and-mortar retail outlets holding eight per cent of the total market. Additionally, as mentioned earlier, payment methods for online sales are not streamlined. Some key characteristics of the Indian e-commerce market identified by Boston Consulting Group are:

- Indian online shoppers are increasingly more likely to shop on their mobile phones than on a desktop or laptop computer, especially in less urbanised areas.
- Product markets that are dominated by online sales in more developed markets like Australia and the US have weak online sales in India. This includes sales of books, clothing and toys, which are all sold at low prices by small independent, non-branded suppliers.
- Credit and debit cards are less commonly used by Indians than in more developed markets. Approximately 50 per cent of the population do not have access to bank accounts. Hence, the telecommunications revolution in India has taken place at a much quicker pace than the banking revolution. Consumers are also wary of making online payments due to concerns about cyber security. Cash on delivery will therefore be a key mode of payment at lower ends of the market for a number of years to come.

Online business models in India

1. Marketplace – Sellers often partner with large marketplaces to set up an online store on a large e-commerce website. Sellers manage their own inventory and drive their own sales. The marketplace itself provides the advantage of attracting high browser traffic and provides sellers access to its wide distribution network. It also controls a potential customer's user experience and sellers have less input on pricing. Leading examples of such marketplaces in India are Flipkart and Snapdeal.com, both of which have attracted large investors from around the world.

2. Self-owned inventory – Sellers sell their stock to major e-commerce players who then own the inventory. In this system, the customer's user experience is a top priority, with post-purchase experience and fulfilment tending to be higher. Operationally, this model is more seamless than in a marketplace, with better inventory management since the one operator controls the location of the inventory, supply chain and delivery. However, the e-commerce operator retains the ability to mark down the price of the product, which can be a risk.

3. Private label – Sellers set up an e-commerce site to sell their own brand of goods. Margins in this model are often higher than when a third party sells your brand of goods. Sales volumes may be lower, however, depending on how well you are able to drive traffic to your site and how wide your product range is. Australian businesses should note that companies trading solely through their own website must still register a physical address in India.

4. White label – Sellers sell their non-labelled goods to a third party with a well-known brand, which can determine how the goods are branded and on-sold. The third party is responsible for marketing and generating website traffic, while also managing payment services. Good third-party sites often already have an established audience and a strong track record of retaining customers' trust and loyalty. The brand and product experience is enhanced in this model of e-commerce.

- These differences mean that the formula for e-commerce success in Australia and other developed nations is very different to what will work best in India. Business-to-consumer (B2C) e-commerce leads the market in India, while any business-to-business (B2B) online sales are confined to businesses looking to integrate with their partners and distributors by communicating and trading through online channels, to help drive efficiency in the supply chain. The biggest challenge is refining your digital business strategy and making adequate investments in people, processes and technology to engage with the appropriate target customers across different channels. Australian businesses that have done their market research have an advantage over typical Indian suppliers here, as the Australians have more experience with online marketing and sales.

Snapdeal, Flipkart and Amazon India are the three most popular B2C e-commerce sites in India. All three sell a wide variety of products. Flipkart and Snapdeal in particular have attracted investment from international funds and venture capitalists. More e-commerce sales are coming from smaller cities in India, where brand acquisition aspirations are high but access to traditional high-end shops is limited. Indian e-commerce companies report seeing a rise of 30 to 50 per cent from many of what they define as Tier 2 and Tier 3 cities. Weddings and festivals have always been big business in India and younger consumers are increasingly looking online for wedding and festival-related vendors for the ease of shopping online compared to in-store. Free shipping is also reasonably common to many online retailers in India, which makes shopping online even more attractive to local consumers.

Online sales payment

As stated previously, Indian consumers rarely use credit and debit cards to pay for online purchases, with cash on delivery and third-party payments the most popular options. This is because of Indian consumer concerns around credit card fraud and being sent bogus goods.

Cash on delivery can involve cash, a cheque or money order payment made directly to the shipping company's representatives when the goods are delivered. This is popular in India as it allows consumers to check the quality and authenticity of the purchased products before they pay for them. Higher costs accruing from labour and longer wait times for payment are the negatives for sellers. There is also some risk in managing your inventory, especially if goods that are returned do not arrive back at the warehouse.

Third-party payments are made through independent companies such as Paytm, CCAvenue and PayPal India. Payment is made to the licensed third party and when both the buyer and seller are satisfied, the funds are released to the seller. India's major banks, ICICI and HDFC, also offer payment gateways which you can incorporate into your website. However, the set-up fees for the gateways can be between two and five times as much as other independent providers'.

3.3 DIRECT SELLING

Making direct contact with buyers and end users is another option for selling your products in India. The direct selling industry started to take off in the 1990s, when large global direct selling companies like Amway, Avon and Tupperware established Indian operations. Today, annual revenue from direct sales in India amounts to around INR 72 billion ($1.5 billion), the majority of which is generated by large international players, which together account for 95 per cent of direct sales in India. Maharashtra, Tamil Nadu, Kerala and Andhra Pradesh are the states in which the majority of these sales take place. These days, growth in this market is largely evident in Tier 2 and Tier 3 cities.

Cosmetics, personal care and other health and wellness products are the most widely traded direct selling products in India. Cosmetics and personal care alone accounted for 35 per cent of the direct selling market in 2014, or INR 23.5 billion ($446 million). Home care and home improvement products are also becoming more popular with increased consumer awareness about cleanliness and hygiene. Direct selling also has added benefits for the community, providing rare self-employment opportunities for women in particular. There are just under four million female distributors in the direct selling market, accounting for about 60 per cent of the total number of distributors in India.

The direct sales market in India is expected to reach INR 645 billion by 2025. The same forces driving economic growth across India will aid this industry as well. These include increasing disposable incomes among a growing middle class, which in turn is increasing urbanisation and promoting modern lifestyle changes. Among the challenges facing the direct selling industry is the absence of a systematic policy and a defined regulatory framework to oversee the industry. There is also a lack of clear parameters to differentiate direct selling from 'Ponzi' or pyramid schemes. There are numerous consumer protection laws in India, and because courts often find in favour of the consumer, it is worth researching these laws and obtaining professional legal advice before you begin selling directly to consumers.

Selling direct to an Indian retailer: Australian exporters may sell directly to Indian retailers or retail chains when consumer products are involved. To do business this way, Australian exporters must travel to India and make contact with retailers. This should be supported by material such as brochures, catalogues and samples. There should also be follow-up contact with retailers to ensure they know your products well and can sell them effectively. The retailer may have input on the development of products, pricing and marketing. Selling directly to retailers generally reduces commissions, reduces travel and reaches the market more effectively. You can also use an agent or distributor to get your products to a retailer.

3.4 FRANCHISING

For Australian brands looking to bring their goods and services to India, franchising is a useful and proven expansion technique. Franchising provides access to local capital and local knowledge of consumer habits, retailing practices and real estate opportunities. Franchising has become very popular in India, particularly in the food and beverage industries and in retail and business services. There are no specific laws regulating franchising in India, which means you should seek professional legal advice to help your business navigate the complex contractual, corporations and property laws that will apply to any franchising operation.

3.5 MARKETING

India is one of the largest consumer markets in the world, with its population of middle-class consumers expected to reach 200 million in 2020 and 475 million in 2030. But it is a complex and diverse consumer market, and it is vital to tailor your marketing strategies and even your products to local preferences. In addition to intense competition from both small and large local retailers and international companies, you must consider the diversity of cultural backgrounds, differing levels of wealth and sophistication, and the sheer size of both the population and land mass.

The best way to deal with the complexities of the Indian market for marketing and advertising purposes is to invest in and hire local knowledge. Both Indian and international companies specialise in marketing in India. A comprehensive marketing plan that considers core elements such as your brand, stakeholder management, public relations, media (including digital and social media), and your product/brand value proposition is critical. Be aware, however, that you will need to continually reassess your marketing strategy and plan. The Indian socio-economic environment is constantly evolving and changing, which in turn impacts on consumer choices. You should be particularly mindful of factors including:

- **Brand awareness:** Indian middle-class consumers place strong importance on brands, particularly luxury brands. Status is a key factor – many people will buy luxury goods not because they necessarily like them, but because they are representations of success. Make sure you have a specific strategy focusing on brand localisation, brand building and awareness creation. New entrants to the market with a recognised brand may wish to consider a product launch or media conference to announce their arrival in India.

- **Price consciousness:** For everyday commodities, price is an important consideration for Indian consumers, particularly at the lower-middle class and lower-income levels. As opposed to status items on which wealthier Indian consumers are willing to spend more, non-status items are likely to be chosen based on price. This can impact on even well-known brands, whose makers may have to develop a lower-cost alternative to their most popular products to address the Indian market's price sensitivity.
- **Demographic dynamics:** India's middle and upper-middle income households in larger cities are demanding quality across a wide range of products and services, especially those that focus on health and wellness, as well as education. Increasing awareness and knowledge of health, hygiene, cleanliness and personal care has driven up the demand for household cleaning supplies, wellness foods and personal care products. Demand for soaps and cleansers has risen at an average rate of 10 per cent each year since 2011. Tags like 'organic', '100 per cent natural' and 'Brand Australia' resonate well in this market. Education is also a priority for middle and upper-middle income Indians. Demand for education-related goods and services covers the gamut from education software for secondary and tertiary education in India, to vocational training and higher education opportunities in Australia. The rural consumer market in India, comprising 700 million people, is largely underserviced at the moment for health and wellness goods and services, education and other consumer goods and services, leaving ample opportunity for growth.
- **Logistics:** As explored earlier in this guide, India is still a developing country with a less sophisticated logistics supply chain than in Australia and many of Australia's traditional, more developed export markets. Less-developed infrastructure in some poorer regions in particular may cause delays in getting goods to markets and consumers. This should be considered when deciding where and how to sell in India, particularly if you are trading in perishable items.

Given the size and diversity of India, it should be viewed as a group of markets, each with thousands of different outlets for goods and a broad mix of channels, including large chain stores such as D-Mart and those owned by the Future Group, small independent retailers (local mum-and-dad stores), and on-premises (restaurants, schools and internet cafés). Be aware that different regions have different tastes. Cosmopolitan cities such as Mumbai, Pune or Bangalore, for example, may have more sophisticated and educated consumers with relatively high incomes and a desire for the latest trending items. Less-developed cities with lower income levels and less exposure to Western media, for instance, may be less drawn by trends and require more price-competitive options.

Trade shows and exhibitions: An effective way to reach potential new customers is to visit one of the many trade shows and exhibitions that are frequently held across India. Variants of these occasionally take place in Australia's major cities. Although consumers may come to look at your product, you still need to persuade them to buy it. It is not necessary to translate your sales and product literature or technical specifications when advertising in trade journals, participating in trade shows or organising technical seminars. However, it is worth checking whether the trade fair organisers feel that their particular audience will require a translation. It can be helpful to have a bilingual representative or interpreter at your stall and, if you are unable to attend, a senior representative of your business. This can establish your reputation and trustworthiness in the eyes of Indian consumers. The India Trade Promotion Organisation (ITPO) is the Indian Ministry of Commerce and Industry's official trade promotion agency, and can be a useful resource. For more details go to www.indiatradefair.com/.

Product and service adaptations: You may need to adapt your product to meet Indian preferences or requirements. Adapting to local regulations, tastes and cultural preferences vastly improves your chances of success.

Brand marketing and advertising: Language, culture and symbolism need to be considered when marketing and advertising in India. Generally, you can preserve your English company name when trading in India. However, if you choose to adopt a name with a more local flavour, seek trusted advice before you register the name. Your company or product name may have an embarrassing or negative meaning when directly translated to Hindi or other languages. This can have a substantial impact on sales, with customers, distributors and agents all avoiding your product. Also consider the regulations stipulating how much the name of the company must reflect the business you are engaged in before you register. Entrepreneurial and innovative sentiment is strong in India, and names indicating excellence, power and sophistication are well received. In the health and wellness market, however, names referencing peace, soul, happiness and freedom will be popular with consumers. Given the different symbolism, writing system (if you are advertising in Hindi or another local language) and cultural nuances, you should consider engaging an advertising or marketing company that has had success in India.

Symbolism is strongly emphasised in Indian culture, with meanings associated with numbers and colours. Not many colours have negative connotations, but you will notice that vibrant colour is a core component of all festivals and celebrations in India. Black however, is best avoided, as it denotes darkness and evil. White is associated with death and worn by traditional widows, but is also associated with positive traits such as purity and truth and

CASE STUDY

GooRoo Advertising

Rod Vallis, Creative Partner

Cultural sensitivities play an important part in creating an advertising and marketing strategy in the ancient-meets-modern melting pot of India. “While on the one hand you have a booming class of people living very modern lifestyles and enjoying Western tastes and cultures, on the other hand, you have a 6000-year history of tradition and heritage that you have to treat with respect and sensitivity,” says Rod Vallis, Creative Partner of GooRoo, an Australian advertising agency operating in India.

GooRoo is a creative agency providing advertising advice and services to Australian companies operating or selling in the Indian market. Its three partners – two Australian and one Indian – met while managing global advertising agency Ogilvy’s Global Creative Hub in Bangalore in the 2000s and decided to set up a firm in Bangalore in 2015. Their unique approach arms Australian companies with the knowledge and insights of a local company.

“The advertising landscape in India is highly developed and the standard is quite high,” notes Vallis, who stresses the importance of adopting both traditional and social media strategies when marketing in India. “We’ve seen a real surge in the effectiveness of social media marketing in the last two years, especially in the last six months.” Vallis advises that many of the platforms Australians are familiar with at home are just as popular in India, and that with the rapid uptake of smartphones, Indians are finding more ways to engage with new products and services. “It is a hallmark of the culture that Indians love being part of a conversation, so social platforms will always be extremely popular here.”

www.goorooadvertising.com

Vallis acknowledges that Australian businesses are often put off by an expectation that setting up a business will take longer in India than elsewhere in Asia, but emphasises the relative ease of doing business once up and running. “In India, people compare themselves to China all the time and see [China] as a benchmark to beat,” observes Vallis. In his experience, this competitive nature makes many locals amenable to not only doing business with foreign companies but also to buying foreign goods and services.

Vallis also praises the positive business atmosphere Prime Minister Narendra Modi’s policies have created in India. “Foreign direct investment is a lot less restricted now and greater foreign ownership is encouraged,” he says. For this reason, the local accounting firm advising Vallis and his business partners recommended that GooRoo set up as a wholly foreign-owned subsidiary, allowing them to take advantage of the relaxed foreign ownership rules in their industry. “Getting advice from a local accounting firm that Austrade recommended was very helpful to us in performing our due diligence and making sure we picked the best business structure for the way we wanted to operate,” Vallis added, acknowledging the helpfulness of various Australian state and federal government resources on the ground in India.

Overall, his years of experience have taught Vallis that although processes can become protracted in India, and that at a superficial level the business and bureaucratic landscape appears to be chaotic, it is still a great place for Australians to do business.

“Indians are proud of their work and the contribution that they make to the system,” says Vallis. “If that means things take longer because more people have input into a process, that is something we simply need to take in our stride in order to access all the opportunities India has to offer us.”

therefore a popular choice among many politicians. The numbers zero, one, two and three are viewed positively – particularly three, which features heavily in many Hindu cultural and religious practices.

Advertising is subject to some regulation in India. Enforcement of these regulations is not as strict as in some other countries unless an advertisement incites public outrage. Advertisements must be truthful, meet general standards of decency and not objectify women. There is also emphasis placed on ensuring that advertising is safe for consumers, especially children, and that it maintains fairness among competitors.

How to advertise and use media: In addition to seeking guidance from a local advertising company, Australian businesses should consider Hindi or other language publications to promote their products and services. Below is a list of the most common media outlets across India:

Most common Indian media outlets

TV AND NEWSWIRE

- English: NDTV 24x7; CNN-IBN; Times Now
- Hindi: India TV; NDTV India

GENERAL NEWSPAPERS

- Times of India (English)
- The Economic Times (English)
- The Hindu (English)
- Dainik Jagran (Hindi) – most read newspaper in the world with daily readership of over 16 million
- Hindustan (Hindi)

ENTERTAINMENT AND INFOTAINMENT

- Zee TV
- Star World
- NDTV Good Times

3.6 LABELLING REQUIREMENTS

India has strict rules for product labelling, particularly when dealing with vegetarian and non-vegetarian food indicators, as well as food safety. Labelling requirements vary between three primary product categories: pre-packaged food, wholesale packages and primary food.

Indian Customs inspect all imported items to ensure that they are correctly labelled before allowing them to enter the retail market. All pre-packaged goods intended for retail sale, directly or otherwise, must have the following information clearly stipulated on the label:

- Name and address of the registered importer
- Common name of the commodity packed for import
- Net metric quantity of weight and/or measurements (as appropriate)
- Month and year of manufacturing, packing and importing
- Maximum retail price at which the packaged products can be sold to the final consumer, taking into account taxes, freight charges, advertising, repackaging and commissions to distributors or agents.

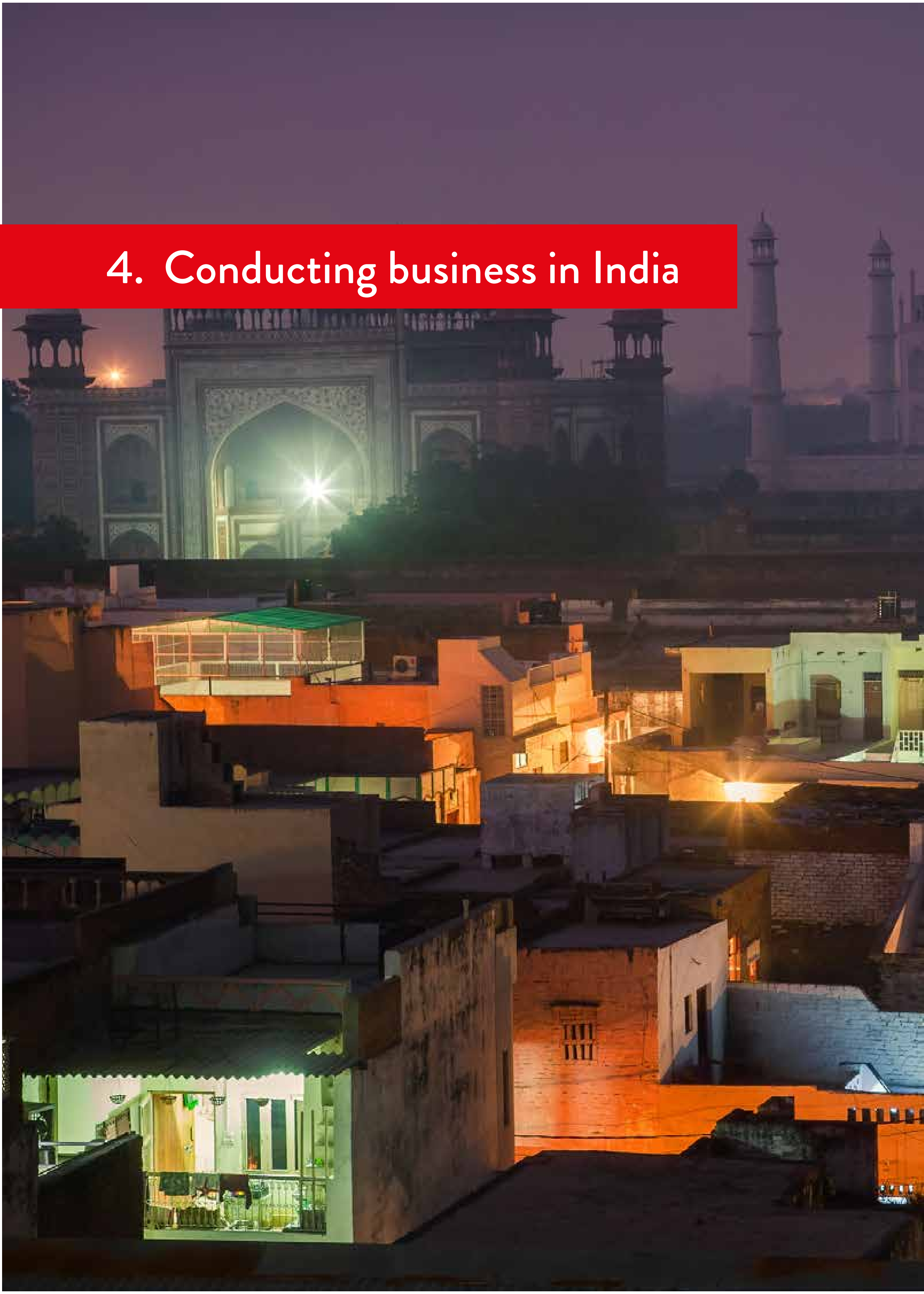
The information may be printed in English or Hindi, either on the packaging itself or affixed to any additional wrapping within which the imported package will sit. The threshold for raw materials or components of a product that will be processed further before sale is lower. Always remember to pack your consignment thoroughly and tightly. Packages may be handled roughly by customs and other handlers, and it is not uncommon for packages to be left in the open air for longer than you would expect, especially if there is a backlog of shipments to approve. Further detail on Indian import regulations can be found in Chapter 5 of this guide.

LABELLING REQUIREMENTS FOR FOOD IMPORTS INTO INDIA

Sl No	Category	Information required	Where is information required?
1. Labelling requirement in case of pre-packaged food *(or pre-packed food including multi-piece packages and canned meats)*			
1	Name of food (product name)	XYZ	Original packaging only (i.e. primary packaging). May be printed with ink jet or laser printer on primary packaging
2	List of ingredients (not required in case of single ingredient)	In descending order	
3	Nutritional information (values)	In descending order	
4	Manufacturer's (i.e. producer's) name and address	With a prefix of 'Mfd by; / Prd by; / Pkd by' Complete address	
5	Net quantity (i.e. net weight of product)	In case of prefix of 'Lot No: / Batch No:'	
6	Lot / batch number	With a prefix of 'Lot No: / Batch No:'	
7	Date of manufacture (i.e. production date)		
8	Best before or use by date or date of expiry		
9	Veg / non-veg logo	Suitable / not suitable for vegetarians	Primary packaging or separate sticker
10	Importer name and address	With a prefix 'Imported by:' Complete address	
11	Importer's FSSAI licence number (will be considered as rectifiable labelling defect from 1 July 2014)		
2. Labelling requirement in case of wholesale packaging *(including semi-finished/intermediary food products which will be further processed to make final product and packed as pre-packaged food and wholesale packs of meat)*			
1	Name of food (product name)	XYZ	Original packaging only (i.e. primary packaging). May be printed with ink jet or laser printer on primary packaging
2	List of ingredients (not required in case of single ingredient)	In descending order	
3	Manufacturer's (i.e. producer's) name and address	With a prefix of 'Mfd by; / Prd by; / Pkd by' Complete address	
4	Date of manufacture (i.e. production date)		
5	Best before or use by date or date of expiry		
6	Importer name and address	With a prefix 'Imported by:' Complete address	Primary packaging or separate sticker
7	Importer's FSSAI licence number (will be considered as rectifiable labelling defect from 1 July 2014)		
3. Labelling requirement in case of primary food *(including food whole carcasses imported in package)*			
1	Name of food (product name)	XYZ	Original packaging only (i.e. primary packaging). May be printed with ink jet or laser printer on primary packaging
2	Manufacturer's (i.e. producer's) name and address	With a prefix of 'Mfd by; / Prd by; / Pkd by' Complete address	
3	Date of packing		
4	Importer name and address	With a prefix 'Imported by:' Complete address	Primary packaging or separate sticker
5	Importer's FSSAI licence number (will be considered as rectifiable labelling defect from 1 July 2014)		

Source: Austrade, via the Food Safety and Standards Authority of India

4. Conducting business in India



Conducting business in India for the first time will involve many challenges – and not many shortcuts – on the way to success. But if you get it right, the rewards could be great. Among your first key goals should be to gain an understanding of Indian business etiquette and culture, and how it differs (vastly) from Australia's. You will also need to think about how to develop business relationships and choose business partners, how to negotiate with Indians, hold meetings and carry out due diligence. This chapter will help to guide you through the essentials of conducting business in India.

4.1 INDIAN CULTURE AND BUSINESS ETIQUETTE

Indians are strongly guided by their respective religions and their shared values. Respect for elders and hierarchy are core values that permeate all aspects of Indian society. Indians also place huge importance on family and community. And as in many Asian cultures, the concept of saving face – avoiding blame or any type of shameful situation – can influence decision-making processes and affect your business dealings in India.

India is a relatively conservative society, and it is important for visitors to be respectful of societal norms and traditional values, which continue to underpin many customs and business practices. Younger Indians are less particular about decorum than older generations, but will still adhere to many traditions and conventions, especially when around superiors or elders. Positions of power and authority are highly valued and revered. At the same time, Indians are proud of being citizens of the largest democracy in the world and consider their rights under this system paramount. Key principles of democracy, such as the right to speak freely, can become exaggerated in a business context. It is not uncommon for middle managers to seek time with the CEO to air grievances – whereas in Australia, by contrast, it might only be appropriate to share grievances with a direct superior or a human resources representative.

Building good business relationships and trust are important in India, so you should expect to spend plenty of time at meetings, dinners and social clubs with potential business partners. In a first meeting, let the Indian host guide the initial stages of the conversation. Follow his or her lead as to when the small talk should end and the business discussion should begin. As in some other Asian cultures, Indians like to develop a personal connection first. So expect to be asked – and prepare to ask your own questions – about family. Try to find a connection with your Indian counterpart and make a note to remember it. For example, if he or she has a child or grandchild, remember the child's name and ask about his or her well-being each time you see your contact.

Key success factors for conducting business in India:

- Learn and understand the culture
- Having an Indian person's perspective and insider knowledge is valuable
- Be adaptable and have flexible plans if things don't go your way
- Research widely – location, competitors, the market, business partners, negotiation plans
- Build relationships with key decision makers
- Practise due diligence.

Indian cultural values to note when doing business:

- *Relationships:* The need to develop and maintain relationships is essential in all contexts, including business dinners, emails, meetings and negotiations.
- *Hierarchy and respect:* People are valued for their titles and seniority. Show respect at all times.
- *Loss of face:* The concept of face is less important in the Indian business context than it is in some other Asian cultures. Indian businesspeople do not shy away from offering direct opinions and criticisms. However, it is important for foreigners to always express criticism and disagreement in a professional and polite manner.
- *Trust:* It is built through personal connections. Be open and try to remain open when you are asked about your personal life.

Greetings and titles: A handshake is the standard way to greet men and women in a business setting, whatever their age or seniority. When meeting with small independent retailers in non-urban areas, you may be greeted by your potential partner with the word *namaste* (pronounced nah-mas-tay). You may reciprocate by repeating the word, with the palms of your hands together and a slight bow or nod of the head. More traditional Indian women will likely use this greeting with foreign men and, similarly, traditional Indian men with foreign women. An extra display of courtesy in the presence of an older person will also bring you favour. Often people will slightly nod or bow their heads when shaking hands, particularly with senior figures. Business cards are then generally exchanged before seating. When offering and receiving business cards, use both hands, or your right hand with your left hand supporting your right forearm. The left hand is considered unclean and as such, should never be used alone to offer or accept a handshake, drink, food, money, gifts or business cards.

You may observe junior Indian colleagues addressing their superiors by their first or last names, followed by sir or madam. As a foreigner, however, you must appear to be the lead decision maker when meeting with a potential partner and it is acceptable to simply address senior men and women using their honorifics (Dr/Mr/Ms) and their first names or surnames – unless you are invited to do otherwise. In some negotiations, it can be advantageous to suggest that you are a senior representative, but perhaps not the final decision maker. Negotiations are explored later in this chapter.

Body language: Indians tend to value their personal space and are generally not prone to making much physical contact. However, it is not uncommon for Indian men to engage in friendly back patting. This is a sign of friendship and a positive signal for your working relationship. Indians are generally expressive and use body language to convey messages that are not always verbal. It is always best to clarify verbally if you think you are getting a "yes" response. Like most other nationalities, Indians do not appreciate being summoned. Hand gestures motioning someone to approach you are best avoided.

Showing the soles of your feet or your shoes, or pointing your feet towards anyone, is considered highly disrespectful and insulting in India, as is stepping on or over papers, books, religious offerings on the ground – and especially people. Hence, you should avoid pointing your feet towards anyone and keep them flat on the ground when you are seated. If possible, walk around books or papers on the ground in front of you, or pick them up in order to walk through. If you are entering someone's home, offer to remove your shoes. Increasingly, however, many Indians will suggest you keep your shoes on. Even then, if your host is barefoot, taking off your shoes will be well regarded by your host.

It is rude to touch anyone's head. Pointing with fingers is also disrespectful; if you must point, use your thumb, with the rest of your fingers curled into a fist, palm facing upward. You may also gesture politely to someone or something with an open, upward-facing palm.

Business cards: These are essential when conducting business in India and must be handled with respect. Make sure your card includes your name, company name, position and email address, all in English (it is not necessary to have your card translated into Hindi). A website address is also helpful. If you have a higher degree such as a masters or a PhD, you may wish to disclose it on your business card, as it will earn you greater respect in India. Take plenty of cards, as it is not uncommon to give out dozens of them in one night at a networking event.

When presenting your card, do so with both hands holding the card at the top in between your thumb and index finger with the writing facing the recipient. After receiving a business card, spend a few moments examining it, providing positive feedback with a smile, before placing it either in your chest pocket or in front of you at the table (putting it away at the end of the meeting either in your chest pocket or business card holder). Never place business cards in your pants or skirt pockets in front of your hosts – even if it is in your wallet at the time – as this can appear disrespectful.

Corporate culture: Depending on the type of Indian business you are dealing with, it is not common for middle management to have decision-making autonomy. Make sure the person you are negotiating with is senior enough to commit to business and partnership decisions. Do not begin business meetings by getting straight to the heart of the negotiation. Take a short time to ask personal questions about your contact's family and background, covering topics such as how long they have worked in the company or industry and where they grew up.

Do not expect negotiations to be completed at the first meeting. And be aware that Indians are reluctant to say "no" – you may be told that something is possible even when it is not. Asking for further detail about how something will be done could help to uncover whether your contact will be able to fulfil your needs. On the other hand, you may be told something is impossible to do if your contact thinks it will be expensive, complicated or tedious. Ask again firmly, but with a smile if you think that your request is a reasonable one.

Foreigners accustomed to transparency in business will take time adjusting to the Indian style of deal-making. It helps to try to understand what personal or corporate interests may derail the deal and start working to neutralise these where possible. Although a strict hierarchy is adhered to, a decision maker's subordinate is capable of derailing the deal, given that Indian business people and bureaucrats listen to underlings with vested interests far more than their foreign counterparts do. It is therefore important to understand the role and dynamics

Meeting and greeting:

NAMASTE (NAH-MAS-TAY)

For hellos and goodbyes, place the palms of your hands together, fingers touching and pointing to the sky. You can nod or bow your head slightly if meeting someone in a very senior position.

RIGHT HAND

Use the right hand or both hands, never the left hand as it is considered unclean. Use your right hand for offering and accepting gifts, food and drink, money or cheques and business cards. If your host is eating with his/her hand, follow suit but use only your right hand.

BE MINDFUL OF YOUR FEET AND SHOES

Be aware of the way you cross your legs, ensuring your toes or your soles are not pointed towards anyone. Keep your feet flat on the ground as far as you can. If your feet or shoes touch someone else, apologise immediately instead of letting it go unnoticed. If you are in someone's home, remove your footwear before entering. Even if you are barefoot, always walk around someone or something instead of stepping over.

POINTING IS RUDE

You may gesture with an open palm or with a closed fist and outstretched thumb.

of all at the table, as well as those who may be absent but influential. The existence of such people can be politely investigated at dinners and drinks. Never adopt a prescriptive tone or attitude in discussions; this will likely be met with instant resistance. For many Indians, such an attitude could seem colonialist in character.

You will likely be offered a hot drink, spiced chai (tea) or a soft drink at a meeting. Try not to refuse what is offered, and be sure to consume some of it. Your cup or glass will most likely be refilled when you have emptied it.

Schedule more time than is necessary for your meeting. This will help in case either you or your contact is delayed. Traffic problems in major cities like Mumbai are severe, so lateness is common. Make a concerted effort to be on time for formal business meetings, but be aware that they will not always start on time. Indians are less constrained by time than Australians.

Dress code: Conservative, professional attire is expected in the business setting, although this can differ depending on the season and the city. Men should generally wear a suit (with tie) and women should wear a business dress or a suit with a blouse (not low-cut and, in the case of skirts, not too short). In summer, however, it is more acceptable for men to not wear a jacket. Women should avoid wearing short outfits or exposing their shoulders. Your host may be informally dressed but he or she will likely expect new guests to be formally attired. Dressing down can occur eventually as mutual familiarity is established.

Foreign businesswomen in India:

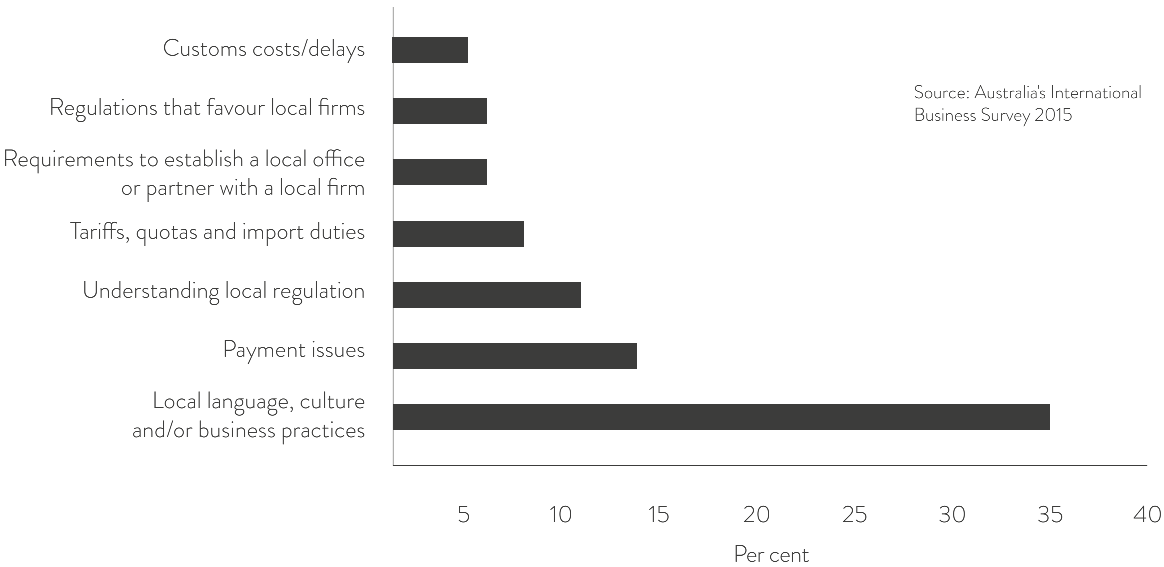
Indian women are well respected in the workplace, especially in larger cities where the middle classes are well educated and most women work. However, like in many other countries, there are fewer women in senior leadership positions than men. Older Indian generations have historically upheld patriarchal values, except in Kerala (southwest India) and Manipur (northeast India), where some communities are matrilineal.

Gender bias in the workplace is similar to what women experience in Australia. It is in non-work environments in India that foreign women may experience greater gender inequality.

Keep the following in mind as a businesswoman in India:

- Anticipate situations where you may experience inequality. Keep in mind that this may occur not during your business meetings, but in your experience of local culture, at public institutions and in social settings. For example, forms for opening bank accounts and setting up mobile phone accounts often require a woman to include her father's and/or husband's name.
- Dressing conservatively is fundamental to gaining respect across most of India. Keep in mind that women generally experience greater inequality in rural communities than in urban areas. Communities in the northern areas of India tend to be more conservative.
- Differences in attitudes towards women are largely generational. Keep this in mind if you are experiencing reluctance from the head of a business. You may have better luck with his deputy, if he or she is in a position to make critical business decisions.
- Be tolerant and respond politely to questions about your marital status and personal life. This may help more traditional Indians to understand you and appreciate your business success.
- If you feel that you are dealing with an older business contact with a highly traditional outlook, explore the option of nominating a male colleague to lead any necessary after-hours fraternising if you have reason to believe this will improve personal rapport and increase the likelihood of your business partnership succeeding.
- Professionalism and respect for local culture and conventions will help you to overcome gender inequality if you do encounter it. Ultimately, providing a product or service that is highly sought after will smooth your business journey in a foreign country.

THE MOST PROBLEMATIC FACTORS FOR DOING BUSINESS



4.2 BUILDING RELATIONSHIPS WITH INDIANS

In Australia's International Business Survey for 2015, 35 per cent of respondents identified 'local language, culture and business practices' as impediments to business success in India. However, given that the survey question represented these three barriers as a single item, it should be noted that India offers the benefit of higher English literacy than many of its Asian neighbours. Some of these obstacles can be overcome by spending extensive time in India and investing time and effort into building relationships with business and government contacts. The strength of your business relationships can determine many aspects of commercial life, including gaining credit, procurement and contracting, as well as the timeliness of bureaucratic processes. Investing in relationships often involves large amounts of 'face-to-face' time with a person of appropriate seniority, with a strong emphasis on building trust and proving loyalty within the relationship.

Australian businesses should also explicitly consider the impact of age, gender, educational and marital status on the formation of personal and commercial relationships in India. For example, younger people are often excluded from decision-making processes in India and are expected to defer in language and attitude to older people. This is changing somewhat as smart, educated young Indians – who are more representative of the consumer market than older Indians – begin joining the workforce. When establishing relationships, remember that if it is a business contact worth pursuing, the people you are dealing with are likely to be evaluating you and your business as well. Expect that your business relationships will have a reciprocal nature and that your contact will want to know what you can do for them and whether they can benefit from your networks in Australia. Be open about what you are willing and able to do and what you cannot do for them.

General knowledge of India: It is helpful to have some general knowledge of India and its culture. This can assist you in establishing an immediate connection with a new Indian contact. For example, an ability to demonstrate knowledge of Indian geography when someone tells you where they were born demonstrates your interest in India and your commitment to doing business there. Such positive signals can inspire your potential partner to be more open with you than they otherwise might be. Travelling around India to develop a connection with the country could therefore serve you well in a business context. Showing ignorance of basic facts about India – for example, if you mistakenly refer to the Hindi language as Indian – may seem small but will not impress your hosts. Also be aware that although Indians may seem to you quick to criticise themselves and their country, they will be insulted by a foreigner doing the same. Peppering your conversation with aspects of India and its culture (business or otherwise) that you genuinely admire, in a natural and sincere manner, can be helpful.

Formal introduction: Indians tend to prefer to do business with people they know, or with whom they have some personal connection. It can help to be introduced to a prospective business associate through an intermediary. If your contact is well respected and has been in a senior position, the likelihood of being introduced to the right people and key decision makers is increased.

Conscious effort: Relationships in India, as in many parts of Asia, are more trust-oriented and personal than elsewhere; a conscious and continued effort is therefore required to develop and maintain them. This will require frequent visits, almost daily communication (preferably CEO/company director to CEO) and plenty of socialising. Always stay at least one night in each Indian city where you have a meeting to allow for social events. After you have established your business, you should continue to send the most senior executive you can to India to nurture and sustain positive relationships and avoid insulting your local contacts.

Gifts: Gifts are not normally expected at initial meetings but can be a positive gesture when you have concluded a business negotiation or when you are marking a milestone in the business relationship. Chocolates, small china or crystal can be appropriate, as can items with significant Australian symbolism or which possess your company emblem. Gifts should be given and received with both hands and should not be opened in the presence of the provider.

When you receive a gift, you should generally reciprocate with a gift of similar value. Try to avoid giving expensive gifts that will make the receiver feel obliged to reciprocate. Also avoid watches or clocks, shoes and sharp objects such as knives or scissors, all of which have negative symbolism or involve superstitions. You should also note:

- Gifts are best wrapped in bright colours
- If more than one person is attending your meeting, the gift should be presented to the most senior delegate
- If you are giving individual gifts to the Indian delegation – do so in the order they were introduced to you. If you do not have enough gifts for everyone, give just one to the most senior person
- It is not uncommon for Indians to refuse a gift at first to be polite, so ensure that you offer a second time
- Always bring a small gift (such as chocolates, fruit or desserts) for the host or hostess if you're invited to a person's house. Do not assume that a bottle of wine will be an appropriate gift unless you know that your host drinks alcohol.

Dining and entertainment: Once you have established relationships in India, you are likely to be invited to lunches or dinners. Entertaining at restaurants, pubs and high-end hotels is very common. An invitation to dine at your contact's home is a signal that your relationship is becoming deeper and that you are a trusted contact. Do not be offended, however, if this never happens in the course of your business relationship; it could simply mean your Indian partner lives in a small apartment that is not conducive to entertaining. But if you do receive an invitation, make every effort to attend. Dinner guests in India often arrive between 15 and 30 minutes after the stipulated arrival time. Remove your shoes before entering someone's home and bring a gift for the host or hostess.

In business negotiations, dining is commonly used to gently probe positions without any formal commitment. Business is generally not discussed in depth during meals; their main purpose is to build trust and relationships. However, business may be discussed if your Indian counterpart initiates it. Business lunches are becoming more popular in some parts of India, but they are generally seen as less important than dinners. Breakfast meetings seldom occur, as poor road infrastructure and traffic delays make them almost impossible to schedule. If you want to impress and flatter your Indian counterparts, ask them to dinner. When attending a working lunch, be aware that they are more formal than in Australia.

Tips

- Indians tend to be open and direct, which can seem insulting. Accept opinions with a smile and if you are disagreeing, smile and do so politely.
- Direct questioning is common in India, so don't be offended if you're asked how old you are and how much money you make. Privacy, especially concerning your personal life, is generally not practised.
- Draw on the informal, personal relationships you have with local cultural informants to understand the hierarchy.
- Identify the key decision makers in meetings or negotiations by observing who walks into the room first, who opens the discussions in the meeting, who sits in the middle of the table and to whom the delegation defers.
- Senior figures generally try to avoid denying a request. A response like "I will try" can be a polite way of saying no. At the same time, at lower levels, you may be told something is impossible because it is inconvenient.
- Always make requests a second or third time, with a polite smile. This will help you to clarify if your needs can be fulfilled adequately or if you should seek a new partner.

Indians are generous hosts, often entertaining foreign business contacts at restaurants in luxurious hotels. Foreign guests should reciprocate by putting on a meal near the end of their visit. Invite everyone with whom you have dealt. Hosts are generally expected to pick up the bill for dinner or other entertainment. As a guest, however, you can insist on paying the bill a couple of times, but know when to give in and offer to pay next time. Hosts must always arrive on time, but slight lateness is forgiven for guests. Seating is important. If it is a large-scale event with a stage, the host sits at the head table with his or her back to the stage, while the primary guest of honour sits facing the stage. At smaller dinners on a rectangular table, the host sits in the middle of the table with the guest of honour seated next to him or her (informal) or across from the host (formal business dinner).

It is not uncommon for a trusted business partner to invite you to his or her home for festivals, family celebrations or even to a child's wedding. Accept the invitation and be open about attending and participating in the dancing, singing and feasting. Indians are exceptionally welcoming hosts and take great pride in including friends and colleagues in their personal lives. These are great opportunities to immerse yourself in Indian culture and, importantly, they represent positive signs for your business relationship.

You should also be aware that:

- Consuming alcohol is forbidden in Islam and this is a rule that a high proportion of Muslims in India abide by. It is best to refrain from ordering alcohol unless your contact suggests that you are welcome to. Also be aware that although the popularity and quality of wine is slowly increasing, good-quality beer and spirits are far more readily available.
- Many Indians (of all religions) use their hands to eat. You should try to follow suit, using only your right hand. Try to use just the first four fingers of your hand and not let your little finger touch the food. Most dishes will be accompanied by a bread such as poori or chapati (broadly referred to as roti or bread). A foolproof way of eating is to break off bite-sized pieces of roti and use these to scoop curries and other condiments. Do not feel too pressured to eat with your hands if you feel like you cannot manage. Waiters and hosts will almost always offer a foreigner cutlery before the meal begins, and it is acceptable to use these even if your host is eating with his or her hand.
- Most restaurants will have more vegetarian than non-vegetarian dishes and these are always clearly marked on menus. Engage the waiter's help if you are not sure what to order. If all your guests are vegetarian, which is not uncommon, make sure you avoid ordering non-vegetarian food.
- Unlike some other countries in Asia, it is not rude in India to finish your plate. Note, however, that a waiter or host may serve you more food to be polite.

- Toasting is not common in India, although the host may raise a glass at the start of a meal and say "cheers".
- If using a toothpick, always cover your mouth with your other hand.
- Do not leave before the guest of honour. If you are the guest of honour, you may like to leave shortly after the meal is finished, unless follow-on entertainment has been planned.
- Dishes served at home will come all at once, with the host placing portions of each on everyone's plates. Be sure to try each dish as a sign of your openness and respect for your host and his or her culture. It is also common for guests to serve themselves at family-style meals. Use the serving utensils provided, serve yourself with your right hand and avoid using your fingers or your own cutlery to help yourself to food.
- The cow is a sacred animal in Hinduism, and beef is not sold or served in most parts of India. However, it is still possible to find imported beef in Goa.

Business partners

Build trust: It is important to build relationships of trust with Indian business partners and to maintain regular contact, including trips to India. Having frequent face-to-face meetings are critical to ensuring you are not missing any non-verbal cues that could be more indicative of the likely success of a project than verbal or written messages. Ensuring the most senior executive of the Australian company is available will help ensure that the needs of your company are prioritised by your Indian business partner. It can also secure reciprocal access to the key decision maker in the Indian business. If you are unable to make available the most senior executive, you might consider giving the less senior person who will communicate most with your business partner a high-status title. Using Skype or video conferencing, rather than telephone calls, can also help you to develop deeper relationships and build trust.

Young Indian entrepreneurs are blessed with a very large domestic consumer market and are less enthusiastic about partnering with foreign firms. With the growth of successful start-up firms in India, smaller companies tend to be more reluctant to enter into partnerships, and can demand higher-priced and higher-value deals. In the absence of exceptionally high quality and high returns from partnerships, they might prefer to grow independently. Australian businesses that offer innovative technology or expertise may fare better when seeking Indian partners, particularly in fields currently heavily subsidised or funded by the Government, such as solar power, agribusiness, pharmaceuticals, aviation technology and transport infrastructure. On the other hand, major, well-established Indian corporations, including Tata and Reliance, are looking to outsource their research and innovation efforts to foreign companies in the hope that this will improve their global competitiveness. Given their size and stability, companies such as these can provide some measure of trust and confidence to Australian companies that deal with them. In these cases, however, it is imperative to include a clause in contracts that establishes which company owns the IP rights for the product or the innovation process.

To find the right partner, it may help to have a designated team, including on-the-ground professional advisers and agents to seek out appropriate targets. The team's primary functions will include conducting a market analysis of players, meeting stakeholders and officials, and building the relationships necessary to begin discussions for any deal. The biggest impediment to success is often insufficient research about the targeted Indian partner – what it lacks, what it is desperately searching for, and where are its weaknesses. The probability of 'clicking' with your partner business is higher if you have that information and can demonstrate how you will fill the gaps. This is particularly critical in India because the middle and senior managers are wary of foreigners who are prescriptive in their approach and communications.

When seeking partners in India, Australian businesses need to think ahead to issues that may arise after the deal is finalised, such as local talent recruitment, management and retention, and building flexibility and adaptability into their business models. Seek out partners that have enough experience in the local industry and familiarity with differences in local market segments to see how to carry through with ideas. Above all, these partners must possess the resources and relationships that complement yours. Any alliance comes with risks, however, and the importance of trust and regular communication cannot be over-emphasised.

Local government and authorities

Rules and regulations can be subject to local variations in interpretation and enforcement. While some regulations are imposed centrally in India, an additional layer of state regulations and laws often apply. This means foreign businesses need to cultivate relationships with local state and municipal government officials. While building connections with an official that goes beyond pleasantries can be helpful for future dealings with the Government, be aware that not all relationships are immediately relevant to a company's needs. Additionally, dealing with the relevant bureaucracy to obtain approvals requires patience and an appreciation that what appears to be an obvious impediment may not be the real reason for delays or rejections. This is where personal relationships can become useful.

Businesses should not underestimate the value of any one relationship. Different civil servants have different areas of responsibility, and they may come into play at any time. You should research the various government agencies to determine which ones will have an effect on your business interests. Two of the bodies that are likely to play the most important roles are the Foreign Investment Promotion Board and the Department of Industrial Policy and Promotion within the Ministry of Commerce and Industry.

The following is a list of the main government agencies and their areas of licensing authority for Australian businesses looking to do business in India:

- **Department of Industrial Policy and Promotion (DIPP):** Creates and implements industrial policy and strategies for economic development. It is the body responsible for formulating policy for foreign direct investment (FDI), intellectual property rights and foreign technology cooperation. It also grants approvals for FDI in India.
- **Secretariat for Industrial Assistance (SIA):** Governs industrial licences, and sits within the Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry. If you are operating within an industry that does not require licensing, you are required to complete and lodge an Industrial Entrepreneur Memoranda (IEM) form with the SIA and wait for its acknowledgement before you commence operations.
- **Reserve Bank of India (RBI):** Regulates and secures monetary stability and performs a similar function to the central banks of other nations. As described in Chapter 2, certain types of foreign businesses establishing offices in India require approval from the RBI's Foreign Investment Division.
- **Foreign Investment Promotion Board (FIPB):** Aims to offer single-window clearance for applications on FDI in India and offers an electronic filing system. FIPB approval is also required for setting up some business structures in India.
- **Registrar of Companies (RoC):** The body within the Ministry of Finance that approves company names and the authority that oversees the registration and/or incorporation of businesses. All new companies looking to establish in India must gain approval from the RoC for the use of their business name before incorporation with the same authority.
- **Central Board of Excise and Customs:** Part of the Department of Revenue in the Ministry of Finance. It regulates import and export policy, including the levies, duties and taxes placed on importing goods into India. The applicability of taxes in Special Economic Zones is also legislated by this body.

4.3 NEGOTIATIONS AND MEETINGS

When it comes to conducting business meetings and negotiations, Indians have a completely different mentality and approach to Australians, and this needs to be well understood by businesses that want to succeed in India. A well-developed understanding of Indians' style of communication will give you a strong competitive advantage in negotiations. So before entering negotiations or making any arrangements, you should learn as much as you can about how meetings are likely to run in India.

Managing business meetings in India

Setting up a business meeting: The first thing to do when arranging a meeting in India is to check both national and state calendars to ensure you avoid public holiday periods, which are numerous. For some holidays, parts of the country can shut down for close to a week. Be prepared well in advance of your meetings. Have a detailed proposition containing the value of your company and product to provide to your Indian counterpart. It is also important to send them as much information as possible in advance. Providing details about the topics to be discussed as well as your company information ensures that the people you want to meet will actually attend the meeting. Be aware that more established Indian businesses can often meet with numerous foreign firms seeking to establish partnerships. For this reason, you may not get a second meeting if you are unable to capture their attention at the first. Note that it is not uncommon for Indians to only confirm a meeting and its time and place at the last minute. This occurs because Indian business people tend to keep their diaries fluid and plan only a few days in advance. This can also be true for government and public service officials.

Before the meeting, make sure you know the language capabilities of your hosts. If you have decided to engage an interpreter, brief him or her in advance so that he or she knows the objectives for the meeting and technical terms that may be used. If you have specific requirements for a meeting room set-up (eg. projector and screen), tell your hosts in advance so they can accommodate your needs.

Introductions: Any meeting scheduled in India is prone to being delayed. You should make all reasonable efforts to be punctual, as your contacts are just as likely to turn up on time as they are to be late. Plan ahead for delays by not scheduling more than two or three meetings on any one day – and only that many if they are within close proximity. When meeting with senior bureaucrats, your meeting could be cancelled even after its scheduled start time. Public officials tend to keep their diaries flexible in case they receive requests from the ministers they report to. Compensate for this by ensuring you plan your trip for longer than you think it will reasonably take to complete your meetings so you can reschedule easily.

When introducing yourself to new Indian business partners, a handshake is appropriate with men. Young and middle-aged women in cities, especially in the corporate world, will certainly be comfortable with a handshake as well. But in other situations, such as a meeting with independent retailers in rural areas or with an older woman, it can be more difficult to predict whether they will be comfortable making physical contact with a man. The safest bet with a female business contact is to let her take the lead – shake her hand if she offers it and offer a *namaste* otherwise. In all situations where you shake hands, ensure you are not too aggressive. As seniority is highly valued in India, it is important to address your counterparts by their titles (chairman, president or otherwise). After establishing who is the most senior person in the room, address them first. When introducing yourself, say your name clearly, and remember to state both the company you work for and your position. Seek advice beforehand, from a local or the party introducing you, on the correct pronunciation of the name of the person you are meeting, and take care to say the name as accurately as you can.

Seating arrangements: In a formal meeting, seating arrangements are similar to those for a dinner. The most senior person from each delegation will usually sit in the middle seat on either side of the table. You may want to ask the host where you should sit if you are not immediately directed to a seat. If you are the host and it is a reasonably important meeting, consider hiring a formal meeting room in a hotel.

Structure of the meeting: It is helpful to share an agenda or at least the objectives of the meeting beforehand, when you are confirming the meeting time. Keep in mind that the primary purpose of the first meeting is to get to know your potential business partner as well as his or her business capabilities, and to establish a common understanding and a foundation for trust. Do not rush into the business discussion. Allow for some small talk and exchange questions about family and history as this allows for the building of rapport. The first meeting is unlikely to lead to an ultimate business decision anyway. It is reasonably common to be interrupted by your Indian counterpart taking a phone call or attending to a question from his or her staff outside the meeting. Your Indian host may even turn around and talk to his or her colleagues in their mother tongue. This is not considered rude; it is just how communication unfolds in India. Don't risk scuttling the deal by showing you are offended; just take it in your stride and always be patient.

The discussion normally begins with general topics, before turning to more specific topics, followed by the purpose of the meeting. You should be prepared to answer specific questions about which areas of India you and your colleagues are travelling to. This helps build relationships and demonstrates your interest in the country. Note that discussions are primarily between the two leaders, although either may elect to include others in the exchange. Select one person – either yourself or the most senior team member – to be your group spokesperson. Australians should try to follow the protocol engaged in by the Indian parties, even though it might feel unfamiliar. Remember not to point, and if you have to gesture to something, always use an open, upward-facing palm or a closed fist, pointing with the thumb.

Interrupting someone when they are speaking in a meeting will be considered rude and should be avoided. Also, don't put anyone on the spot by asking them to provide information they seem unwilling to give, or by challenging someone directly. This could lead to them being embarrassed and losing face, which will not help your business negotiations.

Ending a meeting: Make an explicit request for further information before the meeting ends, if you require it. In any case, it is helpful to send your contact an email after the meeting to express your appreciation and to ask for any further information you require from him or her. A simple handshake or namaste can be exchanged, with guests expected to leave the venue prior to the hosts.

Negotiating

In India, negotiations are tackled with distributive (zero-sum or win-lose) and contingency bargaining. The buyer is generally in a superior position although whether or not you are the buyer, you should make reasonable efforts to reach an agreement. Even when the negotiation seems competitive, Indians are somewhat aware of the importance of preserving a long-term relationship but are not always quick to look for a compromise. You can steer the conversation by reiterating what the mutual benefits of the deal are in a non-adversarial tone. Appearing to be willing to compromise, and displays of respectful friendliness, will help you to arrive at a resolution. Although it can be tempting to speak authoritatively or to justify your arguments as being the more logical solution, this will only impede the negotiation. Indians do not like to 'lose face'; losing your temper or showing frustration will only set you back. Find a solution that allows your Indian partner to feel like he is in a winning position, but that you are sure is not a losing situation for your own business. This will mean starting the negotiation at a price or with conditions that are much higher than the price you are willing to accept in reality, in a way that benefits you.

Negotiation in India is primarily seen as a process to build trust – so that the two parties can together achieve an outcome benefiting both, while building long-term trust and relationships. Unlike the Western concept of negotiation – which tends to focus on quick deals, task-orientation and designing an effective contract – negotiations in India are part of an ongoing, dynamic process that is often founded on developing interpersonal relationships. Negotiations can be somewhat slow or protracted, especially when dealing with bureaucrats. When negotiations appear to be stalling for no apparent or logical reason, start to look out for vested interests at play. Find a way to accommodate this without breaking any Indian or Australian laws. Also, don't be surprised if your negotiations do not address topics in the order that may have been stipulated in the agenda or proposal. A complex negotiation may require you to discuss a number of topics in what may seem like a non-sequential manner. One way to manage your own frustration in such a scenario is to bring focus back to what needs to be discussed by emphasising what has already been agreed. Make sure you are keeping track of the bargaining process and not letting the negotiations confuse you. Often it can take several meetings and trips to India before coming to an agreement. Be sure that interpretations of any business deal are consistent and all parties understand their responsibilities.

Fundamentals to negotiating in India

- Be able to see the "big" or "whole" picture – don't be fazed by what might seem like a disorderly negotiation
- Listen and be proactive in building trust through lunches, dinners and social events
- Preserve 'face' – gently probe when you hear "I will try", as it often is a way of saying no while trying not to cause disappointment
- Learn to bargain – expect that the price you settle on may be vastly different to what was first suggested
- Be patient and persistent
- Control emotions and expectations – never show aggression
- Be respectful, trustworthy and sincere
- Have a well-prepared team with senior executives of your company and preferably an intermediary
- Putting more time and money into the negotiation stage – such as travelling to India, and bringing your Indian partner to Australia – can be more beneficial in the long term
- Screen your partner and research their capabilities before entering negotiations
- Be aware of Indian negotiation tactics and don't feel insulted by them
- Identify the key decision makers in the Indian party – if they don't make themselves known, ensure you build rapport with all stakeholders to help you identify their motivations and decision-making process and structure.

These are just some of the challenges you will face as an Australian negotiating in India. Do your research, understand the environment and perform due diligence (see the next section 4.4) as early as possible during the deal process. Some key aspects and principles of the negotiation process in India include (but are not limited to):

- **The intermediary:** It is good to have one who has extensive insight into Indian markets and culture and perhaps even one who can speak the language of the people you are negotiating with – this could help you know what the Indian side may be discussing among themselves. Often these intermediaries are the people who facilitate the negotiation process.
- **Present a unified front:** It is important that you never openly disagree with your Australian business partners, question each other, or discuss any internal issues in front of your Indian counterparts. Saying less is always better than saying too much. Generally there is one designated speaker from each side.
- **Social status is key:** Choose your negotiating team carefully. Make sure it includes people in high positions and authority, and that their status and seniority is comparable to those on the Indian side. Having some lower-level members attending is useful for note-taking in negotiations with larger companies.
- **Trust and interpersonal relationships:** These are just as important to Indian business people as the end contract. Expect to attend various dinners and social events. At these events, some business may be discussed but let your host take the lead on introducing business to the conversation. The main aim of such socialising is to develop interpersonal connections and build trust.
- **Clear bottom line:** Before going into the negotiation, ensure you have a clear figure set in your mind and among your team as the minimum amount you will accept. Also be aware of your value proposition. There will almost always be another business that can provide a similar product or service at a cheaper price than you, so ensure you're able to reinforce why your Indian counterpart needs your particular service or product.
- **Bargaining:** Indians are highly skilled negotiators for whom bargaining is second nature. You can expect that the final agreed price may be significantly higher or lower than the initial price that was tabled. Reinforce the value of your product or service by emphasising quality, or some of the costs such as technical expertise and training. When given a price that you feel is unreasonable, rather than demonstrating frustration, be patient and ask such questions as: "How did you come up with this amount?" Query which competitor has offered that price or warranty etc. This will help you to determine the basis for their figure and how to respond, emphasising your value proposition without loss of face for either party.

- **Pace of negotiations:** Although the pace of negotiations will be slower than in Australia, look for signs of whether the Indian delegation is slowing down the process because they are weighing up your competitors or because they are avoiding committing to a deal with you. If this is not the case, accept that the pace of negotiations is slower than you are used to. Always exercise patience and be persistent with your requests.
- **Big picture and long-term thinking:** Indians tend to think in terms of the whole and the long term, whereas Australians think sequentially and individualistically, wanting to discuss one topic at a time before moving on to the next (for example, moving from price to payment then to delivery). Indian negotiators will tend to discuss the various elements and issues of a deal all at once, jumping from one to another in what seems like a disorderly fashion. Keep track of what has already been agreed and gently steer the conversation with questions, not aggressive statements.
- **Tactics:** Indians employ many of the same negotiation tactics you may encounter anywhere else, including in Australia. Negative behavioural cues, showing disinterest in the conversation and making false demands are all aimed at weakening your resolve. Delivering time pressure or an ultimatum in response to these tactics early in the negotiating process may ultimately backfire. If you do decide to have one person in your team drive the harder bargain, to appear as if you are compromising in reaching a decision that is amenable to both sides, your colleague who has effectively played the 'bad cop' role in your team should be excluded from future negotiations. In some respects, this will signal to your potential partner that you are keen to make the deal work in a win-win fashion.
- **Not saying no:** Listen out for responses like "we will see", "I will try" or "I will let you know". These are often the answers your Indian counterpart may give when he or she really means to say no. Assume this to mean that your request will not be fulfilled.

Positive indicators that the negotiation is on the right track include:

- The attendance of higher-level Indian executives
- Focused questions on specific areas of the deal
- A request for future meetings
- Inquiries on additional options or 'extras' such as overseas trips or training.

Keep in mind that a contract is considered a draft subject to change, even when it has been signed. Do not be surprised if your partner does not adhere to the binding nature of a contract, and instead continues negotiations or changes their mind.

4.4 DUE DILIGENCE AND AVOIDING SCAMS

India's laws are well established and robust. Its judiciary, however, is less efficient and reliable so you will want to do as much due diligence as you can to avoid having to go to court later, and to protect your own reputation and your business. Fraud, scams and corruption are ongoing challenges that Australian businesses wanting to operate in India need to be aware of. Australian firms planning to operate in India should also commit to the highest level of corporate behaviour and familiarise themselves with Australian laws and penalties for bribery. Australian individuals and companies can be prosecuted in Australia for bribing foreign officials when overseas.

There are various ways to carry out due diligence in India. Some are tailored to the mode of entry you choose for India and the business structure you are looking to establish. This section covers common risks to be aware of when conducting business in India and where extra caution may need to be exercised. It is strongly recommended that you seek professional advice to develop specific strategies for your business' unique situation. India has a large number of professional services and legal firms that can assist with due diligence. These range from leading international audit, tax and advisory specialists to private business consultants who have lived in India for some time and understand the processes associated with the extensive due diligence required to succeed in the Indian business context.

Your due diligence process should begin with a basic background check to ensure you carefully choose which businesses you trade with or partner with. Request basic information on their existing customers and ask to inspect their operations. If they will not oblige, you may want to consider looking for a new partner. Critical steps for performing your due diligence on potential Indian business partners, distributors, suppliers or contractors include:

Check their registration: Make sure that the business is registered with the Registrar of Companies and that the description of the business' core activities is in line with what you have been told. If there are major differences, find out why.

Check their finances: Once you are confident that you are dealing with a legitimate company, you should find out more about its financial stability. This can be quite daunting considering the complex legal and banking environment in India, so it is recommended that you engage professional assistance.

- For a listed company, look into the equity structure, capital availability ratio, forms of investment and major shareholders.

Due diligence – check your potential business partner's company registration. This will include:

- The legal representative of the company
- The name and physical address of the company
- The amount of registered capital, which is also its limited liability
- The type of company
- The business scope
- The date the company was registered.

- Financial statements and cash flow statements are hard to access in India, with companies often holding multiple sets of books and accounts. But balance sheets, which provide useful information on current assets, current debts and long-term liabilities, can be obtained. This may require the use of third parties.
- Review documents such as their bank statements, bank loans or credits with any financial institutions or private lenders, debt records, promissory notes, letters of credit, government grants and subsidies.
- Consider if the Indian business has the means to pay you. The best indication of an Indian company's ability to pay is if it is able to raise a letter of credit from a bank. If a company can produce this, the bank will have investigated its financial standing.

Check references and get a third-party evaluation: As in Australia, well-established businesses in India should always be transparent and ready to provide references. Consider the references of suppliers, customers and even competitors. Note that there is greater risk in dealing with a company that has a single supplier or limited market. Depending on the nature of the potential transaction, it would be useful to learn about your potential Indian partner's procurement processes, including quality and frequency, information on their engaged market (sales

channels), market segments, customer numbers and relationships, as well as their connections with key official parties. You should also get a description of their business dealings with foreign companies, request names of coordinators and, if possible, speak to other businesses that deal with them.

You also need to be on the lookout for **counterfeiting**, which is one of the main forms of fraud in India and can include not only fake consumer goods, but money and documentation. This means that adequate investigation and thorough research is required beyond simply reviewing all documentation when considering potential business partners. Fake bank confirmations, credit card receipts and other supporting documents are all relatively easy to acquire. This is one of the most common ways of defrauding firms for cash. Companies looking to commit fraud may suggest that you pay a bribe, which is illegal in both Australia and India and for which you can be prosecuted by Australian authorities regardless of where the bribe was paid. These fake documents are made to look genuine and may include a fake company seal. A licensed lawyer or a due diligence adviser will provide the most thorough means of investigating the authenticity of a company on your behalf.

Conducting due diligence can assist you to ensure that the companies you are dealing with are actually what they say they are. It can also assist you to identify **parasite companies**, which have an excellent relationship with a governmental decision-maker and rely exclusively on that relationship for its business activities. While a good relationship is not a bad thing for business per se, being overly dependent could be problematic and risky, especially when a company relies on a single influential figure for its success. The company may find itself operating in a legally grey area or left in the cold when the government decision maker is replaced.

Keep in mind, too, that **accountancy standards and procedures** are similar but more complex in India than in Australia. Indian accounts (other than in the case of listed companies) are audited less regularly than in Australia and companies may provide different sets of accounts and financial reports to different parties. As a result, it is advisable to use such data with reference to information obtained elsewhere, such as from professional services firms.

Intellectual property (IP) protection is another primary area of concern for Australian businesses. See Chapter 5.1 for IP-specific information.

Local laws and regulations

If you are doing business in India, you need to be aware of both federal laws and state laws, which can vary between states. If you are unsure about the legality of certain business activities under Indian law, you should first seek professional legal advice.

Due diligence and contracts

India's legal system is complex and comprises a multitude of national laws and local regulations, supplemented by court interpretations, departmental notices and, importantly, local practice. The Australian Government recommends that you obtain specific legal advice on the terms, nature and content of a contract no matter its size or complexity. This advice should also be consistent with the legal structures of India and structured for a fair result that protects your interests and avoids any issues regarding language and jurisdiction (should a dispute arise).

In most major cities in India, there are networks of law firms offering a range of legal services. Some of the larger firms now offer a full service package and are capable of assisting clients with complex and large-scale commercial activities in and outside India. If your firm cannot afford professional legal advice, you may need to reconsider doing business in India. Austrade can provide referral lists of India-based law firms that have a track record of working with Australian companies. Additionally, you can approach larger Australian law firms, which may have networks in India and be able to kick-start your due diligence process from Australia before you make a trip to India.

If you're entering into a contract to export goods from India, you should insist on initial small trial shipments to ensure product quality and legitimacy. Austrade suggests employing a good local agent to consolidate, sample and verify goods prior to export to ensure that what you have ordered is what you get.

It is also recommended that you develop an understanding not only of the individual sector you will be operating in, but also your Indian partner's goals and objectives, as they may differ vastly from yours. For example, a state-owned enterprise's focus may be providing employment to the local community rather than increasing profit. Further, ensure that the person you are dealing with has the authority to make decisions and sign contracts by requesting to see copies of powers of attorney and other corporate authority evidence. Limit your exposure in contracts by conducting a thorough risk analysis. Be realistic about the level of risk you're willing to take on. Set milestones for performance and have an exit strategy for each stage of the project, even though you don't plan to use it. Further, ensure that you take a proactive role in the business venture, as projects and sales in India need constant attention and reinforcement for foreign partners. It is also vital to have the governing law agreed and listed clearly in any documentation.

Dispute resolution: Companies involved in international commercial disputes should seek appropriate legal advice in Australia and in the country where the dispute occurred or where the dispute resolution will take place.

A number of international arbitration commissions exist to facilitate international dispute resolution. Deciding which arbitration body best suits your commercial needs is complicated, and requires the balancing of many considerations. Australian companies should seek legal advice when deciding on an arbitration body. The decision will depend on a combination of convenience, cost and the facts of the particular case. While the Australian Government supports the use of arbitration as a method of commercial dispute resolution with foreign companies, it does not endorse one arbitration body over another – whether in Australia or overseas. The contract should stipulate where any arbitration should take place. It is best to avoid arbitration within India to remove any likelihood of courts and arbitrators being biased towards a local company over a foreign company.

Negotiation is fundamental to dispute resolution in India. Most legal advisers will suggest both parties meet and discuss the dispute in a formal manner, with lawyers present, in the first instance. If a resolution is not reached, mediation will take place before formal arbitration becomes necessary. Ensure that your commercial contract contains a clause that stipulates these steps in the event that dispute resolution becomes necessary. Not pursuing the less formal negotiations before the more formal arbitration has the potential to exacerbate a commercial dispute. It is best to raise the problem with an Indian partner and obtain his or her agreement that it needs to be addressed in formal discussions, with legal advisers present.

Always maintain the focus on finding solutions and your commitment to finding a middle ground by maintaining communication and explaining the difficulties that the issue is causing your company.

Above all, try to avoid commercial disputes. In addition to conducting due diligence:

- Make sure you have clearly defined contract terms with all the parties' key rights and obligations outlined.
- Specify in the contract the applicable dispute resolution procedures in the order in which they will be pursued, with arbitration following formal discussions and mediations and litigation forming a last-resort option.
- If you have a version of the contract that is not in English, agree on which language version of the contract is to prevail in the event of a discrepancy. Careful and thorough translation is crucial.
- Make certain your project is economically viable on its own terms. Do not rely on the promises of subsidies, special considerations or non-market sources of income to generate a profit. Beware of generous local incentives as these may not be legally enforceable.

- Pay careful attention to the method and time of payment. If you have agreed to be paid in INR, verify that you can convert profits to Australian dollars or another major foreign currency. Use letters of credit or other financial instruments to protect yourself.

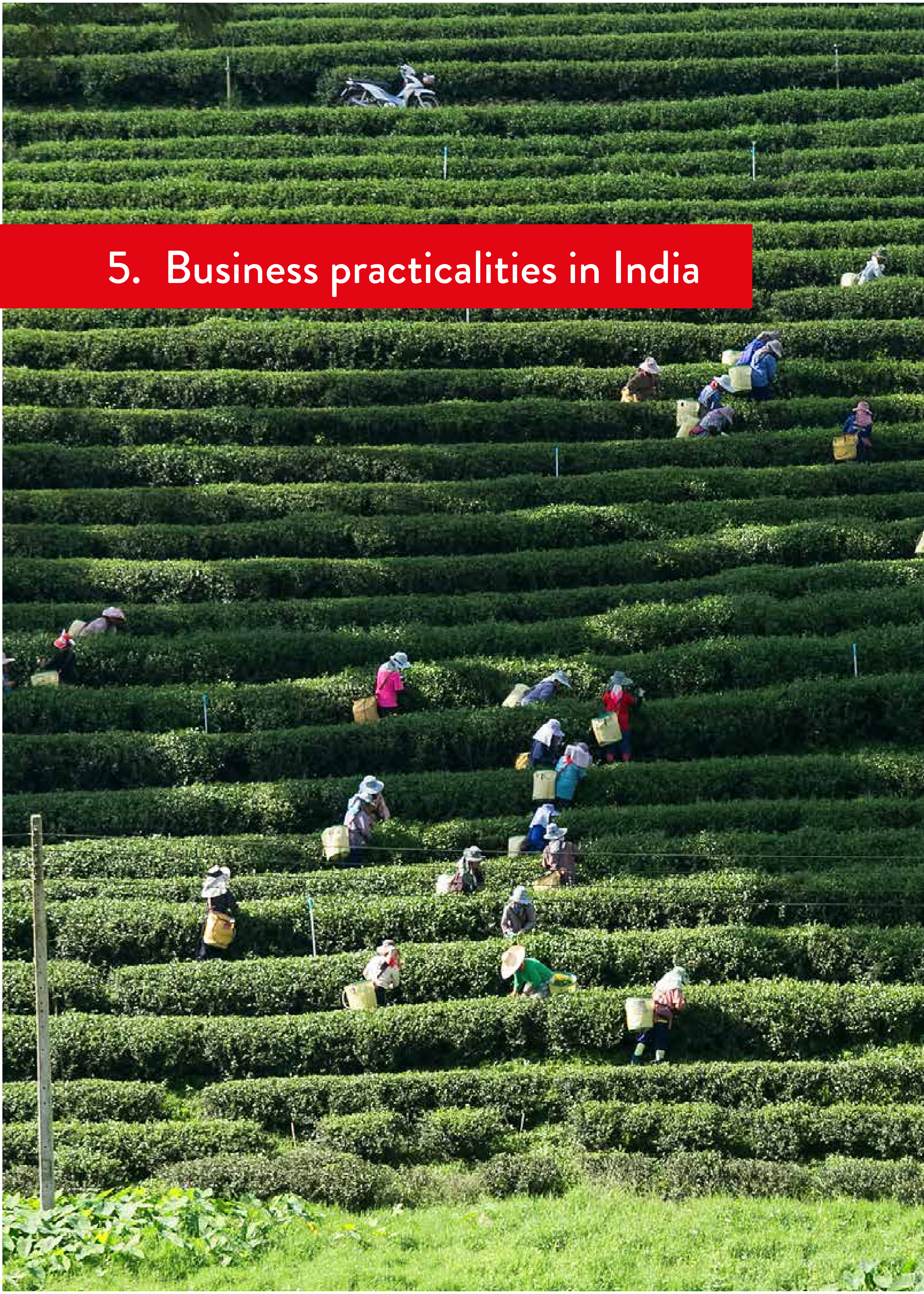
Scams

A number of websites alert consumers and businesses to scams, both in Australia and overseas. Find out more about possible scams at **www.scamwatch.com.au**. If you believe you have been contacted by a scammer, ignore the emails and delete immediately.

There are countless scams in India, with many targeting foreigners and foreign businesses due to their lack of knowledge of the Indian context. Australian businesses should be aware and cautious of the following, which have been identified as scams targeting foreign businesses:

- **Bribery scams may take place in India.** Requests for bribes are often masked as a fee or levy, making it difficult to distinguish what is a bribe and what is not. Always employ a trusted intermediary or seek professional legal advice at every stage of the establishment of your Indian business venture.
- **Fake company scam** may be inflicted by individuals or groups pretending to offer legitimate services. They could masquerade either as legal or due diligence advisers, or as someone who can help you to register your intellectual property rights. Ensure that you only partner with entities whose references you have thoroughly reviewed.
- **Charity scams** are becoming more common, with the introduction of a 2 per cent corporate social responsibility (CSR) requirement for companies in India. An individual or group may pose as a charity through which your business can fulfil its CSR requirement. Those who ask for cash or a cheque made out in their names instead of a charity name are likely to be trying to scam your business. Perform the requisite due diligence with any charity, just as you would a business partner.
- Regardless of the different tactics, the scammer's goal is to extract money from foreign companies without providing anything in return. Performing adequate due diligence will help to mitigate your company's risks.

5. Business practicalities in India



Understanding legal regulations and the practicalities of tax law, employment law and other relevant provisions are among the main challenges for Australians conducting business in India. This chapter provides an overview of the key considerations in the Indian business environment. However, it is strongly recommended that you also seek professional advice in the area for which you require specific information. The various laws and regulations that may apply to your business in India are subject to constant revisions and change as federal and state governments work to attract foreign investment and trade to India.

5.1 LAWS AND REGULATIONS

Investment rules

While many international transactions are susceptible to risks, there are particular cultural and legal issues to be aware of in India. The economic liberalisation policies of the early 1990s have been given a boost by the current Modi Government, which has removed foreign investment caps in previously protected industries including telecommunications, medical devices and single-brand retail, while allowing greater foreign investment in others. The policies are boosting investor confidence, as evidenced by India being ranked as the best investment destination in the world in the 2015 Baseline Profitability Index (BPI).

Foreign investment in India can follow two routes. One is the Government Route, through which investments in some industry sectors must be approved by the Central Government. The other is the Automatic Route, which applies to all other industries. Aggregate foreign investment exceeding INR 30 billion requires approval of the Cabinet Committee on Economic Affairs of the Central Government.

The Government's 'Make In India' initiative is a major national program aimed at facilitating investment that will foster innovation, upskill the workforce and build world-leading infrastructure. 'Make In India' also has oversight of reforms to intellectual property protection in India. The program has a useful website outlining in an easily digestible format the overarching policies on foreign investment and manufacturing in India. The site includes information on which industries require Central Government approval for investment and which follow the Automatic Route. See www.makeinindia.com. Invest India (www.investindia.gov.in) is also a useful resource and a helpful first point of contact when you are researching entry into the Indian market.

Acronyms in India:

Information about India is often peppered with acronyms relating to everything from government regulatory authorities to the different types of personhood the Indian government recognises. These are some of the main acronyms you might encounter:

- **MCI** – Ministry of Commerce and Industry.
- **MoF** – Ministry of Finance.
- **FIPB** – Foreign Investment Promotion Board.
- **RBI** – Reserve Bank of India.
- **CBEC** – Central Board of Excise and Customs.
- **CCEA** – Cabinet Committee on Economic Affairs (CCEA), the body that reviews economic trends and reviews large foreign investment deals.
- **CCS** – Cabinet Committee on Security, the body that reviews defence.
- **IDCs** – Industrial Development Corporations, state-based organisations that oversee industrial development.
- **SEZs** – Special Economic Zones, physical boundaries within which a company may be subject to fewer tariffs and other barriers to trade and investment and which often offer better infrastructure for business efficiency.
- **PAN** – Permanent Account Number (similar to Tax File Number). PAN cards are a common form of personal identification in India. It is illegal to obtain multiple PAN cards and an offence carries a fine of INR 10,000.
- **NRI** – Non-Resident Indian, a person who is a citizen of India and who holds an Indian passport, who has emigrated overseas for more than six months.
- PIO – Person of Indian Origin, anyone of Indian origin, up to four generations removed, unless you were or currently are a national of one of India's neighbouring states. PIOs are exempt from many of the visa and work permit restrictions imposed on foreigners.

The key government regulatory bodies that foreign businesses will encounter when planning to invest or trade in India include the Foreign Investment Promotion Board (FIPB) and the Reserve Bank of India (RBI). You may also have to deal with the Ministry of Commerce and Industry (MCI), the Ministry of Finance (MoF) and Central Board of Customs and Excise. The Department of Industrial Policy and Promotion, within which Make In India and Invest In India operate, will also be a useful resource. Its consolidated FDI policy is available on its website at www.dipp.nic.in.

Incentives

Both the Central Government and state governments offer incentives to invest in India. The Central Government offers a number of different incentives (largely tax-based) for companies to invest in or set up in Special Economic Zones (SEZs), National Investment and Manufacturing Zones (NIMZs) and Export Oriented Units (EOUs). The Government also offers incentives for companies planning to manufacture in India for export. Among these are duty drawback and remission schemes. There are also area-specific incentives for setting up in Jammu and Kashmir, Himachal Pradesh and Uttarakhand. As these are all in less-developed areas of India, doing business there may entail supply chain and connectivity difficulties. There are also sector-specific incentives, including the Electronic Modified Special Incentive Package Scheme (e-MSIPS) and the Electronics Manufacturing Cluster Scheme (EMCS).

Each state government has its own incentives, policies and programs. The type and level of incentive varies according to the amount of investment proposed, the location of the project and the number of jobs that could be generated. Information on investment incentives in each state can be found in the industrial policies of individual states. Examples of state-based incentives include stamp duty exemption for land acquisition, exemptions or refunds on value added tax and exemptions from payments on duties applied to electricity.

BASIC STEPS TO INVESTING IN INDIA

Identify the investment structure.

↓

Apply for Central Government approval if it is a sector that requires it.

↓

Obtain approval from the Reserve Bank of India or Foreign Investment Promotions Board if required according to the applicable legislation.

↓

Obtain key documents for yourself, including PAN.

↓

Find an appropriate location for your business, taking into consideration costs, availability of necessary skilled labour and incentives.

↓

Set up, incorporate and register the structure.

↓

Transfer funds in: make sure to follow prescribed conditions including pricing guidelines, minimum capitalisation requirements and use an appropriate financial instrument.

↓

Obtain project approval from state government.

↓

Ensure there are no other state and central-level registrations you need to comply with.

↓

Obtain project approval from the state government.

↓

File Industrial Entrepreneur's Memorandum (IEM) if you are investing in a manufacturing project. File for an industrial licence if required.

↓

Construct or renovate the workshop, factory or office.

↓

Hire manpower.

↓

Meet your annual or quarterly tax and regulatory reporting requirements.

Key sectors where FDI is regulated or restricted:

AGRICULTURE	ANIMAL HUSBANDRY	TEA SECTOR	MINING AND EXPLORATION	PETROLEUM AND NATURAL GAS
POWER EXCHANGES	DEFENCE	SATELLITES	PRIVATE SECURITIES AGENCIES	BROADCASTING SERVICES
PUBLISHING AND PRINT MEDIA	TELEPHONE AND INTERNET	FM RADIO	AIRPORTS	COURIER SERVICES
RAILWAY INFRASTRUCTURE	CONSTRUCTION PROJECTS	CASH AND CARRY WHOLESALE	B2B E-COMMERCE	RETAIL
BANKING	COMMODITY EXCHANGES	CREDIT COMPANIES	PENSIONS	PHARMACEUTICALS

Besides this sectoral classification, government approval is required in some other cases as well – for instance, conditions linked to the mode of presence (e.g. Investment in LLP requires government approval). Always refer to the applicable FDI policy document of the government of India and check with local experts before investing.

Land and property rights

Buying or leasing premises is one of the key challenges in establishing a physical business presence in India. Apart from the scale of the Indian property market, and its unfamiliar workings, you will need to negotiate myriad legal and financial rules to acquire or lease premises. This is something you and your business will need to deal with early, as you will require a business address to register your company. A foreign national of non-Indian origin who is resident outside India cannot purchase land or immovable property unless the property is inherited. Generally, however, foreign businesses can get land use rights through a wholly foreign-owned enterprise or a joint venture.

The Foreign Exchange Management Act (FEMA) determines some of the prerequisites for land and property ownership in India, including an individual's residency status. In order to purchase a property in India, without the need for RBI approval, an individual has to be a 'person resident in India' as defined in FEMA (Section 2(v)). So you must ensure that you enter India on the type of visa that will allow you to purchase property. Your visa should reflect your intention to remain in India until your residential status is determined. Various state government approvals also apply to the purchase of property in India, and there are restrictions on purchasing land that is used for agricultural purposes, including farm houses and plantations.

Another option for people starting a business in India, particularly those with a limited budget, is the use of serviced offices. These established offices often come with administrative services, including reception, mail and courier services and automated telephone and internet connectivity, freeing up executives to focus on establishing their business.

Buying or leasing a property in India

- Check the references of anyone you have dealings with, including the estate agent, lawyer, builder or contractor.
- Always use a reputable independent India-based lawyer. Source your own lawyer instead of using one recommended by the vendor of the property. Not using a lawyer may cause you to miss some critical steps that could cost you money or even your property at a later date.
- Your lawyer may represent you at the meetings with the Public Notary who will check the documents associated with the sale, before the state approves them. The property vendor should appear before the Public Notary at the same time as you do.
- Ensure the requisite due diligence has been performed, including checking if there is a mortgage or other encumbrance on the property that could frustrate your sale or ownership at a later stage. The property must be registered in the name of the vendor and there should be no outstanding local taxes to be paid. Relevant capital gains tax should also be verified. Your lawyer should be able to confirm these details in writing.
- If the title deeds and any other relevant documents are in a language other than English, have them translated by a reputable translation service so as to avoid missing any details.
- Ensure that you have complied with all of the relevant RBI, FEMA (and FIPB if applicable) requirements. Your lawyer should be able to check this for you. Verify compliance before signing any agreements to the sale.
- Ensure your transfer of money into India is easily traceable as proof of this may be required by the RBI. The best way to do this is via the usual banking channels, rather than in cash. Make sure you are acting within RBI rules about how much money can be transferred into the country.
- Common sense must prevail. You should avoid any cash transactions when purchasing your property. Take your time to complete necessary due diligence and ensure all of the information you give and receive is in writing to avoid confusion later.
- The RBI offers a helpful guide for non-Indians trying to purchase property in India. It is available at www.rbi.org.in/scripts/BS_FemaNotifications.aspx?Id=175.

Intellectual property (IP)

Counterfeiting and scams are commonplace in certain Indian industries. For this reason, the United States has put India on its Priority Watch List of countries having "serious intellectual property rights deficiencies". Fortunately, the Indian Government is now concentrating on creating a more robust IP environment.

The biggest drivers of India's economy now are manufacturing, innovation and services, particularly in and around IT and pharmaceuticals. Growth in these areas has contributed to a rise in the number of IP registrations. Large corporations in India are very respectful of IP rights, with India ranked 46 out of 97 countries in the International Property Rights Index 2015. As India ramps up the strength of its IP protections to ensure the country adopts best practices in processing IP applications and improving the delivery of IP services, the prevalence of counterfeit products is likely to decline. The Government is currently focused on upgrading infrastructure using state-of-the-art technology to ensure that IP offices are functioning at an optimum level.

As a member of a number of international IP agreements, India's commitment to fulfil its obligations under international IP treaties to which it is a party should improve overall enforcement of the relevant legislation in India. Still, Australian businesses should aim to have in place formal legal protection of IP rights well before entering the Indian market, including a well-researched and executed strategy to protect their IP. Foreigners trying to file an application for IP protection in India must include their registered place of business on the application. However, the need to register your IP as early as possible, often before you have established a physical presence in India, necessitates the use of an Indian attorney or agent to make these applications on your behalf.

Be aware that the process of registering IP rights in India can be slower than in Australia. For example, patents are usually published 18 months after application. India has a first-to-use system, which defines the first person to register a mark in India as the person with superior rights over the trademark. It can be difficult, time-consuming and expensive to recover your trademark if it has been used by a different party in India, so the incentive to register early is strong. This should not in itself distract potential investors from the potential of the Indian market. Risks such as IP theft are becoming less of a concern since police authorities now have the power to search private property and seize goods without a warrant if there are suspected counterfeiting activities taking place. It is worth noting that the cost of protecting your intellectual property in India is relatively low compared to Australia.

India's international IP obligations

- **The Paris Convention:** An individual from a country that is a signatory to the convention can apply for a patent or trademark in any other signatory state. The same enforcement of rights and status will apply to the foreigner as it would to a national in the country where the registration is being sought.
- **The Berne Convention:** Each signatory state recognises the copyright of authors from other signatories. Foreign authors' copyrights are enforced and respected in the same way as those of authors who are citizens of the state.
- **The Patent Cooperation Treaty:** A centralised system where a combination of patent applications across a number of different national jurisdictions can be obtained through a single application.
- **The Madrid Protocol:** Multiple national trademark registrations across different jurisdictions to be made through a single application process. The Madrid Protocol was ratified in India in mid-2013 and is currently in operation.
- **The Rome Convention:** Copyright protections can be extended to performing artists and broadcasting organisations.

Clearly, the administration and enforcement of IP laws in India operates differently from in Australia. In India, the office of the Controller General of Patents, Designs and Trademarks oversees administration of IP services, registrations for which are made through the Indian Patent Office. Applications for patents and trademark protection can be made online, while design patent applications must be made in hard copy. It is also worth registering internet domain names for your business in India as early as possible, in part to avoid being targeted by speculators who try to make money by buying up domain names and then charging high prices for their release to those who want to use them. The National Internet Exchange of India monitors domain name registrations.

The Australian Government's IP Australia website outlines the following information for Australian businesses pursuing IP protection in India:

Trademarks

- Trademark applications must be filed with the Indian Patent Office (IPO).
- A first-to-use rule applies to trademark rights, giving the first person to use the trademark in India superior rights to any other person or organisation that may make an application for trademark.
- It is essential to conduct a trademark search prior to registration. This can be done online through the Government's trademark search tool.
- Applications for trademark cost about $70 (INR 3,300) each and can be performed online.
- Other related rights, such as domain names and company names, should also be secured through registration.
- It is advisable to file trademark applications in India as soon as possible due to the 'first-to-use' rule.
- Three-dimensional shapes and colour combinations can be protected as trademarks in India. Other non-traditional marks, such as sounds and smells, are not yet able to be registered, although extending protection to these marks is currently being considered.
- Enforcement of a trademark without registration is possible, although the process tends to be more expensive and less predictable as it is reliant on the court system.
- Customs regulations provide cross-border protection of some IP rights.
- Trademark registrations may be removed from the register if they are not used for three or more consecutive years after registration.

Patents

- Only one type of patent is available in India.
- Check ahead of application whether your specific design can be patented in India. Helpful guidelines are available here: **www.ipindia.nic.in/ipr/patent/patents.htm**
- Patent examiners may raise clarity objections when assessing patent applications. You may need to make several modifications to make patent specifications compliant with Indian requirements.

Designs

In India, design protection is available for 10 years and can be renewed for a further five years. The application and examination process takes six to nine months.

Copyright

Unlike in Australia, where copyright is automatically protected when an idea or concept is documented, it is possible and necessary to register copyright in India. The Government of India's Copyright Office is responsible for administration of copyright. No registration is required but registering copyright with the authorities is advisable.

Geographical indications

Can be registered for 10-year terms and renewed for a further 10 years at a time. The individual or organisation must hold an authority established by law, which represents the interests of producers in that geographical location.

Plant varieties

Plant varieties are protected in India for up to 18 years.

Violation of your IP

Australian businesses should be prepared to act quickly and decisively to enforce their IP rights should they be infringed.

There are several enforcement options for dealing with violation of IP:

- Administrative enforcement
- Civil litigation
- Criminal law enforcement
- Cease and desist (C&D) letters.

Administrative enforcement

The main way to deal with infringements is to file a complaint with the Indian Patent Office or Copyright Office that managed the enforcement of IP rights.

The Central Board of Excise and Customs also has powers to deal with counterfeit goods. Customs measures can be enforced on the imports of goods that infringe on others' copyrights and trademarks. Such 'infringing goods' are defined as goods manufactured, reproduced or traded in breach of IP laws within India or elsewhere, without the express permission of the person or organisation who owns the copyright or trademark. While their powers vary with different types of counterfeit products, customs authorities can usually fine offenders, seize goods or equipment and issue penalties. However, they do not have powers of arrest and cannot award compensation.

While the administrative enforcement is usually very quick and low cost – it does not require any court procedure – it can be a limited deterrent and fines may be small. For complex IP cases, businesses may need to use the courts and, for very large cases, may want to pursue a criminal prosecution.

Legal enforcement of IP rights

In any civil action for enforcement of intellectual property rights, the following reliefs may be claimed:

- Permanent injunction
- Interim injunction
- Damages
- Accounts and handing over of profits
- Anton Piller order (appointment of local commissioner by the court for custody/sealing of infringing material/accounts)
- Delivery up of goods/packing material/dies/plates for destruction.

Note that in India, wherever provisions have been made for criminal prosecution for violation of any intellectual property rights, a criminal case can be filed against known as well as unknown persons. Both civil and criminal remedies, wherever applicable, can be availed simultaneously.

5.2 IMPORT DUTIES, TARIFFS AND REGULATIONS

Australian businesses exporting goods to India should be aware of the various import duties and taxes that may apply, including tariffs, and other import regulations with which they must comply. The terms tariff and duty, although often used interchangeably, have quite distinct meanings. A tariff is a tax applied on imports only, whereas duty is a tax that also applies to domestic products. In India, tariffs are generally applied at a rate of 30 to 50 per cent on imported food products (calculated on the total cost including freight) and up to 150 per cent on foreign wines. When added to local sales taxes, distributor margins and on-ground transport costs, the retail sales price of wines can be up to three or four times the 'Fee on Board' value of an imported good. This section will outline core information on tariffs, duties and other taxes that may affect Australian businesses, and provide an overview of import regulations.

Tariffs and import regulations are frequently revised and subject to change without notice, so businesses should reconfirm these before selling goods to India. There is also a broad range of import regulations that vary between industries and product types. Food safety standards are a priority area for the Indian Government, recently evidenced by some multinational corporations facing hefty fines and court action for failing to meet minimum food safety standards. Prospective importers may wish to seek professional advice and/or refer to one of a number of websites for the most up-to-date regulations. These sites include:

- Australian Government Department of Agriculture – Manual of Importing Country Requirements (MICoR) **www.daff.gov.au/micor/Pages/Welcome.aspx**

- India's Central Board of Excise and Customs **www.cbec.gov.in**
- Food Safety and Standards authority of India **www.fssai.gov.in/AboutFSSAI/FSSAct.aspx**
- India's Department of Agriculture and Cooperation (within Ministry of Agriculture) **www.agricoop.nic.in**
- India's Ministry of Commerce and Industry **www.commerce.nic.in/MOC/index.asp**

Tariffs and import duties

Negotiation of the Australia India Comprehensive Economic Cooperation Agreement (CECA) is underway and expected to conclude at the end of 2015. The trade negotiations aim to secure numerous benefits for Australian businesses, particularly those engaged in agriculture, manufacturing, services, investment, resources and energy. When CECA is signed and comes into effect, there may be certain goods to which no import duties apply. In other cases, import duties may be reduced for now, and eventually voided altogether by the end of a specified term, up to 20 years.

Import duties: A business planning to import goods into India from Australia should note that import duties will apply. These are calculated on either a quantity base – by applying an amount of duty per unit – or on an ad valorem (by value) basis – by applying an applicable set rate based on value. Import duty rates can be divided into two categories: general and preferential. General tariff rates apply to all imports, regardless of value, as there is no minimum threshold in India. Preferential rates apply according to any relevant bilateral or international trade agreements India is party to.

Additional taxes on imported goods: A range of customs duties and value added taxes apply to goods in India, although these may be reduced or not apply to goods imported through certain customs jurisdictions such as Special Economic Zones (SEZs). Additional taxes on imported goods include:

- Landing charge: One per cent of combined total of cost, insurance and freight (CIF)
- Countervailing duty (CVD): 0, 6 or 12 per cent of CIF + landing charge
- Education: Additional taxes including CVD
- Customs tariff: This varies greatly depending on the type of good. CBEC provides an online guide at: www.cbec.gov.in/htdocs-cbec/customs/cs-tariff2015-16/cst2015-16-idx
- Value added tax (VAT): There is no VAT on goods imported into India but, depending on the type of product, a consumption tax may apply at the retail end, which can affect your margins.
- Goods and services tax (GST): A broad-based GST is expected to be introduced across India in April 2016.
- Consumption tax (CT): This is applied additionally on luxury goods (at between 30 and 40 per cent, based on the maximum retail price) and wines and spirits (150 per cent).

Exporting goods to India – customs documents

Each product under import and export is classified under a globally accepted system, known as the Indian Trade Clarification Harmonised System of Coding (ITC-HS).

It remains to be seen if the administrative burden will be minimised once CECA has been negotiated and enforced. As is common in many free trade agreements, CECA may stipulate that imports and exports between Australia and India may have exemptions on documentation for customs clearance. However, there are legal documents, common documents and specific documents depending on the commodity being traded, which require you to complete import customs procedures.

- **Bill of entry** - legal document to be filed by a Customs House Agent (CHA) or importer, duly signed. Bills of entry are used by the Reserve Bank of India and Customs Department in order to balance the 'total outward remittance of country', or the total outbound expenditure on the Indian economy, with regard to its impact on the national fiscal balance. Bill of entry must be filed within 30 days of arrival of goods at a customs location. After filing bill of entry along with necessary import customs clearance document, assessment and examination of goods are carried out by concerned customs official. After completion of import customs formalities, a 'pass out order' is issued under such bill of entry. Once an importer or their authorised customs house agent obtains a 'pass out order' from a customs official, the imported goods can be moved out of customs. After paying necessary import charges, if any, the goods can be taken out of the customs area.
- **Commercial invoice** - prime document in any business transaction, required for value appraisal by customs officials. The appraising officer verifies whether the value in the invoice matches the actual market value of same goods. This process aims to prevent fraudulent over-invoicing or under-invoicing by the exporter.
- **Bill of lading / airway bill** - A bill of lading for a sea shipment, or an airway bill for an air shipment, must be submitted to customs officials for import clearance purposes. The document, issued by the air or sea carrier, provides details of the cargo with terms of delivery.
- **Import licence** - An import licence may be required for particular products subject to government regulation.
- **Insurance certificate** - A supporting document against the importer's declaration on terms of delivery. This document helps customs authorities to verify whether the selling price includes insurance or not. This is required to determine the assessable value, and therefore the amount of import duty.

Food safety standards

One of the biggest business opportunities for Australians in India is the export of food and beverages. Consumption of food and beverages in India has been growing at just under 25 per cent annually, and it is now the biggest segment of the consumer market. Although small, independent retailers (largely family-owned) dominate the food and beverage market with a 65 per cent share, larger retailers in more urban areas now sell a high number of imported products, which account for five per cent of the market. Big companies that procure and sell imported products include Reliance Retail, Bharti Retail, Spar, Tata Trent and Aditya Birla Retail. India's booming hospitality and luxury hotel industry is also a major purchaser of chilled and frozen foods.

India's major source of imports

Category	Major source of imports	Growth p.a.
Pasta	Italy, Canada, Japan, Indonesia, Mexico, Singapore, UAE	30%
Cereal products	USA, Germany, Australia, UAE, UK	70%
Olive oil	Italy, Spain, Turkey, Greece	60%
Wine	Australia, France, Italy, USA, Chile, South Africa	100%
Chocolate products	Switzerland, China, Taiwan, Argentina, Germany, UAE, USA, Belgium	25%

Amid the boom in imported food and beverages, the Indian Government has been cracking down on companies that do not adhere to food safety standards and practices. The Food Safety and Standards Act was introduced in 2006 and is overseen by the Food Safety and Standards Authority of India (FSSAI). The standards aim to ensure:

- Confidence in food safety and ingredients' integrity
- Higher quality
- Better nutritional value
- Enhanced lifestyle through greater varieties of food and beverages
- Freshness.

Businesses wanting to import Australian food and beverages into India must comply with the legislation. The law includes stricter monitoring and supervision, tougher safety standards, the forced recall of sub-standard products and severe punishment for offenders. The law covers:

- Production and trading of food and food additives
- Packing materials, vessels, detergents and disinfectants for food and equipment used in food production
- Food additives and food-related products used by food producers and traders
- Safety management of food, food additives and food-related products
- Training and skills development for those involved in the manufacturing, processing and packing of food and beverage products. The FSSAI website www.fssai.gov.in has helpful links to information on India's food import clearance system, its food licensing and registration system and its food product approval system that exporters of food and beverages should consult during their research phase.

5.3 TAXATION

India's tax system includes a wide range of imposts on businesses and individuals, including income taxes (corporate income tax and individual income tax), turnover taxes (value added tax, business tax and consumption tax), taxes on property (land appreciation tax and real estate tax), stamp duty, customs duties and more. This section will provide an overview of the primary taxes Australian enterprises need to consider when establishing a business in India. It is important that they seek professional advice on the various taxes that may apply to their business and its specific situation. Not all applicable taxes are covered in this starter pack and the information provided should be used only as a guide.

Applicable tax laws and policies will vary depending on the city and province in which a business is operating, as there can be additional local charges that may apply. For resident Indian companies, worldwide revenue is taxed. For non-resident Indian companies, only revenue generated in India is taxed.

The Government is tightening its regulations to avoid both local and foreign companies avoiding taxes in India. From the 2015-16 financial year, the Government will assess applicable taxes by evaluating a company's place of effective management (PoEM). PoEM is determined based on where key management and commercial decisions affecting business strategy and operations are made and put into effect. Guidelines on how PoEM is decided in the near future will be released by the Government in due course. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act 2015 has also recently come into force, with the aim of circumventing tax avoidance by those who may hold money overseas. The law gives businesses in contravention of the new regulations a one-time compliance opportunity, where any undisclosed foreign income and assets must be declared to authorities. Offenders will have the chance to pay the tax penalty without prosecution.

Corporate income tax

The Corporate Income Tax (CIT) Law: The CIT rate applicable to companies in India is 30 per cent. There are also surcharges and a mandatory education 'cess' (tax). Companies may pay a surcharge if their total income exceeds INR 10 million. Foreign companies registered under the laws of a different country but operating in India are taxed at a higher rate of 40 per cent. The education cess is 3 per cent.

Surcharges on large income

Income	Foreign company
Income more than INR 10 million	2 per cent of CIT
Income more than INR 100 million	5 per cent of CIT

Minimum Alternate Tax (MAT): MAT applies to a resident company's adjusted book profits, where the tax liability for the year is no less than 21.342% per cent (including maximum surcharge and educations cess). For non-resident companies, MAT is payable on the adjusted book profits of the company's India-sourced income where the tax liability for the year is no less than 20.02 per cent (including maximum surcharge and education cess). Surcharges only apply if the total taxable income exceeds INR 10 million. MAT does not apply to companies whose net worth has been devastated by severe losses. Companies that operate in a Special Economic Zone are not exempt from paying MAT. In the past, the issue of whether MAT applies to foreign owned resident companies in India has been highly litigious, prompting the government to issue a notice stating that with effect from April 2001, MAT shall not apply to foreign companies if:

- The foreign company is resident of a country that is party to a tax treaty with India and such company does not have a permanent establishment as defined by the terms of the applicable tax treaty, or
- The foreign company is a resident of a country which is not party to a tax treaty with India and such company is not of a nature that requires it to be registered under the Indian Companies Act.

Appropriate amendment in this regard is yet to be carried out in the Indian income tax law.

It is worth noting that Australia is one of many countries that sit within a tax treaty network with India.

CORPORATE TAX RATES IN INDIA		
Domestic Company	Taxable income <10 million	30.90%
	Taxable income >10 million, but <100 million	33.06%
	Taxable income >100 million	34.61%
Foreign Company	Taxable income <10 million	41.20%
	Taxable income >10 million, but <100 million	42.02%
	Taxable income >100 million	43.26%

Indirect taxes

Value added tax (VAT), central sales tax (CST): The sale of goods in India is taxed at both the central and state level. The Indian Constitution grants powers to state legislatures to levy value added tax on goods sold within that state, with VAT rates varying between individual states. All goods sold in the course of interstate trade are subject to CST.

Where goods are bought and sold by registered dealers on an interstate basis for trading or for use in the manufacture of other goods or specified activities (such as mining or telecommunication networks), the rate of sales tax is 2 per cent, provided Form 'C' is issued by the purchasing dealer. In the absence of Form 'C', the applicable rate would be the rate of VAT on such goods in the originating state. Interstate procurement, on which CST is charged by the originating state, is not eligible for an input tax credit in the destination state and is a cost to the buyer.

VAT paid on goods purchased within the state is eligible for a VAT credit. The input VAT credit can be utilised against the VAT/CST payable on the sale of goods. It thus ensures there is no 'cascading tax effect' and that only the value addition is taxed.

Currently, there is no VAT on imports into India, and exports are zero-rated. This means that while exports are not subject to VAT, VAT charged on components purchased and used in the manufacture of export goods or goods purchased for export is available to the purchaser as a refund based on state VAT legislation.

State VAT rates generally vary between 5 per cent and 15 per cent, with a few exceptions where the rate is lower or higher. In addition to variation between states, the rate of VAT also varies according to the types of goods involved.

A turnover threshold is prescribed to exclude small traders from the ambit of VAT. A tax under composition scheme, at a lower rate, may be levied on small traders within a specified turnover limit in lieu of VAT.

Entry tax/octroi duty: 'Entry tax' is charged on the entry of specified goods into a state for use, consumption or sale. In certain states, it can be offset against the output VAT liability. Where entry taxes have been imposed in lieu of octroi (a municipal levy – see below), there is no offset available. The rate of entry tax ranges from 0.5 per cent to 15 per cent, depending upon the state.

The levying of entry tax has been declared unconstitutional by High Courts in many states. The state governments have filed petitions before the Supreme Court to challenge the decisions of the High Courts, and, at present, the matter is pending final adjudication before the Supreme Court.

Octroi is a municipal levy that is applied at the time of entry of specified goods into the limits of the relevant municipal corporation. Octroi applies if there is movement of goods from one city to another in the same state, when the cities fall under the jurisdiction of two different municipal corporations.

Customs duty: Customs duty is levied by the Central Government on goods imported into, and exported from, India. The rate of customs duty applicable to any good depends upon its classification under the Customs Tariff Act, 1975. However, customs duty is levied only on a very limited list of exported goods.

The Customs Tariff is aligned with the internationally recognised Harmonised System of Nomenclature (HSN) provided by the World Customs Organisation.

Customs duty is levied on the transaction value of the imported or exported goods. According to section 14 of the Customs Act 1962, the concept of transaction value is the sole basis for valuation for the purpose of import and export of goods. While the general principles adopted for valuation of goods in India are in conformity with the World Trade Organisation (WTO) agreement on customs valuation, the Central Government has passed independent Customs Valuation Rules that apply to the export and import of goods.

The customs duty applicable to any product has a number of components:

- The Basic Customs Duty (BCD) is the primary duty levied at the effective rate under the First Schedule to the Customs Tariff Act and applied to the landed value of the goods (i.e. the cost, insurance and freight (CIF) value of the goods plus landing charges). The peak rate of BCD is 10 per cent.
- The additional customs duty in lieu of excise duty (commonly known as Countervailing Duty (CVD)) is equivalent to, and is charged in lieu of, the excise duty applicable on similar goods manufactured or produced in India. CVD is typically calculated on the sum of the landed value of the goods and the applicable BCD. However, the CVD on specific consumer goods intended for retail sale in India is calculated on the basis of the maximum retail sale price (MRP) printed on their packs, less the specified abatement. The present rate of excise duty and CVD is 12.5 per cent.
- Education cess at two per cent and secondary and higher education cess at one per cent are also levied on the aggregate of the customs duties (except in cases of safeguard duty, countervailing duty and anti-dumping duty).
- An Additional Duty of Customs (ADC) to countervail state taxes and VAT of four per cent is charged in addition to the above duties on imports, subject to certain exceptions. ADC is calculated on the aggregate of the assessable value of the imported goods, the total customs duties (i.e. BCD and CVD), and the applicable education cess and secondary and higher education cess.

BCD, education cess, and secondary and higher education cess levied on the aggregate of duties of customs are a cost of any import transaction. The duty incidence arising on account of the CVD and ADC may be set off or refunded, subject to prescribed conditions. Where goods are imported for purposes of manufacture, the Indian manufacturer may take a credit of the CVD and ADC paid at the time of import for offset against the output excise duty. In the case of service providers, only the credit of the CVD is available. Similarly, the Central Government provides exemption from payment of ADC on the import of certain specified goods, subject to fulfilment of prescribed conditions. The Central Government has also prescribed a refund mechanism in relation to ADC paid on goods imported for the purpose of trading in India, subject to fulfilment of the conditions prescribed under the governing notifications and circulars issued in this regard.

CENVAT (excise duty): Central Value Added Tax (CENVAT) is an excise duty levied by the Central Government on the manufacture or production of movable and marketable goods in India.

The rate at which excise duty is levied on the goods depends on the classification of the goods under the Central Excise Tariff Act, 1985. The excise tariff is primarily based on the eight-digit HSN classification adopted so as to achieve conformity with the customs tariff.

The excise duty on most consumer goods that are intended for retail sale is chargeable on the basis of the MRP printed on the package of the goods. However, abatements are admissible at rates ranging from 15 per cent to 55 per cent of the MRP. Goods, other than those covered by MRP-based assessments, are generally subject to duty on the 'transaction value' of the goods sold to an independent buyer. In addition, the Central Government has the power to fix tariff values for imposing ad valorem duties on the goods.

Presently, the excise duty rate is 12 per cent with a few exceptions of lower or higher rates. However, there is also a partial or complete exemption for specified goods from payment of excise duties available.

The central excise duty is a modified VAT, wherein a manufacturer is allowed credit of the excise duty paid on locally sourced goods and the CVD and ADC paid on imported goods. The CENVAT credit can be utilised for payment of excise duty on the clearance of dutiable final products manufactured in India. Manufacturers of dutiable final products are also eligible to take advantage of the CENVAT credit of the service taxes paid on input services used in or in relation to the manufacture of final products and clearances of final products from the place of removal, subject to the fulfilment of certain conditions.

Service tax: Service tax is levied on all services provided or agreed to be provided in a taxable Indian territory, except the following:

- Services specified on the so-called 'negative list'
- Services specifically exempted by notification.

The rate of service tax is 14 per cent with effect from 1 June 2015. Typically, the onus of payment of service tax lies with the provider of services. However, for certain services (e.g. imported services), the onus of paying the service tax lies, either fully or partially, with the service recipient.

Goods and services tax (GST): A broad-based goods and services tax (GST) is scheduled to be introduced in India in 2016, replacing various existing consumption taxes. The Government has indicated that the GST will have two components: one levied by the centre (Central GST or CGST) and the other levied by the states (State GST or SGST). The CGST and the SGST would be applicable on all transactions of goods and services except for exempted goods and services, goods that are outside the purview of the GST, and transactions that are below the prescribed threshold limits.

The following taxes will be subsumed into the CGST:

- Excise duty
- CVD/ADC
- Service tax.

The following taxes will be subsumed into the SGST:

- VAT
- Entertainment tax
- Luxury tax
- Lottery taxes
- State cesses and surcharges
- Entry tax not in lieu of octroi.

It is likely that the CST will be phased out in the GST regime, which will likely be implemented in April 2016.

Advance ruling for customs, excise and service tax: To enable foreign investors to ascertain their indirect tax liabilities arising from business ventures in India, the Central Government has constituted the Authority for Advance Rulings (AAR) as a high-level quasi-judicial body. The functions of the AAR consist of giving advance rulings on a specific set of facts relating to specified matters under customs, central excise, and service tax.

Advance rulings may be sought by any resident/non-resident investor entering into a joint venture in India. Through the Finance Act 2005, this facility has also been made available to existing joint ventures in India. The Central Government is also empowered to include any other class or category of persons for the benefit of an advance ruling. Under the customs law, the Central Government has allowed a 'resident public limited company' to be eligible for an advance ruling. The Central Government has also allowed a 'resident public limited company' to apply for an advance ruling under central excise and service tax law in relation to a proposed new line of business.

The definition of 'activity' has also been expanded under the customs and excise law to enable the existing importer/exporter or manufacturer, as the case may be, to seek an advance ruling for a proposed new line of business. In addition, the advance ruling can now be sought on the issue of admissibility of credit of service tax paid on 'input services' used in relation to manufacture of excisable goods. Earlier, it was only limited to the 'inputs' used in or in relation to manufacture of excisable goods.

Property taxes: Municipal tax on properties is levied at rates that vary from city to city in India. It is generally related to the prevailing market prices for property in each locality.

Transfer taxes: Documents reporting the transfer of shares have to be stamped under the Indian Stamp Act. Transfers of other 'movable' property is subject to stamp duty either under state or national legislation. See 'Stamp duties' below.

Immovable property, or rights to it, can be transferred by sale, lease, licence or easement. Sale of immovable property requires a conveyance deed on which stamp duty is payable, and must be registered with the Registrar of Assurances of the state under the Registration Act 1908. A lease agreement also needs to be stamped and registered. Other non-tax laws governing transfers of immovable property include the Transfer of Property Act, 1882 and the Benami Transactions Prohibition Act. The latter prohibits the purchase and registration of property in the names of people who are not the true beneficial owners, which has been used as a way of hiding undisclosed wealth. There are also some state-level acts affecting property transactions.

Stamp duties: In India, stamp duty is charged on certain documents (not the transaction), both at central and state levels. State-level stamp duties vary from state to state, and on document type.

The Indian Stamp Act 1899 applies throughout India, except in certain circumstances in states that have their own acts. Six states have so far enacted their own stamp laws (Jammu and Kashmir, Maharashtra, Gujarat, Rajasthan, Karnataka and Kerala). Other states have adopted Schedule I of the Indian Stamp Act, with or without modification. Even in states that have their own acts, stamp duty relating to certain transactions, such as transfer of shares, is always levied under the national Indian Stamp Act.

An important source of revenue for state governments is the mandatory stamp duty charged on transfer of immovable properties (such as buildings and land). Buyers of newly constructed properties are also required to pay service tax and VAT, calculated as percentages of the total price, and to withhold the tax from the seller. The cumulative cash flow impact of these three tax requirements, in addition to stamp duty and registration charges, have increased transaction costs of buying real estate in India to very high levels.

Dividend distribution tax (DDT): Indian companies distributing or declaring dividends are liable to pay DDT at 15 per cent, plus surcharge (which has increased to 12 per cent), education cess, and secondary and higher education cess). This tax is payable on declaration, distribution or payment, whichever comes earlier, and is in addition to the CIT payable on business profits.

A holding company does not have to pay DDT on dividends paid to its shareholders to the extent that it has received dividends from its Indian or foreign subsidiary company on which DDT has already been paid by the respective subsidiary. However, the benefit will not be available if the holding company is itself a subsidiary of another company.

Securities transaction tax (STT): STT applies to transactions involving the purchase/sale of equity shares, derivatives, units of equity-oriented funds through a recognised stock exchange, or the purchase/sale of a unit of an equity-oriented fund to any mutual fund. The STT levied in respect of such transactions varies for each kind of instrument, whether delivery based or non-delivery based.

Wealth surcharge: The previously applicable wealth tax was abolished for the tax year 2015-16 and replaced with a tax surcharge on individuals (12 per cent on earnings over INR 10 million) and companies (7 per cent on earnings between INR 10 million and INR 100 million; 12 per cent on earnings over INR 100 million).

Branch income tax: Branches of foreign companies operating in India are taxed on the income that is earned in India or which accrues in India. The foreign company tax rate applies to this income. There is no withholding tax on the remittance of profits to the overseas head office.

Income computation and disclosure: The Central Board of Direct Taxes (CBDT) has identified 10 standards for computing income for tax returns, beginning with the 2015-16 financial year. Inventory is valued at the lower of either cost or net realisable value. Professional advisers can help you avoid accidentally under or over-computing the income on which you should be paying tax.

Thin capitalisation: No prescribed debt-to-equity ratios or thin capitalisation rules exist under Indian taxation law. However, interest paid to related parties at rates or on terms that are considered unreasonably high are not allowed.

Tax incentives

Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)

The Securities and Exchange Board of India (SEBI) has enacted regulations relating to two new categories of investment vehicles: Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs).

Pass-through status allows for income generated to be taxed only in the hands of the investor and not the fund that generates it. This status is provided to REITs in respect of income earned from renting, leasing, or letting out any real estate asset owned directly by the REITs. Thus, the rental income will be exempt from tax in the hands of REITs. On distribution of rental income, REITs will not be required to withhold tax at 10 per cent in case of resident unit holders and at the applicable tax rates in case of payment to non-residents. Tax will not be required to be withheld by the tenants on payment of rent to the REITs.

The interest paid by special purpose vehicles (SPVs) to business trusts (BTs) will be taxable at the investor level (as against the BT itself) when the BT distributes such amounts. Interest income to non-resident investors would be taxable at a lower rate of 5 per cent (plus applicable surcharge and cess), whereas residents would be taxable at the applicable tax rates.

Dividends distributed by SPVs to the BTs would be subject to DDT. Such dividends would be exempt in the hands of BTs and investors. Capital gains (e.g. on sale of shares of SPVs) would be taxable in the hands of BTs at the applicable capital gains tax treaty rates. Any other income (including rental income) would be taxable at the maximum marginal rate. Onward distributions of such income would be exempt in the hands of the investors.

Transfer of units of BTs through stock exchanges would be liable to STT, and gains earned by investors on the sale of such units would be exempt from tax if the units qualified as long-term capital assets. A rate of 15 per cent (plus applicable surcharge and cess) would be applicable to short-term capital assets. The applicability of MAT on gains arising from the swap of shares of the SPV for units of BT has been deferred to the stage when the units are transferred by the BT. No capital gains tax exemption would be available on the swap of other assets with units of BT.

Tax incentives for industrial developments in 'backward' districts: Businesses located in less developed states and districts can be entitled to full tax exemption of profits for the first three or five years of operation, followed by a partial tax exemption of 30 per cent of profits for the next five years. The list of 'backward' districts is divided into category A and category B, depending upon the current level of infrastructure development in those areas. The initial tax holiday period is five years in category A districts and three years in category B districts. A similar incentive also applies to hotels satisfying prescribed conditions.

If certain conditions are met, a tax holiday is permitted on the profits earned by an undertaking engaged in any of the following:

- Integrated business of handling, storage and transportation of food grains
- Developing and building of a housing project
- Scientific research
- Commercial production or refining of mineral oils
- Setting up and operating a cold chain for agricultural produce
- Processing, preservation and packaging of fruits or vegetables
- Operating and maintaining a hospital in a rural area.

The tax holiday periods range from five to 10 years, and the percentage of the rebate is 30 per cent, 50 per cent, or 100 per cent in initial years and 30 per cent in the later years. The number of years constituting 'initial' and 'later' years varies from sector to sector.

Tax incentives for infrastructure development: A tax exemption of 100 per cent of profits for 10 consecutive years is available for enterprises engaged in:

- Power generation, transmission or distribution
- Developing or operating and maintaining a notified infrastructure facility, industrial park or SEZ
- Substantially renovating and modernising an existing network of transmission or distribution lines
- Laying and operating a cross-country natural gas distribution network.

'Infrastructure facility' includes roads, bridges, rail systems, highway projects, water supply projects, water treatment systems, irrigation projects, sanitation and sewerage systems or solid waste management systems, ports, airports, inland waterways, inland ports, or navigational channels to the sea. The tax exemption is available for any 10 consecutive years falling within the first 15 years of operation (or the first 20 years in the case of infrastructure projects, except for ports, airports, inland waterways, water supply projects, and navigational channels to the sea).

Tax incentives for exports: Export profits from a new undertaking set up in an SEZ can be eligible for tax exemption of 100 per cent of profits for the first five years, from the year of commencement of manufacturing, followed by a partial tax exemption of 50 per cent of profits for the next five years, provided certain conditions are met. A further tax exemption of 50 per cent of the profits for five years is also available after that, subject to an equal amount of profit being retained and transferred to a special reserve in the accounts.

Tax incentives for units in the north-eastern region of India: The north-eastern region of India and of the state of Sikkim are the focus of tax incentives aimed at encouraging the development of various industries, including tourism. Eligible projects qualify for a 100 per cent deduction of profits for 10 consecutive years.

The list of eligible businesses provided by the Indian Government includes hotels (not below two-star) adventure and leisure sports including ropeways, medical and health services in nursing homes with a minimum capacity of 25 beds, vocational training institutes for hotel management, catering and food crafts, entrepreneurship development, nursing and para-medical training, civil aviation-related training, fashion design and industrial training, running an information technology-related training centre, manufacturing of information technology hardware, and bio-technology.

Tax incentives relating to offshore banking and international financial services: Foreign banks that have an offshore banking unit in an SEZ or an international financial services centre can be eligible for a tax exemption of 100 per cent on specified income for five consecutive years.

To facilitate the location of offshore fund managers in India, a specific regime has been laid down. Offshore fund and fund managers are required to satisfy certain conditions to be eligible for the regime.

Tax incentive for hiring new workmen: With a view to encouraging jobs growth, tax deductions are now available to all manufacturing businesses, rather than restricting it to Indian companies. To enable smaller units to claim this deduction, the benefit has been extended to include businesses employing as few as 50 workers.

Tax incentive of capital expenditure on certain specified businesses: Capital expenditure is allowed to make use of a 100 per cent deduction in respect of the following specified businesses:

- Setting up and operating cold chain facilities
- Setting up and operating warehousing facilities for storage of agriculture produce

- Setting up and operating an inland container depot, freight station, or warehousing facility for storage of sugar, and beekeeping, honey and beeswax production
- Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such a network
- Building and operating a hotel of two-star or above category in India
- Building and operating a hospital with at least 100 beds
- Developing and building a housing project under a scheme for slum redevelopment or rehabilitation framed by the government
- Developing and building specified housing projects under an affordable scheme of the central/state government
- Investing in new plant or newly installed capacity in an existing plant for production of fertiliser.

Research and development (R&D) expenditure: The weighted deduction available for expenditure on scientific research in an in-house R&D facility approved by the prescribed authority is 200 per cent for companies engaged in specified businesses. A payment made to an approved research association undertaking research in social science or statistical research, or to an Indian company to be used for scientific research, is eligible for a weighted deduction of 125 per cent of the payment made. Contributions made to the National Laboratory, approved scientific research associations, universities and the Indian Institute of Technology are 200 per cent deductible.

Compliance

Tax year and tax returns: The tax year in India runs from 1 April to the following 31 March. Annual tax returns must be filed before 31 July of the succeeding year. Quarterly statements of taxes withheld are to be filed electronically with the tax authorities on or before 15 July, 15 October and 15 January for the first three quarters, and on or before 15 May for the last quarter of the tax year. Other provisional reporting and payments must be made on either a quarterly or annual basis, as stipulated by RBI regulations specific to the business structure you have chosen.

Individual (personal) income tax

Individuals domiciled in India are subject to India's individual or personal income tax on their worldwide income. Non-residents, however, are taxed only on income received or accrued in India. If an individual's business is controlled in India but income arises overseas, then this overseas income is liable to be taxed.

Residency: An individual's residential status is important in determining the application of tax laws, including:

- Whether or not the individual is liable to pay tax on his or her global income
- The rate at which the individual is liable to pay tax in India.

An individual is regarded as a resident in India if he or she stays in India:

- For 182 days or more in the tax year, or
- For 60 days or more during the tax year and 365 days or more during the four tax years preceding the relevant tax year.

Individuals who do not fulfil any of the conditions above are regarded as non-residents during that tax year.

Tax rebate: A resident individual is eligible for a tax rebate of the lower of the entire income tax and INR 2,000, if their annual total income is between INR 250,000 and INR 500,000.

Overview of India's taxes on personal income

Income tax rates	Wages and salaries: 0 to 30 per cent. Detail in table below . Business profits: up to 35 per cent
Capital gains tax rates	From 10 to 30 per cent
Taxable income	Scope of taxation will depend based on residential status
Double taxation relief	Yes
Tax year	1 April to 31 March
Return due date	For business profit tax return and for individuals whose annual income exceeds INR 250,000: within four months of end of tax year (i.e. 31 July). For wages and salaries withholding returns the due dates are as follows Q1 (period covered from April 1 to June 30) – July 15 Q2 (period covered from July 1 to September 30) – October 15 Q3 (period covered from October 1 to December 31) – January 15 Q4 (period covered from January 1 to March 31) – May 15.

Income from wages and salaries is taxed according to the following progressive rates, ranging from 0 per cent to 30 per cent, differing for people of different ages:

Individuals
(For men/women below 60 years of age)

Taxable income (INR)	Tax rate
Up to 250,000	Nil
250,001 to 500,000	10% of excess of INR 250,000
500,001 to 1,000,000	INR 25,000 + 20% of excess of INR 500,000
1,000,001 and above	INR 125,000 + 30% of excess of INR 1,000,000

Resident senior citizens
(age 60 years or more but less than 80 years)

Taxable income (INR)	Tax rate
Up to 300,000	Nil
300,001 to 500,000	10% of excess of INR 300,000
500,001 to 1,000,000	INR 20,000 + 20% of excess of INR 500,000
1,000,001 and above	INR 120,000 + 30% of excess of INR 1,000,000

Employment income

An individual's entire remuneration/salary in India is taxable. All amounts arising from employment are included, whether in cash or in kind. Apart from salary, fees, bonuses and commissions, some of the most common remuneration items are allowances, reimbursement of personal expenses, education payments and benefits provided by the employer – either free of charge or at concessional rates.

Any contribution by an employer to an approved superannuation fund in excess of INR 100,000 is taxable in the hands of the employee. However, concessional treatment is accorded to housing benefits, reimbursement of medical expenses, children's education, and certain retirement benefits. Employer's contribution to provident fund (Indian social security) is exempt.

Business income

Profits and gains from a business carried out by an individual are taxable in India, subject to certain deductions and allowance of depreciation and business expenses.

The following income, inter alia, is taxable in the hands of an individual:

- Profits and gains of any business or profession carried on by the taxpayer at any time during the previous year
- Any interest, salary, bonus, commission or remuneration due to, or received by, a partner of a firm. This would be deductible in the firm's hands.

Note that the share of profit from a partnership is not taxed in the hands of the partner since it is paid out of the post-tax profits of the partnership firm.

Interest income

Interest income is taxable in India. A deduction of up to INR 10,000 is allowed in respect of savings bank interest on deposits with specified banking companies registered with the banking authority in India.

Wealth taxes: Taxable wealth in excess of INR 10 million incurs a surcharge of seven per cent. Valuation of assets has to be in accordance with specific rules notified by the government. The term 'net wealth' broadly represents the excess value of certain assets over the debts. Assets include guest houses and residences, cars, jewellery, bullion, utensils of gold and silver, yachts, boats, aircraft, urban land and cash.

Compliance

Tax year and tax returns: The Indian tax year runs from 1 April to 31 March. Income earned in a tax year is taxed in the immediately succeeding year, beginning 1 April.

Each individual is required to file a separate return of income. Joint filing is not permitted. An individual engaged in a business or profession is required to have the books of account audited under the tax laws if the turnover/ total sales/ gross receipts exceeds INR 10 million in the case of a business or where the gross receipts exceed INR 2.5 million in the case of a profession.

The due date for individuals to file their tax returns is 31 July of the year immediately following the relevant tax year. In cases where the individual is required to have his/her books of account audited under the tax laws, the due date is 30 September of the immediately following year. However, a belated return can be filed before the expiry of two years from the end of relevant tax year. It is mandatory to file the return electronically, if there is a claim of refund, or the total income exceeds INR 500,000 or where the individual qualifies as a ROR and possesses foreign assets, or has the signing authority for any of his/her accounts located outside India.

Obligation to submit tax return for assets located outside India: A ROR taxpayer holding, as a beneficial owner or otherwise, or is a beneficiary of any asset (including financial interest in any entity) located outside India or having signing authority in any account located outside India is mandatorily required to furnish a tax return, although he may not have taxable income in India.

5.4 AUDIT AND ACCOUNTANCY

Payment of tax: Tax is payable in advance if a businesses' payable tax for the year exceeds INR 10,000. The tax is paid in specified instalments for every quarter, before the 15th day of the succeeding month, during the tax year (April to March). Any balance of tax due on the basis of the return must be paid on a self-assessment basis before the return is filed. A tax return will be treated as defective if the tax liability along with interest is not paid on or before the date of submission of the tax return. The interest levied for default in payment of advance tax will be computed beginning from the first day of the assessment year to the date of the reassessment order.

Audit for income tax purposes: People conducting a business are required to get their accounts audited for income tax purposes if the turnover is INR 10 million or more. For people engaged in a profession, the turnover threshold is INR 2.5 million. The penalty for non-compliance with this audit requirement is INR 150,000, subject to 0.5 per cent of total turnover/gross receipts.

Statute of limitations: The statute of limitations under the Income Tax Act in the case of submission of returns, assessment of returns, and reassessment of returns is four years from the end of the relevant tax year.

General Anti Avoidance Rule (GAAR): GAAR is an anti-tax avoidance regulation India introduced in 2012. The rule invalidates any business transaction that is structured to deliver benefits or profits resulting from tax avoidance. The Government has clarified that the provisions of GAAR will apply prospectively to investments made on or after 1 April 2017, so as to implement it as a part of a comprehensive regime to deal with the OECD's base erosion and profit shifting (BEPS) project, of which India is an active participant. These provisions empower the tax department to declare an 'arrangement' entered into by a taxpayer to be an 'Impermissible Avoidance Agreement' (IAA). Consequence of this will be denial of tax benefit under the provisions of the Income Tax Act or under the tax treaty. The provisions can be invoked for any step in, or part of, any arrangement entered, and that arrangement or step may be declared as an IAA. The provisions would be attracted only where the main purpose of the IAA is to obtain tax benefit.

The GAAR provisions will not apply in the following cases:

- Where tax benefit (to all parties in aggregate) from an arrangement in a relevant tax year does not exceed INR 30 million
- Foreign institutional investors (FIIs) registered with SEBI and not receiving any benefit under a tax treaty, and also investment in FIIs made by non-resident investors.

5.5 EMPLOYING WORKERS

Labour market

India's labour market is rapidly evolving and, like many other aspects of doing business in India, it varies significantly between cities and regions. India is expected to have the world's largest labour force by 2030, and already there are about 460 million people of working age. Various factors are at play in this shifting landscape, including increased access to education (both in India and abroad) due to a rapidly expanding middle class, growing foreign investment and strong economic growth. The increase in education levels has contributed to the development of a more skilled workforce and a higher number of people in formal employment. However, it is difficult to obtain an accurate indication of the level of employment in India due to the vast numbers of people in what is known as the unorganised sector. Workers in the 'unorganised' sector, estimated to be 86 per cent of the workforce (around 390 million) or those who are informally employed, receive no social security or employment benefits. Similarly, they are afforded few of the protections that India's rigid labour laws provide.

Restrictive rules governing India's labour and employment landscape have long been identified as deterrents to foreign investment. However, the 'Make in India' initiative is expected to have a significant impact on labour regulation, with the Government recognising that more investor-friendly and flexible labour laws are needed for the initiative to succeed. The focus will be on easing regulations that are likely to affect labour-intensive manufacturing activities, although for now these remain rigid, and variations between states can impose an added layer of complexity. Examples of restrictive labour laws include a requirement to seek government approval before retrenching workers if the company employs more than 100 people, regardless of whether productivity is low or whether big losses are being incurred. Such regulations should be factored into your business scenario planning, for instance, in the case of a downturn. The power of trade unions in India is also something to be aware of when planning to set up a manufacturing business, or another type of business that relies on unionised professions.

Reform initiatives: A set of labour reforms was announced by the Modi Government in October 2014. It focused on the 'unified labour and industrial portal' and 'labour inspection scheme', both of which are aimed at promoting transparency in the processes that regulate labour and the inspection of labour. Smaller businesses will welcome these changes once they are uniformly enforced, as they can be particularly affected by inconsistent application of labour regulations by inspectors. The monthly minimum wage is also being raised from INR 6500 ($138) to INR 15,000 ($318). A retirement savings scheme and pension system are also expected to be accessible to more workers. Clauses in the Apprenticeship Act, Labour Laws Act and Factories Act which provide for imprisonment of company directors who do not abide by the laws laid down in these acts are also being abolished to improve investor confidence. Changes to the Labour Laws Act, in particular, will be welcomed by small businesses as companies with fewer than 40 employees will no longer have to meet strict standards and furnish extensive business information in order to hire more employees.

Another issue facing Australian businesses wishing to expand or establish operations in India is the relatively limited supply of experienced employees in both rural areas and developing urban cities. Relocating managers to these locations, which are often far from family and where standards of living can be comparatively low, requires an extensive raft of incentives and benefits, such as larger salaries and promotions. Recruiting managers locally is therefore a more cost-effective strategy.

Retention of talent tends to be more difficult in India than in Australia. Skilled professionals in particular are in very high demand, from both multinationals and large Indian corporations. The lure of better salaries and the prestige that comes with working for a world-renowned firm is contributing to high labour turnover, which is a costly prospect for businesses with limited resources relative to multinationals. Companies in the banking and IT services sectors tend to experience higher staff turnover than sectors such as manufacturing and engineering. Companies such as Wipro, Infosys and IBM attract as many as 15,000 applicants in India each year. Studies show that increasing investment in learning and development initiatives, as well as other non-financial forms of remuneration, can help to arrest attrition rates. In recent years, a more supportive and friendly work culture, which advocates a healthy work-life balance, has slowly become a secondary drawcard for middle to senior-level managers in India. Additionally, allowing new staff to engage in the core activities of their role and to demonstrate productivity early in their employment can help to instill a sense of loyalty and reduce employee dissatisfaction. Staff and potential staff also respond well to succession planning within the business and to opportunities for skills improvement through training in a foreign market.

Tips on hiring, developing and retaining Indian staff:

1. Family-focused benefits and perks can help retain workers with ageing parents or children.

2. Begin succession planning early. Identify promising staff and devote sufficient resources to their development, while integrating them into any existing international mobility programs.

3. When selecting managers to send to developing cities within India, consider staff with local roots in those regions or ones requesting to develop their skills and go on secondment.

4. Training programs must be tailored to the audience and be based on solid cultural intelligence.

Human resources and employment law

Various types of legislation affect employment and employee relations in India. These cover a range of different areas including workers compensation for injuries, unionisation, industrial disputes, apprenticeships, factory work and provident funds. It is important to have a local legal practitioner advise you on your employment contracts and any other legalities related to the establishment and management of your business. Obtaining professional legal advice will also help you navigate the complex web of both central and state laws that exist to protect employees.

Visas: An immediate priority will be understanding what type of visa you will need to apply for if you are not a Person of Indian Origin or a Non-Resident Indian (as defined by the Indian government). The High Commission of India's website provides more information. www.hcindia-au.org/doing-business-in-india.htm

Wages, salaries and other employee rights: There are overlapping laws, some of which may appear to be inconsistent or in direct contravention of each other when it comes to employees' rights and remuneration. India has one of the lowest labour costs in Asia, with wages for manufacturing estimated to be about one third of those in China.

The Boston Consulting Group's Manufacturing Cost-Competitiveness Index indicates that India's manufacturing labour costs are the second lowest of the world's 25 largest exporting countries. Labour costs in India have also remained stagnant since 2004, although this could change with the government-enforced rise in minimum monthly wages from INR 6,500 to INR 15,000 ($318). Employers of skilled workers can still expect to pay relatively low salaries compared to standard wages in countries like Australia, in spite of fierce competition from multinationals for the significant brain pool of Indian talent. In the services and IT sectors, companies can pay local middle managers anywhere between INR 750,000 to INR 1,600,000 ($15,900 - $34,000). It is worth noting that salaries can rise as much as 12 per cent each year.

If you employ more than 100 workers, a company policy must be drawn up to identify specific working conditions, including hours, shifts, vacations, sick leave, rules to justify termination and procedures to address grievances. Some states have their own minimum standards that must be adhered to. Disputes are preferably settled by voluntary arbitration.

Working hours: Working hours in India tend to be somewhat unstructured, with a later start to the work day than in many other countries. It is not uncommon for employees in white-collar roles to work from 10am to 6pm, although many foreigners and some Indians will observe traditional 9-5 workdays. As in Australia, working beyond the hours for which you are salaried is quite common and this takes place without an expectation of compensation. Labour and shift workers in professions that are unionised will follow stricter time schedules, with an expectation of payment for overtime. Employers of unionised workers must consult with their employees and the relevant labour union before having workers do overtime.

Leave: Depending on the state in which you are operating, there can be anywhere between 15 and 20 paid public holidays annually. Indian employees are entitled to at least 12 paid annual leave days each year. If you are hiring expatriates in India, they may have an expectation of annual leave that is consistent with their home country, a provision that should be stated explicitly in their employment contract. Full paid maternity leave of 12 weeks is the accepted standard.

Provident Fund Scheme, Pension Scheme and Insurance Scheme: India has a compulsory Provident Fund Scheme, administered by the Employee Provident Fund Organisation (EPFO). An alternate scheme is the Employees State Insurance Corporation (ESIC), which provides basic healthcare for lower-income earners. Although mainly catering to labour in manufacturing plants, ESIC is being extended to cover hospital workers and teachers. Employer contributions to the provident fund are compulsory and equal to 12 per cent of the employee's wage.

Unions: There are several trade unions in India, the majority of which have banded together to form 14 major Central Trade Union Organisations (CTUOs). Each major CTUO is affiliated to a political party, which means they are extremely powerful. On the other hand, governments tend to exercise extensive behind-the-scenes control over trade union activity. In the past, worker strikes and protests have not been uncommon in India. The interdependence of trade unions and governments can cause disruptions to businesses in the manufacturing, education and aviation sectors in particular as governments can interfere with business decisions about labour and employment. This is more a concern for larger corporations with thousands of employees than it is for small to medium-sized businesses.

Termination of employment: Protection from termination is provided by many of India's employment laws. Companies with more than 100 employees must obtain government approval in order to close an operation or lay off workers. This largely applies to labour-intensive companies, while companies in the services sector are exempt. Applications for redundancy approval must be made 60 days before the planned date of termination. If approval is not received with 60 days, permission is automatically granted. Industrial tribunals handle any appeals if an application to lay off workers is rejected. Employees who have been with a company for more than five years are entitled to a gratuity of up to INR 350,000 ($7,430) when they have been made redundant. A worker can be terminated for misconduct without prior approval or notice.

Private sector companies that need to cut wages to offset increasing losses may make use of a voluntary retirement scheme, under which beneficiaries receive tax exemptions on monetary benefits up to INR 500,000 ($10,600).

Expatriates: Given the size of India's workforce, expatriate employment is generally only an option when there is a need for highly specialised personnel. A foreign national coming to India must hold a valid visa, issued by the Indian consulates or high commission in their home country. A foreign national is not permitted to take up employment within India unless he or she holds a valid employment visa. An employment visa is issued to highly skilled individuals or professionals, provided they draw a salary exceeding the prescribed limit. Such a visa is generally issued for a period of one to two years and can be subsequently extended in India itself. Foreign nationals coming for business meetings or to set up joint ventures (JVs) require a business visa. A business visa cannot be converted into an employment visa within India.

A foreign national visiting India who either has a valid employment visa, or intends to stay for more than 180 days, must register himself or herself within 14 days of arrival into the country with the foreigners' regional registration officer (FRRO). On submission of the prescribed documents to the FRRO, a residential permit is issued to the foreign national. Expatriate employees may repatriate 100 per cent of their salary overseas provided the applicable taxes in India are paid.

Recruiting staff

There are a variety of ways to recruit staff in India, and the effectiveness of each option will depend largely on the required level of expertise as well as the type of job vacancy being filled. Some common hiring methods used by Australian businesses in India include:

- Tapping key Indian business contacts and industry associations, as well as inviting recommendations from a local partner. This personal approach can work well in identifying highly skilled or industry-specific talent, but beware of contacts simply recommending friends and relatives without merit.
- Posting job advertisements on online executive and other job sites including LinkedIn, naukri.com and timesjobs.com. While reasonably inexpensive, advertisements can miscue if not accurately worded, and the recruitment process can be undermined if applicants are not screened carefully with the help of local professionals.
- Using a contingent recruiter who may use software to sort through thousands of candidates. The downside is that inappropriate candidates may be fielded simply because they matched a keyword on the recruiter's search engine. This approach normally costs 10 to 20 per cent of the successful candidate's first-year salary.
- Using a specialised recruitment company. This is by far the most expensive option for recruiting talented employees, costing as much as 30 to 40 per cent of the first year's salary. But it can be stress-free by comparison, with the recruitment company driving the effort by refining job descriptions, building personal profiles of potential recruits and tapping experience and contacts within the labour market during the search. On top of this, hired recruiters screen applicants to build a shortlist of top candidates and can carry out private reference checks of CVs and qualifications to narrow the field and thwart fraudulent practice. Recruiters can also ensure that contracts being offered to potential employees are in place ahead of signing. This is the best approach to recruiting for senior positions.

Managing an Indian team

Australian businesses need to develop and adapt their management styles to suit local culture and behaviours. Much of the information that exists on how to manage an Indian team is founded on Indian cultural values. These can differ depending on the region and modernity of the environment in which the business is operating. It is also important for employers to adapt management styles based on the demographic of their workforce, particularly as India has a reasonably young skilled workforce. Younger workers are respectful of the social hierarchies to which their elders are accustomed, but are equally willing to embrace equity and less formality in the workplace as they become more familiar with Western styles of communication.

Communication in the workplace

Preserving face is an important facet of communicating in India. In order to keep others from losing face, communication can often be non-verbal, so you must closely watch the facial expressions and body language of people while conducting business. Younger employees, in particular, tend to thrive on more proactive communication with their managers; however, they can still respond in non-verbal ways when trying to save face. Avoid ever referencing the caste system but be mindful of the subtleties in social hierarchy that may affect the way lower-level employees respond to local management. If there is a discrepancy in the way one manager is dealt with versus another, remember that the reason for this could be unspoken. Consider the importance of socialising in building team rapport in India and as the boss, you should take the lead on this.

The role of a manager

Cross-cultural communication will be more effective when working in India if managers keep in mind that each person has a very distinct role within the organisation, and maintaining that role helps to keep order. In India, as in other hierarchical societies, managers may take a somewhat paternalistic attitude towards their employees. Younger workers, though, tend to expect a lot more of expatriate managers and thrive on building a relationship with them, which can seem slightly confronting to foreign managers. Employees show respect and deference to their managers and, in return, managers know their subordinates' personal situations and offer advice and guidance wherever it is needed. In more entrepreneurial companies, this may be changing. Indian employees prefer detailed instructions when performing tasks for the first time and it can be helpful to request status updates frequently, until your employee feels confident about performing the key functions of his or her role. Asking questions is an effective way of achieving buy-in from employees. These can include:

- What input do you need from me to complete this task or project?
- How can I support you?
- What stage is the project at or what has it achieved to date?
- How does this approach to the project ensure the highest levels of quality?
- What obstacles can you predict and what alternatives do you have to approaching this project?
- Avoid asking questions that limit answers to yes or no. Fear of losing face will often elicit answers that tell you everything is going well and that no help is needed even if this is not the case.

Approach to time and priorities

Deadlines and timescales can be fluid in India if you are not dealing with senior managers and executives. Patience therefore is crucial for successful intercultural management. Indirect communication styles between subordinates and superiors can delay timelines. Some of the approaches outlined above can help to manage internal delays. Additionally, globalisation and increasing cultural interaction mean that some Indian managers may have a greater appreciation of the need to enforce timescales, with agreed deadlines more likely to be met as a result.

Decision-making

Many older Indian companies still adhere to a rigid hierarchy, although this is starting to change in many multinationals and entrepreneurial companies, and those that do business with foreigners on a regular basis. Younger managers in India, in particular, prefer to be kept informed of decisions that will impact the group and to be involved in decision-making processes, whereas in the past, top-down management was enforced and only senior executives made decisions.

Boss or team player?

Because of hierarchical structures in India, it is important that a manager maintains his/her role as 'boss' and engenders the necessary respect from within the team. When the manager needs to work collectively with his/her team, however, it is important that the need to work collectively is stated and that the team is encouraged to operate openly in a non-threatening environment. Should an individual make contributions that are seen as not helpful or necessary, then the manager will need to address this sensitively. It is essential that the individual does not feel shamed in front of his/her colleagues and that the rest of the group feel able to continue participating and offering contributions. Expat managers should also encourage social interaction in and out of the workplace. Feeling part of a team will encourage employees in an environment where numerous companies are fighting for bright talent.

Mack Valves

Ravin Mirchandani, Chairman

Mack Valves began as an Australian family-owned and managed company and was acquired by Ravin Mirchandani in 2013. Following significant growth, it expanded its operations in late 2014, opening a factory in Pune. It established a new senior management team and empowered it with the goal of supplying products manufactured in the Indian plant to the company's growth markets – China, the US, the Middle East and Africa.

One of the bigger challenges for Mack Valves has been the recruitment of local talent for the Pune factory. India's high-skilled and educated workers are in hot demand at home and abroad, where multinationals recruit them for projects in cities such as Dubai. Those who remain in India are recruited by leading corporations that offer attractive packages.

Australian businesses generally underestimate the high competition for talent in India, making it one of the leading obstacles in establishing a business. Once a preferred candidate is identified after a process of interviews and a technical assessment, Skype sessions are then held with the Australian management team to determine if there is an appropriate fit and to evaluate attributes. Even the recruitment process can present difficulties because often the prerequisites for a role in Australia cannot be applied in an Indian context. For example, the Indian sales team may have good sales experience but not specifically in the valves industry; in Australia, specialised knowledge of an industry is a must. This has meant that management has had to adjust its expectations and consider strategies and training to address capability levels of the new recruits to meet Australian standards.

Retaining talent has also been a challenge for many Australian businesses operating in India. Poaching highly skilled workers is common among multinationals and local Indian firms. Mack Valves' Indian management team highlights this as a potential issue it is actively preparing for.

In an effort to retain staff, Mack Valves adopts a supportive corporate culture. This is fundamental to increasing employee satisfaction and commitment. 'We don't want sub-cultures and hierarchy throughout our plant, but rather a flatter structure where everyone is equal, approachable and willing to help each other for the benefit of the business as a whole,' Ravin said. That's a big ask in a country where a hierarchic caste system has flourished for generations.

Providing flexible hours, proper sanitation, a rooftop space to relax on breaks and a cafeteria has gone some way to creating the Mack Valves 'family'. Staff members who work hard and follow and encourage safety standards are duly acknowledged, and this has forged good team morale. 'You need to make your talent want to work for you,' Ravin explained. 'This starts with first having a mechanism of correctly identifying someone who supports your vision and shares the excitement of your company's dreams and aspirations. Then you paint the picture and follow through with the promises that were made to them when they joined your team.' The company has invested significantly in its engineers, dispatching them to Melbourne for training and committing to sending staff to overseas conferences where they can network and develop their knowledge and skills.

www.mackvalves.com

5.6 BANKING IN INDIA

Banking environment

India's banking market was once dominated by a small number of large domestic banks. Now there are 43 foreign banks operating as branches and 46 foreign banks operating as representative offices in India. Early entrants such as Standard Chartered, HSBC and Citibank set up in India in the late 1800s and early 1900s to capitalise on trade flowing from Asia, through India to the West. Today, Australia's big four banks (ANZ, Commonwealth, NAB and Westpac) operate branches in India. The decision of whether a local Indian bank or an Australian bank will be more suited to your business is one that requires thorough research and potentially the advice of a professional.

Oversight of financial institutions is maintained by the Ministry of Finance and the Reserve Bank of India (RBI). The State Bank of India (SBI) is India's biggest bank and the largest bank in the world by number of branches. SBI, HDFC Bank, Bank of Baroda and ICICI Bank are some of India's largest banks. Indian banks that have branches in Australia (mostly in Sydney) include State Bank of India, the Bank of Baroda and the Union Bank of India.

Australian businesses looking to maximise opportunities in India will probably need to work with a local bank. Although the banking and financial markets are still generally protectionist, the proliferation of foreign bank branches in the last decade is contributing to increased competition among local banks hungry for a piece of the foreign direct investment pie. Some local banks, eager to grow internationally, welcome the opportunity to lend to foreign companies and will usually have greater capacity to advance credit than most local offshoots of foreign banks. Domestic banks have large branch networks, relationships with state institutions and established and entrenched positions within Indian society, offering big advantages for Australian businesses entering India. Local banks will likely have better capabilities within India to process local – as well as foreign exchange – transactions. Foreign banks do outperform their domestic peers in technology, including mobile banking and online user experience as well as customer service and relationship management, including transparency. It is worth noting that the natural advantage that domestic banks have will be whittled away if the Indian Government removes some of the restrictions on how foreign banks are allowed to operate in India.

For now, developing a working relationship with India's domestic banks is not without its challenges, and Australian businesses must understand how best to communicate with local financial service providers. A key difference to banking in Australia can be the often apparent disconnect between a bank's head office and its branches. Working with different branches can seem like working with completely separate banks. Services, technology, customer support and relationship management models may be different and seemingly less streamlined than those of foreign banks. Also, banks' policies and practices can vary widely. Choosing the right bank for a business model can be critical: for example, some may require businesses to move their money by 3pm each day, while others may have a later cut-off time. Technological expertise varies, too: some are fully automated, but others are not; and fees and charges differ. Additionally, be aware that some branches require a woman to cite her father's or husband's name on initial paperwork. Dealing with a foreign bank with a well-established history and network in India may help to circumvent some of the issues you may face with smaller local banks. Banks such as HSBC and Standard Chartered have numerous branches in India's major cities. As with all other aspects of commencing your business operations, research is the key to finding out what will work best for your business.

Business and banking

It is important when operating a business in India to have a clear-cut and effective bank account structure that complies with the various local regulations, as well as any applicable rules set by the Foreign Investment Promotion Board and the Reserve Bank of India (RBI). The structure of a business' financials still must not impinge on the drive for efficiencies and the ability of a business to operate effectively. Several account types may be necessary. Keep in mind that the RBI almost never approves foreign currency accounts, which means they are quite uncommon in India. Companies in India, including wholly foreign-owned enterprises (WFOEs), can only open a foreign currency account if the company earns foreign exchange. This is referred to as an Exchange Earners' Foreign Currency (EEFC) Account. Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs) have broader foreign currency account options available to them and may open one under either the Foreign Currency (Non-Resident) Accounts (Banks) Scheme [FCNR(B)] or the Resident Foreign Currency (RFC) Account Scheme.

Before you can be a legal director of a company registered in India, let alone open a bank account, you must obtain a Permanent Account Number (PAN) from the Income Tax Department. This will be one of your first steps to entering the Indian market. The processing fee for PAN is INR 962 ($20).

Bank accounts

A company will need to set up different types of accounts depending upon its structure – for instance, while a project office in India is allowed to maintain a foreign currency account as well as INR account, a representative office is allowed to maintain only an INR bank account.

Different types of bank accounts (both in INR and foreign currency) are permissible for foreign citizens/entities depending on the specific facts. Generally, the key INR accounts that can be opened by foreign entities/individuals with a bank in India are:

1. Non-Resident Ordinary Rupee (NRO) Account
2. Non-Resident External Rupee (NRE) Accounts

BUSINESS BANKING		
Account type	1. Non-Resident Ordinary Rupee Account (NRO)	2. Non-Resident External Rupee Account (NRE)
Features	• Any person resident outside India including corporates except citizens/entities of Pakistan or Bangladesh • No need for RBI or government approval • Can be held jointly by residents and non-residents (in case of individuals) • If the account is open for more than six months, balances at the close of accounts require RBI approval to be remitted abroad • Allowed to be operated by power of attorney	• Can be opened only by NRI or person of Indian origin • Current, savings, recurring or fixed deposit • Can be held jointly by residents and non-residents • Resident close relatives may operate the account using power of attorney • Account has to be maintained in INR • Balance funds may be repatriated overseas without RBI approval • Interest on the account is exempt from tax
Credits allowed	• Proceeds of any remittance from overseas through normal banking channels • Any foreign currency tendered by the individual account holder during his temporary visit to India, which is freely converted to INR • Transfers from INR accounts of foreign banks • Legitimate dues and fees in India, including rent, dividend, pension and interest • Proceeds from sale of assets, including immovable property acquired out of rupee/foreign currency funds or by way of inheritance • Gifts/ loans by Resident Individuals to NRI/ PIO who is a close relative by way of a crossed cheque/electronic transfer within the overall limit of the Liberalised Remittance Scheme (at present USD 250,000 per financial year)	• Proceeds of any remittance from overseas through normal banking channels. • Proceeds of account payee cheques/DDs (etc) issued against encashment of foreign currency • Transfer from other NRE/FCNR accounts • Sale proceeds of FDI investments • Interest on such accounts, government securities, dividends on units of mutual funds purchased through such account, • Certain type of refunds
Debits allowed	• All local payments in INR, including payment for investments in India, subject to relevant RBI regulations • Remittance outside of India of current income such as rent, dividend, pension, interest, (etc) in India of the account holder • In case of NRIs/PIOs, remittance of up to USD 1 million per financial year for any legitimate purpose, subject to payment of taxes, is allowed • Transfer to NRE account of non-resident Indians (NRIs) within overall ceiling of USD 1 million per financial year, subject to payment of taxes	• Local disbursements • Remittance outside of India • Transfer to other NRE/FCNR accounts • Investment in shares/securities/ commercial paper of an Indian company

Documents needed: The documents required to open a bank account may vary depending on each bank's rules. Nonetheless, some of the basic documents commonly required include:

1. Passport
2. Indian Permanent Account Number (PAN)
3. Copy of relevant visa to work in India
4. Proof of both your overseas address and your address in India. Proof of your overseas address must be certified by the Indian embassy in your home country.
5. Business registration information.

As well as providing the required identification documents, most banks require all authorised signatories to be present when opening an account. For businesses establishing offices in different cities, accounts need to be opened for each office within the registered city and according to local regulations. Key personnel can be approved as signatories for accounts in different cities.

Financing

A disadvantage for businesses operating representative offices in India is the inability to borrow money in India. All working capital must be remitted from Australia. Further, Australian WFOEs tend to fund their activities by using cash flow from India, or by tapping a loan facility from a foreign bank with offices in both Australia and India. India has a strong reputation for financing businesses from overseas and many Indian banks are competing to attract capital and interesting business opportunities. Angel investment can also be a popular option for start-ups heading to India, both from a small pool of Australians as well as from established entrepreneurs in India. Some of this was covered in Chapter 2 of this guide. Check with your local contacts if they know of alternative financing options for businesses entering India. Smaller businesses needing lower amounts of capital can also look to the state financial corporations and state industrial development corporations for funding. The Council of State Industrial Development and Investment Corporations of India is a useful resource for such information – see **cosidici.com**.

Paying business expenses in India

In most circumstances, supplies must be paid for in advance or on delivery using cash. Traditionally, consumers and businesses alike have been very cautious of fraud and have preferred the second of the two payment options. The RBI has made a concerted effort to promote electronic payments on the basis that they are a secure and efficient way of streamlining banking and other related processes across the financial system. In recent years, electronic payments have increased by as much as 60 per cent annually, and in 2013 the growth rate was 35 per cent. This is good news for foreign businesses as payment for utilities, supplies and other resources have become much easier.

5.7 REPATRIATING PROFITS AND GETTING PAID

Repatriation of funds by LLC

Most foreign capital invested in India is allowed to be repatriated after taxes have been paid. This includes any capital appreciation as long as the initial payment was made on the basis that the funds could later be repatriated. Dividends and other profits may also be repatriated as long as dividend distribution tax has been paid. Ensure that any repatriation you make is in compliance with relevant RBI provisions.

Repatriation of funds by LLP

Partners of an LLP can draw on capital according to the terms of the Foreign Investment Promotion Board's (FIPB) approval of the initial foreign direct investment. No distribution tax is payable in the case of an LLP.

Repatriation of funds by branch offices

Indian branches of foreign companies (excluding bank branches) may return profits to the overseas head office without prior approval. When a branch office closes, balances may be repatriated overseas but only with RBI approval. Sundry remittances are also allowed for maintenance and legal expenses, among others.

Getting paid

How a business is to be paid by its customers will differ depending on the type of business structure it adopts. But almost universally, Australian businesses operating in India nominated obtaining customer payments as a key challenge in Austrade's International Business Survey (2015).

Without an on-the-ground presence (a branch office or a WFOE), payment must be remitted to an Australian bank account by an agent or distributor or by the customer if the business is selling directly to Indian consumers (e.g. online retail). Access to either a WFOE or JV allows the business to open local bank accounts into which payments can be made for goods and/or services. Access to a representative office allows the business to still open local bank accounts, but these can only be used for administrative services, and not for trade or service purposes. Note that when invoicing, customers almost universally prefer Indian rupees since foreign currency accounts are so rare. Retail businesses should be aware that unless they are looking at an online model, Indians of all income levels tend to prefer paying cash for everyday transactions. However, cashless transactions are becoming more popular in cities across India, with just over 51 per cent of all transactions now taking place online or by credit card.

Choosing the right payment option:

When competing to win contracts, the payment terms can make a significant difference to the outcome. The best payment option at any particular time will depend on various factors:

- How much can the buyer be trusted and how much is known about the company?
- Is this a first transaction? Or does it involve a company that has a track record and is trusted?
- How much risk is the business prepared to take in a deal of this nature?
- How large is the transaction?
- Is there an opportunity to bargain for more favourable terms with this buyer?

Buyer's Credit

This refers to short-term credit available to an importer to purchase goods from an overseas seller. This ensures that you are paid in a timely manner when you are selling your goods to an agent or distributor in India. The bank from which the importer obtains the credit issues a letter of comfort (in place of a formal contract), of which you should obtain a copy.

Documents Against Acceptance, or Documents Against Payment

These are used in ongoing business relationships and provide some protection – but also some risk – for both parties. They are easier to use and less costly than Buyer's Credit. With Documents Against Payment, the documents needed to obtain the goods are only delivered to the importer after they have paid for the goods. With Documents Against Acceptance, the documents needed to obtain the goods are delivered to the importer after they have accepted the exporter's bill for payment at a fixed later date. Needless to say, the latter involves greater risk for the seller. Under the former arrangement, the buyer only gets the goods after they've paid for them.

Trade insurance can be taken out to cover the risk of default where Documents against Acceptance are used. Without it, businesses should think carefully before using Documents Against Acceptance. In India, Export Credit Guarantee Corporation (ECGC) is a helpful insurance provider that protects sellers in these instances.

Cash in advance

This payment method is only used once an Indian buyer has developed a trusted working relationship with the foreign seller. Some buyers may also provide a cash deposit before the goods are received, with the remaining payment to be made after receipt.

Open account

Perhaps the least desirable option, this method involves the buyer agreeing to pay for the goods within a certain period after shipment, generally 30, 60 or 90 days. This far-from-secure form of payment would leave an Australian exporter fully exposed in the event of the buyer or distributor defaulting on payment. Companies using open account would in most cases routinely cover their exposure with expensive trade insurance.

Reducing risk of non-payment and slow payers

Predicting or identifying who will be reliable or unreliable for payment in India can be difficult unless you are dealing with well-established and reputable corporations. Australian businesses can protect themselves by trying to negotiate the most secure form of payment possible when negotiating a contract. When dealing with a new customer, it is best to insist on Letters of Comfort from a buyer to ensure payment, while carrying out due diligence on them and making sure an enforceable contract is in place. However, in the case of very small contracts, the costs associated with securing a Letter of Comfort may make this option unsuitable. In such cases, the financial consequences of the contract not being honoured need to be weighed against the opportunity for developing the business.

Having a long-standing relationship with a customer may make a merchant more comfortable using an alternative payment method such as a Document against Acceptance. Even so, trade insurance against risk of a default would be prudent.

Letters of Comfort or Documents Against Payment that guarantee payment before goods are delivered also safeguard against slow payers, which can often be the case with municipalities and local government operations. Should a less secure payment method be deployed, it is important to deal with the problem of a slow payer as soon as the payment is overdue. A conduit such as an India-based agent should be in contact with the buyer and seeking payment immediately. An alternative is to make direct contact with the buyer from Australia, or to use a business associate or influential local 'friend' to get in touch.

6. Visiting India

Spending time on the ground in India is an essential part of doing business there. For many Australians seeking to launch a business in India, repeated visits will not only be advisable, but necessary. This chapter will review all the relevant information you need to know about travelling to – and within – India, as well as health and safety issues.

6.1 VISAS

India does not issue visas on arrival, so you will need to get one before travelling there, regardless of the purpose of your trip. You should apply for your visa early to leave enough time before you travel. You should also ensure that your passport is valid for at least six months from the date of arrival in India.

Passports and entry visas are required for all foreigners entering India. Tourist and business visas may be obtained from the Indian High Commission in Canberra, and from the various Indian consular offices in other Australian cities. Any foreign national arriving into India for a period of more than six months is required to register with the Foreigner Regional Registration Office (FRRO) within 14 days of arrival. If the visit is under six months, the registration requirement will be stipulated on the hard copy of the visa issued in your passport.

The website of the High Commission of India in Australia – www.hcindia-au.org – contains detailed visa information for Australians planning travel to India. Note that visa processing times may vary between embassies and the various consulates. Express applications attract higher fees. There are two types of visas for people travelling to India for work purposes – Business Visa (or B Visa) and Employment Visa (E Visa). The following additional information is sourced from India's Ministry of Home Affairs:

B VISA TYPE	
Eligibility	Foreign nationals travelling to India are eligible for a B Visa if the purpose of their trip is one of the following: • Establish industrial/business venture or to explore possibilities to set up industrial/business venture in India • Purchase/sell industrial products or commercial products or consumer durables • Technical meetings/discussions, attending board meetings or general meetings for providing business services support • Recruitment of manpower • Partners in the business and/or functioning as directors of the company • Consultations regarding exhibitions or for participation in exhibitions, trade fairs, business fairs etc • Transact business with suppliers/ potential suppliers at locations in India, to evaluate or monitor quality, give specifications, place orders, negotiate further supplies etc, relating to goods or services procured from India • Experts or specialists on a short visit to monitor progress of a project, to provide technical guidance or to conduct meetings with clients • Pre-sales or post-sales activity not amounting to execution of any project • Trainees of multinationals coming for in-house training in regional hubs.
Conditions	• Valid passport • Assured financial standing proven by his/her financial documentation in support of intended business visit to India. • Business must not include money lending or petty trade (informal/hawker trade) or for full-time employment in India for an existing company • Comply with all other requirements, e.g. tax payment • Visa must be issued from the country of origin or from the country of habitual domicile (> two years). • If less than two years of habitual domicile, the Indian embassy concerned will issue a B visa only after an interview • Subject to any instructions issued by the Government of India on the basis of reciprocity with other foreign countries from time to time.
Duration	• Up to five years or for a shorter duration as per the requirement • Registration with FRRO is necessary within 14 days of arrival, unless visa clearly states that this is unnecessary • A stay stipulation of a maximum period of six months at each time can be prescribed for each visit by High Commission, keeping in view the nature of the business activity • If a six-month maximum for each visit is imposed, registration with the FRRO is not required • B Visa with 10 years' validity and multiple entry facility can be granted to US nationals. This visa should be issued with the stipulation that the stay in India during each visit shall not exceed six months • In case business visa is granted for a period of less than five months, it can be extended subject to conditions.
Documents	• Valid passport • Proof of financial standing and expertise in the field of intended business • Documents/papers pertaining to proposed business activity such as the registration of the company under the Companies Act, proof of registration of the firm with the State Industries Department or the Export Promotion Council concerned or any recognised promotional body in the relevant field.

E VISA TYPE	
Eligibility	• The applicant is a highly skilled and/or qualified professional, who is being engaged or appointed by a company/organisation/industry undertaking work in India on contract or employment basis • Employee can be visiting India to work on a project by a foreign company or an Indian company • Draw a salary in excess of US$ 25,000 per annum. (Not applicable to: ethnic cooks, language teachers (other than English language teachers) / translators and staff working for the concerned Embassy/High Commission in India).
Conditions	• E Visa shall not be granted for jobs for which qualified Indians are available • E Visa shall also not be granted for routine, ordinary or secretarial/clerical jobs • May be rejected if the minimum annual income benchmark of US$25,000 is not met, except in the case of the three categories mentioned above • Comply with all legal requirements like payment of tax liabilities etc • Multiple entries allowed • Register with FRRO within 14 days of arrival unless visa is for less than 180 days.
Duration	• If working on a project with the Government, visa can be granted for a period of five years or the term of assignment • In the case of highly skilled foreign personnel being employed in the IT software and IT enabled sectors, up to three years or the term of assignment, whichever is less • Those not working with government or IT, validity up to two years or the term of assignment, whichever is less.
Documents	• Valid passport • Proof of employment or contract or engagement • Technical experts must show documentary proof of educational qualifications and professional expertise • Proof of registration of the company under the Companies Act, proof of registration of the firm in the State Industries Department or the Export Promotion Council concerned, or any recognised promotional body.

Permit requirements:

Prior permission is required from the Indian authorities to visit certain parts of the country, particularly in the north-east. Permits are required for:

- Mizoram
- Manipur
- Nagaland
- Arunachal Pradesh
- Sikkim
- Parts of Kullu District and Spiti District of Himachal Pradesh
- Border areas of Jammu and Kashmir
- Some areas of Uttar Pradesh
- Parts of Rajasthan adjacent to the international border
- The Andaman and Nicobar Islands.

The permit approval process for travel to certain parts of India can take up to two months. Advice on particular requirements should be sought from the embassy or consulate closest to you.

6.2 CURRENCY

The principal unit of currency is the Indian rupee. Indians commonly use different names and differently punctuated numbers to represent larger units, including currency, as follows:

International figure	International term	Indian figure	English (Hindi) term
1	One	1	One (ek)
10	Ten	10	Ten (das)
100	Hundred	100	One hundred (sau)
1,000	Thousand	1,000	One thousand (sahasra / hazār)
10,000	Ten thousand	10,000	Ten thousand (das hazār)
100,000	One hundred thousand	1,00,000	One lakh (lākh)
1,000,000	One million	10,00,000	Ten lakh (adant / (das lākh)
10,000,000	Ten million	1,00,00,000	One crore (karor)
100,000,000	One hundred million	10,00,00,000	Ten crore (das karor)
1,000,000,000	One billion	1,00,00,00,000	One hundred crore (sau karor)
10,000,000,000	Ten billion	10,00,00,00,000	One thousand crore (ek hazār karor)
100,000,000,000	One hundred billion	1,00,00,00,00,000	Ten thousand crore (kharab)
1,000,000,000,000	One trillion	10,00,00,00,00,000	One lakh crore (ek lākh karor)

Major foreign currencies can be exchanged for INR by banks and authorised money changers at airports and in most of the major cities in India. It is advisable to pay for your everyday items (including meals) in INR cash, but avoid carrying around large sums of money.

ATMs that accept foreign credit and charge cards for cash withdrawals are available at airports in large cities and in the lobbies of major hotels. They may also be available in newer shopping malls or wealthier suburbs where foreign branch banks are common. Major cards such as Visa, MasterCard, Cirrus, Maestro and American Express are accepted. All the ATMs have English instructions – an 'English' option will appear on the screen after you insert your card.

Credit cards are widely accepted in major cities, particularly in international hotels and restaurants. However, for everyday purchases from small shops, you will probably have to use cash. To protect the security of your card, you should be careful in smaller, non-reputable hotels, restaurants or stores to not allow your card to be taken out of your sight.

The Indian currency is the Rupee

₹	The symbol for rupee is ₹
p	1 rupee = 100 paise
	Rupees come in the following notes: ₹1, ₹2, ₹5, ₹10, ₹20, ₹50, ₹100, ₹500 and ₹1000.
	Rupee coins are available in: ₹1, ₹2, ₹5, ₹10 and ₹50 paise

6.3 AIR TRAVEL AND AIRPORTS

Airports

India has several international airports and numerous domestic airports, all varying in size and class. Most Australians enter India via the principal hubs of Indira Gandhi International Airport in Delhi, Chhatrapati Shivaji International Airport in Mumbai or Kempegowda International Airport in Bangalore. Arrival and departure taxes for India's international airports are built into the cost of airline tickets. When flying to or within India and using taxis to get to your final destination, allow time for city traffic congestion (getting across Mumbai sometimes takes up to two hours). Always go to the official taxi rank outside the terminal (follow the signs) and never engage with people hustling in the arrivals hall offering cheaper taxi fares. You should have your hotel address (or other destination) written down in English or Hindi characters to show to your taxi driver. Hotels will often have this information at the bottom of their reservation confirmation email or letter. If they don't, ask them to send it to you. It is also very common for hotels to arrange airport transfers for guests and this can often be the most seamless way to exit India's major international airports, particularly in Mumbai. If you have a flight booked from an Indian airport, it is vital that you print out a copy of your travel e-ticket or your boarding pass as security officials at airports often ask to inspect these and will only allow people booked on flights to enter.

Indira Gandhi International Airport in Delhi is approximately 16 kilometres from the city centre. The trip can take close to 45 minutes in regular traffic conditions. Delhi Metro offers an Airport Express that takes passengers from the airport to the city in 25 minutes. Train tickets are available at various prices between INR 20 and INR 100 and the service runs between 4:45am and 11:30pm. If it is your first time in Delhi, you may want to organise an airport transfer through your hotel. Some hotels run shuttle buses to and from the airport, or alternatively you can hire a driver limousine service.

Chhatrapati Shivaji International Airport in Mumbai is in the northern suburb of Andheri. In non-peak hour traffic, the airport is a 30-minute drive to Powai, a suburb where many IT businesses as well as some multinationals are based. It is a 20 minute drive via a major highway to Bandra, the city's traditional financial district, and an hour's drive to Nariman Point and Colaba, the city's tourist hotspots. The easiest way to travel to Powai or Bandra from the airport is by car or taxi.

Kempegowda International Airport in Bangalore is located in Devanahalli, approximately 30 kilometres, or up to an hour's drive in regular traffic, from the city centre. Metered taxis, hotel airport transfers and car rental services are the easiest ways of getting to and from the airport. A high-speed rail link to the airport has been proposed.

Domestic flights: For domestic air travel, Air India, Jet Airways, IndiGo and SpiceJet are popular options. Jet Airways, India's largest airline by market share, offers code-share flights from Australia with Qantas, providing Australians with a seamless travel option into and within India.

6.3 GROUND TRANSPORT

Taxis

Metered taxis are plentiful and inexpensive in Indian cities. However, they may get stuck in traffic, particularly in major cities and during the peak times, which can cause delays of many hours. Only the blue and silver Cool Cabs are air-conditioned, which you should keep in mind during summer months when temperatures can soar to over 40 degrees. Taxis are usually a good option in off-peak times, and if you're unfamiliar with your destination.

Fares for Mumbai taxis start at INR 21 (44 cents) and go up by the same amount for every kilometre travelled. Surcharges or higher flagfalls are generally applied after midnight in most cities. Another option is to hire a taxi for a day (for a pre-negotiated price, which will vary according to the city you are in and where you are travelling to). You could also hire a car with an English-speaking driver, which can be arranged through your hotel or a car rental company.

Auto rickshaws, more commonly referred to as autos, are far more available in major cities such as Mumbai than taxis. All autos in India are required to run on compressed natural gas, although some do not comply. They are metered and regulated by a government authority. Although autos are slightly better at navigating dense traffic, the openness of the cabin can leave you wet and dishevelled if it is raining.

Always take a legal taxi with a running meter displayed in the front (unless you have organised with your hotel to hire a taxi for a day). Legal taxis will have the driver's taxi photo licence displayed at the front of the cab and are required to be metered. If your driver refuses to use the meter or no licence is displayed, then you should get a different taxi. As many taxi drivers may not be fluent in English, it is useful to have your destination written in Hindi characters. Sometimes taxi drivers will phone an English-speaking friend to help you communicate your destination details. The local metered rates will also be displayed in the taxi – generally on a sticker on the back passenger window. It is not necessary to tip the driver.

To drive in India, you must have an Indian driver's licence. Be aware that driving in some of the larger Indian cities can be quite difficult due to the traffic conditions, and it is often better to have a driver or to use taxis.

Rail and bus transport

Most of India's major cities have growing mass transit rail systems, some better developed than others. They are generally cheap, very fast and reliable. However, trains in cities with less developed rail systems can become very overcrowded at certain times of day and in the summer months can be stifling. Once you have been to the city a few times and are better acquainted with the train system, it can be a very efficient travel option, allowing you to avoid road congestion. Make note of what time of day the trains are less likely to be crowded and use them to your advantage. A monthly train pass in the general class costs INR 100 ($2.10) while a first-class one costs INR 500 ($10.50).

Bus transport is commonly used by Indians. At its worst, older non-air-conditioned vehicles get so overcrowded that you will often observe people almost hanging out of the doors while the vehicle is moving. More comfortable air-conditioned buses are also available but, again, until you are familiar with the system and the appropriate route you should take, auto rickshaws and taxis may be a safer option.

Intercity express: India has an extensive national rail network that connects just about every city in the country. Train travel between cities is economical but delays are common. A one-way air-conditioned train ride from Delhi to Bombay ranges in price from INR 1537 to INR 3700 ($33-$79), depending on the class of travel. On longer trips you may choose between seats or sleepers (bunk accommodation). Australian business travellers would be well advised to pay the extra for a 'soft sleeper' ticket when travelling overnight. Domestic air travel between cities in India is reliable and much more affordable than in Australia, making it the more advisable option for longer journeys. Train reservations can be made online (up to 120 days before the date of travel) or through the concierge at some hotels.

Useful smartphone apps to use in India:

- **WhatsApp** – Free messaging service, using mobile data or wi-fi
- **Hike** – Free messaging service, growing more popular
- **IRCTC Connect** – Train bookings
- **redBus** – Bus booking app for inter-city travel
- **OlaCabs** – Taxi booking app that works in most cities, allowing you to choose the level of comfort you prefer
- **ClearTrip** – One-stop shop for hotels, domestic flights, trains and bus bookings
- **India Air Quality** – Gives a reading of air quality in eight major Indian cities, including Mumbai, New Delhi, Bangalore and Pune
- **Google Translate** – Useful as it shows Hindi in English lettering as well as in Hindi characters
- **Google Maps** – useful for getting around
- **NDTV** – India's leading news app
- **Flipkart** – online shopping portal

6.4 HOTELS AND DINING

The Indian hotel industry is one of the world's largest, with an extensive variety of price and budget levels catered for. International chains and local luxury chains such as Taj, Oberoi and ITC operate in most major Indian cities. The Vivanta by Taj hotel chain is aimed at business travellers, and many of its hotels are conveniently located close to business centres or airports. Most major four and five-star hotels offer wireless internet in addition to a fitness centre, business centre, restaurants and cafés. At some hotels you will have to pay extra for certain facilities.

Staying in Mumbai

Mumbai, formerly known as Bombay, is the commercial centre of India and one of the country's most cosmopolitan cities. It is large and densely populated, with more than 21 million people over an area of approximately 4,355 square kilometres. You may want to select a hotel based on where you think many of your meetings will take place. If you are hosting the meeting, look into reserving a meeting room at your hotel for the day to minimise the need for travel. Bandra, in the west of the city, is the traditional financial centre, where many large Indian corporations have offices. Powai and Andheri in the north are close to the airport and home to some major multinationals as well as many IT and IT-related businesses. Many of the city's call centres are located there also. Powai is also home to a wealthy residential area known as Hiranandani Gardens, within which you will find hotels, banks and other familiar conveniences (chain coffee shops, restaurants and fast food outlets). Colaba and Nariman Point are also popular bases for business travellers, but both are a long drive away from the more industrial parts of the city.

Staying in Delhi

New Delhi, the district that serves as the capital of India, has a population of just 250,000. It is a district within the city of Delhi which has a population of over 20 million. There are two central promenades in Delhi, Rajpath and Janpath. South Delhi is a popular area for business travellers, while Connaught Place is conveniently located close to many government authorities.

Staying in Bangalore

Bangalore, India's technology hub, caters well to business travellers. More so than in the other cities, you may find all your meetings concentrated in a particular area, either within a specific technology or industrial park, such as Electronic City, or within the city centre itself. Many of the technology parks will have a well-appointed business hotel, usually run by an international chain.

Staying in Pune

Like Bangalore, Pune caters well to business travellers. Central Pune is referred to as Camp and is home to many of the city's corporate offices. Baner and Aundh in the west are where many IT and business process outsourcing companies are located. Magarpatta City is home to a number of multinational corporations and is the largest Special Economic Zone in Pune.

Business dining and entertaining

A significant amount of relationship building and some business in India is conducted during dining and entertaining outside of the office. In these situations, you could encounter very senior stakeholders who have not attended previous negotiations, but who are critical to the approval of a business deal. Dinners or lunches can indicate a general warming of a relationship and their importance cannot be overstated. Further information about business protocol during dining can be found in Chapter 4.

Zomato India is a very popular service for finding restaurants. When in doubt, seek a recommendation from your hotel or from a trusted contact in India. Restaurants in hotels are a safe bet for entertaining clients.

Tipping

Tipping is not customary, but is gradually becoming common practice. In restaurants, tipping is becoming more expected. For simple meals, the rule of thumb is 10 per cent. On larger bills, smaller tip ratios are common. Tipping in hotels is more complicated. At high-end hotels, staff members are encouraged not to collect individual tips. You may provide a cumulative tip (five to seven per cent of the room cost per night) in cash, to reception when you leave. There may also be a tipping box where you can deposit some cash. At hotels that are below four or five stars, bellboys may linger waiting for a tip so make sure you have notes in small denominations (INR five to ten) to tip them with. For drivers, tipping can vary widely for airport transfers (INR 30-50) and full day drivers (INR 150 per day).

Mobile phones

Australian mobile phones can be used in India but international roaming charges, including for data, can be very expensive. Your Australian carrier may offer international call and data packs that are suitable for shorter trips. Depending on the length of your stay, it may be much cheaper to buy either a pre-paid or post-paid Indian SIM card from a local provider (such as AirTel or Vodafone India). Plans are relatively cheap, varying in price from about INR 100-300. If you plan to put an Indian SIM card in your Australian phone, be sure to check with your Australian carrier before you leave that the phone is unlocked (able to take other carriers' SIM cards). You will need two or three different forms of identification to sign up for an Indian mobile phone account, due to tight regulations that have been in place since the Mumbai terrorist attacks in 2008. Not all SIM cards include data allowance, so be sure to ask for it if that's what you want. In smaller cities, you might encounter difficulties buying an Indian SIM card if the store assistant speaks little English. In such cases you could ask your hotel concierge to help. Indian and Australian power sockets are different so you will need an adaptor.

Useful numbers for emergencies include

If you can only remember one number or are in doubt, call **110**.

POLICE	**100**
FIRE	**101**
AMBULANCE	**102**
DISASTER MANAGEMENT	**108**

6.5 HEALTH AND WELFARE

Most of the following information on health and welfare in India has been provided by the Australian Government's Department of Foreign Affairs and Trade (DFAT) as general advice. Australians should always consult DFAT for up-to-date information on travelling to India, particularly on health risks and personal safety, before departing. Before travelling, Australians should also register on DFAT's website in case of an emergency and consult www.smartraveller.gov.au, which provides regularly updated advice for business travellers and tourists visiting India.

Health insurance

Before visiting India, Australians should take out comprehensive travel insurance that will cover any medical costs. They should confirm that their insurance covers them for the entire time they will be away, and check what circumstances and activities are not included in the policy.

Health

It is important to consider your physical and mental health before travelling overseas, and you are encouraged to consider having vaccinations. At least eight weeks before you depart, make an appointment with your doctor or travel clinic for a basic health check-up, and to discuss your travel plans and any implications for your health, particularly if you have an existing medical condition. The World Health Organisation (WHO) provides information for travellers and the DFAT health page also provides useful information for travellers on staying healthy.

Medical facilities

Medical facilities providing an adequate standard of treatment can be found in India's major cities. However, in remote and rural areas facilities can be very limited or unavailable. In the event of a serious illness or accident, medical evacuation may be necessary.

'Medical tourism', including for cosmetic and experimental stem cell treatments, has become more common in India. Australians should ensure that they do not attend discount or uncertified medical establishments where standards can be lacking.

Decompression chambers are located at the Indian naval base in Port Blair, Andaman and Nicobar Islands, and at the Goa Medical College, Goa.

Travel health concerns

Cases of Influenza A (H1N1) have recently increased in India. If you are travelling to India, discuss influenza vaccination requirements with your GP or a travel health professional before leaving Australia.

There is a high incidence of food-borne, water-borne and other infectious diseases in India (including meningitis, cholera, typhoid, hepatitis, tuberculosis, HIV/AIDS, diphtheria and rabies). Tap water in India is not safe to drink; it is advisable to boil all drinking water or drink bottled water with intact seals, and avoid ice cubes and raw and undercooked food. Seek medical advice if you have a fever or are suffering from diarrhoea.

You should not consume home-made or unlabelled alcohol as it may be adulterated with harmful substances.

Dengue fever is prevalent in India. For more information on dengue fever, see the World Health Organisation's dengue fact sheet. Malaria is a risk in most parts of India, including major cities. There is also a risk of other mosquito-borne diseases (including Japanese encephalitis, chikungunya fever and filariasis). Take strict precautions against being bitten by mosquitoes, including using an insect repellent, wearing loose-fitting, light-coloured clothing and ensuring your accommodation is mosquito proof. Seek medical advice if you have a fever.

Major cities in India experience frequent high levels of air pollution, which in some places can reach hazardous levels. Children, the elderly and those with pre-existing medical conditions, particularly cardiac and respiratory, may be especially affected. If you live in or intend to visit India and are concerned about the levels of air pollution, you should seek medical advice. Follow advice from local authorities about methods to reduce exposure on days with high levels of pollution. You can monitor the pollution index for many cities through resources such as SAFAR or the DPCC website. Information on air quality can also be found on the World Health Organization website.

Personal safety

Always treat locals with respect and stay alert. The Australian Government advises Australian nationals to exercise normal safety precautions in India and use common sense and look out for suspicious behaviour, as you would in Australia. It is also best to monitor the media and other sources for changes to local travelling conditions.

Civil unrest/political tension

Violent protests and demonstrations occur sporadically and often spontaneously throughout India. Civil unrest and communal violence have in the past claimed a significant number of lives. Avoid locations where protests and demonstrations are being held as these may become violent. Travellers should remain vigilant and monitor the local news and media sources to keep abreast of the latest developments.

International events, political developments in the region and local events can trigger demonstrations in India, often causing disruptions to public transport.

Religious ceremonies and gatherings attended by large crowds can result in dangerous and life-threatening incidents, such as stampedes. In response to such events, Indian authorities may impose curfews and restrict activity in the affected location.

In the event of a protest or demonstration, you should monitor international and local media for information concerning your safety and security and follow the instructions of local authorities.

Jammu and Kashmir and India-Pakistan border: The Australian Government advises Australians travelling in India to avoid visiting the Jammu and Kashmir region, specifically areas including Ladakh, Srinagar and the border with Pakistan, other than the official international border crossing. There is a high degree of political tension in these areas, making them susceptible to violent demonstrations or terrorist and militant activity.

Terrorism: Terrorism is a threat in India as it is throughout the world. Past attacks have aimed to inflict mass casualties. Terrorist groups regularly issue statements threatening to launch attacks in India and Indian security services have warned that attacks may occur. In the past, terrorists have targeted areas frequented by tourists including hotels, markets, tourist sites, transport hubs and public transport networks and religious sites. Attacks have also targeted local courts, sporting events and cinemas, and Indian security and political establishments.

Take into consideration local security measures when deciding where to visit. There are limited security measures in place on public transport, such as buses and railways. Security arrangements at airports have been enhanced, reflecting the threat of terrorist attacks against Indian aviation interests.

Major secular and religious holidays and periods of religious significance could provide terrorist groups with an opportunity or pretext to stage an attack. You should also be vigilant in the period surrounding days of national significance, such as Republic Day (26 January) and Independence Day (15 August).

The Indian Government has in the past issued public alert warnings about possible terrorist attacks. You should take such alert warnings seriously and avoid any areas identified as a possible target of attack.

Crime: Women should take particular care in India, including in major cities and tourist destinations, even when travelling in a group. Avoid walking in less populous and unlit areas, (including city streets, village lanes and beaches). Successful prosecutions of crimes against women have been rare but are growing as locals put more pressure on governments to protect women's safety in India. Petty theft is common in crowded areas such as markets, trade fairs, expos, and airports, as well as on buses, metros and trains, including overnight and long-distance trains. Thieves on motorcycles commonly snatch shoulder bags and jewellery. Travellers have been robbed and assaulted after consuming 'spiked' drinks or food. Avoid accepting unsolicited offers of food and drinks from strangers, particularly on trains. There have also been reports of travellers being abducted, assaulted and robbed when leaving venues alone late at night, particularly when intoxicated.

Scams: Foreign travellers have been targeted by scams in India. Take care when receiving change or dealing in cash as counterfeit currency is in circulation. Physical violence, including serious assault when resisting, and credit card skimming or duplication has occurred. You should also note that:

- Travellers have been asked to carry goods concealing narcotics out of India.
- There have been reports of foreign travellers being drugged and robbed after accepting offers of food, drink or transportation from strangers.
- If you are the victim of petty crime or a scam, you should report it immediately to the local police. Even though they may not be able to retrieve your money or goods, they can issue you with an official loss report for insurance purposes. For further information on how to reduce your risks from various types of scams, visit the Australian Competition and Consumer Commission's SCAMwatch website at scamwatch.gov.au.

Local laws and penalties for crimes

Legal processes in India generally take several years to conclude. Australians arrested for major offences may be imprisoned for several years before a verdict is reached in their case. The requirement for official approvals by Indian authorities can cause delays in consular services being provided to Australians in prison. Some crimes, such as murder, kidnapping for ransom, armed robbery with murder, and treason, attract the death penalty in India. Penalties for drug offences are severe and include mandatory sentences and the death penalty.

Legal issues to be aware of (identified by DFAT):

- Homosexuality is a criminal offence in India. Though prosecutions are rare, a conviction for homosexual behaviour could carry a maximum sentence of life imprisonment. See the DFAT LGBTI travellers page.
- Trespassing and photography of airports, military establishments and dams is illegal, with penalties ranging from three to 14 years' imprisonment.
- Some places of worship and temples do not allow visitors to take pictures or videos; travellers need to check beforehand with the temple's administrative office.
- It is illegal to carry or use a satellite phone in India without permission. The penalty for doing so could include a fine and/or imprisonment.

USEFUL PHRASES FOR GETTING AROUND INDIA	
Phrases	**Hindi Phonetic**
Hello and Goodbye	Namaste / Namaskār
Good/Bad	Acchā / Burā
Big / small	Bada / Chhota
How are you?	Aap kaisey hain?
I'm fine, thank you	Mein theek hoon, shukriya!
Thank you	Shukriyaa (Bahut dhanyavaad)
My name is	Meraa naam ...hai.
I cannot speak Hindi	Hindī bāta nahīṁ kara sakatē
I don't understand	Mujhey samajh mein nahi aataa.
Hold on/one moment please	Ek minat
I'm sorry/Excuse me	Kshama keejeeae
How much is this?	Yeh kaisey diyaa?
(Too) Expensive	Adhika mahaṅgā
Help!	Madada
Straight on/ continue	Seedhey jaaey
Turn left/Turn right	Phir bānyae/ dānyae mudiye
Stop here	Idhar ruko
Slow down	Gati kama karō
Enjoy! (for meals)	Bhog keejeeae

- Legal drinking ages range from 18 to 25 depending on the state, and can vary by alcohol type. Some states permit alcohol use for medicinal purposes only, and others require you to hold a permit to buy, transport or consume alcohol. Some states prohibit the carriage of alcohol brought in from outside the state, and police may perform checks on vehicles to enforce this law. Travellers are advised to check state alcohol laws before they visit.
- Deliberate maiming or killing of a cow is an offence that can attract a punishment of up to five years' imprisonment in some states.
- Strict regulations apply for the possession and export of antiquities, with penalties of up to three years' imprisonment.
- Some Australian criminal laws, such as those relating to money laundering, bribery of foreign public officials, terrorism, forced marriage, female genital mutilation, child pornography, child sex tourism, and commercial surrogacy, apply to Australians overseas. Australians who commit these offences while overseas may be prosecuted in Australia.

Local customs

There are strict codes of dress and behaviour in India, particularly in northern India and at religious sites, and you should take care not to offend. Physical contact between men and women in public is not considered appropriate in more traditional cities and regions. If in doubt, seek local advice.

Climate and clothing

India is a large country with a wide range of climatic conditions. Delhi is very cold in the winter and hot in summer. Mumbai, Pune and Bangalore have reasonably warm winters and very hot and humid summers. The monsoon is wetter and wilder in Mumbai than it is in Bangalore. Dress to the local conditions. Women should avoid short shorts and singlets, but as Indians are very accepting of foreigners, it is not necessary to dress in local attire as long as your clothes are reasonably conservative.

Public holidays in India

There are numerous public holidays in India, many of which are celebrated only by particular states. The list below is by no means exhaustive, showing only the holidays that are celebrated nationally. You must research when public holidays fall in the states that you are visiting before you arrange your travel, as many festivals and celebrations can last for more than a day.

Name	2015	2016	2017
New Year's Day	Jan 1	Jan 1	Jan 1
Republic Day	Jan 26	Jan 26	Jan 26
Independence Day	Aug 15	Aug 15	Aug 15
Mahatma Gandhi Birthday	Oct 2	Oct 2	Oct 2
Diwali/Deewali/Deepavali (except West Bengal)	Nov 11 – 15	Oct 30 – Nov 3	Oct 19 - 23
Christmas	Dec 25	Dec 25	Dec 25

7. Engage with us

Asialink Business

Asialink Business provides high-calibre opportunities for Australian businesses to build the Asia capability of their executives and team members.

Our business-focused cultural competency programs, professional development opportunities and practical research products allow businesses to develop essential knowledge of contemporary Asian markets, business environments, cultures and political landscapes.

Supported by extensive market research and customer intelligence, Asialink Business is uniquely positioned to provide tangible support to Australian businesses wishing to maximise their economic opportunities.

To start a conversation about how we can help build Asia capability in your business, please get in touch.

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PwC

PwC Australia helps organisations and individuals create the value they're looking for. We're a member firm of a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, advisory, tax & legal, and private client services.

If you're looking to grow your business into India, we bring a combined knowledge of markets and our connected international network to help you succeed. Our experience and deep cultural understanding is how we help our clients to navigate the opportunities and challenges involved in investing away from home.

Web: www.pwc.com.au/asia-practice

Resources and contacts

Australian High Commission, India
1/50 G Shantipath, Chanakyapuri
New Dehli 110021
Tel: +91 11 4139 9900
Fax: +91 11 4149 4490
Web: www.india.highcommission.gov.au

The High Commission of India in Australia
3 Moonah Place
Yarralumla, ACT 2600
Tel: +61 2 8223 9909
Web: www.hcindia-au.org/

Australia-India Comprehensive Economic Cooperation Agreement
dfat.gov.au/trade/agreements/aifta/pages/australia-india-comprehensive-economic-cooperation-agreement.aspx

Income Tax Department, Government of India
incometaxindia.gov.in

India in Business, Ministry of External Affairs, Government of India
indiainbusiness.nic.in/newdesign/index.php

Indian Trade Promotion Organisation
www.indiatradefair.com

Open Government Data Platform India
data.gov.in

Useful websites

In addition to the websites mentioned in this country starter pack, these website may be useful for establishing a business in India.

Asian Development Bank
www.adb.org

ADB offers good background data on its member countries. Click on the "Regions and Countries" tab at the top of the home page.

Indo-Australian Chamber of Commerce
www.indoaustchamber.com/

With over 500 members, the Chamber now represents almost the entire range of Indo-Australian business community. These 500 members include, leading Australian and Indian companies doing business across and between the two countries in various industries. Working closely with the Australia India Business Council, the Chamber regularly holds networking events and facilitates missions and hosts delegations between the two countries.

Austrade
www.austrade.gov.au/industrycountry

Austrade has a number of offices throughout India. Austrade's website provides country and industry data as well as links to other sources.

CIA World Fact Book
www.cia.gov/library/publications/the-worldfactbook/index.html

Detailed and up-to-date country profiles.

Digitalbusiness.gov.au
www.digitalbusiness.gov.au

This website provides guidance for small businesses, not-for-profits and community organisations to establish and/or enhance their online presence so that they can access the benefits of participating in the digital economy.

Export Council of Australia
www.export.org.au/eca/homepage

The Export Council of Australia is the peak Industry body for the Australian export community.

Export Finance and Insurance Corporation
www.efic.gov.au/

EFIC provides information on overseas markets and support to Australian businesses looking to expand overseas.

Federation of Indian Chambers of Commerce and Industry (FICCI)
www.ficci.com

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

Global Edge
globaledge.msu.edu/resourceDesk/

International business portal providing country guides, links to global information resources and a discussion forum.

IBIS World
www.ibisworld.com

Produces reports on a range of industries.

Nielsen
www.nielsen.com/in/en.html

Nielsen is a global marketing company with offices in Australia, India and many other countries.

Ozforex
www.ozforex.com.au/

Provides current and historical exchange rates for a variety of currencies.

World Bank Doing Business Report
www.doingbusiness.org/

The annual World Bank Doing Business Report measures business regulations in 189 economies and selected cities. It ranks countries on areas such as infrastructure and approvals processes.

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Australian Trade Commission (Austrade)
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Department of Education and Training
Department of Foreign Affairs and Trade
Export Finance and Insurance Corporation
IP Australia
Tourism Research Australia

Others:

Advertising Standards Council of India
Australia India Business Council
BCG
Canadian Trade Commissioner
Export Council of Australia
Federation
Forbes Media LLC
Gartner
India Trade Promotion Organisation
Indo-Australian Chamber of Commerce
International Franchise Association
International Monetary Fund
International Labour Organisation
Ministry of Commerce and Industry, Government of India
Ministry of External Affairs, Government of India
McKinsey Global Institute
New York University
New Zealand Trade and Enterprise
Open Government Data Platform India
Planning Commission, Government of India
PwC
Reserve Bank of India
Transparency International
United Kingdom Trade and Investment
United Nations
United States Trade Office
University of Sydney
World Bank
World Economic Forum
World Intellectual Property Organisation
World Shipping Council
World Trade Organisation

Note on currency

All money amounts are in Australian dollars unless otherwise indicated. Exchange rate used is the 2015 (January to November) average rate from OzForex.

AUD1 = USD0.7572

AUD1 = INR47.0618

Disclaimer

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