Issue 23 • July 2014

INDIA BRIEFING

From Dezan Shira & Associates

Passage to India: Selling to India's Consumer Market

www.india-briefing.com

INDIA BRIEFING

Issue 23 • July 2014

Introduction

Dear Clients and Readers,

With its domestic consumer market now among the most rapidly growing in Asia, India's increasingly affluent middle class is only beginning to develop its tastes and preferences for Western goods and services. With a population of approximately 1.2 billion people—250 million of which can now be considered middle class—India is optimally placed to experience an explosion of consumer activity as the country's first majority government in three decades prepares to initiate a second wave of reforms to incentivize foreign investment and economic growth.

In this issue of India Briefing Magazine, we explore several key growth sectors and industries that enhance India's appeal to foreign companies seeking out new markets for their products and services. For overseas firms exploring the diverse range of options available for accessing and selling to the Indian market, we outline the fundamentals of India's import policies and procedures, as well as provide an introduction to the essentials of engaging in direct and indirect export, acquiring an Indian company, selling to the government, and establishing a local presence in the form of a liaison office, branch office, or wholly owned subsidiary. We conclude by taking a closer look at the strategic potential of joint ventures—once used almost exclusively by foreign companies operating in restricted sectors—and the advantages they can provide companies at all stages of market entry and expansion.

For foreign companies exploring options for selling and exporting to India, market research, strategic planning, and comprehensive due diligence should be a priority at every stage of market entry and operational expansion. As India consolidates its role as a retailing, manufacturing, and sourcing hub for foreign firms, we hope this issue of India Briefing Magazine will provide investors with a more complete understanding of how to best approach this rapidly growing market.

Best regards,

Gunjan Sinha
Country Manager
Dezan Shira & Associates, India

For Reference

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Passage to India: Selling to India's Consumer Market

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Evaluating the Market: Key Sectors

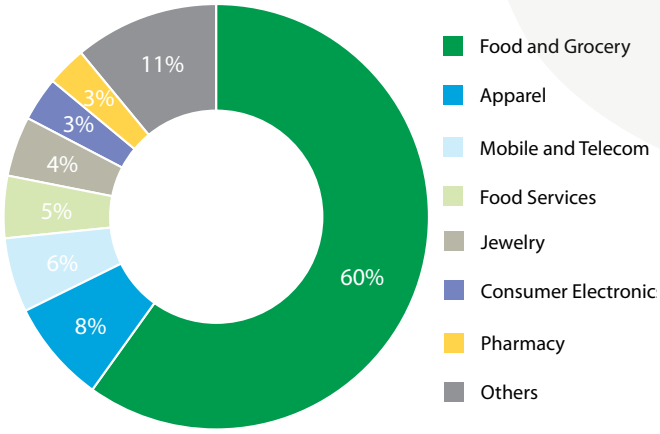
– Dezan Shira & Associates, Mumbai Office

Several key growth sectors and industries make India an increasingly appealing destination for foreign companies seeking out new markets for their products and services. While FDI caps and restrictions can impede direct access to some key business sectors in India, the incoming BJP-led government has hinted at possible changes to the country's FDI policy—most notably in multi-brand retail, e-commerce, railways, defense, and construction.

India's Retail Sector

For many foreign companies, the opportunity to capture a share of India's rapidly growing retail sector is the most compelling reason to explore options for exporting to and investing in the country. With more than a billion potential consumers, a growing middle class, steadily rising household income, and an organized retail market valued at more than US$30 billion, India's retail market is among the most underpenetrated and promising in Asia. According to some analyses, increasing income levels combined with moderating savings will cause India's consumer market to quadruple over the next two decades.

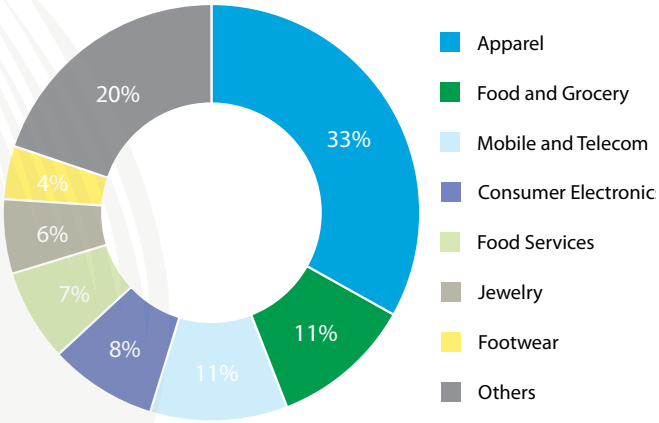
Total Retail Market



Between 2010 and 2012, India's retail industry grew at around 10 percent per year, and is expected to maintain a compound annual growth rate (CAGR) of close to 19 percent through 2015—ultimately reaching a total value of US$800 billion in 2016-17. Organized retail, which currently constitutes around 8 percent of the total retail market, is expected to grow significantly faster than traditional retail and account for 20 percent of the retail market by 2020.

Within India's retail market, food and grocery currently comprises the largest market segment at around 60 percent, followed by apparel, (8 percent), and mobile and telecom (6 percent). In organized retail, apparel dominates at 33 percent followed by food and grocery (11 percent), mobile and telecom (11 percent), and consumer electronics (8 percent).

Within Organized Retail *



* *India's organized retail sector accounts for 8% of India's total retail market.*

While raising FDI caps in single and multi-brand retail to 100 and 51 percent respectively and loosening investment restrictions have eased some barriers to market entry, reaching India's underpenetrated rural retail market remains the ultimate challenge (and prize) for many companies.

Underdeveloped infrastructure, an overall high cost-to-serve, and unreliable payment and delivery options continue to hinder access to rural consumers. However, this may change soon. Rapidly rising internet and smartphone penetration rates across India are driving the demand for easier access to organized retail in rural areas and better options for payment systems and delivery methods.

The **Retailers Association of India (RAI)** is the principal organization through which retailers in India communicate their concerns to the government, and the **India Retail Forum** and **IndiaRetailing.com** can serve as additional resources for companies exploring their potential in the sector.

Key Industries

Construction Equipment
6.4 US$ Billion
CAGR 24.1%
FY11-15

Agriculture
151.8 US$ Billion
CAGR 3.3%
FY07-12

Information & Communications Technology (ICT)
108 US$ Billion
CAGR 13.1%
FY08-13

Information and Communications Technology (ICT) is among the fastest growing sectors in India and was a top performing sector last year. By most estimates, India's ICT sector is projected to reach US$200 billion by 2020. Demand in the ICT sector is greatest for IT services (US$56 billion), business processing management (US$21 billion), and software products and engineering services (US$17.9 billion). Currently, FDI in India's telecommunications services sector is capped at 74 percent with government approval and 49 percent without.

Automobiles
72 US$ Billion
CAGR 13%
FY05-13

Consumer Durables
7.3 US$ Billion
CAGR 14.8%
FY03-12

Telecommunications
64.1 US$ Billion
CAGR 10.4%
FY06-13

Pharmaceuticals
18 US$ Billion
CAGR 13%
FY09-13

Medical Devices & Healthcare
78.6 US$ Billion
CAGR 15.1%
FY11-17, projected

Biotechnology
4.3 US$ Billion
CAGR 22.2%
FY06-13

With nearly 75 percent of Indian medical devices imported from overseas, India's market for medical devices ranks among the largest in the world and is expected to grow 16 percent this year. Medical devices imported and marketed in India must meet India's device classification standards and are usually subject to a 10 percent import duty.

India's market for pharmaceuticals has grown around 15 percent annually for the past five years—a trend that is projected to continue through 2020. While low-priced, domestically produced products currently control a 60 to 70 percent market share, the US$18 billion industry is experiencing a growing demand for high-quality, internationally produced products.

CAGR = Compound Annual Growth Rate

Reaching the Indian Market

– Dezan Shira & Associates, Delhi Office

Determining the best route for market entry or expansion into India requires careful consideration of a wide variety of factors, including the intended scope of investment, nature of business activities, tax implications, and legal liability. Foreign companies should carefully weigh the advantages and drawbacks of each route to market, which can range from direct and indirect export to establishing a local business presence or acquiring an existing company in India.

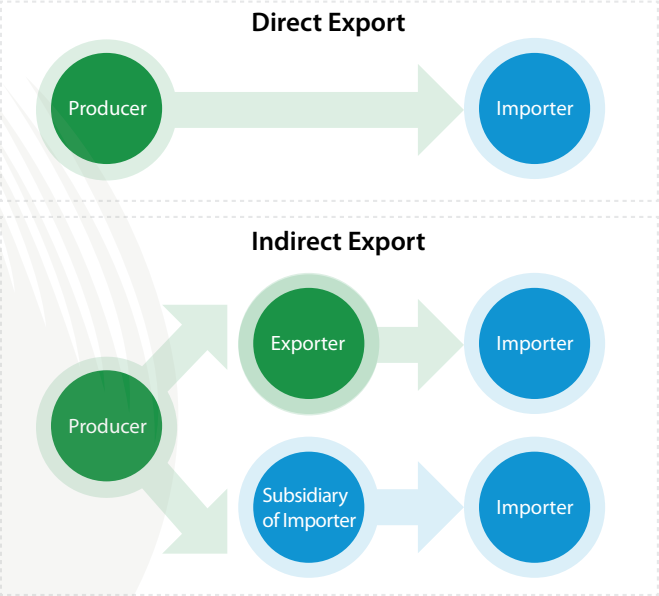
While many foreign companies choose to rely on direct export and third-party distributors to sell their products and services, establishing a local business presence is oftentimes a prerequisite to long-term profitability and success.

Direct and Indirect Export

Exporting to India entails little risk to the producer and involves either selling directly to an importer or distributor in India (direct export) or selling to a local third-party distributor that purchases goods and resells them to an Indian importer (indirect export). While direct and indirect export can allow companies to avoid some of the challenges and risks associated with navigating international shipping and billing, clearing customs, and complying with national and Indian export/import procedures, there are some significant shortcomings associated with this market entry option. When crafting a relationship with third-party distributors in India, due diligence reports on potential partners should include the following information:

- Company and personnel information, especially that related to directors and shareholders
- Corporate structure
- Financial information and status
- Whether or not the potential agent handles similar product lines, possibly resulting in a conflict of interest
- Whether the agent has adequate transportation and storage facilities
- Licenses, permits, approvals, and specific statutory compliance
- Any previous court orders or litigation issues against the distributor in question
- Proof of insurance
- References from previous clients and partners

One of the most significant drawbacks to serving the Indian market strictly through export is that companies have little to no control over how their product and brand is marketed to Indian consumers—ultimately precluding companies from building a brand with a strong, lasting reputation. Similarly, serving the Indian market from afar prevents businesses from acquiring a thorough understanding of the Indian market and anticipating changes in consumer demands and tastes. As India's consumer culture continues to develop, success in the Indian market will increasingly be determined by whether or not a company can be sensitive to changing consumer preferences and provide buyers with local after-sales service and support.



Establishing a Local Presence

While establishing a local business presence in India entails more financial and legal risk than direct or indirect export, a local presence provides foreign companies with more direct control over operations, finances, and ultimately how a product or brand is showcased and marketed to consumers. Depending upon a foreign company's size and desired level of commitment, options for market entry can range from the establishment of a liaison office to the creation of a wholly foreign-owned subsidiary.

Liaison Offices

Establishing a liaison office is typically the first exploratory step foreign companies take towards selling to the Indian market. Liaison offices are permitted to facilitate and promote the parent company's business activities and act as a communications channel between the foreign parent company and Indian companies and consumers. While unable to engage in commercial, trading, or industrial activities, liaison offices can promote imports/exports and establish market opportunities for the parent company.

A liaison office can be an especially effective option when coupled with either direct or indirect export activities. The **Foreign Exchange Management Act (FEMA)** governs the application and approval process for the establishment of a liaison or branch office. Under the Act, foreign enterprises must receive specific approval from the Reserve Bank of India (RBI) to operate a liaison office in the country. Applications are to be submitted through Form FNC (Application for Establishment of Branch/Liaison Office in India).

The approval process generally takes 20 to 24 weeks and permission to operate a liaison office is granted for a three-year period, which can be extended at a later date. An enterprise must also meet the following conditions before qualifying for the establishment of a liaison office:

- Must have a three-year record of profitable operations in the home country
- Must have a minimum net worth of US$50,000 verified by the most recent audited balance sheet or account statement

If a company does not meet these requirements, but is a subsidiary of a company that does, the parent company may submit a Letter of Comfort on the subsidiary's behalf. A company must submit a Certificate of Incorporation or Memorandum & Articles of Association, and a copy of the parent company's latest audited balance sheet. The liaison office must also obtain a Permanent Account Number (PAN) from the Income Tax Authorities. Within 30 days of establishment, the liaison office must register with the Registrar of Companies (RoC) by filing Form 44 through the **Ministry of Corporate Affair's online portal**. The following documents must also be provided:

- A copy of the liaison office charter or Memorandum & Articles of Association in English
- Full address of the enterprise's principal place of operation outside of India
- Name and address of the liaison office in India
- List of directors
- Name and address of the company's official representative based in India

Each year, the liaison office must file an Annual Activity Certificate (AAC), prepared by a chartered accountant, to the RBI verifying the office's activities are within its charter. An AAC should also be filed with the Directorate General of Income Tax within 60 days of the close of the financial year.

Branch Offices

While branch offices require a more substantial financial commitment than liaison offices, they enable foreign companies to carry out business activities in India substantially the same as those carried out in the country of origin. Although branch offices are permitted to engage in the export and import of goods, render professional or consultancy services, carry out research, and represent the parent company as a buying and selling agent, they are not permitted to engage in independent manufacturing activities. Rather, manufacturing activities managed by branch offices must be subcontracted to Indian manufacturers with the exception of branch offices operating in special economic zones (SEZs).

The Foreign Exchange Management Act (FEMA), governs the application and approval process for the establishment of a branch office, requires that companies receive approval from the RBI to establish a branch office. Permission to operate a branch office is granted for a three-year period, which can be extended at a later date. An enterprise must also meet the following conditions before qualifying for the establishment of a branch office:

- Must have a five-year record of profitable operations in the home country
- Must have a minimum net worth of US$100,000 verified by the most recent audited balance sheet or account statement

If a company does not meet these requirements, but is a subsidiary of a company that does, the parent company may also submit a Letter of Comfort on the subsidiary's behalf during the application process. The **process for establishing a branch office is identical to that required for a liaison office**, and the same documents, including Form FNC, the Certificate of Incorporation or Memorandum & Articles of Association, and an audited balance sheet, must be submitted. A PAN must also be acquired, and the office must register with the Registrar of Companies through the Ministry of Corporate Affair's online portal.

Each year, the branch office must also file an AAC, prepared by a chartered accountant, to the RBI verifying the office's activities were within its charter. An AAC should also be filed with the Directorate General of Income Tax within 60 days from the end of the financial year. All profits earned by the branch office may be remitted from India and will be subject to payment of all applicable taxes.

Wholly Owned Subsidiaries

Foreign companies and investors can establish wholly foreign-owned subsidiary (WOS) companies in the form of private limited companies if they operate in sectors that permit 100 percent FDI. Establishing a private limited company can be a lengthy and complicated process, however, involving multiple steps.

First, a minimum of two directors must be appointed and registered for **Director Identification Numbers (DIN)** through India's e-filing system. Minimum requirements for the establishment of a private limited company include the existence of two directors, two shareholders (who may also be directors), and a minimum share capital of INR 100,000 (US$1,700).

Second, a suitable name that indicates the main objectives of the company must be selected and submitted to the RoC along with a brief description of the business's proposed functions to verify both the name's appropriateness and availability. Upon successful name registration, the applicant company has 60 days to file its Memorandum of Association (MOA) and Articles of Association (AOA) and proceed with formal incorporation filings. Both the MOA and AOA must be stamped with the appropriate duty after the necessary RoC fees and stamp duty have been paid, and both forms must be signed by at least two subscribers with a witness.

Within this 10-day time window, the following documents must also be filed with the **Ministry of Corporate Affairs web portal** along with the requisite filing fees:

- **Form 1 -** Application for incorporation along with the MOA and AOA
- **Form 18 -** Notice of situation for the registered office (proof of address, etc.)
- **Form 32 -** Details of the company's board of directors

Upon successful submission of the above documents, the RoC will issue a Certificate of Incorporation and a Corporate Identification Number (Corporate Identity). The process generally takes 7 to 8 weeks to complete, and private limited companies are permitted to commence business immediately following their successful incorporation.

Depending upon the industry, restrictions on FDI in single and multi-brand retail trading can limit a foreign company's ownership of an Indian subsidiary. Specifically, India's FDI cap on multi-brand retail currently sits at 51 percent (with prior approval from the Foreign Investment Promotion Board, or FIPB) and at least 50 percent of the first US$100 million invested in a multi-brand retail WOS must be in back-end infrastructure.

Similarly, FDI limits on e-commerce permit 100 percent FDI in business-to-business (B2B) e-commerce but FDI in business-to-consumer (B2C) e-commerce remains prohibited by the country's FDI cap on multi-brand retail more generally. While a loosening of FDI restrictions is reportedly being considered by the new BJP-led Indian government, navigating India's FDI caps and restrictions remains a substantial challenge for many companies seeking to reach the Indian market through a subsidiary company.

Acquisitions

There are a number of advantages to taking the 'third route' and acquiring a local company in India. Among these, reduced supply chain and establishment costs, rapid sales network expansion, and the accelerated acquisition of a market position in India are among the most appealing to many foreign companies and investors.

The Indian Companies Act, 1956 governs the acquisition of Indian companies, and approval of the High Court is required to commence the acquisition process. Acquisition proposals must be sanctioned by three fourths of the shareholders or creditors present at the General Board Meeting of the company to be acquired. The requisite regulatory approvals for an acquisition may also vary depending upon the industry and whether or not caps and restrictions on FDI exist. Companies considering the acquisition of an existing Indian company are strongly recommended to seek out professional advice and conduct thorough due diligence before moving ahead with the acquisition process.

Selling to the Government

Foreign companies are permitted to bid on India's public procurement system despite priority oftentimes being granted to Indian companies. Accounting for approximately 30 percent of the country's GDP (around US$60 billion), India's defense, railway, and telecom sectors devote nearly 50 percent of their budgets to procurement each year. Recently, information technology infrastructure related to e-governance, e-commerce, and e-banking have been especially popular areas for procurement.

Public procurement in India is largely decentralized, and the **Ministry of Finance's** (MoF) **Procurement Policy Division** and **General Financial Rules outline** the principles and procedures for goods and services procurement. India's **Central Public Procurement Portal** facilitates the publication of tender enquiries, corrigendum, and award of contract details for the central government. Similarly, the **Indian Government Tenders Information System** is the main source for central and state government procurement and tender notifications. Government departments and ministries submit tenders on the **RBI's tender viewing platform**. Foreign companies should be aware that public sector purchases and contracts in India that exceed a certain value must be publicly disclosed.

Key Considerations: Market Research

Before entering the Indian market, foreign companies should engage in thorough market research and formulate flexible short- and long-term plans for market entry and expansion. Understanding the needs of India's diverse local and regional consumers and ensuring that a measurable demand for a product or service exists are only two of several considerations that should be taken into account before engaging a distributor or establishing a local business presence. India's size, cultural and linguistic diversity, and variations in import laws and regulations between states, can make tailoring and selling goods to the Indian market especially challenging. Companies and investors should consult with a professional services firm and national trade and development agencies before making a final decision about when, how, and whether to enter the Indian market.

Import Policy: Procedures and Duties

– Dezan Shira & Associates, Delhi Office

In India, the import and export of goods is governed by the Foreign Trade (Development & Regulation) Act, 1992 and India's Export Import (EXIM) Policy. India's **Directorate General of Foreign Trade (DGFT)** is the principal governing body responsible for all matters related to EXIM Policy, and new guidelines on Foreign Trade Policy (FTP) are expected to be released soon to replace **previous FTP guidelines** that expired in March 2014.

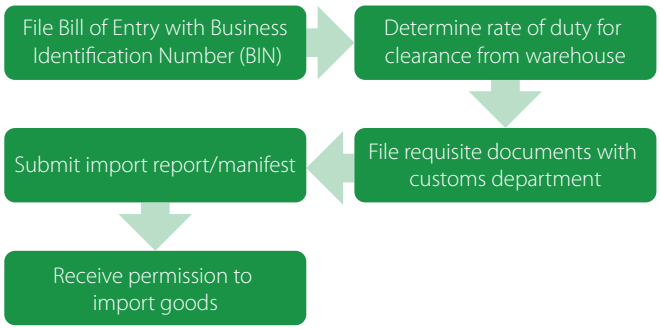
Importers are required to register with the DGFT to obtain an Importer Exporter Code Number (IEC), issued against their Permanent Account Number (PAN), before engaging in EXIM activities. After an IEC has been obtained, the source of items for import must be identified and declared. The Indian Trade Classification – Harmonized System (ITC-HS) allows for the free import of most goods without a special import license. Certain goods that fall under the following categories require special permission or licensing, however:

1. **Licensed (Restricted) Items:** Licensed items can only be imported after obtaining an import license from the DGFT. These include some consumer goods such as precious and semi-precious stones, products related to safety and security, seeds, plants, animals, insecticides, pharmaceuticals and chemicals, and some electronic items.

2. **Canalized Items:** Canalized items can only be imported via specified transportation channels and methods or through government agencies such as the State Trading Corporation (STC). These include petroleum products, bulk agricultural products such as grains and vegetable oils, and some pharmaceutical products.

3. **Prohibited Items:** These goods are strictly prohibited from import and include tallow fat, animal rennet, wild animals, and unprocessed ivory.

Import Procedures



Import Procedures

All importers must follow detailed customs clearance formalities when importing goods into India. A comprehensive overview of EXIM procedures can be found on the **Indian Directorate of General Valuation's website**.

Bill of Entry

Every importer is required to begin by submitting a Bill of Entry under Section 46. This document certifies the description and value of goods entering the country. The Bill of Entry should be submitted as follows:

1. The original and duplicate for customs
2. A copy for the bank
3. A copy for the importer
4. A copy for making remittances

Under the **Electronic Data Interchange (EDI)**, no formal Bill of Entry is required (as it is recorded electronically) but the importer is required to file a cargo declaration after prescribing particulars required for the processing of the entry for customs clearance. Bills of Entry can be one of three types:

A. **Bill of Entry for Home Consumption:** This form is used when the imported goods are to be cleared on payment of full duty. Home consumption means use within India. It is white colored and hence often called the 'white bill of entry'.

B. **Bill of Entry for Housing:** If the imported goods are not required immediately, importers may store the goods in a warehouse without the payment of duty under a bond and then clear them from the warehouse when required on payment of duty. This will enable the deferment of payment of the customs duty until goods are actually required. This Bill of Entry is printed on yellow paper and is thus often called the 'yellow bill of entry'. It is also called the 'into bond bill of entry' as the bond is executed for the transfer of goods in a warehouse without paying duty.

C. **Bill of Entry for Ex-Bond Clearance:** The third type is for ex-bond clearance. This is used for clearance from the warehouse on payment of duty and is printed on green paper.

It is important to note that the rate of duty applicable is as it exists on the date a good is removed from a warehouse. Therefore, if the rate changes after goods have been cleared from a customs port, the customs duty as assessed on a yellow bill of entry (Bill of Entry for Housing) and paid on the value listed on the green bill of entry (Bill of Entry for Ex-Bond Clearance) will not be the same.

Other Non-EDI Documents

If a Bill of Entry is filed without using the Electronic Data Interchange system, the following documents are also generally required:

- Signed invoice
- Packing list
- Bill of Lading or delivery order/air waybill
- GATT declaration form
- Importer/CHA declaration
- Import license wherever necessary
- Letter of credit/bank draft
- Insurance document
- Industrial license, if required
- Test report, in case of chemicals
- Adhoc exemption order
- DEEC Book/DEPB in original, where applicable
- Catalogue, technical write up, literature in case of machineries, spares or chemicals as may be applicable
- Separately split up value of spares, components, and machinery
- Certificate of Origin, if preferential rate of duty is claimed

Import Duties

The Indian government levies several types of import duties on goods. These include:

Basic Customs Duty

Basic Customs Duty (BCD) is the standard tax rate applied to goods or the standard preferential rate in the case of goods imported from specified countries. The rates of customs duties are outlined in the First and Second Schedules of the **Customs Tariff Act, 1975**. The First Schedule specifies rates of import duty, and the Second specifies rates of export duty. BCD is divided into standard and preferential rates, with goods imported from countries holding trade agreements with the Indian central government eligible for lower preferential rates.

Additional Customs Duty (Countervailing Duty)

Countervailing Duty (CVD) is equal to central excise duty and is levied on imported articles produced in India. With CVD, the process of production amounts to 'manufacture' as it is defined in the **Central Excise Act, 1944**. CVD is based on the aggregate value of goods including landing charges and BCD.

An additional CVD may be levied equivalent to sales tax or VAT, not exceeding four percent. This duty can be refunded if the importer pays all customs duties, the sales invoice indicates that the credit is not allowed, and the importer pays VAT/sales tax on the sale of the good.

Other CVDs may be imposed on specific imported goods to neutralize the effect of a subsidy in the country of origin. A notification issued by the central government on these specified goods is valid for five years and potentially subject to further extension not exceeding ten years. Subsidies related to research activities, assistance to disadvantaged regions in the destination country, and assistance in adapting existing facilities to new environmental requirements are exempt.

Anti-Dumping Duty

The central government may impose an anti-dumping duty if it determines a good is being imported at below fair market price, and an importer will be notified if this is the case. The duty cannot exceed the difference between the export and normal price (margin of dumping). This does not apply to goods imported by 100 percent Export Oriented Units (EOU) and units in Free Trade Zones (FTZs) and Special Economic Zones (SEZs). If an importer is notified by the central government that an anti-dumping duty is to be imposed, the notification will remain valid for five years with the possibility of being extended to 10 years.

Safeguard Duty

Unlike anti-dumping duty, the imposition of safeguard duty does not require the central government to determine a good is being imported at below fair market price. A safeguard duty is imposed if the government decides that a sudden increase in exports is causing, or threatens to cause, serious damage to a domestic industry.
A notification regarding the imposition of a safeguard duty is valid for four years with the possibility of being extended to 10 years.

Protective Duty

A protective duty is sometimes imposed to protect domestic industry from imports. If the Tariff Commission issues a recommendation for the imposition of a protective duty, the central government may choose to impose this at a rate that does not exceed that recommended by the Tariff Commission. The central government can specify the period for which the protective duty will remain in force, reduce or extend the period, and adjust the effective rate.

Education Cess

Education Cess (a tax designed to fund education and healthcare initiatives) is levied at two percent and Higher Education Cess at one percent of the aggregate of customs duties. This does not include Safeguard Duty, Countervailing Duty on subsidized articles, or Anti-Dumping Duty, however.

Expert Commentary: Joint Ventures

Chris Devonshire-Ellis
Founding Partner
Managing Partner, India Offices

While many foreign companies choose to access the Indian market through direct and indirect export rather than by establishing a local business presence, developing a joint venture (JV) with an Indian partner can sometimes be both the most strategic and affordable option for market entry. Although entering into a JV with a domestic partner is required for foreign companies seeking to operate in sectors that do not permit 100 percent FDI, a growing number of JVs with Indian firms are being established for strategic market advantage rather than legal necessity.

Entering into a JV with a local partner can provide Western firms with enhanced credibility, and local contacts, market experience, and can also facilitate the navigation of India's complex regulatory framework throughout the market entry process. For foreign companies with an existing presence in the Indian market, JVs can expedite penetration into new geographic areas and enable product line expansion and diversification. JVs also provide advantages in risk management by diluting legal and financial liability between two or more partners, which can be beneficial at every stage of market entry and operational involvement.

In India, JVs can be incorporated as either private or public limited companies, and the precise type of JV may vary depending upon the number and origin of participants, duration and scope of the venture, and degree of participation. Two of the most popular joint venture options in India today are licensing and franchising JVs.

Licensing JVs are common among Western companies and entail granting a domestic company the rights to produce and market a product in India under the foreign company's brand name. In exchange for these rights, the foreign company typically receives a licensing fee and product and brand exposure in the Indian market at minimal cost and risk. However, the nature of licensing JVs can limit control over the marketing and image of a product in the Indian market and can sometimes lead to Indian partners becoming future competitors after a venture concludes and the foreign company decides to directly sell its own product in the country.

Franchising JVs entail granting Indian partners (franchisees) access to a company's brand name, marketing materials, and business plan. In exchange for becoming a franchise of the foreign company (a franchisor), the partner will usually provide a percentage of turnover on a monthly or annual basis. Franchising JVs enable rapid market entry and also entail relatively low costs and level of risk for the overseas company. Some drawbacks include the need to build in contractual mechanisms for coordinating and controlling the activities of franchisees in addition to limited control over business image and reputation.

Entering or initiating a JV should always be carefully planned and undertaken with the advice and oversight of a professional services firm. As with all options for market entry and expansion in India, due diligence, a strategic vision, and meticulous planning are critical prerequisites to success.

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