

Strategy for entry in India

There are various strategic options to consider for foreign companies planning on setting up operations in India. These are explained briefly below:

- **Wholly owned subsidiaries** - A foreign company can set up a wholly owned subsidiary company in India for carrying out its activities. Such subsidiary is treated as an Indian resident and an Indian company for all Indian regulations (including Income-tax, FEMA and Companies Act), despite being 100 per cent foreign owned. At least two shareholders are mandatory.
- **Joint Ventures** – A foreign company can form a joint venture with an Indian partner, preferably with majority equity participation. By forming strategic alliances with a partner in the same area of activity, relevant resources can be shared as well as knowledge, experience and expertise.
- **Liaison Office** - Setting up a liaison or representative office is a common practice for foreign companies seeking to enter the Indian markets. The role of such offices is limited to collecting information about the possible market and providing information about the company and its products to prospective Indian customers. Such offices act as 'Listening and transmission posts' and provide a two-way information flow between the foreign company and the Indian customers. Prior approval from the RBI is required for setting up a liaison office followed by registration with the RoC. A liaison office is not allowed to undertake any business activity other than liaison activities in India and cannot, therefore, earn any income in India, in terms of the approval granted by the RBI.
- **Project Office** - Foreign companies planning to execute specific projects in India can set up temporary project /site offices in India for this purpose. The RBI has granted general permission to a foreign

entity for setting up a project office in India, subject to fulfilment of certain conditions. The foreign entity only has to furnish a report to the jurisdictional Regional Office of the RBI giving the particulars of the project/contract and register the Project Office with the RoC.

- **Branch Office** – For foreign companies engaged in manufacturing and trading activities abroad