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An Expatriate Manager's Introduction to India

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Welcome to the September issue of India Briefing

In this issue of India Briefing, we provide an expatriate manager's introduction to India. From key country facts and figures to the country to cultural etiquette and communication issues, we take a look at one of the fastest growing destinations for foreign investment. India today represents a great investment opportunity. Knowledge of India business practices and an understanding of Indian culture are priorities to success in this market. We analyze the top reasons to invest in India, cover basic business etiquette and cultural issues such as making appointments and negotiating a deal, and discuss some of the communication challenges that expatriates experience when working in India.

The articles in this issue of India Briefing were researched and written with the help of the India-based foreign direct investment and tax consultancy Dezan Shira & Associates. Please contact them directly through their primary offices in Mumbai at india@dezshira.com, and feel free to sign up for our regular India Briefing news bulletins and subscribe to the magazine as featured on the web site. We look forward to hearing from you.

With best regards,

Andy Scott
Managing Editor, India Briefing



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Cover Art

This issue's cover art, "Inner Landscape" (oil on canvas), is by the Indian artist C. Bhagyanathan. The artist lives and works in Kerala. "I am witnessing and interpreting the urban paradoxes of contemporary life in the context of urban life and am concerned with the impact of social and political events."

This cover is reproduced courtesy of the artist and Project 88. The gallery seeks out emerging artists and showcases them alongside more established Indian and international artists. It is located on the ground floor of the BMP Building, N.A. Sawant Marg, Colaba, Mumbai.

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An Introduction to India

[By Dezan Shira & Associates]

It is impossible for any visitor to not be astonished by India. Nowhere in the world does humanity possess such an overwhelming, colorful and diverse set of cultures, religions, races and languages. “Unity in Diversity” was the national slogan selected with pride and optimism in 1997 when India celebrated fifty years of Independence. Stretching from the frigid mountains of the Northern Himalayas to the tropical greenery of Kerala in the South, and from the sacred Ganges River to the dusty sands of the Thar Desert, India’s geographic landscape offers an incomparable variety.

With over 1.1 billion citizens, India is the second most populous nation in the world after China and the largest democracy in the world. Spurred by the free-market and trade liberalization reforms of the early 1990s, the economic revolution of the last twenty years has transformed India with new consumer goods, technologies and ways of life. India, the land where the Buddha lived and taught, and whose religious customs are as old as the rivers that sustain them, is the second-largest producer of computer software in the world.

Despite the growth and development India has undergone since Independence, poverty remains a harsh reality for approximately forty percent of India’s citizens. India suffers from massive slum settlements in cities like Delhi, Mumbai and Kolkata and has millions of malnourished children, uneducated women and homes without access to clean water and waste disposal.

Many first-time visitors to India find themselves unable to see past the glaring disparities that exist between rich and poor. Others visitors are surprised to find a highly materialistic society that places significant value on pedigree, status and luxury items like jewelry.

Many new visitors are often intimidated by this sometimes bewildering country full



of paradoxes and frustrations; however, India remains an utterly compelling destination for both leisure and business travel. The country is intricate and worn and daily life includes crowded bazaars, obsession for Bollywood movies and music, fiery cooking spices, and dust and cow dung. All of this creates an intoxicating reaction that is felt the moment a person steps off a plane in India.

The emergence of India’s free economy since 1991 has involved huge internal realignments of India laws and businesses. As a result, the foreign business and investment community are often confused or misinformed. Further, India is still burdened by an array of laws and regulations that impact the establishment and operation of businesses.

Therefore it is advisable to engage experienced legal counsel prior to investment in India. Laws and politics are subject to change at any point so investors are advised to retain counsel experienced in India transaction.

India represents a great investment opportunity and foreign corporations looking to move in have the chance to realize large profits. Knowledge of Indian laws and more importantly business and legal practices, understanding the Indian culture and appreciating the differences in culture, should remain priorities

for investors wishing to make sound investment decisions.

Since 1991, when former Finance Minister Manmohan Singh introduced liberal and deregulating economic reforms, India has lowered its trade barriers and tax rates, broken state-run industries and encouraged competition. In short, India has opened up to the rest of the world. While some have argued that the pace of reforms has been slow, India is now primed for change and growth, especially given Mr. Singh’s May 2009 victory to take on a second five-year term as prime minister of the country.

There has never been a time like now to invest. Not only is India the fourth largest economy in the world in terms of purchasing power parity, it also has an abundant, high-quality, cost-effective young workforce and booming domestic demand. The country has a pervasive

India key facts and figures

Population: ~1.139 billion

Capital: New Delhi

Borders: China, Nepal and Bhutan to the north, Bangladesh and Myanmar to the east and Pakistan to the west.

Area: 3.1 million sq km (1.2 million sq miles), excluding India administered Kashmir (100,569 sq km/38,830 sq miles)

Major languages: Hindi and English and 17 other official languages; most Indians speak more than one language

Major religions: Hinduism, Islam, Christianity, Sikhism, Buddhism, Jainism

Life expectancy: 63 (men) 66 (women) (UN)

Monetary Unit: 1 Indian Rupee = 100 paise

Main exports: Agricultural products, textile goods, gems and jewelry, software services and technology, engineering goods, chemicals, leather products.

GNI per capita: US\$2,960 per capita in PPP dollars, current prices (World Bank)

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air of entrepreneurship, well-developed banking system and a liberal policy on technology collaboration.

The government has introduced a plethora of reforms to encourage foreign direct investment including the opening of many new sectors, raising foreign investment equity caps in sectors already opened and implementing procedural simplification.

There is a wealth of opportunity in India right now because so many industries need investment, in particular, the infrastructure industry. India needs US\$500 billion for infrastructure development in the next three years alone.

There are several key factors contributing to India's competitive advantage in the manufacturing sector:

- A strong engineering/managerial capability contributing to a well developed and highly educated workforce
- Infrastructure/location advantage
- Government policies and regulations which focus on infrastructure, improving competitiveness of manufacturing firms and attracting foreign investments in India
- A skilled English-speaking, relatively low-cost workforce (one of the lowest labor costs per hour in the world)
- Rich reserve of raw materials

Why India now?

The following are four reasons why India has been considered an attractive FDI destination since 1991:

- 1) Traditional manufacturing markets in China are becoming more expensive
- 2) Increasing relaxation of FDI laws
- 3) The growing young domestic market
- 4) India's democratic political system

There are several other compelling reasons that make India the ideal destination for foreign investment right now, including:

- 1) *Strong Congress Party* – In May 2009, the Congress Party registered a monumental, landslide victory and the new government has indicated a strong desire to ease FDI regulations to promote development in key industries such as infrastructure, energy and

telecommunications to quickly drive the country to developed nation status. The liberalization of FDI regulations is a deliberate strategy on the part of the new Indian government to develop infrastructure, offering significant opportunity for foreign engineering and construction companies.

- 2) *Demographic "dividend"* – While traditionally thought of as a burden, India's large population will actually begin to yield the country some cost savings and drive economic growth. India's median age is 25 and is growing younger. Its young population provides an expansive low-cost workforce. In China, where the median age is nearly 35, the ratio of workers to retirees will start to drop causing workforce and production challenges. According to Foreign Affairs magazine, of the Fortune 500 companies, 125 of them now have research and development bases in India, a testament to India's high-quality human capital. Furthermore, it is projected that the working population of India is estimated to rise to 70 percent of the total demographic by 2030, making it the largest in the world. India's plentiful, affordable, skilled manpower makes it an ideal FDI destination.

- 3) *Pervasive entrepreneurship spirit* – India's people are known to be self-reliant with a tenacious capitalist spirit. India's entrepreneurship driven growth is quite different to China's state-centered model for growth. Only 10 percent of credit goes to the private sector in China whereas in India, entrepreneurs get more than 80 percent of all loans. Moreover, many of the world's top billionaires come from India and manage best-in-class companies such as Reliance Industries, Arcelor Mittal and Bharti Airtel. The country has graduated a huge number of students with management degrees over the past decade and these young graduates are an integral part of India's business growth. These young Indian businessmen no longer hold the protectionist ideals of their grandfather's generations – they are eager to partner with foreign companies. Moreover, given the

countries strong pool of scientific and technical manpower (over 100,000 IT professionals added each year) combined with India being the second largest English-speaking population in the world, India is an entrepreneurial hotbed.

- 4) *High domestic demand* – India has relied on its domestic market more than exports for many years. Unlike its other Asian neighbors who rely on exporting labor intensive, low-priced manufactured goods, India's growth is based on its demanding domestic consumer. By 2025 India will become the fifth largest consumer market in the world and aggregate consumer spending is projected to quadruple to approximately US\$1.5 trillion. The size of the middle class has quadrupled to nearly 250 million and Indian incomes are likely to grow threefold in the coming two decades. By 2011, 315 hypermarkets will come into existence in first and second tier cities across India, riding on the boom of the organized retail sector and high domestic demand.

Impact of May 2009 election

Over 417 million Indians voted in the national elections in May 2009, a turnout of 58 percent. About 119 million people voted for the Congress Party, giving it 206 of the 545 parliamentary seats and signaling a clear mandate for change. Manmohan Singh is the first person since Jawaharlal Nehru, India's first prime minister, to achieve the distinction of being voted to serve a second five-year term. The Congress Party's huge win has led to predictions of massive growth, reform, and positive change for the country. Congress is now the most popular party among the richest 20 percent of Indians, a block of voters that has traditionally voted for the Bharatiya Janata Party. Congress also gained significant support among the rural poor by promoting various state-sponsored development programs. The party now has unparalleled support from the various strata of Indian society and has affirmed its commitment to the growth and improvement of India, especially in terms of infrastructure through foreign investment.

Top reasons to invest in India now

Strong economic indicators

- India is the fourth largest economy in terms of purchasing power parity
- The nation's GDP is expected to grow by over 8.5 percent in 2010-2011
- Liberal and transparent foreign investment regime
- Well developed banking system and vibrant capital market
- Strong and independent judicial system
- Among the highest rates of returns on investment

Incredible human capital skills

- Strong pool of scientific and technical manpower from such places as the India Institute of Technology and the India Institute of Management
- Over 255 of Fortune 500 companies getting services from India
- Second largest English-speaking population in the world
- Abundant, high-quality, cost-effective, competitive manpower. Over 100,000 IT professionals added each year
- IT Industry over US\$14 billion and growing at 50 percent per year

Pervasive entrepreneurial spirit

- Prevalence of foreign technology licensing: Ranked 1st in the world
- Availability of scientists and engineers: Ranked 2nd
- Quality of management schools: Ranked 9th
- Firm level innovation: Ranked 12th
- Firm level technology absorption: Ranked 16th

Easy industrial licensing policy

- Under the Industries (Development and Regulation) Act of 1951, an industrial license is only needed for items that fall under compulsory licensing, are reserved for small-scale sector, or in a location that is restricted
- All industries exempt from industrial licensing required to file an Industrial Entrepreneur Memorandum
- No approval is required, only notification needed

Financial sector reforms

- Stable tax regime; only three rates of indirect tax and trade facilitation measures have been introduced

- The Foreign Exchange Management Act, 1999 provides a liberal regime; forex procedures are straight forward
- Stocks can be sold on without prior approval
- Profits, dividends and capital investment can be repatriated
- Royalties can be paid by wholly owned subsidiaries to parent companies

Trade policy reforms

- Trade policy liberalized and most items are on an open general license
- Policies fully compatible with the WTO
- Functioning of the Directorate General of Foreign Trade is computerized: all 33 locations are web-enabled, 70 percent of the total transactions of exporters and importers are web-enabled, transaction times have been reduced to just six hours and on-line banking fully integrated

Proactive FDI policy

- FDI under automatic route, except in few areas
- Investor can bring automatic route cases for Foreign Investment Promotion Board approval
- Foreign technology collaborations freely allowed under automatic and government approval routes
- India rated best destination for outsourcing and one of the most attractive destination for FDI
- Global competitive report ranks India in first place in terms of prevalence of foreign technology licensing
- Major destination for foreign venture capital funds.
- Foreign Investment Implementation Authority helps solve foreign investor problems and meets periodically with investors to sort out operational difficulties and facilitates implementation
- An empowered sub-committee of the National Development Council set up to create an investor friendly climate and remove regulatory barriers to investments
- All IPR laws are TRIPS compliant and the Intellectual Property Appellate Tribunal is functional

Infrastructure development

- *Roads* – Transport Minister Kamal Nath indicates that India is likely to attract US\$10 billion for roads in

next two years; India has one of the largest road networks in the world totaling 3.34 million kilometers and the National Highways Development Project (NHDP), the largest highway project ever undertaken by the country, is being implemented by the National Highway Authority of India

- *Airports* – Major upgrades of airports at New Delhi and Mumbai are underway and other major cities given significant increase in business and leisure air travel
- *Ports* – Major program aimed at developing ports and shipping sector at an estimated investment of US\$22 billion; India has approximately 12 major ports and 185 minor ones; government incentives include automatic approval of up to 100 percent foreign equity participation with regard to the construction of ports and harbors
- *Telecommunications* – India will be the second largest telecommunications market globally by the end of 2010; 9 million phones are being added every month in India; the industry is expected to generate revenues worth over US\$40 billion by 2013
- *Urban planning* – Development of townships for the rapidly growing and increasingly affluent urban middle class; city level infrastructure is needed in roads, bridges, IT parks, sanitation and water supply
- *Power* – The power sector is a high priority given the sheer size of market and the returns available on the investment capital; the Indian government has an ambitious mission of “power for all by 2012,” which would require that installed generation capacity be at least 200,000 megawatts by 2012

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Indian Business Etiquette and Culture

[By Dezan Shira & Associates]

India is a land of cultural diversity. It is one of the oldest civilizations in the world and is a complicated mixture of old and new traditions from the West and East. The vivacity of the large cities, the variety of people, the *mêlée* of sounds, the richness of colors and smells and the unpredictable nature of day-to-day life all defines India. If you are planning to do business with or in India, it is important to try and understand the astonishing richness of this vibrant culture.

Given how complex a country India is, it is important to not impart generic conclusions on how to do business there. Regionalism, industry, and people are all factors that need to be taken into account when doing business in India. Behavior, etiquette and approach may need to be modified depending on whom you are working with.

Making appointments

English is the business language of India. While Hindi is the official language of India and there are more than 29 regional languages spoken in the country, English is spoken by all middle class Indians and many less-skilled workers have basic speaking skills. Time format in India is expressed in the British manner of day, month, year; so August 15, 2009 is written 15 August 2009 or 15/08/09. The business calendar year is from April to March and there are multiple holidays throughout the year that vary dependent upon region and religion.

E-mail is the preferred and easiest method for setting up meeting appointments with contacts in India as the postal service is regarded to be unreliable. Indian names are comprised of given name and family name similar to Western style; there are implications of class and religion with names. It is common for “Mr.” or “Ms.” to be used in initial communications but once contact has been established the formality decreases.

In any initial communication, be sure to provide a clear overview of who you are, your role, and a brief description of your organization. Also, detail what you would like to discuss in a meeting as it is appreciated when you visit any company’s office given the long travel times in cities. If you are setting up a lunch or dinner meeting, it is advisable to check if the guest is vegetarian or prefers Indian or Western food.

It is very normal for meetings to start a few minutes late or have some interruptions and should not be considered a sign of disrespect. Everything takes time in India and things do not always work like clockwork. Indian culture has a slower, informal pace when it comes to business and many Indians believe that schedules are required to be flexible in order to accommodate different people’s timetables. It is advisable to keep a margin in your schedules for unexpected delays such as meetings running late or traffic. Furthermore, if you are visiting government officials, be prepared to be kept waiting. Also note that Muslim businessmen may take small breaks during meetings for their prayers.

In India, unlike some East Asian countries, you can be straightforward about what you want to achieve from the meeting or business engagement. There is not the issue of “losing face” and Indian businessmen appreciate being clear and forthright. It is important to be very specific in what you are looking for and have specific tender documents detailing your orders; given the extreme optimism in India and dynamic growing market, smaller start-ups have been known to overpromise. Establish a clear timeline and monitor deliverables.

Greetings

The traditional India greeting is the “*Namaste*,” which you do with hands pressed together, palms touching and fingers pointed upwards, in front of the chest with a slight nod or bow of the head. In a business setting, it is customary to

shake a male colleague’s hand; shaking hands with women is less common and it is better to wait for a woman’s initiative in a handshake out of respect. In the absence of a handshake, you can do a *Namaste*. It is very common for people, especially those younger than you, to call you “Sir” or “Madam” out of respect.

Many foreigners are perplexed by the common non-verbal signal that Indian’s do of shaking their head from side to side. It appears to be a combination of a verbal of yes and no. In India, this gesture is a visual way to communicate to someone that they understand what you are saying or that they agree with you.

Religions and holidays

India is composed of a multitude of religions coexisting (though not always peacefully) side by side. The dominant religion is Hinduism, but significant numbers of Muslims, Buddhists, Sikhs, Jains, Jews, and Christians also live in the country. In India, religion is a key aspect of life and must be respected in order to maintain successful business relationships. Despite the elimination of the traditional caste system that derives from Hinduism, attitudes still remain and aspects of the system still influence the hierarchical structure of business practices in India today.

Holidays in India come in all shapes and sizes and vary in terms of religion and region. It is important to check online before scheduling appointments if there are any conflicts. The three largest national holidays of India are:

- Republic Day - 26 January
- Independence Day - 15 August
- Gandhi Jayanti - 2 October

Below is a list of government holidays for 2010 (dates will vary year by year):

- January 08, Muharram
- January 26, Republic Day
- February 27, Milad an-Nabi (Birthday of the Prophet Mohammed)

- March 1, Holi (Dola Yatra)
- March 24, Rama Navami
- March 28, Mahavir Jayanti
- April 2, Good Friday
- May 27, Buddha Purnima
- August 15, Independence Day
- September 2, Janamashtami (Vaisnava)
- September 11, Eid ul-Fitr
- October 02, Mahatma Gandhi's Birthday
- October 17, Dussehra (Vijaya Dashami)
- November 5, Diwali (Deepavali)
- November 17, Eid ul-Adha
- November 21, Guru Nanak's Birthday
- December 17, Muharram
- December 25, Christmas Day

Diwali – Known as the Festival of Lights, this national holiday typically occurs between the end of September and early November. It is common for people to light small clay lamps filled with oil to signify the triumph of good over evil within an individual. During Diwali, many people wear new clothes and share sweets and other snacks with each other. Some Indian businesses may start their financial year by opening new accounting books on the first day of Diwali for good luck the following year.

In Hinduism, Diwali marks the return of Lord Rama to his kingdom, Ayodhya, after defeating the demon King Ravana, the ruler of Lanka in the epic story of Ramayana. It also celebrates the slaying of the demon King Narakasura by Lord Krishna. Both stories signify the victory of good over evil.

The notion of Karma – that everything happens for a reason – is a significant aspect of the culture and decision making process of many Indians. Indians have strong sense of community and define group orientation through hierarchical structure. Given the large population, there is a noticeable lack of privacy and a smaller concept of personal space, where several generations of families often living together under one roof. Given this, interpersonal relationships are critical in business practices.

Islam in India and Eid ul-Fitr – Islam is India's second-most practiced religion after Hinduism. More than 13.4 percent of the country's population (over 138 million as per 2001 census and 160.9 million per

2009 estimate) identify themselves as Muslims; India's Muslim population is the world's third largest behind Indonesia and Pakistan. Eid ul-Fitr (Eid) is a Muslim holiday that marks the end of Ramadan, the Islamic holy month of fasting. Eid means "festivity" in Arabic, while Fitr means "to break fast." Celebrated on the first day of Shawwal, Eid ul-Fitr lasts for three days of celebration.

In India, the night before Eid is called Chand Raat, which means "night of the moon." People often visit shops and malls with their families for last minute Eid shopping. Women often paint their hands with traditional "henna" and wear colorful bangles.

During Eid, the traditional greeting is "Eid Mubarak" and frequently includes a formal embrace. Gifts are given – new clothes are traditional – and it is also common for children to be given small amounts of money (Eidi) by their elders. It is common for children to "salam" parents and adult relatives. After the Eid prayers, it is common for families to visit graveyards and pray for the salvation of departed family members.

Making conversation

It is not uncommon for Indians to ask questions which can be seen as too personal or intrusive. Discussing one's family and personal life is normal among Indians and enquiring about the other person's family is seen as a sign of friendliness and interest.

There are many topics of conversation that Indians find engaging such as politics, cricket, films and most recently, India's economic reforms and growth. Bollywood, India's film industry, produces the largest number of films annually [around 800-1000] in the world. There are more than 13,000 movie theaters in the country and many Indians also keep abreast of the latest movies through TV, videos and DVDs. Like cricket players, film stars are considered national icons and are the subject of a lot of social discussion and gossip.

In general, Indians are very tolerant and accepting of religious and cultural differences given the country's vast diversity. Given that religious practices

and rituals play a major role in Indian life, a genuine enquiry into a certain religious practice will normally be met with an enthusiastic response. India's relationship with its neighboring country, Pakistan, has historically never been a very amiable one. Some educated Indians view this as a failure on the part of politicians on both sides. However, many Indians can be very biased, emotional and one-sided when discussing Pakistan. In general, it is advisable to avoid discussing Pakistan-India issues.

In addition, it is hard to not notice the large rich-poor divide that exists in India. It is common to find wealthy, extravagant homes next to sprawling slums. Some Indians may be sensitive and defensive about the poverty as they are very proud of the economic growth the country has seen.

Hierarchy (names and titles)

Indians are accustomed to old British customs of hierarchy and there is a higher degree of formality between colleagues than in the West; for example, it is normal to use "sir" when talking upwards. It is recommended to use last names upon meeting someone for the first time and mention any higher academic or other titles.

The influences of Hinduism and the ancient tradition of the caste system have created a culture that emphasizes established hierarchical relationships. Indians are quite conscious and aware of social order and their status relative to other people, whether they are family, friends, or strangers. All relationships involve hierarchies. For example, teachers are called gurus and are viewed as the source of all knowledge. The patriarch, usually the father, is considered the head of the family. The boss is seen as the source of ultimate responsibility in business. Every relationship has a well-defined hierarchy that must be observed for the social order to be maintained.

Business attire

For men, the normal business attire is a button-down shirt, trousers and a jacket or tie depending on the formality of the meeting or industry (banking sector suits

would be more prevalent. Also, given that India has a warm climate, a full-sleeved shirt with a tie is acceptable. In the IT sector, however, the dress code is much more casual. It is common to find employees wearing T-shirts and jeans with sneakers.

In recent years, the dress code for women in Indian business settings has undergone a significant transformation. Earlier, most women would wear traditional Indian clothes such as the Salwar Kameez (long tunic and loose pants) or simple saris to the office. Now, women often wear pant-suits or long skirts, which cover the knees. The neckline of the blouse or the top should be high. For women, a salwar-suit is also acceptable for business dress. Jeans with a T-shirt or short-sleeved shirt are acceptable as casual wear in informal situations for both men and women.

It is acceptable to wear casual dress if invited to a social gathering. However, if a foreigner wears an Indian costume (kurta-pajama for men, and sari or salwar-suit for women), this kind of dress is also appreciated, and often seen as a gesture of friendship or keenness to understand the Indian culture. If invited to a formal event such as a wedding, formal attire is recommended.

Negotiating a deal

There are as many salesmen as buyers in India; the average India businessman has a lot of experience “wheeling and dealing” so it’s important to be patient during the negotiating process. Decision-making is a slow process and final decisions are typically reached by the person with the most authority. Delays are frequent and to be expected, especially when dealing with the government.

Entertaining clients

It is common for foreigners to be invited for dinner or a meal at the home of an Indian business contact. Indians take great pride and joy in hosting guests, especially those from abroad, and serving home-cooked traditional meals. If you are invited to an Indian’s home for dinner, it is highly recommended to take some kind of gift, such as a box of sweets or flowers. If your host has children, carrying a small gift for the child is also appreciated.

If you are visiting an Indian during a festival, it is customary to carry a box of sweets, known as “mithai.”

In many Indian homes, people remove his or her shoes before entering. Observing this custom is particularly important so if you notice your host without shoes on you should remove yours as well. However, if the host insists you keep your shoes on, this is ok as well.

If you are attending a wedding and giving money as a gift, note that the Indian custom is to add an extra rupee for good luck (101, 501, 1001, etc.). The adding of one is considered auspicious and your gift would be more appreciated if it is in these denominations.

Drinking alcohol is culturally not accepted in some parts of India and many Indians do not drink at home. However, if your host drinks and keeps drinks at home, then drinking is not a problem.

Food

Eating and drinking are intrinsic aspects of Indian culture and there is great variety based on local customs and religions. It is common practice for hosts to offer beverages such as tea, coffee or soft-drinks with some light snacks or refreshments to a guest, even in business meeting settings. If you ask for or are offered water, it is ok to ask if the water is filtered or from a bottle. Most Indians use only filtered water and will understand your need to clarify this before drinking.

If you are doing several meetings in a day or are feeling full, it is ok to decline the first offer for food and drink. It is customary [though not mandatory] to refuse the first offer, but to accept the second or third. It would be considered a breach of etiquette not to accept something small to eat or drink at all. Even if you don’t want to have the refreshments/ snacks, it is advisable to accept them and leave them untouched or slightly consumed.

For a large number of Indian Hindus, eating meat is a religious taboo. While planning a meal for your Indian guests (or placing an order in a restaurant), it is recommended to ask if they are vegetarians or non-vegetarians. Much

Indian food is eaten with the fingers and it is customary to eat with the right hand only.

In terms of drinking, it is better to ask your guest “What would you like to drink?” rather than “Can I get you a beer?”. Even guests who drink will not drink alcohol on certain occasions such as religious festivals or if there is an older, highly respected relative present. Therefore, it is prudent to have fruit-juices or soft-drinks available.

Tipping

In India, excessive tipping is not common, but a certain amount of tip is expected. In most restaurants, 10 percent is a sufficient tip. You can, however, give an additional tip by leaving the change to show your appreciation. For taxis, many simply round up to the nearest whole amount.

Travel

All foreigners visiting India need a visa. When applying for a visa, you may need a letter from your Indian contact explaining the purpose of the meeting. It is important to visit your doctor before your trip to check which vaccinations or boosters you require and it is common for visitors to take anti malaria drugs which begin typically one week prior to travel.

It is advisable if you negotiate a rate with a taxi driver, to confirm the amount before getting into the car and to check your change thoroughly

Safety

Since the November 2008 Mumbai terrorist attacks, the city has taken many steps to regain security and safety in the city. These attacks are similar to the train and bus bombings that occurred in Madrid and London in the past decade and indicate that all modern metropolises are at risk and when visiting India, visitors should take the same precautions they would in any large city.

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Communication Challenges when Working in India

[By Mark Hannant]

One of the great attractions of India as an investment destination remains the widespread knowledge of English. 125 million Indian's speak English. That's twice the population of the United Kingdom and about half the number of English speakers in the United States. And the numbers are growing. According to the Times of India – the most widely read English language newspaper in the world, given its massive online readership – the number of children enrolled in English medium schools in India has more than doubled in the last five years.

Britain and America have been described as two nations divided by a common language. In many ways the same is true with India. Despite the prevalence of Indian English, doing business in India means overcoming communications challenges at both an inter-personal and enterprise level. Neither is insurmountable but effort and investment are required to overcome them. In my experience the efforts more than justify the rewards on a personal level and in business.

At a corporate level much of the communications done by Indian businesses doesn't reflect the capability of the enterprise. Well managed, innovative and financially successful businesses aren't good at telling their stories. In part this is because historically they haven't had to sell themselves and because the skills aren't readily available to do so. There wasn't a demand so the capability didn't develop. A supply-driven economy with prices fixed by government and an over-supply of labor left little need for stakeholder communications. In the modern, liberalized marketplace with foreign competition and customer choice, things are changing. Indian businesses are waking up to the challenges of differentiating themselves domestically. They are realizing the importance of creating sustainable value propositions



to attract and retain talent. They are beginning to measure themselves not only against their Indian competitors but also to benchmark against international standards. This is particularly evident among Indian businesses seeking to capture global opportunities. They realize the need for new approaches if they are to compete internationally.

There are imperatives for change. Following the Satyam scandal of 2009 there is a nascent acknowledgement that reforms in corporate governance are both required and advantageous. There is a long way to go before the general levels of corporate communications, or governance, in India are comparable to those of the western world.

Cultural considerations

India is an extremely hierarchical country. It has what sociologists refer to as a high power distance. That is a measure not of the "absolute levels" of inequality in a society but of the degree to which individuals – be they at the top or bottom of the pecking order – accept and expect that inequality. Levels of inequality are extreme in India. And people are highly accepting of the degree of inequality. Western European countries on the other hand exhibit low power distances and are in some key respects more equitable. The primary model for businesses, from the smallest street stall to the largest multinational conglomerate, in India is still the family-owned business. The really large ones – the multi-billion dollar

enterprises – are usually referred to as "promoter-owned."

Even in publicly listed companies a significant chunk of stock will be owned by the founding, promoter family. And while they may not be majority shareholders they can act as though they are and show little respect for the views or interests of other shareholders. The Satyam accounting fraud, exposed in 2009, was billed as India's Enron. There was a predictable dash to paint Satyam as a one-off. The reality is that family structures, the appointment of close family or caste associates to directorships is not consistent with the principles of democratic corporate governance. A combination of factors – high power distance, strong family ownership systems and a belief in more lives during which to make your mark – can combine to disenfranchise senior managers. Getting decisions even from board-level directors can be a battle. They won't say 'no' of course but it becomes clear when a proposal has been kicked into the long grass because the executive doesn't actually have the decision-making power despite having a sign that says CEO above his desk.

The family ownership structure won't change any time soon. India's continued success is vested in the hands of a small group of promoter families. And it is noticeable that some are actively looking for ways in which they can be less opaque and become better at communicating with stakeholders.

The liberalization of the Indian economy which began tentatively in 1991 with the gold crisis has found its way into almost all spheres of commerce. Few sectors are now closed to foreign investment. The "favorable" circumstances that existed for the first five post independence decades – protectionist policies ensuring there was no threat of foreign competition in a nation where demand would always

outstrip supply - have gone. Businesses founded in those years found success while remaining unproductive, inefficient and uncompetitive. They can't survive in the increasingly competitive landscape.

A generation of MBA graduates with degrees from international business schools who would have in past decades settled in the west are coming back to India with heads full of new ideas and hard-drives full of new business models. Armed with a vision and a sense of destiny they are keen to renew and diversify their family's businesses. They realize things can, and in many cases have to, be done differently. Working with these hugely ambitious, extremely intelligent, (and often scarily young) men and women as they seek to transform businesses is one of the real joys of being a consultant in India at this moment in time.

Among other things they are realizing the value of communications as a strategic business discipline, investing in it and seeing the returns.

India as a global player

India is poised, so many believe, to take its place over the coming decades as a global economic power. Several factors make this a plausible if very challenging scenario. Domestic growth is predicted to remain strong. Global economic factors offer Indian companies more and more chances to become international players. Western investors are keen to participate in "the India story."

GDP is predicted to have grown by 7.5 percent in the financial year 2009-2010 up from 6.7 percent through the crisis year of 2008-2009. Some commentators predict growth at these rates for the next 20 years. That provides huge scope domestically. Internationally, the macroeconomic environment is creating new cross-border opportunities which favor Asian buyers. Businesses in the region, certainly those in the two major emerging economies of India and China, are in large part well capitalized with strong balance sheets and the cash reserves required to make acquisitions without much need for leverage. At the same time many target businesses in the west are either distressed or at historically low valuations. The balance of power is shifting east.

As well as capturing domestic growth a group of Indian companies are finding an appetite for, and growing confidence in, making acquisitions or building international businesses organically. While macro-economic factors play to their advantage it is the cultural issues outlined above that continue to hamper their progress.

The joys and frustrations that characterize inter-personal communications in India are replicated at a corporate level.

As they extend their scope, organically or inorganically, Indian businesses are facing new challenges: Expanding geographies, new regulatory regimes, increasingly complex stakeholder engagements. They are encountering western management structures which are typically flatter, less hierarchical and require an increasing focus on soft skills of leadership, communication and engagement. Indian managers have not, in many cases, been schooled in these arts. Few MBA courses in Asia have any significant soft skills component.

Prof Nitin Pangarkar, academic director, National University of Singapore argues for a shift in focus in Indian business schools: "Students from these institutes are good at number crunching. But they lack soft skills like communication and the ability to listen. This is what distinguishes entrepreneurs from managers. Entrepreneurs have the ability to change and adapt to new environments and accordingly change business strategies. Business schools have to shape their students to ensure that they are sensitive to the needs of their customers while managing business abroad," he says.

Businesses looking to operate internationally are repositioning themselves. When your ambition is to become a "respected global entrepreneur" you need to think of yourself as something more than India's number one. Other benchmarks that show new capabilities need to be found. This is happening. Companies are accepting that their international growth is about more than just having the financial clout. Buying is easy; owning is hard, as the saying goes. The owning involves merging or operating

in ways that convert notional value into real value. That's not easy and requires people and organizations to acquire new skills.

There are many differences in the way corporate (enterprise-level) communications is seen in India and the west. In India, businesses have historically taken an industrial relations approach to communicating with employees. In the west the notion of employee engagement – opening up internal decision making – is taking hold and replacing the old command and control model. Stakeholder communication – engaging regulators and local communities as well as shareholders, investors and customers – is becoming a well-developed and sophisticated practice. It goes well beyond the investor relations-focused PR, which typifies what many Indian businesses think of as corporate communications.

As I wrote in the introduction, the quality of corporate communications practice among a large number of Indian companies does not reflect the true capability of the enterprise: Poorly designed web sites riddled with grammatical errors and spelling mistakes are often the public face of a high-tech, precision-oriented business looking to expand overseas. The problem is that this is the public face of the enterprise to stakeholders in new domains.

There is evidence of a changing mindset, albeit slowly. There is growing demand for professional communicators and of corporate communications being seen by some Indian enterprises as a strategic practice which can make the difference between success and failure.

Sujit Patil, head of corporate communications at TATA Chemicals has plenty of first-hand experience and represents a new type of Indian professional communicator. TATA Chemicals has increased its revenues significantly in the past five years. That growth has mainly been inorganic. In 2006 TATA Chemicals acquired Brunner Mond with operations in the UK, the Netherlands and Kenya. Two years later it acquired General Chemical Industrial Products (GCIP) in the United States to become the world's largest producer of soda ash.

“The business saw the need to invest in communications as a strategic discipline” says Patil. “Internal communications has played a significant role, first in preparing a global mindset among the Indian employees and then in integrating employees across geographies. As we embarked on our global journey the first clear mandate for internal communication was to shape and change mindsets. Creating a global mindset for Indian employees was imperative. Interventions using traditional and nontraditional modes of communications (theatre, for example) were employed to create cultural sensitivity and to understand what employees thought about globalization. “The strategy of the communication team was to ensure consistent experiences for employees.

“Post-integration, the approach is to ensure that there are effective mechanisms to enable communication across levels and across geographies so that all employees are aware of key organizational decisions,” says Patil.

An active member of an international professional association, Patil has built alliances with fellow communications professionals across the globe, seen the communications practice accomplished elsewhere and implemented best-practice in his own organization. It has been a long journey he says but, the communications work being done in TATA Chemicals now stands out in an Indian context and supports the business strategy of internationalizing the business. He remains frustrated by what he sees as tardiness – poor timekeeping or lack of attention to detail, for example – on the part of his contemporaries. “The mindset

is different in other countries,” he says. Much media attention focuses on the high profile acquisitions that make good newspaper copy – TATA Motors’ “two fingers” to the old colonial power’ acquisition of Jaguar Land Rover is a case in point. There are a myriad of other, lower profile, but significant deals taking place.

United Phosphorus Limited (UPL) is a case in point. It has been a highly aggressive acquirer completing 26 acquisitions in the past 15 years. 16 have been in the past five and the deal values are increasing. Profits have increased almost seven fold in the last five years as it has created a footprint across Asia, Europe, the United States and South America, Australia and southern Africa and become a leading global player in the agri-chemicals and seeds sector. “Integrating is as challenging as acquiring companies and we have a dedicated in-house team to ensure that we achieve our integration goals within three years”, says executive director Vikram Schroff. “People assume we’re going to reduce head count and move jobs to India. That hasn’t been the case. We invest in and grow the business we acquire and we’re getting better at telling that story to the people who become part of UPL,” he adds.

Other Indian businesses with international aspirations choose organic growth.

Pantheon, a privately owned Indian company with significant overseas operations, is one. In the past eight years it has quietly built a global enterprise and in doing so become both the world’s largest distributor of Iodine and the biggest

importer of apples into India. Founder Kalpesh Kinariwala puts his success down to his ability to be chameleon-like in his dealings with international clients and to be an effective communicator. “You have to be sensitive to other cultures. You can’t just take your own Indian ways with you and expect to be a success. It doesn’t work. Indians are formal and direct and when it comes to meetings it’s just about the business. Europeans take a more informal approach. Indian’s are typically not adaptable. The key is to be able to adapt to the cultural expectations of each continent or country.

Building on his international success Kinariwala launched a hedge fund and has been raising money internationally. “There’s still plenty of interest in the India story,” he says.

The “India growth story” is of course in large part unwritten. It is a story of ambition and potential. Spend a day or two in Mumbai, Delhi, Bangalore, or the up and coming second-tier cities of Ahmadabad, Pune or Coimbatore and you’ll get the sense that despite the daily frustrations, the potential for misunderstanding and the impediments – there is a huge sense of optimism and an infectious can-do attitude.

Mark Hannant is the founder of veri, a business providing strategic communications support to businesses investing in or growing from India. A skilled business and communications strategist with a wealth of international experience, he previously ran businesses in London and New York. He now lives in Mumbai. For more information, visit www.veribydesh.com.

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