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India

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Doing Business in India

Market Overview

Bilateral U.S.-India trade expanded to \$115 billion in goods and services in 2016 against a backdrop of declining overall levels of global trade volumes. The United States remained India's largest trading partner, with exports of American goods and services to India reaching \$42.0 billion (up 5.8% from 2015), and imports from India hitting \$72.9 billion (up 4.8% from 2015). The United States also remained India's top export market – and its \$31 billion trade surplus with the U.S. is its largest with any country – while India is the 18th biggest export market for U.S. goods. Top U.S. export categories to India in 2016 were: precious metal and stones (\$7.0 billion), machinery (\$2.0 billion), agricultural and related products (\$1.5 billion), optical and medical instruments (\$1.3 billion), mineral fuels (\$1.2 billion), and electrical machinery (\$1.2 billion). Top U.S. import categories from India in 2016 were: precious metal and stones (\$11 billion), pharmaceuticals (\$7.4 billion), agricultural and related products (\$3.8 billion), mineral fuels (\$2.4 billion), miscellaneous textile articles (\$2.3 billion), and machinery (\$2.1 billion).

U.S. foreign direct investment (FDI) stock in India was \$28.3 billion in 2015 (latest data available), a 4.4% increase from 2014. U.S. FDI in India was led by professional, scientific, and technology services, manufacturing, and wholesale trade investments. India's FDI stock in the United States was \$9.3 billion in 2015, up 3.7% from 2014. India's direct investment in the U.S. is also led by professional, scientific, and technology services, but also depository institutions, and manufacturing. Most major U.S. companies are active in the market, including fast growing U.S. franchisors that are responding to changing consumer tastes and a rapidly expanding middle class – particularly in tier 1 and tier 2 cities. India is the fourth fastest growing source of FDI into the United States.

India's economy performed well in 2016, with GDP growing at over 7% coupled with a stable rupee and steady, relatively low inflation. The IMF estimates that India will continue to grow at between seven and eight percent in 2017-2018. This growth is being spurred by further market liberalization and reforms addressing India's ease of doing business, as well as an active Government of India-driven campaign to increase local manufacturing, grow the agricultural sector, and attract greater levels of inward foreign direct investment.

In May 2014, the Narendra Modi-led Bharatiya Janata Party (BJP) won the world's largest democratic election, defeating a Congress-led coalition that had been in power for the past decade. The 2014 election marked a turning point in investor sentiment, as a fractured minority government, seemingly unable to advance

essential economic reforms, was displaced in favor of a government that had won on a platform of economic growth. The advent of a BJP-led government at the center, combined with the monetary stewardship of Raghuram Rajan, the respected Governor of the Reserve Bank of India, made an immediate mark on investor sentiment. Stabilized currency rates and improved economic performance seemed to demonstrate that an era of policy paralysis and populism had ended in favor of a business-friendly growth agenda.

In August 2014, Prime Minister Modi announced his Make in India initiative—a branded campaign to attract international capital to the country's struggling manufacturing sector. Make in India has provided momentum to the country's economy. The initiative aims to increase the share of manufacturing GDP from 16% to 25% and create 100 million jobs by 2020; gradually transforming the investor sentiment and raising optimism for doing business in India.

India's Smart Cities program was officially launched in June 2015 with a state-by-state competition to identify 100 cities that would receive central government funding from the Ministry of Urban Development to capitalize related infrastructure upgrade projects. In January 2016, the first 20 cities were announced, 13 more cities were selected in May and another 40 announced in June, 2016. The next group of winners is expected to be announced in June 2017. The Government of India is investing a total of \$7.5 billion in intelligent urban infrastructure upgrades for the 100 cities over a five year period. This program covers multiple sectors, but focuses primarily on water and wastewater, power, sanitation, solid waste management systems, efficient urban mobility and public transportation, IT connectivity, e-governance and citizen participation. Central government funding is to be augmented by state and city budgets, with additional funds expected through public-private partnerships at the project level.

On June 20, 2016 the Government of India (GOI) announced major changes aimed at further opening the economy to foreign investment. The long-awaited rules reinforce the government's plan to develop more business-friendly policies as India looks to spur job creation and maintain its growth momentum. This is second in a series of FDI openings by the Modi-led government, the earlier one being the liberalization of various sectors in November 2015. Per the new norms, 100% FDI is now permitted in civil aviation and e-commerce, among others, and requirements have been modified to allow for up to 100% FDI in the defense sector in special cases. The government has also relaxed local sourcing requirements for single-brand retailers of high technology products. Other measures have been taken by the Central and State Governments to facilitate manufacturing, improve the business environment, and promote the development of industrial corridors across India.

On November 8, 2016, Prime Minister Modi unexpectedly “demonetized” all INR 500 and INR1000 banknotes, totaling 86 percent of cash in circulation, in a bid to root out corruption and digitize the economy. In the short term, the move led to a cash shortage that impacted consumer sales, but India’s formal economy still grew at seven percent in the October–December 2016 quarter. The result was in line with the country’s 7.1 percent GDP growth for the April 2016–March 2017 fiscal year. The Reserve Bank of India said in its June statement that the effects of demonetization on the broader economy are sector specific and transient. However, the commercial State Bank of India told institutional investors in June that demonetization’s long term impact is uncertain, and “demonetization has and may continue to result in a slowing down of the Indian economy.” According to the World Bank, “In the long-term, demonetization has the potential to accelerate the formalization of the economy, leading to higher tax collections, and greater digital financial inclusion,” provided the government take necessary steps to tax property and increase access to and usage of the internet for digital transactions.

In recent months, PM Modi has enjoyed political momentum buoyed by his Bharatiya Janata Party’s (BJP) victories in state elections. The BJP performed particularly well in Uttar Pradesh, a massive state with more than 200 million residents, which will increase the number of seats Modi’s party holds in the upper house of Parliament. The BJP currently holds a majority in the lower house. The successful passage of a constitutional amendment to establish a national Goods and Services Tax (GST) to replace the complex web of national and state-government taxes with a unified national tax system also looks on-track to be implemented by July 1, 2017. This should further buoy Modi’s reform agenda and support continued economic growth and expansion.

Given India’s decentralized political system, US companies doing business in India should be prepared to encounter varied political and economic conditions across India’s twenty-nine states and seven union territories. There are differences at the state level in the quality of governance, regulation, taxation, labor relations, and education levels. The country ranks 130 out of 189 in the World Bank’s Ease of Doing Business Report.

While the government has managed to push through a number of investor-friendly reforms, including an increase in FDI limits in the defense and insurance sectors to 49% or more, on others, such as land acquisition, it has failed to muster sufficient political support to move forward. Thus, while the outlook has improved considerably, objective conditions for doing business in India remain similar to years past.

Opportunities in the current scenario, however, are still abundant. Indian conglomerates and high technology companies are generally equal in sophistication and prominence to their international counterparts. Certain industrial sectors, such as information technology, telecommunications, pharmaceuticals, textiles and engineering are globally recognized for their innovation and competitiveness. Foreign companies operating in India emphasize that success requires a long-term planning horizon and a state-by-state strategy to adapt to the complexity and diversity of India's markets.

Market Challenges

Infrastructure

Problems with the country's roads, railroads, ports, airports, education, power grid, and telecommunications are significant obstacles as the nation strives to achieve its full economic potential. India's ongoing urbanization, together with rising incomes, has resulted in a heightened need for improved infrastructure, both to deliver public services and to sustain economic growth. India will invest approximately \$38 billion in creating and upgrading infrastructure by the next fiscal year as per the Government of India's 2017 budget announcement and is looking for private sector participation to fund half of this massive expansion largely through its home-grown Public-Private Partnership (PPP) model. U.S. companies have been successful in certain areas of India's infrastructure development, but competition from other countries remains stiff. As a result, U.S. industry's market share in India in this sector has been declining. Unfortunately, the current PPP model has had a mixed record, slowing the development of numerous metro transit, road/highways, airport, mining and energy projects. One of the main shortcomings of the PPP model is that it assigns too much risk to the private sector. As a result, a government-sponsored committee has made recommendations on ways to improve the model with a view to establishing a more equitable risk sharing arrangement. Some of the recommendations of the committee such as kick-starting delayed projects have been implemented. At the same time, the government has yet to act on other key recommendations, including: setting up a dedicated institute for PPPs, establishing proper risk-sharing measures, proposing independent regulations for key sectors, and enhancing private investment protection for infrastructure projects.

High Tariffs and Protectionist Policies

Exporters and investors face non-transparent and often unpredictable regulatory and tariff regimes. Many U.S. services have limited access to the market. According to the World Bank survey on the ease of doing business for 2016, India is ranked 130 out of 189 countries due to its difficult business climate.

Local Content Requirements

The Indian government is pursuing local content requirements in specific areas including information and communications technologies (ICT), electronics, and solar energy to spur an increase in the manufacturing sector's contribution to GDP. These policies negatively affect U.S. exporters.

With regard to ICT, India drafted a policy expressing preference for domestically manufactured telecommunications and ICT products in government procurement, citing security concerns. In addition, all telecom and ICT product purchases by the government that have security implications have to be notified to the Department of Telecommunications. All imported ICT equipment requires mandatory licensing and certification from accredited labs in India. This regulation has not been fully enforced due to the limited capacity of Indian testing labs.

Food Product Approval

Importers must seek formal product approval for any foods or food products that have not been standardized from the Product Approval Division of the Food Safety and Standards Authority of India (FSSAI). These products have been termed by FSSAI as 'non-specified food and food ingredients.' The various categories of food products covered under this category are:

- Novel foods or foods containing novel ingredients which do not have a history of human consumption in India;
- Food ingredients that have a history of human consumption in India, but are not specified under and preexisting regulations under the Food Safety Act, 2006;
- New additives and processing aids; and
- Foods manufactured or processed using novel technology

All procedures and formats can be found in detail on the [website of FSSAI](#).

Powers of States

On June 2, 2014, Andhra Pradesh was officially split creating two states: Telangana and Andhra Pradesh. Companies should be prepared to face varying business and economic conditions across India's now 29 states and 7 union territories. Power and decision-making are decentralized in India, with differences at the state level in political leadership, quality of governance, regulations, taxation, labor relations, and education levels.

Gujarat is an example of a state with a positive business climate that has succeeded in attracting significant foreign investment. West Bengal, on the other side of the spectrum, has a much lower level of foreign owned-business activity, but in response to competitive pressure from other states, is implementing state-level reforms to attract more investment. West Bengal's continued efforts to make land more easily available through the government's "Land Bank" could spark interest in small greenfield projects. However, not enough land is available in tracts for heavy industrial projects. To do business in India successfully, an investor firm should factor differences in approach by different states into its national business strategy. An "[Ease of Doing Business](#)" state-by-state ranking is maintained by the Ministry of Commerce and Industry's Department of Industrial Policy and Promotion (DIPP) and can be found online. [.](#)

Market Opportunities

These sectors present the best opportunities for U.S. entrants to the Indian market on the basis of estimated Indian imports and potential for growth for 2016:

- Aerospace & Defense
- Education
- Energy
- Environmental Technology
- Travel & Tourism
- Healthcare
- Financial Services
- Agricultural Commodities

Specific information on these sectors is listed in the section on [Leading Sectors for U.S. Export and Investment](#).

Market Entry Strategy

Strategic planning, due diligence, consistent follow-up, and perhaps most importantly, patience and commitment are all prerequisites to successful business in India. This market necessitates multiple marketing efforts that address differing regional opportunities, standards, languages, cultural differences, and levels of economic development. Gaining access to India's markets requires careful analysis

of consumer preferences, existing sales channels, and changes in distribution and marketing practices, all of which are continually evolving.

Finding Partners and Agents:

New-to-market businesses must address issues of sales channels, distribution and marketing practices, pricing and labeling, and protection of intellectual property. These issues are best addressed through and with an Indian partner or agent. Relationships and personal meetings with potential agents are extremely important. Due diligence is strongly recommended to ensure that partners are credible and reliable.

Market Entry Options

There are many foreign companies eyeing opportunities in India. For entry into the Indian market, it is essential to identify the target market and find good partners who know the local market well and are completely acquainted with procedural issues. Foreign investors should also explore various market options in India that could include forming subsidiary relationships or joint ventures with an India-based company.

Some of the important points for market entry in India are: the ability to understand the diverse market and strategies towards specific regions and income groups (target segment); crafting offerings according to the target group in order to gain early acceptance; integration of the informal sector into the core business model by gaining access to relevant networks; consistency in approaching the market; obtaining mandatory licenses and approvals; understanding the import procedures is one of the key issues for first time export to India. Proper documentation and understanding of the Indian import procedure will ensure smooth entry of products into the Indian market.

Geographic Diversity

According to International Monetary Fund World Economic Outlook (October-2016), GDP (nominal) of India in 2016 at current prices is \$2,251 billion. India contributes 2.99% of total world's GDP in exchange rate basis. India shares 17.5 percent of the total world population and 2.4% of the world surface area. India is now 7th largest economy of the world. The growth rate of the industrial sector is estimated to be down to 5.2% for the fiscal year ending March 2017 from 7.4% last fiscal year ending March 2016. This is primarily due to the demonetization drive in November 2016. India has also firmly established itself as a lucrative foreign investment

destination. Foreign Direct Investment (FDI) inflows into India in 2016 calendar year jumped 18% to a record \$46.4 billion at a time when global FDI inflows fell. This is higher than the \$31 billion inflow in 2015. Data from the Department of Industrial Policy and Promotion (DIPP) showed FDI inflows in 2016 were strongest in October with \$6.2 billion inflows followed by \$5.1 billion in September 2016.

As stated, U.S. companies, particularly small and medium-sized enterprises, should consider approaching India's markets on a regional level. Good localized information is a key to success in such a large and diverse country. The U.S. Commercial Service offices in New Delhi, Mumbai, Chennai, Ahmedabad, Bengaluru, Hyderabad, and Kolkata provide valuable local information and advice and are well connected with local business and economic leaders. Multiple agents are often required to serve the various geographic markets in the country.

The country can be broadly divided into four economic regions:

North India

North India, with a population of nearly 370 million, is home to 30% of India's total population and comprises the second largest consular district in the world. The region includes the states of Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand, the Union Territory (UT) of Chandigarh (which is the capital of both Punjab and Haryana states), as well as Delhi/National Capital Region (NCR). Northern India's per capita incomes vary greatly, with several states including Delhi, Haryana, and Punjab well above India's average per capita income of \$1539, and others like Jammu & Kashmir and Uttar Pradesh significantly below. Outside of the National Capital Region, which includes the business centers of Gurgaon and Noida, North India, in general, is not as economically and commercially developed as Southern or Western India, although certain sectors including agribusiness, renewable energy (especially solar), machine tools, automotive and medical/consumer goods are well represented. Education, travel & tourism, and trade and investment promotion are particularly strong opportunities given North India's significant population and wealth. Punjab, in particular, has very strong ties to the United States, with an estimated 350,000 Punjabis living in the U.S. Punjab also has a strong consumer culture, and is one of India's top markets for luxury goods.

One of the Modi administration's top priorities is Smart Cities. The United States is supporting Smart City engagement in three Indian cities, with two of them – Ajmer, Rajasthan and Allahabad, Uttar Pradesh – falling in North India. With significant infrastructure needs across the regions, this activity will focus primarily on integrated urban development. Another economic growth priority is to increase

states' competitiveness and improve the overall business climate. Since September 2015, India's Department of Industrial Policy and Promotion (DIPP), in conjunction with the World Bank, has done an annual Ease of Doing Business (EODB) assessment and ranking of India's 36 states and UTs under the Government of India's Business Reform Action Plan. For 2016, Haryana was the highest ranked North Indian state at #6, followed by Rajasthan at #8 and Uttarakhand at #9. In the middle of the pack are Punjab, Uttar Pradesh, Himachal Pradesh, and Delhi, at #12, 14, 17, and 19 respectively. Jammu & Kashmir ranked #32, followed by Chandigarh at #33.

In February/March 2017, the Bharatiya Janata Party (BJP), Prime Minister Modi's party, won legislative assembly elections by an overwhelming majority. Uttar Pradesh (UP) is the largest state in India with a population exceeding 200 million. The BJP's victory in UP, along with simultaneous victories in three other states, is testament to the strength of the BJP and led to a majority for the party in Parliament's Rajya Sabha (Upper House) and Lok Sabha (Lower House), giving Prime Minister Modi a mandate to legislate at the national level.

The U.S. Commercial Service (CS) in New Delhi oversees North India.

Western India

The Western India Region comprises five states: Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, and Goa. The region is highly industrialized, with a large urban population, a land area of 951,488 square kilometers, and a regional population exceeding 279 million. The region is anchored by Mumbai, the financial, business and entertainment capital of the country. Other major cities include: Pune, Nagpur, and Aurangabad in Maharashtra; Ahmedabad, Surat, Vadodara, and Rajkot in Gujarat; Indore, Bhopal, and Gwalior in Madhya Pradesh; Panaji in Goa; and Raipur in Chhattisgarh.

The Western Region is an economic powerhouse in a wide range of sectors: conventional and renewable energy, chemical and allied products, electrical and non-electrical machinery, textiles, petroleum and allied products, wine, jewelry, pharmaceuticals, engineering goods, machine tools, steel and iron castings, and plastic wares. The Western Region leads in the production of petrochemicals, textiles, diamonds, and pharmaceutical products and is home to some of India's – and the world's – best known corporations, such as Reliance, Tata, Aditya Birla Group, Godrej, and Mahindra & Mahindra. Most major American companies are head quartered in Mumbai.

In addition to this manufacturing might, the Western Region is recognized as the hub of the growing services sector in India. Several large, global banks and financial

institutions are located in Mumbai, including the Reserve Bank of India (central bank), the two largest life and general insurance companies (LIC & GIC), and the two largest Stock Exchanges (BSE & NSE.)

CS offices in Mumbai and Ahmedabad oversee Western India.

South India

The South India commercial district covers six states: Tamil Nadu, Karnataka, Kerala, Telangana, Andhra Pradesh, and Odisha; and the Union Territories of Puducherry (Pondicherry), Lakshadweep Islands, and Andaman & Nicobar Islands. The region has a collective population of 290 million and an area covering 791,457 square kilometers. Per India's DIPP and the World Bank's Ease of Doing Business assessment and rankings of India states, Andhra Pradesh and Telangana were the top ranked states (tied for #1), followed by Odisha at #11, Karnataka at #13, Tamil Nadu at #18 and Kerala at #20.

Tamil Nadu has four major and 44 minor ports, and serves as an important gateway to Southeast Asia. The state is an important manufacturing center and the capital Chennai is home to many Indian companies, mostly engaged in the automotive, healthcare, information technology (IT) and financial services sectors. The state is considered as an educational hub for India as well. In addition to the United States, countries such as Japan, Korea, Germany, and France have invested largely in Tamil Nadu. Investments are mostly in automotive, consumer electronics, and heavy machinery sectors from companies such as Ford, Caterpillar, Dell, Hyundai, Saint Gobain, Renault, Nissan, BMW, Visteon, Toshiba, Hewlett Packard, and Mitsubishi. The other two major cities in Tamil Nadu are Coimbatore and Madurai. A large number of textile mills and engineering units are located in these two cities.

Bengaluru (Bangalore), the capital of Karnataka, is the hi-tech hub of India and one of the principal commercial and industrial centers in South India. Home to numerous high-tech companies, including domestic giants like Wipro and Infosys Technologies, Bengaluru is popularly known as the 'Silicon Valley' of India. The clustering of aerospace, defense, machine tools, electronics-related industries, and biotech companies in Bengaluru has also made it the aerospace and bio-tech center of the country. The city has a booming retail market and is the first destination of many global consumer brands, especially luxury labels. Increasingly, the city is also seeing high growth in the healthcare, textiles/apparel, automotive, and construction industries. The other major cities of Karnataka are Mangaluru and Mysore.

Major business sectors in Kerala include construction, shipbuilding, transportation, shipping, seafood and spices, chemical industries, IT, tourism, health services, and banking. Kochi (Cochin) is widely referred to as the commercial capital of Kerala.

The availability of electricity, fresh water, a long coastline, backwaters, good banking facilities, presence of a major port, container trans-shipment terminal, harbor terminal, and an international air terminal are some of the factors that have accelerated the industrial growth in the city and its adjoining districts. In recent years the city has witnessed heavy investment, thus making it one of the fastest-growing tier 2 cities in India. Thiruvananthapuram (Trivandrum) is the state capital.

Telangana is India's newest state, created in 2014 after Parliament voted to bifurcate the state of Andhra Pradesh. Hyderabad, its capital, is known as a center for IT and other industries such as biotechnology, pharmaceuticals, aerospace, and defense manufacturing.

After the bifurcation, the residual coastal area and inland region retained the state name Andhra Pradesh. The capital of Andhra Pradesh, Amaravati, is under construction. In the interim, government functions take place in Amaravati's neighboring city, Vijayawada, an hour flight from Hyderabad. The coastal region is historically known as "The Rice Bowl of India," and contains India's second largest source of minerals. The state's largest industrial hub is around Visakhapatnam (Vizag). The city's natural deep water ports, proximity between Chennai and Kolkata, and access to highways and rail networks have allowed heavy industries in the areas of petroleum, steel and fertilizers to flourish.

Odisha (Orissa) was once the poorest state in India but rapid economic growth during the past decade has greatly reduced poverty. Still, there are many economically depressed regions in the state. Driven by political stability and investments in the mining, power, steel and port sectors, major industries related to steel, aluminum, coal, and other minerals are present in Odisha. Recent developments in the IT industry have led to the development of IT Parks. Bhubaneswar is the capital.

CS South India has offices in Chennai, Bengaluru, and Hyderabad. CS Chennai in collaboration with the U.S. Embassy in Colombo also oversees Sri Lanka.

Eastern India

The states covered under the Eastern India commercial district include West Bengal, Bihar, Jharkhand, Sikkim, Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Tripura, and Manipur. The total land area of Eastern India is 524,866.27 square kilometers with a population of approximately 270 million.

Mining, metals and minerals, agriculture and agro based industries, service sector, oil & gas, petrochemical, paper, power generation are the major sectors in this region. Among the states of Eastern India, West Bengal and Jharkhand are the most

industrialized. West Bengal is the fifth largest economy in the country and the main economic engine of Eastern India. It has fertile land, good reserves of coal, iron ore, limestone, and other minerals. It is India's largest producer of rice and jute fiber and second largest producer of tea after Assam. Key industries include engineering, chemicals and petrochemicals, coal, iron and steel, tea processing, jute products, and finished leather goods. IT, construction and real estate, hospitality, healthcare, food processing are growing sectors. Jharkhand is the largest producer of coal, copper and mica in the country and also has considerable iron ore, bauxite, and uranium reserves. Steel making, automobile manufacturing and ancillary industries, and other engineering units are some of the leading industrial activities of the state.

Major festivals of this region include Durga Puja, Diwali, Bihu, Hornbill festival. Chhau dance is performed during spring festival of Chaitra Parva. The region has good tourism potential with attractive destinations located on the sea coast, in the mountains, national parks and heritage places. The region is the only place in the world to have one-horned rhinos and also features a variety of flora and fauna.

What makes this area unique from a business perspective is that it is a developing region with ample natural resources and well trained manpower to serve industrial needs. The region borders Bangladesh, Nepal, Bhutan, Burma, and China.

CS Kolkata covers the Eastern India region and also oversees the partnership post in Bangladesh.

American Business Corners (ABCs)

To expand the reach of the U.S. Commercial Service in India, we have built partnerships with key Indian chambers of commerce in 13 Tier 2 cities across India, by establishing American Business Corners (ABCs). The ABC program is a major initiative in support of advancing business and trade cooperation between U.S. and Indian companies and aims to increase U.S. commercial engagement in tier 2 cities where the U.S. government does not have a physical presence.

ABCs provide a focused point of engagement for U.S. trade promotion in India's up and coming tier 2 cities and offer opportunities to Indian importers in these cities to learn about our services and programs and make connecting with American businesses as easy as A.B.C.

These centers provide resources to assist Indian companies with doing business with the United States and inform them of upcoming business opportunities. For U.S. companies, the ABCs enable structured outreach to untapped markets with potential outside of the bigger metropolitan cities.

Currently, ABCs have been launched in the cities of Madurai, Coimbatore, Salem, Vizag, Kochi, Mangaluru, Guwahati, Patna, Ranchi, Bhubaneswar, Surat, Pune and Jaipur. For more information on how the [American Business Corners](#) can help your firm, please go online.

Border Countries:

India shares borders to the northwest with Pakistan, to the north with China, Nepal, and Bhutan, and to the east with Bangladesh and Myanmar. To the west lies the Arabian Sea, to the east the Bay of Bengal, and to the south the Indian Ocean. Sri Lanka lies off the southeast coast, and the Maldives off the southwest coast.

Political Environment

Political Environment

U.S.-INDIA RELATIONS

The U.S.-India relationship is one of the defining partnerships of the 21st century, one which will be vital to U.S. strategic interests in the Asia-Pacific and across the globe. Presidents Clinton, Bush and Obama all visited India, underscoring the increasing importance of the bilateral relationship. Our relationship is rooted in common values, including the rule of law, respect for diversity, and democratic government. We have a shared interest in promoting global security, stability, and economic prosperity through trade, investment, and connectivity. The United States and India have a common interest in the free flow of global trade and commerce, including through the vital sea lanes of the Indian Ocean.

The United States supports India's critical role as a leader in maintaining regional stability. Security ties are reflected in growing bilateral defense and counterterrorism cooperation. The United States and India also are developing their defense partnership through military sales and joint research, co-production and co-development efforts.

The U.S.-India Strategic Dialogue, launched in 2009, was expanded in 2015 to become the U.S.-India Strategic and Commercial Dialogue. It provides opportunities to strengthen collaboration in areas including energy, climate change, trade, education, and counterterrorism. The inaugural meeting was held in September 2015.

The strength of people to people linkages between the United States and India has come to define the indispensable relationship between our two countries. The increased cooperation of state and local officials to create ties has enhanced engagement in education. Additionally, state to state and city to city engagements

have created new partnerships in business and the private sector and enhance our robust government to government engagement.

Bilateral Economic Relations

The United States is one of India's largest trade and investment partners. U.S. - India bilateral trade in goods and services and the stock of Indian FDI in the United States have increased over the last decade, supporting thousands of U.S. jobs. Bilateral trade between our two countries is up since we began our Strategic Dialogue.

The United States and India are continuing efforts to deepen the economic relationship, improve investor confidence, and support economic growth in both countries. India's market-oriented economic reforms have included an increasingly liberal foreign investment regime in many sectors.

On energy cooperation, the United States and India are committed to working collaboratively in bilateral and multilateral fora to help ensure mutual energy security, combat global climate change, and support the development of low-carbon economies that will create opportunities and fuel job growth in both countries. The two countries consult regularly on the future of global oil and gas markets, expanding sustainable energy access to support jobs and economic growth in both countries, collaborating in research and technology, and increasing U.S. exports of clean energy technology.

India's Membership in International Organizations

India and the United States share membership in a variety of international organizations, including the United Nations, G-20, Association of Southeast Asian Nations (ASEAN) Regional Forum, International Monetary Fund, World Bank, and World Trade Organization. The United States supports a reformed UN Security Council that includes India as a permanent member. India is an ASEAN dialogue partner, an Organization for Economic Cooperation and Development partner under its Enhanced Engagement program, and an observer to the Organization of American States. India is also a member of the Indian Ocean Rim Association (IORA), of which the United States is a dialogue partner.

Bilateral Representation

Principal U.S. embassy officials are listed on the embassy website and in the Department's Key Officers List.

India maintains an embassy in the United States at 2107 Massachusetts Avenue NW, Washington, DC 20008 (tel. 202-939-7000).

More information about India is available from the Department of State and other sources, some of which are listed here:

[Department of State India Country Page](#)

[Department of State Key Officers List](#)

[CIA World Factbook India Page](#)

[U.S. Embassy](#)

[USAID India Page](#)

[CDC India Page](#)

[History of U.S. Relations With India](#)

[Human Rights Reports](#)

[International Religious Freedom Reports](#)

[Trafficking in Persons Reports](#)

[Narcotics Control Reports](#)

[Investment Climate Statements](#)

[Office of the U.S. Trade Representative Countries Page](#)

[U.S. Census Bureau Foreign Trade Statistics](#)

[Export.gov International Offices Page](#)

[Library of Congress Country Studies](#)

[Travel Information](#)

Selling US Products & Services

Using an Agent to Sell US Products and Services

Remember the Scale of India and Consider a Regional Approach:

Creating a local presence in India is strongly advised, but if your company is not ready to establish a branch office or a subsidiary, you can get this on-the-ground presence by appointing an agent, representative, or distributor. It is vital to remember that India is a huge and diverse country, with over 30 regional languages. As such, it is strategically important to consider taking a regional approach. If your product has a wide market appeal, finding regional representatives and distributors is recommended.

Defining the Terms:

An agent may only procure business and will be paid through a commission. A representative normally works on a retention fee plus a commission on the sales generated. Also, a representative is similar to an indenting agent, where the foreign

company deals directly with an Indian importer and then an agent consolidates all the imports, taking a commission from the foreign company. A distributor acts as an importer and typically purchases the product on his own account and stocks the products before selling it to the end user. Due to the risk of stocking the products, the distributor's compensation is higher than that of an agent or a representative.

Use Caution when Establishing Critical Relationships:

The Indo-American relationship is strong, and Indian firms are eager to buy U.S. products and services. As a result, U.S. exporters will find strong interest from potential representatives and distributors for a broad range of products. However, the enthusiasm of potential partners must be weighed against several factors before a relationship is considered. Carrying out appropriate due diligence procedures is critical in evaluating whether the partner will truly add value, before establishing a relationship, no matter how positive initial meetings may be.

When evaluating a distributor or agent, the Indian firm's business reputation, financial resources, willingness and ability to invest, marketing strength, regional coverage, industry expertise, and credit worthiness should be considered. An ideal distributor will have an extremely good banking relationship to enable the extension of credit and also have the capacity to market a full range of products and services. It is important that the agent or distributor have solid infrastructure and facilities such as warehouses, service workshops, showrooms, and competent staff to meet and exceed the expected volume of business.

U.S. companies should be careful not to be influenced by the eagerness and persistence of a distributor or his representative. Sometimes, Indian firms represent so many companies that they have little time or interest in developing new markets. The Indian firm may not have the vision to go beyond the existing list of contacts that it has nurtured over time. While in the short run, this can still provide very positive returns, the real edge will be in the areas that are currently underdeveloped. Therefore it is critical to measure objectively the ability, willingness, and aggressiveness of the firm in developing new networks, contacts, and areas of business. By checking multiple professional references, a U.S. company can gain broad insight into an Indian counterpart.

Be Mindful of these Pitfalls:

The long list syndrome:

U.S. companies should exercise pragmatic skepticism when the potential representative offers a long list of foreign clients. These lists may be outdated and the relationships may no longer exist. On the other hand, if all of these

relationships do exist, the distributor or agent may not be able to fulfill all obligations and commitments to your product based on the time, financial, managerial, or logistical constraints of building the new relationship. U.S. companies should confirm that the distributor or agent is able to represent the product along with the products of current clients.

The no follow-through syndrome:

U.S. companies should ensure that their distributor or agent is fully committed to promoting their product. Very often the distributors or the agents project a professional image backed by qualified staff, widespread distribution network, and a countrywide presence. U.S. companies should make sure that such representatives do not leave the distribution of their products or services to the distribution network. It is imperative that U.S. companies carefully consider all factors prior to making the final selection of a distributor or agent.

Other Issues to Consider:

Advantages of a small distributor:

A small distributor may be ideal for implementing a flexible distribution strategy. That India is a vast nation of diverse states poses a logistical challenge to a distributor or to an agent. A small distributor having a presence within a region of India where customers live may be more advantageous, as knowledge of the local market may be competitive advantage. A small distributor with good product knowledge and marketing skills is often more desirable than a big distributor who leaves the marketing of the product to a section or department of their larger organization. U.S. companies should consider appointing multiple representatives for different products where this is possible.

Due diligence checks:

India is a rapidly growing economy. As such, simple and traditional methods of validating the credentials of a potential partner are less reliable, and a thorough due diligence study is critical. Before signing a representative's agreement, a credit check of the proposed partner is imperative. The U.S. firm should check with the distributor or agent's bank to determine the potential partner's financial health, reputation and credit worthiness, and seek additional details from accountants, lawyers, industrial associations, and other sources. For technical products, U.S. companies should also ensure the technical expertise of the distributor, the condition of the facilities, and the experience of the technical staff. Due care should be taken in finalizing the details of the contract or memorandum of understanding.

To identify agents and distributors, U.S. companies can take advantage of the Initial Market Check (IMC), International Partner Search, Business Facilitation Service (BFS), Gold Key Service (GKS) and Single Company Promotion (SCP), the services offered by the U.S. Commercial service through its seven offices in India. To assist with due diligence background checks on local agents and distributors, U.S. companies can take advantage of the International Company Profile service.

Establishing an Office

The most important parameters in choosing a location in India are: (1) physical infrastructure; (2) state government support and flexibility; (3) cost and availability of power; and (4) the law and order situation. Other factors to take into account include labor availability and cost, labor relations and work culture, and proximity to resources and/or markets. In the area of labor law, an employer with more than 100 workers cannot fire them without permission from a government labor commissioner -- something usually impossible to obtain.

Given the shortage of good commercial office space at reasonable prices in major Indian cities, business centers are a viable option for new companies wanting to establish a physical presence. Business centers are facilities that are ready to move in, wired for communications, and air-conditioned. Billing is normally done on a monthly basis. For long-term use, discounts are generally available. Many state governments are creating special Technology Parks for selected industry sectors like software, biotechnology, and automotive.

Type of Office:

A foreign company or individual planning to set up business operations in India – but choosing not to establish a subsidiary or to form a joint venture with an Indian partner – can do so by establishing liaison, project, or branch offices in India. Approval from the Reserve Bank of India (RBI) is required, and can be obtained by submitting form “FNC”. Such companies also have to register themselves with the Registrar of Companies (ROC) within 30 days of setting up a place of business in India.

Liaison or Representative Office:

Many foreign companies initially establish a presence in India with a [liaison or representative office](#) that is not directly engaged in commercial transactions in India. The purpose of these offices is to oversee their networking efforts, promote awareness of products, and to explore further opportunities for business and investment. A liaison office is not allowed to undertake any commercial activity and cannot earn any revenue in India. As no revenue is generated, there are no tax implications to the office in India. Such offices are not allowed to charge any

commission or receive other income from Indian customers for providing liaison services. All expenses are to be borne by inward remittances. A foreign company establishing a liaison office cannot repatriate money out of India.

A liaison office can undertake only liaison activities, i.e. it can undertake the following activities in India - representing in India the parent company / group companies; promoting export / import from / to India; promoting technical / financial collaborations between parent / group companies and companies in India; acting as a communication channel between the parent company and Indian companies.

Branch Office:

A branch office, like a liaison office, is not an incorporated company but an extension of the foreign company in India. A branch of a foreign company is limited to the following activities by the RBI: representing the parent company and acting as its buying/selling agent; conducting research for the parent company; carrying out import and export trading activities; promoting technical and financial collaborations between Indian and foreign companies; rendering professional or consulting services; rendering services in information technology and development of software in India; and rendering technical support to the products supplied by the parent/group companies.

A branch office actually does business in India and is subject to taxation in India. The branch office is allowed to repatriate profits generated from their Indian operations to the parent company after paying taxes. However, a branch office is not allowed to carry out manufacturing and processing activities directly (though it can sub-contract such activities to an Indian manufacturer).

Project Office:

Foreign companies sometimes set up a temporary project office to undertake projects in India awarded to the parent company. It is essentially a branch office set up for the limited purpose of executing a specific project. Approval for project offices is generally accorded for executing government- supported construction projects or where the projects are financed by Indian and international financial institutions and multilateral organizations. In exceptional cases, approval is also given for private projects. Upon completion of the project, project offices may remit outside India the surplus of the project, after meeting tax liabilities.

None of these entities is permitted to acquire real estate without prior RBI approval. However, all these offices are allowed to lease property in India for a maximum period of five years.

Partnership firms:

Under the current FDI policy and the Foreign Exchange Management Law, foreign investment into [Indian partnership firms](#) requires permission from the RBI. A partnership is an association of two or more persons to carry on as co-owners of a business for profit. Each partner of a partnership has unlimited liability.

LLP firms:

A limited liability entity is a hybrid of existing partnership firms and full-fledged companies. It is a separate legal entity, liable to the full extent of its assets, with the liability of the partners being limited to their agreed contribution in the LLP. [FDI in LLP](#) is allowed in sectors activities where 100% FDI is allowed under the automatic route.

Limited company:

A limited company is an incorporated entity, which is a separate legal entity distinct from its members / shareholders. Foreign investment in India is governed by the FDI policy of the government as well as the Foreign Exchange Management Law. As per the current policy, all companies in India have to be incorporated under the provisions of the Companies Act, 2013.

Franchising

India remains a “sizzling” market place for American franchisors. Demand for U.S. brands remains strong in: food and beverage, hospitality, retail, education, garments and apparel, healthcare, fitness and personal grooming clinics. India is also witnessing a consumption boom fueled by a huge demographic transformation. This has led to a population of over 250 million middle-income Indians with high disposable incomes, changing lifestyles, mounting aspirations, appetite for Western goods, international exposure, options for quality retail space, and greater product choice and availability. The greater demand for goods in India is in turn generating a greater demand for U.S. franchises.

According to a recent KPMG and Franchise Association of India (FAI) report, the Indian franchise industry has a potential to grow to \$51 billion in the next three to five years from the present 13.4 billion. The franchise industry is expected to contribute almost 4% of India’s GDP

The United States is a key player in India’s franchise boom. Indians with growing incomes are demanding products and services of better quality, which can be delivered by U.S. franchises. Simultaneously, India is witnessing huge growth in

entrepreneurial energy and talent. These new entrepreneurs are very receptive towards American franchises.

Several foreign companies with strong brand names have established a presence in India through franchising. In the hospitality and food service industries, this has been the preferred method for starting operations in India. Some U.S. companies that operate through franchises include: Radisson, Best Western and Quality Inn for hotels; McDonalds, Kentucky Fried Chicken (KFC), Domino's Pizza, TGI Friday's, Subway, and Baskin Robbins for food. McDonalds, KFC, Subway and Domino's Pizza have opened many outlets under the franchise model.

Challenges:

The legal environment in the United States is conducive to the healthy growth and evolution of franchising. While in India, there are no laws enacted solely for the purpose of regulating the growing business of franchising. When franchisors enter India they are governed by a number of different national and regional statutes and codes rather than a single comprehensive enactment. These can vary by region and should be considered before engaging in any franchising venture in India. Some of the key challenges that U.S. Franchisors should be aware of are:

Regional Approach to combat Indian diversity:

Companies prefer to appoint master licensees on a zonal basis, as India is a large geographical landmass with a diverse mix of populations.

Local Culture and Tastes:

Understanding local culture and tastes and innovative strategies like "Indianization" of products is vital to a franchise success. For example, Indians are predominantly vegetarian. A classic example of successful "Indianization" is the fast food sector. Several American companies such as McDonald's, Pizza Hut and Domino's have developed special India menus to cater to the Indian palate.

Expensive Real Estate:

In the large cities of India, retail space continues to be expensive and the quality is relatively poor. Antiquated rent control laws make finding a suitable and affordable location difficult.

Legal & Business Advise:

A thorough understanding of the laws related to the business of franchising is crucial for the U.S. franchisor. In addition, hiring a good local tax consultant to provide guidance to avoid pitfalls is recommended. It is also vital to conduct a thorough financial and legal due diligence and preferably a feasibility study on a prospective franchisee.

Resistance on Fees & Cap on Royalty:

U.S. franchisors should also be prepared to face stiff resistance from prospective Indian franchisees toward the franchise fees/royalty payments, which are considered high.

Lack of Legal Framework:

It is also important to know that unlike in the United States and other western countries, India does not have any specific laws on franchising. More often, Franchisor-Franchisee relationship is governed by the Indian Contract Act. Franchising is also covered within the broad definition of transfer of technology. Thus, the legal framework for new franchisors interested in setting up master franchises in India exists in terms of brand protection and rules regarding payment of franchise fees.

Despite potential challenges such as high real estate prices, legal ambiguities, and regional differences in India, numerous U.S franchisors have been extremely successful. Most of them have adapted their products/services to local market preferences and have pursued effective market entry and expansion strategies.

Direct Marketing

According to the Indian Direct Selling Association (IDSA), the gross sales in the Indian direct selling market was \$1.18 billion in 2014-15 as against \$1.11 billion in 2013-14. The Industry has registered a growth rate of about 6.5 per cent in 2014-15 as compared to 4.3 per cent in 2013-14. It has a potential to grow between \$9.63 and \$15.1 billion by 2025 per a recent study on the market conducted by trade body FICCI and KPMG in India.

South India has largest share in direct selling segment followed by Northern parts of India. Subsequent positions are occupied by Western India and North East India respectively.

Wellness and healthcare products contributed the largest share at a total of 42% of the sales revenue of direct selling, while the cosmetics and personal care products contributed 34%, homecare products 11% and consumer and household durables 7%.

There is no systematic and standard policy on direct selling and lack of definition and separate provisions for the industry too adversely affects the industry. To provide a conducive and sustainable operating environment, a series of reforms are required such as framing state-level rules and standard operating procedures for law enforcement agencies to long term measures including enacting a specific governing legislation for the sector,

The Direct Selling Guidelines 2016 ("Guidelines") have been issued by Ministry of Consumer Affairs, Food & Public Distribution as guiding principles for State Governments to regulate the business of Direct Selling ("DS") and Multi-Level Marketing ("MLM") and strengthen the existing regulatory mechanism on DS and MLM, for preventing fraud and protecting the legitimate rights and interests of consumers.

According to IDSA, the direct selling industry offers alternate employment opportunities in India and has contributed significantly to self-employment generation for the country over the years. The total distributor base of the Indian direct selling industry during 2013-14 was 6.23 million up from 5.77 million in 2012-13. The growth of the total distributor network stood at 8% in 2013-14 over the previous year.

For more information about export opportunities in this sector, contact the U.S. Commercial Service:

Smita Sherigar: Smita.Sherigar@trade.gov

Useful Links:

[U.S. Commercial Service in India](#)

[Ministry of Commerce](#)

[Retailers Association of India](#)

[Indian Direct Selling Association](#)

[India Brand Equity Foundation](#)

Joint Ventures/Licensing

This type of arrangement is quite common because India encourages foreign collaboration to facilitate capital investments, import of capital goods, and transfer of technology. That aside, India is a market that requires a careful approach because mistakes can be quite costly. Once a decision to go with a joint venture partner is made, it is important to keep in mind the following: define each partner's roles and

expectations; experience is a key ingredient; there is no substitute for thorough research and due diligence; and consider the long term.

There are two channels for foreign investment entering India: the automatic route and the government route. Investments entering via the automatic route are not required to seek overall approval from the central government or the Reserve Bank of India (RBI). The investor is expected to notify the RBI of its investment using the [Foreign Collaboration - General Permission Route](#) (FC-GPR) form within 30 days of inward receipts and issuance of shares:

.The title “automatic route” is nonetheless a misnomer, since investments in most sectors still require some amount of interaction with the government at both the state and national levels.

The approving entity varies depending on the applicant and the product:

The Ministry of Commerce and Industry’s (MOCI) Department of Industrial Policy and Promotion (DIPP) oversees single-brand product retailing investment proposals as well as proposals made by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs). An NRI is an Indian citizen who has resided overseas for six months or more for any purpose. An OCB is a company, partnership, firm, or other corporate entity that is at least 60 percent owned, directly or indirectly, by NRIs, including overseas trusts.

The MOCI’s Department of Commerce oversees proposals from export oriented units (i.e., industrial companies that intend to export their entire production of goods and services from India abroad).

On May 24, the Indian Cabinet approved the decision to abolish the Ministry of Finance’s Foreign Investment Promotion Board (FIPB) and announced relevant ministries will determine approvals for sensitive investments in the 11 sectors that previously required FIPB clearance.

For Sector-Specific Guidelines for foreign direct investment, please see the section on Investment Climate.

For NRI investment and for investment in the retail sector, applications need to be submitted to Secretariat of Industrial Assistance (SIA) within the Department of Industrial Policy and Promotion (DIPP) in the Ministry of Commerce and Industry. It provides a single window for entrepreneurial assistance, investor facilitation, processing of all applications that require government approval, assisting entrepreneurs and investors in setting up projects (including liaison with other

organizations and state governments) and monitoring the implementation of projects. The timeline for approval of applications that meet all the required criteria is usually one month.

All new investments require a number of industrial approvals and clearances from different authorities such as the Pollution Control Board, Chief Inspector of Factories, Electricity Board, and Municipal Corporation (locally elected entities). In December 2014, the new government approved the formation of an Inter-Ministerial Committee led by the Department of Industrial Policy and Promotion (DIPP) to fast track investment proposals from the United States. Business chambers and sources within the government have reported that the Inter-Ministerial Committee has been meeting informally and on an ad-hoc basis as they receive reports from business chambers and affected companies of stalled projects.

100% FDI is allowed in most categories of manufacturing. The 2011 National Manufacturing Policy (NMP) provides the framework for India's local manufacturing requirements in the Information and Communications Technology (ICT) and clean energy sectors.

[FDI policy](#) is governed by the Foreign Exchange Management Act of 1999 and the RBI. Details on current caps and procedures are available at:

Investment in the Following Areas is Accorded Priority in Considering Investment Applications: Items listed in the automatic approval list, where conditions for automatic approval are not met: infrastructure; items with export potential; projects with large employment potential, particularly in rural areas; items which have direct or indirect links with the agricultural sector; socially relevant projects such as hospitals and life-saving drugs; and projects which induct new technology or infuse capital. If the U.S. investor has written a comprehensive proposal, provided details, and the investment meets India's industrial development goals, approval can be granted in as little time as three weeks.

Investment in Existing Pharmaceutical Companies: In June 2016 the Indian government changed FDI rules for the pharmaceutical sector. While continuing with 100 percent FDI in the pharmaceutical sector, the government allowed foreign investment up to 74 percent equity in domestic pharmaceutical companies through the automatic route. Investors can raise their stake up to 100 percent with government approval. Previously, the policy allowed 100 percent FDI under the automatic route in new pharmaceutical projects and up to 100 per cent FDI under government approval in existing pharmaceutical companies. One of the perceptions is that large foreign pharmaceutical companies may try to acquire existing companies and then change the products it makes to branded or patented generics.

This is viewed in socio-economic terms as a grave concern for India's poorer population which needs access to affordable medicines.

Industries Reserved for the Public Sector: Some industries are reserved exclusively for the public sector. The following industries are not available for private investment unless a specific approval is obtained: atomic energy and railway operations (with exceptions).

For more details please refer to the GOI Ministry of Commerce and Industry's [FDI policy](#), which can be found online.

Compulsory Licensing: Five industries are subject to compulsory licensing in India. The need for licensing is attributed to safety, environmental, and defense related considerations. The licensing authority in this case is the Ministry of Industrial Development and the industries are: distillation and brewing of alcoholic drinks; cigars and cigarettes of tobacco and manufactured tobacco substitutes; electronic aerospace and defense equipment of all types; industrial explosives including detonating and safety fuses, gun powder, nitrocellulose and matches and specified hazardous chemicals.

First Compulsory License to a Patented Pharmaceutical Product: In March 2012, the Controller General of Patents granted a generic drug manufacturer the right to make and sell generic copy of a Bayer patented cancer drug, citing that Bayer not only charged a price that was unaffordable to most Indians but also did not supply enough doses of the medication to make it available to patients in India. This case was the first compulsory licensing of a patented drug in India.

Selling to the Government

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to "Project Financing" Section in "*Trade and Project Financing*" for more information.

The estimated size of the government procurement market at the central government level in India is about \$300 billion. Indian government procurement practices and procedures often lack transparency and standardization, which can frustrate foreign suppliers.

There are occasional reports of government-owned companies calling in the performance bonds of foreign companies, even when there was no dispute over performance. It is not unusual for negotiations to drag on for months and be held up at more than one level within the Indian bureaucracy for long periods with no discernible movement or reason given for lack of progress.

With this in mind, some firms seek out local representatives who are familiar with the culture and customs of India and are familiar with ways to expedite their product or service through the maze of bureaucracy in government ministries. When foreign financing is involved, principal government procurement agencies tend to follow multilateral development bank requirements for international tenders. However, in other purchases, current procurement practices can result in discrimination against foreign suppliers when goods or services of comparable quality and price are available locally.

[DIRECTORATE GENERAL OF SUPPLIES AND DISPOSAL](#) (DGS&D) is the primary procurement organization of government of India tasked with purchases by various government organizations. Recently they have started an online e-procurement portal to facilitate procurement of common use Goods & Services required by various Indian Government Departments / Organizations / Public Sector undertakings (PSU). [Government E-Marketplace](#) (GeM), is expected to enhance transparency, efficiency and speed in public procurement. For more information visit:

The competent authority invites tenders with a view to purchase goods and services. Suppliers, including foreign companies, willing to compete, may submit tenders agreeing to supply goods of the requested specifications. Indian agents who desire to quote directly on behalf of their foreign manufacturers/principals can also apply. Evaluation of the tenders received is one of the most significant areas of purchase management. The Purchase Officer is required to prepare a comparative statement of quotations received, in the order in which the tenders were received. Upon completion of the scrutiny, tenders are consolidated into a statement, in ascending order of the evaluated prices, so as to get a clear picture of their standing as well as comparative financial impact. Before awarding a contract to the lowest evaluated responsive tender, the purchase organization usually ensures that the price to be paid is reasonable. Before placing an order with the successful bidder, the latter is informed in writing of the acceptance of his proposal and the time within which he is required to furnish performance security.

Defense Sales

The defense procurement is governed by the Defense Procurement Procedure (DPP 2016). The Ministry of Defense released the latest revision of DPP in March 2016. The latest DPP has made the promotion of indigenous design, development and manufacturing of defense equipment a priority and the “Make in India” initiative has additional local content requirements. For this reason, many U.S. defense businesses are partnering with local vendors in order to increase their market penetration. Under the “Make in India” initiative, there are broadly five procurement categories with special preference being given to first three categories

- Buy (Indian – Indigenously Designed Developed and Manufactured): Direct purchase from an Indian vendor whose products meet Indigenous Content requirements.
- Buy & Make (Indian): Purchase from an Indian vendor (including an Indian company forming joint venture/establishing production arrangement with OEM), followed by licensed production/indigenous manufacture in the country.
- Buy (Indian): Direct purchase from Indian vendors whose products meet a minimum indigenous content.
- Buy & Make: Purchase from a foreign vendor followed by licensed production/indigenous manufacture in the country.
- Buy (Global): Purchase from foreign or Indian vendors. In order to develop India's defense capabilities, there is also a "Make" category that can be pursued separately, in sequence or in tandem with any of the five above categories. Acquisitions in the 'Make' category must be designed, developed and manufactured by an Indian vendor. For more information about market opportunities in this sector see, the section on Defense and contact Commercial Specialist Nisha Wadhawan at nisha.wadhawan@trade.gov.

Local Representation in defense sector is Invaluable:

U.S. defense suppliers should assess the merits of having some representation in India to assist in market assessments, logistical support, and after-sales contact. This representation can either be through the supplier's own office presence in India (see above section "Establishing an Office"), or through an authorized representative. Caution must be exercised when seeking local expertise because unless strict guidelines are followed, Indian laws may be broken.

In November 2001, the Government of India lifted the ban on agents in defense purchases. Regulatory provisions were announced for Indian authorized representatives and agents, where permissible, in defense purchases. The regulations require both the principal as well as the potential local representative to meet the provisions stipulated – it is the foreign supplier that has to make an application to the Ministry to register the relationship reached with the agent. The regulations also call for complete disclosure of the principal agent relationship in all its aspects.

The process for gaining clearance from the Government of India (GOI) to hire such a representative can also be very slow. These requirements have discouraged

many established local representatives in the defense business from registering as agents for new defense deals. The Office of Defense Cooperation (ODC) within the U.S. Embassy in New Delhi works with the Commercial Service in New Delhi to assist U.S. firms by providing contact details of Ministry of Defense (MOD) and Military Service offices that are the main purchasers of foreign defense goods for India and offers advice on strategies for defense related sales. The tender process that the GOI uses to acquire new defense equipment is relatively slow and complex, with the average time between initial release of a request for proposal and the final contract award often taking several years. The most successful firms are those with the endurance to follow the process through and the situational awareness that comes from local representation or from contact with GOI officials. [Tenders are generally posted to the Internet](#), but most U.S. firms will want to establish MOD contacts and understand emerging opportunities and the requirements process well before tenders are publicly announced. Many ministries announce tenders specific to their ministry on their own websites.

A [private portal to several Government of India websites](#)

Distribution & Sales Channels

There has been a significant expansion in distribution channels in India during the past few years. The Indian retail market, currently estimated at \$490 billion, is projected to grow at a compounded annual growth rate of 6% to reach \$865 billion by 2023. The total number of retail distribution outlets in the country is estimated at over 12 million, mostly family owned businesses. An annual growth rate for the fast moving consumer goods (FMCG) sector is predicted at 10-12% during the next 10 years. A firm can deliver its products to the user through a variety of channels, using a range of marketing intermediaries.

India's Business to Business (B2B) e-commerce market is expected to reach \$700 billion by 2020. Online retail is expected to be at par with the physical stores in the next five years. India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Indian e-commerce sales are expected to reach \$120 billion by 2020 from \$30 billion in 2016.

The three-tier system: Most Indian manufacturers use a three-tier selling and distribution structure that has evolved over the years. This structure involves redistribution stockists, wholesalers, and retailers. As an example, an FMCG company operating on an all-India basis could have between 40 and 80 redistribution stockists (RS). The RS will sell the product to between 100 and 450 wholesalers. Finally, both the RS and wholesalers will service between 250,000-

750,000 retailers throughout the country. The RS will sell to both large and small retailers in the cities as well as interior parts of India. Depending on how a company chooses to manage and supervise these relations, its sales staff may vary from 75 to 500 employees. Wholesaling is profitable by maintaining low costs with high turnover, with typical FMCG product margins anywhere from 4-5%. Many wholesalers operate out of wholesale markets. In urban areas, the more enterprising retailers provide credit and home-delivery. Now, with the advent of shopping malls, companies talk of direct delivery and discounts for large retail outlets.

Outsourcing logistics: In recent years, there has been increased interest from companies to improve their distribution logistics in an effort to address a fiercely competitive market. This in turn has led to the emergence of independent distribution and logistics agencies to handle this important function. Marketers are increasingly outsourcing some of the key functions in the distribution and logistics areas to courier and logistics companies and searching for more efficient ways to reach the consumer. The courier network in India now spreads to smaller Class IV towns (defined as a town with a population less than 50,000).

Clearing and Forwarding: Most FMCG and pharmaceutical companies use clearing and forwarding (C&F) agents for distribution, with each C&F agent servicing stocks in an area, typically a state. It is important to note that duty structures vary among states for the same product, creating disparate pricing. But with the introduction of VAT at every stage from producer to end consumer, retail prices are now the same throughout India. With the cost of establishing warehouses extremely high, C&F agents are fast becoming the norm. Recently companies have been utilizing the same distribution channels for products with complementary characteristics.

India has 13 major (national government control) and 187 minor (local state/private control) ports, but in terms of gross weight tonnage conveyed annually, Mumbai and Marmagao on the west coast, and Vishakhapatnam and Chennai along the east coast are the most important ports in India. Mumbai, the financial capital of the country, is very important for international cargo trade.

Free Trade Warehousing Zones: In an effort to assist companies entering the Indian market, the Government of India introduced the free trade and warehousing zone (FTWZ) as a special category of special economic zone with a focus on trading and warehousing. The objective of the FTWZ is to create trade-related infrastructure to facilitate the import and export of goods and services with the freedom to carry out trade transactions in free currencies. These zones are to be established in areas close to seaports, airports, or dry ports. FDI in these zones is allowed up to 100% in the development and establishment of the zones and in their infrastructure facilities. The program envisions duty free import of all goods for warehousing

(except prohibited items such as arms and ammunition, hazardous waste, special chemicals, organisms, materials, equipment and technology items). The maximum period that goods may be warehoused within the FTWZ is two years, after which the goods have to be re-exported or sold. After the two year period expires, custom duties as applicable and would automatically become due unless the goods are re-exported with a grace period of three months.

Express Delivery

The reliance on express delivery modes and companies in India as a means of trade has shown steady growth rate in recent years. Faster delivery times, unpredictability of the Indian postal system and growth in e-commerce have contributed to this trend. The Government of India regulates, assesses and clears goods imported by courier under the Courier Imports and Exports (Clearance) Regulations, 1998.

At present, the facility of courier clearance is available at Customs airports in Mumbai, Delhi, Chennai, Kolkata, Bengaluru, Hyderabad, Ahmedabad, Jaipur, and Land Customs Stations at Petrapole and Gojadanga. Under the scheme, the courier goods are cleared through a fast track mode. Examination of parcels is kept to the minimum and clearance is allowed on the basis of selective scrutiny of documents. The duty, where possible, is paid by the courier company on behalf of importers/exporters before taking delivery of the parcels. The weight limit for courier/express material (individual packages) imports is fixed at 150 pounds. However, there is no such weight limit for export of goods through courier.

Classification of Goods:

For the purpose of Customs clearance, goods imported via courier have been divided into three categories:

- Documents - include any message, information or data recorded on paper, cards or photographs having no commercial value, and which do not attract any duty or are subject to any prohibition/restriction on their import or export.
- Samples and free gifts - any bona fide commercial samples and prototypes of goods supplied free of charge of a value not exceeding \$750 for exports and \$75 for imports which are not subject to any prohibition or restriction on their import or export and which does not involve transfer of foreign exchange. Free gifts refers to any bona fide gifts of articles for personal use of a value not exceeding \$375 for a consignment in case of exports and \$75 for

imports which are not subject to any prohibition or restriction on their import or export and which do not involve transfer of foreign exchange.

- Dutiable or commercial goods

The regulations require the above three categories of goods to be packaged distinctively in identifiable courier company bags with appropriate labels to enable assessment and clearance of goods in the respective category.

Goods in the first two categories do not attract any customs duty. Therefore, simplified Bills of Entry (Courier Bill of Entry-III for documents and Courier Bill of Entry-IV for samples and free gifts) have been specified for their clearance. One single Courier Bill of Entry (CBE) is sufficient for clearance of any number of such goods imported by any Authorized Courier on a particular flight.

It is necessary that, for the purpose of clearance of documents, the manifest filed by the Authorized Courier specifies the nature of document i.e. whether letters, brochures, catalogues, or manuals. This is necessary to verify that the item of import is duty free and deserves to be cleared under CBE-III of the regulations.

For clearing dutiable or commercial goods, Form CBE-V is required to be filed. This form can contain a number of individual consignments imported by one courier on behalf of more than one consignee. There is no limit as regards the quantity of dutiable or commercial goods which can be imported through the courier. These goods are assessed to duty like any other imported goods, and exemptions available wherever allowed and claimable.

It may be noted that the limit on value prescribed for samples and free gifts is exclusive of the freight and insurance element. In case of goods valued above \$75 freight and insurance is added to calculate the duty payable.

The simplified procedure for filing CBE does not apply to all goods. The regulations stipulate that for certain categories of imports, a regular Bill of Entry (B/E) prescribed in the Bill of Entry (Forms) Regulations, 1976 is to be filed. These include, (a) goods imported under duty exemption scheme applicable to Export Oriented Units (EOUs) and units in Export Processing Zone (EPZs); (b) goods imported under Duty Entitlement Pass Book (DEPB), Duty Exemption Entitlement Certificate (DEEC) and Export Promotion Capital Goods (EPCG) Schemes; (c) goods imported against the license issued under the Foreign Trade (Development and Regulation), Act, 1992 and (d) goods imported by a related person defined under the Customs Valuation Rules, 1988.

Disposal of Uncleared Goods:

The regulations prescribe a procedure for clearance of uncleared goods. In case of imported goods, a notice is required to be issued to the Authorized Courier and goods can be disposed of after the expiry of 30 days of the arrival of the said goods. The charges payable for storage and holding of such goods are to be borne by the Authorized Courier. In the case of export goods, a similar procedure has been prescribed, the only difference being that such goods can be disposed of if they have not been exported within seven days of arrival into the Customs Area or within such extended period as may be permitted by the Customs.

Import through Courier:

Imports by courier are classified based on the respective customs tariff headings.

Import duty and taxes are due when importing goods into India from the United States irrespective of whether it is by a private individual or a commercial entity. The valuation method is Cost, Insurance and Freight (CIF), which means that the import duty and taxes payable are calculated on the complete shipping value, which includes the cost of the imported goods, cost of freight, and cost of insurance. Duties are calculated on the sum of the CIF value and landing charges. Some duties are also based on quantity measurements. In addition to duty, imports are subject to other taxes and charges such as landing charges, countervailing duty and taxes.

If the CIF value of the consignment imported does not exceed \$150, the relative B/E is required to be filed by the registered courier service. If the CIF value is \$150 or more, importers are to file separate B/E as in the case of other imports.

In case of remittances for imports through courier services, authorized dealers should ensure submission of Exchange Control Copy of B/E for home consumption in the case of imports valued at \$150 or more.

Duty rates in India when importing from the United States can be ad valorem (as percentage of value) or specific (rupees per unit). Duty rates vary from 0% to 150% with an average duty rate of 11.9%. Some goods are not subject to duty.

More information on import declaration procedures and import restrictions can be found at the [Indian Customs website](#).

Know Your Customers (KYC) norms for identification of clients by Customs House Agents (CHAs):

In the wake of increasing number of irregularities involving export promotion schemes, fraudulent availment of export incentives and duty evasion by bogus Import Export Code (IEC) holders, the [Central Board of Excise and Customs](#) (CBEC) has introduced the Know Your Customer (KYC) guidelines for CHAs to curb this

problem. Accordingly, Regulation 13 of the Customs House Agents Licensing Regulations, 2004, stipulates that CHAs are to verify the antecedent, correctness of the IEC, identity and functioning of his client at the declared address by using reliable, independent, authentic documents, data or information. It is obligatory for the client/customer to furnish to the CHA, a photograph of himself/herself in the case of an individual and those of the authorized signatory in respect of other forms of organizations such as company/trusts and others, and any two of the listed documents in the table below.

A detailed guideline on the list of documents to be verified and obtained from the client/ customer has been specified in the in the annexure to the regulation.

Features to be verified and documents to be obtained from clients/customers

S. No	Form of organization	Features to be verified	Documents to be obtained
1	Individual	(i) Legal name and any other names used (ii) Present and Permanent address, in full, complete and correct.	(i) Passport (ii) PAN card (iii) Voters Identity card (iv) Driving license (v) Bank account statement (vi) Ration card Note: Any two of the documents listed above, which provides client/ customer information to the satisfaction of the CHA will suffice.
2	Company	(i) Name of the company (ii) principal place of business (iii) mailing address of the company (iv) telephone, fax number, e-mail address.	(i) Certificate of incorporation (ii) Memorandum of Association (iii) Articles of Association (iv) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (v) Copy of PAN allotment letter (vi) Copy of telephone bill
3	Partnership firm	(i) Legal name (ii) Permanent address, in full, complete and	(i) Registration certificate, if registered (ii) Partnership deed

		<p>correct.</p> <p>(iii) Name of all partners and their addresses, in full complete and correct.</p> <p>(iv) Telephone, fax number, e-mail address of the firm and partners.</p>	<p>(iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf</p> <p>(iv) Any officially valid document identifying the partners and the person holding the Power of Attorney and their addresses</p> <p>(v) Telephone bill in the name of firm/ partners</p>
4	Trusts, Foundations	<p>(i) Name of trustees, settlers, beneficiaries and signatories</p> <p>(ii) Name and address of the founder, the managers, directors and the beneficiaries, in full, complete and correct.</p> <p>(iii) Telephone and fax number, e-mail address of the trust, founder and trustees.</p>	<p>(i) Certificate of Registration, if registered</p> <p>(ii) Power of Attorney granted to transact business on its behalf</p> <p>(iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding the Power of Attorney, founders/ managers/ directors and their addresses</p> <p>(iv) Resolution of the managing body of the foundation/ association</p> <p>(v) Telephone bill</p>

The leading companies involved in courier /express delivery mode shipment are:

[DHL](#)

[FedEx](#)

[UPS](#)

[TNT](#)

[Jet Worldwide](#)

Each company has their own time frame for clearing the courier mode shipment. Overall the average time of clearance of each shipment will be a maximum of 4 – 5 business days.

Web Resources:

[Central Board of Excise and Customs](#)

[Express Industry Council of India](#)

[Customs Manual](#)

Selling Factors & Techniques

Poor infrastructure is a major problem that makes distribution difficult and reduces demand for some products in rural areas. In order for sales techniques to be successful, distribution coverage is important. Indian consumers are serviced by an efficient, but highly fragmented, trade system consisting of over 12–15 million retail and wholesale outlets, spread over many urban and rural population centers. India has the largest retail outlet density in the world, but the majority of these stores are very small in size and unorganized.

With more than 550 million people under the age of 25, India's rapidly growing population appears to present limitless opportunities, but many Indian and foreign companies have discovered that for many product categories, only a fraction of India's 1.2 billion population can be regarded as potential customers. Many companies have been disappointed with the response to products launched in India over the past few years. Initially, these companies grossly overestimated the depth and size of the Indian market for their products. Projections for the growing Indian middle-class range from 260–540 million by 2025, but these figures have proven to be off the mark for certain products as marketed to the typical Western middle class consumer. Transposing brands and products from other markets will not always work. Suitability and adaptation to Indian preferences and conditions is regarded as a significant benefit to Indian consumers and is therefore an important factor to be considered while designing a sales strategy.

A successful sales strategy will recognize and deal with the existence of strong local competition – this exists in many product and service categories and should not be underestimated. U.S. firms must also carefully compare customer needs and the quality of latent demand with the level of service that they want to offer in India. Even among the affluent middle class, much of their money is still spent on need-based consumption rather than on luxury goods.

While selling in the Indian market can be a complicated and difficult experience for new entrants, this can be avoided if, at the outset, the market opportunity is assessed accurately and the capabilities of local competition are not underestimated. Only in unusual circumstances should new foreign entrants create a new and independent sales infrastructure, because it is very expensive in the short run and requires sustained investment to build over the long run even if the product is successful.

At first glance, the bulk of the purchasing power in India would appear to be concentrated in its urban markets. However, a majority of the Indian population lives in rural areas distributed over some 638,000 villages. The balance lives in 7,935 towns of which approximately 468 have a population of more than 100,000 inhabitants.

It is said that the “real” India lives in the villages. All marketers, both Indian and foreign, have benefited by paying attention to the marketing potential of rural India.

Analysis of consumer purchase data over the last several years by various research agencies has shown that rural markets in India are growing as disposable income and literacy levels increase, and television access stimulates demand. Analysts predict that Indian rural consumers, who will be worth \$100 billion by 2025, will drive consumption in the near future. Due to the influence of the media, consumption patterns in rural households have also changed significantly in recent years. Indians in rural areas are far more brand conscious, and this is generating demand for some products that were previously unfamiliar. Growing brand awareness makes it all the more important for U.S. companies entering the Indian market to register their brand name with [the Indian trademark office](#).

eCommerce

Overview

eCommerce is India’s fastest growing and most exciting channel for commercial transactions. Indian eCommerce is growing at an annual rate of 51%, the highest in the world, and is expected to jump from \$30 billion in 2016 to \$120 billion in 2020. (Source: ASSOCHAM-Forrester study paper.) The retail sector (which is one of the largest item in eCommerce) is also showing a promising trend of 11% CAGR and is expected to reach \$1 trillion by 2020.

Current Market Trends

eCommerce has made it easier for top American brands to reach Indian customers, and has emerged as one of the fast-growing trade channels available for the cross-border trade of goods and services.

There is a growing appetite for international brands and better quality foreign products amongst digitally connected Indian shoppers due to rising income levels and increased awareness. Several categories including lifestyle products, consumer electronics, clothing, footwear, jewelry and accessories, health and beauty, household goods, art and collectibles, event tickets and online music are doing well for online sales.

eCommerce in India can be broadly categorized as: Domestic and Cross-Border, B2B and B2C, Marketplace and Inventory based, and lastly Single brand and multi brand.

Technology enabled innovations such as digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements have enabled the eCommerce industry in India to grow at a much faster rate.

Government initiatives such as Digital India, Skill India, Start up India and Make in India are also contributing to the growth of the eCommerce industry.

On November 8, 2016, the Government of India launched a major 'demonetization' effort to address counterfeiting and the black market cash supply. Effective overnight, 86% of India's currency was nullified, which completely disrupted the social, political, and economic spheres of India's economy. Demonetization saw varied reactions across verticals. Gross merchandise value fell by 40-50% and may remain bleak until 2017. However, online sellers of food and grocery reported increased sales and the boost to the digital payment mechanism are expected to help the sector in long run.

Regulatory Landscape for eCommerce Foreign Direct Investment (FDI):

- B2B: 100% FDI is allowed in companies engaged in B2B eCommerce, e.g. Walmart, Alibaba can operate cash and carry business.
- B2C Marketplace: 100% FDI is allowed in online retail of multi brand goods and services B2C under the marketplace model, e.g. Amazon, Flipkart, Snapdeal. Any eCommerce entity providing a marketplace cannot exercise ownership over the inventory and is not permitted to sell more than 25% of total sales through its marketplace from one vendor to their group companies. There are also conditions restricting to offer discounts by marketplace.

- B2C Inventory-Based: FDI is not allowed in inventory-based model of eCommerce.
- Single Brand: A single brand retail trading entity operating through brick and mortar stores is permitted to undertake retail trading through eCommerce subject to local sourcing requirements. Food retail: 100% FDI is allowed for trading (including eCommerce) food products manufactured or procured in India.
- Multi Brand: No FDI is allowed in companies which engage in multi brand retail trading by means of eCommerce.
- Other Government Actions: National Institute for Transforming India (NITI Aayog) has set up a high level committee to look into issues related to eCommerce including FDI. Food safety and Standards Authority of India (FSSAI) has also issued draft norms for licensing online food operators. Consumer Affairs Ministry is also planning to regulate eCommerce through the proposed new consumer protection law.

Domestic eCommerce (B2C)

The presence of international marketplace players in India like Amazon, eBay (now being sold to home grown FlipKart), Alibaba and others competing alongside the domestic marketplace operators such as Flipkart, Snapdeal, TataCliq as well as with inventory led etailers, have made India's domestic eCommerce sector highly competitive. With no major entry barriers and with few etailers the Indian market for eCommerce has grown at a faster pace for the past three years. Omni-Channel retailers such as Shoppers-stop, Reliance, Croma etc. have also embraced eCommerce as another sales channel to increase digital footprints.

In some cases, etailers are tying up with exclusive American brands to sell U.S. products on their platforms. Additionally, Omni-channel retailers are also importing leading American brands and selling them via eCommerce.

Cross-Border eCommerce

The U.S. is one of the top ten countries for cross-border shopping for Indian buyers. Automotive, baby supplies, toys, clothing, footwear, wearables and accessories, jewelry, watches, cosmetics, health products and digital entertainment and educational services are some of the leading categories for cross-border B2C

eCommerce. Some of the challenges restricting growth of cross-border eCommerce are high shipping costs, import duties and complexities in returns and exchanges.

B2B eCommerce

In order to tap the huge potential in the B2B eCommerce market in India, leading B2B companies have started to build their own platforms for small business owners and traders. More and more companies and SMEs are buying and selling online and plan to shift procurement transactions through the internet. Understanding this untapped potential of the B2B eCommerce industry, the government has allowed 100% FDI in B2B eCommerce which has enabled global companies such as Walmart and Alibaba to show interest in the Indian B2B eCommerce industry.

The Indian B2B eCommerce market is expected to reach \$700 billion by 2020. India has 14 million retailers fueling a \$525 billion market. The higher profitability in the B2B segment can be the result of the lack of heavy discounts, greater emphasis on quality rather than on price, and higher volumes of purchases etc. However, B2B at present has many irritants for the rapid growth of B2B eCommerce. The taxation policy, specifically VAT rules, makes interstate transactions very complex. The projected implementation of a Goods and Services Tax (GST), proposed to be in effect from July 2017, is expected to resolve this to some extent.

SaaS platforms can provide a stable platform to millions of small and medium businesses in India that shy away from making huge investments to make their entry in the online retail space, establishing their authority and payment infrastructure. With these platforms, a startup can launch its own eCommerce portals in a much reduced cost over a monthly rental or a revenue sharing basis on pay-as-you-go model.

eCommerce Services

There is a new trend of emerging eCommerce aggregators aiming to digitize several offline services to create a convenient ecosystem for consumers.

Tourism: MakeMyTrip; Goibibo; Yatra; IRCTC

Education: EduKart; Meritnation

Healthcare: Portea; Healthkart

Entertainment/ Ticket booking: Netflix; bookmyshow

Real Estate: MagicBricks; Housing

Fin-tech: PayTM, Freecharge, PayUmoney, Mobikwik, PhonePe

eCommerce Intellectual Property Rights

- The Internet is borderless with minimum regulation, and therefore protecting intellectual property rights (IPR) on Internet is a growing concern. There are currently several significant IPR issues including misuse of trademark rights. Other Common issues with respect to IP in E-Commerce are:
- Copyrights
- Content creation through third party
- Use of third party content on Website
- Hyperlinking, Framing and Meta tagging
- Domain names, business names, logos,

Popular eCommerce Sites

- B2C: Flipkart, Myntra, Jabong, Amazon, Snapdeal, eBay, PayTM, Shopclues, Pepperfry, Zomato, BigBasket, Alibaba
- B2B: Tolexo, Industrybuying, moglix, msupply, amazonbusiness

Online Payment

Cash on Delivery (COD) payments accounted for 45% of online payments and remained a popular mode of payment for Indian eCommerce transactions until the announcement of demonetization in November 2016. Cash on Delivery quickly changed into Card on Delivery. Cash transactions resulted in high administration costs for eCommerce companies which reduced their margins; however, digital payment solutions are evolving fast to address these challenges. Shift away from the cash is evident by increase in payments by credit cards and mobile wallets.

The launch of a Unified Payments Interface (UPI) by the Reserve Bank of India is expected to be a game changer. The UPI will enable eCommerce delivery staff to collect money electronically for even COD transactions.

Mobile eCommerce

Mobile eCommerce (m-commerce) is growing rapidly as a secure supplement to the eCommerce industry. Industry leaders believe that m-commerce could contribute up to 70% of their total revenues. India has topped the U.S. to become the second largest market for smartphones after China. The number of smartphone users is expected to reach 650 million by 2019.

With annual additions of 25 million new internet users, India had an Internet user base of over 450 million in 2016.

Digital Marketing

Digital advertising spends were about 12% of total advertisement spends in the country. eCommerce leads digital spending followed by Telecom and BFSI with focus on Social Media Marketing, search engine optimization, content marketing and emailers for marketing their brand online. Digital advertising is expected to exceed \$3.5 billion by 2020. The Government of India recently introduced a 6% equalization levy, informally known as the “Google Tax,” to indirectly tax international internet companies like Google and Facebook operating in India by adding a levy on payments made to them for digital advertising space or services for online advertisements.

Major Buying Holidays

- Diwali festival (October or November of the year)
- Dussehra (October)
- Rakhi festival (August)
- Christmas (The last week of December)

Social Media

Facebook and Twitter are the most popular social media sites.

Sources:

“Digital Advertising India” report jointly published by the Internet and Mobile Association of India (IAMAI) and IMRB International

“eCommerce in India – A game changer for the economy’ by Confederation of Indian Industry

“E-Commerce in India – Legal, Tax and Regulatory Analysis” by Nishith Desai and Associates

[IAmWire](#)

Trade Promotion & Advertising

Over the years, the Indian economy has moved from being a controlled sellers’ market to a buyers’ market. With the opening of the economy came increased

competition and the need for increased advertising. Media availability has increased exponentially with unlimited competition. According to a joint report published by FICCI and KPMG on the Indian Media and Entertainment Industry in 2016, the entire industry (consisting of print, broadcast and digital media) was estimated to be approximately \$8.1 billion in 2015, recording a growth rate of 11.2% over 2015. According to the report, newspapers & publications and television held almost equal share with approximately 38.1%, of all advertising expenditures. Digital media has 14.5% and radio, outdoor advertising and the internet are all in single digits, with digital media expected to grow the fastest. The total advertising market by 2021 is projected to be valued at \$16.6 billion.

The key to gaining rural market share is increased brand awareness, complemented with a wide distribution network. Rural markets are best covered by mass media – India’s vast geographical expanse and poor infrastructure pose problems for other media to be really effective.

India has a diverse and growing number of daily newspapers. Print media reaches 70% of urban adults. Further, the number of readers in rural India is now roughly equal to that in urban India. The print media, almost completely controlled by the private sector, is well developed and advertising and promotional opportunities are available in a large number of newspapers including daily, weekly or monthly business publications, news magazines and industry-specific magazines.

U.S. companies interested in advertising in Indian media can work through the many advertising agencies in India. Many large and reputable U.S. and other international advertising agencies are present in India in collaboration with local advertising agencies. The advertising sector in India is technologically advanced.

In addition to advertising, established public relations firms are also available to U.S. companies that require such services. This segment has a few U.S. and other international companies present in collaboration with local partners. As per a recent newspaper report, Delhi-NCR could soon dislodge Mumbai from the top slot it has enjoyed for decades in the advertising business.

Trade fairs are also an effective means of promotion. U.S. companies can select from a number of quality international trade fairs, both industry-specific and horizontal, to display and promote their products and services. The U.S. Department of Commerce certifies a [number of Indian trade shows](#) as good venues for U.S. companies; and the U.S. Commercial Service (CS) offices in India directly organize U.S. participation in a number of selected trade shows every year.

Trade development offices of the U.S. Department of Commerce, U.S. industry associations, and individual U.S. states organize trade delegations and missions to

visit India to explore prospects for doing business with local firms in the private and public sectors. Participation in such trade missions, whose programs in India are managed by the U.S. Commercial Service, will be useful for U.S. companies interested in doing business in India. You can also visit Export.gov for a list of trade events supported or organized by CS India.

CS India also offers several easy and inexpensive options to begin promotion in the Indian market, which are particularly helpful to small and medium new-to-market companies:

U.S. Exporters can arrange for customized services through our [Single Company Promotions](#).

Pricing

India will be replacing the various taxes on goods and services levied by both the state and central government with a single Goods and Service Tax (GST) from July 1, 2017. This new tax system is projected to increase the GDP of India as well as increase tax revenues due to greater tax compliance. Though the government of India is very bullish, the business community is worried over the implementation and the bureaucratic complexities of adopting the GST. This new GST will have an immediate and long term impact on the prices of goods and services in India from July 2017.

When formulating key strategies and making decisions about product pricing for the Indian market, it is important to remember that simple conversion of U.S. dollar prices to Indian rupees will not work in most cases. Also, the assumption that a latent niche market for premium products exists has often resulted in low sales volumes and negligible returns for some foreign companies.

If the product can be imitated easily in terms of quality and service, international pricing will not work in India. To reduce product import duties or other local costs and ensure a stable market share, several U.S. and other foreign companies have set up product assembly in India.

Pricing decisions also have some bearing on product packaging. Many consumer product suppliers have found it helpful to package smaller portions at reduced prices rather than "economy" sizes. Although some Indian consumers are aware of quality differences and insist on world-class products, many customers can sacrifice quality concerns for price reductions.

Bargaining for the best price is a routine process for the buyer and seller in India. For consumer goods, especially for durables, the sellers often give discounts on the

listed prices during holiday seasons to attract more customers. Trade-ins of old products for new items are also increasingly popular among consumers. A pricing strategy must consider all of these factors.

Another key consideration in pricing is Indian import tariffs. These are high for most products, especially consumer products. There are pockets of affluent Indians who can afford to buy a variety of luxury branded goods. However, in general, consumer consumption patterns are very different from those in many other countries. The middle class is growing exponentially, providing a fertile market for moderately priced items, but the prohibitive import tariffs may serve to move some items out of the reach of the Indian middle class consumer. The Value Added Tax (VAT) in effect in most states compounds this issue.

Sales Service/Customer Support

In order to attain new customers and retain the older ones, good customer service is important as majority of (82%) of Indian consumers value it the most while making a purchase. It is also worth noting that Indian buyers often consider low acquisition costs when making a buying decision without realizing that some products may require costly maintenance contracts and downtime due to the lack of spare parts. By comparison, U.S.-made equipment in particular enjoys a reputation in India for premium quality, durability and low maintenance costs. Customers expect high-quality service, especially as they focus on getting good value for money in a difficult economic environment.

To compete with local and foreign suppliers, it is essential that your company consider how to: establish a system for after-sales support including hiring and training maintenance teams; set up a call center in some form staffed with knowledgeable technical personnel; have people ready to go on call and have parts on hand when replacements are needed.

Protecting Intellectual Property

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

Intellectual Property Rights

India remains one of the world's most challenging major economies with respect to protection and enforcement of IP. Despite positive statements and initiatives upon which the Modi Administration has embarked, the pace of reform has not matched high-level calls to foster innovation and promote creativity. India has yet to take

steps to address longstanding IP issues that are affecting innovative industries. India was listed on the Priority Watch List in USTR's Special 301 report for 2017. The country continues to remain the home to several "Notorious Markets" across the breadth of the country, according to USTR's latest report in [November 2016].

Engagement and Developments

Engagement with India on Intellectual Property Rights (IPR) continues, primarily through the Trade Policy Forum's Working Group on Intellectual Property. In 2016, India released its comprehensive National IP Policy, with its primary focus being on awareness and building administrative capacity. The portfolio of Copyright and Semi-Conductors shifted to the Department of Industrial Policy and Promotion, Ministry of Commerce. The Cell of IP Promotion and Management (CIPAM) was set up and is tasked with implementing the IP Policy and interagency coordination. In 2016, the state of Telangana set up India's first IP Crime Unit, to combat the menace of internet piracy. The Commercial Courts of two states became functional and industry saw some positive decisions coming on the patent front. The US Government enhanced its engagement and conducted two workshops with Government of India, one on Copyright and one on Trade Secrets. In addition, the Patent Rules as well as the Trademark Rules were amended. The Copyright Board was merged with the IP Appellate Board. The Indian Patent Office hired 458 examiners to address the issue of patent and trademark backlog.

Legislative Climate in India

India has adequate copyright laws, but enforcement is weak and piracy of copyrighted materials is widespread. The U.S. government has advocated for the creation of anti-camcording legislation, which would have a significant impact on stopping digital piracy in India. This legislation would also improve India's ease of doing business rankings, as well as send a signal to investors and entrepreneurs that the government values transparency, predictability, and the rule of law. As of early 2016, Indian government interlocutors said that an anti-camcording bill is currently being circulated for inter-ministerial discussions and could be introduced in the next session of Parliament.

Pharmaceutical and agro-chemical products can be patented in India. Plant varieties are protected by the Plant Varieties and Farmers' Rights Act. However, the interpretation and application of the patent law lacks clarity, especially with regard to several important areas such as compulsory licenses, pre-grant opposition provisions, and the scope of patentable inventions (e.g., whether patents are limited to new chemical entities rather than incremental innovation). Indian law does not

protect against the unfair commercial use of test data or other data submitted to the government during the application for market approval of pharmaceutical or agro-chemical products. The Pesticides Management Bill (2008), which would allow data protection of agricultural chemical provisions, stalled in the previous Parliament.

Indian law provides no statutory protection of trade secrets. The Designs Act allows for the registration of industrial designs. The Designs Rules, which detail classification of design, conform to the international system and are intended to take care of the proliferation of design-related activities in various fields. India's Semiconductor Integrated Circuits Layout Designs Act is based on standards developed by WIPO; however, this law remains inactive due to the lack of implementing regulations.

Customs officers have ex-officio authority to seize and destroy counterfeit goods, though rights holders must pay for storage and destruction of counterfeit materials. In the past few years, with regular training customs and police enforcement has marginally increased. The new customs recordation system allows trademark owners to record their brands and trademarks with the ministry and seek affirmative action in case of any counterfeit issue at the ports. In 2016, as a state level initiative was taken by the state of Telengana and India's first IP Crime Unit was established, which would focus on IP Crimes and in particular on online crimes. The US is encouraged by this event and hopes that other states will follow suit. India offers all types of counterfeit goods for sale; the seven most vulnerable sectors for IPR crime include automotive parts, alcohol, computer hardware, fast-moving commercial goods (FMCG) for personal use, FMCG packaged foods, mobile phones, and tobacco products.

Recently, the filing of trademarks was simplified by the reduction in the number of forms an applicant had to file.

New Areas of Concerns

Despite, these positive developments, 2016 also saw some new issues in the field of intellectual property came to light in the following sectors: (a) agriculture; (b) software and (c) pharmaceuticals.

- Just days after the National IP Policy, the Ministry of Agriculture released the "Licensing and Formats for GM Technology Agreement Guidelines, 2016" (GM Licensing Guidelines). This measure would force companies to license their technology as well as impose unprecedented up-front terms and conditions on private party transactions covering a broad range of genetically-modified agricultural products. The GM Licensing Guidelines called for immediate termination of all private licensing agreements,

following which, each company would have 30 days to enter into a new license agreement prescribed by MAFW. However, on May 24, the [government rescinded the GM Licensing Guidelines notification](#) following concerns expressed by high-level interagency officials and business leaders. MAFW then re-issued the guidelines in draft form, open for comments. There has been no open stakeholder engagement on this issue at the moment. The Government of India's refusal to strongly repudiate MAFW's GM licensing guidelines has already resulted in the withdrawal of next-generation innovative biotechnology from the Indian marketplace, and has given pause to many other companies who seek to protect their innovative products. Furthermore, MAFW wrote to DIPP requesting them to revoke Monsanto's patent on the grounds that the patent was against public interest.

- In the field of software patents, India released the revised Computer Related Invention Guidelines for examination of patent applications in February 2016. These revised guidelines, requires the patentable software to be applied to a novel hardware, restricting the patentability of software in India. The US Government and industry are working with GOI to provide clarity on this issue.
- In April of 2017, the Ministry of Health and Family Welfare (MoHFW) by way of a notification removed the requirement for companies to inform whether a drug is under patent or not at the time of filing for a manufacturing license. This is a regressive step and against the IP Policy that calls for better center and state coordination. This coupled with liberal price controls for pharmaceuticals and medical devices, creates uncertainty for the sector.
- India also actively engages at multilateral negotiations and the WTO TRIPS Council. India has strongly supported and sometimes led the charge in calling for open technology transfer, liberal use of compulsory licensing cross sectors, price controls and protection of traditional knowledge. These negotiations will have an impact on innovation, trade, and investment in IP-intensive products and services.

IP Attaché Contact for India (Acting)

Ms. Komal Kalha

American Centre, 24 Kasturba Gandhi Marg, New Delhi, 110001

+91 11 2347 2000

komal.kalha@trade.gov

Due Diligence

The U.S. Commercial Service emphasizes the need for exercising prudent procedures and practices in all international business transactions. Every U.S. exporter is advised to conduct comprehensive due diligence on potential partners in any foreign market to meet obligations under the Foreign Corrupt Practices Act of 1977.

An International Company Profile (ICP) is a due-diligence check that helps U.S. companies evaluate potential business partners. The report includes factual data as well as U.S. Commercial Service India's evaluation to help U.S. firms assess risk, reliability, and capability. The ICP analyzes the overall strength of an Indian company and provides useful information collected from our industry contacts, local publications/press, and other sources. An ICP provides:

- A detailed background report, based on a variety of research sources, including an on-site visit by a Commercial Specialist.
- A listing of the company's senior management
- Main business activities and product/service lines
- Comments from company references
- Banking and financial information [note: an ICP is not a credit report and, therefore may not contain the detailed financial information that is obtainable from mercantile credit agencies. However, reliable basic financial information is included in the report]
- CS India insight on whether the prospective partner can meet your needs - trading experience, market coverage, stature, business connections in the country

India has signed a number of major IPR treaties, such as the Paris Convention for the Protection of Industrial Property, the Berne Convention for Literary and Artistic Works, the Madrid System for the International Registration of Marks), and the Patent Cooperation Treaty (except Article 59).

For more information:

For answers to questions on our product and service offerings, please contact:

Tel: 91-11-2347-2000

Email: Office.NewDelhi@trade.gov

or

Contact your local [U.S. Export Assistance Center](#) (USEAC). To locate the USEAC nearest to you, visit our website.

Local Professional Services

Details are available in other chapters.

Principal Business Associations

U.S.-India Business Council (USIBC):

The USIBC aims to create an inclusive bilateral trade environment between India and the United States by linking governments to businesses, and supporting long-term commercial partnerships that will nurture entrepreneurship that contribute to the global economy. The Council provides its member companies access to unparalleled leadership in both the public and private sectors. The Council's primary mission is to promote bilateral trade through pro-growth policies that will advance commercial partnerships. It serves as a direct link between business and government leaders, forges consensus, and plays a proactive role by being the voice of industry

[USIBC Corporate Office](#) (India):

12 Hailey Road

New Delhi- 110001, India

Tel: + 91-11-4350 4964 / 4357 9861

Fax: + 91-11-4357 0860

Email: nmehra@usibc.com

American Chamber of Commerce in India (AmCham):

AmCham India is an association of American business organizations operating in India. AmCham India is accredited to the Chamber of Commerce of USA, Washington DC, U.S.A. (COCUSA). It is also a full member of the Asia Pacific Council of American Chambers of Commerce (APCAC). AmCham's principal objectives are to promote activities that would encourage and stimulate investment by U.S. companies in

India, support ongoing business operations of its members and encourage bilateral trade between the United States and India.

[AmCham Corporate Office](#) (India):

PHD House, 4th Floor,
4/2, Siri Institutional Area, August Kranti Marg,
New Delhi -110016, India

Tel: +91-11-2652 5201/ 2652 5202

Fax: +91-11-2652 5203

Email: amcham@amchamindia.com

Confederation of Indian Industry (CII):

CII works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes. CII works on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues with the government. CII aims to build national competitiveness, which emphasizes on industry's role in partnering government to accelerate competitiveness across sectors.

[CII Corporate Office](#) (India):

Mantosh Sondhi Centre
23, Institutional Area, Lodi Road,
New Delhi-110003, India

Tel: + 91-11-45771000 / 24629994-7

Fax: +91-11-24626149

Email: info@cii.in

Federation of Indian Chambers of Commerce & Industry (FICCI):

FICCI assists in influencing policy by engaging with policy makers and civil society. It articulates the views and concerns of industry and serves its members that are

from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 250,000 companies. The chamber provides a platform for networking and consensus building within and across sectors from the Indian industry which include policy makers and the international business community. FICCI works with the government at all levels – Center, State and various Ministries.

[FICCI Corporate Office](#) (India):

Federation House, Tansen Marg

New Delhi- 110001, India

Tel: +91-11-23738760-70

Fax: +91-11-23320714, 23721504

Email: didar.singh@ficci.com

Indo-American Chamber of Commerce (IACC):

IACC is the apex bilateral chamber dedicated to India-U.S. economic engagement. It promotes bilateral trade, investment and technology transfer, facilitates business collaborations, joint ventures, marketing tie-ups and strategic alliances through a set of proactive business-oriented initiatives. The chamber interacts with the Indian and U.S. Governments and provides them feedback on bilateral issues related to trade and investment. It creates a forum for its member companies to interact with senior officials in both governments. IACC member companies are involved in a cross-section of business domains such as manufacturing, engineering, construction, consumer goods, electronics, IT, pharmaceuticals, consulting, travel and tourism.

[IACC Corporate Office](#) (India):

1-C, Vulcan Insurance Building

Veer Nariman Road, Churchgate,

Mumbai - 400 020, India

Tel: 91-22-22821413 / 22836340

Fax: 91-22-22046141

E-mail: ho@iaccindia.com

The Associated Chambers of Commerce & Industry of India (ASSOCHAM):

ASSOCHAM represents the interests of more than 450,000 direct and indirect members across the country. It combines the entrepreneurial spirit and business acumen of owners with management skills and expertise of professionals to set it apart. The Chamber addresses key issues such as India as an investment destination, achieving international competitiveness, promoting international trade, corporate strategies for enhancing stakeholders' value, government policies in sustaining India's development, infrastructure development for enhancing India's competitiveness, building Indian MNCs, role of financial sector the catalyst for India's transformation. ASSOCHAM derives its strengths from the following Promoter Chambers: Bombay Chamber of Commerce & Industry, Mumbai; Cochin Chambers of Commerce & Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi.

[ASSOCHAM Corporate Office](#) (India):

5, Sardar Patel Marg, Chanakyapuri,

New Delhi – 110021, India

Tel: +91-11- 46550555

Fax: +91-11-23017008

E-mail: assochem@nic.in

U.S.-India Importers' Council (USIIC):

U.S.- INDIA IMPORTERS' COUNCIL is a not-for-profit initiative started by a Group of Indian SME (Small & Medium Enterprises) Importers, collectively responsible for imports of over \$1 billion from the USA. The USIIC acts as an intermediary organization to facilitate partnership and trade between Indian and American businesses, thus acting as a catalyst in promoting economic growth between the United States and India. It aims to be the leading organization assisting government bodies, industry associations, corporations, agents, Indian importers, and American exporters in the mutually beneficial exchange of products, services and technologies. USIIC provides services to Indian companies that collaborate with agents, distributors, and joint venture partners from American companies and vice-versa. It provide expert assistance in identifying products, services and technologies from both the countries in the interest importers. USIIC also assists with Indian taxes, customs duties and government import policies.

Mr. Robin Rosario, Secretary General

[U.S.-India Importers' Council](#)

311/301, Gokul Arcade B, Subhash Road,

Opp. Garware Factory, Vile Parle (E), Mumbai 400057

Tel: +91 22 4054 3999

Cell: +91 9167 090 555

Email: robin@usiic.in

U.S.-India Investors Forum (USIIF):

The USIIF has been formed with the support of the U.S. Consulate and U.S. Commercial Service. Its primary focus is to serve as a platform to introduce U.S. and Indian companies and facilitate new business opportunities. USIIF acts as a liaison between the Indian and U.S. companies and its primary mission is to serve as a link between business and government leaders, resulting in increased trade and investment. It provides its members an opportunity to interact with U.S. delegation, provides information on latest investment opportunities and Foreign Direct Investments. It also provides its members access legal and financial expertise in the Indian and U.S. legal and tax systems.

[USIIF Corporate Office](#) (India):

7, Tulsiani Chambers,

Free Press Journal Road,

Nariman Point, Mumbai 400 021, India

Tel: + 91-9821149666

E-mail: mgursahni@gmail.com

To expand the reach of the U.S. Commercial Service in India, we have built partnerships with key Indian chambers of commerce in 1 Tier 2 cities across India, by establishing American Business Corners (ABCs). For more information, refer to the section on [Market Entry Strategy](#).

Please contact the U.S. Commercial Service for details of other regional chambers of commerce in India.

Limitations on Selling US Products and Services

Certain sectors in India prohibit foreign investment:

1. Lottery business including Government/Private lotteries, online lotteries, etc.
2. Gambling and betting including casinos, etc.
3. Chit funds
4. Nidhi company
5. Trading in Transferable Development Rights (TDRs)
6. Real estate business or construction of farm houses
7. Manufacturing of cigars, cheroots, cigarillos and cigarettes, and other tobacco products
8. Agriculture farming
9. Legal, accounting & architecture services

Activities/sectors not open to private sector investments are (I) Atomic Energy and (II) Railway.

Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for the lottery business and gambling and betting activities.

India Policy for Architecture Practice:

The Indian architecture market is regulated by the Council of Architecture (COA), an industry body controlled by the Government of India. The COA is responsible for regulating the education and practice of architecture in India according to the Architects Act, 1972, and the Architects Regulations, 1989. As the COA operates in compliance with the Architects Act, 1972, the organization actively prohibits foreign architecture firms and architects who are not registered with the COA from practicing architecture in India under Chapter 3, Section 25 of the Act. Such restrictions have resulted in foreign firms establishing partnerships with Indian architects who are registered with the COA in order to serve as design consultants and project planning experts while Indian firms produce the design and construction documentation, and execute the projects. Limits on foreign ownership and control vary by sector and industry. Please refer to the section on Investment Climate for more details.

Useful Links:

[E&Y's - Doing Business in India](#)

Web Resources

[Commercial Service](#)

[American Chamber of Commerce, India](#)

[U.S. India Business Council](#)

[Confederation of Indian Industry](#)

[Federation of Indian Chambers of Commerce and Industry](#)

[Indo-American Chamber of Commerce](#)

[The Associated Chamber of Commerce & Industry \(ASSOCHAM\)](#)

[U.S.-India Importers' Council \(USIIC\)](#)

[U.S.-India Investors Forum \(USIIF\)](#)

[The Franchising Association of India](#)

[Retailers Association of India](#)

[Indian Direct Selling Association](#)

[India Brand Equity Foundation](#)

[Reserve Bank of India](#)

[Government of India Directory](#)

[Government of India Ministry of Finance](#)

[Government of India Ministry of Commerce and Industry](#)

[Government of India tenders](#)

[Foreign Exchange Management Act \(FEMA\)](#)

[CRISIL online](#) (similar to the Better Business Bureau in the U.S.)

Leading Sectors for US Exports & Investments

Commercial Sectors

Aerospace & Defense

Education

Energy

Environmental Technology

Travel & Tourism

Healthcare

Financial Services

Agricultural Commodities

Aerospace & Defense

Civil Aviation

Overview

At \$16 billion, India's aviation market is currently the 9th largest in the world and is expected to be the 3rd largest by 2020, and by 2030, the largest. According to International Air Transport Association (IATA), India is the fastest growing domestic market globally, handling over 190 million passengers. Over the next decade, the market is expected to reach 337 million domestic and 84 million international passengers. This growth will create demand for new aircrafts, air navigation service technologies, airport security equipment, and increased infrastructure.

The Government of India (GoI) officials cite the correlation of every 1% increase in GDP with a 2% increase in India's aviation sector. With India's increasing GDP growth rate, we expect continuing large increases in its aviation sector growth. According to KPMG, India currently has one of the least penetrated aviation markets in the world with approximately 99% of Indians having never traveled by air and weak connectivity between metros and smaller cities.

The Ministry of Civil Aviation (MoCA) oversees the formulation of policies and programs for development and regulation of the sector. It exercises administrative control over the Directorate General of Civil Aviation (DGCA), the Bureau of Civil Aviation Security (BCAS), the Indira Gandhi Rashtriya Udan Academy, the National Aviation Company of India Limited (Air India), Pawan Hans Helicopters Limited, and the Airports Authority of India (AAI). MoCA released the National Civil Aviation Policy (NCAP) on June 15, 2016. NCAP covers over 22 aspects of aviation and aims to

enable a rapid growth of the sector, improve ease of doing business, advance regional connectivity, and capture India's largely untapped market of 300 million middle-class citizens through affordable services.

A key component of the NCAP is UDAN ('Ude Desh ka Aam Naagrik'), a first-of-its-kind scheme to stimulate regional connectivity by adding flights to under-served locations at subsidized fares. The plan offers viability gap funding to operators to fly to India's under-utilized airports with a commitment that at least half of the seats will have a price cap. Under the plan, airfare for a 1-hour journey of approximately 500 kilometers on a fixed wing aircraft or for 30-minute journey on a helicopter would be capped at Rupees 2,500 (approximately \$38) for at least half of the seats on the flight. An inter-ministerial committee will supervise and be accountable for coordination of the scheme among all stakeholders.

Another priority of the NCAP is the promotion of helicopter, seaplanes and general aviation in order to improve regional connectivity, tourism, law enforcement, and emergency medical evacuation. The NCAP will facilitate the development of at least four heli-hubs and Helicopter Emergency Medical Services. NCAP will also permit helicopters to fly from point to point without prior ATC clearance in airspace below 5000 feet. India's first heliport, built by state-owned Pawan Hans in Delhi, is fully operational consisting of a terminal building having capacity of 150 passengers, four hangars with parking capacity of 16 helicopters and nine parking bays.

The NCAP also highlights improvement in code share agreements. Designated carriers of India can now enter into international and domestic codeshare routes with foreign carriers as long as the codeshares are in accordance with the existing Air Service Agreements provision and they provide MoCA with 30 day prior notification. The policy also allows Open Skies agreements with SAARC countries and countries beyond 5,000 kilometers from New Delhi.

MOCA has made several provisions in its recent budget towards developing India as a maintenance and repair overhaul (MRO) hub in Asia. Some of the provisions it has included are exemption from customs duties; improved clearance processes for imported parts and components; and enabling the facilitation of appropriate visas and temporary landing permits.

GOI also liberalized its FDI policies for the aviation sector. In an attempt to aid modernization of existing airports, the government is permitting 100% FDI in greenfield and brownfield airport projects. It has also increased foreign investment allowances in Scheduled Air Transport Service/Domestic Scheduled Passenger Airlines and Regional Air Transport Services to 100%.

In April 2015, the Federal Aviation Administration (FAA) restored India's category one aviation safety rating. FAA had downgraded India's aviation-safety ranking in January 2014. The FAA's Aircraft Certification Service and India's Directorate General for Civil Aviation (DGCA) maintain a Bilateral Aviation Safety Agreement with Implementation Procedures for Airworthiness (BASA IPA) to facilitate the exchange of aeronautical products between the two States. Additionally the FAA and India's civil aviation Authorities continue to explore means by which to enhance cooperation.

Leading Sub-Sectors

- Commercial and general and business aviation aircraft
- Maintenance Repair and Overhaul (MRO)
- Avionics including Communication Systems & Navigation
- Airplane and helicopter - rescue and emergency systems
- Safety and security
- Human Resource Development

Commercial and general and business aviation aircraft - India currently has fewer than 300 civilian helicopters - substantially fewer than other developing nations. With the increased interest to improve regional connectivity, tourism, and emergency medical evacuation, there is substantial opportunity in the General Aviation Business Aviation sector.

Maintenance Repair and Overhaul- India's young and growing fleet of airplanes will require future maintenance service. 90% of India's MRO business carriers currently spent outside India - in Sri Lanka, Singapore, Malaysia etc. The GoI continues to try and develop the MRO sector in India.

Avionics including Communication Systems & Navigation - According to the NCAP, AAI is ranked among the top air navigation service (ANS) providers in the world. Upgradation and modernization of ANS in India is in line with global trends. With the launch of GAGAN, India has become the fourth country in the world to use satellite-based navigation system.

Airplane and helicopter parts and components - India's nascent mark Helicopter Emergency Medical Services (HEMS) holds large potential for global service providers. The increasing urbanization of major Indian cities marked by rapid and

unplanned growth, along with high traffic density, makes the need for HEMS even more urgent.

Safety and security – As one of the fastest growing aviation markets in the world, India needs to meet the demands of this growth by ensuring it is implementing effective aviation safety and security at each of its airports.

Human Resource Development – With passengers and aircraft fleet likely to double by 2020, the human resource development infrastructure needs immediate strengthening. Unfortunately, the supply of skilled human resources has not kept pace with the rapid growth in demand.

Opportunities

With its increased interest in improving regional and remote air connectivity, the GoI is advancing \$110 billion in civil aviation expansion and modernization projects through 2020. KPMG recently estimated India would require over 250 brown field and green field airports by 2020. The government also plans to revive and operationalize around 160 airports in India. In order to accomplish its goals, the government is involving the private sector in the construction of airports through Public Private Partnerships (PPP), and providing substantial state support in terms of financing, concessional land allotment, tax holidays and other incentives.

There are several large airport projects currently occurring throughout India. Delhi's Indira Gandhi International Airport is currently undergoing a large expansion in order to increase its cargo and passenger handling capacity. GMR Airports Limited has commenced works for the construction of Mopa International Airport in Goa. Phase I of the project is expected to be completed by May 2020. In addition, GVK is constructing the first terminal building and runway of Navi Mumbai International Airport Project in Mumbai.

The U.S.-India Aviation Cooperation Program (ACP) – The ACP was established in 2007 as a public-private partnership between the U.S. Federal Aviation Administration (FAA), the U.S. Trade and Development Agency (USTDA), and other U.S. Government agencies and U.S. companies. The ACP supports the growth of the Indian civil aerospace sector by working directly with the GoI to identify and execute projects that encourage collaboration between U.S. and Indian stakeholders, in the area of aerospace technology and best practices.

U.S.-India Aviation Summit – The U.S. Trade and Development Agency, in partnership with the Government of India and the U.S.-India Aviation Cooperation Program will have an Aviation Summit in 2017. The Summit offers a technical, policy, and commercial forum to assist Indian civil aviation agencies and aviation

industry representatives, including Indian private sector airlines and airport operators, identify and specify advanced U.S. technologies and practices that would best suit their expansion and modernization needs.

India Aviation 2018 - The Ministry of Civil Aviation (MOCA) and the Federation of Indian Chamber of Commerce (FICCI) will co-organize India Aviation 2018 in Hyderabad. India Aviation is the largest civil aviation show in India. The exact dates and venue is still to be determined.

Web Resources

[Ministry of Civil Aviation](#)

[Airports Authority of India \(AAI\)](#)

[Director General of Civil Aviation](#)

[CAPA Centre for Aviation](#) India

[International Air Transport Association](#)

[US-India Aviation Cooperation Program](#)

[Ministry of Defense](#)

For more information about opportunities in this sector contact U.S. Commercial Service Industry Specialist: Nisha Wadhawan at Nisha.wadhawan@trade.gov

Defense

Overview

India has the third largest armed forces in the world and plans to spend billions in defense acquisitions over the next several years. According to IHS Jane's latest annual Defense Budgets report, India is the fourth largest defense spender. Due to an underdeveloped defense manufacturing sector, India is one of the largest importers of conventional defense equipment in the world. According to the GoI, India imports approximately 60% of its defense requirements. This makes India's defense sector one of the most attractive markets globally for both domestic and foreign defense manufacturers.

The defense sector continues to be one of the government's high priority focus areas. This year's capital expenditure budget of \$12.72 billion has increased slightly from last year. We anticipate significant opportunities for U.S. exporters in the defense sub-sectors.

The Indian defense sector has historically been dominated by state-owned enterprises, known as Defense Public Sector Undertakings (DPSUs) and Ordnance Factory Boards (OFBs). According to RSP Advocates & Solicitors, these DPSUs and OFBs contribute 90 percent of the total domestic defense manufacturing output. The GoI began allowing private sector participation in defense manufacturing only in 2001. While the Indian DPSUs and private sector suppliers produce combat aircraft, naval vessels, heavy trucks, and other military equipment, they invest little in research and development, resulting in slow development of new generation technologies. As a result, India's Defense Industrial base is underdeveloped.

With its advanced technology, U.S. OEMs have had increasing success penetrating the market over the past ten years selling over \$14 billion in major systems, including Boeing's Apache and Chinook helicopters and Lockheed Martin's C-130 aircraft. The United States has become one of India's top three suppliers with Russia and Israel. While U.S. second and third tier suppliers have not had as much success, other non-Indian suppliers do sell parts and components to Indian OEMs.

Although India has become one of the world's top defense importers, the Government of India has made it a priority to create a robust defense industrial base under its 'Make in India' initiative. For national security reasons, to create jobs in India, and to further develop its overall manufacturing capabilities, Prime Minister Modi announced the "Make in India" initiative in September 2014. Under this initiative and with continuing privatization efforts, additional large Indian business conglomerates are entering the defense sector. In June 2015, India announced that the DPSUs would no longer receive preferential customs and duties treatment, further encouraging more private sector investment.

In March 2016, the Ministry of Defense released chapters one to five of its Defense Procurement Procedure 2016 (DPP-2016) announcing several modifications to institutionalize, streamline, and simplify the procurement procedure in order to promote India's defense sector. Other important chapters and various appendices and annexes were released in June 2016. The final chapter, which describes the rules and processes for the "Strategic Partnership" model, was released in May 2017. This chapter describes how Indian industry and foreign industry will be selected by the Ministry of Defense to partner with each other in defense subsectors such as fighter aircraft, submarines, helicopters, and armored fighting vehicles.

DPP-2016 has made the promotion of indigenously designed, developed and manufactured defense equipment a priority. It is actively encouraging increased participation of Indian industry, particularly MSME, in the defense sector.

Under the “Make in India” program, there are broadly five procurement categories with the Indigenously Designed Developed and Manufactured category being the most “preferred” acquisition option. The five categories are:

- Buy (Indian – Indigenously Designed Developed and Manufactured): Direct purchase from an Indian vendor whose products meet Indigenous Content requirements.
- Buy & Make (Indian): Purchase from an Indian vendor (including an Indian company forming joint venture/establishing production arrangement with OEM), followed by licensed production/indigenous manufacture in the country.
- Buy (Indian): Direct purchase from Indian vendors whose products meet a minimum indigenous content.
- Buy & Make: Purchase from a foreign vendor followed by licensed production/indigenous manufacture in the country.
- Buy (Global): Purchase from foreign or Indian vendors. There is also a “Make” category that can be pursued separately, in sequence or in tandem with any of the five above categories. Acquisitions in the ‘Make’ category must be designed, developed and manufactured by an Indian vendor. Candidates for this category are selected early in the planning, and are therefore prepositioned ahead of all of the other categories.

With the Government of India’s strong preference for products designed and manufactured in India, it is important that U.S. companies develop a strategy to transition from being an exporter to forming partnerships and strengthening their supply chains in India in order to meet the new tendering requirements. Future access to the Indian market will be based on meaningful partnerships with local players and strong supply chains with local companies.

Tata and Mahindra already have entered into joint ventures with U.S. defense firms. Reliance Group, Adani, Larsen and Toubro, and Kalyani Group are also major players in the sector. Several major Indian OEMs and tier two companies seek U.S. suppliers and partners.

The Government of India has announced several positive changes in DPP-2016 in order to encourage participation of foreign OEMs in the Indian market. The new policy has made the process for obtaining industrial licenses substantially easier. DPP-2016 has also introduced enhanced performance parameters, moving from a standard L1 model to a L1-T1 model with up to 10% credit.

In order to simplify the regulations governing FDI and to make India an attractive destination for foreign investors, the government raised FDI limits from 26% to 49% in the defense sector, with up to 100% FDI possible if there is “modern technology” transfer and government approval. In addition, it has made its FDI defense policy applicable to the manufacturing of small arms and ammunitions covered under the Arms Act of 1959.

The Government of India also recently modified its offset policy. Offsets are now only applicable to procurements above INR 2000 crores (approximately \$300 million). The Government of India has also reinstated services as an avenue for offset discharge. OEMs have been given additional flexibility in modifying their offset plans and partners. In June of 2016, the Ministry of Civil Aviation announced that it would work with the Ministry of Defense to ensure that commercial aero-manufacturing is covered under defense offset requirements.

While the Indian defense sales market offers great potential for defense suppliers, U.S. businesses desiring to make defense related sales to India should be aware that India is still a challenging market and requires patience. Defense procurement timeframes are measured in years, there can be poor transparency in the procurement process, and offset regulations can be challenging to navigate. Poor infrastructure and skills gaps pose manufacturing challenges. There can also be substantial payment delays.

In May of 2017, the Government of India released its “Strategic Partnership” model (SPM) in order to increase India’s defense manufacturing capacity. This SPM strives to create long-term capacity in various defense subsectors of strategic importance. Under the SPM, Indian firms owned and controlled by resident India citizens will be selected to be Strategic Partners in the key defense subsectors of fighter aircraft, helicopters, submarines, and armored fighting vehicles/main battle tanks. Under the SPM, the GoI will shortlist OEMs to work with the selected Strategic Partner to manufacture the platform in India, transfer of technology, provide life-cycle support, and develop an eco-system of domestic manufacturers.

Leading Sub-Sectors

Land systems:

The Future Infantry Combat Vehicle (FICV) program must meet a requirement for over 2,100 vehicles. There will be additional opportunities in field artillery modernization (self-propelled howitzers and fire control systems) and in various munitions, to include surface to air missiles.

Maritime systems:

We expect to see more demand for fast patrol craft, while the Indian Navy is also planning to build more submarines and also begin construction of a second indigenous aircraft carrier. The Navy also has expanding requirements for fixed and rotary wing aircraft.

Aero systems:

There is demand under “Make in India” for co-production of more aircraft. There is also demand for unmanned aerial systems of all sizes and capabilities, along with missiles of various ranges. The Ministry of Defense also hopes to expand and further develop their rotary wing fleets.

Maintenance, Repair, and Operations (MRO):

With aging systems in all services and the purchase of more advanced systems, the requirement for more robust MRO capabilities is increasing.

Defense Electronics:

India Infrastructure estimates the defense electronics sector will be an estimated \$70 billion market in the next decade and a half.

Opportunities

[DEFEXPO](#) will be held in February 2018. Please see the website for updates.

New RFI and RFP opportunities are listed on the tenders of the India and Central Public Procurement Portal listed below under “Web Resources.” Defence ProAc Biz News also lists future projects.

Web Resources

Government of India

[Ministry of Defense](#)

[Department of Defense Production](#)

[Indian Army](#)

[Indian Navy](#)

[Indian Air Force](#)

[Border Security Force](#) (Ministry of Home Affairs)

[Central Industrial Security Force](#) (Ministry of Home Affairs)

[Tenders India](#)

[Central Public Procurement Portal](#)

[Defense Procurement Procedures 2016 Capital Procurement Manual](#)

Media and Think Tanks

[Institute for Defense Studies and Analyses](#)

[Vivekananda International Foundation](#)

[Defense ProAc Biz News](#)

[Defense Now](#)

For more information about opportunities in this sector contact U.S. Commercial Service Industry Specialist: Nisha Wadhawan at Nisha.Wadhawan@trade.gov

Education

Overview

India has one of the largest systems of [higher education in the world](#), next only to China and the United States. There are 677 universities in the country, including 318 state universities, 129 deemed universities (a status of autonomy granted to high performing institutes and universities by the Department of Higher Education), 45 central universities (established by the Department of Higher Education), 185 state private universities, and 51 institutes of national importance, such as Indian Institute of Technology (IIT), National Institute of Technology (NIT), Indian Institutes of Science Education and Research (IISER) etc. In addition, there are private and accredited universities, institutions created by an act of Parliament, independent institutes and over 37,204 colleges. In addition there are a number of institutions established under state legislation and the University Grants Commission (UGC) Act. Together they offer a wide range of degree and diploma programs.

Higher education in India is regulated by the University Grants Commission (UGC) except for technical institutes which are governed by the All India Council of Technical Education (AICTE) and other councils established under applicable statutes for the regulation of education in specific fields. Some of the councils and the specific fields that they govern include the Council of Architecture, Pharmacy Council of India, Indian Nursing Council, Medical Council of India, and Distance Education Council. Higher education institutions operating in India for at least ten years, and satisfying certain criteria, can be conferred with a special status of

'deemed universities' (DUs) enabling them to grant degrees. UGC and AICTE are the nodal bodies regulating the entry and operation of foreign universities and institutions in India.

Education Market Size

The education sector in India is poised to witness major growth in the years to come as India will have world's largest tertiary-age population and second largest graduate talent pipeline globally by the end of 2020. In FY 2015-16, the education market was worth about \$100 billion and is expected to reach \$116.4 billion in FY 2016-17. Currently, higher education contributes 59.75% of the market size, school education 38.1%, pre-school segment 1.6%, and technology and multi-media the remaining 0.6%.

The higher education system in India has undergone rapid expansion. Currently, India's higher education system is the largest in the world enrolling over 70 million students while in less than two decades, India has managed to create additional capacity for over 40 million students. At present, the higher education sector is seeing spending of over \$6.93 billion, and it is expected to grow at an average annual rate of over 18% to reach \$34.87 billion in next 10 years.

Source: [Education Sector in India](#)

United States - The chosen destination for Indian students

In the 2015/16 academic year, approximately 166,000 students from India studied in the United States (up 25% from the previous year). India is the second leading place of origin for students coming to the United States after China; every sixth international student is from India. Last year, Indian students in the United States contributed \$5 billion in economic activity and supported 66,000 jobs – and cumulatively more than \$31 billion over the last decade. Approximately three-fifths of India students are at the graduate level and three-fourths are in the STEM fields.

Source: Open Doors: Report on [International Educational Exchange](#), published annually by IIE with support from the U.S. Department of State's [Bureau of Educational and Cultural Affairs](#).

Leading Sub-Sectors

Partnerships and joint projects between Indian and U.S. higher education institutions produce advances in science, business, health, agriculture, and other sectors while strengthening civil society in both countries.

The **U.S.-India Higher Education Dialogue** promotes enhanced opportunities for student and scholar mobility and faculty collaboration between the United States and India. The next Higher Education Dialogue is scheduled to be held in Washington, DC in 2017. The United States is exploring a bilateral memorandum of understanding with the Government of India that would structure and institutionalize our higher education dialogue.

The Ministry for Human Resource Development launched several new higher education initiatives including regulations on twinning programs and a domestic ranking system (NIRF). It continues to support its state level institutional funding program (RUSA). The University Grants Commission's proposed "**Institutions of Eminence**" initiative aims to establish 10 new public and 10 new private world-class teaching and research institutions. Through its Global Initiative of Academic Networks (GIAN) program, the Ministry and Department of Science and Technology created a channel for U.S. professors in science, technology, engineering, and mathematics to teach in Indian academic and research institutions on short-term exchanges.

The [Passport to India](#) initiative aims to increase student mobility to India through a baseline study, creation of a digital information and recruitment platform, development of a Massive Open Online course (MOOC), strengthening of education network and fundraising for the program's sustainability. The initiative was initially supported by a U.S. Department of State grant, and is now independently administered by the Ohio State University. The initiative's "Importance of India" MOOC was launched in June 2016 with several thousand enrollments.

India and the United States intends to establish a **knowledge partnership** to exchange expertise and best practices in support of the Department of Skills Development's efforts to develop nationwide skills standards and institutional structures to support skills development. In addition, the Government of India will explore **public-private partnerships** with U.S. businesses to set up skills development units in industrial hubs, with the aim to train up to 80,000 workers per year.

Potential fields of study to attract Indian students or partner with an Indian school include:

- Engineering and Applied Sciences
- Business and Management

- Computer Science and IT
- Social Sciences
- Physical and Life Sciences
- Humanities
- Medicine and Healthcare
- Art and Design Studies
- Music, Film Making and Dance
- Sports and Nutrition Studies

Opportunities

U.S. educational institutions can participate in the Indian education market in three ways: by recruiting Indian students for their programs; supporting student and faculty exchanges; and participating in institutional partnerships (joint research, curriculum development, grant activities). Higher education is a concurrent subject according to the Indian constitution, which means that the central and state governments share responsibility for implementation and policy. The Indian central government is focused on educational reforms to improve the quality and capacity of its higher education sector and see quality foreign institutions as partners that can help in this endeavor.

India is currently considering once-in-a-generation educational reforms, which may open up more opportunities for U.S. higher education institutions in India. The ministry is in the process of finalizing its revised **National Education Policy**, which was last updated in 1986. The draft text includes a recommendation that top global higher education institutions be allowed to open up foreign campuses in India and award degrees in partnership with Indian Institutions. The United States is advocating for the Indian National Education Policy to allow for increased opportunities for foreign higher education institutions.

Web Resources

[United States Mission to India](#)

United States – [India Educational Foundation](#)

[Ministry of Human Resource Development](#) (MHRD)

[University Grants Commission](#) (UGC)

[All India Council of Technical Education \(AICTE\)](#)

[Central Board of Secondary Education \(CBSE\)](#)

[National Institute of Open Schooling \(NIOS\)](#)

[National Council of Educational Research and Training \(NCERT\)](#)

[National Assessment and Accreditation Council \(NAAC\)](#)

[India Gandhi National Open University \(IGNOU\)](#)

[Distance Education Council \(DEC\)](#)

[Association of Indian Universities \(AIU\)](#)

[National Board of Accreditation of AICTE](#)

[India Brand Equity Foundation](#)

For more information about opportunities in this sector contact U.S. Commercial Service Industry Specialist: Noella Monteiro at Noella.Monteiro@trade.gov

Energy

Overview

India has the fifth largest power generation installed capacity in the world. Coal dominates the energy mix at 60%, but renewable sources are quickly expanding their share. Renewable sources increased 6.47% for 2015–2016, and 24.58% for 2016–2017, compared to India’s overall annual growth of total sources of 5.69% (2015–2016) and 5.81% (2016–2017).

India's Total Installed Capacity by Power Source (GW)			
Source	As of March 2016	As of March 2017	Percentage of Energy Mix
Coal	185.99	192.16	60
Gas	24.50	25.33	8
Diesel	0.91	0.84	<1
Nuclear	5.78	6.78	2
Hydro	42.78	44.48	14

Renewables	42.84	50.02	16
Total	303	320	100

Since 2014, Prime Minister Narendra Modi has reiterated his campaign pledge to ensure 24/7 power for all Indians, resulting in a broad mandate to improve India's power sector. Modi's plan for India is to build energy security by diversifying supply reliance beyond traditional carbon sources (particularly coal), and by significantly expanding levels of wind, solar and biomass. According to the Department of Industrial Policy and Promotion, the "Power For All" initiative has opened investment potential of nearly \$224 billion in the next four to five years for modernization of power generation, distribution, transmission, and equipment.

India's Installed Capacity for Renewable Energy (MW)					
Source	As of March 2015	As of March 2016	As of March 2017	Estimated for 2018	Target for 2022 (GW)
Wind Power	23,444	26,867	28,700	33,300	60
Solar Power	3,744	6,763	9,013	24,013	100
Biomass Power	4,419	4,831	7,857	8,707	10
Small Hydro	4,055	4,273	4,334	4,434	5
Waste-to-Energy	115	115	114	None	None
Total	35,777	42,849	50,018	70,454	175

The Modi Administration also set ambitious targets to continually increase the percentage of renewables within the overall mix of energy sources (currently 15% in 2016) to 40% by 2030. To further define and benchmark the goal, the government announced plans to add 175 GW of renewable energy capacity by 2022, to include 100 GW of solar power, 60 GW of wind power, 10 GW of biomass and 5 GW of small hydropower.

On the demand side, the energy requirement registered a growth of 4.3% in 2015-2016 against the projected growth of 8.7%, and peak demand registered a growth of 3.5% against the projected growth of 5.9%. However, overall the shortage conditions prevailed in the country both in terms of energy and peaking availability. India anticipates an energy surplus of 1.1% and peak surplus of 2.6% for 2016-2017.

2016	Energy (MU)	Peak (MW)
Requirement	1,114,408	153,366
Availability	1,090,851	148,436
Shortage	-23557	-4903
(%)	-2.1%	-3.2%

Source: [Central Electricity Authority](#)

Challenges and Barriers to Renewable Energy Exports:

While many positive developments suggest growing U.S. export competitiveness in India, exporters continue to face important bureaucratic and structural challenges, which lead to longer lead times and complexities for project development. First, exporters must engage with a slow, often bureaucratic regulatory system that includes highly regulated electricity prices and inefficient state-owned distribution companies. Developers of all power generation technologies face the same hurdles, which can slow development and make investment decisions less attractive.

Second, U.S. exporters, particularly those in the solar sector, continue to face sector-specific issues, including a local content regimes (LCRs) that are the most stringent of any employed globally. Phase 1 of the Jawaharlal Nehru National Solar Mission (JNNSM), India’s flagship solar incentive program, banned the importation of crystalline-silicon solar cells (the ban was later extended to include modules). Phase 2 of the JNNSM, which is ongoing, reserved half of the 750 MW auction system for developers who use only Indian-made content.

In addition to LCRs, the wider regulatory environment and infrastructure for the renewable energy is problematic. India’s underdeveloped transmission and distribution (T&D) system remains an impediment to projects. Losses stemming from the inefficiency of T&D are estimated at nearly 17% of total electrical output. Another barrier towards the Indian government’s renewable energy strategy is the availability of land, a problem epitomized by the struggle to get the parliament to sign off on the Land Acquisition Bill.

Leading Sub-Sectors

Wind:

Of the 50GW of installed capacity from renewable sources in India, nearly 58% is wind power, with strong potential for additional growth. According to [MNRE estimates](#), the onshore wind potential alone is about 302 GW. However this sector

faces challenges including squatters blocking good wind potential sites, inordinate delays in signing of power purchase agreements, timely payments, and distribution utilities shying away from buying electricity generated from wind energy projects. Wind tariffs have been progressively declining, reaching a record low to \$ 0.05 (Rs. 3.46) per kilowatt hour (kWh) in February 2017.

Even though India's wind supply chain remains extensive, it is dominated by the local manufacturers. In fact, India enjoys 10 GW of wind turbine manufacturing capacity – three times its domestic demand, making it a key exporter to the international turbine market. American exporters unfortunately can expect to be at a severe disadvantage. According to industry estimates, less than one percent of the Indian wind import market will be captured by U.S. exports. U.S. companies may find some opportunities exporting component parts, as India does not charge an import duty for wind turbine components and exporters like AMSC, for example, have successfully licensed wind turbine technology for years.

Solar:

Among all the sub-sectors of the renewable energy, the goal for solar is the most ambitious and currently being prioritized for maximum growth across India. Massive solar parks are under development, along with power auctions, in many states. In February 2017, the solar power tariff dipped to \$ 0.04 (Rs. 2.97) kWh during the Rewa Solar Park auction – a record low. Leading solar states in India include: Tamil Nadu, Rajasthan, Gujarat, Andhra Pradesh, Telangana, Madhya Pradesh, Punjab, Karnataka, Maharashtra, and Uttar Pradesh.

Solar is also the sector where U.S. exporters face the most persistent policy challenges – namely, Local content requirements that ban the import of technology. Unlike other markets where exports occur without a substantial amount of government support, promoting renewable energy exports to India requires a concerted effort on behalf of all U.S. Government trade and development agencies. Leverage will often need to be applied in areas beyond the traditional trade policy space, since efforts only in that area are unlikely to be effective.

While LCRs limited the opportunity for Indian buyers and project developers to source technology from international markets, some solar technologies were imported. Despite these barriers, U.S. exporters captured a surprisingly high market share of nearly 12 percent of India's import market. However, the project development landscape is significantly changing, as more developers import solar panels from China due to their declining costs. As a result, some of the earlier module suppliers have become project developers. Other U.S. exporters may find opportunities to supply components to OEMs, such as energy storage products,

inverters, wafers or polysilicon, as the market maintains almost no production capability in these technologies.

Transmission, Distribution and Smart Grids:

In India, the transmission and distribution of power is dominated by the government with the overall private sector role limited to 1 percent in transmission and 5 percent in distribution (Delhi and Odisha states; City of Mumbai, and parts of Kolkata, Ahmedabad and Surat municipalities have private companies engaged in electricity distribution). One of the largest challenges that the Indian power sector faces is transmission and distribution (T&D) losses, which are very high – 26.35 percent at distribution level and more than 8 percent at transmission level nationally. Several large states report more than 40 percent distribution losses. The Power Grid Corporation of India (PGCIL), which is the owner, operator, and developer of the national interstate power-grid says it will spend \$18 billion in the next five years extending and upgrading the Indian power grid to include smart technology.

One area of potential market opportunities lies in “smart grid” technologies. India is heavily focused on large scale grid modernization, to increase reliability and reduce black-outs, especially as additional renewable energy resources come online. Several U.S. companies are participating in pilot projects, and currently negotiating larger utility-scale projects using technology proven in India.

Energy Storage:

India is home to more than 1.3 billion people – almost 18 percent of the global population – and has one of the fastest growing economies in the world. India’s per capita annual electricity consumption of energy is one of the lowest in the world, with more than 300 million people currently lacking access to electricity, and an additional 250 million people whose intermittent electricity access may be limited to three or four hours per day. Despite considerable growth in the power sector, many parts of the country continue to face severe power shortage as consumption increases faster than distribution, leading to shortages and poor quality of power supply. As a result, most industries maintain diesel-powered generators and households utilize inverters with lead-acid batteries as backup systems to ensure reliability.

India is also working on a fast track program to introduce Electric Vehicles to tackle its ever growing pollution issues. This is another area where energy storage can play a big role. Work has begun on policies and incentives to promote the energy storage sector in India. For example, the Ministry of New and Renewable Energy (MNRE), through the Jawaharlal Nehru National Solar Mission (JNNSM) offers a

higher capital subsidy for photovoltaic systems with energy storage, than those without storage. U.S. energy storage technology currently enjoys a global competitive advantage, but suppliers will need to enter the market soon to establish relationships in this quickly developing market.

Opportunities

The Government of India has pledged to ensure continuous, 24 hours a day/seven days a week (24/7) power for all citizens within the next 5 years. However, to achieve this objective and meet new demand growth, significant investment will be needed to increase grid efficiency as new generation assets – especially intermittent ones – come online. For example, by the year 2022, Prime Minister Modi expects to increase India's installed capacity to 100 GW for solar power and 60 GW for wind power. With the increase of energy from renewable sources coming online, India's grid challenges will require a variety of solutions to incorporate a range of energy sources, intermittent capacity levels, and storage options. The Ministry of New and Renewable Energy is developing a National Energy Storage Policy to fast-track adoption of new technologies in India, and has announced demonstrations and pilot projects for renewable energy integration solutions for micro-grids, utilities, and large-scale distribution networks.

U.S. companies interested in developing new business contacts in India's rapidly expanding renewable energy sector should contact:

Ms. Renie Subin

Commercial Specialist

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Web Resources

Useful Links include:

[Ministry of Power](#)

[Ministry of New and Renewable Energy](#)

[Solar Energy Corporation of India](#)

[Central Electricity Authority](#)

[Indian Renewable Energy Development Agency](#)

[India Smart Grid Forum](#) –

[Confederation of Indian Industry](#)

[Federation of Indian Chambers of Commerce and Industry](#)

[National Electric Mobility Mission Plan 2020](#)

[Faster Adoption and Manufacturing of \(Hybrid and\) Electric Vehicles \(FAME\)](#)

[India Energy Storage Alliance](#)

Environmental Technology

Overview

India is grappling with significant challenges in air, water and waste management. The legislative framework is strong, but enforcement is relatively weak. Half of world's 20 most polluted cities are in India, according to World Health Organization's Global Urban Ambient Air Pollution 2016 database. About 62 million tons of municipal solid waste is generated each year in the 468 cities of over 100,000 people; only 70% is collected and only 23% is processed or treated. While 94% of Indians have access to drinking water, just under 40% of the population has access to sanitary wastewater system- a disparity that emphasizes the dire need for wastewater treatment systems. Almost 63% of municipal wastewater and 40% of industrial wastewater is left untreated and discharged. India is also one of the largest and fastest growing greenhouse gas emitters. On the industrial pollution front, 30-40% of India's industrial units produce sizeable quantities of pollutants. There are about 3 million small-scale enterprises in the country and most of these are using minimal or no pollution control equipment. The Government of India has classified 60 industry categories as highly polluting; these sectors are subject to stringent standards. The Indian Parliament passed the National Green Tribunal Act in 2010, which led to the creation of the National Green Tribunal. Its purpose is the effective and expeditious disposal of cases relating to environmental protection. Orders of the Green Tribunal are driving many of the recent environment management initiatives.

Important environmental sub-sectors include: water supply & waste water treatment; solid waste management; air pollution; monitoring equipment and services; renewable energy and carbon abatement technologies.

The Indian pollution control industry consists of a large number of specialized equipment suppliers, chemical suppliers, engineering-procurement-construction (EPC) contractors, consultants, build-own-operate and transfer (BOOT)/build-own-

operate (BOO) operators, analytical equipment and services companies. The equipment market is dominated by small and medium sized units, manufacturing end-of-pipe treatment solutions. Local production of pollution control equipment is limited to mainly standard, relatively low-tech equipment. Major suppliers include the United States, United Kingdom, Germany, Japan, Canada, Australia, Netherlands, and Italy. Most of the leading international companies operate in India.

Market barriers for export of environmental technologies and services to India include:

- High tariff - particularly in area of monitoring and instrumentation
- Fragmentation of the market across region - making it difficult to find an agent or a representative that can truly provide national coverage
- Price sensitivity in tender - lowest bidder mentality with little assessment of cost/quality trade-offs
- Limited sophistication of local partners- many of the Indian companies are relatively new to the sector and may not have adequate experience developing and implementing the projects

India's environmental technologies market including goods and services is valued at \$16.3 billion (2016).

Data Table for estimated size of market:

Unit: USD millions

	2015	2016	2017 (estimate)
Total Market Size	15160	16301	17524
Total Local Production	11067	11900	12793
Total Exports	2435	2618	2814
Total Imports	6528	7019	7545
Imports from the U.S.	2023	2175	2338
Exchange Rate: 1 USD = INR 65			

Total Market Size = (Total Local Production + Total Imports) – (Total Exports).

Figures are unofficial estimates

Leading Sub-Sectors

Promising sub-sectors in pollution control equipment include:

Sub Sector Projected Growth Rate

Water and wastewater management 13-15%

Municipal solid waste management 8-10%

Air pollution control 6-8%

Water and wastewater is the most promising sub-sector in India's environmental segment. This accounts for 26% of India's environmental technologies industry, and is expected to grow at 13-15% every year over the next five years. Procurement is almost equally split between government and the private sector projects. However, sales to the industrial sector are growing at a higher rate. The government is primarily involved in the treatment of raw water, water transmission and distribution and sewage treatment operations. The private sector industries in power, food and beverage, pharmaceuticals, refineries and textiles sectors are generating immense opportunities for water and wastewater treatment equipment. These industries prefer advanced treatment technological systems such as reverse osmosis membranes for treating their wastewater. Industries most regulated among all water user categories. The water treatment market is gradually shifting from chemical treatment and demineralization plants to membrane technology. The concept of wastewater recycling and zero discharge systems is becoming more widely accepted as new technologies such as sequencing batch reactor (SBR) and membrane bioreactor (MBR) based treatment gain in popularity.

The municipal wastewater treatment segment is badly in need of capacity augmentation since installed capacity meets only about 30% of the need. This segment is expected to grow at over 15% between 2015 and 2020, with the market size growing from \$3.3 billion in 2015 to \$6.8 billion in 2020. The drinking water treatment and supply segment is expected to reach a size of \$9.4 billion in 2020 from the 2015 value of \$5.5 billion. The industrial process and wastewater segment is estimated to reach \$2 billion in revenue by 2020, growing at over 20%.

In the municipal solid waste sector, India's Planning Commission Task Force Report of 2014 estimated that the capital costs for collection and transportation of municipal solid waste and for setting up of approximately 500 engineered sanitary

landfill facilities to be approximately \$1.7 billion. This includes the provision of mechanized sweeping in more than one million cities at a cost of \$34 million. New legislation on the subject effective 2016 contains new standards for composition of compost, treatment of leachates, emissions from incineration, and criteria for waste treatment facilities and landfills. It has created new opportunities for U.S. waste management equipment and service companies.

In the air quality sub-sector, the Government of India launched the country's first Air Quality Index in 2015 to initially cover 10 cities and will eventually be expanded to more than 60 cities. Each city will have 6-7 continuous monitoring systems with Air Quality Index display boards.

Opportunities

As of January 2016, India had 68 water treatment and transmission, desalination, and industrial reuse projects in the tendering pipeline with a cumulative estimated value of \$6.5 billion. According to India's Planning Commission, the total capital investment required to upgrade India's water infrastructure will be \$126 billion over the next 20 years. The Commission estimated that India's municipal solid waste management sector will require an investment of \$3.4 billion, of which 40% will come from the Government of India, 21% from state governments and 39% from the private sector. Responding to these needs, the Government of India rolled out, in April 2015, the Smart Cities Mission - a \$1 trillion urban sector plan to create 100 "Smart Cities" and rejuvenate 500 other cities and towns over the next five years. Clean water supply, sanitation and waste management, efficient mobility and public transport are important components of this new initiative. So far, 60 cities selected through a challenge process are poised to implement projects worth \$20.3 billion in the coming years. U.S. companies should position themselves and create local partnerships to take advantage of these opportunities. The Namami Gange project for cleaning up the Ganga river, for which Government of India has allocated nearly \$3 billion expenditure to 2020, also offers opportunities for U.S. companies.

We advise U.S. companies to monitor the U.N. Development Business, World Bank, Asian Development Bank (ADB), the Japan Bank for International Cooperation (JBIC) websites and publications for soft loan and grant funded project announcements. These projects offer significant front-end consulting opportunities and the possibility to supply equipment during the project implementation phase.

Opportunities in the industrial sector are primarily in the 60 Red category industries, including the cement, steel, iron and power industries. These large end-user industries are buyers for air, water and hazardous industrial waste treatment

solutions and have been investing substantially in environmentally friendly production processes.

Monitoring equipment and services also provide opportunities in both the public and private sectors.

Web Resources

[Ministry of Urban Development](#)

[Smart Cities project](#)

[National Mission for Clean Ganga](#)

[Central Pollution Control Board](#)

[Environmental Information System ENVIS India](#)

[National Mission for Clean Ganga](#)

[Atal Mission for Rejuvenation & Urban Transformation \(AMRUT\)](#)

[JICA](#)

[USAID](#)

[U.N. Development Business tenders](#)

[World Bank projects](#)

[Asian Development Bank projects](#)

For more information about opportunities in this sector contact U.S. Commercial Service Industry Specialist: Arup Kumar Mitra at arup.mitra@trade.gov

Travel & Tourism

Overview

India is now one of the fastest growing outbound tourism markets in the world, second only to China. The United Nations World Tourism Organization (UNWTO) estimates that India will account for 50 million outbound tourists by 2020. Despite the slowdown due to rupee fluctuations, the Indian outbound numbers have been growing with an average 10-12% annual growth over the last seven years. The market for travel and tourism in India is expected to grow at a Compound Annual Growth Rate (CAGR) of around 7.23% during 2016-2021.

A growing, consumption-driven economy, a large and increasingly affluent middle class, and the ongoing liberalization of air transportation have contributed significantly to this growth in international outbound travel. Additional interest in niche tourism sectors such as the medical, wellness and adventure tourism has also contributed to this growth. Increased smartphone and internet penetration have also contributed to an increased number of online bookings.

Indian spending outside the country while traveling abroad has doubled in the past 10 years, from \$7.5 billion in 2004 to nearly \$15 billion in 2014. The figures below illustrate the recent growth in this sector. (2017?)

	2013	2014	2015	2016 (estimated)
Total domestic travel spending (US\$ in Billion)	\$130.90	\$140.60	\$154.50	\$167.40
Total foreign inbound visitor spending (US\$ in Billion)	\$17.70	\$19.30	\$20.70	\$22.80
Total outbound spending (US\$ in Billion)	\$11.50	\$14.4	\$15.3	\$16.7
Total Market Size (No. of outbound travelers in millions)	16.63	18.33	20.38	22.00 (estimated)
Total travel to the United States from India (in thousands)	859	962	1126	1163 (estimated)

Sources:

[World Travel and Tourism Council Data Gateway](#)

[The Indian Ministry of Tourism](#)

[The National Travel and Tourism Office](#)

Recognizing this immense potential in outbound travel from India, more than 70 National Tourist Organizations (NTOs) from around the world have set up local offices in India and are aggressively marketing their destinations. For volume growth, the top five destinations are Saudi Arabia, Bahrain, Kuwait, United States and Singapore. Australia and France are good examples of destinations that are succeeding in their promotional efforts. For France, a key strategy has been the launch of the campaign “France Celebrates India,” which offered Indian travelers an array of travel services. It is not surprising that even destinations like South Africa and Dubai have stepped up their efforts to push Indian outbound numbers to their respective countries.

The United States is quickly becoming a top destination for Indian travelers. In 2015, the United States welcomed over 1 million visitors from India, a new record. At this rate, India is now poised to become one of the top 10 countries sending travelers to the United States, and is expected to cross the 1.5 million visitor mark soon. Preliminary 2015–2016 Indian visitor data has shown year over year growth of 10%.

In regard to receipts, the United States is ahead of its rivals, receiving more than a 30% share of total Indian outbound tourist spending. For perspective, Indian tourists' gross spending share in the United States is nearly five times more than its closest rival, Australia, which is followed by Singapore, Malaysia, and the United Kingdom. In 2015, Indians spent nearly \$11.8 billion in the United States, a growth of 18% as compared to 2014, with shopping being their top activity when traveling in the United States.

While in the past many Indians have preferred regional outbound travel as their first overseas tourism experience, many are starting to list the United States as among their first “aspirational” destinations to visit. With a significant Indian diaspora in the United States, there are increasing familial, educational, and commercial reasons for Indians to consider traveling to the United States.

Additionally, Commercial Service (CS) India has noticed an increase in demand among Indian travelers for unique experiences when they visit the United States. Many travel agents indicate that their clients have already visited the best known attractions in the United States, and are now desiring to experience new U.S. attractions. This could include sports or adventure packages, food/cultural festivals, and more niche market activities. Destinations that have not traditionally drawn large numbers of Indian travelers may find success in catering to the growing number of travelers seeking new experiences.

In summary, India provides a large opportunity for U.S. destinations and there is much more that can be done to gain market share and become the destination of choice for Indian travelers. As there is increased competition from tourism promotion organizations, CS India highly recommends that U.S. destinations and attractions, as well as Convention Visitors Bureaus and service providers, include India in their marketing and outreach strategies.

Leading Sub-Sectors

MICE (Meeting, Incentives, Conferences and Exhibitions) including small intimate corporate groups, is one of the fastest growing segments of Indian outbound travel. Companies in India are realizing the benefits that accrue to their businesses from organizing MICE trips, which involve large or small groups of employees from their companies, or industry meetings at desirable foreign destinations. These MICE trips

can include conferences, trade exhibitions, focused business meetings or just recreation. In addition, with Indian corporates expanding their global footprint, business executives traveling overseas are incorporating work with pleasure by taking their families with them on business trips.

According to Mercury Travel, between 1.2 to 1.5 million Indians will travel for MICE purposes all over the world in the years ahead, and will spend around \$1.5 billion. While this figure may seem small compared to developed markets, the Indian market for outbound MICE is growing at 15-16% each year.

Recognizing this immense potential in MICE, Mission India promotes the United States as a top MICE destination. However, there continues to be misperceptions among Indian corporations that MICE travel to the United States is not feasible due to concerns about visa, costs and distance. To counter these perceptions and to stimulate the selection of the United States as their top choice for MICE groups, Mission India, the Visit USA Committee (VUSACOM), Brand USA, destination representatives as well as hotel and airline representatives have made a concerted effort to provide accurate information to Indian travel agents and corporate travel planners about the options that are available to them as they make their MICE travel plans.

Opportunities

The Brand USA Mission to India is planned for September 10-15, 2017 in specific Indian cities. Destinations desiring to participate in the Mission should contact [Brand USA](#).

SATTE: SATTE ([South Asia Travel and Tourism Expo](#)) is India's largest travel trade event, scheduled for January 31 - February 2, 2018, in New Delhi. This show draws hundreds of travel agents, and is a good venue for U.S. participants to reach out to a quality target audience. Brand USA is the organizer of the U.S. Pavilion at SATTE.

USA to Go: Mission India has partnered with the Indo American Chamber of Commerce (IACC) to conduct outreach sessions called "USA to Go" in tier two cities throughout India. The "USA to Go" initiative is focused on increasing awareness about opportunities for tourism, education and investment in the United States. Brand USA is a supporter of these events, and specific destinations in the United States can have an opportunity to be featured at USA to Go events.

[ITB Berlin](#) and [ITB Asia](#) have typically drawn many key stakeholders in the Indian travel and trade sector. Additional information can be found online.

Publicity: Conde Nast Traveller, Today's Traveller, airline magazines, and other Indian travel/trade oriented publications often highlight the United States as a top destination, and have shown a strong willingness to publish articles about the United States. Brand USA in India coordinates the content and placement of those pieces, and CS India is willing to facilitate communication with specific publications.

Web Resources:

U.S. Department of Commerce, ITA, [National Travel and Tourism Office](#)

[BrandUSA](#)

[Visit USA Committee–India Chapter](#)

[Travel Agents Association of India](#)

[Outbound Tour Operators Association of India](#)

[Travel Agents Federation of India](#)

[The World Travel and Tourism Council](#)

[The United Nations World Tourism Organization](#) (UNTO)

[The Indian Ministry of Tourism](#)

For more information about opportunities in this sector contact U.S. Commercial Service Industry Specialist: Shibu Mathews at Shibu.Mathews@trade.gov

Health

Overview

The Indian healthcare sector is experiencing rapid change. Though this change has been underway for many years it has become significantly visible in the last decade, with a renewed thrust from both the government and a growing market for healthcare services and products. Rapid economic growth, rising middle class incomes, and a surge in lifestyle diseases have created a booming life science market. According to the World Health Organization (WHO), Indian per capita health spending stands at just \$132 (on a PPP-adjusted basis), ranking 145th amongst WHO nations and less than 2% of the \$8,632 spent in the United States.

Healthcare has become one of India's largest sectors – both in terms of revenue and employment. Healthcare in India comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare industry amounted to \$110 billion in 2016 and is

expected to reach \$280 billion by 2020 due to increased demand for specialized and quality healthcare facilities. The market is dominated by private players. The industry is rapidly developing, fueled by large investments from existing corporate hospital chains and new entrants backed by private equity investors. This growth will be driven by healthcare facilities, private-public projects, medical diagnostic and pathological laboratories, and the health insurance sector. In addition, changing demographics, disease profiles, and the shift from chronic to lifestyle diseases in the country has led to increased spending on healthcare delivery.

The Indian population of over one billion is growing at a rate of 1.6 % per year. An ageing population of over 100 million, rising incidences of lifestyle diseases, rising incomes and increased penetration of health insurance are fueling growth of the industry. Considerable challenges exist in terms of service accessibility and patient care quality. As such, government support plays a significant role in the overall development and growth of the sector.

High upfront investments, long gestation periods, and rising real estate costs are compelling private players to innovate with business models and to expand into under-penetrated Tier II and Tier III cities. As a result, these private players can capitalize on the opportunity to expand. The private sector is likely to contribute 80-85 % of the \$86 billion healthcare investment required by 2025.

The Indian medical device market is worth an estimated \$4.4 billion (without the inclusion of rural market potential) and is expected to exceed \$7 billion by the end of 2020. The medical device industry is a very attractive export sector for U.S. firms, which account for one quarter of exports to India. India imports nearly 80% of its medical devices and barriers to entry are low compared to other industries, despite a 4% additive import tax placed on most categories of devices in 2007. India remains highly dependent on imports for many types of medical devices, particularly higher end products that include cancer diagnostics, medical imaging, ultrasonic scans, and PCR technologies. Imports are growing rapidly as world-class hospital groups such as Fortis and Apollo build high-end infrastructure and open India to medical tourism, which now adds \$2 billion to the Indian healthcare market. Emerging price control mechanisms are causing concern for U.S. exporters, and American companies interested in this segment should ensure they are up to date with the latest developments in India.

Health insurance is gaining momentum in India. Currently, 15 % of the population is covered by government health insurance companies and 2% by private health insurance. For the purpose of regulation, health insurance companies are classified as non-life companies. General Insurance companies are called Non-Life companies in India. The penetration of health insurance will significantly increase the

affordability of healthcare services for the population. Several private insurance companies have entered the market and have empaneled hospitals to provide cashless treatment to subscribers of insurance companies.

In India, healthcare is provided through primary, secondary, and tertiary care hospitals. The first two categories are fully managed by the government. While the tertiary care hospitals are owned and managed by either the government or private sector, the private sector's contribution to healthcare has been growing at a faster pace than the government. The medical infrastructure market is estimated to have a growth rate of 15 %. Both the government and the private sector are planning several new specialty and super-specialty hospital facilities, as well as modernization of existing hospitals. India currently faces a chronic shortage of healthcare infrastructure, especially in rural areas and Tier II and Tier III cities, and it is expected that India will have a potential requirement of 1.75 million new beds by the end of 2025. The opportunity also exists for overseas organizations to set up hospitals in India through Foreign Direct Investment. The hospital services market, which represents one of the most important segments of the Indian healthcare industry, is currently valued at \$80 billion and accounts for 71 % of the industry revenues.

The new specialty and super-specialty hospital facilities depend on the import of high-end medical equipment, accounting for over 65% of the entire market. There is a need for sophisticated hospital equipment, especially operation theatre products and training through simulation labs. In view of the relatively low customs duty rates (9.2 – 15%) combined with an increasing number of healthcare centers specializing in advance surgery, India offers opportunities for the direct supply of high-technology, specialized medical equipment, products, and systems.

Biotech is one of the fast growing segments of the life sciences sector and represents a diverse opportunity for foreign firms. The Indian biotech industry has an approximately 2% share of the global biotech industry. The industry comprises of about 800 companies and is expected to grow from the current \$ 5-7 billion to \$100 billion by 2025. India has emerged as a leading destination for clinical trials, contract research, and manufacturing activities owing to the growth in the bio-services sector

The boom in medical tourism in the Indian healthcare sector is encouraging hospitals and hoteliers to strike alliances with each other. The presence of world-class hospitals and skilled medical professionals has strengthened India's position as a preferred destination for medical tourism. The healthcare industry is now proactively creating standards for the medical tourism industry with the help of credit rating agencies, insurance companies, and others involved in the self-

regulation of the sector. According to industry estimates, the medical tourism market is expected to grow from \$3 billion to \$7–8 billion by 2020.

E-healthcare/Telemedicine, though in its infancy in India, is beginning to take root. Most public hospitals (funded by state governments) and private single and multi super-specialty hospitals have incorporated customized Hospital Management Systems and other medical based IT products. Given the poor availability of quality healthcare facilities outside the large and second tier cities, telemedicine is expected to become viable business proposition. Several major private players like Apollo, AIIMS, and Narayan Hrudalaya have adopted telemedicine services. With increased private participation, the healthcare sector has also witnessed rise in FDI inflows. The Government of India (GOI) has permitted 100% FDI for all health-related services under the automatic route.

To ensure quality healthcare, in October 2005 the GOI increased the list of medical devices covered under the Drugs and Cosmetics Act of 1940, bringing fourteen categories of implantable devices under regulatory control. These include hypodermic syringes and needles, stents, heart valves, catheters, intra-ocular lenses, hip and knee implants, in vitro diagnostics devices, and bone cements. An approved central licensing authority must license these devices for manufacture, sale, or distribution. Hospitals are also seeking quality accreditations like JCI, NABH, and ISO.

Unit: \$ millions

Medical Devices & Equipment	2015	2016	2017 (estimated)
Total Market Size	6942	620	8563
Total Local Production	3619	3950	4542
Total Exports	148	160	192
Total Imports	3471	3830	4213
Imports from the U.S.	509	751	863

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Statistical data include unofficial estimates from trade sources and industry. As this industry has not been well documented in the Indian context, the estimates of industry size vary significantly across different sources.

Imports from the U.S.: United States Census Bureau

Leading Sub-Sectors

The most promising sub-sectors in the healthcare and medical equipment sector are:

Medical Infrastructure

Medical and Surgical Instruments

Medical Imaging

Electro Medical Equipment

Orthopedic and Prosthetic Appliances

Cancer Diagnostics

Ophthalmic Instruments and Appliances

Orthodontic Equipment and Dental Implants

Point of Care Testing (POCT) Diagnostic devices

Opportunities

The growing demand for quality healthcare and the absence of matching delivery mechanisms pose a challenge and certainly a great opportunity. In Infrastructure – building, equipping, managing, and financing of super-specialty hospitals in India through the FDI route is another area for future growth.

A proper supply of equipment and medical consumables will also be an area with significant opportunity for U.S. companies. Several leading U.S. purveyors of hospital equipment and supplies have opened Indian operations to cater to this growing market. India has become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities.

Health insurance and hospital administration is another area in which U.S. companies can make a difference. This opportunity includes introducing and

maintaining industry standards, and also classifying and certifying healthcare centers.

Other growth areas include diagnostic kits, reagents, hand-held diagnostic equipment, and simulation for operating rooms. Imports constitute 50% of this market. Hand-held/portable diagnostic equipment (e.g. for blood sugar, blood pressure testing, etc.) is also a fast growing segment since India has around 45 million diabetics, which is expected to swell to 70 million by 2025.

While India's market has undergone significant economic growth over the last twenty-five years, it remains difficult to navigate. India should be a part of a company's long-term business plan rather than a first-to-export destination.

Web Resources

[Central Drug Standard Control Organization](#) (CDSCO)

[Ministry of Health and Family Welfare](#) (MOHFW)

[Indian Medical Association](#)

[The Medical Council of India](#) (MCI)

[The Federation of Obstetric and Gynecological Societies of India](#)

[The Association of Indian Medical Device Industry](#)

For more information about export opportunities in this sector contact U.S. Commercial Service Industry Specialist:

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Financial Services

Overview

India has a diversified financial sector, which is undergoing rapid expansion. The sector has witnessed disruptive changes recently with "Demonetization" that was announced in November 2016, and introduction of digital technologies such as wallets, Unified Payment Interface (UPI), analytics and payment banks.

In 2016, Reserve Bank of India (RBI) allowed 100 % foreign investment through automatic route to the regulated financial services companies other than banks and insurance companies.

Financial sector covers banking, pension, insurance, capital markets, investment management, real estate investments and foreign exchange services.

According to a joint report by KPMG and Confederation of Indian Industry (CII) India is projected to become the fifth largest banking sector in the world by 2020. Standard & Poor's estimates that credit growth in India's banking sector would improve to 11-13% in FY17.

Financial inclusion at the bottom of the social pyramid is among the topmost priorities of the Government of India (GOI). In 2014 Prime Minister Narendra Modi announced the Jan Dhan Yojana, an initiative to ensure access to financial services, including banking, savings and deposit accounts, remittance, credit, insurance, and pensions in an affordable manner. As of March 2017, there were 280 million Jan Dhan Yojana bank accounts with deposits of approximately \$9.8 billion. 18 million operational accounts have deposits of more than \$76 (Rs. 5000). The plan is to channel all Government benefits (from Center / State / Local governments) to new beneficiaries' accounts and providing RuPay (local credit and debit) cards. While a downside to the initiative is that 24% of these accounts are currently dormant with a zero balance, 218 million RuPay debit cards have been issued as of March 2017. Post-demonetization, 23 million new Jan Dhan Yojana accounts were opened, the bulk of which (80%) were with public sector banks. Increased access to mobile technology throughout the country is leading to ever increasing access to financial services of all kinds.

Leading Sub-Sectors

Banks

The banking sector in India has seen a number of changes recently with introduction of Payment banks, Small finance banks; Introduction of Unified payment Interface (UPI), Bharat Interface for Money (BHIM) and Aadhar enabled Payment System (AEPS). Banks dominate the financial sector in India with 21 public sector banks, 26 private sector banks, 43 foreign banks and a large network of regional rural banks and co-operative banks.

GOI has introduced reforms to liberalize, regulate and enhance this industry. The advent of technology has also aided the growth of the industry.

A per latest Reserve Bank of India (RBI) guidelines, foreign banks can only enter India via their wholly-owned subsidiaries; however, foreign banks present in India before 2010 can operate in India through a branch model as well as a subsidiary model.

Foreign direct investment (FDI) in an Indian bank is allowed up to 49% under the automatic route; FDI between 49 and 74 % is allowed with GOI approval. The limit of 74% is inclusive of any investment under the portfolio investment scheme (PIS) by foreign institutional investors (FIIs) and non-resident Indians (NRIs).

Besides setting up a wholly owned subsidiary, other regulatory hurdles when entering the Indian market include priority sector lending norms and a lack of niche banking licensing.

Despite stringent regulations and restrictions by the RBI, India will continue to attract foreign banks looking to set up branches or representative offices to facilitate trade and commerce with their home markets. Foreign banks in India are free to undertake any banking activity (e.g., wholesale, retail, investment banking, foreign exchange, etc.) that are allowed to domestic banks.

Four American banks – American Express, Citibank NA, Bank of America and JP Morgan Chase – have branches in India. Bank of New York Mellon and Wells Fargo have representative offices in India.

Insurance

India's life insurance sector is the largest in the world with about 360 million policies. That number is expected to increase at a CAGR of 12 to 15% over the next five years. The insurance industry is planning to increase penetration levels to five percent by 2020 and could reach the \$1 trillion mark in the next few years. Insurance penetration is defined as the ratio of premia underwritten in a given year to gross domestic product (GDP). The insurance market size of \$ 79.14 billion is expected to increase to \$280 billion by 2020. The crop insurance market in India is the largest in the world and strong growth in automotive industry over the next decade can be a key driver of motor insurance.

The insurance industry in India can broadly be divided into life insurance and general insurance categories. There are 54 companies including 24 in life insurance, 29 in non-life insurance and one in re-insurance business. The Life Insurance Corporation of India (LIC) is the only public sector company in life-insurance category and there are six public sector players in the non-life category. The General Insurance Corporation of India (GIC) is the sole national re-insurer. However, in 2017, the opening of wholly owned branch offices by foreign reinsurance companies will change the landscape of re-insurance market.

With the relaxation of the foreign investment limit from 26% to 49% in 2015, several companies announced plans to increase their stakes in joint ventures with Indian companies. For example, PNB MetLife India Insurance Company Limited

(PNB MetLife) is the result of a joint venture between MetLife International Holdings Inc. and Punjab National Bank Limited. However, challenges remain for foreign insurance companies as the ownership and control of an Indian insurance company must remain in the hands of resident Indians at all times.

Government of India has taken many positive steps for the growth of insurance sector in India. The Insurance Regulatory and Development Authority of India (IRDAI) plans to issue redesigned initial public offering (IPO) guidelines for insurance companies in India.

Demographic factors such as growing middle class, young insurable population and growing need for protection and retirement planning will support growth of Indian life insurance.

Pension Funds

Pension fund investments in India are expected to exceed \$1 trillion by 2025 following the passage of the Pension Fund Regulatory and Development Authority (PFRDA) Act 2013.

The extra tax benefit and the option to select between Employers Provident Fund (EPF) and National pension Scheme (NPS) are expected to attract more business for the pension players.

Recently RBI has allowed foreign investments up to 49% in the sector without any government approval subject to registration and compliance with PFRDA act.

The entry of foreign pension funds will facilitate the government's efforts to ensure a rapid increase in pension coverage of the private sector workforce in India. There will be more than 300 million people over the age of 60 by 2050, compared with nearly 100 million people in that age group in India at present according to the Credit Rating Information Services of India Limited's (CRISIL) study report. The current scenario in India is marked by insufficient pension coverage, with only 8% of the population covered.

Non- Banking Financial Companies (NBFCs)

NBFCs are a diverse mix of financial institutions that mainly receive deposits, provide financing and leasing, invest in securities, chit funds,¹ and lease purchases.

Chit funds allow a party to enter into an agreement with a group of people to subscribe a certain sum of money by way of periodical installments over a definite

NBFCs can broadly be categorized as deposit taking (NBFC-D) or non-deposit taking (NBFC-ND). 100% FDI under the automatic route was allowed in 18 NBFC activities until August 2016, when the Government of India amended regulations to increase this list to activities provided that are regulated by one of the financial sector regulators. Foreign investment in NBFCs not regulated by any financial sector regulator (“Unregulated NBFCs”) will require prior government approval.

Previous minimum capitalization norms as mandated under the FDI policy have also been eliminated, as most financial regulators already have fixed minimum capitalization norms.

Within this space some segments have emerged stronger than others. Mortgages, microfinance and unsecured loans appear to be driving growth.

Asset Management Companies (AMC) / Mutual Funds

Mutual funds in India are set up as trusts with sponsors, trustees, asset management companies (AMC) and custodians. Each trust is established by a sponsor. The trustees of the mutual fund hold its property for the benefit of the unitholders. An AMC, approved by Securities and Exchange Board of India (SEBI), manages these funds by making investments in various types of securities. Governance is an important consideration for AMCs and all mutual funds must register with SEBI before launching an individual fund offering. SEBI imposes strict regulations governing trustees and AMC boards.

The asset base of the mutual fund industry is expected to grow and exceed \$325 billion by 2018 with investor base of more than 100 million accounts.

Franklin Templeton, Goldman Sachs, Prudential Financial (operating as DHFL Pramerica Asset Managers Private Limited) and JP Morgan are some of the U.S. mutual fund companies present in India.

Foreign Exchange- Remittances

The Foreign Exchange Management Act, 1999 (FEMA) regulates the foreign exchange market in India.

Besides, authorized dealers and brokers, authorized moneychangers, travel agents, certain hotels and government owned shops are provided with limited rights to

period. Each such subscriber will be entitled to the prize amount as determined by lot or by auction as specified in the chit agreement.

accept the foreign currency. India has topped the list as global remittances with receipt of \$62.7 billion in 2016 as per World Bank report.

Besides traditional banking channels, companies like Western Union, MoneyGram, TransFast and others are operating in the segment. As sending and receiving money internationally through traditional banking channel is expensive and time consuming, many technology companies are making an attempt to reduce the turnaround time and cost by using technology.

Payment Banks and Small Finance Banks

Payment banks increase financial inclusion by providing small savings accounts, payments and remittance services to migrant labor, low income households, small businesses and other unorganized sector entities by enabling high volume and low value transactions in deposits as well as payment/remittance services in a secured technology-driven environment.

People can open current and saving accounts with payment banks up to a maximum balance of \$1538 (100,000 rupees). These banks can issue ATM and debit cards, but cannot issue credit cards or loans.

In 2015, The Reserve Bank of India (RBI) gave an approval to 11 entities to launch payment banks but three had opted out citing concerns with regulatory framework. RBI also approved 10 other entities to start small finance banks.

Small finance banks can offer basic banking services, accept deposits, give loans to under-served sections of customers and distribute simple financial products like insurance, pension and mutual funds. The objective is to extend the services to unbanked population in low-income groups.

Telecom companies, retailers, mobile wallet providers, large business houses and several others are betting that India's huge unbanked population will take to payment banks just as they took to cell phones due to the high success rate of technology led mobile banking platforms.

REITs

SEBI recently approved the formation of Real estate investment trusts (REITs) in India.

REITs are listed entities that mainly invest in income-producing real estate assets, the earnings of which are mostly distributed to their shareholders. REITs are allowed to invest in income-generating real estate properties which could be offices, residential apartments, shopping centers, hotels and warehouses.

FDI in REITs is allowed under automatic route and can invest up to 20 % in under construction properties.

Alternative Investment Funds (AIF)

Alternative Investment Fund platform are used for fund raising and are meant for startups and small medium enterprises (SMEs), which cannot raise capital through Initial Public Offerings (IPOs). Venture capital firms, high net worth individuals (HNIs) and financial corporations can use this platform to fund promising startups.

Considering that the majority of technology enabled startups are not clearly understood by traditional investors and shareholders, this alternate investment platform will act like a stock exchange for these early stage companies working on new technology and new domains.

Alternative investment funds may attract capital from foreign investors. Reserve Bank of India (RBI – India’s central bank) has also allowed these funds to invest overseas to diversify their portfolios.

AIF can be divided into 3 types:

1. Category I- venture Capital Funds
2. Category II- PE Funds
3. Category III- Hedge Funds

Wealth Management Services- Family Offices:

The concept of a family office is gaining popularity and becoming a normal business practice.

The overall growth in wealth has created a need for professional companies offering wealth management solutions for High Net worth Individuals (HNI), chartered accountants and legal experts specializing in estate and succession planning.

The trend began about 20 years ago with liberalization, but has blossomed over the last 10 years.

More and more business houses in India are opening family offices. As new millionaires emerge every year, a family office is becoming the norm rather than the exception, according to wealth management experts.

Estimates of High Net worth Individuals (HNI) in India

	2009	2010	2011	2015	2020
Net worth of \$1m - \$5m	157,000	183,333	210,000	315,000	508,127
Net worth of \$5m - \$30m	36,000	43,000	50,000	84,000	13,280
Net worth above \$30m	17,000	21,000	26,000	40,000	56,000
Total wealth holdings of millionaires (\$ bn)	361.78	503.12	584.49	1,559.06	2,950.06
Total households	210,000	247,333	286,000	439,000	694,406

Source: Deloitte Center for Financial Services

GIFT City

The [Gujarat International Finance Tec-City](#) (GIFT) is a central business district in the Indian state of Gujarat. GIFT is conceptualized as a global financial and IT services hub, a first of its kind in India.

The GIFT city aspires to cater to India's large financial services potential by offering global firms world-class infrastructure and facilities in the areas of offshore banking, fund custody, insurance, assurance and reinsurance, corporate treasury management, securities trading and other related services.

It aims to attract the top talent in the country by providing the finest quality of life all with integrated townships, International Financial Service Center and multi-specialty special economic zone. The site is 12 kilometers (KM) from the Ahmedabad International Airport and 8 KM from Gandhinagar.

Fin-Tech

India has gradually climbed up the fin-tech ladder. The demonetization policy announced in November 2016 has ushered in new sense of urgency in implementing innovative digital solutions for the financial system. The Government of India (GoI) along with regulators SEBI and RBI are aggressively supporting the ambition of Indian economy to become a cashless digital economy by building a strong fin-tech ecosystem.

Two broad subsectors of fin-tech firms exist:

- Firms providing personal finance, lending, insurance, payments and wallets in B2C category and;
- Firms that work horizontally across the sectors providing services to banks and other financial institutions (B2B) such as data analytics, artificial intelligence, robo-advisory, blockchain and security- biometrics.

Mobile wallets and digital payment services have dominated the fin-tech space so far. Two of the fin-tech companies namely PayTM and FINO PayTech have also received Payment Bank licenses from the Reserve Bank of India (RBI). Indian consumers and businesses are adapting to fin-tech rapidly due to smartphone penetration, Government's emphasis on financial inclusion, a less-cash economy post demonetization and growth of e-commerce.

The launch of Unified Payment Interface (UPI), Bharat Interface for Money (BHIM) and Aadhar enabled payment System (AEPS) is expected to increase number of digital transactions exponentially.

UPI is a single window mobile payment system launched by National Payment Corporation of India (NPCI). BHIM is a digital payments solution app based on UPI from NPCI. AEPS is a new payment service offered by NPCI to banks, financial institutions using 'Aadhaar' number and online Unique Identification Authority of India (UIDAI) authentication through their respective business correspondent service centers. Aadhaar is a 12-digit unique identification number issued by the Indian government to every individual resident of India.

The current fin-tech hubs are Mumbai, the country's financial capital; Bengaluru with a strong start-up and tech culture; and Delhi which attracted the most investment.

Size of the market:

The Indian fin-tech software market is estimated to touch \$2.4 billion by 2020 from a current \$1.2 billion, as per The National Association of Software and Services Companies (NASSCOM). The transaction value for the Indian fin-tech sector is expected to grow from approximately \$33 billion in 2016 to \$73 billion in 2020 growing at a five-year CAGR of 22%.

Opportunities

India can skip a whole generation of financial services like bank and cards as it rethinks the payment ecosystem while moving to "less cash economy". Due to increased broadband connectivity and smartphone user base, fin-tech can address the legacy issue of low banking penetration and dormancy in rural parts of India.

Besides, Payment and personal finance the opportunities exist in following segments:

Peer to Peer (P2P) lending: P2P lending has the potential to bring disruption in personal loan, microfinance, commercial loans and alternative lending categories. The country requires a mix of good regulatory practices to balance the growth of this model and to adopt fair practices.

Robo-Advisory: Robo advisors are the next level in the evolution of asset management and financial advice. Many new entrants and traditional broking firms have launched robo-advisory services in India such as Aditya Birla Money's MyUniverse, BigDecision, ScripBox, Arthayantra and FundsIndia.

Blockchain: It is at a very nascent stage and is yet to mature into a mainstream application in India. This technology is receiving encouraging reviews from market players in the country across financial services, government recordkeeping and supply chain management segments. RBI has also set-up a committee to understand the possibility of using blockchain technology and to determine appropriate regulatory policies.

Data analytics: Data analytics, machine learning and artificial intelligence (AI) is used widely by financial services companies for credit scoring, customer acquisition, risk management and investment management.

Security and Bio-metrics: Banking and financial institutions are becoming more vulnerable to the security threats due to increased cyberattacks and there is a pressing need for financial institutions to adopt biometric technologies and cybersecurity solutions. Consumer acceptance of eKYC (Know Your Customer) and biometric authentication will also increase fingerprint recognition as most commonly used technology for customer interactions.

Regulations:

In the absence of nodal agency to regulate fin-tech, it falls under several regulators and governing agencies including the Reserve Bank of India (RBI); the Securities and Exchange Board of India (SEBI); the Telecom Regulatory Authority of India (TRAI) and the Insurance Regulatory and Development Authority (IRDA). The Ministry of Finance leads on the central government side.

[Inclusive Cashless Payment Partnership- Catalyst:](#)

This multi-stakeholder partnership between The U.S. Agency for International Development (USAID) and India's Ministry of Finance is designed to scale digital

payments systems in India, catalyzing an exponential increase in cashless payments in select geographic locations.

The initiative will help to catalyze the rapid adoption of digital payments in India as a step toward universal financial inclusion and to end “economic untouchability” in India.

To know more on this initiative visit the website.

Web Resources

AMFI- [Association of Mutual Funds in India](#)

CRISIL- [Credit Rating Information Services of India Limited](#)

FEMA- [Foreign Exchange Management Act](#)

FIPB- [Foreign Investment promotion Board](#)

[Foreign Exchange Dealers Association](#)

GIC- [General Insurance Corporation of India](#) (GIC)

[General Insurance Council](#)

IRDA- [Insurance Regulatory and development Authority](#)

PFRDA- [Pension Fund Regulatory and Development Authority](#)

SEBI- [Securities and Exchange Board of India](#)

[KPMG report on Fin tech](#)

Agricultural Commodities

Overview

India is an agrarian economy and more than 52% of the land area is considered arable. India is among the highest-ranking countries in production volume for various commodities like rice, cotton, and dairy. Agriculture and related sectors such as forestry and fisheries account for 17% of GDP though this has been declining since 1991. Agricultural related occupations, including those of the textile sector, account for roughly half of India’s labor market. Consequently, the agricultural sector plays an important role in Indian economics, politics and society.

Indian agricultural production for food staples is monsoon dependent. Farm yields are generally below the world average. This low productivity is caused by many

factors: heavy government regulation, inefficiency in the food distribution system, poor infrastructure (which results in post-harvest losses of up to 40% for certain products), lack of awareness in the use of modern agricultural practices and technologies, unpredictable weather, small average farm sizes of 2.87 acres and shrinking, and agricultural subsidies that distort market signals and hamper productivity-enhancing investment.

The agricultural sector is witnessing a shift from traditional farming to horticulture and to poultry and dairy production. The demand for fresh and processed products of all types is increasing as the population urbanizes, incomes rise, and consumption habits change. The growth of an efficient cold chain network from “farm to fork” will help curb the current spoilage rate of agricultural output while helping producers capture value as products retain quality and give extra benefit to consumers.

According to the latest survey of Industries, there are 37,175 registered food processing units in the country. According to the Ministry of Food Processing Industries, the food processing sector accounts for 1.7% of GDP.

While India has stringent food and agricultural import regulations and standards that are often inconsistent with international guidelines as well as high average tariffs on these goods at about 40%, its imports of U.S. food, beverage, and agricultural products are growing. In 2016, Indian imports of American agricultural, fishery, and forestry products were \$1.5 billion. Indian imports of consumer-oriented food and agricultural products from the United States were a record \$732 million and consumer-oriented imports from all countries were \$4.2 billion. Imports of tree nuts from the United States, largely almonds and walnuts, exceeded \$580 million. Other strong and/or growing areas in 2016 included: fresh fruits, prepared food products, chocolate and cocoa products, fresh vegetables, processed fruit and vegetables, condiments and sauces, non-alcoholic beverages, as well as snack foods. India’s food retail sector is dominated by small kirana stores and government-run food distribution outlets supplying essential commodities. The emergence of larger chains and stores began around 2005 and the sector has grown to over 3,000 modern retail outlets in 2016.

Also on the rise is India’s casual dining and quick service restaurant sector that has nearly 60 foreign restaurant brands across India, Another emerging trend is the rise of local “themed” dining restaurants serving cuisines with fusions of national and international foods.

Over the years India has developed export competitiveness in certain specialized products, making it the world’s 14th largest agricultural, fishery, and forestry

product exporter. In 2016, India accrued a \$3.8 billion trade surplus of agricultural, fishery, and forestry goods. Leading exports consisted of *Basmati* rice, carabeef/meat of bovine animals, frozen shrimp and prawns, cotton, and refined sugar. Read the [Agricultural Trade Review](#) for more insight.

Table 1. India: Market Size of Indian Agricultural Products by Value in billion \$

	2014	2015	2016	2017 (Estimated)
Total Local Production	N/A	N/A	N/A	N/A
Total Exports	35.1	29.1	27.1	22.4
Total Imports	22.2	22.3	23.3	23.7
Imports from the US	1.2	1.3	1.5	1.6
Total Market Size	N/A	N/A	N/A	N/A
Exchange Rates	65.00	65.00	65.00	65.00

(total market size = (total local production + imports) - exports)

Leading Sub-Sectors

Agricultural Machinery

India is the largest tractor market in the world thus it is a very important market for global companies having tractor in its farm equipment portfolio. It is estimated that tractor production in India accounts for about one-third of the global production. However, the density of tractor is nowhere near the leading economies of the world. Hence, the growth potential is immense given the huge weight of agriculture in the overall economy.

Though the tractor is the core of farm mechanization, it has gone way beyond tractorization with more emphasis on increasing productivity by moving away from traditional farming methods to adopting powered equipment and implements, hence will be the prime driver of growth in this sector.

Yet, the widespread use of agricultural machinery is beyond the reach of many farmers due to high acquisition and maintenance costs, as the average size of farms

in India is less than two hectares. This small size land holdings is due to land ceiling acts, and in some cases, family disputes, resulting in low productivity per hectare compared to many other countries.

The Indian central government has a vision and aims to double farmers' income in the next 5 years and has drawn up policies to reduce production cost and increase productivity. In order to achieve the ambitious target of doubling the income, the government is aggressively promoting rural development with impetus on agricultural mechanization, irrigation penetration through allocation of funds which are all a critical component in improving the state of agriculture in the country.

Also, the government's efforts in providing easier access to credit for farmers, friendly policies and the new and growing trend of collaborative farming in India have encouraged the farming community to embrace mechanization, leading to a structural shift in demand toward high powered agricultural machineries and implements.

Various state governments, with support from the central government, have embarked on a public private partnership (PPP) model to start custom hire centers to provide agricultural machineries/implements on rental basis to farmers, thus easing the use of mechanization and opening opportunities for used equipment exporters.

Cold Chain Sector

Traditionally, Indian consumers' prefer fresh meat, vegetables, dairy products and produce. Currently, the Indian market is on the cusp of change with expansion of middle class and affluence coming in the increase in demand for fresh produce, meat and perishable packaged foods is leading to immense growth in this sector which is increasingly relying on sustainable cold chain network.

India is one of the largest producers of agricultural products and abundant supply of produce. Yet, it is known for fledgling cold chain, which results in supply chain losses of food and other resources. The losses in agricultural sector alone are estimated at \$14 billion annually due to inadequate infrastructure.

The key challenges are the lack of cold warehousing infrastructure, lack of standards in construction and operation of facilities, low awareness of handling temperature-sensitive products. In addition, the cold-chain is energy intensive, because temperatures need to be regulated at desired levels. Energy expenses alone make up about 30% of the total expenses for the cold storage industry in India compared to 10% in the Western countries, and the unreliability of power in many areas of the country hold the sector back.

The Government of India is taking steps to develop cold chain infrastructure in India and has initiated several integrated cold chain projects to reduce post-harvest losses and to develop the storage and transportation of temperature-sensitive goods. The key challenges in the cold chain sector and the above mentioned initiatives by the government are expected to provide opportunities to American cold chain companies to explore growth opportunities here in India.

Food Processing Sector

India's food processing sector is poised for growth in response to changing demographics, evolving preferences for branded items, a modernizing retail sector, growing consumer acceptance of processed foods, and government advocacy to develop food manufacturing. Packaged food sales almost doubled between 2011 and 2015 to \$38 billion and there is opportunity for further growth.

While India has an abundant supply of food, the food processing industry is still nascent. At present, only 10% of the food produced in India is processed. The Ministry of Food Processing Industries (MOFPI) continues its effort to develop policy to boost food processing and reduce agricultural wastage by 50% by 2022. High food inflation, high post-harvest loss, particularly in fruits and vegetables, and a lack of storage facilities are the main challenges in the food processing sector.

Yet the processed food industry is a significant player in the overall economy at an estimated \$258 billion. Processed foods account for 13% of the country's exports and 6% of total industrial investment.

MOFPI has an initiative to establish 42 mega food parks, 133 Cold Chain projects, 38 Abattoir projects, 101 Food Testing Laboratories and to provide assistance to 7,381 food processing firms for technology upgrades and modernization. The goal is to increase the level of processed food from the current 10% to 20% by 2019. Attractive incentives have been established by central and state governments to include capital subsidies, tax rebates, and reduced custom and excise duties. The government is also encouraging disbursement of loans under a priority sector lending scheme to ensure that entrepreneurs have access to credit to set up food processing units. Within these initiatives are opportunities for American companies to provide modern food processing equipment and technologies to India.

Commodity Trade (In Alphabetical Order)

Condiments and Sauces:

Indian imports of condiments and sauces in 2016 exceeded \$16 million of which nearly \$4.5 million were from the United States. Other large suppliers included

China, Thailand, Malaysia, and several European countries. Retail and restaurant sector offerings are growing and demand for imported condiments and sauces is on the rise as consumers experiment with how to use these imported ingredients.

Cotton:

India is one of the world's largest producers and exporters of cotton. However, India will continue to import extra-long staple (ELS) and quality long staple cotton (28-34 mm), with occasional imports of medium staple cotton when international prices are favorable. The United States has been one of the leading suppliers of cotton to India over the past few years. U.S. cotton exports to India in 2016 were valued at about \$250 million. Other major suppliers include Australia, Egypt, CIS, and West Africa. Indian mills that import U.S. Pima and upland cotton are appreciative of its superior quality, consistency, and higher ginning yield.

Craft Beer and Beer Ingredients:

The Indian microbrewery sector is experiencing strong growth with microbreweries opening across the country. Currently, the sector consists of ~65 microbreweries and on premise brew pubs; an increase of 44% since March 2016. Supplying ingredients like malt, hops, yeast for these businesses and supplementing these breweries/pubs with imported beers is an emerging market opportunity as evidenced by growing trade and industry demand. Preferences for and acceptance of craft beers is expanding as the sector sees growth and market penetration across India in states that allow alcohol. Sales volumes from domestic brewers were about 300 million cases (12 bottles per case at .65 liters per bottle) or 2.34 billion liters of beer in 2016. In 2016, imported beer volumes and values doubled from the previous year to 11.1 million liters and \$11.8 million.

Fresh Fruits:

India provides market access for most fresh fruits. With a growing segment of consumers insisting on high standards and year-round availability, there is increasing demand for imported fresh fruits. Imports of U.S. fresh fruits (mostly apples and table grapes) into India in 2016 were valued at \$64 million with apples occupying the maximum market share at \$56 million. Market sources expect imports to continue to show growth over the coming years, with new products expected to enter the Indian market.

Hides and Skins:

India imported hides and skins worth nearly \$624 million during CY 2016. These were primarily used by the leather goods export sector. Imports of hides and skins

from U.S. suppliers were \$11.3 million in 2016, up 5.7% over previous year. Raw hide imports attract a zero tariff in India while wet blues have a tariff of 14.7%.

Pulses:

India is the world's largest importer of pulses (peas, lentils, and beans), with annual imports ranging from 2.5-5.8 million tons. In Indian Fiscal Year (IFY) 2015/16 imports totaled a record 5.8 million tons. India is primarily a price (rather than quality) market with imports sourced largely from Canada, Myanmar, Australia, Russia, China and the United States. Typically, higher-priced U.S. green and yellow peas, lentils and garbanzo beans (chickpeas) have become more price competitive in the Indian market in recent years. As a result, imports of pulses from the U.S., mostly of dry green peas and some yellow peas, witnessed significant growth during the past 5 years, reaching a record 369 thousand tons in 2014. Since 2013, India is the largest export market for U.S. pulses, with imports in CY 2016 estimated at 285 thousand tons. Pulses are exempted from import tariffs.

Snack Foods:

Evolving consumer lifestyles and the increasing disposable income levels are leading to increased demand for imported snack foods even with competition from local players. 2016 imports of snack foods into India (including cookies, chocolates, chewing gum, sugar confections, etc.) exceeded \$98 million with nearly \$1.3 million from the United States.

Tree Nuts:

Tree nuts (primarily almonds) have been one of the leading U.S. agricultural exports to India. In 2016, imports of tree nuts from the United States exceeded \$580 million. The United States is the largest supplier of almonds (mostly in-shell) to India, with a market share of about 87%. Other suppliers include Australia, Syria, China, Iran, and Afghanistan. Almonds are a preferred nut in India and are gaining popularity among the growing middle-income population due to their nutritional and health benefits. India also imports small quantities of walnuts, pistachios and hazelnuts; mainly from the United States, Iran, Afghanistan, Pakistan, and the Middle East.

Opportunities

Popular Trade Events:

Food Biz India 2017, June 16-17, 2017, Fortune Murali Park, Vijayawada, Andhra Pradesh

The Food Biz 2017 organized by Confederation of Indian Industry (CII), is an international conference and exhibition on Food Processing and allied industry which provides a platform for international companies in the entire value chain of Food Processing. The show also provides networking opportunities for stakeholders to work towards the growth and development of the sectors.

Agri Tech India 2017, Aug. 28-30, 2017, Bengaluru International Exhibition Centre, Bengaluru.

The Agri Tech India is a leading trade show, with concurrent events in dairy tech, grain tech and poultry livestock expo. The show attracts 400 plus exhibitors from 30 plus countries and, is organized by the Media Today Group. The show primarily focuses on Agriculture, Farm Machinery, Dairy Technology, Agricultural Processing Technologies and Poultry & Livestock.

Foodpro 2017, Sept. 7-9, 2017, Chennai Trade Centre, Chennai, Tamil Nadu

The Confederation of Indian Industry (CII) is a leading organizer of events in different major industry sectors. Foodpro a biennial event and is billed as the 'Largest food processing show in South India with 200 exhibitors, 5000 business visitors and more than 25,000 general visitors. It focuses on Processing Technology, Equipment & Machinery, Refrigeration & Cold Chain Systems, Processed & Packaged Foods, Dairy Equipment and Technology, Packaging Materials, Retailing and Vending Systems, Hotel and Kitchen Equipment, Bakery Machinery and Bakery Technology.

India Cold Chain Show 2017, December 12-14, 2017, Bombay Exhibition Centre, Mumbai

The India Cold Chain show is a leading trade show, with 150 plus exhibitors and 7000 plus business visitors and, is organized by Reed Manch Exhibitions. The show is focused on Cold Storage Infrastructure, IT Solutions for Cold Storage/Warehouses, and Material Handling Solutions.

Agricultural Trade Shows:

There are numerous food and agricultural-themed trade shows in any given year. USDA endorses the [Annapoorna World of Food India](#) show in Mumbai, India, as it is one of the country's largest and most diverse food and beverage shows. The show runs in September.

USDA India offices and Cooperator groups participate in additional food and agricultural product shows throughout the year. In recent years, USDA India has had

booth space at AAAHAR in New Delhi and the India Food Forum in Mumbai. For a list of additional annual or biennial trade shows see the linked [Trade Show Report](#).

E-commerce Regulations and Guidelines

India is the fifth largest online grocery market in the Asia Pacific region and one of the fastest growing. India's online food and drink market grew to \$135 million in 2016 and is expected to cross \$464 million in 2021.

In June 2016, the GOI allowed 100 percent foreign direct investment (FDI) in trading of food products, produced and manufactured in India, through e-commerce. Food Processing Minister, Harsimrat Kaur Badal, stated that foreign direct investment in the food processing sector could cross \$1 billion in the next two years, helped by reforms in FDI space and streamlining of regulations by food safety regulator, Food Safety and Standards Authority of India (FSSAI). In January 2017, FSSAI mandated that ecommerce retailers with food products listed on their portals hold an FSSAI food business operators (FBOs) license for their entire supply chain and that "last-mile" delivery should be undertaken by trained personnel so that the safety of food products is not compromised at the time of delivery. In addition, FSSAI indicated that entities that are providing listing/directory services (i.e., a market platform) may not be required to obtain a license/registration under the Act. Although they should ensure that no misleading information or false claims pertaining to the sellers or brand owners, vendors, importers or manufacturers or any false images are included on their platform. The notification stated that the ecommerce FBOs will have to possess a signed agreement with the sellers, brand owners, manufacturers that the products comply with the FSSAI Act and its rules and regulations. Ecommerce retailers are required to notify the sellers/brand owners/importers/manufacturers of any consumer complaints that would be liable for expeditious resolution.

Best food and grocery e-commerce product prospects: exotic fruits and vegetables; fresh fruits and vegetables; snack foods; biscuits and cookies; ready to eat/serve convenience foods; sauces and condiments; "natural" or gourmet foods and beverages, health and nutrition bars; chips; jams and spreads. Source: Trade contacts

Web Resources

- [Agricultural Food Products Export Development Authority, Govt. of India](#)
- [Department of Scientific and Industrial Research, Ministry of Science & Technology](#)

[Federation of Cold Storage Associations of India](#)

- [Food and Agricultural Organization of the United States in India](#)
- [Food Safety and Standards Authority of India](#)

[Global Cold Chain Alliance](#)

[Indian Council of Agricultural Research, Ministry of Agriculture, Govt. of India](#)

[Investment & Technology Promotion Division, Govt. of India](#)

[Ministry of Food Processing Industries, Govt. of India](#)

[Mission for Integrated Development of Horticulture, Govt. of India](#)

[National Center for Cold Chain Development, Govt. of India](#)

USDA Cooperators and State and Regional Trade Groups Active in India

[Almond Board of California](#)

[American Sheep Industry Association](#)

[California Table Grape Commission](#)

[California Walnut Commission](#)

[Cotton Council International](#)

[Distilled Spirits Council of the United States](#)

[Food Export Association of the Midwest USA](#)

[Food Export USA–Northeast](#)

[Pear Bureau Northwest](#)

[Southern United States Association](#)

[Sunkist Growers](#)

[Supima](#)

[United States Hide, Skin and Leather Association](#)

[United States Soybean Export Council](#)

[U.S. Grains Council](#)

[US Apple Export Council](#)

[US Dry Pea and Lentil Council](#)

[Washington State Apple Commission](#)

[Western U.S. Agricultural Trade Association](#)

For more information on export opportunities in agricultural machineries, equipment, cold chain sector in India. Please contact Commercial Specialist Srinivasa Murthy at: Srinivasa.Murthy@trade.gov .

For more information on commodities and agricultural items, please contact USDA's Foreign Agricultural Service in New Delhi and Mumbai. Please email Shubhi Mishra AgNewDelhi@fas.usda.gov in New Delhi and Priya Jashnani in Mumbai at AgMumbai@fas.usda.gov. Please also review the USDA FAS [Exporter Guide](#) and the [Food and Agricultural Import Regulations and Standards - Narrative report](#)

Customs, Regulations & Standards

Trade Barriers

For more information and help with trade barriers please contact:

International Trade Administration

[Enforcement and Compliance](#)

(202) 482-0063

ECCommunications@trade.gov

Any restriction imposed on the free flow of trade is a trade barrier. Trade barriers can either be tariff barriers (the levy of ordinary negotiated customs duties in accordance with Article II of the GATT) or non-tariff barriers, which are any trade barriers other than tariff barriers. For more information visit: For more information visit [the website](#).

Import Licensing:

One of the most common non-tariff barriers is the prohibition or restrictions on imports maintained through import licensing requirements. Though India has eliminated its import licensing requirements for most consumer goods, certain products face licensing related trade barriers. For example, the Indian government requires a special import license for motorcycles and vehicles that is very restrictive. Import licenses for motorcycles are provided to only foreign nationals permanently residing in India, working in India for foreign firms that hold greater than 30% equity or to foreign nations working at embassies and foreign missions. Some domestic importers are allowed to import vehicles without a license

provided the imports are counterbalanced by exports attributable to the same importer.

India maintains a “negative list” of imported products subject to various forms of nontariff regulation. The negative list is currently divided into three categories: banned or prohibited items (e.g., tallow, fat, and oils of animal origin); restricted items that require an import license (e.g., livestock products and certain chemicals); and “canalized” items (e.g., some pharmaceuticals) importable only by government trading monopolies and subject to cabinet approval regarding import timing and quantity. India, however, often fails to observe transparency requirements, such as publication of timing and quantity restrictions in its Official Gazette or notification to WTO committees.

For purposes of entry requirements, India has distinguished between goods that are new, and those that are secondhand, remanufactured, refurbished, or reconditioned. India allows imports of secondhand capital goods by the end users without an import license, provided the goods have a residual life of five years. India’s official Foreign Trade Policy categorizes remanufactured goods in a similar manner to secondhand products, without recognizing that remanufactured goods have typically been restored to original working condition and meet the technical and safety specifications applied to products made from new materials. Refurbished computer spare parts can only be imported if an Indian chartered engineer certifies that the equipment retains at least 80 percent of its life, while refurbished computer parts from domestic sources are not subject to this requirement. India requires import licenses for all remanufactured goods. U.S. stakeholders report that meeting this requirement, like other Indian import licensing requirements, has been onerous. Problems that stakeholders report include: excessive details required in the license application; quantity limitations set on specific part numbers; and long delays between application and grant of the license.

India subjects boric acid imports to stringent restrictions, including arbitrary import quantity approval requirements and conditions applicable only to imports used as insecticide. Traders (i.e., wholesalers) of boric acid for non-insecticidal use cannot import boric acid for resale because they are not end-users of the product and consequently cannot obtain “no objection certificates” (NOCs) from the relevant Indian government ministries and departments or import permit from the Ministry of Agriculture. NOCs are required before applying for import permits from the Ministry of Agriculture’s Central Insecticides Board & Registration Committee. Meanwhile, local refiners continue to be able to produce and sell boric acid for non-insecticidal use subject only to a requirement to maintain records showing they are not selling to end users who will use the product as an insecticide. The United States urged India to eliminate its import licensing requirements on boric acid in meetings

of the WTO Import Licensing Committee and at the 2016 TPF. United States has actively sought bilateral and multilateral opportunities to open India's market, and the government of India has pursued ongoing economic reform efforts. Nevertheless, U.S. exporters continue to encounter tariff and nontariff barriers that impede imports of U.S. products into India.

Standards, testing, labeling & certification:

The Indian government has identified 109 commodities that must be certified by its National Standards body, the Bureau of Indian Standards (BIS). Another agency, the Food Safety and Standards Authority of India established under the Food Safety and Standards Act, 2006 as a statutory body for laying down standards for articles of food and regulating manufacturing, processing, distribution, sale and import of food. The idea behind these certifications is to ensure the quality of goods seeking access into the market, but many countries use them as protectionist measures. For more on how this relates to labeling requirements, please see the section on Labeling and Marking Requirements in this chapter.

Anti-dumping and countervailing measures:

Anti-dumping and countervailing measures are permitted by the WTO Agreements in specified situations to protect the domestic industry from serious injury arising from dumped or subsidized imports. India imposes these from time-to-time to protect domestic manufacturers from dumping. India's implementation of its antidumping policy has, in some cases, raised concerns regarding transparency and due process. In recent years, India seems to have aggressively increased its application of the antidumping law.

Export subsidies and domestic support:

Several export subsidies and other domestic support is provided to several industries to make them competitive internationally. Export earnings are exempt from taxes and exporters are not subject to local manufacturing tax. While export subsidies tend to displace exports from other countries into third country markets, the domestic support acts as a direct barrier against access to the domestic market.

The Indian government's Foreign Trade Policy (FTP) 2015-2020 announced on April 1, 2015 is primarily focused on increasing India's exports of goods and services to raise India's share in world exports from 2 to 3.5 percent. The FTP consolidated most of India's existing export subsidies and other incentives into two main export incentive schemes, namely the Manufactured Goods Exports Incentive Scheme (MEIS) and the Service Exports Incentive Scheme (SEIS).

India maintains several export subsidy programs, including exemptions from taxes for certain export-oriented enterprises and for exporters in Special Economic Zones. Numerous sectors (e.g., textiles and apparel, paper, rubber, toys, leather goods, and wood products) receive various forms of subsidies, including exemptions from customs duties and internal taxes, which are tied to export performance. India not only continues to offer subsidies to its textiles and apparel sector in order to promote exports, but it has also extended or expanded such programs and even implemented new export subsidy programs. As a result, the Indian textiles sector remains a beneficiary of many export promotion measures (e.g., Export-Oriented Units, Special Economic Zones, Export Promotion Capital Goods, Interest Credit Schemes, Focus Product, and Focused Market Schemes). The GOI in July 2016 further increased the subsidy for the garment sector to boost employment generation in addition to providing for refund of state levies.

India maintains a large and complex series of programs that form the basis of India's public food stockholding program. India maintains stocks of food grains not only for distribution to poor and needy consumers but also to stabilize prices through open market sales. India uses export subsidies to reduce stocks and has permitted exports of certain agricultural commodities from government public-stockholding reserves at below the government's costs. For example, the government authorized the exportation of 66.5 million tons of wheat from government-held stocks during August 2012 to May 2014 at varying minimum export prices significantly below the government's acquisition cost of \$306 per ton, plus storage, handling, inland transportation cost, and other charges for exports. In February 2014, the Indian Cabinet Committee on Economic Affairs made 4 million metric tons of raw sugar eligible to receive export subsidies under a new, two-year subsidy program. The United States, along with other interested Member countries, has raised this issue in the WTO Committee on Agriculture.

Procurement:

The Indian government allows a price preference for local suppliers in government contracts and generally discriminates against foreign suppliers. In international purchases and International Competitive Bids (ICB's) domestic companies gets a price preference in government contract and purchases.

India lacks an overarching government procurement policy and, as a result, its government procurement practices and procedures vary among the states, between the states and the central government, and among different ministries within the central government. Multiple procurement rules, guidelines, and procedures issued by multiple bodies have resulted in problems with transparency, accountability, competition, and efficiency in public procurement. A World Bank report stated that

there are over 150 different contract formats used by the state owned Public Sector Units, each with different qualification criteria, selection processes, and financial requirements. The government also provides preferences to Indian micro, small, and medium enterprises and to state owned enterprises. Moreover, India's defense offsets program requires companies to invest 30 percent or more of the value of contracts above 3 billion rupees (approximately \$56 million) in Indian produced parts, equipment, or services.

India has started the legislative process for enacting a new Procurement Bill. Comments were requested in April 2015. Speaking to foreign investors in September 2015, Finance Minister Arun Jaitley stated that the Procurement Bill is high on the government's agenda and would be put forward for parliamentary approval soon. The Indian Ministry of Defense also announced in August 2015 changes to its offset production regulations for defense industry companies contracting with the Indian government, providing greater flexibility in designating Indian offset production partners. These offset changes will apply to all current and future contracts. India's National Manufacturing Policy calls for increased use of local content requirements in government procurement in certain sectors (e.g., ICT and clean energy). Consistent with this approach, India issued the Preferential Market Access notification, which requires government entities to meet their needs for electronic products in part by purchasing domestically manufactured goods. India is not a signatory to the WTO Government Procurement Agreement, but is an observer.

Service barriers:

Services in which there are restrictions include: insurance, banking, securities, motion pictures, accounting, construction, architecture and engineering, retailing, legal services, express delivery services and telecommunication. The Indian government has a strong ownership presence in major services industries such as banking and insurance. Foreign investment in businesses in certain major services sectors, including financial services and retail, is subject to limitations on foreign equity. Foreign participation in professional services is significantly restricted, and in the case of legal services, prohibited entirely.

Other barriers:

Equity restrictions and other trade-related investment measures are in place to give an unfair advantage to domestic companies. The Government of India continues to limit or prohibit FDI in sensitive sectors such as retail trade and agriculture. Additionally, there is an unpublished policy that favors counter trade. Several Indian companies, both government-owned and private, conduct a small amount of counter trade.

In 2010, India initiated the Jawaharlal Nehru National Solar Mission (JNNSM), which aims to bring 100,000 megawatts (MW) of solar-based power generation online by 2022, as well as promote solar module manufacturing in India. Under the JNNSM, India imposes certain local content requirements (LCRs) for solar cells and modules. Specifically, under the JNNSM, participating solar power developers must use solar cells and modules made in India in order to enter into long-term power supply contracts and receive other benefits from the Indian government. On February 6, 2013, the United States requested consultations with India concerning India's domestic content requirements under "Phase I" of the JNNSM. On February 10, 2014, the United States requested supplementary consultations concerning India's domestic content requirements under "Phase II" of the JNNSM. Under Phase II, the LCRs were expanded to cover solar thin film technologies, which comprise the majority of the components made in the United States. Thin film technologies had been excluded from the LCRs under Phase I. In May 2013, the WTO established a panel to examine the LCRs under Phase I and II of the JNNSM. On December 21, 2015, the Panel issued a report finding the LCRs inconsistent with India's national treatment obligations under Article III:4 of the General Agreement on Tariffs and Trade 1994 (GATT 1994) and Article 2.1 of the Agreement on Trade-related Investment Measures (TRIMS Agreement). On 16 September 2016, the Appellate Body report sustained the United States' claims that India's LCR measures are inconsistent with WTO non-discrimination obligations under the Articles mentioned above. Efforts to resolve the dispute with the Government of India have thus far, yielded no results.

India has steadily increased export duties on iron ore and its derivatives. In February 2011, India increased the export duty on both iron ore fines and lumps from 5 percent and 15 percent, respectively, to 20 percent on both, and increased that export duty to 30 percent in January 2012. A 5 percent ad valorem export duty on iron ore pellets has been in place since January 2014. Furthermore, a 10 percent export duty is levied on iron ore containing Fe (iron) less than 58 percent since May 2015. In February 2012, India changed the export duty on chromium ore from Rs. 3,000 per ton to 30 percent ad valorem, an increase at current chromium ore price levels. In recent years certain Indian states and stakeholders have increasingly pressed the central government to ban exports of iron ore. To improve availability of iron ore for the local steel producers, the GOI in March 2016 enhanced and unified the rate of export duty for all types of iron ore (other than pellets) at 20 percent; earlier a 15 percent export tax was applicable on lumps and 5 percent on fines. India's export duties impact international markets for raw materials used in steel production.

Lack of transparency with respect to new and proposed laws and regulations affecting traders remains a problem due to a lack of uniform notice and comment procedures and inconsistent notification of these measures to the WTO. This in turn inhibits the ability of traders and foreign governments to provide input on new proposals or to adjust to new requirements. In February 2014, India's Ministry of Law and Justice issued a policy on pre-legislative consultation, which was to be applied by all Ministries and Departments of the Central Government before any legislative proposal was to be submitted to the Cabinet for its consideration and approval. The policy also required central government entities to publish draft legislation or a summary of information concerning the proposed legislation for a minimum period of 30 days. Issuance through electronic media was also encouraged in the policy, as were public consultations. However, despite U.S. requests, the Indian government has provided no information on the implementation of the policy, other than to clarify it is only intended to apply to draft legislation, not regulations or tariff-setting. U.S. stakeholders continue to report new requirements that are issued with no or inadequate public notice and consultation or without WTO notification. This lack of transparency imparts a lack of predictability in the Indian marketplace, negatively affecting the ability of U.S. companies to enter or operate in the Indian market. The United States continues to raise our concerns regarding uniform notice and comment procedures with the government of India both bi-laterally in the TPF and multi-laterally in the WTO and other fora.

Import Tariff

The Foreign Trade (Development & Regulation) Act, 1992 and India's Export Import (EXIM) Policy govern the import and exports in India. The new guidelines on Foreign Trade Policy (2015-2020) were released in April 2015. The new government made efforts to support its initiative of ease of doing business in India.

The office of the Director General of Foreign Trade mandates registration for all importers before engaging in EXIM activities. Each importer receives an Importer Exporter Code Number (IEC) issued against their Permanent Account Number (PAN).

Tariff Rates:

The structure of India's customs tariff and fees system is complex and characterized by a lack of transparency in determining net effective rates of customs tariffs, excise duties, and other duties and charges. The tariff structure of general application is composed of a basic customs duty, an "additional duty," a "special additional duty," and an education assessment ("cess"). The additional duty, which is applied to all imports except for wine, spirits, and other alcoholic beverages, is applied on top of

the basic customs duty, and is intended to correspond to the excise duties imposed on similar domestic products. The special additional duty is a four percent ad valorem duty that applies to all imports, including alcoholic beverages, except those imports exempted from the duty pursuant to an official customs notification. The special additional duty is calculated on top of the basic customs duty and the additional duty. In addition, there is a three percent education cess (surcharge) applied to most imports, except those exempted from the cess pursuant to an official customs notification. India charges the cess on the total of the basic customs duty and additional duty (not on the customs value of the imported product). A landing fee of one percent is included in the valuation of all imported products unless exempted through separate notification. While India publishes applied tariff and other customs duty rates applicable to imports, there is no single official publication publically available that includes all relevant information on tariffs, fees, and tax rates on imports. However, as part of its computerization and electronic services drive, in 2009 India initiated a web-based Indian Customs Electronic Commerce/Electronic Data Interchange Gateway, known as ICEGATE (<http://icegate.gov.in>). It provides options for calculating duty rates, electronic filing of entry documents (import goods declarations) and shipping bills (export goods declarations), electronic payment, and online verification of import and export licenses. In addition to being announced with the annual budget, India's customs rates are modified on an ad hoc and arbitrary basis through notifications in the Gazette of India and contain numerous exemptions that vary according to the product, user, or specific export promotion program, rendering India's customs system complex to administer and open to administrative discretion.

India's tariff regime is also characterized by pronounced disparities between bound rates (i.e., the rates that under WTO rules generally cannot be exceeded) and the most favored nation (MFN) applied rates charged at the border. According to the latest WTO data, India's average bound tariff rate was 48.5 percent, while its simple MFN average applied tariff for 2015 was 13.4 percent. Given this large disparity between bound and applied rates, U.S. exporters face tremendous uncertainty because India has considerable flexibility to change tariff rates at any time. India's average WTO-bound tariff for agricultural products is 113.5 percent. Applied rates are also relatively high since the average applied agricultural tariff is 3232.7 percent. On a trade-weighted basis, the average agricultural tariff is 47.2 percent. In addition, while India has bound all agricultural tariff lines in the WTO, over 25 percent of India's non-agricultural tariffs remain unbound (i.e., there is no WTO ceiling on the rate).

Despite its goal of moving toward Association of Southeast Asian Nations (ASEAN) tariff rates (approximately 5 percent on average), India has not systematically

reduced the basic customs duty in the past six years. India also maintains very high tariff peaks on a number of goods, including flowers (60 percent), natural rubber (70 percent), automobiles and motorcycles (60 percent to 75 percent), raisins and coffee (100 percent), alcoholic beverages (150 percent), and textiles (some ad valorem equivalent rates exceed 300 percent). Rather than liberalizing its customs duties, India instead operates a number of complicated duty drawback, duty exemption, and duty remission schemes for imports. Eligibility to participate in these schemes is usually subject to a number of conditions. In 2016, India increased tariffs on certain categories of telecommunications equipment. U.S. companies have raised significant concerns with this action. India maintains very high basic customs duties, in some cases exceeding 20 percent, on drug formulations, including life-saving drugs and finished medicines listed on the World Health Organization's list of essential medicines.

India also imposes a 7.5 percent basic customs duty, 12.5 percent additional duty, and a 4 percent special additional duty for medical equipment and devices, such as pacemakers, coronary stents and stent grafts, and surgical instruments; and for parts of medical devices, such as medical grade polyvinyl chloride sheeting for the manufacture of sterile Continuous Ambulatory Peritoneal Dialysis bags for home dialysis. Essentially impeding some of India's climate goals, customs tariffs on some products were increased in March 2016 to include Industrial solar water heaters - from 7.5 percent to 10 percent and solar tempered glass/solar tempered (anti-reflective coated) glass for use in manufacture of solar cells/modules/panels - from nil to 5 percent. Additionally, India raised tariffs on specified telecommunication equipment - from nil to 7.5/10 percent, and on E-readers - from nil to 7.5 percent.

Many of India's bound tariff rates on agricultural products are among the highest in the world, ranging from 100 percent to 300 percent. While many Indian applied tariff rates are lower (averaging 32.7 percent on agricultural goods in 2015), they still present a significant barrier to trade in agricultural goods and processed foods (e.g., potatoes, apples, grapes, canned peaches, chocolate, cookies, and frozen French fries and other prepared foods used in quick-service restaurants). The large gap between bound and applied tariff rates in the agriculture sector allows India to use tariff policy to make frequent adjustments to the level of protection provided to domestic producers, creating uncertainty for importers and exporters. For example, in January 2013, India issued a customs notification announcing an immediate doubling of the tariff on imports of crude edible oils.

Imports are subject to state level value-added or sales taxes and the Central Sales Tax as well as various local taxes and charges. India allows importers to apply for a refund of the special additional duty paid on imports subsequently sold within India and for which the importer has paid state level value-added taxes. Importers report

that the refund procedures are cumbersome and time consuming. In addition, U.S. stakeholders have identified various state-level taxes and other charges on imported alcohol that appear to be higher than those imposed on domestic alcohol. The central government has taken steps and continues to work with state governments to adopt a national goods and services tax (GST) that would replace most indirect taxes, including various charges on imports. In 2015, India's government introduced the GST Bill in Parliament, but political hurdles stalled its passage till July 2016. Implementation of a national GST first required amending the Indian Constitution. The GOI is working on the implementation of the GST law, which is designed to be a two-part system. One, a "State GST" will be based on fees associated with a single set of rates on consumer products and the other an "Integrated GST" which will cover products moving between all Indian states. The GOI intends to begin GST implementation in April 2017. The GST is designed to simplify the movement of goods within India, but political discord in implantation risks reducing some of the potential benefits.

Classification:

As there are thousands of goods that are imported into India, it is not possible to prescribe rates of duty for each type of merchandise. The basic applicable legislation is the Indian Customs Act of 1962, and the Customs Tariff Act of 1975. The Customs Act of 1962 was created to control imports and prevent illegal imports and exports of goods. The Customs Tariff Act specifies the tariffs rates and provides for the imposition of anti-dumping and countervailing duties.

The Indian customs classification on tariff items follows the Harmonized Commodity Description and Coding System (Harmonized System or HS).

Customs uses six-digit HS codes, the [Directorate-General of Commercial Intelligence and Statistics](#) (DGCI&S) uses eight-digit codes for statistical purposes, and the [Directorate General of Foreign Trade](#) (DGFT) has broadly extended the eight-digit DGCI&S codes up to 10 digits.

It is also worth noting that the excise authorities use HS codes for classifying goods to levy excise duty (manufacturing taxes) on goods produced in India.

How Customs Duty is calculated:

All goods imported into India are subject to duty. There are several factors that go into calculating customs duty, including:

Basic Customs Duty (BCD):

This duty is levied either as 1) a specific rate based on the unit of the item (weight, number, etc.), or more commonly, 2) ad-valorem, based on the assessable value of the item. In some cases, a combination of the two is used.

Additional Customs Duty (ACD):

This duty is typically referred to as Countervailing duty or (CVD) and is levied on the assessed value of goods plus basic customs duty. Goods that fall into this category are imported goods that have similar goods manufactured in India. The objective is to protect domestic industry from imports.

Special Additional Customs Duty (known as Special CVD):

Earlier known as surcharge, Special CVD tax is applicable on all items. It is levied at the rate of 4% of the basic and the excise duty on all imports.

Anti-dumping Duty:

This is levied on specified goods imported from specified countries, including the United States, to protect indigenous industry from injury.

Safeguard Duty:

The Indian government may by notification impose a safeguard duty on articles after concluding that increased imported quantities and under current conditions will cause or threaten to cause serious injury to domestic industry.

Customs Education Cess (duty):

Effective July 2004, India introduced a new education cess assessment. The current rate is 3% of Basic Customs Duty (BCD) and Additional Duty of Customs (ACD). Goods bound under international commitments have been exempted from this cess.

Customs Handling Fee:

The Indian government assesses a 1% customs handling fee on all imports in addition to the applied customs duty.

Total Duty:

Therefore, for most goods, total duty payable = BCD + ACD + Special CVD + Education Cess + Customs Handling Fee.

Tariff rates, excise duties, regulatory duties, and countervailing duties are revised in each annual budget in February, and are published in various sources, including

BIGs Easy Reference Customs Tariff edition. A copy of this book is kept at the USA Trade Information Center in Washington DC and more specific information from this guide is available to U.S. Companies by calling 800-USA-TRADE.

While the Indian government publishes customs tariffs rates there is no single official publication that has all information on tariffs and tax rates on imports. Moreover, each Indian State levies taxes on interstate trade and commerce, which adds to the confusion. Effective April 2005, the Indian government implemented a Value-Added tax (VAT) system meant to replace the inter-state taxes, but implementation is not yet universal in all the States.

Duty exemption plan: The Duty Exemption Plan enables duty free import of inputs required for export production. An advance license is issued under the duty exemption plan. The Duty Remission Plan enables post export replenishment remission of duty on inputs used in the export product. Duty Remission plan consists of (a) DFRC and (b) DEPB. DFRC permits duty free import charges on inputs used in the export product. The government has wide discretionary power to declare full or partial duty exemptions “in the public interest” and to specify conditions such as end-use provisions. Almost half of India’s total inputs enter under concessional tariffs, though the use of exemptions is falling in tandem with the tariff-reduction program.

Import Requirements & Documentation

Import licensing requirements:

In the last decade, India has steadily replaced licensing and discretionary controls over imports with deregulation and simpler import procedures. The majority of import items fall within the scope of India’s EXIM Policy regulation of Open General License (OGL). This means that they are deemed to be freely importable without restrictions and without a license, except to the extent that they are regulated by the provisions of the Policy or any other law.

Imports of items not covered by OGL are regulated, and fall into three categories: banned or prohibited items, restricted items requiring an import license, and "canalized" items importable only by government trading monopolies and subject to Cabinet approval regarding timing and quantity.

The following are designated import certificate issuing authorities (ICIA):

The Department of Electronics for import of computer and computer related systems

The Department of Industrial Policy and Promotion for organized sector firms except for import of computers and computer based systems

The Ministry of Defense for defense related items

The Director General of Foreign Trade for small-scale industries not covered in the foregoing.

Capital goods can be imported with a license under the Export Promotion Capital Goods plan (EPCG) at reduced rates of duty, subject to the fulfillment of a time-bound export obligation. The EPGC plan now applies to all industry sectors. It is also applicable to all capital goods without any threshold limits, on payment of a 5% customs duty.

A duty exemption plan is also offered under which imports of raw materials, intermediates, components, consumables, parts, accessories and packing materials required for direct use in products to be exported may be permitted free of duty under various categories of licenses. For the actual user, a non-transferable advance license is one such license. For those who do not wish to go through the advance-licensing route, a post-export duty-free replenishment certificate is available.

Advance License: An advance license is issued to allow duty free import of inputs, which are physically incorporated in the export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts etc. that are consumed in the course of their use to obtain the export product, may also be allowed under the plan.

Duty free import of mandatory spares up to 10% of the CIF value of the license, which are required to be exported/ supplied with the resultant product, may also be allowed under Advance License.

Advance license can be issued for:

Physical exports: An advance license may be issued for physical exports to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for import of inputs required for the export product.

Intermediate supplies: An advance license may be issued for intermediate supply to a manufacturer- exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter/deemed exporter holding another Advance License.

Deemed exports: An advance license can be issued for deemed exports to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned in paragraph 8.2 (b), (c), (d), (e), (f), (g), (i), and (j) of the Policy. An advance license for deemed exports can also be availed by the sub-contractor of the main contractor to such project provided the name of the sub-

contractor(s) appears in the main contract. Such license for deemed export can also be issued for supplies made to United Nations Organizations or under the Aid Program of the United Nations or other multilateral agencies and paid for in foreign exchange.

Import Declaration: Importers are required to furnish an import declaration in the prescribed bill of entry format, disclosing full details of the value of imported goods.

Import Licenses (if applicable): All import documents must be accompanied by any import licenses. This will enable the customs to clear the documents and allow the import without delay.

Ex-factory invoice, freight and insurance certificates: These must be attached so that the customs can verify the price and decide on the classification under which the import tariff can be calculated.

Letter of Credit (L/C): All importers must accompany a copy of the L/C to ensure that payment for the import is made. Normally this document is counter-checked with the issuing bank so that outflow of foreign exchange is checked.

Not all consignments are inspected prior to clearance, and inspection may be dispensed with for reputable importers. In the current customs set-up, an appointment with the clearing agents for clearance purposes will avoid delays. In general, documentation requirements, including ex-factory bills of sale, are extensive and delays are frequent.

Clearance delays cost time and money, including additional detention and demurrage charges, making it more expensive to operate and invest in India. For delayed clearances, importers seek release of shipments against a performance bond; furnishing a bank guarantee for this purpose is a more expensive proposition. Customs have recently extended operations to 24 hours a day to ensure timely clearance of export cargo.

Labeling/Marking Requirements

Labeling is an important element for products being exported to India. English is the favorable language for labeling. All packets or even containers should carry information depending upon the consignment. Indian Customs are strict and ensure that imported items have the legally required information before these enter the retail market or are sold for consumption, excluding those products that fall under the EOU segment.

As per a Notification issued by the Ministry of Commerce on November 24, 2000, all pre-packaged commodities (intended for direct retail sale only) imported into India must carry the following declarations on the label:

- Name and address of the importer;
- Generic or common name of the commodity packed;
- Net quantity in terms of standard unit of weights and measurement. All units of weight or measurements must be metric. If the net quantity of the imported package is given in any other unit, its equivalent of standard units must be declared by the importer, and
- Month and year of packing in which the commodity is manufactured, packed or imported, and the maximum retail sales price (MRP) at which the commodity in packaged form may be sold to the end consumer. The MRP includes all taxes, freight transport charges, commission payable to dealers, and all charges towards advertising, delivery, packing, forwarding and the like.

Compliance of the above-stated requirements has to be ensured before the import consignments are cleared by Customs in India. The import of pre-packaged commodities such as raw materials, components, bulk import etc., that need to undergo further processing before they are sold to end consumers are not included under this labeling requirement.

Labeling requirements for packaged food products as laid down in the Part VII of the Prevention of Food Adulteration (PFA) Rules, 1955, and the Standards of Weights and Measures (Packaged Commodities) Rules of 1977, require that the labels contain the following information:

- Name, trade name or description
- Name of ingredients used in the product in descending order of their composition by weight or volume
- Name and complete address of manufacturer/packer, importer, country of origin of the imported food (if the food article is manufactured outside India, but packed in India)
- Net weight, number or volume of contents
- Distinctive batch, lot or code number
- Month and year of manufacture and packaging

- Month and year by which the product is best consumed
- Maximum retail price

Wherever applicable, the product label also has to contain the following:

- The purpose of irradiation and license number in case of irradiated food
- Extraneous addition of coloring material
- *Non-vegetarian food* – any food which contains whole or part of any animal including birds, fresh water or marine animals, eggs or product of any animal origin as an ingredient, not including milk or milk products – must have a symbol of a brown color-filled circle inside a brown square outline prominently displayed on the package, contrasting against the background on the display label in close proximity to the name or brand name of the food
- *Vegetarian food* must have a similar symbol of green color-filled circle inside a square with a green outline prominently displayed

All declarations may be:

- Printed in English or Hindi on a label securely affixed to the package, or
- Made on an additional wrapper containing the imported package, or
- Printed on the package itself, or
- May be made on a card or tape affixed firmly to the package and bearing the required information prior to customs clearance

Products displaying only the standard U.S. label cannot enter. With regard to the shelf life of imported food items, a Notification issued by the Ministry of Commerce on July 30, 2001, states that: “Imports of all food products, domestic sale and manufacture of which are governed by the [Prevention of Food Adulteration Act \(PFA\)](#) shall also be subject to the condition that, at the time of importation, these products have a valid shelf life of not less than 60% of its original shelf life. The shelf life of the product is to be calculated based on the declaration given on the label of the product, regarding the date of manufacture and the due date of expiry.”

U.S. Export Controls

The Indian and the U.S. governments formed a High Technology Cooperation Group (HTCG) in November 2002 to facilitate and promote high technology bilateral trade. The Bureau of Industry and Security (BIS) (formerly known as the Bureau

of Export Administration, BXA) is the American government agency responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. The BIS often refers to the items that they regulate as "dual-use" items, since these items have both commercial and military or proliferation applications, but purely commercial items without an obvious military use are also subject to the EAR. For further inquiries regarding the list of items requiring U.S. export clearance contact:

Director, [Office of National Security and Technology Transfer Controls](#)

14th Street and Constitution Avenue, NW U.S. Department of Commerce, Washington DC 20230

Telephone: 202-482-4196 Fax 202-482-4094

For questions regarding end-use checks or to speak with enforcement, please contact: Director, [Office of Enforcement Analysis](#)

14th Street and Constitution Avenue, NW Room 4065

U.S. Department of Commerce, Washington DC 20230

Telephone: 202-482-4255 Fax 202-482-0971

In New Delhi, please contact the Bureau of Industry and Security, Jose Rodriguez, Export Control Attaché at jose.rodriquez@trade.gov.

A [list that consolidates eleven export screening lists](#) of the Departments of Commerce, State, and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available online.

Temporary Entry

The Indian Customs Act, 1962 allows import of goods on a temporary basis into India. Section 74 of the Act provides for drawback on goods that are imported for a temporary period into India and exported out of the country.

As per the Section 74, drawback is allowable on re-export of duty paid goods. When the goods are re-exported out of India, the exporter will be entitled to a drawback of a specified percentage of the duty paid at the time of import. The procedure for claiming duty drawback under Section 74 is governed by provisions of the Re-Export of Imported Goods (Drawback of Customs Duties) Rules, 1995.

The rate of drawback available depends upon the time period for which the goods are stored in India or put to use. If goods are re-exported without being put to use in India, 98% of the customs duty would be available as duty drawback, provided that the exports have taken place within 24 months from the date of import.

However, under section 75 of the Act, where the goods are used in India subsequent to their import, the drawback is determined on the basis of the duration of use of the goods in India (the length of period from the date of clearance for home consumption and the date goods are placed under customs control for export). The procedure for claiming duty drawback under Section 75 is governed by provisions of the Customs and Central Excise Duties Drawback Rules 1995.

In addition, General Exemption No 14 of the Customs Tariff allows the import of goods for display or use at fair, exhibition, demonstration, seminar, congress and conferences, subject to specified conditions.

ATA Carnet:

An ATA Carnet is an International Uniform Customs document issued in 71 countries including India, which are parties to the Customs Convention on ATA Carnet. The ATA Carnet permits duty free temporary admission of goods into a member country without the need to raise customs bond, payment of duty and fulfillment of other customs formalities in one or a number of foreign countries. The initials "ATA" are an acronym of the French and English word "Admission Temporaire / Temporary Admission".

Within the ICC World Chambers Federation, the World ATA Carnet Council (WATAC) runs the ATA system and its international guarantee chain. The Council is made up of representatives from the countries and territories where Carnets are issued and accepted.

Each country in the system has a single guaranteeing body approved by the national customs authorities and the ICC World Chambers Federation (Until June 2001, the International Bureau of Chambers of Commerce). The WCF is sponsored by the International Chamber of Commerce (ICC) in Paris. In India, Federation of Indian Chambers of Commerce and Industry (FICCI), is appointed as National Guaranteeing & [Issuing Association for ATA Carnets](#).

Prohibited & Restricted Imports

For the most current information on [India's Prohibited Import List](#), please go online.

Customs Regulations

Information from the [Government of India's Central Board of Excise and Customs](#).

Standards for Trade

Overview

India has generally made efforts to match national standards in line with international standards, and most Indian standards are harmonized with ISO standards. India started taking part in IEC from 1911. Bureau of Indian Standards (BIS) took over the responsibility of Indian National Committee of IEC in 1949 from Institution of Engineers. Since then BIS is actively participating in the activities of the International Electrotechnical Commission (IEC). Nonetheless, some Indian standards are not based on international standards, and several recent standards-related regulations have created barriers to trade and posed challenges to expanding U.S. exports in certain sectors. India has also frequently failed to notify the World Trade Organization (WTO) of new technical regulations and allow time for discussion with its trading partners prior to implementation.

Because of pressure from consumer rights groups, NGOs, and environmental activists there is a growing emphasis on product standards in India in various industry sectors. The proactive role of the judiciary in formulating a legal framework and regulations for better standards and control in sectors such as the environment have also contributed to an increased awareness and emphasis on product standards in India. But, for instance, while Indian food safety laws are in some cases more stringent than international norms, enforcement is weak.

Standards

In India, voluntary standards are exclusively developed by the national standards body. The Bureau of Indian Standards (BIS), established under the Bureau of Indian Standards Act of 1986, is the national standards body of India responsible for development and formulation of standards, and is its member body to ISO and IEC. In March 2016, the Government of India passed a revised bill to replace the 30 year-old BIS Act. The bill will establish BIS as a national body and empower the Center to authorize any other agency having necessary accreditation for the purpose of conformity assessment against Indian standards. The changes will be implemented through coming years in a phased manner.

BIS is comprised of representatives of industry, consumer organizations, scientific and research bodies, professional organizations, technical institutions, Indian government ministries, and members of parliament.

Besides development and formulation of Indian Standards, BIS is involved with product certification, quality system certifications and testing, and consumer affairs.

Currently, 92 items are under mandatory standards and only products and systems come under the ambit of standards. The bill proposes to "include services, besides articles and processes under the standardization regime."

The Ministry of Commerce, Government of India (GOI) has designated BIS as the National Enquiry Point in accordance with its obligations under the agreement on Technical Barriers to Trade of the World Trade Organization (WTO). According to the agreement, BIS in liaison with the Indian Ministry of Commerce, is to issue notifications on proposed technical regulations and certification systems in India to the WTO, but India often does not notify its regulatory proposals to the WTO. BIS's Technical Information Services Center responds to domestic and foreign requests for information about Indian standards, technical regulations and conformity assessment rules. U.S. companies that wish to make comments on any notifications can obtain copies of the text from BIS from the WTO-TBT Enquiry Point, Technical Information Services Center in BIS. BIS communicates comments to the Ministry of Commerce. U.S. stakeholders also can track any notifications India makes to the WTO through [Notify U.S.](#), which is a free, web-based e-mail subscription service operated by the National Institute for Standards and Technology. Register online.

BIS is the only organization in India authorized to operate quality certification plans under an Act of parliament. It serves as the official member and sets policy for Indian participation in the International Organization for Standardization (ISO) and International Electro technical Commission (IEC).

In addition, the Food Safety and Standards Authority of India (FSSAI) was established under the Food Safety and Standards Act, 2006 as a statutory body for laying down standards for articles of food and regulating manufacturing, processing, distribution, sale and import of food.

Testing, inspection and certification

A list of testing organizations spread throughout the country providing conformity testing to relevant Indian standards is available from the [BIS website](#).

In association with technical GOI agencies and NGOs, BIS carries out periodic surveillance inspections of products under mandatory certification. A provision exists for sub-contracting certification surveillance activities to relevant competent

agencies in specific areas. Certain types of steel, rubber, and electronic products are presently under such surveillance agreements.

BIS's product standards are basically voluntary in nature, but subsequent to the removal of quantitative restrictions (QRs) on imports by India in 2000, the GOI, in order to provide protection to domestic producers in certain sectors, promulgated regulations dictating that imports of 109 products are subject to mandatory compliance with specified Indian quality standards. For compliance, all exporters/manufacturers of the 109 products are required to register with, and obtain certification from the Bureau of Indian Standards, before exporting such goods to India.

The list of 109 products includes various food preservatives and additives, milk powder, infant milk food, certain kinds of cement, household and similar electrical appliances, several types of gas cylinders, and multi-purpose dry batteries.

These 109 products generally must be tested and certified by BIS in India. BIS now, however, also has a system for foreign companies to receive automatic certification for products not manufactured in India. The system is based on a self-certification basis, under which a foreign manufacturer is permitted to apply the standards mark on the product after ascertaining its conformity to the Indian Standard licensed for. At the foreign manufacturer's expense, BIS inspectors travel to the manufacturer's country to inspect their production facility to pre-certify the company and its production system, and then authorize subsequent monitoring and compliance by an independent inspector to ensure that the company maintains the specified standards.

Information on the application procedure for BIS Product Certification Plan for foreign companies is available through the [BIS website](#).

Exporters/manufacturers of these products also are required to maintain a presence in India. This requirement does not apply if the foreign manufacturer nominates an authorized representative in India who agrees to be responsible for compliance with the provisions of BIS on behalf of the foreign manufacturer as per an agreement signed between the manufacturer and BIS. Under separate arrangements some products have been placed under special certification plans of lot or batch inspections carried out by BIS inspecting officers. A majority of gas cylinders, deep well hand pumps and valves are certified through such plans.

To facilitate international trade and cooperation, India has plans to harmonize its standards with other countries, primarily with its main trading partners. A serious effort is being made by BIS to have mutual recognition of standards with various countries so that other countries provide recognition of the Indian standards on

certain products and vice versa. The BIS has expressed interest in having mutual recognition agreements with U.S. organizations in confirmation with U.S. testing procedures

The [Food Safety and Standard Authority of India](#) (FSSAI) issues food import clearance certificates for all food articles. The import requirements are listed on the internet URL.

The National Accreditation Board for Testing and Calibration Laboratories (NABL) established in 1985 as an autonomous body under the Department of Science & Technology is authorized by the GOI as the sole accreditation body for testing and calibration laboratories. More than 200 testing and calibration laboratories have been accredited to date.

For international mutual acceptance of test results in order to be compliant with the WTO/Technical Barriers to Trade (TBT) Agreement, NABL is a member of international organizations such as International Laboratory Accreditation Co-operation (ILAC) and Asia Pacific Laboratory Accreditation Co-operation (APLAC). NABL is a signatory to ILAC as well as APLAC Mutual Recognition Arrangements (MRA), based on mutual evaluation and acceptance of other MRA Partner laboratory accreditation systems.

Indian manufacturing companies are investing in standards accreditation. The number of plants in India with ISO 9000 and ISO 14000 accreditation increased from a negligible figure in the early nineties to many thousands today and numerous Indian companies have won the Deming prize for total quality management.

Publication of technical regulations

An electronic version of Indian Standards is now available on CD-ROM from the [Bureau of Indian Standards](#). Further information is available online.

POC: - P. Srinivas, Sr. Commercial Specialist (P.Srinivas@trade.gov)

Contact Information

[Bureau of Indian Standards](#)

Manak Bhavan, 9 Bahadur Shah Zafar Marg

New Delhi 110 002

Tel: 91-11-2323 0131, 2323 3375, 2323 9402 (10 lines)

Fax: 91-11-2323 4062, 2323 9399, 2323 9382

Email: info@bis.org.in

[National Accreditation Board for Testing and Calibration Laboratories NABL](#)

Department of Science and Technology

Technology Bhawan, New Mehrauli Road

New Delhi 110 016

Tel no.: 91-11-2686 4642 / 2685 7661

Fax no.: 91-11-2686 4642 / 686 3866

Email: akc@alpha.nic.in

[Director General of Foreign Trade](#)

Ministry of Commerce & Industries

Udyog Bhawan

New Delhi 110 011

Tel: 91-11-2301 1777

Fax: 91-11-2301 8613

[Department of Consumer Affairs](#)

Office of the Additional Secretary (Weights & Measures)

Krishi Bhawan

New Delhi 110 001

Tel: 91-11-2338 3027

Fax: 91-11-2338 6575

[Food Safety and Standards Authority of India](#)

FDA Bhawan (near Bal Bhavan), Kotla Road

New Delhi 110 002

Tel: 011-23236975

Fax: 011-23220994

Trade Agreements

India has entered into bilateral and regional trading agreements over the years. These agreements, besides offering preferential tariff rates on the trade of goods among member countries, also provide for wider economic cooperation in the fields of trade in services, investment, and intellectual property.

The preferential arrangement/plans under which India is receiving tariff preferences are the Generalized System of Preferences (GSP) and the Global System of Trade Preferences (GSTP). Presently, there are 46 member countries of the GSTP and India has exchanged tariff concessions with 12 countries on a limited number of products.

Other such preferential arrangements include the South Asian Association for Regional Cooperation (SAARC) Preferential Trading Agreement (SAPTA), the Bangkok Agreement and India–Sri Lanka Free Trade Agreement (ISLFTA). These arrangements/ agreements prescribe Rules of Origin that have to be fulfilled for exports to be eligible for tariff preference.

India and several Asian countries have signed a Comprehensive Economic Cooperation Agreement (CECA), which is an integrated package of agreements embracing trade in goods, services, investments and economic co-operations in education, science and technology, air services, and intellectual property. The agreements provide wide-ranging exemptions and reductions on basic customs duty on products imported from Singapore into India. The Indian Ministry of Commerce projected that 60% of India's future trade would be accounted for by free trade agreements (FTAs), with such countries as Paraguay, Argentina, Brazil, Pakistan, and even China. In a major policy shift, the government has decided to convert all Preferential/Free Trade Agreements (PFA/FTA) into Comprehensive Economic Cooperation Agreements (CECA). This goes beyond the Indian government's bid in recent months to embrace bilateralism aggressively.

The decision seems to be aimed at mollifying the World Trade Organization (WTO), which cautioned India against negotiating exclusively PFAs/FTAs. PFAs/FTAs usually involve structured reduction in tariffs between two countries. CECAs would cover preferential relaxation of FDI rules vis-à-vis the partner country, tax holidays on investment and income, easing of visa restrictions etc. Trade in services too would come under the purview of CECA. Information on India's bilateral trade agreements is available at the Ministry of Commerce and Industry website: http://commerce.nic.in/trade/international_ta.asp?id=2&trade=i.

Licensing Requirements for Professional Services

In the last two decades, the services sector has made rapid progress and has emerged as the largest and one of the fastest growing sectors of the Indian economy. According to government estimates, the services sector accounted for 61% of India's GDP in FY 2015-16, making it one of the driving forces of the Indian economy. Over the years, various policy reforms have taken place in India in a number of services sector, such as banking and financial services, telecom services, air transport services, healthcare services, postal services, and other professional services. However, India still has restrictions for providing certain professional services by foreign nationals (including U.S. nationals). These limitations or restrictions are in terms of the number of services suppliers, service operations or employees in a sector, the value of transactions, the legal form of the service supplier, or the extent of participation of foreign capital. For example:

- For accounting and audit services there are many restrictions, but U.S. accounting firms have been able to navigate those by having a local (Indian) accounting firm as an affiliate.
- There are no restrictions for the practice of professionals in engineering, integrated engineering and construction services. However, foreign engineering and construction firms are generally not awarded government contracts unless local firms are unable to perform the work.
- International/U.S. architectural firms are not allowed to provide direct services in India. Foreign firms may only participate through joint ventures with Indian architecture firms. To get an architectural plan approved for a local project, an Indian partner (i.e., registered Indian architect) has to sign.
- Foreign law firms or foreign lawyers cannot practice the profession of law in India either on the litigation or non-litigation side, unless they fulfill the requirements of the Advocates Act, 1961 and the Bar Council of India Rules. However, foreign law firms (including U.S. firms) have been permitted to fly in and fly out for rendering advice on a temporary basis.

Nonetheless, India has been one of signatories to the [WTO negotiations](#) under the General Agreement on Trade in Services (GATS), which came into force on January 1, 1995. India is a proponent of the liberalization of trade in services, especially through Mode 4: Presence or movement of natural persons to provide services on a temporary basis in another country. Under the GATS framework, India has progressively made several commitments, and India is actively involved in comprehensive multilateral negotiations regarding trade in services. More details

on India's commitments – both general obligations and conditional obligations made under [GATS agreement](#) can be found at:

Web Resources

[India & WTO, Ministry of Commerce & Industry, Government of India](#)

[Council of Architecture](#) (CoA) /

[The Bar Council of India](#) (BCI)

[Practice of foreign law in India Foreign lawyers can "Fly- in and Fly- out"](#)

[The Institute of Management Consultants of India](#) (IMCI)

Trade regulations: [Import tariffs](#)

[Directorate General of Foreign Trade](#); [Directorate General of Commercial Intelligence Statistics](#) ; [Central Board of Excise and Customs](#)

Trade barriers

[Office of the U.S. Trade Representative: Reports and Publications](#)

[Office of the U.S. Trade Representative](#)

Import requirements and documentation

[Directorate General of Foreign Trade](#)

[Department of Industrial Policy and Promotion](#)

U.S. export controls

[Bureau of Industry and Security](#)

[Bureau of Industry and Security: Export Administration Regulation](#)

[Customs and Border Protection](#)

Temporary entry

[Directorate General of Foreign Trade: Policy](#)

[ATA Carnet](#)

Labeling and marking requirements

[Bureau of Indian Standards](#)

Prohibited and Restricted Imports

[Department of Commerce](#)

Standards:

[Bureau of Indian Standards: Rules and Regulations](#)

[Bureau of Indian Standards: Objectives](#)

Standards Organizations

[Bureau of Indian Standards](#)

Conformity Assessment

[Bureau of Indian Standards: Laboratories](#)

[Bureau of Indian Standards: New and Revised Indian Standards and Amendments](#)

Product Certification

[Bureau of Indian Standards: Certifications](#)

[Bureau of Indian Standards: Certifications by BIS](#)

[Bureau of Indian Standards: New and Revised Indian Standards and Amendments](#)

Trade agreements

[Department of Commerce](#)

[Department of Commerce: International Trade Agreement](#)

Investment Climate Statement

Executive Summary

India's investment climate continues to send mixed signals, as the Bhartiya Janata Party (BJP), led by Prime Minister Narendra Modi, actively courts investment, but implementation of economic reforms to attract investors does not meet rhetoric. The economy as a whole performed well in 2016, growing over 7% with a stable rupee and political stability throughout the country. Non-performing assets continue to hold back banks' profits and limit their lending. However, stable, relatively low inflation, weak credit demand, and strong management from India's central bank, the Reserve Bank of India, have mitigated the negative impact on credit. Employment, while difficult to measure given the large informal economy,

appears to lag growth, while a demographic boom means India must generate over ten million new jobs every year.

India has opened foreign direct investment (FDI) by particular sector, sometimes all at once and sometimes gradually reducing the FDI limitations. In 2016 the government opened FDI in private security and approved pharmaceutical projects to 74%, and increased investment in defense to 49% under the automatic route. With government clearance, defense and pharmaceutical investments can exceed the capped limit. It also allowed 100% FDI in food products, marketplace model e-commerce, broadcasting, airports on land already zoned for that use, and air transport services. In 2016, FDI into India jumped 18% to a record \$46.4 billion, though Foreign Portfolio Investments (FPI) saw a net outflow of \$2 billion. Multinational companies made large investment into the electronics, solar energy, automobile, defense, and railways sectors. Finance Minister Arun Jaitley, in his annual budget speech, formally proposed abolishing the Foreign Investment Promotion Board, which screens FDI, in an effort to ease investment.

On the legislative front, Parliament passed a constitutional amendment to replace the fractured, state-level tax code with a nationwide goods and services tax (GST). It also replaced myriad existing laws on the reorganization of companies, insolvency, and asset restructuring into one unified law via the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act. These steps should reduce the time taken to dissolve a company, and speed up the process of debt recovery for investors.

The Modi government undertook further reforms in 2016 to formalize the large informal economy, and digitize the economy. In addition to the GST overhaul, which will result in greater tax registration and digital tax reporting, the government demonetized its INR 500 and INR 1000 notes, worth 86% of the currency in circulation, causing a shock to the economy in November-December 2016. Through demonetization, the government aimed to better track undeclared earnings (known as “black money” in India) for tax purposes, and increase the usage of digital payments which lags other major emerging economies.

India announced its intention to abrogate all bilateral investment treaties (BITs) negotiated on the basis of its 1993 model BIT. Some BITs have already lapsed and the rest will do so in 2017. India intends to renegotiate them on the basis of its new December 2015 model BIT which requires that foreign investors exhaust all domestic judicial remedies for up to five years, before entering into international arbitration, unless the claim is not judicable by Indian courts. This shift is an attempt to see investment disputes are resolved in domestic courts, as India has lost a number of

recent disputes in international arbitration. The United States currently does not have a BIT with India.

In 2017, the government expects to implement its GST on July 1, which will transform the tax code and could lead to significant structural changes in the economy. Investors will also monitor how the government screens FDI following the abolition of the Foreign Investment Promotion Board (FIPB). Investors will also pay close attention to further liberalization of FDI – the government has discussed expansions of the food and insurance investment policies, while industry awaits changes to FDI policy in multi-brand retail.

Table 1

Measure	Year	Index/Rank
TI Corruption Perceptions Index	2016	79 of 175
World Bank’s Doing Business Report “Ease of Doing Business”	2016	130 of 190
Global Innovation Index	2016	66 of 128
U.S. FDI in partner country (\$M USD, stock positions)	2015	28.335
World Bank GNI per capita	2015	\$1600

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

During this period India has continued to open its economy to FDI on a sector-by-sector basis. The government has the authority to raise FDI limits up to 100% without Parliamentary approval, outside of pensions, insurance, and defense. However, FDI remains restricted in several sectors, including multi-brand retail. The government continues to take steps to ease FDI restrictions in the defense, civil aviation, railways, construction, and medical devices sectors. During his 2017 Budget Speech, Finance Minister Jaitley announced the government’s intent to liberalize FDI policy by abolishing the FIPB, which would speed up the FDI application review process. On May 24, the Indian Cabinet approved the decision to abolish the FIPB and announced that relevant ministries will give the necessary approvals for the 11 sectors that previously required FIPB clearance. Many sectors still require a multi-step process for central and state government approval.

The Department of Industrial Policy and Promotion (DIPP), under the Ministry of Commerce and Industry, is the nodal investment promotion agency, responsible for

the formulation of FDI policy and the facilitation of FDI inflows. DIPP plays a pro-active role in solving the problems faced by foreign investors in the implementation of their projects, through the Foreign Investment Implementation Authority (FIIA), which interacts directly with the concerned ministry or state government. DIPP disseminates information about the Indian investment climate to promote investments. The Department also encourages and facilitates foreign technology collaborations among Indian companies and bilateral economic cooperation agreements in the region. DIPP oftentimes consults with relevant ministries and stakeholders, but some relevant stakeholders report being left out of consultations.

Limits on Foreign Control and Right to Private Ownership and Establishment

In most sectors, foreign and domestic private entities can establish and own businesses, and engage in remunerative activities. Many sectors of the economy continue to retain equity limits for foreign capital as well as management and control restrictions, which deter investment. For example, in the insurance sector The Insurance Act 2015 raised FDI caps from 26% to 49%, but also mandated that insurance companies retain “Indian management and control.” Similarly, in 2016, India allowed up to 100% FDI in domestic airlines, however the issue of substantial ownership and effective control (SOEC) rules which mandate majority control by Indian nationals have not yet been clarified. A [list of investment caps](#) can be accessed online.

Screening of FDI

The FIPB, a government entity that provides single window clearance for FDI proposals, used to conduct India’s FDI screening. In pursuance with the announcement in 2017 Budget, the government abolished the FIPB in May 2017, arguing that 90% of FDI is automatically approved. The screening of the approvals will now be undertaken by relevant ministries. The Home Ministry will also review some sensitive investments.

Other Investment Policy Reviews

[2017 OECD review](#)

[2015 WTO Trade Policy Review](#)

[2015-2020 Government of India Foreign Trade Policy](#)

Business Facilitation

DIPP is responsible for formulation and implementation of promotional and developmental measures for growth of the industrial sector, keeping in view national priorities and socio-economic objectives. While individual lead ministries look after the production, distribution, development and planning aspects of specific

industries allocated to them, DIPP is responsible for the overall industrial policy. It is also responsible for facilitating and increasing the FDI flows to the country.

[Invest India](#) is the official Investment Promotion and Facilitation Agency of the Government of India, which is managed in partnership with DIPP, state governments, and the Federation of Indian Chambers of Commerce & Industry (FICCI). Invest India maintains a web portal with links to current investment policies as well as resources for doing business in India.

Businesses can register online through the [Ministry of Corporate Affairs website](#). After the registration, all new investments require industrial approvals and clearances from relevant authorities, including regulatory bodies and local governments. To fast-track the approval process, especially in case of major projects, Prime Minister Modi has started the Pro-Active Governance and Timely Implementation (PRAGATI initiative) – a digital, multi-modal platform to speed the government’s approval process. As per the Prime Minister’s Office (PMO), 136 projects with investments of around \$126 billion have been cleared as of March 25, 2016, with varying target completion times. Prime Minister Modi personally monitors the process to ensure compliance in meeting PRAGATI project deadlines. In December 2014, the Modi government also approved the formation of an Inter-Ministerial Committee led by DIPP to help in tracking investment proposals that require inter-ministerial approvals. Business and government sources report this committee meets informally and on an ad hoc basis as they receive reports from business chambers and affected companies of stalled projects.

Outward Investment

According to the Reserve Bank of India (RBI) the growth in magnitude and spread (in terms of geography, nature and types of business activities) of overseas direct investment (ODI) from India reflects the increasing appetite and capacity of Indian investors. While the total Financial Commitments (FC) under ODI for 2015 decreased to \$30 billion from \$40 billion the preceding year, the outlook and potential for growth in outward FDI from India remain positive. According to the U.S. Bureau of Economic Analysis, Indian direct investment into the U.S. was \$11.3 billion in 2015.

Bilateral Investment Agreements and Taxation Treaties

India made public a new model Bilateral Investment Treaty (BIT) in December 2015. This followed a string of rulings against it in international arbitration. The new model BIT requires foreign investors to first exhaust all local judicial and administrative remedies before entering into international arbitration, unless the claim is non-judicable in Indian courts. The Indian government also announced its intention to abrogate all BITs negotiated on the earlier 1993 BIT model. The

government has served termination notices to roughly 58 countries, including EU countries and Australia. The Ministry of Finance said the revised model BIT will be used for the renegotiation of existing and any future BITs, and will form the investment chapter in any Comprehensive Economic Cooperation Agreements (CECAs)/Comprehensive Economic Partnership Agreements (CEPAs)/Free Trade Agreements (FTAs). The [complete list of agreements](#) can be found online. India signed a BIT agreement with Cambodia in August 2016 with no changes to the new model text, while Brazil has concluded a BIT framework but has not signed a new BIT.

India has a [bilateral taxation treaty with the United States](#), available online.

Legal Regime

Transparency of the Regulatory System

Some government policies are written in a way that can be discriminatory to foreign investors or favor domestic industry; for example, approval for higher FDI in the insurance sector came with a new requirement for “Indian management and control.” On most occasions the rules are promulgated after thorough discussions by the competent government authorities and require the approval of the cabinet and, in some cases, the Parliament as well. Policies pertaining to foreign investments are promulgated by DIPP and the implementation is undertaken by lead federal ministries and sub-national counterparts. The Indian Accounting Standards were issued under the supervision and control of the Accounting Standards Board, a committee under the Institute of Chartered Accountants of India (ICAI), and has government, academic, and professional representatives. The Indian Accounting Standards are named and numbered in the same way as the corresponding International Financial Reporting Standards. The National Advisory Committee on Accounting Standards recommends these standards to the [Ministry of Corporate Affairs](#), which all listed companies must then adopt. These can be accessed online.

International Regulatory Considerations

India is a member of the South Asia Association for Regional Cooperation (SAARC), an eight-member regional block in South Asia. India’s regulatory systems are aligned with SAARC economic agreements, visa regimes, and investment rules. India’s regulatory system traditionally follows the European system; however, since the new government came to power to May 2014 the practice has moved to resolving disputes through tribunals. In the 2017 budget, Jaitley announced the merger of all tribunals. This is expected to fast track dispute resolution. India has been a member of the WTO since 1994, and generally notifies all draft technical regulations to the WTO Committee on Technical Barriers to Trade; however, at times there are delays in publishing the notifications. The Governments of India and the United States

cooperate in areas such as standards, trade facilitation, competition, and antidumping practices.

Legal System and Judicial Independence

India adopted its legal system from English law and the basic principles of the Common Law as applied in the UK are largely prevalent in India. However, foreign companies need to make adaptations per Indian Law and the Indian business culture when negotiating and drafting contracts in India to ensure adequate protection in case of breach of contract. The Indian Judicial Structure provides for an integrated system of courts to administer both central and state laws. The legal system has a pyramidal structure, with the Supreme Court at the apex, and a High Court in each state or a group of states which covers a hierarchy of subordinate courts. Article 141 of the Constitution of India provides that a decision declared by the Supreme Court shall be binding on all courts within the territory of India. Apart from courts, tribunals are also vested with judicial or quasi-judicial powers by special statutes to decide controversies or disputes relating to specified areas.

Courts have maintained that the independence of the judiciary is a basic feature of the Constitution, which provides the judiciary institutional independence from the executive and legislative branches.

Laws and Regulations on Foreign Direct Investment

The government has a policy framework on FDI, which is updated every year and formally notified as the [Consolidated FDI Policy](#). DIPP makes policy pronouncements on FDI through Press Notes/Press Releases, which are notified by the RBI as amendments to the Foreign Exchange Management (Transfer or Issue of Security by Persons Resident Outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000). These notifications are effective on the date of the issued press release, unless otherwise specified. The judiciary does not influence FDI policy measures.

The government has introduced a “Make in India” program as well as investment policies designed to promote manufacturing and attract foreign investment. “Digital India” aims to open up new avenues for the growth of the information technology sector. The “Start-up India” program created incentives to enable start-ups to commercialize and grow. The “Smart Cities” project intends to open up new avenues for industrial technological investment opportunities in select urban areas. The U.S. Government continues to urge the Government of India to foster an attractive and reliable investment climate by reducing barriers to investment and minimizing bureaucratic hurdles for businesses.

Competition and Anti-Trust Laws

The central government has been successful in establishing independent and effective regulators in telecommunications, banking, securities, insurance, and pensions. The Competition Commission of India (CCI), India's antitrust body, is now taking cases against cartelization and abuse of dominance as well as conducting capacity-building programs for bureaucrats and business officials. Currently the Commission's investigations wing is required to seek the approval of the local chief metropolitan magistrate for any search and seizure operations. The Securities and Exchange Bureau of India (SEBI) enforces corporate governance standards, and is well-regarded by foreign institutional investors. The RBI, which regulates the Indian banking sector, is also held in high regard. Some Indian regulators, including SEBI and the RBI, engage with industry stakeholders through periods of public comment, but the practice is not consistent across the government.

Expropriation and Compensation

In 2010 and 2011, high-profile graft cases in the construction and telecom sectors exacerbated existing private sector concerns about the government's uneven application of its policies. For example, in 2014, the Supreme Court cancelled 214 out of the 218 coal blocks that had been allocated since 1993. Apart from the cancellations, the Supreme Court ordered that operational mines pay a penalty of INR 295 (\$5) for every ton of coal previously extracted.

The government has taken steps to provide greater clarity in regulation. In 2016 the government successfully carried out the largest spectrum auction in the country's history, and has also stated its intent to eliminate retroactive taxation proposals. India also has transfer pricing rules that apply to related party transactions. The government passed a constitutional amendment in August 2016 to establish a comprehensive Goods and Services Tax (GST), which could reduce the complexity of tax codes and eliminate multiple taxation policies. Parliament approved the enabling GST bills in March 2017, and the Finance Minister has said that the government is targeting a July 1, 2017 date to begin implementation.

Land acquisition continues to be a complicated process due to the lack of an effective legal framework, but is governed by the Land Acquisition Act (2013), which entered into force in 2014. In 2015, an amendment was introduced in Parliament which proposed that five land categories (national security and defense production, rural infrastructure, affordable housing, industrial corridors, and PPP projects on government-vested land) should receive various exemptions, including consent for acquisition; the bill has since been withdrawn.

Land sales require adequate compensation, resettlement of displaced citizens, and 70% approval from landowners. The displacement of poorer citizens is politically challenging for local governments.

Dispute Settlement

According to the World Bank's Ease of Doing Business Report, it takes on average nearly four years to resolve a commercial dispute in India, the third longest rate in the world. Indian courts are understaffed and lack the technology necessary to resolve an enormous backlog of pending cases—[estimated by the UN](#) at 30-40 million cases nationwide.

India enacted the Arbitration and Conciliation Act in 1996, based on the United Nations Commission on International Trade Law model, as an attempt to align its adjudication of commercial contract dispute resolution mechanisms with most of the world. Judgments of foreign courts are enforceable under multilateral conventions, including the Geneva Convention. The government established the International Center for Alternative Dispute Resolution (ICADR) as an autonomous organization under the Ministry of Law and Justice to promote the settlement of domestic and international disputes through alternate dispute resolution. The World Bank has also funded ICADR to conduct training for mediators in commercial dispute settlement.

India is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention). It is not unusual for Indian firms to file lawsuits in domestic courts in order to delay paying any arbitral award. Seven cases are currently pending, the oldest of which dates to 1983. India is not a member state to the International Centre for the Settlement of Investment Disputes (ICSID).

The Permanent Court of Arbitration (PCA) at The Hague and the Indian Law Ministry agreed in 2007 to establish a regional PCA office in New Delhi, although no progress has been made in establishing the office. The office would provide an arbitration forum to match the facilities offered at The Hague but at a lower cost.

In November 2009, the Department of Revenue's Central Board of Direct Taxes established eight dispute resolution panels across the country to settle the transfer-pricing tax disputes of domestic and foreign companies. In 2016 the government also presented amendments to the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts Act to establish specialized commercial divisions within domestic courts to settle long-pending commercial disputes.

Investor-State Dispute Settlement

According to the United Nations Conference on Trade and Development, India has been a respondent state for 21 [investment dispute settlement cases](#), of which 11 remain pending.

Though India is not a signatory to the ICSID Convention, current claims by foreign investors against India can be pursued through the ICSID Additional Facility Rules, the UN Commission on International Trade Law (UNCITRAL Model Law) rules, or through the use of ad hoc proceedings.

International Commercial Arbitration and Foreign Courts

Alternate Dispute Resolution (ADR)

Since formal dispute resolution is expensive and time consuming, many businesses choose methods, including ADR, for resolving disputes. The most commonly used ADRs are arbitration and mediation. India has enacted the Arbitration and Conciliation Act based on the UNCITRAL Model Laws of Arbitration. Experts agree that the ADR techniques are extra-judicial in character and emphasize that ADR cannot displace litigation. In cases that involve constitutional or criminal law, traditional litigation remains necessary.

Dispute Resolutions Pending

An increasing backlog of cases at all levels reflects the need for reform of the dispute resolution system, whose infrastructure is characterized by an inadequate number of courts, benches and judges, inordinate delays in filling judicial vacancies, and only 14 judges per one million people. Almost 25% of judicial vacancies can be attributed to procedural delays.

Bankruptcy Regulations

According to the World Bank, it takes an average of 4.3 years to recover funds from an insolvent company in India, compared to 2.7 years in Pakistan, 1.8 years in China and 1.7 years in OECD countries. Recognizing that reforms in the bankruptcy and insolvency regime are critical for improving the business environment and alleviating distressed credit markets, the government introduced the Insolvency and Bankruptcy Code (IBC) Bill in November 2015, drafted by a specially-constituted Bankruptcy Law Reforms Committee under the Ministry of Finance. The IBC passed Parliament on May 11, 2016 and came into effect after receiving Presidential assent on May 28, 2016. It overhauled the previous framework on insolvency of corporations, individuals, partnerships and other entities, and paved the way for much-needed reforms. It also focused on creditor-driven insolvency resolution. The IBC offers a uniform, comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). The

government is proposing a separate framework for bankruptcy resolution in failing banks and financial sector entities. Supplementary legislation would create a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms that would facilitate formal and time-bound insolvency resolution process and liquidation. The new law, however, does not provide for U.S. style Chapter 11 bankruptcy provisions.

In August 2016, the Indian Parliament passed amendments to the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, and the Debt Recovery Tribunals Act. These would amend debt recovery laws and make them more time-bound and effective while helping address the problem of rising bad loans for domestic and multilateral banks. It will also help banks and financial institutions recover loans more effectively, encourage the establishment of more asset reconstruction companies (ARCs) and revamp debt recovery tribunals.

Industrial Policies

Foreign Trade Zones/Free Ports/Trade Facilitation

The government established several foreign trade zone initiatives to encourage export-oriented production. These include [Special Economic Zones](#) (SEZs), [Export Processing Zones](#) (EPZs), [Software Technology Parks](#) (STPs), and [Export Oriented Units](#) (EOUs). The newest category is the [National Industrial and Manufacturing Zones](#) (NIMZs), of which 14 are being established across India. These initiatives are governed by separate rules and granted different benefits, details of which can be found online.

SEZs are treated as foreign territory; therefore businesses operating within SEZs are not subject to customs regulations, nor FDI equity caps. They also receive exemptions from industrial licensing requirements, and enjoy tax holidays and other tax breaks. EPZs are industrial parks with incentives for foreign investors in export-oriented businesses. STPs are special zones with similar incentives for software exports. EOUs are industrial companies, established anywhere in India, that export their entire production and are granted the following: duty-free import of intermediate goods; income tax holidays; exemption from excise tax on capital goods, components, and raw materials; and a waiver on sales taxes.

The current government established NIMZs as new integrated industrial townships with a minimum area of 5,000 hectares, to be managed by a special purpose vehicle and headed by a government official. Publicly available information suggests that foreign and domestic companies will be able to seek all state and central government authorizations for operating with NIMZs via single window. The

government has planned the establishment of eight NIMZs on the Delhi-Mumbai Industrial Corridor (DMIC) route and six NIMZs outside the DMIC.

Performance and Data Localization Requirements

Preferential Market Access (PMA) for government procurement has created substantial challenges for foreign firms operating in India, as Public Sector Companies and the government accord a 20% price preference to vendors utilizing more than 50% local content. However, PMA for government procurement limits access to the most cost effective and advanced ICT products available. In December 2014, PMA guidelines were revised and reflect the following updates:

1. Current guidelines emphasize that the promotion of domestic manufacturing is the objective of PMA, while the original premise focused on the linkages between equipment procurement and national security.
2. Current guidelines on PMA implementation are limited to hardware procurement only. Former guidelines were applicable to both products and services.
3. Current guidelines widen the pool of eligible PMA bidders, to include authorized distributors, sole selling agents, authorized dealers or authorized supply houses of the domestic manufacturers of electronic products, in addition to OEMs, provided they comply with the following terms:
 - a. The bidder shall furnish the authorization certificate by the domestic manufacturer for selling domestically manufactured electronic products.
 - b. The bidder shall furnish the affidavit of self-certification issued by the domestic manufacturer to the procuring agency declaring that the electronic product is domestically manufactured in terms of the domestic value addition prescribed.
 - c. It shall be the responsibility of the bidder to furnish other requisite documents required to be issued by the domestic manufacturer to the procuring agency as per the policy.
4. The current guidelines establish a ceiling on fees linked with the complaint procedure. There would be a complaint fee of INR 200,000 (\$3000) or one percent of the value of the Domestically Manufactured Electronic Product being procured, subject to a maximum of INR 500,000 (\$7500), whichever is higher.

The Union Cabinet further approved a new procurement policy providing preference to domestically manufactured goods for government procurement in May 2017. The policy mandates that only local suppliers will be eligible for procurement of goods and services above INR 500,000 (\$7,500), provided the specific ministry determines there is sufficient local capacity and competition. The order covers government entities, autonomous bodies, government companies, or entities under the government's control, including the armed and paramilitary forces.

In 2010, India initiated the Jawaharlal Nehru National Solar Mission (JNNSM), which aimed to bring 100,000 megawatts (MW) of solar-based power generation online by 2022, as well as promote solar module manufacturing in India. Under the JNNSM, India imposed certain local content requirements for solar cells and modules. Specifically, under the JNNSM, participating solar power developers must use solar cells and modules made in India in order to enter into long-term power supply contracts and receive other benefits from the Indian government. The United States challenged India's position at the WTO and, in September 2016, the WTO Appellate Body report sustained that India's local content requirements are inconsistent with WTO non-discrimination obligations.

In January 2017 the Ministry of Electronics & Information Technology (MeitY) issued a draft notification under the PMA policy, stating a preference for domestically manufactured servers in government procurement.

A current list of PMA guidelines, notified products, and tendering templates can be found on [MeitY's website](#).

Research and Development

The Government of India allows for 100% FDI in research and development through the automatic route.

Data Storage

The National Telecom Machine-to-Machine (M2M) Roadmap, released on May 25, 2015, states that all M2M gateways and application servers serving customers in India, must be physically located in India. The Roadmap proposes that foreign SIM cards not be permitted in devices used in India. India does not require foreign providers to turn over source code or provide access to encryption. The Telecom Regulatory Authority (TRAI) has issued a consultation paper to examine policy issues concerning cloud computing services and cross-border data flows.

Protection of Property Rights

Real Property

Several cities, including the metropolitan cities of Delhi, Kolkata, Mumbai, and Chennai have grown according to a master plan registered with the central government's Ministry of Urban Development. Property rights are generally well-enforced in such places, and district magistrates—normally senior local government officials—notify land and property registrations. Banks and financial institutions provide mortgages and liens against such registered property.

In other urban areas, and in areas where illegal settlements have been built up, titling often remains unclear. As per the Department of Land Resources, in 2008 the government launched the National Land Records Modernization Program (NLRMP) to clarify land records and provide landholders with legal titles. The program requires the government to survey an area of approximately 2.16 million square miles, including over 430 million rural households, 55 million urban households, and 430 million land records. Initially scheduled for completion in 2016, the program is now scheduled to conclude in 2021. Traditional land use rights, including communal rights to forests, pastures, and agricultural land, are sanctioned according to various laws, depending on the land category and community residing on it. Relevant legislation includes the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act 2006, the Tribal Rights Act, and the Tribal Land Act.

Foreign and domestic private entities are permitted to establish and own businesses in trading companies, subsidiaries, joint ventures, branch offices, project offices, and liaison offices, subject to certain sector-specific restrictions. The government does not permit foreign investment in real estate, other than company property used to conduct business and for the development of most types of new commercial and residential properties. Foreign Institutional Investors (FIIs) can now invest in initial public offerings (IPOs) of companies engaged in real estate. They can also participate in pre-IPO placements undertaken by such real estate companies without regard to FDI stipulations.

To establish a business, various government approvals and clearances are required, including incorporation of the company and registration under the State Sales Tax Act and Central and State Excise Acts. Businesses that intend to build facilities on land they own are also required to take the following steps: register the land; seek land use permission if the industry is located outside an industrially zoned area; obtain environmental site approval; seek authorization for electricity and financing; and obtain appropriate approvals for construction plans from the respective state and municipal authorities. Promoters must also obtain industry-specific

environmental approvals in compliance with the Water and Air Pollution Control Acts. Petrochemical complexes, petroleum refineries, thermal power plants, bulk drug makers, and manufacturers of fertilizers, dyes, and paper, among others, must obtain clearance from the Ministry of Environment and Forests.

The [Foreign Exchange Management Regulations](#) and the Foreign Exchange Management Act set forth the rules that allow foreign entities to own immovable property in India and convert foreign currencies for the purposes of investing in India. These regulations can be found at: Foreign investors operating under the automatic route are allowed the same rights as an Indian citizen for the purchase of immovable property in India in connection with an approved business activity. India ranks 138 out of 189 for ease of registering property in the [World Bank's Doing Business Report](#).

In India, a registered sales deed does not confer title ownership and is merely a record of the sales transaction. It only confers presumptive ownership, which can still be disputed. The actual title is established through a chain of historical transfer documents that originate from the land's original established owner. Accordingly, before purchasing land, buyers should examine all the link documents that establish title from the original owner. Many owners, particularly in urban areas, do not have access to the necessary chain of documents. This increases uncertainty and risks in land transactions.

Intellectual Property Rights

Engagement with India on Intellectual Property Rights (IPR) continues, primarily through the Trade Policy Forum's High Level Working Group on Intellectual Property. Despite the release of the National IPR Policy and the establishment of India's first intellectual property (IP) crime unit in Telangana in 2016, India's IP regime continues to fall short of global best practices and standards. A number of "Notorious Markets" across the country continue to operate, while many smaller stores sell or deal with pirated content across the country.

India made some progress in fulfilling its mandate to build a more market-oriented and competitive India in 2016, but Prime Minister Modi's courtship of multinationals to invest and "Make in India" has not yet addressed longstanding hesitations over India's lack of effective IPR enforcement. U.S. government representatives continued to meet the government officials and industry stakeholders on IPR in 2016, including visits to India by officials from the U.S. Trade Representative (USTR), the U.S. Patent and Trademark Office (USPTO), and the Departments of State, Commerce, and Agriculture. The two governments held two IP-related workshops in 2016, one on copyrights and another on trade secrets. India has made efforts to streamline its IP framework through administrative actions and

awareness programs, and it is notable that it is the process of reducing its patent and trademark application backlog by adding 458 new examiners.

Parliament passed the Commercial Courts, Commercial Division, and Commercial Appellate Division of High Courts Act in 2016, which enables the creation of Commercial Courts, Commercial Divisions, and Commercial Appellate Divisions within India's High Courts. These measures are aimed at improving the ease of doing business and facilitating the smooth and prompt resolution of commercial disputes, including IPR. The U.S. government continues to advocate for the passage of anti-camcording legislation, which would have a significant impact on stopping digital piracy in India and subsequent global distribution. This legislation would also improve India's ease of doing business rankings, and send a signal to investors and entrepreneurs that the government values transparency, predictability, and the rule of law. As of early 2017, the anti-camcording bill remains stalled in parliamentary committees.

India's copyright laws were amended in 2012, although these amendments have not been fully implemented. Without a copyright board to determine royalty rates for authors, with enforcement being weak, and piracy of copyrighted materials widespread, India requires greater emphasis on enforcement of copyright law. Industry hopes the recent shift of the copyright office from the Ministry of Human Resource Development to DIPP will enable more effective implementation of the law.

In the software field, India in 2016 released new Computer Related Invention patent guidelines, which require computer programs to be claimed in conjunction with novel hardware, rather than acknowledging technical improvements created by the computer program regardless of the associated hardware, as is the international standard. Industry has rallied the government and a final decision is still pending.

The agriculture sector in 2016 saw some troubling IPR related developments. The Ministry of Agriculture and Farmers Welfare (MAFW) filed an application with DIPP to revoke Monsanto's patents for BT cotton, and sought to force companies to license their technology and impose unprecedented up-front terms and conditions on private party transactions covering a broad range of genetically-modified agricultural products. The government's refusal to strongly repudiate MAFW's overly prescriptive GM licensing guidelines has resulted in the withdrawal of next-generation innovative biotechnology from the Indian marketplace and has given pause to many other companies who seek to protect their technology.

Indian law still does not provide any statutory protection for trade secrets. After the workshop conducted in October 2016, India agreed to provide guidance to start-ups

on trade secret protection through existing contract laws. The Designs Act allows for the registration of industrial designs, and affords a 15 year term of protection. India's Semiconductor Integrated Circuits Layout Designs Act is based on standards developed by the World Intellectual Property Organization (WIPO); however, this law remains inactive due to the lack of implementing regulations. To date, only one application has been granted.

In the past few years, with regular training, customs and police enforcement of IPR laws has marginally increased. The new customs recording system allows trademark owners to record their brands and trademarks with the Ministry of Commerce and Industry and seek affirmative action in case of any counterfeit issue at the ports. In 2016, as a result of a state-level initiative taken by Telangana, India established its first IP Crime Unit. The unit's intent is to focus on IP crimes and in particular on online crimes. In early 2017, Maharashtra state also approved a new IP unit. The U.S. government is encouraged by this, and hopes that other states will follow suit. However, these represent only two state out of 32, and IP remains a low priority. The nine most vulnerable sectors for IP crime include media and entertainment, pharmaceuticals, automotive parts, alcohol, computer hardware, consumer goods, packaged foods, mobile phones, and tobacco products.

India also actively engages at multilateral negotiations, including the WTO TRIPS Council. It has strongly supported, and sometimes led the charge, in calling for open technology transfer, liberal use of compulsory licensing across sectors, and protection of traditional knowledge. These negotiations will have an impact on innovation, trade, and investment in IP-intensive products and services.

Financial Sector

Capital Markets and Portfolio Investment

The S&P BSE SENSEX index – India's benchmark 30-share index – ended 2016 marginally higher by 1.78% at 26,626. The SENSEX began the year with a low of 22,951 on February 11, 2016 largely due to weak quarterly earnings, as banks recognized non-performing assets (NPAs) after pressure from the RBI. The stock markets managed to keep investors on edge with reactions to the Brexit vote results in June, announcement of surgical strikes across the Line of Control in Kashmir in September, the demonetization of high value rupee notes, and the results of the U.S. elections in November. Market capitalization of the BSE stood at USD \$1.6 trillion as of December 30, 2016.

The Securities and Exchange Board of India (SEBI) is considered one of the most progressive and well-run of India's regulatory bodies. It regulates India's securities markets, including enforcement activities, and is India's direct counterpart to the

U.S. Securities and Exchange Commission (SEC). SEBI oversees three national exchanges: the BSE Ltd. (formerly the Bombay Stock Exchange), the National Stock Exchange, and the Metropolitan Stock Exchange. Since its September 2015 merger with the Forwards Market Commission, the then commodities market regulator, SEBI is tasked to deal with three national commodity exchanges: the Multi Commodity Exchange, the National Commodity & Derivatives Exchange Limited, and the National Multi-Commodity Exchange.

Unlike Indian equity markets, local debt and currency markets remain underdeveloped, with limited participation from foreign investors. Indian businesses receive the majority of their financing through the banking system, not capital markets. Although private placements of corporate debt have increased (95% of corporate debt is privately placed), the corporate bond market is around 14% of GDP, compared to bank assets of 89% of GDP and equity markets of 80% of GDP. There were 2,636 corporate bond issuances for \$62 billion in 2014-15. The [Reserve Bank of India](#) (RBI) announced several measures intended to further market development, enhance participation, facilitate greater market liquidity and improve communication on August 25, 2016.

Foreign investment in India can be made through various routes, including [FDI](#), [Foreign Portfolio Investor \(FPI\)](#), and [venture capital investment](#). FPIs include investment groups of FIIs, Qualified Foreign Investors (QFIs) and sub-accounts. Non-Resident Indians do not come under FPI. Investment by an FPI cannot exceed 10% of the paid up capital of the Indian company. All FPIs together cannot acquire more than 24% of the paid up capital of any Indian company. As per SEBI regulations, FPIs are not allowed to invest in unlisted shares, and investment in unlisted entities will be treated as FDI.

Foreign investors withdrew \$3.47 billion from the Indian capital markets in 2016, the worst year in terms of overseas investment since 2008. Surprisingly, debt instruments took the biggest hit, after remaining a preferred investment avenue for foreign funds in recent years, while equities continued to attract net inflows - but not enough to compensate the huge outflows from the bond market. FPIs purchased \$3.09 billion in equities, but sold \$6.56 billion of bonds in 2016. FII bank deposits are fully convertible, and their capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings post tax, may be repatriated without prior approval. Non Resident Indians (NRI) are subject to separate investment limitations. They can repatriate dividends, rents, and interest earned in India, and specially designated NRI bank deposits are fully convertible.

India's growing importance in the global economy has led to increased interest in the rupee. Yet, the persistence of capital controls in the onshore market has led to

the development of an offshore INR market called Non Deliverable Forward (NDF), particularly in Singapore, Dubai, London, and New York. The RBI has taken a number of steps in the recent past to bring these offshore activities onshore, in order to deepen the domestic markets, enhance downstream benefits, and generally obviate the need for an NDF market. In addition, FPIs with access to currency futures or exchange traded currency options market, can hedge onshore currency risks in India and may directly trade in corporate bonds.

BSE, Asia's oldest stock exchange, established the country's first international exchange, called the India International Exchange at International Financial Services Centre (IFSC) GIFT city in Gujarat. SEBI has allowed trading in commodity derivatives at stock exchanges operating in IFSC. Under the IFSC regime, any recognized domestic or foreign stock exchange can set up a subsidiary in the financial services center, provided they hold at least a 51% stake in the venture. These norms aim to ease the establishment of stock exchanges and capital market infrastructure in such centers. SEBI has announced that they would introduce new products and allow more participants to deepen the commodity derivatives market.

Foreign venture capital investors (FVCIs) must register with SEBI to invest in Indian firms. They can also set up domestic asset management companies to manage funds. All such investments are allowed under the automatic route, subject to SEBI and RBI regulations, and the FDI policy. FVCIs can invest in many sectors, including software, information technology, pharmaceuticals and drugs, biotechnology, nanotechnology, biofuels, agriculture, and infrastructure. Companies incorporated outside India can raise capital in India's capital markets through the issuance of Indian Depository Receipts (IDRs). SEBI allows FVCIs to register as a foreign portfolio investor if they meet certain guidelines.

Companies planning to issue an IDR are required to maintain pre-issued, paid-up capital, and free reserves of at least \$100 million, as well as demonstrate an average turnover of \$500 million during the three financial years preceding issuance. The company must be profitable for at least five years preceding the issuance, declaring dividends of no less than 10% each year and maintaining a pre-issue debt-equity ratio of no more than 2:1. Standard Chartered Bank, a British bank which was the first foreign entity to list in India in June 2010, remains the only foreign firm to have issued IDRs.

[External commercial borrowing](#) (ECB), or direct lending to Indian entities by foreign institutions, is allowed if funds are used for outward FDI, or for domestic investment in industry, infrastructure, hotels, hospitals, software, self-help groups or microfinance activities, or to buy shares in the disinvestment of public sector entities. ECBs cannot be used for on-lending, investments in financial assets,

acquisition of real estate or a domestic firm, meeting of working capital requirements or repayment of existing INR loans. An infrastructure or manufacturing company can raise a maximum of \$750 million in a financial year under ECB. Companies in software development sector can raise ECB up to \$200 million. Companies engaged in micro-finance activities and microfinance institutions can raise ECB up to \$100 million in a financial year, and must hedge 100% of their currency risk exposure. A Non-banking Finance Company – Infrastructure Finance Company (NBFC-IFC) can raise ECB up to 75% of its owned funds, and must hedge 75% of its currency risk exposure. The all-in cost ceilings for ECBs with an average maturity period of three-to-five years is capped at 300 basis points over the six-month LIBOR, and 450 basis points for loans maturing after five years. Indian companies borrowed close to USD \$17.15 billion through ECBs in 2016.

Money and Banking System

The banking sector remained predominantly in the public sector, with public sector banks (PSBs) accounting for 72% of total banking sector assets, notwithstanding a gradual decline in their share in recent years. PSBs are not technically subject to any extra regulations relative to commercial banks, either in terms of lending practice nor deposits. They do, however, have their CEOs, upper management, and a number of their board of directors appointed by the government, meaning that the government can be quite influential in credit decisions.

Public sector banks (PSBs) face two significant hurdles: capital constraints and poor asset quality. Under the Indradhanush roadmap, which Jaitley announced in the 2016 budget to revive Public Sector Banks, the government will infuse \$10.52 billion in PSBs over four years, while these banks will have to raise a further \$16.53 billion from the markets to meet their capital requirements in line with global capital norms under Basel-III. PSBs are to get \$3.76 billion in each fiscal year, 2015-16 and 2016-17, and \$1.5 billion each in 2017-18 and 2018-19. In July 2016, the government infused 75% of the earmarked fund for fiscal 2016-17 and said the remaining amount would be linked to the banks' performance.

The consolidated balance sheets of the banking sector continued to grow at a modest pace during 2015-16 with the ratio of assets to liabilities expanding at 7.7%, compared to 9.7% in 2014-15. Bad loans continue to be a challenge for banks, with the gross NPA for at 8.4% for banks as of March 31, 2016. Improved recognition of NPAs led to a more than 60% drop in net profits for the banking sector as a whole, though it remained in positive. In addition to regulatory provisions, including strategic debt restructuring (SDR) and scheme for sustainable structuring of stressed assets (S4A), banks are selling NPAs to ARCs. Under RBI norms announced on September 1, 2016, if security receipts make more than 50% of the value of the

asset under consideration, banks then have to provide for these loans as if the loans continued on the books of the bank. This norm ensures stressed asset sales by banks are classified as “true sales.” Security receipts are issued by ARCs to banks pending recovery from an account.

Under the government’s 2014 *Jan Dhan* program, to provide universal access to banking facilities, as of March 22, 2017, 280 million accounts had been opened and 219 million RuPay debit cards issued. The program provides no-fee basic banking accounts and RuPay debit cards to all households, conducts financial literacy programs, guarantees credit, and offers micro-insurance and unorganized sector pension schemes. Though the number of accounts opened is immense, some of these still maintain a zero-balance, and six months of “satisfactory transactions” are necessary before the account-holder qualifies for benefits including overdrafts and life insurance.

Takeover regulation in India applies equally to domestic and foreign companies. The regulations do not recognize, however, any distinct category of hostile takeovers. RBI and lead ministry clearances are required to acquire a controlling stake in Indian companies. Takeover regulations require disclosure on acquisition of shares exceeding 5% of total capitalization. As per SEBI's Substantial Acquisition of Shares and Takeovers (Amendment) Regulations, released in 2013, acquisition of 25% or more of the voting rights in a listed company triggers a public offering of an additional 26% stake at least. Under the creeping acquisition limit, an acquirer holding 25% or more voting rights in the target company can acquire additional shares or voting rights up to 5% of the total voting rights in any financial year, up to a maximum permissible non-public shareholding limit of 75% generally. Acquisition of control over the target company, irrespective of shares or voting rights held by the acquirer, will trigger a mandatory open offer.

Foreign Exchange and Remittances

Foreign Exchange

The Indian rupee extended its 2015 losses by falling a further 2.7% against the dollar in 2016. According to market experts, demonetization of INR 500 and INR 1000 notes, as well as U.S. Federal Reserve rate hike worries, dampened sentiment towards the currency.

The RBI, under the Liberalised Remittance Scheme, allows individuals to remit up to \$250,000 per fiscal year (April-March) out of the country for permitted current account transactions (private visit, gift/donation, going abroad on employment, emigration, maintenance of close relatives abroad, business trip, medical treatment abroad, studies abroad) and certain capital account transactions (opening of foreign

currency account abroad with a bank, purchase of property abroad, making investments abroad, setting up Wholly Owned Subsidiaries and Joint Ventures outside of India, extending loans). The INR is fully convertible only in current account transactions, as regulated under the [Foreign Exchange Management Act regulations](#) of 2000.

Foreign exchange withdrawal is prohibited for remittance of lottery winnings; income from racing, riding or any other hobby; purchase of lottery tickets, banned or proscribed magazines; football pools and sweepstakes; payment of commission on exports made towards equity investment in Joint Ventures or Wholly Owned Subsidiaries of Indian companies abroad; and remittance of interest income on funds held in a Non-Resident Special Rupee Scheme Account (https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=10193#sdi). Furthermore, the following transactions require the approval of the Central Government: cultural tours; remittance of hiring charges for transponders for television channels under the Ministry of Information and Broadcasting, and Internet Service Providers under the Ministry of Communication and Information Technology; remittance of prize money and sponsorship of sports activity abroad if the amount involved exceeds \$100,000; advertisement in foreign print media for purposes other than promotion of tourism, foreign investments and international bidding (over \$10,000) by a state government and its public sector undertakings (PSUs); and multi-modal transport operators paying remittances to their agents abroad. RBI approval is required for acquiring foreign currency above certain limits for specific purposes including remittances for: maintenance of close relatives abroad; any consultancy services; funds exceeding 5% of investment brought into India or USD \$100,000, whichever is higher, by an entity in India by way of reimbursement of pre-incorporation expenses.

Capital account transactions are open to foreign investors, though subject to various clearances. NRI investment in real estate, remittance of proceeds from the sale of assets, and remittance of proceeds from the sale of shares may be subject to approval by the RBI or the lead ministry.

FIIIs may transfer funds from INR to foreign currency accounts and back at market exchange rates. They may also repatriate capital, capital gains, dividends, interest income, and compensation from the sale of rights offerings without RBI approval. The RBI also authorizes automatic approval to Indian industry for payments associated with foreign collaboration agreements, royalties, and lump sum fees for technology transfer, and payments for the use of trademarks and brand names. Royalties and lump sum payments are taxed at 10%.

The RBI has periodically released guidelines to all banks, financial institutions, NBFCs, and payment system providers regarding Know Your Customer (KYC) and reporting requirements under [Foreign Account Tax Compliance Act \(FATCA\)/Common Reporting Standards \(CRS\)](#). The government's July 7, 2015 notification amended the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, (Rules), for setting up of the Central KYC Records Registry (CKYCR)—a registry to receive, store, safeguard and retrieve the KYC records in digital form of clients.

Remittance Policies

Remittances are permitted on all investments and profits earned by foreign companies in India once taxes have been paid. Nonetheless, certain sectors are subject to special conditions, including construction, development projects, and defense, wherein the foreign investment is subject to a lock-in period. Profits and dividend remittances as current account transactions are permitted without RBI approval following payment of a dividend distribution tax.

Foreign banks may remit profits and surpluses to their headquarters, subject to compliance with the Banking Regulation Act, 1949. Banks are permitted to offer foreign currency-INR swaps without limits for the purpose of hedging customers' foreign currency liabilities. They may also offer forward coverage to non-resident entities on FDI deployed since 1993.

Sovereign Wealth Funds

India does not have a sovereign wealth fund. In 2015 the Government of India created a fund – the National Investment and Infrastructure Fund (NIIF) for enhancing infrastructure financing in India. Finance Ministry officials said that the “NIIF will be a commercially run organization and will operate at arm's length from the government.” Looking to attract larger inflows from sovereign wealth funds and foreign pension funds, government and financial sector regulators have renewed their efforts to make Indian markets, especially government bonds, much more appealing to such investors. Policymakers view overseas investments by sovereign wealth funds, multilateral agencies, endowment funds, pension funds, insurers, and foreign central banks as much more stable in nature, as compared to institutional investors and hedge funds. Finance Minister Arun Jaitley visited Australia last year and pitched for investments from sovereign wealth funds in the NIIF and pension and insurance funds in India. Media reports suggest that the \$100 billion Australian Government Future Fund is looking to invest in the Indian infrastructure space, including roads, telecommunications and clean energy through the NIIF. The UAE has committed to invest \$75 billion in the NIIF, and in April 2017 the UK agreed to invest \$300 million in a fund for green energy under the NIIF.

State-Owned Enterprises

The government owns or controls interests in key sectors with significant economic impact, including infrastructure, oil, gas, mining, and manufacturing. The [Department of Public Enterprises](#), controls and formulates all the policies pertaining to SOEs, and is headed by a minister to whom the senior management reports. The Comptroller and Auditor General audits the SOEs. The government has taken a number of steps to improve the performance of SOEs, also called the Central Public Sector Enterprises (CPSEs), including improvements to corporate governance. Reforms carried out in the 1990s focused on liberalization and deregulation of most sectors and disinvestment of government shares. These and other steps to strengthen CPSE boards and enhance transparency evolved into a more comprehensive governance approach, culminating in the Guidelines on Corporate Governance of State-Owned Enterprises issued in 2007 and their mandatory implementation beginning in 2010. Governance reforms gained prominence for several reasons: the important role that CPSEs continue to play in the Indian economy; increased pressure on CPSEs to improve their competitiveness as a result of exposure to competition and hard budget constraints; and new listings of CPSEs on capital markets. According to the government's most recent published data from March 2015, there were 298 CPSEs, of which 235 were in operation - 63 CPSEs have yet to commence business. 206 of the 298 CPSEs showed a profit during 2014-15 and did not require government support. The loss-making entities (e.g. Air India) and the state-run telecom company Bharat Sanchar Nigam Limited continue to be supported by the government through allocations in the general budget. The manufacturing sector constitutes the largest component of investment in CPSEs (45%), followed by services (35%), energy (12%), and mining (8%).

Foreign investments are allowed in the CPSEs in all sectors. The [Master List of CPSEs](#) can be accessed at. While the CPSEs face the same tax burden as the private sector, on issues like procurement of land, they receive streamlined licensing that private sector enterprises do not.

Privatization Program

Despite the financial upside to disinvestment in loss-making PSUs, the government has not generally privatized its assets as they have led to job losses in the past, and therefore engender political risks. Instead, the government has adopted a gradual disinvestment policy that dilutes government stakes in public enterprises without sacrificing control. Such disinvestment has been undertaken both as fiscal support and as a means of improving PSU efficiency.

In recent years, the government has begun to look to disinvestment proceeds as a major source of revenue to finance its fiscal deficit. The government has budgeted

\$10.5 billion in disinvestment for the April 2017–March 2018 fiscal year. However, it has missed its disinvestment targets for each of the past four years. FIIs can participate in these disinvestment programs subject to these limits: 24% of the paid up capital of the Indian company and 10% for NRIs/PIOs. The limit is 20% of the paid up capital in the case of public sector banks. There is no bidding process. The shares of the PSUs being disinvested are sold in the open market. Detailed [policy procedures relating to disinvestment in India](#) can be accessed online.

Responsible Business Conduct

Among the companies there is a general awareness of standards for responsible business conduct. The Companies Act of 2013 established the framework for India's corporate social responsibility (CSR) laws. The India Responsible Business Index (IRBI) notes, for example, that in 2015 there were only nine firms that had held public hearings regarding project impact with communities, but there were 13 in 2016. Similarly, there were only 27 firms with a provision for conducting impact assessments in 2015; this number increased to 31 in 2016. A CRISIL study reported that only 30% of 5,500 companies listed on the Bombay Stock Exchange met the criteria for mandatory spending and reporting under the CSR.

The Ministry of Corporate Affairs (MCA) administers the Companies Act of 2013, and is responsible for regulating the corporate sector in accordance with the law. MCA is also responsible for protecting the interests of consumers by ensuring competitive markets. While the CSR obligations are mandated by law, non-government organizations (NGOs) in India also track activities under the CSR and in some cases provide recommendations for effective use of CSR funds.

India does not adhere to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas. There are provisions to promote responsible business conduct throughout the supply chain.

India is not a member of Extractive Industries Transparency Initiative (EITI) nor is it a member of Voluntary Principles on Security and Human Rights.

Corruption

India is a signatory to the United Nation's Conventions Against Corruption and is a member of the G20 Working Group against corruption. India ranks 79 out of 176 countries surveyed in Transparency International's 2016 Corruption Perception Index, and was ranked 76 out of 168 in 2015.

Corruption is addressed by the following laws: the Companies Act, 2013; the Prevention of Money Laundering Act, 2002; the Prevention of Corruption Act, 1988; the Code of Criminal Procedures, 1973; the Indian Contract Act, 1872; and the Indian

Penal Code of 1860. Anti-corruption laws amended since 2004 have granted additional powers to vigilance departments in government ministries at the central and state levels. The amendments also elevated the Central Vigilance Commission (CVC) to being a statutory body. In addition, the Comptroller and Auditor General is charged with performing audits on public-private-partnership contracts in the infrastructure sector on the basis of allegations of revenue loss to the exchequer.

In November 2016, the Modi government ordered INR 1000 and 500 notes, comprising approximately 86% of cash in circulation, be demonetized to curb “black money,” corruption, and the financing of terrorism.

The Benami Transactions (Prohibition) Amendment Act of 2016 entered into effect in November 2016, and strengthened the legal and administrative procedures of the Benami Transactions Act 1988, which was ultimately never notified. (Note: A *benami* property is held by one person, but paid for by another, often with illicit funds.) Analysts expect the government to issue a roadmap in 2017–2018 to begin implementing the Act.

In November 2016 India and Switzerland signed a joint declaration to enter into an Agreement on the Exchange of Information (AEOI) to automatically share financial information on accounts held by Indian residents, beginning in 2018. India also amended its Double Taxation Avoidance Agreement with Singapore, Cyprus, and Mauritius in 2016 to prevent income tax evasion. The move follows the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, which replaced the Income Tax (IT) Act of 1961 regarding the taxation of foreign income. The new Act penalizes the concealment of foreign income, as well as provides criminal liability for foreign income tax evasion.

In February 2014, the government enacted the Whistleblower Act, intended to protect anti-corruption activists, but it has yet to be implemented. Experts believe that the prosecution of corruption has been effective only among the lower levels of the bureaucracy; senior bureaucrats have generally been spared. Businesses consistently cite corruption as a significant obstacle to FDI in India and identify government procurement as a process particularly vulnerable to corruption. To make the Whistle Blowers Protection Act, 2014 more effective, the government proposed an amendment bill in 2015. This bill is still pending with the Upper House of Parliament; however anti-corruption activists have expressed concern that the bill will dilute the Act by creating exemptions for state authorities, allowing them to stay out of reach of whistleblowers.

The Companies Act of 2013 established rules related to corruption in the private sector by mandating mechanisms for the protection of whistle blowers, industry

codes of conduct, and the appointment of independent directors to company boards. As yet, the government has established no monitoring mechanism, and it is unclear the extent to which these protections have been instituted. No legislation focuses particularly on the protection of NGOs working on corruption issues, though the Whistleblowers Protection Act, 2011, may afford some protection once it has been fully implemented.

In 2013, Parliament enacted the Lokpal and Lokayuktas Act 2013, which created a national anti-corruption ombudsman and requires states to create state-level ombudsmen within one year of the law's passage. The government has yet to implement the law, however, and as of yet, no ombudsmen have been appointed.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

India is a signatory to the United Nations Conventions against Corruption and is a member of the G20 Working Group against Corruption.

India is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

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Political and Security Environment

There have been no significant major incidents involving political violence. However, outbursts of violence between the state and insurgent movements continued in Jammu and Kashmir and some northeastern states. Maoist/Naxalite insurgent groups also remain active in some eastern and central states, including the rural areas of southern Bihar, Jharkhand, Chhattisgarh, and Orissa. The country

also continues to experience conflict related to caste, linguistic identity, socio-economic and communal tensions.

Travelers to India are invited to visit the [U.S. Department of State travel advisory website](#) for the latest information and travel resources.

Labor Policies and Practices

Although there are more than 20 million unionized workers in India, unions still represent less than 5% of the total work force. Most of these unions are linked to political parties. According to provisional figures from the Ministry of Labor and Employment (MOLE), over 2.9 million workdays were lost to strikes and lockouts in 2015, as opposed to 11 million workdays lost in 2014.

Labor unrest occurs throughout India, though the reasons and affected sectors vary widely. A majority of the labor problems are the result of workplace disagreements over pay, working conditions, and union representation. According to government statistics, in 2015 the state of Kerala had the most strikes, followed by Tamil Nadu and Assam.

India's labor regulations are very stringent and complex, and over time have limited the growth of the formal manufacturing sector. The rules governing the payment of wages and salaries are set forth in the Payment of Wages Act, 1936, and the Minimum Wages Act, 1948. Minimum industrial wages vary by state, ranging from about \$2.80 per day for unskilled laborers to over \$7.70 per day for skilled production workers. Retrenchment, closure, and layoffs are governed by the Industrial Disputes Act of 1947, which requires prior government permission to lay off workers or close businesses employing more than 100 people. Foreign banks also require RBI approval to close branches. Permission is generally difficult to obtain, which has resulted in the increasing use of contract workers (i.e. non-permanent employees) to circumvent the law. Private firms successfully downsize through voluntary retirement schemes.

Since the current government assumed office in 2014, much of the movement on labor laws has taken place at the state level, particularly in Rajasthan, where the government has passed major amendments to allow for quicker hiring, firing, laying off, and shutting down of businesses. The Ministry of Labor and Employment launched a web portal in 2014 to assist companies in filing a single online report on compliance with 16 labor-related laws. In 2015, the Ministry also tabled legislation to amend India's Factories Act that would encourage voluntary compliance of occupational safety and health standards and reduce government inspections. India's major labor unions have opposed the labor reforms, arguing that they compromise workers' safety and job security.

On September 2, major trade unions led country-wide protests against the government’s attempt to reform labor laws. The strike evoked mixed response as major cities like Delhi and Mumbai did not see any disruptions and the affect was restricted to states like Kerala, which is ruled by the Left parties and Karnataka, because the Congress party also supported the strike.

In August, the Child Labor Act was amended establishing a minimum age of 14 years for work and 18 years as the minimum age for hazardous work. In December, the government promulgated legislation enabling employers to pay worker salaries through checks or e-payment in addition to the prevailing practice of cash payment.

There are no reliable unemployment statistics for India due to the informal nature of most employment. The government nonetheless acknowledges a shortage of skilled labor in high-growth sectors of the economy, including information technology and manufacturing. The current government has established a Ministry of Skill Development, and has embarked on a national program to increase skilled labor.

OPIC and Other Investment Insurance Programs

The United States and India signed an Investment Incentive Agreement in 1987. This agreement covers the Overseas Private Investment Corporation (OPIC), which is the development finance institution of the U.S. Government. Since 1974 OPIC has committed more than \$3.5 billion in loans, investment funds, and political risk insurance to 162 projects in India. As of December 31, 2016 OPIC’s current portfolio in India comprises more than \$1.5 billion outstanding across 32 projects. These are concentrated in the utilities and financial services sectors, including microfinance.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	

Host Country Gross Domestic Product (GDP)	2015	\$2.1 trillion	2015	\$2.095 trillion	
Foreign Direct Investment	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (stock positions)	2015	\$19.280* billion	2015	\$28.335 billion	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (stock positions)	2012	\$2.052* billion	2014	\$9.3 billion	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	1.8%	2015	2.1%	http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

* The Indian government source for [FDI statistics](#) is online and the figure is the cumulative FDI for April 2000 to September 2016. [Outward FDI data](#) has been sourced online.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	312,152	100%	Total Outward	84,826	100%
Mauritius	63,077	20%	Singapore	17,721	21%
United States	50,152	16%	Mauritius	15,322	18%
United Kingdom	45,802	15%	Netherlands	12,259	14%
Germany	33,112	11%	United States	8,889	10%
Singapore	32,909	11%	UAE	4,449	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	1,650	100%	All Countries	1,640	100%	All Countries	10	100%
United States	496	30%	United States	494	30%	Singapore	6	60%
United Kingdom	292	18%	United Kingdom	290	18%	United States	2	40%

Luxembourg	273	17%	Luxembourg	273	17%	United Kingdom	2	40%
China P.R. Mainland	236	14%	China P.R. Mainland	236	14%			
Mauritius	77	5%	Mauritius	77	5%			

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Trade & Project Financing

Methods of Payment

Import financing procedures adhere to western business practices. The safest method of receiving payments is through an irrevocable letter of credit (L/C). The L/C should be payable in favor of the supplier against presentation of shipping documents through the importer’s bank. Importers open L/Cs valid for three to six months depending upon the terms of the agreement. Typically, L/Cs are opened for a period of time to cover production and shipping. They are normally paid within seven working days of the receipt of goods. There are several lines of credit available to U.S companies.

Commercial banks continue to be the main source of short-term finance and working capital requirements of Indian firms. Indian companies also raise funds by issuing commercial paper and debentures, from inter-corporate borrowings, and by accepting public deposits. Several term-lending public financial institutions provide local and foreign exchange loans for new capital investment projects. They also provide deferred payment loans, long-term working capital finance, export credit and stock underwriting services. Lending banks secure their loans with company assets, corporate guarantees from a parent company, and, in some cases, by personal guarantees from company directors.

Local and resident foreign companies are permitted to raise medium-to-long-term loans in foreign currency for projects requiring capital equipment, technology

imports, or the purchase of aircraft or ships. The Indian government permits borrowing through suppliers' credits, buyers' credits, syndicated loans, floating-rate notes, revolving underwriting facilities and bonds. The Reserve Bank of India (RBI) permits loans, which mature within one year, to be repaid from net foreign exchange earnings without prior government approval.

Loans in foreign currencies can be obtained through foreign commercial banks, overseas financial institutions (e.g., the International Finance Corporation and the Asian Development Bank), and foreign export-credit agencies, in addition to Indian development and commercial banks. Indian companies can also raise foreign currency loans in accordance with the guidelines for External Commercial Borrowings (ECBs), issued by the Ministry of Finance. There are no restrictions on the use of such loans, except that they cannot be used for stock market speculation. Once the RBI and Ministry of Finance have approved a loan and its terms, no limitations are placed on interest and principal payments. A firm, however, must report to the RBI through its designated banker every time an interest payment is made.

Banking Systems

India has an extensive banking network, in both urban and rural areas. The banking system has four tiers:

Scheduled commercial banks;

Regional rural banks (operate in rural areas, not covered by the scheduled banks);

Cooperative banks and special purpose rural banks;

Small Finance banks and Payment banks.

Timely availability of adequate credit is of utmost importance for the development of the Indian rural economy and agriculture. At present regional rural banks, commercial banks and credit cooperatives, encouraged mainly by the Government of India (GOI), undertake this function. Financial inclusion remains the top most priority of the GOI and the creation of small finance banks and payment banks are aimed at furthering the financial inclusion in the economy.

In India, there are 43 foreign banks, 19 nationalized banks, 6 State Bank of India and its associates, 2 other public sector banks, 25 private sector banks, 10 small finance banks and 11 payment banks. Large Indian banks and most Indian financial institutions are in the public sector. Though public sector banks currently dominate the banking industry, numerous private and foreign banks exist. Several public sector banks are being restructured, and in some cases the government either has

already reduced, or is in the process of reducing its ownership. In terms of the market share, the state-owned banks account for more than 72%, private banks handle 16%, foreign banks account for more than 7%, and old-generation private lenders control 5% of the market.

The Reserve Bank of India (RBI) is the central banking institution. It is the sole authority for issuing bank notes and the supervisory body for banking operations in India. It supervises and administers exchange control and banking regulations and administers the government's monetary policy. It is also responsible for granting licenses for new bank branches. The Deposit Insurance and Credit Guarantee Corporation, an organization promoted and fully funded by the RBI, offers deposit insurance facilities. The RBI directs banks to meet Bureau of Indian Standards guidelines. Indian banks must also adhere to the prudential norms laid down by the Basel Group.

Foreign Exchange Controls

The RBI sets India's exchange-control policy and administers foreign exchange regulations in consultation with the GOI. India's foreign exchange control regime is governed by the FEMA ([Foreign Exchange Management Act](#)), enacted with the objective of facilitating external trade and payments, promoting the orderly development and maintenance of the foreign exchange market in India and the liberalization of economic policies.

US Banks & Local Correspondent Banks

LIST OF U.S. BANKS

[American Express Bank Ltd.](#)

Manoj Adlakha

Chief Executive Officer

American Express Banking Corp.

Cyber City, Tower C, DLF Bldg No.8, Sector – 25

DLF City Ph II Gurugram – 122002

Haryana

Tel: +91-0124-4190555; 1800-419-1222 (Toll Free)

Fax: +91-0124-2801144

Kaku Nakhate

Country Head and President (India) Express Towers

18th Floor, A Wing, One BKC. G Block

[Bandra Kuria Complex](#), Bandra (E)

Mumbai 400 051 India

Tel: +91 22 66323232/3000

Fax: +91 22 66323855

[J.P. Morgan Chase](#)

Mr. Madhav Kalyan

Managing Director & Bank CEO

J. P. Morgan Tower, Off CST Road,

Kalina, Santacruz (E) Mumbai 400098

Tel: + 91 22 6157 3730

Fax: + 91 22 6157 4003,6157 3911

[Citibank N.A.](#)

Mr. Pramit Jhaveri, Chief Executive Officer India

FIFC, 14th Floor, C-54 & C-55

G Block, Bandra Kurla Complex

Mumbai - 400 051 Tel: +91 22 6175 5100

Fax: +91 22 6719 3894

Project Financing

Multilateral Development Banks:

DEV JAGADESAN

Acting President and CEO Associate General Counsel

[Overseas Private Investment Corporation \(OPIC\)](#)

1100 New York Avenue, N.W. Washington, D.C. 20527 87

Tel.: (202) 336-8799

Fax: (202) 336-7949

Email: info@opic.gov

Charles J Hall

Acting Chairman and President, Executive Vice President and Chief Operating Officer

[Export-Import Bank of the United States](#)

811 Vermont Avenue, N.W., Office 911

Washington, DC 20571

Tel: 202-565-3946
Henry Steingass
Regional Director, South and South East Asia
[U.S. Trade and Development Agency](#)
1000 Wilson Boulevard, Suite-1600
Arlington, VA 22209 - 2131
Tel: 703-875-4357
Fax: 703-875-4009

[Asian Development Bank \(ADB\)](#)

4, San Martin Marg
P.O. Box 5331, Chanakyapuri
New Delhi 110021, India
Tel: +91-11-2410 7200
Fax: +91-11-2687 0945
E-mail: adbinrm@adb.org

Gregory Harris

Director / Senior Commercial Officer

[U.S. Commercial Liaison Office for ADB \(CS/ADB\)](#)

US Embassy – NOX 2
1201 Roxas Boulevard, Ermita Manila
Philippines 1000
Tel: 63-2- 301-2000, 63-2-516-5093
Email: Office.ManilaADB@trade.gov

[ADB, North American Representative Office](#)

900 17th Street NW Suite 900
Washington DC 20006
Tel: 202-728-1500
Fax: 202-728-1505
Email: naro@adb.org

Jun Zhang
Country Manager

[International Finance Corporation](#)

Maruti Suzuki Building
3rd & 4th Floor, Nelson Mandela Road
Vasant Kunj, New Delhi 110070, India
Tel: +91-11- 4111 1000/ 3000
Fax: +91-11- 4111 1001/ 3001

Mr. Onno Ruhl
Country Director
[The World Bank](#)
70 Lodi Estate
New Delhi 110 003
Tel: 91-11-2461-7241
Fax: 91-11-2461-9393
Email: indiaexperts@worldbank.org

Aaron Held
Advisor & Director of Business Liaison
Office of the U.S. Executive Director
[World Bank](#)
Tel: (202) 458-0120
Fax: (202) 477-2967
E-mail: aaron.held@trade.gov

DR. D.J. PANDIAN

Chief Investment Officer

[The Asian Infrastructure Investment Bank](#) (AIIB)

B9 Financial Street

Xicheng District, Beijing 100033

P.R. China.

Tel: +86 10 8358 0000

Mr. K.V. Kamat, President

[New Development Bank](#) (BRICS BANK)

32-36 Floors, Oriental Finance Centre

333 Lujiazui Ring Road, Pudong Area

Shanghai – 200120

China

THE EXPORT-IMPORT BANK OF THE UNITED STATES

The Export-Import Bank (Ex-Im Bank) is the official export credit agency of the United States and supports the purchase of U.S. goods and services by creditworthy Indian buyers that may have difficulty obtaining credit through traditional financing sources.

Ex-Im Bank provides U.S. exporters with the financing tools they need to successfully compete for business in India. Ex-Im Bank support gives protection against international political and commercial risk, and gives U.S. exporters the ability to offer competitive financing to their Indian buyers through export credit insurance and loan guarantees. Over the past 80 years, Ex-Im Bank has supported more than \$567 billion of U.S. exports worldwide.

For more info on [Ex-Im Bank](#) please visit website

THE OVERSEAS PRIVATE INVESTMENT CORPORATION

The Overseas Private Investment Corporation (OPIC) is an independent U.S. government agency whose mission is to mobilize and facilitate the participation of U. S. private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies. OPIC assists U.S. companies by providing financing (from large structured finance to small business loans), political risk insurance, and investment funds. OPIC complements the private sector in managing risks associated with foreign direct investment and supports U.S. foreign policy. OPIC was established as an agency of the U.S. government in 1971 and currently does business in over 160 countries. OPIC is currently operating in India in the areas of utilities (renewable energy/power and telecommunications), finance and insurance, manufacturing, real estate/rental and leasing and wholesale trade. Since 1974, OPIC has committed more than \$3 billion to financing, funds and insurance projects in India and supported a total of 153 projects. OPIC's current portfolio (as of December 31, 2015) in India totals over \$1 billion across 27 projects particularly focusing in on utilities, financial services, manufacturing and services.

For more info on [OPIC](#), please visit website

U.S. TRADE AND DEVELOPMENT AGENCY (USTDA)

The [U.S. Trade and Development Agency](#) (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-

making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services. USTDA is instrumental in engaging U.S. companies in India's infrastructure development and modernization by facilitating technology transfer in key sectors. Priorities for USTDA's program in India include energy and climate change, transportation (especially aviation), and information and communication technology.

ASIAN DEVELOPMENT BANK (ADB)

Asia's premier non-profit financial institution, the [Asian Development Bank \(ADB\)](#), is headquartered in Manila, Philippines. The ADB's major objective is the promotion of the social and economic well-being of its developing member countries in Asia and the Pacific. This is achieved by lending funds to projects involving agriculture, energy, industry, transportation, and communication, as well as for social infrastructure projects such as water supply, sewage and sanitation, education, health and urban development.

India was a founding member of the Asian Development Bank (ADB), and is now its fourth-largest shareholder. ADB commenced its operations in India in 1986. India was the largest borrower with \$3.9 billion for 22 projects in 2015.

The ADB also works directly with the private sector through loans, equity investments, and credit enhancement for infrastructure and capital markets/financial projects with specific focus on energy, transport, telecommunications, agribusiness, water and urban infrastructure.

In 2015, ADB approved four private sector loans: \$6 million for a solar leasing project, \$200 million and \$33 million for two affordable housing projects and \$500,000 to the Power Grid Corporation of India.

ADB's country partnership strategy (CPS), 2013-2017 for India focuses on job creation for youth, enhances ongoing investment reforms, and improves infrastructure in critical areas, such as energy, transport, urban services and water.

To learn more about ADB's partnership with India, please visit the [website](#).

The U.S. Department of Commerce maintains a Congressionally-mandated Commercial Liaison Office for the ADB (CS ADB). The Office's mission is to help American firms access, enter and expand in Asian markets that benefit from ADB

assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the United States to help U.S. firms take advantage of commercial opportunities in countries borrowing from the ADB. To perform its mandate, the office cooperates with the U.S. Director's Office at ADB and works closely with Commercial Service posts in the region. A U.S. Senior Commercial Officer heads the office, assisted by two Commercial Specialists.

THE WORLD BANK

The [World Bank Group](#) is one of the world's largest sources of development assistance. The World Bank supports the efforts of developing country governments to build schools and health centers, provide water and electricity, fight disease, and protect the environment. The "World Bank" is the name that has come to be used for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together, these organizations provide low-interest loans, interest-free credit, and grants to developing countries. For information on World Bank engagement with India, please visit the [website](#).

The World Bank's New Delhi office has an active public information center with a large collection of World Bank and other publications on India and international development, and documents on projects financed by the Bank. In recent years, the World Bank's IBRD has been giving support for India's economic policy reforms and expanded social and environmental programs. The World Bank Group's strategy in India between 2013-2017 will focus on three key areas of engagement: integration, rural-urban transformation, and inclusion. Common themes running across these areas will be improved governance, environmental sustainability, private sector, and gender equality.

To learn more about the World Bank's partnership with India, please visit:

<http://www.worldbank.org/en/country/india/overview#2>.

The U.S. Department of Commerce maintains a Commercial Liaison Office at the World Bank. The Office's mission is to help American firms access, enter and expand in markets that benefit from World Bank assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the United States to help U.S. firms take advantage of commercial opportunities in countries borrowing from the World Bank.

INTERNATIONAL FINANCE CORPORATION (IFC)

The [International Finance Corporation](#) (IFC) promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. IFC is a member of the World Bank Group and is headquartered in Washington,

DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of people in its developing member countries. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. It promotes sustainable private sector development primarily by financing private sector projects located in the developing world; helping private companies in the developing world mobilize financing in international financial markets; providing advice and technical assistance to businesses and governments.

Since 1956, IFC has invested in 346 companies in India, providing over \$10.3 billion in financing for its own account and \$2.9 billion in mobilization from external resources. IFC aims to bring economic opportunities to underserved communities where needs are greatest, particularly in the low income states of India; help address climate change impacts; and encourage global and regional integration including promoting trade and investment within and from South Asia.

To learn more about [IFC's work in India](#), please visit the website.

Although the IFC coordinates its activities in many areas with the other institutions in the World Bank Group, the IFC generally operates independently as it is legally and financially autonomous with its own Articles of Agreement, share capital, management and staff. The IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

THE MULTILATERAL INVESTMENT GUARANTEE AGENCY

The [Multilateral Investment Guarantee Agency](#) (MIGA), a member of the World Bank group, supplements the activities of the IBRD (International Bank for Reconstruction and Development), IFC (International Finance Corporation) and other international development finance institutions. It complements the activities of national and regional development insurance through co-insurance and reinsurance agreements with these institutions, bilateral exchanges of information, and its membership in the Berne Union. MIGA issues guarantees against noncommercial risks for investments in its developing member countries. MIGA guarantees cover the following risks: currency transfer, expropriation, war and civil disturbance and breach of contract by a host government.

Since its inception in 1988, MIGA has issued guarantees worth more than \$30 billion in political risk insurance for projects in a wide variety of sectors covering all sectors of the world. MIGA is committed to promoting socially, economically, and environmentally sustainable projects that are, above all, developmentally

responsible. The agency mobilizes additional investment coverage through its Cooperative Underwriting Program (CUP), encouraging private sector insurers into transactions they would not have otherwise undertaken, and helping the agency serve more clients.

THE ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB)

The [Asian Infrastructure Investment Bank](#) (AIIB) is a new multilateral financial institution founded to bring countries together to address the daunting infrastructure needs across Asia. By furthering interconnectivity and economic development in the region through advancements in infrastructure and other productive sectors, we can help stimulate growth and improve access to basic services.

AIIB opened its doors January, 2016, following a 15 month participatory process during which the founding members worked collaboratively to shape our core philosophy, principles, policies, value system and operating platform. AIIB foundation is built on the experience of successful private sector companies and existing MDBs. The core principles are openness, transparency, independence and accountability and aim for "Lean, Clean and Green".

[THE NEW DEVELOPMENT BANK](#) (NDB)

The New Development Bank (NDB), formerly referred to as the BRICS Development Bank, is a multilateral development bank established by the BRICS states (Brazil, Russia, India, China and South Africa). According to the agreement on the NDB, "the Bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments." Moreover, the NDB "shall cooperate with international organizations and other financial entities, and provide technical assistance for projects to be supported by the Bank." The initial authorized capital of the bank is \$100 billion divided into one million shares having a par value of \$100,000 each. The initial subscribed capital of the NDB is \$50 billion divided into paid-in shares (\$10 billion) and callable shares (\$40 billion). The initial subscribed capital of the bank was equally distributed among the founding members. The Agreement on the NDB specifies that the voting power of each member will be equal to the number of its subscribed shares in the capital stock of the bank. NDB is currently headquartered in Oriental Financial Centre in Shanghai.

Financing Web Resources

[Trade Finance Guide: A Quick Reference for U.S. Exporters](#), published by the International Trade Administration's Industry & Analysis team:

[Export-Import Bank of the United States](#)

Country Limitation Schedule

OPIC

U.S. Trade and Development Agency

SBA's Office of International Trade

USDA Commodity Credit Corporation

U.S. Agency for International Development

Asian Development Bank

The World Bank

Multilateral Investment Guarantee Agency

International Finance Corporation

The Asian Infrastructure Investment Bank

The New Development Bank (NDB)

Reserve Bank of India

Other Nationalized banks

Credit Guarantee Fund Trust for Small Industries (CGTSI)

Development Insurance and Credit Guarantee Corporation (DICGC)

Export-Import Bank of India

Indian Renewable Energy Development Agency Limited (IREDA)

Industrial Development Bank of India (IDBI)

Power Finance Corporation Limited

Agriculture Insurance Company of India Limited

Export Credit Guarantee Corporation of India Limited (ECGC)

Insurance Regulatory and Development Authority

Life Insurance Corporation of India (LIC)

General Insurance Corporation of India

Oriental Insurance Company Limited (OICL)

SBI Life Insurance Company Limited (SBI LIFE)

Securities and Exchange Board of India

National Securities Depository Limited (NSDL)

National Stock Exchange (NSE), India

Stock Exchange, Mumbai (BSE)

Business Travel

Business Customs

One of the most striking features about India is the size and diversity of the country. Given its vastness and variety, there is no single way to understand India. That said, there are a couple of major issues that business visitors should keep in mind:

The sense of time is much different for Indians than it is for Americans. If there is a business event such as a cocktail hour at night, it may begin at 7, but people often will not show up until an hour or so later. Although many Indians are aware of Americans' adherence to time, business meetings can also start late, so it's important to keep your schedule flexible.

It is considered polite in India to inquire about dietary preferences, since Hindus abstain from beef, Muslims abstain from pork, and Indians of many religions are vegetarians.

The business card ritual is not so formal as in China or Japan, but it is a good idea to carry decent and presentable cards with you. Cards in English only are fine and you do not need to print them in local languages. When presenting, both hands should be used.

For your reference, some popular English-language guidebooks include: Lonely Planet India, Fodor's India, and the India Eyewitness Travel Guide.

Travel Advisory

The [U.S. Department of State consular information sheet](#) for India can be found at:

All U.S. citizens visiting or residing in India are strongly encouraged to register for the Smart Traveler Enrollment Program (STEP) at travel.state.gov in order to receive the latest updates regarding travel to India and elsewhere.

Visa Requirements

All U.S. citizens need a valid passport and valid Indian visa to enter and exit India for any purpose. Please ensure you have the correct type of visa for your planned activity in India. If you have the incorrect visa you may be refused entry. Many visitors, including those on official U.S. government business, must apply for visas at an Indian embassy or consulate abroad before entering the country.

U.S. citizens seeking to enter India solely for tourist purposes, and who plan to stay no longer than 60 days, may apply for an electronic travel authorization at least four days prior to their arrival in lieu of applying for a tourist visa at an Indian embassy

or consulate. Please visit the [Indian government's website for electronic travel authorization](#) for additional information regarding the eligibilities and requirements for this type of visa. Without the electronic travel authorization visas are not available upon arrival for U.S. citizens. If you do not have a valid passport and visa you may be denied admission. The U.S. Embassy and Consulates General in India cannot assist you if you arrive without proper documentation. Please carry photocopies of the bio-data page of your U.S. passport and the pages containing the Indian visa and Indian immigration stamps. If your passport is lost or stolen, copies will help you apply for a replacement passport and an exit visa from the Indian government. Replacing a lost visa, which is required in order to exit the country, may take three to four business days.

U.S. citizens wishing to visit India are responsible for requesting the correct type of visa from the Indian Embassy or Consulate. There are generally no provisions for changing your immigration category (e.g., from tourist to work visa) once you have entered the country. Indian visa regulations change frequently, often with little advance notice, and changes may be poorly advertised and inconsistently enforced. Travelers are urged to check the [website of the Indian Embassy in Washington, D.C.](#) before any travel to India to review the most current information. Indian visas may be obtained in the United States through [Cox & Kings Global Services](#), the Government of India's visa contractor. Diplomatic and Official visa applications, however, are accepted directly at the Indian Embassy and Consulates. Please review the information on the Cox & Kings Global Services website to determine your purpose for travel and the most appropriate visa category. All U.S. government employees, including military personnel, must obtain country clearance for travel to India. Once you have received your visa, check it carefully to ensure that the type of visa and number of entries is appropriate for your travel plans.

U.S. citizens of Pakistani origin or descent are subject to administrative processing and should expect additional delays when applying for Indian visas.

Foreign citizens who visit India to study, do research, work, or act as missionaries, as well as all travelers and residents planning to stay more than 180 days, are required to register their visit or residency within 14 days of arrival with the Foreigners Regional Registration Office (FRRO) closest to where they will be staying in addition to having the appropriate visa when they enter India. The FRRO maintains offices in New Delhi, Mumbai, Chennai, Hyderabad, Kolkata, Bengaluru (Bangalore), Lucknow, Calicut, Goa, Cochin, Trivandrum, and Amritsar. District Superintendents of Police serve as Foreigners Registration Officers (FROs) in all other places. We recommend all U.S. citizens review the entry requirements described on the [Frequently Asked Question \(FAQ\)](#) section on the Indian Bureau of Immigration website.

If you overstay your Indian visa, or otherwise violate Indian visa regulations, you may require clearance from the Ministry of Home Affairs in order to leave the country. Generally you will be fined and, in some cases, may be jailed for months. Visa violators seeking an exit clearance are requested to schedule an online appointment at the [Ministry of Home Affairs website](#) before visiting the Visa Facilitation Center at The Ministry of Home Affairs, Foreigners Division, NDCC-II Building, Sai Singh Road, New Delhi 110001 (tel. 91-11-2343-8037). Processing of an exit visa under these circumstances can take up to 90 days and decisions will be made on a case-by-case basis.

For the most current information on entry and exit requirements, please contact the [Embassy of India](#) at 2536 Massachusetts Avenue NW, Washington, DC 20008, telephone (202) 939-9806 or the Indian Consulates in [Chicago](#), [New York](#), [San Francisco](#), [Atlanta](#), or [Houston](#). Outside the United States, inquiries should be made at the nearest Indian embassy or consulate.

General information regarding Indian visa and immigration rules, including the addresses and telephone numbers for the FRRO offices, can be found at the [Indian Ministry of Home Affairs Bureau of Immigration website](#).

Currency

The currency used in India is the rupee and other currencies are not commonly accepted. There are Authorized Foreign Exchange dealers in most big cities, and banks will also change your currency if you have time for the paperwork. You may find difficulty getting change for rupee notes larger than 100.

Visa, MasterCard, and American Express credit and debit cards are widely accepted. ATMs are widely available, but generally only at banking outlets. Virtually all ATMs will accept a card from any of the major U.S. ATM networks.

Traveler's cheques are cashed at almost all money exchange counters, hotels, and airports.

Telecommunications/Electric

The cellular phone technology predominately used in India is GSM; however, CDMA network service is available. Although likely expensive, this means that if your current U.S. cell phone is enabled with international calling (contact your service provider to make sure), you can take it and use it in India.

If your U.S. cell phone is "frequency unlocked" (contact your service provider to find out), then you can also use your U.S. cell phone by replacing its SIM card for one serviced by a local operator.

Possession and import of satellite-based communication devices is unlawful in India. It is advisable to contact the Embassy of India in Washington or one of India's consulates in the United States for specific information regarding this and other customs restrictions. More information is available from the [Indian Central Board of Excise and Customs](#).

Although speeds vary, virtually all hotels are equipped with internet and Wi-Fi.

Voltage in India is 230 volts and plugs are International Electrotechnical Commission Type C and D. You will need a voltage converter and plug adapter in order to use U.S. appliances.

While telecommunication service is generally adequate in India, knowing what digits to dial can be a little complicated, especially between landlines and cell phones, and when making international calls. The following dialing instructions are worth keeping handy:

AC = area code

CC = country code

Caller in USA to Local Cell Phone [011] + 91+Local Cell number

Caller in USA to Local Landline [011] + 91+AC+Number

Local landline to international number 00+CC+AC+Number

Local landline to local long distance 0+AC+Number

Local Landline to Local Cell phone Local cell number

Local Cell to India Landline 0+AC+number

Local Cell to Local Cell Local cell number

Local Cell to Local Cell (in another city) 0+Cell number

Local Cell to International long distance 00+CC+AC+Number

The country code for India is 91

Major Indian area codes:

Ahmedabad 79

Bangalore 80

Chennai	44
Delhi	11
Hyderabad	40
Kolkata	33
Mumbai	22
Pune	20

Transportation

To and From India

There are just a few direct flights to India from the United States on a U.S. carrier. Flight times are 14-16 hours.

Getting to South or East India from the United States requires connecting, with the most and fastest options through Europe. United/Lufthansa has a flight connecting through Frankfurt, Delta/Air France through Paris, and British Airways through London. Travelers from the West Coast might consider going through Bangkok or Singapore.

Within India

Travel by road in India is dangerous. A number of U.S. citizens have suffered fatal traffic accidents in recent years. Travel at night is particularly hazardous. Buses, patronized by hundreds of millions of Indians, are convenient in that they serve almost every city of every size. However, they are usually driven fast, recklessly, and without consideration for official rules of the road. Trains are somewhat safer than buses, but train accidents still occur more frequently than in developed countries.

In order to drive in India, one must have either a valid Indian drivers' license or a valid international drivers' license. However, the vast majority of foreign visitors to India hire a car and driver. This is highly recommended. Travelers should remember to use seatbelts in both rear and front seats where available and to ask their drivers to maintain a safe speed.

Heavy traffic is the norm and includes (but is not limited to) overloaded trucks and buses, scooters, pedestrians, bullock and camel carts, horse or elephant riders en route to weddings, and free-roaming livestock. Traffic in India moves on the left. It

is important to be alert while crossing streets and intersections, especially after dark as traffic is coming in the “wrong” direction (i.e., from the left).

If a driver hits a pedestrian or a cow, the vehicle and its occupants are at risk of being attacked by pedestrians. Such attacks pose significant risk of injury or death to the vehicle's occupants or at least of incineration of the vehicle. It can thus be unsafe to remain at the scene of an accident of this nature, and drivers may instead wish to seek out the nearest police station.

Language

Although English is considered to be the official language of business, it is important to keep in mind that the American accent is very difficult for the Indian ear to understand – likewise, the Indian accent is often difficult for Americans to understand – so at times, we remain divided by a common language. Remember to speak slowly and clearly.

India has a diverse list of spoken languages among different groups of people. At least 30 different languages and around 2000 dialects have been identified, fifteen of which can be found on India's currency in addition to English. The Constitution of India has stipulated the usage of Hindi as the official language and English as the associate official language for official communication for the national government. Additionally, it contains a list of 22 scheduled languages.

Health

One of the major challenges for all travelers to India is staying healthy. While adequate to excellent medical care is available in the major population centers, it is usually very limited or unavailable in rural areas, so it is important to take precaution to avoid getting sick in the first place. Most important is to wash your hands at every opportunity with warm soapy water for at least 20 seconds. Dry them with a paper towel and use the towel to turn off faucet handles.

Wash your hands particularly before you handle food, after you handle food, before you eat, and also before you touch your face. Use an alcohol hand sanitizer when you cannot get to a faucet.

Water and Ice: Do not drink hotel or restaurant water. Only bottled water, soft drinks, beer, wine, hot tea and coffee are considered safe. Order all drinks without ice.

Meat and Fish: All meat and fish should always be cooked well done, ordered well done in restaurants, and eaten hot to prevent illness.

Salads, unpeeled fruit and vegetables: Generally, it is not safe to eat unpeeled fruit and vegetables. But if you are so inclined, you can prepare them properly in your hotel room (see below). As beautiful as some of the salad bars look, they should be totally avoided in restaurants and in homes where you are not certain about the kitchen practices. People get sick from salad bars, even those in 5 star hotel restaurants.

Buy only fruits and vegetables without holes or broken skin.

Wash all fruits and vegetables with soap and warm water. Clean each with a vegetable brush to remove dirt. Rinse in cold tap water. Soak all fruits and vegetables for 20 minutes in a 5% bleach solution. Prepare 5% bleach by adding one tablespoon of Clorox (household bleach, U.S. or foreign) to one gallon of water. Rinse the fruits and vegetables with potable bottled water. Drain and allow to dry before refrigerating.

Local milk: The medical staff of the U.S. Embassy does not recommend drinking local milk. In restaurants milk added to tea or coffee is boiled and therefore considered safe. To be sure, ask if the milk has been boiled.

Diarrhea is usually caused by ingesting food or water containing viruses, parasites, bacteria, or bacterial toxins. Hands (yours or someone else's), non-potable water and contaminated raw fruits and vegetables are the usual vehicles that carry the offending agent(s) into your mouth and then into the intestinal tract. Diarrhea can be treated with supportive measures. Pepto-Bismol is quite effective in most cases. The routine use of Lomotil, Imodium, or antibiotics is discouraged. If diarrhea persists for longer than 24 hours or any of the symptoms of dysentery develop, you should seek medical care.

As the treatment for diarrhea varies depending on its etiology (bacteria, giardia, amoeba, etc.), it is preferable to identify the cause and take only those medications truly necessary. Most diarrhea is self-limited and will resolve in 3–5 days.

In addition to any medications used for diarrhea, it is important to replace the fluid lost in the stool in order to maintain adequate hydration. Many of the symptoms are due to fluid and electrolyte (salts) loss. If adequate fluids cannot be taken, medical advice should be sought.

To replace lost fluids and electrolytes, you should consume large amounts of liquids, especially Oral Rehydration Solution (ORS). ORS packets are available in most upscale hotels. Other helpful fluids include soft drinks and clear soup. Eat a bland

diet (bananas, rice, apple sauce, and toast). Avoid dairy products until recovery occurs.

Seek medical care in the following cases:

- Diarrhea is accompanied by blood
- Diarrhea persists for more than 48 hours
- Vomiting persists
- Cramps are severe and/or are accompanied with persistent abdominal pain
- Persistent fever over 101 degrees F
- Noticeably reduced urinary output or loss of weight

Most individuals rely on their thirst mechanism to "tell" them when to drink. In temperate climates this is adequate, but the thirst mechanism can become inadequate in tropical climates and individuals can become chronically dehydrated. You should drink at least 2 quarts (8 glasses) of non-alcoholic beverages daily to assist your body in maintaining a good fluid balance. Remember that alcohol is a dehydrating agent and can actually increase risk.

Parasitic Diarrheal Infections are quite common throughout most of India. The two most common types are amoebiasis and giardiasis. Diagnosis and treatment require stool examinations.

Many amoebic infections are without symptoms. Symptomatic cases may present with mild abdominal discomfort and diarrhea alternating with periods of constipation or acute dysentery with fever, chills, and bloody or mucoid diarrhea.

Giardiasis, while often asymptomatic, may also be associated with a variety of symptoms such as abdominal discomfort, bloating, vomiting, loose malodorous stools, fatigue, and weight loss.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection and malaria information, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's Internet site at <http://wwwnc.cdc.gov/travel/destinations/india.htm>. For information about outbreaks of infectious diseases abroad consult the [World Health Organization](#)'s (WHO) website at Further health information for travelers is available [online](#).

Indian health regulations require all travelers arriving from Sub-Saharan Africa or other yellow-fever areas to have evidence of vaccination against yellow fever. Travelers who do not have such proof are subject to immediate deportation or a six-day detention in the yellow-fever quarantine center. U.S. citizens, who transit through any part of sub-Saharan Africa, even for one day, are advised to carry proof of yellow fever immunization.

Medical insurance: Americans should consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see information on [medical insurance overseas](#).

We strongly recommend [supplemental insurance](#) to cover medical evacuation.

Local Time, Business Hours and Holidays

Despite its geographic size, India has adopted one time zone, five and one-half hours ahead of Greenwich Mean Time (GMT). It has not adopted daylight savings time and uses standard time countrywide throughout the year.

Therefore, the time difference between India and the United States varies depending on the time of year. India is nine hours and 30 minutes ahead of Washington, D.C., during daylight savings time and 10 hours and 30 minutes ahead of Washington, D.C., during standard time.

The standard six-day working week is Monday through Friday, 9:30 a.m. to 5:30 p.m., with a half-day on Saturday. Normally lunch is for one hour, between 1:00 p.m. and 2:00 p.m. However, in some large cities such as Mumbai, businesses start working earlier to avoid congested traffic while commuting. Central government offices are closed on Saturdays. Banking hours are 10:00 a.m. to 2:00 p.m. on weekdays and 10:00 a.m. to 12:00 noon on Saturdays. In major metropolitan cities, several foreign and Indian-owned banks are beginning to provide 24-hour banking services

Temporary Entry of Materials or Personal Belongings

All goods entering India are subject to Customs inspection and clearance. An individual must be in India and is usually required to be present during the Customs clearance process. Most household goods and personal effects are granted tax and duty-free entry provided they have been used and in the individuals possession for a minimum of six months.

Indian customs authorities encourage the use of an ATA (Admission Temporaire/Temporary Admission) Carnet for the temporary admission of

professional equipment, commercial samples, and/or goods for exhibitions and fair purposes. ATA Carnet Headquarters, located at the [U.S. Council for International Business](#), 1212 Avenue of the Americas, New York, NY 10036, issues and guarantees the ATA Carnet in the United States. For additional information call (212) 354-4480, or [email USCIB](#) for details.

Before [traveling to or from India](#), you are urged to inspect all bags and clothing thoroughly to ensure they do not [inadvertently contain prohibited items](#). Several U.S. citizens have been arrested or detained when airport security officials discovered loose ammunition (even spent individual bullets and casings) or weapons in their luggage. If you are found to have loose ammunition or bullets (including empty bullet shells used in souvenirs) on your person or in your bags, you could be charged with violation of the Indian Arms Act, incarcerated, and/or deported from India.

For information on temporary import of goods, please refer Chapter 8 of the Country Commercial Guide.

Travel Related Web Resources

[Department of State](#)

[Department of State: Travel Advisory](#)

[Indian Embassy](#)

[India's Official Website](#)