

# Doing Business in India

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Webinar

Auro Das & Kirit S Javali

# Agenda

- ✓ Who is Juniper
- ✓ Knowing India
- ✓ Economics of India
- ✓ Customers in India
- ✓ Risk Assessment for New Customers
- ✓ Interactions and Experience with Customers
- ✓ Small Exercise
- ✓ Key Takeaways

# Introduction to Juniper

<div></div>		<div><b>Industry:</b> Networking Equipment</div> <div><b>Revenue:</b> ~ \$5 Billion USD</div> <div><b>Employees:</b> ~ 10,000</div>	<div></div>		
<div><b>Vision:</b></div>	<div>"To be worldwide leader of network innovation"</div>				
<div><b>Mission:</b></div>	<div>"Connect Everything. Empower Everyone"</div>				
<div><b>Products:</b></div>	<div><div><div><div><div><div></div></div></div><div><div><div></div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div></div> <div><div><div></div></div></div> <div><div><div></div></div></div> <div><div>MX Series</div><div>Edge Routers</div></div> <div><div>PTX Series</div><div>Packet Transport Routers</div></div>		<div><div><div><div><div></div></div></div><div><div><div></div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div></div> <div><div><div></div></div></div> <div><div><div></div></div></div> <div><div>QFX Series</div><div>Data center Switches</div></div> <div><div>EX Series</div><div>Enterprise Switches</div></div>		<div><div><div><div><div></div></div></div><div><div><div></div></div></div></div><div><div><div></div></div></div><div><div><div></div></div></div></div> <div><div><div></div></div></div> <div><div><div></div></div></div> <div><div>SRX Series</div><div>Service Gateways</div></div>
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# India






## Key Facts

- ❑ Head of State: President Ram Nath Kovind
- ❑ Capital: New Delhi
- ❑ Time Zone: GMT +05-30
- ❑ Official Language: Hindi & English
- ❑ Population (millions): 1316
- ❑ GDP (USD billions): 2602.3
- ❑ GDP per Capita (USD): 1,977
- ❑ Life Expectancy (years): 68.1
- ❑ Literacy (% of adult pop.): 72.2
- ❑ Surface area (sq. km): 3,287,260



# Economics of India

**Overall country Risk is Stable**

❖ Core Outlook		❖ Stable
❖ Credit Environment Outlook		❖ Deteriorating
❖ Political Outlook		❖ Stable
❖ Regional Comparisons		❖ Stable
❖ Trade Terms		❖ Stable
❖ Credit Conditions		❖ Deteriorating

# Customers in India

## Major Business Models

Telecom

e-Commerce

Health Science

Food & Agriculture

Information & Communication Technology

## Trading terms

- ❖ Minimum Terms → 30 to 90
- ❖ Recommended terms → Letter of Credit

## FX Efficiency

There is a stability in FX conversion in the last two years. FX was 65 INR in 2016 & 69 INR in 2018.

# Risk Assessment for New Customers

- Credit Report Review
  - Understand payment trends
  - Review risk
- Financial Statement Analysis
  - Balance Sheet
  - Income Statement
  - Cash Flow Statement
- Country Risk Rating
- Corruption Perception Index (CPI)
  - Scale ranking for each country (180 countries)
  - Ranks perceived levels of corruption
  - Scale 0-100 (0 is highly corrupt and 100 is very clean)
- Know Your Customer (KYC)
  - Understand who will be paying you

# India- Political Geography



## Political Profile

- **Government Type:** Democratic Republic with a Parliamentary system of Government.
- **Administrative Divisions :** 28 States and 7 Union Territories.
- **Constitution:** The Constitution of India came into force on 26th January 1950. The Constitution of India is the fountain source of the legal system in the Country.
- **Executive Branch:** The President of India is the Head of State, while the Prime Minister is the Head of the Government and runs office with the support of the Council of Ministers who forms the Cabinet.
- **Legislative Branch:** The Federal Legislature comprises of the Lok Sabha/ Lower House (House of the People) and the Rajya Sabha/ Upper House (Council of States) forming both the Houses of the Parliament.
- **Judicial Branch:** The Supreme Court of India is the apex body of the Indian legal system, followed by other High Courts and subordinate National Emblem Courts.



# MARKET OVERVIEW



## Indian Economy Overview

- Under the able Governance of Prime Minister Mr. Narendra Modi, India has been seeing a stable growth.
- Fastest Growing major economy in the world as per the Central Statistics Organization(CSO) and IMF.
- According to The World Bank, Indian economy is expected to grow at 7.5 % in 2015-16, followed by 7.7 % in 2016-17 and 7.9 per cent in 2017-18
- IMF and Moody has forecasted the GDP will likely grow by 7.7% in 2016-17 and accelerate to 8% by 2018-19
- There have been several investments leading to increased M & A activities.
- Various Government Initiatives like MAKE IN INDIA and DIGITAL INDIA are attracting foreign investors in India.

# MARKET OVERVIEW



## Economy - Exports

- **Export Partners:** US, Germany, UAE, China, Japan, Thailand, Indonesia and European Union. India is also tapping newer markets in Africa and Latin America.
- **Value of Exports:** India's exports stood at US\$ 21.07 billion in January 2016
- India is major exporter of IT, BPO and software services.
- India is the 4<sup>th</sup> largest start-up hub in the world with over 3100 technology set-ups in 2014 – 15.
- Now India is also one of the fastest growing E-COMMERCE Markets.
- **Currency (code):** Indian rupee (INR)
- **Exchange Rates:** Indian rupees per US dollar - 1 USD = 66.69 INR (as of October 18, 2016)
- **Fiscal Year:** 1 April - 31 March

# MARKET OVERVIEW



## **Risk Rating - (Coface Risk Rating)**

- A4 –Acceptable Risk (A somewhat shaky political and economic outlook and a relatively volatile business environment can affect corporate payment behavior. Corporate default probability is still acceptable on average.)

# MARKET OVERVIEW



## Economic Outlook

- Economic growth is projected to remain strong, hovering around 7.5%. Private consumption will be boosted by expected large increases in public wages and declining inflation. Investment will pick up gradually as excess capacity fades, deleveraging continues for corporations and banks, and infrastructure projects mature.
- Inflation is above the long-term target and public debt is high, leaving little room for accommodative policies. However, some monetary impulse is to come as recent cuts in policy rates are passed on to consumers and investors. The renewed commitment for fiscal consolidation is welcome but the quality of public finances should be improved by increasing tax revenue and tilting the spending mix towards physical and social infrastructure. Creating more and better quality jobs is the key to inclusive growth and requires modernizing labor laws and making further progress in the ease of doing business.
- Improving productivity is essential for India's GDP per capita to catch up with higher-income countries. In the agriculture sector, which still absorbs about half of total employment, this would require farm consolidation and mechanization as well as better storage and transport infrastructure. In the manufacturing sector, labor and product market regulations should be reformed to enable firms to expand to an efficient size. Providing better access to quality health and education systems is also key, both to raise productivity and to ensure its fruits are spread more equitably.

**Source:** <http://www.oecd.org/economy/india-economic-forecast-summary.htm>

# MARKET OVERVIEW



## Strengths

- Stable democracy, with peaceful changes of government
- Large internal market, providing some insulation from global business cycle
- Successful diversification into manufacturing (motor vehicles) and services (call centers, IT & Bio technology)
- High annual GDP growth
- Low External debt relative to earnings and repayment capacity
- Strong foreign reserves.
- Low-cost labor force
- Large English speaking population, availability of skilled manpower
- Extensive higher education system, third largest reservoir of engineers
- Economy continues to benefit from higher growth rates by comparison to other World regions
- Rapid growth of IT and BPO sector bringing valuable foreign exchange

# BUSINESS PRACTICES



## **Business Customs (Meetings, Negotiating)**

- Culturally diverse country, it would be advised to get to know your client and build a personal relationship for a long term business focus.
- Relationships are built upon mutual trust and respect. It may be a good idea to go through a third party introduction. This gives you immediate credibility.
- Good to have local representation by local people with ample experience and good network.
- Both society and business are extremely hierarchically
- Business cards are exchanged after the initial handshake and greeting.
- Keep your schedule flexible so that it can be adjusted for last minute rescheduling of meetings.
- When leaving a group, each person must be bid farewell individually.
- Men may shake hands with other men and women may shake hands with other women; however there are seldom handshakes between men and women because of religious beliefs. If you are uncertain, wait for them to extend their hand.

# BUSINESS PRACTICES



## Challenges & Key Considerations

- The Indian governance framework, which is intertwined between the Central and state structures.
- Taxation law in India is quite complex and it is essential to understand the local tax systems as customers could pay only portion of invoice due to taxation issue.
- India has a huge and complex domestic market. Take your time, Be patient and persistent.
- Foreign Direct Investment (“FDI”): Companies must ensure that they are in compliance with the relevant FDI laws to avoid government censure
- Corporate Law: Companies must also be aware of corporate laws in the country, which are mainly governed by the Foreign Exchange Management Act, 1999 and Companies Act, 2013
- Employment Contracts and Labor Laws: Labor laws in India provide for a minimum of guarantees and benefits to all employees that can supersede the provisions of labor contracts.
- Work Culture: In India, the workplace set up is often hierarchical with clear boundaries between management levels.

# BUSINESS PRACTICES



## **Know Your Customer (KYC)**

- Credit Application – Business Name, Address, Authorized Officer's confirmation
- Export Compliance Review (Business /Owner's, Manager's name check, Product Check)
- Credit Reports
- Country Risk Reports
- Bank and Trade References
- Financial Statements
- Required Documents
- Building Relationship
- Frequent customer visits may be necessary

Be clear on your terms and actions to be taken for payment defaults

\*\*\*Note- FCIB's web site



# BUSINESS PRACTICES



## Know Your Customer (KYC)

### Credit Reports

- Accessing Financial information in India is not difficult. Information provided by corporate entities is fairly reliable. However, you may also want to cross check with a third party agency.
- Financial Information can also be obtained from Credit Organization such as the Ministry of Corporate Affairs (MCA) MCA is the official website of Register of Companies: [www.mca.gov.in](http://www.mca.gov.in)

### Credit Companies

- CRISIL – Credit Rating India Services of India Limited ([www.crisil.com](http://www.crisil.com))
- CIBIL – Credit Information Bureau (India) Limited ([www.cibil.com](http://www.cibil.com))
- CMIE – Centre for Monitoring Indian Economy ([www.cmie.com](http://www.cmie.com))

Please note that FCIB assists its members in calculating the risk, by providing access to quality credit reports – please visit this link for more information on pricing.

<http://fcibglobal.com/credit-country-reports/worldwide-credit-reports.html>

# BUSINESS PRACTICES



## **Know Your Customer (KYC)**

In international trade, when drafting international contracts, the parties usually focus on the terms of payment and expenses but little attention to carrying out a due diligence of the opposite party before entering into a contract and the terms of dispute settlement.

Thus, the parties should be fully aware of the identity, assets, liabilities and business health of the company before agreeing to do business, including finalizing the terms of dispute settlement so that the disagreements, liabilities and disputes may be contained at a later stage which can otherwise arise at any time.

Therefore, in the process of concluding an agreement, the parties should note the provisions on the selection methods of dispute settlement if a dispute occurs. There are 4 dispute resolution methods in international trade as follows:-

- Negotiation
- Mediation
- Commercial arbitration
- Court

# PAYMENTS



## Payment Terms

- **Cash in Advance**
- **Open Terms-** Delays with payments, expect recovery 60-90 days.
- **Letter of Credits-** Watch requirements on L/C and make sure you can comply.
- **Documentary Collection**
- **DSO** in India is high – usually around 75 days on average. The local payment culture is good but local partners usually insisting on obtaining favorable payment term of 60 days or more even though 20% of transactions are paid on time.

Note: FCIB's survey on India

# COLLECTION PRACTICES



## Collection Practice

- **Late payments** are not regulated and ownership protection may be difficult to enforce.
- **Late payment Interest** : Indian law does not regulate late payments and does not provide for a legal late payment interest rate.
- **Debt collection costs** are not charged to the debtor in India and must be recovered through legal proceedings.
- **Retention of Title** The law entitles a seller to retain ownership over goods until its buyer has paid the invoice in full, as long as a written agreement has been concluded between the parties.

# DISPUTE RESOLUTION PRACTICE



## Legal System

- India's legal system is well established with a hierarchy of courts and specific tribunals (i.e. *Customs & Excise, Competition Commission and Telecom* etc.) have been created to provide an effective resolution of disputes.
- The three-tiered system of Indian judiciary comprises of Supreme Court (New Delhi) at its helm; High Courts standing at the head of state judicial system; Followed by District and Sessions Courts in the Judicial Districts, into which the states are divided. The lower rung of the system then comprises of Courts of civil (Civil Judge) & Criminal (Judicial/Metropolitan Magistrates) Jurisdiction.
- In addition, Alternative Dispute Resolution (“**ADR**”) techniques, such as mediation and arbitration are being employed by the courts in India. India's Arbitration and Conciliation Act, 1996 provides the mechanism for initiating domestic as well as international arbitration proceedings. Recent amendments to the Arbitration and Conciliation Amendment Act, 2015 has further streamlines the procedures with a purpose to expedite arbitration proceedings.

# DISPUTE RESOLUTION PRACTICE



## Legal System: Remedies and Collection Process

- The Indian legal system is perceived to be slow in dispensing justice, however, it is fair and imparts justice to the aggrieved party involved.
- There are remedies available under the law to collect the debt, if the debtor does not agree to pay under normal circumstances.
- It is important that the creditor files or initiates legal action within a period of three years from the cause of action as per the Limitation Act, 1963.
- The creditor may file a summary suit or a regular money suit for recovery.
- Alternatively, if the debtor is a company, creditor through his lawyer may apply to the High Court at present (*due to changes in the law at a later date, the National Company Law Tribunal would hear these matters when notified*) for winding up of the company due to non-payment of substantial amount of debt.
- The process may take time 1 to 3 years. The aggrieved party may also consider initiating criminal action for cheating and/or breach of trust if the situation demands depending upon the facts of the case.

# DISPUTE RESOLUTION PRACTICE



## **Legal System: Remedies and Collection Process**

- More recently, the Government of India taking into account the concerns of international investors passed the Insolvency and Bankruptcy Code, 2016 to ensure timely resolution and certainty in recovery. The new Code will cover individuals, companies, limited liability partnerships and partnership firms.
- Specific attention is to be drawn to the rights of unsecured and secured creditors in the priority of their claims and therefore the level playing field for their access to an effective insolvency resolution.

# SUMMARY



## Summary

- Young booming country
- Fastest growing economy in the world
- Systematic use of the key principle in Credit: Know Your Customer (KYC)
- *(FCIB members can access a useful PDF by logging on to the Knowledge & Resource centre)*
- Always make sure you carry out a due diligence check on company registration-financials- which terms to apply- discuss with sales
- Create a strong partnership between: you- the account manager and the customer.



# Key Takeaways



## Key Takeaways

- Know Your Customer (KYC) / Anti Money Laundering / Third Party Payments.
- Understand Local Banking Regulations.
- Manage Foreign Exchange Risk.
- Conservative approach for new customers.
- Limit overall exposure with security options if possible.

# Contact Information



**Aurojyoti Das,**

E-mail: [aurojyotid@juniper.net](mailto:aurojyotid@juniper.net)

**Kirit S. Javali**

Advocate, Supreme Court of India

Partner, Jafa & Javali, Advocates

S- 316 Panchsheel Park

New Delhi 110017-India

Tel : 91 11 41641757/91-9810518044

E-mail : [kirit@jafajavali.com](mailto:kirit@jafajavali.com)