SHARED LEGAL & COMMERCIAL FRAMEWORK

# Establishing an industry in India

Read this guide alongside any of the 36 state and Union Territory editions. Investor, product and site facts determine the entry route; a generic state ranking cannot establish the best investment.

| Ownership | Operations | Cash flow |
|---|---|---|
| Resolve route and control | Prove the site and customers | Stress delayed and denied incentives |

## Start with the investor and product

No investor nationality, beneficial ownership chain, product/HS code, investment size, export share or proposed operating model has been supplied. This guide therefore provides a screening framework, not a tailored eligibility opinion.

require these six inputs before ranking states or assigning subsidy values. Model a viable project without unapproved subsidies.

## FDI: permission before location

Press Note 2 (2026), dated 15 March, replaces paragraph 3.1.1 of the FDI policy: the beneficial-owner assessment is at the investor-entity level using PML rules, with cumulative rights and control tests, including ultimate effective control of the Indian investee. Government approval remains required for restricted land-border investors/control. The Ministry confirms the consequential FEMA amendment was notified on 1 May 2026 and that qualifying non-controlling land-border ownership up to 10% can use the automatic route subject to sector conditions and reporting. The 4 May SOP requires that reporting BEFORE inward remittance, or before the relevant transaction where there is no inward remittance. Treat PN 3(2020) as historical, not the current complete rule. C21 · C22 · C23

obtain a current ownership/control chart and sector-specific route memo. A small shareholding is not an unconditional exemption: assess cumulative rights, board/veto/control arrangements, investor legal form and current PML thresholds. Prepare the additional pre-transaction report as well as ordinary FEMA reports; nationality and product are unspecified, so no individual eligibility conclusion is made.

## 2026 export-only e-commerce change

Press Note 3 (2026) concerns export-only inventory e-commerce, not the land-border change. The Ministry confirms an FTP framework through Notification 27/2026-27 and Public Notice 25/2026-27 dated 5 August 2026: registered Exporters-on-Record can handle goods manufactured/produced in India against confirmed overseas orders, with segregated traceable inventory and no domestic diversion. C24 · C25

potential export channel for Indian manufacturers; not permission for general foreign-funded domestic inventory retail. Verify EOR registration, seller payments, pass-through of export benefits and destination product compliance against the operative FTP/FEMA instruments before restructuring.

## Entity, governance and funding

An Indian subsidiary/JV company is one available manufacturing structure; LLP eligibility is conditional under FDI rules. MCA uses SPICe+ for company incorporation, and RBI FIRMS supports foreign-investment reporting forms. C01 · C03 · C04 · C05

compare equity/control, director residence, audited compliance, JV exit rights, IP ownership and tax results. Verify notarisation/apostille documents, bank KYC, valuation, issue/transfer and reporting deadlines with the authorised dealer before capital arrives. Debt requires separate ECB/FEMA eligibility review.

## Tax model: use the correct law and year

The Income-tax Act 2025 took effect on 1 April 2026; earlier-year matters remain subject to transitional savings. This draft does not validate a current project-specific corporate rate, treaty rate or tax holiday. C06 · C07

compare normal and concessional company regimes using current Finance Act rates, surcharge/cess, deductions forgone and loss/depreciation treatment. Do not offer the historical new-manufacturing 115 BAB rate to an unqualified new 2026 project. Model withholding on dividends, interest, royalties and services, transfer pricing, permanent establishment, treaty substance/anti-abuse, exit capital gains and repatriation paperwork.

### Landed cost and export design

DGFT EPCG can support qualifying capital-goods imports against export obligations. Customs systems distinguish EPCG, Advance Authorisation/DFIA, warehousing/MOOWR and origin verification categories. These are separate regimes with different compliance economics. C08 · C19

calculate HS classification, assessable value, customs duty/cess, import IGST and credit timing, anti-dumping/safeguard duties and mandatory product standards. FTA preferences require product-specific origin qualification and evidence; Indian manufacture alone does not establish origin. Compare domestic sales/export mix, export obligations, bonds and duty exposure before choosing a customs scheme.

### Central incentives: selective, conditional and time-bound

PLI covers specified sectors; it is not a general grant to all foreign investors. Textiles Round 4 is announced for 1 November–31 December 2026 for MMF apparel, MMF fabrics and technical textiles, with revised Part 2 minimum turnover of ₹100 crore and Round-4 tenure through FY 2033-34. C09 · C10

obtain the operative scheme and amendments, eligible HSNs, qualifying capex/incremental turnover, application acknowledgement and approval. Do not calculate cash benefit from a press release alone or presume that other PLI windows remain open.

### Approvals and environmental gates

NSWS Know Your Approvals helps identify central/state approvals. Scheduled EIA projects beyond applicable thresholds require prior environmental clearance; the project must be screened against current instruments. C11 · C12 · C15 · C16

map land conversion, building/fire/factory permissions, environmental clearance, pollution consent, water abstraction, waste handling, hazardous storage/PESO, product licences and grid connection. Identify the authority, lead time, dependencies and preconstruction conditions. Portal submission is not approval.

### Workforce and expatriate deployment

The Ministry of Labour states the four Labour Codes became effective on 21 November 2025. India Visa Online separately identifies business and employment visa categories. C13 · C14

cost recruitment/training, wages, social-security liabilities, shifts, safety and contractor compliance under applicable central/state rules. Align foreign engineers and management with their actual permitted activity and registration requirements; a business visit does not establish permission for employment.

### Site diligence: verify the plot, not a state average

Infrastructure and approval portals are discovery tools. A state ranking or mapped industrial park is not evidence of a particular plot's deliverable title, services or completion date. C11 · C15

inspect title/lease/encumbrances, access and land-use conditions; written power capacity, quality, tariff and energisation date; legal water allocation and effluent capacity; flood/drainage and geotechnical risks; travel time to customers, suppliers, ports/ICDs and labour catchment. Obtain quotations and inspect alternative plots.

### Commercial, finance and exit decision

Public policy cannot establish demand, credit availability, currency protection or a particular project's return.

require customer/offtake evidence, three supplier/logistics quotes, working-capital and construction contingency, bank term sheets, insurance scope and FX sensitivity. Run delayed-start, lower-utilisation, subsidy-delay and export-obligation failure cases. Examine contractual dispute resolution, lender security, profit distribution, sale/closure tax and FEMA compliance before choosing a state.

## Central schemes: eligibility and timing

### Textiles PLI Round 4

**Review status.** Official window confirmed; project eligibility unverified

**Terms.** Production-linked incentive subject to approval and qualifying performance; rate/cap not independently verified

**Conditions.** Round-4 tenure through FY 2033-34; existing Round 1–3 participants may migrate only if no incentive claimed/received and existing applications withdrawn; verify detailed operative amendments

**Window / version.** Announced open 1 November–31 December 2026; portal functionality not independently tested

**Eligible audience.** MMF apparel, MMF fabrics and technical textiles under applicable guidelines; revised Part 2 minimum turnover ₹100 crore C09

## Other PLI sectors

**Review status.** Framework only; do not count as secured funding

**Terms.** Sector-specific production/sales incentive; no universal rate

**Conditions.** Check ministry instrument, current round, application deadline, performance thresholds and non-duplication rules

**Window / version.** Not confirmed open as of 1 November 2026

**Eligible audience.** Specified products and approved applicants in relevant ministry scheme C10

## EPCG

**Review status.** Core policy verified; project authorisation needed

**Terms.** Qualifying capital goods at zero customs duty; IGST/cess treatment subject to revenue notification

**Conditions.** Generally export obligation 6 times duties/taxes/cess saved within 6 years; average export obligation and actual-user conditions also apply; exceptions/amendments must be checked

**Window / version.** Authorisation route; hosted FTP chapter states import validity 24 months, no revalidation

**Eligible audience.** Manufacturer exporters, merchant exporters linked to supporting manufacturers and eligible service providers C08

## MOOWR / customs bonded manufacturing

**Review status.** Candidate structure; current detailed tax treatment unresolved

**Terms.** Evaluate customs-duty deferral and export treatment; not a blanket permanent duty exemption

**Conditions.** Warehouse permission, bonds, records, domestic clearances and wastage duties; compare compliance cost with financing benefit

**Window / version.** CBIC 2025 continuation of online facility located; latest 2026 regulations not fully reconciled

**Eligible audience.** Licensed/approved bonded manufacturing operations C17 · C18 · C19

## Advance Authorisation / DFIA

**Review status.** Due-diligence lead, not verified eligibility

**Terms.** Potential duty relief; no rate or entitlement quantified in this draft

**Conditions.** Verify current FTP chapter 4, input-output norms, export obligation, actual user/transferability and latest customs exemption before use

**Window / version.** Not independently validated

**Eligible audience.** Export-linked inputs subject to relevant authorisation/norms C19

## State incentives + central schemes

**Review status.** Analytical instruction; source from each state dossier

**Terms.** Only approved net benefits after caps, exclusions and timing

**Conditions.** Check whether pre-registration/pre-investment approval is required; central/state stacking may be restricted; reimbursements are not upfront cash

**Window / version.** State scheme and amendment-specific

**Eligible audience.** Project-specific state classification, district/location, investment and employment tests

## UNNATI 2024 — April 2026 amendment

**Review status.** Applications closed 30 September 2026; 31 March 2027 is the registration-grant deadline, not a fresh application deadline.

**Terms.** Capital, interest and manufacturing-linked mechanisms remain subject to approval. No fresh application window is established at 1 November 2026.

**Conditions.** ClausesF andJ replace health/eco tourism with cruise ship/houseboat services; IT/ITeS is restricted to data centres; add ropeways/amusement parks/rides; omit vocational/digital education, fintech/financial services, BPO and listed primary-healthcare/agriculture technology-oriented startup categories. These omitted categories are not current UNNATI-eligible sectors. ClauseG amends 8.10 to reference State Government schemes and expressly allows additional state top-up subject to

disclosure of UNNATI benefits. Read with original 8.10; not blanket unlimited stacking. ClauseE addresses same-GSTIN manufacturing expansion at another location within the same NE state and zone basis. ClauseH addresses multiple GST registrations,₹ 250 crore entity-in-state ceiling and 15% positive appraisal-value deviation subject to overall/budget limits. Amendment says effective from notification; reviewed text does not expressly resolve protection/transitional treatment of every earlier application/registration. Earlier vested benefits are not automatically denied retrospectively. Review registration date, sanction and transition position individually.

**Window / version.** ClauseC substitutes application deadline 30 September 2026. ClauseD substitutes grant-of-registration deadline 31 March 2027. Grant deadline is not permission for fresh applications after application deadline. No fresh opening established as of 1 November 2026.

**Eligible audience.** Eight North Eastern states; project, activity, registration and sanction-specific. UNNATIV · NE03

## Unresolved before project-specific advice

FDI gap narrowed: PN 2(2026), current SOP and PN 3(2026) downloaded and verified. Separate 1 May 2026 FEMA gazette original, subsequent NDI consolidated amendments, PN 1(2026) insurance instrument and investor-specific sector/PML-rule application have not been fully reconciled. Do not provide an exhaustive current cap table or individual route opinion.

Detailed current corporate tax regime/rates, treaty and repatriation treatment require investor-specific review under 2025 Act/FinanceAct 2026.

PLI Textiles Round 4 operative guideline/amendment PDF not yet retrieved; release confirms window but not complete benefit mechanics.

GST rate/HS classification, origin rules, product quality-control orders, individual state Labour Code rules and environmental category are not established for an unspecified product/site.

No promised subsidy, credit decision, visa approval, utility capacity, land availability or return on investment.

₹ 1 crore = ₹ 10 million; ₹ 1 lakh = ₹ 100,000. FDI: foreign direct investment. FCI / EFCI: fixed / eligible fixed capital investment. SGST: state goods and services tax. MSME: micro, small and medium enterprise. PLI: production-linked incentive. No currency conversion is assumed.