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## Doing Business in India

There are many forms by which a foreign company can start a business in India. The form which is most suitable for the company (based on business objectives, financial strengths, Tax implications) is advised to start the business. This is typically the Entry Strategy for any company. There are many options available for foreign direct investment.

We describe below the options briefly.

A foreign company is one which has been incorporated outside India and wishes to conduct business in India. The foreign company can set up Project Office, Liaison Office, Branch Office, and Subsidiary in India.

### **Liaison Office:**

It is a representative Office primarily set up to explore and understand business and investment climate. This form of Office is not permitted to undertake any business activity directly or indirectly. There are many permissible activities which this office can undertake in India.

### **Project Office:**

Foreign companies can establish a Project Office in India specifically for the purpose of execution of the projects. A project office means a place of a business to represent the interest of a foreign company executing the project in India. It limits the activities to the particular project.

### **Branch Office:**

A branch office means an establishment of a foreign company carrying on same business activity as its Head Office is in parent Country. The Branch Office is permitted to carry sales, after sales service business in India. The branch office considered as part of foreign company and is not a separate legal entity.

### **Subsidiary:**

A foreign company can start a separate legal entity which is legally and juristically separate company than that of a foreign company. In this case the subsidiary can be whole owned or jointly with Indian partner. The permissible limits for investments in such company very industry segment wise.

### **Joint Venture:**

The foreign company can enter in to joint venture with local partners with various business objectives.

### **Distribution Network:**

A foreign company can set up a distribution network in India. The distributors will promote business in India and generate business.

There can be a combination of distribution network with branch office to promote business.

All the forms of business (except distribution) require prior approval from Reserve bank Of India. Further such companies have to register themselves with the Registrar of Companies (ROC) before starting actual business. The opening of such offices is regulated by the Foreign Exchange Management Regulations, 2000. These companies are required to comply with the provisions of the Indian Companies Act, 1956 as far as Indian operations are concerned.

These compliances are not required in case only a distribution network is to be established in India. It is advisable to enter into distribution agreement with the distributor partners.