Singapore - an investment hub

Post the financial downturn, India continues to be a key investment destination for multinationals and private equity players with stakeholders now focussing on investments that are more viable and secure from a tax and regulatory perspective. Singapore has, over the years, emerged as a country from which India has seen substantial investment across sectors. Statistics provided by the High Commission of India (Singapore) indicate that USD 18.976 billion has been received from Singapore as FDI from April 2000 to January 2013, making it the second largest investor in India accounting for nearly 10 per cent of total FDI received by India.

The Indian regulators (be it RBI, FIPB, SEBI or CCI) have, in the recent years, been closely scrutinising investments (and structures) to ensure substantive compliance with relevant laws and policies - and many recent amendments (including proposed amendments) to the laws governing foreign investment, securities, antitrust and taxation evidence the growing maturity of the Indian regulators in dealing with more sophisticated, nuanced and complex transactions. Singapore too, has over the years, offered a more robust investment climate and tax regime, that allows corporates to focus on establishing substantive operations and focus on long run benefits (as opposed to those offered by countries like Mauritius and Cyprus). It is imperative today that any investor (investing in India from or through Singapore), ensures that the transaction (and structure) is kosher (and efficient) from a regulatory and tax perspective.

In most international commercial arrangements (to which Indian entities are party), Singapore continues to be the preferred jurisdiction (and venue) for arbitration. However, recent judicial pronouncements in India have, in international commercial arbitrations where the "seat" of arbitration is located outside India, curtailed the party's (in this instance the Singaporean entity's) access to interim relief from courts in India. Going forward, dispute resolution provisions in such new commercial contracts need to be carefully agreed and understood by Singaporean entities on account of restricted access to Indian courts for interim relief.

> Singapore has over the years offered a more robust investment climate and tax regime, that allows corporates to focus on establishing substantive operations and focus on long run benefits

***Aparna Mittal,** Partner, Corporate/M&A, Luthra & Luthra Law Offices*

INTERVIEW SANDANA DASS

"India has a substantial market for rubber"

Sandana Dass, MD & CEO, R1 International discusses with Sheetal Srivastava Reddy the future of the rubber industry in India

What is the main nature of your business in Singapore and what motivated the parent company to expand into India?

Headquartered in Singapore, R1 is a global rubber trading company with an annual turnover of USD three billion. India is a market I have been personally familiar with for over 25 years, since the days of selling to the State Trading Corporation. India is the fourth biggest producer of natural rubber and the third largest consumer and hence it is an important market for us.

What role do you think the Indian subsidiary plays in the overall growth plan of the company?

Our corporate mission is Serve, Grow and Prosper. The rubber industry in India is quite fragmented with relatively small entities. In line with our mission, I believe that there is a huge opportunity for R1 India to bring value to both the consumers and producers with more value-added activities relating to risk management and quality focus. This, in turn, will also help strengthen the bilateral ties within the two nations.

What was your experience in setting up business in India as compared to Singapore or other countries?

We incorporated our subsidiary in India in 2005. At that point in time, there were a lot of regulatory requirements to be met before we could set up business. Fortunately, we had good local help to assist us with our interactions with the regulatory authorities. Of course, the caution on the part of the Indian authorities was understandable because India opened up its economy only in recent years facing domestic resistance etc. We do notice some changes now and more are afoot to attract more business investment into India.

What are the key things that any global company should look out for before setting up business in India?

One has to have the right mindset and patience to start any business activities in India. This can be particularly challenging and frustrating for overseas investors who are used to a business friendly environment with progressive laws and transparency as well as efficient implementation/execution of procedures. Investors should accept the fact that the Indian market is different and ensure they plan well ahead, get the right local support and have the stamina for a long term journey.

What support do you think the government/investment bodies can provide to stimulate bilateral trade and investments between the two countries?

Recently, the Government of India has taken many steps to further ease the procedures involved in setting up business in India, and noteworthy among these are the liberalisation of the FDI (Foreign Direct Investment) laws. Implementation of the much-awaited GST (Goods & Service Tax) across India (which will unify both the VAT laws and the Service Tax laws) is something that could facilitate efficient interstate trade flow.

What a foreign investor always looks for is ease in starting operations and how well the laws of the land can be adhered to without bureaucratic delays. In a recent World Bank report, it was mentioned that it takes minimum 27 days to start business in India while in Singapore it takes only three days.

How do you foresee the growth of the rubber industry in India?

India has a substantial market as far as rubber is concerned. India will continue to see an increase in production of rubber from 937,000 tons to possibly 1.2 million tons with new areas in the North East within the next four to five years.

In terms of consumption, we see the trend of big foreign Tire companies setting up plants in India as well as the local Tire companies expanding their capacity. There will be an increase in their NR consumption from the current one million tons to 1.5 million tons.