Confederation of Indian Industry
125 Years - Since 1895

RESEARCH

India-France Business Cooperation: Trade and Investment

SEPTEMBER 2020

Published by Confederation of Indian Industry (CII), The Mantosh Sondhi Centre; 23, Institutional Area, Lodi Road, New Delhi - 110003 (INDIA), Tel: +91-11-24629994-7, Fax: +91-11-24626149; Email: info@cii.in; Web: www.cii.in

Contents

Foreword

Mr Dhruv M Sawhney
Chairman and Managing Director
Triveni Turbine Ltd, and
Co-Chair, Indo-French CEOs Forum

India and France have enjoyed an exceptionally warm and close relationship since India's independence. France was the first country with which India signed the Strategic Partnership agreement in 1998, and since the launch of the Strategic Partnership, the intense cooperation between our two countries has expanded to areas as sensitive as defence, security, nuclear energy and space as well as in other areas of bilateral cooperation like science and technology (covering matters like the digital economy, data governance and protection, privacy and cybersecurity) culture, education etc. It was also the first country with which we signed a civil nuclear agreement. The regular bilateral exchanges at the highest level between our countries have served to not only maintain but also deepen the relationship over the years.

Economic relations have kept a good pace with the political relations. French companies are among the first international investors in India and our trade and investment relations have developed over the years to the extent that France is today among our largest trading and investment partners.

The Indo-French CEOs Forum, initiated in the year 2009 by the then heads of government of India and France, has played an important role in the economic relationship Since its inception, the Forum has been called upon to identify new avenues for cooperation and take initiatives to facilitate business links between India and France. As the Indian Co-Chair of this Forum, I have had the opportunity to closely track developments in this regard for over a decade now.

With global trade in a churn, re-alignments in global supply chains and Brexit quickly becoming a reality, there is plenty of scope for Indian and French businesses to build on historical linkages for a stronger partnership. As part of CII's initiative to take a lead role in the changing context of global trade and investment, CII has come out with this

Business Engagement Report on France. The Report identifies key products that can be sourced from India by France using the Export Specialisation Index, developed by CII. It also specifies which of the products can fit into France's global value chain. France is a significant outward investor and the report outlines the Indian sectors with most potential for French companies, and the details of investment climate of some states that are best destinations for France. The publication also provides an overview of France's business regulations for the interest of Indian companies.

I sincerely hope this report proves useful in expanding our bilateral economic relationship with France.

Introduction

The Covid-19 pandemic has brought about an unprecedented cessation in vital economic activity the world over. The changes heralded by the pandemic are still unfolding and could potentially lead to far reaching changes in economic structures, geopolitical partnerships, the regional security architecture, and other parameters over time.

As a result, countries and businesses around the world will likely pay closer attention to their strategic interactions, the strengths and vulnerabilities of existing supply chains, sources of imports and destinations of exports. Thus, diversification in external relationships and partnerships can be expected as a consequence of the pandemic.

India and France have had a long-standing, fruitful and warm friendship built over decades of robust economic and strategic ties which have stood the test of time. French companies are investing in various sectors of the Indian economy, especially in renewable energy, defence, infrastructure and smart cities, pharmaceuticals, etc. India's historical links with Europe, dynamic and growing market size and a consumer base with increasing spending power as well as a consistently improving investment and business climate are some of the major factors that have helped facilitate French investments in the country.

India increasingly also offers high quality and wide-ranging products for sourcing purposes which can fulfil supply chain requirements for French MNCs looking to diversify their import base.

The policy environment in India is intensively focused on making the country a major exports hub. India has already emerged as a key source of exports to advanced economies of the world and Indian products and services are recognized for their superior quality and adherence to established standards. India is also increasingly ramping up its exports to its immediate neighbourhood as well as other emerging economies in Asia, Africa and South America. With a hugely diversified economy and notable capacity in a range of sectors, India provides the entire supply chain for manufacturing.

With many reforms having taken place over the last few years, including the notable Goods and Services Tax, Insolvency and Bankruptcy Code and tax structure as well as continued liberalisation of the FDI policy, the investment and sourcing environment in India has greatly improved. Increasingly, states within India are also proactively seeking to attract and retain FDI through appropriate incentives.

As one of the world's fastest growing economies, India has built in the resilience needed to withstand and recover from external shocks – this, coupled with the exciting trade and investment opportunities already emerging in the country, positions India as an ideal partner for France. French companies, including small and medium enterprises, can gain much from intensifying their engagement with India to invest in and source from the country.

The formalization of United Kingdom's departure from the European Union i.e. Brexit is also a significant development that opens up possibilities for enhanced Indo-France commercial and business ties. The UK is a major trading partner for India and a substantial portion of Indian FDI into the EU has tended to go to UK. A major factor that favoured strong Indian investments in the UK was the access that the UK offered to the European zone and to the common European market.

This development may lead to restrategizing by Indian overseas investors to set up presence in other European countries such as France to address the common European market. Indian companies could explore France as an alternative trade and investment destination that would provide free movement (both for goods and services) in the common European market. As one of the leaders and notable champions of the project for European unity, France could thus position itself as a more versatile partner for India.

Triveni
TURBINES
Above 30 up to 100 MWe
MS
OND LARGEST GLOBAL
AM TURBINE
NUFACTURER IN SUB
IW RANGE WITH 20%*
RKET SHARE
REFURBISHMENT &
EFFICIENCY
IMPROVEMENT OF
ROTATING
EQUIPMENT OF ANY
MAKE, TYPE & CAPACITY.
REBUILDING THE TRUST.

Strategic Bilateral Context

In 1998, India and France formally entered into a bilateral 'Strategic Partnership', the first such elevation of a bilateral relationship that India signed with any country. The understanding reached 22 years ago between India and an advanced industrial economy such as France was far reaching in its scope and future ambition. The acknowledgment of the critical nature of the bilateral relationship over two decades ago also exemplified the convergence of views between the two sides on a range of international, regional and bilateral issues.

The two sides have held regular, high level interactions with the latest being the State Visit of President Emmanuel Macron from March 10-12, 2018 to New Delhi, Agra, Mirzapur and Varanasi. This visit was particularly important since it also featured the inaugural conference of the International Solar Alliance which was launched jointly by India and France to give a boost to solar power in various countries. President Macron's visit to a 100 MW solar park in Mirzapur, built by the French firm Engie symbolized bilateral cooperation in renewable energy.

Wide ranging discussions were held between the two sides during a visit by Prime Minister Narendra Modi to France for a bilateral summit in August 2019 as well as the G-7 meeting in Biarritz following the summit meeting.

Before this visit, Prime Minister Modi visited France in June 2017. Issues related to climate change and international terrorism featured prominently in discussions between the two leaders.

In addition to these formal one-on-one interactions, the two leaders have had several pull-aside meetings such as at the G-20 meeting in Osaka, Japan in June 2019, and at the G-20 summit in December 2018 in Buenos Aires, Argentina. More recently, on March 31, 2020, PM Modi and President Macron held telephonic discussions focusing on the response of each country to the Covid-19 pandemic.

Through these high-level exchanges and regular Ministry level engagements, both countries have built a wide ranging bilateral strategic and commercial agenda built around core areas of mutual interest. The India-France Administrative Economic and Trade Committee (AETC) provides the main framework to further promote bilateral trade and investment ties and also address market access issues of concern to both sides. New areas of cooperation have also been identified such as space exploration, maritime domain awareness, high performance computing and Artificial Intelligence and cybersecurity.

The two sides also continue to promote traditional pillars of cooperation such as on nuclear energy. France was the first country with which India signed a civil nuclear agreement. The conclusion of the Industrial Way Forward Agreement in 2018 for the construction of six nuclear power reactors in India took forward this program. Joint air exercises and enhanced interoperability to develop joint forces cooperation also remain priority agenda items in the defence sector. An agreement regarding the Provision of Reciprocal Logistics Support was signed in 2018, further cementing defence ties.

In addition, tourism and hospitality, education exchanges, and cultural cooperation have also been hallmarks of the partnership.

On issues pertaining to international terrorism, maritime security, cyber security, nuclear non-proliferation and global challenges, there is significant overlap between the Indian and French perspectives. Both countries seek to maintain the sanctity of the multipolar world built on a foundation of stable institutions and respect for the rule of law.

France has also been an early supporter of India's accession to the UN Security Council and has backed India's membership to all four multilateral Export Control regimes – the Nuclear Suppliers Group (NSG), the Missile Technology Control Regime (MTCR), the Wassenaar Arrangement (WA) and the Australia Group (AG). Of these, only membership to the NSG is now pending, and for that as well, French support will remain critical.

The major pillars of the Indo-French relationship can be summarized broadly as follows:

- **Economic Ties:** India became a US$ 3.2 trillion economy in 2019 (GDP per capita of US$ 2000) while France is a US$ 3 trillion (GDP per capita of US$ 41,000). Trade, investment and commercial cooperation remains a very important component of the bilateral partnership, adding to overall strategic ties. In 2019, the India-France goods trade stood at € 11.59 billion (about US$ 12.56 billion).

  Given the size of the Indian and French economies, the overall volume of bilateral trade remains low and could be greatly expanded.

  France is the 9th largest foreign investor in India with a cumulative investment of US$ 7.10 billion from April 2000 to December 2019, representing about 1.55% of the total FDI inflows into India. The major sectors in India attracting FDI from France are services, cement & gypsum products, automobile industry, industrial machinery and drugs & pharmaceuticals. Indian FDI in France is pegged at about 1 billion Euros.

  To boost trade and economic relations, the two countries have set up a Joint Economic Committee at the level of Ministers of Commerce from both sides with the last meeting held in Paris in October 2017. In addition, bilateral Joint Working Groups have been established in (i) IT & Telecommunications (ii) Roads (iii) Sustainable Urban Development (iv) Agriculture and Food Processing (v) Mineral Exploration and Development and (vi) Energy.

  The India-France CEOs' Forum also meets annually at the level of top CEOs from both sides. The CEOs Forum provides actionable recommendations to the Indian and French governments to help remove bottlenecks that would further help enhance trade and investment ties while also laying out new avenues for business collaboration and economic growth.

The two countries have signed the Double Taxation Avoidance Convention (DTAC), and a Social Security Exemption Agreement (SSA). Other bilateral MoUs have been signed in sectors such as Intellectual Property Rights, tourism, renewable energy, skill development and entrepreneurship, and advanced computing. In addition, an exchange program has been running since 2008 under the VIE (Volontariat International en Enterprise) Scheme which allows young French interns/ graduates to intern with French companies in India for a period of one year.

There is currently no formal trade agreement in place between India and France. The Bilateral Investment and Protection Agreement between the two countries expired in 2010 and has not been replaced yet. Both sides have however expressed support for the negotiation of a comprehensive EU-India Broad Based Trade and Investment Agreement.

- **Defence collaboration:** Cooperation in the defence sector between the two countries goes back decades and a range of official mechanisms and dialogues has helped maintain a high level of communication and engagement. These include:

  – An annual Defence Dialogue at the Ministerial level

  – Joint Working Group on Counter-Terrorism

  – Bilateral consultations on Disarmament, Non-Proliferation and Export Control

  – Dialogue on Maritime Cooperation

  In addition, the two countries hold regular defence exercises such as Exercise Shakti (Army), Exercise Varuna (Navy) and Exercise Garuda (Air Force). Indian companies in the defence sector have entered into joint cooperation agreements with major French companies like Dassault, SAFRAN, Thales and others, indicating robust commercial ties in this space.

- **Space Cooperation:** India and France have had an exemplary history of space cooperation since the 1960s when India purchased licenses for the Centaure and Bélier launch complexes and also obtained French technical assistance for building the Sriharikota launch pad. The Indian Space Research Organisation (ISRO) and the French Space Agency, CNES have had a storied history of collaboration and have carried on various joint research programmes and launch of satellites.

  For the first time ever, during the visit of President Macron to India in March 2018, the two sides issued a "Joint Vision for Space Cooperation" which detailed concrete future cooperation in space. Some of the ongoing initiatives include:

  – Joint development of the Megha-Tropiques satellite providing valuable scientific data.

  – Launch of the Indo-French satellite "SARAL".

  – Signifying continuing cooperation between ISRO and Arianespace, GSAT-11 was launched from Kourou (French Guyana) in December 2018; GSAT-30 was launched on January 16, 2020.

  – There is ongoing cooperation with France in the training of medical support personnel for Indian astronauts, who will be part of India's manned space mission by 2022.

- An implementing arrangement between ISRO and CNES France for Joint Maritime Domain Awareness has also been signed.
- France continues to be a major supplier of components and equipment for the Indian space programme

- **Civil Nuclear Cooperation:** A landmark agreement on civil nuclear cooperation was signed between India and France on 30 September 2008. Under this framework, the French utility company EDF and NPCIL signed a (revised) MoU on 22 March 2016 for the construction of six EPR units at Jaitapur of 1650 MW each. Subsequently, NPCIL and EDF concluded an Industrial Way Forward Agreement leading to substantive discussions between the two sides to actualize and implement the project.
- **International Solar Alliance:** India and France have jointly taken the initiative to establish the International Solar Alliance as a group of countries geographically placed to leverage solar energy for meeting their energy needs. The Alliance was announced by Prime Minister Modi and President Hollande in Paris at the 21st UN Climate Change Conference of the Parties (COP-21) in 2015 and had the participation of 120 countries. It has been signed and ratified by 66 Member Countries.

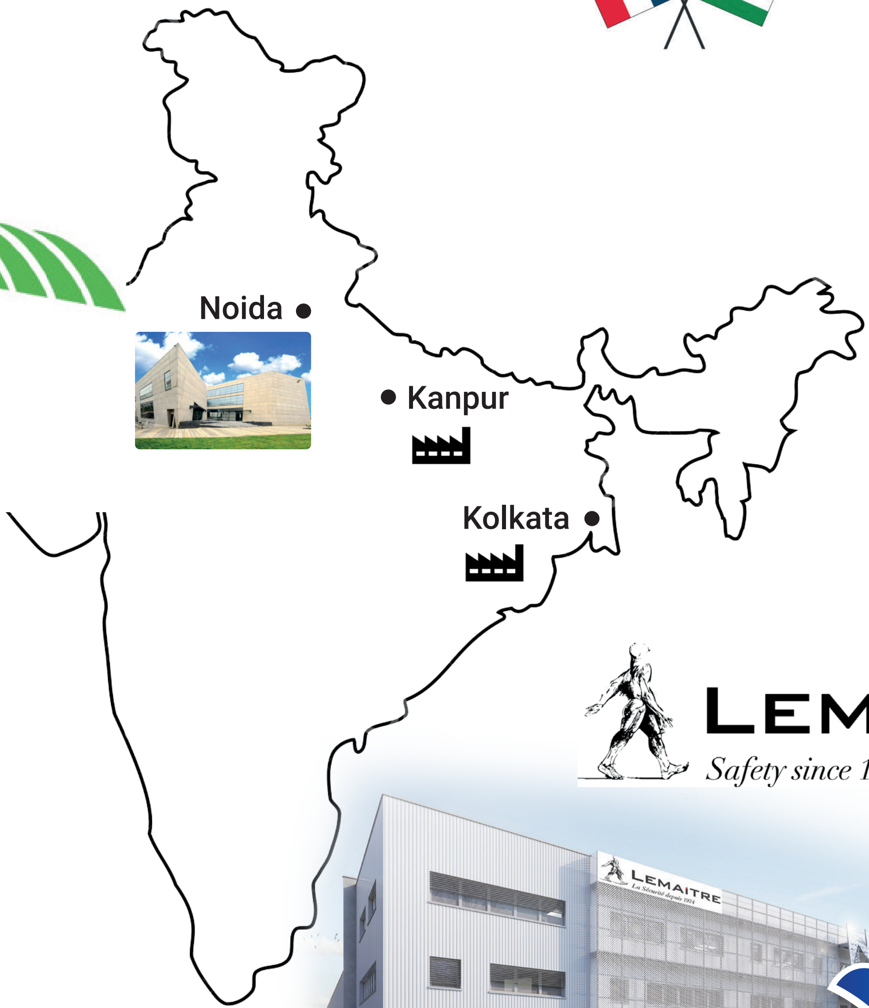
TAKEAWAY

The India-France relationship is comprehensive in nature and scope and is built on the twin foundations of mutual respect and a shared strategic worldview. Strong cultural ties and robust cooperation on 21st century issues like climate change and renewable energy/sustainable development highlight the progressive orientation of the partnership which has helped solidify economic and trade ties.

RAHMAN GROUP INDIA / LEMAITRE FRANCE

A WORLWIDE LEADING PPE CONGLOMERATE*

« We protect people at work and always walk ahead »



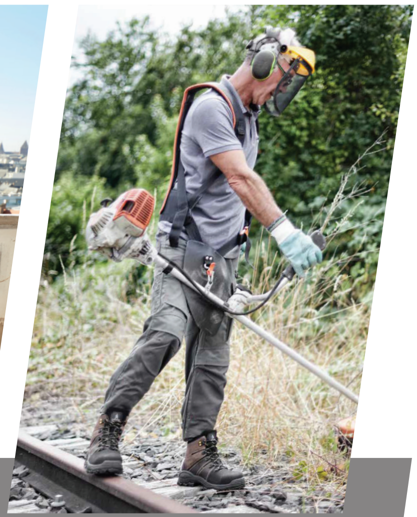
RAHMAN GROUP

rahman-group.com
info@rahman-group.com

LEMAITRE
Safety since 1974

lemaitre-securite.com
info@lemaitre-securite.com

**PPE : Personal Protective Equipment*



Economic Context

French economy | Indian economy
India trade profile | France trade profile

India and France have had vastly differing trajectories of economic growth and development. While India is an emerging economy, with rising GDP and income levels, France is an established developed economy with high per capita income levels. In terms of their growth pace, India has emerged as one of the fastest growing economies in the world, while France, having recovered from a major dip in GDP growth in 2009, has experienced subdued growth in recent years.

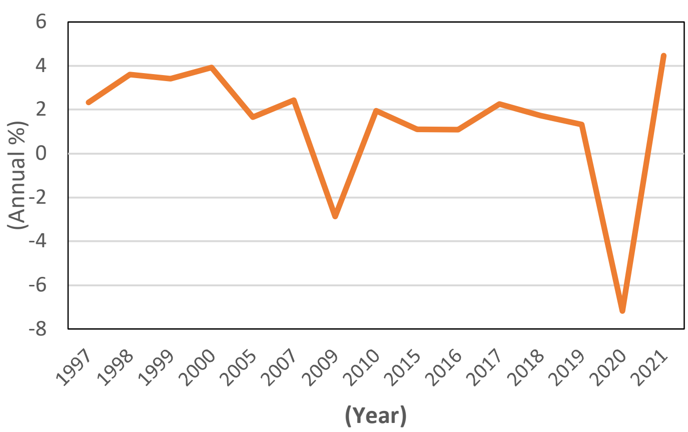
Economic complementarities between the two countries present several points of synergy that can be leveraged for greater growth in both nations. Stable working age populations in both nations, as well as rising GDP growth rate in India as compared to matured and stable GDP growth rate in France indicate that both countries could tap into each other's strengths. On the other hand, the projected gradual ageing of the French population over time will exert a downward pressure on the workforce. India's significantly large young demographic could thus be a major complement.

i. France Macroeconomic and Socioeconomic Environment

MACROECONOMIC ENVIRONMENT

ECONOMIC INDICATORS

OVERALL GDP GROWTH



Source: IMF World Economic Outlook 2020

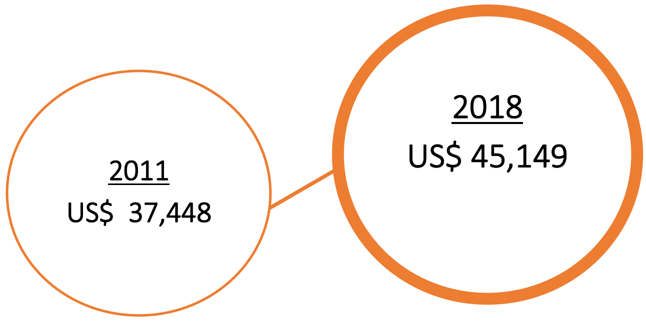
TRENDS ANALYSIS

- The French economy has experienced stable economic growth rates, with its GDP growth rate hovering in the range of 1.1% in 2015 to 1.3% in 2019.
- This growth process is driven mainly by private consumption, high levels of taxation and external trade.
- In its April 2020 issue of the *World Economic Outlook*, coming in the wake of Covid-19 pandemic and lockdown, the IMF projected recession of -7.2% for France for 2020 and a bounce back to 4.5% in 2021.

MACROECONOMIC ENVIRONMENT

ECONOMIC INDICATORS

OVERALL GDP GROWTH



Source: Country Statistical Profile: France 2019, OECD

ECONOMIC STRUCTURE: SHARE IN REAL VALUE ADDED (%)

SECTORS	2015	2016	2017	2018
Agriculture, forestry, fishing	1.8	1.6	1.7	1.8
Industry, including energy	14.3	14.1	13.7	13.4
Construction	5.5	5.4	5.6	5.6
Trade, repairs, transport, accommodation, food services	17.7	17.7	17.9	17.8
Information, communication	5.0	5.1	5.2	5.4
Finance and insurance	4.5	4.3	3.8	3.9
Real estate	12.7	12.9	12.9	12.9
Professional, scientific, support services	13.1	13.4	13.6	14.0
Public administration, defence, education, health, social work	22.5	22.5	22.5	22.4
Other services	3.0	2.9	3.0	2.9

Source: Country Statistical Profile: France 2019, OECD

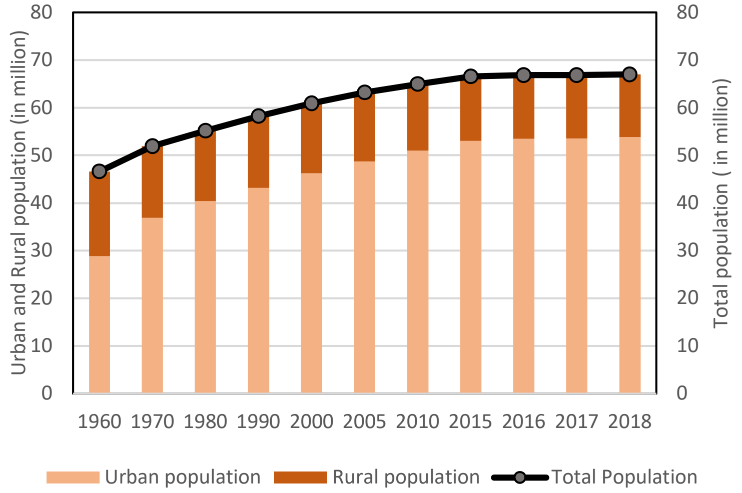
TRENDS ANALYSIS

- France is a high-income economy with one of the highest levels of per capita GDP amongst OECD countries.
- The GDP per capita measured in current US$ increased by 1.2 times during the period 2011 to 2018, registering a compound annual growth rate (CAGR) of 2.7% during the period.
- The contribution of the various sectors — agriculture, industry and services — to the overall GDP of France has remained unchanged during 2015–18, with services comprising over 79% of the GDP in 2018, reflecting the mature character of the economy. This is followed by industry and manufacturing, accounting for 19% of the GDP in 2018.
- Services mainly comprise trade, transport, storage, real estate, professional services and public administration.
- Agriculture's contribution to the GDP is low, constituting 1.8% in 2018.

SOCIO-ECONOMIC CONTEXT

INDICATORS	TRENDS ANALYSIS

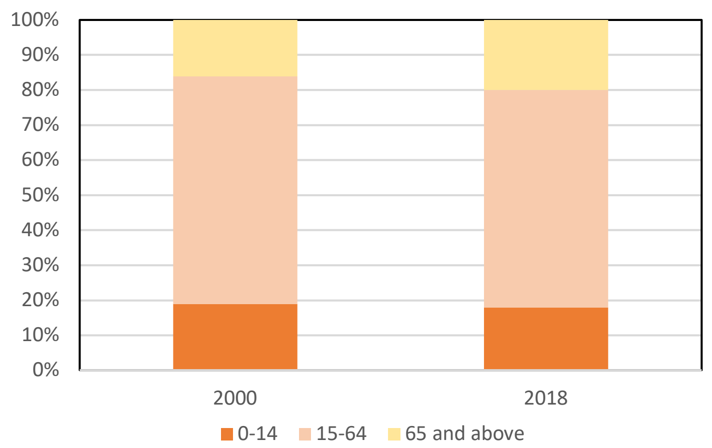
URBANISATION LEVEL



Source: World Development Indicators, World Bank

- The country's total population stood at 67 million in 2018, up from 61 million in 2000.
- Of the total population, in 2018, 80.4% was urban, thus making it one of the top urbanised economies in the world.

AGE-WISE DISTRIBUTION OF POPULATION



Source: MFS Analysis, World Development Indicators, World Bank

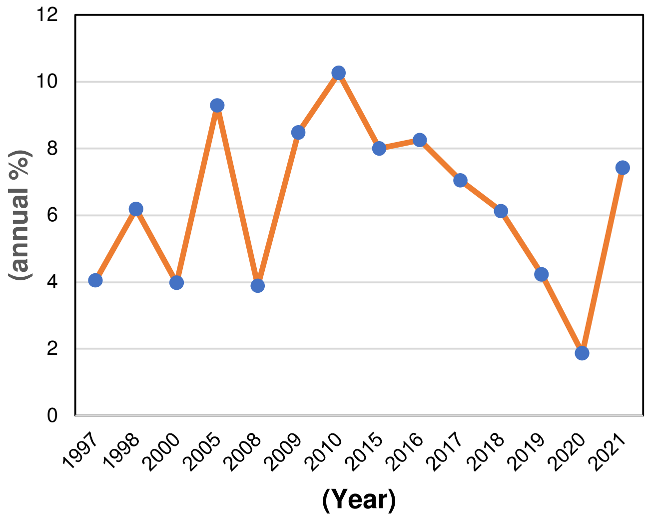
- The age-wise composition of the French population has remained nearly the same over the period 2000 to 2018.
- The country exhibits a healthy demographic trend with 62% of its population in the working age group 15-64, 18% in the category 0-14 years and 20% population above 65 years in 2018.
- Amongst all the age groups, the elderly population in the age group 65 years and above has registered the maximum growth rate increasing at a CAGR of 1.8% over the period 2000 to 2018; the working age population and the young population have depicted growth rates of 0.3% and 0.2%, respectively.

The trends analysis as described above have implications for France's attractiveness from the perspective of trade and investment. These are summarised below:

PARAMETER	INDICATORS	IMPLICATIONS FOR ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
Economic growth	**Overall GDP growth and trends in GDP per capita, current US$**	**Low, negative impact** • Economic growth is projected to decline sharply to -7.2 % in 2020 with the COVID-19 pandemic outbreak adversely impacting the economy. The economy is expected to recover in 2021 with projected GDP growth of 4.5%. • High per capita incomes translate into high disposable income in the hands of the consumer. • While the government is pursuing a number of structural reforms aimed at ensuring recovery in consumer demand and reducing government expenditure to put the economy back on track, the macroeconomic outlook for France is vitiated by the Covid-19 outbreak.
Economic structure	**Economic structure: share in real value added (%)**	**Medium, satisfactory impact** • The composition of the economic structure of France has remained consistent over a period of time with the share of agriculture, industry and services remaining almost unchanged over the period 2015–18. • The higher share of the services sector with increased share of real estate, information technology, etc., implies that France is an attractive investment destination for companies in the services sector.
Demographic trends	**Urbanisation level**	**High, positive impact** • With cities being the engines of industrialisation and economic growth, France's urbanisation level of ~80% offers increased opportunities for business and investment in several areas, such as infrastructure, consumer and retail, and financial services. **SECTORAL OPPORTUNITIES** **Infrastructure** **Retail and consumer** **Financial services**

PARAMETER	INDICATORS	IMPLICATIONS FOR ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
	Age-wise distribution of population	**High, positive impact** • The high proportion of France's population in the working age group is set to bring in increased demand for a host of services such as education, skill development, healthcare, IT and ITeS, retail, audio-visual and entertainment services, all of which will generate opportunities for investment in these sectors. It will also generate demand for real estate. • Additional demand will also be generated for consumer products and durables, medicines/medical equipment, processed food items, apparels, etc. This offers good opportunities for the export of such items. **SECTORAL OPPORTUNITIES** **Healthcare, medicine** **Retail and consumer** **Financial services**

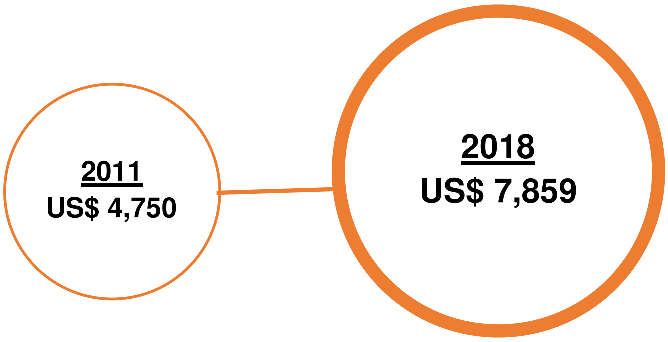
ii. India Macroeconomic and Socioeconomic Environment

MACROECONOMIC ENVIRONMENT	
ECONOMIC INDICATORS	TRENDS ANALYSIS
OVERALL GDP GROWTH  **Source:** IMF World Economic Outlook 2020	• The Indian economy displayed high economic growth rates during the period 2005–10, followed by a consistent decline in GDP growth rates owing to lower private consumption expenditure and fall in investment spending leading to lower Gross Capital Formation. • In *World Economic Outlook* of April 2020, IMF has projected the Indian economy to grow by 1.9% in 2020 due to Covid-19 related lockdown and 7.4% in 2021.

MACROECONOMIC ENVIRONMENT

ECONOMIC INDICATORS

GDP PER CAPITA, US$ CURRENT PPP



Source: Country Statistical Profile: India 2019, OECD; IMF World Economic Outlook 2020

TRENDS ANALYSIS

- India's per capita GDP measured in current US$ almost doubled during the period 2011 to 2018, registering a high CAGR of 7.5% during the period.
- The growth in GDP per capita in current US$ can be attributed to the steady GDP growth rate achieved during a large part of the period 2011–18.

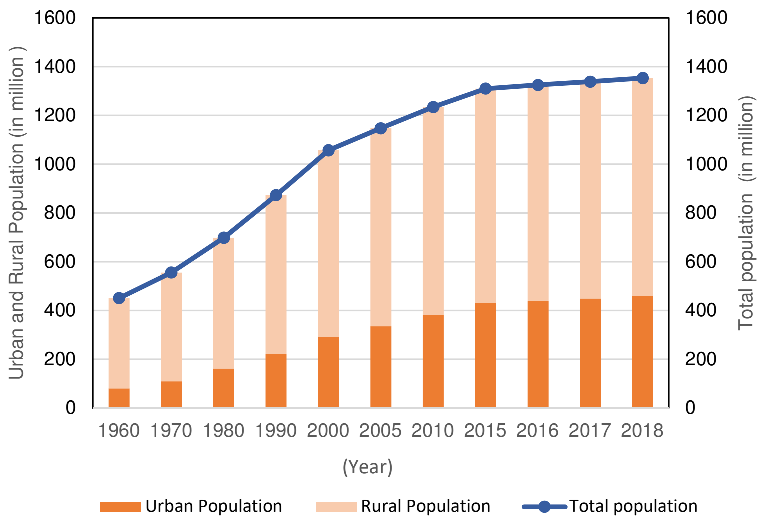
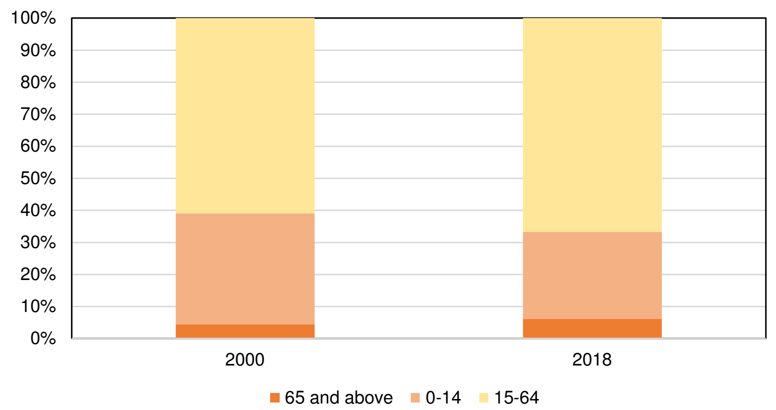
ECONOMIC STRUCTURE: SHARE IN REAL VALUE ADDED (%)

SECTORS	2014	2015	2016	2017
Agriculture, forestry, fishing	18.2	17.7	17.9	17.1
Industry, including energy	21.5	21.9	21.9	21.7
Construction	8.5	7.9	7.4	7.4
Trade, repairs, transport, accommodation, food services	18.3	18.3	18.2	18.5
Information, communication	-	-	-	-
Finance and insurance	-	-	-	-
Real estate	20.5	20.9	20.6	20.8
Professional, scientific, support services	-	-	-	-
Public administration, defence, education, health, social work	13.0	13.2	13.9	14.5
Other services	-	-	-	-

Source: Country Statistical Profile: India 2019, OECD

- Over a period of time, the composition of the economic structure of India has altered with a steady decline in the share of agriculture and industry in favour of the services sector.
- The services sector is the major economic sector in India, contributing to over 60% of the country's GDP.
- The services sector is followed by the industrial sector and agriculture sector; these sectors together contribute around 40% to the country's GDP.

SOCIO-ECONOMIC CONTEXT

INDICATORS	TRENDS ANALYSIS
URBANISATION LEVEL  **Source:** World Development Indicators, World Bank	• India has witnessed gradual urbanisation of its population from 18% in 1960, 20% in 1980, 28% in 2000, to 33% and 34% in 2016 and 2018, respectively. • The urban population in India increased from 80.8 million in 1960 to 460.3 million in 2018, registering a CAGR of 2.63% during the period 2000–2018.
AGE-WISE DISTRIBUTION OF POPULATION  **Source:** MFS analysis, World Development Indicators, World Bank	• India has a relatively large working age population, with 67% in the age group of 15-64 years. • The trends reveal that it is the elderly population in the age group of 64 years and above that has exhibited the highest CAGR of 3% over the period 2000 to 2018. • Further, while the population in the young age group (0-14 years) has been stable in growth, those in working age population have increased at CAGR of 2% during the period 2000–2018. • It is projected by the United Nations that the fastest growth will be in the elderly population of those aged 65+, whose numbers are expected to increase at a CAGR of 3.3% over the next 20 years, followed by the working age population whose population is projected to increase at a CAGR of 1% over the next two decades.

The trends analysis as described above have implications for France's attractiveness from the perspective of trade and investment. These are summarised below:

PARAMETER	INDICATORS	IMPLICATIONS FOR ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
Economic growth	**Overall GDP growth and trends in GDP per capita, current US$**	**High, positive impact** • Steady economic growth with rising per capita incomes translates into high disposable income in the hands of the consumer. • These are expected to spur domestic consumption even further with increased demand for imported commodities.
Economic structure	**Economic structure: share in real value added (%)**	**High, positive impact** • The composition of the economic structure of India is skewed in favour of the services sector as manifested by its rising share. • Also, the lower share of manufacturing sector in GDP offers significant scope for expansion and investment opportunities by French investors.
Demographic trends	**Urbanisation level**	**High, positive impact** • Although the country's population remains largely rural, the pace of India's urbanisation accelerated during the decades from 1960–1980 (3.5%), therefore resulting in India figuring amongst the most rapidly-urbanising economies of Asia. • As urban areas see accelerated economic activities and industrialisation, a greater number of the rural poor are likely to migrate to the urban areas to pursue better livelihood opportunities. • As the urbanisation rate picks up, new avenues for investments will likely be created in areas such as transport infrastructure, telecom services, retail services, education and healthcare. • A faster rate of urbanisation will also necessitate greater development of urban infrastructure, which will open new opportunities for investments in urban areas. **SECTORAL OPPORTUNITIES** **Infrastructure** · **Retail and consumer** · **Transportation and logistics** · **Healthcare** · **Education**

PARAMETER	INDICATORS	IMPLICATIONS FOR ATTRACTIVENESS OF TRADE AND INVESTMENT CLIMATE
	Age-wise distribution of population	**High, positive impact** • An increasing working-age population will drive domestic demand for skills development, consumer retail services, FMCG and consumer goods, automobiles, entertainment and media, telecom services and financial services and smart gadgets. • The rising proportion of population in the age-group of 65 years and above presents opportunity for healthcare services targeted at this age group. **SECTORAL OPPORTUNITIES** **Healthcare** · **Retail and consumer** · **Financial services** **Mobile devices** · **Education** · **Entertainment and media** **Laptops and notebooks**

India's trade with the world

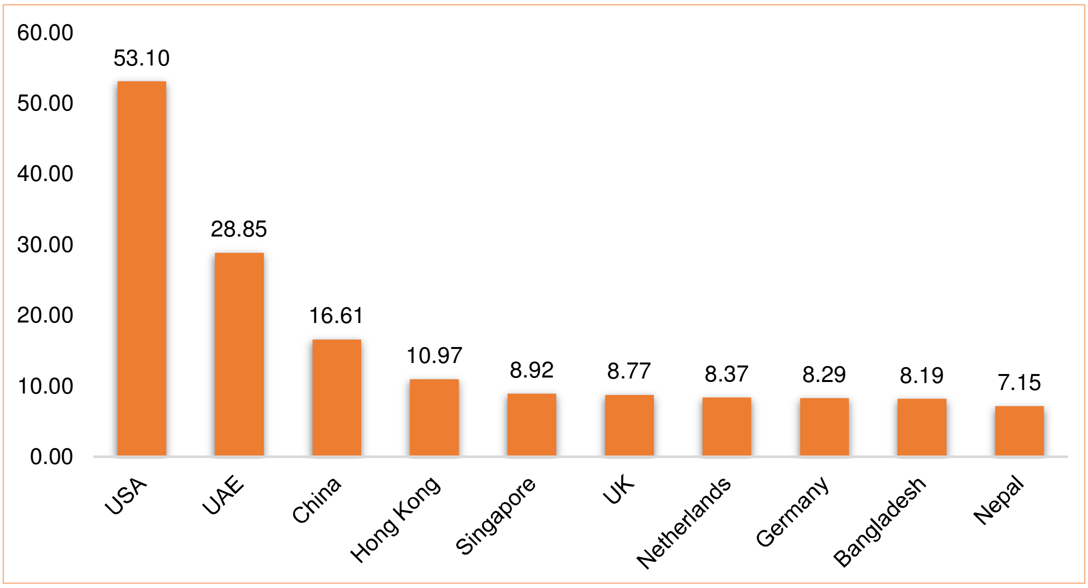
India's exports exceeded US$ 313 billion in 2019-20, reaching nearly all countries of the world. Its two largest markets are the United States which accounts for 17.9% of the total exports basket and the European Union which makes up 17.3% of total exports. Within the EU, India's top export destinations are Germany (US$ 8.9 billion), Netherlands (US$ 8.82 billion), and Belgium (US$ 6.73 billion).

West Asia and North East Asia (China, Japan, South Korea, etc.) are the next largest destinations with about 25% of the share, while ASEAN nations enjoy over 11%. Emerging economies in Africa and South Asia have a significant share of about 13% together. Thus, India's current exports profile shows a high level of diversity and the ability to cater to markets at varying price points and at differing levels of development.

As an externally oriented economy with exports of goods and services comprising almost 19% of its GDP, India has entered into a multitude of free trade agreements since 1998. These include comprehensive agreements covering trade, investments and services trade with ASEAN, Japan, South Korea, Singapore and Malaysia. FTAs or preferential agreements are also instituted with Sri Lanka, Nepal, South Asian Association for Regional Cooperation (including 8 countries which are its neighbors), Africa, Chile, Argentina, MERCOSUR, and others.

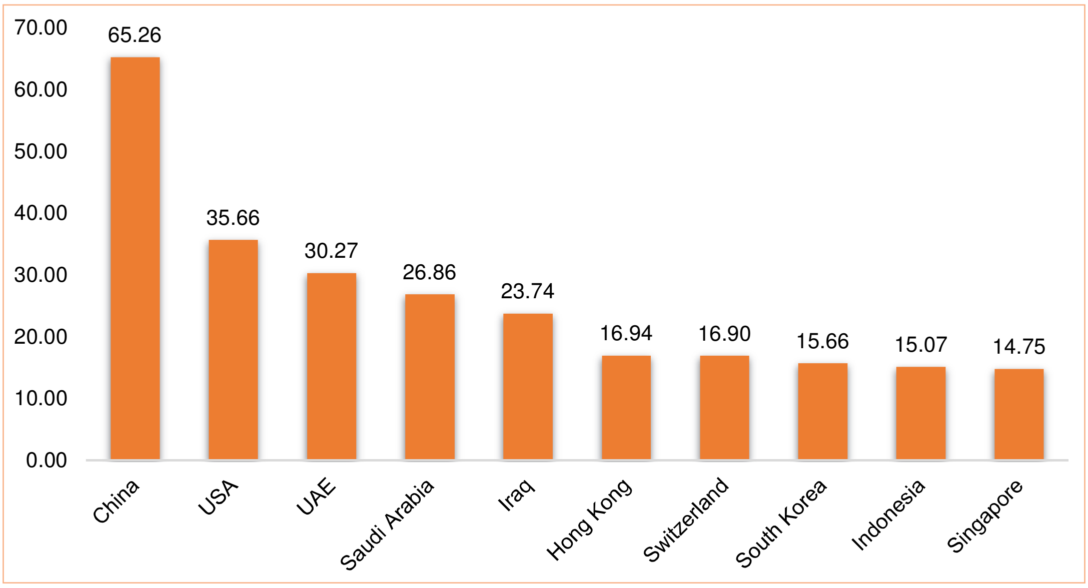
India's top export products are mineral fuels, gems and jewellery, machinery and engineering goods, organic chemicals and automotives. The country has also developed excellent capabilities in various manufacturing segments such as pharmaceuticals, auto parts, and garments, where it enjoys high share in world exports.

Chart 1: Top Countries for India's Exports in 2019-20 (US$ billion)



Source: System of Foreign Trade Performance Analysis, Department of Commerce

Chart 2: Top Countries for India's Imports in 2019-20 (US$ billion)



Source: System of Foreign Trade Performance Analysis, Department of Commerce

Table 1: India's Top 10 Exports in 2019-20, US$ billion

HS Code	Commodity	India's Exports
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	42.67
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof; imitation .jewellery; coin.	36.08
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	20.83
29	Organic chemicals	17.49
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	16.70
30	Pharmaceutical products	16.29
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	15.18
72	iron and steel	9.28
62	Articles of apparel and clothing accessories, not knitted or crocheted.	7.99
61	Articles of apparel and clothing accessories, knitted or crocheted.	7.51

Source: Export Import Data Bank, India

Table 2: India's Top 10 Imports in 2019-20, US$ billion

HS Code	Commodity	India's Imports
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	153.65
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof;imitation.jewellery; coin.	54.49
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	49.19
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	43.37
29	Organic chemicals	19.82
39	Plastic and articles thereof.	14.21
72	Iron and steel	10.73
15	Animal or vegetable fats and oils and their cleavage products; pre. edible fats; animal or vegetable waxes.	9.87
88	Aircraft, spacecraft, and parts thereof.	9.26
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof;	9.25

Source: Export Import Data Bank, India

France's Trade Profile

Taking a look at France's trade profile, it is seen Germany is its top trade partner. The presence of 3 EU countries in its top 5 trading partners list shows France's participation in global value chains of the region.

Table 3: France's Top 5 Trading Partners

Import Partners	Export Partners
Germany	Germany
China	United States of America
Italy	Italy
United States of America	Spain
Belgium	Belgium

Source: International Trade Centre

France's top exports show that it has a strong footprint in top globally traded items of machinery, vehicles, and electrical machinery. Its exports of aircraft and pharma products as well as perfumes and wines are its particular specialty.

Table 4: France's Top 10 Exports in 2019

HS Code	Product label	Exported value in 2019 (US$ billion)
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	67.33
88	Aircraft, spacecraft, and parts thereof	53.49
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	52.78
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	43.45
30	Pharmaceutical products	35.55
39	Plastics and articles thereof	20.89
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	20.11
22	Beverages, spirits and vinegar	19.33
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	17.65
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	15.48

Source: International Trade Centre

The top ten items imported by France reflect its effective plugging into regional value chains as one of the top two economies in the post-Brexit EU.

Table 5: France's Top 10 Imports in 2019

HS Code	Product label	Imported value in 2019 (US$ billion)
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	83.56
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	73.28
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	65.90
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	56.60
30	Pharmaceutical products	25.10
39	Plastics and articles thereof	24.19
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	20.66
88	Aircraft, spacecraft, and parts thereof	20.61
29	Organic chemicals	15.39
62	Articles of apparel and clothing accessories, not knitted or crocheted	12.35

Source: International Trade Centre

TAKEAWAY

Indian and French economies can take advantage of synergies emerging from strong economic structures, age profiles, and growth opportunities across a range of sectors and products. As one of the most dynamic economies of the world, India remains a key destination for future investments, a source for quality inputs for exports, as well as a massive market for French products.

Bilateral Trade Relations

Trends in Trade | Top Traded Items
Potential Export Items from India to France

The section seeks to provide a guide map to French companies that may be looking to source products from India. To this end, CII has prepared a special tool, using innovative techniques to identify Indian exports of high potential to France at the HS 6-digit level. As per this tool, 63 products have been highlighted that can be sourced effectively from India by France.

i. India-France Trade

As per the data published by the Department of Commerce, France is India's 25th largest trading partner in terms of export, as of March 2020.

Bilateral trade between India and France stood at US$ 5.1 billion during 2020.

Indian exports to France have registered some fluctuations over the last decade, i.e. between 2011 and 2020.

During 2011, Indian exports to France were pegged at US$ 5.21 billion. Thereafter, Indian exports registered a decline, to around US$ 4.56 billion in 2012, followed by a modest recovery, and stood at US$ 5.11 billion during 2015. Post 2015, Indian exports to France grew slightly during 2017 at US$ 5.25 billion and moderated at US$ 5.1 billion during 2020.

Post 2016, Indian exports to France have picked up slowly and recorded a compound annual growth rate of (CAGR) of 1.95% between 2016 and 2020.

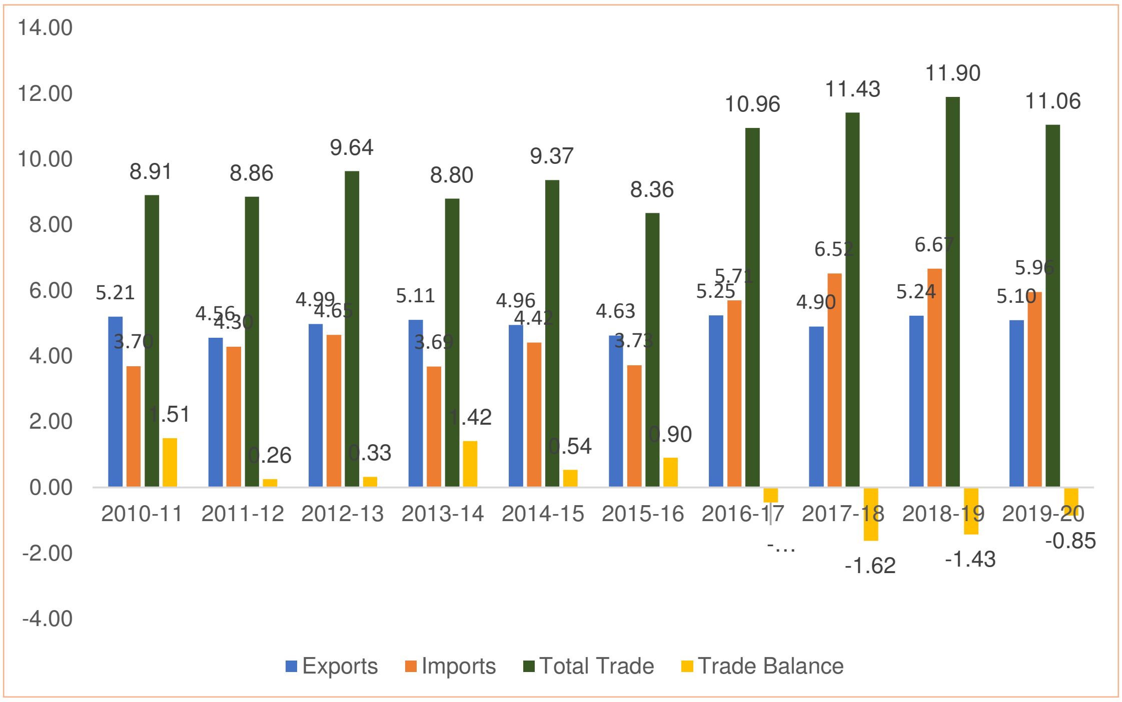
Over the last decade i.e. between 2011 and 2020, Indian exports to France registered an overall CAGR of (-)0.21%.

In terms of India's imports from France, volumes have tended to vary somewhat over the years. Indian imports from France stood at US$ 3.70 billion in 2011 and post 2016, Indian imports from France have gone up steadily and stood at US$ 6.67 billion in 2019. Imports from France stood at around US$ 6 billion, during 2020.

During the five-year period, between 2016 and 2020, Indian imports from France grew steadily and registered a CAGR of 9.83%.

Overall, Indian imports from France recorded a CAGR of 2.19 % over the last decade, between 2011 and 2020.

Chart 3: India-France Trade: Last 10 Years (US$ billion)



Source: CII calculations based on System on Foreign Trade Performance Analysis, Department of Commerce

Up until 2015-2016, though India's exports and imports were undulating, India's trade balance with Germany remained positive in favor of India. However, 2017 onwards, India's trade balance became negative and was pegged at (-) US$ 1.43 billion in 2019. The trade balance slightly improved in favor of India in 2020 and stood at (-) 0.85 billion.

ii. Top Exports and Import Items

India's top exports to France at the 2-digit HS code level during the 2019-20 period were in the categories of mineral fuels and products (HS 27); nuclear reactors and mechanical appliances and parts (HS 84); articles of apparel and clothing - knitted/crocheted (HS 61); articles of apparel and clothing accessories not knitted or crocheted (HS 62); organic chemicals (HS 29) ; pharmaceutical products (HS 30); optical and photographic equipment (HS 90) and vehicles and auto parts (HS 87), among others.

Total exports of the top product i.e. mineral fuels and products stood at US$ 0.58 billion, followed by nuclear reactors and mechanical appliances and parts at US$ 0.52 billion. Other top export items from India to France were in the categories of footwear (HS 64); aircraft and parts (HS 88), among others.

The cumulative value of the top 20 export products stood at around US$ 4.47 billion, accounting for about 1.42% of total Indian exports.

Table 6: Top 20 Indian Exports to France during 2019-20

HS Code	Commodity	Exports (US$ billion)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	0.58
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	0.52
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	0.40
61	Articles of apparel and clothing accessories, knitted or crocheted.	0.32
62	articles of apparel and clothing accessories, not knitted or crocheted.	0.32
29	Organic chemicals	0.27
30	Pharmaceutical products	0.23
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof;	0.21
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	0.21
64	Footwear, gaiters and the like; parts of such articles.	0.17
88	Aircraft, spacecraft, and parts thereof.	0.17
71	Natural or cultured pearls, precious or semiprecious stones, precious metal clad with precious metal and articles thereof;imitation.jewlry;coin.	0.16
42	Articles of leather, saddlery and harness; travel goods, handbags and similar cont. Articles of animal gut (other than silk-worm)gut.	0.15
73	Articles of iron or steel	0.15
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	0.13
38	Miscellaneous chemical products.	0.13
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishing; lamps and lighting fittings not elsewhere specified or inc	0.11
15	Animal or vegetable fats and oils and their cleavage products; pre. edible fats; animal or vegetable waxed.	0.09
40	Rubber and articles thereof.	0.09
03	Fish and crustaceans, molluscs and other aquatic invertebrates.	0.06

Source: Export Import Data Bank, Ministry of Commerce

On the other hand, India's top imports from France were in the categories of aaircraft and parts (HS 88); nuclear reactors and mechanical appliances and parts (HS 84); electrical machinery and parts (HS 85), optical and photographic equipment (HS 90); and organic chemicals (HS 29), among others.

Imports of aircrafts, spacecrafts and parts, the top imported product from France stood at US$ 2.4 billion, followed by nuclear reactors and mechanical appliances and parts at US$ 0.81 billion in imports. Other major imported items from France to India included plastics and articles thereof (HS 39), pharmaceutical products (HS 30) and other miscellaneous chemical products (HS 38).

The top 20 Indian imports from France stood at US$ 5.56 billion, accounting for 1.17% of India's total imports.

Table 7: Top 20 Indian Imports from France during 2019-20

HS Code	Commodity	Exports (US$ billion)
88	Aircraft, spacecraft, and parts thereof.	2.40
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	0.81
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	0.71
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. and apparatus parts and accessories thereof;	0.29
29	Organic Chemicals	0.21
39	Plastic and articles thereof.	0.16
30	Pharmaceutical products	0.14
38	Miscellaneous chemical products.	0.14
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	0.12
72	Iron and steel	0.09
73	Articles of iron or steel	0.09
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations.	0.08
40	Rubber and articles thereof.	0.06
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	0.05
98	Project goods; some special uses.	0.05
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, or radi. elem. or of isotopes.	0.05
53	Other vegetable textile fibres; paper yarn and woven fabrics of paper yarn.	0.04
76	Aluminium and articles thereof.	0.03
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard.	0.03
75	Nickel and articles thereof.	0.03

Source: Export Import Data Bank, Ministry of Commerce

India's top exports to the world overlap significantly with France's imports from the world. However, given that India is not a major source of imports for France, this suggests gaps in the trade partnership that could be potentially bridged. In sectors like machinery, organic chemicals, automobiles and auto parts and electronics, for example, imports from India are insignificant. This is also true for gems and jewelry and pharma products, two of India's largest exports globally.

France could explore the myriad possibilities of sourcing products from India for both domestic demand as well as for its own exports to the world. The analysis in the next section details the exact products at the 6-digit HS code level that France could source from India profitably.

A side by side comparison of India's bilateral trade with France along with France's top global exports and imports shows some gaps.

In France's top 10 exports to the world, there are a few items that do not figure in France's top exports to India. For example, France exports essential oils and resinoids; perfumery, cosmetic or toilet preparations (HS 33) worth about US$ 20.11 billion to the world and it exports beverages, spirits and vinegar (HS 22) worth about US$ 19.33 billion to the world. Such products have figured in the negotiations for the proposed India-EU FTA.

Similarly, as was mentioned in the previous section on India's exports profile, India's exports to France are a very small percentage of France's global imports in the same categories. Especially in products like pharmaceuticals, vehicles and auto parts, organic chemicals etc, where India exports competitively to various markets, the existing market share in France could potentially be ramped up.

Using data from the International Trade Centre (ITC), this paper employs the Export Specialization (ES) Index along with various other parameters to narrow down the top potential Indian exports to France, wherein the specific market characteristics of the partner country/market are also factored in. Details of the innovative methodology developed by CII are in the Annex.

The table below presents the top 5 Indian products of high potential to the French market. The full list of 42 identified products is included in the Annex.

Table 8: India's top potential exports to France

HS Code	Product Label	France's Imports from World (US$ billion)	ES Index
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	20.86	3.13
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	11.58	1.90
841112	Turbojets of a thrust > 25 kN	5.81	1.12
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	4.83	1.17
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	4.48	5.28

Source: Export Import Data Bank, India

TAKEAWAY

There are a wide range of untapped products from India that can meet France's sourcing needs in a variety of industries. India has developed global export competencies including in sectors catering to global value chains which can prove to be an invaluable component of the bilateral commercial engagement.

Import Procedures in France

Trade procedures and regulations in France are determined by the EU Customs Union for goods crossing EU borders. Imported goods are treated as Union goods once the import duties as applicable have been paid and admitted, and can freely cross intra-EU borders. Goods can also be imported as inward processing goods which are meant for further processing and are not subject to import duties and other taxes. Such goods can then be released for circulation in the EU subject to payment of import duties or for re-exports.

Goods that are prohibited for imports in France: Products of animal origin, not originating from an EU member state, Andorra, Liechtenstein, Norway, San Marino or Switzerland are not permitted to be imported into an EU member state, with the exception of limited amounts from Andorra, Croatia, the Faeroe Islands, Greenland, Iceland and small amounts of specific products from other countries.[1]

Import Customs Clearance Procedures[2]

If the goods imported in France are less than 1,000 kg or worth €1,000, then only a verbal declaration along with an invoice is required. However, for a higher value of imports, the following procedure must be followed:

(a) Obtain an Economic Operators Registration and Identification (EORI) number.

(b) Pay Customs duty at the time of declaration of import or release for consumption.

(c) Ensure that the "safety/security" declaration formalities have been completed before the goods enter the Customs territory of the European Union.

(d) Store the goods in temporary storage; temporary storage is the waiting time during which Customs clearance is obtained from the authorities.

(e) Comply with the taxation and other regulations applicable to the imported goods.

(f) Submit a Customs declaration using the DELTA-G and DELTA-X online services when importing goods in the EU Customs territory. DELTA-G and DELTA-X are two online services provides by French Customs authorities for the filing of Customs declarations by companies; DELTA-G is an online service for Customs declaration for traditional freight, while DELTA-X is meant for express freight and parcel post.

(g) Request reverse charge of VAT on import (applicable for VAT payers who import taxable goods).

1 http://ee.france.fr/en/information/customs-rules

2 https://www.douane.gouv.fr/professionnels/commerce-international/import-export/vous-souhaitez-importer

Process to Acquire an Import Permit[3]

France is a part of the EU and for any import or export outside EU countries, an Economic Registration and Identification (EORI) number is compulsory. In France, an EORI number is principally used for online procedures such as the following:

- Clearance of imports and exports
- Enabling goods to be placed under transit procedure
- Enabling safety and security procedure to be carried out prior to import
- Certifying goods exiting the EU to obtain exemptions from export VAT

Applications for EORI numbers can be accessed via this link: https://translate.google.com/translate?hl=en&sl=fr&u=https://www.douane.gouv.fr/demarche/enregistrer-votre-entreprise-aupres-de-la-douane-numero-eori&prev=search

Additionally, any business or company involved in export or import of commercial goods in France has to be registered with Chambre de Commerce (RCS).

The following documents are to be submitted for clearance of imported goods:[4]

(h) Invoice, which should be written in French or, in principle, accompanied by a translation.

(i) Transportation documents (Bill of Lading, LTM, CMR or LVI).

(j) Transit documents (T1 or T2) if the merchandise comes in through another EU country.

(k) Other documents providing compliance with EC or French standards, import licenses, sanitary or phytosanitary certificates.

3 https://www.douane.gouv.fr/fiche/economic-operator-registration-and-identification-eori-number

4 https://www.tradecommissioner.gc.ca/france/market-facts-faits-sur-le-marche/7685.aspx?lang=eng#customsclearance\

Annex - I

India's Potential Exports to France

Code	Product label	India's exports to world (US$ billion) 2018	France's imports from world (US$ billion) 2018	ES Index
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	32.00	20.86	3.13
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	10.74	11.58	1.90
841112	Turbojets of a thrust > 25 kN	3.17	5.81	1.12
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	2.76	4.83	1.17
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	11.57	4.48	5.28
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	14.74	2.39	12.63
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	1.79	1.57	2.32
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting ...	0.88	1.16	1.56
740311	Copper, refined, in the form of cathodes and sections of cathodes	0.86	1.09	1.61
300220	Vaccines for human medicine	0.67	1.08	1.26
760120	Unwrought aluminium alloys	0.73	1.05	1.41
710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	24.24	1.01	49.24
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, ...	0.48	0.96	1.01
390110	Polyethylene with a specific gravity of <0,94, in primary forms	0.79	0.91	1.78
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excluding cotton)	0.67	0.89	1.54
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding typres with ...	0.47	0.83	1.15

Code	Product label	India's exports to world (US$ billion) 2018	France's imports from world (US$ billion) 2018	ES Index
293339	Heterocyclic compounds with nitrogen hetero atom[s] only, containing an unfused pyridine ring, ...	0.53	0.82	1.32
380893	Herbicides, anti-sprouting products and plant-growth regulators (excluding goods of subheading ...	0.89	0.82	2.22
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	4.35	0.80	11.09
690721	Ceramic flags and paving, hearth or wall tiles, of a water absorption coefficient by weight ...	0.53	0.76	1.42
390210	Polypropylene, in primary forms	0.86	0.71	2.48
640391	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather, ...	0.84	0.71	2.43
294190	Antibiotics (excluding penicillin's and their derivatives with a penicillanic acid structure, ...	0.53	0.70	1.54
380892	Fungicides (excluding goods of subheading 3808.50)	0.59	0.69	1.74
841391	Parts of pumps for liquids, n.e.s.	0.36	0.68	1.08
090111	Coffee (excluding roasted and decaffeinated)	0.52	0.60	1.76
390761	Polyethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g	1.05	0.59	3.61
841490	Parts of air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling ...	0.34	0.59	1.17
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine" (excluding ...	0.61	0.57	2.20
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres (excluding knitted or ...	0.58	0.56	2.12
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets and ...	0.79	0.54	3.00
300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal ...	1.00	0.53	3.86

Code	Product label	India's exports to world (US$ billion) 2018	France's imports from world (US$ billion) 2018	ES Index
630790	Made-up articles of textile materials, incl. dress patterns, n.e.s.	0.48	0.53	1.83
293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds (excluding ...	0.49	0.52	1.93
260112	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	0.89	0.51	3.57
848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.	0.42	0.47	1.81
620443	Women's or girls' dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	0.57	0.47	2.48
848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission ...	0.43	0.47	1.88
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene, not reinforced, ...	0.29	0.47	1.27
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excluding hats)	0.64	0.46	2.84
281820	Aluminium oxide (excluding artificial corundum)	0.69	0.40	3.53
293399	Heterocyclic compounds with nitrogen hetero atom[s] only (excluding those containing an unfused ...	0.77	0.39	4.02
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	6.88	0.38	36.54
420231	Wallets, purses, key-pouches, cigarette-cases, tobacco-pouches and similar articles carried ...	0.48	0.38	2.56
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	0.83	0.37	4.52
610510	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, T-shirts, singlets ...	0.40	0.37	2.19
848310	Transmission shafts, incl. cam shafts and crank shafts, and cranks	0.34	0.36	1.90
760110	Aluminium, not alloyed, unwrought	3.05	0.36	17.26

Code	Product label	India's exports to world (US$ billion) 2018	France's imports from world (US$ billion) 2018	ES Index
710391	Rubies, sapphires and emeralds, worked, whether or not graded, but not strung, mounted or set, ...	0.25	0.36	1.45
380891	Insecticides (excluding goods of subheading 3808.50)	0.95	0.35	5.51
730630	Tubes, pipes and hollow profiles, welded, of circular cross-section, of iron or non-alloy steel ...	0.26	0.34	1.53
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled ...	0.44	0.33	2.70
020230	Frozen, boneless meat of bovine animals	3.32	0.33	20.58
871410	Parts and accessories of motorcycles, incl. mopeds, n.e.s.	0.33	0.33	2.08
640351	Footwear with outer soles and uppers of leather, covering the ankle (excluding incorporating ...	0.47	0.30	3.19
720851	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils, simply ...	0.25	0.30	1.73
630231	Bedlinen of cotton (excluding printed, knitted or crocheted)	0.29	0.27	2.15
420310	Articles of apparel, of leather or composition leather (excluding clothing accessories, footwear ...	0.49	0.27	3.65
401170	New pneumatic tyres, of rubber, of a kind used on agricultural or forestry vehicles and machines	0.69	0.27	5.29
621143	Women's or girls' tracksuits and other garments, n.e.s. of man-made fibres (excluding knitted ...	0.61	0.27	4.65
392329	Sacks and bags, incl. cones, of plastics (excluding those of polymers of ethylene)	0.34	0.26	2.66
620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excluding knitted or crocheted ...	0.57	0.26	4.42
711311	Articles of jewellery and parts thereof, of silver, whether or not plated or clad with other ...	0.82	0.26	6.45

Annex – II

Data and methodology for identifying potential goods to be sourced from India

CII has developed a unique methodology that brings out the products of high potential that can be exchanged between two specific countries based on their respective strengths. This is tailored to India's partner countries to identify the items.

While conventional measures such as the Revealed Comparative Index (RCA), frequently used in trade and international economics to assess a country's export potential, have been employed in various studies to identify products with high competitiveness, the CII report employs the Export Specialisation Index (ESI), a slightly modified version of the RCA index to identify products for specific markets and partners. This index while assessing export potential, also considers market specific characteristics rather than world export shares (as used in the RCA), which is useful to identify products relevant to specific markets.

As per WITS, the ES index is calculated as the ratio of the share of a product in a country's total exports to the share of this product in imports to specific markets or partners rather than its share in world exports:

$$ES = (x_{ij}/X_{it}) \; / \; (m_{kj}/M_{kt})$$

Where x_{ij} and X_{it} are export values of country i in product j, respectively, and where m_{kj} and M_{kt} are the import values of product j in market k and total imports in market k.

In other words, the numerator is the ratio of a country's total exports of a specific commodity to the country's total exports while the denominator is the ratio of the partner country's imports of the commodity to the partner country's total imports. While the numerator, like the RCA index captures the country's share of a specific commodity in its export's basket, the denominator in the ES index captures the partner country's share of the commodity under consideration in its import basket, unlike the world shares in the RCA index. This throws light on the relevance of a particular commodity in a specific market which is an important criterion for understanding potential exports to specific markets.

The ESI is similar to the RCA in that the value of the index less than unity indicates a comparative disadvantage and a value above unity represents specialization or comparative advantage of the product under consideration.

The CII report uses exports and related data from ITC at the HS 6-digit level to identify Indian exports with high potential to France. Expanding production of the identified products are likely to further enhance India-France trade.

Data on the following variables, required for the construction of the ES index have been sourced from ITC at the HS 6-digit level, for the latest available year i.e. 2018.

(i) India's exports to world (ii) France's imports from world (iii) India's total exports and (iv) France's total imports.

After collecting data on the variables above, products for which France's world imports and India's world exports exceed US$ 250 million are identified, while rest are excluded. This is done to ensure that there is substantial demand for the product in the partner country (France) as well as adequate production capability in the exporting country (India).

In the next step, the ES index is calculated for all the remaining products. All products for which the value of the index is less than 1 are excluded, as an index value less than 1 indicates a comparative disadvantage of the product in the market.

At the end of the exercise, a total of 64 products remain for which the index value is greater than 1, indicating specialization or comparative advantage of these products in the specific market.

To make the results even more precise, an additional filter is applied to the remaining products for identifying the final list of potential exports, wherein only those potential export products are considered for which French imports are greater than US$ 500 million. This leads to a total of 42 products which are considered as high potential exports.

The final products are sorted as per France's import values. The top 5 products with high import values along with the ES index are classified as top performers in the French market, while the rest are classified as products with high export potential.

Partnerships in Global Value Chains

Over the past several decades, aided by unprecedented advances in technology, communications, and transport infrastructure, as well as concentrated regional trade agreements, much of global industrial and commercial activity has coalesced around the concept of Global Value Chains (GVCs) in a multitude of sectors – this is especially evident in the electronics sector. GVCs have significantly helped enhance efficiency, while lowering costs and speeding up the pace of production.[5]

Multiple countries can now be involved in the production of a specific item – products can cross international borders several times for value addition before actually reaching the final customer. This trend has led to both fragmentation in industrial production patterns as well as hyper-specialization in skills and production activity as countries can be very focused on certain parts of the research and development, design, production and marketing processes along the value chain, than on the entire product itself.

France has been a major contributor to GVC intensification, along with Germany, the United States, Japan, and Italy, as is displayed in the usage of a greater volume of imported inputs in exports over time.[6] According to the OECD's Trade in Value Added (TiVA) database, the foreign content in France's exports was 22.1% in 2016 and the country shows a high degree of integration with Germany in particular, exemplifying the strength of European ties.[7] On the other hand, for India, the foreign content in exports has reduced from over 25% in 2012 to 16.1% in 2016.

In the previous section, the analysis highlighted potential sectors and products where France can ramp up sourcing from the India – these are areas where the business and investment climate is also very conducive for FDI.

In this chapter, the analysis seeks to shed light on the possibility of Indo-French collaboration in terms of integration with global value chains. Many of the Indian exports with high potential identified in this report belong to the intermediate inputs category, as against the consumption category. Therefore, French investments and sourcing activity in these specific sectors in India could provide not only diversity in import sources from a reliable partner for French producers, but would also aid French exports to the world.

5 'Global value chains in a changing world' edited by Deborah K. Elms and Patrick Low, p.xix https://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf

6 http://pubdocs.worldbank.org/en/124681548175938170/World-Development-Report-2020-Draft-Report.pdf p.49

7 https://www.oecd.org/industry/ind/TIVA-2018-France.pdf

The analysis is carried out through a unique methodology developed by CII with a multi-step process that throws up the key products for India's global value chain participation partnerships with France.

The ultimate result of such enhanced ties would be to bring India and France in closer GVC cooperation, as Indian and French firms plug into value addition at different points. Such close business linkages would beget further trade and investment as familiarity and comfort between the businesses in both countries grow. France has a high volume of international exposure in its economy and is well integrated with value chains spread across Europe as well as North America and Asia.

Sourcing from India, investing in India and inviting Indian firms to act as intermediary suppliers along various value chains would certainly lead to enhanced commercial ties and would sharpen the competitive advantage offered by each in the international marketplace. In a post-Covid world, India and France have the opportunity to solidify ties as first movers in re-shaping existing global supply chains – this unique window of opportunity must not be missed.

Methodology: Identifying potential sectors for French Investments and GVC Integration

In determining the potential export sectors for where French companies could stand to benefit by investing in India and where firms from both countries could look at GVC integration, France's top imports and top Indian exports are analysed with the aim of determining the volume of demand in France as well as current Indian export and production capacity for these specific commodities.

The top ten Indian exports and top ten French imports at the 2-digit HS code level are first matched to arrive at the common and over-lapping categories of products, as these present potential synergies in demand and supply between India and France. These products are then mapped with the potential Indian exports identified in the previous section of this paper at the 6-digit HS code level (See Table in Annex - I).

This comparison brings up five categories at the 2-digit HS code level which figure prominently amongst French imports and where India has existing high export capacity. The categories include nuclear reactors and mechanical appliances and parts (HS 84); electrical machinery and equipment (HS 85); pharmaceutical products (HS 30); vehicles and parts (HS 87); and organic chemicals (HS 29).

One other product, Plastics and articles thereof (HS 39) is also included since it shows up as one of the items of potential Indian export in the 6-digit analysis conducted previously and is also a major import and export item for France globally.

These products are reflected in both, France's top imports as well as exports, indicating significant integration with value chains in these sectors.

In the next step, the high potential Indian exports identified in this paper at the 6-digit HS code level are contrasted with the above categories of products at the 2-digit HS code level.

At this level of analysis, only intermediate categories are considered[8], and products intended for final consumption are excluded – for example, apparel and garments (HS 62) are excluded, even it figures in the top 10 French imports and is already a major export from India to France. Additionally, categories such as mineral oils (HS 27) are excluded as it appears to be a less important commodity within France's top 10 exports as compared to others.

8 This is done using the UN's Broad Economic Category (BEC) classification: https://unstats.un.org/unsd/trade/classifications/bec.asp#documents

Table 11 lists the final Indian products at the 6-digit level arrived at after the several layers of filtering described above – these are products and sectors that are ripe for investments from France and where French and Indian companies could potentially collaborate with each other to integrate into the global value chains – either in existing ones or as we envisage new configurations moving forward.

Table 9: Potential Products for French Investments and GVC Integration in India

HS Code (2 digit)	HS Code (6 digit)	Product label
29	293399	Heterocyclic compounds with nitrogen hetero-atom[s] only (excluding those containing an unfused ...
29	293359	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing a pyrimidine ring, whether ...
29	293339	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused pyridine ring, ...
30	300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...
39	390761	Poly"ethylene terephthalate", in primary forms, having a viscosity number of >= 78 ml/g
39	392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate", not reinforced, ...
84	841112	Turbojets of a thrust > 25 kN
84	848180	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...
84	840999	Parts suitable for use solely or principally with compression-ignition internal combustion...
84	848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like, n.e.s.
84	841480	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a ...
84	848340	Gears and gearing for machinery (excluding toothed wheels, chain sprockets and other transmission ...
85	853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537, ...
85	850300	Parts suitable for use solely or principally with electric motors and generators, electric ...
87	870322	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...
87	870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...
87	870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport of ...
87	870321	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...

Source: CII analysis based on ITC data

Bilateral Investments

Investment climate in India | Investment climate in France
Sectors of potential

The business and investment climates in both India and France are equipped and conducive for enhanced two-way investment flows. France is a major global outward investor, with over US$ 260 billion deployed in outward investments between 2015 and 2018, as per UNCTAD data[9]. India, on the other hand, is a favoured destination for FDI, garnering over US$ 170 billion worth of inward flows in this period. With India's continued development progress and steadily improving business and investment climate, it could emerge as a hotspot for French outward FDI.

INVESTMENT CLIMATE IN INDIA

India's FDI policy regime and business environment are rapidly improving, ensuring strong foreign capital inflows into the country. The government has taken many initiatives in recent years such as relaxing FDI norms across sectors such as defence, insurance, public sector oil refineries, telecom, power exchanges, coal mining, contract manufacturing, single brand retail, construction, and stock exchanges, among others.

According to the Department for Promotion of Industry and Internal Trade (DPIIT), FDI inflows in India stood at US$ 310 billion in the five-year period 2015-16 to 2019-20, rising steadily from US$ 55 billion to US$ 73 billion. This reiterates the impact of the India's growing markets and reform exercise.

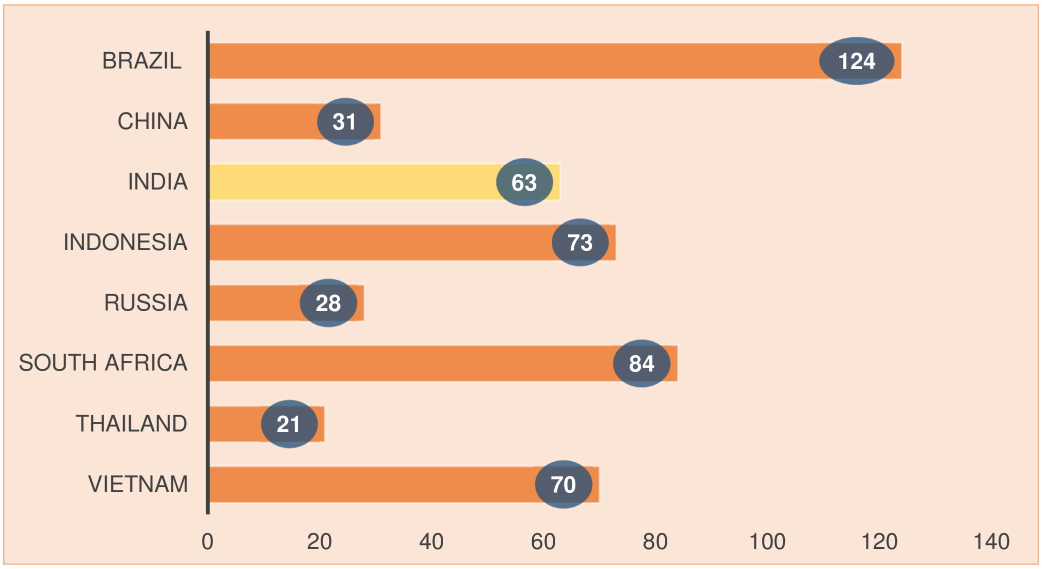
In 2019-20, the services sector attracted the highest FDI equity inflow of US$ 7.9 billion, followed by computer software and hardware at US$ 7.7 billion, telecommunications sector at US$ 4.4 billion and trading at US$ 4.6 billion.

In terms of cumulative FDI equity inflows, the services sector is by far the largest recipient with about US$ 82 billion or 17% of the total inflows between April 2000 and March 2020.

India compares with other emerging economies on global rankings on Ease of Doing Business, Corruption Perceptions Index, and Logistics Performance Index. As a large and populous country, it is also improving its human development index as per the UNDP Human Development Index report.

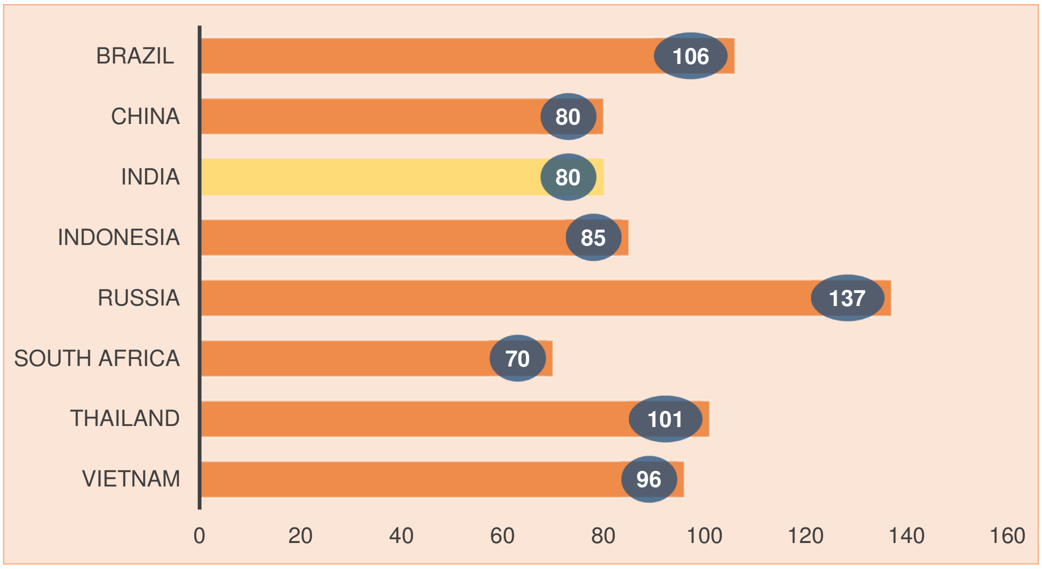
9 World Investment Report 2019, UNCTAD

Doing Business Ranking 2019



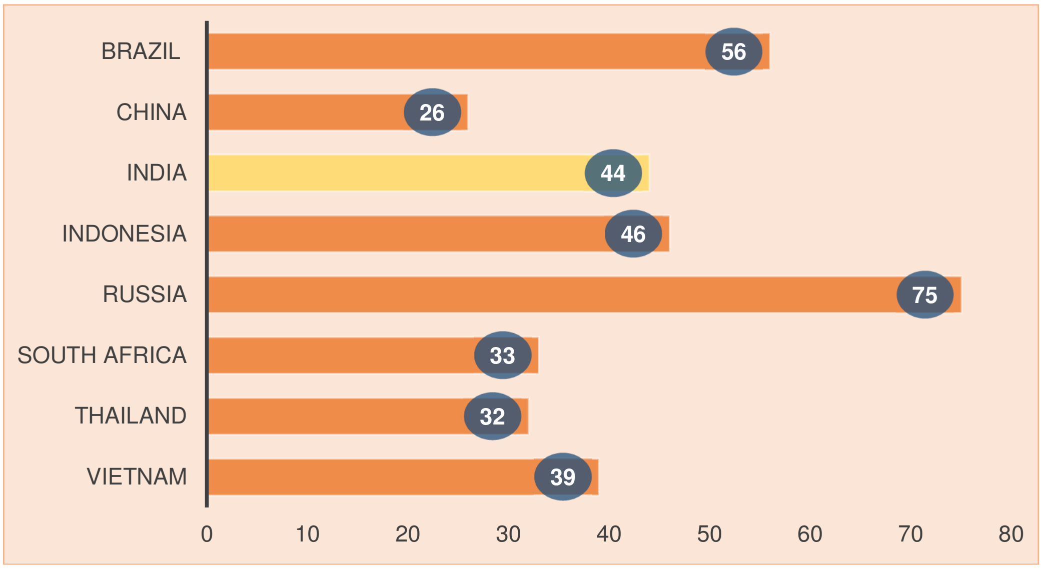
Source: World Bank

Corruption Perception Index Ranking 2019



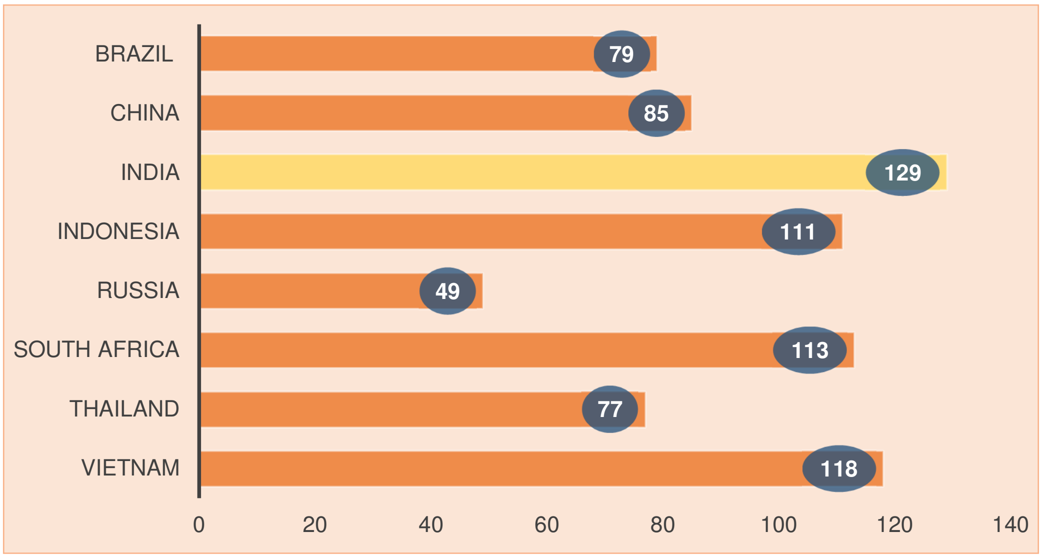
Source: Transparency International

Logistics Performance Index Ranking 2018



Source: World Bank

Human Development Index Ranking 2019



Source: UNDP

Key reforms implemented in India

A strong agenda of economic reform has been set in motion by the Indian government, including implementation of GST and Insolvency and Bankruptcy Code, liberalizing FDI norms, promoting ease of doing business, and taxation, among others.

The Goods and Services Tax (GST) was rolled out in the country in 2017, replacing multiple indirect taxes imposed by Indian state governments. With uniform indirect tax rates across the country, a single online portal for taxpayers and government, and simplicity of filing, GST has transformed the

Indian tax regime. However, GST is not applicable to certain products such as fuels and alcohol. The top rate is 28% with zero rate for many products and several slabs of taxation, depending on the consumption patterns.

In 2019, India introduced a new direct tax structure, with corporate taxes brought down from 30% to 25% and 15% for new manufacturing investments. Tax on dividends has been placed in the hands of receivers rather than companies.

India, today, is one of the most open economies for FDI in the world with most sectors open to 100% under the automatic route. The Government is continuously working on making the FDI policy facilitative and congenial. Recently some major reforms were announced in India:

- 100 per cent FDI under the automatic route has been allowed in coal mining for open sale (as well as in developing allied infrastructure like washeries).
- FDI permitted in defence production has been raised to 74% under the automatic route.
- FDI norms in several sectors, including non-banking financial companies, single brand retail and construction have been relaxed.
- One hundred per cent FDI under the automatic route has been allowed in contract manufacturing and in single brand retail.
- 26% FDI has been permitted under government route for uploading/ streaming of news & current affairs through Digital Media, on the lines of print media.

To attract investments into the country, Ease of Doing Business has been taken up in a major way through initiatives by the central and state governments for faster and simpler procedures and clearances. As a result, India's EODB rank has improved significantly over the last 4 years, jumping up from 134 in 2014 to 63 in 2019, underscoring the government's firm resolve to improve the business environment.

Numerous foreign companies are setting up their facilities in India on account of various government initiatives like Make in India and Digital India.

The Government launched the Make in India initiative with an aim to boost the manufacturing sector of Indian economy, to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors. Special packages have been announced for specific sectors which are outlined later.

Besides, the Government has also come up with the Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and increasing digital literacy. Taking into account hardware manufacturing, startups and government services, the digital economy of India is targeted at US$ 1 trillion.

i. French Investments in India

France is the ninth largest foreign investor in India with cumulative FDI of US$ 8.5 billion in the period April 2000 to March 2020, accounting for 1.8% of India's total FDI inflows in this period.

In terms of foreign investment inflows from France, services account for the maximum equity inflow. Major French banks such as Société Générale, BNP Paribas and CA CIB operate across India.

Ingenico, digital security providers Gemalto and Oberthur Technologies are some of the other French service providers present in the country.[10]

Table 11: Top Sectors in India for FDI from France *(January 2000 to December 2018)*[11]

HS Code	Product Label	France's Imports from World (US$ billion)	ES Index
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel, ...	20.86	3.13
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes, ...	11.58	1.90
841112	Turbojets of a thrust > 25 kN	5.81	1.12
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons, ...	4.83	1.17
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not ...	4.48	5.28

Source: Department for Promotion of Industry and Internal Trade, Government of India

As per data derived from fdimarkets.com, between January 2003 and January 2020 French companies announced investments of US$ 28.32 billion and created a total of 145,967 jobs in India.

Currently, there are over 1000 French companies present throughout India. Most of these are concentrated in large metropolitan cities such as Delhi NCR, Mumbai, Pune, Bengaluru, Chennai, Hyderabad, Ahmedabad, and Kolkata.

39 of the 40 CAC 40 (French Stock Market Index) companies are present in India. Some 50-70 French SMEs are also present in India, essentially in the mechanical and pharma-chemical sectors. In addition, French companies are present in a wide range of sectors: services (BNP Paribas, Capgemini, Havas, Sodexo, etc.); pharmaceutical-chemicals (Arkema, L'Oréal, Sanofi, Total, etc.); aerospace (Airbus, Dassault, Eurocopter, Safran, Thales, etc.); agro-foods (Bongrain, Danone, Lactalis, Lesaffre, Pernod Ricard, etc.); electronics (Crouzet, Gemalto, Oberthur, Safran, STMicroelectronics, etc.); construction mechanics (Alstom, Cermex, Legris Group, Poclain, Sidel, etc.); electrical components (Hager, Legrand, Schneider Electric, etc.); automobile (Faurecia, Michelin, Plastic Omnium, Renault, Valeo, etc.).

Table 11: Total Investment by French Companies in India
(January 2003 – January 2020)

	Total Jobs Created	Total Investment (US$ m)
2019	8,117	1,942.60
2018	7,443	1,471.10
2017	4,694	986.70
2016	13,307	2,798.60
2015	6,793	945.40

10 https://www.india-briefing.com/news/opportunities-french-investment-india-17850.html/

11 https://dipp.gov.in/sites/default/files/France_ix_18.pdf

	Total Jobs Created	Total Investment (US$ m)
2014	3,691	520.20
2013	4,715	609.60
2012	5,850	739.70
2011	14,587	3,078.80
2010	7,025	1,639.30
2009	14,444	3,105.10
2008	18,993	3,227.30
2007	9,531	2,461.00
2006	14,675	3,074.80
2005	5,458	886.00
2004	4,464	532.90
2003	2,180	304.70
Total	**145,967**	**28,323.90**

Source: fDi Intelligence from The Financial Times Ltd

Table 12: Top 10 French Companies in India
(January 2003 – January 2020)

	Total Jobs Created	Total Investment (US$ m)
Accor	3,358	1,388.50
CapGemini	9,182	590.90
Alstom	5,016	945.30
Saint-Gobain	4,248	1,091.40
SolidWorks	731	87.40
Schneider Electric	1,562	223.80
FM Logistic	768	862.40
Michelin	2,553	1,191.00
Societe Generale (SocGen)	2,763	294.00
Dassault Systemes	977	78.00

Source: fDi Intelligence from The Financial Times Ltd

ii. Indian Investments in France

According to the 2017 Annual Report of Business France titled 'The International Development of The French Economy', there are over 150 Indian companies operating in France, which employ around 7,000 people. Nineteen investments from India were recorded in 2017, creating or maintaining 284 jobs.

According to the report, Indian FDI projects often involved decision making centers (42% of projects), including a Global/European headquarters, and production/manufacturing operations (32%). Investments were mainly made in the software and IT services sector (26% of projects and 52% of jobs generated), and chemicals/plastics industry (21% of projects; 23% of jobs), while location-wise, Indian companies invested primarily in Ile de France (Paris region) (26% of projects), Nouvelle Aquitaine (16%), Bourgogne-Franche-Comté (16%) and Hauts de France (16%).

According to data from fdimarkets.com, between January 2003 and January 2020, Indian companies invested a total of US$ 636.34 million in France creating a total of 2,304 jobs.

Table 13: Total Investment by Indian Companies in France
(January 2003 – January 2020)

	Total Jobs Created	Total Investment (US$ m)
2020	64	22.20
2019	103	52.30
2018	105	12.80
2017	164	47.10
2016	99	20.50
2015	135	27.50
2014	95	33.60
2013	90	29.60
2012	206	12.80
2011	276	107.00
2010	50	33.20
2009	110	46.40
2008	290	66.50
2007	302	84.10
2006	174	22.30
2005	34	17.50
2003	7	0.90
Total	**2,304**	**636.30**

Source: fDi Intelligence from The Financial Times Ltd

Table 14: Top 10 Indian Companies in France
(January 2003 – January 2020)

	Total Jobs Created	Total Investment (US$ m)
Infosys Technologies	233	32.30
Tata Consultancy Services (TCS)	90	8.30
Valuepoint Knowledgeworks	68	34.60
Zycus	34	10.00
Aero Technique Espace	40	20.60
Arrow Génériques	64	22.20
Astrome Technologies	5	1.40

	Total Jobs Created	Total Investment (US$ m)
Augen Technologies	18	5.00
Aurobindo Pharma	12	2.50
Avantha Group	10	1.00

Source: fDi Intelligence from The Financial Times Ltd

INVESTMENT CLIMATE IN FRANCE[12]

With a GDP of US$ 2.8 trillion at current prices in 2019, France is the world's seventh-largest economy after the United States, China, Japan, Germany, India and United Kingdom. It is also Europe's second-largest market with over 67 million consumers. France is home to 29 of the world's 500 leading businesses. The French economy goes beyond the well-known economic sectors of luxury goods and agrifood and also has strong banking and insurance sectors as well as energy and automotive industries. It is one of the largest destinations for foreign tourism in the world.

According to UNCTAD data, in 2017, there were over 28,000 companies with foreign capital in France, employing 11% of the workforce. They make up 21% of work in industry, 30% of French exports and 21% of domestic R&D expenditure. France is ranked 10th for Foreign Direct Investment (FDI) stock.

In 2018, France's attractiveness improved further and France was chosen to host 1,323 foreign investment projects, a figure which exceeds that of 2017 (i.e. 1,298) which was already a record.

As a founding member of the European Union and Eurozone, France also has direct access to the single European market and EU partners. Its strategic geographical location and high-quality transport infrastructure make France a hub for easy access to other countries, continents and geographical regions like EMEA (Europe, Middle East and Africa). France is ranked 8th of 137 economies in terms of the quality of its infrastructure according to the 2018 Global Competitiveness Report. It has the world's second-longest high-speed rail network.

Paris ranks behind Beijing and Tokyo but above London and New York in the ranking of cities that are home to the most top 500 businesses' headquarters (27 headquarters). With an asset management business of €4 trillion, Paris is a global financial centre and the European leader in venture capital with €3.6 billion raised in 2018. The city is also top of the capital investment market ranking in the EU, with €12.4 billion invested in 1,400 businesses in 2016. Four French banks are in the global banking top 20.

France is the leading business creator in Europe and saw a record number of 691,000 start-ups in 2018, buoyed by a 28% increase in micro-enterprises, as well as in regular one-person companies (up 20%). It takes only 3.5 days to start a business in France, compared to 4.5 in the UK and 10.5 in Germany. The French "entrepreneurial intentions" rate is one of the highest in Europe with about 50% of 18-24 year olds in France stating in 2018 that they wanted to set up a company. With Station F, which aims to become the world's largest start-up incubator with capacity to host 1,000 start-ups, France is stepping forward as a "Start-up Nation".

12 https://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade/entrepreneurship-and-investing-in-france/

CURRENT SECTORS OF POTENTIAL

While India and France have existing collaborations across a number of important sectors such as space, nuclear, defence, aerospace and marine security, certain other promising industries that offer opportunities for French investment in India are mentioned below.

a. Defence and Aerospace

With 5,000 companies and 400,000 jobs in the defence sector, French industry accounts for over 25% of European capabilities. Some of the major defence industry players include Dassault Aviation, Naval Group, Airbus Group, MBDA, Nexter, Safran and Thales.[13]

India, the world's largest defence importer nation, is a major buyer of defence equipment from France. This relationship needs to evolve into one of co-development in areas such as defence manufacturing and aviation technology, especially given the fact that FDI limits in this sector have been relaxed to 74%[14] and the Government of India is keen to expand domestic defence production with the participation of overseas firms. Some of the areas that can be considered for co-development or licensed production are aero-platforms and systems (avionics, aircraft manufacture, radar equipment), advanced ship-building technologies, submarines among others.

French industry is also looking at collaborations to modernise India's shipyards and defence platforms through the infusion of technology. Industry players are looking to make India a base for production of defence equipment, not only for India's large market but also for export to other countries.

India plans to reorganise the existing military commands into common theatre commands comprising the Army, Navy and Air Force, similar to the structure followed by the leading western powers. French companies can bring in technologies to help enhance inter-operability among the Indian Air Force, the Navy and the Army which would be useful in a collaborative combat scenario. In addition, defence systems and technologies with advanced digital innovations and a focus on big data, artificial intelligence and cyber security are also of immense interest to India.[15]

It is also important to look at ways to encourage French SMEs to invest in India – the opportunities are particularly ripe in the defence sector. Success stories of large-scale investments under the "Make in India" programme, in the areas of aerospace, naval or land projects require the development of a fully capable and proven ecosystem of French and Indian SMEs as key players in the supply chains of sub-assemblies. A mechanism to handhold French companies, especially SMEs, wishing to explore the Indian market needs to be created.

b. Automobiles

India is the second largest automobile market with the potential to generate up to US$ 300 billion in annual revenue by 2026. The vehicle component industry has emerged as a robust and high-quality sector, catering to original equipment manufacturers and tier-1 suppliers.

13 https://www.diplomatie.gouv.fr/en/french-foreign-policy/economic-diplomacy-foreign-trade/supporting-french-businesses-abroad/strategic-sector-support/defence-industries-and/

14 As announced by Indian Finance Minister on 16 May 2020

15 https://economictimes.indiatimes.com/news/defence/thales-to-expand-presence-in-india-says-france-supports-companys-resolve-to-share-critical-technology/articleshow/74139829.cms

The Indian government encourages foreign investment in the sector by allowing 100 percent FDI under the automatic route. Since 2000, the country's automobile industry has attracted FDI worth US$ 24 billion as the 6th largest sector for FDI, while exports stand at around US$ 15 billion. France's imports of automotives from India are low, despite the fact that many French automakers have a presence in the country. India offers a strong suppliers' base, encouraging international auto companies to leverage it for their global sourcing.

The top car manufacturing states in the country are Tamil Nadu, Maharashtra, Haryana and Delhi-NCR. The French carmaker group PSA, also known as Peugeot Citroen, recently signed an agreement with the Tamil Nadu government to set up a research and development centre, as well as manufacturing facilities, in the state. Besides, several other important players in the French automobile industry have set up production centres in Tamil Nadu. These include automobile manufacturer Renault, parts producer Valeo and tire manufacturer Michelin.

c. Electronics

India's booming electronics market is expected to more than double to reach US$ 228 billion in 2020 from US$ 100 billion in 2016-17. The growth is forecast based on growing customer base, trade pacts, government policies and increased penetration of consumer durables.

The Indian government's thrust on using technology to improve delivery of its public services and the digital revolution has opened up opportunities for companies to develop and manufacture innovative products and solutions across the country. Initiatives like Make in India and Digital India have further pushed the sector ahead. In addition, the development of Electronic Hardware technology parks, SEZs and proposed coastal economic zones have created a favorable climate for FDI in the industry.

In April 2020, India announced the Production Linked Incentive scheme for large scale electronics manufacturing. The products included in this are mobile phones, SMT components, discrete semiconductor devices, passive components, printed circuit boards, sensors and micro and nano components as well as assembly, testing, marking and packaging (ATMP) units. The incentive of 4% to 6% is offered on incremental sales of manufactured goods over the base year of 2019-20.

In addition, a scheme for electronics Manufacturing Clusters 2.0 and Scheme for Promotion of Manufacturing of Electronics Components and Semiconductors (SPECS) have also been introduced. These are expected to attract significant investments from across the world.

Several French electronics manufacturers have already set up operations in India. These include Crouzet, Gemalto, Safran, ST Microelectronics, and Schneider Electric that operates seven plants across the country.

d. Chemicals

India's chemicals industry is highly diversified and provides valuable chemicals for various end products such as textiles, paints and varnishes, paper, and leather. The industry is currently valued at around US$ 150 billion and is expected to reach US$ 300 billion by 2025.

Key drivers for success in the chemical sector include India's proximity to strong growth markets, improvements in the business environment and continued support from the government. To encourage investment in the sector, India's Ministry of Chemicals and Petrochemicals has set up four petroleum, chemicals and petrochemicals investment regions (PCPIRs) in Andhra Pradesh, Gujarat, Odisha, and Tamil Nadu.

Petroleum, Chemicals and Petrochemical Investment Regions (PCPIRS): PCPIRs provide investors with a transparent and investment friendly policy and facility regime. PCPIR is a cluster approach to promote petroleum, chemicals and petrochemical sectors in an integrated and environmentally friendly manner on a large scale. Each PCPIR is a specifically delineated region spread over an area of about 250 sq. km. They have manufacturing facilities, along with associated logistics and other services. The required infrastructure along with a non-processing area will be developed, to include residential, commercial and other social and institutional infrastructure.

The state incentives in these areas include the availability of adequate land, deregulated industry and promotion of 100 percent FDI, and opportunities for investment through PPP mode and in consortium with Indian partners, among others. More incentives are available for investment in Special Economic Zones.

Plastic Parks: The Department of Chemicals and Petrochemicals has formulated the scheme for setting up Plastic Parks with the objective of need based plastic parks, an ecosystem with state-of-the-art infrastructure and common facilities. The units will be consolidated through the cluster development approach. The Government of India will provide grant funding of up to 50% of the project cost subject to a ceiling of US$ 5.7 million. The remaining project cost is to be funded by the State Government or State Industrial Development Corporation. Plastic Parks in states of Madhya Pradesh, Odisha, Jharkhand, Uttar Pradesh, Assam and Tamil Nadu are being set up under the scheme.

R&D: Focus is on innovation and R&D by setting up "Centres of Excellence" to support chemical sector's movement up the value chain from bulk chemicals to more value-added chemicals. offering investment allowances and tax deductions on acquiring plant and machinery. Additional incentives are being offered depending on the scale of investment for the industry sponsored R&D initiatives and set-up of dedicated in-house R&D facility.

Centres of Excellence (CoE) in Polymer Technology: The scheme aims at improving the existing petrochemicals technology and research in the country and to promote development of new applications of polymers and plastics. In phase-I of the Scheme implemented up to the year 2017, the Government of India provided financial support to the extent of maximum of 50% of the total cost of the project subject to an upper limit of Rs. 60 million over a period of 3 years. In Phase II – the Scheme was extended upto year 2020 with modified guidelines, which aim at promoting applied research and technology transfer from Lab to Industry and funding of Rs 5 crore per CoE. Additionally, the Department of Chemical and Petrochemical has taken various initiatives like standards and regulations towards the health & safety, along with environment protection from Chemicals.

Standards: The Department of Chemicals and Petrochemicals has initiated steps to make standards mandatory in public interest under section 16 of the Bureau of Indian Standard Act 2016 for,

(i) Protection of human, animal or plant health

(ii) Safety of the environment

(iii) Prevention of unfair trade practices

(iv) Protection of National Security

Regulations (Safety of Human Health and Environment): The government is formulating Chemical (Management & Safety) Rules to ensure a high level of protection of human health and the environment impacted by the use of chemicals. It is expected that the full implementation of this regulation shall promote innovations in greener and safer chemistry within chemicals manufacturing, transport, use and disposal and enhance the competitiveness of domestic chemical industry.

The French specialty chemical company Arkema currently operates five production sites in India– one each in Chennai, Gujarat, and Mumbai, and two in Bengaluru. Other French chemical companies in the Chennai region are ATC, Fiabila, and Charabot.

e. Pharmaceuticals

India is the world's third largest producer of drugs in terms of volume. The country's pharmaceutical industry has shown a double-digit growth in the last few years and is expected to reach US$ 55 billion by 2020 from US$ 36.7 billion in 2017. The sector is home to the largest number of USFDA approved facilities outside of the US. During the Covid-19 crisis, India effectively demonstrated its strengths across various healthcare segments and supplied medicines to many countries. It has also engaged in vaccine development, being the largest producer of vaccines in the world.

The key drivers of this growth are low costs, relatively high production quality, and regulatory conformity. There is also an increased local demand thanks to improved access to insurance, with around 650 million people set to benefit from coverage by 2020.

French pharmaceutical giant Sanofi has established a large presence in the country. Its production sites are located in Goa and Chennai.

Other renowned French pharmaceutical companies with a presence in India include Boiron, a homeopathic medicine manufacturer, and Bioderma. There is, however, much scope for more investments from French companies in India. Sanofi announced in February 2020 that it would create a stand-alone business focusing on Active Pharmaceutical Ingredients (API) leveraging its facilties in Europe. Such a collaboration with India in the future would be hugely beneficial for India, France and EU generally and help reduce the dependence on API on a single source market.

f. Services

India's service industry accounts for about 60 percent of the country's GDP, and approximately 17 percent of total foreign investment inflows. The industry offers opportunities for investment in a wide gamut of activities such as information technology, hospitality, trade and transport, financial services, real estate, and professional services. Since 2016, when the government demonetized high currency bills in India, digital payment services, too, have experienced an unprecedented jump, paving the way for large-scale investment prospects in the sector. In terms of foreign investment flow from France, services account for the maximum equity inflow.

Major French banks such as Société Général, BILLIONP Paribas, and CA CIB operate across India. Ingenico, digital security providers Gemalto and Oberthur Technologies are some of the other French service providers present in the country.

POTENTIAL SECTORS OF GROWTH

a. Renewable Energy

Energy is a major industry in France. French energy production is primarily based on nuclear energy, which accounts for 78% of the country's electricity. Thanks to the increased reliance on nuclear energy, France boasts of very low carbon dioxide emission levels in the developed world.[16]

On the other hand, India offers tremendous scope for investments in the energy sector. It is expected that by 2022, Indian projects in the clean energy and climate change sector will generate investment opportunities up to US$ 300 billion. There is thus huge possibility for growth in investments from France to India in this sector.

The International Solar Alliance (ISA) is a joint initiative of France and India, and was launched during the climate change negotiations in Paris (COP21). The ISA aims to promote solar energy by setting up the ground rules, norms and standards that would enable widespread deployment in countries rich in solar resources. Establishment of the ISA and the clear support exhibited by both countries towards its mandate, mission and core objectives makes solar (and indeed renewable) energy, a core sector of interest to both nations.

In addition, Indian and French companies could work on areas such as energy storage, developing bio-energies and Energy Efficiency (EE). Thanks to the development of smart grids in particular, India can exploit the full potential of EE by deploying Green Building standards & digitisation (mobile, cloud, big data, analytics, IT/OT convergence, and IOT) in government owned buildings.

Knowledge exchange and sharing best practices, transfer of knowledge and regulatory best practices from France to India, including the creation of spot markets for clean energy, can contribute to cooperation in the sector.

b. Smart Cities

The French Development Agency (AFD) is providing technical assistance to Chandigarh, Puducherry and Nagpur for implementation of their Smart City proposals. In all key domains of the smart city ecosystem, including innovative and integrated solutions for public safety in cities, France and India can work together. For example, Smart City planning could integrate Smart Grids, renewable integration, electric vehicles, forecasting, data analytics and demand side management (Smart utility).

France is a leader in smart cities and best practices from France can play a pivotal role in developing robust financial models and policies for India's Smart City mission, including

16 https://www.worldatlas.com/articles/which-are-the-biggest-industries-in-france.html

developing frameworks to improve interoperability among devices. Specifically, in terms of financial models, it must be noted that France successfully launched its first sovereign green bond in January 2017 which raised 7 billion Euros to fund the energy transition. France could share its expertise in this area with India.

France is a key participant in the CITIIS (Cities Investment To Innovate, Integrate and Sustain) challenge programme, wherein Indian cities are encouraged to propose projects in areas of sustainable mobility, urban e-governance and information and communications technology (ICT), public open spaces and social and organisational innovation for low-income settlements. The aim of the project is to provide financial assistance by way of grants and technical assistance through international and domestic experts. This program is financed by the AFD, the Government of France, and the European Union (EU).

France has a good record of successful major urban regeneration projects given the number of French cities that have high density of population.[17] Such expertise could be particularly important for rapidly urbanizing and dense Indian cities across the length and breadth of the nation.

c. Sustainable Mobility and Transport Infrastructure

The French Government has been heavily involved in the development of this sector in India, for example, the Kochi Metro Rail Corporation and Mumbai Metro networks. French companies like RATP, Alstom and Thales are major foreign players in India's urban mobility and railway sectors.

In June 2019, the Indian Railway Station Development Corporation (IRSDC) signed a "Tripartite Agreement" with French National Railways, SNCF, and the French Development Agency in India, AFD, to support India's program to redevelop and modernise 600 railway stations across its network.[18].A Memorandum of Understanding was also signed between Ministry of Railways and SNCF Mobilities, France, on technical cooperation focusing on high speed and semi-high speed rail; station renovation, modernisation of current operations and infrastructure; and suburban trains.

Leading French players such as Alstom have established a complete supply chain in India, from design to manufacturing sourced locally. The company is also looking at bringing its elevated tramway technology, Axonis to India.

Such initiatives and projects resonate with France's overall strategy to grow its business footprint in India by developing local skills and talents and boosting exports from India. These initiatives could be extended to several Indian cities.

d. Water

There are many opportunities in terms of commissioning of desalination plants in coastal cities in India. It is suggested that they should be developed with appropriate structuring of risk-reward balance for the private sector. It is suggested that there is a need to blend the Indian scheme for urban rejuvenation (AMRUT) and other federal Government funds to make such projects viable on PPP basis.

17 https://www.weforum.org/agenda/2018/03/france-has-a-unique-approach-to-regenerating-inner-cities-what-can-we-learn-from-its-success

18 https://www.youbuyfrance.com/in/SubCategory-68-rail-and-urban-transport

There is also a need for waste-water management plants in different cities in India – the French company Suez SA for example is working on two such water management projects worth 217 million Euros in New Delhi and Mangaluru.[19] Given France's known expertise in this area, opportunities in India in this sector could be explored further.

The landmark "India-France Joint Vision for Space Cooperation" issued during the visit of President Macron to India in March 2018 spelt out the concrete areas of future cooperation in the field of space. The vision document specifically mentioned a third joint satellite mission – TRISHNA, meant for eco-system stress and water use monitoring. Such efforts towards sustainable water usage and development are critical for both nations.

e. Electric Mobility

France has pledged to ban fossil fuel cars by 2040 and Paris has said it will prohibit them by 2030. France is one of the largest electric mobility markets in Europe and according to a McKinsey report, between 2014 and 2018, France's Electric Vehicles market increased from 0.7% to 1.7% adoption rates with gains on industry side being driven by insourcing of EV components.[20] French companies like Renault are leaders in the European EV market. Trends like driverless cars and automation are also seeing major participation from French companies. In addition, France is also the acknowledged leader in promoting electric vehicles in the ride-sharing, car-rental industry.

On the other hand, India is projected to be one of the largest EV markets in the world though update and adoption has been slow thus far. Recognizing the huge pressures on India's environment and the imperative of sustainable development, the Indian government has expanded the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME) schemes that encourage, and in some segments mandate, the adoption of electric vehicles (EV), with a goal of reaching 30% EV penetration by 2030. The objective of the scheme is to create demand incentives for EV, remove policy uncertainty and encourage deployment of charging technologies and stations in urban areas.[21]

Collaboration with France could help bring in cutting edge technologies to India's automotive program. French players could look at creating synergies with Indian companies through technical cooperation and partnerships to tap into the vast Indian EV market as well as for driverless cars, automation and similar trends. As this segment is still nascent in India, there is also much room for Indo-French collaboration in the regulatory policy space especially with regard to best practices.

f. Life Sciences

In the field of Life Sciences, Oncology is one area where India and France both have significant experience. India provides a huge scope in cancer diagnostics while some of the world's best

19 https://economictimes.indiatimes.com/industry/indl-goods/svs/engineering/french-firm-suez-working-on-two-water-projects-in-india/articleshow/72664792.cms?from=mdr

20 https://www.mckinsey.com/~/media/McKinsey/Industries/Automotive%20and%20Assembly/Our%20Insights/The%20global%20electric%20vehicle%20market%20is%20amped%20up%20and%20on%20the%20rise/The-global-electric-vehicle-market-is-amped-up-and-on-the-rise-web-final.ashx

21 https://www.weforum.org/agenda/2019/10/how-can-india-transition-to-electric-vehicles-heres-a-roadmap/

anti-cancer drug manufacturing companies, are French. The two countries could also undertake joint development of vaccines as well as for drug research – areas where both countries have significant expertise.

g. Agro & Food Processing

France is recognized as having the sixth largest volume of agricultural production in the world, and the largest within the European Union. France is also the second largest exporter of agricultural products in the world and is also the second largest producer of cheese and wine in the world.[22]

The agri-food industry is the leading industrial sector in France accounting for 18% of revenues in French manufacturing. France boasts a strong R&D ecosystem, and is home to INRA, IRSTEA, and the French Agricultural Research Centre for International Development (CIRAD), as well as 15 agro-industrial technical institutes, The French Agency for Food, Environmental and Occupational Health and Safety (ANSES), and 11 innovation clusters.[23]

France has demonstrated its know-how in developing high-performing agro-technology solutions worldwide, especially with mechanization of farming and has 9% market share worldwide. As the second largest European investor in agrobusiness in India, France can help modernize India's agriculture sector and help build the food processing sectors with its expertise in food packaging, cold chain, storage and frozen food space. It can also play an important role in helping India build a robust and technologically advanced agri-food supply chain.

22 https://www.worldatlas.com/articles/which-are-the-biggest-industries-in-france.html

23 https://www.plateforme-attractivite.com/wp-content/uploads/2017/12/10-PTS-CLES-AGROALIMENTAIRE-2019-AgroAlimentaire-secteur-phare-UK.pdf

Investment Climate

India | Taxation | Opening a Business
France | Opening a Business

INVESTMENT PROCEDURES IN INDIA

India has been progressively liberalizing its investment climate and opening up various sectors to Foreign Direct Investment. Currently, India has one of the most open FDI regimes in the world with most sectors free for foreign participation, largely under the automatic route.

i. Sectors prohibited for FDI in India[24]

a) Lottery business including government/private lottery, online lotteries, etc.
b) Gambling and betting, including casinos, etc.
c) Chit funds
d) Nidhi companies
e) Trading in Transferable Development Rights (TDRs)
f) Real estate business or construction of farmhouses; real estate business shall not include development of townships, construction of residential/commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under SEBI (REITs) Regulations 2014
g) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
h) Activities/sectors not open to private sector investment

(ii) Corporate taxation

TAXATION

Residence – A corporation is resident if it is incorporated in India or if its place of effective management, in that year, is in India.

A partnership firm, LLP or other non-individual entity is considered resident in India if any part of the control and management of its affairs takes place in India.

Basis – Residents are taxed on worldwide income; nonresidents are taxed only on Indian-source income. Indian-source income may include capital

24 https://dipp.gov.in/sites/default/files/FDI_Circular_2016.pdf

gains arising from the transfer of any share or interest in a company or entity registered or incorporated outside India if the share or interest directly or indirectly derives its substantial value from assets located in India. Foreign-source income derived by a resident company is subject to corporation tax in the same way as Indian income. A branch of a foreign corporation is taxed as a foreign corporation.

Taxable income – Tax is imposed on a company's profits, which consist of business/trading income, passive income and capital gains. Income resulting from the indirect transfer of assets located in India is included. Normal business expenses, as well as other specified items, may be deducted in computing taxable income.

Taxation of dividends – Under earlier regime, Indian companies were required to pay DDT @20.56% on dividends, leading to Effective Tax Rate (ETR) of 37.93% (on base rate of 22%). To rationalize ETR and promote foreign investments, levy of DDT on dividend payments on or after 1 April 2020 has been abolished.

Capital gains – The tax treatment depends on whether gains are long or short term. Gains are long term if the asset is held for more than three years (one year in the case of listed shares and specified securities, and two years in the case of unlisted shares and immovable property (land, buildings or both)).

Long-term gains on listed shares and specified securities are exempt if the transaction is subject to securities transaction tax (STT). The exemption generally is not available if the equity shares were acquired on or after 1 October 2004 and the acquisition was not chargeable to STT; however, the Central Board of Direct Taxes has clarified that the exemption is available in specified cases (such as acquisitions under preferential allotment, off market acquisitions, acquisitions during a delisted period, etc.). However, with effect from 1 April 2018 (i.e. assessment year 2019-20), the exemption is restricted to INR 100,000. Any gain in excess of INR 1,00,000 is chargeable to tax at the rate of 10% (plus applicable surcharge and cess).

The cost of acquisition (i.e. the tax basis) of long-term capital assets acquired on or before 31 January 2018 is the actual cost or fair market value as on 31 January 2018, whichever is higher. Further, if the full value of the consideration on a transfer is less than the fair market value, the full value of the consideration or the actual cost, whichever is higher, is deemed to be the cost of acquisition.

Where gains on listed shares and specified securities are not subject to STT, a 10% tax applies (without the benefit of an inflation adjustment). The applicable tax rate on long-term capital gains derived by a nonresident from the sale of unlisted securities is 10% (without the benefit of foreign currency conversion or an inflation adjustment). Gains on other long-term assets are taxed at 20%, but with the benefit of an inflation adjustment.

Short-term gains on listed shares and specified securities that are subject to STT are taxed at 15%; gains from other short-term assets are taxed at the normal tax rates. A surcharge and cess also are imposed.

An unlisted domestic company is liable to pay an additional tax of 20% on income distributed to a shareholder on account of a buyback of the company's shares.

Losses – Business losses and capital losses may be carried forward for eight years, with short-term capital losses offsetting capital gains on both long- and short- term assets, and long-term capital losses offsetting only long-term capital gains. Other than unabsorbed depreciation (which may be carried forward indefinitely), losses may be carried forward only if the tax return is filed by the due date. Unabsorbed depreciation may be offset against any income, whereas business losses may be offset only against business profits in subsequent years.

Losses incurred from the letting out of "house property" may be offset against other heads (categories) of income up to INR 200,000. Unabsorbed losses from house property may be carried forward for up to eight years for offset against the income from house property of subsequent years.

Rate – The standard rate is 40% for foreign companies and branches of foreign companies not registered under the Companies Act 2013. Taking into account the surcharge and cess, the highest effective rate is 43.68% for foreign registered companies.

The rate for companies registered under the Companies Act 2013 has been changed from 30% to 25% from April 2020. For new investments by such companies in the manufacturing sector, the rate is 15%.

Surtax – A 7% surcharge applies to Indian registered companies if income exceeds INR 10 million (2% for foreign registered companies), and a 12% surcharge applies if income exceeds INR 100 million (5% for foreign registered companies). An additional 4% cess is payable in all cases.

Alternative minimum tax – Minimum Alternate Tax (MAT) is imposed at a rate of 18.5% (plus any applicable surcharge and cess) on the adjusted book profits of corporations whose tax liability is less than 18.5% of their book profits. The MAT does not apply to certain income of foreign companies, including capital gains on transactions involving securities, interest, royalties and fees for technical services. A credit is available for MAT paid against tax payable on normal income, which may be carried forward for offset against income tax payable in subsequent years for up to 15 years.

Any person other than a corporation (including an LLP) is liable to an alternate minimum tax (AMT) at 18.5% (plus any applicable surcharge and cess) of the adjusted total income where the normal income tax payable is less than the AMT. AMT also is imposed on a person eligible for investment-linked incentives. The adjusted total income is the total income before giving effect to the AMT provisions, as increased by certain deductions claimed in computing the total income, including the tax holiday claimed by units in a Special Economic Zone (SEZ). A tax credit is allowed for the AMT paid against the tax payable on normal income, and the tax credit may be carried forward up to 15 years.

Foreign tax credit – Foreign tax paid may be credited against Indian tax on the same profits, but the credit is limited to the amount of Indian tax payable on the foreign income. Specific rules have been introduced regarding the mechanism for granting a foreign tax credit.

Withholding tax

Dividends – Dividend is subject to withholding tax (WHT) @10%/ 20% under the Indian tax law, subject to beneficial tax rate under relevant tax treaty.

Interest – Interest paid to a nonresident on a foreign currency borrowing or debt generally is subject to a 20% withholding tax, plus the applicable surcharge and cess.

A 5% withholding tax, plus the applicable surcharge and cess, applies to certain types of interest paid to a nonresident, including interest paid on specific borrowings in foreign currency and interest on investments made by a foreign institutional investor or a qualified foreign investor in a rupee-denominated bond of an Indian company, or in a government security.

If the nonresident does not have a permanent account number (PAN), i.e. a tax registration number, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of interest and the foreign taxpayer furnishes the prescribed documents to the payer.

If the interest income derived by a nonresident does not fulfill certain prescribed conditions for concessional withholding tax rates, a withholding tax rate of 30% (for individuals and entities other than a foreign company) or 40% (for a foreign company), plus the applicable surcharge and cess, will apply. The rates may be reduced under a tax treaty.

Royalties – Royalties paid to a nonresident are subject to a 10% withholding tax, plus the applicable surcharge and cess. The rate may be reduced under a tax treaty.

If a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of royalties and the foreign taxpayer furnishes the prescribed documents to the payer.

Technical service fees – Technical service fees paid to a nonresident are subject to a 10% withholding tax, plus the applicable surcharge and cess. The rate may be reduced under a tax treaty.

If a treaty applies, but the nonresident does not have a PAN, tax must be withheld at the higher of the applicable tax treaty rate or 20%; however, this does not apply if the payments are in the nature of technical service fees and the foreign taxpayer furnishes the prescribed documents to the payer.

Other taxes on corporations

Payroll tax – The employer is responsible for withholding tax on salary income.

Real property tax – Municipalities levy property taxes (based on assessed value) and states levy land-revenue taxes.

Social security – The employer generally contributes 12% of eligible wages per month to the provident fund— 8.33% of the wages (up to INR 15,000) is applied to the pension fund, with the balance paid to the provident fund (except in the case of "international workers," where the pension contribution by the employer is 8.33% of the wages). For employees joining the provident fund on or after 1 September 2014, the entire employer contribution (12% of wages) is applied to the provident fund.

Stamp duty – Specified instruments, transfers of shares in an Indian company in a physical form, transactions involving real estate and other specified transactions (including a court order for an amalgamation/demerger) in India attract stamp duties that are levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying significantly between states).

Currently, if the securities are purchased or sold in dematerialized form, no stamp duty is payable; however, the Finance Act, 2019 proposes that stamp duty be levied on stock exchange transactions.

As a means of simplifying the levy and collection of stamp duty, the Indian Stamp Act was amended with respect to securities instruments. The law now provides for both the levy and collection of stamp duty through a single agency, i.e. either through a stock exchange, a clearing corporation or a depository.

Transfer tax – STT is levied on the purchase or sale of equity shares, derivatives, units in an equity-oriented fund or units of a business trust listed on a recognized stock exchange in India.

Other – An equalization levy of 6% on the amount of consideration for specified services received by a nonresident without a permanent establishment (PE) in India must be withheld by a resident payer or a nonresident payer with a PE in India. "Specified services" include online advertising or the provision for digital advertising space, other related facilities or services or any other service that may be notified by the central government. The income subject to levy will not be taxed in the hands of the recipient.

Anti-avoidance rules

Transfer pricing – The transfer pricing regime is influenced by OECD norms, although the penalty provisions in India are stringent compared to those in certain other countries. The definition of "associated enterprise" extends beyond a shareholding or management relationship since it includes some deeming clauses. The transfer pricing provisions also cover specified domestic transactions with related parties if the aggregate value of those transactions exceeds INR 200 million in one year.

The pricing of these transactions must be determined with regard to arm's length principles, using methods prescribed under India's transfer pricing rules, which are similar to the methods prescribed in the OECD guidelines, with an additional sixth method, i.e. an "other method." The arm's length price is determined based on multiple- year data, and based on a range (between the 35th and the 65th percentile of the data distribution) or the arithmetic mean (depending on certain prescribed conditions).

The taxpayer is required to maintain detailed information and transfer pricing documents substantiating the arm's length nature of related party transactions. Companies also are required to submit a certificate to the tax authorities (in a prescribed format) from a practicing chartered accountant that sets out the details of associated enterprises, international transactions, etc., along with the methods used to determine an arm's length price. The certificate must be filed by the due date of filing the annual tax return, i.e. 30 November of each year.

The Indian transfer pricing documentation requirements have been updated to incorporate the specific reporting regime in respect of country-by-country reporting and the master file provided for under the OECD/G20 BEPS project.

Where the application of the arm's length price would reduce the income chargeable to tax in India or increase a loss, no adjustment will be made to the income or loss.

Secondary adjustments will apply to transfer pricing adjustments relating to fiscal year 2016-17. The taxpayer is required to repatriate cash to India within a prescribed time to the extent of a transfer pricing adjustment. If not repatriated, the amount of the adjustment will be treated as an advance to the associated enterprise and will be subject to notional interest taxable in India.

If a taxpayer that benefits from a tax holiday is subject to a transfer pricing adjustment, the benefit will be denied to the extent of the adjustment. Secondary adjustment provisions have been introduced through Finance Act, 2017, requiring cash repatriation for any kind of transfer pricing adjustment.

Safe harbor rules provide for the automatic acceptance of a taxpayer's transfer price that equals or exceeds the safe harbors.

A taxpayer also may enter into an advance pricing agreement (APA).

Disclosure requirements – A nonresident with a liaison office in India is required to prepare financial statements, annual activity certificates (AACs), etc. on its activities and submit this information to the Authorized Dealer Bank and the Director General of Income Tax. Branch offices/liaison offices (BO/LO) must file an AAC for the period ending 31 March on or before 30 September of the same year along with an audited balance sheet. If the annual accounts of the BO/LO are finalized with reference to a date other than 31 March, the AAC and the audited balance sheet may be submitted within six months from the due date of the balance sheet.

The company law requires identification of a company's significant beneficial owners (SBOs). Any individual who, directly or indirectly, holds more than 10% of the shares, or voting rights, or rights to participate in more than 10% of the distributable dividends of a company or who exercises significant influence over the company is considered an SBO. There are detailed rules for determining an SBO and indirect holdings must be taken into account. Every SBO is required to make timely disclosures regarding their holdings in an Indian company and any changes thereto.

Other – To discourage transactions with persons located in jurisdictions that do not effectively exchange information with India, transactions with persons situated in certain jurisdictions designated by the government will be subject to the Indian transfer pricing rules and income paid to persons in those jurisdictions will be subject to a minimum withholding tax of 30%.

The general anti-avoidance rule (GAAR) provisions empower the tax authorities to declare an arrangement as an impermissible avoidance arrangement if it was entered into with the main purpose of obtaining a tax benefit, and: (1) it creates rights or obligations that normally would not be created between persons dealing at arm's length; (2) it results, directly or indirectly, in the misuse or abuse of the Income Tax Act; (3) it lacks commercial substance or is deemed to lack commercial substance; and (4) it is carried out in a manner that would not be used for bona fide purposes. The GAAR will apply to arrangements where the tax benefit exceeds INR 30 million. Once the GAAR is invoked, tax treaty benefits may be denied for the arrangement.

Compliance for corporations:

Tax year – The tax year is the fiscal year (1 April to 31 March).

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Taxes on income in a fiscal year usually are paid in the next fiscal year ("assessment" year). Companies must submit a final return by 30 September (30 November for companies required to file a certificate on international transactions (see "Transfer pricing")) of the assessment year, stating income, expenses, taxes paid and taxes due for the preceding tax year. Returns for noncorporate taxpayers that are required by law to have their accounts audited also are due on 30 September. All other taxpayers must submit a return by 31 July. Taxpayers claiming tax holidays or carrying forward tax losses must file their returns on or before the due date.

Companies must make four advance payments of their income tax liabilities during the accounting year, on 15 June (15% of total tax payable); 15 September (30% of total tax payable); 15 December (30% of total tax payable); and 15 March (25% of total tax payable).

The government has introduced rules such as the mandatory filing of Know Your Customer (KYC) documentation for directors of companies, KYC requirements for foreign portfolio investors and the mandatory dematerialization of shares for public companies. All companies incorporated before December 2017 must file a form to verify that they are active.

Penalties – Penalties apply for failure to file a return and certificate of international transactions, failure to comply with withholding tax obligations and under-reporting and misreporting of income. Criminal proceedings also may be initiated for failure to file an income tax return.

Rulings – The Authority for Advance Rulings (AAR) issues rulings on the tax consequences of transactions or proposed transactions with nonresidents. It also can issue rulings in relation to the tax liability of residents in prescribed cases, and on whether an arrangement is an impermissible avoidance arrangement. Rulings are binding on the applicant and the tax authorities for the specific transaction(s). APAs also are possible.

STARTING A BUSINESS IN INDIA

- **Indian Company** (either as a Joint Venture or Wholly Owned Subsidiary, which may have the nature of (i) Private Limited or (ii) Public Limited Company, under Companies Act, 2013 or can commence business as LLP
- **Foreign Company** - can commence business in India as
  (a) Liaison Office To represent the parent company in India
  (b) Branch Office To undertake activities such as Export, Import, research, consultancy etc
  (c) Project Office to undertake activities as per contract to execute project

Inbound Investment Routes:

Indian regulations currently allow global investors to invest in India via number of different routes depending on the nature and purpose of the Investment. These include foreign direct investment (FDI), foreign venture capital investments (FVCI), foreign portfolio investment (FPI), external commercial borrowings (ECB) and Alternative Investment Fund (AIF) routes.

- Foreign Direct Investment (FDI) – Primarily used for private equity strategic investments
- Foreign Venture Capital Investments – Venture Capital Investment in specified sectors
- Foreign Portfolio Investments (FPI) – India is being seen as the most attractive emerging market for allocating fresh commitments. The government has been proactive in trying to establish a regulatory and tax climate that is conducive for raising investment from foreign investors.
- Alternative investment funds (AIFs) registered under the SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations) is one of the most preferred routes by Foreign Portfolio Investors to Invest in Indian debt asset class

Key Business Statutes:

- The Companies Act, 2013, which governs the incorporation, financing, management, and restructuring of companies;
- The Indian Contract Act, which lays down general principles relating to the formation, enforceability and breach of contracts; it also deals with the various types of contracts including those of indemnity, guarantee, bailment, pledge, and agency)
- Limited Liability Partnership (LLP) Act, which governs the organization, management and dissolution of limited liability partnerships as well as the rights and liabilities of the limited liability partnership, its designated partners and other partners;
- Insolvency and Bankruptcy Code, which sets out the law governing insolvencies, liquidation and bankruptcies of companies, partnerships and individuals (presently notified only for companies);
- Transfer of Property Act,1882, which sets out the law relating to rights in relation to immovable property in India;
- Foreign Exchange Management Act (FEMA), which provides for India's foreign exchange management regime and regulates the conditions governing the inflow and outflow of foreign exchange and investment into/from India and the regulations issued thereunder, by the Reserve Bank together with the rules / circulars / press notes / guidelines issued by the Government of India setting out the foreign investment policy (including sector-specific requirements);
- Securities and Exchange Board of India (SEBI) Act, which governs the functions and powers of SEBI, India's securities market regulator;
- The Competition Act, which regulates combinations (merger control) and anti-competitive behaviour;
- The Income Tax Act, which prescribes the tax treatment of dividend, capital gains, mergers, demergers, and slump sales;
- Goods and Services Tax, which prescribes the regime taxing supply of goods and services.

Registration Process

The below are required to incorporate a new Company:

- Select, in order of preference, at least one suitable name upto a maximum of six names, indicative of the main objects of the company.
- Ensure that the name does not resemble the name of any other already registered company and also does not violate the provisions of emblems and names (Prevention of Improper Use Act, 1950) by availing the services of checking name availability on the portal.
- Apply to the concerned Registrar of Companies (RoC) to ascertain the availability of name in eForm1 A by logging in to the portal. A fee of Rs. 500/- has to be paid alongside and the digital signature of the applicant proposing the company has to be attached in the form. If proposed name is not available, the user has to apply for a fresh name on the same application.
- After the name approval, the applicant can apply for registration of the new company by filing the required forms (that is Form 1, 18 and 32) within 60 days of name approval.
- Arrange for the drafting of the memorandum and articles of association by the solicitors, vetting of the same by RoC and printing of the same.

- Arrange for stamping of the memorandum and articles with the appropriate stamp duty.
- Get the Memorandum and the Articles signed by at least two subscribers in his/her own hand, his/her father's name, occupation, address and the number of shares subscribed for and witnessed by at least one person.
- Ensure that the Memorandum and Article is dated on a date after the date of stamping.
- Login to the portal and fill the following forms and attach the mandatory documents listed in the eForm
- Declaration of compliance - Form-1
- Notice of situation of registered office of the company - Form-18.
- Particulars of the Director's, Manager or Secretary - Form-32.
- Submit the following eForms after attaching the digital signature, pay the requisite filing and registration fees and send the physical copy of Memorandum and Article of Association to the RoC
- After processing of the Form is complete and Corporate Identity is generated, obtain Certificate of Incorporation from RoC.

Additional steps to be taken for formation of a Public Limited Company: To obtain Commencement of Business Certificate after incorporation of the company, the public company has to make following compliance -

- File a declaration in eForm 20 and attach the statement in lieu of the prospectus (schedule III) OR
- File a declaration in eForm 19 and attach the prospectus (Schedule II) to it.
- Obtain the Certificate of Commencement of Business.

INVESTMENT PROCEDURES IN FRANCE[25]

In general, France welcomes foreign investment and views it as a means to create additional jobs and stimulate growth. Investment regulations are simple, and a range of financial incentives are available to foreign investors, who report that they find France's skilled and productive labor force, good infrastructure, advanced technology, and central location in Europe attractive. France's membership in the European Union (EU) and the Eurozone facilitates the efficient movement of people, services, capital, and goods throughout the region and beyond.

However, notwithstanding French efforts at economic and tax reform, market liberalization, and attracting foreign investment, there persist certain perceived disincentives to investing in France, including the relatively high taxation environment. Labor market fluidity is improving due to labor market reforms introduced by the government recently, but it is still relatively rigid compared to some OECD economies.

With a few exceptions in certain specified sectors, there are no statutory limits on foreign ownership of companies. Foreign entities have the right to establish and own business enterprises and engage in all forms of remunerative activity.

25 https://www.state.gov/reports/2019-investment-climate-statements/france-and-monaco/

France does maintain a national security review mechanism. French law stipulates that control by acquisition of a domiciled company or subsidiary operating in certain sectors deemed crucial to France's national interests relating to public order, public security and national defence are subject to prior notification, screening, and approval by the Economy and Finance Minister.

Other sectors requiring approval include energy infrastructure; transportation networks; public water supplies; electronic communication networks; public health protection; and installations vital to national security.

In 2018, four additional categories – semiconductors, data storage, artificial intelligence and robotics – were added to the list requiring a national security review. For all listed sectors, France can block foreign takeovers of French companies according to the provisions of the Montebourg Decree.

Business Facilitation

Business France is a government agency established with the purpose to promote new foreign investment, expansion, technology partnerships, and financial investment. Business France provides services to help investors understand regulatory, tax, and employment policies as well as state and local investment incentives, and government support programs. Business France also helps companies find project finance and potential equity acquisitions. Business France recently unveiled a website in English to help prospective businesses considering the French market (https://www.businessfrance.fr/en/invest-in-France).

In addition, France's public investment bank, Bpifrance, assists foreign businesses to find local investors when setting up a subsidiary in France. It also supports foreign startups in France through the government's French Tech Ticket program, which provides them with funding, a resident's permit, and incubation facilities. Both business facilitation mechanisms provide for equitable treatment of women and minorities.

Investment Incentives

France offers financial incentives, generally equally available to both French and foreign investors. The government provides incentives for capital investment in small companies. For instance, a French company or a subsidiary of a foreign firm that would invest in a minority shareholding (less than 20 percent) of a small, innovative SME would benefit from a five-year, linear amortization of their investment. To qualify, SMEs must allocate at least 15 percent of their spending on research.

Incentivizing research and development (R&D) and innovation is a high priority for the French government. According to Business France, R&D operations accounted for 10 percent of foreign investments projects in 2018 and created or maintained 2,793 jobs, up 23 percent from last year.

Foreign Trade Zones/Free Ports/Trade Facilitation

France is subject to all EU free trade zone regulations. These allow member countries to designate portions of their customs' territory as duty-free, where value-added activity is limited. France has several duty-free zones, which benefit from exemptions on customs for storage of goods coming from outside of the European Union. The French Customs Service administers them and provides details on its website (http://www.douane.gouv.fr).

STARTING A COMPANY IN FRANCE: COMPANY INCORPORATION

Companies can be incorporated and registered in France through the following process and regulations:

A. Legal entities for doing business

There are several types of legal entities that can be incorporated to conduct business in France,[26] as follows:

a. Representative office (RO) or liaison office (LO)

b. Branch office

c. Subsidiary company

a. **Representative office (RO) or liaison office:** Foreign investors are permitted to open representative offices (ROs) or liaison offices (LOs) in France if business operations require activities such as market research and networking; ROs may, however, not undertake or engage in commercial transactions. An RO has no legal status and its permitted activities are limited in scope, which generally includes carrying out market feasibility studies and liaison activities. ROs are not permitted to engage in any profit-making commercial transactions and business activities in France, such as concluding contracts, issuing invoices and receiving payments. ROs are authorised to open a bank account but they are not required to maintain books of accounts. However, ROs cannot lease real estate in its own name. They can, however, undertake sales promotion, market research and provide assistance to local agents and distributors.

Table 16: Information for Incorporating Representative or Liaison Office in France

STEPS FOR INCORPORATING LIASION OFFICE	i. Register with Business Formalities Centre ii. Obtain tax identification number (SIREN number), which can be used to open bank account for the liaison office
COST INCURRED	Approx. € 200 (depends on the region)
RELEVANT LINK	https://www.guichet-entreprises.fr/en/

Source: Business France

b. **Branch office:** A branch office does not have its own legal corporate status, but instead is deemed to be encompassed within the corporate status of the foreign company. In general, therefore, the foreign company is ultimately responsible for all debts and credits generated by the activities of its French branch office. For setting up a branch office in France, a business license is required for carrying out the same activity as that of parent company. A branch office must bear the same name as that of parent company. It must have a registered address in France and a local representative. A branch office is not required to have a bank account with a local bank.

26 https://www.businessfrance.fr/Media/PRODUCTION/INVEST/Make-a-French-Start/2019_05_eng_setting_up___bf_mazars-1.pdf

Table 17: Relevant Information for Incorporating Branch Office in France

STEPS FOR INCORPORATING BRANCH OFFICE	i. Preparing documents required for incorporation and getting these notarized by a public notary ii. Nominating branch representative iii. Filing documents with the companies' registrar and obtaining Certificate of Registration iv. Obtaining tax registration number v. Obtaining a business license specific to the nature of activity undertaken
COST INCURRED	Approx. € 200 (depends on the region)
LIST OF DOCUMENTS REQUIRED TO INCORPORATE BRANCH OFFICE	i. Copy of foreign parent company's registration certificate ii. Certified true copy of parent company's Articles of Association (in French) iii. Copy of the document nominating the branch's representative iv. Two official forms v. Proof of domicile in France vi. Identity of representative

Source: Business France

c. **Subsidiary company:** A subsidiary company is to be registered under the 'Registre du Commerce et des societes' and is an entity distinct from its parent company. Foreign companies can set up a subsidiary company in France in any of the following forms:

- Public limited company (SA): The SA is made up of at least seven shareholders with a minimum of €37,000. It is headed by a President and a Chief Executive Officer (who may be one and the same person) and by a board of directors composed of at least three people. It is subject to the obligation of appointing an auditor. The public limited company, because of the cumbersome nature of its operating rules, should be reserved for projects of a certain size. It is also opted for when shareholders who are not involved in the subsidiary's activities want to exercise a certain amount of control within the board of directors. Shareholders' liability is limited to the amount of their contributions.
- Simplified limited company (SAS): In SAS, both the structure and management can be relatively freely and flexibly designed. No legal minimum capital requirement is defined, though at least two shareholders and a President are required. An SAS is well suited for holding and foreign companies wishing to maintain 100% control over their French subsidiaries.
- Limited liability company (SARL): This is the most commonly used business structure for setting up a subsidiary in France. It offers the advantage of a simple structure in which the liability of the partners is limited to the amount of their contributions. There is no minimum capital requirement for setting up such an entity.

Table 18: Relevant Information For Incorporating Subsidiary Company In France

STEPS FOR INCORPORATING SUBSIDIARY COMPANY	i. Drafting Articles of Association ii. Checking availability of company name in the French Patent and Trademark Office iii. Opening bank account and depositing minimum share capital iv. Filing all necessary documents at Business Formalities Centre v. Buying the company books and stamping them at the clerk of the Commercial Court
COST INCURRED[27]	€ 295
LIST OF DOCUMENTS REQUIRED TO INCORPORATE SUBSIDIARY COMPANY	i. Information about the parent company issued by the Trade Register in its home country ii. Articles of Association of the company to be registered in France iii. Rental agreement which indicates the legal address of the French subsidiary iv. Information about the parent company's representative in France and the letter of their appointment

Source: Business France

Table 19: Difference Between Different Types of Subsidiary Companies in France

PARAMETERS	SA	SAS	SARL
Minimum number of shareholders	7	1	1 or more individuals or legal entities
Minimum share capital	€ 37,000	€ 1	€ 1
Public issue of shares	Allowed	Not allowed	Not allowed
Transfer of shares	Subject to the clause in Articles of Association	Freely fixed in Articles of Association	Subject to the prior approval of shareholders
Company governance	As per French Commercial Code	As per firm's Articles of Association	As per French Commercial Code

27 https://shieldgeo.com/setting-up-a-company-in-france/

PARAMETERS	SA	SAS	SARL
Appointment of statutory auditor	Mandatory	Mandatory if: • SAS has controlling stake in one or more companies or is controlled by one or more companies • SAS exceeds two of the following three thresholds at end of accounting year (i) Balance sheet total of € 10,000,00 or more (ii) Net turnover of € 20,000,00 or more (iii) 20 or more employees on average	Mandatory if company exceeds two of following thresholds at end of accounting year: • Balance sheet total € 15,500,000 or more • Net turnover of € 31,000,00 or more • 50 or more employees on average

Source: https://www.pwc.de/de/internationale-maerkte/assets/doing-business-in-france.pdf

Company incorporation by foreign companies in France

The table below lists down the norms governing entities' set-up by foreign companies in France.

Table 20: Norms for Company Set-Up by Foreign Companies in France

PARAMETERS	REPRESENTATIVE OFFICE	BRANCH OFFICE	SUBSIDIARY COMPANY
Legal Incorporation: Duration	5 weeks	7 weeks	5 weeks
Opening bank account: Duration	4 weeks	4 weeks	4 weeks
Legal liability	No legal liability	May enter into agreements in its own name but on behalf of foreign company	Independent legal entity; may enter into agreements in its own name
Tax status	Subject to housing tax and Social security contributions	Subject to corporate tax, housing tax and social security contributions	Subject to corporate tax, VAT, housing tax and social security contributions
Book-keeping	Not required	Required	Required
Commercial transactions	Not permitted	Permitted	Permitted

Source: Business France

महाराष्ट्र शासन

MAGNETIC MAHARASHTRA 2.0
#MadeForBusiness

MIDC

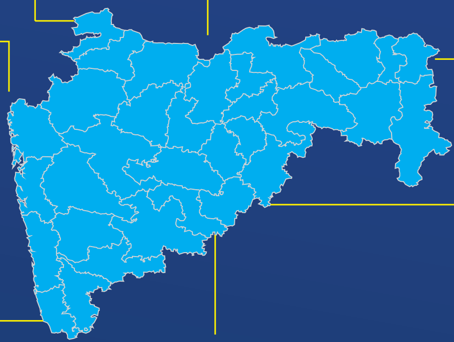
India - France Business Co-operation

Advantage Maharashtra: India's Leading Industrialised State

#1 FDI destination in India
- Vision to become India's first Trillion dollar sub- national entity
- Strategically located & contributes to ~15% to India's GDP, on average
- Accounts for more than 30% of the cumulative FDI in India
- 22% of Total Exports
- Priority land allotment for FDI Investors

Infrastructure & Connectivity
- 30+ Mega Projects under development
- 10% of India's Geographical Area-308k sq.kms
- Robust connectivity: Ports, Railways, Airports and Roads
- 24X7 Power
- Sectoral Industrial Parks & Zones

Progressive Policy & robust incentives
- Progressive Industrial Policy launched in April 2019
- 14 Thrust Sectors
- Separate Policy for Electric Vehicle and Aerospace & Defence
- Only state in India to offer SGST rebate on Gross Basis
- Maharashtra is the only state in India which has disbursed more than USD 600 million + in lieu of various incentives during the year 2018-19



Ease of Doing Business
- Maha Parwana (Accelerated Permission) within 48 hours
- Online Single Window System for applications
- Progressive reforms across land, labor, electricity, environment etc.
- Stable and supportive political environment

Operational Support
- MIDC is the Nodal Agency for end to end investor support
- MIDC is Special Planning authority to grant permissions for industries above 10 acres across Maharashtra

Favourable Demographics
- Maha Jobs, an industrial employment portal
- One of the largest talent pools in India which enrolls more than 1.6 Mn students a year
- 45 Million people to be trained with employable skills by 2022
- Large Consumer Base with 45.2 per cent Urban Population

Investor Aftercare
- Investor First Programme, facilitating entire investment journey
- Dedicated investors facilitation and aftercare cell called MAITRI (Maharashtra Industry, Trade and Investment Facilitation Cell)

Magnetic Maharashtra 2.0: The Strategy

PLUG AND PLAY INFRASTRUCTURE 01
- Ready-to-Move Factory spaces with advanced utilities, affordable pricing structures to be made available with sectoral tailoring
- Infrastructure to include affordable rental sheds, comprehensive utilities, expat housing, modular spaces in a 100 per cent compliant ecosystem
- It will act as Industrial clusters in the future, hosting a diverse base of entrepreneurs, local suppliers and anchor units.
- 40,000 acres of land in key industrial areas have been made available for greenfield and brownfield investments

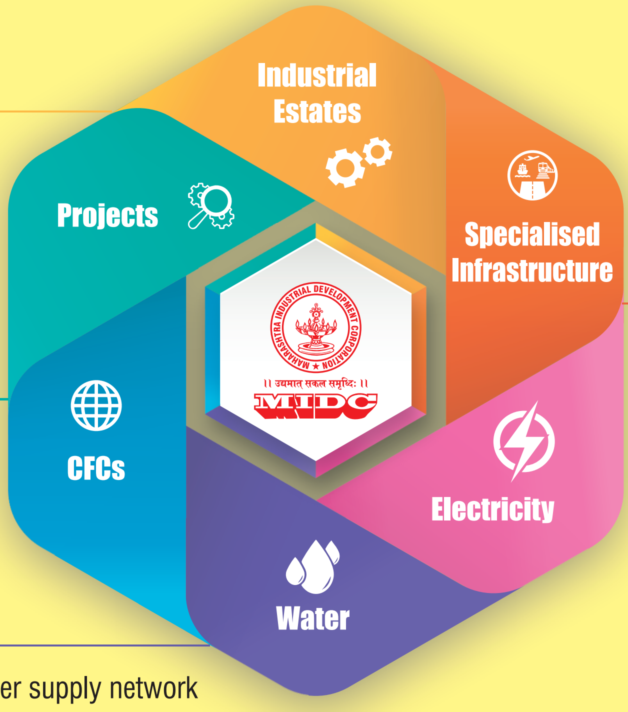
MAHA PARWANA (Accelerated Permissions) 02
- Addressing the most pressing concern for an FDI Investor in South East Asia, this intervention brings an end to the license and permission hassles of investing in the state
- A single window clearance system, providing companies with all the necessary permission within 48 hours
- The master permission will guarantee that all statutory permissions required to start operations will be granted within a prescribed schedule (from three to 30 days), or else it will be considered a deemed approval.

MAHA JOBS 03
- Dedicated industrial employment portal, launched in July 2020, aims to help new and potential investors employ the vast and skill rich local talent in Maharashtra
- Maha Jobs will help industries meet the talent shortfall that they have been facing in the recent months with ready access to unskilled, semi-skilled and skilled talent
- In parallel, it will allow youth of the state to list his/her talent on the portal across 17 sectors and 950+ job roles
- This matchmaking of talent will help the state achieve an optimal mix of utilization and boost manufacturing productivity

INVESTOR FIRST PROGRAMME 04
- In lieu of proposed investments, and the state's intent to reiterate its support to each of the investor, for closer handholding and keeping in mind it's role, as a Nodal Agency for Industries in the state.
- Relationship Manager (RM) and Relationship Executive (RE) have been assigned to all the companies investing above INR 50 crore.
- RMs & REs will be responsible for overall co-ordination and providing necessary support to the Investors on a continuous basis.

MIDC: Accelerating Maharashtra's Industrial Progress

Maharashtra Industrial Development Corporation (MIDC) is the nodal Investment Promotion agency under the Government of Maharashtra. It provides businesses with infrastructure such as land, roads, water supply, drainage facilities and street lights etc.



Industrial Estates
- 289 Industrial complexes
- ~ 2.5 Lakh Acres of land

Specialised Infrastructure
- Wine Parks
- ESDM
- Datacentre
- Food Parks
- Textile parks
- 27 IT Parks, 9 SEZs

Projects
- Delhi Mumbai Industrial Corridor (DMIC)
- SUPA – Japanese Investment Zone

Electricity
- Dedicated feeders for industries

CFCs
- 13 Chemical Zones
- 19 CETPs[1]
- 2 STPs[2]
- 4 CHWTSDF[3]

Water
- Asia's largest water supply network

1) Common Effluent Treatment Plants 2) Sewage Treatment Plants 3) Common Hazardous Waste Treatment, Storage & Disposal Facility

Key Activities
- Special Planning Authority
- Acquisition and Disposal of Land
- Strong network of 16 Regional Offices
- Providing Infrastructure support
- Link between Govt. and Industry
- One-stop for Investors Relations

France: Maharashtra's Growth Partner

Top Investment Destination Choice

- Maharashtra has traditionally been one of the top investment destinations for French companies in India

Key Areas of Investments

- French investments in key sectors include: Automobiles, Chemicals, Drugs & Pharmaceuticals, Engineering, Industrial Machinery & Services sector

Key Engagements of Government of Maharashtra with France

- Indo-French Investment Conclave
- Magnetic Maharashtra Investors Summit 2018
- Interactive sessions with French Mission in India
- Longstanding relationship with Indo-French Chamber of Commerce and Industry (IFCCI)

Major France based companies in Maharashtra

legrand® | Pernod Ricard Créateurs de convivialité | SANOFI | Lohr | TOTAL | CHRYSO Innovation is our chemistry

Investment Climate in Select Indian States

Andhra Pradesh | Karnataka
Maharashtra | Tamil Nadu

ANDHRA PRADESH

Overview

Andhra Pradesh is strategically located along the south east coast of India. Abundant in natural resources, the state has the second largest coastline in India and is one of the largest producers of marine products.

Andhra Pradesh recorded a gross state domestic product (GSDP) of Rs. 6,213.01 billion in 2018-19, in terms of 2011-12 constant prices. The state's GSDP accounted for around 5.1% of all states' total. During the eight-year period between 2011-12 and 2018-19, the state's GSDP grew at a compound annual growth rate (CAGR) of 6.36%[28].

The state also boasts of robust physical and industrial infrastructure and enjoys good connectivity. The state has a strong presence in several sector such as agro and food processing, IT, pharmaceuticals, textiles, chemicals, electronics, among others.

As of November 2019, the state had 20 operational special economic zones (SEZs), 32 SEZ's with formal approvals, 4 SEZ's with in-principle approval and an additional 27 notified SEZs, spread over diverse sectors[29].

Between April 2000 and June 2019, the state attracted FDI inflows amounting to US$ 18.75 billion, as per estimates by Department for Promotion of Industry and International trade (DPIIT).

The first state to enact single window clearance, the state's industrial policies and various incentives have positioned the state as a favorable investment destination for investors.

State Incentives

Area	Incentives
Ease of Doing Business	• **Single Desk Clearance** – GoAP shall create an e-platform, for facilitating all necessary clearances for starting and operating an industry within 21 working days. – Platform shall integrate requisite pre-establishment and pre-operation stage clearances provided by multiple agencies/ departments with provision for online filing and tracking. • **Simplification of processes & procedures** – **Spot approvals** to be given in case of clearances /approvals which require only a scrutiny of basic documents. These include Registration under Professional Tax, Registration of Shops and Establishments, Registration of establishments deploying contractual workmen / interstate migrant workmen among others. – **Deemed approval abased on self-certification** to be given if select approvals and clearances are not granted within stipulated timelines, on submission of self-certification by applicants. These include Building Permission from Gram Panchayat, Factory Registration among others. – **Assignment of Inspection to Private Technical Experts** - based on a review of applicable laws & regulations governing approvals & clearances required to set up new industrial units or expanding existing units, provisions have been identified in select regulations where inspections are permitted to be conducted by technically qualified experts in the private sector. They include Boiler Registration among others – **Parallel Processing of clearances:** Based on a review of applicable laws & regulations governing approvals & clearances, all intra-approval dependencies have been dispensed with and parallel processing of all clearances has been introduced to expedite closure of application process. • **State Investment Promotion Board (SIPB)** – SIPB has been constituted, with the Chief Minister as the Chairman and Chief Secretary to the Government as Member Convener, for creating an enabling structure to expedite decision making pertaining to industrial projects. SIPB shall meet once a month for taking final decision on investments / promotion activities and for approval of mega projects. – Empowered Committee of Secretaries: An Empowered Committee of Secretaries chaired by the Chief Secretary to the Government and convened by Secretary Industries shall meet every month to monitor and review the following: o Performance of single desk System o Policy issues relating to investment facilitation and project grounding o Implementation of all large/mega ongoing projects o Screening of all mega project proposals
Fiscal Incentives	• **Incentives for Large Industry Unit** (for project category definition, see Annex) – **Power** o Uninterrupted 24x7 quality power to all industries operating in the State. Andhra Pradesh one of the three states selected under the centrally sponsored "Power for All" scheme.

Area	Incentives
	o GoAP will provide fixed power cost reimbursement @ Rs 1.00 per unit for a period of 5 years from the date of commencement of commercial production. The power cost reimbursement for certain specific sector/ sub-sector may be higher. – **Stamp Duty** o 100% of stamp duty and transfer duty paid by the industry on purchase or lease of land meant for industrial use will be reimbursed. o 100% of stamp duty for lease of land/shed/buildings, mortgages and hypothecations will be reimbursed. – **VAT/CST/SGST** o For large Industry unit, 50% of net VAT/CST or SGST will be reimbursed for a period of 7 years from the date of commencement of commercial production or up to realization of 100% fixed capital investment, whichever is earlier. o For sector specific industries like apparel, food processing, biotech, automobile VAT/CST/ SGST concession may be higher. – **Incentives for MSMEs** ***Stamp Duty*** o 100% of stamp duty and transfer duty paid by industry on purchase of land meant for industrial use will be reimbursed. o 100% of stamp duty for lease of land/shed/buildings, mortgages and hypothecations will be reimbursed. – **VAT/CST/SGST** o 100% of net VAT/CST/SGST will be reimbursed for a period of 5 years from the date of commencement of commercial production for micro & small enterprises. o 75% of net VAT/CST/SGST will be reimbursed for a period of 7 years from the date of commencement of commercial production or up to realization of 100% fixed capital investment, whichever is earlier, for medium enterprises. • **Incentives for Swachh Andhra** – GoAP shall encourage companies engaged in recycling waste (including mega, large and MSME projects) into environment friendly products/energy (such as waste to energy, waste to biogas, waste to manure) by bringing these industries under zero rated category schedule of the VAT Act. – GoAP will provide up to 35% subsidy on cost of plant & machinery for specific cleaner production measures limited to Rs. 3.5 million for MSME and up to 10% subsidy on cost of plant & machinery on specific cleaner production measures limited to Rs. 3.5 million for large enterprises, provided the measures certified by Andhra Pradesh Pollution Control Board (APPCB). – GoAP will provide 25% subsidy of total fixed capital investment of the project (excluding cost of land, land development, preliminary and pre-operative expenses and consultancy fees) for below mentioned green measures with a ceiling of Rs. 500 million. ✓ ***Wastewater treatment:*** Constructing effluent treatment plant and sewage treatment plant and using recycled water for industrial purpose, especially zero discharge systems.

Area	Incentives
	✓ ***Green Buildings:*** Buildings which obtain green rating under the Indian Green Building Council (IGBC/LEED Certification) or Green Rating for Integrated Habitat Assessment (GRIHA) systems. ✓ ***Use of renewable source of power*** (erecting captive sun, wind and biomass plants etc.). ✓ ***Installing Continuous Emission Monitoring System (CEMS)*** for red category industries. The information should be disseminated continuously to APPCB. ✓ ***Adopting rainwater harvesting;*** restoring water bodies by de-stilting defunct water bodies ✓ Any other environment management project approved by Empowered Committee of Secretaries.
Land	• **Government Land Bank** – Identified land bank of 300,000 acres and the state is further in the process of consolidating an additional industrial land bank of approximately 700,000 acres. o ***Inventory of public/pooled/acquired lands:*** Lands shall be surveyed, and information made available in the public domain. GIS will be used to create land inventory and update information of land parcels on real time basis. o ***Land Information System:*** Key details and parameters about land parcels (e.g. soil type, distance from seaports, airports, railway stations etc.) will be made available online. • **Land Pooling/Acquisition & Allotment** – **Land Consolidation:** Consolidation of Industrial Land to be done by the Industries & Commerce Department following the state's land pooling/ acquisition policy. – **Land Allotment:** Land shall be allotted on 99 years lease. SIPB may consider outright sale of land in the following cases: o The investment exceeds Rs. 1000 million; o Gestation period is more than 5 years; o Industry is located in backward areas to be notified by the Government, for this purpose; o Departments, PSUs and agencies of the Central Government; o Financial closure of the project requires a sale; o Projects identified by the Government as critical and prestigious;
International Desks	• **Assistance to Foreign Investors** Following support services to be provided to potential investors by select country specific desks: – Provide bespoke investor facilitation. – Handholding services in the form of local information and expertise. – Comprehensive portal with business opportunity related information.

Reference Document – Industrial Development Policy, 2015-20, Government of Andhra Pradesh.

Annex

Project Category Definition

Micro, Small and Medium Enterprise	Large Industrial Project	Mega Industrial Project
GoAP follows the MSME definition laid out by Government of India as per MSMED Act 2006 (as updated from time to time)	Large Project is a unit in which the investment on plant and machinery is less than Rs. 5000 million and more than the investment threshold for Medium enterprises as in MSMED Act. Further, for sectors such as Textiles, Food Processing, Biotech etc. definition of large projects may be different.	Projects with an investment of at least Rs. 5000 million or direct employment generation of 2,000 will be accorded mega industry status. Further, for sectors such as textiles, food processing, biotech etc. definition of mega project may be different. The Government will extend tailor-made benefits to mega projects to suit particular investment requirements on case to case basis based on the gestation period, pioneering nature, locational aspects, technology, project's importance to the state's industrial growth and its ability to generate large scale employment for people or revenues for the State.

KARNATAKA

Overview

The state of Karnataka located in the southern region of India, has established itself as a leading industrial state in the country. The IT hub of India, the state has the fourth largest technology cluster in the world.[30]

During 2011-12, Karnataka recorded a gross state domestic product (GSDP) of Rs. 6060.48 billion, measured in terms of 2011-12 constant prices. The GSDP of the state between 2011-12 and 2018-19 grew at a compound annual growth rate (CAGR) of around 8.18% to reach Rs. 11,366.34 billion during 2018-19. The state's GSDP accounted for about 9.32% of all states' total.[31]

Over the years, Karnataka has developed significant presence in sectors such as automobile, aerospace, agro, biotech, textiles and garments and heavy engineering industries. The state also boasts of around 23 operational IT/ITes SEZs, 5 software technology parks and dedicated IT investment regions.[32]

Also, a leading exporter, merchandise exports from the state stood at around US$ 17.36 billion in 2018-19.[33]

As per Department for Promotion of Industry and Internal Trade (DPIIT), cumulative FDI inflows to the state between the April 2000 and June 2019 period reached a total of US$ 40.68 billion.

The state also offers a wide range of fiscal and other policy incentives to industries and businesses. This has created an environment conducive for doing business and attracting greater investments to the state.

State Incentives

Area	Incentives
Ease of Doing Business	**Single Window Clearance Mechanism** o Regulatory and statutory approvals. o Nodal officer appointed for follow ups. o Online receipt of all applications. o Online project monitoring system. o Handbook for investors for guiding. **Simplification of regulatory procedures.** o Reduce time and cost of compliance. o Proposed to abolish trade license to all industries. o Simplify procurement of land and for speedy conversion of agriculture land. o Simplified procedure for acquiring land up to 30 acres and permitting deemed conversion.
Incentives	**Incentives and concessions to MSMEs** o Investment Promotion Subsidy as % on Value of Fixed Assets (See Table 1, Annex). o Exemption from stamp duty and reimbursement of land conversion fee (See Table 2, Annex). o Other Incentives ✓ Exemption from entry tax (100% exemption on entry of P&M). ✓ Subsidy for setting up Effluent Treatment Plant (50% of the cost). ✓ Interest subsidy for Micro Enterprises (5% subsidy on term loans). ✓ Exemption from Tax on Electricity Tariff (100% exemption for different period). ✓ Water Harvesting / Conservation Measures. ✓ Energy Conservation (10% of capital cost). o Technology up-gradation. Quality Certification (See Table 3, Annex) **Incentives and concessions for Large, Mega, Ultra Mega, Super Mega enterprises.** o Exemption from Stamp Duty and Reimbursement of Land Conversion Fee – Other than Hyderabad Karnataka Area (See Table 4, Annex, for classification of zones) ✓ Zone 1: 100%, Zone 2: 100%, Zone 3: 75%, Zone 4: Nil – Hyderabad Karnataka Area ✓ HK Zone 1: 100%, HK Zone 2: o 100% Concessional Registration Charges ✓ Concessional rate of Rs. 1.00 per 1,000 rupees o Other exemptions, incentives and concessions ✓ Exemption from Entry Tax (eligible for 100% exemption on entry of Plant & Machinery) ✓ Subsidy for Setting up Energy Effluent Treatment Plant (Exemption up to 50% of cost) ✓ Interest free loan (On 100% of VAT and CST paid from commencement of production)

<table>
<tr><th>Area</th><th>Incentives</th></tr>
<tr><td>Creation of Quality Infrastructure</td><td>Establishment of new industrial areas through Karnataka Industrial Area Development Board (KIADB)
o Readily available land.
o Plots allotted only after complete development of the industrial area.
o Proposed to acquire 40,000 acres of land.
o Adequate availability of power, water and transportation for industrial areas.
o Information about availability of land in KIADB website.
Establishment of industrial corridor
o Chennai-Bangalore-Chitradurga
o Bangalore-Mumbai economic corridor
o State industrial corridor: Bangalore-Mandya-Mysore-Chamrajnagar, Chitradurga-Bellary-Gulbarga-Bidar, Dharwad-Koppal-Raichur, Bangalore-Hassan-Mysore, Tumkur-Shimoga-Honnavar, Raichur-Bagalkot-Belgaum
Proposed to notify Special investment region
o Dharwad, Gadag, Haveri and Belgaum Districts.
o Development of areas as industrial nodes.
• Up-gradation of Infrastructure in existing industrial areas and estates
• Maintenance of industrial areas
o Industrial township areas in Mysore, Peenya, Bommasandra, Belgaum, Hubli.
o Uniform guidelines for fixing property tax, development cess
• Establishment of Industrial Areas and Estates by Private Investors or through PPP or in association with other Government agency.
• State level body to coordinate the requirements of the industry</td></tr>
<tr><td>Export Promotion</td><td>Incentives and Concessions
o Exemption from Entry Tax: For 100% EOU and Min Export Obligation of 50%, entry tax exemption at 100% is available.
o Refund of Certification Charges: Refund of Cost incurred for Export Consultancy/Market Intelligence Studies (For exporter who have TO less than 50 million p.a.
o Brand Promotion and Quality Assurance (50% expenses reimbursed): For exporters having TO less than 5 cr ore for setting warehouse, showrooms, display of international dept stores, testing and registration charges.
o Export-Import Management: 50% of certification course charges reimbursed.
o Support for Establishment of Container Freight Stations and other export infrastructure (25% of cost of project with a ceiling limit of Rs. 20.0 million).
o Support for creation of Export facilitation facilities, R&D and testing services: Rs. 5.0 million or 50% of cost whichever is less.
o Market Development Assistance:
✓ South American Countries (Assistance up to Rs. 175,000)
✓ Other Countries (Assistance up to Rs. 150,000)
o Reimbursement of Export Credit Guarantee Insurance: Max of Rs. 50,000 or 10% of premium paid towards Export Credit Guarantee Insurance.
o Support for development of exports in Gherkins, Rose Onions and Floriculture: Financial assistance up to 10% of procurement cost of seeds and training expenses.</td></tr>
</table>

Reference Document: Karnataka Industrial Policy, 2014-19

Annex

Table 1: Investment Promotion Subsidy (% on Value of Fixed Assets)

Area	Micro	Small	Medium
Hyderabad-Karnataka			
Zone 1	30%, Max 1.8 million	25%, Max 4.5 million	20%, Rs 5.5 million
Zone 2	25%, Max 1.5 million	20%, Max 4.0 million	15%, Rs. 5.0 million
Other than Hyderabad-Karnataka			
Zone 1	25%, Max 1.5 million	25%, Max 4.0 million	20%, Rs. 5.0 million
Zone 2	20%, Max 1.2 million	20%, Max 3.0 million	15%, Rs. 4.0 million
Zone 3	15%, 0.9 million	15%, 2.0 million	10%, Rs. 3.0 million
Zone 4	Nil	Nil	Nil

Table 2: Exemption from stamp duty and reimbursement of land conversion fee

Zones	Hyderabad-Karnataka	Other than Hyderabad-Karnataka
Zone 1	100%	100%
Zone 2	100%	100%
Zone 3	NA	75%
Zone 4	NA	Nil

Table 3: Technology up-gradation, Quality Certification

Incentive and Concession	Quantum and Zone
Interest subsidy on Technology Up-gradation Loan	5% on loans availed from KSFC & Scheduled commercial banks - All zones
ISO Series Certification	75% of cost (max. Rs. 75,000)- Except zone 4
BIS Certification	50%of fees payable to BIS (max. Rs. 20,000) - All Zones
Technology Adoption	25% of cost (max. Rs. 50,000)
Technology Business Incubation Center	25% of the cost (max: Rs. 5.0 million)
Recycling of electronic waste and plastic waste	Additional investment promotion subsidy of 5% (Max Rs. 1.0 million) - Except zone 4

Table 4: Classification of Taluks* into zones

Hyderabad Karnataka Taluks	
Zone 1	Most backward taluks, total 20 taluks
Zone 2	More backward taluks, total 11 taluks
Other than Hyderabad Karnataka Taluks	
Zone 1	Most backward taluks, total 23 taluks
Zone 2	More backward taluks, total 51 taluks
Zone 3	Backward taluks, total 62 taluks
Zone 4	Industrial developed taluks 9 taluks

* Taluk is a local term for administrative area or sub-district

MAHARASHTRA

Overview

Located in the western part of India, the state of Maharashtra has been one of the frontrunners in industrial development. World class infrastructure, effective industrial policies and a conducive environment facilitating ease of doing business are some of the factors that have led to rapid growth of industries in Maharashtra.

The gross state domestic product (GSDP) of the state (at 2011-12 constant prices) grew from Rs 12,803.69 billion during 2011-12 to reach Rs. 19,427.69 billion during 2017-18. The GSDP grew at a compound annual growth rate (CAGR) of 6.14% during the 7-year period between 2011-12 and 2017-18[34].

The most industrialised state of India, Maharashtra is also the largest producer of sugarcane in India and a leading producer of cotton in the country. Having witnessed rapid growth in technological advancements, Maharashtra has attracted several innovative enterprises in the country. It is also the automobile manufacturing hub of the country and a leader in agro based and food processing industries.

Maharashtra is one of the largest exporting states in the country, registering exports worth around US$ 4 billion during 2018-19[35]. The state also boasts of the largest number of special economic zones in the country[36].

The state is also home to a large base of small-scale industries and is endowed with abundant skilled and industrial labour. The state capital, Mumbai is the commercial capital of India and over the years have emerged into a global financial hub.

All these factors along with favourable investment policies, have made Maharashtra the most preferred investment destination for both domestic and global investors. As per Department for Promotion of Industry and Internal trade (DPIIT) estimates, Maharashtra attracted cumulative FDI inflows to the tune of US$ 128.85 billion between April 2000 and June 2019.

The state of Maharashtra, already a leader in industrial development in the country with its “Magnetic Maharashtra’ brand has a progressive vision, focused on inclusive and sustainable industrial growth and development.

State Incentives

Area	Incentives
Ease of Doing Business	• **Facilitating Maharashtra Industry, Trade & Investment Cell (MAITRI)** – MAITRI to facilitate clearances/permissions/Licenses to numerous enterprises. – All information on state’s resources, industrial infrastructure, procedure for setting up units, grievance redressal, and rules / regulations / orders etc. will be available on MAITRI portal. – Timely approvals and services to investors. – MAITRI facilitation and handholding setup shall be operationalized at regional levels, cost of which will be borne by concerned department for complaints received at MAITRI level – Special assistance cell for promotion of scheduled castes and tribes and women entrepreneurs.

Area	Incentives
	• **Regulatory simplification** – Procedural simplification in obtaining environmental clearances. – Procedures for building plan approvals for industries shall be rationalized across the state. – Maharashtra Industrial Development Corporation (MIDC) shall act as the interface for local authority taxation purposes in MIDC industrial areas
Fiscal Incentives to MSMEs	Micro, Small and Medium Enterprises (MSMEs) shall include units as per the definition of Government of India- Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, as well as the small industries with FCI of up to Rs. 500 million. • A basket of incentives, their aggregate amount not exceeding a specified ceiling will be offered to eligible MSME units (See Table 1, Annex) • Eligible units in Agro & Food Processing (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/processing activity only), Green energy/ biofuel and Industry 4.0 shall be given additional support. • The power tariff subsidy, for eligible new units located (other than A areas) in Vidarbha, Marathwada, North Maharashtra, and districts of Raigad, Ratnagiri and Sindhudurg in Konkan will be to the extent of Rs. 1/- per unit consumed and in other areas (except A areas), to the tune of Rs. 0.5/- per unit consumed for 3 years from the date of commencement of commercial production. • In areas other than A, interest subsidy @ 5 per cent p.a., maximum up to the value of electricity consumed and bills paid for that year, will be admissible. • Stamp duty exemption (SDE) – 100% SDE for MSMEs within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes. However, in A and B areas SDE will be offered only to IT and BT manufacturing units in IT and BT parks. – Eligible Units under PSI 2013 Scheme will also be eligible for SDE for their investment period. • Exemption from electricity duty payment – for eligible new units in C, D, D+, No industries Districts and Naxalism Affected Area – 100% electricity duty exemption for export-oriented units and IT/BT units for 7 years in A and B areas. • All Central and State government schemes relevant to MSMEs shall be dovetailed in this policy • Marketing Assistance scheme for MSMEs to support marketing activities, to improve competitiveness at both national and international level. • For strengthening MSMEs, standalone incentives (not linked with PSI) shall be admissible to promote quality competitiveness, Zero Defect Zero Effect (ZED scheme), research & development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating. • Eligible MSMEs & small industries as defined above shall be offered Investment Promotion Subsidy (IPS) on gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra.

Area	Incentives
Attracting Large, Mega and Utra-Mega Investments	• **Large scale industries (LSI)** – LSIs shall be offered incentives that are graded in a way so as to assist dispersal of investment to industrially under-developed areas. A basket of incentives, their aggregate amount not exceeding the specified ceiling will be offered to eligible LSI units (See Table 2, Annex) – LSI units in thrust areas to get additional benefits – Eligible LSI units to get Investment Promotion Subsidy (IPS) on gross SGST paid by them on the first sale of eligible products billed and delivered to the same entity within Maharashtra on a first come-first serve basis. – 100% Stamp duty exemption (SDE) to eligible units within investment period for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes. However, in A and B areas, SDE will be offered only to IT and BT units in IT and BT Parks; Eligible Units under PSI 2013 Scheme will also be eligible for SDE for their investment period. – Exemption from electricity duty payment for eligible new units in C, D, D+, No industries Districts and Naxalism Affected Area; 100% electricity duty exemption for large scale export-oriented units and IT/BT units for 7 years in A and B areas. – Units applying for incentives in the first year of policy period will be given full basket of eligible incentives for respective category and location of the unit. If the unit applies in subsequent years of the policy period, the basket of incentives will be reduced by 5% for each year of delay in application. This provision will not be applicable to industries in thrust sectors. – Additional support to LSI units in Agro & Food Processing (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/ processing activity only), Green energy/ biofuel and Industry 4.0. – Incentives to the LSI shall be given to promote quality competitiveness, research & development, technology up-gradation, water & energy conservation, cleaner production measures and credit rating. • **Mega and Ultra Mega Projects** Industrial units satisfying the minimum threshold limits of Fixed capital investment or Direct Employment prescribed (See Table 3, Annex) shall be classified as Megaprojects/ Ultra Mega Projects: • Government may consider providing customized package of incentives on case-to-case basis as deemed necessary for projects of special importance (may or may not be mega/ultra-mega projects), to be recommended by the High Power Committee (HPC) under the chairmanship of Chief Secretary and to be approved by the cabinet sub-committee. • Apart from Industries Departments Package Scheme of Incentives Micro, Small, Medium, Large, Mega and Ultra-Mega Units are given incentives/ concessions by other administrative departments of State Government (e.g. Spinning Mills). The financial refunds / incentives to an industrial unit from all sources put together shall be admissible within the limit of 100% of fixed capital investment

Area	Incentives
Special Initiatives	• **Industries in the underdeveloped districts** – Additional fiscal incentives and period for availing these incentives, will be offered under PSI 2019 to MSMEs, large and mega projects in these districts to attract investments and generate employment in the following districts. a) Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule; b) No industry districts; c) Naxalism affected areas d) Aspirational districts – Threshold limit for creation of employment will be less than other areas for large and mega projects • **Industries in Agro and Food processing, green energy/biofuel and industry 4.0** – eligible units (secondary and tertiary processing units and Farmer Producer Companies for manufacturing/processing activity only) to be granted 20% additional fiscal assistance – two-year additional eligibility period
Land	• Through MIDC the state ensures availability of land (both developed and underdeveloped) to investors. • MIDC also creates land banks for industries and provides special fiscal incentives packages to projects of importance including emerging technologies. – Although large land banks are available in the state, considering the future industrial land requirement to facilitate Rs. 1000 billion of investment, MIDC shall create land banks across the state based on demand assessment. – The land earmarked for public health amenities in MIDC industrial estates shall be developed by concerned departments. Specially ESIC (Employees State Insurance Corporation) hospital facilities will be provided by concerned department as per needs and demand from industrial associations. – For sectors with same additional floor space index (FSI) (IT & ITeS, Biotechnology, Garmenting, Gems and Jewelery and Logistics & Warehousing) under the related policies of the State Government, interchangeability of land use shall be allowed with the approval of State Government. – Land owned by State Government or State Government Organization if required by MIDC for planned development will be made available at no cost.
Power	• MIDC ensures 4x7 power supply to its industries. • Under green industrial assistance for eligible units, solar captive power plant will be considered as a part of admissible fixed capital investment for the purpose of incentives. A captive solar power plant will be defined as one wherein at least 80% of power generated is utilized by the unit annually.

Reference – Maharashtra Industrial Policy 2019

Annexure

Table 1: Eligibility Criteria to MSMEs

<table>
<tr><th>Taluka/Area Classification</th><th>Maximum Admissible Fixed Capital Investment</th><th>Ceiling as % of FCI</th><th>Eligibility Period (Years)</th></tr>
<tr><td>A</td><td rowspan="7">For the purpose of this policy, MSME shall include units as per the MSMED Act, 2006, as well as the units with FCI of up to Rs. 500 million</td><td>-</td><td>-</td></tr>
<tr><td>B</td><td>30%</td><td>7</td></tr>
<tr><td>C</td><td>40%</td><td>7</td></tr>
<tr><td>D</td><td>50%</td><td>10</td></tr>
<tr><td>D+</td><td>60%</td><td>10</td></tr>
<tr><td>Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule</td><td>80%</td><td>10</td></tr>
<tr><td>No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**</td><td>100%</td><td>10</td></tr>
</table>

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar.

Table 2: Eligibility Criteria to LSI

Taluka/Area Classification	Maximum Admissible Fixed Capital Investment (Rs. Million)	Minimum Direct Employment (number of people)
A & B	7500	1000
C	5000	750
D	2500	500
D+	1500	400
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	1000	300
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	1000	250

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar.

Note: For MSME units the ceiling of fixed capital investment is Rs. 500 million. For units having investment more than Rs. 500 million & upto the minimum investment stipulated for large scale units in table 2 above, the industrial promotion subsidy shall be 40% of the SGST paid for the first sale of goods sold in Maharashtra and billed & delivered to the same entity. This incentive will not be applicable for units located in "A" & "B" zone.

Table 3: Eligibility Criteria related to incentives disbursement for mega and ultra-mega projects

Type of Unit	Taluka/Area of Classification	Minimum Admissible Fixed Capital Investment (Rs. Million)	Minimum Direct Employment (number of people)
Mega Industrial Units	A &B	1, 5000	2,000
	C	1,0000	1,500
	D	7500	1000
	D+	5000	750
	Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	3500	500
	No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	2000	350
Ultra-mega Industrial Units	Entire State	40,000	4,000

*Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar.

Provided that:

a) Ultra-Mega/ Mega projects based on employment criteria shall be required to maintain the qualifying direct employment on rolls of the company throughout the year. If the employment criteria is not maintained for any period of the year, then Industrial Promotion Subsidy shall not be admissible for such year/s.

b) Minimum Direct Employment prescribed in the table above should be created within a period of three years from the date of commercial production.

c) The investment in Captive Power Plant shall not be considered for determining the qualifying criteria for eligibility as Mega Project/Ultra Mega Project.

d) 100% Captive Process Vendor (CPV) investment can be considered as a part of admissible FCI. However, CPV investment will not be counted for determining qualifying criteria as Mega/ Ultra Mega Projects

e) The present policy of MIDC regarding allotting plots on priority basis to mega and ultra-mega projects shall be continued.

TAMIL NADU

Overview

The state of Tamil Nadu has always been at the forefront of economic and industrial growth and is one of the leading states in the country in several industries such as automobiles, components, leather, textiles, information technology, electronic hardware and hi-technology industries, among others.

The Gross State Domestic Product (GSDP) of Tamil Nadu, at 2011-12 constant prices, stood at around Rs. 7,514.86 billion during 2011-12, which grew at a (CAGR)compound annual growth rate of 6.11%, between the 8-year period of 2011-12 and 2018-19, to reach Rs. 12,075.26 billion in 2018-19.[37]

Industries in Tamil Nadu are aided with excellent infrastructure by the Tamil Nadu Industrial Development Corporation Ltd (TIDCO), State Industries Promotion Corporation of Tamil Nadu (SIPCOT), Tamil Nadu Industrial Investment Corporation Limited (TIIC), and Tamil Nadu Small Industries Development Corporation Limited (TANSIDCO), which are jointly developing industrial infrastructure in the state.

The state has an installed power generation capacity of 31.29 GW, as of November 2019. As of November 2019, the state has around 54 formally approved special economic zones (SEZs), 50 notified SEZs and 40 exporting SEZs.[38]

The state has also set up the Tamil Nadu Industrial Guidance & Export Promotion Bureau with the objectives of attracting major investment proposals into Tamil Nadu. The state attracted cumulative FDI inflows to the tune of US$ 31.19 billion during April 2000 to September 2019, as per Department of Investment Promotion of Industry and Internal Trade (DPIIT).

The Government of Tamil Nadu has also taken up major initiatives along with promoting favourable investment policies to attract greater investments to the state from both domestic and foreign investors.

State Incentives

Area	Incentives
Ease of Doing Business	• **Single window Mechanism** – Government of Tamil Nadu has established a Single Window facilitation mechanism under the Guidance Bureau to accord in-principle composite approval for pre- project clearances at the State Government level; Committee headed by the Chief Secretary will monitor progress of final approvals of all such cases – The Tamil Nadu Industria Development Corporation (TIDCO) will be mandated to facilitate various Infrastructure projects including Power, Port development, SEZ, waste treatment, handling and disposal, etc.

<table>
<tr><th>Area</th><th>Incentives</th></tr>
<tr><td>Standard Incentives</td><td>To include all industries in categories A & B districts[39]

• Capital Subsidy and Electricity Tax Exemption
– Irrespective of the location of the project, new or expansion manufacturing units will be given a back-ended capital subsidy and electricity tax exemption on power purchased from the Tamil Nadu Generation and Distribution Corporation Ltd. (TANGEDCO) or generated and consumed from captive sources based on employment and investment in fixed assets /eligible assets as the case may be, made within the following investment period (Table 1, see Annex).
– New or expansion manufacturing units located within SIPCOT Industrial parks in respect of A & B districts will be provided an additional capital subsidy of 50% over and above the eligible limit, as enumerated in table 1 (Table 1, see Annex).
– New or expansion manufacturing units located outside the SIPCOT Industrial Parks in B & C districts will be provided an additional capital subsidy of 10% and 25% respectively over and above the eligible limit, as enumerated in table 1 (Table 1, see Annex).

• Stamp Duty Concessions
– 50% Exemption from Stamp duty on lease or sale of land meant for industrial use shall be offered for projects located in Industrial parks promoted by SIPCOT in A and B category districts.
– In case of ultra-mega projects, this will be 100%, irrespective of location.

• Environmental Protection Infrastructure subsidy
– Individual Manufacturing Units adopting Zero Effluent or Wastewater Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy on a case-to-case basis.</td></tr>
<tr><td>Structured package of Incentives</td><td>Apart from standard incentives, Mega, Super-mega A, Super-mega B and Ultra-mega projects will be eligible for a structured package of incentives as detailed below (Table 2, see Annex), for A & B category districts, if they satisfy both the investment and the minimum employment criteria fixed for each category.</td></tr>
<tr><td>Additional Incentives</td><td>• Additional employment generation
– An additional 10% output VAT+CST paid will be given as Investment Promotion subsidy/soft loan to the investors if they double the committed employment levels within the investment period, which is capped to the investment made in the eligible fixed assets (EFA) during the Investment period. This additional incentive will be applicable for ‘B’ and ‘C’ category districts only.

• The investment period may be extended by the Government in deserving cases, for valid reasons.

• In the case of Investment Promotion Soft loan, the cap will be the one fixed for the respective categories/class. In the case of Investment Promotion subsidy, the cap will be half of the one fixed for the respective category/class. For soft loan, the interest charged will be 0.1% per annum. The project/company may exercise a onetime option for availing either Investment Promotion soft loan or subsidy before the commencement of the commercial production.</td></tr>
</table>

39 For the purpose of administering fiscal incentives, the districts of the state are classified as – 1. A comprising of Chennai, Tiruvallur & Kancheepuram; 2. B comprising of other than A & C districts (20 districts) and 3. C Southern districts (9 districts);

Area	Incentives
Special package for southern districts[40]	Industries set up in the southern districts will be eligible for a special package which will be higher than the package available for the rest of the State as detailed below (Table 3, see Annex) • **Capital Subsidy and Electricity Tax Exemption:** New or expansion manufacturing units established in Southern districts will be given a back-ended capital subsidy and Electricity Tax exemption as enumerated under standard incentives. • **Stamp Duty concession:** 50% Stamp duty concession shall be offered for lands purchased/leased for the projects located in areas other than Industrial parks promoted by SIPCOT – In the case of Ultra Mega projects and the projects located in SIPCOT Industrial Parks, this will be 100%. Parks would be valued at actual land or building value paid by the manufacturing. • **Environmental Protection Infrastructure subsidy:** Dedicated Effluent Treatment Plants (ETP) and / or Hazardous Waste Treatment Storage and Disposal Facility (HWTSDF) set up by individual manufacturing units would be eligible for an Environment Protection Infrastructure subsidy of Rs.3.0 million or 25% of capital cost of setting up such ETP/ HWTSDF, whichever is less. – Individual Manufacturing Units adopting Zero Effluent or Wastewater Discharge, Clean Development Mechanism and Emissions Trading Mechanism will be given a higher amount of subsidy on a case-to-case basis. • **Structured Package of Incentives:** Apart from the standard incentives mentioned above, Mega, Super-mega A, Super-mega B and Ultra-mega projects set up in these districts will be eligible for a structured package of incentives (Table 4, see Annex). • Investments made below Rs.2,000 million are also eligible for receiving VAT related fiscal incentives (Table 5, see Annex) • **Others** – SIPCOT will acquire and allot lands for starting new industries in Southern Districts where lands in SIPCOT parks are not available. For this, the minimum area required by the investing company shall be at least 25 acres and the investment should be more than Rs.500 million. The lands required by the company shall be barren, non-irrigated and dry land to the extent possible. Land requirement with more than 10% wetlands will not be entertained. – The state shall allocate necessary funds for the industrial infrastructure development of the Southern districts to create common infrastructure like roads, water supply etc. – Uninterrupted power supply will be given to the projects set up in the Southern Districts if they are covered by MoU or Government Order (non-MoU)

Reference: Tamil Nadu Industrial Policy 2014, Industries Department, Government of Tamil Nadu

40 Southern Districts refer to the Districts of Madurai, Theni, Dindigul, Sivagangai, Ramanathapuram, Virudhunagar, Tirunelveli, Thoothukudi and Kanniyakumari

Annexure

Table 1: Capital Subsidy and Electricity Tax Exemption

Investment in fixed assets/ eligible fixed assets (in Rs. million)	Direct Employment (in numbers)	Capital Subsidy (in Rs. million)	Electricity tax exemption (in no. of years) from date of commercial production
50-500	100	3.0	2 years
500-1000	200	6.0	3 years
1000-2000	300	10.0	4 years
2,000 to 5,000	400	15.0	5 years
5,000-15,000	600	17.5	5 years
15,000-30,000	800	20.0	5 years
30,000 and above	1000	22.5	5 years

Table 2: Fiscal incentives for Mega, Super-mega & Ultra-mega projects

Investment Category	Investment Range (in Rs. million)		Fiscal Incentives Offered
	A Districts	B Districts	For a & B group districts
Mega	Above 5000-15,000, creating an employment of 300 in 3 years	Above 3500-10,000, creating an employment of 200 in 3 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 10 years from the date of commercial production with a ceiling of 80% of investment made in EFA within the investment period. In respect of expansion projects, the cap will be 70%. Base volume principle and sliding scale will be applied.
Super Mega A	Above 15,000-30,000, creating an employment of 400 in 5 years	Above 10,000-20,000, creating an employment of 300 in 5 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 12 years from date of commercial production with a ceiling of 90% of investment made in EFA within the investment period. If ceiling is not reached within 12 years, addl. period up to 6 years will be considered. In respect of expansion projects, the cap will be 80%. Base volume principle and sliding scale will be applied. Refund of VAT paid on capital goods will be given as subsidy during the investment period. However, this subsidy will be included for capping of incentive based on Net Output VAT+CST.

Investment Category	Investment Range (in Rs. million)		Fiscal Incentives Offered
	A Districts	B Districts	For a & B group districts
Super Mega B	Above 30,000-50,000, creating an employment of 600 in 6 years	Above 20,000-40,000, creating an employment of 500 in 6 years	Net output VAT+CST paid will be given as Investment promotion subsidy/ soft loan for 14 years from date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 14 years, addl. period up to 7 years will be considered. In respect of expansion projects, the cap will be 80%. Base volume principle and sliding scale will be applied. Refund of VAT paid on capital goods will be given as subsidy during the investment period. However, this subsidy will be included for capping of incentive based on Net Output VAT+CST.
Ultra-Mega	Above 50,000, creating an employment of 700 in 7 years	Above 40,000, creating an employment of 600 in 7 years	Gross output VAT and CST paid will be given in the form of Investment Promotion Subsidy/soft loan for 16 years (or) till the cumulative availment of the gross Output VAT+CST paid by the Company reaches 100% of eligible investment within the investment period, whichever is earlier. Input VAT refund as Investment Promotion subsidy for a period concurrent with the period of output VAT+CST refund or soft loan. Refund of VAT paid on Capital Goods and tax paid on Works Contract will be given as subsidy during investment period. However, these two subsidies will be included for the ceiling fixed for Gross Output VAT+CST based incentive. In respect of expansion projects, the cap will be 80%. Base volume principle and Sliding scale will be applied.

Table 3: Special Package for Southern Districts

Category	Investment Range (in Rs. million)
Mega Projects	Above 2000-5000 creating an employment of 100 in 4 years
Super Mega A	Above 5000-15000 creating an employment of 250 in 5 years
Super Mega B	Above 15000-30000 creating an employment of 350 in 6 years
Ultra-Mega	Above 30000 creating an employment of 500 in 7 years

Note:

"Mega Project" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Super Mega Project-A" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Super Mega Project-B" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated;

"Ultra-Mega Project" means a manufacturing project, new or expansion, located in C category districts with the following investment ranges and creating the employment stipulated.

Table 4: Structured Package of Incentives for Southern Districts

Investment Category	Investment Range (in Rs. million)	Fiscal incentives offered
Mega	Above 2000 to 5000, creating an employment of 100 in 4 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 10 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale.
Super Mega A	Above 5,000-15,000, creating an employment of 250 in 5 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 12 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 12 years, additional period up to 6 years will be given. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale. Refund of VAT paid on capital goods will be given as subsidy during the investment period.

Investment Category	Investment Range (in Rs. million)	Fiscal incentives offered
Super Mega B	15,000-30,000, creating an employment of 350 in 6 years	Net output VAT+CST paid will be given as Investment Promotion subsidy/ soft loan for 14 years from the date of commercial production with a ceiling of 100% of investment made in EFA within the investment period. If ceiling is not reached within 14 years, additional period up to 7 years will be given. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale. Refund of VAT paid on capital goods will be given as subsidy during the investment period.
Ultra-Mega B	Above 30,000, creating an employment of 500 in 7 years	Refund of gross output VAT and CST will be given in the form of Investment Promotion Subsidy for 16 years (or) till the cumulative availment of the gross Output VAT+CST paid by the Company reaches 100% of eligible investment within the investment period, whichever is earlier. Input VAT refund as Investment Promotion subsidy for a period concurrent with the period of output VAT/CST refund or soft loan. Refund of VAT paid on Capital Goods will be given as subsidy during investment period. Refund of tax paid on Works Contract will be given as subsidy during investment period. In respect of expansion projects, the cap will be 100%. Base volume principle will be applied. No Sliding scale.

Table 5: VAT related Fiscal Incentives

Investment within 3 years	Soft loan given would be equal to VAT paid in the
Rs. 500-1000 million	First 3 years from the commencement of commercial production
Rs. 1000-2000 million	First 4 years from the commencement of commercial production

CII Services

Global outreach | Market Facilitation Services
CII and France

Facilitating Global Outreach of Indian Companies

The Confederation of Indian Industry's (CII) unique worldwide network of partnerships with Governments (both at federal and provincial levels), legislators, industry institutes, academia, think tanks, media, Indian diaspora and multilateral agencies forms the foundation of the organization's international endeavors. A vast network of counterpart organizations enables Indian Industry's efforts to reach different parts of the world.

Meetings with Heads of States, decision makers and business delegations led by CII Members are an effective platform for Indian businesses to develop mutually beneficial global partnerships. In a dynamic and fast evolving global environment, CII's Missions for Indian Business Leaders open up bilateral business opportunities through direct dialogue and exchange of ideas, concerns & priorities.

Facilitating Investment from Overseas

CII International, the focal point for international companies seeking to do business with India, offers a range of business development, information & knowledge, and networking services. CII platforms such as the India Business Forums, Regional & Bilateral Conclaves, Business & CEOs Delegations, CEO Forums amongst others have been facilitating investment into India for decades.

Policy Advocacy for Promoting Market Access for Indian Companies

CII International, being the global voice of Indian industry, engages with Government of India as well as foreign governments to address policy level challenges facing Indian industry. Some of the steps CII takes to enhance market access for Indian exporters include:

- Identifying and addressing challenges of the small sector to improve their competitiveness
- Promoting cooperation with counterpart organizations
- Adopting a proactive and partnership approach with foreign governments on international issues concerning Indian economy

Deep rooted engagement with the Ministry of Commerce and Industry, Ministry of External Affairs, overseas Indian missions as well as with the Industry enables CII to communicate the larger picture while highlighting policy issues confronting Indian Industry in international markets. Such engagement and understanding of the global issues, also come to bear in CII's inputs on bilateral and multilateral trade agreements as well as measures that can boost India's bilateral trade and investments.

Market Facilitation Services

The CII Emerging Markets Forum (EMF) continued to support Indian companies in emerging markets. A fee-based service, the EMF is providing wide range of services to enable member companies to tap overseas markets, namely Information Services, Advocacy Services, Market Facilitation Services (MFS) and Networking Services.

In addition, to enhance the credibility of Indian companies in providing consistent products / services to the export market, CII has launched an innovative Responsible Export Organization Certification Program through an assessment based on the requirements of the certification framework. The scheme provides a single framework for demonstrating the compliance and maturity of Indian export organizations towards meeting the global market expectations on business and societal performance.

CII and France

CII has had a representative office in France since 2000, with the objective of providing a further fillip to our relationship with France and our partners there.

CII has a strong network of 7 MoU partners in France: MEDEF International, Chamber of Commerce and Industry Paris (CCIP), Chamber of Commerce and Industry France India (CCIFI), The French Naval Industry Group (GICAN), French Land and Defence Manufacturers Association (GICAT) and French Association of Aero Space Industries (GIFAS) that helps increasing CII's reach in France and plays an important role in providing a bridge between Indian and French industries across all sectors.

CII is the Secretariat from the Indian side for the Indo-French CEOs Forum. Since its inception in 2009, the forum has been active in identifying new avenues for cooperation and takes initiatives to facilitate business links between India and France.

CII has active MoUs with Defence Trade bodies in France like GICAT, GICAN & GIFAS. A high-level delegation comprising of representatives from some of the top French Defence and Aerospace companies visited India in April 2018, led by the French Aerospace Industries Association GIFAS. CII and Society of Indian Defence Manufacturers (SIDM) hosted a series of seminars and business meetings for them in Delhi, Bangalore, and Hyderabad. SIDM signed an MoU with GIFAS during this visit. Recently on 21 February 2019, on the side-lines of Aero-India 2019 in Bengaluru, CII and SIDM in conjunction GIFAS organised a seminar on Indo-French Defence & Aerospace Cooperation, where the focus was on building an Integrated Global Supply Chain.

In March 2018, CII and MEDEF International signed an MoU on Smart Cities to work on the momentum created by the process of rapid urbanization in India. The objective of the MoU was to bring together technology and infrastructure solution partners for developing the smart cities initiatives.

CII has been coordinating the India participation at Cannes for the last 15 years, positioning the Indian Entertainment industry on the global landscape. Leading players from the Indian entertainment industry and others also participated at the India Pavilion Organized by CII.

In India, CII has been working closely with Business France India over the years, including with its predecessor, Ubifrance. CII in association with Business France organised an Indo-French Business Event – 'Smart Factory India 2019' to showcase the French ecosystem having 'Technology, Productivity and Efficiency' related solutions for optimizing India's manufacturing industry and provided a platform to connect with the French companies from the Aeronautics, Automotive & Healthcare segments. Business France has several sectoral heads in its team in Delhi with whom various CII divisions are connected for various initiatives and activities.

Lastly, CII has been sending CEOs / Business delegations to France for exploring business opportunities in France (like SIDM defence industry delegation to the Paris Air Show in 2019, CII leadership delegation to Paris and participated in the OECD Forum and Business at OECD (BIAC) General Assembly on 20-21 May 2019, CII CEO's Delegation to Paris accompanying Shri Arun Jaitley, Hon'ble Minister of Finance and Corporate Affairs in 2017 etc.)

ICICI Bank – Partnering growth

ICICI Bank is a large private sector bank and leading financial conglomerate in India, offering a diversified portfolio of financial solutions to Retail, SME and corporate customers. At March 31, 2020, we had a network of 5,324 branches, 15,688 ATMs and other touchpoints. Globally, we are present in 15 countries, including India. We are at the forefront of leveraging technology for digital solutions. Our subsidiaries include India's leading insurance, asset management, private equity and securities brokerage companies.

The above credentials and dedicated teams present globally, position us uniquely to partner the growth objectives of multinational and Indian corporates.

Digital initiatives: We are pioneers in digital banking and among the most technologically advanced banks in India. Our digital initiatives include:

- **Digital leadership:** We have the most comprehensive internet and mobile banking platforms, offering over 300 services. Our versatile salary account offering enables individuals to transact freely.
- **e-Tendering Gateway:** We have developed a customised payment gateway for e-tendering across multiple states in India.
- **Supply chain:** We offer best-in-class paperless platforms with seamless SAP-integrated supply chain solutions, collections/ payments, and channel financing, enabling digital transactions with suppliers.
- **Trade online:** Our comprehensive digital platform, especially for trade transactions enable paperless issuance and processing of Trade products.
- **Blockchain:** We are India's first Blockchain powered bank, supporting more than 250 corporates through our platform for global trade finance.
- **Remittance:** We facilitate quick remittances at competitive rates in multiple currencies through our online channels.

ICICI Bank UK PLC (ICICI UK): Founded in 2003 and registered in London, UK, ICICI UK is a wholly owned subsidiary of ICICI Bank. It has seven branches and four business centers in the UK and one branch in Germany (ICICI Germany). **ICICI UK** and ICICI Germany offer corporate banking and trade products to Indian and Multinational corporates. On the Retail side, ICICI UK offers online banking, debit cards, remittances, and property backed lending, while ICICI Germany also offers deposit services. ICICI Germany is a member of the Einlagensicherungsfonds, (deposit insurance) and participant of SEPA and Target2 clearing, enabling quick payments within the Euro area.

Through our vast domestic reach, global presence, wide offerings, and robust digital solutions, we are partnering the growth objectives of our elite customers.

Partner Profiles

The France-India Business Council of MEDEF International was created in 1989 and is chaired by Mr Paul HERMELIN, Chairman and CEO of Capgemini and France's Special Representative for Economic Relations with India, since 2011.

India is the second largest economic engine in Asia and a demographic giant. More than 500 French companies are implemented in India- France being the 3rd foreign partner of the country. The acceleration of the country's social development, the diversification and modernization of its economy, particularly in high value-added sectors, and the dynamism of the Indian private sector has increased business and partnership opportunities for French companies in almost all fields of activity.

In order to strengthen collective support provided to companies, the Council is stepping up its action along two strategic lines:

- **Reinforced sectoral action**, first and foremost towards smart cities, renewable energies, mobility, digital (digitisation of public action, industrial applications), aeronautics and agri-food sectors. Since 2017, meetings and business delegations with exclusively sectoral themes have been organised with the MEDEF International's task forces and competent professional groups.
- **A decentralised approach**, enabling the Council's actions to be applied at the level of the 29 States and 7 Indian territories in order to gain a better understanding of their own specificities and dynamics.

In addition to being an acknowledged and privileged framework inside the economic and trade relationship between India and France, the meetings of the Council which are held on a regular basis in France, and the business delegations to various cities in India aim at:

1. helping French companies gain direct access to federal and State authorities, Indian firms and international donors
2. providing companies with keys to understand and in decision making for their activities in India
3. increasing the experience sharing between French companies of all sizes, active in India

Business France - Facilitating Bilateral Trade between India and France

Business France, the French Trade and Investment Commission in India is the national agency supporting the international development of the French economy, responsible for fostering export growth by French businesses, as well as promoting and facilitating international investment in France. It promotes French companies, business image and nationwide attractiveness as an investment location, and runs the VIE international internship program. Founded on January 1, 2015 through a merger between UBIFRANCE and the Invest in France Agency, Business France has 1,500 personnel, covering 124 countries and 87 offices throughout the world, who work with a network of public and private sector partners. Their team in India comprises of 30 experts who help make crucial decisions, whether you are looking to export, invest, or are a young professional with an international outlook. Their services include market reports, to legal and tax advice, help with administrative formalities, and guidance in choosing a market or investment location, as well as identifying potential partners.

In the current COVID 19 conditions Business France and its experts continue accelerating their activities of assisting French companies understand the Impact of the crises on businesses across nations. In a recent webinar Mr. Christophe Commeau, the Acting Executive Director of Business France for India said "India has seen other crises in the past and has always recovered. This crisis should not change the approach of companies towards the Indian market, but new modes of consumption are to be explored. Despite the impossibility of our exporters to come prospecting, our teams continue to help companies through digital prospecting." Whereas Indian investors in France with the support measures by the Government of France continue to flourish against all tides.

The strategic partnership between India and France marked its 22nd Anniversary this year. The trade relations between the two nations stand strong with exports from France to India around € 5.53 billion in 2018 and imports from India at € 9.6 billion. As per the EY European Attractiveness Survey 2020, France is the most attractive country for foreign investors in Europe. Audrey

Lucbernet, Head of Invest in France Department, Business France India invites the Indian investor to France "We have already over 150 companies operating in France, where they employ more than 8,000 people and we wish to welcome many more, especially in the context of Brexit, via organic and inorganic growth. We are there to provide Indian companies a soft landing in France." As per the annual report 2019 for Foreign Investment in France by Business France, France is an increasingly attractive investment location, with a total of 1,468 investment projects in 2019, up by 11% compared with 2018, creating or maintaining 39,542 jobs (up 30% compared with 2018. 18 Indian companies decided to invest/re-invest in France, creating or maintaining two times more jobs than in 2018. On the other side, today, more than 550 French companies are already present in India which invest, manufacture, innovate and even export from India. France is the 9th largest foreign investor in India with a cumulative investment of $6.59 billion from April 2000 to December 2018. France is the 18th commercial partner of India in the world and the 4th in Europe whereas it is one of the top 3 foreign investors in India, with more than US$ 20 billion of investments. India and France are also increasingly engaged in new areas of cooperation, such as climate change, including the International Solar Alliance, and sustainable growth and development, among others. Besides, Indian industries stand to gain a lot by joining hands with French industries across sectors.

If you are an Indian company wanting to set up in France, or a French company planning to enter the Indian market, visit www.businessfrance.fr/ and contact: inde@businessfrance.fr

Success Stories

Axon’ Cable is a French group, specialized in the design and manufacture of custom interconnections. In order to meet the needs of Indian industries, the Axon group has opened a cable assembly plant under the company Axon ‘Interconnectors and Wires Pvt. Ltd, located in Bangalore since 2012. Axon Cable in India already has references from the automotive, defense, nuclear, aeronautical and space industries.

Axon Cable called upon the services of Business France in 2017 to develop specific projects in the nuclear sector, and following a collective mission during India Nuclear Energy in October 2017 the company quickly selected the appropriate partner from several profiles encountered on this specific market. In January 2018, JAPS Inc. was therefore chosen as the exclusive partner to develop the nuclear market. The latter indeed maintains strong commercial relations with the main Indian public order maker, NPCIL and with private companies. JAPS Inc is therefore a strategic partner which should allow Axon Cable to significantly develop its business in the nuclear field in India.

Croitre
Live healthy

Croitre Millet Pvt Ltd. is a startup organization in India and expanding footprints in Normandie region having registered as Croitre SAS located at Village by CA, Collombelles, Caen with the help of Business France and AD Normandie, the Economic Development Agency of Normandy. Croitre's mission is to provide nutritional benefits of Millets to European Countries by consuming in various forms to increase the health benefits and focus on enhancing employment opportunities to accelerate the growth of France Economy.

Business France and AD Normandie had an opportunity to be part of the initial journey in understanding the business expansion strategy and together decided on starting with the most ubiquitous product of French diet – the bread. LEMPA and PRAXENS, along with the AD Normandie are privileged to be part of this unique journey to get Millet back into the daily diet of French consumers.

LEMPA has developed several recipes from the millet flour that came directly from India to meet French taste yet conserve the nutritional benefits of millet. PRAXENS conducted the different tests required for selling the bread in France. Considering the uniqueness of the raw materials, Lempa and Praxens can vouch that millet bread has substantial nutritional benefits and certain organoleptic properties that would contribute to a healthier diet.

From inception till functioning of the company, Croitre received a good support and guidelines from AD Normandie and Village by CA for the smoother transition on overall set up. Business France played a vital role for our visa regulations and getting us good connections to build our business plan strongly.

In November 2019, an Indian infrastructure firm JKB Infrastructure signed an agreement with French enterprise SNCF Hubs & Connexions – the international station operation division of the French railways.

This partnership, facilitated by Business France – French Trade & Investment Commission in India, is targeting the Indian government's landmark project to redevelop, reconstruct and renovate India's 600 major railway stations to surpass world-class standards. It is expected to positively impact 100 cities and 16 million passengers per day, who use those stations.

JKB Infrastructure is a venture of Mumbai based Bhagchandka Group and is beginning its first venture in the railway stations development field. Bhagchandka Group is a diversified business conglomerate comprising of independent operating companies across industries: Infrastructure, Consulting, Financial Services, Renewable Energy, Manufacturing, Import and Retail, Entertainment.

On its part, the SNCF Hubs & Connexions has a renowned team of engineers, architects, traffic flow, financial and economic experts from across the world who would bring their expertise to this partnership. They have integrated station management systems with which they create unique successful railway station business models that enhance customer experience along with creating new revenue streams while lowering maintenance costs. SNCF with its expertise of multi-modal transit hubs has worked with the Indian Railways earlier for the redevelopment planning & design of Ambala, Ludhiana and CSTM (Mumbai) railways stations.

GROUPE NAVTIS

Navtis offers multi-specialty project management by integrating design, manufacturing, assembly and maintenance for the naval, industrial, EMR and Oil & Gas sectors.

Business France accompanied Navtis in 2017 to develop its commercial activities on the Indian market. For this, Business France India carried out a study on the shipbuilding and repair market in India, followed by a personalized 1 week long B2B meeting program in the field of shipbuilding and industrial maintenance on the sidelines of the exhibition INMEX - SMM which generated 11 qualified B2B meetings.

Following this first mission, Navtis pre-selected 3 potential partners and mandated Business France India for the follow-up and organization of a new follow-up mission in 2018 during the DEFEXPO exhibition. On 6th September 2018 an MOU was with PRECIFAB ENGINEERS. The purpose of this partnership is to provide technical responses. Navtis also invited its partner on September 5 and 6 to visit their sites in Brest.

For more than 15 years Webdyn has been designing and industrializing material and software solutions for M2M communication in the Energy, Environment, Smart Grids and Transport markets.

Webdyn is engaged in the development of leading-edge technologies based on Internet protocols and radio technologies to provide innovative and cost-effective teleservices – remote maintenance, remote management, remote control and remote monitoring.

Webdyn is the European leader in supplying multi-protocol concentrators which cover all applications of teleservice and monitoring.

Webdyn's first trip to India was in 2014 and this is when they discovered their solutions were a great success in the country. With the help of Business France and the Chamber of Commerce, they decided to settle a commercial office with an intern from France, an Indian business developer and a stocking partner to handle product supply.

The target is then to test the market for 2 years and see if creating a subsidiary is possible.

In 2017, the experience turns out to be a success: more than 60 new customers and 1400 products installed. Webdyn decides to open a subsidiary in 2018 in New Delhi under the name of Webdyn India with a managing director and 5 employees. Today, Webdyn India has more than 120 customers and more than 3000 sites equipped with their products.

Confederation of Indian Industry
125 Years - Since 1895

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.

For 125 years, CII has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development. The premier business association has more than 9100 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 288 national and regional sectoral industry bodies.

With 68 offices, including 9 Centres of Excellence in India, and 9 overseas offices in Australia, China, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry
RESEARCH
125 Years - Since 1895

CII Research is an Industry think-tank providing thought leadership on strategic economic and industry issues critical to national growth and development. Drawing on a deep reservoir of industry leaders and industry associations spanning all sectors and present across the country, CII Research originates analytical reports in consultation with stakeholders. Based on strategic perceptions and data, these in-depth insights suggest specific policies and action plans that would enhance the role of Indian industry in nation-building.

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 45771000 / 24629994-7 • **E**: info@cii.in • **W**: www.cii.in

Follow us on:

cii.in/facebook **cii.in/twitter** **cii.in/linkedin** **cii.in/youtube**

Reach us via our Membership Helpline: 00-91-99104 46244
CII Helpline Toll Free Number: 1800-103-1244