RELOCATING SUPPLY CHAINS TO INDIA: NAVIGATING THE INDIAN LANDSCAPE

1. INTRODUCTION

With the dynamic and ever-evolving landscape of global markets in the post-pandemic world, global players are looking for new destinations to relocate their supply chains and manufacturing hubs. Many Asian countries have emerged as top contenders for the spot of the alternate 'factory of the world', but markets seem inclined towards eliminating such concentration and creating 'factories' instead. While countries like Vietnam, with a single ruling communist party, and Malaysia and Thailand with constitutional monarchies present themselves as worthy options with higher predictability on policy decisions for businesses, India remains one of the favourite picks for a wide variety of reasons. The past few decades have witnessed a huge boom in multinationals housing manufacturing and supply chains outside their jurisdictions for a wide variety of goods, including consumer electronics, rare earth metals, semiconductors, energy products, batteries, textiles, apparel, automotive, machinery, equipment, steel and metal products.

With a vast population of more than 1.3 billion and an unparalleled labour force with technical abilities, India boasts of a large consumer base for many such products. Coupled with a favourable geopolitical, economic and regulatory environment for foreign investments, further bolstered by sector-specific policies and subsidies, India presents a favourable environment for doing business. Each business is different and has unique needs for undertaking its manufacturing activities and India fares well in its ability to meet most of such needs. Apart from the large consumer base and cost-efficient labour, its strategic geographic location on the world map paves the way for its geopolitical influence on global matters. India has existing expertise in large manufacturing sectors including pharmaceuticals, steel, automotive, textiles, IT-ITES for all segments, IT hardware, gems and jewellery, large and growing energy sector. It also has the largest English-speaking population outside the United States of America ("**USA**"), unexplored territories with cheaper real estate, the largest coastlines amongst the contender nations with mega ports, strong road, and rail infrastructure, along with vast natural resources for both renewable and non-renewable energy to power the manufacturing facilities.

While each facet listed above makes India the destination of choice for foreign entities looking to set up business operations in India, understanding the Indian legal system's hybrid nature and variations across states is essential. With careful planning, the right advisors, strategic partnerships, and a keen understanding of the Indian market, businesses can leverage India's potential as a key player in their global supply chain network.

This article aims to highlight certain key legal considerations a foreign entity, looking to shift its supply chain to India, must assess at the relevant checkpoints and stages of setting up a business in India.

2. THE INDIAN LEGAL SYSTEM

The Indian legal system can best be described as a '*hybrid*', incorporating elements of civil law, common law, customary law and international law[1], which range from the Constitution of India, 1950 ("**Constitution**"), various statutes promulgated by the central and state legislatures, municipal laws,

[1] Legal Systems in India: Overview, available at https://uk.practicallaw.thomsonreuters.com/w-017-5278?transitionType=Default&contextData=(sc.Default).

judicial precedents and international sources of law, including customary principles. For instance, while an agreement between two parties in India will be interpreted in accordance with the law governing the agreement, the Indian Contract Act, 1872 which is based on English common law principles, will continue to apply to all contracts uniformly.

The Constitution also lays down the framework for the division of legislative powers between the centre and the states. The 'union (central)' list comprises of subjects, such as defence, railways, incorporation, regulation and winding up of companies, on which only the central legislature is empowered to legislate. The 'state list' on the other hand consists of subjects such as trade and commerce within the state, production, supply and distribution of goods, on which only the relevant state legislature has the power to legislate. Given the nature and availability of resources within the state's territory, its geographical location and the demographics of its population, the laws formulated by the state legislatures also vary from state to state. The Constitution also provides for a third list, i.e., the 'concurrent list' with subjects such as contracts, bankruptcy and insolvency, social security and social insurance and welfare of labour, on which both the central and the state legislature can legislate. In the event of any conflict between the centre and the state with respect to matters listed in the concurrent list, the central law shall prevail.

3. MODES OF ENTRY

Among the various channels available to foreign entities looking to enter the Indian market, the most prominent ones are setting up of either: (i) a liaison office; (ii) a branch office; (iii) a project office; (iv) a limited liability partnership ("**LLP**"); (v) a wholly owned subsidiary ("**WOS**"); or (vi) a joint venture.

The foreign exchange laws of India ("**Forex Regulations**")[2] stipulate that a person resident outside India, looking to establish a liaison, branch, or project office within India will require the approval of an authorized dealer bank ("**AD Bank**"), (i.e., state banks, commercial banks, cooperative or urban co-operative banks, authorized by the Reserve Bank of India which is the central bank of India ("**RBI**")). Such approval shall be provided by the AD Bank in accordance with the guidelines issued by the RBI.[3] The prior approval of RBI is required in certain instances when the principal business of the applicant falls under one of the four sectors namely defence, telecom, private security and information and broadcasting.[4]

Approval of RBI is not necessary if a government specific approval or permission by the concerned ministry/regulator of the sector has already been granted.[5] General permission is also available to non-resident entities looking to establish: (i) project offices in India if they have secured a contract from an Indian company to execute a project in India and such project has received necessary regulatory clearances and is funded by inward remittance or by a bilateral or a multilateral international financing agency such as the World Bank or International Monetary Fund; or (ii) branch offices in a Special Economic Zone ("**SEZ**") to undertake manufacturing and service activities, subject to the branch office: (a) functioning in a sector where 100% (one hundred percent) foreign direct investment ("**FDI**") is permitted; (b) complying with the requirements of the Companies Act, 2013 ("**Act**"), as applicable to companies incorporated outside India. These requirements include delivering a copy of various documents including its charter documents, list of directors, a declaration that none of the directors or authorized representatives have been convicted

[2] In this case the applicable Forex Regulations shall mean the Foreign Exchange Management (Establishment in India of a branch office or a liaison office or a project office or any other place of business) Regulations, 2016 and the Master Direction - Establishment of Branch Office (BO)/ Liaison Office (LO)/ Project Office (PO) or any other place of business in India by foreign entities.
[3] *Ibid.*
[4] *Ibid.*
[5] *Ibid.*

or debarred from the formation or management of companies in India or abroad[6]; and (c) functioning on a stand-alone basis, with no business activity being permitted outside the SEZ in India, which shall include branches/subsidiaries of its parent office in India.[7]

Additionally, the Forex Regulations provide that a branch or liaison office can only undertake certain activities, which range from export/import of goods to rendering technical support to the products supplied by parent/group companies (for branch offices) and representing the parent/group company in India to acting as a communication channel between the parent company and Indian companies (for liaison offices), to name a few, but does not include manufacturing.[8] Accordingly, the prior approval of RBI shall be necessary to undertake or carry on any other activity other than those listed above, including to undertake manufacturing.[9] Thus, establishing a liaison, branch or project office poses certain notable challenges as modes of entry for foreign entities looking to re-locate their supply chains to India. A favourable mode of entry would be the establishment of a WOS, LLP, or joint venture in India, given that they are set up as independent legal entities having perpetual existence, and hence can accord greater flexibility.

4. MANUFACTURING UNDER THE FDI FRAMEWORK

Foreign entities must assess the requirements prescribed under the Foreign Exchange Management Act, 1999, the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 and the Consolidated FDI Policy, 2020 (collectively, the "**FDI Framework**"), which detail the various investment routes and the applicable sectoral caps. Under the FDI Framework, foreign investments may be made under 2 (two) categories, i.e., the 'automatic route' (not requiring governmental approval) or the 'approval route' (requiring the approval of the relevant government department prior to the investment). Which of the routes apply and the antecedent conditions that need to be complied with will vary depending on the nature of the sector.

Generally, the FDI Framework permits foreign investment in the 'manufacturing' sector under the automatic route. However, there are certain sectors in which, manufacturing is completely prohibited or is under the approval route beyond a certain threshold. For instance, FDI is completely prohibited in the manufacturing of cigars, cheroots, cigarillos, and cigarettes of tobacco or of tobacco substitutes, and sectors such as atomic energy and railway operations.[10] In the defence sector, the government has liberalized and allowed FDI under the automatic route up to 74% (seventy-four percent) and up to 100% (one hundred percent) through government route wherever it is likely to result in access to modern technology.[11] Further, in the pharmaceutical sector, investments have been categorized into 'brownfield' and 'greenfield' investments. FDI up to 100% (one hundred percent) is permitted under the automatic route in the case of greenfield investments and FDI up to 74% (seventy-four percent) is permitted under the automatic route for brownfield investments, with FDI up to 100% (one hundred percent) being permitted under the approval route.[12] While the terms 'greenfield' and 'brownfield' have not been defined under the FDI Framework, greenfield investments typically pertain to building a new venture from the ground-up, whereas brownfield investments pertain to investing in already existing pharmaceutical manufacturing

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[6] Section 380, Companies Act, 2013.
[7] *Supra* n. 2.
[8] *Supra* n. 2.
[9] *Supra* n. 2.
[10] Rule 6(a) read with Schedule I of the Foreign Exchange Management (Non-Debts Instruments) Rules, 2019; Para 5.1 (Prohibited Sectors) of the Consolidated Foreign Direct Investment Policy, 2020 available at https://dpiit.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020_0.pdf.
[11] *Ibid.*
[12] *Ibid.*

units in India.

Manufacturing activities may be either self-manufacturing by the investee entity or contract manufacturing, through a legally tenable contract, whether on a principal-to-principal or principal-to-agent basis, provided the manufacturing is in India. Further, a manufacturer is permitted to sell its products manufactured in India through wholesale and/or retail, including through e-commerce, without following the government route. Thus, the FDI Framework has been welcoming investments in the manufacturing space, thereby allowing foreign entities to seamlessly relocate their supply chains to India.

A joint venture can be another preferred mode of entry for relocating supply chains to India, specifically when the foreign entity is interested in building a strategic coalition with a resident entity to gain access to resources, technology and expertise. Where 100% (one hundred percent) FDI is permitted under the FDI Framework, a WOS may be preferred as a more favourable mode of entry. The FDI Framework also permits FDI in LLPs, subject to certain conditions. An entity incorporated outside India can contribute to the capital of an LLP operating only in sectors or activities where foreign investment up to 100% (one hundred percent) is permitted under the automatic route, and where there are no FDI-linked performance conditions.[13] FDI in LLPs is not permitted in case of investments requiring government approval.

5. SETTING UP IN INDIA AND RELATED COMPLIANCES

Once the foreign entity assesses its compliance with the FDI Framework, it must initiate the process of establishing an independent legal entity (either as a WOS, LLP or joint venture). While both private limited companies and LLPs operate as separate legal entities with limited liability, a private limited company remains a globally recognized form, amongst the other alternatives. Further, a private limited company offers greater ease and flexibility to raise funds (specifically foreign funds, across a range of sectors), as compared to LLPs. While LLPs can raise FDI, they are subject to the restrictions outlined in Section 4 above. However, there are fewer statutory compliances in case of an LLP and thereby accords greater managerial flexibility since its internal affairs are governed through an internal arrangement between the partners. In the case of a company, withdrawal of profits is in the form of dividends and is subject to additional tax liability through the 'dividend distribution tax', whereas profits of an LLP can be easily withdrawn by its partners as no such taxes are payable.[14] Lastly, while LLPs are subject to income tax at the rate of 30% (thirty percent), excluding surcharge, in case of companies, the rate of income tax can vary and is generally, charged at a lower interest rate. Given that taxes payable for a chosen form of entity will be a key consideration for setting up business in India by a foreign entity, necessary in-depth tax analysis, in consultation with tax advisors, would be required to assess the form that best suits the establishment of manufacturing operations by such foreign entity.

As per Indian law, a private limited company is required to adopt charter documents (in the form of articles and memorandum of association), have at least 2 (two) directors[15] (with at least 1 (one) director being resident in India),[16] and have at least 2 (two) shareholders, thereby requiring a WOS to ensure that at least 1 (one) share is held by a nominee shareholder (on behalf of the parent entity). Similarly, an LLP is required to have at least 2 (two) designated partners, who are individuals and at least one of them must be resident in India.[17] The incorporation process further requires applying and procuring a Permanent Account Number (PAN), Director Identity Number (DIN), Tax Collection Account Number (TAN), Goods and Services Tax (GST) registration, and opening a bank account. Furthermore, post-setting up, various

[13] Schedule VI, Foreign Exchange Management (Non-Debts Instruments) Rules, 2019.
[14] Section 10(2A), Income Tax Act, 1961.
[15] Section 149 (1)(a), Companies Act, 2013.
[16] Section 149(3), Companies Act, 2013.
[17] Section 7, Limited Liability Partnership Act, 2008.

secretarial, employment and FDI-related compliances will need to be undertaken, as outlined in Section 9 below. Given the above pre-requisite considerations for setting shop in India and certain important post setting-up compliances that one needs to undertake, it is recommended that foreign entities seeking to enter the Indian market plan ahead. While the ideal time to start planning your strategy for an investment into India may, at best be a guesstimate, it is advisable to initiate entry strategy discussions at least 2 (two) months prior to the intended date of commencement of business.

Another crucial step in the process of setting up a company or LLP, especially when dealing with overseas subscribers is apostilling documents necessary for submission to the Ministry of Corporate Affairs in India. Depending on the residence of the overseas subscribers, the documents may need to be apostilled/notarised/consularized.[18] This ensures that the documents are legally recognized and accepted in the respective jurisdictions, streamlining the process of incorporation. Additionally, setting up a business in India will require adequate permissions/consents to be obtained from sector-specific regulators. For instance, relevant registrations will need to be obtained from the Food Safety and Standards Authority of India for businesses involved in food manufacturing, packaging and processing. Similarly, the manufacture of drugs and cosmetics will require relevant licenses and registrations to be obtained from the relevant state drug control department.

Other key pre-incorporation considerations include an assessment of the taxes payable. Currently, India has executed comprehensive tax treaties with over 96 (ninety-six) countries including USA, Australia, Canada, Germany, Mauritius, Singapore, United Arab Emirates (UAE), United Kingdom (UK), to avoid double taxation and to alleviate tax costs on cross-border investments. These tax treaties offer lower withholding tax rates on interest, dividends, and royalties, among other things (for instance, dividends from the Indian subsidiary can be remitted to the foreign country simply by deducting withholding tax, which depends on the nature of income and activities carried out in India).[19] For example, Singapore has been a more favourable jurisdiction to establish a special purpose vehicle or holding company for India investments. Furthermore, an understanding of the availability of central or state-specific tax subsidies is also essential. For instance, in the automotive sector, cars exceeding 4 (four) meters in length may attract higher taxes[20] and one could save on such costs by keeping the model at lesser than the triggering threshold. Additionally, companies undertaking manufacturing activities are subject to various tax concessions[21], including tax concessions for the installation of machinery or equipment[22], making it crucial to evaluate the tax benefits before setting up a business.

6. GOVERNMENT INITIATIVES TO PROMOTE MANUFACTURING AND EASE OF DOING BUSINESS

The Government of India is actively working towards improving the ease of doing business in India by simplifying procedures, digitizing processes, rationalizing legal provisions, and decriminalizing minor defaults. In order to facilitate ease of doing business, SPICe+ online forms have been introduced whereby 3 (three) central ministries (Ministry of Corporate Affairs, Ministry of Labour and Department of Revenue in the Ministry of Finance) and 3 (three) state governments (Maharashtra, Karnataka, and West Bengal)

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[18] Rule 13, Companies (Incorporation) Rules, 2014.
[19]Tax rates as per IT Act vis-a-vis Tax Treaties, available at https://incometaxindia.gov.in/charts%20%20tables/tax%20rates%20as%20per%20it%20act%20vis-a-vis%20tax%20treaties.htm.
[20] Minutes of the 48th Meeting of GST Council held on December 17, 2022, available at https://gstcouncil.gov.in/sites/default/files/Minutes/48THMINUTES.pdf.
[21] Section 115BA, Section 115BAA, Section 115BAB, Income Tax Act, 1961.
[22] Section 32AC, Income Tax Act, 1961.

collaboratively operate to cut down on cost and procedure for incorporating businesses in India.[23] Some of the major initiatives taken by the government[24] include:

(a) **Make in India Campaign**: Launched in 2014, this initiative aims to boost domestic manufacturing, facilitate investment, foster innovation, improve infrastructure and create employment opportunities, thereby promoting India as a manufacturing and design hub.[25]

(b) **Industrial Corridor Development Programme**: 11 (eleven) industrial corridors are being developed in partnership with state governments with an aim to create greenfield industrial regions with sustainable infrastructure and plug-and-play facilities for businesses.[26]

(c) **National Single Window System ("NSWS")**: The NSWS operates as a one-stop-shop platform for investors, providing end-to-end facilitation and support, by offering pre-investment advisory, information on land banks, and facilitating approvals at both the central and state levels.[27]

(d) **Production Linked Incentive ("PLI") Scheme**: A recent government initiative, PLI schemes are of vital importance to manufacturers in sectors such as electronics, pharmaceuticals, textiles, automobiles, and other strategic industries identified by the government. It encourages companies to increase their production capacity, adopt advanced technologies, improve quality standards, contribute to the growth of the sector, and also offers incentives to manufacturers of specified products for incremental sales of domestically produced products.[28]

(e) **National Logistics Policy ("NLP")**[29]: This policy aims to integrate different systems of various departments such as road transport, railways, aviation, commerce ministries and foreign trade through the integration of digital systems. Another step undertaken for NLP is the Unified Logistics Interface Platform (ULIP) which is a system designed to facilitate efficient cargo movement and secure real-time information exchange. Additionally, the Ease of Logistics (ELOG) initiative complements the ULIP by promoting transparency and accessibility in the logistics industry, further enhancing the ease of doing logistics business.

(f) **Special Economic Zones**: India has established SEZs in multiple states which are subject to Indian laws, unless exempted, and have also promoted economic activity and investment from foreign investors.[30] For instance, Gujarat has been successful in attracting industries engaged in the manufacturing of textiles, chemicals, and petrochemicals;[31] and Karnataka's SEZs are prominent in industries such as manufacturing for electronic components, automotive components, pharmaceutical products.[32] GIFT City (Gujarat International Finance Tec-City) is India's first

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[23] Online SPICe+ form to promote ease of doing business, available at https://www.mca.gov.in/MinistryV2/spiceplusfaqs.html.

[24]Initiatives taken by the government to boost manufacturing, available at https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1882145.

[25] Make in India initiative, available at https://www.pmindia.gov.in/en/major_initiatives/make-in-india/.

[26] Industrial Corridor Development Programme, available at https://www.nicdc.in/.

[27] National Single Window System, available at https://www.nsws.gov.in/.

[28] Production Linked Incentive Scheme, available at https://www.investindia.gov.in/production-linked-incentives-schemes-india.

[29]National Logistics Policy, available at https://www.pib.gov.in/PressReleseDetailm.aspx?PRID=1860192, https://dpiit.gov.in/sites/default/files/NationalLogisticsPolicy_2022_29September2022_0.pdf.

[30] Special Economic Zones Initiative in India, available at https://commerce.gov.in/about-us/subordinate-offices/offices-of-development-commissioners-of-special-economic-zones-sezs/.

[31] Industrial growth in the state of Gujarat, available at https://www.in.kpmg.com/pdf/Gujarat.pdf.

[32] Predominant manufacturing industries in Karnataka, available at https://www.karnataka.gov.in/new-page/Industries/en

International Financial Services Centre (IFSC) and a designated smart city in Gujarat. As a multi-service SEZ, GIFT City provides a robust platform for financial services and related businesses. Its sophisticated regulatory framework, tax incentives, and modern infrastructure make it an ideal destination for domestic and foreign financial institutions.

(g) **Industrial estates and parks**: Industrial estates provide ready-to-use infrastructure and essential amenities, thereby reducing the setup time, costs and fostering industrial growth. There are several industrial estates located across India, namely, (a) the Okhla Industrial Estate, Delhi which houses various manufacturing units, including garments, electronics, pharmaceuticals and engineering industries[33]; (b) the Peenya Industrial Area, Bengaluru which is one of the largest industrial estates in Asia and home to numerous manufacturing units, particularly in the field of engineering, machine tools, electronics, and automobile components;[34] and (c) Dholera Special Investment Region (SIR) is a major greenfield industrial city (in the state of Gujarat) and an ambitious project under the Delhi-Mumbai Industrial Corridor (DMIC) initiative to become a global manufacturing and trading hub. With world-class infrastructure, connectivity, and state-of-the-art facilities, Dholera proposes to offer an excellent opportunity for investors looking to set up manufacturing units in India, and certain key projects setting up the infrastructure for the Dholera SIR, including an ultra-mega solar park, an expressway connecting Dholera to key cities, freight rail network as well as an international airport are all currently underway.

Given the various schemes and benefits available, foreign entities can benefit from engaging the right advisors and consultants to carefully assess the right state to set up operations, depending on the nature of the business activity undertaken, government incentives and subsidies, if any, infrastructure feasibility and proximity to labour and workforce with required skillsets.

7. SECTOR-SPECIFIC INITIATIVES ADOPTED BY THE GOVERNMENT

In India, incentives are provided at both the central and state levels. For instance, in the electric vehicle ("**EV**") and automotive space, the incentives and initiatives implemented by the central government include the PLI schemes (detailed above), the National Automotive Testing and R&D Infrastructure Project (NATRiP), which aims at creating core global competencies in the automotive sector, and the Scheme for Faster Adoption and Manufacturing of Electric Vehicles (EVs) in India (FAME). Phase-I of FAME was launched in 2015 for a period of 2 (two) years with the aim of providing grants for research and development of EVs/components of EVs. The primary objective of FAME has been to improve charging infrastructure in urban areas of India, ease the licensing requirement for the sale of electricity at charging stations and provide upfront cost reductions. Phase-II of FAME proposes to popularize the use of EVs in public transport and seeks to encourage the adoption of EVs by way of market creation and demand aggregation.[35] The central government has also begun working on Phase-III of FAME which is likely to cover hydrogen-powered vehicles, additional support for electric three-wheelers and a curtailed version for two-wheelers.[36] Further, in the electronics sector, the National Policy on Electronics 2019 ("**NPE**"), aims to establish India as a global hub for Electronics System Design and Manufacturing, by focusing on developing core components, including chipsets and semi-conductors, and creating a favourable

[33] Industrial estate in Delhi, available at https://www.hindustantimes.com/cities/others/tepid-demand-and-rising-cost-of-raw-material-delay-recovery-for-delhi-s-small-scale-industries-101616349946675.html.
[34] Peenya Industrial Area located in Bengaluru, available at https://www.peenyaindustries.org/about-us/#.
[35] Phase II of FAME initiative to cover to increase EV public transport and increase demand in EV market, available at https://pib.gov.in/Pressreleaseshare.aspx?PRID=1566758.
[36] Phase III of FAME initiative to cover hydrogen-powered vehicles, additional support for electric three-wheelers and a curtailed version for two-wheelers, available at https://economictimes.indiatimes.com/industry/renewables/fame-iii-in-the-works-may-cover-alternative-fuel-vehicles-this-time/articleshow/101707868.cms?from=mdr.

environment for the electronics industry to compete on a global scale.[37]

With respect to the textile sector, the Indian government has initiated the establishment of the Mega Investment Textiles Parks ("**MITRA**")[38]. MITRA is aimed to provide a one-place integrated textiles value chain right from spinning, weaving, processing/dyeing, and printing to garment manufacturing, saving costs on logistics. In 2021, the government approved the PLI Scheme for textiles which is aimed to encourage the manufacturing of man-made fibre apparel and fabrics and products of technical textiles.[39] Specific to sustainable textile manufacturing, the government introduced Project SU.RE. (Sustainable Resolution) to further the sustainable development goals in the textile manufacturing industry.[40]

Under the NPE, the specific Scheme for Promotion of Manufacturing of Electronic Component and Semiconductors was introduced in 2020, that aims to provide financial incentives for semiconductor manufacturing. Advanced Micro Devices (AMD), a US-based multinational semiconductor company, announced that it will invest USD 400 (United States Dollar four hundred) million in India, over the period of the next 5 (five) years, to set up its semiconductor design center.[41] The governmental initiatives have led to some fruition, with Micron, one of the leading American semiconductor companies, announcing in June 2023, to set up a new semiconductor assembly and test facility in India.[42] These initiatives indicate a favorable outlook and promising growth opportunities for the establishment of chip and semiconductor manufacturing sectors in India.

In addition to the above, the industrial policies adopted by the various state governments offer incentives across a range of sectors. For instance, (i) Tamil Nadu recently announced its EV Policy 2023,[43] offering incentives for manufacturing of EVs and parts, price subsidies for commercial electric vehicles and special stops for charging stations; (ii) Maharashtra's comprehensive industrial policy,[44] offers incentives for setting up automotive manufacturing units, R&D centers, and testing facilities by providing support for infrastructure development, skill enhancement, and access to capital; (iii) Gujarat's industrial policy offers various incentives and benefits for pharmaceutical companies, including land cost subsidies, financial assistance for technology upgradation, exemption from electricity duty, and tax refunds;[45] (iv) the state of Telangana has adopted a comprehensive industrial policy that offers incentives for pharmaceutical companies, such as reimbursement of certain tax on finished goods, interest subsidy on loans for

[37] National Policy on Electronics 2019, available at https://pib.gov.in/PressReleasePage.aspx?PRID=1907276.
[38] Mega Investment Textiles Parks, available at https://pib.gov.in/Pressreleaseshare.aspx?PRID=1694058.
[39] Product Linked Scheme for Textiles, available at https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1913958.
[40] Project SU.RE. (Sustainable Resolution) for Sustainable Textiles, available at https://pib.gov.in/PressReleasePage.aspx?PRID=1582685#:~:text=The%20SU.RE%20project%20is,contributes%20to%20a%20clean%20environment.
[41] U.S. chipmaker AMD to invest $400 million in India by 2028, available at https://www.reuters.com/technology/us-chipmaker-amd-invest-400-mln-india-by-2028-2023-07-28/#:~:text=GANDHINAGAR%2C%20India%2C%20July%2028%20(,the%20tech%20hub%20of%20Bengaluru.
[42] Entry of Micron in the Indian market, available at https://investors.micron.com/news-releases/news-release-details/micron-announces-new-semiconductor-assembly-and-test-facility.
[43] EV Policy of Tamil Nadu, available at https://investingintamilnadu.com/DIGIGOV/StaticAttachment?AttachmentFileName=/pdf/poli_noti/TN_Electric_Vehicles_Policy_2023.pdf.
[44] Maharashtra Industrial Policy, 2019, available at https://maitri.mahaonline.gov.in/PDF/Maharashtra%20New%20Industrial%20Policy-2019.pdf.
[45] Incentives under the Gujrat Industrial Policy, available at https://cmogujarat.gov.in/wp-content/uploads/2022/10/AatmaNirbhar-Gujarat_Industrial-Policy.pdf; and Gujarat Industrial Policy 2020, available at https://ic.gujarat.gov.in/documents/commondoc/2020/Industrial-Policy2020.pdfhttps://ic.gujarat.gov.in/documents/commondoc/2020/Industrial-Policy2020.pdf.

technology upgradation, and support for R&D activities;[46] and (v) the state of Karnataka has formulated the 'Karnataka New Textile and Garment Policy' (2019-2024) to promote and support the textile and garment industry in the state and is focused on developing modern infrastructure, textile parks, and garment clusters to facilitate the growth of the industry.[47] Further, the Indian government has also approved the establishment of an Electronics Manufacturing Cluster (EMC) at Hubli-Dharwad in Karnataka to boost electronics manufacturing and promote economic growth in the area.[48]

8. AVAILABILITY OF LABOUR

In India, major cities like Mumbai, Delhi, Bengaluru, and Hyderabad offer a rich talent pool with diverse skill sets, making them attractive for investors. Additionally, emerging cities like Pune, Chennai, and Ahmedabad are also witnessing a rise in skilled professionals, presenting new investment opportunities. However, given the vast population of skilled workforce in India, tier 2 and tier 3 cities in the country also present themselves as worthy contenders for accessing cost efficient talent. Employment at will is generally practiced in India, providing flexibility for employers to hire and terminate employees without stringent legal constraints. Moreover, India's dominant position in the global IT sector and its significant contribution of talent to the world, coupled with its cost advantage over Western countries, further enhances its appeal to foreign investors.

The labour landscape in many sectors is characterized by a limited influence of trade unions or collective bargaining arrangements, promoting ease of business operations. Compliance with labour laws in India can be relatively cost-effective compared to some other countries, while maintaining a balance between protecting workers' rights and facilitating business growth. Further, hiring non-residents in India may involve some complexities, but it is possible to streamline the process for continuity and supervision of management teams. Employers must navigate work permits, visa regulations, and other legal requirements to ensure a smooth hiring process for foreign professionals.

9. POST SETTING-UP COMPLIANCES

Operating a business in India involves complying with a range of legal and regulatory requirements. Seeking legal advice and staying abreast with evolving regulations are key to ensuring ongoing compliance and business continuity. Some indicative compliance requirements for companies in India, covering corporate, employment and environmental laws are set out below:

(a) **Corporate secretarial compliance**: Under the Act, companies are required to comply with several corporate secretarial obligations, including filing of annual returns, maintaining statutory registers, conducting board meetings with a maximum gap of 120 (one hundred and twenty) days, filing returns on deposits, reporting amendments to the capital structure. Similarly, LLPs are also required to make annual filings and maintain statutory registers.

(b) **FDI compliance**: Foreign investors must comply with the requirements of the FDI Framework, including sector-specific caps, entry routes, pricing guidelines and reporting requirements.

(c) **Employment-related compliance**: To ensure compliance with employment laws in India, businesses must adhere to various labour laws, including the Employees' Provident Fund and

[46] Incentives under the Telangana Industrial Policy, available at https://invest.telangana.gov.in/wp-content/uploads/2023/01/Book_2023.pdf.
[47] Karnataka New Textile and Garment Policy, available at http://www.karnatakadht.org/english/njn-schemes.php.
[48] Electronics Manufacturing Cluster (EMC) located in Hubli-Dharwad in Karnataka, available at https://pib.gov.in/PressReleasePage.aspx?PRID=1910454.

Miscellaneous Provisions Act, 1952, which establishes a mandatory provident fund scheme, requiring both employers and employees to make contributions towards the employees' provident fund; the Employees' State Insurance Act, 1948, which provides social security benefits to employees in case of sickness, maternity, employment injury, and certain other contingencies; and the Shops and Commercial Establishments Acts, which are state-level legislations seeking to regulate the working conditions, employment terms, and rights of workers in certain establishments. Unfortunately, in India, the cost of non-compliance for some of these laws is low and hence putting adequate measures to meet these requirements may need to be built for good corporate governance practices.

(d) **Environmental Statutes**: An industrial unit may be required to obtain a 'consent to establish' or 'no-objection' certificate under the Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981 and the Environment (Protection) Act, 1986 for the commencement of industrial activity.

Compliance with these requirements ensures legal and regulatory conformity, mitigates risks, and promotes a harmonious work environment. By understanding and fulfilling these compliance obligations, companies can establish a strong foundation for sustainable growth and success in the Indian market.

10. CONCLUSION

As companies contemplate moving their supply chain from overseas to India, careful planning and understanding of the Indian landscape, entry routes, and post setting-up compliances are essential. India's regulatory flexibility, government initiatives, and conducive business environment present a unique opportunity for businesses to tap into a thriving market. By leveraging the right advisors and considering the strategic advantages of SEZs and industrial estates, companies can establish robust manufacturing chains and unlock the potential of the largest democracy with an unmatched talent pool and skilled labour.

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