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**Setting up business in India with Foreign Direct Investment as WOS or JV**

Considering booming Indian economy with highest GDP rate in world, many foreign companies entering into India via FDI for manufacturing or Service business. The prime reason for this can be credited to the large population of the nation, buying capacity of the people and low labour cost. The recent Make in India initiative is an attempt to revive and catalyse the foreign investment in the nation. To attract more foreign investors to India, the Government of India has increased **Foreign Direct Investment** (FDI). There are, however, certain fields where FDI is not allowed as of now.

**Options to Entry Strategy to India**

The way for foreign establishments to come in India and do business was never so easy but thanks to the new liberalization started in 1991 and continuous till date. A foreign company can do business in India in the following ways:

**Option 1**

**Enter as an Indian company** – an overseas firm can start working by registering under private or public limited company under Company’s Act, 2013 in either of the ways described below:

* 1. **As a JV** - They can form a JV or Joint Venture with an Indian firm in the partnership in the ratio of 51:49 where the maximum ratio is held by an Indian firm or an Indian partner.
	2. **Wholly owned subsidiary (WOS)** – This mode is open in the areas where 100-percent FDI has been allowed by the government. In this mode the foreign company can hold 100 percent ownership with them.

In order for companies to register, an application needs to filed with ROC or Registrar of Companies.  Once a foreign company completes the due diligence and registers itself with ROC, it becomes subject to all the laws that are applicable to any Indian company. For example, labour law, PF, ESI, tax etc., all have to be as per defined Indian standards.

**Option 2**

**As a foreign company** - They can also set up their base in India by either of the following ways:

* 1. **Liaison office** - Also known as representative office, they act as connecting link between the head office and its entities in India. They cannot indulge in any commercial activity, their role is to study the market in India and disseminate the information to the parent company. It can only can export or import from or to India and also helps in aiding the technical partnership between the parent company and companies of India.



* 1. **Branch offices** –This way is the best for those foreign companies who are in the business of manufacturing and trading. It serves the following purpose:
* Export and import of goods
* Carry research work
* Consultancy services
* Rendering technical support to the products supplied by the parent/group companies.
* Promoting technical collaboration between the parent company and other companies in India
* Rendering IT services in India

**(c ) Project office**- It is the best way for companies that are looking towards India for specific projects. Project offices are not allowed to carry out any other work apart from those specified at the time of establishment.

Now, we know the various ways via which a foreign company can do business in India. Once the mode of operation is decided, the next step is to register the company.

**Basic Requirements for FDI**

1. Two people or companies in case of private limited company and seven people or companies in case of public limited company
2. One director must be resident of India i.e., he must have been residing in India for 182 days or more in the preceding financial year)
3. Indian address for a Registered Office
4. Register a Company as per Indian laws
5. Report to Reserve Bank of India for all investment made in India for equity capital from foreign remittance. No loans allowed, except as per allowed norms.

**An Indian company may receive FDI under the two routes as given under:**

1. **Automatic route:**Under automatic route foreign individuals/companies do not need a prior government/ Foreign Investment Promotion Board (FIPB) approval for investment in India. Company can be incorporated, bank account can be opened and funds can be received. Once funds are received a reporting to RBI to be done within time frame. The process takes about 4-6 weeks time.
2. **Government Route:**FDI requires prior approval of the government, considered by FIPB in activities not covered under the automatic route. This require a prior Approval from Ministries which are co-ordinated by Board called FIPB. The process takes about 3-4 months for approval/dis-approval.