Ease of Doing Business in India: Consumer Report

JUNE 2020

MAKE IN INDIA

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The Indian Landscape

Introduction

Situated in South Asia, India is the seventh-largest country by area. It is the second-most populous country with over 1.37 billion people, and the most populous democracy in the world.

The Indian economy is characterised as a developing market economy. Around 60 percent of the GDP contribution comes from the services sector. Other major sectors include the agricultural sector, industrial sector, food processing and manufacturing sector etc.

The country is attracting many global majors for strategic investments owing to the presence of vast range of industries, investment avenues and a supportive government. Huge population, mostly comprising the youth, is a strong driver for demand and an ample source of manpower.

Demographic

Population
1,326,801,000

Population Growth Rate
1.08% (2019)

Main Religions;
Hinduism, Islam, Christianity, Sikhism, Buddhism and Jainism.

Languages;
Hindi, English and at least 16 other official languages

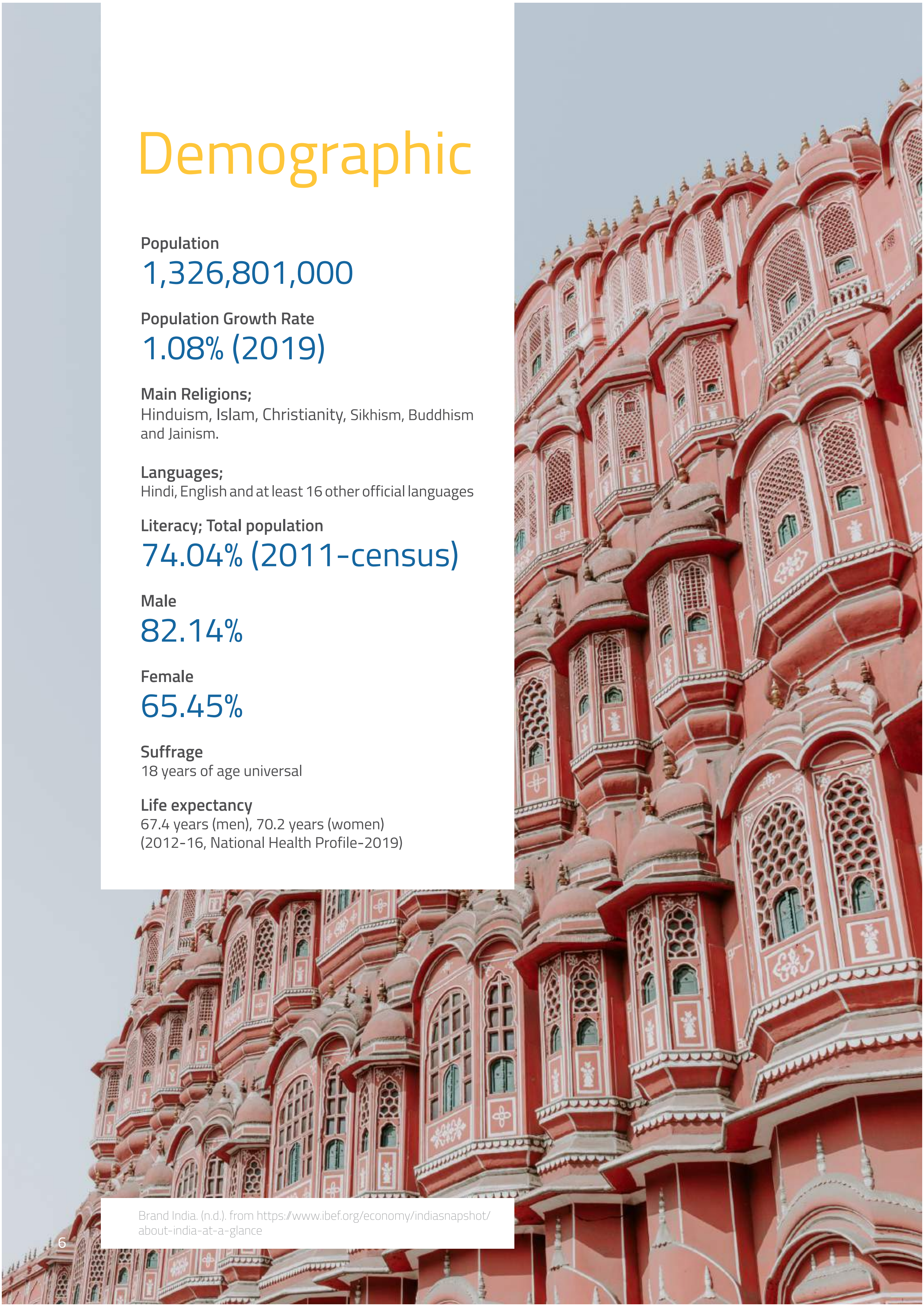
Literacy; Total population
74.04% (2011-census)

Male
82.14%

Female
65.45%

Suffrage
18 years of age universal

Life expectancy
67.4 years (men), 70.2 years (women)
(2012-16, National Health Profile-2019)



Brand India. (n.d.). from https://www.ibef.org/economy/indiasnapshot/about-india-at-a-glance

Eating and Spending Pattern

Average household incomes will triple over the next two decades and it will become the world's 5th largest consumer economy by 2025, up from 12th now.

SPENDING PATTERNS

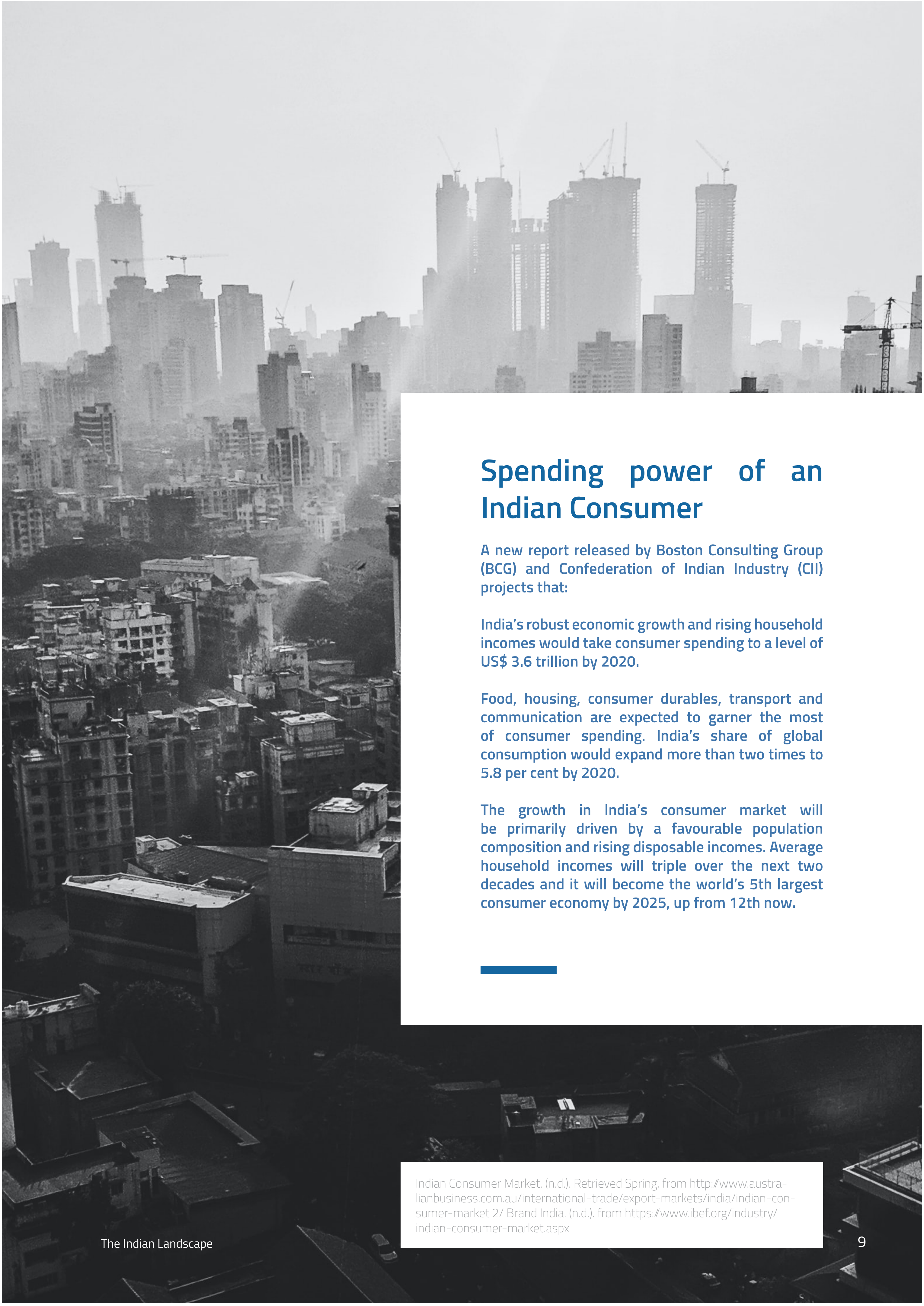
India is known as a country of savers, though spending is on the rise. The following points draw a picture of the Indian consumer and their spending pattern:

- Disposable income is increasing. By 2030, 80% of households will be middle-income, which is expected to drive consumer spending.
- Millennial expenditure comprise of the traditional priorities, like income and home ownership along with the expenditure towards other goals, too.
- Indian shoppers are well-informed and want to get a good deal – even for luxury products.
- Rising brand consciousness as Indians consumers move further into the era of technology and consumerism.

FOOD TRENDS/EATING PATTERN

- Agricultural products such as pulses, rice, wheat, fruits and vegetables form an important part of the regular eating habits of Indian consumers.
- There is also rising demand for organic products during the past few years.
- Regular consumption of traditional dairy products such as milk, curd, buttermilk, lassi and sweets. Substantial increase in demand for other dairy products such as butter, cheese, drinkable yogurt, flavoured lassi, curd and creams.
- Increase in consumption of packaged breakfast cereals due to rising urban population, increase in disposable income, and higher consumer health awareness.
- Bakery is one of the largest food industries consisting of various large product categories such as breads, biscuits, pastries, cakes, buns and rusks
- Traditional spices, herbs and masalas continue to be in demand along with a rising demand for variety of ready sauces, dips, dressings that are used with the traditional Indian food or with international cuisines.
- With the rise in urban population, increasing per capita income, busier lifestyles, and need for convenience arising out of the fast-paced lifestyles have led to a high demand for ready and packed savoury snacks.
- Consumer spending during festivals, occasions, etc. on confectionaries, bakery products, snacks and beverages etc. increases significantly.
- Health drinks such as fruit/vegetable juices, green tea, mineral/spring water, malt based hot drinks are also growing in demand.
- Rising demand for ready to eat meals due to increased urbanisation.
- Rise in demand for poultry and other animal meat products due to increase in fitness and strength diets plans leading to demand for protein rich food.

Understanding Consumer Behavior In India: Wordbank. (2020, January 14).
India, G. (n.d.). High-Growth Segments of Indian Food and Beverage Industry. Retrieved from High-Growth Segments of Indian Food and Beverage Industry



Spending power of an Indian Consumer

A new report released by Boston Consulting Group (BCG) and Confederation of Indian Industry (CII) projects that:

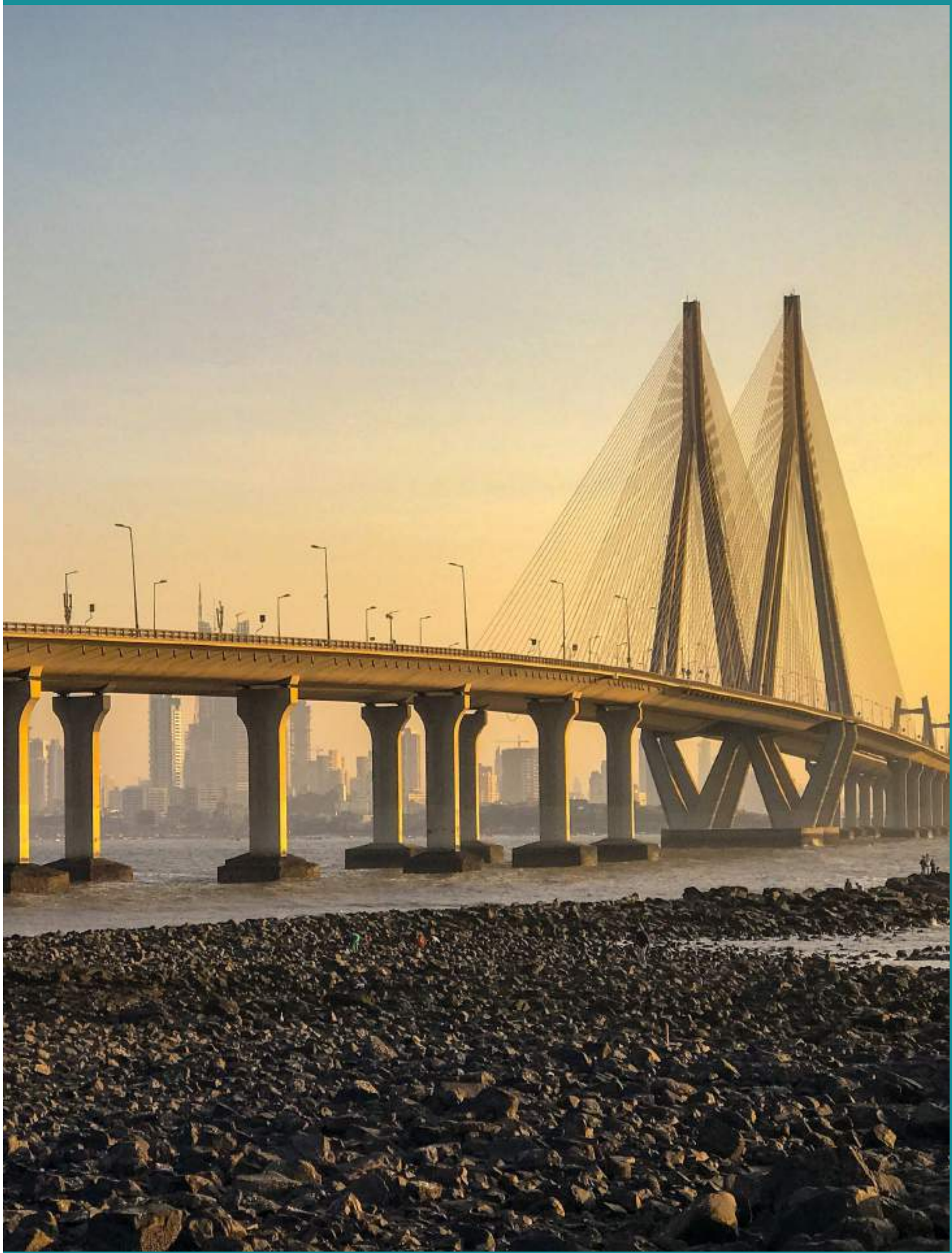
India's robust economic growth and rising household incomes would take consumer spending to a level of US$ 3.6 trillion by 2020.

Food, housing, consumer durables, transport and communication are expected to garner the most of consumer spending. India's share of global consumption would expand more than two times to 5.8 per cent by 2020.

The growth in India's consumer market will be primarily driven by a favourable population composition and rising disposable incomes. Average household incomes will triple over the next two decades and it will become the world's 5th largest consumer economy by 2025, up from 12th now.

Indian Consumer Market. (n.d.). Retrieved Spring, from http://www.australianbusiness.com.au/international-trade/export-markets/india/indian-consumer-market 2/ Brand India. (n.d.). from https://www.ibef.org/industry/indian-consumer-market.aspx

Brief Snapshot; The Indian Economy



Indian economic history can be broadly classified in three era's beginning with:

1. Pre-colonial period lasting upto 17th century.
2. The British colonialization started the colonial period in the 17th Century which lasted till India got its independence in 1947.
3. The third period stretches from independence in 1947 until the present.

PRE-COLONIAL PERIOD

India in the pre-colonial period had a stable economy. There was self-sufficient agriculture, flourishing trade and rich handicraft industries emerged as some of the main features of the Indian economy.

India enjoyed extensive trade both within the country and with other countries of Asia and Europe and maintained a favourable balance of trade.

India exported the items it specialized in and imported ones it needed.

- The items imported into India were wool, dates, dried fruits and rose-water from the Persian Gulf; coffee, gold, drugs and honey from Arabia; tea, sugar and silk from china; gold muck & woolen cloth metals like copper, iron and lead and paper from Europe.
- The main items exported from India were cotton textiles, raw silk indigo opium rice, wheat, sugar, pepper and other spices, precious stones and various drugs.

COLONIAL PERIOD

Following points denote the drastic shift in the Indian economy from pre-colonial period to the colonial period:

- Significant part of India's national wealth, was exported to England while India got no economic returns.
- Drain of India's wealth was sent to England in the form of salaries to the British officers posted in India, home-charge etc.
- Profits made on the British capital invested in India, benefited England and diminished the sources for investment in India
- Major change in the commodity pattern of India's foreign trade from precolonial to colonial. Although India continued to have an export surplus, the pattern of foreign trade turned up-side down and thereby ruining India's rich traditional handicrafts.
- The status of India as one of the main centres of world trade and industry was completely destroyed under the colonial times.
- The fall of Indian industry can be traced to the after-math of the industrial revolution in England. The machine-made cloth of England began to replace indigenous manufacture. Indian artisans were forced out of production. The number of weavers also drastically declined.

PERIOD SINCE INDEPENDENCE

Post-independence, India was hopelessly poor as a result of steady de-industrialization by Britain.

Less than a sixth of Indians were literate. Cambridge historian Angus Maddison's work shows that India's share of world income shrank from 22.6% in 1700—almost equal to Europe's overall share of 23.3%—to 3.8% in 1952.

Shodhganga A reservoir of Indian Theses. (n.d.). Retrieved from https://shodhganga.inflibnet.ac.in/bitstream/10603/101424/9/09_chapter%201.pdf
Livemint. (2019, August 14). A short history of Indian economy 1947-2019: Tryst with destiny & other stories. from https://www.livemint.com/news/india/a-short-history-of-indian-economy-1947-2019-tryst-with-destiny-other-stories-1565801528109.html
History of Economic Growth in India. (2019, January 24). Retrieved July 06, 2020, from https://intpolicydigest.org/2013/04/24/history-of-economic-growth-in-india/

Situation prior to 1991

The economy was divided into two distinct segments, **private** and **public**.

The private sector owned and operated small to medium size businesses and industries protected by the government and the government took care of everything else giving rise to 'License-Permit-Quota Raj' in India.

The government was in charge of most of the consumer services including transportation such as airlines, railroads and local transportation, postal, telephone and telegraph, radio and television broadcasting, and social services such as education and health care.

The intention of the government was to provide these services, at a reasonable cost, as well as employment.

India adopted a five-year development plan, in order to improve infrastructure, agricultural production, health care, and education, but the progress was extremely slow due to India's democratic system.

The first few plans focused on growth with strengthening of the manufacturing sector emphasizing heavy industries to form the backbone of the economy. Other principal areas of planning were agriculture and social development i.e. housing and poverty alleviation.

Situation post 1991

1. Fiscal Reforms

Some of the important policy initiatives were:

- Reduction in fertilizer subsidy,
- Abolition of subsidy on sugar, Disinvestment of a part of the government's equity holdings in select public sector undertakings, &
- Implementation of tax reforms to raise revenue through better compliance in case of income tax and excise and customs duties, and make the tax structure stable and transparent.

2. Rationalization of Exchange Rate Policy

To improve the balance of payments situation the devaluation of rupee was undertaken to bridge the gap between the real and the nominal exchange rates that had emerged on account of rising inflation and thereby to make the exports competitive.

3. Monetary and Financial Sector Reforms

Monetary reforms aimed at doing away with interest rate distortions and rationalizing the structure of lending rates.

4. Industrial Policy Reforms

The central elements of industrial policy were to:

- Abolish the industrial licensing. Around 80 percent of the industry was taken out of the licensing framework,
- Repeal the Monopolies & Restrictive Trade Practices (MRTP) Act to eliminate the need for prior approval by large companies for capacity expansion or diversification, Narrow down the areas reserved for the public sector and to permit greater participation by private sector in core and basic industries,

Ccsindia. (2016, February 03). 1991: Economic Reforms. from http://indiabefore91.in/1991-economic-reforms

- Encourage disinvestment of government holdings of equity share capital of public sector enterprises, Provide greater autonomy and professional management in the public sector units that could be helpful for generating reasonable profits.

5. Trade Policy Reforms

New initiatives were taken in trade policy to create an environment which would provide a stimulus to export while at the same time reducing the degree of regulation and licensing control on foreign trade.

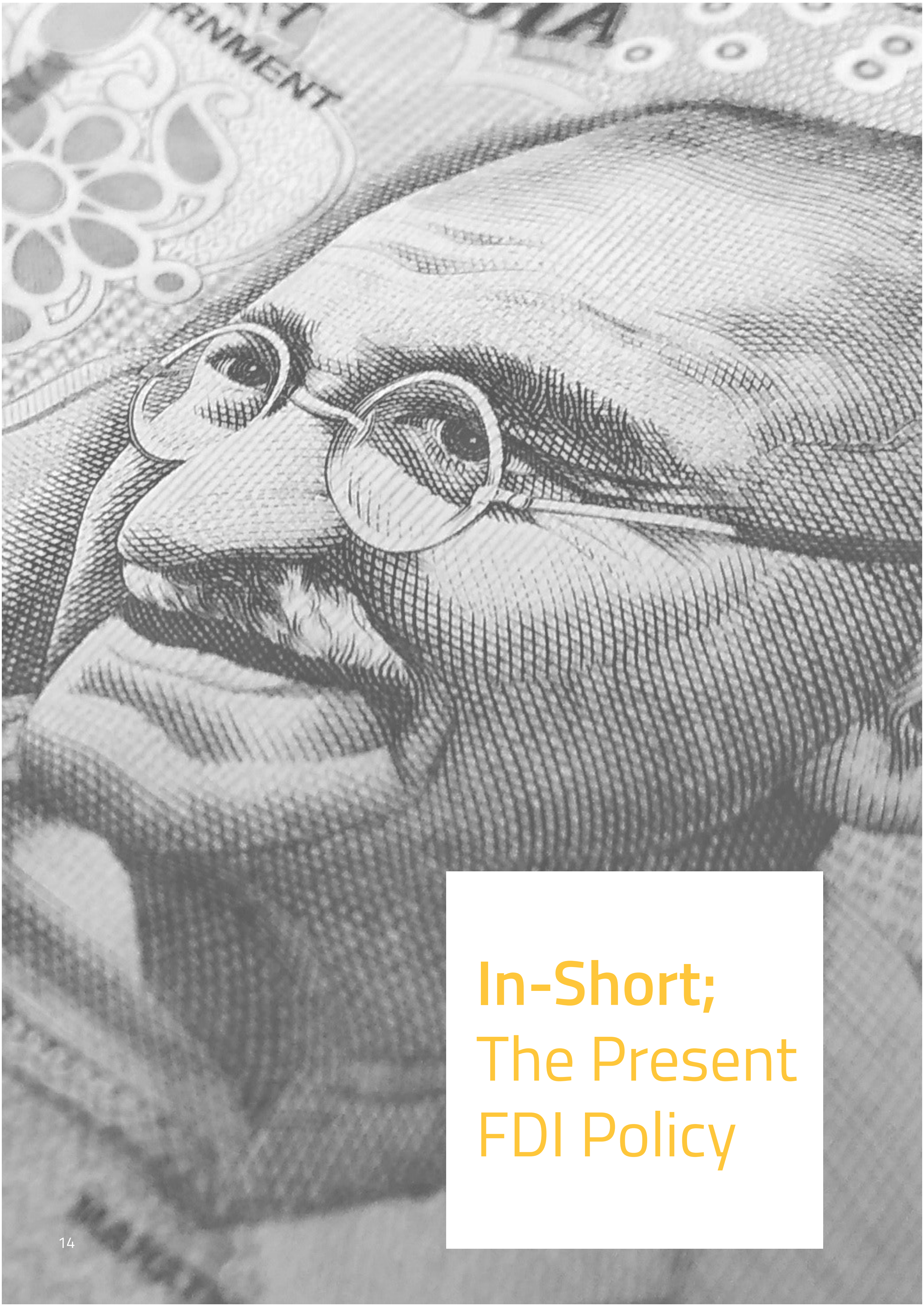
6. Promoting Foreign Investment

The government took several measures to promote foreign investment in India in the post-reform period. Some of the important measures are:

- In 1991, the government announced a specified list of high technology and high-investment priority industries wherein automatic permission was granted for foreign direct investment (FDI) upto specified limits.
- Foreign Investment Promotion Board (FIPB) was been set up to negotiate with international firms and approve foreign investment in select areas.
- Steps were also taken from time to time to promote foreign institutional investment (FII) in India.

7. Reforms in Capital Markets

Capital market reforms were aimed at removing direct government control and replacing it with a regulatory framework based on complete transparency and disclosure supervised by an independent regulator.



In-Short;
The Present FDI Policy

Brief snapshot of the present FDI policy

- Foreign Direct Investment ("FDI") in India is covered under the Foreign Exchange Management Act, 1999 and means investment by non-resident entity/person resident outside India in the capital of an Indian company under Schedule 1 of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000.
- FDI is also subject to other regulations as per Reserve Bank of India and Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India ("DPIIT"). DPIIT is the nodal agency entrusted to formulate FDI Policy. It issues press notes to make amendments in the existing policy and also issues consolidated FDI Policy on an annual basis.

The FDI Policy provides for the sector specific conditions on FDI and enumerates the sectors in which FDI is prohibited, sectors in which foreign direct investment is restricted and the sectors in which foreign direct investment is unrestricted. As per the extant FDI Policy, permitted through the following two ways:

A. The Automatic Route:
Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from Government of India for the investment.

B. The Government Approval Route:
Under the Government Route, prior to investment, approval from the Government of India is required. Proposals for foreign investment under Government route, are considered by respective Administrative Ministry/ Department.

Further, all sectors other than those mentioned below subject to terms and conditions in the FDI policy come under unrestricted sectors for example:

- Mining (except Mining and mineral separation of titanium bearing minerals and ores, its value addition and integrated activities)
- Manufacturing related commercial activities
- Information Technology related activities
- E-commerce (permitted in marketplace model and not the inventory based model. Also, it applies only to Business to Business e-commerce and not business to consumer e-commerce)

Restricted Sectors

Sector	Entry Route
Upto 20% foreign ownership	
Banking- Public Sector (Subject to Banking Companies (Acquisition & Transfer of Undertakings) Acts 1970/80). This ceiling (20%) is also applicable to the State Bank of India and its associate Banks.	Government permission necessary
Upto 26% foreign ownership	
Broadcasting Content Service (Terrestrial Broadcasting FM(FM Radio) and Up-linking of 'News & Current Affairs' TV	Government permission necessary
Channels (Other conditions specified by Ministry of Information and Broadcasting, Government of India)	Government permission necessary

Print Media (Publishing of newspaper and periodicals dealing with news and current affairs and Publication of Indian editions of foreign magazines dealing with news and current affairs)	Government permission necessary
Upto 49% foreign ownership	
Defense Industry (subject to Industrial License under the Industries (Development & Regulation) Act, 1951) and other regulations	Automatic up to 49%. Government route beyond 49% wherever it is likely to result in access to modern technology or for other reasons to be recorded
Cable Networks (Other Multi System Operators not undertaking upgradation of networks towards digitalization and addressability and Local Cable Operators)	100 % Automatic route
Petroleum and Natural Gas (Petroleum refining by the Public Cabinet Committee Sector Undertakings (PSU), without any disinvestment or dilution of domestic equity in the existing PSUs.)	49 % Automatic route
Scheduled Air Transport Service/ Domestic Scheduled Passenger Airline	Automatic up to 49% (Automatic up to 100% for NRIs) Government route beyond 49%
Insurance	49 % Automatic route
Private Security Agencies	Automatic up to 49% Government route beyond 49% and up to 74%
Telecom & related Services (including Telecom Infrastructure Providers Category-I) All telecom services including Telecom Infrastructure Providers Category-I, viz. Basic, Cellular, United Access Services, Unified License (Access Services), Unified License, National/International Long Distance, Commercial V-Sat, Public Mobile Radio Trunked Services	Automatic up to 49% and Government route beyond 49% and up to 100%.
Commodity Exchange	49% Automatic route
Single Brand product retail trading	Automatic up to 100%
Asset Reconstruction Company	Automatic up to 100%
Pension Sector	49 % Automatic route
Power Exchanges (Power Exchanges registered under the Central Electricity Regulatory Commission (Power Market) Regulations, 2010.)	49 % Automatic route

Infrastructure Company in the Securities Market (namely, stock exchanges, depositories and clearing corporations, in compliance with SEBI Regulations)	49 % Automatic route
Upto 51% foreign ownership	
Multi Brand Retail Trading	Government
Credit Information Companies	100 % Automatic route
Civil Aviation (Ground Handling Services subject to sectoral regulations and security clearance)	100 % Automatic route
Airports (Existing projects)	100 % Automatic route
Satellites (Establishment and operation, subject to the sectoral guidelines of Department of Space/ISRO)	100 % Government
Banking & Finance - Private Sector	Automatic up to 49% and Government route beyond 49% and up to 74%.

Prohibited Sectors

- Lottery Business including Government/private lottery, online lotteries etc.
- Gambling and Betting including casinos etc.
- Chit funds
- Nidhi company
- Trading in Transferable Development Rights (TDRs)
- Real Estate Business or Construction of Farm Houses
- Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- Activities/sectors not open to private sector investment are Atomic Energy and Railway.

Major Sectoral Reforms
in the recent past

Fast Moving Consumer Goods (FMCG)

Fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy.
Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector.

INVESTMENTS/DEVELOPMENTS

The government has allowed 100 per cent Foreign Direct Investment (FDI) in food processing and single-brand retail and 51 per cent in multi-brand retail.

This would bolster employment and supply chains, and also provide high visibility for FMCG brands in organised retail markets, bolstering consumer spending and encouraging more product launches.

The sector witnessed healthy FDI inflows of US$ 15.94 billion during April 2000-December 2019.

GOVERNMENT INITIATIVE

Some of the major initiatives taken by the government to promote the FMCG sector in India are as follows:

A. The Government of India has approved 100 per cent FDI in the cash and carry segment and in single-brand retail along with 51 per cent FDI in multi-brand retail.

B. In a move to boost single brand retailing in India, the government has relaxed the following conditions in relation to local sourcing:

- all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. The current cap of considering exports for sourcing purposes for the initial five years only has been removed.

- single-brand retailers will be allowed to adjust their entire procurement of goods from India (previously it was on an incremental basis) for their global operations to meet the local sourcing norms;

- sourcing of goods from India can be performed directly by the entity undertaking SBRT or by its group companies (resident or non-resident), or indirectly by them through a third party under a legally tenable agreement;

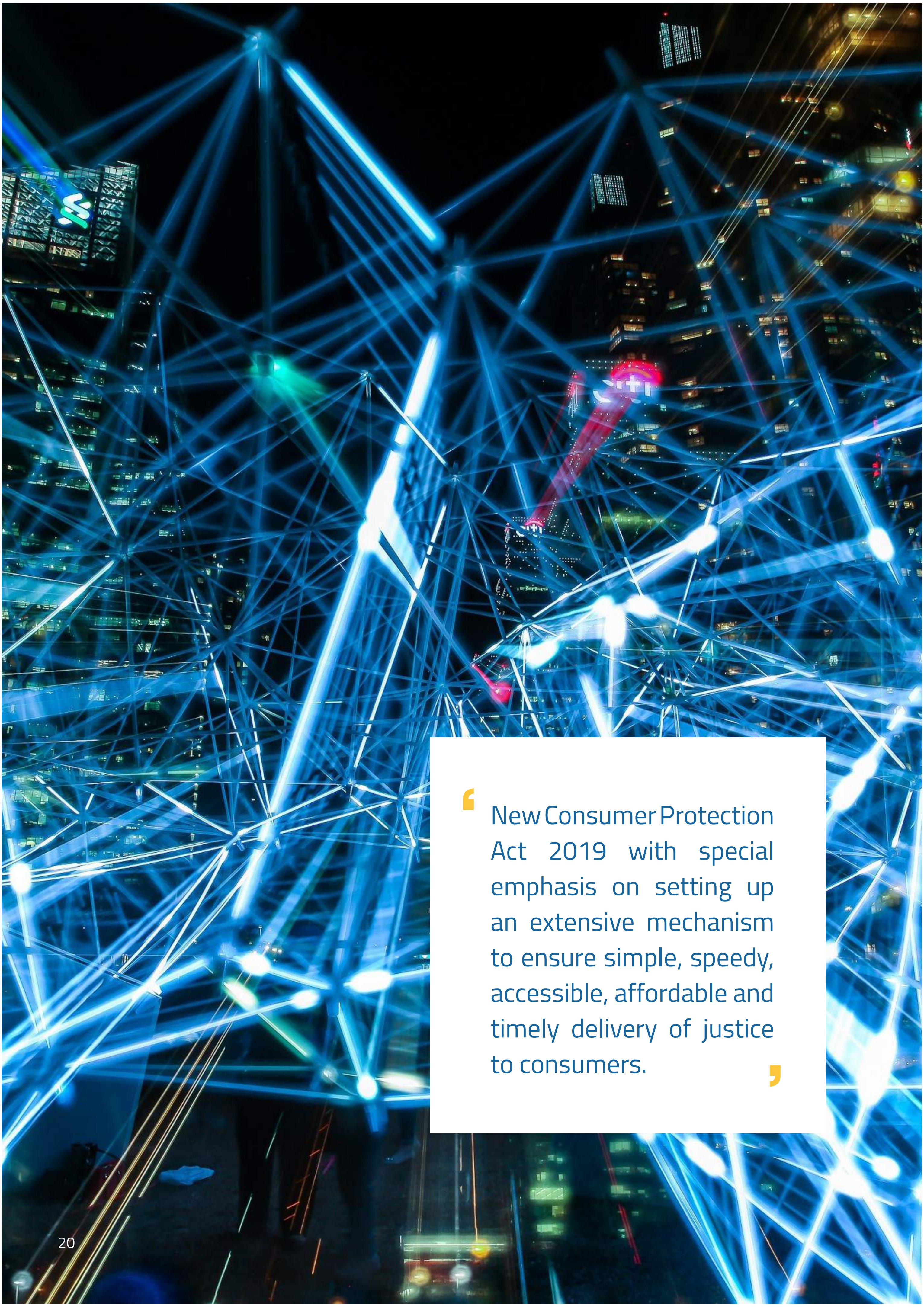
- SBRT stores would be permitted to sell products through e-commerce before the setting up of brick-and-mortar stores, subject to the condition that the entity opens brick-and-mortar stores within two years from the date of starting online retail.

B.
New Consumer Protection Act 2019 with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.

C.
With the introduction of Goods and Services Tax (GST) rates of several FMCG products comprising such as food products, personal care and hygiene products have been reduced.

D.
The GST is expected to transform logistics in the FMCG sector into a modern and efficient model as all major corporations are remodelling their operations into larger logistics and warehousing.

Brand India. (n.d.). from https://www.ibef.org/industry/fmcg.aspx
INSIGHT: India Aims to Attract Foreign Investors. (n.d.). from https://news.bloombergtax.com/daily-tax-report-international/insight-india-aims-to-attract-foreign-investors



> New Consumer Protection Act 2019 with special emphasis on setting up an extensive mechanism to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers.

Major Controversies in the Indian FDI

OFFSHORE INDIRECT TRANSFERS (OIT)- THE VODAFONE CASE

Vodafone was embroiled in a $ 2.5 billion tax dispute with the Indian Income Tax Department over its purchase of Hutchison Essar Telecom services in April 2007. It was being alleged by the Indian Tax authorities that the transaction involved purchase of assets of an Indian Company, and therefore the transaction or part thereof was liable to be taxed in India. The claim of income tax authorities was challenged and the matter subsequently went to the Hon'ble Supreme Court of India.

In January 2012, the Hon'ble Supreme Court of India passed the judgement in favour of Vodafone, saying that the Indian Income tax department had "no jurisdiction" to levy tax on overseas transaction between companies incorporated outside India. However, Indian government thought otherwise. It believed that if an Indian company, Hutchison India Ltd., conducts a financial transaction, then the government should get its tax from it. Therefore, in 2012, India changed its Income Tax Act retroactively and made sure that any company, in similar circumstances, is not able to avoid tax by operating out of tax-havens like the Cayman Islands or Lichtenstein. In May 2012, Indian authorities confirmed that they were going to charge Vodafone about 20,000 crore (US $3.3 billion) in tax and fines.

While the aforesaid retrospective amendment in the tax laws by the Government of India has been considered by some industry experts as unfavourable towards the prospective foreign investors, there are arguments in favour of the stand taken by the Government of India:

- It has been argued that this was a fit case for retrospective amendment in law. Not doing so would have had serious consequences.
- Wide scale aggressive tax avoidance through tax havens and their approval by honourable Supreme Court creates a risk of equally wide and harsh tax provisions. This will affect all i.e. aggressive tax planners as well as honest tax payers.
- Further, in support of the retrospective applicability of the amendments introduced by the Government, the then Hon'ble Finance Minister Mr. Pranab Mukherjee had stated that to clarify the intention of the legislature in respect of particular section passed in a particular year, the relevant year is only that year.

Further, it should also be noted that offshore indirect transfer is not a new concept and OITs taxation is already present in tax laws of various countries in some form or another. Detailed below is tax treatment of overseas indirect transfer under the tax regimes of various nations:arguments in favour of the stand taken by the Government of India:

PERU
THE ACQUISITION OF PETROTECH

In 2009, Ecopetrol Colombia and Korea National Oil Corp purchased a Houston-based company (Offshore International Group Inc.) whose main asset was Petrotech Peruana (the license-holder), a company incorporated and resident in Peru and the third largest oil producer there, for approximately US$900 million, from Petrotech International, a Delaware incorporated company.

Since Peru's income tax law at the time did not have a specific provision taxing offshore indirect sales, the transaction remained untaxed there. The potential foregone tax revenue for Peru was estimated at US$482 million. Petrotech international, a resident of the U.S.A., would be taxed in the U.S. on the corresponding capital gain.

The case triggered a Congressional investigation in Peru that eventually led to a change in the law.
Currently, all offshore indirect sales of resident companies are taxed in Peru, regardless of the proportion that immovable property belonging to the Peruvian subsidiary may represent in the total value of the parent company. Some limitations apply: the portion of the parent company subject to sale must derive its value at least 50 percent from Peruvian assets, and at least 20 percent of the Peruvian assets must be transferred in order for the transaction to be taxable in Peru.

UGANDA
THE ZAIN CASE

In 2010, a Dutch subsidiary of the Indian multinational Barthi Airtel International BV purchased from Zain International BV, a Dutch company, the shares of Zain Africa BV (also a Dutch company) for US$10.7 billion, which owned in turn the Kampala-registered mobile phone operator Celtel Uganda Ltd. (among other investments in Africa).

The Uganda Revenue Administration (URA) held Zain International BV liable for the corresponding capital gains tax, amounting to US$85 million. Uganda's Appeals Court ruled—in sharp contrast to the decision of the Supreme Court of India in Vodafone—that the URA does have the jurisdiction to assess and tax the offshore seller of an indirect interest in local assets (overturning an earlier ruling by the High Court of Kampala.).

However, the taxpayer interprets the tax treaty between Uganda and the Netherlands as protecting the Netherlands' exclusive right to tax such transaction.

This is an issue of some potential significance since some anti-avoidance rules in domestic law could be viewed as supplementary to the treaty, not an override. This issue is currently unresolved in the Zain dispute.

CHINA

In 2009, China's State Administration of Taxation issued the "Notice on Strengthening Administration of Enterprise Income Tax on Income from the Transfer of Shares by Non-resident Enterprises" as per which if a non-resident enterprise transfers an overseas intermediate shareholding enterprise that directly or indirectly holds the equity of a Chinese resident enterprise, which is deemed by the Chinese tax authorities to have unreasonable commercial purposes, the transaction will be reclassified as a direct transfer of the equity of a Chinese resident enterprise, thus creating an enter-prise income tax obligation in China.

So, if such arrangement or transfer lacks a bona fide commercial purpose the transaction would be re-characterized as a direct transfer of Chinese taxable property and shall be subject to withholding tax.

VIETNAM

The current domestic law does not have specific rule on OITs. However, in 2015, the General Department of Taxation ("GDT") had issued a decree and on July 12, 2018 the GDT had issued an official letter affirming that offshore transfer of shares/capital in Vietnamese enterprises is subject to capital gains

JAPAN

Japan does not seem to be concerned about OITs, except those related to real estate The capital gains on stock sales of a real estate company are taxable even in the absence of a permanent establishment A real estate company is defined as a company the majority of whose assets consist of real estate in Japan, includes foreign as well as domestic companies

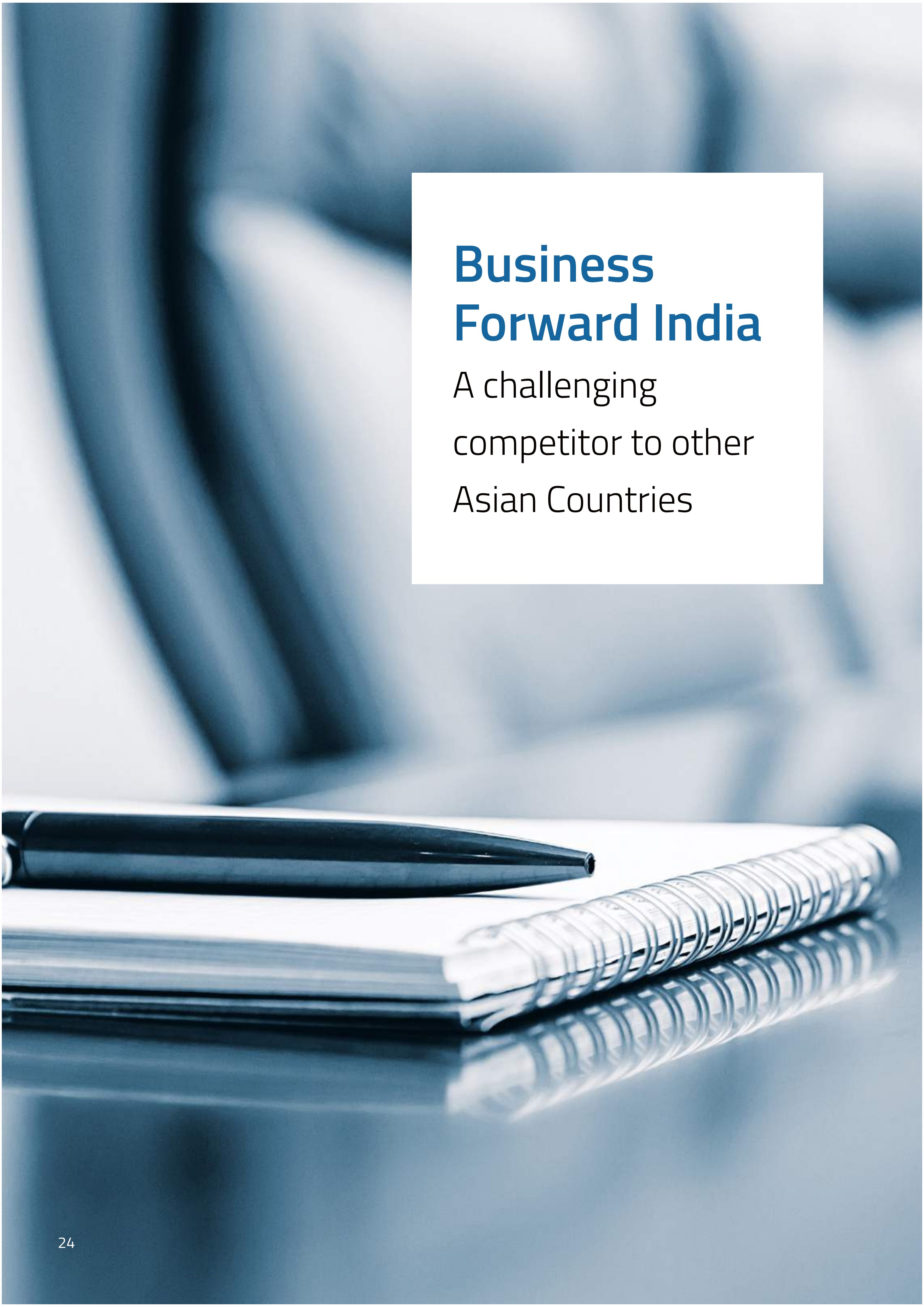
BANGLADESH

The transfer of shares in a non-resident company will be deemed to be transfer of asset situated in Bangladesh to the extent of value of shares transferred is directly or indirectly attributable to the value of assets located in Bangladesh.

The share transfer will not be effective until capital gains tax due in respect of such transfer has been deposited with the tax authorities.

INDONESIA

As per the OITs rules in Indonesia, indirect transfer of shares of a conduit or SPV company resident in tax haven jurisdiction may be deemed to be a direct sale of shares of an Indonesian company and taxed accordingly.



Business Forward India

A challenging competitor to other Asian Countries

Infrastructure

- Significant improvement in infrastructural facilities through well-connected road and rail transportation network, domestic and international airports across all major cities, several major ports across its large coastline and availability of power.
- Effective implementation of projects such as Bharatmala and Sagarmala - geared towards enhancement of India's logistics sector through roadways and waterways will further optimize efficiencies.
- Five major industrial corridors are being set up across the country where infrastructural, logistical and educational facilities will be developed to support establishment of industries.

Ease of Doing Business & Labour Laws

- Efforts to simplify and streamline the compliance processes and reduce the transaction cost through Shram Suvidha Portal, an online platform dedicated for filings and registrations.
- Consolidation of the existing myriad of labour legislations into four codes namely - Code on Industrial Relations, Occupational Safety, Health and Working Conditions Code, Code on Wages, and the Social Security Code.

Cheap Workforce

- Indian labour force numbers about 519 million second only to China's and its percentage of young working population is among the highest in Asian countries.
- India boasts of an educated, resourceful community with fluency in English, hence making it an adaptable workforce.
- China's labour costs have soared in the recent past with minimum wages ranging from $140 to $346 per month, whereas India's minimum wage is lies between $66 and $202.
- According to World Economic Forum, India ranks 103rd in terms of human capital index while, China stands at 34th position, Thailand and Vietnam stand at 40th and 64th positions respectively.
- India Inc. has launched the National Skill Development Mission to buckle up for the long haul through elaborate training programs touching over 400 million youths across the country by 2022.

Chandwani, S. (n.d.). Goodbye China, Hello India: Will Cos Really Shift To India? Retrieved July 06, 2020, from http://www.businessworld.in/article/Goodbye-China-Hello-India-Will-Cos-Really-Shift-To-India-/27-05-2020-193309/

Economic Growth

- India's gross domestic product (GDP) is expected to reach US$ 5 trillion by FY25 and achieve upper-middle income status on the back of digitization, globalization, favourable demographics, & reforms.
- India is expected to be the third largest consumer economy as its consumption may triple to US$ 4 trillion by 2025, according to a Boston Consulting Group (BCG) report.
- India is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.
- India has retained its position as the third largest start-up base in the world with over 8,900-9,300 start-ups, with about 1,300 new start-ups being founded in 2019, according to a report by NASSCOM. India also witnessed the addition of 7 unicorns in 2019 till August, taking the total tally up to 24.

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

- India's foreign exchange reserves were Rs 33.98 lakh crore (US$ 476.09 billion) in the week up to February 14, 2020, according to data from the RBI.
- India is also focusing on renewable sources to generate energy. It is planning to achieve 40 per cent of its energy from non-fossil sources by 2030 which is currently 30 per cent and have plans to increase its renewable energy capacity from to 175 GW by 2022.
- India is expected to attract investment of around US$ 100 billion in developing the oil and gas infrastructure over the next five years.

Government Initiatives

Budget Allocation

The first Union Budget presented on February 01, 2020 aimed at energising the Indian economy through a combination of short-term, medium-term, and long-term measures.

Total expenditure for 2020-21 is budgeted at Rs 37.14 lakh crore (US$ 531.53 billion), an increase of 13 per cent from 2019-20 (revised budget estimates).

Make in India Initiative

The Government of India, under the Make in India initiative, is trying to give boost to the contribution made by the manufacturing sector and aims to take it up to 25 per cent of the GDP from the current 17 per cent.

Digital India Initiative

The Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Start-up India Policy

- In the year 2016, the Government of India had launched the 'Start-up India' initiative and unveiled the 'Start-up India Action Plan'.
- This action plan lists a comprehensive set of structural and regulatory reforms necessary to build a strong ecosystem for start-ups, in order to result in sustainable economic growth and generate large scale employment opportunities.
- The plan comprises of a 19-point action list which envisions, amongst others, setting up of incubation centres, easing patent filings, tax -exemptions, setting up a INR 10,000 crore corpus fund for start-ups, easing setting-up of businesses, self-certification, and a faster exit mechanism.
- The Government has introduced a number of reforms to give impetus to the start-up ecosystem in India.
- To attract more FDI, the start-ups are permitted to issue the convertible notes, for an amount of INR 25, 00,000/- or more in a single tranche, which evidence receipt of money initially as debt, and are repayable at the option of the holder, or are convertible into equity shares of start-up company upon occurrence of specified events, however the conversion period cannot exceed (five) 5 years.

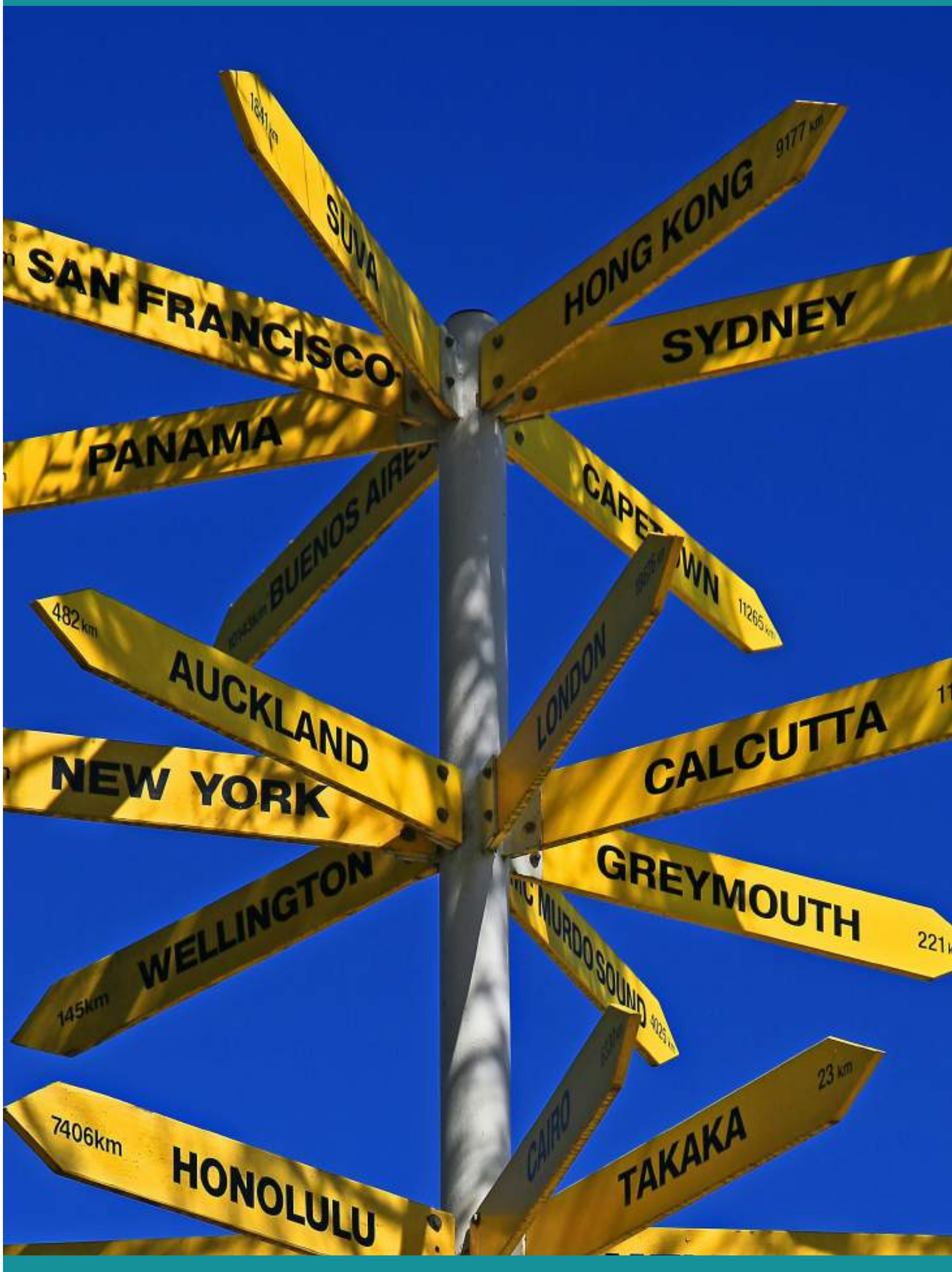
Land on a 'Plug and Play' basis

- To get around the issue of disputed over land acquisitions, India's Department for Promotion of Investment and Internal Trade (DPIIT) has set up a platform that provides information on 21,000 acres of land available for industries along the Delhi-Mumbai Industrial Corridor.
- The government now proposes to also include land available in private sector industrial parks on this platform. These lands are available in a plug-and-play condition and will ease issues faced by large investors from across the world.

Relationship managers to handhold foreign investors

To facilitate the inflow of FDI, especially from companies looking for alternatives to China, the government's investment facilitation agency, Invest India, will appoint specialist relationship managers to handhold investors from 'concept to cash flow'.

Annexure


SUVA
HONG KONG
SAN FRANCISCO
SYDNEY
PANAMA
BUENOS AIRES
AUCKLAND
LONDON
CALCUTTA
NEW YORK
GREYMOUTH
WELLINGTON
HONOLULU
CAIRO
TAKAKA

Manufacturing

Manufacturing, especially electronics has emerged as one of the high growth sectors in India.

The 'Make in India' program has been launched to place India on the world map as a manufacturing hub and give global recognition to the Indian economy.

INVESTMENTS/DEVELOPMENTS

With the help of Make in India drive, India is on the path of becoming the hub for hi-tech manufacturing as global giants such as GE, Siemens, HTC, Toshiba, and Boeing have either set up or are in process of setting up manufacturing plants in India, attracted by India's market of more than a billion consumers and increasing purchasing power.

Cumulative FDI in India's manufacturing sector reached US$89.15 billion during April 2000-December 2019. India has become one of the most attractive destinations for investments in the manufacturing sector.

GOVERNMENT INITIATIVE

The Government of India has taken several initiatives to promote a healthy environment for the growth of manufacturing sector in the country. Some of the notable initiatives and developments are:

- Modified Electronics Manufacturing Clusters (EMC2.0) Scheme for development of world class infrastructure along with common facilities and amenities through Electronics Manufacturing Clusters (EMCs).
- As per Ministry of Statistics and Programme Implementation's report on Payroll Reporting in India, number of new subscribers under Employees Provident Fund Scheme reached 7,50,441 in January 2020.
- 723 Pradhan Mantri Kaushal Kendras have been established till Jan 2020 and 73 lakh people have been trained during 2016-20.
- As of February 2020, there are 14,602 Industrial Training Institutes (ITI) present in India.
- In August 2019, the government permitted 100 per cent FDI in contract manufacturing through automatic route.
- Under Pradhan Mantri Kaushal Vikas Yojana (PMKVY) 1.0, 19.85 lakh candidates were trained, out of which 2.62 lakh (13.23 per cent) got placements. PMKVY 2.0 (2016-2020) which was launched in October 2016 and by June 2019 about 52.12 lakh candidates have received training and 12.60 lakh (24.18 per cent) have got jobs.

National Policy on Electronics, passed In February 2019, has envisaged creation of a USD 400 billion electronics manufacturing industry in the country by 2025. 32 per cent growth rate has been targeted globally in next five years.

- In September 2018, the Government of India exempted 35 machine parts from basic custom duty in order to boost mobile handset production in the country.
- Lower rate of 25 % Corporate Tax extended to companies with Annual Turnover up to Rs. 400 crore from earlier cap of upto Rs. 250 crore.
- Under the Mid-Term Review of Foreign Trade Policy (2015-20), the Government of India increased export incentives available to labour intensive MSME sectors by 2 per cent.
- The Government of India has launched a phased manufacturing programme (PMP) aimed at adding more smartphone components under the Make in India initiative thereby giving a push to the domestic manufacturing of mobile handsets.
- In May 2020, government increased FDI in Defence manufacturing under the automatic route from 49 per cent to 74 per cent.
- The Ministry of Defence, Government of India, approved the "Strategic Partnership" model which will enable private companies to tie up with foreign players for manufacturing submarines, fighter jets, helicopters and armoured vehicles.
- Government has identified Information Technology as one of the 12 champion service sectors for which an action plan is being developed.
- Also, the Government has set up a Rs. 5,000crore (USD 745.82 million) fund for realising the potential of these champion service sectors.
- Government has announced plans to launch a national programme on artificial intelligence and setting up of a National Artificial Intelligence portal.

IT AND BPM. (n.d.). from https://www.makeinindia.com/sector/it-and-bpm, IT & BPM. (n.d.). from https://www.investindia.gov.in/sector/it-bpm
India Brand Equity Foundation. (2020, May). Retrieved from https://www.ibef.org/download/IT-ITeS-May-2020.pdf

Financial Services

The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities.

The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector.

GOVERNMENT INITIATIVE

- The Government of India has taken several initiatives to promote a healthy environment for the growth. The Government of India has introduced several reforms to liberalise, regulate and enhance this industry.
- The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These include launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA).
- In 2017, a new portal named 'Udyami Mitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country.
- India has scored a perfect 10 in protecting shareholders' rights on the back of reforms implemented by Securities and Exchange Board of India (SEBI).
- Steps for merger of major public sector banks in order to reduce the number of public sector banks, which can help fulfill the vision of creating 3-4 global sized banks. Further, the merger could indeed help raise a large capital base for the Economy.
- In the year 2019, the RBI had cut its lending rates six times in a row, by splashing down repo rate and reverse repo rate. Both repo rate and reverse repo rate are essential tools used by RBI to regulate the liquidity and credit availability in the market. A lower repo rate by RBI is an attempt to spur credit growth in the Economy.
- Further, to bring in more liquidity and transparency in the market, in September 2019, RBI made it compulsory for banks to link the floating interest rates on loans to RBI's repo rate or to the other external benchmarks set by RBI.

Information Techonology ("IT") Sector

The IT-BPM industry in India accounts for 55% of the total global outsourcing market. In India, it accounts for more than 45% share, which is the largest, in total services export.

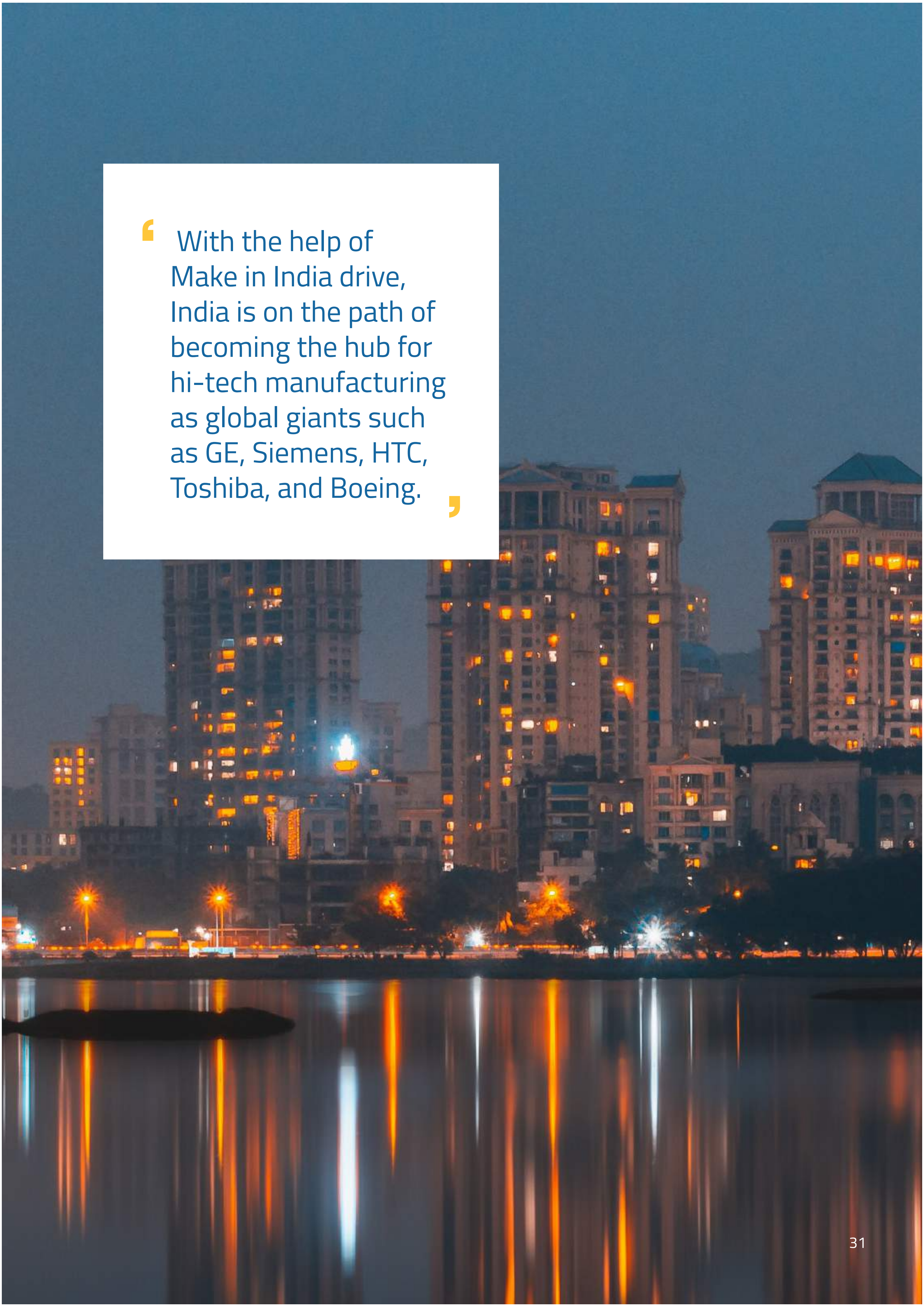
The IT-BPM industry in India constitutes ~ 7.9% of India's GDP. The industry is the largest private sector employer – employing around 4.14 million people.
Indian IT & BPM industry is expected to grow to USD 310 Billion by 2020.

India holds a largest market share in global services sourcing industry. It has become the second largest tech start-up hub of the world and also comprise of the second highest number of internet subscribers in the world.

GOVERNMENT INITIATIVE

- 100% FDI in data processing, software development and computer consultancy services; software supply services; business and management consultancy services, market research services, technical testing and analysis services, under automatic route.
- 100% FDI is permitted in B2B E-commerce.
  Government has formulated the National Policy on Software Products, 2019 under which a dedicated Software Product Development Fund (SPDF) with a corpus of USD 145.65 million will be created in the form of Fund of Funds.
- Software Technology Parks of India (STPI) has set up 57 centres across the country to provide single window clearance and infrastructure facilities
- The Software Technology Park Scheme provides for exemption from customs and excise duty, central sales tax reimbursement, corporate tax exemption and permissibility of sales in domestic as per prescribed limits.
- IT-SEZs have been initiated with an aim to create zones that lead to infrastructural development, exports and employment.
- As of February 2020, there were 421 approved SEZs across the country, and of these, 276 are from IT & ITeS and 145 are exporting SEZs.
- India BPO promotion scheme was approved under Digital India programme. It aims to create employment opportunities for the youth and promote investments in the IT&ITeS industry.

Brand India. (n.d.). from https://www.ibef.org/industry/fmcg.aspx
INSIGHT: India Aims to Attract Foreign Investors. (n.d.). from https://news.bloombergtax.com/daily-tax-report-international/insight-india-aims-to-attract-foreign-investors



> "With the help of Make in India drive, India is on the path of becoming the hub for hi-tech manufacturing as global giants such as GE, Siemens, HTC, Toshiba, and Boeing."

HUNT PARTNERS
LEADERSHIP EMERGENT INDIA

Hunt Partners

Hunt Partners is a leading Leadership advisory firm covering the Europe-India-Asia corridor with a well-diversified portfolio of services viz. Executive Search, Board Advisory, Interim Management & Leadership Development. Founded in 2003, Hunt Partners maintain principal offices in Mumbai, Delhi and Beijing; and exclusive affiliate relationships with specialist firms in Asia, Europe, UK and USA.

Hunt Partners is an owner-managed firm, combining in-depth local knowledge with global expertise. The firm has specific industry expertise or "practices" building an extensive network and knowledge base in these areas. The leadership team includes professionals who have collectively more than 100 years of corporate experience both in India and globally. They provide search and bespoke advisory solutions for a select group

With 17 years in business and operational reach in 80+ countries, Markelytics Solutions is a leading Market Research agency providing end-to-end research solutions. Established in 2003, the company is a part of market leader Cross-Marketing Inc. which is listed on the Tokyo Stock Exchange. Over the years, Markelytics has become synonymous with trust, transparency, and business transformation among its clients, covering Asia, Africa, the Middle East, America, and Europe.
More than 25+ research offerings provided by the company are categorized under three verticals, viz. Service Bureau, Digital Research & DIY Research
of global and regional clients. Hunt Partners is placed within the top-5 executive search & leadership development firms in India.

Hunt Partners, specializes in understanding the company's peculiar challenges in Leadership talent and empowering one to achieve big wins despite market complexities. The firm's relentless focus on the Indian talent economy over the last 15+ years has been equipped with a strong understanding of local markets and their underlying mechanics. Hunt Partners' people, culture, processes, and services together form a powerful framework that ensures superior results for their clients. The senior partners and team members not only excel in their field, but are also driven by empathy, and a genuine desire to help others succeed.

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SNG & Partners

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