



By Gautam Khurana,
India Law Offices



D-19 (GF) & D-31, South Extension – 1
New Delhi – 110 049
India

Mumbai | Bengaluru

Contact details:

Tel: +91 11 2462 2216 / +91 11 246 2218

Fax: +91 11 2465 4364

Email: g.khurana@indialawoffices.co

Make in India a win-win for local and foreign companies

Make in India is a scheme brought in by the government in 2014 to achieve the super thrust in manufacturing and growth that India has been anticipating for years. The highly publicized scheme has the potential to industrialize India just like China in the 1990s.

The scheme relies on making doing business easier and more transparent compared to the Indian business and manufacturing environment of the past. It is a wonderful initiative and both the Indian business community and the authorities should ensure it succeeds and is not frittered away. The world is watching and India needs to deliver now.

This is a great opportunity for foreign companies to enter the Indian market. The government machinery is working hard to earn the trust of the international community. Indian manufacturing offers low-cost access to the Indian market. In real terms the pay rates for Indian labour remain competitive worldwide.

The only deficiency has been the infrastructure, unreliability of the system and hurdles due to political interference and bureaucracy. With the attitude of the current government, there is a good chance the Indian market will become a much easier and more efficient market to work in over the next few years. The new entrants under the Make in India scheme stand to gain immensely.

India has one of the most open markets in the world among the controlled economies, besides being legally reliable and lucrative too. This is the time to be in India.

It is also time for Indian companies to understand the power of the Make in India scheme. Indian companies are pragmatic and wise when it comes to doing business in India. An average mid-size Indian company

has been lacking when it comes to new technology and products, access to global capital and the ability to take risks. It is to this end that Indian companies should work on attracting foreign companies to join them in joint ventures.

Various chambers of commerce and others such as India Law Offices help companies team up with each other for the Indian market. The government and authorities should consider that a partnership model could be more beneficial for the Indian economy.

The Make in India programme is sound in terms of ideology and building a long-term topography of a successful business environment. The scheme however requires at least one more dimension to bring in a higher flow of foreign capital and technology. The outlook for the medium and long term is great, however the short term presents challenges due to lack of efficient infrastructure.

To encourage foreign companies to move investments faster into India and to build up the Indian economy to ensure that growth prospects are skewed in favour of companies that chose to become and remain Indian, the policy makers and government authorities could consider measures such as a limited time tax holiday for companies that commence production in India prior to a specified date, e.g. 31 December 2018, and a tax subsidy, capital support or other cash incentives for pure technology play companies that have an option of manufacturing in China, Malaysia, eastern Europe, etc., but chose India voluntarily. There are some cash support schemes but in real euro or dollar terms the numbers are not exciting enough to attract serious players to the schemes.

Joint ventures do not find a specific

mention in the policy. The government could consider:

- Special incentives and encouragement for businesses that grant Indian companies access to technology that is beneficial to India, is available for the long term and can be customized to Indian needs.
- Incentives or special assistance to joint ventures or technology arrangements that help India increase exports of goods made in India. A policy enhancement is required to distinguish investments that are targeted at tapping the Indian market from those that would use India as hub for manufacturing for other parts of the world as well as improve the quality standards in India.
- Encouraging investments that promote better use of land and animal resources. For example, cash crops like olives have been introduced and the quality of grapes has been improved. Investments that can improve milk production, animal health, etc., should be drawn from other parts of the world to help India realize its true potential.

The Make in India scheme is a grand plan. We need to ensure it is a grand success too.

Gautam Khurana is the managing partner at India Law Offices in New Delhi. The firm offers a corporate matching programme that helps Indian companies team up with foreign manufacturing and technology companies in nearly 17 countries by cooperating with nearly 100 law firms worldwide.