GOVERNMENT OF PAKISTAN
Ministry of Commerce

Pakistan-India Trade Liberalization: An Analysis of Investment Policies and Practices

April 2013

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Acknowledgement

This report is made possible by the support of the United States Agency for International Development (USAID). The information in this document does not necessarily reflect the views or position of USAID.

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Executive Summary

The purpose of the report is to serve as an overview of policies and procedures for cross border investment in India and Pakistan. It presents a comparative assessment of the investment regimes of Pakistan and India. The report highlights sectors for potential investment and lays down the procedures for different modes of investments.

The report is comprised of four sections. Section I looks at the foreign direct investment in India and entry options and procedures of investing in India. Section II presents a sectoral analysis of the possible areas of investment in India; sector overview and outlook, incentives, policy and promotion and other major developments. Due to the lack of presence of a focal point for the investment study in India, the first two sections are based on secondary research. Few of the main online sources used in this secondary research include the Indian Foreign Investment Promotion Board (FIPB), The Federation of Indian Chambers of Commerce and Industry (FCCI), The Ministry of Overseas Indian Affairs (MOIA), Invest India, as well as transparency reports for investors put together by Ernst and Young (EY) and Price Waterhouse Coopers (PwC).

Section III highlights the foreign direct investment in Pakistan and entry options and procedures of investing in Pakistan. Section IV underlines the sector overview and outlook, policy and promotion and other developments for potential investment areas in Pakistan. Finally, Section V aims to give a better understanding of setting up business in India, supported by case studies conducted by the USAID Trade Project, in the cement and retail industries. This part of the research (section III, IV, V) combines both, primary and secondary research, to produce necessary information for potential investors. These resources include, Pakistan Board of Investment (BOI), Pakistan Ministry of Foreign Affairs (MOFA), Securities and Exchange Commission of Pakistan (SECP), and field research conducted to corroborate the information with the State Bank of Pakistan (SBP), Pakistan Business Council (PBC) and The Jang Group. Lastly, case studies were conducted with Lucky Cement, Pakistan's largest producer and leading exporter of quality cement, and SEFAM, Pakistan's largest fashion house and retailers.

Comparative Summary Table: Entry Options & Procedure for Investment in India & Pakistan

Investment Options				
Particulars	**Host Country**	**Liaison Office**	**Branch Office/Project Office**	**Wholly Owned Subsidiary/Joint Ventures**
Legal Status	India	Represents the parent company.	Extension of parent company	Independent legal status
	Pakistan	Represents the parent company.	Extension of parent company	Independent legal status
Setting up requirements	India	Prior approval of Reserve Bank of India (RBI) required for all countries. Granted for initial period of 3 years.	Branch Office: Prior approval of RBI required for all countries. Project Office: Prior approval not required if certain criteria are met. Certificate of establishing place of business in India is required to be obtained from Registrar of Companies. **Prior approval of RBIs required for Pakistani investors.**	Prior approval not required for investment activities under automatic route but only post-facto filings to be undertaken with RBI. An application has to be filed with Registrar of Companies (ROC). Once a company has been registered and incorporated in India, it is subject to laws and regulations as applicable to other domestic companies in India. **Prior approval of RBI s required for Pakistani investors.**
	Pakistan	Prior approval from the Board of Investment (BOI) required. Must register with the Securities & Exchange Commission of Pakistan (SECP) Granted for initial period of 3-5 years.	Prior approval of BOI required. Must register with the Securities & Exchange Commission of Pakistan(SECP) The BOI normally takes 3-8 weeks to issue permission after receiving the application.	The three principal routes • Formation of a wholly owned private company • Formation of a public limited company • Joint venture partners - private or a public company.

Activities Allowed for Each Investment Option	India	Only liaison, representation, communication role permitted. No commercial or business activities allowed.	Manufacturing and processing activities not permitted.	Any activity specified in the memorandum of association of the company permitted. Wide range of activities permitted, subject to Foreign Direct Investment (FDI) guidelines.
	Pakistan	Strictly restricted from entering into revenue generating activities.	Cannot indulge in commercial / trading activities. Activities listed/permitted by the RBI allowed to be undertaken	Any activity specified in the memorandum of association of the company is permitted.
Funding of operations	India	Local expenses to be met through inward remittances received from abroad from the Head Office through normal banking channels.	Local expenses to be met through inward remittances from Head Office or from earnings from permitted operations.	Funding through equity or other forms of permitted capital infusion or borrowings (local as well as overseas as per prescribed norms) or internal accruals.
	Pakistan	Required to meet operational expenses through remittances from its parent company through normal banking channels.	All expenses incurred are to be met out of funds transferred from abroad though normal banking channel or from the amounts received though execution of the contract.	Funding through equity or other forms of permitted capital infusion or borrowings (local as well as overseas as per prescribed norms) or internal accruals.
Compliance requirements under foreign exchange management regulations	India	Required to file an annual activity certificate (from auditors in India) with RBI.	Required to file an annual activity certificate (from auditors in India) with RBI.	Required to file periodic and annual filings relating to foreign liabilities and assets, receipt of capital and issue of shares to foreign investors.
	Pakistan	All foreign companies must deliver accounts for its operations in Pakistan with the registrar and accounts must be audited annually.		
Compliance requirements under taxation	India	Not subject to any tax	Taxed on income earned at the rate 42.02% (including surcharges and cess) and required to file returns of income in India. Minimum Alternate Tax (MAT) applicable at the rate of 19.44% (including surcharge and cess) of its book profits. No tax on repatriation of profits.	Liable to tax on global income at 32.45% (including surcharges and cess) on net income basis. Liable to MAT at the rate of 19.05% (including surcharges and cess) of its book profits. No Distribution Dividend Tax levied on profit distribution.
	Pakistan	For income tax purposes, it is	• Tax credit equal to 100% of income tax liability is available for	

		treated as "Company" per Income Tax Ordinance 2001 and income tax rate of 35% is applicable. Other requirements for tax withholding, payment of advance income tax and filing of tax returns/statements apply. Other levies (sales tax, customs & excise apply) also apply.	newly established industrial undertakings in Pakistan. • Income tax rate is applied at 35% or 25% for small companies. • Payment of dividend (distribution of profits) is subject to 10% income tax withholding. • Special tax relief provisions for non-resident persons allowing deductions of expenses incurred outside Pakistan, royalties, fees for technical services and profit on debt. • Tax credits are also available to companies for making investment in shares, profit on debt, charitable donations and enlistment. • Special group taxation provision for locally incorporated companies that allow a subsidiary to surrender its tax losses to parent & vice versa. • Agreements for avoiding double taxation are in place to benefit international investors. • Annual filing of income tax return and monthly filing of tax statements are required. • Relief on application of customs duty and sales tax on import of certain items.	
Repatriation of funds	India	In case of closure of the LO, surplus cash may be repatriated with RBI approval.	No approval required for remittance of post-tax profits to the Head Office outside India. Subject to filings of requisite documents with RBI.	No approval required for remittance of post-tax profits.
	Pakistan	Liaison office cannot repatriate profits or dividends. Branch office can repatriate funds only to its head office. Income tax withholding rate of 10% is applied on this dividends or profit repatriation.	Revenue generated/profit earned can be repatriated to the head office, subject to payment of applicable taxes.	International investors who invest in equity/debt instruments of listed entities can freely repatriate profits. For companies incorporated in Pakistan, payment of dividends to international investors is allowed.
Exit mechanism	India	Prior Approval of RBI, ROC, and the Income Tax authorities.	Prior Approval of RBI, ROC, and the Income Tax authorities.	Exit can be through sale of share, winding up or liquidation.
	Pakistan	If a foreign company (Liaison office) ceases to have place of business in Pakistan, it is required to give notice to the registrar of SECP at least 30 days before it intends to cease to have any place	If a foreign company (Branch office) ceases to have place of business in Pakistan, it is required to give notice to the registrar of SECP at least 30 days	A company can be wound up voluntarily, through court or subject to the supervision of court. There are certain prescribed documents required to be filed with Securities and Exchange Commission of Pakistan.

		of business in Pakistan on prescribed Form 46 and to publish a notice of such intention at least in two daily newspapers circulating in the Province(s) in which such place(s) of business is situated. Notice for discontinuation of business is required to be given to tax collecting agency.	before it intends to cease to have any place of business in Pakistan on prescribed Form 46 and to publish a notice of such intention at least in two daily newspapers circulating in the Province(s) in which such place(s) of business is situated. Notice for discontinuation of business is required to be given to tax collecting agency.	Notice for discontinuation of business is required to be given to tax collecting agency (FBR). Special tax relief (no tax or gain on disposal) is available where assets of a company are disposed under scheme of arrangement & reconstruction.

SECTION I – Foreign Direct Investment in India

India is considered among the top five most attractive destinations for international investors and was ranked second, after China, in global foreign direct investments in 2010, in the United Nations Conference on Trade and Development (UNCTAD) report titled "World Investment Prospects Survey 2009-2012." Major countries that have invested in India in the last two years (2010 – 2012) include Mauritius, UK, Singapore, Japan, Germany, Cyprus, Netherlands, USA, France and UAE.

The recent developments on liberalizing trade between Pakistan and India paved way for discussions on other areas of economic cooperation that could confer significant gains to both Pakistan and India. Under the consolidated foreign direct investment (FDI) policy, amended in April 2012, the Government of India allowed investments from Pakistan through the government route, as opposed to the automatic route, in all sectors other than defense, space, and atomic energy. While the investment regime has been liberalized, the FDI policy still remains restrictive towards Pakistan compared to investments from other countries. These restrictions can be observed in the following aspects as per Circular 1, 2012, of Consolidated FDI Policy of India:

- Automatic versus government route of investment: Other than Bangladesh and Pakistan, no other country has restrictions of obtaining prior government approval for investments in all sectors (with the exception of some specific sectors where all countries are treated equally). Given the number of stakeholders involved under the government approval, the process may be time-consuming and cumbersome.
- Opening up a Liaison/Branch/Project Office in India: The rule with respect to Pakistan states "without prior permission of the Reserve Bank, no person being a citizen of Pakistan, can establish in India, a Branch or a Liaison Office or a Project Office or any other place of business."
- Issuing of shares under the Employees Stock Option Scheme (ESOPs): Listed Indian companies are allowed to issue shares under the ESOPs to its employees or to the employees of its joint venture or wholly owned subsidiary abroad, who are resident outside India, other than to the citizens of Pakistan. Similarly, unlisted companies can issue ESOPs to employees who are resident outside India, other than to the citizens of Pakistan. ESOPs can be issued to citizens of Bangladesh with the prior approval of Foreign Investment Promotion Board (FIPB).
- Prohibition on acquisition or transfer of immovable property in India: No person being a citizen of Pakistan, Bangladesh, Sri Lanka, Afghanistan, China, Iran, Nepal or Bhutan without prior permission of the Reserve Bank shall acquire or transfer immovable property in India, other than lease, not exceeding five years[1].

1.1 Prohibited Sectors

FDI is prohibited in:

- Retail Trading (except single brand product retailing)
- Lottery Business including Government /private lottery, online lotteries, etc.
- Gambling and Betting including casinos etc.
- Chit funds
- Nidhicompany[2]
- Trading in Transferable Development Rights (TDRs)
- Real Estate Business or Construction of Farm Houses
- Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

[1] http://moia.gov.in/pdf/Acquisition_and_transfer_of_Immovable_property_in_India.pdf

[2] Nidhicompany is a company registered under Companies Act and notified as a nidhi company by Central Government under Section 620-A of Companies Act. It is a non-banking finance company doing the business of lending and borrowing with its members or shareholders.

- Activities / sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems).

Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for lottery business and gambling and betting activities.

1.2 Entry Options[3]

In sectors other than those prohibited above, FDI can be made either under the:

- Automatic route; or
- Government route, i.e. with the specific prior approval of the Foreign Investment Promotion Board (FIPB), Ministry of Finance.

Automatic Route:

FDI in sectors/activities permitted under automatic route does not require any prior approval either by the Government or Reserve Bank of India (RBI). The investors are only required to notify the regional office concerned of RBI within 30 days of receipt of inward remittances and file the required documents with that office within 30 days of issue of shares to foreign investors.

Government Route:

FDI in activities not covered under the automatic route requires prior government approval. Such proposals are considered by the Foreign Investment Promotion Board (FIPB) in terms of the prescribed guidelines. The companies are required to notify the concerned regional office of RBI of receipt of inward remittances within 30 days of such receipt and within 30 days of issue of shares to the foreign investors. Please refer to Appendix 2, for guidelines followed by the FIPB when considering each proposal.

FDI by citizens of/entities incorporated in Pakistan/Bangladesh can be made only with the prior approval of the FIPB.

1.3 Business Forms and Procedures for Permitted Sectors

Foreign investors may establish a business presence in India through the following options:

Liaison office:

A liaison or a representative office can be opened in India subject to approval by RBI. Such an office can undertake liaison activities on its company's behalf. Some of these include:

- Representing parent/group companies in India
- Promoting import/export in India
- Promoting technical/financial collaborations on parent company/group's behalf
- Coordinating communications between parent/group companies and Indian companies

Permission to set up liaison offices is granted for an initial period of three years which can be further extended from time to time subject to compliances. Expenses of a liaison office can be met only out of the remittances from the Head Office. Foreign insurance/banking companies can establish liaison offices in India after obtaining the approval of the competent regulatory authority.

Branch Office:

Foreign companies can conduct their business in India through its branch office which can be opened after obtaining a specific approval from RBI. Subsequently, a certificate of establishing place of business in India is required to be obtained from Registrar of Companies (ROC).A branch office can undertake the following activities:

- Importing & exporting of goods

[3] http://www.indiainbusiness.nic.in/investment/for_dir_investment.htm

- Rendering professional or consultancy services
- Carrying out research work in area which its parent company is engaged
- Promoting technical/financial collaborations on behalf of parent company/ overseas group company
- Representing parent/group companies in India and acting as buying/selling agent in India
- Providing IT services and developing software in India
- Providing technical support for products supplied by parent company/group

Applications for establishing a branch/liaison office is required to be routed through the nominated bankers in the prescribed form, along with specified documents. The applications are considered based on certain criteria relating to the track record and net worth of the parent company.

Project Office:

If a foreign company is engaged by an Indian company to execute a project in India, it may set up a project office without obtaining approval from RBI provided:

- The project is funded by inward remittances from abroad;
- The project is funded by a bilateral or a multi-lateral International Financing Agency;
- The project has been cleared by the appropriate authority;
- A company or an entity in India has been granted a term loan by a Public Financial Institution or a bank in India for the project.

Reserve Bank approval is required if the above criteria are not met. As applicable in the case of a branch office, a project office is treated as an extension of the foreign company, and is taxed at the rate applicable to foreign companies. A certificate of establishing place of business in India is required to be obtained from the ROC.

Compliances:

Branch/liaison/project offices are required to fulfill annual compliances as laid down by the Reserve Bank in the prescribed form and manner.

Closure:

At the time of winding up/closure of the Branch/Liaison/Project offices, specified documents and confirmations, certified by the officers and the Chartered Accountants, are required to be filed with the Reserve Bank.

Wholly Owned Subsidiary:

Foreign companies can set up wholly owned subsidiary companies in India in the form of private companies subject to FDI guidelines. A wholly owned or a subsidiary company has the maximum flexibility to conduct business in India when compared with a liaison or branch office. Following salient features apply:

- Funding can be done via equity, debt (foreign as well as local) and internal accruals
- Indian transfer pricing regulations apply
- Repatriation of dividends is allowed without approvals

Joint Venture with Indian partner:

Foreign companies can also set up joint venture with Indian or foreign companies in India. There are no separate laws for joint ventures in India and laws governing domestics companies apply equally to joint ventures.

Incorporation of a company:

For registration and incorporation, an application has to be filed with Registrar of Companies. Once a company has been registered and incorporated in India, it is subject to laws and regulations as applicable to other domestic companies in India.

There are two types of companies which can be incorporated:

Private company:

A private company is a company which has minimum of two members and a minimum paid up capital of India Rupees 100,000 or a higher paid up capital as may be prescribed. By its articles, a private company has to:

- Restrict rights to transfer its shares, if any
- Limit its shareholders to a number of fifty
- Prohibit any invitation to public to subscribe any of its shares or debentures of the company
- Prohibit any invitation to acceptance of deposits from any person other than its members, directors or their relatives

Public company:

A public company is defined as a company which is not a private company. A subsidiary of a public company is also treated as a public company. A public company is required to have a minimum paid up capital of India Rupees 500,000, with a minimum of seven members and three directors. Maximum number of directors is twelve, but can be increased subject to government approval.

Incorporation procedure:

Following steps are required to incorporate a company:

- Obtaining DIN (Director Identification Number)
- Applying for name availability
- Drafting Memorandum of Understanding (MOU) and Articles of Association (AOA)
- Court stamping of MOU and AOA
- Signing of MOU and AOA by first subscribers
- Filing with Registrar of Companies (ROC)
- Vetting of MOU and AOA by ROC
- Obtaining certificate of incorporation

Immediate Business compliances:

Following registrations would be required to be completed depending on the nature of business:

- PAN (Permanent Account Number): All income tax payers are required to obtain an income tax registration number i.e. PAN
- TAN (Tax Deduction Account Number): While running a business, certain payments will require the payee to withhold tax. A new business is required to obtain TAN from the income tax department.
- Service tax: A person/company providing specified services needs to obtain service tax registration within 30 days of providing the services.
- VAT (Value Added Tax): VAT is levied on sale of goods. Any business proposing to carry out a works contract or trade in goods needs to register for VAT.
- Excise registration for products subject to excise duty.
- FRRO (Foreigners Regional Registration Office): Foreigners coming to India on employment need to register with FRRO within 14 days of their arrival.
- IEC (Import Export Code): Prior to carrying out any export or import activities, it is mandatory to obtain an IEC from Directorate General of Foreign Trade.

1.4 Other Important Aspects

Repatriation of investment capital and profits earned:

All foreign investments are freely repatriable, subject to sectoral policies. Dividends declared on foreign investments can be remitted freely through an authorized dealer

Travel Regulations:

India and Pakistan have agreed to a more liberalized visa regime of granting multiple-entry visa valid for a year, for Indian and Pakistani businessmen. Processing of visa request by persons of Pakistani origin takes a minimum of six weeks[4].

Procedure for obtaining Industrial License:

Industrial license is granted by the Secretariat for Industrial Assistance (SIA) on the recommendation of the Licensing Committee. Decisions are usually taken within four to six weeks of filing the application.

Location Restrictions:

Industrial undertakings are free to select the location of their projects. Industrial License is required if the proposed location is within 25 km of the Standard Urban Area limits of 23 cities having population of 1 million as per 1991 census.

1.5 Portfolio Investment

A foreign institutional investor (FII) is defined as an institution established or incorporated outside India for making investments in Indian securities and includes a sub-account of an FII. FIIs must register themselves with the securities and exchange board of India (SEBI) and comply with RBI's exchange control regulations. FIIs are permitted to invest on full repatriation basis under the portfolio investment scheme in the Indian primary and secondary stock markets (including OTCEI – the Over the Counter Exchange of India) subject to the following limits:

- A single FII or an approved sub-account of an FII cannot hold more than 10% of the paid up capital of an Indian company, or 10% of the paid-up value of each series of convertible debentures issued by an Indian company.
- The total holdings of all FIIs in any company will be subject to a ceiling of 24% of its paid up capital of the company, or paid-up value of each series of convertible debentures. The limit of 24% may be increased, as applicable, by the Indian company concerned.

A domestic asset management company or portfolio manager, registered with the SEBI as an FII for managing the fund of a sub-account, can make investments on behalf of a foreign citizen resident outside India or a body corporate registered outside India, subject to certain limitations.

[4] https://indiavisa.travisaoutsourcing.com/processing-times

Table 1: Sector Highlights for Foreign Direct Investment in India

Sector Highlight for Foreign Direct Investment in India				
Sector	**% of FDI Equity Allowed**	**Entry Route**	**Entry Route for Pakistan**	**Other Conditions**
Automobile Industry	100%	Automatic	Government	The GoI permits 200% weighted deduction on R&D expenditures. The import of technological up-gradation on the royalty payment of 5%, without any duration limit, and lump sum payment of USD 2 million is allowed under the automatic route.
Retail Industry	Single-Brand: 100% FDI >51% requires a mandatory sourcing of at least 30% from the local Indian "small industries[5]" Multi-Brand: Not permitted Cash & Carry/Wholesale: 100% Test Marketing: 100%	Automatic Automatic Government	Government	Single-Brand Retailing is subject to the following: • Products sold should be of a single brand only. • Products should be sold under the same brand internationally. • Single-brand product-retailing would cover only products that are branded during the manufacturing. • The foreign investor has to be the brand owner.
Textile Industry	100%	Automatic	Government	
Chemical Industry	100%	Automatic	Government	
Food Processing	100%	Automatic	Government	
Printing & Publishing	26%: publishing of newspaper and periodicals dealing with news and current affairs and publication of Indian editions of foreign magazines 100%: publishing and printing of scientific and technical magazines/journals/periodicals and publication of facsimile edition of foreign newspapers	Government Government	Government	
Information Technology	100%	Automatic	Government	

[5] Small industries defined as industries which have a total investment in plant & machinery not exceeding USD 1 million. This valuation refers to the value at the time of installation, without providing for depreciation.

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SECTION II – India: Sector Overview & Outlook

2.1 Indian Automobile Industry

Sector Overview and Outlook:

Automobile Industry is one of the major sectors in India that has witnessed tremendous growth since the industry was fully de-licensed in July 1991 under the New Industrial Policy. India is the second fastest automobile market in the world after China. Maintaining its position among the top markets, India's auto industry is the world's second largest manufacturer of two-wheelers and fifth largest manufacturer of commercial vehicles[6]. The industry was estimated to have a total turnover of USD 74 billion in the year 2010-2011[7]. According to Society of Indian Automobile Manufacturers (SIAM), the cumulative production data shows production growth of 13.83% for April-March 2012, over the same period last year. The industry produced two-wheelers, passenger vehicles, three-wheelers and commercial vehicles at a share of 76%, 15%, 4% and 4% respectively, in FY 2011-12. With 2.9 million units exported in FY 2011, March 2012 reported a growth of 17.81% in the overall automobile exports compared to March 2011[8].

According to the Department of Industrial Policy and Promotion (DIPP), part of the Government of India's Ministry of Commerce and responsible for formulating and implementing FDI policy, the auto sector accounts for 4% of total FDI inflow to India[9]. At present, the Indian Government allows **100% FDI** under the **automatic route** and also permits 200% weighted deduction on sponsored scientific research undertaken through an approved national laboratory[10]. Furthermore, import of components is freely allowed. The import of technology/technological up-gradation on the royalty payment of 5%, without any duration limit, and lump sum payment of USD 2 million is allowed under the automatic route in this sector.

Table 2: Automobile Production Trends11 (Number of Vehicles)

Category	2007-08	2008-09	2009-10	2010-11	2011-12
Passenger Vehicles	1,777,583	1,838,593	2,357,411	2,982,772	3,123,528
Commercial Vehicles	549,006	416,870	567,556	760,735	911,574
Three Wheelers	500,660	497,020	619,194	799,553	877,711
Two Wheelers	8,026,681	8,419,792	10,512,903	13,349,349	15,453,619
Grand Total	**10,853,930**	**11,172,275**	**14,057,064**	**17,892,409**	**20,366,432**

Policy and Promotion:

Automobile Industry in India offers additional incentives through successive policy changes to encourage stronger growth and investments in the sector. Some of these include:

- Automotive Mission Plan (AMP) (2006-2016) – aimed to accelerate and sustain growth over the period to make India a global automotive hub for exporting small cars, multi-utility vehicles (MUVs), two and three-wheelers and auto components. The plan also aims at doubling the contributions of the sector to the country's GDP by taking its turnover to USD 145 billion, from USD 73 billion during 2010-11[12], and providing additional employment to 25 million people by 2016[13].

[6] http://www.ibef.org/industry/india-automobiles.aspx; http://www.indiainbusiness.nic.in/industry-infrastructure/industrial-sectors/automobile.htm
[7] http://www.investindia.gov.in/?q=automobile-sector
[8] http://www.siamindia.com/scripts/industrystatistics.aspx
[9] http://www.ibef.org/industry/india-automobiles.aspx
[10] http://www.ey.com/Publication/vwLUAssets/DBI/$FILE/DBI_2012.pdf; http://articles.economictimes.indiatimes.com/2013-02-23/news/37257764_1_weighted-deduction-r-d-federation-of-indian-chambers
[11] http://www.siamindia.com/scripts/production-trend.aspx
[12] http://www.abcconsultants.in/Industry-Practices/Automobile-and-Auto-Components
[13] http://www.siamindia.com/upload/AMP.pdf

- National Automotive Testing and R&D Infrastructure Project – a USD 388.5 million initiative aimed at creating dedicated testing, validation and R&D infrastructure.
- Tax Relief[14] – provided in the 2012 budget to promote growth of environmentally friendly cars
    - Reduction on excise duty on specified parts of hybrid vehicles from 10% to 6%.
    - Reduction and on lithium ion battery packs for supply to electric vehicle or hybrid vehicle manufacturers from 10% to 6%.
    - Full exemption from basic custom duty and special countervailing duty (CVD).

Other Incentives:

- Indian banks provide easy finance schemes for the segment.
- India has low-cost, high-skilled labor with the second-largest pool of engineering talent in the world.
- India has a strong auto component industry.
- India is the fourth largest producer of steel in the world and is slated to become the second largest producer in the next couple of years[15].

Industry Projections[16]:

According to the industry forecast, India seems to be heading towards becoming one of the top five vehicle producing nations in the world.

- By 2020, passenger vehicle projection is set to treble from levels in 2011-2012 and the size of the component sector is set to grow from USD 42 billion to USD 110 billion.
- Commercial vehicle segment is expected to grow between 9% and 11% in FY2013, propelled by strong demand in the light commercial vehicle segment, with the increasing acceptability of the hub-and-spoke model[17] and inter-city transportation.
- The two-wheeler segment is expected to grow at the rate of 11% to 13% in FY2013.

Major Players and Developments[18]:

Hyundai Motor India Limited (HMIL) controls a 14% market share in the passenger vehicle segment with manufacturing plant near Chennai and R&D facility in Hyderabad. It is the largest passenger car exporter and second largest manufacturer in India. It further plans to invest USD 250 million by 2013.

Mercedes Benz plans to increase its investments to USD 158 million by 2014, driven by demand of C-Class and E-Class vehicles and growing preference for the brand among Indian consumers. The Company has also announced the starting of its new state of the art paint shop that is capable of water-based painting.

Nissan plans to introduce ten new passenger vehicles by the end of March 2016. The company aims to double its vehicle sales in 2012-2013. It further plans to invest USD 1 billion in its Chennai plant.
General Motors plans to expand its factory in Gujrat, worth USD 250 million. The Company aims to launch five new car models in India.

The Volkswagen Group aims to increase output by 10-15 % on a USD 126.35 million investment at its production facilities in Aurangabad and Chakan in Maharashtra.

[14] http://www.investindia.gov.in
[15] http://articles.economictimes.indiatimes.com/2012-09-18/news/33925898_1_india-s-steel-production-crude-steel-steel-authority
[16] http://www.ey.com/Publication/vwLUAssets/DBI/$FILE/DBI_2012.pdf
[17] The hub and spoke model is a system which makes transportation much more efficient by greatly simplifying a network of routes.
[18] http://www.ibef.org/industry/india-automobiles.aspx; http://www.ey.com/Publication/vwLUAssets/DBI/$FILE/DBI_2012.pdf

VE Commercial Vehicles (VECV), the joint venture between Volvo and Eicher, is planning to launch a whole new range of trucks with new platforms, engines and cabins.

Toyota Kirloskar plans to increase capacity at its two plants in Bidadi, Karnataka, from 310,000 units to 400,000 units a year.

Blackstone Capital Partners (Singapore) has signed an agreement to acquire 12.5 % stake of International Tractors Ltd (ITL) in a structured transaction worth USD 100 million.

Yamaha Motor, Japan plans to use India as a key global hub for motorcycles and scooters. Yamaha will also use India as one of its four regional procurement bases to source parts for its global two-wheeler operations.

Table 3: Major Indian Companies in the Automobile Sector

Company Name	Manufacturing Locations	Total Group Turnover (USD $)
TATA Motors	Pune, Jamshedpur,Ahmedabad	$27.6 billion
Maruti Suzuki India	Gurgaon	$7.5 billion
Mahindra and Mahindra	Nashik, Zahirabad,Chennai	$7.4 billion
Hero Honda	Gurgaon	$3.9 billion
Bajaj Auto	Pune, Pantnagar,Aurangabad	$3.39 billion
Ashok Leyland	Hosur,Pantnagar, Alwar,Bhandara, Chennai	$2.5 billion

A breakdown of all companies by segment can be found in Appendix 3.

Other Major Developments:

Mahindra & Mahindra Ltd has started a technical centre in Troy, Michigan, to leverage on the design and consulting service resources available in the region. The firm intends to use the centre to support company's automotive and tractor engineering requirements in India.

Bajaj Auto Ltd has entered into an agreement with Kawasaki Heavy Industries, under which Bajaj motorcycles will be assembled and sold in Indonesia through Kawasaki's distribution network as co-branded products.

Hero MotoCorp Ltd has invested USD 20 million in the US-based Erik Buell Racing (EBR). The investment will help EBR expand its Milwaukee production capacity and hire more people to its R&D team.

2.2 Indian Retail Industry

Sector Overview and Outlook:

The Indian retail industry has emerged as one of the key destinations for retail investment in the world, making it the fifth most favorable nation for international retailers. According to the India Brand Equity Foundation (IBEF), the Indian retail sector accounts for over 20% of India's GDP and contributes to 8% of the total employment[19].

The Indian retail industry is generally divided into organized and unorganized retailing:

- Organized retailing refers to trading activities by licensed retailers, registered for sales tax, income tax, etc.
- Unorganized retailing refers to traditional form for low-cost retailing, for example, local kirana shops, convenience stores, street vendors etc.

India's retail sector is currently estimated to be worth around USD 500 billion; has a low organized retail penetration, of about 5% - 8%; and is expected to grow at a compound annual growth rate (CAGR) of 15% - 20%. As per data collected by the Federation of Indian Chambers Commerce and Industry (FICCI), the cumulative FDI inflows in single-brand retail trading, during April to June 2011, stood at USD 69.26 million[20].

Under the recent changes in FDI policy in Indian retail, following are the regulations[21]-[22]:

- Single Brand Retail:
    - **100% FDI** permitted under **automatic route** – FDI beyond 51% requires a mandatory sourcing of at least 30% from the local Indian "small industries[23]"
    - Retail trading of single brands are subject to the following regulations:
        - Products sold should be of a single brand only.
        - Products should be sold under the same brand internationally.
        - Single-brand product-retailing would cover only products that are branded during the manufacturing.
        - The foreign investor has to be the brand owner.
- Multi-Brand Retail:
    - FDI in multi-brand trading is currently not permitted.
    - Foreign retailers engaged in this segment globally have set up a wholly owned subsidiary in India to undertake business-to-business (B2B)[24] trading activity and have forged partnerships with Indian retail partners.
- Cash & Carry & Wholesale Trading:
    - **100 FDI** permitted under **automatic route**.
    - Enables foreign retailers to engage in business-to business (B2B) trading activities in India.
- Test marketing:
    - **FDI up to 100%** is permitted with prior **government approval** for test marketing of items for which a company has approval to manufacture.
    - Available for a period of two years.
    - Investment in setting up manufacturing facility should commence simultaneously with test marketing.

[19] http://www.ibef.org/industry/retail.aspx
[20] http://www.pwc.in/en_IN/in/assets/pdfs/industries/retail-and-consumer/retail-report-300812.pdf
[21] http://www.fipbindia.com/FDI_Circular_01_2012.pdf
[22] http://www.pwc.in/en_IN/in/assets/pdfs/industries/retail-and-consumer/retail-report-300812.pdf
[23] Small industries defined as industries which have a total investment in plant & machinery not exceeding USD 1 million. This valuation refers to the value at the time of installation, without providing for depreciation.
[24] B2B defined as selling to other wholesalers, retailers, businesses, and institutions.

Policy and Promotion:

The Federation of Chambers of Commerce and Industry's (FCCI) retail division is working on addressing some of the issues identified as major bottlenecks to the growth of the retail sector in India and FDI. These include:

- Underdeveloped supply chain– to ensure smooth freight transport, FICCI is working on closing the information gap between the industry and the service provider by organizing regular interaction between the two.
- Unskilled unorganized players– FICCI's retail committee is planning to work along with Nation Skill Development Corporation (NSDC) towards skill development.

Major Players and Developments:

Key Indian companies in the retail market[25]:

Table 4: Key Indian Companies in the Retail Sector

Company Name	Location
Pantaloon Retail Ltd (Future Group venture)	Over 2 million sqft of retail space spread over 35 cities with 65 stores and 21 factory outlets.
Shoppers Stop (K Raheja Group venture)	Over 3.21 million sqft of retail space spread over 23 cities with 51 stores.
Spencers Retail (part of RP-SG Group)	Retail footage of close to 1 million sqft across 45 cities with 200 stores.
Lifestyle Retail (Landmark Group venture)	Approximately 15 lifestyle and 8 Home Centre stores.
Bharti Retail	74 Easyday stores with plans to invest about 2.5 billion USD over the next five years.
Reliance Retail	700 stores.
Aditya Birla 'More'	575 stores.
Tata Trent	59 Westside stores, 13 Starbazaar hypermarkets and 26 Landmark bookstores.

Foreign entrants in the Indian segment include:

- Germany-based Metro cash & carry opened six wholesale centers in the country.
- Walmart with Bharti Retail (Owner of Easyday stores.)
- British retailer TESCO Plc (TESCO, signed an agreement with Trent Ltd (Trent), the retail arm of Tata Group, to set up cash-and-carry stores.
- Carrefour opened its first cash-and carry store in New Delhi

Industry Projections:

With increased rural income and urbanization, combined with improved technology and lifestyle trends, the growing middle class is an important factor contributing to the growth of retail in India. The Indian retail sector is expected to reach USD1.3 trillion by 2020 at an expected CAGR of 15 - 20%[26]. As such, the macro trends for the sector look favorable.

[25] http://www.pwc.in/en_IN/in/assets/pdfs/industries/retail-and-consumer/retail-report-300812.pdf
[26] http://www.pwc.in/en_IN/in/assets/pdfs/industries/retail-and-consumer/retail-report-300812.pdf

2.3 Indian Textile Industry

Sector Overview and Outlook:

The Indian textile industry is the second largest producer of textiles and garments after China, contributing to about 4% of India's GDP, 14% to industrial production and 12% to India's exports[27]. India earns about 27% of its total foreign exchange through textile exports[28]. The textile sector is also the second largest employer in India after agriculture, providing direct employment to around 35 million people.

According to the Confederation of Indian Textile Industry (CITI), the major sub-sectors of the textile sector include:

- Cotton – India is the second largest producer in the world.
- Silk – India is the second largest producer in the world.
- Man-Made Fibers – India is the fourth largest in synthetic fibers/yarns globally.
- Wool – India ranks sixth among clean wool producer countries and ninth among greasy wool producers.
- Jute – India is the second largest producer and exporter of jute goods.

According to DIPP, the textile industry accounted for around 7% of total FDI inflows to India between January 2000 and June 2012[29]. At present, the Indian government allows **100% FDI** under the **automatic route**. The industry attracted FDI worth USD 129 million in FY11.

Policy and Promotion:

The Indian government has taken various initiatives to promote growth in the textile industry. The policies aim to ensure international competitiveness. Some of these include:

- Technology Fun Up-gradation Scheme (TUFS) – to leverage investments in technology up-gradation in the textiles and jute industry, with a special emphasis on balanced development across the value chain.
- Scheme for Integrated Textile Parks (SITP) – to facilitate setting up of textile parks with world class infrastructure facilities.
- Integrated Skills Development Scheme – launched in 2010 to address the trained manpower needs of textiles and related garments.

Government of India is also facilitating setting up of various special economic zones (SEZs) across India for the textile sector.

Other Incentives:

Other fiscal incentives have also been provided for export of textile and cotton items under the various provisions of the Foreign Trade Policy 2009-14.

Industry Projections:

The Indian textile industry has enormous opportunities for domestic and international investors given the consistent growth performance, coupled with skilled and cheap labor. The potential size of the Indian textile industry is expected to reach USD 220 billion by 2020[30].

Textile manufacturing continues to shift to low cost Asian countries. The availability of raw materials, especially cotton, integrated operations and design skills in India, favorable demographics, rising income and population levels is expected to increase exports considerably.

[27] http://www.citiindia.com/index.php?option=com_content&view=article&id=10&Itemid=113
[28] http://www.cci.in/pdf/surveys_reports/Textile-Industry-in-India.pdf
[29] http://texmin.nic.in/ermiu/fdi_data_Inflow_glance_ermiu_akb.pdf
[30] http://www.cci.in/pdf/surveys_reports/Textile-Industry-in-India.pdf

Major Players and Developments:

Key foreign players include:

- Johnson & Johnson
- Du Pont
- Proctor & Gamble
- 3M
- SKAPs
- Kimberly Clark

Several international retails players, such as Marks & Spencer, Haggar Clothing and others are also using India as a key global sourcing destination. Key Indian players include:

- Alok Industries Ltd
- Welspun India Ltd
- Vardhman Group
- Raymond Ltd
- Garden Silk Mills Ltd
- Aditya Birla Nuvo
- ITC Lifestyle
- Reliance Industries Ltd
- Arvind Mills Ltd, among others.

2.4 Indian Chemical Industry

Sector Overview and Outlook:

The Indian chemical industry, one of the oldest in India, is an integral component of the growing Indian economy, registering a growth of around 10% over the last few years and accounting for around 3% of the global chemical industry[31].The industry has links with several other downstream industries such as automobile, consumer durables, engineering, food processing etc. As per industrial classification, the chemical industry is one of the most diversified of all industrial sectors, covering thousands of commercial products like basic chemicals products, petro chemicals, fertilizers, paints and varnishes, gases, soaps, perfumes and toiletries. Exports of chemicals and petrochemicals together accounted for around 10% of country's total exports in FY2012, imports of around 9.6%, and 7% contributed to GDP in the same fiscal year[32].

In the chemical sector, **100% FDI** is allowed under the **automatic route**. No licenses are required for the production of most chemicals, however, a few hazardous chemicals need compulsory licensing because of their hazardous nature:

- Hydrocyanic acid and its derivatives
- Phosgene and its derivatives
- Isocynates and di-isocynates of hydrocarbons

The basic custom duty on most chemical feedstock is 2.5% while import duty is at around 7.5% ad valorem[33].

India faces significant challenges in terms of feedstock availability and prices:

- Organic chemicals based on ethylene/propylene, xylene, naphthalene and their derivatives are imported in large quantities due to non-availability and cost-competitive feedstock.
- India also imports a significant volume of: sulfur, urea, ammonia, phosphorus and potash – key raw materials for other sectors.
- India is also deficient in three basic inorganic chemical feedstock; sulfur, rock phosphate and potassium chloride.

Other Challenges:

- The R&D spending by chemical industry in India is currently very low, at 1-2%. In order to remain competitive in the international arena and to meet the evolving consumer requirements, the industry would need to increase the R&D spending to at least 5-6%[34].

[31] http://www.business-standard.com/india/news/chemical-industry-focusesglobal-competitiveness/489690/
[32] http://www.indiachem.in/pdf/conf-brochure.pdf;http://www.chemicals.nic.in/DNCP_2012.pdf
[33] http://www.chemicals.nic.in/DNCP_2012.pdf
[34] http://chemicals.nic.in/DNCP_2012.pdf

Notably, with 100% FDI being permissible in the chemical industry, the prospects of bolstering R&D activities in collaboration with overseas companies look bright.
- Central excise duty and VAT continues to be relatively high as compared to many Asian countries.

Plastics[35]:

Indian plastics industry is expanding at a phenomenal pace. Major international companies from various sectors such as automobiles, electronics, telecommunications, food processing, packing and healthcare have set-up large manufacturing bases in India. Therefore, demand for plastics is rapidly increasing and soon India will emerge as one of the fastest growing markets in the world.

PlastIndia Foundation, supported by the ministry of chemicals and fertilizers, department of chemicals and petrochemicals and the government of India, is the apex body of major associations, organizations, and institutions connected with plastics, with a common objective to promote the development of plastics industry, and to assist the growth of plastics, plastic related materials and their products.

Policy and Promotion:

- Process of setting up a chemical unit is simple. The company is required to submit an industrial entrepreneurs' memorandum (IEM) to the Department of Industrial Policy and Promotion (DIPP)
- Petroleum, Chemical, Petrochemical Investment Regions (PCPIR) Policy aims for an integrated approach to promote growth and investment through the use of common infrastructure and support services, and a combination of production projects, public utilities, logistics, environmental protection, residential areas and administrative services.
- Port-Based chemicals parks in Special Economic Zones (SEZs) are being set up by the government of India in existing and new SEZs to encourage clustering, provide infrastructure and enable tax concessions.

Other Incentives:

- Structural Advantage – growing disposable incomes and increasing urbanization are fuelling consumer demand for paints, textiles, adhesives and constructions, leading to substantial growth opportunities for chemical companies.
- Highly trained scientific man power as a result of the large and expanding domestic chemical market drive add tremendous value through product innovation and new advanced technology platforms.

Industry Projections[36]:

The Indian chemical industry is envisioned to achieve considerable growth, with focus on innovation, to meet local needs and sustainability in becoming globally competitive. According to the Ministry of Chemicals and Fertilizers, Department of Chemicals and Fertilizers, the National Chemical Policy sees two distinct scenarios for the future of the Indian chemical industry:

I. The conservative scenario, with an overall GDP growth rate of 8-9% per annum (p.a.), the Indian chemical industry could grow at 11% p.a. to reach the turnover of USD 224 billion by 2017. However, the Indian chemical industry could aspire to grow much more.
II. The optimistic scenario of high end–use demand, based on increasing per capita consumption, improved export competitiveness and resultant growth impact for each sub-sector of the chemical industry that could lead to an overall growth rate of 15% p.a., reaching a turnover of USD 290 billion by2017. This would require the industry to effectively meet its domestic demand and exploit the huge export market potential.

[35] http://www.plastindia.org/default.asp
[36] http://www.chemicals.nic.in/DNCP_2012.pdf

Major Players and Developments[37]:

The major Indian states producing chemicals include Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh, Madhya Pradesh and Punjab.

Indian companies are attracting foreign investments in the chemicals sector based on their strong fundamentals.

Standard Chartered Bank's private equity segment has invested USD 19 million in Mumbai-based Privi Organics. Privi is an aroma chemical manufacturer, whose products are used by fragrance and flavor companies. Their products are exported to over 25 countries.

The Carlyle Group, global asset manager, has invested USD 25 million in emulsion manufacturer Visen Industries through an affiliate, First Carlyle Ventures III. The funds are to be used to expand Visen's manufacturing capacity in India and abroad.

Foreign players are also strengthening their presence through the expansion route. Over-the-counter (OTC) Russian brands of Mumbai-based JB Chemicals & Pharmaceuticals (JBCPL) have been acquired by **Johnson & Johnson** (J&J) for about USD 260 million.

Some of the leading manufacturers in the Indian chemicals sector are:

- Reliance, that owns Naptha Cracker in India
- Aditya Birla Chemicals,
- Tata Chemicals, Grasim,
- Punjab Alkalies,
- Kanoria Chemicals,
- Andhra Sugars,
- United Phosphorous,
- ICI,
- P. I. Industries,
- Bayer,
- NOCIL,
- BASF India,
- MonsantuChem,
- Galaxy Organic,
- Atul,
- Excel India,
- Sudarshan Chemical Industries,
- Hindustan Organic Chemicals,
- Hindustan Insecticides,
- Lubrizol,
- India Glycols,
- Asian Paints, GoodlassNerolac,
- Jenson & Nicholson,
- Jubilant Organosys,
- Herdilia-Schentady,
- National Organics Chemicals,
- RayalseemaChemcials,
- Gujarat Heavy Chemicals,
- ColourChem,
- Gujarat Alkalies and Chemicals,
- Colourtex,
- DCM Sri Ram Consolidation,
- Nirma,
- Travancore Alkali & Chemicals,
- DCW,
- Saurashtra Chemicals,
- United Phosphorus,
- Bayer CropScience,
- Rallies India

[37] http://www.investindia.gov.in/?q=chemicals-sector

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2.5 Indian Food Processing Industry

Sector Overview and Outlook:

The Indian food processing industry is considered one of the largest industries in India, ranked fifth in terms of production, consumption and exports. Recognized as India's future growth engine, the industry currently stands at around USD135 billion and is expected to grow at a CAGR of 10%, to reach around USD 200 billion, by 2015. The sector employs approximately 10 million people directly. The food processing industry in India has grown at almost double the GDP growth rate of India over the last couple of years[38].

The growth expected in India's food processing sector is highly supported by India's position as a leading producer of wheat, milk, rice, fruits and vegetables and other agro-commodities.

Under the **automatic route**, **100% FDI** is allowed in this sector. India is also forging partnerships with various countries to enhance trade in processed foods and has granted a considerable degree of autonomy to state governments, to identify partners and to spur growth in food processing industry.

Policy and Promotion[39]:

Some of the policies and promotions for the food processing sector are:

- <u>Vision 2015 Action Plan:</u> The Ministry of Food Processing Industries (MoFPI) has formulated a Vision 2015 Action Plan that includes trebling the size of the food processing industry, raising the level of processing of perishables and enhancing India's share in global food trade.
- <u>Mega Food Parks:</u> According to MoFPI, the Government of India is actively promoting the concept of mega food parks (MFPs) across the country to attract FDI. In 2010, the government released a total assistance of USD 23 million to implement the Food Parks Scheme. It has, until now, approved 50 food parks for assistance across the country.
- <u>Agri-Export Zones:</u> The government has already established 60 fully equipped agri-export zones (AEZs), in addition to food parks, to provide a boost to agricultural and food processing exports.

Other Incentives:

- <u>Vast source of raw material:</u> India has abundant resources in terms of raw materials for food production. These include fruits, vegetables, spices, dairy products and edible oils.
- <u>Low Production Cost:</u> The relatively low-cost but skilled workforce can be effectively utilized to set up large, low-cost production bases for domestic and export markets.
- <u>Change in consumption patterns:</u> The demand for ready-to-eat foods is rising rapidly with growing urbanization, an increase in the number of nuclear families, the rising size of the Indian middle class, rising health awareness and evolving consumer preferences.

Major Players and Developments:

Many big Indian players have invested in the food processing sector. Some of them include Cargill, Venky's India, Godrej, Marico, Priya Foods, Surya Food & Agro and Haldiram's. The sector has also seen massive investments by global food and beverage companies like PepsiCo, Nestle, Hershey's and others.

There are 12 products reserved for manufacturing by the small-scale sector. These products include bread, pastries, confectioneries, rapeseed oil, mustard oil, sesame oil, groundnut oil, sweetened cashew nut products, ground and processed spices other than spice oil and oleo resin spice, tapioca sago and tapioca flour.

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[38] http://www.oifc.in/investing-in-india/investment-info/business-diary/business-diary-may-2012
[39] http://www.investindia.gov.in/?q=food-processing-sector

United Nations Industrial Development Organization (UNIDO) has identified over 60 food processing clusters, consisting of small and medium enterprises, across India. The state-wise distribution of the clusters shows the largest concentration of companies in Maharashtra and Gujarat followed by Andhra Pradesh, Punjab and Orissa.

2.6 Indian Printing and Publishing Industry

Sector Overview and Outlook:

The Indian Print industry has undergone revolutionary changes in the last 15 years. It is a well-established industry, presently growing at 12% per annum[40]. India is the sixth largest book publishing country in the world and third largest publisher of English titles after the United States and the United Kingdom. In addition to English, the industry publishes in 24 regional languages to meet the local needs of the population. There are almost 16,000 publishers registered in India, publishing 80,000 titles annually[41].

Indian books, journals and printing jobs, etc. are being exported to over 120 countries around the world[42]. These comprise of books, text books, packaging materials, magazines, newspaper, calendars, printed pamphlets, newspapers and periodicals, job printing etc.

The printing industry in India is slowly progressing from the heavy machinery using industry to a more software centric business. Today, the Indian printers are equipped with the latest computer controlled printing machines and flow lines for binding, while state-of-the-art digital technologies are used in pre-press[43].

The major print buying sectors in India are education, publication/books, real estate, retail, telecom, auto industry, branding, events, TV channels, mobile companies, banks and financial institutions, exporters etc.

At present, the Indian government allows **26% FDI** for publishing of newspaper and periodicals dealing with news and current affairs and publication of Indian editions of foreign magazines under the **government route**. The government has also permitted **100% FDI** for publishing and printing of scientific and technical magazines/journals/periodicals and publication of facsimile edition of foreign newspapers under the **government route**.

The printing industry in India is scattered across the country and the hubs are predominantly present in the North (New Delhi, Amritsar, Faridabad), West (Mumbai, Ahmedabad) and South of India (Chennai, Bangalore, Coimbatore, Sivakasi).

Policy and Promotion:

The quality standards in the print industry have improved dramatically and immense production capacities have been created. India has several printing academic bodies which include more than 35 printing engineering colleges, several diploma schools and print training institutions that produce more than 4000 graduates and several thousand technicians in printing every year.

In a quest to give voice to the concerns of the Indian printing industry, the All India Federation of Master Printers (AIFMP), supports, participates and organizes a number of regional, national and international events, with the aim of lobbying for the interests of the Indian printers, showcasing the Indian printing industry's achievements and holding technical seminars.

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40 http://www.indianmirror.com/indian-industries/2012/printing-2012.html
41 http://www.globaltrade.net/f/market-research/text/India/Publishing-Services-Newspapers-Journals-and-Periodicals-Printing-and-Publishing-Industry.html
42 http://www.printnet.com.au/verve/_resources/the_country_paper_on_indian_printing_industry.pdf
43 http://www.printnet.com.au/verve/_resources/the_country_paper_on_indian_printing_industry.pdf

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Industry Projections:

This strong readership base, coupled with the retail revolution and entry of global brands, provide huge potential for growth and investment in the printing and publishing industry in India. The magazine/periodical market in India is expected to grow at 12% annually. With a number of international magazines expanding operations in India, the market is expected to grow fast, in spite of the growth of online and social media[44].

Major Players and Developments:

Some of the major Indian players in printing and publishing industry include:

- The Times of India Group
- DainikJagran
- LokSatta
- The Hindustan Times
- The Hindu

Foreign magazines that have already entered the Indian market include:

- Vogue
- GQ
- Cosmopolitan
- Elle
- Harper's Bazaar
- Esquire
- Wall Street Journal
- International Herald Tribune
- The Economist
- Forbes
- Fortune
- BBC Knowledge
- Maxim
- Hello
- People
- Rolling Stone
- Entrepreneur
- Car and Bike
- Marie Claire

2.7 Indian Information Technology Industry

Sector Overview and Outlook:

The information technology (IT) and information technology enabled services (ITeS) have evolved as a major contributor to India's GDP, and plays a vital role for growth in the economy in terms of employment, export promotion, and revenue generation. The contribution to the national GDP has increased from 1.2% in 1997-98 to an estimated 7.5% in 2011-12. The National Association of Software and Services Companies (NASSCOM) estimated IT and ITeS sector revenues (excluding hardware) to be around USD 87.6 billion in FY 2011-12. The industry is expected to grow by 19% during FY 2012-13 [45]. Considering India's competitive position, growing demand for exports, government policy support and increasing global investments, the market size of the industry is expected to rise to USD 225 billion by 2020.

More recently, online retailing, cloud computing and e-commerce are the major driving forces behind the rapidly increasing growth in the IT industry. Online shopping has increased with the emergence of internet retailing and e-commerce.

IT services exports, including Engineering Research and Design (ER&D) and software products continue to be the largest employer within the industry, with nearly 47% share of total direct employment[46].

According to DIPP, the Indian computer software and hardware sector attracted cumulative foreign direct investment (FDI) of USD11.3 billion between April 2000 and May 2012. FDI of up to **100 %** is

[44]http://www.globaltrade.net/f/market-research/text/India/Publishing-Services-Newspapers-Journals-and-Periodicals-Printing-and-Publishing-Industry.html
[45]http://www.ibef.org/artdispviewcampaign.aspx?art_id=32954&cat_id=122&in=41
[46]http://www.ibef.org/artdispviewcampaign.aspx?art_id=32954&cat_id=122&in=41

allowed under the **automatic route** in data processing, software development and computer consultancy services; software supply services; Business and management consultancy services, market research services, technical testing & analysis services.

Policy and Promotion:

The major fiscal incentives provided by the Government of India in this sector include:

- Software Technology Parks (STPs) to promote software exports from the country 51 STP centers have been setup so far. Apart from exemption from customs duty available for capital goods, there are also exemptions from service tax, excise duty, and rebate for payment of central sales tax[47].
- Information Technology Investment Regions (ITIRs) to address the sector's infrastructure needs to allow networking and greater efficiency through use of common infrastructure and support services.

Other Incentives:

- The National Policy on Information Technology 2012 – the policy aims to increase revenues of IT and ITeS industry from USD $100 billion to USD $300 billion by 2020 and expand exports from USD $69 billion to USD $200 billion by 2020[48].
- The Government of India plans to set up 15 new laboratories for testing hardware and software products under public-private partnership (PPP) model.

Major Players and Developments:

Some of the major initiatives in Indian IT and ITeS sector are:

- Intel Capital, Intel Corporation's global investment and M&A organization plans to invest up to USD 40 million in ten innovative Indian technology companies.
- Kakinada Special Economic Zone (SEZ), developed by GMR Group, has entered into a partnership agreement with Bengaluru-based Rural Shores Business Services Pvt Ltd, for setting up a BPO center.
- Tata Consultancy Services (TCS) plans to set up operations in Madhya Pradesh (MP) by building a new integrated campus in Indore.
- MindTree Ltd has opened its first delivery center outside India in Gainesville, Florida.
- BPO firm ExlService Holdings has announced the acquisition of US-based Landacorp Inc. The acquisition will provide Exl with an end-to-end solution for the healthcare industry
- Infosys headquartered in Banglore, Karnataka and is the third largest India based IT services company by 2012 revenues.

[47] http://www.investindia.gov.in/?q=it-and-ites-sector
[48] http://www.ibef.org/artdispviewcampaign.aspx?art_id=32954&cat_id=122&in=41

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SECTION III – Foreign Direct Investment in Pakistan

Pakistan's investment policy has been formulated to create an investor-friendly environment with focus on further opening the economy and marketing the potential for Foreign Direct Investment (FDI). Pakistan has one of the most liberal investment policy regimes and public-private partnership frameworks in the entire South Asian region, under the 2012 FDI policy. The Investment Policy for 2013 and Investment Strategy 2013 – 2017 were unveiled at a meeting with the Board of Investment, in February, 2013. Unlike India's investment policy towards Pakistan, Pakistan does not explicitly follow a discriminatory investment policy with respect to India.

The World Bank, in the world, in its 2012 annual report titled "Doing Business," ranked Pakistan 107th, out of a total of 185 countries, in Ease of Doing Business and 98th in starting a business. In comparison, India ranked 132 in Ease of doing business and 173 in starting a business The Ease of Doing Business Index is an index created by the World Bank. Higher rankings indicate better, usually simpler, regulations for businesses and stronger protections of property rights[49].

3.1 Prohibited Sectors

FDI is prohibited in the following sectors in Pakistan:

- Arms and ammunition
- High explosives
- Radioactive substances
- Security Printing, currency and mint
- Alcoholic beverages or liquors
- Postal service, according to the Pakistan schedule for specific commitments for trade and services submitted by the World Trade Organization (WTO)

3.2 Entry Options and Procedures for Permitted Sectors

Foreign investors may establish a business presence in Pakistan through the following options:

Liaison office:

The activities of a Liaison Office are restricted to promotional activities, provision of technical assistance, exploring the possible of joint collaboration and export promotion on behalf of the parent company in Pakistan. Such office is strictly restricted from entering into revenue generating activities and is required to meet its operational expenses through remittances from its parent company via normal banking channels and converted to local currency account.

The company is required to obtain permission from the Board of Investments (BOI) by submitting an application on a specified format. The permission is granted for an initial period of 3-5 years. Further extension is granted after reviewing the performance during the initial period and is completed within two weeks.

Branch Office:

A Branch Office activity is restricted to the extent stated in the signed agreement/contact. It cannot indulge in commercial or trading activities. Revenues generated or profits earned can be repatriated to the head office, subject to payment of applicable taxes.

The company is required to obtain permission from the BOI on a specified application format along with the prescribed documents. The BOI normally takes 6-8 weeks to issue the permission letter after receiving the application, however, in case of an anticipated delay, 3 months provisional permission can be granted on the request of the company. Further extensions are granted by the BOI after reviewing and examining the past performance. Request for renewal is generally processed within two weeks if supported with complete documentation.

[49] http://www.pakboi.gov.pk/

Procedure for Setting up a Liaison Office or Branch Office:

Step 1:

Six sets of following documents:

1. Application Form - duly filled in and signed with stamp – (Sample form template – Appendix 1)
2. Copy of registration of the foreign company duly attested by respective Pakistani Embassy;
3. Copy of Articles and Memorandum of Association duly attested by Respective Pakistan Mission;
4. Copy of Resolution / Authority letter of the company to establish Branch / Liaison Office in Pakistan;
5. Copy of contract / agreement (in case of Branch Office Only)
6. Company Profile; and
7. Designated person authorized to act on behalf of the company

Step 2:

On receipt of complete documents, BOI examines the documents and circulate the request to all concerned quarters for their views / comments.

Step 3:

Having received clearances from all concerned quarters / agencies, BOI grants permission to foreign company to open their Branch / Liaison office in Pakistan.

Opening of Branch and Liaison Office processing fee is as follows:

Opening of Branch Office		**Charges**
I.	Regular Permission (initial registration for a period of one year).	USD $3000
II.	Renewal Charges per year	USD $1000
Opening of Liaison Office		**Charges**
I.	Regular Permission (initial registration for a period of one year).	USD $2000
II.	Renewal Charges per year	USD $500

The amount is also acceptable in Pakistani Rupees for the equivalent US Dollar amount and shall be deposited in the Board of Investment *PLS Account No.* **44991-2** being maintained with ***National Bank of Pakistan, Main Branch, Civic Centre, Islamabad***[50]**.**

[50] http://www.pakboi.gov.pk/index.php?option=com_content&view=article&id=124&Itemid=291

Subsidiary/Joint Venture:

A foreign company can set up its own wholly owned subsidiary in Pakistan or establish a joint venture company with a Pakistani or foreign partner, subject to fulfilling the policies for FDI and requirements of the Companies Ordinance, 1984. A subsidiary or a joint venture company can be formed as a private company or a public company Key Differences between a public company and a private company are highlighted in Table 5, below.

Table 5: Private vs. Public Company

Particulars	Private Company		Public Company	
	Single member	Other private	Un-listed	Listed
Minimum number of members (shareholders)	1	2	3	7
Maximum number of members (shareholders)	1	50	Unlimited	Unlimited
Minimum number of directors	1	2	3	7
Limitations for share transfers	Restricted	Restricted	Allowed	Allowed

3.3 Other Important Aspects

Registration with Securities and Exchange Commission of Pakistan (SECP):

As per the provisions of the Companies Ordinance, 1984, a foreign company (Liaison/Branch Office) is required to file prescribed returns/documents with the Registrar of Companies in the city where principal place of business is situated within 30 days after obtaining permission from the BOI.

Tax Registration and work visa:

The liaison/branch offices are required to be registered with the tax authorities in Pakistan. Every expatriate engaged as an employee is required to obtain work visa prior to commencement of employment in Pakistan. The duration of work visa is two years. As per visa policy cases of grant or extension of work visas and conversion of business visas to work visas are processed by the BOI within 4 weeks.

Filing Requirements:

The Companies Ordinance, 1984, requires companies incorporated in Pakistan to file various statutory returns relating to meetings of members, issuance and allotment of shares, appointment of and change in directors, chief executive and auditors, annual audited accounts, annual list of members etc. with the registrar within prescribed time limits.

The SECP also vigilantly monitors the affairs of entities under its purview. This is done through off-site monitoring of companies on the basis of reports and returns, as well as through on-site inspections of companies. Recently, SECP has developed an e-Services project which is an electronic data gathering and retrieval system that would perform automatic collection, acceptance and forwarding of submissions by companies who are required by law to file forms and documents with the SECP.

Table 6: Sectoral Highlight for Foreign Direct Investment in Pakistan

Sector Highlight for Foreign Direct Investment in Pakistan		
Sector	**% of FDI Equity Allowed**	**Entry Route For All Countries**
Food Industry	100%	Automatic
Textile Industry	100%	Automatic
Cement Industry	100%	Automatic
Chemical Industry	100%	Automatic
Leather Processing	100%	Automatic

SECTION IV –Pakistan: Sector Overview & Outlook

4.1 Pakistan Food Industry

Sector Overview and Outlook:

Agriculture has been the main stay of Pakistan's economy with agro-food products contributing to 20.9% of GDP in FY 2010-11, and is the main source of livelihood for approximately 45.1% of the total employed labor force[51]. The country has vast tracts of cultivable land, offering investors lucrative returns and rich harvests, with total cropped area of 22.75 million hectares in 2011-12[52]. According to the state bank of Pakistan, the country's food industry attracted USD 954.5 million FDI during the period 2005-10 with the government planning to allocate more to enhance this sector further.

Agri-business is utilizing new models to reach out to farmers and consumers, with new technologies and investing more in modern supply chains and in organized food retailing, to meet the growing demand for processed and ready-to-eat foods with increased urbanization. Pakistan, like India is fast becoming a medium-sized agri-product producer and exporter, selling fruit, fish, vegetables and others.

Pakistan is[53]:

- The world's 4th largest mango producer
- The world's 4th largest milk producer
- The world's 5th largest rice exporter
- The world's 5th largest sugar cane producer
- The world's 6th Largest producer of oranges and mandarins
- Asia's 3rd largest wheat producer

Policy and Promotion:

Corporate Agriculture Farming (CAF[54]):

- To seek efficiency of production and increased incomes/revenues by bringing together agricultural production, processing and marketing activities at one place under management of a corporate entity.
- To improve agricultural productivity and profitability through the use of latest production technology and adequate expertise particularly for exports.
- To produce high quality agriculture products due to favorable resource base.
- To achieve and maintain internationally competitive cost of production for all major crops, fruits and vegetables.

CAF has however, received great criticism from the local farmers who claim that the policy is designed for the investor's convenience only, while ignoring the landless poor farmers.

Fiscal Incentives[55]:

- 0% customs duty on import of agricultural machinery, equipment and implements.
- Exemption of duty on transfer of land for CAF.
- Tax relief: Initial depreciation allowance @ 50% of machinery cost.
- Dividends from corporate agriculture farms not subject to tax

[51] http://www.pakboi.gov.pk/index.php?option=com_content&view=article&id=232&Itemid=109
[52] http://www.pakboi.gov.pk/index.php?option=com_content&view=article&id=232&Itemid=109
[53] http://www.pk-food.com/fileadmin/user_upload/messen/food_hospitality_pakistan/Prospekt/fh2012_pakistan_brochure.pdf
[54] http://www.pakboi.gov.pk/pdf/Sectoral%20Policies/CAF%20-%20Policy%20Package.pdf
[55] http://www.agroasia.net/paksectors.htm'

Industry Projections:

Pakistan has a rich and vast natural resource base that covers various ecological and climatic zones, creating great potential for producing all types of food commodities. If this trend continues and the present electricity crisis is somewhat averted or even managed better, the farmers of Pakistan have the capacity to take on the challenge of producing better quality produce at internationally competitive prices.

4.2 Pakistan Textile Industry

Sector Overview and Outlook:

The textile industry, one of the most important sectors of Pakistan, remains the backbone of industrial activity in the country. It contributed to 9.5% of GDP in 2010-11 and to 38% of overall employment[56]. The textile and clothing industry has been the main driver of Pakistan's exports for the past 50 years in terms of foreign currency earnings and job creation, contributing to total exports of approximately 53% during FY 2011. Pakistan is the fourth largest producer of cotton and third largest user of cotton. At the same time, the industry is facing tough competition in the international market due to security concerns, unskilled labor etc., despite the low cost of production, which is making it less competitive than the neighboring countries of India, Bangladesh and China. The sector reported total FDI of USD 12.4 million between July-December 2009.

Policy and Promotion[57]:

The government of Pakistan allows various incentives to encourage investment in the textile industry.

- Five-year Textile Policy 2009-2014 – offers approximately USD 1 billion cash incentive to the textile and clothing sector to boost exports.

Other Incentives[58]:

- Availability of internationally acclaimed raw cotton.
- Dedicated textile and garment "Cities"
    - Textile city project is under development in Karachi with is expected to have the most modern facilities for value added textiles.
    - Garment cities in Karachi, Lahore and Faisalabad.
    - Industrial zones in Karachi
- Reduction of import duty to 5% on textile machinery and parts and ginning presses.
- Research and Development (R&D) support of 6%.
- Tax incentives for the manufacturing units in value added textiles, such as reduced turnover tax and sales tax.

Industry Projections:

Pakistan has fixed an ambitious textile export target of USD 25 billion till 2014 in the five-year textile policy, and the government is fully supporting the industry to achieve this target.

Land is available at Karachi garment city, Lahore garment city and Faisalabad garment city to develop the following industries:

- Light engineering factories
- Garments industries
- Ginning factories
- Power looms
- Carpet industry

[56] http://www.textile.gov.pk/gop/index.php?q=aHR0cDovLzE5Mi4xNjguNzAuMTM2L21vdGkv
[57] http://www.textile.gov.pk/
[58] http://www.pakboi.gov.pk/index.php?option=com_content&view=article&id=237&Itemid=307

Major Players:

A complete list of spinning sectors and those vertically integrated textile mills can be found on the All Pakistan Textile Mills Association website at http://www.aptma.org.pk/membertodb.asp?val=all. Other major players include Pakistan Readymade Garments Manufacturers and Exporters Association (PREGMA) and Pakistan Hosiery Manufacturers Association (PHMA), among others.

4.3 Pakistan Cement Industry

Sector Overview and Outlook:

Cement industry is a highly important segment of the industrial sector and plays a pivotal role in the socio-economic development of Pakistan. Most of the cement industries in Pakistan are located in close vicinity of mountainous regions that are rich in clay, iron and mineral capacity. Twenty six companies are listed in the stock exchange (out of these, four are foreign companies, three are controlled by Pakistan's Armed Forces) and sixteen are private companies. The country accounts for 3% of the employed force of the country. The employed force consists of a mix of labor, technicians and management and engineering professionals.

The cement plants are divided into two broad zones on the basis of their geographical location[59]:

- The Northern Zone: It consists of 19 units, with installed production capacity of 36.17 million tons. The north makes 80 % of countries' cement.
- The Southern Zone: It consists of 10 units. Installed production capacity of this region is 8.8n9 million. The Southern Zone produces 20% of country's cement.

Incentives[60]:

- The country is rich in raw materials necessary for the manufacturing of cement. Lime and gypsum are the two major inputs in the manufacturing of cement.
  - According to the geological survey of Pakistan, the country possesses large reserves of limestone and the annual production is estimated to be at 8,698,573 metric tons. Limestone is present in large amounts in the areas of Salt Range, Potwar Plateau, Margalla Hills and Zinda Pir(Attock).
  - The country contains 4,850 million tons of Gypsum and the annual production is calculated at 384,513 metric tons. The Gypsum deposits in the area of Dadukhel in Mianwali amount to 53 million tons. The areas of Rakhi-Munh, khewra, SafedKoh-Rodo and Suleman Range of D.G. Khan are rich in Gypsum deposits.
- The installed capacity of the country is 40 million tons. The capacity utilization stands between 70 - 75 % on average.
- The exports contribute to one third of the nation's cement output.
- Housing societies and mega infrastructure projects will boost cement production.

The 2012-13 federal budget has provided more incentives and relief to the cement industry where by excise duty has been slashed by USD 2. Prior to this cut, the excise duty stood at USD 8.82 per ton.[61].

[59] http://www.dgtrdt.gov.pk/Research/38th_syndicate_reports/4.pdf
[60] http://www.dgtrdt.gov.pk/Research/38th_syndicate_reports/4.pdf
[61] http://www.dgtrdt.gov.pk/Research/38th_syndicate_reports/4.pdf; http://www.brecorder.com/articles-a-letters/187/1222558/

Challenges:

- High cost of energy – constitutes to over 50% of cost of production of cement.
- Heavy Taxation.
- High freight charges.

Policy and Promotion:

All Pakistan Cement Manufacturer Association (APCMA): APCMA is the apex body of the cement manufacturers in Pakistan and plays a significant role in protecting the cement industry through government coordination and activities with respect to formulation of policies. It creates awareness and supports industry efforts on quality, environment, consumer protection and other issues.

Competition Commission of Pakistan (CCP): The CCP imposes huge penalties to cement manufacturers from inflating prices.

The cement industry has been using imported coal as fuel for production of cement and is now looking for least expensive fuel alternatives. Investment in refuse derived fuel (RDF) provides the solution, which is a modern technology using the municipal waste to produce energy. Fauji Cement has successfully adopted this technology, blending RDF with coal. Also, projects of power generation from waste heat recovery have been undertaken by the cement industry.

Major Players and Developments[62]:

Lucky Cement is the largest operator in the country with an effective capacity of 7.7mn tons (17%), followed by **Bestway**(13%), **DG Khan Cement** (9%), **Fauji Cement** (8%) and **Maple Leaf** (8%). Nearly all operators have plants in either the North or South region, with Lucky being the only exception with plants in both regions and hence enjoying a competitive advantage in the export market being a key player in both, sea and land exports.

4.4 Pakistan Chemical Industry

Sector Overview and Outlook:

Chemical industry in Pakistan is widespread categorized into organized & unorganized sector. There are three general classes of products in this Sector:

- Basic chemicals – both inorganic and organic, such as acids, alkalies, salts, ethylene, propylene, benzene, toluene, xylene etc.,
- Chemical products – used in further manufacturing i.e. intermediates such as pure terephthalic acid, phthalic anhydride and
- Finished chemical products – for end use or ultimate consumption; synthetic fibers i.e. polyester, PVC, polyethylene, polypropylene, polystyrene etc.

Pakistan made significant progress in basic inorganic chemicals like Soda Ash, Caustic Soda, Sulphuric Acid & Chlorine and sufficient production capacity of these chemicals is available to cater the needs of the local industry, while surplus is being exported. However Pakistan's organic chemical industry is lagging behind due to the unavailability of basic building blocks, such as, Ethylene, Propylene, Butylenes and BTX (Benzene, Toluene, Xylene), used for the production of most of the organic chemicals that are employed as a raw material for a number of chemical subsectors.

Pakistan succeeded to develop the downstream allied chemical industries to meet most of the local demands. The example of this development is obvious in synthetic fibers, soaps & detergent, dyes & pigments, paints and varnishes.However, the imports of chemicals and allied industries stood around 20%, significant for a small economy of Pakistan.

[62] http://www.mrsecurities.com.pk/PakistanCementSector.pdf

Sources of Raw Materials and Process Technologies for Chemical Industry Development in Pakistan[63]:

Table 7: Sources of Raw Material for Primary Industries

Primary Industries	Sources of Raw Material
Petroleum	Imported crude oil
Fertilizers	**Local** natural gas
Cement	**Local** materials, limestone, clay
Iron & Steel	Imported/**local**iron and steel scraps
Copper	**Locally** available ore
Textiles	**Local** agricultural raw material

Table 8: Sources of Raw Material for Intermediate Industries

Secondary Industries	
Petrochemical Intermediates based Industries	**Sources of Raw Materials**
• Synthetic Fibers • Polyvinyl chloride • Various Polymers • Pesticides • Pure phthalic acid • Plastics and Resins • Paints and Varnishes • Organic Chemicals • Dyes and Pigments • Textiles and Tannery Chemicals • Drugs, pharmaceutical chemicals, fine and specialty chemicals	Imported/ **Locally** organic/inorganic chemicals.

Table 9: Sources of Raw Material for Secondary Industries

Other Secondary Industries	Sources of Raw Materials
Soda Ash and Sodium Bicarbonate Caustic Soda and Chlorine Sulphuric and Other Inorganic Acids	Local Raw Materials
Paper and Paper Board	Part local/part imported
Glass and Ceramics	Local Raw Materials

The development of primary industries, consisting of petroleum refining, fertilizers, iron, steel, and other metallurgical projects, cement and textile industries is predominantly based on imported technologies. The design and detailed engineering and the supply of critical plant and equipment are carried out by foreign engineering corporations.

[63]http://gendocs.ru/docs/15/14514/conv_1/file1.pdf

Policy and Promotion:

Development of the chemical industry is lagging behind in Pakistan. The various factors which have hampered the development of this industry include:

- An underdeveloped industrial infrastructure.
- Reliance on foreign engineering and construction companies for the commercialization of locally developed or imported technologies.
- Imports of second-hand highly energy intensive plants based on antiquated technologies.
- Reliance on the development of resource based, low technology, labor intensive products for export.

Chemical Industry Development - Vision 2030 – Objectives include:

- Pakistan to create its own capability and achieve self-reliance in project design, engineering and the construction management required for the commercialization of technologies.
- To develop capability in the production of medium and high technology based chemicals for export.
- To provide suitable incentives to entrepreneurs for the development of an export oriented chemical industry.

National Science, Technology and Innovation Policy 2012[64]:

The role of the National Committee for research and technology development will be to foster linkages between universities, R&D institutions and the chemical industry. Various tasks include:

- Formation of sub-committees for different sectors of the chemical industry.
- Identification of problems of each sector.
- Selection of R&D teams from universities, industry and R&D institutes for multidisciplinary research.
- Selection and adoption of technologies for commercialization.

It is necessary to consider the limitations of Pakistan's innovation system and determine why it has lagged behind in its race towards the development of its chemical industry. For this reason, there is an immediate need for enhancing and modernizing the country's National Innovation System (NIS)[65]. This is the framework by which a country brings about technological change, and consists of R&D institutions, infrastructure for commercialization of technologies, structure of educational and technical institutions, regulatory agencies, information networks, financial institutions and marketing.

4.5 Pakistan Leather Industry

Sector Overview and Outlook:

Leather industry in Pakistan is the second largest, in regards to exports, and is still leading in leather technology and quality, right after Italy. Contributing to more than USD 800 million to foreign exchange in 2009, the industry has the potential of delivering more and providing a large number of jobs by diversifying product range. The main leather products in Pakistan are leather garments, gloves, tanned leather and footwear. The industry is able to meet 75% of its raw hides from local resources while the remaining is met through imports[66].

The primary sources of raw material for the tanning industry are hides and skin from animals procured at the time of Eid-ul-Adha, from various charity organizations. During Eid-ul-Adha, a large portion of the population sacrifices animals and donates the hides and skin to charity organizations, who in turn sell them to tanners. There are also very few approved slaughterhouses, where the handling and treatment of cattle fully meet the appropriate animal welfare and hygiene requirements.

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[64] http://www.pcst.org.pk/docs/National%20Science,%20Technology%20and%20Innovation%20Policy%202012.pdf
[65] http://www.competitiveness.org.pk/pii/research/DraftStrategy-Dr.LarsEklund.pdf
[66] http://www.scribd.com/doc/24975694/Analysis-of-Leather-Industry-in-Pakistan

Incentives:

Pakistan is fortunate to have abundance raw material available in the country for the leather industry. Local availability of raw materials and low wage cost gives the country a competitive edge in the world market. The basic raw materials which are being used by this industry include:

- Buffalo – considered as the specialty of Pakistan with ample availability in the country.
- Cow –considered a superior raw material upon buffalo because of its fine, tight and comparatively uniform structure.
- Goat – good for making shoes and other garments.
- Sheep –leather made from sheep raw material has a very soft touch and considered best for leather garments.

Policy and Promotion:

Pakistan Leather Garments Manufacturers and Exporters Association (PLGMEA& Pakistan Tanner Association (PTA)): Recognized by the Government of Pakistan and affiliated with the Federation of Pakistan Chamber of Commerce, PLGMEA is running support service centers in Karachi, Lahore and Sialkot to provide supervision of papers for sales tax claims and R & D claims. They also intend to resolve all issues between members and the departments of Customs and Sales Tax, while maintaining permanent dialogue with the Commerce Ministry, Textile Ministry, and State Bank of Pakistan to discuss the concerns of members.

Challenges:

The industry has been facing some challenges, mostly those endured by all industries of Pakistan – the energy crisis. However, one of the biggest challenges faced is the wastage of hides due to slaughter of animals by non-professionals using outdated/improper tools, and hazardous chemicals used in the tanning process. Other than that, the industry also needs to focus on the need of better logistics and preservation systems for animal hides and skin.

SECTION V – Case Studies

SEFAM – Potential for Investing in India

A Brief Overview

SEFAM: Investing opportunity in India:

SEFAM, established in 1985 with the launch of its first brand "Bareezé", has become Pakistan's largest fashion house and retailer, providing quality and desirable fabrics and clothing for all categories of consumers. Having deep entrenched values of quality, integrity and trust, SEFAM has since expanded to become the parent corporation for 14 brands and affiliated companies, employing close to 6,000 people with a total of 460 points of sale all across Pakistan and internationally, in the U.A.E, Malaysia, England, Canada and Norway, with points in Saudi Arabia and Bangladesh close to launch. Other SEFAM brands include: Leisure Club, Minnie Minors, Chinyere, Kayseria, The Working Woman, Shahnameh, Home Expressions and Rang Ja, among many others.

SARENA, a subsidiary of SEFAM and one of Pakistan's most sought-after fabric dyeing and finishing facilities, having a heavy presence in the export market, is on its way to becoming the first private laboratory in the country to earn the ISO 17025 certification, which signifies conformance to cutting-edge global standards of reliability and standardization in all testing procedures.

Scope of opening up SEFAM outlet in India:

In the view of this recent liberalization of India's FDI policy in the retail sector, SEFAM plans to open up 50 brand outlets across India in the next two years, starting with New Delhi in North India, Mumbai, Pune in West India, and Bangalore and Chennai in South India.

In regards to a growing Indian retail market, currently standing at USD 396 billion and expected to grow further by 12% by 2015, SEFAM plans to take six brands to set up in India, with focus on starting with its fabric and ethnic clothing brands and moving on to its western clothing brands. These include:

Table 10: Scope of Opening up SEFAM Outlet in India

Designer Fabric Brands	Ethnic Clothing Brands	Western Clothing Brands
Bareezé	Chinyere	Leisure Club
Kayseria	The Working Woman Rang Ja	Minnie Minors

SEFAM plans to maintain its presence in India through partnership with relevant local retail chains/partners that have a strong financial backing. For this reason, SEFAM has contracted consultants in India to identify these partners and help them structure an entry strategy for easy facilitation.

Indian market potential for SEFAM brands:

Table 11: Indian Market Potential for SEFAM Brands

Potential of SEFAM Pakistan	
SEFAM points of sale across the country	450
Population	176,745,364
GDP (PPP) in USD	$494.8 billion
Annual Disposable Income (USD million)	$198,845.4
Potential of SEFAM India	
Shops planned in the next two years	50
Population	1,241,491,960
GDP (PPP) in USD	$ 4.515 trillion
Annual Disposable Income (USD million)	$1,589,115.7

Investment Obstacles & Challenges:

Obstacles and challenges that SEFAM expects to face, some of which arising from their past ventures in India, include:

Lack of information:

In SEFAM's past ventures in India, where they appeared in exhibitions and fashion shows, SEFAM recognized that there was a serious lack of information and coordination on trade and investment policies by both sides. Neither TDAP (Trade and Development Authority Pakistan) nor FICCI (Federation of Indian Chambers of Commerce and Industry) were able to provide accurate information on trade restrictions, policies, duties, taxes, remittances and other clearance and testing policies that are currently in effect for facilitation of investors.

Lack of communication & facilitation:

The challenge above is made further difficult due to poor communication between the two countries with little or no facilitation by either government to promote market linkages and get in touch with their counterparts in the other government.

Looking ahead:

SEFAM is planning a visit to India in May, 2013, for an exhibition, in New Delhi or Mumbai. Despite the uncertainties, SEFAM intends to penetrate the growing Indian retail market with an initial plan of opening up 50 brand outlets across India in the next two years.

SEFAM is confident that it will be able to overcome any challenges in its way and win over Indian consumers with accurate, relevant marketing, provided that it is supported by improved & more accommodating government regulations to make itself as at home in the Indian retail market as it is in the other markets SEFAM has successfully ventured into.

Suggestion:

SEFAM strongly believes that if the Pakistani business community is given some measure of immunity, irrespective of the political instability between the two countries, more investors will be encouraged to invest. The risk of a company's business coming to a halt due to an unforeseen political event is a huge deterrent for investors in both countries.

Lucky Cement – On its Way to the Indian Market

Lucky Cement Limited (LCL) is Pakistan's largest producer and leading exporter of quality Portland cement with the production capacity of 7.75 million tons per annum and one fifth of the country's market share. The company is listed on Karachi, Lahore, Islamabad and London Stock Exchanges.

Over the years, Lucky Cement has grown substantially and is expanding its business operations with production facilities at strategic locations in Karachi to cater to the Southern regions, Pezu and Khyber Pakhtunkhwa to supply to the Northern areas of the country. Lucky Cement is Pakistan's first company to export sizeable quantities of loose cement being the only cement manufacturer to have its own loading and storage terminal at Karachi Port.

Lucky Cement is an ISO 9001:2008 and 14001:2004 certified company and also possesses many other international certifications including Bureau of Indian Standards, Sri Lankan Standard Institute, Standards Organization of Nigeria, Kenya Bureau of Standards and South African Bureau of Standards.

In view of this recent liberalization of India's Foreign Direct Investment (FDI) policy towards Pakistan, Lucky Cement intends to establish its presence in Amritsar, India. In this regard, the company is reviewing the option of opening a branch office (as opposed to a liaison office) in India to have direct control over market analysis, distribution and marketing of its products in India.

Lucky cement's exports:

As of financial year 2012, Lucky Cement accounts for 22.1% of the Pakistani cement export and 15.5% of the local market. Currently, the Company derives 62% of its sales revenue from the domestic market while export sales have a contribution of 38% to its revenues. Lucky Cement plans to diversify its exports to countries with high demand for cement including Congo and Iraq.

2011- 2012 concluded as the best performing year in the history of Lucky Cement. During the year, the organization achieved various milestones including sales revenue reaching Rs 33.3 billion; up by 28% compared to the previous year owing to an improvement of 3% in sales and 25% in the retention prices.

The export sales volume however, plunged sharply by 32.9% in 2011 from 3.51 million tons last year mainly due to sharp decline in clinker and loose cement sales in the Middle East; coupled with slack construction activities and oversupply of cement. However, bagged cement export sales volume of the company increased by 7.03%. The dreary position of overall exports is likely more attributable to logistical hurdles than to lack of demand. Lucky's managers believe that the company has strong potential in the export markets especially in the context of the green-field production setup and infrastructure development being undertaken in various countries of exports.

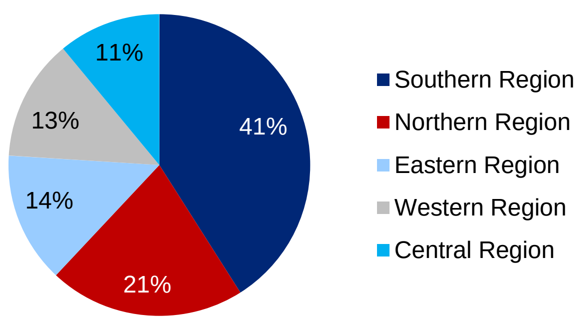
Indian market for Cement

Supply & Production:

The Indian cement industry is second only to China accounting for about 8% of the total global production. Its domestic production capacity has been growing at a fast pace standing at annual production of about 330 million tonnes (Mt) as of financial year 2011-12. The figure is expected to double to reach almost 550 million tonnes by 2020, as per estimates by the Cement Manufacturers Association (CMA) of India. The industry has grown at a compound annual growth rate (CAGR) of 13.14% during between 2007 and 2011, and is projected to grow at a CAGR of 10.64% between 2012 and 2016.[67]

Most of the domestic production in India is concentrated in the southern region that produces about 41% of the annual domestic production. The southern region's cement-grade limestone reserves make it a natural choice for most cement manufacturers to be housed here.

Figure 1: Cement Production in India

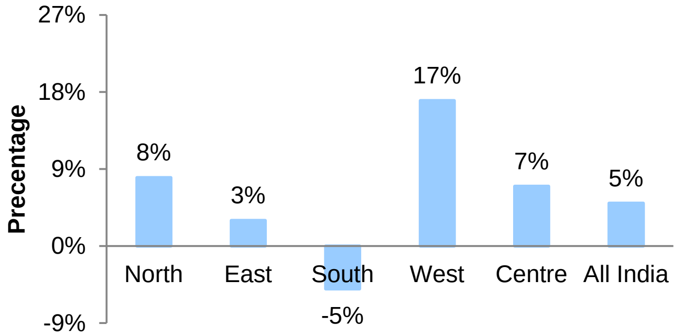


Demand:

Cement demand in India has experienced subdued growth over the past two years. While the demand remained healthy across all other regions of the country, it was negative in the south region which is home to most cement manufacturing plants.

[67] Indian Cement Industry Outlook, June 2012 – (http://www.marketresearch.com/BRICdata-v3901/Indian-Cement-Outlook-Business-Opportunities-7046772/)

Figure 2: Percent Change in Cement Demand in India in 2011 and 2010



Source : Cement Manufacturer's Association (CMA) / Industry estimates

The muted demand growth coupled with increasing production capacity has caused operating rates to fall from 85% in 2009 -10 to 74% in 2011- 12. The capacity utilization is likely to fall further in 2012-13. However, the demand is expected to grow by almost 8% in 2012 - 13. This is likely to be spearheaded from the west and the east regions of the country. Gradual growth in the south is also predicted.

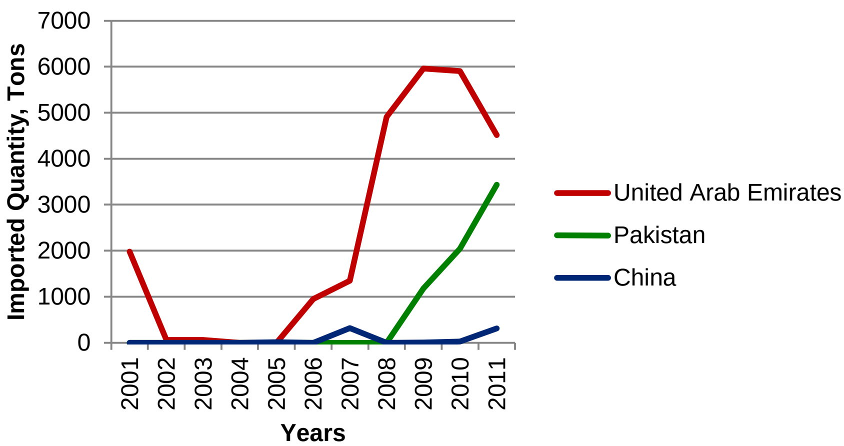
The biggest demand driver of the Indian cement industry is its housing sector, accounting for about 64% of the total consumption. The other major consumers of cement include infrastructure (17%), commercial & institutional (13%) and industrial segment (6%).[68]

Cement Imports:

Despite the increasing domestic production capacity, India's cement imports have also been on the rise. The Indian cement manufacturers face several comparative disadvantages such as logistic expenses and rising costs of raw materials and fuel. Pakistan, with its proximity, quality and surplus quantities of cement and other comparative advantages is a natural trading partner for the growing cement market in India.

India imported a total of 8378 MT of cement in 2011. The top suppliers of cement to India are UAE, Pakistan and China where UAE supplied 56.8% and Pakistan supplied 34.4 % of the total cement imported in 2011. Recent trade trends show a decline in cement imports from UAE and increase in the same from Pakistan (see Figure 1) despite a 23.5% dip in domestic demand of cement between 2009 and 2010.[69]

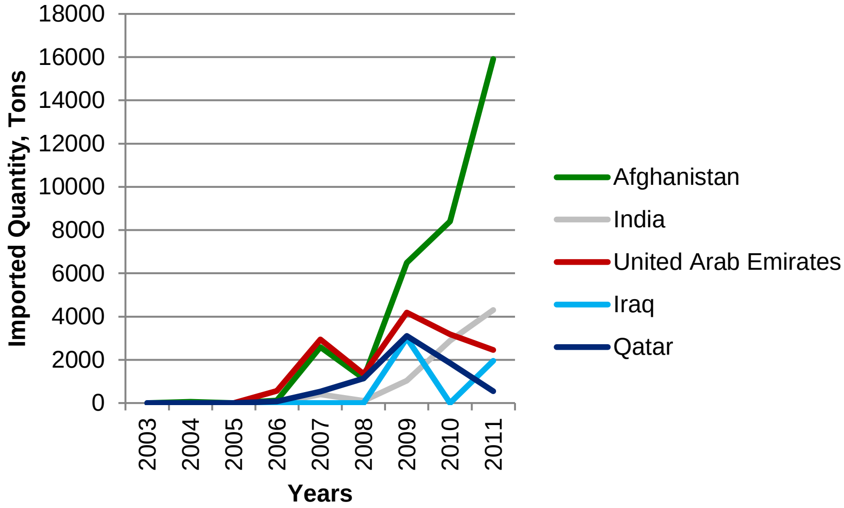
Figure 3: Top Exporters of Cement to India



[68] http://www.equitymaster.com/research-it/sector-info/cement/Cement-Sector-Analysis-Report.asp
[69] www.trademap.org

India is the second largest market for Pakistani cement exports (see Figure 2).

Figure 4: Top Export Markets for Pakistani Cement



Foreign Investment in the Indian Cement Industry:

India's per capita consumption of cement is as low as 156 kg/year in comparison with the world average of 260 kg. This indicates huge potential for growth in demand. This low per capita consumption of cement is one of the main reasons for strong interest shown by the foreign players in India. The sector has attracted more than $1.7 billion in foreign direct investment over the past decade.

As 100 per cent FDI has been permitted, several foreign transnational companies have ventured into the Indian markets such as Lafarge, Heidelberg, Italicementi and Holcim. The Swiss cement major Holcim – which has a stake of 46 per cent each in two major Indian cement firms, ACC and Ambuja Cements – has announced plans to invest a billion dollars in the country.

Potential for Pakistani Cement Exporters:

Cement is a freight intensive industry. Given the unequal regional concentration of cement plants in India, logistics is another key challenge the domestic industry faces in terms of transporting cement from the "producing areas" to the "consuming areas". Freight costs have also increased as a result of the recent increase in diesel price and rail tariffs in India.[70]The transportation costs constitute up to 15% of cement's total cost. This makes the case for cross-border trade, especially with Pakistan, even stronger. The northern and western regions of India make a large potential market for Pakistani cement exporters who have cost, quality and logistic advantage in comparison to the south Indian suppliers. This forms the basis of Lucky Cement's decision to venture into the Indian market.

Pakistani exporters, however, complain about India's non-tariff barriers for cement export. Despite the recent development of Pak-India bilateral trade liberalization, Pakistani exports to India have started to decline. "The decline is not due to lack of demand in India, but because of stringent non-tariff barriers put up by our neighbor,"[71] the spokesman for All Pakistan Cement Manufacturers Association said, adding that Pakistan's cement was preferred because of better quality.

[70] 'INDIAN CEMENT SECTOR: Challenging outlook due to over-capacity and rising input costs', ICRA Limited, Sept 2012 (http://www.icra.in/Files/ticker/Indian%20Cement%20Sector_Sept%202012.pdf)
[71] News article (http://tribune.com.pk/story/450311/weak-demand-exports-restrict-cement-sales/)

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Development in Pak-India trade relations – from Lucky cement's perspective:

The current amendment in India's Investment Policy pertaining to Pakistani investors is widely being acknowledged as India's reciprocal gesture towards Pakistani government's decision to grant it the status of for the Most Favoured Nation (MFN). With the relevant regulations still in evolution on the Indian side of the border, some Pakistani investors such as Lucky Cement are aiming to pioneer the trend of investments into India.

Although Lucky Cement is currently exporting to India but its presence in the Indian market is represented through the Indian dealers only. With the recent movement towards trade liberalization between Indian and Pakistani governments, new hope has risen for investors like Lucky Cement to be able to expand their presence in India. Senior staff members at Lucky Cement, involved with this expansion plan for their business with India, are hopeful that this move will enable them to directly assess the Indian cement market's dynamics and respond to the changing demand in time.

The senior management at Lucky is very optimistic about the investment in India and believes that establishing a branch office would help Lucky cement test the environment in India for subsequent investment opportunities in the long run and will allow the company to have a foot in the door for Lucky Cement to establish a bigger manufacturing facilities in the Indian market; one of the biggest and fastest growing markets in the world.

Lucky cement's experience towards entering the Indian market:

Lucky Cement managers are in contact with Pakistani Ministry of Commerce and the Indian Ministries of Finance and Commerce in order to initiate the formal application process for approval to invest in the Indian market. 'InvestIndia' is a group set up under the Indian Ministry of Finance which addresses the issues and queries raised by foreign investors and facilitates the investment process as per the Indian regulations.

A foreign company planning to set up business operations in India may:

- Incorporate a company under the Companies Act, 1956, as a Joint Venture or a Wholly Owned Subsidiary.
- Set up a Liaison Office (LO) or a Project Office or a Branch Office (BO) of the foreign company which can undertake activities permitted under the Foreign Exchange Management (Establishment in India of Branch Office or Other Place of Business) Regulations, 2000.

The regulatory process for investment approvals in India take two alternate routes:

I. Automatic Route - FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time.
II. Government Route - FDI in activities not covered under the automatic route requires prior approval of the Government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance. Application can be made in Form FC-IL, which can be downloaded from http://www.dipp.gov.in Plain paper applications carrying all relevant details are also accepted. No fee is payable. Pakistani companies may only invest in India via this route.

In case of LO and/or BO, applications are also screened by the Ministry of Home Affairs (MHA) and sometimes, as the case may be, by Ministry of External Affairs (MEA).

Pakistani investors are required to apply through the Government route which is more time consuming and involves several formalities. According to Lucky Cement's Deputy General Manager, there are legal and operational issues in following this route that need to be resolved.

Lucky Cement was initially planning to open its Liaison office (LO) in Amritsar in India (a major city of Indian Punjab being a major hub of cement market). According to the Indian Investment Policy, an LO can undertake the following activities in India:

i. Represent the parent company / group companies in India.
ii. Promote export / import from / to India.
iii. Promote technical/financial collaborations between parent/group companies and companies in India.
iv. Act as a communication channel between the parent company and Indian companies.

The liaison office activities in the nature of commercial/trading and marketing would not be permitted in the liaison office.

As mentioned above, the role of a liaison office is limited to collecting information about the possible market and to providing information about the company and its products to prospective Indian customers. Such offices act as listening and transmission posts and provide two-way information flow between the foreign company and the Indian customers. This office cannot be directly involved in selling any product and generating its own revenues.

Due to these limitations of a liaison office, Lucky Cement is currently exploring the possibility of opening a branch office provided that the Indian Ministry of Finance grants permission (on the Indian side, issues related to Pakistani investors are being handled by their Ministry of Finance and not the Ministry of Commerce). From Lucky's progress with the required paperwork so far, it appears that the regulations for opening up a branch office through government route have yet to be unravelled. The management of the Lucky Cement, however, has showed satisfaction in the transparency and the cooperation of the Government of India representatives who have been forthcoming in outlining the processes involved for Lucky Cement to open a Liaison Office or a Branch Office.

The relevant staff at Lucky says that being the pioneer Pakistani investor in the Indian market, the fact that they have to put additional effort to unravel the processes and requirements for investing in India was appreciated and is not unexpected.

<u>Decisions:</u>

Lucky Cement discovered that for any Pakistani business to open a branch office and establish its operations in India, presence of a Pakistani bank's branch in India is necessary as per the Reserve Bank of India's (RBI) regulations. The United Bank Limited (UBL) of Pakistan is already planning to open a branch in India after which Lucky's entry in the Indian market would become possible. Lucky expects that it will take around 6 months for RBI to approve a Pakistani Bank's branch in India.

Additionally, the Indian regulations also require for branch offices of Pakistani businesses to undergo bi-annual audits by an independent Indian auditor.

<u>Customs facilitation:</u>

For Lucky Cement, the objective of setting up a branch office in India is to increase its exports to the country by reducing its dependency on distributors in India and have direct control over marketing and market analysis in India. While Lucky Cement continues to prepare itself for establishing a branch office in India, it will proceed to establish one only when it is certain that its direct presence in the Indian market will materialize in increased volumes of export.

Increased volumes of export depend as much on increased orders from India as on the ability of Lucky Cement to export its products to Indian market at the right time and with adequate certainty that requires removal of existing non-tariff barriers to export of cement from Pakistan to India.

Conclusion:

The journey towards a strong presence in the Indian market has just begun for Lucky Cement. The company is in the process of exploring various footholds that the regulations and investment policy allow. These include a liaison or branch office to start with. Having an established customer base through the Indian dealers is the foundation of their business case for a branch office in India. This indirect business with the Indian market will increase the company's understanding of the market. It has also provided an opportunity for direct interaction with the Indian Customs and other relevant authorities regulating the trade across Pak-India borders.

This case study is developed at the time when Lucky Cement had begun exploring the modes and process of investments as well begun exploring the feasibility of establishing a presence in India. This case study will evolve as Luck Cement makes progress in unravelling the investment opportunities and processes in India; and has explored the feasibility of establishing a presence and based on the latter decided to proceed or not to proceed with the investment in the near term.

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Appendix 1

Application Form for Permission to Establish Branch / Liaison Office by Foreign Company in Pakistan:

Website: http://www.pakboi.gov.pk/index.php?option=com_content&view=article&id=124&Itemid=291

#	Application Form for Permission to Establish Branch / Liaison Office by Foreign Company in Pakistan:	
1	Company's full name along with complete foreign address with location which includes telephone/fax numbers, E-mail address and contact person/reference:	
2	Country of Origin:	
3	Present Business/Activities:	
4	Name of the Countries where Branch / Liaison Offices exist already:	
5	Proposed name under which office permission is required in Pakistan:	
6	Location/place where permission is required to establish Liaison/Branch Office in Pakistan	
7	Proposed address in Pakistan also indicate places if more than one:	
8	Intended field of business activities in Pakistan	
9	State if repatriation facilities are required by foreign firm for capital and profits:	
10	State if any Pakistani Co/individual is associated in the Co. with details of Investment (% Share)	
11	Name and address of the agent if any already working in Pakistan:	
12	Period (duration) for which permission is required:	
13	State if proposed Co. is subsidiary of any other principal / Organization:	
14	State No. of Personnel to be employed giving details of foreign/local and their status:	
15	Investment proposed to be made in detail foreign/local and sources:	
16	Annual recurring expenses of office and its source:	
17	State programme to establish investment project in Pakistan if so nature of the same:	
18	Name of Bank in Pakistan:	
19	Any other information which is deemed Appropriate of consideration of request:	
20	Designated person authorized to act on behalf of Company:	
21	Detailed background/History of the company:	
22	Details of the company purpose for opening office in Pakistan:	
23	Company's local sponsor completer address to include city, telephone/cell/fax number, location, E-mail address, and their CV:	
24	Company's complete local address which includes location, telephone, cell, fax numbers, email address and the contact/reference person(s):	
25	Details of CEO/Directors of the company including their CVs.	
26	Details of the projects/ventures in other countries.	
27	Details of work/project(s) in Pakistan	

#	Application Form for Permission to Establish Branch / Liaison Office by Foreign Company in Pakistan:	
28	Details of Security company which has been or is being hired for security services : a) Which Security Company's does the firm intends to hire/associated with for security of its projects/personnel? b) Is the Security company registered with SECP or not? Attached copy of the SECP's registration? c) Is the Security company purely Pakistani based; or:- i. Has it hired services of foreign consultants/nationals, in any form or manner? ii. Is it a Pakistani chapter/partnership/extension of a foreign security company? If yes, give details.	

Signature:

Name:

CEO/ Director:

Fax No:

Telephone/ Cell No:

Email:

Appendix 2

Guidelines for Consideration of FDI Proposals by FIPB

The following guidelines are laid down to enable the FIPB to consider the proposals for FDI and formulate its recommendations.

1. All applications should be put up before the FIPB by its Secretariat within 15 days and it should be ensured that comments of the administrative ministries are placed before the Board either prior to/or in the meeting of the Board.
2. Proposals should be considered by the Board keeping in view the time frame of 30 days for communicating Government decision.
3. In cases in which either the proposal is not cleared or further information is required in order to obviate delays presentation by applicant in the meeting of the FIPB should be resorted to.
4. While considering cases and making recommendations, FIPB should keep in mind the sectoral requirements and the sectoral policies vis-à-vis the proposal (s).
5. FIPB would consider each proposal in its totality.
6. The Board should examine the following while considering proposals submitted to it for consideration:
   - i. Whether the items of activity involve industrial license or not and if so the considerations for grant of industrial license must be gone into;
   - ii. Whether the proposal involves any export projection and if so the items of export and the projected destinations;
   - iii. Whether the proposal has any strategic or defense related considerations.
7. While considering proposals the following may be prioritized:
   - i. Items falling in infrastructure sector;
   - ii. Items which have an export potential;
   - iii. Items which have large scale employment potential and especially for rural people;
   - iv. Items which have a direct or backward linkage with agro business/farm sector;
   - v. Items which have greater social relevance such as hospitals, human resource development, lifesaving drugs and equipment;
   - vi. Proposals which result in induction of technology or infusion of capital.
8. The following should be especially considered during the scrutiny and consideration of proposals:
   - i. The extent of foreign equity proposed to be held (keeping in view sectoral caps if any;
   - ii. Extent of equity from the point of view whether the proposed project would amount to a holding company/wholly owned subsidiary/a company with dominant foreign investment (i.e. 76% or more) joint venture;
   - iii. Whether the proposed foreign equity is for setting up a new project (joint venture or otherwise) or whether it is for enlargement of foreign/NRI equity or whether it is for fresh induction of foreign equity/NRI equity in an existing Indian company;
   - iv. In the case of fresh induction offerings/NRI equity and/or in cases of enlargement of foreign/NRI equity, in existing Indian companies whether there is a resolution of the Board of Directors supporting the said induction/enlargement of foreign/NRI equity and whether there is a shareholders agreement or not;
   - v. In the case of induction of fresh equity in the existing Indian companies and/or enlargement of foreign equity in existing Indian companies, the reason why the proposal has been made and the modality for induction/enhancement (i.e. whether by increase of

paid up capital/authorized capital, transfer of shares (hostile or otherwise) whether by rights issue, or by what modality;

vi. Issue/transfer/pricing of shares will be as per SEBI/RBI guidelines;

vii. Whether the activity is an industrial or a service activity or a combination of both;

viii. Whether the items of activity involves any restriction by way of reservation for the Micro & Small Enterprises sector;

ix. Whether there are any sectoral restrictions on the activity;

x. Whether the proposal involves import of items which are either hazardous/banned or detrimental to environment (e.g. import of plastic scrap or recycled plastics).

9. No condition specific to the letter of approval issued to a non-resident investor would be changed or additional condition imposed subsequent to the issue of a letter of approval. This would not prohibit changes in general policies and, regulations applicable to the industrial sector.

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Appendix 3
Major Automotive Players in India by Segment

Companies	Segments
Ashok Leyland	LCVs, M&HCVs, buses
Asian Motor Works	M & HCVs
Bajaj Auto	Two and three wheelers
BMW India	Cars and MUVs
Daimler Chrysler India	Cars
Eicher Motors	LCVs, M & HCVs
Fiat India	Cars
Force Motors	MUVs and LCVs
Ford India	Cars and MUVs
General Motors India	Cars & MUVs
Hero Honda Motors	Two wheelers
Hindustan Motors	Cars, MUVs and LCVs
Honda	Two wheelers, cars and MUVs
Hyundai Motors	Cars and MUVs
Kinetic Motor	Two wheelers
Mahindra & Mahindra	Three wheelers, cars, MUVs, LCVs
Maruti Suzuki	Cars, MUVs, MPVs
Piaggio	Three wheelers, LCVs
Royal Enfield Motors	Two wheelers
Skoda Auto India	Cars
Suzuki Motorcycles	Two wheelers
Swaraj Mazda Ltd	LCVs, M & HCVSs, buses
Tata Motors Cars	MUVs, LCVs, M&HCVs, buses
Toyota Kirloskar	Cars, MUVs
TVS Motor Co	Two wheelers
Volvo India	M & HCVs, buses
Volkswagen India	Cars
Yamaha Motor India	Two wheelers