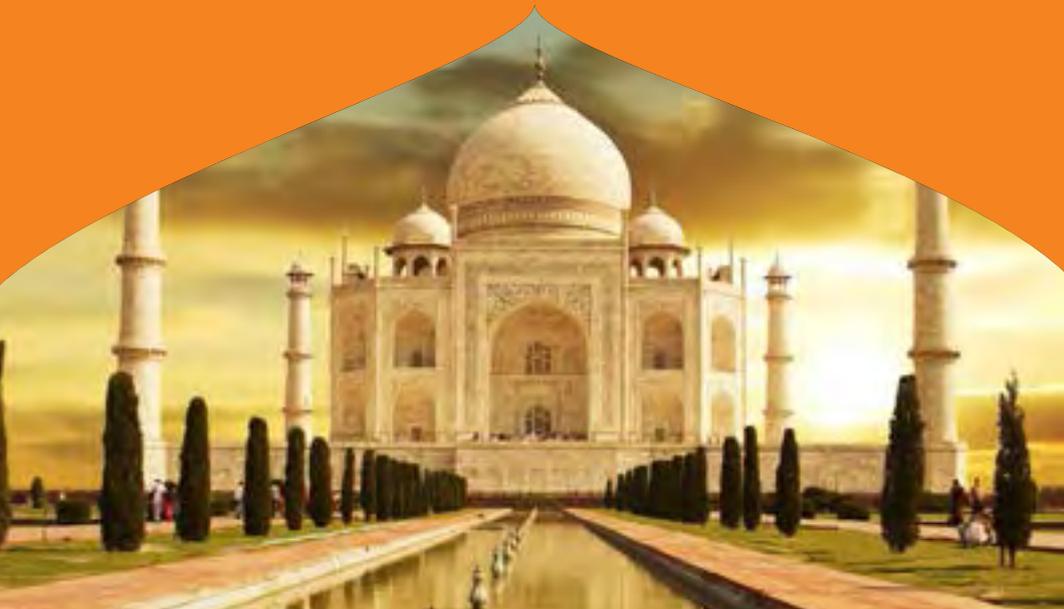


A GUIDE TO DOING BUSINESS WITH INDIA



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

towards full-scale **industrialisation** and inclusive **growth**

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Introduction

India is one of the oldest civilizations in the world and has a rich cultural heritage. The country was freed from British rule on August 15, 1947 and is a Union of States. India is a Sovereign Socialist Secular Democratic Republic with a Parliamentary System of Government. The Republic is governed in terms of the Constitution of India, which was adopted by the Constituent Assembly on 26 November 1949 and came into force on 26 January 1950.

India economy is the fourth-largest economy in the world. Global investment bank Goldman Sachs has estimated that by 2035 India will be the third-largest economy of the world, after the United States (US) and China.

Prior to 1991, India was following a mixed economy with the government sector playing a major role in its management. In 1991, real economic reforms were initiated through reducing government intervention and giving more leeway to market forces to operate. Since then, the economy has been growing at an average of 8% a year. From 2010 to the first quarter of 2012, however, growth slowed to 7% as a result of the economic situation in the US and Europe. The economy has shown good signs of recovery since 2014, hovering at 7% to 7.5%, and should remain in this range in 2018/19. India's economy will continue to grow on account of its strong fundamentals and huge market size.

India at a Glance

Population	1.3 billion (2015) Sex ratio is Male 1000 – Female 900
Languages	The Constitution of India recognises 22 languages. Hindi is the official language, but English is widely used for official purposes.
Capital	New Delhi
Time zone	GMT +05:30
Flights from South Africa	Emirates
Form of government	Parliamentary system of government Federal government at the centre, with 30 states and five centrally administered states



India at a Glance

Total GDP	\$8.23 trillion (2017) PPP
GDP per capita	\$1,977 (2017)
GDP growth rate	7.2% (2017-2018)
Inflation	4.2% (2018)
Currency	() Indian Rupee - INR
US\$ exchange rate	1 USD : INR 69.32 (April 2019)

Public Holidays

2019	Holidays in India
Jan 26	Republic Day
21 March	Holi
April 19	Good Friday
June 5	Eid ul Fitr
Aug 15	Independence Day
Oct 2	Gandhi Jayanti
Oct 8	Dussehra
Oct 27	Diwali
Dec 25	Christmas

Geography and Climate

Area: 3.2 million square kilometres

Location: The Indian peninsula is separated from mainland Asia by the Himalayas. The country is surrounded by the Bay of Bengal in the east, the Arabian Sea in the west, and the Indian Ocean to the south.

Geographic Co-ordinates: Lying entirely in the Northern Hemisphere, India extends between 8°4' and 37°6' latitudes north of the Equator, and 68°7' and 97°25' longitudes east of it.

Border Countries: Afghanistan and Pakistan to the north-west; China, Bhutan and Nepal to the north; Myanmar to the east; and Bangladesh to the east of West Bengal. Sri Lanka is separated from India by a narrow channel of sea, formed by the Palk Strait and the Gulf of Mannar.

Coastline: 7,516.6km encompassing the mainland, Lakshadweep Islands, and the Andaman and Nicobar Islands.

Climate: Broadly classified as tropical monsoon. In spite of much of the northern part of India lying beyond the tropical zone, the country has a tropical climate marked by relatively high temperatures and dry winters. Winter runs from December to February;

summer from March to June; south-west monsoon season from June to September; and post-monsoon season from October to November.

Terrain: The mainland comprises four regions, namely the great mountain zone, plains of the Ganga and the Indus, the desert region, and the southern peninsula.

Natural Resources: Coal, iron ore, manganese ore, mica, bauxite, petroleum, titanium ore, chromite, natural gas, magnesite, limestone, arable land, dolomite, barytes, kaolin, gypsum, apatite, phosphorite, steatite, fluorite, etc.

Natural Hazards: Monsoon floods, flash floods, earthquakes, droughts and landslides.

Environment: India is a signatory to international agreements such as the Rio Declaration on environment and development, Cartagena Protocol on biosafety, Kyoto Protocol to the United Nations Framework Convention on climatic change, World Trade Agreement, Helsinki Protocol to LRTAP on the reduction of sulphur emissions of nitrogen oxides or their transboundary fluxes (Nox Protocol), and Geneva Protocol to LRTAP concerning the control of emissions of volatile organic compounds or their transboundary fluxes (VOCs Protocol).

Visa Requirements

Foreign nationals who wish to enter India must possess a valid passport of their country and a valid Indian visa. The Consular Passport and Visa (CPV) Division of the Ministry of External Affairs is responsible for the issuance of Indian visas to foreign nationals. This facility is granted through various Indian missions abroad.

Visa fees are non-refundable and subject to change without notice. The High Commission reserves the right to grant and decide on the type/duration of visa irrespective of the fees tendered at the time of making the application. Granting of visas does not confer the right of entry to India and is subject to the discretion of the immigration authorities.

India has a provision of "Visa on Arrival" for 11 selected countries: Finland; Japan; Luxembourg; New Zealand; Singapore; Cambodia; Vietnam; the Philippines; Laos; Myanmar; and Indonesia; and \$60 is charged as fee for immigration facilities at the airports. Foreign passengers must ensure that they are in possession of a valid Indian visa before they embark on their journey to India.

Gratis (free of charge) visas are issued to those holding diplomatic or official passports and to persons of the following nationalities: Afghanistan, Argentina,

Bangladesh, Hungary, Jamaica, Maldives, Mauritius, Mongolia, Poland, Republic of Slovakia, South Africa and Uruguay.

Overview of the Industry and Infrastructure

India has emerged as the fastest-growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). The country, backed by its strong democracy and partnerships, is expected to become one of the top three economic powers in the world over the next 10 to 15 years. India's economy is expected to grow at a rate of 6.7% in 2017/18 and 7.2% in 2018/19.

The improvement in India's economic fundamentals accelerated in 2015 as a result of the combined impact of strong government reforms and the Reserve Bank of India's (RBI) inflation focus, supported by benign global commodity prices.

India's consumer confidence index stood at 128 in the second quarter of 2017, topping the global list of countries on the same parameter, as a result of strong consumer sentiment.

Moody's has affirmed the Government of India's Baa3 rating with a positive outlook, stating that government reforms will enable the country to perform better than its peers over the medium term.

Market size

India's gross domestic product (GDP) grew 5.7% year-on-year in the quarter of April to June 2017, as per the Organisation for Economic Cooperation and Development (OECD) Economic Survey of India 2017. According to the IMF World Economic Outlook Update (January 2017), India's economy is expected to grow by 7.2% in 2016/17 and further accelerate to 7.7% in 2017/18.

The tax collection figures in the April-June 2017 quarter show an increase in Net Indirect Taxes of 30.8% and an increase in Net Direct Taxes of 24.79% year-on-year, indicating a steady trend of healthy growth. The total number of e-filed Income Tax Returns rose 21% year-on-year to 42.1 million in 2016/17, while the number of e-returns processed during the same period stood at 43 million.

Corporate earnings in India are expected to grow more than 20% in 2017/18, supported by normalisation of profits, particularly in sectors such as automobiles and banks, while GDP is expected to grow by 7.5% during the same period, according to Bloomberg consensus.

According to the Reserve Bank of India (RBI), economic activity in the country, as measured by gross value added (GVA), is expected to increase by 7.3% in 2017/18, as against 6.6% in 2016/17.

India has retained its position as the third-largest start-up base in the world, with more than 4 750 technology start-ups and about 1,400 new start-ups being founded in 2016, according to a report by NASSCOM.

India's labour force is expected to reach between 160 million and 170 million by 2020, based on the rate of population growth, increased labour force participation and higher education enrolment, among other factors, according to a study by ASSOCHAM and Thought Arbitrage Research Institute.

India's foreign exchange reserves stood at US\$ 399.921 billion as of October 20 2017, as compared to US\$367.932 billion on March 24, 2017, according to data from the RBI.

Recent developments

With the improvement in the economic scenario, there have been various investments leading to increased M&A activity.

M&A activity in India has more than doubled year-on-year to reach US\$61.26 billion in 2016/17. Early-stage start-ups in India are expected to raise US\$800 million in 2017, due to a greater focus on profitability and sustainable growth, as per a report by InnoVen Capital.

- Eight Indian companies filed documents with the Securities and Exchange Board of India (Sebi) in the last week of September 2017 for initial public offers (IPO) worth Rs5,000 crore (US\$765.1 million).
- Remittances to India are expected to grow 4.2% to reach US\$65 billion in 2017, making it the largest remittance recipient in the world.
- The total projected expenditure of Union Budget 2018/19 is Rs23.4 lakh crore (US\$ 71.81 billion), 9% higher than the previous year's budget, as laid out in the Medium Term Expenditure Framework (MTEF).
- Real estate firm Embassy Group has entered into a joint venture with US-based Taurus Investment Holdings to develop a 10-acre Special Economic Zone (SEZ) in Kerala at a total cost of US\$140 million.
- Efficient implementation of the Goods and Services Tax (GST) can help the Indian economy grow at more than 8% with huge gains expected from the internal integration of markets in the next five to eight years, according to Junaid Ahmad, India Country Director, World Bank.
- India's exports to Singapore increased by 23% in 2017 and bilateral trade between the two countries has the potential to reach US\$25 billion by 2019/20.
- Indian enterprises are expected to raise record funds worth Rs2.5 lakh crore (US\$39.14 billion) from the financial markets, with more than 150 companies interested in initial public offerings (IPOs), qualified institutional placements (QIPs) and follow-on public offerings, according to Prime Database.
- India received the highest-ever inflow of equity in the form of foreign direct investments (FDI) worth US\$43.4 billion in 2016/17 and has become one of the most open global economies by ushering in liberalisation measures, as per the mid-year economic survey of India.
- The World Bank has stated that private investment in India is expected to grow by 8.8% in 2018/19 to overtake private consumption growth of 7.4%, and thereby drive growth in India's GDP in 2018/19.
- Niti Aayog has predicted that rapid adoption of green mobility solutions such as public transport, electric vehicles and car-pooling could likely help India save around Rs3.9 trillion (US\$60 billion) in 2030.
- Indian impact investments may grow 25% annually to reach US\$40 billion by 2025, according to Anil Sinha, Global Impact Investing Network's (GIIN's) advisor for South Asia.

- The Union Cabinet, Government of India, has approved the Central Goods and Services Tax (CGST), Integrated GST (IGST), Union Territory GST (UTGST) and Compensation Bills.
- Indian merchandise exports registered a growth of 10.29% year-on-year in August 2017 at US\$23.818 billion as compared to US\$21.597 million during August, 2016, according to the data from Ministry of Commerce and Industry.
- Retail inflation for February 2017 was reported at 3.36%, compared to 5.05% a year ago, as per Ministry of Statistics and Programme Implementation (MOSPI).
- India's industry output grew 2.74% year-on-year in January 2017, led by a good performance in the capital goods sector, which registered a 10.7% year-on-year growth.

Government initiatives

In the Union Budget 2017/18, Finance Minister Arun Jaitley verified that the major push of the budget proposals is on growth stimulation, providing relief to the middle class, providing affordable housing, curbing black money, digitalisation of the economy, enhancing transparency in political funding and simplifying the tax administration in the country.

India's unemployment rate declined to 4.8% in February 2017 compared to 9.5% in August 2016, as a result of the government's increased focus on rural jobs and the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme.

The Government of Maharashtra has set a target to double farm income by 2022 through measures like large scale micro irrigation, water conservation, expansion of formal cash credit coverage, crop insurance and agriculture diversification, as per Mr Vidyasagar Rao, Governor of Maharashtra.

Numerous foreign companies are setting up their facilities in India on account of various government initiatives such as Make in India and Digital India. Narendra Modi, Prime Minister of India, has launched the Make in India initiative to boost the manufacturing sector, increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25% of the GDP from the current 17%. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Some of the recent initiatives and developments undertaken by the government include:

- The Government of India has approved five Foreign Direct Investment (FDI) proposals from Oppo Mobiles India, Louis Vuitton Malletier, Chumbak Design, Daniel Wellington AB and Actoserba Active Wholesale Pvt Ltd, according to Department of Industrial Policy and SS Promotion (DIPP).
- The Government of India plans to facilitate partnerships between gram panchayats, private companies and other social organisations to push for rural development under its "Mission Antyodaya" and has already selected 50,000 panchayats across the country for the same.
- The Telangana state government has planned expenditure of Rs20,146 crore (US\$3.14 billion) for development activities in the capital city of Hyderabad in a push to make it a global city.
- The fiscal deficit of the Government of India, which was 4.5% of the GDP in 2013/14, steadily reduced to 3.5% in 2016/17 and is expected to further decrease to 3.2% in 2017/18, according to RBI.
- The Government of India plans to implement a new scheme "Sasti Bijli Har Ghar Yojana" with an outlay of Rs17,000 crore (US\$2.64 billion), to provide electricity to about 40-million un-electrified households in the country.
- The Government of India and the Government of Portugal have signed 11 bilateral agreements in areas of outer space, double taxation, and nano technology, which will help strengthen economic ties between the two countries.
- India's revenue receipts are estimated to touch Rs28-30 trillion (US\$436- 467 billion) by 2019, owing to Government of India's measures to strengthen infrastructure and reforms such as demonetisation and Goods and Services Tax (GST).
- Finance Minister Arun Jaitley has stated that start-ups incorporated after March 31 2016 can avail a three-year tax holiday in the first seven years of their existence, instead of five years, and reduced the tax rate for enterprises with a turnover up to Rs50 crores (US\$7.68 million) to 25% instead of the earlier 30%.

Road ahead

According to a report by Deutsche Bank, India will achieve an average real GDP growth rate of 7.4% in 2017 and 2018, owing to an improvement in the private investment cycle and strong consumption in the private sector. India's GDP is also expected to reach US\$6 trillion by 2027 and achieve upper-middle-income status on the back of digitisation, globalisation, favourable demographics and reforms.



India is focusing on renewable sources to generate energy. It plans to achieve 40% of its energy from non-fossil sources by 2030 (it currently stands at 30%) and increase its renewable energy capacity from 57GW to 175GW by 2022.

India is expected to be the third-largest consumer economy. According to a Boston Consulting Group (BCG) report, its consumption may triple to US\$4 trillion by 2025, owing to a shift in consumer behaviour and expenditure pattern. It is estimated to surpass the US to become the second-largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers. Prime Minister Narendra Modi has stated that India has become the world's fastest-growing large economy and is expected to grow five-fold by 2040, owing to a series of policy measures.

Exchange rate used: INR 1 = US\$0.015 as on October 11 2017

Roads

India's road network is the second-largest in the world, with a total length of 4.1-million kilometres. India's roads carry about 65% of freight and 80% of passenger traffic.

Railways

India's railway is the most cost-efficient mode of transport and enjoy preference over other modes of public transport. The railway services are extensively used for passenger and freight transfer. With thousands of railway stations across the country, India's railway is the most affordable, convenient and well-connected network.

Ports

India's 187 minor and 13 major ports are spread across nine maritime states. The national maritime agenda envisages an expansion of total port traffic from current the 800-million tonnes (MT) to about 2,500MT by 2020.

Main exports and imports

Exports	Imports
Engineering goods	Crude oils
Petroleum products	Electrical machinery
Chemicals	Electronics goods
Gems and jewellery	Gold and silver
Textiles	Chemicals
Engineering goods	Crude oils
Petroleum products	Electrical machinery
Chemicals	Electronics goods
Gems and jewellery	Gold and silver
Textiles	Chemicals
Processed foods	Transport equipment
Marine products	Coal and coke
Ores and minerals	Fertilizers
Leather goods	Fertilizers
Electronics goods	Iron and steels

Security

India is a peaceful country. It is, however, not safe from terrorist strikes and so foreigners should be vigilant. Visitors to the Indian cities of Delhi, Mumbai, Kolkata, Chennai, Bengaluru, Hyderabad and Ahmedabad should be cautious in areas such as market places. Hotels are safe and it is advisable to make use of hotel taxis. Foreigners are advised not to expose their money purses in market places and in front of taxi drivers.

Doing Business

Business culture

India can be classified as a diverse society representing many cultures and as such it is difficult to apply a "one-size-fits-all" approach to doing business in the country. Factors such as regionalism, religion, language and caste need to be taken into account. **Behaviour, etiquette and approach are all modified** depending on whom you are addressing and the context in which they are being addressed.

Language

Different states in India have different official languages. Hindi is, however, recognised as the official language of the country as a whole. When doing business in India though, English is regarded as the acceptable language to use.

Hierarchy

With its roots in Hinduism and the caste system, Indian society operates within a framework of strict hierarchy that defines people's roles, status and social order. Hierarchy has a big impact on Indian business culture.

Meeting and greeting

Meeting etiquette requires a handshake. Indians themselves, however, greet each other using the term "Namaste". This is where the palms are brought together at chest level with a slight bow of the head.

Etiquette

When addressing an Indian whom you know personally always use the appropriate formal title, whether Professor, Doctor, Mr or Mrs. If you do not know the person, then Sir or Madam will suffice. Business cards should be exchanged at first meeting.

Building relationships

Doing business in India involves building relationships. Indians only deal favourably with those whom they know and trust, even at the expense of lucrative deals.

Making appointments

Indians appreciate punctuality and keeping one's commitments. Many visitors to India, however, find it very disconcerting that often Indians themselves are quite casual in keeping to their time commitments.

It is advisable to schedule your appointment at least a couple of months in advance.

There is a distinct difference in the cultures of government departments and business organisations. It is usually more difficult to secure an appointment with officials in government departments.

Normal office hours are 10:00 to 17:00.

Guidelines for business dress

Normal business dress for men is a suit and tie.

Foreign women should wear pant suits or skirts that cover the knees. The neckline of their blouse or top should also be high. A salwar suit is also acceptable business dress for women.

Conversation

Most Indians enjoy good conversation on a variety of topics. In general, they are open and friendly, and compared to many countries in the West have a lesser sense of privacy.

Indians seldom express their disagreement in a direct manner. In most cases – unless it is a crucial issue – it is advisable to avoid expressing direct disagreement.

Topics to avoid in conversation

Indians are tolerant people and accepting of religious differences. Indian society has a large rich-poor divide, and Indians are sensitive and defensive about the poverty in their country. They are proud of the economic growth their country has seen.

Giving of gifts

Gift-giving is customary in India and is seen as a sign of friendship. It is, however, generally not expected to give gifts at the first meeting. It is advisable not to give expensive gifts, unless you are very close to the person. Be cautious in giving a leather item as a gift. Many Hindus are vegetarians and may not appreciate items made of leather.

Public behaviour

In general, Indian society is conservative about

heterosexual physical contact and relationships. Refrain from greeting people with hugs and kisses. Shaking hands with women, since it involves physical touch, is not universally accepted in Indian society. It is customary to allow women and guests to proceed first.

Business hours

Week days

Banks: 09:30- 17:00

Business Industry:10:00- 18:00

Government offices: 10:00-17:00

Shopping Malls: 10:00- 20:00

Shops: 10:00- 22:00

Foreign direct investment in India

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

The Indian government's favourable policy regime and robust business environment have ensured that foreign

capital keeps flowing into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, PSU oil refineries, telecom, power exchanges and stock exchanges.

Market size

According to the Department of Industrial Policy and Promotion (DIPP), total FDI investment in India from April to September 2017 stood at US\$33.75 billion, indicating that government's efforts to improve ease of doing business and relaxation in FDI norms is yielding results.

Data for April to September 2017 indicates that the telecommunications sector attracted the highest FDI equity inflow of US\$6.08 billion, followed by computer software and hardware at US\$3.05 billion, and services at US\$2.92 billion. Most recently, the total FDI equity inflows for the month of September 2017 touched US\$2.12 billion.

From April to September 2017, India received the maximum FDI equity inflows from Mauritius (US\$11.47 billion), followed by Singapore (US\$5.29 billion), the Netherlands (US\$1.95 billion), the US (US\$1.33 billion) and Germany (US\$934 million).

Indian impact investments could grow 25% annually

to reach US\$40 billion from US\$4 billion by 2025, according to Mr Anil Sinha, Global Impact Investing Network's (GIIN's) advisor for South Asia.

Investments/ developments

In 2016, India was the fastest-growing investment region for foreign investors, led by an increase in investments in real estate and infrastructure sectors from Canada, according to a report by KPMG.

Some of the recent significant FDI announcements are as follows:

- In September 2017, 15 Japanese companies, including Moresco, Toyoda Gosei, Topre and Murakami, signed memorandums of understanding (MoUs) with an intention to invest in the state of Gujarat.
- Singapore's Temasek will acquire a 16% stake worth Rs1,000 crore (US\$156.16 million) in Bengaluru-based private healthcare network Manipal Hospitals, which runs a hospital chain of about 5 000 beds.
- France-based energy firm Engie SA and Dubai-based private equity (PE) firm Abraaj Group have entered into a partnership to set up a wind-power platform in India.



- US-based footwear company Skechers is planning to add 400 to 500 more exclusive outlets in India over the next five years and also to launch its apparel and accessories collection in India.
- The government has approved five FDI proposals from Oppo Mobiles India, Louis Vuitton Malletier, Chumbak Design, Daniel Wellington AB and Actosherba Active Wholesale Pvt Ltd, according to the Department of Industrial Policy and Promotion.
- Cumulative equity FDI inflows in India increased 40% to reach US\$114.4 billion between 2015/16 and 2016/17, as against US\$81.8 billion between 2011/12 and 2013/14.
- Walmart India Pvt Ltd, the Indian arm of the largest global retailer, is planning to set up 30 new stores in India.
- US-based ecommerce giant Amazon invested about US\$1 billion in its Indian arm in 2017, taking its total investment in its business in India to US\$2.7 billion.
- Kathmandu-based conglomerate CG Group is looking to invest Rs1,000 crore (US\$155.97 million) in India by 2020 in its food and beverage business, according to Mr Varun Choudhary, Executive Director of CG Corp Global.
- International Finance Corporation (IFC), the investment arm of the World Bank Group, is planning to invest about US\$6 billion by 2022 in several sustainable and renewable energy programmes in India.
- Warburg Pincus, a private equity firm based in New York, has invested US\$100 million in CleanMax Solar, a rooftop solar development firm, which will be utilised to fund growth opportunities outside India and to improve product offerings.
- Morganfield Group, a Malaysian restaurant and bar chain, is planning to enter India by launching three of its brands, Morganfield's, Mocktail Bar and Snackz It by the end of 2017. The company expects to open 250 outlets in India over the next few years.
- SAIC Motor Corporation is planning to enter India's automobile market and begin operations in 2019 by setting up a fully owned car-manufacturing facility in India.
- Toronto-based Canada Pension Plan Investment Board (CPPIB) made investments worth Rs9,120 crore (US\$1.41 billion) in India during 2016/17, taking its total investment in India to Rs22,560 crore (US\$3.50 billion).
- SoftBank is planning to invest its new US\$100-billion technology fund in market leaders in each market segment in India as it seeks to begin its third round of investments.

- The Government's Make in India campaign has attracted investment across sectors from various Chinese companies, as is evident from cumulative FDI inflows of Rs9,933.87 crore (US\$1.54 billion) between 2014 and December 2016.

Government initiatives

The Department of Industrial Policy and Promotion approved nine FDIs worth Rs5,000 crore (US\$780.43 million), including Amazon India's Rs3,500 crore (US\$546.3 million) proposed investment.

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

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

The Department of Economic Affairs, Government of India, closed three FDI proposals leading to a total foreign investment worth Rs24.56 crore (US\$3.80 million) in October 2017.

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

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

The Central Board of Direct Taxes (CBDT) has exempted employee stock options (ESOPs), FDI and court-approved transactions from the long-term capital gains (LTCG) tax, under the Finance Act 2017.

The Union Cabinet has approved raising of bonds worth Rs2,360 crore (US\$365.63 million) by the Indian Renewable Energy Development Agency (IREDA), which was to be used in various renewable energy projects in 2017/18.

The Government of India is likely to allow 100% FDI in cash and ATM management companies, since they are not required to comply with the Private Securities Agencies Regulations Act (PSARA).

The Government of India plans to scrap the Foreign Investment Promotion Board (FIPB), which would

enable those foreign investment proposals requiring government approval to be cleared by the ministries concerned, and thereby improve the ease of doing business in the country.

Road ahead

India has become the most attractive emerging market for global partner investment, according to a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).

The World Bank has stated that private investment in India is expected to grow by 8.8% in 2018/19 to overtake private consumption growth of 7.4%, and thereby drive the growth in India's GDP in 2018/19.

Exchange rate used: INR 1 = US\$ 0.01552 as of November 30 2017.

Taxation

India's tax regime is a complex one. Corporate tax is 30% for domestic players and 40% for foreign companies operating in India. Parliament, however, passed the GSR Bill in 2017/18 to simplify the tax regime. India also signed a Double Taxation Avoidance Agreement with 85 countries, including South Africa.

Payroll or individual tax varies between 10% and 30% on the basis of income.

The indirect tax component consists of excise duty, customs duty, service tax, central sales tax, and goods and services tax. In addition, certain states levy entry/octroi tax on the movement of goods. India's Parliament approved the GST Bill in order to unify the different tax regimes into one uniformed regime. As from 1 April 2017, goods and services excluding alcohol and tobacco are subject to the levying of one tax to enhance general competitiveness.

Use of agents

Distribution channels

Importer: Can be a regional/national player dealing in general/specific product focus or complementary products. No retailer is currently importing directly. Imports are mainly done by independent importers or trading companies. They are mainly located in the cities of Mumbai, New Delhi, Chennai, Kolkatta, Ahmedabad and Bangalore.

Distribution network: Importers appoint regional distributors for supplying to small stores. Large retailers buy directly from the importer. Also appoint sales staff.

Infrastructure: Dry and cold storage, mother godowns, warehouses.

Finances and promotion: Support from supplier, in-store displays and consumer forums.

India's imported food distribution channel



Forms of payment

- Consignment purchase
- Cash-in-advance (pre-payment)
- Down payment
- Open account
- Documentary collections
- Letters of credit

Consignment purchase terms can be the most beneficial method of payment for the importer. The importer makes the payment once the goods or imported items are sold to the end user. In the case

of no selling, the same item is returned to the foreign supplier. This is considered to be risky for the exporter.

Cash-in-advance is a pre-payment method in which an importer pays for the items in advance, i.e. prior to shipment of the goods. The importer must trust that the supplier will ship the product on time and that the goods will be as advertised. This method of payment is risky for the importer, but is inexpensive as it involves direct importer-exporter contact without the involvement of commercial banks. In international trade, this method of payment is usually done when:

- the importer has not been long established;
- the importer's credit status is doubtful or unsatisfactory;
- political risks are high in the importer's country; and
- the product is in heavy demand and the seller does not have to accommodate an importer's financing request in order to sell the merchandise.

Down payment is a method of payment where an importer pays in advance a fraction of the total amount of the items to be imported. The disadvantage of this method is that there is a possibility that the seller or exporter might never deliver the goods even though the buyer has made the down payment.

Open account is where the importer takes the delivery of goods and ensures that the supplier makes payment on a specific date in the future. The importer is not required to issue any negotiable instrument evidencing his legal commitment to pay at the appointed time. This type of payment is mostly seen where the importer/buyer has a strong credit history and is well-known to the seller. The Open Account method of payment offers no protection in the case of non-payment to seller.

Documentary collections is an important bank payment method in which the sale transaction is settled by the bank through an exchange of documents. In this process, the seller instructs its bank to forward documents related to the export of goods to the bank of the buyer with a request to present these documents for payment, indicating when and on what conditions these documents can be released to the buyer.

A letter of credit is the most well-known method of payment in international trade. Under an import letter of credit, the importer's bank guarantees to the supplier that it will pay the amount stated in the agreement once the supplier or exporter meet the terms and conditions of the letter of credit. In this method of payment, the bank plays an intermediary role to help complete the trade

transaction. The bank deals only with documents and does not inspect the goods themselves. Letters of credit are issued subject to the Uniforms Customs and Practice for Documentary Credits (UCPDC)(UCP). This set of rules is produced by the International Chamber of Commerce and Industries (CII).

Customs clearances (import and other duties) in India is cumbersome and very restricted on products/goods such as agriculture and processed foods, alcoholic beverages, spirits, chemicals inflammable, marine products, meat and meat preparations, raw leather, live animals, plants, seeds and certain mineral fuels. The customs duties include basic, additional and countervailing duties. The basic customs duties ranges from 0% to 43% and is 22% in the case of wine and alcoholic beverages. States also add duties in the case of wine, alcoholic beverages and spirits.

Pricing structure and policies

Landed cost (FOB + freight + insurance) CIF Indian port

- + Basic duty
- + Countervailing duty = excise duty (production duty)

- + Special additional duty
- + Educational cess (2%)
- + Clearing and forwarding cost
- + Octroi (a local government entry tax) = Landed price to importer
- + Importer margin (% mark up on landed cost) = Selling price to distributor
- + Sales tax = Price to distributor
- + Distributor margin (7-10%) = Price to a store
- + Profit (normally 15-20%) = MRP

Advantages India offers to South African companies

- South Africa and India enjoy excellent political relations

companies from across the globe to test their products.

South Africa, in addition to the existing export basket, could diversify to new sectors such as processed foods, ready-to-eat products, dairy products, specialised textiles, and equipment and machinery for the mining industry. This will be in line with South Africa's policy of promoting value-added products.

The following table indicates those commodities in India that offer South Africa a huge market. Manufacturers should take advantage of this large market size.

- India provides a huge market for exports from South Africa
- Both are members of BRICS and IBISA
- The proposed India-SACU PTA will present vast opportunities for trade

Opportunities for South African companies

India is the second-most-populated country in the world after China. Its 400-million-strong vibrant middle-class consumer market offers tremendous opportunities for a variety of products ranging from food items to durable consumer products such as textiles, healthcare products, cosmetics and engineering goods. The Indian economy has been growing at an annual rate of 6% to 7%. The large and reforming Indian market economy has attracted many

Market size of commodities (based on India's imports requirements), 2014/15

SI No	Commodity	Market Potential (in US\$ million)	Customs Duty (%)
1	Mineral fuels, bituminous substances and mineral waxes	1,35,079.10	0-5
2	Semiprecious stones, metal articles, imitation jewellery and coins	56,342.23	0-5
3	Nuclear reactors, boilers, machinery and mechanical appliances and parts	52,345.09	0
4	Electrical machinery, equipment, parts	32,034.00	0-15
5	Iron and steel	23,245.11	5-10
6	Organic chemicals	15,765.56	10-25
7	Plastic and articles	12,356.60	05
8	Animal or vegetable fats and oils, edible fats and animal and vegetable wax	6,594.10	25
9	Fertilizers	6,181.26	5
10	Optical, photographic, cinematographic measuring, checking, medical or surgical apparatus and equipment	5,288.87	0-12
11	Vehicles and parts used by paramilitary agencies	5,132.12	05-25
12	Inorganic chemicals and compounds	4,324.00	10-25
13	Ships, boats and floating structures	3,541.65	5-15
14	Fruits and nuts of all types	3,380.37	25-52

SI No	Commodity	Market Potential (in US\$ million)	Customs Duty (%)
15	Pulp and papers, wood and paper boards	3,144.67	0
16	Industrial chemical products	3,057.90	0-12
17	Tanning and dyeing extracts, pigments and colouring materials	1,192.69	12
18	Railway equipment, parts, track fixtures, fittings and parts	286.25	5-17

Sources: DGCIS, Indian Commerce Ministry

Export opportunities for the South African products

In view of the huge import potentials of India as is indicated in the above table, the following South African commodities could be exported into India.

SI No	Commodity	Indian market potential (in US\$ million)	Customs Duty (%)
1	Sporting goods	746	0-10
2	Security products, including cameras and surveillance products	5017	15
3	Fashion products, including beauty and cosmetics	512	15
4	Electromechanical, including signal equipment	1200	0-25

5	Material handling equipment	650	0-25
6	Construction equipment	1125	15
7	Medical diagnostic equipment	2134	05-15
8	Gift items and novelties	256	15-25
9	Foods, including food additives and beverages	7543	05-35
10	Capital equipment, including mining machinery	2654	05-25
11	Vending and entertainment equipment	765	0-15

Sources: DGCIS, Ministry of Commerce, Indian government, May 2016

Market access and market channels

The GDP of India in 2015/16 was US\$5.7 trillion in PPP terms. Every segment of the economy is being reformed and opened up to embrace the free market. Customs duties are being relaxed every year, although duties in the case of wine and alcoholic beverages are more than 222%. The Government of India claims that customs duties are well below the WTO-bound rates, except in certain areas to protect domestic industries allowed under WTO rules. Applicable customs duties in India now range between 0% and 55%.

India's non-tariff barriers are often cited by South African exporters as a hindrance. Phytosanitary measures, labels, customs verifications and frequent checking of food containers do create problems and take time for clearance. The Indian government has,

however, assured that things are changing for the better and procedures are being simplified.

Goods of foreign origin from food and beverages to electronics and engineering can now be seen in the Indian market. Quality foreign brands are the preferred choices for India's youth, which accounts for 67% of the country's 1.2-billion population.

Imports into India are generally channelled by importers, distributors and via the tender route. Government-owned enterprises import and procure goods and services through the tender route. Private players do adopt other channels such as direct imports, distribution, wholesale and via retailers.



Key contacts

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<p>Export Import Bank Centre one, Floor 21, World Trade Centre Cuffe Parade, Mumbai- 400 005 Tel: (91)- 22-22185272 Fax: (91)- 22-22182572 E-Mail: eximcord@vsnl.com Website: http://www.eximbankindia.com</p>	<p>Export Inspection Council 11th Floor, Pragati Tower 26, Rajendra Place, New Delhi - 110 056 Tel: (91)-11-25730016, 25712239</p>
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Useful websites

www.mea.gov.in	Ministry of External Affairs
http://commerce.nic.in	Ministry of Commerce and Industry
http://www.dipp.nic.in	Department of Industrial Policy and Promotion
http://dgftcom.nic.in	Directorate General of Foreign Trade
www.cbec.gov.in	Central Board of Excise and Customs Baggage
www.rbi.org.in	Reserve Bank of India
www.ficci.com	Federation of Indian Chambers of Commerce and Industry
www.ciionline.org	Confederation of Indian Industry
www.fieo.org	Federation of Indian Export Organisations
www.ibef.org	India Brand Equity Foundation – information on India
www.gjpecp.org	Gem and Jewellery Export Promotion Council
www.nasscom.org	National Association of Software Service companies www.indiatradefair.com India Trade Promotion Organisation
www.elitex.in	Electronics and Information Technology Exposition
www.ieema.org / www.electrama.com	Indian Electrical and Electronics Manufacture Association
www.indiaknitfair.com	Association of Cotton Knitwear Exporters

References

Media Reports, Press Releases, Press Information Bureau, Press Trust of India



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