

A large cable-stayed bridge with two prominent towers is shown at sunset. The bridge's cables and structure are silhouetted against a bright orange and yellow sky. The bridge spans a body of water, and a city skyline is visible in the distance. The overall mood is warm and inspiring.

INDIA

A LAND OF OPPORTUNITIES

**The Framework Of The Indian
Economy**

Sector-Wise Opportunities

How To Do Business In India





THE FRAMEWORK OF THE INDIAN ECONOMY

In FY 2018, India's economy became the world's fastest growing major economy, surpassing China

Political stability

- India is a stable democracy
- Bharatiya Janata Party (BJP) won the elections in 2014 with full majority

GDP growth rate of 7.4% in 2018 and 7.8% in 2019

- 2.5 trillion-dollar economy
- One of the G-20 major economies

Major economic growth reforms

- Tax reforms : GST
- Bankruptcy laws
- Digitalization
- FDI liberalization

Government policies promoting growth and investment in Infra Sector

- Union Budget 2018-19 focused on Infrastructure

\$3.6 trillion
consumer market by 2020

2nd largest
railway network

\$475 billion
travel & tourism market

Largest
aviation market by 2030

\$34 billion entertainment
market by 2018



\$60 billion invested into ports
sector

3rd largest
economy by PPP

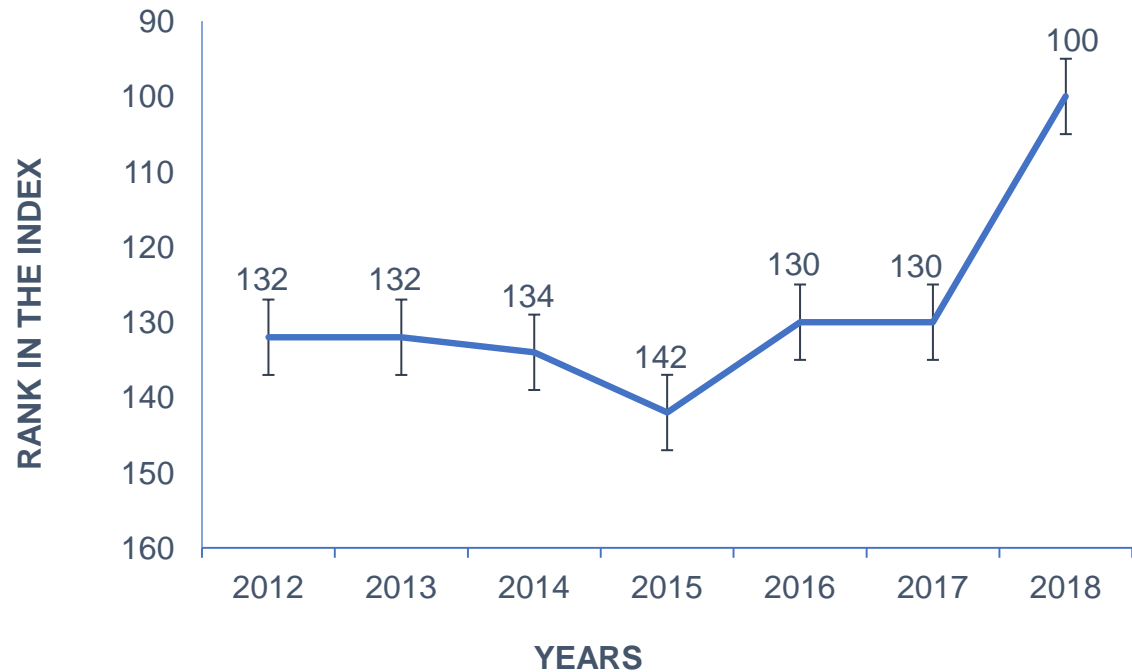
\$100 billion E-commerce
market by 2020

1+ million daily air
travelers by 2020

15 billion railway
passengers by 2020

INDIA JUMPS 30 PLACES IN WORLD BANK'S DOING BUSINESS RANKINGS

India's "Ease Of Doing Business" Index



This jump can be attributed to major improvement in significant parameters such as:

- Infrastructure push (new railway lines, 5 new industrial corridors, electrification);
- Digitization, online application for construction permits;
- Historic tax reforms (such as GST, single window custom clearances);
- New insolvency code;
- Further easing of FDI (most sectors under automatic route);
- Faster credit approvals, MSME loan schemes for the betterment of the industry;
- Unearthing of black money



INVESTMENTS IN FIGURES

- US \$200 Mn investment from AAIIB into NIIF June 2018
- US \$3.3 Bn with 25 deals during Jan-May 2018 through Private Equity/Venture Capital (PE/VC)
- US \$5.4 Bn through 91 mergers and acquisitions (M&A) in 2017
- US \$345 Mn loan agreement between Govt. of India and NDB
- US \$3 Bn partnership between NIIF and UAE-based DP World for logistics and port sector

INFRASTRUCTURE EXPANSION



RAILWAYS US \$92.22 BN

- 600 major railway stations
- 12,000 wagons, 5160 coaches and 700 locomotives procured by 2018-19
- Electrification of 4,000 km of railway tracks by 2018-19



HIGHWAYS US \$84.10BN

- 35,000 Km of road construction
- PRAGATY monitoring system; US\$ 148.72 Bn for fast tracked



SMART CITIES US \$31.81 BN

- 100 cities selected



ELECTRICITY US \$2.47 BN

- Universal household electrification in the country



GREEN ENERGY US \$648.75 BN

- Increasing capacity of Green Energy corridors
- Wind and Solar projects

SECTOR-WISE OPPORTUNITIES





HIGHWAYS SECTOR

- World's 4th largest road network-> 5.4 million km.
- Rising budget allocation of road sector-> US \$84.10 Bn
- Growing private sector involvement-> US \$31 Bn in PPP by 2020
- Rapid growth-> Govt. of India plans to increase 100,000 km of road network by 2020

2009-2012

Aggressive bids after
recession period

2016-2017

Government
support

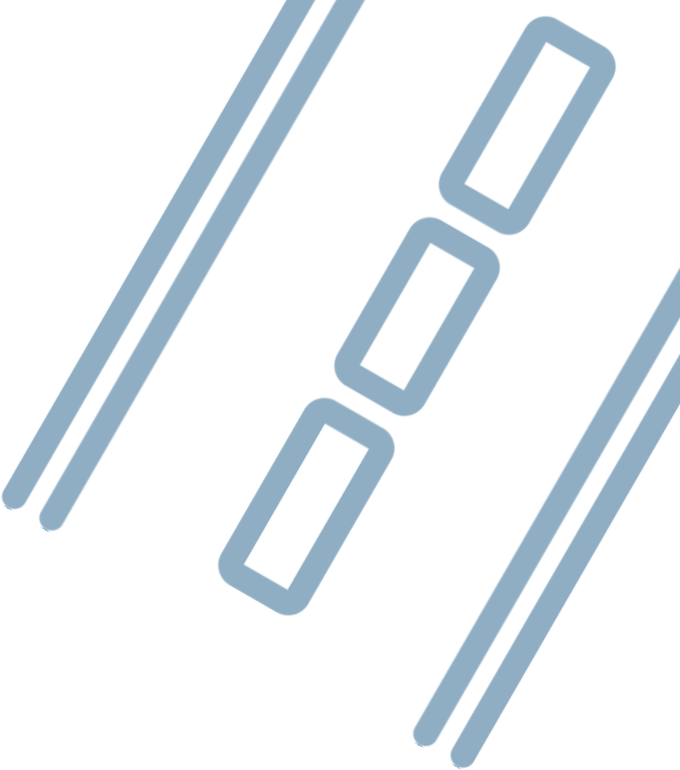
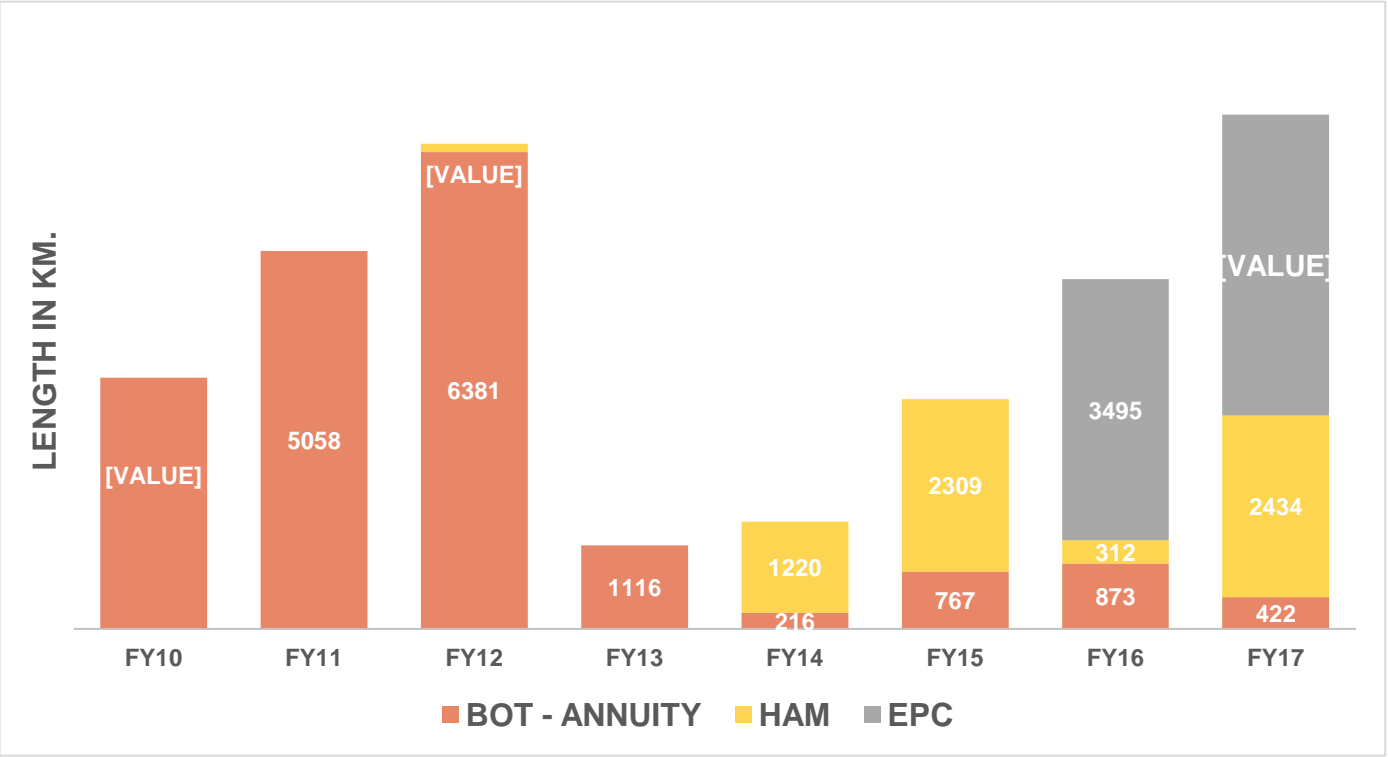
2013-2015

Market paralysis

2018

Huge investment from
Govt. of India

CONTRACT TYPOLOGY: AUTHORITY / CONTRACTOR	PROJECT RISKS
EPC	Land acquisition
BOT – TOLL	Environment clearance
BOT – ANNUITY	Financing
HYBRID	Operations
OMT	Traffic risk
TOT	Toll collection





RAILWAYS AND METRO SECTOR

- World's 3rd largest rail network-> 23 million daily passengers through 12.600 trains
- Rising budget allocation of rail sector-> US \$92.22 Bn
- Growing public private partnership-> Major call for the private sector
- Attractive opportunities in green projects

METRO

Operational: 425 km in 11 cities;
Under construction:
277 km in 9 cities;
Proposed: 764 km in 20 cities

FREIGHT RAILWAY CORRIDORS

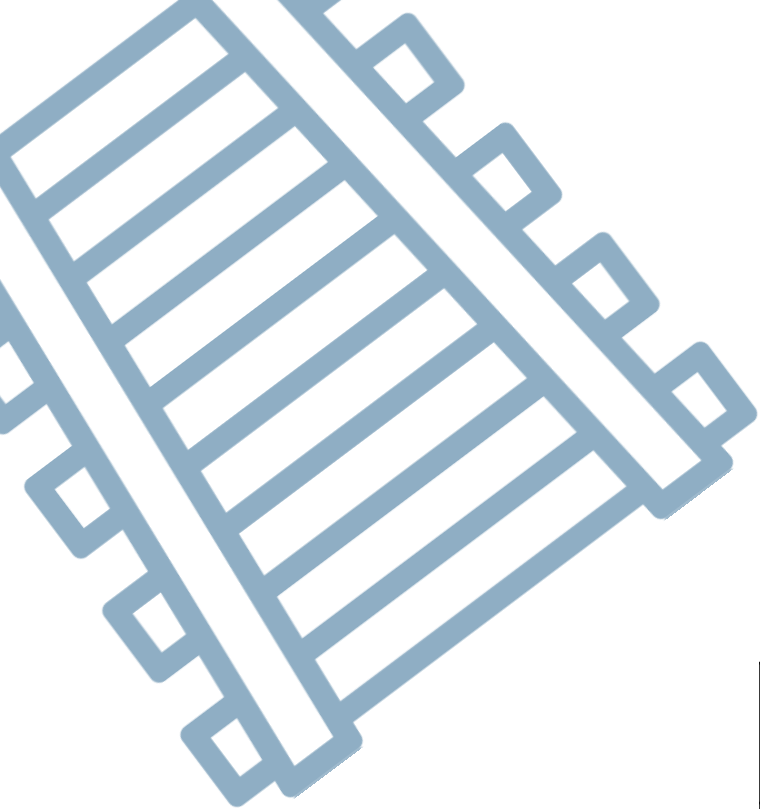
Western Corridor
(1499 KM);
Eastern Corridor
(1839 KM)

HIGH SPEED CORRIDORS

4 corridors identified
(2440 KM) & 3 under
study (1850 KM)

HYPERLOOP

Test track may start
in 2019



MULTILATERAL FUNDING MARKET

JICA, WORLD BANK, ADB are financing most of the projects.

TYPE OF PROJECTS	CONTRACT TYPOLOGY: GOV. AGENCIES
Freight Railway Corridors	DFCC (EPC Composite Civil Works/S&T/Substations)
Passenger Railway Corridors	RVNL, CORE (Item Rates By Specific Works/Composite)
Metro	DMRC – MMRC – LMRC (Item Rates By Specific Works)



AIRPORTS SECTOR

- World's 3rd largest aviation network
- Key Achievement-> Total of 132 airports
- 18 new greenfield airports approved
- Investment of Rs. 15,000 Cr (US \$2.32 Bn) into existing terminals and for building 15 new ones
- Attractive opportunities-> Revival and operationalization of 50 airports

PRIVATISATION INITIATIVES

- 15 Profit making airports likely to be privatised
- 1st Round of privatisation in 2004 was carried out for the Delhi & Mumbai airports

MARKET EVOLUTION

- Sector constrained by the strong growth in traffic since 2014
- 57% growth from FY2014 to FY2017 vs 33% aircraft traffic
- Private players are required
- Top technological proprieties : Cyber-security, self-service, automation and baggage-tracking
- Mumbai has become one of the Top 10 airport terminals in the world

UPCOMING PROJECTS	CONTRACT TYPOLOGY: GOV. AGENCIES
Jewar Airport (240 mill Eur)	PPP Model - YEIDA
Purandar Airport (144 mill Eur)	PPP Model - MADC
Navi Mumbai Airport (190 mill Eur)	EPC Model - CIDCO





WATER SECTOR

- New regulatory environment-> Waste water discharge
- Increased industrialization-> Industrial parks: Valuable opportunities for international players
- Innovative technologies-> Requirement in infrastructure, technologies and services
- Attractive opportunities-> ADB project funding
- US \$7.8 Mn loans

2014

Namami Gange
Programme -
Cleaning Ganga

2015

Atal Mission for
Rejuvenation and Urban
Transformation (AMRUT)

2017

National Water Quality Sub Mission on
Arsenic and Fluoride to provide safe
drinking water to about 28,000
affected habitations in the country by
March 2021 with an outlay of INR250
billion.

2017

‘Har Ghar Jal’ (water in
every household) -
scheme with a mission to
provide piped drinking
water supply to all
households by 2030



BIG CHALLENGE – MANAGE WATER RESOURCES EFFICIENTLY

- Non Revenue Water: Between 30% - 50%
- Irrigation: utilize 80% available water –use efficiency is 30%
- Water Supply & Distribution: Annual rainfall is 1170 mm only 6% is stored
- Water deficit of 50% by 2030 said ADB

TOP PROJECTS IN INDIA



MUMBAI TRANS HARBOUR LINK
RS. 18,000 Cr (2170 Mill Eur)



SAGARMALA PROJECT
RS. 12,00,000 Cr (144.500 Mill Eur)



CHARANKA SOLAR PARK
RS. 2,980 Cr (350 Mill Eur)

PARADIP SEA PORT
Rs. 40,000 Cr(4.800 Mil Eur)



CHENAB BRIDGE
Rs. 1250 Cr(150 Mil Eur)



MUMBAI COASTAL ROAD
Rs. 15,000 Cr(1.810 Mil Eur)

MARKET OPPORTUNITIES– MNC & MSME

MNC Big Contracts (IBT): Terminal Airports, Roads , Railway stations, Metro Projects, SEZ, WTP, etc.

MSME Specific Contracts (Material supply, OHE, S&T, Machinery)

Partnering in JV bidding as a subcontractor

Supporting agencies for new technologies

Invest India, Make In India, ETBC



EMERGING SECTORS TO KEEP AN EYE ON

- Railways: ETCS Level 2, TPWS, GSMER, Axle counters, Stringing machines and modular cantilever assembly
- New Express Highways - Smart Toll management
- Railway stations & Airports Terminals: Sustainable design and green technologies (radiant cooling system, magnetic levitation chiller compressors)
- New transport services: High speed railway, Hyperloop, Pod Taxi, E-vehicles
- Water Sector: SCADA providers, Smart Meters, Solar pumps, Micro irrigation



SUPPORTING AGENCIES

- Market exploration and partner research
- Support in introducing technology into government agencies
- Create Clusters for each specific sectors
- Get funding advice
- 'Making Pilot Happens' model

FINANCIAL SUPPORT

- FIEM
- CESCE
- CIFIDES
- ICO
- ICEX

SPANISH INSTITUTIONS

Economic And Commercial Office

Embassy Of Spain In New Delhi:

- Institutional Support
- Investment Guide
- Country Guide
- Market Study
- Specific Reports
- Agendas For B-2-B Meetings
- Rental Offices



How To Do Business In India



POINTS FOR CONSIDERATION BEFORE COMING TO INDIA

What all to consider before coming to India :

- Purpose of investment/business in India – long term vs short term;
- Organisation structure for presence in India commensurate with the purpose ([refer to slide 28](#));
- Need of a local partner ([refer to slide 28](#));
 - Terms of arrangement with partner
- Effect of taxes in India on business/project's profitability ([refer to slide 29](#)) ;
- Other key issues
 - Procedural issues, taxes, cost of living for expats



CONSIDERATIONS AT PRE-BID STAGE

- Key legal/commercial terms
 - Customer profile, funding agency, state/national project, etc.
- Bid financials
 - Productivity, costs, tax issues concerning expats, repatriation costs
- Organisation set up
 - Regulatory framework, bank account, tax registrations, tax rate determinations
- Cultural understanding
 - Relationship building, labour issues, geography considerations



POST AWARD TAX AND REGULATORY CONSIDERATIONS

- Entity set up
 - Project office (most common)
 - Legalisation process of documents in Spain
- Choosing the right banking partner
 - Bank guarantees, flow of funds, understanding of regulations
- Tax and regulatory registrations
 - Creating tax-efficient transaction structure
 - PAN, GST and TAN (most critical)
 - Obtaining lower withholding tax certificate
- Immigration and tax compliances of expatriates;
- Repatriation of profits/funds

CHALLENGES AND MITIGATION MEASURES

S.No.	Challenges	Issues	Resolution measures by government / Mitigation strategies
1	Funding Constraints	Capital intensive and high gestation	Further liberation of FDI policy. Scope of foreign borrowings (ECB) extended
2	Delayed regulatory/ environmental clearance	Bureaucratic complexities and the protracted procedures.	Majority clearance can now be obtained online.
3	Setting up regulatory registrations	Multiple and cumbersome compliances	Single form for incorporation of company introduced by which company can be incorporated within 20 days

CHALLENGES AND MITIGATION MEASURES

S.No.	Challenges	Issues	Resolution measures by government / Mitigation strategies
4	Bank Account opening	Multiple forms, delayed processing from Bank's end	<ul style="list-style-type: none">▪ Check all requirements in advance from bank;▪ Budget additional time of 2 weeks and
5	Tax filings and disputes	Manual compliances, long drawn litigations	<ul style="list-style-type: none">▪ E-assessment and other online compliances introduced;▪ AAR, MAP, APA and Safe Harbour Rules to provide certainty on tax position and avoid long drawn litigation
6	Accounting issues	Difference between Indian Accounting and International accounting standard	Indian accounting standards have been converged with International standards/ IFRS

SETTING UP A PRESENCE IN INDIA

S.No	Particulars	Project Office*	Association of persons (AOP)#	Company / Limited Liability Partnership
1	Legal status	Not a separate legal entity: Extension of foreign company in India	Separate legal entity	Separate legal entity
2	Risk	Unlimited Risk	Unlimited Risk	Limited Risk
3	Suitability	Suitable for single project basis	Suitable for single project basis	Suitable for long term venture
4	Winding up of operations	<ul style="list-style-type: none"> ▪ Subject to guidelines prescribed by RBI ▪ Process takes almost 2-3 months 	As per the terms of AOP agreement	<u>Company</u> : Subject to approval of NCLT, Time consuming process, takes normally 6-12 months <u>LLP</u> : Wound up voluntary or Tribunal, Relatively easy, takes around 2 months

SETTING UP A PRESENCE IN INDIA

S.No	Particulars	Project Office*	Association of persons (AOP)#	Company / Limited Liability Partnership
5	Profit Repatriation	Permissible as intermittent remittance	Profit distribution to AOP members as per terms of agreement	<u>Company</u> : Permissible as dividend or share buy back, <u>LLP</u> : Permissible as profit distribution
6	Tax on Profit repatriation	Nil	No tax on AOP members for its share in AOP profits	<u>Company</u> : 20.55% on dividend distribution and 22.80% on buy back of shares, (dividend/capital gains exempt in the hands of shareholders) <u>LLP</u> : Nil
7	Transfer Pricing provisions	Applicable		
8	Expat Taxation	<u>For employee</u> : Double taxation on salary income, Social security deduction	<u>For employer</u> : Permanent establishment exposure to parent entity; <u>For employee</u> : Double taxation on salary income, Social security deduction	
9	GST	Generally levied at the rate of 18% of transaction value		

CURRENT TRENDS

- Path to reforms
- Strong focus on ease of doing business
- Creating administrative infrastructure for managing growth

THINGS TO WATCH OUT FOR

- Elections in 2019 – key event
- Political deadlocks – bottleneck
- Currency



Appreciate your time!

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