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With its team of industry sector experts, the US Commercial Service can help US exporters gain entry into the Indian market through market research reports, matchmaking services and advocacy programs.

The Commercial Service has offices in
New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, and Ahmedabad.

To the best of our knowledge the information in this report is accurate - however readers should conduct their own due diligence before entering into business ventures.

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Market Overview

India is a story of growth and opportunity. India's sustained growth of around 8% in 2008 and growing dynamism in several of its regional markets have created wide and diverse business prospects for U.S. exporters and investors. While 2009 growth estimates are more modest, hovering around 5.7-6.3%, India remains one of the growing, dynamic economies in the world. The current economic downturn has not affected India to the same extent as the United States, though most Indian companies remain apprehensive and are extremely cautious with large expenditures. Worldwide economic difficulties notwithstanding, U.S. multinationals are sold on India and are expanding and deepening their market penetration. U.S. firms with advanced and niche-market products and services are entering the market for the first time, or are replacing legacy distributors appointed in the slow-growth past with more capable and aggressive representatives. Many smaller American firms have begun to view India as a top anchor market for their products and services as well. The marked rise of U.S. exports to India, the daily business press announcements, the rapidly expanding demand for Commercial Service India matchmaking programs and due diligence services, and the many business development trade missions visiting India all point to India being open for business.

Economic growth in India today is being rewritten by India's highly entrepreneurial and rapidly globalizing private sector. Indian firms are investing in infrastructure projects, growing their advanced manufacturing capabilities, and inventing in new volume-based business models that tap into rising incomes and consumption in towns and rural economies across the country. Whether it is consumer goods and services, high technology and industrial goods, healthcare, or infrastructure development, Indian firms are bullish about their economy and are eager for U.S. commercial and joint venture partnerships, technologies, brands, services, and know-how.

In fact, the pace of the America's trade and investment relationship with India is accelerating. In 2008, U.S. exports to India surged to $18.6 billion. Advanced technologies, including aerospace, specialized materials, information and communications technologies, electronics and flexible manufacturing systems underpinned this growth. Indian exports to the United States slowed, growing only 1% in 2008. As a result, America's overall trade deficit with India dropped by 35% (from 2006 to 2008) to $7.1 billion.

In terms of long-range economic forecasts, some major consultancies project that more than 400 million people, a full 40% of the population, will enter India's middle class over the next 15 to 20 years. One noted firm expects India to have and sustain the fastest growth rate in the world by 2011. Another well-known consultancy believes that India will become the 3rd largest economy in the world in 2032. India's "demographic dividend" (71% of the population is under the age of 35, and the median age is 25) will ensure that that India retains strong production and knowledge-based competitiveness for many years to come.

Though these numbers are impressive, barriers to trade and investment remain in India. Thanks to economic reforms introduced in the early 1990's, Indian tariffs have been progressively reduced. However, additional reform is widely recognized as necessary for continued economic growth at recent levels in India, and it is anticipated. While poor infrastructure and high tariffs present the biggest obstacles to foreign investment and growth, India's infrastructure requirements also present trade and investment opportunities for American companies. Strategic planning, due diligence, consistent follow-up, and perhaps most importantly, patience and commitment are all prerequisites to successful business. The Indian sub-continent necessitates multiple marketing efforts that address differing regional opportunities, standards, languages, cultural differences, and levels of economic development. Gaining access to India's markets requires careful analysis of consumer preferences, existing sales channels, and changes in distribution and marketing practices, all of which are continually evolving.

Population

India's population, at 1.16 billion and growing, represents over 15% of the total world's inhabitants. Squeezed into just 2.4% of the world's land area, it ranks among the highest population densities on Earth. The annual population growth rate of 1.6% - or nearly 18 million people – per year, makes Indians largely a very young population. Almost 33% are younger than 15 years old, and more than 50% are under the age of 25, which is India's median age.

India is a large continental market spread over an area of 1.3 million square miles. Vast distances separate the most populous cities. The urban population centers are widely dispersed and nationwide distribution is imperative for many classes of consumer products. Only about 30% of the population lives in India's 200 or so towns and cities, the remaining 70% live in more than 550,000 villages. Although in terms of buying power urban India would rate higher, the rural market has shown rapid growth in recent years. The main reason for such growth, apart from awareness created by various media, is increased availability of products in rural areas due to the adaptation of distribution channels to serve the needs of the rural market. A good example of innovative distribution is the availability of products in the traditional weekly market, which often caters to multiple villages.

City (former name if applicable)	**Population** (in millions)
Mumbai (Bombay)	16.4
Kolkata (Calcutta)	13.2
New Delhi – capital	12.8
Chennai (Madras)	6.4
Bangalore	5.7
Hyderabad	5.5
Ahmedabad	5
Pune	4

Source: India 2001 Census

Key Economic Indicators

Growth: 8 percent in 2008, estimated between 5.7-6.3% in 2009.

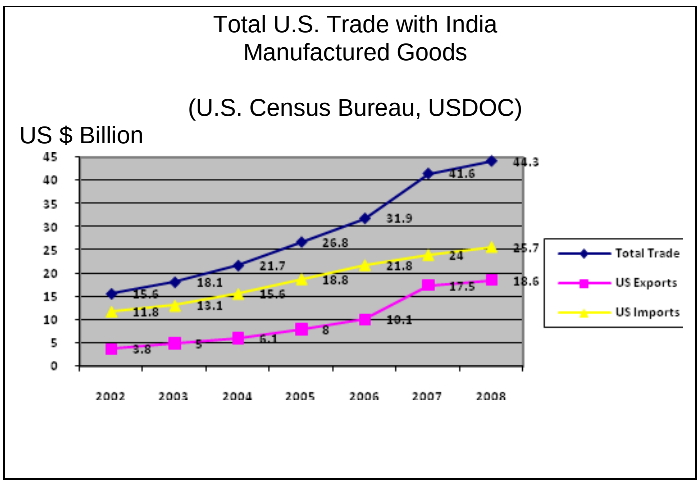
Breakdown: Services equal 53 percent of the GDP; industry equals 29% of the GDP and agriculture equals 17 percent.

Per capita income: Estimated at $1,016 in 2008 - of India's 1.16 billion people 42 percent live on less than $1.25 per day.

Purchasing power: In 2008, approximately 280-300 million people had growing purchasing power, thus creating a growing middle-class consumer population

Youth Power: Over 58 percent of the Indian population is under the age of 20, representing over 564 million people, nearly twice the total population of the United States

U.S. – India Trade*



Trade Balance: Total bilateral trade in 2008 was $44.3 billion.

U.S. Exports to India in 2008 surpassed $18.6 billion, an increase of 72 percent over 2006.

Imports from India in 2008 totaled $25.7 billion, a 10 percent increase over 2006.

The 2008 trade deficit with India was $7.1 billion.

Market Challenges

Infrastructure

Problems with the country's roads, railroads, ports, airports, education, power grid, and telecommunications may be the toughest obstacles for India's economy to grow to its full potential. Nonetheless, a process of liberalization in these areas has been underway, led by a more liberal environment in the information technology, airline, and telecom sectors, with increasing roles for the private sector in ports, roads and other key sectors. However, the absence of a clear policy framework has hindered critical private investment in infrastructure overall.

Slow Reform Process

As India gradually opens up its markets, many tariff and non-tariff barriers remain. Multiparty coalition governments since the mid-1990s have made some progress in this regard. However, the duties continue to be comparatively high which hamper India's efforts to achieve its potential as a global economic power. In addition, India's customs tariff and excise tax system remains confusing and laden with exemptions. Further, heavily bureaucratic investment processes, poor IPR enforcement, government inefficiencies and corruption have also discouraged foreign investors. However, in spite of the global meltdown, in fiscal year 2007–08, approximately $32.4 billion of foreign investment poured into India. The country posted a 45 per cent growth in foreign direct investment (FDI) with $23.3 billion between April-December 2008, over the same period last year. The FDI inflows between April-November 2008 stood at $19.79 billion.

Market Opportunities

Best prospect sectors and business opportunities. Ranked on the basis of estimated Indian imports from the U.S. for 2007, the best prospects (in alphabetical order) for U.S. exports follow:

- Airport and Ground Handling
- Computers and Peripherals
- Education Services
- Electric Power Generation, Distribution and Transmission Equipment
- Food Processing & Cold Storage Equipment
- Franchising and Retailing
- Medical Equipment
- Mining and Mineral Processing Equipment
- Oil and Gas Field Machinery
- Pollution Control Equipment
- Telecommunications Equipment
- Textile Machinery
- Water

Specific information on these sectors can be found in Chapter 4: Leading Sectors for U.S. Export and Investment. In addition to these best prospect sectors there are niche opportunities in the field of scrap metal, defense equipment, and clean energy.

Market Entry Strategy

Finding partners and agents. New business must address issues of sales channels, distribution and marketing practices, pricing and labeling, and protection of intellectual property. Relationships and personal meetings with potential agents are extremely important. Due diligence is strongly recommended to ensure that partners are credible and reliable.

Geographic diversity. U.S. companies, particularly small and medium-sized enterprises, should consider approaching India's markets on a local level. Good localized information is a key to success in such a large and diverse country. The U.S. Commercial Service posts in New Delhi, Mumbai, Chennai, Ahmedabad, Bangalore, Hyderabad and Kolkata provide indispensable local information and advice and are well plugged in with local business and economic leaders. Multiple agents are often required to serve each geographic market in the country.

Market entry options. Options include using a subsidiary relationship, a joint venture with an Indian partner, or using a liaison, project, or branch office.

It is strongly urged that U.S. companies consider a regional plan, focusing on multiple locations and markets within India and finding the appropriate partners and agents within each region.

Political Environment

Religion, caste, and language are major determinants of social and political organization in India today. Hindi, the national language, is the most widely spoken, although English is the common language among the populous.

Recognizing India as a key to strategic U.S. interests, the United States has sought to strengthen its relationship with India. The two countries are the world's largest democracies, both committed to political freedom protected by representative government. India is also moving gradually toward greater economic freedom.

Differences remain, however, including over India's nuclear weapons programs and the pace of India's economic reforms. In the past, these concerns may have dominated U.S. thinking about India, but today the U.S. views India as a growing world power with which it shares common strategic interests. A strong partnership between the two countries will continue to address differences and shape a dynamic and collaborative future.

To read more about the Political Environment, please click on the link below. You will be directed to the U.S. State Department's Background Notes on India, updated January 2009:

http://www.state.gov/r/pa/ei/bgn/3454.htm

You may also want to consult the US Embassy in New Delhi's website: http://newdelhi.usembassy.gov/

Economic Environment

The most current information on the Economic Environment in India is available at the link below. You will be directed to the U.S. State Department's Background Notes on India, updated January 2009:

http://www.state.gov/r/pa/ei/bgn/3454.htm

Other websites of interest include:

CIA World Factbook
https://www.cia.gov/library/publications/the-world-factbook/index.html

Economist Country Briefing:
http://www.economist.com/countries/India/

Economy Watch:
http://economywatch.com/indianeconomy/

India's Ministry of Finance:
http://finmin.nic.in/

Using and Agent or Distributor

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

Defining the terms: An agent will only procure business and will be paid through a commission. A representative normally works on a retention fee plus a commission on the sales generated. Also, a representative is similar to an indenting agent, where the foreign company deals directly with an Indian importer and then an agent consolidates all the imports, taking a commission from the foreign company. A distributor acts as an importer and typically purchases the product on his own account and stocks the products before selling it to the end user. Due to the risk of stocking the products, the distributor's compensation is higher than that of an agent or a representative.

Use Caution when Establishing this Critical Relationship
The Indo-American relationship is strong, and Indian firms are eager to buy American products and services. The market is opening as required by India's WTO commitments, and as a result, U.S. exporters will find strong interest from potential representatives and distributors for a broad range of products. However, the enthusiasm of potential partners must be weighed against several factors before a relationship is considered. A thorough due diligence study is essential before establishing a relationship, no matter how positive initial meetings are.

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

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

Typical Pitfalls to Expect

The long list syndrome: U.S. companies should exercise pragmatic skepticism when the potential representative offers a long list of foreign clients. These lists may be outdated and the relationships may no longer exist. On the other hand, if all of these relationships do exist, the distributor or agent may not be able to fulfill all obligations and commitments to your product based on the time, financial, managerial, or logistical constraints of building the new relationship. The U.S. companies should confirm that the distributor or agent is able to represent the product along with the products of current clients.

The no follow-through syndrome: U.S. companies should ensure that their distributor or agent is fully committed to promoting their product. Very often the distributors or the agents project a professional image backed by a qualified staff, widespread distribution network and a countrywide presence. The U.S. company should make sure that such representatives do not leave the distribution of their products or services to the network. It is imperative that U.S. companies carefully consider all factors prior to making the final selection of a distributor or agent.

Other issues to Consider

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

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

To identify agents and distributors, U.S. companies can take advantage of the International Partner Search (IPS) and Gold Key Service (GKS) programs offered by the U.S. Commercial Service through its seven offices in India. To conduct a background check on local agents and distributors, U.S. companies can take advantage of the Commercial Service's International Company Profile (ICP) service. Please see Chapter 10 for more information.

Establishing an Office

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

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

Type of Office: A foreign company or individual planning to set up business operations in India – but choosing not to establish a subsidiary or to form a joint venture with an Indian partner – can do so by establishing Liaison, Project, or Branch offices in India. Approval from the Reserve Bank of India (RBI) is required, and can be obtained by submitting form "FNC 1" which can be downloaded here. Such companies also have to register themselves with the Registrar of Companies (ROC) within 30 days of setting up a place of business in India.

Liaison or representative office: Many foreign companies initially establish a presence in India with a liaison or representative office that is not directly engaged in commercial transactions in India. The purpose of these offices is to oversee their networking efforts, promote awareness of products, and to explore further opportunities for business and investment. A liaison office is not allowed to undertake any commercial activity and cannot earn any revenue in India. As no revenue is generated, there are no tax implications to the office in India. Such offices are not allowed to charge any commission or receive other income from Indian customers for providing liaison services. All expenses are to be borne by inward remittances. A foreign company establishing a liaison office cannot repatriate money out of India.

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

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

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

None of these entities are permitted to acquire real estate without prior RBI approval. However, they are allowed to lease property in India for a maximum period of 5 years.

Franchising

India remains a "sizzling" market place for American franchisors. Demand for U.S. brands remains strong in: telecom, retail, education, garments and apparel, specialized food services, entertainment, courier services, stationary and gift shops, healthcare, fitness and personal grooming clinics.

Presently, franchising accounts for 3% of India's total retail market and is increasingly becoming a popular business model. Today, India has around 40,000 franchisees, growing at a rate of 30% per annum. The Franchise market in India is estimated to be approximately $2.7 billion.

Since economic liberalization in 1991, India has witnessed a huge growth in entrepreneurs. As a business model, franchising is ideally suited for Indian entrepreneurs. India has a vast pool of entrepreneurial energy and talent, and a pressing need for increasing self and other employment opportunities. Franchising meets all these needs, while at the same time keeping the overall risk relatively low.

India's $330 billion retail sector is witnessing an evolution as traditional markets are beginning to make way for new models such as department stores, supermarkets, hypermarkets and specialty stores. Western-style malls have begun appearing in both large and second-tier cities, introducing the Indian consumer to a new shopping and entertainment experience. According to a study conducted by the management-consulting firm A.T. Kearney, India tops the list of the 30 most attractive emerging markets for investment opportunities by mass merchants and food retailers. Franchising retail outlets is emerging as a popular model for reaching the Indian consumer, and has grown in popularity. Though current investment regulations of the Indian government restrict foreign investment in the retail sector, many international companies have chosen the franchising route to grab a share of the enormous market that India offers.

Several foreign companies with strong brand names have established a presence in India through franchising. In the hospitality and food service industries, this has been the preferred method for starting operations in India. Some international companies that operate through franchises include: Hertz, Avis and Budget car rental; Radisson, Best Western and Quality Inn hotels; Kentucky Fried Chicken, Domino's Pizza, TGI Friday's, Ruby Tuesday, Subway, and Baskin Robbins for food. Pizza Hut and Domino's Pizza have opened many outlets under the franchise model. Similarly, Indian companies with strong brand recognition are also using the franchising route to expand business volume. Examples of such Indian companies are Archies for giftware, MRF for automotive tires, NIIT for computer training schools and Apollo Hospitals for healthcare.

Challenges:

Regional Approach to combat Indian diversity: Companies prefer to appoint master licensees on a zonal basis, as India is a large geographical landmass with a diverse mix of population.

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

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

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

Resistance on Fees & Cap on Royalty: U.S. franchisors should also be prepared to face stiff resistance from prospective Indian franchisees toward the franchisee fees/royalty payments, which are considered high. In most sectors the royalty payment is capped at 5%.

Lack of Legal Framework**:** It is also important to know that unlike in the United States. and other western countries, India does not have any specific law on franchising. Franchising is covered within the broad definition of transfer of technology. Thus, the legal framework for new franchisors interested in setting up master franchises in India exists in terms of brand protection and rules regarding payment of franchise fees.

Direct Selling

Direct selling is one of the fastest growing industries in India. According to industry reports, the direct selling industry in India reported a total turnover of $807 million for fiscal year 2007 – 08 and touch $ 2.5 billion by 2012.

India has strong potential for direct selling because underemployment is perennial. Multinational direct sellers have been quick to sense an opportunity in India's post-liberalization economy.

Currently, the direct selling industry employs more than 1.3 million people. There are about 800,000 active direct sales executives who buy or sell products through direct selling, with around 250–300 product categories and 2,100 variants. Product categories include items ranging from cosmetics to kitchenware, education, home care, insurance, and natural products.

In the absence of advertising in the direct selling industry, to increase penetration and facilitate direct access to their products, some direct selling companies have established lifestyle centers and kiosks at major retail stores. A lifestyle store is a large store that carries the entire product range of the marketer but is not meant for retailing. Instead, it is a place for consumers to come and experience the brands and for distributors to conduct their business and impart training. To increase brand awareness, some direct selling companies set up temporary kiosks at leading retail stores to display and sell their products. These strategies have helped to enhance recruitment, create brand awareness and reach out to consumers who may not be aware how and where to buy the products from.

According to industry estimates, there are roughly 20 direct selling companies in India with nation-wide coverage and approximately 100 smaller companies with a localized city specific presence. Many Indian and multinational direct sellers have started operations in India through joint ventures or wholly-owned subsidiaries. Amway, with more than 200,000 distributors spread across 26 cities servicing more than 306 locations is perhaps the largest direct selling company in India today. Tupperware entered India in 1996 and currently has more than 40,000 dealers in 40 Indian cities. Established retail companies in India have also started direct selling operations, the most prominent being Hindustan Lever Limited of the Unilever group.

Joint Ventures/Licensing

This type of arrangement is quite common because India encourages foreign collaborations to facilitate capital investments, import of capital goods, and transfer of technology. That said, India is a market that requires a careful approach because mistakes can be quite costly. Once a decision to go with a joint venture partner is made, it's important to keep in mind the following principles: define each partner's roles and expectations because equality and trust will help keep partners together, experience is a key ingredient, there is no substitute for thorough research, and look at the long term.

A foreign company invests in India either through automatic approval by the Reserve Bank of India (RBI) or through the Foreign Investment Promotion Board (FIPB). For Sector-Specific Guidelines for Foreign Direct Investment, please see Chapter 6.

The FIPB in the Ministry of Finance is a high-level central agency that deals and clears proposals for investment in India. The chairman of the Board is the Secretary of the Department of Economic Affairs. Other Board members consist of the Secretaries in the Ministries of Commerce & Industries, and the Economic Relations Secretary in the Ministry of External Affairs. Other members can be co-opted from senior government officials, and professional experts from industry, commerce and banks, as and when required.

Applications are received by the FIPB through the Secretaries for Industrial Assistance (SIA). The SIA was established within the Department of Industrial Policy & Promotion in the Ministry of Industry. It provides a single window for entrepreneurial assistance, investor facilitation, processing of all applications that require Government approval, assisting entrepreneurs and investors in setting up projects (including liaison with other organizations and State Governments) and monitoring the implementation of projects. Applications can also be made with Indian missions abroad. Applications received by SIA are placed before the FIPB within 15 days of receipt. The Board has the flexibility to negotiate with investors. The FIPB's decisions are communicated by SIA, normally within 6 weeks of receipt of the application.

Investment in the following areas are accorded priority in considering investment applications: items listed in the automatic approval list, where conditions for automatic approval are not met; infrastructure; items with export potential; projects with large employment potential, particularly in rural areas; items which have a direct or backward linkage with the agricultural sector; socially relevant projects such as hospitals and life saving drugs; and projects which induct new technology or infuse capital. If the U.S. investor has written a comprehensive proposal, provided details, and the FIPB is fully satisfied that the investment meets India's industrial development goals, approval can be granted in as little as three weeks. Proposals that are badly formulated, do not meet FIPB goals, and invite objections on political, environmental or public health or welfare grounds are likely to be denied.

Industries reserved for the public sector: Some industries are reserved exclusively for the public sector. The following industries are not available for private investment unless a specific approval is obtained: arms and ammunition and allied items of defense equipment, defense aircraft and warships, atomic energy, and railway transport.

For more details please refer to the GOI Ministry of Commerce and Industry's FDI manual, which can be found at: http://dipp.nic.in/manual/fdi_manual_11_2006.pdf.

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

Selling to the Government

Indian government procurement practices and procedures often lack transparency and standardization, which can frustrate foreign suppliers. The process is improving under the influence of fiscal reform policies such those set down in their newly revised Defense Procurement Procedure and Manual – 2009 http://mod.nic.in/dpm/welcome.html. Specific price and quality preferences for local suppliers were largely abolished in 1992. Recipients of preferential treatment are now supposedly limited to the small-scale industrial and handicrafts sectors, which represent a very small share of total government procurement. There are occasional reports of government-owned companies calling in the performance bonds of foreign companies, even when there was no dispute over performance. It is not unusual for negotiations to drag on for months and be held up at more than one of the sundry levels within the Indian bureaucracy for long periods with no discernible movement or reason given for lack of progress.

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

The Government of India regularly advertises its requirements for the purchase of supplies and new equipment.

Defense Sales While most of India's defense equipment was previously purchased from non-U.S. sources, and largely still is, India has recently expressed increased interest in U.S. technologies. The Indian defense sales market today offers great potential for defense suppliers, but U.S. businesses desiring to make defense related sales to India should be aware that the process can be a daunting one.

Local Representation is Invaluable U.S. defense suppliers should assess the merits of having some representation in India to assist in market assessments, logistical support, and after-sales contact. Those firms that have used such personnel have often found them invaluable. This representation can either be through the supplier's own office presence in India (see above section "Establishing an Office"), or through an authorized representative. Caution must be exercised when seeking local expertise because unless strict guidelines are followed, Indian law may be broken.

In November 2001, the Government of India lifted the ban on agents in defense purchases. Regulatory provisions were announced for Indian authorized representatives and agents, where permissible, in defense purchases. Details of these provisions are posted on the web site of the Ministry of Defense at: http://mod.nic.in/newadditions/repagent.htm. The regulations require both the principal as well as the potential local representative to meet the provisions stipulated – it is the foreign supplier that has to make an application to the Ministry to register the relationship reached with the agent. The regulations also call for complete disclosure of the principal agent relationship in all its aspects.

The process for gaining clearance from the Government of India (GOI) to hire such a representative can also be very slow. These requirements have discouraged many established local representatives in the defense business from registering as agents for new defense deals. The Office of Defense Cooperation (ODC) within the U.S. Embassy in New Delhi is a good point of contact for U.S. defense firms. The ODC can assist by providing contact details of Ministry of Defense and Military Service offices that are the main purchasers of foreign defense goods for India and offer advice on strategies for defense related sales. ODC may also accompany U.S. defense suppliers to an initial meeting with GOI officials as an impartial observer. The offices of the U.S. Commercial Service in India are also good points of contact for U.S. defense firms initiating sales efforts in India. The tender process that the GOI uses to acquire new defense equipment is relatively slow and complex, with the average time between initial release of a request for proposal and the final contract award often taking several years. The most successful firms are those with the endurance to follow the process through and the situational awareness that comes from local representation or from contact with GOI officials. Tenders are not generally posted to the Internet, but are instead provided to those firms that are registered with the GOI. Selected tenders can be found at: http://www.tenders.gov.in/.

Distribution and Sales Channels

There has been a significant expansion in distribution channels in India during the past few years. The total number of retail distribution outlets in the country is estimated at over 12 million. A firm can take its products to the user through a variety of channels. It can use different types of marketing intermediaries. It can structure its channel into a single-tier or a three-tier system.

The tree-tier system: Most Indian manufacturers use a three-tier selling and distribution structure that has evolved over the years: redistribution stockists, wholesalers and retailers. As an example, a Fast Moving Consumer Goods (FMCG) company operating on an all-India basis could have between 40 and 80 redistribution stockists (RS). The RS will sell the product to between 100 and 450 wholesalers. Finally, both the RS and wholesalers will service between 250,000-750,000 retailers throughout the country. The RS will sell to both large and small retailers in the cities as well as interior parts of India. Depending on how a company chooses to manage and supervise these relationships, its sales staff may vary from 75 to 500 employees. Wholesaling is profitable by maintaining low costs with high turnover, with typical FMCG product margins anywhere from 4-5%. Many wholesalers operate out of wholesale markets. According to a recent study, India has approximately 12 million retail outlets, mostly family-owned businesses. In urban areas, the more enterprising retailers provide credit and home-delivery. Now, with the advent of shopping malls impacting the retail sector, companies talk of direct delivery and discounts for large retail outlets.

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

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

India has eleven major seaports and 139 minor working ports along its two coasts, but in terms of gross weight tonnage conveyed annually, Mumbai, Marmagao on the west coast, and Vishakhapatnam and Chennai along the east coast are the most important ports in India. Mumbai, the financial capital of the country is very important for the international cargo trade.

Selling Factors and Techniques

At first glance, the bulk of the purchasing power in India would appear to be concentrated in its urban markets. However, a majority of the Indian population lives in rural areas distributed over some 627,000 villages. The balance lives in 3,700 towns of which approximately 300 have a population of more than 100,000 inhabitants.

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

Analysis of consumer purchase data over the last several years by various research agencies has shown that rural markets in India are growing as disposable income and literacy levels increase, and television access stimulates demand. Due to the influence of the media, consumption patterns in rural households have also changed significantly in recent years. Indians in rural areas are far more brand conscious, and this is generating demand for some products that were previously unfamiliar. Growing brand awareness makes it all the more important for American companies entering the Indian market to register their brand name with the Indian trademark office. For more information on this visit: http://patentoffice.nic.in/. For the country's mega-marketers, rural reach is on the rise.

Poor infrastructure, however, is a major problem that makes distribution difficult and reduces demand for some products in rural areas. In order for sales techniques to be successful, distribution coverage is of prime importance. Indian consumers are serviced by an efficient, but highly fragmented, trade system consisting of over 12 million retail and wholesale outlets, spread over many urban and rural population centers. India has the largest retail outlet density in the world, but the majority of these stores are very small in size and unorganized. Over the next few years, however, hundreds of malls will be built, many based on Western models.

With more than 500 million people under the age of 25, India's rapidly growing population appears to present limitless opportunities, but many Indian and foreign companies have discovered that for many product categories, only a fraction of India's population can be regarded as potential customers. Many companies have been disappointed with the response to products launched in India over the past few years. Initially, these companies grossly overestimated the depth and size of the Indian market for their products. Projections for the growing Indian middle-class range from 150-200 million but these figures have proven to be off the mark for certain products as marketed to the typical Western middle class consumer. Another mistake was to offer global brands at global prices, without any customization. Transposing brands and products from other markets did not work. Suitability and adaptation to Indian preferences and conditions are regarded as a significant benefit to Indian consumers and is therefore an important factor to be considered while designing a sales strategy. A final mistake was to enter India without an efficient distribution network, forgetting that India is a market with poor infrastructure and logistics.

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

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

Electronic Commerce

In addition to traditional selling techniques, the Internet is also gaining importance as a selling method. According to the Internet and Mobile Association of India (IAMAI), the number of internet users in India reached 50 million in 2008 from 46 million in 2007. As the number of Internet users continues to increase with the reduction in cost of Internet access, the Indian e-tailing market will also expand. The latest data from the IAMAI estimates the e-commerce turnover was $2.3 billion in 2008. Over 440,000 B2C (business-to-consumer) transactions are made per month through the internet. Besides buying goods, these deals include booking travel (airways and railways), hotels, net banking, bill payments, stock trading, job searches, and matrimonial searches, general classifieds, online advertisement and online search marketing.

According to IAMAI, e-ticketing for railways and airlines is the biggest contributor to B2C transactions, followed by gift items like books and videos, flowers, jewelry, watches and apparels. Other products traded through e-commerce include: consumer electronics including mp3 players, digital cameras, DVD players and home appliances.

The growth in e-commerce is largely due to the increasing number of broadband users. According to the Telecom Regulatory Authority of India's (TRAI) quarterly performance indicators, the internet user base is expected to grow fast since the prices of broadband are falling due to intense competition in the telecom sector. TRAI is targeting an internet subscriber base of 18 million, while the target for broadband is 9 million by the end of 2010. TRAI pointed out that the minimum monthly tariff for broadband had come down relative to that of dial-up Internet charges for a month of similar usage. The demand for broadband services had increased, and service providers are now upgrading the capacity. In the short run, however, the supply of broadband is still a cause of concern.

The global technology research firm IDC is also upbeat on the potential for online shopping in India. Similarly, industry experts believe that online business-to-business (B2B) commerce will increase substantially in India because it meets a genuine need and portals offering such services are built on strong revenue models.

Trade Promotion and Advertising

Over the years, the Indian economy has moved from being a controlled sellers' market to a buyers' market. With the opening of the economy came increased competition, and the need for increased advertising. Media availability has increased exponentially with unlimited competition, but advertising budgets previously on the rise are now dropping due to the global economic slowdown. According to an April 2009 report in *The Economic Times*, advertising is a $4.31 billion industry in India. It is an increase of 17% over 2007. The numbers are pared down a bit from the forecast given the slowdown in the second half of 2008. The 17% growth is lower than the 22% growth achieved in each of the previous two years. The Indian advertising industry is part of the $7.8 billion Indian media and entertainment industry, which according to a recent Price Waterhouse Coopers report, is expected to reach $18.6 billion by 2010.

Practically every aspect of media is available for advertising, from print to outdoor advertising to satellite channels to movie theaters. Advertising in print continues to hold the largest share. Both print and TV dominate the advertising market with a combined share of 88%. The surprise feature in 2008 is internet advertising, which has grown at 45% and to $75.6 million.

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

India has a diverse and growing number of daily newspapers. According to the National Readership Survey (NRS) 2000, the print media reaches 70 percent of urban adults. Further, the number of readers in rural India is now roughly equal to that in urban India. The print media, almost completely controlled by the private sector, is well developed and advertising and promotional opportunities are available in a large number of newspapers including daily, weekly or monthly business publications, news magazines and industry-specific magazines.

According to the Indian Readership Survey 2009 data *The Times of India* is the leading English newspaper daily in India, with a readership of 13 million, followed by *Hindustan Times*.

The *Economic Times* and *Business World* are the predominant business publications. The top Hindi daily is *Dainik Jagran* with readership 54.5 million. The Leading magazines include India Today, *Business India*, Business Today, Business World and Outlook. Advertising opportunities are also available on satellite and cable television channels. Doordarshan, the government-owned television network, reaches almost 90 percent of the population. In addition, more than 100 satellite and cable television channels, including many U.S. and international channels such as STAR TV, CNN, NBC, Discovery, National Geographic and BBC, are available for advertising. New distribution platforms like Direct-to-Home (DTH) are expected to increase the subscriber base and raise subscription revenues.

Radio, by far the least expensive and most traditional form of mass entertainment in the country, is staging a comeback in the lifestyles of Indians. Presently this medium is dominated by the government-owned All India Radio (AIR) and reaches over 90 percent of the population. AIR's market dominance is under threat by the Indian government's decision to issue 338 licenses to private radio channels to run FM radio stations in 91 big and small towns and cities. New formats such as satellite, internet and community radio have also begun to hit the market.

In 2008, at least 20 new titles of magazines spanning different niche segments were launched. An Information and Broadcasting Ministry's proposal to allow foreign news magazines to bring out Indian editions has been approved. This will allow Indian publishers to launch Indian editions of foreign titles. The new policy will immediately benefit companies such as Network18 and Ananda Bazaar Patrika, which have announced a joint venture to publish a biweekly issue of Forbes magazine in India and a local version of Fortune magazine.

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

In addition to advertising, established public relations firms are also available to U.S. companies that require such services. This segment has a few U.S. and other international companies present in collaboration with local partners. Mumbai remains the center of the advertising industry in India.

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

Trade development offices of the U.S. Department of Commerce, U.S. industry associations, and individual U.S. states organize trade delegations and missions to visit India to explore prospects for doing business with local firms in the private and public sectors. Participation in such trade missions, whose programs in India are managed by the U.S. Commercial Service, will be useful for American companies interested in doing business in India. You can also visit http://www.buyusa.gov/india/en/135.html for a list of trade events supported or organized by CS in India.

The Commercial Service in India offers several easy and inexpensive options to begin promotion in the Indian market, which are particularly helpful to small and medium new-to-market companies.

- Featured U.S. Exporters (FUSE) is an online directory of U.S. products and services on our website, which can features your company's profile along with contact information for one of our local trade specialists.
- Commercial News USA (CNUSA) is monthly catalog magazine circulated world-wide through U.S. Commercial Service offices with low-cost advertising opportunities; while it's not country-specific, over 3,000 copies are circulated to selected buyers, agents/distributors, chambers of commerce and trade associations in India
- U.S. Exporters can arrange for customized services through our Single Company Promotions
- U.S. firms offering services to U.S. exporters and investors interested in India can be listed in our online Business Service Providers directory for business

Pricing

When formulating key strategies and making decisions about product pricing for the Indian market, it is important to remember that simple conversion of U.S. dollar prices to Indian rupees will not work in most cases. Also, the assumption that a latent niche market for premium products exists has often resulted in low sales volumes and negligible returns for some foreign companies. Indian consumers remain very price sensitive. In a recent example, refrigerators offered by a particular U.S. manufacturer did not sell well because they were priced 40 percent above Indian brands.

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

Pricing decisions also have some bearing on product packaging. Many consumer product suppliers have found it helpful to package smaller portions at reduced prices rather than "economy" sizes. While the Indian consumer will pay a little extra to ensure that they get quality and value for money, they may not be able to afford the higher prices of attractive packaging which many multinational companies have developed.

Although some Indian consumers are aware of quality differences and insist on world-class products, many customers can sacrifice quality concerns for price reductions. In East Asia, Europe, and North America for example, laser printers and ink jet printers have almost eliminated the dot matrix printer from homes and offices. In India, dot matrix printers are still used in business correspondence by many industrial groups. The price advantage of this older technology has extended its lifetime in this market.

Bargaining for the best price is a routine process of the buyer and seller in India. For consumer goods, especially for durables, the sellers often give discounts on the listed prices during festive seasons to attract more customers. Trade-ins of old products for new items are also increasingly popular among consumers. A pricing strategy must consider all of these factors.

Another key consideration in pricing is Indian import tariffs. These are high for most products, especially consumer products. There are pockets of affluent Indians who can afford to buy a variety of luxury branded goods. However, in general, consumer consumption patterns are very different from those in many other countries. The middle class is growing exponentially, providing a fertile market for moderately priced items, but the prohibitive import tariffs may serve to move some items out of the reach of the Indian Middle Class consumer. Compounding this is the Value Added Tax (VAT) at a rate of 12.5 percent is in effect in most States.

Understanding Indian Business Law

Although the following information is in no way meant to satisfy the need to hire competent and local legal counsel, we hope it will provide a framework to assist U.S. companies in knowing the right questions to ask.

Several local law firms are well equipped to serve multinational and foreign companies. They offer the full range of legal and tax services and have the expertise to work with international law firms as needed. In fact, there are many Indian attorneys with LLM degrees from U.S. and internationally recognized programs. In addition, several U.S. law firms have begun partnering with Indian firms, although they are currently prohibited from directly practicing in India. Indian bar associations regard the entry of foreign law firms as a competitive threat to their existing business, and as such, many local law firms advocate that the Government of India should restrict entry only to firms from nations that grant reciprocal treatment to Indian law firms.

Indian attorneys are prohibited from the direct advertising of their service. However, the U.S. Foreign Commercial Service and U.S. Embassies and Consulates maintain lists of suggested attorneys, although we cannot recommend any specific individual or firm to supply legal services to U.S. companies.

As in the United States, Indian attorneys are governed by rules of ethics that include requiring confidentiality to a client. Indian attorneys may also be held liable to a client for professional malpractice.

For large-scale projects, U.S. developers will encounter public interest litigation and media reaction among the most challenging variables. They must be prepared to furnish substantial information, and patiently refute misleading allegations. It is imperative to have a capable local attorney to help manage these situations, and an effective public relations effort to maintain an objective, positive image.

Since the Indian government controls inbound investments, it is useful to have a local attorney who can advise on investment options, structuring of the Indian operations and how best to establish a business presence in India, whether by way of subsidiaries, joint ventures, branch offices or liaison offices. In most cases, the investor, in order to do business in India, will have to deal with a number of government departments/ officials and comply with many rules, regulations and procedures that invariably lead to delays.

Doing business in India is difficult because the Indian market is a complex one, with some laws dating back to the 1900's, and some enacted or amended as a result of the economic liberalization process that began in 1991. Like the United States, India has adopted the British common law system.

Although the Indian legal system is effective and the rule of law is strong, case backlogs can create lengthy delays. Court delays are common and often lengthy. Firms undertaking complex projects must consider this in developing project timelines and factor in the costs of legal expenses and project delays.

In India, there are an increasing number of agreements that provide for arbitration, in the event of disputes between the parties, as litigation in the country is a time consuming, cumbersome and expensive process. Local attorneys can assist in litigation but also have developed the expertise to handle international arbitration. The more progressive local attorneys are developing additional expertise in specific areas by hiring industry professionals and professionals from other law and accounting firms. Many spend considerable non-billable time in research, to increase their knowledge and information base and to shorten their response time.

KEY BUSINESS LAW PROVISIONS:

Indian Contract Act, 1872
Fundamental principles are very similar to U.S. contract law and include such requirements as offer, acceptance, consideration and privity of contract.

Specific Performance can be granted under the terms of the Specific Relief Act, 1963.

Companies Act, 1956, Amended 2000
Governs entities incorporated in India or foreign entities with a physical presence in India.

Principal forms of business entities are sole proprietorships, partnerships and corporations.

Intellectual Property Protections
Signatory of the Paris Convention, the Patent Cooperation Treaty, the General Agreement on Tariffs and Trade (GATT) and the TRIPS agreement of the WTO. The Government of India is working hard for full compliance with these agreements.

Copyright Procection
Copyright Act, 1957, amended 1999 – reflects the Berne Convention on Copyrights.

Trademark Protection

Trade and Merchandise Marks Act, 1958. Repealed and replaced by the Trade Marks Act, 1999. Effective September 2003.

Patent Protection
Patents Act, 1970, amended 2005.

Industrial Designs Protection
The Designs Act, 2000

INDIAN LABOR LAWS
(India is a member of the International Labor Organization.)

Industrial Disputes Act, 1947
Governs labor issues and prohibits unfair labor practices.

Maternity Benefit Act, 1961
Provides leave and other benefits to qualifying women both during and after pregnancy.

Payment of Bonus Act, 1965
Requires the payment of an annual bonus to qualifying workers even if the company is not profitable in the given year.

Payment of Gratuity Act, 1972
Requires the payment of a gratuity to qualifying workers upon retirement, resignation or disability. Gratuity is paid at a statutory minimum rate.

Workmen's Compensation Act, 1923
Like the U.S. Act, requires the payment of a statutory minimum amount upon the injury or death of a qualifying employee when the injury or death is suffered during the course of employment.

Industrial Employment (Standing Orders) Act, 1946
Requires employers clearly define the conditions of employment to qualifying employees.

Employers falling under the Act that have not certified the terms of employment may fall temporarily under Model Standing Orders of the Industrial Employment (Standing Orders) Central Rules, 1946.

http://www.labour.nic.in/act/acts/IndustrialEmploymentAct.doc

Minimum Wages Act, 1948
Qualifying employees must be a paid minimum wage. The amount is determined by the Central Government.

Payment of Wages Act, 1936
Proscribes the terms of payment of wages for qualifying low income employees.

Employees Provident Fun and Misc. Provisions Act, 1952
Creates a system of compulsory savings for qualifying employees.

ANTI-TRUST REGULATIONS

Monopolies and Restrictive Trade Practices Act, 1969
Act is being repealed by the Competition Act, 2002 (No. XII, 2003) which was signed into law on 13 January 2003, though the Central Government has only put into effect certain provisions of the new Act.

Prohibits restrictive trade practices, unfair trade practices and monopolistic trade practices.

Regulated by the Monopolies and Restrictive Trade Practices Commission.

Competition Act, 2002
Will replace the Monopolies and Restrictive Trade Practices Act.

Prohibits anti-competitive agreements, abuse of dominant position, and regulates corporate combinations, while establishing the powers, functions and duties of the Competition Commission of India, a quasi-judicial regulatory body.

Consumer Protection Act, 1986
Any entity providing goods or services must avoid unfair or restrictive trade practices as defined by the Act.

Establishes councils among other mechanisms to settle consumer disputes.

MERGERS AND ACQUISITIONS
Governed by the Substantial Acquisition of Shares and Takeovers Regulations, 1997 that is administered by Securities and Exchange Board of India and is also known as the Takeover Code.

Provides a regulatory framework and protection to small investors.

CORPORATE TAXATION
Governed by the Ministry of Finance, Central Board of Direct Taxes.

Corporate tax rate of 40 percent as of 2004.

Special deductions and incentives are available for many industries particularly those associated with products for export.

ARBITRATION AND CONCILIATION ACT, 1996
Consolidates laws related to domestic arbitration, international commercial arbitration, and enforcement of foreign arbitration awards. Based on the Model Law on International Commercial Arbitration adopted by the United Nations Commission on International Trade Law (UNCITRAL) in 1985.

Intellectual property protection in India is improving in the patent area as a result of expanded patent coverage effective January 1, 2005. However, large-scale copyright piracy, especially in the software, optical media, and publishing industries continues to be a major problem.

Patents: On December 27, 2004, the GOI issued a Patent Amendment Ordinance just ahead of India's January 1, 2005 WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) deadline to enact product patent protection. On March 23, 2005, the Indian Parliament approved legislation to make permanent the change to India's patent law that the GOI had introduced by temporary ordinance in December 2004. The implementing regulations to enact the changed law came into effect on January 1, 2005. The new law extends product patent protection to pharmaceuticals and agricultural chemicals. However, the new law lacks specificity in several important areas such as defining the scope of patentable subject matter. The Indian Patent office has over the past year reduced, to a large extent, the backlog of pending patent applications. Also, electronic filing of patent applications has been introduced by the Intellectual Property Office in India. However, there is a pre- grant opposition system that has been used to prevent patents from being granted.

India provides protection for plant varieties through the Plant Varieties and Farmers' Rights Act.

Protecting Your Intellectual Property

Indian law at present does not provide for protection against unfair commercial use of test or other data that companies submit to the government in order to obtain marketing approval for their pharmaceutical or agricultural chemical products. Without specific protection against unfair commercial use of clinical test data, companies in India are able to copy certain pharmaceutical products and seek immediate government approval for marketing based on the original developer's data.

In order to comply with its international obligations under the TRIPS Agreement, the Government of India had designated the Department of Chemicals and Petrochemicals, Ministry of Chemicals and Fertilizers as the responsible ministry to suggest measures that should be adopted in context of TRIPS Article 39.3 and to consider whether data protection can be offered under the existing legal provisions. An Inter-ministerial Committee was constituted on February 10, 2004 under Chairmanship of Secretary Reddy to act as a Consultative Group on the matter. The Committee released the Reddy Report on May 31, 2007. The Reddy Report finds that the present Indian legal provisions on data protection are not adequate to meet the spirit of Article 39.3 of TRIPS Agreement, though it concludes that existing legislation may be amended to achieve TRIPS consistency. The report further recommends that an explicit legal mechanism in the Drugs and Cosmetics Act, 1940 and the Insecticides Act, 1968, and the Rules framed under these Acts, should be provided to ensure that undisclosed test data of the originator is not put to unfair commercial use by others. It is reported that the Ministry of Agriculture is in the process of amending the Insecticides Act, 1968 to include provisions regarding data protection of agricultural chemicals and that the bill is likely to be introduced in the Indian Parliament in the near future. There has however been little or no movement on providing data protection for pharmaceuticals.

Copyrights: U.S. industry estimates that, in 2008, lost sales resulting from piracy in India of U.S. sound recordings and music, and business software only totaled to about $1096.2 million.

The Information Technology Act of 2000 includes penalties for the unauthorized copying of computer software. Penalties of up to $240,000 can be applied to unauthorized copying. Also, the penalty affords no immunity from prosecution under other laws.

The GOI is not a party to either the 1996 WIPO Copyright Treaty (WCT) or the WIPO Performances and Phonograms Treaty (WPPT). A "core group" of GOI officials, local industry representatives, academics and lawyers has been discussing amendments to the Indian Copyright Act that would enable India to implement these treaties. The amendments have been drafted and are expected to be introduced in the Parliament in the near future.

The Indian Constitution delegates enforcement responsibility to the state governments. The central government can pass laws but the states are responsible for implementing them. The Central Bureau of Investigation (CBI), for example, which has inter-state jurisdiction, does not pursue IPR-related cases. The state, municipal or local police forces - although untrained - are charged with enforcing IPR laws.

Piracy of copyrighted materials (particularly software, films, popular fiction works and certain textbooks) remains a problem for both U.S. and Indian producers. India has not adopted an optical disc law to deal with optical media piracy, although the Ministry of Information and Broadcasting is now considering draft legislation. Classification of copyright and trademark infringements as "cognizable offenses" has expanded police search and seizure authority. The law provides for minimum criminal penalties, including mandatory minimum jail terms. If implemented, these penalties could effectively deter piracy. Due to backlogs in the court system and documentary and other procedural requirements, few cases recently have been prosecuted. U.S. and Indian industry report that piracy levels in all sectors remain high.

Cable television piracy continues to be a significant problem, with estimates of tens of thousands of illegal systems in operation in India. Copyrighted U.S. product is transmitted over this medium without authorization, often using pirated videocassettes, VCDs, or DVDs as source materials. This widespread copyright infringement has a significant detrimental effect on all motion picture market segments in India - theatrical, home video and television. For instance, pirated videos are available in major cities before their local theatrical release. The proliferation of unregulated cable TV operators has led to cable piracy.

Trademarks: India's trademark legislation provides protection for trademarks and service marks. A bill amending the Trade Marks Act, 1999 to include provisions relating to the filing of trademark applications using the Madrid Protocol has been cleared by the Parliament and is likely to be implemented soon. Furthermore, a system of electronic filing of trademark applications has been introduced by the Intellectual property Office in India. Enforcement is improving.

The Foreign Exchange Management Act 1999 (FEMA) restricts the use of trademarks by foreign firms unless they invest in India or supply technology. Geographical indications are protected under separate statutory provisions.

Enforcement: India's criminal justice system does not effectively support the protection of intellectual property. India's criminal IPR enforcement regime, including border protection against counterfeit and pirated goods, remains weak. There have been few reported convictions for copyright infringements resulting from raids, including raids against recidivists. Adjudication of cases is slow. Police action against pirates of motion pictures has improved somewhat since 2003. Obstruction of raids, leaks of confidential information, delays in criminal case preparation and the lack of adequately trained officials have further hampered the criminal enforcement process.

In order to empower Customs Officials to seize goods infringing intellectual property rights at the border without having to obtain an order from the court, Indian Customs Authorities have promulgated the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007. The Customs authorities have also initiated a recordation system that will allow rights holders to record their patents, as well as trademark, copyright, design or GI registrations. It will also allow rights holders to request the suspension of clearance of potentially infringing goods. Customs also plans to receive notices on-line and is in the process of finalizing the procedure for the same.

The GOI has also passed the Drugs and Cosmetics (Amendment) Act, 2008 which enhances the penalties for any adulterated and spurious drugs This Act is likely to be implemented in the near future.

U.S. Patent and Trade Office (USPTO) representatives now have an office within the Foreign Commercial Service in the U.S. Embassy in New Delhi that focuses exclusively on intellectual property issues. This office is currently working with the GOI and industry to promote high standards of IP protection and enforcement.

U.S. Patent and Trade Office (USPTO)
IPR Officer: Dominic Keating
Dominic.Keating@mail.doc.gov

Web Resrouces

U.S. Commercial Service: http://www.buyusa.gov/india/en/

U.S. Government Export Portal:
http://www.export.gov/comm_svc/

American Chamber of Commerce, India:
http://www.amchamindia.com/

U.S. India Business Council: http://www.usibc.com/

Confederation of Indian Industry: http://www.ciionline.org/

Federation of Indian Chambers of Commerce and Industry:
http://www.ficci.com/about-us/about-us.htm

Indo-American Chambers of Commerce:
http://www.iaccindia.com/

The Franchising Association of India, www.Fai.co.in

Reserve Bank of India: http://www.rbi.org.in/

Government of India Directory: http://goidirectory.nic.in/

Government of India Ministry of Finance: http://finmin.nic.in/

Government of India Ministry of Commerce and Industry:
http://commerce.nic.in/

Foreign Exchange Management Act
http://www.rbi.org.in/scripts/fema.aspx

CRISIL online (similar to Better Business Bureau in U.S.):
http://www.crisilonline.com/RatingsSite/Brochureware/index.jsp

The Times of India: http://timesofindia.indiatimes.com/

The Economic Times: http://economictimes.indiatimes.com/

Business Standard: http://www.business-standard.com/

The Financial Express:
http://www.financialexpress.com/index.php

Ministry of Defense, Instruction on Agents of Foreign Sellers:
http://mod.nic.in/newadditions/repagent.htm

Agriculture Overview

Agriculture's share in India's overall GDP is gradually declining with the current share at less than 19 percent while nearly two-thirds of the population depends on agriculture for their livelihood. Overall economic growth would be improved by a better performing agricultural sector, which is why growth in the sector is a priority of the Indian government.

The government maintains a costly price support system for wheat and rice, and also subsidizes fertilizer. State governments provide farmers with free or subsidized electricity and irrigation water. The cumulative effect of these interventions has been to distort prices, planting patterns, and marketing. The agriculture sector suffers from declining public, and relatively small private, investment. There is a shortage of warehouses and cold storage facilities, causing losses due to spoilage. Infrastructure such as roads, telecommunications, and electricity are inadequate in rural areas and impede agricultural growth.

Although the 'organized' retailing is growing with several large Indian corporations entering and expanding their operations, the recent economic slowdown had a temporary negative impact on this sector. The optimism in the food retail sector stems from a vibrant and growing economy, increasing purchasing power, and an increasing number of urban consumers demanding a more international shopping experience. This provides an opportunity for the supply of various U.S. food products to India. However, success in introducing a new product in this highly price sensitive market depends on an effective pricing strategy and familiarity with India's myriad food laws. High import tariffs and competition from inexpensive domestic and third country products are other challenges.

Cotton

PS+D Commodity Code: 2631000

Due to four consecutive years of record cotton production, India emerged as the second largest exporter of cotton in the world after the United States in the MY 2006/07 (August/July). India will be in the export market for the next few years, until domestic consumption catches up with the production surge. However, India will continue to import extra long staple (ELS) and quality long staple cotton (28-34 mm), with occasional imports of medium staple cotton when international prices are favorable. The United States has been the leading supplier of cotton to India over the past few years. U.S. cotton exports to India in FY2007/08 were valued at $114 million. Other major suppliers include Egypt, Commonwealth of Independent States (CIS), and West Africa. Indian mills that import US Pima and upland cotton are appreciative of its superior quality, consistency and higher ginning yield.

Tree Nuts and Dry Fruits

PS+D Commodity Code: 0802110000, 080212, 0802320000, 0802502100

Dry fruits and nuts (primarily almonds) have been one of the leading U.S. agricultural exports to India in the past, with exports in CY 2008 estimated at a record $187.4 million. The United States is the largest supplier of almonds (mostly in-shell) to India, with a market share of about 90 percent. Other suppliers include Iran, Australia, Afghanistan, and Pakistan. Afghani almonds enjoy a 50 percent concession on the basic import duty under the Indo-Afghan trade agreement. Almond is a preferred nut in India and is gaining popularity among the growing middle-income population due to its nutritional benefits. India also imports small quantities of dates, pistachios, hazel nuts, prunes, and raisins, mainly from Iran, Afghanistan, Pakistan, and the Middle East.

Wood Products

PS+D Commodity Code: 4401

India has removed virtually all non-tariff trade barriers on wood product imports, although tariffs remain high. The domestic market is highly price sensitive and scarce supplies and high prices have limited the use of wood in construction and other sectors. Dwindling domestic supplies and restrictions on tree felling due to environmental concerns are likely to result in a more liberal import regime over the coming years. U.S. wood and wood products exports to India in CY 2008 were valued at a record $14.2 million.

Fresh Fruits

PS+D Commodity Code: N/A

India provides market access for most fresh fruits, although tariffs are high. With a growing segment of consumers insisting on high standards and year-round availability, there is an increasing demand for imported fresh fruits. U.S. exports of fresh fruit (mostly apples and table grapes) to India in CY 2008 were valued at $25 million. Market sources expect imports to continue to show excellent growth over the coming years, with new products expected to enter the Indian market.

Pulses

PS+D Commodity Code: 0542100, 0542200, 0542300, 0542400

India is the world's largest importer of pulses (peas, lentils, and beans), with annual imports ranging from 2.2 to 2.8 million tons. In IFY 2007/08 (Apr-Mar) imports totaled 2.95 million tons, valued at around $ one billion. India is primarily a price (rather than quality) market with imports sourced largely from Canada, Myanmar, Australia, and France, because of their relatively low prices. The typically higher priced U.S. green and yellow peas and lentils have become more price competitive in the Indian market in recent years due to domestic shortages and higher prices. As a result, imports of pulses from the U.S., mostly dry green peas and some yellow peas, witnessed significant growth during the past 5 years, reaching a record 210,000 tons in CY 2007, which declined marginally to 152,000 tons in CY 2008 valued at a record $62.8 million, making India the largest market for U.S. pulses. Pulses are currently exempted from an import tariff.

Vegetable Oil

PS+D Commodity Code: 4240000

India is the world's third largest edible oil importer, with 2007-08(Oct-Sep) imports at 5.3 million tons. While lower priced palm oil has traditionally dominated this price-sensitive market, exporters with competitively priced supplies of other oils, such as soybean oil, cottonseed oil, corn oil, and sunflower seed oil, often find buyers in India. While the basic import duty on most oils ranges from 45 to 90 percent, soybean enjoys a preferential basic duty of 45 percent due to India's WTO commitments. Food inflation concerns prompted the Indian government to eliminate the import duty on all crude edible vegetable oils and to lower the import duty on refined vegetable oils to 7.5 percent. Although higher price for U.S. soybean oil vis-à-vis oils of other origins typically kept U.S. soybean oil out of the Indian market, recently U.S. soybean oil has become price competitive in India resulting in sales of around 100,000 tons valued at around $80 million.

Planting Seeds

PS+D Commodity Code: N/A

Indian imports of planting seeds, mostly for vegetables and flowers were valued at $28.9 million during Indian FY 2006/07, with a U.S. share of over 13 percent. The Indian seed industry is undergoing a transformation, which includes an increasing role for private seed companies, the rising presence of multinational seed companies, and wide-ranging changes in the regulatory framework. All of these will likely affect seed research, marketing, and trade in coming years. With demand for high quality fruits and vegetables growing from domestic consumers and the food processing industry, India's seed imports are likely to grow.

Snack Foods

PS+D Commodity Code: N/A

Consumers' changing life styles and the increasing disposable income of the middle class have spurred rising demand for imported snack foods, despite competition from local players. CY
2008 exports of U.S. snack foods to India reached a record $5.0 million.

Hides and Skins

PS+D Commodity Code: N/A

India imported hides and skins worth about $69.6 million during Indian FY 2006-07, which is around 20 percent more than the previous year. These imports were primarily used by the booming leather goods export sector. Imports were mainly from Europe, which is also the top market for Indian finished leather products. Indian importers are now looking for sources other than Europe to supply new product categories and new markets. Imports of hides and skins from U.S. suppliers have been limited due to a lack of awareness among Indian tanners regarding the various selections of U.S. hides and skins. However, the promotional efforts of the U.S. Hides and Skin association at the India International Leather

Fair are helping to disseminate information on the different categories of products from the U.S. U.S. exports of hides and skins during CY 2008 were $3.8 million, marginally lower than the CY 2007 exports. With increased promotional efforts, U.S. exporters have the potential to emerge as strong competitors. Raw hide imports attract a zero tariff in India while wet blues attract a tariff of 15.3 percent.

Web Resources

- Ministry of Agro and Rural Industries; http://ari.nic.in/
- Ministry of Commerce and Industry; http://commin.nic.in/
- Ministry of Consumer Affairs, Food & Public Distribution; http://fcamin.nic.in/
- Ministry of Food Processing Industries; http://mofpi.nic.in/
- Foreign Agricultural Service (FAS), United States Department of Agriculture; http://www.fas.usda.gov

Airport and Ground Support Equipment - Overview

The downturn in the global aviation sector has affected the Indian civil aviation sector in 2008. The civil aviation sector slowed due to hikes in fuel prices and travel restrictions imposed by most corporations. Almost all carriers registered massive losses. The three major aviation companies - National Aviation Company of India Limited (Air India and Indian Airlines), Kingfisher, and Jet Airways - reported losses and are talking with lenders to renegotiate loans to pay their service providers. The low-fare breed of carriers has all but disappeared. The decrease in both domestic and international travelers has affected the hospitality industry and as a major part of this industry, the aviation sector is in for difficult times.

The civil aviation sector had witnessed a rapid transformation during 2004-2007 with tremendous growth in passenger and air cargo. With a growth rate of 18 percent per annum, the Indian aviation sector was worth $5.6 billion in early 2008. From being primarily a government-owned industry, the Indian aviation industry is now dominated by privately owned, full service airlines and low-cost carriers. In a recent report, industry sources predict that by 2012 domestic traffic will increase by 25 percent and international traffic will grow by 15 percent. By 2020, the Indian airports are expected to handle around 100 million passengers including 60 million domestic passengers and estimated 3.4 million tons of cargo per annum. Currently India has 310 aircrafts with another 480 on order. These new aircrafts should be ready for delivery in 2012. However, the present downturn in the industry may delay the induction of new aircrafts. Various international companies have shown an interest in the Indian aviation industry since this sector holds a great promise for potential investors. Hawker Beechcraft Corporation (HBC), a US-based business jet maker, has opened its first authorized service center in Delhi with an investment of $8 million. Over the next four to five years Boeing is also expected to sell an additional 100 planes, worth $17 billion, to India. According to Airbus, India will require 1100 new aircraft (including freighters), worth approximately $105 billion. This growth will spur increased investment in airports and ground equipment.

The present market size for airport equipment and ground support services is estimated to be $360 million. Successful privatization of airport maintenance and ground support services will lead to another $60 million in market growth over the next few years.

In a significant development, the government of India approved the creation of an authority to regulate tariff and other charges for aeronautical services rendered at airports. The 2007 Airports Economic Regulatory Authority of India Bill will create a regulator responsible for maintaining a competitive and level-playing field regarding the services provided and fees charged by government-owned, private-owned and public-private partnership airports. The authority will monitor the performance standards of airports. It will also establish an Appellate Tribunal to adjudicate disputes and dispose of appeals. This is expected to speed the implementation of several airport projects in the country.

Privatization

Although privatization is a sensitive issue, the government has managed to bring about significant changes in the framework that governs the sector's investments. The current policies are as follows:

- 100% FDI is permissible for existing airports; FIPB approval required for FDI beyond 74%
- 100% FDI under the automatic route is permissible for Greenfield airports
- 49% FDI is permissible in domestic airlines under the automatic route, but not by foreign airline companies
- 100% equity ownership by Non Resident Indians (NRIs) is permitted
- The AAI Act was amended to provide legal framework for
airport privatization
- 100% tax exemption for airport projects for a period of 10 years
- 74% FDI is permissible in cargo and non-scheduled airlines.

In addition, the international airline sector has recently opened up to Indian private sector airlines. In April 2007, the government of India formed a holding company – the National Aviation Company of India (NACIL) – by merging the Indian national carriers Air India and Indian Airlines.

US$ millions	2007	2008	2009 est*
Market Size	339	359	365
Local Production	230	244	250
Exports	40	40	50
Imports (Global)	149	155	165
Imports from US	88	98	108

Statistical data are unofficial estimates from trade sources
*2009 figures are estimates

Airport Growth Beyond Metro Areas

To ensure that the development of the sector was not restricted to the metro cities alone, the GOI announced its plans to upgrade 35 non-metro airports into world-class entities at an estimated cost of $1.3 billion. The airports to be modernized include Coimbatore, Tiruchi, Thiruvanthapuram, Vishakapatnam, Port Blair, Mangalore, Agatti and Pune. The airports in Mumbai, Delhi, Bangalore and Hyderabad have already been privatized and are being upgraded at an estimated investment of $4 billion over 2006-2016. A Greenfield airport is in operation at Bangalore and the one at Hyderabad will be operational soon. The International Civil Aviation Organization (ICAO) has also approved Greenfield airports at Navi Mumbai, Goa, Pune, Kannur and Nagpur. The Navi Mumbai greenfield airport is going to be developed using a public-private partnership at an estimated cost of $2.5 billion. The Federal Ministry of Civil Aviation is the governing Indian agency for this sector. The 2008-2009 ministry budget was estimated at $2 billion. The Airports Authority of India (AAI - http://civilaviation.nic.in/aai/airport.htm) is the largest airport owner in India and governs all Indian airports, with a budget of $675 million for 2008-09. AAI manages 126 airports, which include 11 international airports, 89 domestic airports and 26 civil enclaves at defense airfields.

Maintenance, Repair, and Overhaul (MRO) Facility

As a support service to the aviation industry, India's Maintenance, Repair & Overhaul (MRO) sector is estimated to grow at 10 percent and reach $1.17 billion by 2010 and $2.6 billion by 2020, according to Changing Dynamics, a study on India's aerospace industry undertaken jointly by the Confederation of Indian Industry and PricewaterhouseCoopers. The globalization of MRO services, manpower cost arbitrage, the availability of talent, locational advantages and the presence of specialist capabilities all combine to make India a potential global/regional MRO hub, the study observes. The main challenge in positioning India as an MRO hub comes from the indirect tax structure, specifically customs duties and service tax. Apart from Boeing and Airbus there are several MRO projects being planned, including:

- Bird Air Services Pvt. Ltd., a wholly-owned subsidiary of Bird Group, recently signed a comprehensive marketing agreement with Pacific Propeller Intl.
- The first authorized service center in India to service Embraer's Legacy 600 and Phenoms was named by Embraer which chose Indamer Company Pvt. Ltd., a wholly owned subsidiary of European Aviation Holding Co. Pvt. Ltd.
- TIMCO Aviation Services and Hindustan Aeronautics Ltd. Plans to set up a MRO joint venture to service both Boeing and Airbus aircrafts in India.

Malaysia Airlines has tied up with GMR Hyderabad International Airport Ltd to establish a joint venture company to tap into India's MRO market.

Other Opportunities

The most promising sub-sectors in the airport equipment and ground-handling services continue to be technology-driven communication and ground services. The AAI has an annual budget of approximately $100 million for procurement of equipment that is dependent on foreign technology. The Ministry of Civil Aviation and the Federal Aviation Authority of the United States signed a Memorandum of Agreement paving the way for technical assistance from the United States on a host of aviation-related matters. This is expected to provide opportunities for American companies in the Indian aviation sector. For upcoming AAI tenders visit: http://www.airportsindia.org.in/menu_inc/ETender_main.jsp.

The Indian Ministry of Civil Aviation is also addressing other important issues that will result in long-to-medium term opportunities for U.S. companies. These opportunities include decreasing the systematic cost in the sector and determining the appropriate mechanism for providing air services to remote and commercially unviable sectors as part of a comprehensive long-term civil aviation policy. Also, an independent regulatory authority is being planned for the sector. This measure will increase competition, and bring about a level-playing field in the sector. Insiders expect that the demand for pilot licenses in the near future will be 2,500 annually, though with the present rate issuance, India would take at least 7 to 10 years to meet that figure. Analysts estimate that there will be a need for 8,000 pilots by 2020. This presents unique opportunities for American flight schools to train Indian pilots and other aviation officials.

Resources

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

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Leonard Roberts at: Leonard.Roberts@mail.doc.gov;
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Useful Links:

Ministry of Civil Aviation
http://www.civilaviation.nic.in

Airports Authority of India
http://www.airportsindia.org.in

Director General of Civil Aviation
http://dgca.nic.in/sitemap.htm

Airport Authority of India
http://www.aviationinfo.co.in/

Computers and Peripherals - Overview

Multinational-Corporation (MNC) Personnel Computer (PC) brands have overtaken the local Indian PC brands in terms of sales, growth rates and marketing activities. Indian vendors like HCL, Zenith, Wipro and PCS accounted for only 14% of the Indian desk-based PC market and six percent of the Indian mobile-PC market in the fiscal year 2007-08.

The Indian PC market is divided among three different groups: MNCs, local brands and white box vendors. Although local brands grew at a steady pace the past few years, they were way behind the growth rates seen by MNC brands. Indian vendors' shipments grew 18% in 2008 and 35% in 2007, while MNC shipments grew 73% in 2008 and 50% in 2007.

Unable to withstand the pressure of the marketing blitz and the reach of the MNC brands, the local brands have almost exited the consumer segment and are rethinking their strategies to focus on the government, education, and small and midsize business (SMB) segments. Gartner estimates that the mobile-PC segment in India, which has been growing at 74%, will see little traction by local brands. MNC brands dominate this niche yet high margin segment with 94% per cent market share.

The key growth drivers in 2008 were the education, small business, consumer and government sectors. Mobile PCs continue to outperform desk-based PCs in terms of growth. The key factors contributing to this phenomenon is the rapidly decreasing price differential between mobile PCs and desk-based PCs, performance parity between the two, the availability of a wide portfolio of products ranging from entry level to high end and push from both vendors and channels to grow this segment. While mobile PCs have grown at 74%, desk based PC growth has slowed down to 3.9%. However, with the small business and education segments likely to continue with their spending on IT infrastructure, desktops should see some rapid upward movement in the coming year.

The Indian computer and peripherals market is expected to continue to expand to meet local demand. High growth areas like telecommunications, banking and financial services, manufacturing, retail, and Business Process Outsourcing (BPO)/IT-enabled services are the major consumers of computers and peripherals. The price-sensitive computer hardware market has responded positively to a drop in prices, especially at the entry-level. Private sector firms, government offices, small and medium-sized enterprises (SMEs), and small office home office (SOHO) users also continued to computerize their operations, contributing to the growth of the computer hardware market.

With a rapidly expanding usage of internet, the Indian Information Technology industry is expected to continue its high growth rates in the coming five years catering to both domestic and export markets.

Domestic Market

There are about 150 small, medium and large firms manufacturing computers in India. Many Multinational Corporations (MNCs) such as HP, Dell, Lenovo, Toshiba, Sony, LG, and ACER already have a strong manufacturing presence in India. Lesser-known companies also locally assemble PCs that compete domestically with MNC products. PCs, desktops, notebooks, and servers continued to lead Indian computer hardware spending across vertical markets. Networking equipment, peripherals and storage also witnessed a strong demand.

The server market in India recorded an overall growth of 16 percent. The overall PC market witnessed a decline in growth of about 3 per cent. However, the Notebook sales registered a growth of over 59 percent and servers of over 32 percent over the previous year. The high growth is attributed to the steep drop in the notebook prices, as the prices are now even comparable to many desktops in certain cases.

The gray market, an unofficial market in which new hardware is bought and sold before it becomes legally available, is a significant threat to the legitimate Indian computer hardware industry. The gray market in India has seen significant expansion in recent years. According to the Manufacturers Association of Information Technology (MAIT), gray market operations, as a proportion of the total PC market in India, is likely to be the highest in the world. Though statistics on this issue are currently not scientific, the immense size of the gray market of the PC market is likely mirrored in most tech industries in the country.

India has recently seen the emergence of mature channels of distribution and support for products such as computer hardware, software, and peripherals, ranging from commodity products to high-end IT equipment. The typical distribution structure has been two-tiered with a distributor (for the entire country) servicing dealers and retailers.

Table: Estimates of Market Size, Production, Exports and Imports:

US$ millions	2007	2008	2009 est*
Market Size	4,417	5,784	6,739
Local Production	2,800	3,668	4,328
Exports	472	547	635
Imports	2,089	2,663	3,046
Imports from US	313	388	419

Statistical data are unofficial estimates from trade sources
*2009 figures are estimates
Exchange rate used: 2007 INR 44; 2008 INR 45; 2009: INR 50

Opportunities

The promising sub-sectors with the estimated market size for the year 2009-10 are:

Sub Sector	Estimated 2010 Market Size in US $
Notebooks	$3030 million
Servers	$1536 million
Peripherals	$2779 million
Desktops	$4350 million

Source: estimates based on discussions with industry and published data

Significant opportunities exist for U.S. companies to supply high-end computers, servers, and peripherals to India. U.S. companies such as HP, Dell, Cisco, GE, Lucent Technologies, Hughes, and Motorola are already in India selling computers and peripherals. Major Indian and U.S. software and services companies such as Microsoft, Cisco, Cognizant Technologies, IBM, GE, Oracle, Infosys, Wipro, and Texas Instruments import and use high performance computer systems for their development projects. In addition, opportunities exist in major Indian and international banks, insurance companies, the Indian stock markets, railways, and airlines where high performance computers, including mainframes and mid-sized computers are used.

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist
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Useful Links Include:

Manufacturers Association of Information Technology (MAIT), http://www.mait.com
National Association of Software and Service Companies (NASSCOM), http://www.nasscom.org
India Infoline, http://www.indiainfoline.com
India Brand equity Foundation, http://www.ibef.org

Education Services - Overview

For the seventh consecutive year, Indian students constitute the largest group of international students studying in the United States, with a total Indian student population of 94,563, a 12.8% increase over the last year.

The majority of Indian students study at the graduate level. In 2007/08, the profile of Indian Student Enrollment in the U.S. is as follows:

Student Level	Percentage of Total Students
Undergraduate	14.4%
Graduate	72%
Other	2.1%
OPT (Optional Practical Training)	11.5%

Source: Open Doors: Report on International Educational Exchange, 2007/2008. This report is published annually by the Institute of International Education and can be found online at: opendoors.iienetwork.org

United States is Destination of Choice

Indian students and their parents strongly believe that higher education in the United States prepares graduates for tomorrow's careers. More than half of all Indian students studying overseas choose U.S. universities. The attraction of a U.S. education can be attributed to:

- Variety and flexibility of the U.S. education system
- Grounding in practical and career-focused training
- Post graduation career opportunities in the United States

India is primarily a "graduate market" for U.S. institutions interested in attracting students. Though there is some interest in U.S. undergraduate studies and transfer admissions, limited scholarships and the increasing cost of education are major deterrents. However, with the mushrooming of international schools in the country and the return of many U.S. citizen children born to Indian parents to India, we predict an increase in interest in undergraduate study in the years to come.

The number of Indian students enrolling at the bachelor's level, over 12,500, continues to be substantial. These students seek a foundation in both critical thinking and practical application of learning that is characteristic of American undergraduate education. India's huge youth population, estimated at 315 million between the ages of 10 and 24, will continue to create a large demand for higher education. The United States, with over 4,000 accredited institutions of higher learning, has the capacity to offer access to high quality education to students in a broad range of fields. Employers in India have stressed the importance of a workforce equipped with adequate technical, teamwork and communications skills.

Demand Outstrips Resources

India has one of the largest and oldest systems of higher education. There are 324 universities, of which 131 have affiliated universities. In addition, there are private and accredited universities, institutions created by an act of Parliament, independent institutes and over 16,000 colleges. Together they offer a wide range of degree and diploma programs.

But despite such large numbers, demand outstrips supply by a wide margin. There are approximately 9.5 million students enrolled in higher education in India. This number is projected to rise to 11 million over the next three years. Competition is fierce for limited seats in competitive engineering and management programs. Reservation policies and a quota system designed to promote education opportunities for underprivileged groups in India, further limits enrollment opportunities for many Indians.

India is witnessing an exciting stage of economic development. At this juncture, the importance of educated, skilled and employable manpower becomes even more relevant. Given the local challenges of limited access to quality education, seeking higher education in the U.S. could not have assumed greater significance for India's youth. With India's booming economy, Indian students want to be seen as contributors to India's growth and therefore look forward to gaining first-hand experience through Optional Practical Training (OPT) in the U.S. before their return to India.

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Mala Venkat at Mala.Venkat@mail.doc.gov

Important websites:

Ministry of Human Resource Development (MHRD)
www.education.nic.in

Central Board of Secondary Education (CBSE)
www.cbse.nic.in

National Institute of Open Schooling (NIOS)
www.nos.org

National Council of Educational Research and Training (NCERT) www.ncert.nic.in

University Grants Commission (UGC)
www.ugc.ac.in

National Assessment and Accreditation Council (NAAC)
www.naac-india.com

Indira Gandhi National Open University (IGNOU)
www.ignou.ac.in

Distance Education Council (DEC)
www.dec.ac.in

Association of Indian Universities (AIU)
www.aiuweb.org

All India Council of Technical Education (AICTE)
www.aicte.ernet.in

National Board of Accreditation of AICTE
www.nba-aicte.ernet.in

Electrical Power Generation - Overview

Both government and private sector firms generate electric power in India, with the government sector leading the pack. National Hydroelectric Power Corporation, National Thermal Power Corporation and various state level corporations (state electricity boards - SEBs) are the major players. The transmission and distribution is by the State Electricity Boards (SEBs) or private companies. There has been significant improvement in the growth in actual generation over the last few years. The total installed capacity as on 31 March 2009 is about 147 000 MW, of which private sector companies produce about 13.5% , Central government own 34% and remaining 52.5% is produced by various state governments. However, the current electric power supply is 30 percent less than the demand. To support the rapidly growing Indian economy, the governments must increase electric power production immediately. The financial losses of the power sector remain a burden on public sector finances. The World Bank, ADB and other international agencies have recommended power sector related reforms in the country.

The Integrated Energy Policy document has estimated energy requirements in the year 2030 to be about 950,000 MW. According to the Indian Prime Minster, Dr. Manmohan Singh, the government will help and promote public - private partnerships to meet the estimated $1.2 trillion investment required over the next 25 years to provide electricity to consumers at an affordable cost.

The U.S. continues to be one of the largest exporters of generation and transmission equipment to India along with Germany, Japan and U.K.

Domestic Sector

India's power sector is plagued by capacity shortages, resulting in frequent blackouts, poor reliability, and deteriorating physical and financial conditions. National surveys of industrialists consistently rate power supply as one of the most critical constraints. With responsibility for electricity supply shared constitutionally between the central and the state governments, the Government of India (GOI) has placed increased emphasis on improving the efficiency of supply, consumption, and pricing of electricity. Only reforming power sector management and financing, at the state level, can achieve this.

The source of the power sector's ailments is the poor operational efficiency of the State Electricity Boards (SEBs), which form the foundation of India's power system. Due to subsidized tariffs to residential and agricultural consumers, low investment in T&D systems, inadequate maintenance, and high levels of distribution losses, theft, and uncollected bills, the SEBs are continually in severe financial distress. The SEBs are not able to provide adequate supply and efficient service to their customers. In several Indian states, the power sector is a major drain on already limited state budgets. Although publicly reported total energy losses are about 21 percent, closer examination of the losses of SEBs shows that there is often significant underreporting.

The sector's heavy reliance on increasingly tight state budget resources has been the key obstacle to expanding access to electricity to consumers and to upgrading the systems. SEB losses and power subsidies are also a major drain on state budgets and crowd out public spending on critical sectors such as health and education. Power sector reforms are critical for providing the impetus to states' economic growth and for redirecting public spending to priority areas. The financial weakness of the SEBs has also been one of the major stumbling blocks. The GOI, with World Bank assistance, has been encouraging the states to undertake in-depth power sector reforms. This involves distancing the state government from the operation of the power sector, establishing an independent regulatory framework for the sector, progressively reducing subsidies and restoring the creditworthiness of the utilities through financial restructuring and cost-recovery based tariffs, and divesting existing distribution assets to private operators. The GOI now seems focused to lead the Transmission and Distribution (T&D) oriented reforms, because it believes that without a proper T&D network, generation becomes meaningless.

The government of India has set an ambitious goal, which is to provide power for all by 2012. This mission would require that the installed generation capacity should be at least 200,000 MW by 2012 from the present level of 147, 000 MW. The power requirement will double by 2020 to 400,000MW. About one-fourth to one-third of this growth will come from Independent Power Producers (IPPs), with the rest coming from the public sector. It is estimated that building 100,000 MW in additional power capacities and associated transmission & distribution infrastructure will require an investment of $ 170 billion.

Opportunities

Given GOI's commitment to push through reforms and recent policy initiatives to encourage T&D, the demand for T&D equipment is expected to grow. American power equipment suppliers will find significant sales opportunities in power distribution transformers, high voltage power cables, relays, conductors, capacitors and circuit breakers. There are excellent prospects in Supervisory Control and Data Acquisition (SCADA) and Energy Management (EMS) systems to effectively integrate distribution automation with demand side management. Indian T&D companies are seriously exploring their right-of-way to establish fiber-optic and telecommunication networking for new commercial opportunities in the cable Internet and e-commerce operations.

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Radhakishore Pandrangi at:

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Useful Links include:

Ministry of Power: www.powermin.gov.in

Confederation of Indian Industry: www.ciionline.org

Federation of Indian Chambers of Commerce and Industry: http://www.ficci.com/

Food Processing - Overview

The food processing industry is one of the largest industries in India. It is ranked fifth in terms of production, consumption, export, and expected growth. Food Processing Industry is widely recognized as a 'sunrise industry' in India having huge potential for uplifting the agricultural economy, the creation of large scale processed food manufacturing and food chain facilities, and the resultant generation of employment and export earnings. India has enormous growth potential from its current status of being the world's second largest food producer to be the world's number one producer.

The food processing industry is of enormous significance for India's development because of the vital linkages and synergies that it promotes between the two pillars of the economy, namely industry and agriculture. Food processing covers a spectrum of products from subsector comprising agriculture, horticulture, plantation, animal husbandry and fisheries. Essentially, the food industry involves the commercial movement of food from field to fork.

Domestic Market

While India has an abundant supply of food, the food processing industry is still nascent: only 2% of fruit & vegetables and 15% of milk produced are processed. Despite this the processed food industry ranks fifth in size in the country, representing 6.3% of GDP. It accounts for 13% of the country's exports and 6% of total industrial investment. The industry size is estimated at $70 billion, including $22 billion of value added products. This sector has been attracting FDI across different categories. India produces 600 million tons of food grains every year. India is the second largest exporter of rice and fifth largest exporter of wheat in the world, its agricultural exports account for nearly 12% of total export figures. India ranks first in the world in production of cereals and milk. It is the second largest fruit and vegetable producer and is among the top five producers of rice, wheat, groundnuts, tea, coffee, tobacco, spices, sugar, and oilseeds. India is the seventh largest producer of fish in the world and is ranked second in inland fish production.

India is now poised for the "food revolution" that will ensure agricultural diversification and large investments in food processing. The entries of multinationals, aggressive rise of commodity branding and low cost of technology are changing the economics of the Indian food industry.

The Indian food market is approximately $69.4 billion, of which value-added food products comprise $22.2 billion. With food production expected to double by 2020, large investments are already going into food and food processing technologies, skills and equipment. The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting $33 billion of investment in 10 years and generate employment of 9 million people. The government has formulated and implemented several plans and schemes to provide financial assistance for setting up and modernizing food processing units, creating infrastructure, supporting research and development and human resource development, in addition to other promotional measures to encourage the growth of the processed food sector.

Since liberalization, several policy measures have been taken with regard to regulation & control, fiscal policy, export & import laws, taxation, exchange & interest rate control, export promotion and incentives to high priority industries. Food processing and agro industries have been accorded high priority with a number of important reliefs and incentives. At present, no industrial license is required for almost all of the food & agro processing industries except for some items like: beer, potable alcohol & wines, cane sugar, hydrogenated animal fats & oils etc. and items reserved for exclusive manufacture in the small scale sector. In order to boost the food processing sector, the government has permitted under the Income Tax Act a deduction of 100 per cent of profit for five years and 25 per cent of profit in the next five years in case of new agro processing industries set up to package and preserve fruits and vegetables. Excise Duty of 16 per cent on dairy machinery has been fully waived and excise duty on meat, poultry and fish products has been reduced from 16 per cent to 8 per cent.

Investment

In a bid to boost the food sector, the Government is working on agrizones and the concept of mega food parks. Twenty such mega parks will come up across the country in various cities to attract Foreign Direct Investment (FDI) in the food processing sector. The Government approved 105 proposals between January 2002 and May 2005 from foreign industrialists to set up food processing industries in India involving $144 million. The ministry has released a total assistance $23 million to implement the Food Parks Scheme. It has so far approved 50 food parks for assistance across the country. The Centre also plans $22 billion subsidy for mega food processing parks.

In India the Food Processing Industry is relatively nascent and offers opportunities for FDI. It accounts for $29.4 billion, in a total estimated market of $91.66 billion. There is a rapidly increasing demand for processed food caused by rising urbanization and income levels. To meet this demand, the investment required is about $28 billion. Food processing has been declared a priority sector. The Government has recently established Special Economic Zones with the purpose of promoting exports and attracting FDI. These SEZs do not impose duty on imports of inputs and they enjoy simplified fiscal and foreign exchange procedures and allow 100% FDI. The Government is also moving towards introducing an integrated food law, which is expected to help meet the requirements of international trade and make the Indian food industry competitive in the global market. To harness the value-creating potential of agro processing, superior market mechanism and infrastructure are required to be created. State governments have already begun to actively encourage the creation of aggregators by encouraging companies to engage in agriculture marketing. It is believed that this may provide the basis to jumpstart private investment into cold chain and other supply chain infrastructure.

Best Prospects

Machinery: In recent times, quite a number of new technologies, both in processing and packaging, have emerged and made an impact on the shelf life of food products. These technologies have also matched some consumer trends such as concerns regarding freshness and health. Despite a considerable increase in the supply provided by the local food processing and packaging machinery manufacturers, there is ample demand for foreign machinery featuring state of the art technology in India. Hence U.S. companies have a great opportunity to export equipment for processing and packaging meat, seafood, vegetables, fruits, cereals, oil seeds, and other like items.

Cold Storage Equipment: The cold storage equipment sector provides an excellent opportunity for U.S. companies to invest because the GOI has accorded a high priority to stop the wastage of food products. India is one of the world's largest producers of fruits and vegetables but nearly 30 percent of this production is lost due to inadequate cold chain facilities. Moreover, other segments like dairy products, seafood, and processed meat, also require cold storage facilities. The GOI is taking steps to develop cold chain infrastructure, pushing a steep rise in demand for cold storage equipment. Currently, the commercial and industrial refrigeration market has an estimated value of US$ 212 million. There are significant opportunities for U.S. companies to partner with Indian counterparts to provide cold storage and refrigeration equipment. U.S. engineering companies can provide the latest technology of international standards to their Indian partners.

Infrastructure: Deficiency in infrastructure exists across the sector. The cold storage capacity today caters to less than 15 percent of the produce with over 80 percent designed only to handle potatoes. There is also a paucity of chilling infrastructure for milk and a lack of modern abattoirs for the meat processing sector. Fish processing requires a major step-up in infrastructure availability. Physical marketing and warehousing infrastructure also needs to be upgraded. India's limited controlled atmosphere storage facilities technologies, protocols, and machinery are here lies the potential for U.S. companies

US$ millions	**2006**	**2007**	**2008 est***
Market Size	2,713	3,301	3610
Local Production	2,635	3201	3500
Exports	65	73	80
Imports (Global)	143	173	190
Imports from US	45	53	61

Statistical data are unofficial estimates from trade sources
*2008 figures are estimates

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist

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Ministry of Food Processing Industries
Website: http://mofpi.nic.in/

All India Food Processors' Association
Website: http://www.aifpa.com/index.asp

Refrigeration and Air-conditioning Manufacturers Association (RAMA)
Website: http://www.ramaindia.org

Agricultural and Processed Food Products Export Development Authority (APEDA)
Email: www.apeda.com/

Mining and Mineral Processing Equipment - Overview

India is endowed with significant mineral resources. The country produces 86 minerals and has approximately 2,705 operational mines. India ranks within the top ten global producers for the following metallic minerals: mica, barites, coal & lignite, iron ore, chromite, bauxite and manganese. India's mining sector employs 1.1 million people. The value of mineral production in India, excluding atomic minerals, was approximately $22 billion in 2008, showing a growth of 3.9 percent. The revenue projection for the mining industry is $30 billion by 2012. About 73 percent of the mining activities are in coal. India ranks third in worldwide production (491.25 million tons in 2008) and consumption (over 500 million tons) of coal & lignite. Coal accounts for approximately sixty percent of the country's energy need. The country has a potential coal-bearing area of approximately 22,400 sq. kilometers, of which only about 45 percent has been partially explored.

In 2008, 441 mining projects received environmental clearance from the Ministry of Environment & Forest. This is 64 percent higher than the number of approvals granted in 2007. The new liberal National Mineral Policy, announced in 2008, encourages private mining in thirteen minerals such as iron ore, manganese, chrome, sulfur, gold, diamond, copper, lead, zinc, molybdenum, tungsten, nickel and platinum.

India's Investment Commission estimates that investment opportunities, valued at $30-40 billion, will be available over the next ten years to explore and develop new coal mines, manufacture and sell state-of-the-art mining equipment and technology, and to create related infrastructure for the off-take of mined coal.

Sustaining the high growth of the Indian economy will depend on the accelerated pace of growth in mining of coal and other minerals.

Privatization

Government-owned mines contribute over 80 percent of the total value of mineral production. In the last decade, however, the economy has been liberalized, tariffs lowered, state enterprises privatized and the country opened to investment in mineral exploration. It is the avowed policy of the Government to withdraw from the non-strategic sectors. Accordingly, public sector undertakings are being privatized in a phased manner. Likewise, private investment, including foreign direct investment, is being allowed for mining and processing of most minerals. India now allows 100 percent foreign direct investment (FDI) in mining and exploration of non-core minerals like gold, silver, and diamonds. Hundred percent FDI is also permitted in oil exploration and captive mining of coal and lignite. Fifty percent FDI is permitted under joint venture with a public-sector unit. In coal processing (washing and sizing), 100 percent FDI is allowed. The Investment Commission estimates that investment opportunities, valued at $30–40 billion, will be available over the next ten years, to explore and develop new coal mines, to manufacture and sell state-of-the-art mining equipment and technology, and to create related infrastructure for the off-take of mined coal. Till September 2008, 188 coal blocks have been allocated, with 97 going to government companies and 91 going to private developers. Of these, approximately 20 mines have started operating. Total production from captive mines in 2008 is approximately 36 million tons.

Market for Equipment

The Indian market for mining and mineral processing equipment is estimated at over $2 billion. Eighty percent of this is in the coal mining sector. Opencast mines contribute more than 80 percent of the total production. A number of large opencast mines, those with more than10 million tons per annum capacity, are in operation. With the focus on increased productivity and private investment in mining, India is anticipated to become a major market for advanced mining equipment and technology from the United States and other foreign countries like Australia and Germany. A few large manufacturers in each product segment dominate the mining equipment industry. Most of the global technology leaders are present in India as joint venture companies, or have set up their own manufacturing facilities, or marketing companies. The industry has made substantial investments in the recent past for setting up manufacturing bases, despite small volumes and uneconomic scales of production.

The graph below depicts the size of the Indian mining industry and potential for U.S. exports:

US$ millions	2006	2007	2008 est*
Market Size	2,000	2,200	2,400
Local Production	1,350	1,500	1,650
Exports	360	400	430
Imports (Global)	1010	1050	1080
Imports from US	330	350	360

Statistical data are unofficial estimates from trade sources
*2008 figures are estimates

Although the country has a fairly large domestic manufacturing base, the scope for direct imports of advanced equipment and technology is growing, particularly in coal mining. Moreover, the large domestic manufacturers have foreign licensing agreements, which allow indirect import of the critical components for local assembly and incorporation in the indigenous equipment.

Given the recently liberalized Mineral Policy of the government, and with private entrepreneurs investing in mining industry here, the opportunity for U.S. firms to enter the Indian market through joint ventures, technical collaborations and operating leases has grown immensely.

Best Prospects

As Coal India plans to double its production from underground mines in the next five years, it is expected to invest heavily in large and specialized mining equipment and services, including longwall loaders and draglines, jumbo drills, continuous years, miners, highwall miners, powered support systems, excavators, shovels and rock cutters, mineral screening / washing / crushing / grinding systems, mine safety systems, underground communication and safety systems. In keeping with the current emphasis on clean energy options, India will also purchase coal beneficiation, underground coal gasification, coal to liquid, coal bed methane and coal mine methane technologies. Services such as geophysical surveys on coal seams will be in demand. In addition to new equipment, some of India's private developers of mines are also interested in exploring the possibility of getting used or reconditioned equipment at a reasonable cost. There

is a strong interest in joint ventures with large, international mine operators to explore virgin mines in India.

Coal India Ltd. (CIL), a large government-owned conglomerate, mines more than 80 percent of India's coal reserves. CIL, along with its eight subsidiaries, is the largest buyer of coal mining equipment in the country. CIL runs a large fleet of nearly 6000 heavy earthmoving machineries (HEMM), including 41 draglines, 670 shovels, 3200 dump trucks, 1000 dozers and 600 blast-hole drills. CIL's annual value of purchase is over $2 billion every year.

Opportunities

Coal India Ltd. (CIL) is the largest company in India in terms of coal production. Coal India has 145 ongoing projects, with a capacity of 332.5 million tons per annum, with an investment of $4.7 billion. The company offers both investment and export opportunities for U.S. companies in the mining sector. It is also actively looking at opportunities for buying coal assets abroad, including U.S. Details of various CIL tenders and investment opportunities, as well as its procurement processes available in http://www.coalindia.nic.in/

Two other government-owned companies in South India – Singareni Collieries Ltd. in Andhra Pradesh and Neyveli Lignite Corporation in Tamil Nadu -- are other important end users of coal mining equipment. In the private sector, Tata Iron & Steel Company Ltd. (TISCO) in Jamshedpur, Jharkhand continues to be a major buyer of equipment for its captive coalmines. India's private sector power utility companies like Reliance, CESC, Jindal and Tata are also working on projects to develop, own and operate captive coal mines which will require the latest technology and equipment.

NMDC Limited is India's largest iron ore producer and exporter, mining about 30 million tons from its three fully mechanized mines. Under expansion plans, the company aims to produce 50 million tons by 2015. It is also in diversification mode, acquiring new mining leases in iron ore, coal and diamonds. It is looking for a partnership with an international mining company for its thermal coal mining project in West Bengal.

Other large mining companies in India include Essel Mining, Rungta Mines, Orissa Minerals Development Company, Vedanta Resources, Hindalco, Nalco and Steel Authority of India.

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Arup Mitra at: Arup.Mitra@mail.doc.gov

Upcoming trade events:

International Mining Exploration Mineral Processing Technology and Machinery Exhibition (IME) 2009: To be held in Kolkata in February. Details will be available at www.indiamining.com

10th INTERNATIONAL MINING & MACHINERY EXHIBITION (IMME), 2010: This is India's largest mining trade show, organized by Confederation of Indian Industries (CII). Venue is to be announced. Germany was the partner country in the 2008 show. Details will be available at www.immeindia.com

Key websites:

Ministry of Coal and Mines
http://www.coal.nic.in; http://mines.nic.in
Coal India Limited
http://www.coalindia.nic.in
Mineral Exploration Corporation Ltd.
http://www.meclindia.com/
Central Mine Planning & Design Institute
http://www.cmpdi.co.in/
Indian Institute of Coal Management, Ranchi
http://www.iicm-india.com/
Publications of Indian Bureau of Mines
http://ibm.nic.in/publications.html
Department of Heavy Industry
http://www.dhi.nic.in
Customs Duty
http://www.cbec.gov.in/
India Mining
www.infomine.com/countries/india.asp
Indian Bureau of Mines
www.ibm.nic.in
Federation of Indian Mineral Industries
www.fedmin.com
Directorate General of Mine Safety
www.dgms.net
NMDC Limited
www.nmdc.co.in

Medical Equipment and Healthcare - Overview

The Indian healthcare industry is experiencing a rapid transformation. According to a World Health Report, India spends about 5.2 percent of its Gross Domestic Product (GDP) on the healthcare sector. It is expected that this figure will rise to 6.1 percent of GDP by 2012. The World Health Organization projected that India needs to create at least 80,000 hospital beds per year for the next five years to meet the expanding local demand. A significant portion of these hospital beds will be in various specialties.

The medical infrastructure in India is far from adequate. Demand, for hospitals and beds, far surpasses availability. The problem is most acute in rural India, which accounts for over half of India's population. Approximately 80 percent of available hospital beds are located in the urban centers, leaving only 20 percent for the larger rural population. Both the government and the private sector have embarked on a path to bring about a rapid growth in the industry and to manage the demand for high quality service. This has also brought a surge in demand for high-end medical devices and equipment.

The Indian healthcare industry is estimated at $35 billion and is expected to reach over $75 billion by 2012. The medical equipment market is growing at an impressive rate of 15 percent. The demand for equipment is expected to reach $5 billion by 2012 from the current figure of $2.7 billion. The specialty hospital facilities depend on the import of high-end medical equipment.

Domestic Market

There is a growing demand for quality healthcare service. The Indian population of 1 billion people is growing at a rate of 2.5 percent per year. The growth in affluence of 200-300 million strong middle-income consumers has increased the demand for, along with the discretionary income to purchase, private health care services. Many in the growing "middle income" segment look for international quality medical services in private super-specialty hospitals. This trend is likely to continue for the next several years, thereby creating demand for a higher standard of healthcare.

The changed demographic profile and the rise of lifestyle-related diseases, has altered the health seeking behavior of the consumer. There is a rise in lifestyle-related diseases such as diabetes, cardiovascular diseases, and diseases of the central nervous system. The number of individuals covered by health plans has increased, but there is a large Indian population that still needs to be insured.

Both the government and private sector are up-grading existing hospitals and planning to build new ones. Healthcare is provided through primary care facilities as well as secondary and tertiary care hospitals. While the first two categories are fully managed by the government, it is the tertiary care hospitals that are owned and managed either by the government or the private sector. The public sector is engaged in prevention and elimination of infectious diseases and accessibility of basic healthcare facilities to the rural masses. The government has launched the National Rural Health Mission (NRHM) 2005-2020 with an aim to provide quality medical care for rural Indians. In its first phase to be implemented in the next seven years, NRHM will identify villages having weak medical care delivery systems and improve the infrastructure.

To meet the growing demand, one million beds will be added by 2012 to bring the bed to thousand population ratio to 1.85. It requires a total investment of $77.9 billion and large part will be from the private sector. Corporations are sensing the huge untapped opportunity in the delivery of quality healthcare to the Indian masses and are focusing on tertiary-level as wells as preventive and diagnostic healthcare. There are global PE and venture funds that are also vying to explore the opportunities. With this, the medical infrastructure market is expected to grow at 14.5 percent.

Demand for medical equipment is expected to reach $ 3.27 million in the next two years and $5 billion by 2012, from the current figure of $2.7 billion. Imports account for over 65 percent of the entire medical equipment market , of which 85% is from the US. The medical device market is also becoming too big to ignore.

In 2007, India treated 450,000 foreign patients. Medical tourism is one of the major external drivers of growth of the Indian healthcare sector.

With increased competition for healthcare delivery, and promotion of medical tourism 'Quality healthcare is the key for survival'. The National Accreditation Board for Hospitals (NABH) has been set-up to establish and operate accreditation programs for healthcare organizations. Some private hospitals are also applying for accreditation from bodies such as the Joint Commission International (JCI).

Opportunities

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The large private healthcare services providers are actively seeking growth by enhancing their reach across the country through the building new hospitals and acquiring and upgrading existing hospitals. There are several groups that operate hospital chains, such as Apollo Group, Fortis Healthcare, Manipal Group, Max Healthcare, and Wockhardt Hospitals.

In the medical equipment segment, competition is from the imports from European companies and Japan. India being a price sensitive market there is competition from low priced Chinese products. The most promising sub-sectors in the healthcare and medical equipment sector are listed below:

Sub Sector
Medical Infrastructure
Medical and Surgical Instruments
Medical Imaging
Electro medical equipment
Orthopedic and Prosthetic Appliances
Cancer diagnostic
Ophthalmic Instruments and Appliances

The growing demand for quality healthcare and the absence of matching delivery mechanisms pose a challenge and certainly a great opportunity. In infrastructure - building, equipping, managing, and financing super specialty hospitals are areas for growth. Some of the best sales prospects in the Indian medical equipment market include cancer diagnostic, cardiac products, medical imaging, plastic surgery equipment, as well as polymerase chain reaction technologies, laboratory products, orthopedic and prosthetic appliances. India is full of opportunities as most Indian healthcare institutes use foreign medical equipments.

Resources

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

Other websites:
Ministry of Health & Family Welfare
http://mohfw.nic.in/
Central Drug Standard Control Organization
Website: http://cdsco.nic.in/html/central.htm

Oil and Gas Field Machinery - Overview

The Indian Petroleum industry is one of the oldest in the world, with oil being struck at Assam in 1867, nine years after Col. Drake's discovery in Titusville. India has one of the fastest growing economies in the world, and the demand for oil and gas is rising at a corresponding rate. Not only is India's market potential huge, but in recent years India has emerged as one of the most prospective regions in the world with major oil and gas discoveries, both onshore and offshore.

Against a crude oil production of about 37 million tons per annum (MTPA), India's consumption currently exceeds 125 million tons. To provide energy security, the GOI is seeking investments in excess of $100 billion in both the upstream and the downstream sectors during the next 15 years. India's petroleum product consumption has grown by 4-5 percent over the past 10 years and the oil demand in India is expected to rise to 368 MTPA by 2025.

With the widening gap between demand and supply, both for oil and gas, the outlook for the upstream sector is extremely positive. While oil and gas will continue to play a substantial role in the total energy mix, the need for harnessing alternate energy sources like Coal Bed Methane (CBM) and gas hydrates will become crucial to balance the demand and supply.

The government of India announced the eighth round of bidding under the New Exploration Licensing Policy (NELP) on April 9, 2009, which includes 70 oil and gas blocks and 10 areas for extraction of coal bed methane (CBM) gas from below the coal fields under CBM-IV. The blocks include 24 deep-sea blocks, 28 shallow water blocks and 18 onland blocks. Of the blocks offered so far, 49 oil and gas discoveries have been made in Cambay onland, North East Coast and Krishna Godavari deep-water areas, asserting over 600 million tons of oil and equivalent gas reserves. Seeking a cut in oil import, India so far has awarded 203 oil and gas blocks in the previous seven rounds of NELP with over $11 billion committed in exploration. In the first six NELP rounds, 162 areas with an investment commitment of $ 8.33 billion have been awarded. Out of the $8.33 billion, $3.887 billion has already been spent by oil and gas till 2007.

The government planned roadshows in Washington, Houston, Perth, Brisbane, London and Calgary to inform prospective investors about NELP VIII, but subsequently deferred, them due to lack of clarity regarding fiscal incentives. India is currently in the process of electing a new government, which when formed in May/June will then take a decision on this issue. U.S. companies interested in bidding or seeking additional information should visit: http://www.indianelpviii.com/

India's sedimentary basins are still relatively under explored in comparison to the U.S., and this translates into greater potential opportunities for investors. In terms of mitigating the inherent risk in such ventures, India has taken steps to make its exploration blocks more attractive to the prospective investor. Based on input from the petroleum industry, India has revised its model production-sharing contract and has streamlined the bidding and review process.

The focus of oil refining companies has shifted to clean fuels as per current environmental standards. Clean fuel technology supplied by companies like UOP, Chevron and Axens is in great demand. Also, with greater liberalization and ensuing competition, oil-marketing companies are wooing the retail customer with more and more value-added services provided at retail outlets. In addition to new outlets, existing retail outlets are being modernized with refreshing signage, and the establishment of mini-malls. U.S. companies engaged in design of gas stations, vending machines and development of concessionaires will find clients among the downstream oil companies.

US$ millions	2006	2007	2008 est*
Market Size	2300	2500	2700
Local Production	1600	1750	1900
Exports	200	250	300
Imports (Global)	900	1000	1100
Imports from US	300	350	400

Statistical data are unofficial estimates from trade sources and industry
*2008 figures are estimates

The Indian oil and gas industry has traditionally been more open to imports than other segments of the economy. To procure major equipment, the government oil companies float public tenders. The U.S. is the leader in the import market segment, with close competition from the U.K., Japan and Korea. Traditionally, the Indian oil and gas sector has been dependent on U.S. technology and equipment. Also, since India uses American Petroleum Institute (API) specifications, U.S. manufacturers have an edge over their foreign competitors.

Opportunities

The promising sub-sectors with the estimated market size for the year 2008 are:

Sub Sector	Market size estimate in USD millions
Seismic & drilling equipment and services	650
Refinery and clean fuels equipment	500
Pipelines and gas-field equipment	400

India's first Fortune 500 company, Indian Oil Corporation Limited (IOC), India's largest upstream company, Oil and Natural Gas Corporation Limited (ONGC), and India's largest gas company are implementing projects in excess of $5 billion. For more details on opportunities with these companies, see:
http://www.indianoiltenders.com/
http://tenders.ongc.co.in/index.asp
http://www.gailonline.com/aboutgail/projectplan.htm
http://tenders.ongc.co.in/index.asp
http://www.gailonline.com/aboutgail/projectplan.htm

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Yash Kansal at: Yash.Kansal@mail.doc.gov

Ministry of Petroleum and Natural Gas http://petroleum.nic.in

Indian Oil Corporation Limited http://www.iocl.com/

Oil and Natural Gas Corporation Limited
http://www.ongcindia.com/

Directorate General of Hydrocarbons
http://www.dghindia.org/

Gas Authority of India Limited http://www.gailonline.com/

Pollution Control Equipment - Overview

It is estimated that 30-40 percent of India's industrial units produce sizeable quantities of pollutants. There are about 3 million small-scale units in the country and most of these are not using any pollution control equipment. The Government of India has classified 17 industrial sectors as strong pollutants. India is one of the largest and one of the fastest growing producers of greenhouse gases. For the purpose of this report, solid waste management is not included in the PCE market, however, renewable energy (RE) is considered as part of this market.

India's pollution control equipment industry is growing at 10-12 percent annually, largely because of government initiatives and a proactive judiciary. The biomedical waste management segment has been growing at a rate of 20 percent per year due to enforcement of the Bio-medical Waste (Management and Handling) Rule of 1998. Some of the advanced equipment required for treatment of biomedical waste must be imported from developed countries, as they are not manufactured domestically, which creates significant opportunities for U.S. providers. We also expect the import from the U.S. would increase due to the weakening of the U.S. Dollar and the general preference to U.S. products and services .

The pollution control equipment industry is unorganized and dominated by small-scale industrial firms lacking the resources to invest in research and development. There are a few Indian engineering companies offering services and equipment as part of turnkey consulting services.

The Ministry of Environment and Forests governs this subsector. A third of its annual budget is allocated for pollution abatement. However, the market is not restricted to the government sector. Government initiatives are aimed at taking pollution control beyond end-of-the-pipe issues. The private sector has been investing substantially in environmentally friendly production processes and accounts for nearly 40 percent of demand in this segment.

Poor enforcement of environmental laws is a key reason for the low market potential compared to developed countries. The market for end-of-the-pipe equipment is price sensitive, so consumers generally favor equipment with low life cycle costs. Imports constitute nearly 40 percent of the total market share due to two main factors:

1. Unlike other sectors, multi-lateral and bi-lateral agreements on ecology and the environment play a major role in this sector. This results in increased demand for imported pollution control equipment, because donor-led investments normally require international quality equipment that is not manufactured in India.

2. Multinational corporations with manufacturing facilities in India insist on the replication of technology for pollution control. This almost always requires imports.

The United States has traditionally enjoyed a dominant position in the market, with nearly 33 percent of market share. In some segments such as air pollution control equipment, imports from the U.S. constitute almost 40 percent of total imports. Industry sources believe that the import market will continue to increase and the domestic market share will decline due to increasing demand for improved and innovative technologies that cannot be met by domestic suppliers.

US$ millions	2005	2006	2007 est*
Market Size	3850	4300	4645
Local Production	2310	2580	2838
Exports	n/a	n/a	n/a
Imports (Global)	1540	1720	1807
Imports from US	508	568	630

Statistical data are unofficial estimates from trade sources and do not include solid waste management (an estimated market size of $2 billion)
*2007 figures are estimates

Opportunities

Private sector demand is growing for increased energy efficiency and renewable energy, vehicular and industrial air pollution control, bio-medical waste disposal, and water-recycling technologies.

India has a large potential in the renewable energy (RE) segment - an estimated current aggregate of over 100,000 MW of which, as a medium term goal, 10 percent should be achieved by 2012. In addition, there is a huge potential market for generating power, and thermal applications using solar, wind and biomass energy. Exploitation of chemical sources of energy, geothermal energy, tidal energy and bio-fuels for automotive applications is also envisioned.

Strict enforcement and Implementation of even a fraction of the suggested measures in the National Environment Policy of 2004 would create a huge opportunity for international players in this sector.

In addition, major investments will be required by the automobile industry to comply with Euro IV norms in India's 11 largest cities, where vehicular population is worsening (Euro III norms will become mandatory across India by 2010).

Most promising sub-sectors in pollution control equipment include:

Sub Sector	Estimated Market size USD billions
Energy efficiency and renewable energy	2.8
Water and wastewater management	1.39
Solid waste management	2
Vehicular pollution control	.06
Air pollution control	.05

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Preetha Nair at: Preetha.Nair@mail.doc.gov

Useful Links include:

Ministry of Environment and Forest: http://envfor.nic.in/

Ministry of Non-Conventional Energy Sources: http://www.mnes.nic.in/

The Energy & Resources Institute: http://www.teriin.org/

Everything About Water: http://www.eawater.com/

Central Pollution Control Board: http://www.cpcb.nic.in/

Overview

India is witnessing an unprecedented consumption boom, and despite the world wide general slowdown, India is still the second fastest growing economy in the world. India had a dream run of five years during 2003-08 as the GDP growth averaged nearly 9 per cent annually for five years. The Indian economy continues to grow, though the growth rate in the last fiscal year, at 6.7 percent, was not as high as in the previous years.

The growing economy and the resulting improvements in income dynamics are driving consumption demand in India. Favorable demographics and psychographic changes, relating to India's consumer class, international exposure, availability of quality retail space, wider availability of products and brand communication, are some of the factors that drive the retail and franchising sectors in India. There are lucrative opportunities in franchising in various product and service categories.

Domestic Market

The Indian franchise market generated sales revenue of an estimated USD 2.7 billion during 2007-08. The Indian franchise industry has been recording an annual impressive growth rate of approximately 30 per cent. According to industry sources, with an investment of $1.1 billion, and a sales turnover of $2.7 billion, over 700 franchise ventures, including over 70 international franchise operations, successfully operate in the country. This trend is likely to continue for the next five years and beyond. Franchising is increasingly becoming the business model of choice, and is no longer limited to metropolitan centers and state capitals.

Opportunities

The top prospects for U.S. firms include: telecom, retail, education, garments and apparel, specialized food services, entertainment, courier services, stationary and gift shops, healthcare, fitness and personal grooming clinics. The top four sectors among these are: telecom, retail, food and education. With India crossing the 100 million mobile subscriber mark, and the Government of India (GoI) setting an ambitious target of creating 250 million subscribers by the end of 2008, the telecom sector is all set to witness a phenomenal growth in the near future. To increase the reach and growth, all the players in these sectors are taking the franchising route to expand.
Private telecom companies and service providers such as Airtel, Hutch, Reliance and Tata Indicom have all located their retail service centers across the country, and are encouraging entrepreneurs to partner with them. Nokia has also started setting up its exclusive franchised outlets across the country. Motorola, Samsung, LG, Spice and I Mate are others planning their exclusive outlets in the near future. A large section of the Indian population lives in the rural areas that have been ignored by many telecom companies so far. Presently, CDMA giant, Tata Indicom, is in talks with the Government to rope in local bodies as their franchisees for rural expansion. Thus, the telecom sector provides huge potential, benefiting professionals and entrepreneurs.

In the retail sector, there has also been a constant flow of real estate projects. With 300 malls and 1500 supermarkets, the Indian retail market will be thriving more than ever before. Many franchise businesses are into retail, contributing to the growth of the franchise sector. The industry expects space for 150,000 new outlets, 100 hypermarkets, 500 department stores, and 2000 supermarkets. By the year 2010-11, the demand for quality retail space grew to 300 million square feet, from 100 million in CY 2008. This will offer business, worth more than $17 million, for design, shop fit and support systems. Apart from retail and telecom, food and education sectors are showing promising trends. India is likely to see the addition of at least 400 restaurants, fast food outlets and coffee joints in the coming years. Food chains such as Yum Brands, McDonalds, Dominos and Café Coffee Day have earmarked an estimated investment of over $750 million to expand their retail presence across the country. India currently has more than 900 fast food restaurants and coffee shops. Yum Brands, parent of the KFC and Pizza Hut fast-food chains, plans to add 30-40 restaurants in the next 12-18 months. Yum operates around 134 Pizza Hut restaurants in India and plans to scale up to 175 by 2010. Pizza Hut serves over 300,000 customers every week in India. It also runs 30 KFC outlets in the country and intends to add 15-20 new restaurants this year. Yum competes with McDonalds, Dominos, Pizza Corner and local brands such as Nirulas and Haldiram in the $280 million organized food and beverage retail sector, which is growing at around 25-30 per cent annually. Dominos Pizza India has announced an investment of $55 -58 million in India over the next three years for expanding its retail fast food chain and manufacturing capacities.

Like food franchises, the education and training franchise model is a success story in India. Today, franchise options exist for every consumer group from playschools to spoken English, computers to overseas education consulting. Many other areas of education also offer franchise opportunities in India.

In the education sector, education and training have been the favorites of the franchising business in India for several years now. Some experts believe that the real franchising revolution in India started with the emergence of national information technology (IT) education. According to IT magazine Data Quest, the $700 million IT education market in India is growing at 20 percent per year.

For More Information

Reserve bank of India: http://www.rbi.org.in
Indian Brand Equity Foundation: www.ibef.org
Government of India Ministry of Finance: http://finmin.nic.in/
Government of India Ministry of Health and Family Welfare: http://mohfw.nic.in/pfa.htm
Government of India Ministry of Law & Justice: http://lawmin.nic.in/
Franchising Association of India: http://www.fai.co.in/

Telecommunications Equipment - Overview

India's 429 million-line telephone network (fixed plus cellular) is among the top 5 networks in the world and the second largest among the emerging economies, after China. India has one of the fastest growing telecommunications systems in the world, with system size (total connections) growing at an average of more than 20 percent per annum over the last 4 years. According to the Government of India (GOI), the demand for new telephone lines during the next 3 years is estimated to be over 100 million. The industry is considered as having the highest potential for investment in India. The growth in demand for telecom services in India will be highest in the Cellular Services Sector, followed by national long distance, international long distance and Basic Telecom Sector.

India has a relatively low tele-density of 31 per 100 persons. Tele-density in India rural areas is 8.8 per 100 people and the government plans to increase this to 10 per 100 by 2010. A total of 554,454 out of 607,491 villages have been provided with village public telephone (VPT). Considering India's population of 1 billion, it is estimated that to achieve these objectives, approximately 125 million telephone connections by the year 2011 need to be established. At current prices, this translates to an additional investment of approximately $48 billion by 2011.

The total subscriber base of cellular subscribers is currently at 391.76 million, up by 96.86 percent from the previous year. The subscriber base is estimated to reach 500 million by 2011 (Source: Cellular Operators Association of India), thus resulting in huge opportunities for U.S. telecom equipment vendors.

India has created a strong manufacturing base for producing telecom products. Indian firms typically manufacture telecom switches with technical and financial collaboration from foreign firms. Around 213 Indian firms manufacture small and medium sized switches and 8 joint ventures produce large capacity switches. The government-owned BSNL and MTNL are the largest end users of telecom switches.

Value-added service providers are growing by the day, and are demanding good infrastructure. E-mail, Internet services, frame relay services, video conferencing, electronic data interchange and voice mail have been accorded value-added services status. These value-added services interface with basic telecom services and increased telecom traffic several fold. With the increased investment in the value-added services, the demand for other switching products such as cellular switches, ISDN switches, gateway switches, ATM switches, is bound to grow sharply.

Broadband Wireless Access/WIMAX growth is expected to from current level of 0.25 million to 11 million in 2013 (144 % PA). 3G Modem subscribers is expected to grow from the current level of 2 million to 22 million by 2013 (82% PA). EV-DO and WCDMA subscribers are expected to grow from the current level of 3 million to 67 million by 2013 (88% PA) The estimated equipment opportunity is about US$ 3 billion and annual service revenue opportunity is about $5 billion.

The GOI has issued new Unified Access Services (UAS) licenses to few companies. These companies plan to start services within the next 8-12 months.

US$ billions	2007	2008	2009 est*
Market Size	23.58	33.55	39.86
Local Production	9.3	13.8	17
Exports	3.2	6.05	5
Imports (Global)	17.7	25.8	24
Imports from US	.675	.717	.913

Statistical data are unofficial estimates from trade sources
*2007 figures are estimates

Opportunities

Other promising sub-sectors include:
WiMax equipment
Mobile Headsets
Switching Equipment
Transmission Equipment
Tower equipment
Enterprise Equipment
Optical Cables
T&M Instruments
VSAT
Several market players are planning to upgrade their telecom networks and are planning to source transmission equipment, switches, fiber communications network, and VSATs Following is a list of these projects:

Buyer	Project Name	Value (USD Millions)
Bharat Sanchar Nigam Limited	Fixed and Mobile Network Expansion	950
DataCon	GSM Network	650
Reliance Infocomm	GSM Network	550
Aircel	GSM Network	700
Idea Cellular	GSM Expansion Rollout	200
Hutchison	GSM Network Expansion	200
Unitech	GSM Network	850

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist Sandeep Maini at: Sandeep.Maini@mail.doc.gov

Summary

The textile and garment industry is one of the largest and most prominent sectors of the Indian Economy. India's demand for new and second hand textile machinery has had a significant growth during the last two years. The industry provides employment to around 30 million people across India. The present demand however, seems to be growing at a slower pace than expected, due to the current downturn across global economies.

Market Demand

The total demand for textile machinery, parts and accessories reached an annual growth of 1.6 billion in 2007-2008. Imports constituted approximately 1.4 billion of the total demand for textile machinery in India. The Indian textile industry's demand for machineries is so strong that domestic machinery manufacturers are finding it difficult to cater to the growing requirement of machines. Not only is there capacity constraint, but domestic machinery makers are also technologically far behind in the production for weaving and process machineries.
Indian companies are manufacturing quality textile equipment but they lack the expertise and technology to manufacture high-tech textile machinery (e.g. air-jet, water-jet and power-jet looms). Opportunities exist for American textile machinery manufacturers to supply the latest machinery and enter into joint ventures with Indian companies to provide technology.

Market Data

The total demand for textile machinery is estimated to be over 2.2 billion during 2007-2008 (April-March). Imports constitute approximately 75% of the total demand for textile machinery in India.
In order to secure its global textile market share, the Indian textile industry needs to procure more modern equipment to help improve quality and productivity, thus enhancing global competitiveness. Given the obsolete or near-obsolete technology level in the Indian textile industry, especially in the weaving and processing sectors, large-scale importation of the latest technology is imminent.
The Technology Up-gradation Fund Scheme (TUFS), launched by the Government of India, provides buyers a five percent reimbursement on the interest rate charged by the lending agency. There is no cap on funding under this plan. Technology levels are benchmarked in terms of specified machinery for each sector of the textile industry. Machinery with technology levels lower than that specified will not be permitted for funding under the TUFS.

Best Prospects

Indian end-users continue to import the following latest textile machinery: auto cone winders; open-ended spinning units; circular knitting machines; flat and warp knitting machines; dry and wet pretreatment machinery; yarn dyeing machines; fabric dyeing machines; printing machines; water extraction machines; processing machines; finishing machines; testing and measuring equipment; laboratory equipment; software for design, data monitoring and processing (CAD/CAM/CIM); shuttle-less looms; and texture machines.

Key Suppliers

Approximately 120 companies in India manufacture a complete range of textile machinery for sorting, carding, processing of yarns/fabrics and weaving, along with the components, spares and accessories. The major Indian companies that have a strong presence in the textile machinery industry sector include: Lakshmi Machine Works (Coimbatore), Textool Ltd. (Coimbatore), Trumac Engineering (Coimbatore), New Standard Engineering (Mumbai) and Kirloskar Toyota Textile Machinery Ltd (Bangalore). In addition to these domestic manufacturers, India imports a large chunk of its machinery requirements from German, Italy, Switzerland, Spain, Belgium, Holland, Japan, Taiwan and Korea.
U.S. firms such as Tubular Textile Machinery, Morrison Technologies, Gaston Dyeing, McCoy Ellison, Coker International, Lectra, International Textile Machinery, Bowers Fibers, CTE International Inc., Gibbs International Inc., and Radici Spandex Corporation have established a presence in the country either by selling directly to the
end users or through distribution networks. Other competitors serving the Indian market with textile machinery include: Japanese firms such as Fukuhara, Tajima, Siruba, Yamoto, Juki, Brother; European companies such as Truetz Schler Gmbh, Thies Gmbh, Terrot, Mayer & CIE, Maxim S.A., Veit, Muller, Santex, etc; Taiwan companies such as Acme Machinery, Palung, AKM, Siruba; and Italian companies such as Marzoli, Gigliotti and Gualchieri, Giesse, Comez, Shuelzer, and Ferraro.

Resources

For more information about export opportunities in this sector contact US Commercial Service Industry Specialist
P. Vaidyanathan or Sham Shamsudeen at:
vaidyanathan.purushothaman@mail.doc.gov
sham.shamsudeen@mail.doc.gov

Useful Links include:

United States International Trade Commission – http://dataweb.usitc.gov

Office of Textile Commissioner - http://texmin.nic.in/aptcf/

Director General of Foreign Trade – http://dgft.delhi.nic.in/

GOI Ministry of Textiles - http://texmin.nic.in

Confederation of Indian Textile Industry – http://www.citiindia.com

Water - Overview

The total Indian water market is estimated to be over $ 4 billion. While the government sector contributes above 50 percent, the private industrial sector provides the remaining business. The overall market is growing at 10-12 percent every year. The wastewater treatment market segment is highly fragmented and unorganized. Imports constitute approximately $110 million of the $690 million market for municipal and industrial water treatment equipment. The U.S. is India's principal source of imports of water treatment equipment, with an estimated share of 40 percent.

A growing population has increased the demand for drinking water and rapid urbanization has required increasing sewage treatment. Many industries have been forced to adopt water-recycling systems due to the scarcity of water. Growing public concern, media pressure and renewed legislation has left industries with no option but to install water treatment equipment. There is also a compulsory requirement of environmental clearances from pollution control boards at the federal and the state government levels. Also, many existing treatment plants would need to be replaced or upgraded to meet with more stringent standards.

The bottled water segment has recently established itself as a significant area of growth with a market size of $280 million and growing at 25-30 percent per year.

Opportunities

India's National Water Policy allocates water use priorities in the following order: drinking, irrigation, hydroelectric power, ecology, agricultural and non-agricultural industries, navigation and other uses. U.S. companies will find the best opportunities in sanitation, urban water supply improvement and municipal waste treatment. Additional opportunities exist in providing consulting and design services to the Indian water industry.

In 2003, the government announced a $100 billion project to interlink all major river networks in India. This initiative would connect water-deficient areas to water-abundant ones by interlinking 37 Indian rivers. One of the largest projects anywhere in the world, it would transfer water through 30 links across 9,600 kilometers. It would connect 32 dams and use 56 million tons of cement and 2 million tons of steel. It would bring with it a huge requirement for water management, transmission and distribution.

India's water transmission and distribution networks are outdated and poorly maintained. The government has recently viewed privatization of these networks as the only option. Water companies from all over the world have established a presence in India to pursue an estimated 70 projects worth several billion dollars in 20 Indian cities spread over several states.

In the area of water treatment, U.S. companies can joint venture with Indian firms to offer integrated solutions in water treatment. These solutions could include performing feasibility studies, designing, technical consulting and providing operation and on-line maintenance services.

US$ millions	2007	2008	2009 est*
Market Size	700	725	800
Local Production	613	620	680
Exports	25	24	25
Imports (Global)	112	129	145
Imports from US	45	51	58

The Indian Wastewater Treatment Market
Statistical data are unofficial estimates from trade sources
*2009 figures are estimates

Indian companies have limited capabilities and technology for the design of water treatment plants. There is a distinct opportunity for U.S. companies to offer technical consulting through contractual and/or joint venture arrangements.

Resources

The Ministry of Water Resources is responsible for forming policy guidelines and programs for the development and regulation of water resources. More information on this is available at http://wrmin.nic.in/

The key legislative acts which regulate the Indian wastewater treatment market are: the Water (Prevention and Control of Pollution)Act, 1974, the Water (Prevention and Control of Pollution) Cess Act, 1977, and the Environment (Protection) Act, 1986.

For more information about export opportunities in this sector contact the U.S. Commercial Service Industry Specialist, Kamal Vora, at: Kamal.Vora@mail.doc.gov.

Import Tariffs

In 1991, India began to initiate economic reforms that have made the trade regime increasingly more transparent. These reforms are complimented by a consistent decline in import tariff rates over the past 15 years – from peak rates of 350 percent in June 1991 to an average of 10 percent today. However, India's tariffs are still relatively high by international standards, and these high tariffs and import restrictions have constrained U.S. firms from selling in this market, and U.S. investors from importing competitive inputs in several industries.

India's current regulations are guided by the Export Import (EXIM) Policy of 2002-2007. Imports are permitted in most cases without a license. There are some exceptions where items are prohibited or restricted (import permitted under license) or where imports are allowed only through a state-owned enterprise.

As of April 2001, India removed quantitative restrictions (QR) on a final batch of 715 items, completing the process of phased trade policy liberalization that was started in 1991.

India has appealed to the Appellate Body of the World Trade Organization against the recommendations of a WTO panel report on its quantitative restrictions on the import of agricultural, textile, and industrial products. India has challenged the panel’s authority to determine whether the balance of payments can be used to justify imposition of import restrictions and the overall compatibility of regional trade agreements with WTO norms. The removal of QRs and the prospect of further reduction in tariffs to the Asian levels are likely to lead to a high degree of import competition.

Tariff Rates: India has progressively cut duties and taxes since 1991, after it began switching from a Socialist-style system to a market economy. However, domestic industry still enjoys relatively high levels of protection in several areas. U.S. companies face tariff and non-tariff barriers that impede their exports. One such area of protection is in the agricultural sector where Indian tariffs remain high compared to international standards. For non-agricultural goods, however, India has made considerable progress in restructuring tariffs. In February 2007, the Government of India (GOI) further reduced the peak applied customs duty on non-agricultural goods from 12.5 percent to 10 percent. The Indian government plans to gradually ease currency restrictions and reduce tariffs to the low levels prevailing in other Asian countries in order to make the Indian environment more conducive to improved economic performance.

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

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

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

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

How Customs Duty is calculated:

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

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

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

Special Additional Customs Duty (known as Special CVD): Earlier known as surcharge, Special CVD tax is applicable on all items. It is levied at the rate of 4 percent of the basic and the excise duty on all imports.

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

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

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

Customs Handling Fee: The Indian government assesses a one percent customs handling fee on all imports in addition to the applied customs duty.

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

Tariff rates, excise duties, regulatory duties, and countervailing duties are revised in each annual budget in February, and are published in various sources, including BIGs Easy Reference Customs Tariff edition. A copy of this book is kept at the USA Trade Information Center in Washington DC and more specific information from this guide is available to U.S. Companies by calling 800-USA-TRADE.

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

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

Trade Barriers

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

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

Standards, testing, labeling & certification: The Indian government has identified 109 commodities that must be certified by its National Standards body, the Bureau of Indian Standards (BIS). The idea behind these certifications is to ensure the quality of goods seeking access into the market, but many countries use them as protectionist measures. For more on how this relates to labeling requirements, please see the section on Labeling and Marking Requirements in this chapter.

Anti-dumping and countervailing measures: Anti-dumping and countervailing measures are permitted by the WTO Agreements in specified situations to protect the domestic industry from serious injury arising from dumped or subsidized imports. India imposes these from time-to-time to protect domestic manufacturers from dumping. India’s implementation of its antidumping policy has, in some cases, raised concerns regarding transparency and due process. In recent years, India seems to have aggressively increased its application of the antidumping law. In the first half of the calendar year 2006 India topped the list of countries initiating new anti-dumping investigations with 20 new initiations.

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

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

Service barriers: Services in which there are restrictions include: insurance, banking, securities, motion pictures, accounting, construction, architecture and engineering, retailing, legal services, express delivery services and telecommunication.

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

Import Requirements and Documentation

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

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

The following are designated import certificate issuing authorities:

- The Department of Electronics for import of computer and computer related systems
- The Department of Industrial Policy and Promotion for organized sector firms except for import of computers and computer based systems
- The Ministry of Defense for defense related items
- The Director General of Foreign Trade for small-scale industries not covered in the foregoing.

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

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

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

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

Advance license can be issued for:

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

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

Deemed exports: An advance license can be issued for deemed exports to the main contractor for import of inputs required in the manufacture of goods to be supplied to the categories mentioned in paragraph 8.2 (b), (c), (d) (e) (f), (g), (i) and (j) of the Policy. An advance license for deemed exports can also be availed by the sub-contractor of the main contractor to such project provided the name of the sub contractor(s) appears in the main contract. Such license for deemed export can also be issued for supplies made to United Nations Organizations or under the Aid Program of the United Nations or other multilateral agencies and paid for in foreign exchange.

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

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

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

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

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

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

U.S. Export Controls

The Indian and the U.S. governments formed a High Technology Cooperation Group (HTCG) in November 2002 to facilitate and promote high technology bilateral trade. The Bureau of Industry and Security (BIS) (formerly known as the Bureau of Export Administration, BXA) is the American government agency responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. The BIS often refers to the items that they regulate as "dual-use" items, since these items have both commercial and military or proliferation applications, but purely commercial items without an obvious military use are also subject to the EAR. For further inquiries regarding the list of items requiring U.S. export clearance contact:

Director, Office of National Security and Technology Transfer Controls
14th Street and Constitution Avenue, NW
U.S. Department of Commerce,
Washington DC 20230
Telephone: 202-482-4196 Fax 202-482-4094
Website: http://www.bis.doc.gov/

For questions regarding end-use checks or to speak with enforcement, please contact:

Director, Office of Enforcement Analysis
14th Street and Constitution Avenue, NW
Room 4065
U.S. Department of Commerce,
Washington DC 20230
Telephone: 202-482-4255 Fax 202-482-0971
Website: http://www.bis.doc.gov/

Temporary Entry

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

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

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

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

In addition, General Exemption No 14 of the Customs Tariff allows the import of goods for display or use at fair, exhibition, demonstration, seminar, congress and conferences, subject to specified conditions. The U.S. Commercial Service of the American Embassy assists U.S. companies with temporary entry of their product and other display items for trade events into India duty free for up to 6 months through its Customs Clearance Guarantee service. The products have to be re-exported within six months.

Labeling and Marking Requirements

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

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

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

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

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

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

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

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

All declarations may be:

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

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

Prohibited or Restricted Imports

For the most current information on India's Prohibited Import List, please see:
http://exim.indiamart.com/freedlist/prohibited.html

At the time of this writing, there were 58 items prohibited for import into India.

Standards

Standards setting as a trend is gaining momentum in India. India has generally made efforts to match national standards in line with international norms, and most Indian standards are harmonized with ISO standards. Nonetheless, some Indian standards are not matched with international standards, and several recent standards-related regulations have created barriers to trade and posed challenges to expanding U.S. exports in certain sectors. India has also frequently failed to notify the WTO of new standards and allow time for discussion with its trading partners prior to implementation.

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

Standards Organizations

In India, voluntary standards are exclusively developed by the national standards body. The Bureau of Indian Standards (BIS), established under the Bureau of Indian Standards Act of 1986, is the national standards body of India responsible for development and formulation of standards. BIS is comprised of representatives of industry, consumer organizations, scientific and research bodies, professional organizations, technical institutions, Indian government ministries, and members of parliament.

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

The Ministry of Commerce, Government of India (GOI) has designated BIS as the National WTO-TBT Enquiry Point in accordance with its obligations to the agreement on Technical Barriers to Trade of the WTO. According to the agreement, BIS in liaison with the Indian Ministry of Commerce, issues notifications on proposed technical regulations and certification systems in India to the WTO. BIS's Technical Information Services Center responds to domestic and foreign requests for information about Indian standards, technical regulations and conformity assessment rules. U.S. companies that wish to make comments on any notifications can obtain copies of the text from BIS from the WTO-TBT Enquiry Point, Technical Information Services Center, Bureau of Indian Standards, Manak Bhavan, 9 Bahadur Shah Zafar Marg, New Delhi 110 002 (Tel: 91-11-2323 0910/2323 0131; Fax: 91-11-2323 7995; Email: bisinfo@vsnl.com). Comments received are communicated to the Ministry of Commerce.

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

NIST Notify U.S. Service: Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

A list of testing organizations spread throughout the country providing conformity testing against relevant Indian standards is available from the BIS website at:
http://www.bis.org.in/lab/lab.htm

In association with technical GOI agencies and NGOs, BIS carries out periodic surveillance inspections of products under mandatory certification. A provision exists for sub-contracting certification surveillance activities to relevant competent agencies in specific areas. Certain types of steel, rubber, and electronic products are presently under such surveillance agreements.

Product Certification

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

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

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

Information on the application procedure for BIS Product Certification Plan for foreign companies is available through the BIS website at: http://www.bis.org.in

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

To facilitate international trade and cooperation, India has plans to harmonize its standards with other countries, primarily with its main trading partners. A serious effort is being made by BIS to have mutual recognition of standards with various countries so that other countries provide recognition of the Indian standards on certain products and vice versa. The BIS has expressed interest in having mutual recognition agreements with U.S. organizations.

Accreditation

The National Accreditation Board for Testing and Calibration Laboratories (NABL) established in 1985 as an autonomous body under the Department of Science & Technology is authorized by the GOI as the sole accreditation body for testing and calibration laboratories. More than 200 testing and calibration laboratories have been accredited to date. A list of accredited laboratories is available from NABL's website at: http://www.nabl-india.org

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

More and more Indian manufacturing companies are investing in standards accreditation. The number of plants in India with ISO 9000 and ISO 14000 accreditation increased from a negligible figure in the early nineties to more than 8000 in 2003. Five Indian companies have won the Deming prize for total quality management in FY 2002-03, while eight more are preparing for the honours this year. Eighteen manufacturing plants of 10 Indian companies have been recognised by the Japanese Institute of Plant Management for excelling in total productive management in 2003.

Publication of Technical Regulations

An electronic version of Indian Standards is now available on CD-ROM from the Bureau of Indian Standards. Further information is available at http://www.bis.org.in/other/iscd.htm

Contacts

Bureau of Indian Standards
Manak Bhavan, 9 Bahadur Shah Zafar Marg
New Delhi 110 002, India
Tel : 91-11-2323 0131, 2323 3375, 2323 9402 (10 lines)
Fax : 91-11-2323 4062, 2323 9399, 2323 9382
Email : info@bis.org.in
Web: http://www.bis.org.in

NABL
Department of Science and Technology
Technology Bhawan, New Mehrauli Road
New Delhi – 110 016
Tel no.: 91-11-2686 4642 / 2685 7661
Fax no.: 91-11-2686 4642 / 686 3866
Email : akc@alpha.nic.in
Web: http://www.nabl-india.org/

Director General of Foreign Trade
Ministry of Commerce & Industries
Udyog Bhawan, New Delhi 110 011
Tel: 91-11-2301 1777
Fax: 91-11-2301 8613
Web: http://dgft.delhi.nic.in/

Department of Consumer Affairs
Office of the Additional Secretary (Weights & Measures)
Krishi Bhawan, New Delhi 110 001
Tel: 91-11-2338 3027
Fax: 91-11-2338 6575

Trade Agreements

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

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

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

India and Singapore have signed a Comprehensive Economic Cooperation Agreement, which is an integrated package of agreements embracing trade in goods, services, investments and economic co-operations in education, science and

technology, air services, and intellectual property. The agreement, which came into effect on August 1, 2005, provides wide-ranging exemptions and reductions on basic customs duty on products imported from Singapore into India.
The Indian Ministry of Commerce projected recently that 60 percent of India's future trade would be accounted for by free trade agreements (FTAs), with such countries as Paraguay, Argentina, Brazil, Pakistan and even China. The Indian government is in talks with the Mercusor (a trade association comprising Argentina, Brazil, Chile, Paraguay and Uruguay) and the SACU (South African Customs Union) and is looking to increase bilateral engagements with more countries.

In a major policy shift, the government has decided to convert all Preferential/Free Trade Agreements (PFA/FTA) into Comprehensive Economic Cooperation Agreements (CECA). This goes beyond the Indian government's bid in recent months to embrace bilateralism aggressively.

The decision seems to be aimed at mollifying the World Trade Organization (WTO), which cautioned India against negotiating exclusively PFAs/FTAs.

PTAs/FTAs usually involve structured reduction in tariffs between two countries. CECAs would cover preferential relaxation of FDI rules vis-à-vis the partner country, tax holidays on investment and income, easing of visa restrictions etc. Trade in services too would come under the purview of CECA.

The proposed free trade agreements (FTAs) with Thailand, Mercosur and Asean would now be made CECAs. This has already been done with Sri Lanka. The preferential trade agreement (PTA) with the South Africa Customs Union (SACU) would be merged with new CECA with South Africa. The Minister added that efforts were on to convert the SAARC Preferential Trade Area into a full-fledged FTA to be called SAFTA. This came into effect in January 2006.

Other proposed alliances with Russia, China and Israel would also be CECAs, rather than mere FTAs. The proposed agreement with the Gulf Cooperation Council (GCC) is envisaged to be a CECA, as is the India-Singapore agreement.

The Indian government has also nominated certain authorized agencies to issue a Non Preferential Certificate of Origin in accordance with Article II of International Convention Relating to Simplification of Customs formalities, 1923. These Certificates of Origin evidence the origin of goods and do not bestow any right to preferential tariffs.

India and the U.S. are not part of any specific free trade conglomerate of nations, and this, experts feel, is an imperative to bolster both trade and partnership between the two countries.

Web Resources

Trade regulations:
Import tariffs
http://dgft.delhi.nic.in/
http://dgftcom.nic.in/exim/2000/policy/contents.htm
http://www.dgciskol.nic.in/
http://www.cbec.gov.in/

Trade barriers
http://www.ustr.gov/assets/Document_Library/Reports_Publications/2004/2004_National_Trade_Estimate/2004_NTE_Report/asset_upload_file973_4773.pdf
http://commerce.nic.in/medium_term/contents.htm
http://www.ustr.gov/

Import requirements and documentation
http://dgftcom.nic.in
http://dipp.nic.in/

U.S. export controls
http://www.bis.doc.gov/
http://www.access.gpo.gov/bis/ear/ear_data.html
http://www.cbp.gov/

Temporary entry
http://dgftcom.nic.in/exim/2000/policy/chap-02.htm
http://www.buyusa.gov/india/en/83.html

Labeling and marking requirements
http://www.bis.org.in/cert/man.htm
http://www.bis.org.in/cert/prooth.htm

Prohibited and Restricted Imports
http://commerce.nic.in/qr/default.asp

Standards:

Overview
http://www.bis.org.in/bs/index.htm
http://www.bis.org.in/org/obj.htm

Standards Organizations
http://www.bis.org.in/sf/powork.htm

Conformity Assessment
http://www.bis.org.in/lab/lab.htm
http://www.bis.org.in/sf/nrstd.htm

Product Certification
http://www.bis.org.in/cert/fm.htm
http://www.bis.org.in/cert/procert.htm
http://www.bis.org.in/sf/nrstd.htm

Accreditation
http://www.nabl-india.org

Publication of Technical Regulations
http://www.bis.org.in/other/iscd.htm

Labeling and Marking
http://www.bis.org.in/cert/man.htm

Trade agreements
http://commerce.nic.in/
http://commerce.nic.in/india_rta_main.htm

Openness to Foreign Investment

India continues controlling foreign investment with limits on equity and voting rights, mandatory government approvals, and capital controls. Since 1991, as it has slowly implemented a program of economic reform, the GOI has gradually relaxed many of these constraints. Nonetheless, a complex array of restrictions remains, along with an undercurrent of resentment towards foreign investment from some quarters. Foreign direct investment (FDI) is still prohibited in some sectors or sub-sectors.

Since the mid 1990s, India has allowed "automatic" FDI approvals in many sectors, gradually expanding the list over time. Where applicable, foreign investors do not need government licenses or approvals and simply notify the Reserve Bank of India (RBI) of their investments. Other sectors require approval by either the Foreign Investment Promotion Board (FIPB) or the Cabinet Committee on Foreign Investment. Under the Government approval route, applications for FDI proposals, other than by Non-Resident Indians and proposals for FDI in Single Brand product retailing, are received in the Department of Economic Affairs of the Ministry of Finance. Proposals for FDI in Single Brand product retailing and by NRIs are received in the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry. The rules vary from industry to industry and are frequently changed.

Although the changes have tended toward greater liberalization, the investment process is not always transparent or straightforward. In January 2005, for example, the GOI relaxed restrictions on new FDI in India by foreign partners of joint ventures. The previous rules, issued in Press Note 18 in 1998, had required a release by the Indian partner and GOI approval for any new investment, a provision often subject to abuse. The new rules maintain restrictions on the majority of existing joint ventures, but leave new ones to negotiate their own terms on a commercial basis. A local firm's ability to restrict its foreign partner's business strategy has been reduced, but exit strategies and dissolution procedures for existing joint ventures remain uncertain.

Equity caps for foreign portfolio investment are sometimes included in FDI caps. There are no universal rules specifying the combination of FDI and foreign portfolio investment allowed in share holding of a particular company. In some cases, the portfolio investment is included within the FDI cap; in others, foreign portfolio investment is not subject to the FDI cap, although the government of India does spell out where different caps are in place. The GOI is planning to formulate uniform guidelines on FDI across all sectors. An amendment to the Companies Act denies voting rights to foreign investors holding preferred stock in Indian companies if their holdings exceed the FDI limit.

Foreign investment is prohibited in many areas or subsectors of real estate, multi-brand retailing, legal services, security services, nuclear energy, and railways. Some forms of realty development, such as integrated townships, are permitted FDI. Non-Resident Indians (NRIs), however, are allowed to invest in housing and real estate development. They are also allowed to hold up to 100 per cent equity in civil aviation companies, where foreign equity is otherwise limited to 49 percent. NRIs are allowed to claim dual citizenship and enjoy new investment opportunities in India as citizens. Capital outflow restrictions for Indian citizens are incrementally being relaxed.

To curb the flow of funds by Indian residents through their NRI counterparts overseas, the Indian government in 2003 banned all investments by Overseas Corporate Bodies (OCBs -- a company or other entity owned by NRIs directly or indirectly to the extent of at least 60 percent) in Indian companies through the portfolio as well as FDI routes. The GOI also withdrew the facility of opening and maintaining new Non-Resident External accounts, foreign currency non-resident accounts and non-resident ordinary accounts in India by OCBs. A ban on OCB investment in the stock market under the portfolio investment scheme remains in place.

The **GOI's privatization policy permits** foreign investors to bid for the sale of the state-owned units. Its privatization program, however, stalled after a change in government in May 2004. Foreign investors are given national treatment at the time of initial investment or after the investment are made. In sectors where licensing is required, procedures do not discriminate against foreign companies. However, in certain consumer goods industries export obligations and local content requirements are imposed on foreign investors.

Existing companies can also use automatic FDI approval to obtain foreign equity for FDI/NRI investment, provided the sector falls under the "automatic" route. Requirements are (i) the equity increase must accompany an expansion of the company's equity base (i.e., the NRI/foreign investors cannot simply acquire existing shares); (ii) the investment must involve a foreign currency remittance; and (iii) the Indian company's Board of Directors must give its approval.

Sector-Specific Guidelines for FDI in key industries (alphabetical order):

-- Advertising and Films: 100 percent FDI with automatic approval is allowed, but certain conditions apply in film industry.

-- Agriculture: No FDI is permitted in farming, nor may foreigners own farmland. FDI in the seed industry/ floriculture, horticulture, animal husbandry, aquaculture and cultivation of vegetables and mushrooms is permitted without any limits under the automatic route. 100 percent FDI is also permitted in tea plantations, but proposals require prior government approval. There is compulsory divestment of 26 percent equity of the company in favor of an Indian partner or the Indian public within five years. In Floriculture/Horticulture/Aquaculture/Seed Development/Services related to agro and allied products, 100 percent FDI is allowed through the automatic approval process without any condition.

-- Airport Infrastructure: 100 percent FDI allowed for fresh projects through automatic route. FDI up to 74 percent is allowed in existing projects through the automatic route; for higher FDI in existing projects FIPB approval is required. To participate in a ground handling business at the airports, foreign companies can hold up to a 74 percents hare. NRIs are allowed 100 percent FDI in ground handling services. 100-percent FDI is allowed on automatic route for maintenance and repair organizations, flying training institutes and technical training institutes.

-- Alcoholic Distillation and Brewing: No FDI limit is applicable. The automatic approval route is available in this area but a license from the GOI is required.

-- Asset Reconstruction Companies: FDI is limited to 49 percent. Prior government approval is required. No portfolio investments are allowed. Where any individual investment exceeds 10 percent of the equity, the approval is subject to Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

-- Nuclear energy: FDI is limited to 74 percent for mining and mineral separation, integration, and value addition in mining and mineral separation. FIPB approval is subject to guidelines issued by Department of Atomic Energy.

-- Automobiles: No FDI caps or local content requirements or export obligations are applicable. FDI in automobile manufacturing is allowed under the automatic approval route.

-- Banking: The GOI increased the FDI limit for private banks to 74 percent, including all foreign portfolio investments. The 74 percent cap includes all foreign portfolio investments also. Automatic approvals are granted, however, no individual foreign bank may own more than 5 percent in an Indian bank, and no non-bank, foreign or otherwise, may own more than 10 percent without prior approval of the Reserve Bank of India. For state-owned banks the FDI limit remains at 20 percent. At all times, at least 26 percent of the paid up capital must be held by residents. Wholly owned subsidiaries of foreign banks are exempt from this requirement. The Foreign Institutional Investment (FII) limit remains at 49 percent. Foreign banks in India have the option to operate as branches of their parent banks or as subsidiaries. Shareholders of banking companies may exercise their voting rights to a maximum of 10 percent of equity, even if they hold more equity. Legislation to remove this voting rights cap is stalled in Parliament.

-- Broadcasting: FDI (including the portfolio investments) is limited to 20 percent in FM terrestrial broadcasting, with prior government approval, subject to guidelines issued by Ministry of Information and Broadcasting. For direct-to-home broadcasting and up-linking hubs, foreign investment from all sources is limited to 49 percent (with a maximum FDI component of 20 percent), again with prior government approval. In satellite broadcasting also, FDI is limited to 49 percent with prior government approvals. TV channels, irrespective of the ownership or management control, have to up-link from India provided they comply with the broadcast code. FDI is limited to 26 percent (including portfolio investment) in news and current affairs channels up-linking from India. 100 percent FDI is permitted in entertainment and general interest channels. Under the revised Up-linking policy announced by the GOI in December 2005, FDI up to 49 percent is permitted with prior approval of the Government for setting up Up-linking HUB/Teleports.

-- Cable Network: FDI is limited to 49 percent (inclusive of both FDI and portfolio). Prior approval is required and the approval is subject to Cable Television Networks Rules, 1994.

-- Cigars/cigarettes of tobacco: There is no FDI limit but prior government approval and an industrial license is required.

-- Civil Aviation (domestic airlines): FDI is limited to 49 percent under the automatic route for air transport services including domestic scheduled passenger airlines. For non-scheduled/chartered/cargo airlines, the FDI limit is 74 percent. Helicopter services are allowed 100 percent FDI on automatic approval basis. Foreign airlines are allowed to own the equity of companies operating helicopter services/cargo services however, they may not make either a direct or indirect investment in an Indian domestic airline. NRIs and domestic companies may own 100 percent of a domestic airline. Although frequently debated, India has yet to open its state-run international airlines to outside investment. The US-India "Open Skies" agreement, signed in April 2005, allows unrestricted access by U.S. carriers to the Indian market, and by India carriers to the U.S. market. 100 percent FDI is permitted to new and existing airport construction projects under the automatic route subject to Ministry of Civil Aviation regulations. Existing projects, however, have to seek FIPB approval beyond 74 percent FDI.

-- Coal/Lignite: FDI is allowed up to 100 percent in coal processing plant/power projects, but limited to 74 percent for exploration and mining for captive consumption. Proposals in private sector companies are approved automatically. FDI is limited to 49 percent in state-owned units.

-- Coffee and Rubber Processing and Warehousing: 100 percent FDI is permitted under the automatic route without any condition.

-- Construction Development Projects: Construction and maintenance of roads, highways, vehicular bridges, tunnels, ports and harbors, housing, commercial premises, resorts, educational institutions, infrastructure and township is allowed at 100 percent FDI, with automatic approval subject to certain minimum capitalization, minimum area of development conditions issued under Press Note 2 of 2005.

-- Courier Services other than distribution of letters: 100 per cent FDI is permitted; however, FIPB approval is required.

-- Defense and strategic industries: FDI is limited to 26 percent, subject to a license from the Defense Ministry and guidelines on FDI in production of arms and ammunition. There are no automatic approvals.

-- Drugs/Pharmaceuticals: FDI is allowed up to 100 percent for drug manufacturing on automatic approval route.

-- E-commerce: FDI up to 100 percent is allowed in business-to-business e-commerce with no divestment requirements. FDI is limited to 49 percent under the automatic approval route. No FDI is allowed in retail e-commerce.

-- Hazardous chemicals: 100 percent FDI is allowed through the automatic approval route. However, a license is needed.

-- Food Processing: 100 percent FDI is allowed with automatic approval for most products with the exception of malted foods, alcoholic beverages including beer, and in a protected category reserved for “small scale industries” where foreign equity ownership up to 24 percent is allowed. FDI up to 74 percent is allowed with automatic approval for cold storage facilities.

-- Health and Education Services: FDI is limited to 51 percent with automatic approval. Higher equity proposals need FIPB approval.

-- Hotels, Tourism and Restaurants: FDI at 100 percent is allowed with automatic approval.

-- Housing/Real Estate: No FDI is permitted in the retail housing sector. NRIs, however, may invest up to 100 percent. FDI up to 100 percent, on prior government approval, is permitted for projects such as the manufacture of building materials and the development of integrated townships, including housing, commercial premises, resorts, and hotels.

-- Information Technology: FDI at 100 percent is allowed with automatic approval in software and electronics, except in the aerospace and defense sectors.

-- Insurance: FDI is limited to 26 percent in the insurance and insurance brokering. While FDI approval is automatic, a license must first be obtained from the Insurance Regulatory and Development Authority. In July 2004, the GOI announced its intention to increase the FDI cap to 49 percent, but this change first requires parliamentary approval of an amendment to the Insurance Regulatory and Development Authority Act. In December 2008, the GOI introduced this amendment bill in the upper House of Parliament (Rajya Sabha). However, the introduction of the bill is the first step in a lengthy process and an increase in the FDI limit to 49 percent would take effect only after approval from both Houses of Parliament.

-- Legal services: No FDI is allowed. The GOI is currently engaged in consultation with local law associations for exploring possibilities of opening up the sector to foreign lawyers.

-- Lottery, Gambling, Betting: No FDI in any form is allowed.

-- Manufacturing: FDI at 100 percent FDI is allowed, with automatic approval, in the manufacture of textiles, paper, basic chemicals, rubber, plastic, non-metallic mineral products, metal products, ship building, machinery and equipment. FDI had been limited to 24 percent in a protected category reserved for "small scale industries" (SSI), but the government announced in December 2007 that it intended to remove that cap and allow SSI FDI caps to be governed by the overall FDI policies in their sectors. The FDI change had not yet been made effective as of early January 2009. The government has also been steadily decreasing the number of industry sectors reserved under the SSI policy – from a peak of 800 industries in the late 1990s – and currently reserves just 35 specific goods/services for SSIs with a capital investment of less than $250,000. A higher percentage of foreign equity may also be approved if the company obtains a license and undertakes to export 50 percent or more of its product.

-- Mining: 100 percent FDI is allowed, with automatic approval, for diamond and precious stone, gold/silver and other mineral mining.

-- Non-Banking Financial Companies (Merchant banking, underwriting, portfolio management, financial consulting, stock-brokerage, asset management, venture capital, credit rating, housing finance, leasing & finance, credit card business, foreign exchange brokerage, factoring and custodial services, investment advisory services): FDI is allowed up to 100 percent with automatic approval. For joint venture operating NBFCs, subsidiaries undertaking other NBFC activities are allowed. Foreign investors can set up 100 percent operating subsidiaries without any conditions if they bring in $50 mmillion in capital. Capital norms are as follows: if FDI is less than 51 percent, $500,000 needs to be provided up front; if FDI is between 51 percent and 75 percent, $5 million must be invested up front; and if FDI exceeds 75 percent, $50 million is needed, out of which $7.5 million must be fronted and the balance invested in two years. Approvals may not be used to undertake holding company operations pertaining to downstream investments.

-- Petroleum: FDI limits (along with tax incentives, production sharing and other terms and conditions) vary according to the sub-sector. Foreign Investment Promotion
Board (FIPB) approval is required for refining with public sector unit; automatic approval is granted to all other activities.

- Discovered small fields	100 percent
- Unincorporated joint venture	60 percent
- Incorporated joint venture	51 percent
- Refining with domestic private	100 percent
- Refining with public company	49 percent
- Petroleum product/pipeline	100 percent
- Marketing and marketing infrastructure	100 percent
- LNG Pipeline	100 percent
- Exploration	100 percent
- Investment Financing	100 percent
- Market study and formulation	100 percent

-- Pollution Control: FDI up to 100 percent is allowed with automatic approval for equipment manufacture and for consulting and management services.

-- Ports and harbors: FDI up to 100 percent with automatic approval is allowed in construction and manufacturing of ports and harbors.

-- Power: FDI up to 100 percent is permitted with automatic approval in projects relating to electricity generation, transmission, distribution, and power trading other than nuclear reactor power plants.

-- Print Media: Foreign investment is restricted to 26 percent for news publications with editorial/management control in the hands of resident Indians. 74 percent cap is applied to non-news publications. FDI is permitted up to 100 percent in printing Science and Technology magazines/journals, subject to prior government approval and guidelines issued by Ministry of Information and Broadcasting.

-- Professional services: FDI is limited to 51 percent in most consulting and professional services, with automatic approval. Legal services, however, are not open to foreign investment.

-- Railways: FDI is not allowed in train operations, although 100 percent FDI is permitted in auxiliary areas such as rail track construction, ownership of rolling stock, provision of container services, and container depots.

-- Retailing: The government allows 51 percent FDI for retail trade in Single Brand products, subject to Government approval. FDI is still not allowed in any other retail activities, including in retailing of goods of multiple brands where the same manufacturer produces such branded products. However, large multinational retailers are exploring franchise-like joint venture deals with Indian partners that do not violate the FDI bar.

-- Roads, Highways, and Mass Rapid Transport Systems: FDI up to 100 percent is allowed with automatic approval for construction and maintenance.

-- Satellites: FDI is limited to 74 percent for the establishment and operation of satellites.

-- Shipping: FDI is limited to 74 percent with automatic approval for water transport services.

Special Economic Zones: For setting up the Zones and for setting up individual units in the SEZs, 100 percent FDI is allowed through the automatic route, subject to Special Economic Zones Act, 2005 and India's Foreign Trade Policy.

Stock Exchanges: FDI including FII up to 49 percent is allowed in stock exchanges through FIPB approval. FDI limit is 26 percent and FII ceiling is 23 percent. No single foreign investor can hold more than 5 percent stake.

-- Telecommunications: FDI limits are listed below. The FDI can be made directly or indirectly in the operating company or through a holding company subject to licensing and security requirements. FDI up to 74 per cent is allowed under the automatic route in all telecom services; higher FDI needs FIPB approval. All FDI limits are inclusive of portfolio investments. The revised GOI guidelines on telecom services mandate Indian shareholding not less than 26 percent in any case. The Department of Industrial Policy and Promotion's Press Note No. 3 of 2007 series sets out new security conditions which have to be adhered to by prospective investors in the telecom sector.

- National and International	74 percent
- Long Distance	74 percent
- Equipment manufacturing	100 percent (automatic approval)
- Global Mobile Communication	49 percent
- Radio paging, Internet Service Providers (ISP) with int'l gate-ways, and End-to-End Bandwidth	74 percent
- ISP without int'l gateways, voice-mail and e-mail	100 percent (FDI proposals above 49 percent requires GOI approval, 26 percent divestment within five years)

-- Trading/Wholesale: FDI at 100 percent is allowed through automatic route, for activities like exports, bulk imports with export warehouse sales, as well as cash and carry wholesale trading. However, in case of test marketing or if the items are sourced from the small scale sector, then FIPB approval is required. Single brand retailing is allowed subject to the FIPB approval and FDI limited to 51 percent.

-- Venture Capital: FDI is allowed up to 100 percent in venture capital funds (VCF) and venture capital companies (VCC) through the automatic route, subject to Securities and Exchange Board of India (SEBI) regulations and sector specific FDI limits. VCFs and VCCs may own up to 40 percent of unlisted Indian companies. Investment in a single company by a VCF or VCC may not exceed five percent of the paid up corpus of a domestic VCF or VCC.

Conversion and Transfer Policies

There are no restrictions on remittances for debt service or payments for imported inputs. In some sectors, like investments in the development of integrated townships and NRI investment in real estate may be subject to a "lock-in" period. Profits and dividend remittances are permitted without approval from the Reserve Bank of India (RBI). Income tax payment clearance is required, but there are generally no delays beyond 60 days. RBI approval is required to remit funds from asset liquidation. Foreign partners may sell their shares to resident Indian investors without approval of RBI, provided shares were held on a repatriation basis. GDR/ADR proceeds from abroad may be retained without restrictions except for an end-use ban on investment in real estate and stock markets. FIPB approval is required for converting non-repatriable shares to repatriable ones. Up to $1 million may be remitted for transfer of assets into India. Individual professionals including journalists and lawyers are allowed to keep 100 percent of their earnings from consultancy services rendered abroad in foreign currency accounts.

The Indian rupee is fully convertible for current account transactions. Current account transactions are regulated under the Foreign Exchange Management Rules, 2000. Prior RBI approval is required for acquiring foreign currency above certain limits for specific purposes (foreign travel, consulting services, foreign studies). Capital account transactions are open for foreign investors, subject to various clearances. In recent years, with growing foreign exchange reserves, the Indian government has taken additional steps to relax foreign exchange and capital account controls for Indian companies and individuals. For example, individuals are now permitted to transfer abroad for any purpose up to $200,000 a year without approval. The GOI now allows all NRI proposals for conversion of non-patriable equity into repatriable equity under the automatic approval route. At the end of 2008, the exchange rate was Rs.47.10 to $1, compared to Rs.39.80 at the end of 2007.

Foreign Institutional Investors (FIIs) may transfer funds from rupee to foreign currency accounts and vice versa at the market exchange rate. They may also repatriate capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings, net of all taxes without approval.

The RBI accords automatic approval to Indian industries for foreign collaboration agreements up to 400 per cent of the net worth of the Indian company. For technology-transfer agreements with foreign companies, Indian firms may remit royalties up to 5 percent for domestic sales and 8 percent for exports without approval; but recurring royalty payments, such as patent licensing, are normally limited to eight percent of the selling price over a ten-year period. Royalties and lump sum payments are taxed at 20 to 30 percent. Where technology transfer is not involved, royalty payments for the use of trademarks and brand names are limited to 2 percent on exports and 1 percent on domestic sales. In case of technology transfer, payment of royalty includes the payment of royalty for use of trademark and brand name of the foreign collaborator.

Foreign banks may remit profits and surpluses to their headquarters, subject to the banks compliance with the Banking Regulation Act, 1949. Banks may also issue credit cards without RBI approval. Banks are permitted to offer foreign currency-rupee swaps without any limits to enable customers to hedge their foreign currency liabilities. They may also offer forward cover to non-resident entities on FDI deployed after 1993.

Exploration and Compensation

There have been few instances of direct expropriation since the 1970s. While a program of privatization of state-owned enterprises stalled since 2004 with a change in the ruling government, there has been no reversal in the overall movement away from public ownership of industry.

After years of negotiation, the Government of India in 2005 persuaded state-owned financial institutions and the State of Maharashtra to reach a settlement with U.S. investors, the Overseas Private Investment Corporation, and other foreign lenders on the investment dispute surrounding the Dabhol power project. A comprehensive commercial settlement was thereby achieved in 2006. There has been significant progress in resolving several payment disputes that American power sector investors have with the State of Tamil Nadu. The GOI, which has limited jurisdiction over commercial disputes involving matters under state jurisdiction, has been helpful in convincing Tamil Nadu to settle these commercial disputes. The United States continues to urge the GOI that to create an attractive and reliable investment climate, India and its political subdivisions need to provide a secure legal and regulatory framework for the private sector, as well as institutionalized dispute resolution mechanisms to expedite resolution of commercial issues.

At least two U.S. pharmaceutical companies with production and distribution facilities in India have yet to resolve long-standing disputes with the GOI (dating from the 1980s) resulting from India's drug price-control regime.

Dispute Settlement

Foreign investors frequently complain about a lack of "sanctity of contracts." Although Indian courts are independent, they are backlogged with unsettled dispute cases. Critics say that liquidating a bankrupt company may take as long as 20 years. In an attempt to unify its adjudication of disputes over commercial contracts with the rest of the world, India enacted the Arbitration and Conciliation Act of 1996, based on the UNCITRAL (United Nations Commission on International Trade Law) Model Law. Foreign awards are enforceable under multilateral conventions like the Geneva Convention. The International Center for Alternative Dispute Resolution (ICADR) has been established as an autonomous organization under the Ministry of Law and Justice and Company Affairs to promote settlement of domestic and international disputes through different modes of alternate dispute resolution. India is not a member of the International Center for the Settlement of Investment Disputes, but is a member of the New York Convention of 1958. The Permanent Court of Arbitration (PCA, Hague) and the Indian Law Ministry have agreed to establish the regional office of the PCA in New Delhi to make available an arbitration forum to match the facilities offered at The Hague at a far lower cost. The work to set up the court in New Delhi is progressing.

Performance Requirements and Incentives

Local sourcing is generally not required, but has been mandated for certain sectors in the past. In some consumer goods industries, the GOI requires the foreign party to ensure that the inflow of foreign exchange and foreign equity covers the foreign exchange requirement for imported goods. In 2002, the GOI removed measures previously requiring local content and foreign exchange balancing in automobile industry.

<u>Plant Location:</u> Industrial undertakings are free to select the location of a project. The earlier restriction prohibiting location of factories near urban settlements was lifted in July 2008. However, projects will still need clearance by the concerned state pollution board and the environment industry.

<u>Employment:</u> There is no requirement to employ Indian nationals. Restrictions on employing foreign technicians and managers have been eliminated, though companies complain that hiring and compensating expatriates is time-consuming and expensive. The RBI has raised the remittable per-diem rate to $1000, with an annual ceiling of $200,000 for services provided by foreign workers payable to a foreign firm. Employment of foreigners in excess of 12 months requires approval from the Ministry of Home Affairs. However, there are certain employment restrictions in the telecommunications industry. The majority directors on the boards of these companies including the Chairman, Managing Director and Chief Executive Officer, should be resident Indians. The Chief Technical Officer and the Chief Finance Officer should also be resident Indian citizens. However, the Department of Telecommunication has proposed a relaxation of these restrictions to allow the Chairman, MD, CEO and CFO of telecommunication companies to be foreign nationals, subject to annual clearance by the home ministry. The chief officer in charge of the technical network operations and the chief security officer for all telecom companies have to be resident Indian citizens.

<u>Taxes:</u> The GOI provides a 10-year tax holiday for knowledge-based start-ups. Most state governments also offer fiscal concessions. Large state and central government fiscal deficits, along with attempts to reform both the direct and indirect tax regimes throughout Indian, have increased uncertainty over tax liability for investors. The general trend, however, has been toward simplification of the tax code, a reduction in tax rates and exceptions, and greater transparency in tax administration.

The 2008 annual supplement to the FTP announced some incentives for the export community, including a duty reduction to 3 percent from 5 percent for capital goods imported under the Export Promotion Capital Goods scheme (EPCG is an export incentive scheme that seeks to modernize production facilities); and sector-specific incentives in farm products, toys/sports goods, gems/jewelry, IT hardware and telecommunication sectors. India's Foreign Trade Policy exempts exporters from service tax, and provides for duty-free import of inputs and capital goods, exemption from excise taxes on capital goods, textile machinery, components and raw materials, as well as exemption on sales tax at the federal and state level. Import of consumables, professional equipment, and spare parts in the service sector are allowed duty-free up to 10 percent of the average foreign exchange export earnings in the preceding three years. Tax holidays are available in the form of deductions for priority sectors. Deduction of 100 percent of the profits from business for a period of 10 years is available for infrastructure industries. Income by way of dividend, interest, or long term capital gains in respect of infrastructure companies is 100 percent tax exempt.

Right to Private Ownership and Establishment

Subject to certain sector-specific restrictions, foreign and domestic private entities may establish and own businesses in trading companies, subsidiaries, joint ventures, branch offices, project offices and liaison offices. The GOI does not permit investment in real estate by foreign investors, except for company property used to do business. NRIs are permitted 100 percent equity investment in real estate. FIIs can now invest in real estate Initial Public Offerings (IPOs). They can also participate in pre-IPO placements undertaken by such real estate companies without regard to the FDI stipulations.

To establish a business, various approvals and clearances are required such as; incorporation of the company; registration and allotment of land; permission for land use in case of industry located outside an industrial area; environmental site approval; sanction of power and finance; approval for construction activity and building plan; registration under State Sales Tax Act and Central and State Excise Acts; and consent under Water and Air Pollution Control Acts. Industries such as petrochemicals complexes, petroleum refineries, cement thermal power plants, bulk drugs, fertilizers, dyes, and paper (among others) need to obtain environment clearance from the Ministry of Environment and Forest.

The GOI passed the Securitization Act in 2002 to introduce bankruptcy laws. The requirement to obtain government permission before shutting down some businesses, however, makes it difficult to dispose of company assets.

Protection of Property Rights

The legal system puts a number of restrictions and imposes a stamp tax on the transfer of land, making titles unclear, often making buying and selling transactions difficult. There is no reliable system for recording secured interest in property, making it difficult to use property as collateral or to foreclose against such property.

India has generally adequate copyright laws, but enforcement is weak and piracy of copyrighted materials is widespread. India is a party to the Geneva Convention for the Protection of Rights of Producers of Phonograms and the Universal Copyright Convention, and a member of the World Intellectual Property Organization (WIPO) and UNESCO. India has not yet ratified and incorporated into domestic law the WIPO Internet treaties. The nodal ministry has reportedly prepared the draft amendments to update the Copyright Act, which still need intra-agency approval before they can be approved by the Cabinet.

Trademark protection is good and meets international standards. The Trade Marks Act (1999) and implementing regulations accord national treatment for trademark owners and statutory protection of service marks. Although U.S. firms report few trademark related problems, India's weak judicial system can make it difficult to exercise rights established by the law. India is currently working on amending its Trademark Laws to make them compliant with the Madrid Protocol. The Indian government in November 2008 approved modification of the Trade Marks (Amendment) Bill, 2007 to ensure better protection for Indian trademarks in designated member countries and afford reciprocal protection to trade marks from member countries abroad. The amendment Bill is expected to be passed by the Parliament.

In 2005, India expanded **product patent coverage** to include pharmaceuticals and agro-chemicals, sectors of significant interest to U.S. firms. Embedded software may also now be patented. The GOI introduced these changes through presidential ordinance in order to meet on time India's commitments under the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). On March 23, 2005, the Indian Parliament approved legislation to make permanent the change to India's patent law that the GOI had introduced by temporary ordinance. The new law extends product patent protection to pharmaceuticals and agricultural chemicals. However, the new law lacks specificity in several important areas such as compulsory license triggers, pre-grant opposition provisions and defining the scope of patentable inventions. India provides protection for plant varieties through the Plant Varieties and Farmers' Rights Act.

Indian law does not provide for protection against unfair commercial use of test or other data that companies submit to the government in order to obtain marketing approval for their pharmaceutical or agricultural chemical products. The GOI is working on legislative changes based on recommendations made by the GOI data protection inter-minister group. A small but growing domestic constituency of Indian pharmaceutical companies, technology firms, and educational institutions favors improved patent protection.

Indian law provides no protection of trade secrets. The GOI in October 2008 put forth draft legislation for public comment. In 2000, India passed legislation (Designs Act 2000) to meet its obligations under the TRIPS Agreement for industrial designs. The Indian government in September 2008 announced Design Rules 2008 detailing classification of design to conform to the international system and to take care of the proliferation of design related activities in various fields. India's semiconductor Integrated Circuits Layout Designs Act 2000 is based on standards developed by WIPO. However, this law remains inoperative due to the lack of implementing regulations.

Transparency of Regulatory System

Even though India has made much progress on economic reform since 1991, the economy is still constrained by excessive rules and a powerful bureaucracy with broad discretionary powers. Moreover, India has a decentralized federal system of government in which the state governments possess broad regulatory powers. Regulatory decisions governing important issues such as zoning, land-use and environment can vary from one state to another. Opposition from labor unions and political constituencies has slowed reform in such areas as exit policy, bankruptcy, and labor law reform.

Despite these shortcomings, central government efforts to establish independent and effective regulators in some sectors, such as telecommunications, securities, and insurance, have shown positive results. In December 2004, the GOI also created an independent pension regulator as part of its larger program to reform India's pension system. It also established a Competition Commission and has indicated its intention to strengthen the commodities futures markets. SEBI has begun to enforce corporate governance, though many companies are yet to comply. Corporate governance in India is considered better than many other emerging markets, according to foreign institutional investors. Financial disclosures are strict though there is scope for improvement.

Efficiency of Capital Markets and Portfolio Investment

The Indian capital market has grown rapidly in recent years, with market capitalization on the Bombay Stock Exchange hitting new highs before the 2008 financial crisis battered stock markets around the world. Spot prices for index stocks are usually market-driven and settlement mechanisms are close to international standards. India's debt and currency markets lag behind its equity markets. Although private placements of corporate debt have been increasing, the daily trading volume remains low. The Indian stock markets lack broad liquidity, although high transaction costs and systemic risk have come down with recent regulatory and administrative improvements. Institutional improvements and better regulations have helped to reduce episodes of market manipulation, which had caused a lack of confidence by retail investors who invested primarily in public sector debt instruments and debt-oriented mutual funds. SEBI has initiated further policy changes such as allowing all investors to short sell, introducing borrowing and lending of shares, and introducing Real Estate Investment Trusts that would be listed in the market. These measures add depth and breadth to the market making it more liquid than before.

In 2004, the GOI announced its intentions to integrate the commodities and securities markets and to revamp taxes on securities transactions, although this is still being debated. The GOI eliminated the tax on long-term capital gains on stocks and this year increased the tax on short-term capital gains to 15 percent from 10 percent. The GOI imposes a securities transaction tax of 0.075-0.012 percent.

37. Foreign Institutional Investors (FIIs) have a relatively small (compared to their global portfolios) but growing presence in India. However, after 11 consecutive years of net inflows, FIIs made net sales of about $13 billion in the Indian capital markets as of year-end 2008. The 2008 net outflow contrasts with net inflows of approximately $17 billion in 2007. While FIIs are allowed to invest in all securities traded on India's primary and secondary markets, in unlisted domestic debt securities, and in commercial paper issued by Indian companies, the GOI imposes several restrictions that vary by type of investment. For example, the GOI has hiked the amount of FII investment in government securities and corporate debt by taking the total investment to $8 billion. The FII limit in corporate debt was raised in 2008 and again in early 2009 in light of reduced capital inflows. The new limit is $15 billion in a single fiscal year on a first-come, first-serve basis subject to a ceiling of $200 million per registered entity. FII equity holdings in a single company are also capped at a level below the overall sector-specific foreign investment limits unless specifically authorized by that company's board of directors.

FIIs investing in India's capital markets must register with the Securities and Exchange Board of India (SEBI). They are divided into two categories: (a) Regular FIIs – those which are required to invest not less than 70 per cent of their Indian exposure in equity-related instruments, and (b) 100 percent debt-fund FIIs -- those which are permitted to invest only in debt instruments. The list of eligible FIIs has been expanded to include endowment and university funds, foundations, \charitable trusts, and hedge funds. SEBI allows foreign brokers to work on behalf of registered FIIs. The FIIs can also bypass brokers and deal directly with companies in open offers. FII bank deposits are fully convertible and their capital, capital gains, dividends, interest income, and any compensation from the sale of rights offerings, net of all taxes, may be repatriated without prior approval.

Non-resident Indians (NRIs) are subject to separate investment limitations. They can repatriate dividends, rents and interest earned in India and their specially designated bank deposits are fully convertible.

The National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), both based in Mumbai, use screen-based trading systems. Computers and telecommunications links permit automated buy/sell transactions. Other regional exchanges and the National Over-the-Counter Exchange in Delhi also have computer-trading systems. The efficiency of the capital market has improved because of the compulsory depository system for most stocks, abolition of the traditional speculative "badla" system of carry forward trades, and introduction of derivatives trading by way of stock options and index trading. SEBI regulates all market intermediaries.
Securities can be transferred through electronic book entry. The National Securities Depository Limited, which is promoted by the NSE, commenced operation in 1996. The BSE, the other market with national reach, has also set up a depository system. Together, the NSE and BSE account for 96 percent of total turnover in the stock markets. The NSE and BSE are the world's fourth and fifth largest stock exchanges in terms of volume of transactions, although they are smaller in terms of market capitalization compared to the world's largest markets.

Companies incorporated outside India can raise resources in India's capital market through the issuance of Indian Depository Receipts (IDRs), subject to certain conditions established and monitored by SEBI. Companies are required to have pre-issue paid-up capital and free reserves of least $100 million, as well as an average turnover of $500 million during the three financial years preceding the issuance.

India's banking industry (with total assets of about $1082 billion in March 2008) is split into three categories - - 28 public sector banks (70 percent of total assets in the banking system), 23 private banks (21 percent), and 28 foreign banks (about 8.4 percent). According to official figures, the ratio of non-performing loans to total assets for public sector banks was 2.3 percent in 2007-08 compared to 2.7 percent the previous year. A\ Board for Financial Supervision ensures compliance with guidelines on loan management, capital adequacy, and asset classification. All banks operating in India are regulated through the Reserve Bank of India (RBI) whose authority the

GOI has limited gradually as part of the economic reform process.

Domestic banks are mandated to extend 40 percent of their loans to "priority" borrowers (agriculturists, exporters, and small businesses). A similar requirement for foreign banks is 32 percent of loans to exporters and small businesses. In April 2003, the lending commitment for regional rural banks in priority sectors was raised to 60 (from 40) percent. In addition to imposing sector lending requirements, the dominance of state-owned banks in the market also allows the GOI to exert influence over individual lending decisions.

The GOI has been slowly liberalizing external commercial borrowings (ECBs) in the last few years, although in the last two years it has treated it as a source of foreign capital to turn on and off in response to currency and balance of payment needs. It currently allows ECBs under the automatic route up to $500 million for meeting rupee expenditure/foreign currency expenditure for permissible end-uses for all borrowers. In October 2008, the requirement of a minimum average maturity period of seven years for ECBs of more than US$ 100 million for rupee capital expenditure by the borrowers in the infrastructure sector was abolished. In August 2007, the GOI had permitted ECBs of more than US$ 20 million per borrower per financial year only for foreign currency expenditure for permissible end-uses and those up to US$ 20 million were permitted under the automatic route. In June 2008, hotels, hospitals and software companies were allowed to use ECBs of up to US$ 100 million per fiscal year, for the purpose of import of capital goods under the approval route. The definition of infrastructure for the purpose of utilizing ECBs was expanded in October 2008 to include mining, exploration and refining while payments for obtaining licenses/permits for 3G spectrum by telecom companies were classified as eligible end-uses for the purpose of ECB. The central bank also authorizes an additional $250 million in ECBs with an average maturity of at least 10 years, under the approval route. All companies except banks, financial institutions and non-banking financial companies (NBFCs) are eligible to pursue ECB or provide guarantees for such loans. In January 2009, in order to enable more ECBs, the GOI removed interest rate ceiling caps on ECBs and allowed NBFCs to access multilateral or bilateral official ECB loans for infrastructure. ECB funds cannot be used for investment in the stock market or real estate.

Takeover regulations require disclosure on acquisition of shares exceeding five percent of total capitalization. Acquisition of 15 percent or more of the voting rights in a listed company triggers a public offer for an additional 20 percent stake as per SEBI's Substantial Acquisition of Shares & Takeovers Regulations. Companies may buy back their shares in the market to make inter-corporate investments. From October 2008 consolidation through creeping acquisition up to 5percent has been allowed to persons holding 55 percent and above but below 75 percent, subject to the condition that such acquisition can only be via open market purchases in the normal segment, and no consolidation via bulk/block/ negotiated deal or through preferential allotment would be permitted. RBI and FIPB clearances are required to acquire a controlling stake in Indian companies. Cross shareholding and stable shareholding are not prevalent in the Indian market. The Hostile Takeover Code and the SEBI Takeover Committee regulate hostile takeovers. The Committee makes ad hoc decisions on takeovers, and tends to protect the target firm when takeover bids come from foreign entities.

Political Violence

In general, there have been few incidents of politically motivated attacks on foreign projects or installations in recent years. There are a few violent separatist movements in Kashmir and some northeastern states. There were no politically motivated attacks on U.S. companies operating in India in 2008. There are some violent insurgent movements in Kashmir and some northeastern states, as well as a Maoist guerilla movement in some eastern states. In addition, India has been the target of Islamist terrorist attacks, including bombings in 2008 in Jaipur, New Delhi, Bangalore, Hyderabad, Guwahati, and Ahmedabad, as well as the November 2008 sea-borne terrorist attacks on Mumbai, which killed six Americans and other foreigners. Prior to Mumbai, major terrorist attacks had not specifically targeted hotels and facilities frequented by American travelers.

Corruption

Corruption is a major concern. In the past, the government procurement system, especially for telecommunications, power and defense, has been particularly subjected to allegations of corruption. Several government employees and public figures have been indicted or convicted under anti-corruption laws over the last eight years.

The legal framework for fighting corruption is provided in the following laws: the Prevention of Corruption Act, 1988; the Code of Criminal Procedures, 1973; the Companies Act, 1956; and the Indian Contract Act, 1872. Amended anti-corruption laws since 2004 have given additional powers to vigilance departments in government bodies and made the Central Vigilance Commission (CVC) a statutory body. The GOI is now working to amend the Prevention of Corruption Act (PCA), 1988 through an inter-ministerial group to prescribe a sanction-granting authority for prosecution of Members of Parliament, Members of State Legislatures and local bodies.

U.S. firms have identified corruption as one obstacle to foreign direct investment. Indian businessmen agree that red tape and wide-ranging administrative discretion serve as a pretext to extort money. According to some foreign business representatives in India, corruption lies in the lack of transparency in the rules of governance, extremely cumbersome official procedures, and excessive and unregulated discretionary power in the hands of politicians and bureaucrats. Clusters have developed, however, such as in the New Delhi suburb of Gurgaon, where the business climate is relatively free of corruption. Officials of foreign businesses in these areas say that local political and bureaucratic machinery leave them generally alone.

Bilateral Investment Agreements

The GOI states that it has concluded 57 bilateral investment promotion agreements (BIPAs). These included agreements with the United Kingdom, France, Germany, Malaysia, and Mauritius.

Negotiations are also underway with other countries. The United States does not have a bilateral investment treaty (BIT) with India as yet, but the two countries launched BIT exploratory discussions in 2008, with formal negotiations scheduled to commence in early 2009. India and the US already have a double taxation avoidance treaty. Several tax disputes are pending which are addressed during regular meetings between the two countries' Competent Authorities.

OPIC and other Investment Insurance Programs

The U.S. and India signed an Investment Incentive Agreement in 1987 that covers the Overseas Private Investment Corporation (OPIC) programs. OPIC is currently open in India for all its programs, specifically supporting three regional private equity funds and five global funds. OPIC projects in India are in the following sectors: energy and power, telecommunications, manufacturing, and services. India is a member of the World Banks Multilateral Investment Guarantee Agency (MIGA).

Labor

Although there are more than 7 million unionized workers, unions represent less than one-seventh of the workers in the organized sector (primarily in state-owned concerns), and less than two percent of the total work force. Most unions are linked to political parties. Worker-days lost to strikes and lockouts dropped 50 percent during the decade 1991-2000 from the previous decade.

The payment of wages is governed by the Payment of Wages Act 1936, and the Minimum Wages Act, 1948. Industrial wages range from about $3.50 per day for unskilled workers, to over $150 per month for skilled production workers. Retrenchment, closure and layoffs are governed by the Industrial Disputes Act, which requires prior government permission to layoff workers or close businesses employing 100 or more workers. Permission is not easily obtained.
Private firms have successfully downsized using voluntary retirement schemes. Foreign banks are also required to get the RBI's approval for closing branches.

Comprehensive Legislation on Labor Reforms was introduced several years ago but is still stalled in the Parliament Consultative Committee. The prospect of a new government in 2009 will require the reintroduction of this legislation. The proposed law contains stringent provisions for strikes and lockouts. The Comprehensive legislation was meant to integrate both the Trade Unions Act and the Industrial Disputes Act in a single piece of legislation. In addition, a key amendment to the Industrial Disputes Act would increase the threshold limit to 300 employees for seeking government approval before laying-off workers.

Foreign-Trade Zones/Free Ports

The GOI has established several foreign trade zone schemes to encourage export-oriented production. These provide a means to bypass many of the domestic economy's fiscal and infrastructural obstacles that otherwise make Indian goods and services less competitive in international markets. The most recent of the schemes is the Special Economic Zone (SEZ), a duty-free enclave with separately developed industrial infrastructure. Other schemes include the Export Processing Zone (EPZ) and the Software Technology Park (STP), both of which are designated areas for export-oriented activities. In addition, India allows an individual firm to be designated an Export Oriented Unit (EOU). All of these schemes are governed by separate rules and granted different benefits. In May 2005, the GOI passed new legislation called the "Special Economic Zones (SEZ) Bill 2005" endorsing its commitment to a long-term and stable policy for the SEZ structure which had previously been only an administrative construct. Pursuant to certain controversies over land acquisition for SEZ development projects, the GOI issued new guidelines for SEZ in 2006. Although legislative changes have been introduced through a new Land Acquisition and Rehabilitation Act, some political unrest over SEZ development projects continue.

SEZs are regarded as foreign territory for the purpose of duties and taxes, and operate outside the domain of the custom authorities. SEZ units are allowed to retain 100 percent of their foreign exchange earnings in special Export Earners Foreign Currency Exchange accounts. They are free to sell goods in the domestic tariff area (DTA) on payment of applicable duties. Sales from DTA firms to SEZ units are on par with regular trade transactions and hence eligible to benefit from all export incentive and foreign currency exemption schemes. In addition, many state governments have granted a sales-tax exemption for DTA-SEZ sales. SEZ units are also exempt from the central government's service and excise tax regimes.

SEZ businesses are expected to be a positive foreign exchange earner within five years from the commencement of production. None of the FDI equity caps are applicable to units in SEZs, including those sectors reserved for small-scale industries. SEZs are exempted from the requirements of industrial licensing.

The new law increased the tax holiday period (phased out over time) from 10 years to 15-years for both SEZ developers and SEZ production units. The SEZ legislation also provides for the establishment of an International Financial Services Centre to facilitate financial services for SEZ units. Offshore banking units (OBUs) are permitted to operate in SEZs, virtually like a foreign branch of a bank, to make available financing at international rates. The OBUs enjoy some exemptions from Reserve Bank (central bank) of India requirements, but other limitations have constrained their popularity.

Consequent to the first and main promulgation of SEZ Rules in February, 2006, 531 SEZ projects have been approved so far, and formal notifications for 260 SEZs have been issued. Land acquisition for SEZs has become a controversial issue because of the allocation of huge blocks of agricultural lands to upcoming SEZs. This has prompted the government to issue guidelines that only uncultivable land can be acquired for SEZ development or if fertile land is involved then it should not be more than 10 percent of the total area and adequate compensation and rehabilitation need to be provided. However, the compensation and rehabilitation provisions are not transparent. There is also a land ceiling of 5000 hectares on large SEZs which has become a contentious issue for many SEZ developers.

EPZs are industrial parks with incentives for foreign investors in export-oriented business. STPs are special zones with similar incentives for software exports. EPZ/STP units may import intermediate goods duty-free. The minimum net foreign exchange earning as a percentage of exports by EPZ/STP units is required to be at least 3 percent. EPZ/STP units may sell up to 50 percent of their level of exports on the domestic market after payment of taxes, with the exception of motor cars, alcoholic beverages, tea, books, and refrigeration units.

EOUs are industrial companies established anywhere in India that export their entire production. There are approximately 2,300 fully operational EOUs in India. They are granted: duty-free import of intermediate goods duty- free; a ten-year income tax holiday; exemption from excise tax on capital goods, components, and raw materials; and waiver of sales taxes. EOUs may sell up to five percent of "seconds" on the domestic market after paying appropriate taxes.

Web Resources

Ministry of Commerce and Industry, Department of Industrial Policy and Promotion
http://www.dipp.nic.in/

Ministry of Finance
http://www.finmin.nic.in/

Ministry of Commerce and Industry, Department of Commerce
http://www.commerce.nic.in/

Ministry of Law and Justice
http://lawmin.nic.in/

Ministry of Commerce and Industry, Directorate General of Foreign Trade
http://dgft.delhi.nic.in/

Ministry of Commerce and Industry, Special Economic Zones
http://sezindia.nic.in/

Reserve Bank of India
http://www.rbi.org.in/

Foreign Direct Investment Statistics

Table A: Inflow of FDI by top 5 Countries (in USD millions)

IFY*	2000-05	2005-06	2006-07	2007-08	2008-09(*)
Total	16,657	5,546	15,726	24,579	17,211
Out of which:					
Mauritius	5,606	2,570	6,363	11,096	7,014
Singapore	431	275	578	3,073	1,751
U.S.A	2,086	502	856	1,089	1,229
U.K.	1,043	266	1,878	1,176	695
Netherlands	1,290	76	644	695	714
FDI/GDP (%)	0.9%	0.9%	2.5%	N/A	N/A

Note: Indian Fiscal Year (IFY) is from April to March. *FDI inflows for April 2008-September 2008 only.
Source: Secretariat for Industrial Approvals Newsletters, Mnistry of Commerce and Industry, GOI

Table B: Top 10 New FDI proposals approved in FY 2008-09 (April to September)		
Company	**Project**	**Equity ($ million)**
DE Shaw Composite Investments, Mauritius	Construction	385
Fiat Automobile, Italy	Auto manufacturing	288
New opportunities Ltd, Mauritius	Real Estate Construction	197
Holdrind Investments, Mauritius	Cement Manufacturing	189
BNP Paribas Leasing Group, France	Financial Services	184
Lehman Brothers Singapore	Other Banking Services	141
BOC Group Plc, UK	Industrial Gas Manufacturing	139
Morgan Stanley	Financial Services	132
CRH India Investments, Netherlands	Cement Manufacturing	121
Cisco Systems Capital, Mauritius	Credit Services	118

Note: The Indo-Mauritius investment agreement provides tax advantages that have attracted U.S. and businesses of other countries to make FDI into India from Mauritius, rather than the headquarter country.

Table C: FDI Inflows by Sector – Top 5		
Sector	**April 2000-Sep 2008**	**2008-09 (*)**
All services (financial and non financial)	15,634	2,576
Telecommunication	8,678	1,400
Housing and Real Estate	5,796	1,954
Construction Activities (roads/highways)	4,885	1,722
Electrical Equipment	4,335	1,624

Note: * data is for April – September 2008 only; Source: Secretariat for Industrial Approvals, Ministry of Commerce and Industry, GOI

Methods of Payment

Import financing procedures adhere to western business practices. The safest method of receiving payments is through an irrevocable letter of credit (L/C). The L/C should be payable in favor of the supplier against presentation of shipping documents through the importer's bank. Importers open L/C's valid for three to six months depending upon the terms of the agreement. Typically L/C's are opened for a period of time to cover production and shipping, and they are normally paid within seven working days of the receipt of goods. There are several lines of credit available to U.S companies.

The most important source for finance for the corporate sector continues to be the capital markets. Companies are not required to obtain prior permission from the GOI to access capital markets, but it is compulsory for companies to obtain Reserve Bank of India's permission before issuing any shares to a non-resident investor. Indian companies can also issue American Depository Receipts (ADR) and Global Depository Receipts (GDR) without any value limits. Several steps have been taken to improve liquidity in the ADR / GDR market abroad. Indian companies are increasingly accessing overseas markets to raise finances through these instruments.

Commercial banks continue to be the main source of short-term finance and working capital requirements of Indian firms. Indian Companies also raise funds by issuing commercial paper and debentures, from inter-corporate borrowings, and by accepting public deposits. Several term-lending public financial institutions provide local and foreign exchange loans for new capital investment projects. They also provide deferred payment loans, long-term working capital finance, export credit and stock underwriting services. Lending banks secure their loans with company assets, corporate guarantees from a parent company, and, in some cases, by personal guarantees from company directors.

Local and resident foreign companies are permitted to raise medium-to-long-term loans in foreign currency for projects requiring capital equipment, technology imports, or the purchase of aircraft or ships. The Indian government permits borrowing through suppliers' credits, buyers' credits, syndicated loans, floating-rate notes, revolving underwriting facilities and bonds. The RBI permits loans, which mature within one year, to be repaid from net foreign exchange earnings without prior government approval.

Loans in foreign currencies can be obtained through foreign commercial banks, overseas financial institutions (e.g., the International Finance Corporation and the Asian Development Bank), and foreign export-credit agencies, in addition to Indian development and commercial banks. Indian companies can also raise foreign currency loans in accordance with the guidelines for External Commercial Borrowings (ECB's), issued by the Ministry of Finance. There are no restrictions on the use of such loans, except that they cannot be used for stock market speculation. Once the RBI and Ministry of Finance have approved a loan and its terms, no limitations are placed on interest and principal payments. A firm, however, must report to the RBI through its designated banker every time an interest payment is effected.

How the Banking System Operates

India has an extensive banking network, in both urban and rural areas. The banking system has three tiers. These are: the scheduled commercial banks; the regional rural banks, which operate in rural areas, not covered by the scheduled banks; and the cooperative and special purpose rural banks. Timely availability of adequate credit is of utmost importance for the development of the Indian rural economy and agriculture. At present Regional Rural Banks, commercial banks and credit cooperatives, encouraged mainly by the Government, undertake this function. The Government of India, during the recent budget, announced that it would encourage private banks to open branches in rural areas, to service both farm and non-farm sectors.

There are approximately 80 scheduled commercial banks, Indian and foreign; almost 200 regional rural banks; more than 350 central cooperative banks, 20 land development banks; and a number of primary agricultural credit societies. Large Indian banks, and most Indian financial institutions are in the public sector. Though public sector banks (27 of them) currently dominate the banking industry, numerous private and foreign banks exist. Several public sector banks are being restructured, and in some cases the government either has already reduced, or is in the process of reducing its ownership. In terms of business, the state-owned banks account for more than 70 percent of deposits and loans. Private banks handle 17 percent of the market, and foreign banks located in metropolitan area account for approximately 13 percent of the market.

The Reserve Bank of India (RBI) is the central banking institution. It is the sole authority for issuing bank notes and the supervisory body for banking operations in India. It supervises and administers exchange control and banking regulations, and administers the government's monetary policy. It is also responsible for granting licenses for new bank branches. The Deposit Insurance and Credit Guarantee Corporation, an organization promoted and fully funded by the RBI, offers deposit insurance facilities. The RBI directs banks to meet Bureau of Indian Standards guidelines. Indian banks must also adhere to the prudential norms laid down by the Basel Group.

The Reserve Bank of India (RBI) also sets India's exchange-control policy and administers foreign exchange regulations in consultation with the GOI. India's foreign exchange control regime is governed by the FEMA (Foreign Exchange Management Act), enacted with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India, and to give effect to the liberalization announced in the economic policies.

U.S. Banks and Local Correspondent Banks

LIST OF U.S. BANKS

American Express Bank Ltd.
Mr. Shrikant Rege
Chief Executive Officer
221 Dr. D. N. Road
Fort House, Fort, Mumbai 400001, India
Telephone: 91-22-6632 1000; Fax: 91-22-6632 1027
Bank of America
Mr. Vishwavir Ahuja
Managing Director and Country Manager
Express Towers
16th Floor, Nariman Point
Mumbai 400 021
Telephone: 91-22-2285 2882
Fax: 91-22-2202 9016

J.P. Morgan Chase
Mr. Dominic Price
Chief Executive Officer
Mafatlal Center, 9th Floor
Nariman Point, Mumbai 400 021, India
Telephone:91-22- 2281-6110 (D); 2281 7645
Fax: 91-22-22855666 (D)

Citibank N.A.
Mr. Sanjay Nayar
Chief Executive Officer- Citi India
Citi Center, 5th Floor, Plot C-61
G Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051, India
Telephone: 91-22-2653-5858; 4001 5015(D)
Fax: 91-22-2653-5859
Email: sanjay.nayar@citi.com

LIST OF U.S. FINANCIAL/LENDING INSTITUTIONS

Mr. Robert Drumheller
Vice President of Structured Finance
Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Tel: 202-336-8700
Fax: 202-336-7949
Website: http://www.opic.gov

Ms. Talaat Rahman
Business Development, India
Export-Import Bank of the United States
811 Vermont Avenue, N.W., Office 911
Washington, DC 20571
Tel: 202-565-3911
Fax: 202-565-3931
Website: http://www.exim.gov

Mr. Henry Steingass
Regional Director
U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite-1600
Arlington, VA 22209 - 2131
Tel: 703-875-4357
Fax: 703-875-4009
Website: http://www.tda.gov

LIST OF REGIONAL MBD/IFI OFFICES

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Country Director- India
Asian Development Bank
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New Delhi 110 021, India
Tel: 91-11-24107200
Fax: 91-11-26870955
E-mail: adbinrm@adb.org
Website: http://www.adbindia.org

Mr. Kenneth Reidbord
Senior Commercial Officer
U.S. Commercial Liaison Office for ADB (CS/ADB)
American Business Center
25th Floor, Ayala Life-FGU Building
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Makati City, Metro Manila 1226
Philippines
Tel: 63-2- 887-1345
Fax: 63-2- 887-1164
Email: manila.adb.office@mail.doc.gov

ADB North American Representative Office
815 Connecticut Ave, NW
Suite 325, Washington, D.C. 20006
Tel: 202-728-1500
Fax: 202-728-1505
http://www.adb.org
Email: naro@.adb.org

Mr. Paolo Martelli
Director- South Asia
International Finance Corporation
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Chanakyapuri
New Delhi 110 021
Tel: 91-11-4111 1000
Fax:91-11-4111 1001
Email: southasia@ifc.org

Mr. Sudip Mazumdar
Country Director
The World Bank
70 Lodi Estate
New Delhi 110 003
Tel: 91-11-2461-7241
Fax: 91-11-2461-9393
Email: smozumder@worldbank.org
http://www.worldbank.org

Benjamin S. Crow
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Commercial Liaison office
The World Bank
1818 H Street, N.W.
Washington, DC 20433
Tel: (202) 473-5105
Fax: (202) 477-2967
Email: bcrow@worldbank.org

Project Financing

THE EXPORT-IMPORT BANK OF THE UNITED STATES
The Export-Import Bank (Ex-Im Bank) is the official export credit agency of the United States and supports the purchase of U.S. goods and services by creditworthy Indian buyers that may have difficulty obtaining credit through traditional financing sources. Ex-Im Bank provides U.S. exporters with the financing tools they need to successfully compete for business in India. Ex-Im Bank support gives protection against international political and commercial risk, and gives U.S. exporters the ability to offer competitive financing to their Indian buyers through export credit insurance and loan guarantees. Over the past 70 years, Ex-Im Bank has supported more than $400 billion of U.S. exports worldwide.

For more info on ExIm Bank please visit website:
http://(www.exim.gov).

THE OVERSEAS PRIVATE INVESTMENT CORPORATION
OPIC is an independent U.S. government agency whose mission is to mobilize and facilitate the participation of U. S. private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies. OPIC assists U.S. companies by providing financing (from large structured finance to small business loans), political risk insurance, and investment funds. OPIC complements the private sector in managing risks associated with foreign direct investment and supports U.S. foreign policy. OPIC was established as an agency of the U.S. government in 1971 and currently does business in over 150 countries.

For more info on OPIC please visit website:
http://www.opic.gov/

U.S. TRADE AND DEVELOPMENT AGENCY (USTDA)
The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

For more information, please visit: www.ustda.gov

ASIAN DEVELOPMENT BANK (ADB)

Asia's premier non-profit financial institution, the Asian Development Bank (ADB), is headquartered in Manila, Philippines. The ADB's major objective is the promotion of the social and economic well being of its developing member countries in Asia and the Pacific. This is achieved by lending funds to projects involving agriculture, energy, industry, transportation, and communication, as well as for social infrastructure projects such as water supply, sewage and sanitation, education, health and urban development. The ADB also invests in, and lends to, the private sector for Build-Own-Operate (BOO) and Build-Operate-Transfer (BOT) infrastructure, industrial and capital market development projects and mobilizes additional resources through co-financing arrangements, including the bank's credit enhancement instruments such as guarantees and complementary financing plans.

To learn more about ADB's partnership with India, please visit: http://www.adb.org/Documents/Fact_Sheets/IND.pdf

The U.S. Department of Commerce maintains a Congressionally mandated Commercial Liaison Office for the ADB (CS ADB). The Office's mission is to help American firms access, enter and expand in Asian markets that benefit from ADB assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the U.S. to help U.S. firms take advantage of commercial opportunities in countries borrowing from the ADB. To perform its mandate, the office cooperates with the U.S. Director's Office at ADB and works closely with Commercial Service posts in the region. An American Senior Commercial Officer heads the office, assisted by two Commercial Specialists.

THE WORLD BANK
The World Bank Group is one of the world's largest sources of development assistance. The World Bank supports the efforts of developing country governments to build schools and health centers, provide water and electricity, fight disease, and protect the environment. The "World Bank" is the name that has come to be used for the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Together these organizations provide low-interest loans, interest-free credit, and grants to developing countries.

On World Bank engagement with India, please visit: http://www.worldbank.org.in/

The World Bank's New Delhi office has an active public information center with a large collection of World Bank and other publications on India and international development, and documents on projects financed by the Bank. In recent years, the World Bank's IBRD has been giving support for India's economic policy reforms and expanded social and environmental programs.

The U.S. Department of Commerce maintains a Commercial Liaison Office at the World Bank. The Office's mission is to help American firms access, enter and expand in markets that benefit from World Bank assistance. The office provides counseling, advocacy, project information, and conducts outreach programs in the region as well as in the U.S. to help U.S. firms take advantage of commercial opportunities in countries borrowing from the World Bank.

INTERNATIONAL FINANCE CORPORATION (IFC)
The International Finance Corporation (IFC) promotes sustainable private sector investment in developing countries as a way to reduce poverty and improve people's lives. IFC is a member of the World Bank Group and is headquartered in Washington, DC. It shares the primary objective of all World Bank Group institutions: to improve the quality of the lives of

people in its developing member countries. Established in 1956, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world. It promotes sustainable private sector development primarily by financing private sector projects located in the developing world; helping private companies in the developing world mobilize financing in international financial markets; providing advice and technical assistance to businesses and governments.

Although the IFC coordinates its activities in many areas with the other institutions in the World Bank Group, the IFC generally operates independently as it is legally and financially autonomous with its own Articles of Agreement, share capital, management and staff. The IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

Please visit http://www.ifc.org for more information.

THE MULTILATERAL INVESTMENT GUARANTEE AGENCY
MIGA, a member of the World Bank group, supplements the activities of the IBRD (International Bank for Reconstruction and Development), IFC and other international development finance institutions. It complements the activities of national and regional development insurance through co-insurance and reinsurance agreements with these institutions, bilateral exchanges of information, and its membership in the Berne Union. MIGA issues guarantees against noncommercial risks for investments in its developing member countries. MIGA guarantees cover the following risks: currency transfer, expropriation, war and civil disturbance and breach of contract by a host government.

Since its inception in 1988, MIGA has issued nearly 800 guarantees worth more than $14.7 billion for projects in 91 developing countries. MIGA is committed to promoting socially, economically, and environmentally sustainable projects that are above all, developmentally responsible. The agency mobilizes additional investment coverage through its Cooperative Underwriting Program (CUP), encouraging private sector insurers into transactions they would not have otherwise undertaken, and helping the agency serve more clients. Please visit http://www.miga.org for more information.

Web Resources

U. S. Government web resources:
Overseas Private Investment Corporation http://www.opic.gov
Export-Import Bank of the United States http://www.exim.gov
U.S. Trade and Development Agency http://www.tda.gov
Small Business Administration Office of International Trade http://www.sba.gov/oit/
Commodity Credit Corporation http://www.fsa.$a.gov/ccc/default.htm
U.S. Agency for International Development http://www.usaid.gov

Multilateral Development Bank web resources:

Business Customs

Asian Development Bank http://www.adbindia.org
The World Bank http:/www.worldbank.org
Multilateral Investment Guarantee Agency http://www.miga.org
International finance Corporation http://www.ifc.org

State Bank of India and associates:
State Bank of Bikaner and Jaipur (SBBJ) http://www.sbbjbank.com
State Bank of Hyderabad (SBH) http://www.sbhyd.com
State Bank of India (SBI)) http://www.sbi.co.in

Nationalized banks:
Bank of India http://www.bankofindia.com
Bank of Maharashtra http://www.bankofmaharashtra.in/
Central Bank of India http://www.centralbankofindia.co.in
Corporation Bank http://www.corpbank.com
Indian Overseas Bank http://www.iobnet.co.in/
Oriental Bank of Commerce http://www.obcindia.co.in/
United Bank of India http://www.unitedbankofindia.com/
Canara Bank http://www.canarabank.com/
Syndicate Bank http://www.syndicatebank.com/

Financial Institutions:
Credit Guarantee Fund Trust for Small Industries (CGTSI) http://www.cgtsi.org.in
Economic Development Corporation Limited, Goa – http://www.edc-goa.com
Export-Import Bank of India – http://www.eximbankindia.com
Himachal Pradesh Financial Corporation (HPFC) - http://hpfc.nic.in
Indian Renewable Energy Development Agency Limited (IREDA) - http://www.ireda.in/
Industrial Development Bank of India (IDBI) – http://www.idbi.com
Industrial Investment Bank of India Limited (IIBI) – http://www.iibiltd.com
Power Finance Corporation Limited – http://www.pfcindia.com

Insurance Companies:
Agriculture Insurance Company of India Limited http://aicofindia.nic.in/
Export Credit Guarantee Corporation of India Limited (ECGC) https://www.ecgc.in/
Insurance Regulatory and Development Authority http://www.irdaindia.org/
Life Insurance Corporation of India (LIC) http://www.licindia.com/dbs-index.htm
Oriental Insurance Company Limited (OICL) http://orientalinsurance.nic.in/
SBI Life Insurance Company Limited (SBI LIFE) http://www.sbilife.co.in/

Securities and Exchanges:
Securities and Exchange Board of India http://www.sebi.gov.in/
Inter-connected Stock Exchange of India Limited (ISE) http://www.iseindia.com/
National Securities Depository Limited (NSDL) http://www.nsdl.co.in/
National Stock Exchange (NSE), India http://www.nse-india.com/
Stock Exchange, Kolkata http://www.cse-india.com/
Stock Exchange, Mumbai (BSE) http://www.bseindia.com/

Other Nationalized banks:
http://india.gov.in/citizen/nationalisedbank.php

One of the most striking features about India is the size and diversity of the country. Given its vastness and variety, there is no single way to understand India. That said, there are a couple of major issues that business visitors should keep in mind:

The sense of time is much different for Indians than it is for Americans. If there is a business event such as a cocktail hour at night, it may begin at 7, but expect that people will not show up until an hour or so later. Although many Indians are aware of Americans' adherence to time, business meetings can also start late, so it's important to keep your schedule flexible.

It is considered polite in India to inquire about dietary preferences, since Hindus abstain from beef, Muslims abstain from pork, and Indians of many religions practice vegetarianism.

For your reference, some popular English-language guidebooks include: Lonely Planet India, Fodor's India, and the India Eyewitness Travel Guide.

Travel Advisory

The U.S. Department of State consular information sheet for India can be found at:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1139.html

We strongly urge U.S. travelers to review this information before their trip, which includes updated safety and security information.

Language

Although English is considered to be the official language of business, it's important to keep in mind that the American accent is very difficult for the Indian ear to understand – likewise, the Indian accent is often difficult for Americans to understand – so at times, we remain divided by a common language. Remember to speak slowly and clearly.

India has a diverse list of spoken languages among different groups of people. At least 30 different languages and around 2000 dialects have been identified, sixteen of which can be found on India's currency. The Constitution of India has stipulated the usage of Hindi as the official language and English as the associate official language for official communication for the national government. Additionally, it contains a list of 22 scheduled languages.

Currency

The Indian currency is the Rupee (Rs). The value of the US Dollar to the Rupee is roughly US$1 = Rs 49.5. Exchange rates change often, however, so check the current rate prior to your trip to India.

Major hotels, shops, and restaurants in the urban areas commonly accept credit cards. However, for taxis, smaller businesses, and in rural areas, it is a cash-only economy, and it is important to have small bills as making change is usually an issue. While not as abundant as in the US, Automatic Teller Machines (ATMs) can be found in India's major cities.

Business travelers should be aware that the costs to travel in India have become remarkably high. In the major urban cities, travelers should not be surprised at hotel room quotes of over $400 per night at the 5-star rated hotels, especially during peak season from November through February. With the economic downturn, however, hotels are occasionally willing to negotiate the rates. Do be aware that the mid-range hotel category is not well developed in India, although this is a developing sector. While there are "guest houses" and other "heritage" hotels offering lower prices, business travelers may not find these accommodations suitable. When booking a hotel, be sure to consider location as even relatively small distances can require a lot of road travel time, given the poor traffic infrastructure in India (see the transportation section later in this chapter).

Electricity

There is no such thing as 24-hour electricity in India. However, most upscale businesses have generators in place, so outages are only temporary. Local voltage is 230-240V, and plugs used are European-style with two circular metal pins and an Indian-style plug with two circular metal pins above a large circular grounding pin. Business hotels generally have plug adapters and electric converters available for guests.

Health

One of the major challenges for all travelers to India is staying healthy. While adequate to excellent medical care is available in the major population centers, it is usually very limited or unavailable in rural areas, so it is important to take precaution to avoid getting sick in the first place. Most important is to wash your hands at every opportunity with warm soapy water and for at least 20 seconds. Dry them with a paper towel and use the towel to turn off faucet handles.

Wash your hands particularly before you handle food, after you handle food, before you eat, and also before you touch your face. Use an alcohol hand sanitizer when you cannot get to a faucet.

<u>Water and Ice:</u> Do <u>not</u> drink hotel or restaurant water. Only bottled water, soft drinks, beer, wine, hot tea and coffee are considered safe. Order all drinks <u>without</u> ice.

<u>Meat and Fish:</u> All meat and fish should always be cooked well done, ordered well done in restaurants, and eaten hot to prevent tapeworm, trichinosis, and other unwelcome guests.

<u>Salads, unpeeled fruit and vegetables:</u> Generally, it is not safe to eat unpeeled fruit and vegetables. But if you are so inclined, you can prepare them properly in your hotel room (see below). As beautiful as some of the salad bars look, they should be totally avoided in restaurants and in homes where you are not certain about the kitchen practices. Many people get sick from salad bars in the 5 star hotel restaurants.

<u>Decontamination of fresh fruits and vegetables:</u>
Buy only fruits and vegetables without holes or broken skin.

Wash all fruits and vegetables with soap and warm water. Clean each with a vegetable brush to remove dirt. Rinse in cold tap water. Soak all fruits and vegetables for 20 minutes in a 5% bleach solution. Prepare 5% bleach by adding one tablespoon of Clorox (household bleach, US or foreign) to one gallon of water. Rinse the fruits and vegetables with potable bottled water. Drain and allow to dry before refrigerating.

Local milk: The medical staff of the U.S. Embassy does not recommend drinking local milk. In restaurants milk added to tea or coffee is boiled and therefore considered safe. To be sure, ask if the milk has been boiled.

Diarrhea and dysentery are usually caused by ingesting food or water containing viruses, parasites, bacteria, or bacterial toxins. Hands (yours or someone else's), non-potable water and contaminated raw fruits and vegetables are the usual vehicles that carry the offending agent(s) into your mouth and then into the intestinal tract. Diarrhea is frequent loose stools, usually self-limited, and can be treated with supportive measures. Pepto-Bismol is quite effective in most cases. The routine use of Lomotil, Imodium, or antibiotics is discouraged. Dysentery is characterized by frequent loose stools accompanied by severe abdominal pain, vomiting, fever, and/or blood, mucus, or pus in the stools. If diarrhea persists for longer than 24 hours or any of the symptoms of dysentery develop, you should seek medical care.

As the treatment for diarrhea varies depending on its etiology (bacteria, Giardia, amoeba, etc), it is preferable to identify the cause and take only those medications truly necessary. Most diarrhea is self-limited and will resolve in 3–5 days.

In addition to any medications used for diarrhea, it is important to replace the fluid lost in the stool in order to maintain adequate hydration. Many of the symptoms are due to fluid and electrolyte (salts) loss. If adequate fluids cannot be taken, medical advice should be sought.

To replace lost fluids and electrolytes, you should consume large amounts of liquids, especially Oral Rehydration Solution (ORS). ORS packets are available in most upscale hotels. Other helpful fluids include soft drinks and clear soup. Gatorade is not preferred. Eat a bland diet (bananas, rice, apple sauce, and toast). Avoid dairy products until recovery occurs.

Seek medical care in the following cases:

- diarrhea is accompanied by blood
- diarrhea persists for more than 48 hours
- vomiting persists
- cramps are severe and/or are accompanied with persistent abdominal pain
- persistent fever over 101 degrees F
- noticeably reduced urinary output or loss of weight

Most individuals rely on their thirst mechanism to "tell" them when to drink. In temperate climates this is adequate, but the thirst mechanism can become inadequate in tropical climates and individuals can become chronically dehydrated. You should drink at least 2 quarts (8 glasses) of non-alcoholic beverages daily to assist your body in maintaining a good fluid balance. Remember that alcohol is a dehydrating agent and can actually increase risk.

Parasitic Diarrheal Infections are quite common throughout most of India. The two most common types are amebiasis and Giardiasis. Diagnosis and treatment require stool examinations.

Many amebic infections are without symptoms. Symptomatic cases may present with mild abdominal discomfort and diarrhea alternating with periods of constipation or acute dysentery with fever, chills, and bloody or mucoid diarrhea.

Giardiasis, while often asymptomatic, may also be associated with a variety of symptoms such as abdominal discomfort, bloating, vomiting, loose malodorous stools, fatigue, weight loss, and "sulfur belches".
Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection and malaria information, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747) or via the CDC's Internet site at http://wwwn.cdc.gov/travel/destinationIndia.aspx For information about outbreaks of infectious diseases abroad consult the World Health Organization's (WHO) website at http://www.who.int/countries/ind/en/. Further health information for travelers is available at http://www.who.int/ith.

Indian health regulations require all travelers arriving from Sub-Saharan Africa or other yellow-fever areas to have evidence of vaccination against yellow fever. Travelers who do not have such proof are subject to immediate deportation or a six-day detention in the yellow-fever quarantine center. U.S. citizens who transit through any part of sub-Saharan Africa, even for one day, are advised to carry proof of yellow fever immunization.

Medical insurance: We strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as a medical evacuation. Please see information on medical insurance overseas at http://travel.state.gov/travel/cis_pa_tw/cis/cis_1470.html.

Local Time and Business Hours

Despite its geographic size, India has adopted one time zone, five and one-half hours ahead of Greenwich Mean Time (GMT). It has not adopted daylight savings time and uses standard time countrywide throughout the year.

Therefore, the time difference between India and the United States varies depending on the time of year. India is nine hours thirty minutes ahead of Washington, D.C., during daylight savings time and 10 hours 30 minutes ahead of Washington, D.C., during standard time.

The standard six-day working week is Monday through Friday, 9:30 a.m. to 5:30 p.m., with a half-day on Saturday. Normally, lunch is for one hour, between 1:00 p.m. and 2:00 p.m. However, in some large cities, such as Mumbai, some places of business start working earlier to avoid congested traffic while commuting. Central Government offices are closed on Saturdays. Banking hours are 10:00 a.m. and 2:00 p.m. on weekdays and 10:00 a.m. to 12:00 noon on Saturdays. In major metropolitan cities, several foreign and Indian-owned banks are beginning to provide 24-hour banking services.

Telecommunications

While telecommunication service is generally adequate in India, knowing what digits to dial can be a little complicated, especially between landlines and cell phones, and when making international calls. The following dialing instructions are worth keeping handy:

Caller in USA to Local Cell Phone	[011]+91+Local Cell number
Caller in USA to Local Landline	[011]+91+AC+Number
Local landline to int'l number	00+CC+AC+Number
Local landline to local long distance	0+AC+Number
Local Landline to Local Cell phone	Local cell number
Local Cell to India Landline	0+AC+number
Local Cell to Local Cell	Local cell number
Local Cell to Local Cell (in another city)	0+Cell number
Local Cell to Int'l long distance	00+CC+AC+Number
Local Cell to World Cell	00+World Cell Number
World Cell to Local Cell	00+91+Local Cell number
World Cell to Local Landline	00+91+AC+Number
World Cell to Int'l long distance	00+CC+AC+Number
World Cell to USA	00+1+AC+Number

AC = area code
CC = country code

The country code for India is 91

Some Indian area codes include:

Delhi	11
Kolkata	33
Chennai	44
Mumbai	22
Bangalore	80
Hyderabad	40
Ahmedabad	79
Pune	20

Transportation

To and From India
There are a number of direct flights to India from the United States on American carriers. Flight times are 14-16 hours.

city to	carrier	city from
New Delhi	American Airlines	Chicago
New Delhi	Continental	Newark/EWR
Mumbai	Continental	Newark/EWR
Mumbai	Delta	New York/JFK

Getting to South or East India from the United States requires connecting, with the most and fastest options through Europe. United/Lufthansa has a fight connecting through Frankfurt, Delta/Air France through Paris, and British Airways through London. Travelers from the West Coast might consider going through Bangkok or Singapore.

Within India
Travel by road in India is dangerous. A number of U.S. citizens have suffered fatal traffic accidents in recent years. Travel at night is particularly hazardous. Buses, patronized by hundreds of millions of Indians, are convenient in that they serve almost every city of every size. However, they are usually driven fast, recklessly, and without consideration for official rules of the road. Trains are somewhat safer than buses, but train accidents still occur more frequently than in developed countries.

In order to drive in India, one must have either a valid Indian drivers' license or a valid international drivers' license. However, the vast majority of foreign visitors to India hire a car and driver. This is highly recommended. Travelers should remember to use seatbelts in both rear and front seats where available, and to ask their drivers to maintain a safe speed.

Heavy traffic is the norm and includes (but is not limited to) overloaded trucks and buses, scooters, pedestrians, bullock and camel carts, horse or elephant riders en route to weddings, and free-roaming livestock. Traffic in India moves on the left. It is important to be alert while crossing streets and intersections, especially after dark as traffic is coming in the "wrong" direction (i.e., from the left).

If a driver hits a pedestrian or a cow, the vehicle and its occupants are at risk of being attacked by pedestrians. Such attacks pose significant risk of injury or death to the vehicle's occupants or at least of incineration of the vehicle. It can thus be unsafe to remain at the scene of an accident of this nature, and drivers may instead wish to seek out the nearest police station.

Visa Information

A passport and visa are required for U.S. citizens traveling to India for any purpose. The U.S. Government **cannot** assist travelers who arrive in India without proper documentation.

As of October 1, 2007 the Indian Embassy outsourced visa collection and delivery processing to Travisa Outsourcing:

1731 21ST. ST. NW,
Washington, DC 20009
http://indiavisa.travisaoutsourcing.com/

However, the Embassy in Washington, DC and Consulates in New York, San Francisco, Chicago and Houston will continue to receive and service emergency visa cases from applicants of Indian origin on extreme compassionate grounds. They will also continue to directly accept visa applications from diplomatic/official/laissez-passers passport holders.

For current entry and customs requirements for India, travelers may contact the Embassy of India at : 2536 Massachusetts Ave., NW, Washington, DC 20008 (202/ 797-4693) or the nearest Consulate General: Chicago (312/595-0405/0410), Houston (713-626-2148/9), New York (212/774-0600/0610/0662) or San Francisco (415/668-0683/0662).

Information is also available at: http://www.indianembassy.org/

Resources

http://www.state.gov
http://travel.state.gov
http://www.indianembassy.org
http://www.tourisminindia.com/
http://immigrationindia.nic.in/frro_delhi_address.htm
http://www.jetairways.com
http://www.flykingfisher.com/
http://www.tourismofindia.com/foot/links.htm

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Other Useful Department of Commerce Contacts:

Trade Information Center
Trade Information center integrated with Export.gov
U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington, D.C. 20230
Tel: 1-800-872-8723 or 202-482-0543
Fax: 202-482-4473
Website: http://www.export.gov/exportbasics/ticredirect.asp

Bureau of Industry & Security
Exporter Counseling Division
Tel (202) 482-4811
http://www.bis.doc.gov/entities

Useful USG Websites:

U.S. Department of Commerce; http://trade.gov/mac

Bureau of Industry and Security Administration (BXA); http://www.bis.doc.gov

Department of Treasury; http://www.ustreas.gov

State Department; http://www.state.gov

Export-Import Bank of the United States; http://www.exim.gov

Overseas Private Investment Corporation (OPIC); http://www.opic.gov

United States Agency for International Development; http://www.usaid.gov

U.S. Trade & Development Agency; http://www.tda.gov

The U.S. Commercial Service; http://www.export.gov; http://www.buyusa.com

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Market Research

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

Information on trade events is available at the links below:

http://www.buyusa.gov/india/en/tradeevents.html
http://www.export.gov/tradeevents/index.asp

Overview of the US Commercial Service

The Commercial Service offers comprehensive, customized solutions to your international trade challenges and provides export promotion assistance through a variety of products and services. We have over 100 offices in the US and programs in nearly 70 countries abroad.

Our mission is to:

- Promote the export of US goods and services to strengthen the US economy
- Maintain job security and create jobs
- Protect and advocate for US business interests abroad
- Assist US firms in realizing their export potential by providing counseling, overseas market information, international contacts, and trade promotion vehicles
- Support the export promotion efforts of other public and private organizations, creating, through partnership, a full-service export development infrastructure

The Commercial Service recognizes that exporting is a critical part of ensuring a healthy future for the US economy and US jobs. To that end, we champion the interests of US business, particularly small and medium-sized enterprises, around the world.

The Commercial Service in India (CS India)

CS India is one of the US Commercial Service's largest operations, with 7 offices, 8 American officers and over 45 Indian staff members, all of whom are based in India. Our staff members have a wealth of sector-specific experience and understand well how to deliver exceptional service to US companies.

Our offices work in conjunction with the entire network of the Commercial Service, which includes domestic US Export Assistance Centers (USEACs) throughout the United States. **To find an office near you, visit:** http://www.buyusa.gov/home/us.html

Our offices are located in New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Hyderabad, and Ahmedabad. **Please see Chapter 9 for information on how to get in touch with us.**

Services to Help US Companies Export to India

To begin your research on India, we offer **Market Research reports free of charge to US companies** through the internet at: http://www.export.gov/mrktresearch/index.asp

US companies can also contact us directly at: new.delhi.office.box@mail.doc.gov or through the contact information offered in Chapter 9 with your specific questions. **We are happy to provide US companies with our on-hand research, knowledge, and counseling services free of charge.**

We are also able to offer US companies specific knowledge, research, and business facilitation setting services tailored to your company's needs at very nominal fees. Our standard services are listed below, but **we are also able to offer customized solutions to fit your company's needs.**

Gold Key Service (GKS)

Our best known and most widely used service is our Gold Key Serivce (GKS). This service is designed to provide business facilitation support for U.S. businesspeople traveling to India to explore local business opportunities. You will receive:

- Appointments with pre-qualified sales representatives and partners, appropriate government officials, related associations and others
- Customized market and industry briefings with U.S. Commercial Service staff in advance of your travel to develop your schedule
- Escort by a U.S. Commercial Service staff member for meetings
- Assistance with travel and accomodation at preferred rates
- Post meeting assistance with U.S. Commercial Service staff to discuss results of meetings and develop appropriate follow-up starategies

Coverage

The GKS is available in 7 Indian cities: New Delhi, Mumbai, Chennai, Kolkata, Bangalore, Ahmedabad, and Hyderabad. Based on your company's goals, as provided by you in a business confidential questionaire, CS India will provide you with a pre-GKS assessment for one or all of these markets. Then, as part of your schedule development, we will discuss with you which cities we believe to hold the best potential for your product or service to help your company make the best decision on where to travel.

Duration of the GKS and Schedule of Meetings

The GKS is scheduled for a minimum of one day in each selected city. On average, companies will have four pre-screened meetings a day. As appropriate, appointments are scheduled at the Indian companies' offices, or at our offices when needed to eliminate drive time and facilitate additional meetings.

Price and Turn-around times

A GKS costs $700 for SMEs/$2300 for large companies for the first day in each city. All GKS requests will be confirmed by the country-wide GKS Program Manager only after the payment is received by the U.S. Commercial Service, New Delhi. Typically six weeks are needed to set up an effective GKS agenda. Please contact Program Manager to inquire about shorter lead times.

GKS Questionnaire and Product/Company Catalogs

A completed GKS questionnaire and 10 sets of company catalogs or literature should be received by CS India at least four to six weeks prior to your GKS program to ensure the best possible service. This allows us to thoroughly identify potential business partners according to your company requirements.

You will be given specific instructions on where to send the catalogs/literature. Please note that appointments with Indian firms will often only be scheduled after they receive your catalogs/literature. Therefore, timely delivery of the U.S. company/product catalogs is critical to ensure high quality meetings.

For more information:
For answers to questions on the GKS service or to order the GKS service, please contact:

Ms. Nisha Wadhawan
Tel: 91-11-2331 6841, Fax: 91-11-2331 5172
Email: nisha.wadhawan@mail.doc.gov

or

Contact your local U.S. Export Assistance Center (USEAC).
To locate the USEAC nearest to you, visit:
http://www.buyusa.gov/home/us.html

International Company Profile (ICP)

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

An ICP provides:

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

For more information:
For answers to questions on the ICP service or to order an ICP, please contact:

Ms. Nisha Wadhawan
Tel: 91-11-2331 6841, Fax: 91-11-2331 5172
Email: nisha.wadhawan@mail.doc.gov

or

Contact your local U.S. Export Assistance Center (USEAC)
To locate the USEAC nearest to you, visit:
http://www.buyusa.gov/home/us.html

Price and Turnaround Time
The following pricing schedule is for a standard ICP in India with a delivery time of 15 business days from receipt of payment:

$600 for SMEs/$900 for large companies - for ICP checks conducted within the city and adjoining areas that can be covered within office hours

$600 for SMEs/$900 for large companies + actual travel cost - for ICP checks that require a Commercial Service specialist to travel outside the city (not overnight stay)

$600 for SMEs/$900 for large companies + additional fee (decided on a case-to-case basis depending on costs) - for delivery of ICP checks in less than 15 business days or for additional data not included in the standard report

International Partner Search (IPS)

For U.S. companies looking for representatives in India to expand business and boost export sales, we will locate, screen, and assess potential qualified overseas sales representatives, agents, distributors, joint venture partners, licensees, franchisees or strategic partners for your products or services.

The International Partner Search (IPS) is designed to help identify suitable Indian companies and distributors who are keen to represent U.S. firms in India. If your firm is small, new to exporting, or if you don't have resources for research or overseas travel, this service provides an easy, economical, quick-access opportunity to enter the Indian market.

Price and Turn-around time

For $550 for SMEs/$1400 for large companies per business category per city, the IPS service provides the contacts you need to launch your marketing efforts in India. Turnaround time is 30 working days from the day we receive your company's product literature. As a next step, if you plan a visit to India you may also order our Gold Key Service for appointments with prospective agents and distributors and key government officials relevant for your industry.

How to order an IPS

To order an IPS, contact your nearest U.S. Department of Commerce Export Assistance Center and ask for the IPS Service. A trade specialist will verify your product's marketability, help you prepare product literature packages, and assist you in sending your product information to us. To contact your nearest U.S. Commercial Service Export Assistance Center, visit: http://www.buyusa.gov/home/us.html or contact IPS program coordinator.

IPS Coverage

India is a regionally diverse market, so you may wish to order a separate IPS for each region. The IPS service is available at all our seven posts: Northern India (New Delhi), Eastern India (Calcutta), Western India (Mumbai, Ahmedabad), and Southern India (Chennai, Bangalore, Hyderabad). If you want to do an IPS search in only one of our seven posts, we can help you pick the most appropriate post for your search. CS

India prefers to carry out a pre-IPS survey for all IPS requests to assess its feasibility.

Product/Company Catalog

Ten to fifteen sets of product /company catalogs should be received by the CS India at least prior to the expected delivery time of the report.

For more information:
For answers to questions on our IPS service or to order an IPS, please contact:

Ms. Nisha Wadhawan
Tel: 91-11-2331 6841, Fax: 91-11-2331 5172
Email: nisha.wadhawan@mail.doc.gov

or

Contact your local U.S. Export Assistance Center (USEAC)
To locate the USEAC nearest to you, visit:
http://www.buyusa.gov/home/us.html

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