

Entry Strategies for Foreign Investors

STARTING OPERATIONS IN INDIA	
A foreign company planning to set up business operations in India has the following options	
AS AN INDIAN COMPANY	
	<p>A foreign company can commence operations in India by incorporating a company under the Companies Act, 1956 through</p> <ul style="list-style-type: none"> • Joint Ventures; or • Wholly Owned Subsidiaries <p>Foreign equity in such Indian companies can be up to 100% depending on the requirements of the investor, subject to equity caps in respect of the area of activities under the Foreign Direct Investment (FDI) policy. Details of the FDI policy, sectoral equity caps & procedures can be obtained from Department of Industrial Policy & Promotion, Government of India (http://www.dipp.gov.in).</p>
Joint Venture With An Indian Partner	<p>Foreign Companies can set up their operations in India by forging strategic alliances with Indian partners. Joint Venture may entail the following advantages for a foreign investor:</p> <ul style="list-style-type: none"> • Established distribution/ marketing set up of the Indian partner • Available financial resource of the Indian partners • Established contacts of the Indian partners which help smoothen the process of setting up of operations
Wholly Owned Subsidiary Company	<p>Foreign companies can also to set up wholly-owned subsidiary in sectors where 100% foreign direct investment is permitted under the FDI policy.</p>
Incorporation of Company	<p>For registration and incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it</p>

	<p>is subject to Indian laws and regulations as applicable to other domestic Indian companies.</p> <p>For details please visit the website of Department of Company Affairs under Ministry of Corporate Affairs at http://mca.nic.in</p>
<p>AS A FOREIGN COMPANY</p>	
	<p>Foreign Companies can set up their operations in India through</p> <ul style="list-style-type: none"> • Liaison Office/Representative Office • Project Office • Branch Office <p>Such offices can undertake any permitted activities. Companies have to register themselves with Registrar of Companies (ROC) within 30 days of setting up a place of business in India.</p>
<p>Liaison Office/Representative Office</p>	<p>Liaison office acts as a channel of communication between the principal place of business or head office and entities in India. Liaison office can not undertake any commercial activity directly or indirectly and can not, therefore, earn any income in India. Its role is limited to collecting information about possible market opportunities and providing information about the company and its products to prospective Indian customers. It can promote export/import from/to India and also facilitate technical/financial collaboration between parent company and companies in India.</p> <p>Approval for establishing a liaison office in India is granted by Reserve Bank of India (RBI).</p>
<p>Project Office</p>	<p>Foreign Companies planning to execute specific projects in India can set up temporary project/site offices in India. RBI has now granted general permission to foreign entities to establish Project Offices subject to specified conditions. Such offices can not undertake or carry on any activity other than the activity relating and incidental to execution of the project. Project Offices may remit outside India the surplus of the project on its completion, general permission for which has been granted by the RBI.</p>

<p>Branch Office</p>	<p>Foreign companies engaged in manufacturing and trading activities abroad are allowed to set up Branch Offices in India for the following purposes:</p> <ul style="list-style-type: none"> (i) Export/Import of goods (ii) Rendering professional or consultancy services (iii) Carrying out research work, in which the parent company is engaged. (iv) Promoting technical or financial collaborations between Indian companies and parent or overseas group company. (v) Representing the parent company in India and actin as buying/selling agents in India. (vi) Rendering services in Information Technology and development of software in India. (vii) Rendering technical support to the products supplied by the parent/ group companies. (viii) Foreign airline/shipping company. <p>A branch office is not allowed to carry out manufacturing activities on its own but is permitted to subcontract these to an Indian manufacturer. Branch Offices established with the approval of RBI, may remit outside India profit of the branch, net of applicable Indian taxes and subject to RBI guidelines Permission for setting up branch offices is granted by the Reserve Bank of India (RBI).</p>
<p>Branch Office on “Stand Alone Basis”</p>	<p>Such Branch Offices would be isolated and restricted to the Special Economic zone (SEZ) alone and no business activity/transaction will be allowed outside the SEZs in India, which include branches/subsidiaries of its parent office in India.</p> <p>No approval shall be necessary from RBI for a company to establish a branch/unit in SEZs to undertake manufacturing and service activities subject to specified conditions.</p> <p>Application for setting up Liaison Office/ Project Office/ Branch</p>

Office may be submitted in form FNC 1 (available at RBI website at www.rbi.org.in)

FOREIGN DIRECT INVESTMENT (FDI) POLICY

FDI under automatic route is now allowed in all sectors, including the services sector, except a few sectors where the existing and notified sectoral policy does not permit FDI beyond a ceiling.

Consequent on transfer of the Foreign Investment Promotion Board (FIPB) to the Department of Economic Affairs (DEA), the arrangements with regard to matters relating to FDI policy, processing of applications submitted for NRI investments, 100% EOU and PAB, IL, FDI promotion and facilitation would be as under:

i) The Department of Industrial Policy & Promotion (D/o IPP) continues to be responsible for "Direct Foreign and Non Resident Indian investment in industrial and service projects". All matters relating to FDI policy and its promotion and facilitation as also promotion and facilitation of investment by Non-Resident Indians (NRIs) and Overseas Corporate Bodies (OCBs) are handled by the D/o IPP. The Foreign Investment Promotion Council (FIPC), Investment Promotion Cell and Foreign Investment Implementation Authority (FIIA), in the D/o IPP, continues to look after the investment promotion and facilitation work. Correspondence in this regard may be addressed to Secretariat for Industrial Assistance (SIA), D/o IPP.

FDI cases requiring FIPB Approval

ii) FIPB proposals will be considered by the reconstituted FIPB in Department of Economic Affairs.

iii) The FIPB Secretariat now receives and processes FIPB applications and places them before FIPB for consideration. The Secretariat would communicate to applicants decision of the Government on their proposals and carry out the activities relating to post-approval amendments. Further, information on the status of pending applications, cases listed for the meeting of FIPB, can be obtained at DEA Website (<http://finmin.nic.in>)

	<p>NRI/PIO Investments, 100% EOU,STPI cases and Single Brand Retail cases</p> <p>(iv) Applications for NRI / OCB investments and 100% EOU cases for consideration of FIPB will continue to be addressed to the EAU in the SIA, D/o IPP, Udyog Bhawan, New Delhi. SIA would place these cases before the FIPB</p> <p>Technology Collaboration Cases</p> <p>(v) Applications for consideration by the Project Approval Board (PAB) for approval of technology transfer, payment of royalty, etc. and those for grant of industrial licence will continue to be received and registered by the EAU in the SIA, D/o IPP, Udyog Bhawan, New Delhi.</p> <p>Industrial Entrepreneurial Memorandum (IEM)</p> <p>(vi) The Industrial Entrepreneurial Memorandum (IEM) will continue to be filed with the EAU in the SIA, D/o IPP, Udyog Bhawan, New Delhi.</p> <p>Status of applications</p> <p>(vii) Information on the status of applications for NRI/OCB Investment and 100% EOU cases would be available at the website of DIPP. The status of posting of letters relating to NRI / OCB investments and 100% EOU cases considered in FIPB will be displayed on website of DIPP.</p> <p>Facilities of interactive session and bulletin board on the website of D/o IPP: The facilities of interactive session and bulletin board on the website of D/o IPP have been provided to respond to the queries relating to FDI policy, including status of applications submitted for consideration of FIPB. With effect from 1.6.2003, these facilities may be utilised by investors for seeking clarification on FDI policies, promotion and facilitation as also the status of applications received and registered with the SIA. Queries on the status of FIPB applications registered with DEA may be addressed to DEA.</p>
Automatic Route	No prior approval is required for FDI under the Automatic Route. Only information to the RBI within 30days of inward

	<p>remittances or issue of shares to Non Residents is required. RBI has prescribed a new form, Form FC-GPR (instead of earlier FC-RBI) for reporting shares issued to the Foreign Investors by an Indian company.</p> <p>For details please contact:</p> <p>Chief General Manager, Reserve Bank of India, Foreign Investment and Technology Transfer Division, Exchange Control Department, Shaheed Bhagat Singh Road, Mumbai – 400001. Tel.:+ 91-22-2266 1603 Fax + 91-22-2266 5330</p>				
Government Approval	<p>Foreign Investment proposed not covered under the 'Automatic Route' are considered for Governmental Approval on the recommendations of the Foreign Investment Promotion Board (FIPB)</p>				
	<table border="1"> <thead> <tr> <th data-bbox="589 1020 1024 1052">Foreign Investors</th> <th data-bbox="1024 1020 1466 1052">Non Resident Indians</th> </tr> </thead> <tbody> <tr> <td data-bbox="589 1052 1024 1381"> <p>Application for such cases are to be submitted in FC/IL form or on plain paper to Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs, Ministry of Finance, Government of India North Block, New Delhi 110 001.</p> </td> <td data-bbox="1024 1052 1466 1381"> <p>Non Resident Indians are required to submit their proposals to the Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion, Government of India for consideration of FIPB.</p> </td> </tr> </tbody> </table>	Foreign Investors	Non Resident Indians	<p>Application for such cases are to be submitted in FC/IL form or on plain paper to Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs, Ministry of Finance, Government of India North Block, New Delhi 110 001.</p>	<p>Non Resident Indians are required to submit their proposals to the Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion, Government of India for consideration of FIPB.</p>
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TAXATION IN INDIA					
	<p>India is moving towards reforming its tax policies and systems so as to facilitate globalization of economic activities. The corporate tax rate for foreign companies is 40%. The net tax rate is far lower than this on account of various deductions and exemptions available under the tax laws. Tax holidays are available in Special Economic Zones set up to make industry globally competitive. Infrastructure Sector Projects enjoy special tax treatment/holidays. A user friendly tax administration is being introduced with round the clock electronic filing of customs documents from 31.3.04</p>				

	<p>For details regarding taxes in India, please contact Ministry of Finance, Government of India, North Block, New Delhi – 110 001 through their website http://finmin.gov.in</p>
INVESTMENT FACILITATION	
	<p>Secretariat for Industrial Assistance (SIA) in Department of Industrial Policy and Promotion, Government of India provides a single window service for entrepreneurial assistance, Investor facilitation and monitoring implementation of the projects.</p> <p>Secretary, Secretariat for Industrial Assistance (SIA) Department of Industrial Policy and Promotion Ministry of Commerce & Industry Udyog Bhavan, New Delhi-110 011 Tel.: +91-11-23061204, 23061222-29 (PBX) Fax : +91-11-23062626 Email: chandras@nic.in Website: http://dipp.gov.in</p>
OTHER USEFUL ADDRESSES	
	<p style="text-align: center;">Department of Industrial Policy and Promotion</p> <p style="text-align: center;">Joint Secretary Secretariat for Industrial Assistance (SIA) Ministry of commerce & Industry Udyog Bhavan, New Delhi-110 011, INDIA Tel.: +91-11- 2306 3838 Fax : +91-11-2306 3051 E-mail: talleen.kumar@nic.in Website: http://dipp.gov.in</p> <p style="text-align: center;">Reserve Bank of India (RBI) Foreign Investment Division, Shaheed Bhagat Singh Road, Mumbai-400 001, INDIA Tel.: + 91-22-2266 1603 Fax : + 91-22-2266 5330 Web site: http://www.rbi.org.in</p> <p style="text-align: center;">Secretary Ministry of Corporate Affairs 'A' WING, SHASTRI BHAWAN, RAJENDRA PRASAD ROAD, NEW DELHI - 110 001 Tel.: +91-11-23382324 secy.mca@nic.in Website: http://mca.gov.in</p>

	<p>PHONE : 011-23384660, 23384659 EMAIL : hq.delhi@mca.gov.in oandm.dca@sb.nic.in</p> <p>Registrar of Companies UTTAR PRADESH & UTTARAKHAND 10/499 B, ALLENGANJ, KHALASI LINE, KANPUR-208002 PHONE: 0512-2550688 FAX: 0512-2540423 roc.kanpur@mca.gov.in</p>
	<p>The Ministry of Overseas Indian Affairs Joint Secretary (FS) & Chief Vigilance Officer Room No.916, Akbar Bhawan Ministry of Overseas Indian Affairs Chanakyapuri, New Delhi-21 Phone : +91-11-24676210/24197936, E-mail : jsfs@moia.nic.in & Under Secretary, Room No.925, Akbar Bhawan Ministry of Overseas Indian Affairs Chanakyapuri, New Delhi-21 Phone : +91-11- 24197950 Website:http://moia.gov.in</p>
<p>The Ministry of Overseas Indian Affairs has established an Overseas Workers Resource Centre (OWRC)</p>	<p>Overseas Workers Resource Centre (OWRC) Walk in Counselling Center between 10 A.M. to 5 P.M. at D-19, Okhla Industrial Area, Phase-I, New Delhi -110019</p> <p>The OWRC is operating a 24x7 helpline in 11 Indian Languages to provide need based information to emigrants and their families through a toll free number given below: TOLL FREE NUMBER : 1800-11-3090 (For MTNL/BSNL) HOTLINE NO : +91-11-40503090 Website: www.owrc.in</p>
<p>For the State _ Uttar Pradesh</p>	<p>Nodal Officer (NRI Cell) Executive Director, Udyog Bandhu 12-C, Mall Avenue, Lucknow-226001</p> <p>Tel.: + 91-522-2237582 Fax : + 91-522-2237345 E-mail: nricellup@gmail.com, info@udyogbandhu.com Web site: http://www.udyogbandhu.com</p>