Doing business in India

Are you a member of a UK company wishing to export overseas?

Interested in entering or expanding your activity in the India market? Then this guide is for you!

The main objective of this **Doing Business Guide** is to provide you with basic knowledge about India; an overview of its economy, business culture, potential opportunities and an introduction to other relevant issues. Novice exporters, in particular will find it a useful starting point.

Further assistance is available from the UKTI team in India. Full contact details are available at the end of this guide.

Important Information - Sanctions and Embargoes

Some countries maybe subject to export restrictions due to sanctions and embargoes placed on them by the UN or EU. Exporting companies are responsible for checking that their goods can be exported and that they are using the correct licences.

Further information is available on the **Department for Business, Innovation & Skills (BIS)**

Content

Introduction

Strengths of the market

The figures for UK FDI with India at end-2009 (stock) are:

- UK stock of investment in India £9,310 million;
- Indian stock of investment in UK £1,841 million.

[source: ONS MA4]

UK Exports to India (source: HMRC) £million					
2006	**2007**	**2008**	**2009**	**2010** Jan-Nov	% Change ('10 Jan-Nov compared to '09 Jan-Nov)
2,704	2,964	4,119	2,893	3,547	*37*
UK Imports from India					
3,188	3,773	4,266	4,325	5,032	*27*

Opportunities in India

India may be a complex and challenging market but it is a one that cannot be ignored by UK companies that are seeking to expand and go international. India is the second fastest growing economy, after China. The business opportunities, which a few years ago, existed only in the traditional economic heartlands of Mumbai, Delhi and Bangalore have now stretched to the emerging cities of Nagpur, Ahmedabad, Chandigarh, Pune and Jaipur, to name but a few. The recently published report by UK India Business Council (UKIBC) identifies and outlines the opportunities in the next generation cities in India where UK companies can build long term relationships in the coming times.

The World Bank predicted that India will be the fastest growing economy in 2010 at 8%. India is full of opportunities, some very visible and some still to be unearthed. As long as we are able to find innovative solutions and creative collaborations, the trade and investment relation between India and the UK will keep growing.

Huge investment potential exists in various sectors such as lifesciences, manufacturing, energy, and infrastructure among others.

Ernst and Young recognises India as one of the emerging biotech leaders, ranked third in the Asia-Pacific region based on the number of biotech companies in the country. The Biotech Industry in India has a growth rate of 37% per annum – one of the highest in the world. The market size of Indian Pharma Industry is estimated to reach £14.39 billion by 2011.

The Indian Infrastructure sector has the potential to absorb US $500 billion in FDI by 2012. The Indian telecom industry is growing at the fastest pace in the world and India is expected to become the second largest telecom market by 2010. 10 mn mobile handsets sold per month. India has emerged as the 2nd largest market after China for mobile-phone handsets.

Automobile industry in India is one of the fastest growing automobile industries and is predicted to be among the top five vehicle producers by 2014.

From the unveiling of the world's lowest-cost car, the Nano, in January 2009 to the acquisition of the Jaguar and Land Rover brands in March 2009— India's presence on the global automotive market cannot be questioned. The industry has witnessed an influx of both global equipment manufacturers as well as Tier 1 component manufacturers, who are setting up their manufacturing bases in the country. The Indian auto components industry has also grown by more than five-fold over the last decade.

Economic Overview

General Economy

India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. The response was a slew of domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of the multilateral organisations. The Indian economy responded well to these measures as annual GDP growth started averaging over 6% in the 1990s, well above the 'Hindu growth rate' of 3% in the previous four decades. This moved upwards to an 8.5%+ growth trajectory in the 2002-03 to the 2007-08 period with the GDP shares of agriculture, manufacturing and services constituting 18%, 29% and 53% respectively. The high growth rates also saw India's per capita incomes growing by over 4% per annum, making India the world's twelfth largest economy by market exchange rates and the fourth largest in PPP terms (2003) after US, China & Japan.

Liberalisation also triggered the growth of a rapidly expanding consumer class. The increased use of consumer durables portrays this feature aptly.

The global financial crisis squarely hit the Indian economy as it slowed down to 6.7% in 2008-09. Currently i.e. in 2009-10 the economy clawed back and is set to achieve a 7.2% growth. Indian Government now eyes an 8.5% growth in 2010-11 and a return to 9%+ growth in 2011-12 onwards. Trade and investment are increasingly becoming important components of the economy as GDP growth sets to reach new highs of double digit growth.

While managing high rates of overall growth there is a growing perception that growth continues to be unevenly distributed. Some states like Karnataka, Andhra Pradesh, Tamil Nadu, Gujarat and Maharashtra continue to grow at a faster rate than their populous counterparts such as Bihar, Madhya Pradesh and Uttar Pradesh. Unemployment and income disparities continue to trap around 25% of the population below the poverty line.

Economic Policy changes

The new policy regime since 1991 radically pushed forward in favour of amore open and market oriented economy. India has removed most of her trade barriers. The peak tariff rate is down to 10% in 2009-10 from 72% in 1991, while quantitative restrictions on imports ended in 2001, opening up the economy to foreign businesses, especially in consumer goods. This also meant more foreign capital flowing into India. The cumulative FDI flows into India from April 2000 to December 2009 stands at about US$ 110 billion.

Indeed India's slow paced yet consistent reform programme has increased external and internal competition. The public sector role both as producer and consumer of goods and services although still significant is declining. It still accounts for a quarter of GDP, one-third of investments and one-sixth of final consumption expenditure. This is expected to fall gradually as privatisation/disinvestment programmes gain momentum in the coming years. India's privatisation initiatives have enhanced the attractiveness of state-owned assets in sectors with a promising future such as telecoms, oil and gas, pharmaceuticals, real estate development and travel and tourism.

Population

India's population is 1.2 billion approximately.

Political Overview

The Indian Constitution provides a system of parliamentary and cabinet government both at the centre and in the states. The Indian Parliament consists of the President, currently President Smt Pratibha Devisingh Patil, (elected for a 5-year term as the constitutional head of the executive) and 2 Houses: The Lower House - Lok Sabha ('House of the People') - directly elected on the basis of universal adult suffrage; and the Upper House - Rajya Sabha ('Council of States') - indirectly elected by the members of state legislative assemblies.

The Bharatiya Janata Party (BJP) and the Congress Party are the 2 main forces in the current Indian political scene. Congress heads the ruling coalition at the centre, the United Progressive Alliance (UPA) while the BJP leads the Opposition alliance the National Democratic Alliance (NDA).

Whilst neither can command a clear Parliamentary majority, following the UPA's good performance at the recent election, UPA gathered the extra seats to form the current government and enjoy a comfortable majority.

Getting here and advice about your stay

FCO Travel Advice

The FCO website has travel advice to help you prepare for your visits overseas and to stay safe and secure while you are there.

For advice please visit the FCO Travel section

UK Trade & Investment (UKTI) assists companies with tailored training, planning and support to help them prepare to succeed in India and elsewhere. UKTI can provide:

- An export health check to assess a company's readiness for exporting and help develop a plan of action;
- Training in the requirements for trading overseas;
- Access to an experienced local International Trade Adviser;
- Specialist help with tackling cultural and language issues when communicating with Indian customers and partners;
- Advice on how to go about market research and the possibility of a grant towards approved market-research projects;
- Ongoing support to help business continue to develop overseas trade and look at dealing with more sophisticated activities or markets;
- Advice on a range of international trade assistance available from UKTI and others.

UKTI assists new and experienced exporters with information, help and advice on entering overseas markets such as India. This service includes:

- Information, contacts, advice, mentoring and support from UKTI staff at home and in our network of High Commissions and other offices throughout India;
- Support to participate in trade fairs overseas;
- Opportunities to participate in sector-based trade missions and seminars;
- Access to major buyers, governments and supply chains in overseas markets;
- Advice on forming international joint ventures and partnerships;
- Exploratory visits to India;

- Alerts to the latest and best business opportunities.

UKTI's team in India can provide a range of services to British-based companies wishing to grow their business in the Indian market. Our services include the provision of market information, validated lists of agents/potential partners, key market players or potential customers; establishing the interest of such contacts in working with the company; and arranging appointments. In addition, they can also organise events for you to meet contacts or promote a company and its products/services.

Preparing to Export to India

Visitors to India are advised to undertake as much market research and planning as possible, prior to their visit. It would also be helpful to consider India as a long-term market as usually more than one visit is necessary to establish appropriate contacts and gain market credibility.

As a minimum, you are advised to contact the UKTI team at the British High Commission prior to your visit to discuss your objectives and what help you may need. [Contacts are included at the end of the document].

UKTI's team in India can provide a range of services to British-based companies wishing to grow their business in the Indian market. Our services include the provision of market information, validated lists of agents/potential partners, key market players or potential customers; establishing the interest of such contacts in working with the company; and arranging appointments. In addition, they can also organise events for you to meet contacts or promote a company and its products/services.

You can commission these services which are chargeable and operated by UK Trade & Investment (UKTI) to assist British-based companies wishing to enter or expand their business in overseas markets. Under this service, the Embassy's Trade & Investment Advisers, who have wide local experience and knowledge, can identify business partners and provide the support and advice most relevant to your company's specific needs in the market.

To find out more about commissioning work, please contact your local UKTI office. See **www.ukti.gov.uk**

How to do business in India

What companies should consider when doing business

The Indian balance of payments crisis in the early 1990s was the spur for a series of far-reaching economic reforms. These reforms have transformed the Indian economy and helped deliver average growth of some 8.5% a year over the last five years. This growth has been underpinned by increasing private sector activity in services and manufacturing, particularly in BPO activities and the IT, bio-technology, pharmaceutical and automotive sectors.

There is a danger that the impressive economic growth rates enjoyed by India over recent years and required to help successfully absorb the new entrants into the labour market will stall without further reform. Reducing barriers to trade and investment is key but tackling the problems posed by corruption, excessive bureaucracy and poor infrastructure are important challenges ahead. Reforms to the tightly regulated employment market will also be needed if the economy is to generate enough jobs to readily absorb the new labour market entrants.

Gateways/Locations – Key areas for business

It is perhaps more accurate to describe India as a collection of linked markets rather than simply one large market. This is important to appreciate because successful business in India is best achieved by having a series of regional business plans in place. Ideally, these should address the distinctiveness of India's regions, the challenges they pose and the actual opportunities they present for your firm. Accessing those opportunities will, amongst other things, require a coherent strategy for tackling the linguistic and cultural differences, varying customer preferences and expectations and the distribution requirements particular to each region.

At present, approximately 30 per cent of India's population of 1.2 billion live in some 200 major towns and cities, the remainder are classed as rural dwellers. The key cities are: Mumbai (population 16.5m); Kolkata (13.5m); New Delhi (13m); Chennai (6.5m); Bangalore (5.7m); Hyderabad (5.5m); Ahmedabad (5m) and Pune (4m). UKTI is represented in each of these major conurbations. The significant distances separating these cities is compounded by a creaking transport infrastructure and the challenges these pose for effective supply and distribution should not be underestimated.

Despite significant reductions in import duty rates since the early 1990s, tariff rates in India continue to be comparatively high – from a peak rate of 350 per cent in 1991 to 150% in 2010 – and the current average rate of 10 per cent masks considerable differences. High tariff levels may impact upon your competitiveness initially but tariffs remain on a downward trend. Furthermore, India's commitment to the WTO and its stated desire to tackle IPR enforcement are encouraging signs that the market for foreign goods and services will continue to grow.

The sectors offering the greatest opportunities for British companies include:

- Advanced Engineering
- Agribusiness, Food and Retail
- Creative & Media
- Defence and Security
- Education & Skills
- Energy
- Financial & Professional Services
- ICT
- Infrastructure
- Life Sciences

UKTI has a network of specialists in these sectors throughout India (see contacts at www.ukti.gov.uk) who are able to offer up-to-date advice on the latest opportunities and appropriate entry strategies.

Market entry and start up Considerations

The key factors to consider when drawing-up a Business Plan for tackling India include managing distribution and sales channels, labelling and documentation conformity, realistic pricing and marketing options and ensuring protection of intellectual property rights.

As mentioned above, consider approaching India's markets on a regional basis. It is worth noting that language, caste and religion remain major influences over social and political organisation in India. These differences matter and one region is not very much like another. Focus on one area or region at a time to see what works and what doesn't. Sound local advice and assistance will be crucial and good local representatives essential. You may find that it is best to appoint a series of Agents or Distributors based on their local reach and impact rather than one who might not be able to adequately cover more than one region.

As elsewhere, before appointing an Agent or Distributor it is important to undertake a thorough evaluation exercise. Look closely at your potential partner's local business reputation and industry standing, its financial resources and credit worthiness, regional coverage and marketing ability. A good, local representative will be keen to help you grow your business and have the resources available to do so. This is particularly important in terms of warehousing and distribution.

In recent years, firms specialising in distribution and logistics have expanded their business across India considerably and there are now many Clearing and Forwarding agents to chose from.

For firms who wish to establish a deeper business operation in India, several options are available, namely, creating Liaison, Branch or Project offices or establishing a Joint Venture business. There are key differences between what activities these entities are allowed to undertake. In summary, Liaison offices cannot engage directly in commercial activity in India. Such offices primarily exist to co-ordinate marketing and business development functions. A Branch office is allowed to conduct business in India and to repatriate profits to the parent company after payment of any due taxes. A Project office is a similar entity but usually established for the purpose of undertaking a specific, time-limited project awarded to the parent company. Competent legal advice should be sought when considering

Customs and Regulations

India's current regulations are guided by the Export Import Policy of 2002-2007. Imports are permitted in most cases without a license but exceptions exist where items are imported only under license or where imports are allowed only through a government-owned entity.

Custom duties are levied on imports of goods into India. This is governed by the Customs Act 1962 and the Customs Tariff Act 1975. The Harmonised System for customs classifications is used and Customs Duty on imports comprises of the following elements:

Basic Customs Duty - levied as either i) a specific rate based, by unit, on the item, or more commonly, ii) ad-valorem, based on the assessable value.

Additional Customs Duty - levied on the assessed value of goods plus Basic Customs Duty. Goods that fall into this category generally tend to have similar, locally-manufactured competitors. This duty helps protect domestic industry from cheap imports.

Special Additional Customs Duty - levied on all items. Currently at the rate of 4 per cent of the Basic and the excise duty on all imports.

Anti-Dumping Duty – levied, from time to time, on specified goods imported from specified countries.

Customs Education Cess – Currently levied at the rate of 3 per cent of Basic Customs Duty and Additional Customs Duty.

In addition, a 1 per cent Customs Handling Fee is imposed on all imports. This is in addition to the applied customs duty.

Indian customs regulations allow for the temporary import of goods into India. For goods that are imported for a temporary period and exported out of India a drawback of part of the customs duty is possible. In addition, General Exemption 14 of the Customs Tariff allows, subject to conditions, the import of goods for use or display at exhibitions and trade fairs.

India adheres to the Customs Valuation Agreement of the multilateral trade negotiations held under the Tokyo GATT round. Import duties in India included both specific duties (i.e. rates specified without reference to value of the imported goods) and ad valorem (i.e. rates specified as a percent of the value of the imported goods). Ad valorem duties are gradually replacing specific duties.

There has been a consistent decline in the import tariff over the past few years. The peak customs duty on non-agricultural goods was reduced to 15 percent from 20 percent in 2006. The customs duties on selected capital goods and parts has been reduced to below 15 per cent, to 10 per cent in some cases and to 5 per cent in some others. The Indian customs tariff can be found at the following website http://www.cbec.gov.in/customs/cst-0910/cst-main.htm

India's legislative and administrative procedure on customs valuation are consistent with the GATT customs valuation code and custom tariffs are levied on the CIF value of imports or the transaction value of the goods. Thus import duty is levied on the price that the buyer pays to the seller. For the purpose of valuation of imported goods, additional costs and services (such as royalties, licence fees or any amount paid by the buyer as a condition of sale of goods) the value of which is not included in the transaction value may be included.

Indian customs and central excise laws contain the provision of advance tax rulings to guide investors and exporters to India on tax liability in India, and on the customs and excise duty implications on various transactions. The provisions enable manufacturers and importers to obtain in advance a binding ruling on issues which might arise in determining their tax liabilities. However, there is no mechanism to administer this provision.

The Income Tax law provides for deducting tax before payment of various types of income including salaries, dividends, interest on securities, insurance commissions, payments to contractors and sub-contractors and rental income from land or buildings. This is called Withholding Tax. Withholding taxes are offset against gross tax liability. Tax is also deducted at source on payments to non-residents/foreigners. Different thresholds and rates apply depending on the type on income. Rates of withholding tax are specified in the annual Finance Act.

India has agreed Double Taxation Avoidance Treaties with several countries, including the UK that specifies withholding tax rates applicable to certain types of outbound payments. Tax rates applicable in India under the India/UK DTA are as follows:

1. Dividends other than those exempted under the Indian Income Tax Act 15% -not exceeding **15 percent** of the gross amount of Dividend.

2. Interest: if paid to a bank 10% - not to exceed 10% of the gross amount of the interest; if paid to others - not exceed **15 percent** of the gross amount of the interest

3. Royalties and fees for technical services would be taxable in the country of source at the following rates:

* (a) in cases where rental of equipment and services is provided along with know-how and technical fees 10% - not to exceed **10 percent** of the gross amount of such royalties and fees for technical services.

* (b) Any other case- (i) During the first five years of agreement, if the payer is Government or specified organisation 15% and in other cases 20% (ii) Subsequent years, in all cases 15%

Further, income of Government and certain institutions will be exempt from taxation in the country of source. The Income Tax law also provides a system of advance rulings to non-residents, enabling them to obtain in advance of any actual transactions a binding ruling on issues which could arise in determining their tax liabilities.

Documentation

Importers are required to submit to Customs an Import Declaration noting the value of the imported goods. This needs to be accompanied by an Invoice (Ex-Factory), a Freight Certificate and all Insurance Certificates. If an Import Licence is required, that too will also need to accompany the documentation submitted to Customs.
Although Indian Customs now operate 24 hours a day, cargo clearances can be subject to delays and such delays lead, of course, to increased demurrage charges.

Labelling and Packaging Regulations

Labelling requirements are an important element to consider when exporting to India. All containers and packages must carry appropriate information depending upon the consignment. Indian Customs generally ensure that imported items have the legally required information before these are allowed to enter the local retail market.

The Ministry of Commerce issued a formal Notification in November 2000 which stated that all pre-packaged commodities, intended for direct retail sale, imported into India must carry the following declarations on the label:

i) The name and address of the registered importer;
ii) The generic or common name of the commodity packed for import;
iii) Net quantity in terms of standard unit of weights and measurement. (All units of weight and measurements to be in metric.);
iv) The month and year of packaging in which the item is manufactured, packed or imported, and
v) The maximum retail sales price (MRP) at which the goods, in packaged form, may be sold to the end consumer. The MRP is meant to include all taxes and all charges related to freight forwarding, re-packing, advertising, commission payable to dealers etc.

These declarations may be printed, on the package, in English or Hindi. Printing on a label securely affixed to the package or on an additional wrapper containing the imported package is also permitted. Compliance of these requirements needs to be ensured before consignments are cleared by Customs in India. Slightly different arrangements apply to pre-packaged commodities such as raw materials or components that need to undergo further processing before they are sold to consumers.

It is important to remember that consignments to India should be strongly packed. Packages may receive heavy handling and be left in the open air for longer than anticipated.

Standards and Technical Regulation

The Bureau of Indian Standards (BIS) is the organisation responsible for the development of national standards. These national standards are generally in-line with international norms and most are harmonized with ISO standards.

However, imports of some 109 products are subject to compliance with specified Indian quality standards. To remain compliant with the law, manufacturers of these products must obtain certification from the Bureau of Indian Standards before exporting such goods to India. The list includes food preservatives and additives, milk powder, certain electrical appliances, some types of gas cylinders, cement and certain batteries. These products must be tested and certified by BIS in India although BIS does offer pre-certification subject to production inspections. For full details of the 109 products and the procedure for applying for BIS quality certification please visit the BIS website at: http://www.bis.org.in

Intellectual Property Rights

India is a signatory to the Agreement on Trade-Related Intellectual Property Rights (TRIPS). The TRIPS lays down minimum standards for protection and enforcement of intellectual property rights (IPR) in WTO Member countries which are required to promote effective and adequate protection of intellectual property rights with a view to reducing distortions and impediments to international trade. The obligations under the TRIPS Agreement relate to provision of minimum standard of protection within the member countries legal systems and practices. IPR in India is well established at all levels - statutory, administrative, and judicial - and covers the key areas, mentioned below.

Patents - Following TRIPS, the basic obligation in the area of patents is that, inventions in all branches of technology whether products or processes are patentable if these meet the three tests of being new, involve an inventive step and are capable of an industrial application. The minimum term of protection is 20 years counted from the date of filing.

As per India's TRIPS obligation, the Patents (Amendment) Act 2005 strengthened pre-grant opposition procedures. It made a provision for hearing at the pre-grant opposition stage in the rules. It also extended the timeline for pre-grant opposition to six months. An important provision of the Act is on compulsory licensing (CL). LDCs with no or insufficient pharmaceutical manufacturing capacities can import patented drugs from India under paragraph 6 mechanism provided in the Doha Ministerial Declaration without issuing a CL to an Indian firm. Importing countries can do so by authorising or notifying its requirements.

Trade Marks - Trade marks have been defined as any sign, or any combination of signs capable of distinguishing goods or services of one undertaking from that of other undertakings. Such distinguishing marks constitute protectable subject matter under the provisions of the TRIPS Agreement. Trademarks, once registered, are valid for seven years. Stringent penalties are imposed for falsifying a trademark or selling goods to which a false trademark is applied. There is no restriction on use of foreign-owned trademarks for goods sold in India.

A new Trademarks Act was approved by Parliament in 1999 replacing the Trade and Merchandised Marks Act of 1958, and provided a new basis for protection of trademarks in India. The new Act provided statutory protection to service marks, and simplified the definition of what constitutes an infringement of a registered trademark/service mark. It also increased the duration of registration and its subsequent registration from seven to ten years.

Copyright - Copyright is the legal right granted to an author, composer, playwright, publisher, or distributor to exclusive publication, production, sale, or distribution of a literary, musical, dramatic, or artistic work. The Indian Copyright Act is compliant with most international conventions and treaties in the field of copyrights. India is a member of the World Intellectual Property Organisation (WIPO), the Berne Union for Protection of Literary and Artistic Works, the Nairobi Treaty of the Olympic Symbol and the Universal Copyright Convention (UCC). This means that any person that enjoys a copyright in any of these convention countries automatically gets statutory copyright protection in India. Though India is not a member of the Rome Convention of 1961, the Copyright Act, 1957 is fully compliant with the Rome Convention provisions.

India's copyright law as laid down in the Copyright Act of 1957 was replaced by the Copyright (Amendment) Act of 1999. The Act vests copyright in the authors on creation of their works and require no registration. Registration provides prima facie evidence of a copyright's validity and is advisable. The Act covers computer programs, satellite broadcasting and digital technology. The Act provides for copyright enforcement. A person whose copyright is infringed may sue for civil relief, and may even institute criminal proceedings for infringement in certain cases. The Government has taken some measures over the past two years to strengthen and streamline the enforcement of copyrights. These include establishment of a Copyright Enforcement Advisory Council and special policy cells to deal with cases relating to violation of copyrights.

Geographical Indications - Geographical indications are defined as indications which identify a good as originating in the territory of a Member, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographic origin.

The TRIPS Agreement contains a general obligation that parties shall provide the legal means for interested parties to prevent the use of any means in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin in a manner which misleads the public as to the geographical origin of the goo. There is no obligation under the Agreement to protect geographical indications, which are not protected in their country, or origin or which have fallen into disuse in that country. A new law for the protection of geographical indications, viz. the Geographical Indications of Goods (Registration and the Protection) Act, 1999 was passed by the Parliament.

Industrial Design - Industrial Design is an applied art whereby the aesthetics and usability of products may be improved. Design aspects specified by the Industrial Designer may include the overall shape of the object, the location of details with respect to one another, colours, texture. Obligations on industrial designs are that independently created designs that are new or original shall be protected. Individual governments have been given the option to exclude from protection, designs dictated by technical or functional considerations, as against aesthetic consideration, which constitutes the coverage of industrial designs. The right accruing to the right holder is the right to prevent third parties not having his consent from making, selling or importing articles being or embodying a design, which is a copy or substantially a copy of the protected design when such acts are undertaken for commercial purposes. The duration of protection is to be not less than 10 years. A new designs law repealing and replacing the Designs Act, 1911 was passed in 2000.

IP rights are territorial, that is they only give protection in the countries where they are granted or registered. If you are thinking about trading internationally then you should consider registering your IP rights abroad.

Read our brief introductory guide to the Intellectual Property Office and International Trade

Business Etiquette, Language and Culture

While the universal language of a smile and gracious nod may result in an instant warmth in India, the most common social courtesy is greeting with hands folded as in a prayer, which is known as namaste.
Women should generally be greeted with folded hands; shaking hands, except in westernised circles, should be avoided. However, when men greet each other, they usually shake hands.
Etiquette requires the use of the right hand when giving or receiving. It is a prevalent business practice to exchange visiting cards.
In large cities, business meetings and entertainment are conducted as in Western countries.
Although Indians are known for their hospitality towards strangers, it is not customary for business associates to be entertained at home.

Women business travellers

Women in the business community in India are greeted with a high degree of respect. There is no discrimination and they are free to carry on their day to day business activities.

Modes of address

Business and official contacts are addressed as Mr/ Mrs/Ms or Sri/Smt (Srimati) by surname.
Superiors are often spoken to as "sir" or "madam". Use of the first name is not common. Business superiors and those senior in age are almost always addressed formally.

Translation and interpreter services

There is no real need for an interpreter and a translation service as English is widely spoken in all circles. However, in cases of difficulty, there is always someone readily available to assist.

What are the challenges?

There is a danger that the impressive economic growth rates enjoyed by India over recent years and required to help successfully absorb the new entrants into the labour market will stall without further reform. Reducing barriers to trade and investment is key but tackling the problems posed by corruption, excessive bureaucracy and poor infrastructure are important challenges ahead. Reforms to the tightly regulated employment market will also be needed if the economy is to generate enough jobs to readily absorb the new labour market entrants.

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Distribution and Logistics

It is perhaps more accurate to describe India as a collection of linked markets rather than simply one large market. This is important to appreciate because successful business in India is best achieved by having a series of regional business plans in place. Ideally, these should address the distinctiveness of India’s regions, the challenges they pose and the actual opportunities they present for your firm. Accessing those opportunities will, amongst other things, require a coherent strategy for tackling the linguistic and cultural differences, varying customer preferences and expectations and the distribution requirements particular to each region.

The key factors to consider when drawing-up a Business Plan for tackling India include managing distribution and sales channels, labelling and documentation conformity, realistic pricing and marketing options and ensuring protection of intellectual property rights.

As mentioned above, consider approaching India’s markets on a regional basis. It is worth noting that language, caste and religion remain major influences over social and political organisation in India. These differences matter and one region is not very much like another. Focus on one area or region at a time to see what works and what doesn’t. Sound local advice and assistance will be crucial and good local representatives essential. You may find that it is best to appoint a series of Agents or Distributors based on their local reach and impact rather than one who might not be able to adequately cover more than one region.

Before appointing an Agent or Distributor it is important to undertake a thorough evaluation exercise. Look closely at your potential partner’s local business reputation and industry standing, its financial resources and credit worthiness, regional coverage and marketing ability. A good, local representative will be keen to help you grow your business and have the resources available to do so. This is particularly important in terms of warehousing and distribution.

The majority of India’s population are rural dwellers and consumer research suggests that the market for goods and services in rural India is growing as consumption patterns change and disposable incomes rise. Increased media penetration, particularly by television, of rural areas has helped drive this change by stimulating demand. Demands that simply did not exist 15 to 20 years ago. However, do not underestimate the challenges of serving these rural consumers. Poor infrastructure poses real distribution challenges.

With some 500 million people under the age of 25, India’s growing population appears to present limitless opportunities for foreign firms. However, it is important to be realistic about the scale of the actual opportunities that exist for your product or service. Indian consumers are very price sensitive and while some consumers appreciate the quality v cost trade-off, many happily sacrifice quality for competitive pricing. Simply switching products and pricing strategies from another market are highly unlikely to work in India. Detailed market research will be required to ensure that your goods, including packaging and marketing, are adapted to local preferences and tastes. A good local representative will therefore be an invaluable resource.

Regulatory Transparency

Politicians, bureaucrats and law enforcement officials often wield significant discretionary power and notable abuses have been brought to light. Several high-profile prosecutions in recent years have helped highlight that the legal framework for fighting corruption exists although enforcement is often weak and responses vary from State to State.
The Indian Prime Minister, Dr Manmohan Singh, has targeted corruption as a barrier to India's efforts to 'march ahead as a nation' and the Indian Government regularly blacklists companies known to offer bribes from bidding for defence contracts.

Corruption is well entrenched in India and pervades many aspects of daily life. Corruption is often cited as a barrier to the effective development of the private sector and poses business risks that require pro-active management in the form of regular due diligence exercises and up-to-date risk strategies. Procurement practices often lack transparency and are usually coupled with a significant bureaucratic burden. These risks require careful management. For further information on key security and political risks which UK businesses may face when operating in India, visit our Overseas Security Information for Business (OSIB) page.

How to Invest in India

India has a bilateral investment treaty with the UK which makes provision for the settlement of disputes between investors of the contracting parties through negotiation, conciliation and arbitration. India is also a party to the Convention establishing the Multilateral Investment Guarantee Agency (MIGA), which provides for settlement of disputes between State parties to the Convention and MIGA through negotiation, conciliation and arbitration.

India has authorised automatic FDI approvals in many sectors. Foreign investors do not generally need government licenses or approvals and simply notify the Reserve Bank of India of their investments. However, exact rules vary from industry to industry and more details are can be found in the Manual on Foreign Direct Investment which is available, as a download, at http://dipp.nic.in/manual/FDI_Manual_Latset.pdf

Visas

Information about business visas can be found at:

http://www.hcilondon.in/visa.php

http://www.indiavisaheadoffice.co.uk/

http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/asia-oceania/india

Contacts

If you have a specific export enquiry about India market which is not answered by the information on this report, you may contact:

UK Trade & Investment Enquiry Service
Tel: +44 (0)20 7215 8000
Fax: +44 (0)141 228 3693
Email: **enquiries@ukti.gsi.gov.uk**

If you have a specific query on India that is not answered by the information on the UKTI website please contact:

Dil Joshi
UK Trade & Investment
South Asia Unit
Email: dil.joshi@ukti.gsi.gov.uk
Tel: 020 7215 8082
Fax: 020 7215 4075

If you prefer to contact the team in India direct, contact:

If you prefer to contact the team in **India** direct, contact:

Team: UKTI
Address: British High Commission
Contact Name: Justin Davies
Role: National Unit Manager
Telephone (include international dialling code):+ 91 11 2419 2169.
Email address: Justin.Davies@fco.gov.uk

UK Trade & Investment can help you make the most of these opportunities and help you plan your approach to the market. You may find out more about the range of services available to UK companies trading internationally through your local International Trade Team.

We hope that you have found this guide useful. For further information, please contact your International Trade Adviser or one of the UKTI team in India.

Resources / Useful Links

Country Information:

BBC Website:
http://news.bbc.co.uk/1/hi/country_profiles/default.stm

FCO Country Profile:
http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/

Culture and communications:
CILT – National Centre for Languages - Regional Language Network in your area:
http://www.cilt.org.uk/workplace/employer_support/in_your_area.aspx

Kwintessential culture guides:
http://www.kwintessential.co.uk/

Customs & Regulations:
HM Revenue & Customs: www.hmrc.gov.uk
Import Controls and documentation (SITPRO): http://www.sitpro.org.uk

Economic Information:
Economist:
http://www.economist.com/countries/

Export Control
Export Control Organisation:
http://www.berr.gov.uk/whatwedo/europeandtrade/strategic-export-control/index.html/strategic-export-control/index.html

Export Finance and Insurance:
ECGD: http://www.ecgd.gov.uk/

Intellectual Property
Intellectual Property Office:
www.ipo.gov.uk

Market Access
Market Access Database for Tariffs (for non-EU markets only):
http://mkaccdb.eu.int/mkaccdb2/indexPubli.htm

SOLVIT – Overcoming Trade Barriers (EU Markets only)
www.bis.gov.uk/EUMarketAccessUnit

Standard and Technical Regulations:
British Standards Institution (BSI):
http://www.bsigroup.com/en/sectorsandservices/Disciplines/ImportExport/

National Physical Laboratory: http://www.npl.co.uk/
Intellectual Property - http://www.ipo.gov.uk/

Trade Statistics:
National Statistics Information: http://www.statistics.gov.uk/hub/index.html
UK Trade Info: https://www.uktradeinfo.co.uk/

Travel Advice:
FCO Travel: http://www.fco.gov.uk/en/travel-and-living-abroad/
NHS: http://www.nhs.uk/nhsengland/Healthcareabroad/
Travel health: http://www.travelhealth.co.uk/

Business Link: International Trade

Business Link's International Trade pages provide an overview of export basics including licensing, customs procedures, classifying and movement of goods, other regulatory information and export paperwork issues. It also introduces exporters to the UK Trade Tariff.

Essential reading for exporters!
Find out more at:
http://www.businesslink.gov.uk/bdotg/action/layer?r.s=tl&r.lc=en&topicId=1079717544

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Last Updated: February 2011