

**ENABLING GROWTH OF  
FRENCH BUSINESSES  
IN INDIA**



## Message from Indo French Chamber of Commerce and Industry (IFCCI)

We are pleased to present to you this white paper prepared with the support of our knowledge partner, Trilegal. As one of India's most active bilateral chambers of commerce, it is of utmost importance to IFCCI to serve the interest of its member companies and encourage French companies to set up and expand their businesses in India. India and France share strong socio-economic and political ties and are important trading partners. In 2018, bilateral trade touched 16 billion euros and this figure has doubled over the past ten years. French companies do not regard India as a short-term market, they are committed to contributing to India's development by creating jobs, investing and innovating. Currently, 600 French subsidiaries operate out of India and French companies employ close to 350,000 employees in India.

We are thankful to Invest India and the Department for Promotion of Industry and Internal Trade, Government of India for all the support extended to French companies in India and we hope to see more businesses grow and flourish in the years to come.

Payal S. Kanwar  
Director General

Guillaume Girard-Reydet  
President



# 01 IMPROVING EASE OF DOING BUSINESS: ROAD TO RANK 50

In an effort to make India an attractive business destination, the government has over the years taken several steps to improve the ease of doing business including, introducing online portals for filing tax returns, exchange control reporting, fixing timelines for clearance of applications and introducing the e-biz project for single window clearance.

The NDA government, which is committed to showcase India as a country which can offer a huge opportunity for investment, has set a target to be in the top 50 as per the Doing Business report by the year 2030. The country has made significant strides to achieve this goal.

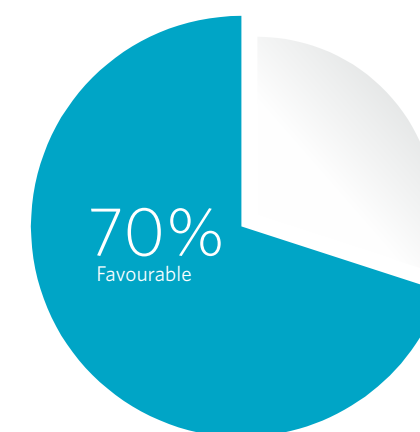
Measures such as removal of minimal capitalisation norms, liberalisation of FDI policy, reforms in external commercial borrowing regulations, and the abolition of the Foreign Investment Promotion board have simplified foreign investment in the country. Court processes, payment of taxes, filing permits and approvals have been digitised in key jurisdictions. Additionally, this government has also shown the political will to pass key legislation needed to streamline business operations as well as protect citizen and investor interests, such as the Bankruptcy Code, 2016 and the Goods and Services Tax Act 2017, the Commercial Courts Act 2017, Real Estate (Regulation and Development) Act 2016. Cumulatively, these steps have already demonstrated dividends for our country – in the last two years the country has climbed 53 notches and currently ranks 77, becoming the top ranked country in South Asia for the first time and third among the BRICS in the process. Further, India now ranks in the top 25 in the world on three indicators – access to electricity, obtaining credit, and protecting minority investors.

However, there remain specific issues relating to procedural complexities, administrative hurdles and procedural delays, which can play a role in slowing down the country's march up the rankings. Based on our experience, these changes are required to occur in two main areas. Firstly, the several changes implemented in major state and municipal areas, such as e-filing of taxes, labour contributions, and permits for constructions, and electronic case management need to be implemented across the board for meaningful reform. State and local governments, taking a cue from the central government, need to reform their local laws and regulations to provide a friction less business environment for domestic and international businesses.

In this white paper, we have set out to highlight some of these key regulatory challenges faced by businesses, based on a survey conducted jointly by Trilegal and Indo-French Chamber of Commerce & Industry (IFCCI), and suggested a few recommendations to ease these challenges.

## 1.1. Easing permits and approvals

**A MAJORITY OF THE MEMBERS PERCEIVED THE CURRENT BUSINESS CLIMATE IN INDIA TO BE FAVOURABLE, AND ACKNOWLEDGED THAT THE CURRENT GOVERNMENT HAS BEEN PRO-BUSINESS IN ITS OUTLOOK**



**70%** of the companies perceive the current business climate in India to be favourable

Typically, it takes around 1 to 4 months to start a business after obtaining all permissions and approvals in India. However, in some cases, our respondents have reported that it may take between 6 months to 2 years to commence business operations – especially in the more sensitive/regulated sectors.

Completing diligence requirements to acquire land is an area of concern – complicated approval process, lack of domain knowledge of government officials, time for land conversion and risk of dispute over title were cited as some of the concerns by respondents. The absence of a common digital platform to verify land details, such as encumbrances, chain of title, and current possession of title documents results in delays for parties to satisfy land diligence conditions leading to delays in starting a business in India. Obtaining permits subsequent to land acquisition also is a key concern, where typically it takes cumulatively 268 days to obtain land and receive necessary permits to start construction activities.

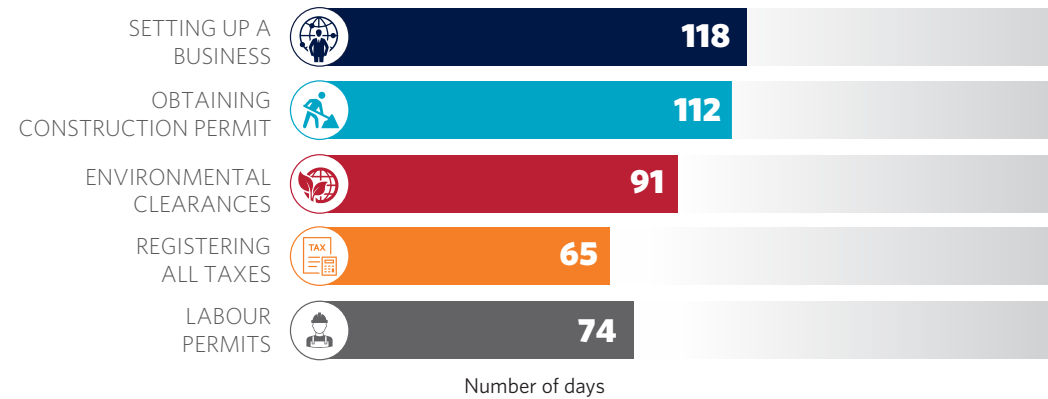
A few members also raised concerns with respect to closure of business which took up to two years. In our experience, winding-up of

businesses remains a difficult process, leading to, in some cases, companies being left dormant for years – an unnecessary drain on resources required for continued compliance and statutory filings, and an avoidable source of liability for the directors and officers involved.

A recent study by the NITI Aayog on Ease of Doing Business in India, demonstrates that a mere 20% of enterprises that had started their operations after 2014, utilised the single window systems introduced in many states as part of the Make in India initiative for their business needs. In fact, a number of the respondents to our survey recommended the need for improved single window and automatic/time-bound clearance mechanisms to be implemented – demonstrating a gap in implementation at the states. In addition, in various cases, members reported delays in obtaining key approvals from the state. Consequently, the government may consider deemed grant of approval in cases (especially in low risk conditions). Further, there is room for further simplification of the processes for foreign nationals. Especially the need for residency in India for company directors, is often superfluous in a globalised economy.

### Time taken for various approvals and permits

[Niti Aayog Report on Ease of Doing Business: An Enterprise Survey of Indian States 2017]



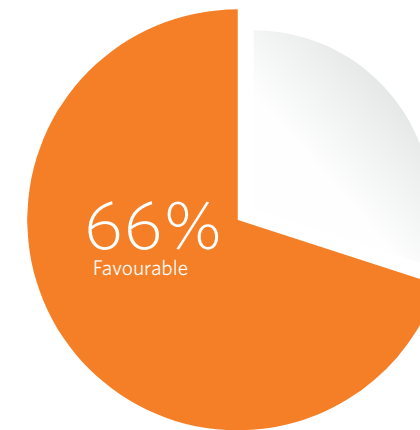
#### 1.2. Improving our administrative capacity

Several of the respondents raised concerns relating to their interactions with the government officials. Concerns include lack of a single point of contact to engage on sectoral issues, and in some cases the lack of sector specific expertise and procedural knowledge in highly technical areas of governance. Although the government has taken several steps to improve inter-ministerial co-ordination, and provide more transparent access to industry at a central-level, most participants feel the need for similar steps to be implemented at the state-level as well and recommend greater co-ordination between various arms of government and interactions with government and business to reduce friction in implementation along with seeking wider inputs from business to design relevant policies.

In addition, a key concern faced by business, is the absence of awareness of key regulatory changes by local administrations. Often, even when there is awareness, in some cases at the local level, officials are reluctant to part with their administrative discretion.

To avoid situations arising out of lack of awareness, the government needs to implement standardized training programs and ensure all departments, at the central and state level, are made aware of any reform along with clearer guidelines and norms for administrative decisions. Ministry and sector-specific centre-state data-sharing and networks would also be useful in bridging the gap between centre and local administrative levels and processes.

### 1.3. Make in India and Labour Reform



66% of the companies feel that 'Make-in-India' initiative facilitated an ecosystem for manufacturing in India.

#### 1.3.1. Make in India

A majority of the members acknowledged that the Make in India initiative has facilitated an ecosystem for manufacturing in India. Members believe that it lays a good foundation to attract global investments, strengthen the country's manufacturing sector and build trust in the Indian eco-system. The initiative is also expected to facilitate job creation, foster innovation and enhance skill development. Opening up of traditionally cloistered sectors like defence, railways and space, and relaxation in regulations, have been welcome developments. Many members have highlighted concerns regarding lack of labour reforms and availability of labour.

#### 1.3.2. Labour Laws

Currently, India is regulated by more than 40 central laws and more than 100 state laws. Along with multiplicity, there is ambiguity in their interpretation, with each state follows its own definition of wages, and employees, clubbed with varying provisions on compliances

on leaves contributions, leaves, and complaints. The processes for compliances themselves are archaic, unclear, and in several cases yet to be digitised. Moreover, in our practice experience, companies often face the threat of prosecution, even for minor non-compliances, therefore increasing the risk for companies even in non-material circumstances. Additionally, laws such as the Factories Act, 1948 limit the flexibility of employers in managing their workforce efficiently, and it remains difficult for companies to terminate employees for non-performance, or misconduct. In some cases, based on the sector and number of employees (such as mines or plantations with 100 or more workers), businesses require government permission prior to closing-down. There is a sore need for modernizing labour regimes and streamlining compliances in order to keep pace with global business.

#### 1.3.3 Skill Development

India has a standing workforce in excess of 500 million people, one of the largest in the world. Despite this abundance, a number of

respondents raised concerns on the availability of skilled labour in India. There exists a disconnect between industry needs and the skills imparted in educational institutions currently. Consequently, businesses often need to invest significantly in training individuals with the technical and soft business skills needed in a modern work environment. With a rising unemployment rate, there is a dire need for the government to focus on public private partnerships or incentivising industry to upskill its workforce.

#### 1.4 Implementation of the Goods and Services Tax

GST has been, almost unanimously, perceived as a positive development for doing business in India by the members, in terms of simplifying taxation and creating a uniform market in the country, and some members have also praised how proactive and receptive the government has been in addressing industry concerns with constant reforms and updates. Many members have raised concerns relating to the high-tax rates, multiplicity of tax-slabs and complexity in reporting and availing credit processes. Technical issues and glitches on GSTN portal are still being experienced by some members.

The government can consider a simpler process for filing returns and reduce the frequency of tax return submissions. In addition to operational issues in using the online portal to file taxes, the industry recommends simpler reporting and a rationalisation of rates to a lower standard in line with global experiences. As is the experience globally, a lower and uniform rate of taxation can not only ease the taxation process but also incentivise businesses towards compliance. Businesses also recommended receiving credits for taxes already paid to be made available the same month rather than subsequent month to

reduce their tax outlay. There is no denying that the government has taken steps to address some of these issues such as cutting the rates for certain items. However, there is still a need for greater clarity, specifically in the refund mechanism, and easier processes for businesses to file taxes and returns. The fine-tuning of tax-rates and reporting process still remains a work in progress, and there is a need for government and industry to work together to bring about slab-rationalization and ensure widespread adoption and compliance in a frictionless manner.

#### 1.5 Concentrated Development

Over the last two decades, states such as Maharashtra, Gujrat, Delhi, Karnataka, Tamil Nadu and Andhra Pradesh have emerged as the most favourable business destinations in India.

### **STRONG NEED TO PUSH FOR INFRASTRUCTURE AND GOVERNANCE DEVELOPMENT ON A PAN-INDIA BASIS, INCLUDING TIER 2 AND TIER 3 CITIES**

Investments into these states has led to development of world-class infrastructure, improvements in safety and high governance standards. On account of a sustained concentration of investments in these states, other states, particular in the north and north-eastern parts of the country and Tier-2 and Tier 3 cities, have been unable to keep pace with the rate of development seen in these states. In order to unlock the next stage in India's growth story, and achieve long-term sustainable growth, there is a strong need to push for infrastructure and governance development on a pan-India basis.

## 02 CHALLENGES AHEAD: A NEED FOR IMPLEMENTATION AND INTENT

Based on our survey, we note that the top three recommendations from business, for setting up of a business are (a) the need for wider adoption of single window clearance mechanisms and time bound grant of approvals, (b) improvement in government implementation processes and administrative capacity building, and (c) need for labour reforms and skill development. During the operations cycle businesses would suggest (a) simplifying and easing the tax burden on businesses, and (b) paring down of administrative discretion and greater engagement between government and the industry.

India today has a clear path ahead to become a leading destination, not only in terms of market potential, but also for providing an attractive destination for conducting business and the Indian government has demonstrated an unambiguous pro-business intent and taken large strides towards its ambitious goal of becoming a top 50 country to do business in globally. Closer co-ordination between the government and the private sector will significantly accelerate the timelines for realizing this target and ensure mutual long-term success.

# ANNEXURE

Trilegal and the Indo French Chamber of Commerce and Industry (IFCCI) jointly conducted a survey amongst a select group of key French market players in India to gather their views on some of the issues faced by them. Based on these responses, we have set out in the table below some of the key issues faced by the respondents.

S. NO	ISSUE	DESCRIPTION	COMPANIES
1.	Timelines		
a.	Starting a business and obtaining approvals	<p>While some respondent companies reported taking less than 30 days, most took up to 12 months to set up their businesses in India. However, in some cases, it took 1-2 years to obtain all necessary approvals and permits. In our experience there are several procedural requirements that delay company formation.</p> <p>A few members also raised concerns with respect to closure of business which took up to two years. In one case, the closure of an Indian Liaison Office was still in process after four years of expiry of RBI's approval, on account of delays in obtaining a no-objection certificate from the tax department and mismanagement by the respondent company's Authorized Dealer. Winding-up of businesses remains a difficult process, leading to, in some cases, companies being left dormant for years - an unnecessary drain on resources required for continued compliance and statutory filings, and an avoidable source of liability for the directors and officers involved.</p>	<p>BNP Paribas Group, Mane India, MFC Eram Liaison Office, Elixir India, Citelum India Private Limited, Hager, Accor Hotels, Airbus India, Pernod Ricard India, L'opera Bakery, TAC Economics India, Saint-Gobain, Legrand (Novateur Electrical &amp; Digital Systems Private Limited), A Raymond Fasteners, Soufflet Malt India, Schneider Electric, Michelin Tyres, Ultraconfidential Designs Private Limited, Altran Technologies, L'oreal India, Alcatel Lucent Enterprise, Thales India</p>
b.	Acquiring land and registering property	<p>A few respondents stated that it took them up to two years to complete the process to acquire land for their businesses - complicated approval process, lack of domain knowledge of government officials, time for land conversion and risk of dispute over title were cited as some of the concerns. A key reason for delays in our experience is the absence of digital repositories to verify title and identify encumbrances.</p>	<p>Pernod Ricard India, A Raymond Fasteners, Soufflet Malt India</p>

S. NO	ISSUE	DESCRIPTION	COMPANIES
2.	Level of satisfaction	Most members were satisfied with the improvements brought about in the stability in political systems, regulatory framework, environmental framework, quality of infrastructure, availability of power, advanced technology, and telecommunications facilities of the state. Members stated the need for better implementation of taxation policies, ease in enforcement of contracts, and improvements in bureaucratic administration.	Societe Genrale, BNP Paribas Group, Mane India, MFC Eram Liaison Office, Elior India, Citelum India Private Limited, Hager, Accor Hotels, Airbus India, Pernod Ricard India, L'opera Bakery, TAC Economics India, Saint-Gobain, Legrand (Novateur Electrical & Digital Systems Private Limited), A Raymond Fasteners, Soufflet Malt India, Schneider Electric, Michelin Tyres, Ultraconfidential Designs Private Limited, Altran Technologies, L'oreal India, Alcatel Lucent Enterprise, Thales India, Moet Hennessy India
a.	Better implementation and simplified processes	While members appreciated announcement of business-friendly policies, and well-formed legal frameworks, a need for better execution and implementation was felt. Members also recommended the need to reduce delays due to inter departmental processes in the absence of single window clearance and automatic/time-bound mechanisms, and for streamlining of regulations to remove conflicting provisions and multiple interpretations.	Societe Genrale, A Raymond Fasteners, Soufflet Malt India, Michelin Tyres
b.	Greater responsiveness and interaction between business and government	Members sought for improvements in greater responsiveness from government ministries and bodies, and recommended greater co-ordination between various arms of government and interactions with government and business to reduce friction in implementation along with seeking wider inputs from business to design relevant policies.	Pernod Ricard India
3.	Make in India	<p>While a majority of the members acknowledged that the Make in India initiative has facilitated an ecosystem for manufacturing in India, many raised concerns relating to the wide-spread availability of skilled labour and lack of labour reforms.</p> <p>The compliance process for labour law regulations should be simplified and increasingly digitised. Moreover, the regulations should provide graded penalties for non-compliance, especially for non-material circumstances. The government should also permit greater flexibility in the hiring and firing policies of workers, for non-performance, or misconduct, and reduce circumstances to require governmental permission for restructuring businesses.</p>	BNP Paribas Group, Mane India, MFC Eram Liaison Office, Elior India, Citelum India Private Limited, Hager, Accor Hotels, Airbus India, Pernod Ricard India, L'opera Bakery, TAC Economics India, Saint-Gobain, Legrand (Novateur Electrical & Digital Systems Private Limited), A Raymond Fasteners, Soufflet Malt India, Schneider Electric, Michelin Tyres, Ultraconfidential Designs Private Limited, Altran Technologies, L'oreal India, Alcatel Lucent Enterprise, Thales India, Moet Hennessy India



S. NO	ISSUE	DESCRIPTION	COMPANIES
4.	Taxation	<p>An overwhelming majority of the members perceived GST as a positive development. Many members have, however, raised concerns relating to the multiplicity of tax-slabs and complexity in reporting and availing credit processes. Technical issues and glitches on GSTN portal are still being experienced by some members.</p> <p>The members recommended a simpler process for filing returns, with further reductions in tax rates and simplification of tax-slabs.</p>	<p>Societe Genrale, BNP Paribas Group, Mane India, MFC Eram Liaison Office, Elixir India, Citelum India Private Limited, Hager, Accor Hotels, Airbus India, Pernod Ricard India, L'opera Bakery, TAC Economics India, Saint-Gobain, Legrand (Novateur Electrical &amp; Digital Systems Private Limited), A Raymond Fasteners, Soufflet Malt India, Schneider Electric, Michelin Tyres, Ultraconfidential Designs Private Limited, Altran Technologies, L'oreal India, Alcatel Lucent Enterprise, Thales India</p>
5.	Concentrated Development	<p>Most members considered the same handful of Indian states as top performers in terms of favourable business environment. Maharashtra, Gujrat and Delhi emerged as preferred destinations, with Karnataka, Tamil Nadu and Andhra Pradesh close behind. Although infrastructure, safety and governance in these states was praised, respondents also recommended a strong need to improve development in and connectivity to Tier-2 and Tier 3 cities and other underdeveloped states.</p>	<p>BNP Paribas Group, Mane India, Elixir India, Citelum India Private Limited, Accor Hotels, Airbus India, Pernod Ricard India, L'opera Bakery, TAC Economics India, Legrand (Novateur Electrical &amp; Digital Systems Private Limited), A Raymond Fasteners, Soufflet Malt India, Schneider Electric, Michelin Tyres, Ultraconfidential Designs Private Limited, Altran Technologies, Alcatel Lucent Enterprise, Thales India</p>



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