This report has been carried out by the Indo Italian Chamber of Commerce & Industry in Mumbay (India) on November 2006 within the Project “Friuli Venezia Giulia – India: Imprese e Conoscenza” realized by:

REPORT ON FURNITURE INDUSTRY IN INDIA
INDEX

SECTION A: FURNITURE SECTOR ANALYSIS

PART 1 SECTOR ANALYSIS FOR RESIDENTIAL AND CONTRACT MARKETS
- 1.1 Indian furniture market
  - 1.1.1 Office furniture
  - 1.1.2 Real Estate Overview of India
  - 1.1.3 Commercial Property Backdrop

PART 2 INDIAN CONSUMER MARKET
- 2.1 Social Indicator
- 2.2 Market Division/Groups of Consumers, based on Income and their product profile
- 2.3 Various Market Sizes based on the per capita expenditure
- 2.4 Population
- 2.5 Age Group
- 2.6 Income / Buying Power
- 2.7 Consumption
- 2.8 Young Consumers
- 2.9 Taste and Attitude
- 2.10 Brand / Price sensitivity
- 2.11 Rise of organized retailing
- 2.12 Local against imported
- 2.13 Distribution Channels in India

PART 3 COMMONEST MISTAKES IN EXPORT TO INDIA
- 3.1 Factors for success in Indian market
  - 3.1.1 Planning and Preparation Stage
  - 3.1.2 Entering the Market
  - 3.1.3 Developing and Sustaining the Business in India
  - 3.1.4 Thinking about the Future
  - 3.1.5 Attributes
  - 3.1.6 Representation
  - 3.1.7 Connections
  - 3.1.8 Survey feedback

PART 4 OBSTACLES

PART 5 PARAMETERS OF COMPETITION

PART 6 COMMUNICATION AND PROMOTION

PART 7 PENETRATION IN THE INDIAN MARKET
- 7.1 Liaison Office/Representative Office
- 7.2 Project Office
- 7.3 Branch Office
- 7.4 Technical Collaboration
- 7.5 Direct Sale
• 7.6 As an Indian Company
• 7.7 Joint Venture/WOS
• 7.8 Greenfield Projects
• 7.9 Takeover and Strategic Alliances
• 7.10 Forms of business presence in India for a foreign company

PART 8 PRICING

PART 9 PRECAUTIONS TO BE TAKEN BY ITALIAN EXPORTERS

SECTION B: GENERAL OVERVIEW

PART 10 INFORMATION SOURCES

PART 11 IMPORT LEGISLATION

• 11.1 How to start import
• 11.2 Principal law & import export policy
• 11.3 Mode of pricing & INCO terms
• 11.4 Ex-work
• 11.5 Free on rail/Free on truck
• 11.6 Free alongside ship
• 11.7 Free on board
• 11.8 Cost & Freight
• 11.9 Cost insurance freight
• 11.10 Customs clearance services for import consignments
• 11.11 Customs Duty

PART 12 BANKING SYSTEM & EXCHANGE POLICIES

• 12.1 Reserve Bank of India
• 12.2 Types of institutions
  • 12.2.1 Public sector banks
  • 12.2.2 Private sector banks
  • 12.2.3 Foreign banks
  • 12.2.4 Recent developments
• 12.3 Currency
• 12.4 Foreign exchange controls
  • 12.4.1 Current account transactions
  • 12.4.2 Capital account transactions
• 12.5 Foreign Exchange Management Act
• 12.6 General Permission under FEMA

PART 13 METHODS OF PAYMENT

• 13.1 Payment against imports
• 13.2 LC Vs Bank guarantee
• 13.3 LC
• 13.4 Parties to a LC
  • 13.4.1 Beneficiary
  • 13.4.2 Issuing bank
  • 13.4.3 Confirming bank
• 13.5 Mode of payment
• 13.6 Postal Imports

PART 14 LOCAL JUDICIAL SYSTEM

PART 15 NAMES OF EVENTUAL PARTNERS

PART 16 RISK ANALYSIS
• 16.1 Country
• 16.2 Non-collection of goods & Non-payment

PART 17 LEGISLATION ON INTELLECTUAL PROPERTY

PART 18 LABELLING & PACKAGING RULES

PART 19 MAIN EXHIBITIONS

PART 20 LOGISTICS
• 20.1 Overview
• 20.2 Metro
• 20.3 Buses
• 20.4 Highways
• 20.5 Waterways
• 20.6 Pipelines
• 20.7 Ports & harbours
• 20.8 Merchant marine
• 20.9 Air travel
• 20.10 Airports & seaports
• 20.11 Airport
EXECUTIVE SUMMARY

The idea of India is gradually changing as number of countries showing interest to invest in India is increasing. According to an AT Kearney’s FDI Confidence index, India has displaced the US as the second most favored destination in the world after China. India attracted FDI at US$7.96 billion during the first half of FY06, as against US$2.38 billion during the same period in FY05, more than 3 times growth. India’s economy is predicted to be growing over 8% in 2006 and with a billion plus population India has its wings of varied culture and business/industry scenario across the country. At the backdrop of such characteristics prospective investors in any foreign countries will be interested to know ‘Doing business in India in wine industry’. The study aimed at highlighting macro-economic indicators of the country with its risk analysis in terms of currency, non-collection of goods and non-payment. It also discusses obstacles that the prospective investors may face and appropriate marketing strategies that they should adopt to ensure smooth landing in the country which requires a good understanding of its geographies and associated culture and business environment, least but not the last the market dynamics. Approach taken for this study was to collect information/data from various authentic sources like industry associations, trade agencies and respective ministries wherever applicable. As far as policy/regulations are concerned respective ministries’ reports and guidelines have been referred and an attempt has been made to explain them appropriately as relevant they may be. Salient points which are key findings in this report are given below.

- Challenges in the market is still to find the right partner, knowledgeable about local market and procedural issues for foreign industries investment in India and can formulate the right strategies with solid foundation for setting up manufacturing base as JVs as the FDI policy may stipulate in respective sectors

- Tariffs (although tariff structure has been reduced considerably since economic reforms but issues still remain in some specific sectors) and poor infrastructure still poses a serious challenge to FDI.

- In addition, heavily bureaucratic investment processes, poor IPR enforcement, government inefficiency, and corruption have also discouraged foreign investors.

- Winning strategy overcoming the market entry barriers for setting up an establishment- a solid regional plan analyzing the local market demand and economics that work out to be feasible in producing in India and exporting to other countries in the world leveraging conducive economic factors that otherwise become an impediment in future growth.

- While marketing products distribution strategy can really make the difference; however merit has to be given after due diligence is done and a meticulous plan should be in place. Small distributors can really make a drastic improvement in sales growth where flexible marketing strategies play an important role.
A joint venture company is generally formed under the Indian Companies Act of 1956 and is jointly owned by an Indian company and a foreign company. This type of arrangement is quite common because India encourages foreign collaborations to facilitate capital investments, import of capital goods and transfer of technology.

All industrial undertakings are exempt from obtaining an industrial license to manufacture, except for (i) industries reserved for the Public Sector, (ii) industries retained under compulsory licensing, (iii) items of manufacture reserved for the small scale sector and (iv) if the proposal attracts location restriction.

Being a buyer’s market from seller’s market promotion of products matters much. The key to gaining rural market share is increased brand awareness, complemented by a wide distribution network. Rural markets are best covered by mass media - India’s vast geographical expanse and poor infrastructure pose serious challenge for communication and hence emphasis must be given in communication problems to be really effective in selling to rural market.

India is still not holding its laws high for protecting copyright issues. As a result cases of counterfeiting and violation of copyright act happens and probably judicial system is still not being able to curb the menace. Adjudication of cases is extremely slow.

Logistics play an important role in distributing products to all corners of the country. Due to its vast territory challenges in implementing a smooth supply chain model is really challenging and hence outsourcing to third parties is very common and an useful and effective strategy to reach market place just in time.
SECTION A:
FURNITURE SECTOR ANALYSIS
PART 1 SECTOR ANALYSIS FOR RESIDENTIAL AND CONTRACT MARKETS

The interiors industry is currently riding on the boom of the real estate industry which is the second largest employer in India after agriculture. As the interior industry is wide and mostly unorganized we can analyze through the performance of the real estate industry. Hence we can look at the overview of real estate industry.

80% of the real estate is into residential and remaining is into commercial such as retail, hospitality, industries, IT & ITeS, Banking, SEZ, etc. The growth in commercial properties is giving thrust to the contract market for their bulk needs.

The GDP of the Indian economy recorded 8.1% with the Manufacturing sector recording 10.2% and the Service sectors growing by 10% in the first half of the financial year 2005-06.

The Index of Industrial Production for the wood, wood products, furniture and fixtures is

<table>
<thead>
<tr>
<th>Description</th>
<th>Index Sep’2005</th>
<th>Index Sep’2006</th>
<th>Index Sep’2006</th>
<th>Apr-Sep 2006-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood and Wood Products; Furniture and Fixtures</td>
<td>66.8</td>
<td>79.9</td>
<td>19.6</td>
<td>-2.1</td>
</tr>
<tr>
<td>Cotton Textiles</td>
<td>137.8</td>
<td>157.8</td>
<td>14.5</td>
<td>12.5</td>
</tr>
<tr>
<td>Wool, Silk and man-made fibre textiles</td>
<td>240.9</td>
<td>261</td>
<td>8.3</td>
<td>6.6</td>
</tr>
<tr>
<td>Jute and other vegetable fibre Textiles (except cotton)</td>
<td>117.5</td>
<td>117.4</td>
<td>-0.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Textile Products (including Wearing Apparel)</td>
<td>274.6</td>
<td>290.1</td>
<td>5.6</td>
<td>15.4</td>
</tr>
</tbody>
</table>

The addressable Market for Retail (All India Urban) for Furniture and Furnishing is INR 5,266 Crore.

According to one market survey home improvements (38%) and leisure holidays (37%) as the two pursuits Indian consumers are willing to indulge in. Many of the world’s leading home fashion brands are available in India through domestic retail outlets. The market for home decor, including accessories, hardware, furniture and furnishings is estimated at USD 14.4 billion. Of this, only six percent is organised, representing a tremendous opportunity.
1.1 Indian furniture market:

The Indian furniture market is estimated to be worth Rs 350,000 million. Within this, the wooden furniture accounts for Rs 60,000 million. Of this the imported furniture market is currently worth Rs 6000 million and is growing at 50 - 60% each year. The furniture sector in India only makes a marginal contribution to the GDP, representing about 0.5 percent of the total GDP.

<table>
<thead>
<tr>
<th>Imports of Furniture in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Imports of furniture</td>
</tr>
</tbody>
</table>

1.1.1 Office furniture:

According to a research report by NASSCOM, the Indian software and services exports sector clocked revenues of US$ 17.2 billion registering a growth of 34.5 percent in the year 2004-05.

“The IT and the ITES Segment have shown the real boom, and there is a change in the way the offices are being designed. In the words of an industry expert, even the small businesses are shifting from the traditional cabin and desking arrangement”. The domestic market for furniture in India is about Rs 5,000 crore of which the office furniture forms about Rs 2,500 crore. Out of this the Rs 500 crore market is made by the organized players which is growing at the rate of 30-40% a year.

1.1.2 Real Estate Overview of India

The growth of real estate and commercial properties is based on the overall growth of economy. The economy of the country since past few years had been bullish and will continue to be the same in the coming years. There has been the round about growth in all the sectors, be it manufacturing or service.

The growth of the service sector which now constitute more than the 50% of the GDP (which is a sort of characteristic of developed nation), is providing tremendous push to the realty sector in India. Constituent of the service sector are IT, ITeS, BPO’s, KPO’s, Hospitality industry, Retail, entertainment, Banking, Financial service providers, etc.

In 2004, the entire commercial space absorbed in India was 16 million sq ft which was predominantly contributed by Bangalore (7.7 million sq ft) followed by NCR (2.9 million sq ft), Mumbai (2.5 million sq ft), Hyderabad (2.2 million sq ft) and Chennai (1.6 million sq ft).

The demand for new office spaces alone has grown from estimated 3.9 million sft in 1988 to over 16 million sft in 2004-5. Cumulative demand for office space in India in 2005-2008 is estimated to be in excess of 85 million sft. This represents an annual growth rate of 14.5 % over the next three years or approx. 20 million sq. ft. per year.
The continuous growth of IT -ITeS industry has also contributed to the Indian economy significantly, not only in terms of foreign exchange and employment but also in development of quality commercial spaces in metros as well as tier II and tier III towns of India.

Other important factor to be taken into account is the rising disposable incomes and increased consumer spending in India; which is again shaping the property markets in India. Average household income in urban areas has grown at a 5% Compounded Annual Growth Rate over the last decade. By 2010 the higher income earning group (>USD 2000) is expected to constitute 48% of the total earning population.

About 80% of real estate developed is residential space and the other includes office, hotels, malls and entertainment avenues. Industry sources estimates the demand for approximately 80-85 million sq.ft. of IT space over the next five years.

The urban infrastructure in the cities has been unable to keep pace with the growth of the property markets. It has been estimated by the industry sources that an investment of US$ 35 billion is required for roads development, US$ 55 billion for installing new telecom networks, and US$ 8 billion for ports modernizations over the next 8-12 years.

Property prices in top 10 cities including four metros rose by 24.2 per cent, with Hyderabad recording the highest 45.5 per cent increase.

Bangalore, Mumbai and New Delhi have emerged as the top three investors’ choice for real estate investment.

The real estate sector, saw a robust 30 per cent growth in 2005. The year started with the government in February allowing 100 per cent FDI under the ‘automatic route’ in the construction and development sector, in order to spur investment in the vital infrastructure sector.

1.1.3 Commercial Property Backdrop

The Indian real estate landscape has undergone a paradigm shift over the past few years. With economic liberalisation, increased globalisation and the consequent increase in business opportunities, India's real estate sector is on a high growth curve. A booming economy, depicted by the soaring levels achieved at the stock market, increasing demand across sectors, 2010 Commonwealth games in New Delhi, Special Economic Zones, and favorable demographics have given rise to corporate optimism and has provided the necessary impetus for the commercial space demand to reach greater heights.

Indian Real Estate Sector Grows 30% Annually.

**IT-ITeS Industry**

Almost 80% of demand for commercial space today is thanks to the IT/BPO/Call Centre sector. Most developers are providing a more efficient and better class of product than they were five years ago, at a cheaper cost.

**Retail sector**

In terms of total area, a study done by Knight Frank India shows that in just 5 cities – Northern Capital Region (region around Delhi), Mumbai, Bangalore, Hyderabad
Pune – there is currently 12.40million sq ft of retail mall space, which is expected to rise to 55.70million sq ft by 2007 end for the 5 cities in aggregate.

The total mall space in the seven major cities; New Delhi, Mumbai, Pune, Chennai, Kolkata, Bangalore and the twin cities of Hyderabad-Secunderabad is estimated to reach 40.9 million square feet by year 2006.
PART 2 INDIAN CONSUMER MARKET

2.1 Social Indicator

Educational Profile of Indian Market

- Over **3 million** scientific & technical manpower
- Stock of over **0.8 million** post graduates in science.
- Over **1 million** graduate engineers
- **0.4 million** doctors
- **0.3 million** graduates in agriculture and veterinary sciences.
- Today India turns out more than **50,000 computer professionals** and **360,000 engineering graduates** each year.

2.2 Market Division/Groups of Consumers, based on Income and their product profile

<table>
<thead>
<tr>
<th>Groups</th>
<th>Number of households In Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rich (Above INR 215,000) Owns cars, PCs, Luxury Items</td>
<td>1</td>
</tr>
<tr>
<td>Consumers (INR 45,000 -215,000) Owns bulk of branded consumer goods, 70 percent of two-wheelers, refrigerators.</td>
<td>29</td>
</tr>
</tbody>
</table>

Literacy Rates in India (as a % of total population):

- 18.3% in 1951
- 28.3% in 1961
- 34.4% in 1971
- 43.5% in 1981
- 52.2% in 1991
- 65.3% in 2001

Sources:
- Census of India 2001
Climbers (INR 22000-45000) Have at least one major, durable (tv, mixer, sewing machine) 48 66 78
Aspirants (INR 16000-22000) Have bicycles, radios, fans 48 32 33
Destitutes (Less than INR 46,000) Hand to mouth existence 32 24 17

Size of the market at Purchasing Power Parity (PPP) – **US$ 1.5 trillion**

Total population below 25 years of age – 547 million

### 2.3 Various Market Sizes based on the per capita expenditure

The average monthly per capita expenditure of urban Delhi in 2003 was INR 1,606. Tamil Nadu comes a second at INR 1,131, followed by Andhra Pradesh at INR 1,102. Gujarat, Punjab and Haryana are not very far behind, at INR 1,092, INR 1,059 and INR 1,050 respectively. At the bottom of the list is Uttar Pradesh at INR 827, Madhya Pradesh at INR 793 and Bihar at INR 784.

### 2.4 Population

Population evolution India’s population estimated at 1,055 million (2003) is expected to grow by 1.7% this year. Growing urbanization is a key trend in the country, with rural population growth averaging to 17.9% and urban growth at 30.7% for the period 1991 to 2001. Key statistics with regard to population growth and the urban and rural split are set out below.

![Population Classification](image)

Over 70% of the urban population is estimated to reside in Class I cities (population of over one million). This is largely as a result of increased employment opportunities in cities as well as a preference among the younger generation to move away from agriculture.
**2.5 Age Group**

One of the important demographic trends in recent times is the changing age profile. India is increasingly being acknowledged as a “young” nation, with about 35% of its population less than 14 years of age. The median age of India’s population is 24 years. Youth are generally early adopters of most modern products and concepts. Given the higher aspirations and “willingness to change” of the younger age group, India’s age profile offers high market potential for consumer goods.

However, in the long term, this factor represents a challenge as rapidly growing numbers of ageing consumers will have more discretionary income but will spend less on goods and more on healthcare and other services as well as saving for retirement. Set out below is the forecast of the age profile over the next 12 years.

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</thead>
<tbody>
<tr>
<td>0-14 years (%)</td>
<td>35.6</td>
<td>32.5</td>
<td>29.7</td>
<td>27.1</td>
</tr>
<tr>
<td>15-59 years (%)</td>
<td>58.2</td>
<td>60.4</td>
<td>62.5</td>
<td>64</td>
</tr>
<tr>
<td>60 and above (%)</td>
<td>6.3</td>
<td>7</td>
<td>7.9</td>
<td>8.9</td>
</tr>
</tbody>
</table>

**2.6 Income / Buying Power**

The per capita income has been witnessing steady growth in the last few years and as seen from the chart, has almost doubled in this period. This trend is likely to continue in the near future as the economy continues to grow.

As seen from the mapping of India’s income classes above, the consuming class and climbers’ class segments offer tremendous opportunity to the retailers. The number of households in these categories combined is expected to grow by 38.8% over the period 2005-2006. The lower income categories are projected to decline by 10.7%, while the very rich category is projected to double. Retailers will have to focus on the consumption patterns of the middle class to map their future strategies, as this upward push will lead to greatly increased purchasing power.

**2.7 Consumption**

The trend in aggregate consumer spending also corroborates the consumption boom in the economy. The rate of growth of spending on discretionary items (unlike basic necessities like food) has been growing at an average of 9 per cent per year over the past five years. Significantly, the rate of growth has been recording a sharp spurt during the past two years.

*Historically, a nation of savers, India has now become a nation of spenders.*
2.8 Young Consumers

The age structure of India's population is also favourable. A staggering 44 per cent of the population is in the under-19 age bracket, with their literacy rate pegged at over 75 per cent. Going forward, the working population (19-60 year olds) is expected to increase from 485 million to 615 million by 2010 with an educational base of 21 million professionals and 90 million graduates/post graduates.

The household mix is also changing fast. By 2006-07, the consuming class will form around 46 per cent of the total households as compared to around 17 per cent during 1995-96, according to an NCAER report. The combination of these fundamental factors of age and household mix, led to the emergence of a huge consumer base for various products and services. By 2006-07, the consuming class is likely to have a large share of the population pie, as can be seen from the following figure.

The KSA Youth Trendmill 2005 has revealed that money is the driving factor for today's kids. Entrepreneurship is a popular choice even as lucrative, contemporary careers are in. For example, a physical Instructor opening a chain of `stay-fit' workshops or, an adventure tourist guide starting an adventure travel company. Even though the Indian youth is computer savvy, e-commerce is still only an emerging activity. It is still restricted due to payment modalities. But the acceptance of e-commerce will rise when kids mature into the consuming class.

To the delight of mobile telephony providers, the Indian youth are enthralled and `engaged' to their mobile phones. Mobiles, apart from their functional use, also connote status. Even kids are familiar with mobiles' advanced features. The threshold age for owning a handset now is 16 years. So, this is a huge and rapidly evolving market that requires creative value-added services.

2.9 Taste and Attitude

Rapid advances witnessed by India in areas like education, communication, information technology and transportation have created a sense of freedom in the minds of people. These advances have led to a paradigm shift in the way Indian consumers behave today. Consumers are seeking convenience at their doorstep for regular purchases, but are willing to travel to exclusive destinations for valuable items.

With Indian consumers maturing to self-service formats, reliance on salesmen is on the decline. Urban consumer spending Consumer spending is estimated to have grown at an average rate of 11.5% p.a. over the past decade. The average Indian spent INR14,396 in 2001-2002. A review of urban consumer spending in 2001 and 2002 reflects that the expenditure on ‘lifestyle’ items such as vacation, eating out, etc. has increased while that on savings and investments is on a decline. Groceries were the single largest expense, accounting for nearly 42% of total expenditure. Eating out followed this, which accounted for 12%.

2.10 Brand / Price sensitivity

Urban consumers today are relatively less price sensitive than a few years earlier. Some of the key factors behind this change are growing number of double-income households, a decrease in the average size of the family and higher media exposure. With the rise in disposable income level, the consumer is willing to spend more on personal needs and indulgences, leading to a propensity to consume rather than save.
- India is the largest producer of films and entertainment content in the world - More than 1000 films produced in 2003-04.

- There are 38.5 million internet users in India and number is set to increase to 100 million by 2007-2008. An estimated 4.6 million Indian internet users are banking online today and with the efforts of the government and the industry number is expected to grow to 16+ million by 2007-2008 including both internet and mobile banking.

- Animation and gaming – one of the fastest growing sectors. Animation and special effects for SPIDERMAN and GLADIATOR done in India

- India is the sixth largest mobile handset market with sales over 16 million units during 2003. It is expected to overtake South Korea to become the fifth largest market by 2005.

- The car market, at a million-plus unit sales annually, places India at the 12th slot in the global tally. During the next three years, India is expected to become the seventh largest car market. It is also expected to overtake Italy, Canada and Brazil — all recording negative growth now. With an annual growth rate of 29 per cent during 2003, it is next only to China’s 83 per cent growth.

- India is the fifth largest colour TV market with annual sales touching 8 million sets.
- It is the world's second largest two wheeler market (China being the largest) with 5.36 million sales and this buoyant growth is expected to continue for quite some time to come. India today offers tremendous market potential with a rapid growth rate in a wide range of products. Accommodate foreign direct investment in this domain.

2.11 Rise of organized retailing

The retailing space has historically been dominated by the unorganised sector largely by small-sized shops clustered together in a market. The most important change in the retailing pattern that led to the boom in consumer spending has been the rise of organised retailing.

The size of the organised retail industry was estimated at $4.2 billion during 2003 with an annual growth rate of 8.5 per cent. This space is expected to log a ten-fold growth from the present 2 per cent of the total retail industry to a significant 20 per cent by the end of the decade.

According to a report by global consulting firm AT Kearney, India takes the second place globally in the retail development index. Other international reports too affirm the AT Kearney ranking. According to a Knight Frank survey, India ranks fifth amongst the 30 emerging retail markets in the developing countries.

2.12 Local against imported

The major difference between imported products and the local products is that imported products have a better finish taking into consideration their use of modern technology and machinery. Also the products are stylish and ergonomically designed.
The quality of “up market” locally manufactured products is quite good but, at a cost. The quality of imported mass produced consumer durables are generally quite good however, the product life is quite short.

There is a good demand for mass produced imported furniture as they could be purchased “off the shelf” and, could be used instantly. In comparison to prices the imported products cost more than the local product.

Availability of the local product is good in comparison to the imported products however, recently this scenario is changing with furniture and lighting outlets multiplying in the mega cities and metros.

Government does not allow FDI in single brand retailing for imported products in India whereas for the local products there are no such restrictions.

2.13 Distribution Channels in India
There is a very high consumption in the western and the northern markets of India, viz, Mumbai and New Delhi, New Delhi being the leader.

Market Structure of Furniture Industry
3.1 FACTORS FOR SUCCESS IN INDIAN MARKET

- Marketing
- Education
- Visibility
- Events & Promotions. Work with Key organizations.
- Exposure to your facilities
- Right Partner: Work with National players.
- Youth appeal is important in a country where more than 50 million population is below the age of 25.

Mistakes occur at different stages while doing export business with the Indian importers.

We found that unsuccessful companies committed mistakes in the four key steps and were negatively influenced by three important factors, as given below:

<table>
<thead>
<tr>
<th>Steps</th>
<th>Influencing Factors</th>
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</thead>
<tbody>
<tr>
<td>Planning and Preparation</td>
<td>Attributes</td>
</tr>
<tr>
<td>Entering the Market</td>
<td>Representation</td>
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<tr>
<td>Developing and Sustaining the Business</td>
<td>Connections</td>
</tr>
<tr>
<td>Thinking about the Future</td>
<td></td>
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</tbody>
</table>

3.1.1 Planning and Preparation Stage

Entering the Indian market requires a substantial amount of preparation and patience, and takes a considerable period of time to accomplish. Time and other resources need to be invested in developing knowledge of the institutional environment. Generating credibility in the market before entry is also beneficial.

Tenders and competitive contracts require considerable background work, not only with regard to the content of the tender request, but also on building relationships with key decision-makers and people to understand the tender process.

Finding a partner who has knowledge of the local market and procedural issues is a must for successful business development. For Italian business men, ideally, the Indian partner should be conversant with the language and customs of Italy.

Appropriate and sufficient infrastructure must be in place in India to support the business. In many cases, it is necessary to wait until the infrastructure has been developed, or else invest in developing local infrastructure to a level sufficient enough to accommodate the products or services being offered.

Success in India may take longer to achieve than in other international markets. It requires a lot of preparation and investment before gains are realised, and there is relatively a high level of risk.

3.1.2 Entering the Market

Decision-making in India is slow, particularly with the public and government sectors, and it is important to assess the amount of time that obtaining an initial
order is likely to take. Decision-making blockages are sometimes overcome by
drawing on the influence of network links of Italian companies in India.

Some times companies have failed to understand the implications of licensing and
tariffs only to make a retreat. However, some of these companies made a re-entry
when restrictions on import licenses were partly or fully waived.

The importance of having other critical factors, such as initial relationships with
customers, solutions to bureaucratic barriers, and a period of time becoming familiar
with the Indian market, cannot be undermined.

3.1.3 Developing and Sustaining the Business in India

Pricing is the key to gaining orders, and there is little doubt that Indian customers
will negotiate prices aggressively.

Local labour is necessary for a number of Italian companies wanting to do business
in India, for tasks such as assembly, installation, and implementation. The
companies generally have to rely on their agents or distributors to assist with hiring
and managing local labour, in particular, with monitoring performance and dealing
with local labour laws.

Government involvement is considered to be both a help and a hindrance to doing
business in India. State- and nationally-funded projects have led to business
opportunities for many of Italian companies.

3.1.4 Thinking about the Future

Although the opportunities for future growth in India are well recognised by global
companies, not all of them anticipate this market becoming a substantial part of their
business, at least in the near future. At this stage, it is still considered relatively high
risk and uncertain, with considerable change needed in the country to encourage
further investment.

3.1.5 Attributes

Establishing credibility and reputation may involve a substantial initial investment of
time and money, often before any payback is realised.

Credibility and a strong reputation are achieved by the companies in a number of
ways: building links with large Indian corporation or government customer (for
example, one company has endorsement from one of the largest banks in India);
using the links of a credible or reputable agent (or distributor/partner) or opinion-
leader; leveraging from an international reputation (e.g. with world funding
agencies); becoming part of a wide professional network that provides legitimacy in
the market; drawing on links with international partners that conduct business in
India; and leveraging from customers’ experiences with the product or service in
Italy– such as professionals returning to India.

3.1.6 Representation

Getting the right agent for a company is critical to success. A key attribute of
successful agents or distributors is their connectedness with political representatives
and officials, as well as with potential customers and decision-makers. Agents’ are also instrumental in sourcing skilled labour.

Power and size symmetry between company and agent can help engender trust. Strengthening links with agents is best done gradually.

**3.1.7 Connections**

Being linked to a local network is critical for success in the Indian market. An Italian company’s access networks through their agents, distributors or partners, and, over time, build relationships and become part of the local network involved in their business. The networks include a range of stakeholders, but of primary importance are the decision makers (often policy officials) and customers.

Frequent visits to India are critical, in order to build relationships, and stay informed about the business and customers in India. The frequency of visits for the New Zealand company managers varies, ranging from 2 to 8 times per year, depending on the particular needs at the time. At critical times during a tender process, for example, an Italian manager may need to make numerous visits over a short period of time.

Working with large companies provides substantial opportunities for Italian companies. These arise from a range of factors: the reputation of the large company, the opportunity to tap into their business networks, including customers, and access to markets, and technical and political knowledge. In many cases, large corporations have influence at government level, and are able to lobby for industry-based regulatory changes, access tender information, or negotiate with key decision-makers.

**3.1.8 Survey feedback**

Survey was conducted among a few members of Indo Italian Chamber of Commerce taking a few industries and units and they are summarised below.

- Generally for matured Italian companies exporting goods/services Indian companies do not have much issues as far compliance with customs procedures are concerned
- New companies sometimes do not comply with export regulations (in terms of adequate documents). They should get professional support if required
- Price quoted is high and that spoils the market opportunities sometimes
- Even free replacement is there in the contract clause but some principals charge the courier cost and applicable duties on the parts to be supplied which causes enough dissatisfaction amongst Indian customers

**PART 4 OBSTACLES**

**Tariffs and Import Policy**

In recognition of the significance of the continued supply of imported logs to its wood-processing industry and following court-ordered restrictions on domestic logging in 1994-95, the Government of India began liberalising wood product imports in 1995.
Since then, there has been a gradual decrease in import duties on wood and wood products. For example, until 1995, logs were the only wood product item freely-importable to India with a duty of 15%. Imports of other wood products were only against advanced licenses or special import licenses. Since 1996, import licensing requirements (quantitative restrictions) have been progressively removed on roundwood, sawn lumber and several value-added products. By April 2000, there were no quantitative restrictions on any import tariff line in the entire forestry sector, with the sole exception of newsprint.

Today, the situation is that logs are subject to a duty of around 5%, while the ad valorem duty payable on lumber is 20% and the duty on veneer and wood-based panels is 40%. The duties were reduced in February/March 2004 and further cuts are planned, as part of an on-going commitment to WTO. However, market commentators suggest that the duties on lumber and veneer will never be dropped completely and may even rest at around 15% for the long-term.

For furniture the Indian government continues to reduce tariff rates from a peak rate of 300 percent in 1991 down to **36 - 40 percent on stated value of goods**, in March 05.

<table>
<thead>
<tr>
<th>Item</th>
<th>Import Duty</th>
<th>Additional Duty</th>
<th>Educational Cess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>15 %</td>
<td>16 %</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The duties are calculated as per the following methodology in India:

- Assumed cost of bed 100 Euro CIF Mumbai
- Basic Customs duties 15% =15 Euro
- Total cost 115 Euro
- Addl Duty 16% = 18.40 Euro
- Total 133.40 Euro
- Add Edu Cess 2% = 2.67 Euro
- **TOTAL LANDING COST 136.00 Euro**

**PART 5 PARAMETER OF COMPETITION**
MNCs have actively participated in the merger and acquisition process to get market entry or to strengthen their presence. Acquisitions have been used by MNCs to quickly get access to various complementary assets.

MNCs are better placed vis-a-vis domestic firms in the acquisition game because of their deep pockets and relatively cheaper access to capital. The intentions to invest in India by MNCs are significantly influenced by these differences in the cost of capital.

The reliance of the Indian corporate sector on foreign technology purchase has increased. More and more technology flows are now tied with equity. Purchase of technology (especially foreign) is taking precedence over R and D; in-house technology generation has taken a backseat. Besides, a large variety of inter-firm alliances are taking place.

Product differentiation strategy seems to be dominating over strategies of building distribution and marketing. Such a strategy helps Indian firms to stand up to transnationals with their strong and internationally recognised brands. Yet, because of inadequate attention to R and D and manufacturing, which have significant pay off but in the long run, the long-term competitiveness of many Indian corporates is in doubt.

PART 6 COMMUNICATION AND PROMOTIONS IN INDIA
India had 45,974 newspapers, including 5364 daily newspapers published in over 100 languages. The largest number of newspapers were published in Hindi (20,589), followed by English (7,596), Marathi (2,943), Urdu (2,906), Bengali (2,741), Gujarati (2,215), Tamil (2,119), Kannada (1,816), Malayalam (1,505) and Telugu (1,289). The Hindi daily press has a circulation of over 23 million copies, followed by English with over 8 million copies. There are several major publishing groups in India, the most prominent among them being the Times of India Group, the Indian Express Group, the Hindustan Times Group, The Hindu group, the Anandabazar Patrika Group, the Malayala Manorama Group (Malayala Manorama is the largest circulated daily newspaper in India), the Sahara group, the Bhaskar group, and the Jagran group.

Various Methods of Communication and Promotion in India are:
- **Print**
- **Interactive**
- **Trade Fairs and Exhibitions**

<table>
<thead>
<tr>
<th></th>
<th>All India</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Print</td>
<td>25%</td>
<td>46%</td>
</tr>
<tr>
<td>Terrestrial television</td>
<td>53%</td>
<td>80%</td>
</tr>
<tr>
<td>Cable and satellite television</td>
<td>20%</td>
<td>46%</td>
</tr>
<tr>
<td>Radio</td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>Cinema</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Internet</td>
<td>1%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Top Business Magazine:**
- Business World
- Business Today
- Business India
- Dalal Street Journal
- Business Newsweek

**Popular non-English dailies in urban India:**
- Malayala Manorama (Malayalam daily)
- Mathrubhumi
- Madhyamam (Leading Malayalam daily from Calicut)
- Dainik Jagran (Hindi daily)
- Amar Ujala (Hindi daily)
- Anandabazar patrika (Bengali daily)
- Lokmat (Marathi daily)
- India Today (weekly; Hindi edition most popular)
- Sambhaav (Gujarati daily)
- Gujarat Samachar (Gujarati daily)
- Daily Thanthi (Tamil daily with 14 editions and a circulation of 790,900)

**Popular English dailies in urban India:**
The Times of India (7.05 million readers, IRS 2005)
Hindustan Times
The Hindu
The Telegraph
Deccan Chronicle
The Asian Age
The Economic Times
The New Indian Express
Mid-Day
Deccan Herald
Indian Express
India today
Outlook

PART 7 PENETRATION IN THE INDIAN MARKET
Foreign Company is one, which has been incorporated outside India and conducts business in India. These companies are required to comply with the provisions of the Companies Act, 1956.

Foreign Company can set up Liaison, Project and Branch Offices in India. Such companies have to register themselves with Registrar of Companies (ROC) within 30 days of setting up a place of business in India.

The important modes of entry available to overseas investors are as follows:

**1. As a foreign company through a**
   - Liaison Office/Representative Office
   - Project Office
   - Branch Office
   - Technical Collaboration
   - Direct Sale

**2. As an Indian company through a**
   - Joint Venture
   - Wholly Owned Subsidiary

### 7.1 Liaison Office/Representative Office

There are quite a few foreign companies who want to first study the Indian markets and obtain relevant information before they expand their operations in India. These companies establish a liaison office in India. Some foreign companies establish liaison offices as an intermediate step before entering into a joint venture.

A liaison office is not allowed to undertake any business activity in India and cannot therefore, earn any income in India. The role of such office is, therefore, limited to collecting information about possible market opportunities and providing information about the company and its products to the prospective Indian customers.

The opening of liaison offices is governed by the FEM (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000. Approval from the Reserve Bank of India (RBI) is required for opening such offices. There are certain standard conditions imposed for operations of such offices:

   (a) Expenses of such offices are to be met entirely through inward remittances of foreign exchange from the Head Office abroad.
   (b) Such offices should not charge any commission or receive other income from Indian customers for providing liaison services.

   (c) Liaison/representative offices also have to file an annual activity certificate etc. from a Chartered Accountant to RBI.

Permission to set up such offices is initially granted for a period of 3 years and this may be extended from time to time.

A liaison office in India is permitted to carry out only specified activities.

### 7.2 Project Office
A project office is required to be established when a foreign company secures a contract to execute a project of an Indian company. Site office is a sub-office of the project office which is established at the site of a project. But, in either case, it will not include liaison office. The establishment of the project office/site office is also governed by FEM (Establishment in India of Branch or office or other place of Business).

Regulations 2000: According to these Regulations, specific approval from the RBI is required for setting up a project office. The following conditions shall be associated with such a project which the foreign company has secured:

(i) the project is funded directly by inward remittance or by a bilateral or multilateral International financing agency like World Bank or IMF or similar other body; or

(ii) the project has been cleared by an appropriate authority; or

(iii) the contract awarding Indian company has been granted Term Loan by a PFI or bank for the project.

For permission/assistance please contact concerned Regional Office of the RBI under whose jurisdiction the office will be situated.

7.3 Branch Office
In certain circumstances, a foreign company may not desire to enter into either a joint venture or a collaboration in India. In such a case, it can establish a branch in India.

The opening of branches of foreign companies is regulated by FEM (Establishment in India of Branch or Office or other Place of Business) Regulations, 2000. According to these Regulations, RBI has permitted foreign companies engaged in manufacturing and trading activities abroad to open branch offices in India for undertaking specified activities only.

A Branch Office is not allowed to carry out manufacturing, processing activities directly/indirectly.

Branch Office will have to submit activities certificate from a Chartered Accountant on an annual basis to Reserve Bank of India. For annual remittance of profit, Branch Office may submit required documents to authorised Bank.

Permission for setting up Branch Offices is granted by the Reserve Bank of India on a case to case basis. RBI normally considers the operating history of the applicant company worldwide and its proposed activities in India for granting the approval.

For permission/assistance please contact Foreign Investment Division, Reserve Bank of India.

7.4 Technical Collaboration
It may be possible that a foreign company does not intend to take the risk of equity investments in an Indian company. In such a situation, it can enter into a technical collaboration only with an Indian company. Under this alternative, the foreign company transfers only the technology to the Indian company and is entitled to the technology payments.

7.5 Direct Sale

This is probably the easiest way of expanding operations in any country. However, in terms of the visibility, this provides the least presence in India.

A foreign company can directly sell its goods to a final customer in India. For this purpose, no legal entity is required to be formed in India. There are no tax implications of direct sale by a foreign company in India since no income accrues or arises in India to the foreign company provided due precautions are taken to see that the title to the goods passes on outside India.

The only important implication of the direct sale is the payment of appropriate import duty by the importer of goods.

7.6 As an Indian Company

A foreign company can commence operations in India through incorporation of a company under the provisions of the Indian Companies Act, 1956. Foreign equity in such Indian companies can be up to 100% depending on the business plan of the foreign investor, prevailing investment policies of the Government and receipt of requisite approvals. For registration as an Indian company and its incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it will be subject to same Indian laws and regulations as applicable to other domestic Indian companies.

7.7 Joint Venture/WOS

This is the most commonly used mode by foreign corporations and nonresidents for their investments in India, as this mode provides maximum visibility and presence in the country. Setting up of operations through a joint venture may entail the following advantages for a foreign investor.

(i) Established distribution/marketing set up of the Indian partners.
(ii) Available financial resource of the Indian partner.
(iii) Established contacts of the Indian partner which help smoothen the process of setting up of operations.

Joint venture is generally financial as well as technical collaboration, although a pure financial collaboration is also now possible. Joint ventures could be either in the form of:

A] Greenfield projects, or
B] Takeovers or strategic alliances with existing Indian companies.

7.8 Greenfield Projects
A greenfield project is set up with new manufacturing facilities and new plant and machinery. For this purpose, an Indian joint venture company is to be formed with normally 51% equity held by a foreign company. The balance 49% can be held by an Indian partner and financial institutions, or allotted to public by way of a public offer in India.

The Indian Government is increasingly encouraging investments in the infrastructure industries. In industries such as power sector, even equity up to 100% is permitted to the foreign companies.

**7.9 Takeover and Strategic Alliances**

Usually the joint ventures are in the form of takeovers or strategic alliances with the existing reputed companies with a niche market. For example, the world famous company Coca Cola tied-up with Parle to launch its famous brand Coke in India after a gap of almost 16 years. This was achieved by using a ready availability of network and bottling plants of Parle all over India. Similarly, General Electric formed a strategic alliance with Godrej to enter into the refrigerators market by making use of a niche market, the Godrej enjoys in India by forming a separate joint venture company.

In addition, foreign companies expanding their operations are increasingly using India for sourcing labour and establishing base for Asia. The availability and supply of abundant raw materials acts as an additional advantage.

[The above two modes of entry have Regulatory Aspects to it]

**7.10 Forms of business presence in India for a foreign company**

A foreign company may wish to set up a business presence in India. It can do so by setting up any one of the following:

- Liaison Office;
- Branch Office; or
- Company (either a joint-venture or a subsidiary)

Different regulations apply to each of the above three forms. The following summary table highlights key differences between them.

<table>
<thead>
<tr>
<th>PERMISSIBLE ACTIVITIES</th>
<th>Liaison Office (LO)</th>
<th>Branch Office (BO)</th>
<th>Joint-Venture or Subsidiary Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Corporate Promotion</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Business Development</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Technical Support</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Activity</td>
<td>Option 1</td>
<td>Option 2</td>
<td>Option 3</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>Purchase/Sales co-ordination on behalf of the overseas parent (e.g. Italian) company</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Earning Income</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Buying Products</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Selling Products</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Export</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Import</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>NO</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td><strong>LEGAL, FINANCIAL &amp; TAX ISSUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening A Bank Account</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Recruiting People</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Owning Premises</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Income-Tax Rate Applicable On Profit</td>
<td>N.A.</td>
<td>41.82%</td>
<td>33.66%</td>
</tr>
<tr>
<td>Can It Repatriate Profit</td>
<td>N.A.</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Can It Repatriate Capital</td>
<td>N.A.</td>
<td>N.A.</td>
<td>YES</td>
</tr>
<tr>
<td>Minimum Authorised Capital Legally Required</td>
<td>NIL</td>
<td>NIL</td>
<td></td>
</tr>
<tr>
<td>Minimum Paid-up Capital Legally Required</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum shareholding that a foreign company can have</td>
<td>N.A.</td>
<td>N.A.</td>
<td>100% (Subject to applicable regulations)</td>
</tr>
<tr>
<td><strong>REGULATORY PERMISSIONS/REGISTRATIONS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permissions/Registrations Required From</td>
<td>Reserve Bank of India</td>
<td>Reserve Bank of India</td>
<td>Registrar of Companies; Reserve Bank of India; Foreign Investment Promotion</td>
</tr>
<tr>
<td>----------------------------------------</td>
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PART 8 PRICING

In the overall marketing mix, price is probably the most important item that can affect a company’s sales and profitability.

Some of the pricing methods being followed in India are:

Low price/low added value (are segment specific)

Low price (‘cost leader’)

Hybrid (Low cost base and reinvestment in low price and differentiation)

Differentiation
(a) Without a price premium (Perceived added value by user)
(b) With a price premium (Perceived added value sufficient to bear price premium)

Focused differentiation (Perceived added value to a 'particular segment' warranting a premium)

Premium Pricing
Penetration Pricing
Economy Pricing
Psychological Pricing
Product Line Pricing
Optional Product Pricing
Captive Product Pricing
Product Bundle Pricing
Promotional Pricing
Geographical Pricing
Value Pricing
Discounts
High/low pricing (H/LP)
Demand-oriented method
Promotions
PART 9 PRECAUTIONS TO BE TAKEN BY ITALIAN EXPORTERS

Amongst the precautions to be taken by Italian Exporters to India, according to Mr. Ashish Gupta, Representative of BPVN Group in India are the following:-

With new customers, Italian exporters should always insist on an irrevocable L/C or any other form of a bank guarantee.

In cases where the Indian customer is unwilling to open an L/C due to cost issues or lack of limits with his bank, the Italian exporter should insist on cash against documents system (documents to be delivered against payment by the bank).

Documents should always be routed through the Indian Bank with clear disposal instructions.

In cases of large value transactions involving export of machinery confirmation of Letter of Credit from an Italian Bank should be sought.

An opinion report on a new customer from the Bank of the Indian importer should be sought which would give an indication of the company’s dealings (whether satisfactory or not in their opinion).

In case of non-payment, the importers bank in India should be requested to protest the acceptance of the drafts at the earliest.

Where the amounts involved are significant, assistance of a law firm with expertise in the field should be sought.
SECTION B: GENERAL OVERVIEW
INDIA- ECONOMIC OVERVIEW

India's economy is on the fulcrum of an ever increasing growth curve. With positive indicators such as a stable 8 per cent annual growth, rising foreign exchange reserves of close to US$ 166 billion, a booming capital market with the popular "Sensex" index topping the majestic 13,000 mark, the Government estimating FDI flow of US$ 12 billion in this fiscal, and a more than 22 per cent surge in exports, it is easy to understand why India is a leading destination for foreign investment.

- The economy has grown by 8.9 per cent for the April-July quarter of '06-07, the highest first-quarter growth rate since '00-01.
- The growth rate has been spurred by the manufacturing sector, which has logged an 11.3 per cent rise in Q1 '06-07, according to the GDP data released by the Central Statistical Organisation. It was 10.7 per cent in the corresponding period of the last fiscal year. The GDP numbers come just weeks after the monthly IIP growth figures have touched 12.4 per cent.
- Agriculture, which accounts for nearly a quarter of the GDP, has also grown by a healthy 3.4 per cent, unchanged from the corresponding period of last fiscal.
- Other propellers of GDP growth for the first quarter this fiscal have been the trade, hotels, transport and communications sector which grew by 9.5 per cent and construction, which grew by 13.2 per cent. In the corresponding period of last fiscal, these sectors grew by 11.7 per cent and 12.4 per cent, respectively.
- Electricity also grew by 5.4 per cent this first quarter as opposed to 7.4 per cent in the same period last year. The overall growth in this sector was fuelled by growth in July and August. The services sector also grew by 10.6 per cent in the first quarter of '06-07. It was only 9.8 per cent last year in the same period.
- There has been exceptional growth rate in some specific industries, like commercial vehicles at 36 per cent, telephone connections, by 48.9 per cent and passenger growth in civil aviation by 32.2 per cent.

Some highlights:

- India has more billionaires than China. This year there were 15 billionaires in China but last year in India, there were 20 billionaires, according to the Forbes magazine.
- India has emerged as the world's fastest growing wealth creator, thanks to a buoyant stock market and higher earnings.
- A number of Indian companies surpassed last year's net profit in just six months of the current fiscal, reflecting an accelerated growth in corporate earnings.
- Forty-four per cent of Top 100 Fortune 500 companies are present in India.

With its manufacturing and services sector on a searing growth path, India’s economy may soon touch the coveted 10 per cent growth figure.

By 2025 the Indian economy is projected to be about 60 per cent the size of the US economy. The transformation into a tri-polar economy will be complete by 2035, with the Indian economy only a little smaller than the US economy but larger than that of Western Europe. By 2035, India is likely to be a larger growth driver than the six
India, which is now the fourth largest economy in terms of purchasing power parity, will overtake Japan and become third major economic power within 10 years.

**India - a growing economy**

A growth rate of above 8% was achieved by the Indian economy during the year 2003-04 and in the advanced estimates for 2004-05, Indian economy has been predicted to grow at a level of 6.9 %. Growth in the Indian economy has steadily increased since 1979, averaging 5.7% per year in the 23-year growth record. In fact, the Indian economy has posted an excellent average GDP growth of 6.8% since 1994 (the period when India’s external crisis was brought under control). However, in comparison to many East Asian economies, having growth rates above 7%, the Indian growth experience lags behind. The tenth five year plan aims at achieving a growth rate of 8% for the coming 2-3 years.

Though, the growth rate for 2004-05 is less than that of 2003-04, it is still among the high growth rates seen in India since independence. Many factors are behind this robust performance of the Indian economy in 2004-05. High growth rates in Industry & service sector and a benign world economic environment provided a backdrop conducive to the Indian economy. Another positive feature was that the growth was accompanied by continued maintenance of relative stability of prices. However, agriculture fell sharply from its 2003-04 level of 9 % to 1.1% in the current year primarily because of a bad monsoon. Thus, there is a paramount need to move Indian agriculture beyond its centuries old dependency on monsoon. This can be achieved by bringing more area under irrigation and by better water management.

The main contributors to capital account surplus were the banking capital inflows, foreign institutional investments and other capital inflows. Alike current account,
capital account too witnessed decline. The capital account surplus in April-September was also down by around US $ 1.5 million.

Reserve money growth had doubled to 18.3% in 2003-04 from 9.2 in 2002-03, driven entirely by the increase in the net foreign exchange assets of the RBI. However, it declined to 6.4% in the current year to January 28, 2005. During the current financial year 2004-05, broad money stock (M3) (up to December 10, 2004) increased by 7.4 per cent (exclusive of conversion of non-banking entity into banking entity, 7.3 per cent) as compared with the growth rate of 10.3 per cent registered during the corresponding period of the last year.

The downward trend in interest rates continued in 2004-05, with bank rate standing at 6% as on Dec 10, 2004. Banks recovery management improved considerably with gross NPAs declining from Rs 70861 crore in 2001-02 to Rs 68715 in 2002-03. During the current financial year (up to December 10, 2004) incremental gross bank credit increased by 20.5 per cent (exclusive of conversion, 16.6 per cent) as compared with a growth of 5.9 per cent in the same period of the previous year. Non-Food credit during the financial year so far, registered a growth of 20.5 per cent (exclusive of conversion, 16.5 per cent) as compared with an increase of 8.4 per cent during the same period of the last year indicated a positive outlook. Equity market return was 85% in 2003-04, second highest in Asia. With continued higher corporate earnings in 2004-05, the sensex crossed 6800 mark in March 2005 but high stock market volatility remained higher in India compared to other Asian countries. The expectation of sensex crossing 7 K mark is not yet realized. Fiscal deficit of states & center was decreasing in early 90s but due to rise in fiscal deficit in recent years, corrective measures have been adopted. The fiscal deficit decreased to 7.9% in 2004-05 from a 9.4% of GDP in 2003-04. According to recent estimates, fiscal deficit in April-October 2004 is 45.2 per cent of BE compared with 56.0 per cent of BE in the corresponding period last year.

The Three Sectors of Indian Economy

Agriculture

More than 58% of country’s population depends on agriculture, a sector producing only 22% of GDP. The agriculture and allied sector witnessed a growth of 9.1% in 2003-04, which fell steeply to 1.1% in the current fiscal year. Favourable monsoon facilitated an impressive growth rate of 9.6% in 2003-04 on the back of negative growth in the preceding year. However, deficient rainfall from the southwest monsoon is estimated to have caused a significant decline in kharif crops production in the current year.

While looking at some of the agricultural products, one finds that India is the largest producer of Tea, jute and jute like fibre. India is not only the largest producer but also largest consumer of tea in the world. India accounts for around 14% of the world trade in tea. Indian tea is exported in various forms such as bulk tea, packet tea, tea bags, instant tea etc, to more than 80 countries of the world. Among livestock cattle and buffalo are found maximum in India. Indian total milk production is highest in the world. India has also the privilege of having the 1st rank in total irrigated land in area terms in the world. Among cereals production, India is placed third, having second largest production in wheat and rice and the largest production in pulses. However, the full potential of Indian agriculture as a profitable activity hasn't been realized yet. Agriculture upliftment will not only benefit farmers and a
large section of the rural poor, but also will give fillip to overall growth of the economy through the backward and forward linkages of agriculture with the rest of the economy.

Priority must be given to livestock’s & fisheries, horticulture, organic farming, commercial crops and agro-processing, as these are the potential areas of high growth. Further, rationalization of minimum support price regime and introduction of other risk- mitigation measures, improvements in rural infrastructure are essential for sustaining high agricultural growth. It is conceived that reforms in legislations, strengthening R&D and improvements in post harvest management technologies will give a further boost to Indian agriculture. While acceleration in agriculture growth to 4 - 4.5% is imperative, even with such growth rate; share of agriculture in total GDP is likely to reduce further. Therefore, there is a need to absorb excess agricultural labour in other sectors, notably industry. Rapid growth of agro - processing industry close to the agricultural production centers can bring about this shift without moving people from rural to urban areas. Also, public investment in agriculture needs to be augmented, especially in rural infrastructure, irrigation, and agricultural research & development. Better access to institutional credit for more farmers, is also high on priority list. The New trade policy gives focus to agriculture and all the hurdles in Indian agriculture will be crossed gradually.

**Industry**

Index of industrial production which measures the overall industrial growth rate was 10.1% in October 2004 as compared to 6.2% in October 2003. The double digit in IIP was aided by a robust growth of 11.3% in the manufacturing sector followed by mining and quarrying and electricity generation. But industrial production saw a decline in Dec 2004 when IIP dipped to 8 %. Thus one of the critical challenges facing Indian economic policy consists in devising strategies for sustained industrial growth. Final phase-out of the MFA and India's conformity with the international intellectual property system from Jan 1st Jan 2005, have been two significant developments in the world of commerce & industry.

Textile industry is the largest industry in terms of employment economy from the current US $37 billion to $ 85 billion by 2010 creation of 12 million new jobs in the textile sector and modernization & consolidation for creating a globally competitive textile industry. With the phasing out of quota regime under MFA, from Jan 1st 2005, developing countries including India with both textile & clothing capacity may be able to prosper.

Automobile sector has demonstrated the inherent strengths of Indian labour and capital. The pharma industry and the IT industry are two sunrise sectors for India. Among the sectors that have experienced the greatest transformation in India, the pharmaceutical is perhaps the most significant.

India's WTO involvement during the last decade has encouraged our pharma companies to adopt a strategy of R & D based innovative growth. Indian pharma exports were 14000 crore Rupees & accounts for more than a third of the industry’s turnover. Apart from manufacture of drugs, the pharma industry offers huge for outsourcing of clinical research. A vast pool of scientific and technical personnel & recognized expertise in medical treatment & health care are India's strength, India can take advantages of its strength once patent protection is given to the result of the researches. By participating in the international system of intellectual property
protection, India unlocks for herself vast opportunities in both exports as well as her potential to become a global hub in the area of R & D based clinical research outsourcing, particularly in the area of bio-technology.

The three main sub sectors of industry viz Mining & quarrying, manufacturing, and electricity, gas & water supply recorded growths of 5%, 8.8% and 7.1% respectively.

Apart from infrastructure, particularly adequate and reliable power supply at reasonable cost and transportation facilities, there is need for stepped up investment in manufacturing. Industry needs to grow rapidly not only to boost the overall growth rate in the economy but also to generate gainful employment for the existing unemployed, as well as the new entrants. In a diverse range of industrial activities, several Indian firms have succeeded in getting integrated into global production chains and realized rapid growth of exports. This experience suggests that with appropriate scale, investment and technology, rapid industrial growth is indeed possible.

**Services**

Service sector has maintained a steady growth pattern since 96-97, except into a fall in 2000-01. Trade hotels, transport & communications have witnessed the highest growth of level 10.9% in 2004, followed by financial services (With a overall growth rate of (6.4) % and community, social & personal services (5.9)% of all the three sectors, services have been the highest contributor to total GDP growth rate.

While in most parts of the developed world, the services sector's share of employment rose faster than its share of output in India there has been a relatively slow growth of jobs in the service sector. This is primarily because of the rise in labour productivity in services in sectors such as information technology that is dependent on skilled labour. Growth in tourism and tourism - related services such as hotels, holds a large potential for employment generation.

IT enabled services, such as Business Process Outsourcing have been growing rapidly in the recent past and will continue to rise. India's large number of English speaking skilled manpower has made India a major exporter of software services and software workers. However, the emergence of somewhat inexplicable protectionist tendencies in some developed countries is a disturbing trend. At the same time it is important that India sees BPO in a larger perspective, than the Internet, as India's share is just $ 3.5 billion in December 2004 compared to the global market of US $ 178 billion. Also India outsourcing companies need to work more closely with their customers. In the complex BPOs, customers would like to have hybrid processes to control value. Indian companies need the right mix of domain expertise and process expertise, further, mere knowledge of English is not sufficient; management skills are also needed. Education for the offshoring industry needs to be given impetus too.

The beginning of New Year saw Tsunami, a worst ever disaster, which killed thousands of people in India, Sri Lanka, Indonesia & Thailand. Many of them were international tourists. The disaster was expected to have a negative impact on India's tourism in terms of large-scale cancellations of tourists to India but nothing of that sort was seen. In fact, tourist arrivals in India rose 23.5 percent in Dec 2004 and tourist arrivals crossed 3 million mark for the first time in 2004.
PART 10 INFORMATION SOURCES

Indo Italian Chamber of Commerce
502, Bengal Chemicals Compound
Veer Savarkar Marg
Prabhadevi
Mumbai- 400 025
Tel: 0091.22.24368186
Dir Fax: 0091.22.24382716
E-mail: iicci@indiaitaly.com
Website: www.indiaitaly.com

Branches: Delhi, Kokatta, Banglore, Chennai, Goa

INDIAN TRADE PROMOTION ORGANISATIONS

Apex Chambers of Commerce

Federation of Indian Chambers of Commerce and Industry
Federation House, Tansen Marg,
New Delhi - 110 001, India
Tel: (91) - 11 - 23738760-70
Fax: (91) -11 - 23320714/23721504
E-mail: ficci@ficci.com
Website: www.ficci.com

Confederation of Indian Industry
23 Institutional Area, Lodi Road,
New Delhi 110003, India
Tel: (91) -11 - 24629994-7, 24626164/24625407
Fax: (91) -11 - 24626149/24633168
E-mail: ciico@ciionline.org
Website: www.ciionline.org

PHD Chamber of Commerce and Industry
PHD House, Asian Games Village
New Delhi - 110016
Tel: (91) -11 - 26863801-04
Fax: (91) -11 - 26863135 /2668392/26855450
E-mail: phdcci@del2.vsnl.net.in

The Associated Chambers of Commerce and Industry of India
147 B, Gautam Nagar,
Gulmohar Enclave, New Delhi 110 049, India
Tel: (91) - 11 - 26512477/78/79
Fax: (91) - 11 -26512154
E-mail: assocham@sansad.nic.in
Website: www.assocham.org
Bombay Chamber of Commerce & Industry
Mackinnon Mackenzie Building, 3rd Floor,
4, Shoorji Vallabhdas Road, Ballard Estate,
Mumbai - 400 001.
INDIA
Tel.: (0091-22) 22614681-84
Fax : (0091-22) 22621213
E-mail : bcci@bombaychamber.com

The Indian Merchants' Chamber of Commerce
Head Office
IMC Bldg., IMC Marg,
Churchgate, Mumbai - 400 020 India.
Tel : 91-22-22046633
Fax : 91-22-22048508 / 22838281
E-Mail : imc@imcnet.org

Export Promotion Councils

The Federation of Indian Export Organizations
"Niryat Bhawan", Rao Tula Ram Marg, Opp. Army Hospital Research & Referral,
New Delhi -110057, INDIA
Phone: 91-11-26150101-04 Fax: 91-11-26150066/26150077
Email : fieo@nda.vsnl.net.in

Handloom Export Promotion Council
18, Cathedral Garden Road
Nunagambakkam, Chennai - 600 034
Tel: (91) 44 - 28276043/ 28278879
Fax: (91) 44 - 28271761
E-Mail: hepccatp@vsnl.com
Website: http://www.hometextilesonline.com/index1.htm

SERVICE INSTITUTIONS

India Trade Promotion Organisation (ITPO)
Pragati Bhawan, Pragati Maidan, New Delhi - 110 001
Phone: (91) - 11 - 23371540
Fax: (91) - 11 - 23318142/ 23317896
E-Mail: itpo@qiasdi01.vsnl.net.in
Website: http://www.indiatradepromotion.org

National Centre for Trade Information (NCTI)
NCTI Complex, Pragati Maidan, New Delhi - 110 001
Phone: (91) - 11 - 23371980/81
Fax: (91) - 11 - 23371979
E-Mail: ncti@x400.nicgw.nic.in
Website: http://www.nic.in/ncti

Export Credit Guarantee Corporation (ECGC)
Express Tower, 10th Floor, Nariman Point, Mumbai - 400 021
Phone: (91) -22 2284 5452/2284 5463/2284 5471/ 2284 5472/
Fax: (91) - 22 - 22045253, 22023267
E-Mail: ecgcedp@bom2.vsnl.net.in  
Website: http://www.ecgcindia.com

Export Import Bank
Centre one, Floor 21, World Trade Centre 
Cuffe Parade, Mumbai- 400 005  
Phone: (91) - 22 - 22185272 
Fax: (91) - 22 - 22182572  
E-Mail: eximcord@vsnl.com  
Website: http://www.eximbankindia.com

Export Inspection Council
11th Floor, Pragati Tower
26, Rajendra Place, New Delhi - 110 056 
Phone: (91) - 11 - 25730016,25712239

Indian Institute of Packaging
E-2, MIDC Area, Post Box No. 9432, 
Andheri (East), Mumbai - 400 093 
Phone: (91) - 22 - 28219803, 28216751 
Fax: (91) - 22 -28375302 
E-mail: iip@bom4.vsnl.net.in 
Website: http://iip-in.com

Indian Council of Arbitration
Federation House, Tansen Marg, 
New Delhi - 110 001 
Phone: (91) - 11 - 23319251, 23719103 
Fax: (91) - 11 - 23320714, 23721501 
Website: http://www.ficci.com/icanet

Federation of Indian Export Organisations (FIEO)
PHD House, 3rd Floor, 
Opp. Asian Games Village, New Delhi - 16 
Phone: (91) -11 -2686 4524, 26851310/12/14/15 
Fax: (91) - 11 - 2686 3087/2696 7859 
Email:fieo@nda.vsnl.net.in 
Website: http://www.fieo.com

The State Trading Corporation of India Ltd.
Jawahar Vaypar Bhawan 
Tolstoy Marg, NEW DELHI-110001. 
Tel: (91)-11-23313177, (91) 11-23701177 
Fax: (91) 11-23701123  
E-mail: stcindia@vsnl.com  
Website : http://www.stcindia.com

Indian Investment Centre 
Jeevan Vihar, 
Parliament Street, New Delhi - 110 001 
(91)-11-23733673, 23733679, 23733693  
(91)-11-23732245
E-mail: iic@iasdl01.vsnl.net.in
Website: http://iic.nic.in
PART 11 IMPORT LEGISLATION

11.1 How to Start Import

[As governed by the Foreign Trade (Development & Regulation) Act, 1992]
With the globalisation of the Indian economy and consequent upon comfortable balance of payments position, the Government of India has liberalised the Import Policy and practically all Controls on imports have been lifted. Imports may be made freely except to the extent they are regulated by the provisions of Import Policy or by any other law for the time being in force. Importers need an Importers/Exporters Code Number from the Directorate General of Trade in order to be able to import.

11.2 Principal Law & Import Export Policy

11.2.1 Principal Law

Imports into India are governed by the Foreign Trade (Development & Regulation) Act 1992. Under this Act, imports of all goods are Free except for the items regulated by the policy or any other law for the time being in force. In exercise of the powers conferred by the Foreign Trade (Development & Regulation) Act 1992 items not appearing in Prohibited list or Restricted list can be imported freely without any import licence. A large number of Consumer goods are freely importable without licence. For import of items appearing in the Restricted list you need to secure an import licence.

11.3 Mode of Pricing and INCO TERMS

While finalising the terms of import contract, the Importer, should, inter alia, be fully conversant with the mode of pricing and the manner of payment for the imports. As regards mode of pricing, the overseas suppliers normally quote the terms prevailing in international trade.

The importer for his benefits should know the meaning of the technical terminology. To avoid ambiguity in interpretation of such terms, International Chamber of Commerce, Paris, has give detailed definition of a few standard terms popularly known as 'INCO TERMS'. These terms have almost universal acceptance and are explained below:

11.4 Ex-work

'Ex-work' means that the seller's responsibility is to make the goods available to the buyer at works or factory. The full cost and risk involved in bringing the goods from this place to the desired destination will be borne by the buyer. This terms thus represents the minimum obligation for the seller. It is mostly used for sale of plantation commodities such as tea, coffee and cocoa.
11.5 Free on Rail (FOR)/Free on Truck (FOT)

These terms are used when the goods are to be carried by rail, but they are also used for road transport. The seller’s obligations are fulfilled when the goods are delivered to the carrier.

11.6 Free Alongside Ship (FAS)

Once the goods have been placed alongside the ship, the seller's obligations are fulfilled and the buyer notified. The buyer has to contract with the sea carrier for the carriage of the goods to the destination and pay the freight. The buyer has to bear all costs and risks of loss or damage to the goods hereafter.

11.7 Free on Board (FOB)

The seller's responsibility ends the moment the contracted goods are placed on board the ship, free of cost to the buyer at a port of shipment named in the sales contract. 'On board' means that a Received for Shipment Bill of Lading is not sufficient. Such B/L if issued must be converted into 'Shipped on Board B/L' by using the stamp 'Shiped on Board' and must bear signature of the carrier or his authorised representative together with date on which the goods were 'boarded'.

11.8 Cost and Freight (C & F)

The seller must on his own risk and not as an agent of the buyer, contract for the carriage of the goods to the port of destination named in the sale contract and pay the freight. This being a shipment contract, the point of delivery is fixed to the ship's rail and the risk of loss or of damage to the goods is transferred from the seller to the buyer at that very point. As will be seen though the seller bears the cost of carriage to the named destination, the risk is already transferred to the buyer at the port of shipment itself.

11.9 Cost Insurance Freight (CIF)

The term is basically the same as C & F but with the addition that the seller has to obtain insurance at his cost against the risks of loss or damage to the goods during the carriage.

11.10 Customs Clearance Services for Import Consignments

- Prior Documentation-
As soon as the advance set of documents are received, the documentation process starts with respect to classification of items for the best possible benefit to the Customer with reference to various Custom Notifications/exemptions etc. The anticipation of problems by Experts enable Customers to not only avoid the delay in clearance but also avoid heavy demurrage, detention charges etc., which account for huge financial loss.

- Documentation for Imports
The following documents are necessary to clearance of Imported goods in India
  - Invoice in Original
  - Packing list Original
Bill of Lading/AWB Original endorsed by the Importer & Bank (if any)
Insurance Certificate / Cover note
Purchase Order & Letter of Credit (if any)
Price List/Sale Contract
Import License (if the Item requires License)
Write-up/Literature (if it is Chemical Item) & Catalogue

General Provisions, according to the ministry of commerce, regarding imports to India is given below:

**Imports free unless regulated**
Imports shall be free, except in cases where they are regulated by the provisions of this Policy or any other law for the time being in force. The item wise export and import policy shall be, as specified in ITC(HS) published and notified by Director General of Foreign Trade, as amended from time to time.

**Compliance with Laws**
Every exporter or importer shall comply with the provisions of the Foreign Trade (Development and Regulation) Act, 1992, the Rules and Orders made thereunder, the provisions of this Policy and the terms and conditions of any Licence/certificate/permission/Authorisation granted to him, as well as provisions of any other law for the time being in force. All imported goods shall also be subject to domestic Laws, Rules, Orders, Regulations, technical specifications, environmental and safety norms as applicable to domestically produced goods. No import or export of rough diamonds shall be permitted unless the shipment parcel is accompanied by Kimberley Process (KP) Certificate required under the procedure specified by the Gem & Jewellery Export Promotion Council (GJEPC).

**Interpretation of Policy**
If any question or doubt arises in respect of the interpretation of any provision contained in this Policy, or regarding the classification of any item in the ITC(HS) or Handbook (Vol.1) or Handbook (Vol.2), or Schedule Of DEPB Rate the said question or doubt shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding. If any question or doubt arises whether a licence/ certificate/ permission has been issued in accordance with this Policy or if any question or doubt arises touching upon the scope and content of such documents, the same shall be referred to the Director General of Foreign Trade whose decision thereon shall be final and binding.

**Procedure**
The Director General of Foreign Trade may, in any case or class of cases, specify the procedure to be followed by an exporter or importer or by any licensing or any other competent authority for the purpose of implementing the provisions of the Act, the Rules and the Orders made thereunder and this Policy. Such procedures shall be included in the Handbook (Vol.1), Handbook (Vol.2), Schedule of DEPB Rate and in ITC(HS) and published by means of a Public Notice. Such procedures may, in like manner, be amended from time to time. The Handbook (Vol.1) is a supplement to the Foreign Trade Policy and contains relevant procedures and other details. The procedure of availing
benefits under various schemes of the Policy are given in the Handbook (Vol.1).

**Exemption from Policy/ Procedure**
Any request for relaxation of the provisions of this Policy or of any procedure, on the ground that there is genuine hardship to the applicant or that a strict application of the Policy or the procedure is likely to have an adverse impact on trade, may be made to the Director General of Foreign Trade for such relief as may be necessary. The Director General of Foreign Trade may pass such orders or grant such relaxation or relief, as he may deem fit and proper. The Director General of Foreign Trade may, in public interest, exempt any person or class or category of persons from any provision of this Policy or any procedure and may, while granting such exemption, impose such conditions as he may deem fit. Such request may be considered only after consulting Norms Committee (NC) if the request is in respect of a provision of Chapter-4 (excluding any provision relating to Gem & Jewellery sector) and EPCG Committee if the request is in respect of a provision of Chapter-5 of the Policy/ Procedure. However, any such request in respect of a provision other than Chapter-4, Chapter-5 and Gem & Jewellery sector as given above may be considered only after consulting Policy Relaxation Committee.

**Principles of Restriction**
DGFT may, through a notification, adopt and enforce any measure necessary for:

i Protection of public morals.
ii Protection of human, animal or plant life or health.
iii Protection of patents, trademarks and copyrights and the prevention of deceptive practices.
iv Prevention of use of prison labour.
v Protection of national treasures of artistic, historic or archaeological value.
vi Conservation of exhaustible natural resources.
vii Protection of trade of fissionable material or material from which they are derived; and
viii Prevention of traffic in arms, ammunition and implements of war.

**Restricted Goods**
Any goods, the export or import of which is restricted under ITC(HS) may be exported or imported only in accordance with a licence/ certificate/ permission or a public notice issued in this behalf.

**Terms and Conditions of a licence/ Certificate/Permission**
Every Licence/certificate/permission/Authorisation shall be valid for the period of validity specified in the Licence/ certificate/ permission and shall contain such terms and conditions as may be specified by the licensing authority which may include:

(a) The quantity, description and value of the goods;
(b) Actual User condition;
(c) Export obligation;
(d) The value addition to be achieved; and
(e) The minimum export price.
Authorisation/Licence/Certificate/Permission not a Right
No person may claim a licence/certificate/permission as a right and the Director General of Foreign Trade or the regional authority shall have the power to refuse to grant or renew a Licence/certificate/permission/Authorisation in accordance with the provisions of the Act and the Rules made there under.

Penalty
If a Licence/certificate/permission/Authorisation holder violates any condition of the Licence/certificate/permission or fails to fulfill the export obligation, he shall be liable for action in accordance with the Act, the Rules and Orders made there under, the Policy and any other law for the time being in force.

State Trading
Any goods, the import or export of which is governed through exclusive or special privileges granted to State Trading Enterprise(s), may be imported or exported by the State Trading Enterprise(s) as specified in the ITC(HS) Book subject to the conditions specified therein. The Director General of Foreign Trade may, however, grant a Licence/certificate/permission/Authorisation to any other person to import or export any of these goods. In respect of goods the import or export of which is governed through exclusive or special privileges granted to State Trading Enterprise(s), the State Trading Enterprise(s) shall make any such purchases or sales involving imports or exports solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale. These enterprises shall act in a non-discriminatory manner and shall afford the enterprises of other countries adequate opportunity, in accordance with customary business practices, to compete for participation in such purchases or sales.

Importer-Exporter Code Number
No export or import shall be made by any person without an Importer-Exporter Code (IEC) number unless specifically exempted. An Importer-Exporter Code (IEC) number shall be granted on application by the competent authority in accordance with the procedure specified in the Handbook (Vol.1).

Actual User Condition
Capital goods, raw materials, intermediates, components, consumables, spares, parts, accessories, instruments and other goods, which are importable without any restriction, may be imported by any person. However, if such imports require a licence/certificate/permission, the actual user alone may import such goods unless the actual user condition is specifically dispensed with by the licensing authority.

Import of samples
Import of samples shall be governed by the provisions given in Handbook (Vol.1).

Import of Gifts
Import of gifts shall be permitted where such goods are otherwise freely importable under this Policy. In other cases, a Customs Clearance Permit (CCP) shall be required from the DGFT.
**Import on Export basis**

New or second hand capital goods, equipments, components, parts and accessories, containers meant for packing of goods for exports, jigs, fixtures, dies and moulds may be imported for export without a Licence/certificate/permission/ Authorisation on execution of Legal Undertaking/Bank Guarantee with the Customs Authorities provided that the item is freely exportable without any conditionality/requirement of Licence/permission as may be required under ITC(HS) Schedule II.

**Sale on High Seas**

Sale of goods on high seas for import into India may be made subject to this Policy or any other law for the time being in force.

**Clearance of Goods from Customs**

The goods already imported/shipped/arrived, in advance, but not cleared from Customs may also be cleared against the Licence/ certificate/ permission issued subsequently.

**Execution of BG/ LUT**

Wherever any duty free import is allowed or where otherwise specifically stated, the importer shall execute a Legal Undertaking (LUT)/Bank Guarantee (BG)/ Bond with the Customs Authority before clearance of goods through the Customs, in the manner as may be prescribed. In case of indigenous sourcing, the Licence/ certificate/ permission holder shall furnish LUT / BG / Bond to the licensing authority before sourcing the material from the indigenous supplier/nominated agency.

**Exemption from Bank Guarantee**

All the exporters who have an export turnover of at least Rupees 5 crore in the current or preceding licencing year and have a good track record of three years of exports will be exempted from furnishing a BG for any of the schemes under this Policy and may furnish a LUT in lieu of BG.

**Private/ Public Bonded Warehouses for Imports**

Private/Public bonded warehouses may be set up in the Domestic Tariff Area as per the terms and conditions of notification issued by Department of Revenue. Any person may import goods except prohibited items, arms and ammunition, hazardous waste and chemicals and warehouse them in such private/public bonded warehouses. Such goods may be cleared for home consumption in accordance with the provisions of this Policy and against Licence/certificate/ permission, wherever required. Customs duty as applicable shall be paid at the time of clearance of such goods.

If such goods are not cleared for home consumption within a period of one year or such extended period as the custom authorities may permit, the importer of such goods shall reexport the goods.

**Registration -cum- Membership Certificate**

Any person, applying for (i) a licence/ authorisation/ certificate/ permission to import/ export, [except items listed as restricted items in ITC(HS)] or (ii) any other benefit or concession under this policy shall be required to furnish Registration-cum-Membership Certificate (RCMC) granted by the competent
authority in accordance with the procedure specified in the Handbook (Vol.1) unless specifically exempted under the Policy.

**Import Policy by HS Code**
Import Policy by HS Code is available at the link given below. 
http://dgft.gov.in/ (ITC (HS) Based Query on left side of the window)

**Import Tariff by HS Code**
Import tariff by HS Code is available at the link given below. 

11.11 CUSTOMS DUTY

Customs duty is levied under the Customs Act, 1962 on the import of goods into India. The rates of customs duty are laid down in the Customs Tariff Act, 1975. Customs duty on imports comprise the following:

- Basic Customs Duty
- Additional Customs duty in lieu of excise duty
- Additional duty of customs to countervail state taxes/VAT
- Education Cess

The general rate of basic customs duty ranges between 0 % to 20 %, with most products being charged duty at a rate of 12.5 %. However, additional duty in lieu of and additional duty of 4 % in lieu of sales tax/VAT payable on the sale of goods is also leviable on the imported goods. In addition 2 % education cess is also charged on the aggregate customs duties. Certain specified categories of goods are exempt from this levy in accordance with commitments under the WTO.

Thus, imported goods which have a basic customs duty rate of 12.5% are subject to an effective customs duty rate of 36.74 % as a result of the additional duties.

Further certain exemptions/concessions ( drawback of duties, benefit under export promotion capital goods scheme etc.) are available for import of specified products such as IT products or for imports under specific schemes and projects.

The primary basis for the valuation of goods under the Indian customs law is the transaction value.

The government of India has entered into a number of free trade agreements with trade partners like Thailand, Sri Lanka, South Asian Association for Regional Cooperation (SAARC) countries and Singapore to promote preferential tariffs for certain identified goods. Similar trade agreements with ASEAN, Mercosur countries and the European Union are also on the anvil.
PART 12 BANKING SYSTEM AND EXCHANGE POLICIES

12.1 Reserve Bank of India

The Reserve Bank of India (RBI) established in 1935, is the central bank of the country. Its role is four-fold:

It regulates and supervises the Indian financial system

It formulates, implements and monitors the monetary policy of the country

It manages the country’s foreign exchange reserves and prescribes exchange control norms to facilitate external trade and payment

It acts as a banker to the Central and State Governments

12.2 Types of Institutions

The banking system in India comprises scheduled commercial banks, urban and state cooperative banks, and regional rural banks. Scheduled commercial banks, in turn, can be categorised into public sector banks, private sector banks and foreign banks. Besides banks, another segment of players in the Indian financial system, are non-banking financial companies (NBFCs).

12.2.1 Public Sector Banks

This segment comprises 28 banks, including the State Bank of India and its seven subsidiary banks. It is the dominant segment in the banking industry. The central government is its majority shareholder, holding more than 51 per cent equity stake in all the public sector banks, although its shareholding has decreased over the years.

12.2.2 Private Sector Banks

This segment comprises 28 banks, including seven new private sector banks and 21 old private sector banks. The new private sector banks are growing rapidly in size and the last couple of years have witnessed some mergers and acquisitions.

12.2.3 Foreign Banks

This segment comprises 29 banks, including most of the leading international banks, although their presence is restricted to the metropolitan and large cities. Currently, there are several restrictions on foreign banks with respect to the expansion of branch network, location of new branches and acquisition of shareholding in Indian banks. However, the RBI has recently come out with a road map for deregulation of foreign banks.

12.2.4 Recent Developments

All commercial banks are expected to implement Basel II norms with effect from March 31, 2007
From April 2009, RBI proposes to accord full national treatment to wholly-owned subsidiaries of foreign banks.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Names of Commercial Banks</th>
<th>Type of Bank</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>ABN AMRO Bank N.V.</td>
<td>Private Foreign Bank</td>
</tr>
<tr>
<td>2</td>
<td>Abu Dhabi Commercial Bank Ltd.</td>
<td>Private Foreign Bank</td>
</tr>
<tr>
<td>3</td>
<td>American Express Bank Ltd.</td>
<td>Private Foreign Bank</td>
</tr>
<tr>
<td>4</td>
<td>Arab Bangladesh Bank Limited</td>
<td>Private Foreign Bank</td>
</tr>
<tr>
<td>5</td>
<td>Allahabad Bank</td>
<td>Nationalized Bank</td>
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<td>Bank of Bahrain &amp; Kuwait BSC</td>
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<td>Bank of Baroda</td>
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<td>Industrial Development Bank of India</td>
<td>Other Public Sector-Indian Banks</td>
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<td>ING Vysya Bank</td>
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<td>39</td>
<td>J P Morgan Chase Bank, National Association</td>
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<td>Punjab &amp; Sind Bank</td>
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<td>State Bank of Mauritius Ltd.</td>
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<td>SBI Commercial and International Bank Ltd.</td>
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<td>State Bank of Hyderabad</td>
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<td>The Development Bank of Singapore Ltd. (DBS Bank Ltd.)</td>
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<td>The Hongkong &amp; Shanghai Banking Corporation Ltd.</td>
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<td>The Dhanalakshmi Bank Limited</td>
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<td>The HDFC Bank Ltd.</td>
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<td>The Jammu &amp; Kashmir Bank Ltd.</td>
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<td>The Nainital Bank Ltd.</td>
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<td>The South Indian Bank Ltd.</td>
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<td>The Ratnakar Bank Ltd.</td>
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<td>The Lakshmi Vilas Bank Ltd.</td>
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<td>Vijaya Bank</td>
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<td>85</td>
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**Financial Institutions**

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<tr>
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<th>Name</th>
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<tbody>
<tr>
<td>1</td>
<td>National Bank for Agriculture and Rural Development</td>
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<td>2</td>
<td>Export-Import Bank of India</td>
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<td>3</td>
<td>National Housing Bank</td>
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<td>4</td>
<td>Small Industries Development Bank of India</td>
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<td>5</td>
<td>Industrial Investment Bank of India Ltd.</td>
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<tr>
<td>6</td>
<td>North Eastern Development Finance Corporation</td>
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</table>
12.3 CURRENCY

India’s monetary unit is the Indian Rupee (INR/Rs). Only the central government is empowered to legislate on matters relating to currency and coinage and the RBI is the sole authority empowered to issue currency. RBI notes are fully backed by approved security, including bullion, foreign securities, rupee coins and rupee securities of the government. A rupee is divided into 100 paise.

As the rupee is not freely convertible into foreign currency, foreign exchange transactions are carried out through entities authorized by the RBI to deal in foreign exchange or foreign securities, i.e. an authorized moneychanger or an offshore banking unit. A person may purchase foreign exchange from an authorized dealer by providing a declaration of the intended use of the foreign exchange. Usage of foreign exchange for purposes other than that declared would lead to contravention of the Foreign Exchange Management Act, 1999 (FEMA).

Forex Control

- The Indian currency, the Rupee is convertible on current account transactions as capital account transactions carried out by foreign investors; however Indian firms and individuals remain subject to capital account restrictions.
- All investments are on repatriation basis.
- Original investment, profits and dividends can be freely repatriated.
- Foreign investor can acquire immovable property incidental to or required for their activity.
- When imported machinery and capital goods require down payments exceeding USD 15,000, a bank guarantee from an international bank covering the advance remittance amount is required from importers.
- Finance measures such as exchange control management and regulation are under the responsibility of the Reserve Bank of India (RBI) vide 1973 Foreign Exchange Regulation Act (FERA) superseded by the Foreign Exchange Management Act (FEMA) of December 1999.

12.4 Foreign Exchange Controls

12.4.1 Current Account Transactions

The rupee is fully convertible for trade and current account purposes. Except for certain specified restrictions where RBI approval is necessary, foreign currency may be freely purchased for trade and current account purposes.

12.4.2 Capital Account Transactions

Capital account transactions are not permitted unless they are specifically allowed and prescribed conditions are satisfied. Special provisions apply for repatriation of capital, royalties and technical know-how fees, technical service fees, dividends, interest and other remittances.

12.5 Foreign Exchange Management Act

- The Reserve Bank of India’s Exchange Control Department, administers Foreign Exchange Management Act, 1999, (FEMA) which has replaced the earlier Act, FERA, with effect from June 1, 2000. The new legislation is for
“facilitating external trade” and “promoting the orderly development and maintenance of foreign exchange market in India”.

- In terms of Section 6(3)(b) of Foreign Exchange Management Act, 1999, Reserve Bank of India regulates transfer or issue of any security by a person resident outside India read with Notification No. FEMA 20/2000-RB dated May 3, 2000.

12.6 General Permission under FEMA

12.6.1 Issue of Rights/ Bonus Shares
General permission is available to Indian companies to issue Right/Bonus shares subject to certain conditions. Entitlement of rights shares is not automatically available to investors who have been allotted such shares as OCBs. Such issuing companies would have to seek specific permission from RBI, Foreign Exchange Department, Foreign Investment Division, Central Office, Mumbai for issue of shares on right basis to erstwhile Overseas Corporate Bodies (OCBs).

12.6.2 Issue of Shares Under Merger/ Amalgamation
Where a Scheme of merger or amalgamation of two or more Indian companies has been approved by a court in India, the transferee company may issue shares to the shareholders of the transferor company, resident outside India subject to ensuring that the percentage of shareholding of persons resident outside India in the transferee or new company does not exceed the percentage specified in the approval granted by the Central Government or the Reserve Bank. This entitlement of rights shares is not automatically available to investors who have been allotted such shares as OCBs. For this specific permission from RBI is necessary.

12.6.3 Issue of Shares under ESOS Scheme
A company may issue shares under this Scheme, to its employees or employees of its joint venture or wholly owned subsidiary abroad who are resident outside India, directly or through a Trust subject to the condition that the scheme has been drawn in terms of relevant regulations issued by the SEBI; and face value of the shares to be allotted under the scheme to the non-resident employees does not exceed 5% of the paid-up capital of the issuing company.

12.6.4 Issue of Shares by Indian Companies under ADR/GDR
An Indian corporate can raise foreign currency resources abroad through the issue of ADRs or GDRs. Regulation 4 of Schedule I of FEMA Notification No. 20 allows an Indian company to issue its Rupee denominated shares to a person resident outside India being a depository for the purpose of issuing GDRs and/ or ADRs, subject to the conditions that:

- the ADRs/GDRs are issued in accordance with the Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and guidelines issued by the Central Government thereunder from time to time.

- The Indian company issuing such shares has an approval from the Ministry of Finance, Government of India to issue such ADRs and/or GDRs or is eligible to
issue ADRs/ GDRs in terms of the relevant scheme in force or notification issued by the Ministry of Finance, and

- Is not otherwise ineligible to issue shares to persons resident outside India in terms of these Regulations.

12.6.5 Repatriation of Investment Capital and Profits Earned in India

- All foreign investments are freely repatriable except for the cases where NRIs choose to invest specifically under non-repatriable schemes. Dividends declared on foreign investments can be remitted freely through an Authorised Dealer.

- Non-residents can sell shares on stock exchange without prior approval of RBI and repatriate through a bank the sale proceeds if they hold the shares on repatriation basis and if they have necessary NOC/tax clearance certificate issued by Income Tax authorities.

- For sale of shares through private arrangements, Regional offices of RBI grant permission for recognized units of foreign equity in Indian company in terms of guidelines indicated in Regulation 10.B of Notification No. FEMA.20/ 2000 RB dated May ’2000. The sale price of shares on recognized units is to be 3rd determined in accordance with the guidelines prescribed under Regulation 10B(2) of the above Notification.

- Profits, dividends, etc. (which are remittances classified as current account transactions) can be freely repatriated.

12.6.6 Transfer of Shares/ Debentures

In order to make the environment in India more attractive for foreign investors, Government has decided to simplify the procedure by placing the following under the General Permission route (i.e. RBI route) instead of existing Government approval route (i.e. FIPB route) for speedy and streamlined investment approvals:

- Transfer of shares from resident to non-resident (including transfer of subscribers’ shares to non-residents) other than in financial services sector provided the investment is covered under automatic route, does not attract the provisions of SEBI’s (Substantial Acquisition of Shares and Takeovers)Regulations, 1997, falls within the sectoral cap and also complies with prescribed pricing guidelines.

- Conversion of ECB/Loan into equity provided the activity of the company is covered under automatic route, the foreign equity after such conversion falls within the sectoral cap and also complies with prescribed pricing guidelines.

- Cases of increase in foreign equity participation by fresh issue of shares as well as conversion of preference shares into equity capital provided such increase within the sectoral cap in the relevant sectors, are within the automatic route and also complies with prescribed pricing guidelines.
General permission has been granted to non-residents/NRIs for transfer of shares and convertible debentures of an Indian company as under:-

- A person resident outside India (Other than NRI and OCB) may transfer by way of sale or gift the shares or convertible debentures to any person resident outside India (including NRIs); provided transferee has obtained prior permission of SIA/FIPB to acquire the shares if he has a venture or tie-up in India through investment in shares or convertible debentures or a technical collaboration or a trade mark agreement or investment in the same field in which the Indian company whose shares are being transferred, is engaged.

- NRI or OCB may transfer by way of sale or gift the shares or convertible debentures held by him or it to another non-resident Indian; provided transferee has obtained prior permission of Central Government to acquire the shares if he has a venture or tie-up in India in the same field in which the Indian company whose shares are being transferred, is engaged.

- The person resident outside India may transfer any security to a person resident in India by way of gift.

- A person resident outside India may sell the shares and convertible debentures of an Indian company on a recognized Stock Exchange in India through a registered broker.
PART 13 METHODS OF PAYMENT

13.1 Payment against imports

Payment under Letter of Credit is a universally accepted mode of payment. A Letter of Credit is a Signed instrument and an undertaking by the banker of the buyer to pay the seller a certain sum of money on presentation of documents evidencing Shipment of Specified goods subject to Compliance with the stipulated terms and Conditions.

13.2 Letter of Credit vs Bank Guarantee

A letter of credit differs from a bank guarantee. An issuing or confirming bank's obligation is independent of, and unqualified by, the contract of sale under the transaction. A commercial credit is neither a performance bond, nor it is a guarantee of the quantity or quality of the goods shipped.

13.3 Letters of Credit are Separate Transactions

A contract for sale of goods between the seller and the buyer incorporates mode of settlement. Letters of credit by their nature are separate from the sale contract, and banks are not concerned or bound by such sale contracts even if the credits bear reference to them.

The credits stipulate documents which have to be tendered for payment and it, therefore, follows that in credits parties deal with documents and not with goods, services or performances to which the documents relate.

It is, therefore, in the interest of all the parties concerned that the conditions and terms of credit are complete and precise and bereft of excessive details.

Payment under a letter of credit does not depend on the performance obligation on the part of the exporter except those which the credit imposes. Banks accept documents under letters of credit for what those document purport to be on their face. Contract between the buyer and the seller is obligatory between themselves. The seller (beneficiary) cannot take advantage of any contractual terms in between the buyer and the opening bank and between the opening bank and the advising/confirming bank.

13.4 Parties to a Letter of Credit:

Following persons are generally parties, to a letter of Credit:

13.4.1 Beneficiary : The exporter of goods in whose favour the L/C has been established. Customer/importer : The person we intends to import the goods and instructs bank to established Letter of Credit.

13.4.2 Issuing Bank: The Banker in the importers Country who opened the L/C. Correspondent Bank or Advising Bank: The banker in the exporters country, who is authorised by the issuing bank to advise the beneficiary of the Credit and to effect such payment or to accept and pay such bills of exchange or to negotiate against Stipulated documents and on Compliance of Stipulated terms and condition specified by the importer on the exporter.
13.4.3 Confirming Bank: The banker in the exporters(beneficiary) country, who at the desire of the beneficiary adds confirmation to the letter of Credit so that beneficiary can get payment without recourse from the Confirming bank. The Confirming bank may be correspondent bank itself or some other bank.

13.5 Mode of payment

Payments in retirement of bills drawn under L/C as well as bills received from abroad for collection against imports into India, must be received by authorised dealers, irrespective of amount, by debit to the account of the importer with themselves or by means of a crossed cheque drawn by him on his other bankers.

Payment for import bills-Where the import bills are drawn in Indian Rupees (INR), an equivalent amount (plus bank charges) is debited to the account of the importer by the authorised dealer and the amount remitted to the foreign seller. In case the bills are drawn in foreign currencies, the INR equivalent is arrived at by applying the appropriate foreign exchange rate.

Fixing of Re. Equivalent-In order to bring uniformity in the handling of import bills under L/C authorised dealers have been directed by the RBI to follow the following procedure:

Sight import bills received under L/C and conforming to credit terms, may be held in foreign currency for a maximum period of 10 days from the date of receipt of documents by the Bank.

An importer may not like to clear or may have certain problems in clearing the imported goods immediately on payment of duty for home consumption. In that case the importer can deposit the goods in a Public or Private Bonded Warehouse, provided he is satisfied with the arrangement. Thus, the importer can avail the facility of deferring payment of duty on imported goods pending their actual clearance.

Payments in retirement of bills drawn under L/C as well as bills received from abroad for collection against imports into India must be received by authorised dealers, irrespective of amount, by debit to the account of the importer with themselves or by means of a crossed cheque drawn by him on his other bankers. Payment against bills should not be accepted in cash. This rule also applies to private imports where the amount involved is Rs 20,000 or more.

Payment for import bills-Where the import bills are drawn in Indian Rupees (INR), an equivalent amount (plus bank charges) is debited to the account of the importer by the authorised dealer and the amount remitted to the foreign seller. In case the bills are drawn in foreign currencies, the INR equivalent is arrived at by applying the appropriate foreign exchange rate.

Fixing of Re. Equivalent- In order to bring uniformity in the handling of import bills under L/C authorised dealers have been directed by the RBI for following the below procedures:
Sight import bills received under L/C and conforming to credit terms, may be held in foreign currency for a maximum period of 10 days from the date of receipt of documents by the Bank.

In case of non-payment by the drawee within 10 days, the importer’s liability on the foreign currency bill shall be crystallised by converting the foreign currency amount in to rupee at the selling rate prevailing on the 10th day or the forward exchange contract rate where applicable. Authorised dealers shall keep a proper record of the date of receipt of documents.

In case the 10th day is a holiday or a Saturday, the importer's liability in rupees shall crystallise on the next following working day.

The Authorised dealer shall carry swap costs from the customer.

Authorised dealer shall charge interest at the rate as prescribed by RBI for advances to non-priority sectors from time to time on rupees advances made against the import bills pending retirement by the customer. Such interest shall be recovered from the date of negotiation or the date of crystallisation of the rupee liability and thereafter penal interest shall be recovered.

When the rupee liability on an import bill is crystallised at the Forward Exchange Contract Rate and it results in early/late delivery, the charges as per FEDAI rule 9 shall be levied.

Authorised dealers shall charge commission/handling charges at the rate of 0.15% on the bill amount at the time of converting foreign currency into rupees (Rs) irrespective of the fact whether the bill is retired within 10 days or later.

**Time limit for import remittance:**

The remittance against imports should be completed not later than 6 months from the date of shipment. Accordingly, deferred payment arrangements involving payments beyond 6 months are not permissible without the approval of RBI/Gol.

However, no objection to importers withholding a small part of the cost of the goods not exceeding 15% towards guarantee of performance etc. Authorised dealers may make remittances of amounts so withheld provided the earlier remittance had been made through them. No interest payment should be allowed to be remitted on these withheld amounts.

Sometimes, settlement of import dues may be delayed due to disputes, financial difficulties, Authorised dealers are permitted by the RBI to make remittances in such cases even if the period of 6 months expires, provided-

Authorised dealer is satisfied about the bona fides of the circumstances leading to a delay in payment.

No payment of interest is involved for the additional period.

In case, where the overseas supplier insists on payment of interest, it may be allowed in accordance with the provisions contained in para 7A.12 up to a maximum period of 60 days beyond 180 days from the date of shipment provided the import bill is paid within that period. Remittances against import of books may be allowed
without restrictions regarding time-limit, provided no interest payment is involved nor has the importer foregone any part of the discount/rebate normally allowed to importers towards compensation for delay in the settlement of dues.

Interest remittance on import bills-interest accrued on usance bills under 'normal interest clause' or on overdue interest paid on sight bills for a period not exceeding 6 months from the date of shipment in respect of imports without prior approval of RBI. In case of pre-payment of usance import bills, remittances may be made only after reducing the proportionate interest for the unexpired portion of usance at the rate at which the interest has been claimed or the 'prime' rate (or its equivalent) of the country in the currency of which the goods are invoiced, whichever is higher. Where interest is not separately claimed remittances may be allowed after deducting the proportionate interest for the unexpired portion of usance at the prevailing 'prime'.

However, interest under normal interest clause would mean interest at the prime rate (or its equivalent) of the country in the currency of which the goods are invoiced.

Importer's documents-The importer should comply with certain obligations: submission of Exchange Control Copy of Bill of Entry for Home Consumption/Postal Wrappers to the authorised dealer. This will act as evidence that the goods, for which the payment was made, have actually been imported into India. Authorised dealers should ensure that in all cases, including cases of advance remittances permitted (Vide para 7A, 10), these are submitted by their importer customers and are verified. In respect of imports made on Documents against Acceptance basis, since goods would normally be cleared before the due date of payment, authorised dealers should insist on production of documentary evidence of import i.e. Exchange Control Copy of Bill of Entry for Home Consumption/ postal wrappers at the time of effecting remittance of import bill. Authorised dealers should also advise this requirement to their importer customers in writing while delivering the documents against acceptance.

13.6 Postal Imports

Remittances against bills received for collection in respect of imports by post parcel may be made by authorised dealers, provided the goods imported are such as are normally despatched by post-parcel. In these cases the relative parcel receipts must be produced as evidence of dispatch through the post and on undertaking to submit importers should furnish post parcel wrappers within three months from the date of remittance.

If the parcel has already been received in India, the parcel wrapper should be produced in support of the remittance application. Where goods to be imported are not of a kind normally imported by post parcel or where authorised dealer is not satisfied about the bona fides of the applications the case should be referred to the RBI for prior approval with full particulars together with relative parcel receipts/or wrappers.
PART 14 LOCAL JURIDICAL SYSTEM

The Indian judiciary is relatively independent and the legal system is based on English common law. India’s independent judicial system began under the British, and its concepts and procedures resemble those of Anglo Saxon countries.

India has a three tier court system. At the apex is the Supreme Court, which has original, appellate and advisory jurisdiction and proceedings arise out of judgments of sub-ordinate courts including the High Courts.

The Supreme Court consists of a chief justice and 25 other justices, all appointed by the President of India on the advice of the Prime Minister. The High Court stands at the head of the state’s judicial administration. Each state is divided into judicial districts presided over by a district and sessions judge, who is the highest judicial authority in a district. Below him, there are courts of civil jurisdiction known in different states as musifs, sub-judges, civil judges and the like. Similarly, the criminal judiciary comprises chief judicial magistrates and judicial magistrates, first and second class.

The Supreme Court has exclusive original jurisdiction that extends to all disputes between the Union and one or more states or between two or more states. The Constitution gives original jurisdiction to the Supreme Court to enforce Fundamental Rights. Appellate jurisdiction of the Supreme Court can be invoked by a certificate of the High Court concerned or by special leave granted by the Supreme Court in respect of any judgment, decree or final order of a High Court in cases both civil and criminal, involving substantial questions of law as to the interpretation of the Constitution. The President may consult the Supreme Court on any question of fact or law of public importance.

High Courts

There are 18 High Courts in the country, three having jurisdiction over more than one state. Bombay High Court has jurisdiction over Maharashtra, Goa, Dadra and Nagar Haveli and Daman and Diu. Guwahati High Court, which was earlier known as Assam High Court has jurisdiction over Assam, Manipur, Meghalaya, Nagaland, Tripura, Mizoram and Arunachal Pradesh. Punjab and Haryana High Court has jurisdiction over Punjab, Haryana and Chandigarh. Among the Union Territories, Delhi alone has a High Court of its own.

The Chief Justice of a High Court is appointed by the President in consultation with the Chief Justice of India and the Governor of the State. Each High Court has powers of superintendence over all courts within its jurisdiction. Certain High Courts, like those at Bombay, Calcutta and Madras have original and appellate jurisdictions, while most High Courts have only appellate jurisdiction.

There is an Advocate General for each state. At the local level, there are district courts which deal with local issues. The right to fair trial and recognition as a person before the law constitutes a low-risk human rights area in India since the Indian legal system complies with international standards and the rights of a person are respected.
The Indian Legal Hierarchy is somewhat of the following nature:

- In the Metropolitan Cities on the Civil Side, the first are the Small Cases Courts and above them the City Civil Courts. On the Criminal Side there are the Metropolitan Magistrates' Courts and above them the Sessions Courts.

- In the Moffusil on the Civil Side, there are the Courts of the Civil Judge, Junior Division, Civil Judge Senior Division, and District Courts. On the Criminal Side there are the Courts of the Judicial Magistrates and Sessions Courts. Then there are the Industrial Courts, Family Courts, Co-operative Courts and various Tribunals.

- In the Corporate Sector, there is a Company Law Board constituted by the Central Government under the Provisions of Section 10E of the Companies Act, 1956 which has its Principal Bench in New Delhi and Regional Benches of Single as well as Double Members at New Delhi, Kolkata, Mumbai and Chennai.

- Above all the aforesaid Lower Level Courts, Tribunals and Boards, there are High Courts in each of the States, and above the High Courts is the Supreme Court of India in New Delhi.

- India has a written Constitution and codified Central and State law. Its Judiciary is of the highest integrity. The official language is English in the High Courts and in the Supreme Court. The Indian Legislature and Judiciary make constant efforts to bring about improvements in Courts and dispense justice speedily. On the recommendations of the General Assembly of the United Nations to consolidate and amend the law relating to domestic arbitration, international arbitration and enforcement of the foreign arbitral awards a new Arbitration and Conciliation Act has been enacted. To expedite the disposals of cases concerning the transactions related to Banks a special tribunal is being established. To facilitate foreign investment, foreign joint venture and globalization of Indian Trade & Industry, various amendments have been thought of in the existing Companies Act, 1956 and a proposal of enacting a new Take-over Code is under consideration. The Income-Tax Act, 1961, which at present is lengthy and complicated, is thought of being revised and in its place a simple Tax Law is proposed to be enacted. In short there is a general tendency towards improvement in laws and Courts.
Annexure

List of Various Central Labour Acts

Laws related to Industrial Relations
The Trade Unions Act, 1926
The Industrial Employment (Standing Orders) Act, 1946
The Industrial Employment (Standing Orders) Rules, 1946
The Industrial Disputes Act, 1947

Laws related to Wages
The Payment of Wages Act, 1936
The Payment of Wages Rules, 1937
The Minimum Wages Act, 1948
The Minimum Wages (Central) Rules, 1950
The Working Journalist (Fixation of Rates of Wages) Act, 1958
Working Journalist (Conditions of service) and Miscellaneous Provisions Rules, 1957
The Payment of Bonus Act, 1965
The Payment of Bonus Rules, 1975

Laws related to Working Hours, Conditions of Services and Employment
The Factories Act, 1948
The Dock Workers (Regulation of Employment) Act, 1948
The Plantation Labour Act, 1951
The Mines Act, 1952
The Merchant Shipping Act, 1958
The Motor Transport Workers Act, 1961
The Beedi & Cigar Workers (Conditions of Employment) Act, 1966
The Contract Labour (Regulation & Abolition) Act, 1970
The Sales Promotion Employees (Conditions of Service) Act, 1976
The Sales Promotion Employees (Conditions of Service) Rules, 1976
The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
The Shops and Establishments Act
The Cinema Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
The Cinema Workers and Cinema Theatre Workers (Regulation of Employment) Rules, 1984
The Cine Workers' Welfare Fund Act, 1981
The Dock Workers (Safety, Health & Welfare) Act, 1986
The Building & Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996
The Dock Workers (Regulation of Employment) (inapplicability to Major Ports) Act, 1997

Laws related to Equality and Empowerment of Women
The Maternity Benefit Act, 1961
The Equal Remuneration Act, 1976

Laws related to Deprived and Disadvantaged Sections of the Society
The Bonded Labour System (Abolition) Act, 1976
The Child Labour (Prohibition & Regulation) Act, 1986

Laws related to Social Security
The Workmen's Compensation Act, 1923
The Employees' State Insurance Act, 1948
The Employees' Provident Fund & Miscellaneous Provisions Act, 1952
The Payment of Gratuity Act, 1972
Laws related to Employment & Training
The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
The Employment Exchanges (Compulsory Notification of Vacancies) Rules, 1959
The Apprentices Act, 1961
Others
The Fatal Accidents Act, 1855
The War Injuries Ordinance Act, 1941
The Weekly Holiday Act, 1942
The National and Festival Holidays Act
The War Injuries (Compensation Insurance) Act, 1943
The Personal Injuries (Compensation Insurance) Act, 1963
The Coal Mines (Conservation and Development) Act, 1974
The Emigration Act, 1983
The Emigration Rules, 1983
The Labour Laws (Exemption from Furnishing Returns and Maintaining Register by
Certain Establishments) Act, 1988
The Public Liability Insurance Act, 1991
Source: www.labour.nic.in/act/welcome.html
PART 15 NAMES OF EVENTUAL PARTNERS

IMPORTERS

MULTIQUIP INDIA PVT. LTD.
Shop No. 1 & 2, Halailohana Nahajanwadi,
Thakurdwar Road, Mumbai 400002
Tel: +91-22-23823546 /23823547
Fax: +91-22-23853546
Email: almetal@bom5.vsnl.net.in
Contact     Mr. Vinod Gupta

AJAY HARDWARE && INDUSTRIES PVT. LTD.
5239, Sir Shobha Singh Building
1st floor, Ajmeri Gate
New Delhi110006
Tel: +91-11-23214746 /23216206
Fax: + 91-11-3216206
Email: indobrass@yahoo.com
Contact: Mr.Ajay Jain

GLITTERS INTERNATIONAL
10/2, MAHALAXMI INDUSTRIAL ESTATE,
GANDHINAGAR, LOWER PAREL,
MUMBAI 400013
Tel: +91-22-24975107 /24943998
Fax: 91-22-24936019
Email: gilder@eth.net
Contact Person: Mr.Hitesh

FURNITUREWALLA
ADVANCE HOUSE COMPOUND
2ND FLOOR, BEHIND S.M.CENTER
MAKHWANA ROAD, ANDHERI EAST
NEAR THE LEELA ON ANDHERI KURLA ROAD
MUMBAI – 400 059, MAHARASHTRA
TEL : 91 - 22 2850 58 64/ 2850 68 31
FAX : 91 – 22 2850 68 18
Email : sales@furniturewalla.com
Website : www.furniturewalla.com
CONTACT: MR FARAHAN FURNITUREWALLA, CHAIRMAN
MR S.CHAWLA, MANAGING DIRECTOR

INDOORS
LAKOZY MANSION, NEAR WILSON COLLEGE
21 CHOWPATTY SEA FACE, MUMBAI – 400 021
TEL : 91 22 2363 36 19
FAX : 91 22 2363 51 21
Email : indoors@hotmail.com
CONTACT : MR ASSEEM NAGRI, MANAGING DIRECTOR
MS MISTRY, MANAGER
FURNITURE FIRST
NAGREE BUILDING
OPP OLD CUSTOM HOUSE
50 SHAHID BHAGAT SINGH ROAD
FORT, MUMBAI – 400 023
TEL : 91 22 266 35 78 / 28 78
FAX : 91 22 265 35 78
Email : furniturefirst@yahoo.com
CONTACT : MR FAIZA NAGREE, OWNER
MS MOHSINALLY, MANAGER

HURTARDO
15 VIKAS PARK
OPP PALM GROVE HOTEL
JUHU TARA ROAD, MUMBAI – 400 049
TEL : 91 22 2611 10 16/ 2618 17 13
FAX : 91 22 2857 45 98
CONTACT : MRS ARUNA TARA
PINNACLE SAPORITI
CASA BELLA, INDUSTRIAL AREA
END OF CINE PLANET LANE
SION EAST, MUMBAI – 400 022
TEL : 91 22 2404 23 80 / 2404 80 70
CONTACT : MR HARMIT, STORE MANAGER

BENZER INTERIORS
SIEGE SOCIAL
CHROME PLANET
CARE OFF BENZER DESIGN CENTER
571/13, SWAMI VIVEK ANAND ROAD
BIBWE WADI PUNE – 411 037
TEL : 9520-2421 65 00
FAX : 9520-2421 65 03
CONTACT : MR NAINESH NANDU, MANAGING DIRECTOR

SHOWROOM
ARIHANT INDUSTRIAL ESTATE
KAPADIA COMPOUND NO 2
ANDHERI KURLA ROAD
DOMINOS PIZZA PARLOUR LANE
ANDHERI
TEL : 2692 36 66
FAX : 2838 67 15
CONTACT : MS RUPAL

BIRLA LIFE STYLE
ME
GI PARAGON COMPOUND
P.B.MARG, WORLI
MUMBAI -400 013
TEL : 91 22 2463 36 66 / 999
CONTACT : MR MUSTAFFA IZA, MANAGING DIRECTOR
YANTRA
QUEEN’S MANSION, PRESCOT ROAD
FORT, MUMBAI – 400 001
TEL : 91 22 200 36 21 / 36 23
FAX : 91 22 200 36 24
Email : yantra@vsnl.net
CONTACT : MS KAJAL ANAND, MANAGING DIRECTOR
MS RUKSANA IZA, SHOP MANAGER

L’VISTA
PHOENIX GARDEN, COURT NUMBER 3
PHOENIX MILL COMPOUND
NEXT TO STANDARD CHARTERED BANK
SHOP NO 9,10 AND 11
SENAPATI BAPAT MARG, LOWER PAREL
MUMBAI
TEL : 91 22 2460 45 11
CONTACT : MS SHANAZ MAHIMTURA
MS SMEETA MAHIMTURA

KIAN FURNITURE & ACCESSORIES
S-113, 1ST FLOOR NIRMAL LIFESTYLES LIMITED
OPP NIRMAL NAGAR, LBS MARG MULUND WEST
MUMBAI – 400080
TEL: +91- 22-25900425/6/7
+91- 22-25390351
FAX: +91-22-25930373
Mr. Girish Powani
Email girishpowani@kianindia.com
EMAIL: mumbai@kianindia.com
WEBSITE: www.kianindia.com

DURIAN IMPORTED FURNITURE
CEDAR IMPEX PVT. LTD.
SWASTIK PLAZA, V.L.
MEHTA ROAD,
J.V.P.D. SCHEME,
VILE PARLE (W), MUMBAI – 400 049.
TEL: +91-22-26103931, 26128379, 26128404
FAX: +91-22-26112261
EMAIL: durian@bom3.vsnl.net.in
WEBSITE: http://www.duriandecor.com

MARKETING OFFICE
D/1, DURIAN ESTATE,
GOREGOAN-MULUND
LINK ROAD, C.T.S 40,NEAR PRAVASI INDL. EST.,
GOREGOAN (E), MUMBAI 400063.
TEL: +91-22 56783123 / 24
FAX: 91-22-56783125
**TANGENT - THE FURNITURE MALL**

Showrooms:
MALAD: TANGENT HOUSE
CHINCHOLI BUNDER ROAD, OFF LINK ROAD
MALAD WEST – 400064
TEL: +91-22-28793000
EMAIL: malad@tangent.co.in

MULUND: 61 MINERVA IND ESTATES
OFF P.K ROAD MULUND WEST
MUMBAI – 400080
TEL: +91-22-25915888
EMAIL: mulund@tangent.co.in

VASHI: CITY MALL, PLOT NO 4
OPP ICL SCHOOL SECTOR 19
VASHI TURBHE ROAD, NAVI MUMBAI
TEL: +91-22-27842644
EMAIL: vashi@tangent.co.in

WORLI: NISHUVI 75,
DR.ANNIE BESANT ROAD
WORLI – 400080
TEL: +91-22-24963000
EMAIL: worli@tangent.co.in

Head Office : 28763412 ( Goregaon ) – Mr. Nilesh Chadda

**CLASSOQUE FURNITURE**
(IMPORTED OFFICE FURNITURE)
37 LAXMI PLAZA
LAXMI INDUSTRIAL ESTATE NEXT TO SAB TV
ANDHERI WEST, MUMBAI – 400053
TEL: +91-22-56887884/56889555

**FUSION FLAIR**
Exquisite Designer Furniture & Accessories
WASAN IND ESTATE SHOP NO 8
SUN MILL COMPOUND OPP PHOENIX COMPOUND
LOWER PAREL, MUMBAI – 400013
TEL: +91-22-2491990/24915223
EMAIL: fusionflair@gmail.com

**STYLE SPA WORLD FURNITURE**
Formerly Gautier India Limited (Largest furniture retail chain in India)
www.stylespafurniture.com
Showrooms:
MULUND
SAMRUDDHA MALL NEAR CHUNILAL PETROL PUMP
MULUND WEST
TEL: +91-22-25613551
ANDHERI
KOHLI VILLA
130 S.V ROAD, MUMBAI
TEL: +91-22-26714508/56926251

GHATKOPAR (E)
KRUHSAAL SHOPPING CENTRE
MG ROAD NEAR AMAR MAHAL GLASS FACTORY
MUMBAI
TEL: +91-22-25274421/25293331

PINCACLE WORLD
CONTEMPARY INTERNATIONAL FURNITURE
PLOT NO.191, SECTOR NO.1
PITHAMPUR INDUSTRIAL AREA
PITHAMPUR - 454 775
TEL: +91- 07292- 0965 / 53253/53788
FAX: +91-07292-53488
EMAIL: sofaset@sofaset.com
WEBSITE: http://www.sofaset.com

VENTURA
IMPORTED FURNITURE
ANDHERI: 23AH LAXMI IND ESTATE
NEW LINK ROAD
TEL: +91-22-26346270/71
WORLI NAKA:
READYMONEY TERRACE, DR.ANNIE BESANT ROAD
TEL: +91-24968902/03

THE LIVING ROOM
MAHIM:
NEAR ST.MICHAELS CHURCH
KANDIVALI (EAST)
GANPATHI TOWERS, THAKUR VILLAGE OPP OBEROI TOWERS
WESTERN EXPRESS HIGHWAY
MULUND (w)
ASMA HOUSE
15B L.B.S MARG, NEAR MAC DONALDS
NAVI MUMBAI
SECTOR 24, NEAR TURBHE FLYOVRE, OPP SANPADA NURSERY
MUMBAI PUNE EXPRESS HIGHWAY
MALAD (W)
BEHIND INORBIT SHOPPING MALL
OFF NEW LINK ROAD.

OFF THE SHELF
LOWER PAREL:
RAGHUVANSHI BUILDING
1ST FLOOR RAGHUVANSHI MILLS COMPOUND
NEXT TO PHONEX MILLS
SENA PATI BAPAT MARG
TEL: +91-22-24903717/24699468
KANDIVALI (E)
THAKUR MALL, 5&6 FLOOR
ABOVE THAKUR CINEMA
THAKUR VILLAGE
TEL: +91-22-28871281/288742330

MULUND (W)
DALMIYA ESTATE, D BLOCK
BEHIND CHUNILAL GUPTA PETROL PUMP
OFF L.B.S MARG, OPP P &T COLONY
TELK: +91-22-25621094/25620116

STAR INDIA CORPN
A-758, TTC MIDC AREA,
KAIRHANE NAVI MUMBAI-400 705
TEL NO. 2778 0480 / 2558 0755

PARMAR SALES
(PARMAR GROUP OF COMPANIES)

OFFICE:
101-A PARAG BUILDING NEAR
ANDHERI SPORTS COMPLEX
JP ROAD ANDHERI WEST
MUMBAI - 400 058. INDIA.
TEL: +91-22-2632 9737, TELEFAX: 91-22-26320318
E-MAIL: info@parmarsales.com
WEBSITE: http://www.parmarsales.com

WAREHOUSE:
D-29/9, MIDC INDUSTRIAL AREA T T C
TURBHE NAVI MUMBAI - 400 613. INDIA.
TEL: +91-22-27617279/27672659

CONTACT PERSONS:
MR. BHUPENDRA PARMAR - 9820064704
MR. TUSHAR SHAH - 9821052666

SANJAR HOUSE OF IMPORTED FURNITURE
GULZAR HOUSE
NEAR N.L. HIGH SCHOOL, S.V.ROAD,
MALAD (WEST), MUMBAI - 400064. INDIA
TEL NO: +91-22-2808 1632 / 5690 6787
FAX: +91-22-2863 5976
PART 16 ANALYSIS OF DIFFERENT RISKS

16.1 Country Risk

Economic Overview

India’s economic growth slowed slightly in the second quarter of 2006 to 8.9% year-over-year from 9.3% in the first quarter, but remained the second fastest growing economy among the world’s twenty largest economies.

- Hotel, trade, transport and communication, the largest component of GDP, rose 13.2% following a 12.9% rise.
- The second largest component, agriculture, slowed a bit to 3.4% from 5.5%, which was the fastest growth in two years.
- Manufacturing rose 11.3%, construction rose 9.5%, utilities rose 5.4%, and financial services rose 8.9%.
- The construction industry is booming as the government invests in infrastructure improvement and expansion. This, along with a good monsoon season, which has boosted incomes for farmers, is leading to record demand for financial services and loans. Although wholesale inflation has slowed from 5.5% in June to 4.56% for the week ended September 16, it remains above the government’s 4% target.
- Strong economic growth, record credit growth, high oil and commodity prices and stout consumer spending have led to a 150 basis point increase in the central bank’s key reverse repo rate to 6.0% since October 2004. The rate increases in June and July have helped the rupee to rebound from the plunge in the May-July period amid the global exodus from emerging markets. The rupee has rebounded to Rs45.01: US$1 on November 17 from RS46.95: US$1 on July 19.
- The weaker rupee has supported exports recently, but has not deterred imports, keeping the trade deficit virtually unchanged since April at around $3.9 billion. Imports, which rose 24.2% in July from a year ago, remain elevated as rising incomes spur domestic demand, while factories continue to suck in raw materials for manufacturing goods. In addition, the government’s spending on infrastructure has increased imports of steel and cement. Exports, which rose 34.8% in July, remain strong amid robust global demand for gems, textiles and other manufactured products. All of this has fuelled a surge in industrial production, which rose 12.4% in July from a year ago, the fastest growth since June 1996. Another spate of emerging market jitters, which could weaken the rupee, and high oil and commodity prices could keep inflation elevated and lead to further interest rate hikes, which could slow the economy.
- On the political front, recent polls suggest that if an election were held before the planned election in May 2009, it may be possible for the UPA, the current ruling party, to gain a majority over the opposition BJP without the need for support from the Left Front. This would allow the UPA to enact much needed reforms that the Left Front opposes, such as liberalizing labor regulations, raising foreign investment ceilings and privatizing state-owned enterprises. In addition, it would allow the UPA to decrease the welfare spending that is so vigorously demanded by the Left Front, which has prevented India from reducing its vast public debt. The risk of going to the polls early and having an
unfavorable outcome suggests that the chance of an early election is minimal. However, the risk of political upheaval must not be overlooked.

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<td>478.3</td>
<td>506.1</td>
<td>600.7</td>
<td>694.7</td>
<td>797.6e</td>
<td>880.3f</td>
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<td>GDP Growth (at constant prices, %)</td>
<td>5.8</td>
<td>3.8</td>
<td>8.5</td>
<td>7.5</td>
<td>8.4e</td>
<td>8.0**</td>
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<td>6.2</td>
<td>-6.9</td>
<td>10.0</td>
<td>0.7</td>
<td>3.9e</td>
<td>-</td>
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<td>7.6</td>
<td>8.6</td>
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<td>9.9</td>
<td>10.1e</td>
<td>-</td>
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<td>Sectoral Share in GDP (%)</td>
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<td></td>
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<td>Gross Fiscal Deficit (% of GDP)</td>
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<td>5.9</td>
<td>4.5</td>
<td>4.0</td>
<td>4.1</td>
<td>3.8</td>
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<td>Exchange Rate (Rs/US$)</td>
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<td>48.40</td>
<td>45.95</td>
<td>44.93</td>
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<td>56.51</td>
<td>55.20</td>
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<td>52.72</td>
<td>63.84</td>
<td>83.54</td>
<td>102.73</td>
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<td>30.8</td>
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<td>37.3</td>
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<td>111.52</td>
<td>142.42</td>
<td>83.9 (Ap-Sep)</td>
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<tr>
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<td>1.7</td>
<td>19.5</td>
<td>27.3</td>
<td>42.7</td>
<td>27.7</td>
<td>32.1</td>
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<td>26.9</td>
<td>46.0</td>
<td>60.6</td>
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<td>9.9</td>
<td>13.3</td>
<td>17.7</td>
<td>23.6</td>
<td>6.4 (end)</td>
</tr>
<tr>
<td>Services Imports (US$ bn)</td>
<td>13.8</td>
<td>17.1</td>
<td>16.7</td>
<td>31.83</td>
<td>38.3</td>
<td>8.9 (end)</td>
</tr>
<tr>
<td>Current Account Balance (US$ bn)</td>
<td>3.40</td>
<td>6.35</td>
<td>14.08</td>
<td>-5.40</td>
<td>-10.61</td>
<td>-6.1 (end-June 06)</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td>--------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Current Account Balance (% of GDP)</td>
<td>0.7</td>
<td>1.3</td>
<td>2.3</td>
<td>-0.78</td>
<td>-1.33</td>
<td>-</td>
</tr>
<tr>
<td>Forex Reserves (US$ bn) #</td>
<td>54.11</td>
<td>76.1</td>
<td>113.0</td>
<td>141.51</td>
<td>151.62</td>
<td>166.15 (Oct 20)</td>
</tr>
<tr>
<td>External Debt (US $ bn) #</td>
<td>98.84</td>
<td>104.96</td>
<td>111.72</td>
<td>123.2</td>
<td>125.18</td>
<td>132.13 (end</td>
</tr>
<tr>
<td>External Debt to GDP Ratio (%) #</td>
<td>21.1</td>
<td>20.4</td>
<td>17.8</td>
<td>17.3</td>
<td>15.8</td>
<td></td>
</tr>
<tr>
<td>Short Term Debt / Total Debt (%) #</td>
<td>2.8</td>
<td>4.5</td>
<td>4.0</td>
<td>6.1</td>
<td>7.0</td>
<td>7.0 (end)</td>
</tr>
<tr>
<td>Foreign Investment Inflows (US$ bn)</td>
<td>8.15</td>
<td>6.01</td>
<td>15.7</td>
<td>15.37</td>
<td>20.24</td>
<td>2.55(Apr-Jul)</td>
</tr>
<tr>
<td>Of which: FDI (US$ bn)</td>
<td>6.13</td>
<td>5.04</td>
<td>4.32</td>
<td>6051</td>
<td>7.75</td>
<td>3.39 (Apr</td>
</tr>
<tr>
<td>GDRs/ADRs (US$ bn)</td>
<td>0.48</td>
<td>0.6</td>
<td>0.46</td>
<td>0.61</td>
<td>2.55</td>
<td>1.55 (Apr</td>
</tr>
<tr>
<td>FIIs (net) (US$ bn)</td>
<td>1.51</td>
<td>0.38</td>
<td>10.92</td>
<td>8.69</td>
<td>9.93</td>
<td></td>
</tr>
</tbody>
</table>

Source: RBI

**Government Intervention**

The World Bank reports that the government consumed 12.8 percent of GDP in 2003. In the same year, according to the International Monetary Fund’s Government Financial Statistics CD–ROM, India received 17.9 percent of its total revenues from state-owned enterprises and government ownership of property.

**Monetary Policy**

From 1995 to 2004, India's weighted average annual rate of inflation was 3.85 percent.

**Foreign Investment**

According to the U.S. Department of Commerce, "India controls foreign investment with limits on equity and voting rights, mandatory government approvals, and capital controls." The Economist Intelligence Unit characterizes India as "a difficult market for foreign companies. Most economic activities are bound by restrictions, public
services and infrastructure are poor, and the government continues to impede the free flow of capital across its borders." However, India is taking gradual steps to attract more foreign investment, and foreign ownership is permitted in most sectors. The U.S. Department of Commerce reports that in January 2005, "the GOI [Government of India] relaxed restrictions on new [foreign direct investment] in India by foreign partners of joint ventures. The previous rules, issued in Press Note 18 in 1998, had required a release by the Indian partner and GOI approval for any new investment, a provision often subject to abuse. The new rules maintain restrictions on the majority of existing joint ventures, but leave new ones to negotiate their own terms on a commercial basis." Sectors off-limits to foreign investment include agriculture, legal services, railways, real estate, retailing, and security services. The International Monetary Fund reports that central bank approval is required for residents to open foreign currency accounts, either domestically or abroad, and that such accounts are subject to significant restrictions. Non-residents may hold foreign exchange and domestic currency accounts, subject to approval and conditions. Some payments and transfers face quantitative limits. The IMF reports that capital transactions and some credit operations are subject to certain restrictions and requirements.

**Wages & Prices**

The government continues to influence prices on several goods and services. The Economist Intelligence Unit reports that the Essential Commodities Act of 1955 applies price controls at the factory, wholesale, and retail levels on "essential" commodities. Electricity, some petroleum products, and certain types of coal are the only items with fully administered prices. The government also controls the prices of pharmaceuticals. The government mandates minimum wages that vary by state and industry.

**Regulation**

Businesses must contend with extensive federal and state regulation. According to the U.S. Department of Commerce, "firms have identified corruption as one obstacle to investment. Indian businessmen agree that red tape and wide-ranging administrative discretion serve as a pretext to extort money." In addition, labor laws are rigid. The Economist reports that "any company employing more than 100 people requires the permission of the state authorities to sack workers...."
**Informal Market**

Transparency International's 2004 score for India is 2.8. Therefore, India's informal market score is 4 this year.

<table>
<thead>
<tr>
<th>Currency Restrictions</th>
<th>India’s currency unit is the Rupee (INR). The Rupee floats freely in world foreign exchange markets. Banks in India can only deal with foreign exchange when authorized by the Reserve Bank of India (RBI) under the Foreign Exchange Management Act, 2000 (FEMA).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes: (Resident and Non-resident)</td>
<td>Foreign Institutional Investors (FIIs) are allowed to invest and operate in the Indian capital market under minimal restrictions. There are no restrictions on investment volume or the transfer of funds in and out of the country for FIIs that have been registered with the Securities and Exchange Board of India (SEBI) and the Reserve Bank of India (RBI).</td>
</tr>
<tr>
<td>Preferred Method of Payment</td>
<td>Paper-based instruments</td>
</tr>
<tr>
<td>Political Climate</td>
<td>Stable at a time of strong economic growth</td>
</tr>
<tr>
<td>Political Structure</td>
<td>Democracy: parliamentary, bicameral legislature</td>
</tr>
<tr>
<td>Postal Service</td>
<td>India Post is the national mail service under the Postal Service Board; it is generally reliable (visit <a href="http://www.indiapost.giv.in">www.indiapost.giv.in</a> for more information).</td>
</tr>
</tbody>
</table>

**Political & Security risk**

According to, RiskMap 2007, an analysis published by Control Risks, a reputed international business risk consultancy, India stood out as the most secure location for business in South Asia. On a global level, India was ranked as a low risk country. The report noted the risks posed by mass casualty terrorist attacks by Kashmir-based groups, and the spread of this threat to the high-tech hubs in the south of the country, the 'low' security ranking assigned to most parts of the country affirms that it offers business a generally secure platform from which to operate. However, parts of the country such as Jammu & Kashmir, certain pockets of North Eastern states were assigned high risk. The table given below presents the number of fatalities in 2006 (as of Oct 1, 2006) due to Terrorist violence.
Fatalities in Terrorist Violence – 2006

<table>
<thead>
<tr>
<th></th>
<th>Civilians</th>
<th>Security Force Personnel</th>
<th>Terrorist</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>1067</td>
<td>590</td>
<td>2850</td>
<td>4507</td>
</tr>
<tr>
<td>2002</td>
<td>839</td>
<td>469</td>
<td>1714</td>
<td>3022</td>
</tr>
<tr>
<td>2003</td>
<td>658</td>
<td>338</td>
<td>1546</td>
<td>2542</td>
</tr>
<tr>
<td>2004</td>
<td>534</td>
<td>325</td>
<td>951</td>
<td>1810</td>
</tr>
<tr>
<td>2005</td>
<td>520</td>
<td>216</td>
<td>996</td>
<td>1732</td>
</tr>
<tr>
<td>*2006</td>
<td>285</td>
<td>125</td>
<td>463</td>
<td>873</td>
</tr>
</tbody>
</table>

Source: http://www.satp.org/

Currency

On August 1, 2006, Fitch Ratings-London, upgraded the Republic of India’s Long-term foreign and local currency Issuer Default Ratings ("IDRs") to ‘BBB-‘ (BBB minus) from ‘BB+‘, both with stable outlooks. The Short-term foreign currency IDR is also raised to ‘F3’ from ‘B’ and the Country Ceiling is upgraded to ‘BBB-‘ (BBB minus) from ‘BB+‘.

Indian government’s deficit which declined to 7.5% in 2005/06 from 10.1% of GDP in fiscal year 2001/02, helped the currency ratings improve. Higher growth and lower interest rates have played a part in this outcome but so, too, have much improved tax administration and some widening of the tax net. Modest tightening at the centre has been matched by parallel progress among India’s 25 states and union territories, many of which have introduced value-added tax and enacted fiscal responsibility legislation over the past year.

India’s established track record of macroeconomic stability, low inflation and a high domestic savings rate, coupled with a deep domestic capital market and external capital controls, reduces the country’s currency risk.

Overall risk rating

The table given below gives overall risk rating for India as of May 2006.

<table>
<thead>
<tr>
<th>India: risk assessment</th>
<th>Sovereign Risk</th>
<th>Currency risk</th>
<th>Banking sector risk</th>
<th>Political risk</th>
<th>Economic structure risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-06</td>
<td>BBB</td>
<td>BBB</td>
<td>BB</td>
<td>BB</td>
<td>BBB</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit 2006
16.2 Non-collection of goods & Non-payment

Indian Council of Arbitration, consisting of representatives from the Government of India, the Federation of Indian Chambers of Commerce and Industry, the other important Chambers of Commerce and trade associations in India as well as export promotion councils, public sector undertakings, companies and firms, is the apex body with the objective of resolving international commercial disputes by arbitration. Its rules of arbitration are of international standard and they provide a guarantee wished for by the trade for quick and just settlement of the dispute. It maintains a panel of arbitrators consisting of Retd. Judges, Advocates, Shipping Experts, Chartered accountants, Chartered Engineers, Businessmen, Foreign Nationals and Executives having specialization in more than 20 fields. The Council has entered into arbitration service agreements with important foreign arbitral institutions in more than 30 countries to administer arbitrations under their rules if arbitration is held in India.

The Council also provides arbitration services for settlement of maritime disputes arising out of charter party contracts and it has framed maritime arbitration rules for such disputes. The Ministry of Surface Transport, Government of India has recommended the use of the ICA arbitration clause in the charter party contracts so that dispute, if any, can be settled under the ICA maritime arbitration rules.

Parties involved in export-import trade with Indian counterparts can also seek dispute resolution by seeking the services of another organization namely International Centre for Alternative Dispute Resolution (ICADR). This organization has been established as an autonomous organization under the aegis of Ministry of Law, Justice and Company Affairs to promote settlement of domestic and international disputes by different modes of alternate dispute resolution. ICADR has its headquarters in New Delhi and has regional office in Lucknow and Hyderabad. More information on ICADR can be obtained from the website: http://www.icadr.org/
PART 17 LEGISLATION ON INTELLECTUAL PROPERTY

The laws relating to intellectual property in India are still in the process of transition and are being harmonized with corresponding laws in developed countries.

As a signatory to GATT and trade-related aspects of intellectual property rights (TRIPS) agreements in the capacity of being a member of WTO, India is required to lay down minimum norms and standards with respect to the following areas of intellectual property:

Copyrights and other related rights

Trademarks

Geographical Indications

Patents

Industrial Designs

17.1 Copyrights

India’s copyright law, laid down in the Indian Copyright Act, 1957 as amended by Copyright (Amendment) Act, 1999, fully reflects the Berne Convention on Copyrights, to which India is party.

Additionally, India is party to the Geneva Convention for the Protection of Rights of Producers of Phonograms and to the Universal Copyrights Convention. India is also an active member of the World Intellectual Property Organisation (WIPO), Geneva.

As per the Copyright Act, 1957, copyright subsists in original literary, dramatic, musical and artistic work or a cinematographic film or a sound recording.

Amendments have been made from time to time to keep pace with changing requirements. Several measures have been adopted to streamline the enforcement of the Copyright Act, which includes the setting up of a Copyright Advisory Enforcement Council, training of enforcement officers and special police cells for enforcement.

17.2 Trademarks

A Trade and Merchandise Marks Act was passed in 1958 and replaced by the Trademarks Act 1999, which provides for the registration of trademarks for services and goods, including collective marks. There is a provision for an appellate board for speedy disposal of appeals and a Controller General of Patents, Trademarks and Designs has been appointed by the government to administer the various provisions of the Act. The Act grants a foreign trademark the right to register a trademark in India.
17.3 Geographical Indications of Goods

The Geographical Indications of Goods (Registration and Protection) Act, 1999 was passed by Parliament in 1999 and Rules notified in 2002. It conforms to the TRIPS regime.

17.4 Patents

The Indian Patents Act, 1970 provides for grant, revocation, registration, license, assignment and infringement of patents in India. Any infringement of a patent is punishable under the terms of this Act.

To harmonise the law pertaining to patents and other forms of intellectual property and to fulfill its obligations under WTO, India has become an active party to the International Convention for the Protection of Industrial Property (Paris Convention), GATT and TRIPS agreements.

17.5 Industrial Designs

The Designs Act, 2000 passed to give recognition to the obligations under WTO agreements, encourages and protects those who produce new and original designs and seeks to enhance industrial development and competitive progress.

The Controller General of Patents, Designs and Trademarks appointed under the Trade and Merchandise Marks Act, 1958 is the Controller of Designs and is responsible for administering the various provisions of the Act.
PART 18  LABELLING AND PACKAGING RULES

Packing and labelling requirements in India's ports mostly relate to being located in the tropical region, which means special care is needed when packing goods for shipment. Damage may be caused by damp, heat, exposure to sun and rain, insects, fungus and moulds. Therefore, waterproofing of shipments is necessary and use of cases lined with zinc or tin is recommended.

Special attention is needed in packing imported machinery, which may be transported through tropical areas as well as desert areas. Caution is needed when packing to protect against high humidity, dust and sand. There are origin requirements for the labelling of imported merchandise. Labels must indicate the country or place where the goods were produced, other name and address of the manufacturer.

Labelling should be in English and words indicating country of origin should be as large and as prominent as any other English wording on the package or label. This requirement applies to every article, label or wrapper that has any words in English. There are standards in effect for marking and labelling related to weights and measures for packaged goods imported into India and intended for retail sale.

Packing needs to be strong to protect against extreme heat and humidity in the summer and possible storage in the open. Steel strapping is also recommended because of the threat of pilfering. Outer containers must bear the consignee’s mark and port mark and they should also be numbered (in accordance with the packing list) unless their contents can be otherwise readily identified. Gross weight must also be shown on two faces. Goods produced in more than one country are required to have ‘Foreign Made’ or similar wording clearly marked on the goods, their labels or packages. All other imports must show the country of origin. Materials such as polyvinyl chloride (PVC) are not allowed for packaging in most cities due to environmental concerns and waste disposal problems.

Product labels should be printed in English or Hindi (Devnagari script) and must be completed before products are presented for Customs clearance.

There are four main label options for imported packaged food:
• Printed and securely fixed to the package.
• Made on an additional wrapper containing the imported package.
• Printed on the package itself.
• Contained on a card or tape which is firmly fixed to the package.

The government has identified 159 specific commodities (including food preservatives, milk powder condensed milk, infant milk foods, color dyes, steel, cement, electrical appliances and dry cell batteries) that the Bureau of Indian Standards (BIS) must certify before the products are allowed to enter the country. To be certified, exporters/manufacturers must either establish a presence in India or name a local Indian representative to accept responsibility, pay an annual fee as well as a percentage of the invoice value of shipments to India, and subject all certified exports to inspection.
Certifying Agency

SGS, Société Générale de Surveillance, an internationally recognized laboratory, carries out inspection and certification required for importation of goods to India. At the time of customs clearance, importers of used equipment must furnish an inspection certificate issued by an internationally known inspection and certification agency from the country of origin, guaranteeing thus, quality with regard to price, for goods exceeding Indian rupees 10 million c.i.f. Imported secondhand automobiles require pres-shipment and post shipment certification. A pre-shipment inspection certificate became compulsory after 25 of October 2004 for all imports of metal scrap in unshredded, compressed or loose form.

- The import of capital goods will be on a self certification basis.
- Imported goods to India are subject to the following labeling requirements: goods must be labeled in English or Hindi with the name and address of the importer, generic or common name, net quantity in terms of standard weights and measures, in metric system, production and shelf-life dates etc...
- As a rule, shipments of goods must be marked in large lettering using indelible ink or paint directly on the container, with trade names revealing the nature of goods.
- Waterproof, zinc or tin-lined packaging is recommended for shipments of goods to India.
- Since 1 of January 2004, imports of second hand automobiles are allowed to enter India, only through customs port at Mumbai.
- Clearance of imported unshredded, compressed or loose metal scrap in loose form are authorized only at the following customs stations: Chennai, Cochin, Ennore, JNPT, Kandla, Mormugao, Mumbai, New Mangalore, Paradip, Tutirocin, Vishakhapatnam, ICD Tughlakabad New Dehli, Pipava, Mundra, Kolkatta, ICD Ludhiana, ICD Dadri Greater Noida, and ICD Nagpur.

Source: http://r0.unctad.org/trains_new/country_notes/india_2005.PDF
PART 19 EXHIBITIONS

EXHIBITION NAME: Index International Trade Fair
DATES: Start Date 01-DEC-06 End Date 04-DEC-06
VENUE: Pragati Maidan New Delhi, India

Event Profile:
Index International Trade Fair is an international fair for furniture, wooden products, interior decorations; machinery & equipment for forest exploitation & wood processing. The exhibitors offer a complete selection of casual indoor and outdoor furniture, garden accessories and more, all under one roof.

Visitor's Profile:
Architects and Interior Designers, Builders, Property Managers & Consultants, Manufacturers, Importers and Exporters, Wholesalers, Distributors, Retailers, Traders, Corporate, Hotels, Institutional buyers, BPO's, High Net worth individuals, International buyer delegations are the target visitors.

Exhibitor's Profile:
Profile for exhibit include Home furniture including lounge, living room, bedroom, dining, garden and children's furniture, kitchen & bath and hospitality furniture, Office furniture, Furnishing, Furniture Hardware and Intermediates, Artefacts & Interior accessories.

Organizer:
Universal Expositions Limited
401, Sanskriti Park, Mahakali Caves Road, Andheri (East), Mumbai, India.
Tel: +(91)-(22)-28302870/28302871
Fax: +(91)-(22)-28216140

EXHIBITION NAME: INTERIOR - EXTERIOR EXPO & FURNITURE FAIR NEW DELHI
DATES: Start Date 25-JAN-07 End Date 28-JAN-07

Event Profile: Zak Interior Exterior Expo is an exclusive show designed to meet the interiors and exteriors needs. It is unique in every aspect and is the first of its kind. It is planned as a one-stop to know the who's who of Interiors and Exteriors Expo & International Furniture Fair provides a rare chance to exhibit decorative accessories to an audience focused on this segment. more details...

VENUE: Pragati Maidan New Delhi, Delhi, India

Organised By: ZAK Trade Fairs and Exhibitions Private Limited
Zak Trade Fair and Exhibitions Pvt Ltd., (formerly known as ANZ International Trade and Marketing Associates), based at Chennai in southern India, is one of the leading exhibition and events organizers in the country. They have crossed the unique milestone of having organized over 100 exhibitions in less than a decade of existence, involving 15 different industries in different parts of India, Singapore, Dubai, USA, Bangladesh and are all set to expand their frontiers further
EXHIBITION NAME: Indian Handicrafts & Gifts Fair
DATES: Start Date  22-FEB-07  End Date  26-FEB-07

Event Profile: IHGF Spring is professionally organised and efficiently run show located at India Expo Centre & Mart, Greater Noida Expressway - one of the India's best exhibition venues for expos and conferences. IHGF - Asia's largest exposition of gifts and handicrafts covering a mammoth 97,000 sq. mts. exhibition area, giving you a really big opportunity to source from staggering 2000 manufacturers & exporters loaded with top quality merchandise. With an impresive track record of 22 successful shows offering top quality merchandising opportunities, the Indian Handicrafts & Gifts Fair has increased in scale, grown in participation, excelled in show management and has become even more attractive as a sourcing destination. more details...

VENUE:India Expo Centre & Mart, Greater Noida Expressway New Delhi , India

Organised By: Export Promotion Council for Handicrafts
Export Promotion Council for Handicrafts with support of Development Commissioners (Handicrafts). Ministry of Textiles, Government of India, with 7000 member exporters , Epch is The apex organization which coordinates handicap exports from India. It provides Comprehensive information to foreign buyers on the entire range of handicap of India and liaisons between Indian handicraft exporters and Foreign buyers. Sponsored by Ministry of Textile, Government of India, the council also organises trade-shows, buyer-sellers meets, conference and study tours to keep Indian exporters of the latest trends in markets world-wide.

EXHIBITION NAME: Indian Furniture & Accessories Show (IFAS 2007)
DATES: Start Date  15-APR-07   End Date  18-APR-07

Event Profile: The second edition of Indian Furniture & Accessories Show (IFAS 2007) is India's first B2B Furniture show covering furniture for homes, gardens, offices, and hotels in a variety of designs in wood, cane & bamboo and wrought iron. Discover the finest in Indian craftmanship and artistic finish in perfect harmony with modern design, contemporary finishes and new product development in this grand event. At IFAS 2007, you can explore new ideas, products and exquisite designs and get them customized to your market requirements. It is the ultimate destination to source a wide variety of wares put up on display by over 450 leading manufacturers and exporters from all over India. more details...

VENUE: India Expo Centre & Mart, Greater Noida Expressway New Delhi , India

Organised By:Export Promotion Council for Handicrafts
Export Promotion Council for Handicrafts with support of Development Commissioners (Handicrafts). Ministry of Textiles, Government of India, with 7000 member exporters , Epch is The apex organization which coordinates handicap exports from India. It provides Comprehensive information to foreign buyers on the entire range of handicap of India and liaisons between Indian handicraft exporters and Foreign buyers. Sponsored by Ministry of Textile, Government of India, the council also organises trade-shows, buyer-sellers meets, conference and study tours to keep Indian exporters of the latest trends in markets world-wide.
PART 20 LOGISTICS

20.1 OVERVIEW

Logistics is one of the key economic activities throughout the world. The global logistics industry was estimated to be about US$3.5 trillion in 2005. The contribution of logistics industry to India's GDP has gone up in the recent years from 7.4% in 1999-2000 to 9.3% in 2004-05.

Cost of transportation

In developed countries like the US, logistics costs comprising transportation costs account for 7-9% of the cost of the final product; warehousing cost account for about 1-2% and inventory holding costs for about 3-5%. In developing countries, logistics costs are estimated to be higher at around 15-25% of the final cost of the product due to lack of adequate logistics system. In India, logistics cost is around 13%, comparatively higher than the developed countries.

20.2 Metro

Mass rapid transit systems are operational in Mumbai, Kolkata, Chennai and Delhi. The first rapid transit system in India, Mumbai Railway, was established in Mumbai in 1867. The Mumbai Suburban Railway commutes 6.1 million passengers everyday and boasts to have the highest passenger density in the world. Rapid transit systems are under construction in Hyderabad and Bangalore. To decongest Mumbai's growing traffic, another metro system in Mumbai is being constructed. Delhi Metro started operations on December 24, 2004. Presently three metro lines are operational in Delhi and two more are under construction. The cost of each metro line is estimated to be around 2.2 billion USD. Delhi Metro Corporation expects to transport 2.5 million passengers everyday by the end of 2006. Rapid transit systems are proposed in Noida, Goa, Thane, Pune, Hyderabad, Bangalore, Ahmedabad and Kochi. These proposed rapid transit systems are likely to be approved in the coming days.

India's rail network is the longest of any country. Trains run at an average of around 50-60 km/hour, which means that it can take more than two days to get from one corner of the country to another. Rail operations throughout the country are run by the state-owned company, Indian Railways. The rail network traverses through the length and breadth of the country, covering a total length of around 63,000 km (39,000 miles). Out of this a total 16,693 km of track has been electrified till now and 12,617 km have double tracks.

Indian Railways uses three type of gauges: Broad Gauge, Metre Gauge and Narrow Gauge. Broad gauge at 1.676 m is one of the widest gauge used anywhere in the world. IR is in the process of converting all the metre gauge (14,406km) into broad gauge. Narrow gauge (3,106 km of track) with a width of 0.610 m to 0.762 m is restricted to very few places.

Railway links with adjacent countries
- Pakistan - Operational (Attari-Wagha)
- China - non existent
- Myanmar - non existent
- Bangladesh - yes, freight only
- Nepal - up to border town
Bhutan - proposed
Sri Lanka - non existent. Formerly up to India’s closest point to Sri Lanka.

20.3 Buses

Next only to railways, the most preferred long distance transport option for the public are the buses. Most of the state road transport corporations have buses which connect major cities and towns.

There are private bus operators who run regular schedule of buses for connections between major cities and towns. Most long distance buses are scheduled during the night. Long distance travel in buses is quite common for distances upto 500 kms. In some cases there are connections for distances like 1000 kms (e.g. Bangalore to Mumbai), with a travel time of 24 hours. With the advent of better buses (e.g. Volvo’s popular Volvo B7R) and better highways, road transport has become a fast and comfortable option for travellers.

20.4 Highways

The Network of National Highways in India

India has a network of National Highways connecting all the major cities and state capitals. As of 2005, India has a total of 65,569 km of highways, of which 4,885 km are classified as expressways. Most highways are 2 laned, while in some better developed areas they may broaden to 4 lanes. Close to big cities, highways can even be 8 laned.

All the highways are metalled. In most developed states the roads are smooth, however in less developed states and in sparsely populated areas, highways are riddled with potholes. Very few of India’s highways are constructed of concrete, the most notable being the Mumbai-Pune Expressway.

Highways form the economic backbone of the country. Highways have facilitated development along the route and many towns have sprung up along major highways.

In recent years construction has commenced on a nationwide system of multi-lane highways, including the Golden Quadrilateral expressways which link the largest cities in India.

A bus service Srinagar (India controlled, Jammu and Kashmir) - Muzaffarabad (Pakistan controlled, Azad Kashmir, part of what India calls PoK), with one bus service every two weeks, at the same time in both directions, opened on 7 April 2005.

Length: total - 3,319,644 km; paved - 1,517,077 km; unpaved - 1,802,567 km (1999 est.)

20.5 Waterways

India has an extensive network of inland waterways in the form of rivers, canals, backwaters and creeks. The total navigable length is 14,500 km, out of which about 5200 km of river and 485 km of canals can be used by mechanised crafts. Freight transportation by waterways is highly underutilised in India compared to other large
countries like USA, China and European Union. The total cargo moved (in tonne kilometers) by the inland waterway was just 0.1% of the total inland traffic in India, compared to the 21% figure for USA. Cargo transportation in an organised manner is confined to a few waterways in Goa, West Bengal, Assam and Kerala. Inland Waterways Authority of India (IWAI) is the statutory authority in charge of the waterways in India. It does the function of building the necessary infrastructure in these waterways, surveying the economic feasibility of new projects and also administration and regulation. The following waterways have been declared as National Waterways till now.

- **National Waterway 1** - Allahabad Haldia stretch of the Ganga Bhagirathi Hooghly river system (1620 km) in October 1986.
- **National Waterway 2** - Saidiya Dhubri stretch of the Brahmaputra river system (891 km) in September 1988.
- **National Waterway 3** - Kollam Kottapuram stretch of West Coast Canal (168 km) along with Champakara canal (14 km) and Udyogmandal canal (23 km) in February 1993.

### 20.6 Pipelines

Length of pipelines for crude oil 3,005 km; petroleum products 2,68 km; natural gas 1,700 km (1995)

### 20.7 Ports and harbours

The ports are the main gateway of trade. In India about 95% of the trade by quantity and 77% by value take place through the ports. There are 12 major ports and about 180 minor and intermediate ports in India. The total amount of traffic handled at the major port in 2003-2004 was 345 Mt and the minor ports together handled about 115 Mt.

The major ports are Calcutta, Haldia, Paradip, Visakhapatnam, Ennore, Chennai, Tuticorin, Kochi, New Mangalore, Mormugao, JNPT, Mumbai and Kandla. The distinction between major and minor ports is not based on the amount of cargo handled. The major ports are managed by port trusts which are regulated by the central government. They come under the purview of the Major Port Trusts Act, 1963. The minor ports are regulated by the respective state governments and many of these ports are private ports or captive ports.

### 20.8 Merchant marine

Total 321 ships (1,000 GRT or over) totaling 6,647,268 GRT/11,074,025 DWT

### 20.9 Air travel

India's booming economy has created a large middle-class population in India. Five years back, air travel was a dream for the majority of the Indian population. But rapid economic growth has made air travel more and more affordable in India. Air India, India's flag carrier, presently operates a fleet 42 aircraft and plays a major role in connecting India with the rest of the world. Several other foreign airlines connect Indian cities with other major cities across the globe.
Jet Airways, Indian (formerly Indian Airlines), Air Sahara and Alliance Air are the most popular brands in domestic air travel in order of their market share. Of these, Jet, Indian and Sahara also operate overseas routes after the liberalisation of Indian Aviation. These airlines connect more than 80 cities across India. However, a large section of country's air transport system remains untapped.

20.10 Airports and seaports of India

India's vast unutilized air transport network has attracted several investments in the Indian air industry in the past few years. More than half a dozen low-cost carriers entered the Indian market in 2004-05. Major new entrants include Air Deccan, Kingfisher Airlines, SpiceJet, GoAir, Paramount Airlines and IndiGo Airlines. To meet India's rapidly increasing demand for air travel, Air India recently placed orders for more than 68 jets from Boeing for 7.5 billion USD while Indian placed orders for 43 jets from Airbus for 2.5 billion USD. Jet Airways, India's largest private carrier, has invested billions of dollars to increase its fleet. This trend is not restricted to traditional air carriers in India. IndiGo Airlines came into the news with a bang when it announced orders for 100 Airbus A320s worth 6 billion USD during the Paris Air Show; the highest by any Asian domestic carrier. Kingfisher Airline became the first Indian air carrier in June 15, 2005 to order Airbus A380 aircraft. The total deal with Airbus was worth 3 billion USD.

20.11 Airports

The Indira Gandhi International Airport in Delhi is one of the busiest airports in South Asia. More than 20 international airports are located within the Republic of India. These include: Begumpet Airport, Chennai; Cochin International Airport Limited, Cochin; HAL Airport, Bangalore; Indira Gandhi International Airport, Delhi; Netaji Subhash Chandra Bose International Airport, Kolkata; Raja Sansi International Airport, Amritsar; Sardar Vallabhbhai Patel International Airport, Ahmedabad, Trivandrum International Airport, Trivandrum: Amausi International Arport, Lucknow. The Indira Gandhi International Airport and the Chatrapati Shivaji International Airport at Mumbai, handle more than half of the air traffic in South Asia. Besides these airports several other domestic airports are located in India.

In total, there are more than 334 (2002 est.) civilian airports in India - 238 with paved runways and 108 with unpaved runways.

Airports - with paved runways (1999 est.)

Chennai International Airport’s main runway
10,000 ft (3,048 m) or more: 12
8,000 to 9,999 ft (2,438 to 3,047 m): 49
5,000 to 7,999 ft (1,524 to 2,437 m): 84
3,000 to 4,999 ft (914 to 1,523 m): 74
under 3,000 ft (914 m): 19

Airports - with unpaved runways (1999 est.)
total: 108 8,000 to 9,999 ft (2,438 to 3,047 m): 2
5,000 to 7,999 ft (1,524 to 2,437 m): 4
3,000 to 4,999 ft (914 to 1,523 m): 47
Under 3,000 ft (914 m): 55 (1999 est.)
Heliports (2002 est.)

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