

# India Entry Strategy

# Overview



**6.5%**

Projected FY 24 GDP Growth rate in real term



**Liberal FDI Policy**

Most sectors open for upto 100% foreign Investment

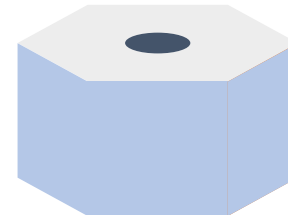
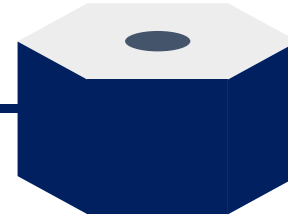


**\$ 49 Bn FDI**

As per UNCTAD, World Investment Report 2023

**Entry Option**

**A**

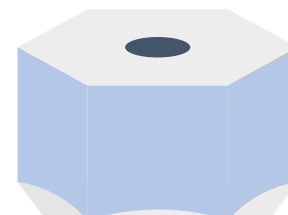
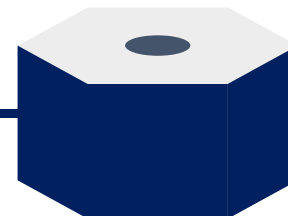


**B**

**Investment Routes**

**Funding Option**

**C**



**D**

**Repatriation of Funds**

# India Entry Options

## Project Office

PO represents interests of the foreign company executing a project in India.

### Permitted activities

These offices can only undertake an activity related and incidental to execution of the specified project.

## Liaison Office

LO or representative office act as a channel of communication between parent and entities in India.

### Permitted activities

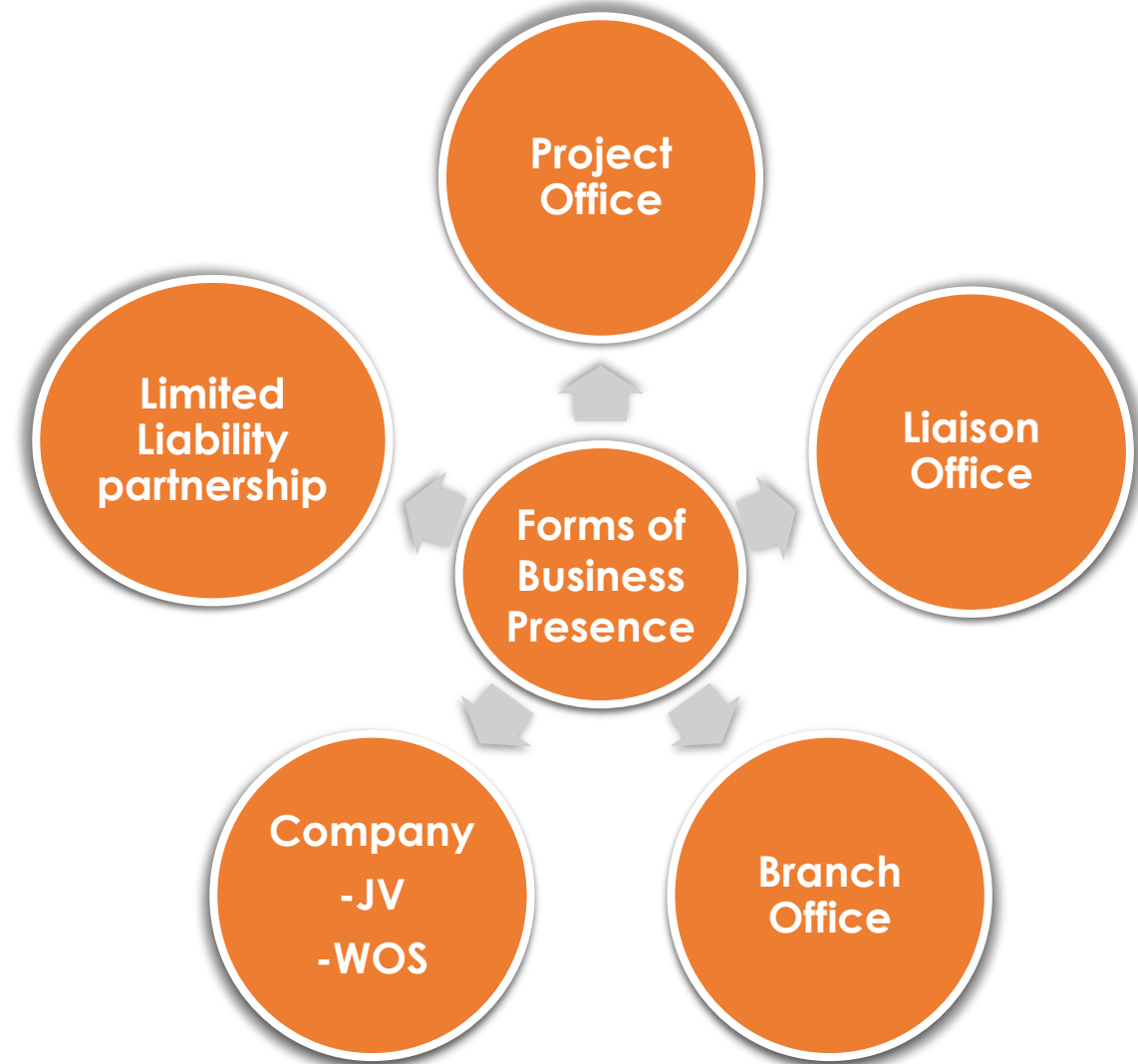
Only liaison/ representation activities permitted. No revenue generating activities allowed.

## Branch Office

BO is an extension of a foreign enterprise in India.

### Permitted activities

Only specified activities are normally permitted



# India Entry Options

## Company

A foreign company proposing to set up a business in India may register as Wholly Owned Subsidiary/ Joint Venture in India. This is a preferred business vehicle for those who wish to have limited liability and prefer to keep total control.

### Permitted activities

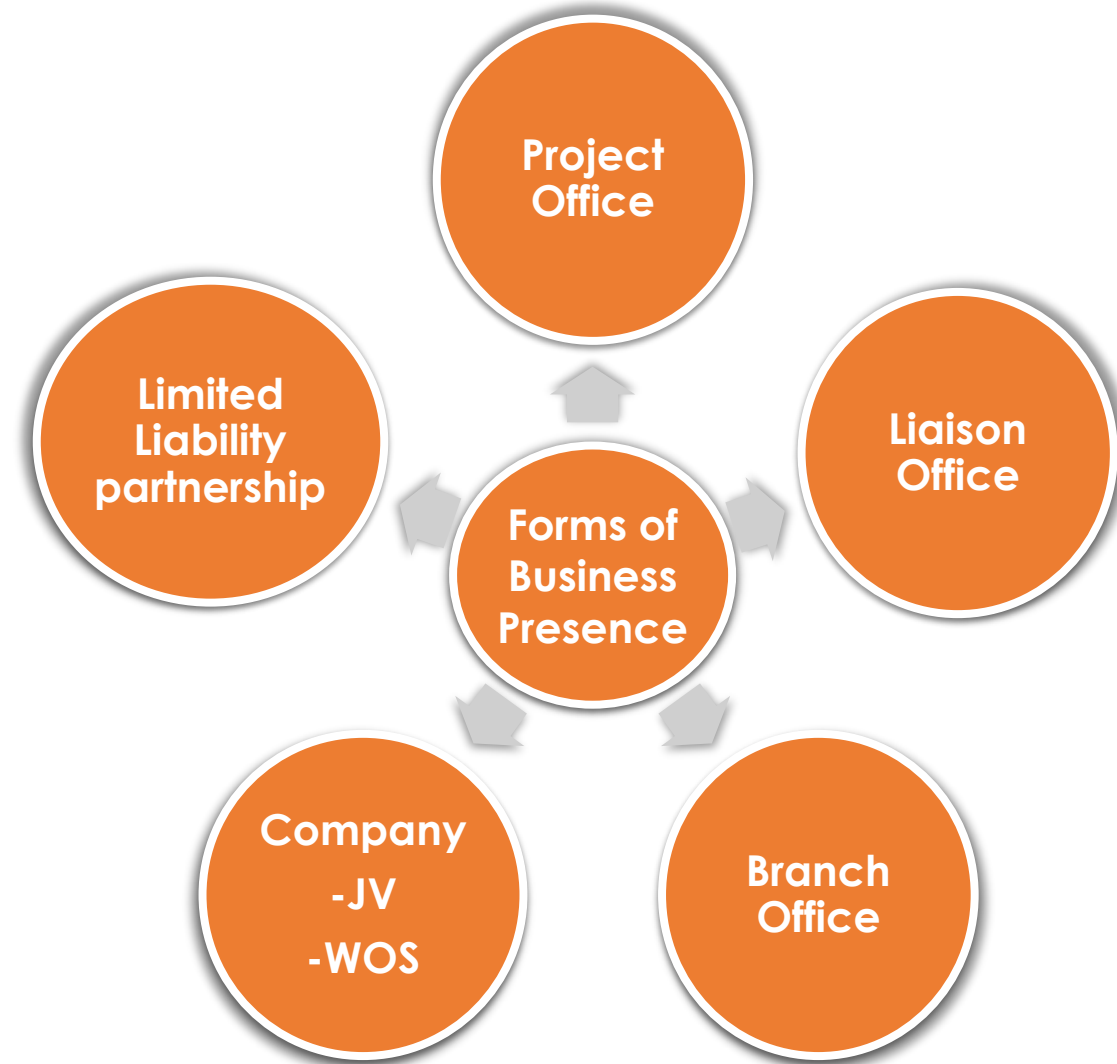
No restrictions as such subject to FDI regulations

## Limited Liability Partnership

LLP is a partnership having a separate legal entity and limited liability

### Permitted activities

No restrictions as such subject to FDI regulations



# Routes for Investment in India

The Indian exchange control regulations contained in the Foreign Exchange Management Act, 1999 govern every cross-border/ foreign exchange transactions involving inflow and outflow of foreign exchange.

Foreign Direct Investment (FDI) by a non resident in India can be undertaken through either of the following routes:

## Automatic route

Under the automatic route, foreign direct investments can be received into India without requiring any approval from the government or the Reserve Bank of India (Covers Investment within sectoral caps listed in the FDI Policy)

## Approval route

Also known as the government route in FDI, the approval route is where the foreign direct investments shall require the prior approval of the government or RBI.

# Funding Option - Company



## Funding option for Company

### **Equity Share Capital:**

Equity shares represent ownership of a company, providing voting and economic rights to the shareholder. Issue of equity shares by an Indian company to a foreign parent needs to comply with the sectoral cap, valuation norms and other attendant conditions prescribed under Exchange Control regulations

### **Preference share capital:**

Preference shares hold certain preferential rights over equity shares. These rights typically include a fixed dividend payout and priority in repayment of capital in the event of the company's liquidation.

### **External Commercial Borrowings (ECBs) :**

ECB is debt raised from overseas sources in the form of commercial loan or securitized debt or hybrid instruments subject to compliance of Exchange Control regulations.

### **Domestic borrowings**

Companies can also raise funds domestically from banks, financial instruments or through issue of securitized debt instruments

# Funding Option - LLP

## Funding options for LLP

### Capital Contribution

Investment in an LLP is through capital contribution of partners and is subject to conditions under the FDI policy  
FDI in LLPs is permitted in sector where 100% FDI is allowed under automatic route and there are no FDI-linked performance conditions

### Domestic borrowings

LLPs can also raise funds domestically from banks and financial instruments

# Repatriation of funds

Foreign capital invested in India is generally allowed to be repatriated along with capital appreciation, if any, after payment of due taxes.

The repatriation is allowed, provided the investment was made on a repatriation basis in terms of Exchange Control regulations, and is not subject to any lock-in conditions that may be applicable under Exchange Control Regulations.

## Repatriation of capital

Capital can be repatriated either through secondary sale, share buyback, capital reduction or in the event of liquidation.

The share buyback/purchase should comply with regulatory laws.

Repatriation would be subject to applicable taxes

## Repatriation of dividend

Payment of dividend by an Indian company is freely repatriable.

The Indian company is liable to withhold tax on distribution of dividend to shareholders.

## Repatriation by LLP

The partners of an LLP can withdraw their capital without any restriction.

Repatriation would be subject to applicable taxes.

## Repatriation of ECB and interest thereon

ECB can be repaid by an Indian company subject to restrictions such as minimum maturity period and all in cost ceiling limit under Exchange Control Regulations Interest paid on such borrowing can be freely repatriated (net of taxes).



# Disclaimer

The information provided herein is based on Companies Act, 2013, Limited Liability Partnership Act, 2008 and Foreign Exchange Management Act, 1999, Consolidated FDI Policy Circular 2020 and rules and regulations framed thereunder read with circulars, notifications and press notes issued from time to time. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.

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