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INTRODUCTION TO INDIA AND INDIAN BUSINESS CULTURE

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NOR INDIC RESEARCH

Norindic Research and Consulting LLP

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Rajeev Koul
Managing Partner
Norindic Research and Consulting LLP

Nikhil Kadian
Project Manager
Norindic Research and Consulting LLP

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AEPS	Aadhaar Enabled Payment System
AI	Artificial Intelligence
API	Application Programming Interface
APTA	Asia Pacific Trade Agreement
ASEAN	Association Of Southeast Asian Nations
BRICS	Brazil, Russia, India, China, And South Africa
BTIA	Broad-Based Bilateral Trade and Investment Agreement
CPI	Communist Party of India
DBR	Doing Business Report
DBT	Direct Benefit Transfer
DIPP	Department For Industrial Policy and Promotion
DTAA	Double Taxation Avoidance Agreement
EC	European Commission
ECTA	Economic Cooperation and Trade Agreement
EFTA	European Free Trade Association
E-Gov	Electronic Governance
Etc.	Et Cetera
EU	European Union
FRAND	Fair, Reasonable, And Non-Discriminatory Framework
FTA	Foreign Trade Agreement
FY	Financial Year
GCC	Global Capability Centres
GDP	Gross Domestic Product
GNI	Gross National Income
GST	Goods And Services Tax
GVA	Gross Value Added
ICC	International Cricket Council
ICT	Information And Communications Technology
ID	Identity Document
IFSC	Indian Financial System Code
IMF	International Monetary Fund
IP	Intellectual Property

IPAB	Intellectual Property Appeals Board
IPR	Intellectual Property Rights
IT	Information Technology
JDI	Joint Declaration of Intent
KM	Kilo Metre
KYC	Know Your Customer
L&T	Larsen & Toubro Limited
MCA	Ministry of Corporate Affairs
MOU	Memorandum Of Understanding
MSMEs	Micro, Small, And Medium Enterprises
NASSCOM	National Association of Software and Service Companies
OPEC	Organisation of the Petroleum Exporting Countries
PAN	Permanent Account Number
PIB	Press Information Bureau
PLI	Production Linked Incentive
PwC	Price Waterhouse Coopers
RBI	Reserve Bank of India
RFP	Request For Proposal
RRU	Rashtriya Raksha University
Seps	Standard Essential Patents
SICLD	Semiconductor Integrated Circuits Layout- Design
SIM	Subscriber Identity Module
SMEs	Small and Medium-Sized Enterprises
SSPPU	Smallest Saleable Patent-Practicing Unit
STT	Securities Transaction Tax
TCS	Tata Consultancy Services
UAE	United Arab Emirates
UIDAI	Unique Identification Authority of India
UK	United Kingdom
UPI	Unified Payment Interface
US	United States
USD	United States Dollar
USTR	United States Trade Representatives
UT	Union Territory

List of foreign exchange rates with their subsequent years

1 EUR = “X” USD
1 EUR = “Y” INR

Average conversion rate for the plotted years		
Year	X	Y
2000	0.92	45.32
2001	0.90	42.25
2002	0.95	45.92
2003	1.13	52.61
2004	1.24	56.30
2005	1.24	54.81
2006	1.26	56.84
2007	1.37	56.42
2008	1.47	63.61
2009	1.39	67.36
2010	1.33	60.59
2011	1.39	64.89
2012	1.29	68.60
2013	1.33	77.93
2014	1.33	81.04
2015	1.11	71.02
2016	1.11	74.37
2017	1.13	73.53
2018	1.18	80.07
2019	1.12	78.84
2020	1.14	84.64
2021	1.18	87.44
2022	1.05	82.72
2023	1.08	89.20

Summary of key practical insights

01 Diversity

India is often described as a subcontinent due to its vast size and incredible diversity. Estonian companies that have successfully entered the Indian market have done so by adapting to the unique opportunities and challenges presented by this country's scale and complexity. Understanding these factors is crucial for new Estonian businesses looking to explore this market.

Experienced Estonian entrepreneurs suggest that new entrants should treat India not as a single market but more like a collection of different markets, similar to how they might approach the European market. India is made up of 28 states, each with its own culture, economy, and regulations. 22 official languages and thousands of dialects are spoken across the country, making communication and marketing strategies vary widely depending on the region.

Given this diversity, Estonian exporters must tailor their strategies to the specific needs and characteristics of the target states. Each region may require a different approach to language, business etiquette, customer preferences, and regulatory compliance. Thorough research and understanding of the local markets within India will be crucial for Estonian companies to make well-informed decisions and successfully navigate this complex but rewarding business landscape.

Case study

An Estonian alcoholic beverage exporter operating in India has effectively integrated an understanding of India's regional diversity into its market strategy. Recognizing that preferences for alcoholic beverages vary significantly across different regions, the company has tailored its approach to focus on areas where there is a higher demand for its products.

Specializing in premium alcohol, the company identified that urban metropolitan cities with high per capita income are the most suitable markets for their offerings. As a result, they have strategically concentrated their marketing and sales efforts on these select metropolitan cities, where consumers are more likely to appreciate and afford their premium products.

This focused approach has allowed the Estonian exporter to optimize its resources and target the regions with the greatest potential for success. By aligning their strategy with the specific preferences and economic characteristics of India's diverse markets, they have positioned themselves to achieve sustainable growth in the competitive Indian alcoholic beverage industry.

02 High context culture

India is considered a 'High Context Culture[1],' while Estonia is known for its 'Low Context Culture[2]'. Estonian executives who have worked with Indian counterparts often note that Estonians are accustomed to straightforward communication.

In contrast, Indians generally take a more indirect approach, taking time before getting to the point. This style requires Estonians to interpret non-explicit messages and pay close attention to body language and what is left unsaid. Indian

[1] High-context cultures often exhibit less-direct verbal and nonverbal communication, utilizing small communication gestures and reading more meaning into these less-direct messages. (Ramos, Carolina (2014). "High Context". Encyclopaedia of Diversity and Social Justice)

[2] Low-context cultures do the opposite; direct verbal communication is needed to properly understand a message being communicated and relies heavily on explicit verbal skills. (Ramos, Carolina (2014). "High Context". Encyclopaedia of Diversity and Social Justice)

communication tends to be more attuned to subtle cues and societal roles and dynamics such as status, hierarchy, wealth, seniority, and even caste.

It's important to note that communication styles in India can differ significantly depending on the region, urban or rural settings, and even the nature of the work environment, whether blue-collar or white-collar. An Estonian exporter with extensive experience in India compared doing business with Indians to a marriage or courtship, involving plenty of small talk and rituals at the outset.

The Estonian executives advised their compatriots to be patient and adaptable, taking the time to understand and adjust to India's unique communication style and business approach. They emphasised that the potential opportunities in the Indian market are well worth the effort and Estonian companies should engage with Indian counterparts on a regular basis and visit India to meet with different stakeholders and cement relationships.

Case study

An Estonian technology company travelled to various Indian cities to meet potential customers and partners. During their visit, they experienced the warmth and hospitality typical of Indian business culture.

In most meetings, the Estonian team was pleasantly surprised to receive gifts from their hosts, a gesture they were not initially expecting. However, they quickly adapted to this cultural norm and began bringing their own tokens of appreciation for subsequent meetings.

Food played a significant role in their engagements, with elaborate meals offered during most interactions.

Through these experiences, the company successfully adapted to the 'High Context' nature of its Indian counterparts, fostering strong relationships with potential leading customers in India.

03 Hierarchy

The hierarchical structure in Indian business culture is characterised by a strong emphasis on authority, seniority, and respect for ranks. In most Indian organisations, decision-making power is concentrated at the top levels of management. There is a clear chain of command that employees follow. Subordinates often defer to their superiors, avoiding open disagreement or expressing differing opinions out of respect and to maintain harmony. Personal relationships and respect for seniority play a significant role in influencing business decisions and interactions.

Titles and positions hold great importance in Indian business settings, with people giving considerable respect to those in higher positions. Communication is often indirect, focusing on maintaining politeness and avoiding confrontation, especially when speaking to someone of higher rank. This hierarchical approach can sometimes slow down decision-making processes, as approvals often need to go through multiple levels of management.

In contrast, Estonia's business culture is much more egalitarian and informal. There is a strong emphasis on flat organisational structures, where everyone's voice is valued, regardless of their position within the company.

Case study

An Estonian service exporter noted that Estonian companies have significant potential to contribute to India's growth, particularly in the areas of e-governance, fintech, and edtech. These sectors align well with Estonia's technological strengths and innovative capabilities. However, the expert emphasised that for Estonian companies to succeed in the Indian market, they must be able to access the top management of relevant Indian organisations.

Reaching these senior-level executives is crucial, as they understand the advanced technologies being offered and hold the decision-making authority necessary to establish business relationships. However, gaining access to these key decision-makers is a considerable challenge due to the hierarchical nature of Indian business culture, where approaching the top tier often requires navigating through multiple layers of the organisation.

The senior Estonian executive suggested that one of the most valuable forms of support the Estonian government could offer to small technology exporters is assistance in connecting them with high-level managers in Indian organisations. By bridging this gap, the Estonian government could play a pivotal role in accelerating the market entry and growth of its technology companies in India.

04 Bargaining or negotiating

Bargaining is deeply ingrained in Indian business culture and plays a crucial role in Indian buyers' negotiation styles. Many Estonian exporters have encountered this aspect when dealing with their Indian counterparts. Estonian businesses, accustomed to the 'Low Context' communication style, typically present their best offer upfront, expecting direct and straightforward negotiations. However, Indian customers often ask for a lower price, viewing bargaining as a natural part of the process.

Estonian exporters should not take this haggling as a sign of disrespect or undervaluing their products. Instead, they should anticipate this cultural norm and build flexibility into their pricing strategy to accommodate this behaviour. While bargaining is common, its intensity can vary depending on the sector and specific business context.

Understanding this cultural nuance can help Estonian companies better navigate price negotiations in India and develop stronger, more collaborative relationships with Indian buyers. By adapting to this approach, they can maintain goodwill and trust, which are essential for long-term success in the Indian market.

Case study

An Estonian company with a long-standing presence in the Indian market shared its experience of selling wood-based products in the country. This executive explained that, being true to the direct and straightforward Estonian business approach, he always provided his best quote upfront whenever his Indian customers requested a price. This practice aligns with the common Estonian approach of transparency and clarity in negotiations.

Despite maintaining a strong and long-term relationship with his Indian clients, he continued to receive requests for a better price with each transaction—a practice that he still finds surprising. This experience highlights a fundamental difference in negotiation styles, where even after establishing trust and rapport, Indian buyers often expect some level of bargaining as a routine part of the process.

New Estonian exporters entering the Indian market should be aware that such requests for lower prices are common, even after providing their best offer. It is advisable for them to build some flexibility into their pricing strategy to accommodate these negotiations. Understanding and adapting to this aspect of Indian business culture can help Estonian companies establish stronger relationships and achieve more successful outcomes in the Indian market.

Case study

In contrast, an experienced Nordic seafood exporter with a long history of doing business in India has adopted a different approach to handling price negotiations with Indian customers. Understanding the cultural norm of bargaining in Indian business practices, this company always includes a margin for negotiation when quoting prices to their Indian clients.

In their experience, even a minor adjustment in the offered price often goes a long way in satisfying their Indian customers, who appreciate the gesture of flexibility. This strategic approach not only meets the cultural expectations of Indian buyers but also helps in building trust and strengthening the business relationship.

By incorporating this room for bargaining into their pricing strategy, the Nordic seafood exporter has successfully developed long-term, profitable partnerships with their Indian customers. This approach highlights the importance of adapting to local business customs and understanding that flexibility in negotiations can be key to establishing sustainable relationships in the Indian market.

05 Bureaucracy (dealing with the government)

India is often characterized by its complex bureaucracy, which can significantly impact business dealings, particularly for foreign exporters. For Estonian companies looking to engage with Indian government agencies or large corporations, it is essential to recognize the intricacies of this bureaucratic environment, especially in light of the key insights discussed previously.

Estonian exporters should remember that courteous interactions and prolonged discussions with Indian government officials do not necessarily equate to concrete commitments or agreements. Indian official agencies and companies typically adhere to formal processes defined within their organizations, and any business dealings will require strict compliance with these established procedures. Consequently, exporters cannot bypass or expedite these formalities, regardless of their intentions or the potential benefits of the collaboration.

To successfully navigate this bureaucratic landscape, it is crucial for Estonian exporters—particularly those in sectors such as Defence and Infrastructure—to be educated on the relevant Indian procurement policies and procedures. Understanding these protocols will enable exporters to prepare adequately and secure tangible commercial assignments in India. By recognizing the significance of these processes and approaching them with patience and thoroughness, Estonian companies can enhance their prospects of establishing fruitful business relationships in this complex yet promising market.

Case study

A Nordic manufacturer of fibreglass cylinders experienced a classic case of the complexities involved in entering the Indian market. While exhibiting their products at a trade show in the United Kingdom, the company caught the attention of an Indian Federal Minister, who was highly impressed with their technology and extended an invitation for them to explore business opportunities in India. The management was enthusiastic and confident about leveraging this high-level connection to penetrate the Indian market.

However, this initial excitement soon turned into a challenging ordeal. The company quickly discovered that selling to the Indian government required navigating a stringent tendering process. This involved engaging with multiple government officials at various levels, each managing their own domain within the bureaucracy despite their connection to the minister.

The journey became increasingly convoluted, and it took years for the Indian government to formulate the specifications for the tender. During this prolonged period, the minister who had initially championed their technology was replaced, leaving the Nordic company to face the complexities of Indian bureaucracy without the support of their high-level contact.

Ultimately, although the company managed to establish itself in India over the years, it did not secure the original government order that had motivated its entry into the market. Instead, the company adapted its business model, pivoting to work with the Indian private sector, where it found greater opportunities and success. This experience highlights the importance of understanding local business practices and the bureaucratic landscape and the need for flexibility and adaptability in strategy when entering complex markets like India.

Introduction to India

01

1.1 Key facts

India is the seventh-largest country by area and seventy-three times the size of Estonia. It is 6,000 kilometres southeast of Estonia Estonia is about the size of Haryana, a North-Indian state.

Figure 1.1: Estonia and India

Source: Norindic Research and Consulting LLP

It shares extensive borders with China, Nepal, Bhutan, Bangladesh, Myanmar, and Pakistan. It is separated from Sri Lanka by the fifty-five-kilometre-long Palk Strait. It has the fifth-largest economy and is the most populous country in the world.

Politically, India is divided into 36 administrative divisions (28 states and 8 union territories). Indian States have separate governments but share governing powers with the central (federal) government. Union Territories are centrally (federally) governed, either in whole or part.

India has seven main geographical regions. North and North-Eastern mountainous region (Himalayas), fertile Plains in North India (Indo-Gangetic Plains), desert in North-West, Plateau in Peninsular[3] India and the Islands[4].

Figure 1.2: Political map of India

Source: Norindic Research and Consulting LLP

[3] The Peninsular Plateau is a flat tableland in India that is the oldest landmass in the subcontinent and was once part of Gondwana a a historical supercontinent that existed approximately 600 million to 180 million years ago. It was composed of several landmasses that are now part of present-day continents of South America, Africa, Antarctica, Australia and India

[4] Islands include Andaman and Nicobar Islands, way down southeast, and are closer to Myanmar and Thailand than mainland India. Other islands include Dadar and Nagar Haveli and Daman and Diu in the Arabian Sea. All of these islands are ecologically sensitive and of great strategic importance to India.

Figure 1.3: Geographical map of India

Source: Licensed from Maps of India

Table 1.1: Overview of India

Land area	3.2 million square kilometres
Distance from North to South	3,214 Km
Distance from East to West	2,933 km
Length of coastline	7,517 km
Length of land borders	15,200 km approximately
Number of sub-units (aka states)	• 28 states and 8 union territories (UT); • UTs have smaller areas and are more under central (federal) control
Language	• Hindi and English are the official languages • In addition, there are 22 major languages and more than 19,500 other languages and dialects
Major cities	• New Delhi (Capital) in the North; Mumbai (Financial centre) in the West, Kolkata in the East and Chennai, Bengaluru (Information and Communication Technology (ICT) centre) and Hyderabad (ICT & Biotech Centre) in the South
Important second tier cities	• Pune and Ahmedabad in the West; Bhubaneshwar in the East; Chandigarh, Lucknow and Indore in the North and Centre; Coimbatore and Kochi in the South.
Topography	• The Himalayan Mountain Ranges span from North to East; Purvanchal Hills in the North-East; Indo-Gangetic Plain stretching across the Northern and Central part; Thar Desert in the North-West; The Deccan Plateau in the Southern part is covered by biodiverse Western and Eastern Ghats
Climate	• India's climate is broadly tropical monsoon. Winters last from December to early April. Pre-monsoon summer from April to June/ July. The rainy monsoon season runs from June/July to September. Autumn spans from September to December • Temperature extremes range from -50°C in the extreme North during winter to 50°C and above in the plains and deserts during summer. • The average temperature in major cities varies across region – Delhi temperature can vary from 0-5°C in winter to 45-50°C in summer; Mumbai and Chennai are warm throughout the year.[5]
Population	1.4 billion estimated and is the largest democracy
Religion	Hindus-79%; Islam–14%; rest Christians, Jains, Buddhists, Sikhs, Parsis (figures in approximates)
GDP	Fifth largest economy in the world in nominal terms with an estimated GDP of €3.6 trillion (FY 24).

Source: Government of India

[5] Mumbai mean maximum average temperatures is about 32 °C in summer and 30 °C in winter, while the average minimums are 26 °C (79 °F) in summer and 18 °C (64 °F) in winter. The average temperature in Chennai is of 29.9°C, with a minimum of 25.1 °C and a maximum of 34.6 °C

1.2 India and Estonia – A comparison

The comparison gives the Estonian audience a perspective of India as a country and economy vis-à-vis Estonia.

Table 1.2: India Estonia macro comparison

Indicator	India	Estonia	EU
Area, square kilometres	3,200,000	45,339	4,233,000
Population, total million (2023)	1,430	1.4	449
Population growth (annual %)	0.8	1.3	0.5
Total fertility rate (%) (2022)	2	1.4	1.46
Life expectancy at birth, total (years), 2022	68	78	81
National income; GDP (current euro), billion, 2023	3,280	37	16,900
National income; GDP per capita (current euro), 2023	2,296	27,563	37,638
National income; GDP growth (annual %), 2023	7.6	-3	0.5
Inflation, consumer prices (annual %) 2023	5.6	9.2	6.3
Co_2 emissions (metric tons per capita), 2020	1.6	5.3	5.5
Forest area (% of land area), 2021	24.4	57	39.9
Access to electricity (% of population), 2022	99.2	100	100
Individuals using the internet (% of population), 2022	46	91	81
Foreign direct investments, net inflows (% of GDP), 2022	1.5	4.3	-2.1
Poverty headcount ratio (2017 PPP) % of population, 2021	12.9	0.3	NA
General government debt, total (% of GDP), 2022	83.13	17.16	NA

Source: World Bank, IMF

Box 1.1: Key insights

- Estonia's per-capita income is 9 times that of India. Level of education in Estonia is very high as Estonia holds 1st place in Programme for International Student Assessment (PISA) tests in Europe.
- Estonia is well-known in India for its advanced ICT capabilities and strong involvement in science and technology.
- Indian economy (real GDP) is estimated to have grown at 8.2% in FY24[6]. Its growth rate is highest among the top 10 largest economies in the world.
- Carbon Dioxide emissions of Estonia on a per-capita basis is 3 times that of India.
- Forest covers a much larger (more than twice) portion (as a percentage) in Estonia as compared to India.

[6] Ministry of Statistics, Government of India

1.3 Estonia-India relationship[7]

The Estonia-India relationship can be traced to the late 17th century. Eberhard Eckhold, a cleric from Tallinn, is recognised as the first Estonian to visit India. Reliable information also indicates that the renowned seafarer A. J. von Krusenstern was in Madras and Calcutta in 1797.

India, as a British colony, first recognised Estonia on 22 September 1921 when Estonia was admitted into the League of Nations. India re-recognized the Republic of Estonia on 9 September 1991, a month after it declared its independence from the Soviet Union. Diplomatic relations were established on 2 December 1991.

Estonia opened its embassy in India in 2012, whereas India did the same in 2021. Over the years, Estonia has engaged with India at the highest level, resulting in the following agreements:

Table 1.3: List of co-operation agreements between Estonia and India

Declaration of principles of cooperation (entered into force on 15 October 1993)
Agreement on trade and economic cooperation (signed on 15 October 1993; entered into force on 24 October 2004)
Agreement on economic and technical cooperation (signed on 14 October 1993; entered into force on 13 March 2000)
Agreement on cooperation in the spheres of culture, education, science, sports, arts, mass media, tourism and youth affairs (signed on 15 October 1993; entered into force on 11 November 1999)
Agreement on cooperation in science & technology (signed on 5 February 1999; entered into force on 6 August 1999)
Joint business council agreement between FICCI & Estonian Chamber of Commerce (signed in February 1999)
Agreement for avoidance of double taxation and prevention of fiscal evasion (DTAA) (signed on 19 September 2011)
MOU on cooperation in biotechnology and higher education (October 2013)
MOU on cooperation on capacity building et cetera in e-governance (signed in February 2014)
MOU on cooperation in ICT, e-Gov, and cyber security between the state of Telangana and the government of the Republic of Estonia signed in October 2018. (yet to be implemented)
MOU for cooperation in e-Governance and emerging digital technologies
MOU for cooperation in cyber security (signed in August 2019). India and Estonia formalised the Joint Declaration of Intent (JDI) on 25 January 2023, extending the current MOU for cooperation in cyber security for another three years, with the provision of further extension.
A two-year partnership agreement was signed on 10 February 2023 between Rashtriya Raksha University (RRU), Gandhinagar and CybExer Technologies on cooperation in cyber security. This partnership provides cyber security training and exercises for the Government of India.

Source: Embassy of India, Tallinn

[7] Source: Embassy of India, Tallin

Modern India

02

2.1 Introduction

Modern India is globally recognised for its success in the field of Information Communication and Technology (ICT). Indian software companies like TCS, Wipro, Infosys, etc., have become brand ambassadors of India. They provide software services to banks, insurance companies, governments and corporations across the globe. India has also excelled in generic pharmaceutical manufacturing and petrochemical refining and has become an important hub for automobile (especially two-wheeler) manufacturing.

Figure 2.1: Timeline showing the evolution of the Indian economy

1950s Formation of automobile cluster

1970s Start of software industry

1980s Start of telecom revolution

1990 Formation of pharma cluster

1995 Start of internet revolution

2006 Envisioned e-governance

2009 Launched digital identity (Aadhaar)

2015 e-governance 2.0 (Digital India)

2016 Launch of Jio Telecom
Start of digital payments (UPI)

Post-2016 Rapid growth in smartphone and internet penetration

2017 Introduction of GST

2020 Covid-19 Lockdown

2021 India as leading vaccine manufacturer and supplier

2023 India became the 1st country to land on moon’s South pole

Source: Norindic Research and Consulting LLP

There were 115 Indian unicorns in 2024[8], making it the third-largest unicorn nation in the world. This ecosystem is supported by the Indian digital identity, Adhar[9], which has enabled many startups to build technologies for modern India. These startups excel in e-commerce, artificial intelligence, biotech, healthtech and other deep technology areas like rocket science, defence manufacturing, space technology and fintech.

The key trends and big goals set by Indian policymakers to develop the Indian infrastructure are:

- Make India a €4.6 Trillion economy by 2025[10]
- National e-governance mission[11]
- Emphasis on Digital Payments – Cashless India Vision[12]
- Focus on manufacturing in India – Make in India Policy[13]
- Making India a hub for startups – Startup India Policy[14]
- Create a semiconductor manufacturing hub in India[15]

Besides, the Indian government is focussing on creating more renewable energy capacity[16] (a target of 500 gigawatts), creating 100 smart cities (the project duration was from 2016 to 2020, 91% of project has been completed till November 2024)[17], and implementing the Cleaner India mission (Swachh Bharat Mission[18]). Most of these projects are works in progress, and the results have been mixed so far.

This section will present a few key areas where India has made significant advances. These areas present opportunities not only for Indian companies but also for foreign companies to collaborate and benefit from potential synergies.

2.2 ICT

The ICT sector in India has been the shining star of its economic growth. The advent of the ICT revolution can be traced back to the liberalisation of the Indian economy in the early 1990s. The economic reforms opened the doors to foreign investment and technology transfer, laying the foundation for a robust software services industry. This growth trajectory was further accelerated by the proliferation of internet connectivity, the expansion of mobile networks, and the rise of digital literacy across the nation.

Box 2.1: Infosys story

Infosys is the torchbearer of India's success in software services. It was started by 7 colleagues led by Narayan Murthy. The founding group also included Nandan Nilekani, who has been the lead architect of the Indian digital identity system (refer to section 2.3)

They started the company in 1981 with a capital of €223 borrowed from Murthy's wife. It was a herculean task to start a new venture in the 1980s, especially in an unknown area. It took them one year to get a telephone connection and 3 years for a license to buy their first computer.

[8] Business Today
[9] Refer to section 2.3 for more detail on Digital Identity in India
[10] DPIIT, GOI
[11] Ministry of Electronics and Information Technology (MeitY)
[12] Cashless India
[13] Make in India
[14] Startup India
[15] India Semiconductor Mission
[16] Ministry of Power
[17] Smart Cities Mission
[18] Swachh Bharat Mission

They started providing services to companies in the United States by physically locating their employees at the client's base – pioneering the 'Global Outsourcing Model'. India adopted the Market Economy model in 1991. In the same year, Infosys listed its shares on the stock exchange. It became the first Indian company to list on Nasdaq in 1999. In 2024, Infosys is valued at over €82 billion and employs more than 300,000 people at over 270 offices in more than 55 countries.

Revenue from IT services was around €8.4 billion in 2000 and surpassed € 180 billion by 2023, which has allowed start-ups to grow from around 7,500 in 2017 to over 80,000 by 2024. As of 2024, with a contribution of over 13% to India's GDP, the ICT sector is the country's major economic driver.[19]

2.3 Digital identity – UIDAI or Aadhaar

In 2009, India started a project to create a database by providing all citizens with a Unique Identification Number through a digital identity, Aadhaar[20].

Over the years, the government has realised the tremendous potential of this database, which has led to the creation of 'India Stack'. It denotes a set of following APIs that are considered as the core components of India Stack and have been successfully used by both private and government organisations to build a set of services:

- Aadhaar Authentication
- Aadhaar e-KYC (Know Your Customer)
- Digital Lockers
- Unified Payment Interface (UPI)
- E-Sign
- Direct Benefit Transfer (DBT)
- Aadhaar Enabled Payment System (AEPS)
- Digital User Consent (still work in progress)

India Stack has enabled using digital identity for payments, banking, e-governance, and the direct transfer of government benefits on a large scale.

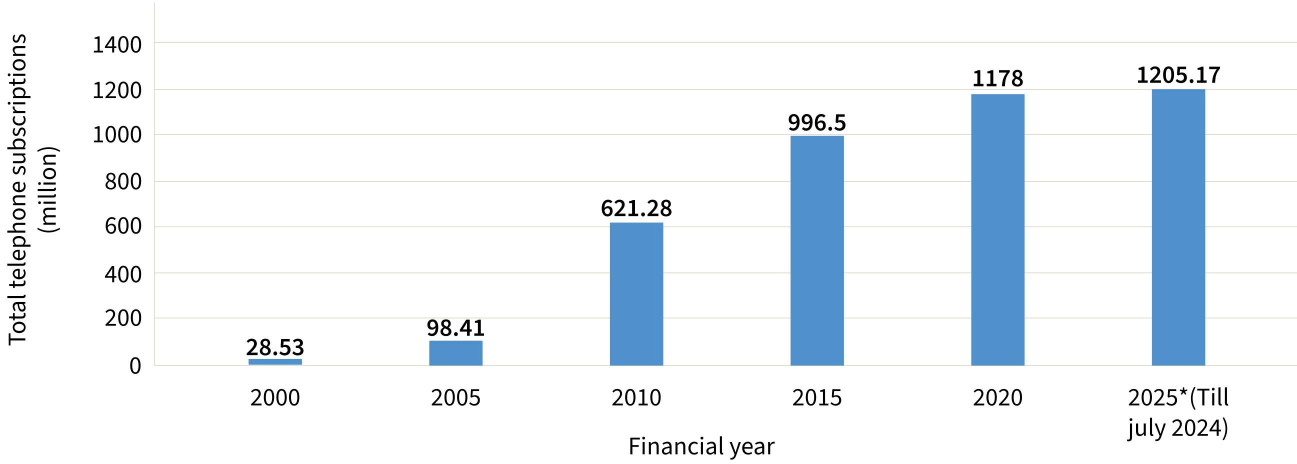
2.4 Mobile usage

The growth of digital ID in India was made possible by widespread mobile phone connectivity, largely driven by **Jio**[21], a company also present in Estonia. Since 2016, Jio has provided affordable mobile services, helping India become the second-largest telecom market after China. The availability of low-cost tariffs and handsets has also fuelled the expansion of mobile access in India.

India's late adoption of broadband technologies like 5G has provided key benefits, including cost savings by using mature, affordable solutions and learning from early adopters worldwide. This strategy has helped India implement refined technology plans, avoid common issues, and upgrade infrastructure, leading to more efficient and effective deployment of new technologies.

[19] International Trade Administration
[20] It is the Indian equivalent of the Estonian Isikukood (Personal Identification Code).
[21] Airtel and Vodafone Idea also provide mobile services besides government owned BSNL

Figure 2.2: Growth of telecommunication in India



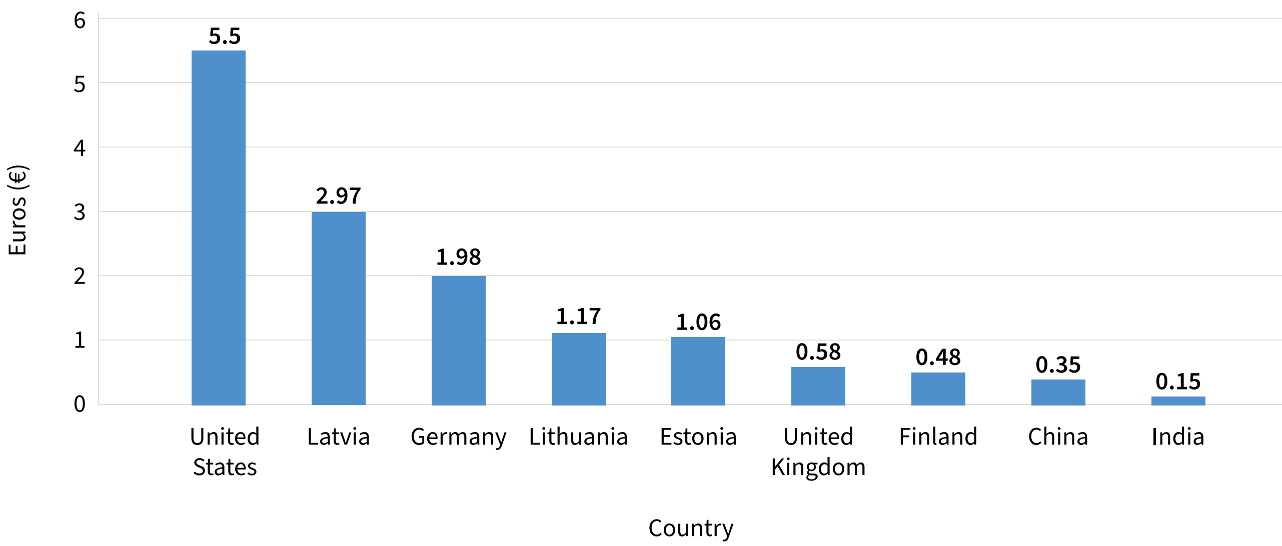
Source: Telecom Regulation Authority of India

2.5 Internet Penetration

The Unique ID and the emergence of strong telecom companies paved the way for widespread mobile adoption in India. This has resulted in remarkable growth in internet penetration in recent years. As of 2023, India has over 800 million internet users, making it the second-largest online market in the world. Although access to the internet has increased, there is still a noticeable rural-urban divide in internet connectivity.

About 10 years ago, the average cost of 1GB of data in India was around €3-€4, which has decreased by over 95% in the past decade. This has made mobile internet access much more affordable for the average Indian consumer, leading to a massive increase in internet penetration and usage across the country.

Figure 2.3: Average cost of 1GB data in 2023 (in euro)



Source: cable.co.uk

2.6 Digital payments

'Digital Payment system' technologies and companies have been the torchbearers of modern Indian growth stories (especially in the last 8 years). This has transformed the economy and lives of people.

The Indian government built a Unified Payment Interface (UPI) on the India Stack, which has transformed commerce and payments in India. It has minimised the use of cash and enabled private players like Paytm, PhonePe, BharatPe, Google Pay, etc., to launch payment solutions that can be used in all commercial transactions—from making payments starting from one euro cent at a roadside kiosk to large payments at airports, hotels, hospitals, etc.

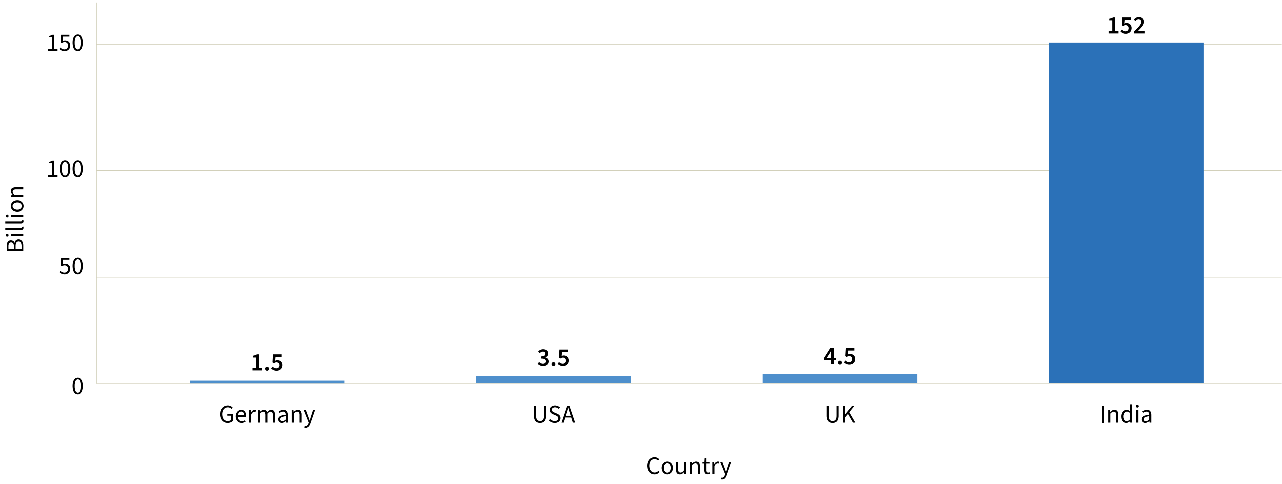
Figure 2.4: President of France and Federal Minister of Germany trying UPI payment

Source: Asian News International

Many new and innovative services are being offered on this system. The government has used the digital identity (Aadhaar) to provide banking services to hundreds of millions of Indians without such access until a few years back. Digital payments and mass bank account creations have enabled the government to transfer benefits to the poorest of the poor.

More than 40% of payments in India are now processed digitally, with UPI accounting for a significant share. UPI is utilised by over 300 million individuals and more than 50 million merchants. In 2023, India recorded 152 billion digital transactions, of which 117 billion were facilitated through UPI.

Figure 2.5: No. of real-time digital payment transactions (2023)



Source: Reserve Bank of India

Seven Countries, including France, Singapore, Sri Lanka, UAE, Mauritius, Nepal, and Bhutan, have successfully adopted the UPI digital payments system.

2.7 e-Governance

India ranked 107 out of 193 countries in United Nations E-government Survey, 2016, for low quality of services provided by the government. Most government services were inefficient, bureaucratic, and ridden with corruption. However, there has been a transformation in the delivery of services in the last few years due to the removal of human interface through digitisation. This has led to a jump in India's rank from 107 to 97 in 2024[22]. Digital Identity and the stack of APIs discussed in the previous chapters have played a pivotal role in the development, spread, and usage of these services.

Estonia is a global pioneer in e-governance, and India can benefit from Estonia's experience through Estonian companies with solutions related to e-governance. Module 2 of this report will explore Estonian companies' scope in this sector.

2.8 Generic pharmaceuticals

India is the world's largest exporter of generic pharmaceuticals, led by companies like Sun Pharmaceuticals, Cipla, Dr Reddy's, Wockhardt, Lupin, etc. It supplies over 20% of the world's generic drugs by volume, serving a vast number of

[22] UN E-government Survey

markets across the globe. Indian generic drugs are sold in over 200 countries[23], including the United States (the largest importer of Generic Drugs from India), Europe, and developing regions.

As of 2024, India produces and exports over 60,000 generic drugs across 60 therapeutic categories.[24] India's generic drugs are known for their affordability and quality and for providing affordable treatment for HIV, which significantly contributes to the recognition of the Indian Pharmaceutical Industry as the Pharmacy of the world.

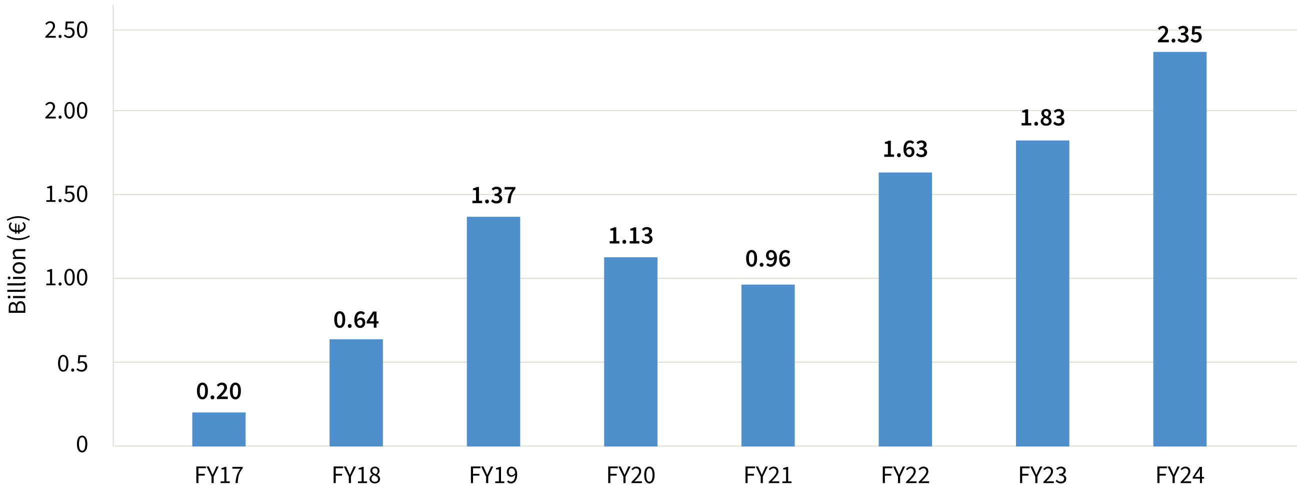
Indian pharmaceutical companies are among the biggest players in FDI emerging from India.

2.9 Defence equipment manufacturing

In recent years, India has made significant strides in defence production and exports, reflecting its growing capabilities and ambitions in the sector. The growth in defence is driven by large conglomerates like L&T, Mahindra, Tata, Adani, etc and fueled by Indian government's focus on indigenous manufacturing driven by 'Make in India' (www.makeinindia.com) initiative. A vibrant startup ecosystem with companies like Idea Forge, Newspace Research, Garuda Aerospace, etc, supplements this.

India has advanced its domestic defence production and emerged as a growing exporter of military hardware, supplying a range of advanced defence systems to over 80 countries.

Figure 2.6: Rising defence exports



Source: Ministry of Defence, India

From 2015 to 2019, India ranked as the world's second-largest arms importer. But now, India has secured a position among the top 25 arms-exporting countries. This progress underscores India's evolving role as a key player in the global defence industry.

Estonian companies have carved a niche in certain areas of Defence, especially cybersecurity.

[17] Invest India
[18] Invest India

Guide for Estonian business executives travelling to India for the first time

03

3.1 Introduction

Estonian companies have been taking small steps to establish a presence in India. Most of these companies are Small and Medium Enterprises (SMEs) that have worked patiently to establish a base in India.

Box 3.1: Story of LEI register in India

LEI Register India was established by LEI Register OÜ (founded by Toomas Pavelson and Timo Vikson) in 2019 with a majority stake in the ownership. The company was started with a share capital of €1,268 and is based in Siliguri in the Eastern part of India which is not a very common location for a foreigner to start a business. However, it was a calculated decision as their local Indian partners were well-educated about the location. The location offers everything the company requires to provide its services – manpower and access to internet and telecom facilities at competitive rates, giving it a distinct advantage. Toomas has leveraged the core technological advantages of the company to become a market leader in providing LEI registration services to its clients in India. The company earned a revenue of over €3.5 million in FY23 and has set a target of €5 million in FY24. The company's success is a testament to the fact that through careful due diligence and innovation, Estonian SMEs can succeed in India and adapt to Indian business culture.

3.2 Guide to plan your visit

This section is for first-time Estonian entrepreneurs intending to explore the Indian market for business opportunities. It is not uncommon for European business executives to book tickets and begin their journey to India. Some executives even reach the airport without the required Indian visa. This section aims to provide practical insights to ensure a smooth, fruitful and enjoyable first visit to India.

Table 3.1: Navigating in India

Steps	What to do
Apply for an Indian visa	• Apply for a visa at the Indian embassy in Tallinn • Alternatively, apply for an e-visa online at [Indian Visa for Estonian Citizens]. The processing time of an e-visa is typically 4 days, but it can vary
Landing in India	• Delhi in the North and Mumbai in the West are the main airports of entry. Other important international airports are in Bengaluru, Chennai and Hyderabad in the South and Kolkata in the East • Ensure to get some local currency at the airport, mainly for use in local transport or emergency • Download WhatsApp messaging app. Most people in India use it.

	• Wi-Fi network in India is not available in all public places. It is easy to buy a local pre-paid SIM card at the airport. Look out for kiosks operated by Jio, Vi, and Airtel at the airport terminal. You will need to share your passport and visa details to buy a local SIM card.
Leaving from the airport in India to your place of stay	• Pre-paid taxi services like Meru and Mega are the most convenient taxi services for foreigners at Delhi, Mumbai, Bengaluru, Hyderabad, Kolkata and Chennai airports. You will find their kiosks in front of the main exits at the airport. Book your ride and check if you can pay in advance with your credit card. Or else, you should have some cash to pay at your destination. You will get an invoice on your phone number at your destination. • Uber and Ola (Indian counterpart of Uber) are available in most major airports, but reaching an Uber cab at the airport can be a challenge for a first-time visitor. • The average taxi cost from the airport to a hotel within the city should be between €10 to €20. • You can ask for an airport pick-up if you are staying at a 5-star hotel. The driver will be waiting with your name card near the exit. • There is a risk of fraud and overcharging for using any other taxi (apart from the ones mentioned above). • Use of a bus or train is not recommended for a first-time visitor. • Expect lot of noise, chaos and traffic as soon as you leave the airport. Some Europeans take days to get used to the noise, traffic and air quality.
Staying in India	• All major cities have luxurious 5-star hotels that can be booked on platforms like booking.com, makemytrip.com, etc. Taj (more than 100 hotels), Oberoi, and ITC operate world-class luxury hotels in most cities, along with international chains like Marriott (more than 100 hotels), Hyatt, Hilton, Radisson, Leela, Four Seasons, etc. • The tariff at 5 stars ranges between €150 to €400 per night. • India lacks sufficient high-quality business hotels, especially in smaller cities. But Ibis, Ginger, Bloom, etc., offer a clean and comfortable experience in large and mid-size cities at an affordable tariff. • Airbnb accommodation is also available in most cities in India.
Local travel in India within the city	• Within the city, you may book a taxi for the whole day on Uber or Ola with your credit card. • Most hotels will also book a taxi if you ask for it. Agree on the price in advance. • Delhi has an extensive network of metro rail. Using it for local travel within the city is efficient and economical. Check with your hotel on how to access it.

Local travel within India	• Most Indian cities are connected by air. It is the simplest and fastest mode of transport. You can book your ticket on makemytrip.com, ibibo.com, and other similar websites. • To travel within India, aim to reach the airport two hours before departure. • For foreign travel, aim to reach the airport three hours before your departure.
Other health concerns	• Dengue is widespread in many parts of India. It is advisable to carry or use mosquito repellent cream while travelling in India.

Source: Norindic Research and Consulting LLP

Guide for Estonians - Doing business in India

04

Box 4.1: Key insights for an Estonian exporter

Exporting is the simplest way to do business. There is no need for any capital investment in the exporting market. However, an Estonian Exporter needs to be aware of the following things when exporting to India:

- **Due diligence**—Check with the local embassy or a consultant about the credentials of potential importers. It is worthwhile to spend some time and effort on this process to ensure a hassle-free long-term relationship.
- **Willingness** – Ensure that the potential importer in India is motivated to promote your products. This should be ascertained by examining the distribution infrastructure and geographical reach of the importer and experience in marketing similar products. The Estonian exporters should meet the partner in India in person to qualitatively gauge their willingness and ensure that both parties reach a common understanding.
- **Sampling**—Most importers require samples of product(s) before starting any commercial transaction. It is straightforward to send samples except for Food, pharmaceuticals, medical equipment, etc. Usually, the importer will guide you through the documentation for this.
- **Labelling**—Indian customs authorities are strict about labelling requirements, and exporters must be aware of these requirements. For example, in food products, Indian law (regulated by the Food Safety and Standards Authority of India, FSSAI) requires that the product be identified as vegetarian. This is done by putting a green triangle on all vegetarian products. Some exporters may be unable to make coloured labels, which can create problems with Indian customs.
- **Payments**—This is the most common dispute. Ensure that you have a foolproof mechanism to collect payments. If you sell any product on credit terms, ensure a strong agreement and expect a significant delay in getting a legal remedy in case of a dispute.

  Some importers may ask for a lower invoice to avoid high customs duty tax. They will pay the balance through offshore accounts in the UAE, Hong Kong, etc. This is illegal, and it is advisable to avoid such transactions.
- **Challenges**—Local importers may face challenges when dealing with the Indian government authorities, which might lead to delays and compliance issues. These Challenges arise from deviations in paperwork related to labelling, Health Certificates, Phyto-sanitary Certificates, Import Permits, etc.
- **E-mail versus phone call**—Indians are the largest WhatsApp users, making WhatsApp the best medium for communicating in India. An unsolicited message is acceptable in India, and even an impromptu phone call is acceptable, but it depends on the context. If companies are communicating with a government representative as their customer, then it is advisable to use email. It is also helpful to communicate formally with private buyers through email. However, agreeing on rates and conditions over WhatsApp or phone calls is quite common.
- **Time to finalise an order or a deal**—There are no fixed rules on this. In general, Indian culture is a high-context culture, as opposed to relatively low-context Estonian culture. Hence, most Estonians find the time taken for finalising a deal with Indians, longer than they expected.

4.1 Introduction

India ranked 63rd in the World Bank's Doing Business Report (DBR), 2020. India's rank in the DBR improved from 142nd in 2014 to 63rd in 2019, registering a jump of 79 ranks in 5 years.[25] Many Estonian companies interviewed during this study shared positive experiences of registering a company, exporting to India and e-governance systems like Goods and Services Tax that made it easy and efficient to monitor their business interests in India. Having said that, 'Doing Business in India' can still be challenging for foreigners. In this chapter, we will share some practical insights that will make it easy for Estonian companies to do business in India or with Indians. The European Commission[26] also provides detailed information

[25] Source: PIB, Government of India
[26] Source: trade.ec.europa.eu

through its Access2Markets website which is useful for exporters who want to understand various tecno-commercial-legal principles and regulations governing exports to India.

4.2 Entry strategy – sales and contracting

Most exporters start their business by selling to importers based on a contract or a purchase order. The first step is to identify an importer who is 'Willing, Able and Ready'. The identification process can be facilitated by:

- An India Market Entry Consulting firm.

Table 4.1: Market entry consulting firms

Name	Website
Technova Global	https://www.tecnovaglobal.com/
Maier Vidormo Altios	https://www.maiervidorno.com/
Norindic Research and Consulting LLP	https://www.norindic.com/
Business Access India	https://www.businessaccessindia.com/
Ernst & Young (EY)	https://www.ey.com/en_in
PricewaterhouseCoopers (PwC)	https://www.pwc.in/
Tractus Asia	https://tractus-asia.com/
FranGlobal	https://www.franglobal.com/
Boston Consulting Group	https://www.bcg.com/

- The local Estonian Embassy.

However, the most important and efficient route is participating in your sector-relevant trade show, which all major importers will visit. A sector-wise list of these events is provided in Module 2 of this report.

The key elements to consider while selecting an importer are:

- **Access to market - Geographic reach of the importer**
  India is a large country, and it will be beneficial to have an importer operating in most parts of it. For example, a large Estonian cheese exporter has partnered with an Indian importer who has offices in all major cities in India. As a result, this Estonian cheese is available in all regions of India, and the exporter is not entertaining enquiries from any other Indian importer.
  On the other hand, we have interviewed Estonian exporters of wood-based products, and their importers are active in only one region. As a result, they are still looking for additional distributors in other regions in India.
- **Reputation and trustworthiness of the importer**
  It is important to perform due diligence on the potential importer to ensure trustworthiness. For example, we interviewed an Estonian company whose importer in India was also dealing in a competitor's products through related parties. This had resulted in significant seepage of leads to their competitor.

- **Experience, resources and contacts**
  This is more relevant in sectors which are heavily regulated and require strong finances. For example, selling defence-related products requires that the Indian partner knows the complex Défense procurement policy and has expertise in responding to Tenders and Requests for Quotations. Similarly, importing alcoholic beverages in India requires licenses at the State and Federal levels. It is a complex process, and hence, an experienced importer is a must.
- **Contracts and payments**
  Most export firms have standard export contracts and apply for credit insurance before supplying goods or services. All exporters should ensure the security of their payment[27]. If any Estonian exporter is supplying without credit insurance, then they should get their payment in advance or secure it through a letter of credit. The credit period for companies with credit insurance varies across sectors and the nature of relationship between the trading partners. It will usually start with 15 days and can in some cases go up to 90 days with important customers.

  India has high export duties, and some Indian importers want invoices routed through third countries. This results in a lower invoice payable from India, which in turn saves on Customs Duties. This is illegal and should be avoided.

4.3 Practical steps to starting a business in India

Step 1:

Setting up in India

Most foreign companies enter India as a' Private Limited Company'. However, a company in India can be started as the following legal entities:[28]

One person company: An one person company (OPC) is a type of entity introduced under the Companies Act of 2013, allowing a company to have only one person as a member. The shareholder can appoint only one nominee, who will become the shareholder in the event of the original stakeholder's death or incapacity. Only a natural person who is an Indian citizen and a resident of India can act as a member or nominee in an OPC. Additionally, a person can be a nominee in only one OPC. The company must have at least one resident director, with a minimum stay of 182 days in India.

Private limited company: A private limited company is a legal entity that requires a minimum of two members, with the total number of shareholders restricted to a maximum of 200. Private companies are prohibited from inviting the public to subscribe to any shares, debentures, or other securities and the transfer of shares is also subject to restrictions. The company must appoint at least one resident director.

Public limited company: A public company is a legal entity that requires a minimum of seven shareholders. The shareholders' right to transfer shares is not restricted, and publishing a prospectus becomes mandatory in the case of a public issue. Additionally, a subsidiary of a public company is deemed to be a public company, even if it remains a private company in its Articles of Association. The company must appoint at least one resident director.

Sole proprietorship: A sole proprietorship is a form of business where one person owns all the assets and is responsible for all aspects of the business, unlike partnerships or corporations. No legal formalities are required

[27] Exporters can secure their payments by requesting a Letter of Credit from Importers bank. All major Indian banks provide this. Besides, exporters need to check the creditworthiness of Indian importers by international credit assessment agencies.
[28] Invest India

to create a sole proprietorship, except for obtaining the necessary licenses to conduct business and registering the business name if it differs from the owner's name. The owner must report the income or loss from the business along with their personal income tax return.

Partnership firm: A partnership firm is a legal entity created by drafting a partnership deed among the partners, which must be registered to establish the firm. Partnership firms in India are governed by the Indian Partnership Act, 1932. A minimum of two and a maximum of 20 partners are required to form a partnership firm. The profit and loss are shared as agreed upon in the partnership deed.

Limited liability partnership: An LLP (Limited liability partnership) is a separate legal entity governed by the Limited Liability Partnership Act, 2008. It requires a minimum of two partners and must have two designated partners, who are individuals, with at least one being a resident partner. Both individuals and registered companies can be partners in an LLP.

Foreign company: A foreign company is a legal entity incorporated outside of India but having a place of business in India. It can operate through a liaison office, which represents the parent company in India; a branch office, which undertakes activities like export, import, research, and consultancy; or a project office, which executes activities as per a contract to complete a project. As per company law, a resident having a PAN must be appointed to receive notices in India on behalf of the foreign company. It is not a preferred route, mostly because of higher taxation.
official websites that are user-friendly and up-to-date

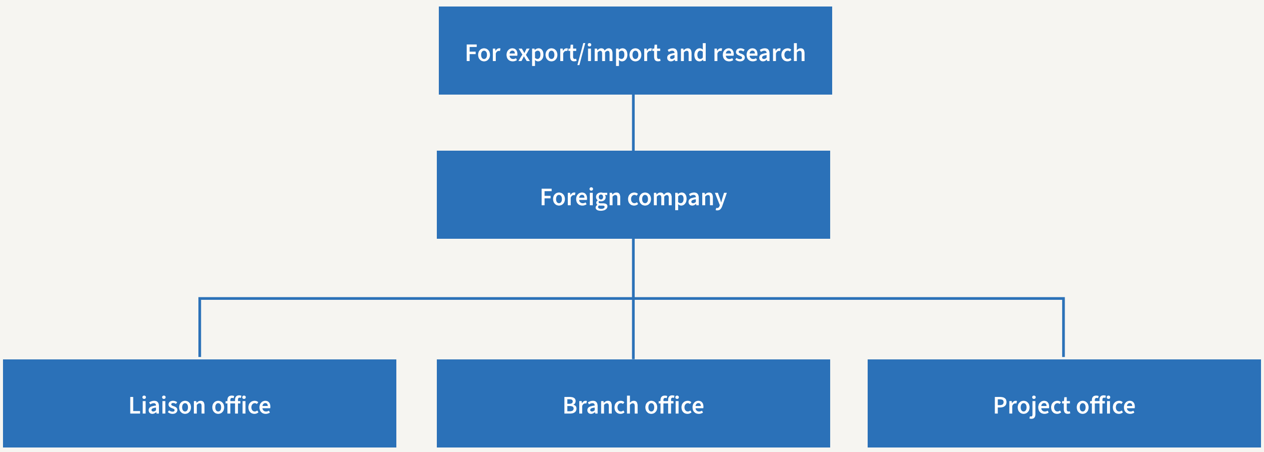
Table 4.2: Private company vis-à-vis Public company vis-à-vis OPC vis-à-vis LLP

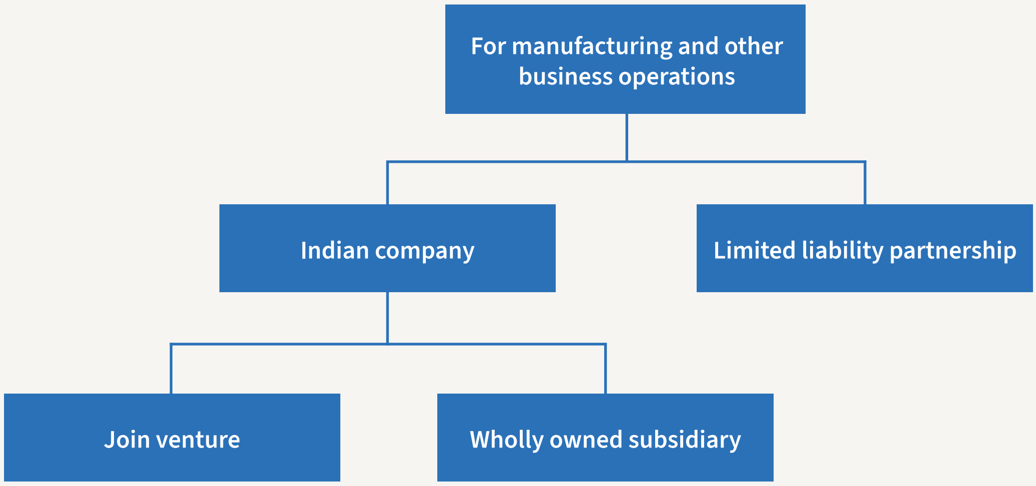
Particulars	Private	Public	OPC	LLP
Min members	2	7	1	2 partners
Max members	200	Unlimited	1	Nolimit
Min directors	2	3	1	2 designated partners
Max directors	15	15	15	No directors
Resident directors	1 mandatory	1 mandatory	1 mandatory	1 designated partner
Transfer of ownership	Ownership can be transferred	Ownership can be transferred	Ownership can be transferred to nominee in the event of death of owner	Ownership can be transferred
Subscription of shares	Public subscription not allowed	Public subscription allowed	Public subscription not allowed	Public subscription not allowed
Issues of prospectus	Not mandatory	Mandatory in case of public issue	Not mandatory	Not mandatory

Managerial remuneration	No limit for managerial personnel	Shareholder approval is required, if remuneration payable is above limits	Not available	Remuneration is based on LLP agreement
Commencement of business	Declaration to be filed prior to commencement	Declaration to be filed prior to commencement	Declaration to be filed prior to commencement	Immediately after obtaining certificate of incorporation
Legal status	A private company is a separate legal entity registered under Companies Act, 2013. The Directors are liable for defaults made under the act	A public company is a separate legal entity registered under Companies Act, 2013. The Directors are liable for defaults made under the act	OPC is a separate legal entity registered under Companies Act, 2013. The Directors are liable for defaults made	LLP is a separate legal entity registered under LLP Act, 2008. The Designated partners of LLP are liable for contraventions under the act
Governing act/law	Companies Act, 2013	Companies Act, 2013	Companies Act, 2013	LLP Act, 2008
Annual statutory filings	Annual statement of accounts & annual return with ROC	Annual statement of accounts & annual return with ROC	Annual statement of accounts & annual return with ROC	Annual statement of solvency & annual return with ROC
Annual filings & audit	IT return to be filed. Audit mandatory	IT return to be filed. Audit mandatory	IT return to be filed. Audit mandatory.	IT return to be filed. Audit mandatory in case turnover exceeds INR 40 lakhs or contribution exceeds INR 25 lakhs

Source: Invest India

Foreign companies can have 100% ownership or can be a joint venture company with a one person company, private limited company, public limited company, limited liability company.





The rules and regulations governing starting a business in India are changing continuously. We have provided links to official websites that are user-friendly and up-to-date.

- **MCA[29]:** https://www.mca.gov.in/content/mca/global/en/home.html

These resources are designed to enable an investor to know everything about setting up and operating a business in India. **However, we recommend a DON'T TO DO YOURSELF' strategy** and instead engaging a local accounting or a consulting firm (more on this in step 4) to establish a company on a turnkey basis.

Step 2[30]:

Hiring your first employee[31]

One of the first and most important steps for starting a business in India (including exports) is to get a good manager, partner or consultant in place. This person will set the tone and direction of your operations in India. The company should keep the following aspects in mind during this process:

- Identify a good recruitment firm for hiring your manager (Refer to table 8). Most international recruitment firms have an office in India. In addition, many local recruitment firms provide quality service. Check with the local embassy for some references.
- There are many online sources to get access to local talent. LinkedIn and Naukri.com are the two most popular online platforms used by recruiters and job seekers.
- Indian education degrees are complex. A foreign company will find plenty of candidates with engineering or management education backgrounds in India. However, there is a hierarchy of colleges in India. The quality and remuneration expectations will vary from candidate to candidate depending on their college and experience. Various skill sets will come at different remuneration levels. The gap between Western remuneration and Indian remuneration is significantly high. However, the gap narrows down as the skills required to become more niche (for example, experienced software programmers or data scientists will expect a remuneration that may be a few per cent lower than the Western remuneration). It is best to seek an expert opinion on this.

[29] MCA or Ministry of Corporate Affairs is responsible for framing rules for setting and managing a business in India
[30] Steps 2,3 and 4 can be executed in parallel or a different order depending on your need and knowledge/contacts in India
[31] Refer to chapter 5 on dealing with Indian Business Culture for challenges and risks of working with Indian Managers

- Work experience is the most important aspect for successfully starting a company in India. If you want to sell wooden houses in India, prefer a candidate who has experience in selling wooden houses in India.

Step 3:
Finding an Indian director

Every foreign-owned Indian company requires at least one director who resides in India. The foreign company should be prepared for that. Most foreign companies appoint their senior-most local employee as the Indian director. The local embassy or a consultant can provide references. **It is important to have a trustworthy local director.**

Step 4:
Finding an accounting firm

A foreign company must Identify an accounting or consulting firm (refer to step 1) to advise and execute the process of starting a business in India on a turnkey basis. Many Estonian companies may already be using international accounting and consulting firms like Ernst and Young (EY), Price Waterhouse Coopers (PwC), BDO, etc., as their service provider in Estonia. These big accounting firms are also present in India. However, international accounting firms are significantly more expensive than local accounting firms. Some of the key practical aspects to keep in mind are:

- The fee for such turnkey services is non-standardized and may range from €2,000 to €10,000. It is advisable to solicit a few quotations to get the best price, and it is common to negotiate on these prices.
- The accounting firm will also be interested in providing recurring accounting services in the future, so they will want to give you the best price for this service.
- It is useful to ask the selected service provider for the process chart and **a list of all documents expected from the parent company. Original hard copies apostilled in Estonia are required for some registrations. The hard copies usually include 'identity documents', 'proof of residence'**, and a '**passport or an Estonian utility bill**' which is sufficient for this purpose.
- Apostilling or attestation service is provided by the '**Embassy of India**' in Tallinn or a '**Public Notary**' from Estonia.

Step 5:
Opening a bank account

- Registering a company in India takes a few days. However, opening a bank account for a company in India is a lengthy process and can take a few weeks.
- You will start receiving offers from Indian banks as soon as you register your company.
- Ensure that your service provider has agreed to assist you in opening your company's bank account.

Step 6:
Location of your office

India is a big country, and it is important to investigate which city is best suited to set up an office. All big cities provide multiple options for leasing an office. There are specialised real estate consulting firms that can assist in this (Refer to table 6). The local embassy[32] may also have some consultants on their panel for this service. Some of the key things for location mapping are:

- Ensure that the office location provides some clear advantages. These could be **closeness to the customer** or being in **a central place**—for example, Mumbai is a central location for business in India and a major centre for financial service companies. Being in Mumbai makes it easy to access customers or suppliers in South, West, and North India from a logistics point of view. It also has access to the main seaport.
- **Access to talent** is also dependent on location. Mumbai, being a financial centre, has an advantage for financial enterprises. Software talent is widely available in cities like Bengaluru, Chennai, Hyderabad, Pune, Delhi etc. Usually, trained software professionals prefer to work in these cities
- The **cost of establishing an office** varies across cities, and it is best to get expert advice on this.
- The availability of the quickest **flight connection to Estonia** may be a factor for some companies. Finnair operates from Mumbai and Delhi. Some companies may prefer these locations because of flight connectivity.
- There are many **shared incubation office spaces** available in most cities. They provide an efficient, ready-to-move option at an attractive cost.
- Many consulting firms offer a turnkey service for setting up factories in India. Check with your local embassy or a consultant for references.

Table 4.3: Real estate consulting firms

Name	Website
JLL India	https://www.jll.co.in/
Knight Frank	https://www.knightfrank.com/
CBRE	https://www.cbre.com/
Colliers India	https://www.colliers.com/en-in
Savills	https://www.savills.com/

Step 7:
Choosing your partners

Enforcing legal contracts[33] can be an **expensive** and **time-consuming process** in India. For example, if a cheque payment from a customer is dishonoured by the bank (due to lack of funds or some other reason), it may take 2 to 3 years to resolve this matter in a court of law. Hence it is important to choose all partners carefully and have legally enforceable agreements with them. These partners could be:

- Local Joint Venture Partner
- Indian Customer
- Indian Supplier
- Customs Clearance Agents, if you need to import anything
- Logistics partners
- Warehouse partners

[32] Embassy of Estonia in Delhi
[33] India is not a signatory of International Centre for Settlement of Investment Disputes (ICSID). Indian policy mandates that investment disputes should be settled within Indian legal system. Arbitration is encouraged only after all legal recourses in India are exhausted. This is a deterrent for foreign investors as legal recourse in India can be prolonged and run into years.

- Accounting partner
- Auditing partner
- Employee (ensure a good legal agreement with your employees)

4.4 Entry strategy – Employee as a consultant

In step 1 of section 4.3, we have provided a link to a detailed guide to setting up operations in India. However, companies **should explore the option of hiring a local employee as a consultant to scout for initial business.** This option is relevant for both:

- Estonian exporters
- Estonian companies planning to set up a company in India

This consultant will work on a fixed monthly remuneration (usually €1,000 to €20,000, depending on the skill sets and years of experience). This provides a foreign company with a full-time resource who can be dedicated to test marketing at minimal expense.

Indian 'Consultant' submits his expenses (if any) and these are transferred along with a monthly remuneration/fee to the bank account of the 'Consultant'. The key element for the Estonian company should be:

- Define this person as a 'Consultant' in the service contract
  Define the remuneration as a 'Fee' and not as a 'Salary'
- Have a well-defined description of responsibilities, targets and a list of expenses that are reimbursable.

Some of the agencies that can assist Estonian companies in identifying such personnel are listed in below.

Table 4.4: Recruitment firms

Name	Website
ABC Consultants	https://www.abcconsultants.in/
Manpower Group India	https://www.manpowergroup.co.in/
Randstad India	https://www.randstad.in/
Careernet	https://careernet.in/
Korn Ferry India	https://www.kornferry.com/
Addeco India	https://www.adecco.co.in/
Norindic Research and Consulting LLP	https://www.norindic.com/
Michael Page	https://www.michaelpage.co.in/

4.5 Tax, legal - Barriers and incentives

European Commission's Access2Markets[34] is a good source of information on tax related information for European exporters.

Based on our experience, the knowledge of the following taxes[35] is relevant for Estonian exporters:

- **Customs duty**
  The tax charged on goods exported into India.
- **Goods and services Tax (GST)**
  The tax charge in addition to Customs Duty. However, GST is equally applicable to products manufactured in India or services delivered by Indians.
- **Withholding tax**
  The tax deducted on payments for any technical service provided by a foreign company or royalty payments to foreign companies.

4.5.1 Customs duty

India has a high customs duty tax on most imported products. Here is the effective rate of Tax paid on most common imports from Estonia to India:

Table 4.5: Examples of customs duty rates on some goods exported from Estonia, 2023

HSN code	Product	Effective tax (%)
44129990	Ply-wood	32.78
44219919	Wooden flanges	32.78
87100000	Defence-related equipment	12
48022010	Paper roll	24.32

Source: Directorate General of Commercial Intelligence and Statistics

India, as a policy, kept a high tax rate on imported goods to promote local manufacturing. However, it is changing this policy by entering into Free Trade Agreements with various countries. It recently signed a trade agreement with EFTA countries (Switzerland, Norway, Lichtenstein and Iceland). India has been negotiating a similar agreement with the EU. However, it will still take some time for both sides to agree on this.

[34] trade.ec.europa.eu
[35] Central Board Of Indirect Taxes & Customs

> 4.5.2 Goods and services tax

This is a 'Value Added Tax' applied to almost all goods and services in India. There are five rate slabs of GST:

Table 4.6: GST slabs and products on which it is applied - 2023

GST rates	Products
0%	Health services and main unprocessed food items such as milk, eggs, fresh fish and meat, unpacked foodgrains, fresh vegetables, salt etc.
5%	Sugar, tea, coal, edible oils, raisins, roasted coffee beans, skimmed milk powder, cashew nuts, footwear, milk food for babies, apparel, fabric, coir mats, matting & floor covering, spices, indian sweets, life-saving drugs, coffee, etc.
12%	Butter, computers, ghee, processed food, almonds, mobiles, fruit juice, preparations of vegetables, fruits, nuts or other parts of plants etc.
18%	Hair oil, capital goods, toothpaste, industrial intermediaries, soap, ice cream, pasta, toiletries, corn, flakes, computers, soups, printers, etc.
28%	Small cars, high-end motorcycles, consumer durables such as air conditioners and refrigerators.

Source: Groww.in

> 4.5.3 Withholding tax for Estonian exporters

Foreign companies, like those from Estonia, providing services to Indian companies are subject to withholding tax. For example, if an Estonian company earns €100,000 from a technical service, it will receive only €80,000, while the remaining €20,000 (20%) is deposited by the Indian company as tax.

However, under the Double Taxation Avoidance Agreement (DTAA), the Indian government issues a tax certificate, which Estonia accepts as a tax credit. If certain conditions under Article 12 of the DTAA are met, the withholding tax rate is reduced to 10% for royalties and technical services.

Table 4.7: Withholding tax rates in India - 2023

Nature of payment	WHT Rate (%)
Interest on foreign currency (subject to conditions)	5
Interest on money borrowed in foreign currency under a loan agreement or by way of long-term infrastructure bonds (or rupee-denominated bonds)	4
Interest on investment in long-term infrastructure bonds issued by Indian companies (rupee-denominated bonds or government security)	20
Interest payable on long-term bonds listed on IFSC	20
Non-specified type of interest where money is borrowed in foreign currency	20
Royalty and technical fees	20
Dividend income	10
Long-term capital gains other than equity shares of a company or units of equity-oriented fund/ business trust on which STT is paid	30
Long-term capital gains on equity shares of a company or units of equity-oriented fund/business trust on which STT is paid	30

Income by way of winning from horse races	40
Winning from online gaming	30
Other income	40

Source: PwC

Estonian companies should discuss the withholding tax with their Indian partners before entering into any service agreement. If they want to avail of lower withholding tax as per the DTAA, the Estonian service provider may be required to obtain an Indian tax registration known as a Permanent Account Number (PAN), which may require the Estonian company to file tax returns in India.

4.5.4 Legal barriers

The legal barriers for foreign companies to operate in India are limited to a few sensitive sectors. Foreign investment is prohibited in Atomic Energy, Real Estate business, Lottery business, manufacturing Tobacco products, and Gambling and Betting, the following sectors require prior government approvals and the investment limit is specified:

- **Pharmaceuticals:** FDI above 74% requires government approval
- **Multi-brand retail trading:** FDI up to 51% is permitted, but certain regulatory conditions must be met
- **Air transport services:** Requires prior government approval
- **Satellites:** Requires prior government approval
- **Print media:** Requires prior government approval
- **Public sector banks:** Requires prior government approval

There are various limitations for supplying to defence sector and these are specified in respective tenders with a clear preference for ‘Make in India’ products.

4.5.5 Incentives – Tax and legal

There are no specific tax and legal incentives for foreign companies in India. However, if a foreign company sets up its subsidiary in India as a legal entity, then it is entitled to all the incentives tax offered by the government. The major tax incentives are provided for exporting Indian legal entities set up in any of the 270 Special Economic Zones (SEZs; sezindia.gov.in). These include 100% tax exemption on profits in the first 5 years. The other major non-tax incentives are part of Production Linked Incentive scheme.

Production linked incentive (PLI) scheme:

This scheme is targeted to catalyse investments in manufacturing in India by providing grants to companies setting up manufacturing in India. This grant is approved on a case-to-case basis. The following sectors have been identified as intended beneficiaries of the PLI scheme with the government allocating budget outlay for the next five years:

- **Pharmaceutical sector:** to create a wide range of affordable medicines for local consumers and to move up the global supply chain of medicines. This sector has a budget outlay of €2 billion
- **Medical devices sector** to create local domestic manufacturing capacity and promote medical device parks, the PLI scheme’s target segments include manufacturing radiology and imaging medical devices, anaesthetics, and cardio-respiratory medical devices, etc. Assigned an outlay of about €450 million
- **ICT sector:** to support the goal of becoming a global supplier of information and communication technology (ICT) hardware, the government will provide the sector with an incentive on net incremental sales of goods manufactured during a four-year period. Assigned an outlay of about €0.9 billion
- **Advance chemistry cell (ACC) battery sector:** will be reportedly aided in incentivizing large domestic and global companies to contribute towards making the sector more competitive within India itself. Assigned outlay of €2 billion

- **Automobiles and auto components sector:** will be reportedly aided in becoming more globally competitive. Assigned outlay of €7.5 billion
- **Telecom and networking products sector:** will be reportedly aided in attracting large foreign investments that will help domestic companies emerge in the global export market. Assigned outlay of €1.4 billion
- **Technical textiles and textile products in the man-made fibre (mmf) segment:** will be aided in attracting large investments to boost domestic manufacturing. Assigned outlay of €1.2 billion
- **Solar photo-voltaic (PV) modules sector** will be aided in incentivizing domestic and global companies to build the capacity for large-scale solar PV module manufacturing and then assimilate into its global supply chain. Assigned outlay of €600 million
- **Specialty steel sector** will be aided in enhancing the manufacturing of value-added steel that will be then expected to raise its total exports. Assigned outlay of €850 million; and
- **Food products sector:** will be aided in identifying the specific food products whose production will be able to bring in medium-to-large-scale employment (refers to employing between 50-250 persons). Assigned outlay of €1.3 billion.

4.6 Intellectual property rights (IPRs) in India - Laws

If you're doing or planning to do business in India, it is crucial to understand how to manage, protect, and enforce your intellectual property (IP) rights. India recognizes seven types of IP rights, each regulated by specific laws, mentioned as follows:

- The Copyrights Act, 1957 ("Copyright Act")
- The Trademarks Act, 1999 ("Trademarks Act")
- The Patents Act, 1970 ("Patents Act")
- The Design Act, 2000 ("Design Act")
- The Geographical Indications of Goods (Registration and Protection) Act, 1999 ("GI Act")
- The Protection of Plant Varieties and Farmer's Rights Act, 2001 ("Plant Varieties Act")
- The Semiconductor Integrated Circuits Layout- Design Act, 2000 ("SICLD Act")

The detailed version of these acts is available at https://www.indiacode.nic.in/

4.7 Indian IPRs and international conventions

India is a party to the following conventions and treaties.

- **The Paris convention for the protection of industrial property** — Under this, any person from a signatory state can apply for a patent or trademark in any other signatory state and will be given the same enforcement rights and status as a national resident of that country.
- **The Berne convention for the protection of literary and artistic works** – Under this, each member state recognises the copyright of authors from other member states in the same way as the copyright of its nationals.
- **The Madrid protocol for international trademark registration** – Under this, a person can file a single trademark application at their national office that will protect multiple countries.

- **The Patent cooperation Treaty** – This is a central system for obtaining a ‘bundle’ of national patent applications in different jurisdictions through a single application.

India is not a signatory to the Hague Agreement, which allows the protection of designs in multiple countries through a single filing.

4.8 Intellectual property rights in India – Overview

> 4.8.1 Copyright

India follows the Berne Convention for copyright. While registration is not required to enforce copyright, it can help prove ownership in legal disputes. Registration is done through the Copyright Office. Since 2016, the administration of all Intellectual Property Rights (IPRs) has been under the Department for Industrial Policy and Promotion (DIPP) within the Ministry of Commerce and Industry.

> 4.8.2 Patents

- It is governed by the Patents Act of 1970, 2003 Patent Rules, and 2016 Patent Amendment Rules.
- India’s system follows the ‘first to file’ principle, meaning the first person to file for a patent on an invention will be granted the patent.
- Patents in India are valid for 20 years from the date of application, and they require annual renewal fees.

> 4.8.3 Designs

- Designs are governed by the Designs Act 2000 and the Designs Rules 2001.
- Design registrations are valid for ten years, with the possibility of a five-year renewal.

> 4.8.4 Trade marks

- Trademarks are governed by the Trademarks Act of 1999 and the Trade Marks Rules of 2002 and 2017.
- Trademarks are valid for ten years and renewable indefinitely in ten-year increments.
- Trade names can be protected as trademarks, and it’s advisable to register domain names as trademarks to prevent cybersquatting.
- Police have enhanced powers to enforce trademark laws, but delays can occur due to procedural requirements.

> 4.8.5 Registering and enforcing IP rights

Registering

- Most IP rights in India should be registered. Registration is needed in India for patents, but international applications can be made under the Patent Cooperation Treaty.
- For trademarks, you can register domestically or under the Madrid system.
- Copyright does not require registration, but it is advisable to register.

Enforcement

- Enforcing IP rights has improved, especially in recent times, due to the assignment of commercial courts to deal with IPR issues. These courts have judges who are better versed in IPR issues, and the resolution process is time-bound. A few relevant High Courts have IPR benches, and the judges on those benches are also better versed in IPR issues.
- Civil litigation may result in injunctions but often does not lead to large damages. Criminal cases, however, can result in harsher penalties, such as fines and imprisonment. However, criminal proceedings do not apply to patent and design infringements.

4.9 Precautionary steps and recommendations[36]

The **2024 USTR Special 301 Report** identifies India as one of the most challenging economies for enforcing and protecting intellectual property rights (IPR), placing it on the **priority watch list** alongside China, Indonesia, Russia, Chile, and Venezuela.

This report has summarised the potential issues highlighted by USTR EC reports on the IPR environment in India below

- **Lengthy legal remedy** - The judicial system's slow pace often results in prolonged legal battles, making it difficult for IPR holders to enforce their rights effectively. This delay discourages many from pursuing legal action against infringers.
- **Weak enforcement of laws** is a big issue. While India's IP laws are comprehensive, enforcement can be slow due to bureaucratic delays and a backlog of cases. Additionally, many small infringers make enforcement challenging.
- **Piracy and counterfeiting** are two big issues in India. Internet piracy of films, music, games, and software and unauthorised copying of books are common. Counterfeiting is widespread in pharmaceuticals and other manufactured goods.
- **The costs** of pursuing a legal remedy can be prohibitively high, mainly due to the length of legal recourse.

Based on this report and the **EC - India SME helpdesk**, the following precautions are recommended for Estonian companies:

- Develop products that are difficult to replicate
- Include IP protection clauses in employment contracts
- Secure confidential documents to prevent leaks
- Monitor production to prevent counterfeit products

Four **relevant case studies** focusing on IPR protection in India have been selected to guide **Estonian exporters.**

Box 4.2: Case study 1- 'MOLTY' trademark dispute between master enterprises and Jay Kay Coir Foam

Background

The 'MOLTY' trademark dispute involved two companies from neighbouring countries—Master Enterprises from Pakistan and Jay Kay Coir Foam from India. Master Enterprises started using the 'MOLTY' trademark in 1981 and registered it in Pakistan in 1990. With widespread promotion, including sponsorship of major cricket events like the ICC World Cup 1996 and Champions

[36] European Commission

Trophy 2004, the brand gained international recognition, including in India. To expand into the Indian market, the company applied to register the trademark in India in 1997.

Meanwhile, Jay Kay Coir Foam, based in Jammu and Kashmir, started using the 'MOLTY' trademark in 1995 and officially registered it in India on December 2, 2003. This overlap in trademark uses sparked confusion, leading Master Enterprises to file a case in the Delhi High Court to cancel Jay Kay Coir Foam's registration.

Court's decision:

The court ruled in favour of Master Enterprises, ordering the cancellation of Jay Kay Coir Foam's registration. Key points influencing the decision included:

- **International recognition:** The court acknowledged that 'MOLTY' had gained global fame, with visibility extending to India through media and the internet.
- **Earlier application:** Master Enterprises applied for the trademark in India in 1997, predating Jay Kay's 2003 registration by six years.
- **Awareness of prior use:** Given the similarity of industries, the court found it unlikely that Jay Kay Coir Foam was unaware of the existing 'MOLTY' trademark.
- **Lack of explanation:** Jay Kay failed to explain how they independently adopted the trademark, raising doubts about their claim.

Lessons learned

- Companies should register their trademarks in all potential markets as early as possible to protect their rights and prevent others from using them.
- A trademark's international recognition can influence legal decisions, even if the company has no physical presence in that country.
- Businesses must check for existing trademarks globally before adopting a new one to avoid legal issues.
- Clear proof of prior use and promotion of a trademark strengthens a company's position in disputes.
- In today's connected world, the internet can spread brand recognition across borders, so companies must consider international implications when managing trademarks.

Source: Norindic Research and Consulting LLP; Indian Express

Box 4.3: Case study 2- Ericsson vs. Lava International SEP dispute

Background

In 2015, a significant legal conflict arose between Ericsson, a global telecommunications giant, and Lava International, the third-largest smartphone manufacturer in India with a 6% market share. The dispute centred around Standard Essential Patents (SEPs) held by Ericsson, encompassing crucial technologies such as speech codecs and 3G features integral to mobile devices. Following unsuccessful negotiations over licensing terms, which left both parties at an impasse, Lava initiated legal action to block the enforcement of Ericsson's SEPs. In retaliation, Ericsson filed a lawsuit alleging that Lava infringed on eight SEPs.

Lava's defence strategy included challenging the validity of Ericsson's patents and invoking the "doctrine of exhaustion," asserting that since it imported smartphones from licensed entities, it should not be liable for any infringement.

Legal actions taken

The court examined Lava's doctrine of exhaustion claims and determined that it failed to provide evidence showing that its imported handsets were sourced from properly licensed entities. Using a two-step infringement test, the court confirmed that Ericsson's patents were aligned with industry standards and that Lava's devices complied with those standards.

The court evaluated the negotiation history under the Fair, Reasonable, and Non-Discriminatory (FRAND) framework, concluding that Ericsson had negotiated in good faith. At the same time, Lava was unwilling to agree to a fair licensing arrangement. On April 3, 2024, the court ruled in favour of Ericsson, ordering Lava to pay €27 billion in damages—the largest award in Indian patent litigation history. The damages were calculated using Ericsson's entire SEP portfolio and a royalty rate of 1.05% of the selling price of the infringing devices. The court rejected Lava's suggestion to calculate damages based on the smallest saleable patent-practicing unit (SSPPU) and directed Lava to cover Ericsson's litigation costs. Lava's subsequent appeal did not result in a stay on the ruling, leading to an interim deposit agreement to protect Ericsson's rights during the appeal process.

Lessons learned

- Engaging sincerely in licensing discussions is crucial. Unwillingness to negotiate can lead to unfavourable legal outcomes.
- Companies must recognise and respect the essentiality of patents integral to industry standards.
- Importing products from licensed entities is insufficient defence without concrete evidence of proper licensing. It highlights the limitation of the doctrine of exhaustion.
- Courts may prefer calculating damages based on the entire value of the end product rather than the smallest component, especially in industries where patents contribute significantly to product functionality.
- Previous judgments and established tests, like the two-step infringement test, play a significant role in court decisions.

Source: Norindic Research and Consulting LLP, iammedia.com

Box 4.4: Case study 3- Intellectual property licensing strategy to enter Indian markets

Background

Insofar GmbH, a German SME, developed solar cells with high power generating capacity and decided to patent this technology strategically in countries with moderate to high sunlight supply, product demand, and manufacturing & supply ease. They chose India as their primary target. While developing their business plan for entering the Indian market, they realised they did not have a trademark registration or an industrial setup to use their technology. Hence, they consulted an IP expert.

Key recommendations given:

- Explore licensing their technology to companies across different industries, such as solar panels, solar lamps, toys, and vehicles, where it can be utilised.
- Design a logo for their company and products in India and secure their trade mark protection in India.
- Partner with one big brand that would utilise Insofar's technology in various products while catering to multiple business verticals.
- Partner with local businesses instead of commercialising themselves directly

» It will allow them to choose between licensing the technology and letting the local partners commercialise it under their brand or
» They can include the technology licensing within a wider partnership, allowing the licensee to commercialise their innovation under the Insofar brand for more visibility.

Observations:

- Licensing a technology can cut manufacturing and marketing costs. Therefore, it can be a more realistic and profitable solution for SMEs, which may not have the necessary financial or industrial muscle to carry out large-scale manufacturing.
- It is important to have a well-articulated licensing agreement with clarity on royalty rates, agreement period, and other requirements.
- Licensing can be exclusive or non-exclusive, and a licensee can decide what would work best for him based on expert suggestions.
- Identifying the application of the patented technology in different industries and approaching the potential licensees can fast-track business growth.

Source: European Commission – India IP SME Helpdesk - ec.europa.eu/ip-helpdesk

Box 4.5: Case study 4- Enforcement of trade secrets and Indian employee

Background

Kreishilfe GmbH, a German SME providing accounting and compliance services, established a branch in India as part of its expansion plan. The company hired Mr. X, an Indian national, who was later promoted to General Manager. Mr. X's employment contract included confidentiality clauses preventing him from sharing sensitive information during and after his employment. Additionally, the contract featured a non-compete clause restricting Mr X from working with competitors for two years post-termination and a "Garden Leave" period of three months, during which he would receive pay but not be allowed to take up new employment.

Mr X resigned to join a competitor, prompting Kreishilfe to take legal action to enforce the Garden Leave and non-compete clauses. The company sought an injunction, arguing that these restrictions were necessary to protect its business interests and trade secrets and to prevent Mr. X from soliciting customers or employees.

Actions taken by the court:

- The court ruled that the Garden Leave and non-compete clauses were void under **Section 27 of the Indian Contract Act**, invalidating agreements restraining individuals from pursuing lawful trade or employment.
- It emphasized that preventing Mr. X from finding new employment was neither fair nor legally enforceable. However, the judge clarified that companies can lawfully enforce restrictions on using trade secrets during and after employment termination.
- There was no evidence of Mr. X violating confidentiality, so the court did not grant Kreishilfe the requested injunction.

Observations:

- Indian law does not support post-employment restrictions limiting an employee's ability to work. Companies must consider alternatives when seeking to protect their interests.
- Businesses entering India should tailor employment contracts to local legal standards, focusing on enforceable protections like confidentiality and intellectual property rights.

Source: European Commission – India IP SME Helpdesk - ec.europa.eu/ip-helpdesk

4.10 Legal mechanisms

India has a three-tiered conflict resolution system for IP disputes

- Intellectual property offices at the first level,
- The intellectual property appellate board at level two considers appeals, and
- The court of law at level three.

In the Tribunal Reforms Ordinance of 2021, the government eliminated the Intellectual Property Appeals Board (IPAB)[37], which was the exclusive authority for hearing appeals against rulings involving intellectual property rights. The High Courts are performing the tasks which were in the ambit of IPAB.

4.11 Data related to IPR in India and potential issues in India

Indian Office of the Controller General of Patents, Designs, Trademarks and Geographical Indications is the nodal government body for issues related to IPR. They bring out detailed statistics of granting of patents etc. on a yearly basis. They also highlight the progress made on various fronts related to IPR issues (refer to their latest annual report FY 2023).

Estonian exporters must be aware of IPR issues in India and take steps to prevent them. The online resources shared by the European Commission are a good place to start. We also recommend consulting an IPR expert in India for expert guidance. Indicia Legal, a patent and trademark-related legal firm, and Khurana and Khurana's IPR wing have extensive expertise in safeguarding a commercial organization's IPR.

[37] There were 5 appellate tribunals functioning as IPABs. In 18 years of their existence. The matters pending before the boards were transferred to respective High Courts. One High Court, the Delhi High Court has come up with an IP division. However, the efficacy of this change is yet to be ascertained.

4.12 India - EU bilateral trade and investment agreement (FTA and IPA)

The negotiations on the Free Trade Agreement (FTA) between India and the EU have been going on for a long time but have not reached any critical stage. Same goes for the negotiations on Investment Protection Agreement, which is also continuously negotiated. The trade agreement with EFTA countries may accelerate an agreement on FTA between EU and India. However, the Indian government is currently more focused on a Trade Agreement with the United Kingdom. Experts estimate that the FTA will happen only after an agreement with the UK, and it will likely take at least 2 to 3 years for any tangible progress on both FTA and IPA.

4.13 Effect of existing Indian trade agreements on Estonian exports

At present, India has trade agreements with ASEAN, Australia, etc. These do not significantly affect Estonia's exports to India. Estonian exports to India are currently competing with similar (wood and pulp-based) products from the Nordics, Russia, and other Baltic nations. Hence we do not expect any disadvantage for Estonian exporters owing to current Indian FTAs.

Dealing with Indian business culture

05

5.1 Characteristics of Indian business professionals

When foreign businesses, such as Estonian companies, interact with Indian counterparts—whether they are importers, employees, suppliers, service providers, or partners—they are likely to engage with individuals who possess certain common characteristics:

- **Proficiency in English:** These individuals will generally be well-educated and fluent in English, which is essential for clear communication and effective business transactions.
- **Urban residency:** Most of these counterparts will be based in urban areas, where most business activities, particularly those involving foreign companies, are concentrated.
- **Experience with foreign businesses:** A significant percentage of these professionals will have prior experience working with foreign exporters and companies. This experience equips them with a better understanding of international business practices and expectations.

For example, the India ASEAN Trade in Goods Agreement enables the exporters of ASEAN countries to trade about 4,000 products, including electronics, chemicals, machinery, and textiles, with an almost negligible number of duties and tariffs, to India and vice versa.

Box 5.1: Language and city dwellers in India

English Language Proficiency of Indians: Only about 10 to 15% of the Indian population is conversant in English. Thus, the English-speaking professionals that foreign businesses interact with represent a relatively small, but crucial, segment of the population.

Urban Population in India: Approximately 30 to 40% of Indians live in urban areas. These urban centres are hubs for commerce and industry, where foreign business activities are most concentrated.

By recognizing that their primary interactions will be with educated, English-speaking professionals in urban areas who have experience with international business, foreign companies can better tailor their strategies and communications to effectively navigate the Indian business environment.

However, there will be variations and nuances based on diverse factors, the key ones being differences in dealing with the Private or Government sector (Refer to Box 5.2 and Box 5.3).

In the following sections, we will delve deeper into India's diversity and explain how Estonians can tailor their communication based on an understanding of Indian Values and the concept of 'Cultural Backpack' (refer to section 5.3).

Box 5.2: Cultural Experience of Estonian and Nordic Businesses in India

We have interviewed 10 Estonian companies who have experience in doing business with Indians. Here are the key insights from these interactions:

- Most Estonians preferred doing business with Indians as compared to other Asian countries because of the ease of communicating in English.
- Bargainers – Bargaining or negotiating on prices is deeply ingrained in Indians. It is a very common practice for Indians to bargain in their day-to-day life. Estonian businesses find it strange. The Western way of business is a more straightforward approach. If an Estonian quotes for a product or a service, they would have quoted their best offer. However, Indians feel satisfied if they negotiate several times and get a better price. More experienced European exporters keep this in mind and make provision for this last-minute bargaining. It will be useful for new Estonian exporters to keep this in mind.
- Not straightforward communicators in general: Indians, in general, avoid straightforward communication when they have to say no or complain. They choose an indirect, roundabout way to communicate their problem or report a mistake. This is contrary to a general Western approach of direct communication even if they have made an error.
- Indians follow a vertical hierarchy, unlike a more horizontal structure in the West. The relationship between a boss and a subordinate in India is different from what a modern Estonian would be used to. Expect decision-making only at the higher levels of hierarchy in Indian companies.
- Gestures: Estonians should be aware of the famous Indian head nod. Normally, in the west, a head movement from side to side indicates a ‘No’. In India, a side-to-side head movement is complicated and can mean both ‘YES’ and ‘NO’ depending on the extent of the head movement.

Caveat: These are generalised impressions and should be used as a reference only. Real experiences may vary depending on factors like industry, region, age, and personal values.

Box 5.3: Dealing with government as a customer in India

Dealing with private sector customers differs from working with government as customers worldwide. However, Estonians should know the peculiar business culture when dealing with government as their customer in India.

- The ‘Hierarchy’ in the Indian government is much more intense. An Indian government official will interact mostly with an Estonian whom they consider to be at an equivalent level. For example, the Estonian Ambassador can meet an Indian Minister or a Secretary in the ministry. But he/she should expect to do business only at the Joint Secretary level as that is an equivalent level to an Ambassador in the Indian official system.
- Indian government organisations are very good hosts. But DON’T expect any business transaction without an elaborate bureaucratic process. The government is bound to buy any product or service only through a competitive bidding process. Nothing should be taken for granted till a tender or a Request for Proposal is received, followed by securing a work order based on succeeding in a Tendering process.
- The advantage of interacting with a government agency is that it can form a basis for a future RFP. The interaction may also help in influencing the technical specifications of the RFP. So, it is important to engage with the government in sectors like defence, cybersecurity, Cleantech, Healthtech etc. but preferably through an official route like an MoU or a Joint Working Group.
- It is very important to understand the written procurement policy of the government departments in India. They are usually complex documents, and it is useful to engage an expert who understands the procurement process.

Caveat: These are generalised impressions and should be used as a reference only. Real experiences may vary depending on factors like industry, region, age, and personal values.

5.2 Background to understand India – ‘Diversity’

The concept of modern Indian identity is fundamentally distinct from many nationalistic identities, such as those found in France, Germany, or other European nations, where the emphasis has traditionally been on homogeneity. In Europe and much of the Western world, nation-building efforts often focused on creating a unified identity—one language, people, and religion. This drive toward homogenisation can be seen in Italy’s unification and the French state’s formation following the 1789 revolution. The idea was to create a singular national identity that could unify the people under a common banner.

Box 5.4: Indian diversity explained through alcohol market

We interviewed a leading Estonian exporter of alcoholic beverages, who expressed the limitation of diversity in selling alcohol in India. Let us explain this with some rough data.

For a foreign alcohol exporter, India appears to be one integrated marketplace with a market size of approximate €44 billion. In Indian alcohol market, whiskey prevails with 60-70% of the entire offtakes. Brandy holds a share of about 12-15%, and likewise, rum has a share of roughly 10%. Brandy is the preferred beverage in the southern states of Kerala and Tamil Nadu. In fact, the two states together account for the largest consumption of brandy globally. Rum is the drink of choice in Odisha, a state in Eastern India. Rum makes up for around 50% market share in this state.

So, a marketeer needs to understand diverse preferences across India and not make the mistake of considering India as a one market.

In contrast, Indian identity is characterised by its intrinsic diversity at conscious and subconscious levels. This diversity is the essence of what it means to be Indian. India has never sought to homogenise its population; instead, it has embraced and celebrated its myriad differences.

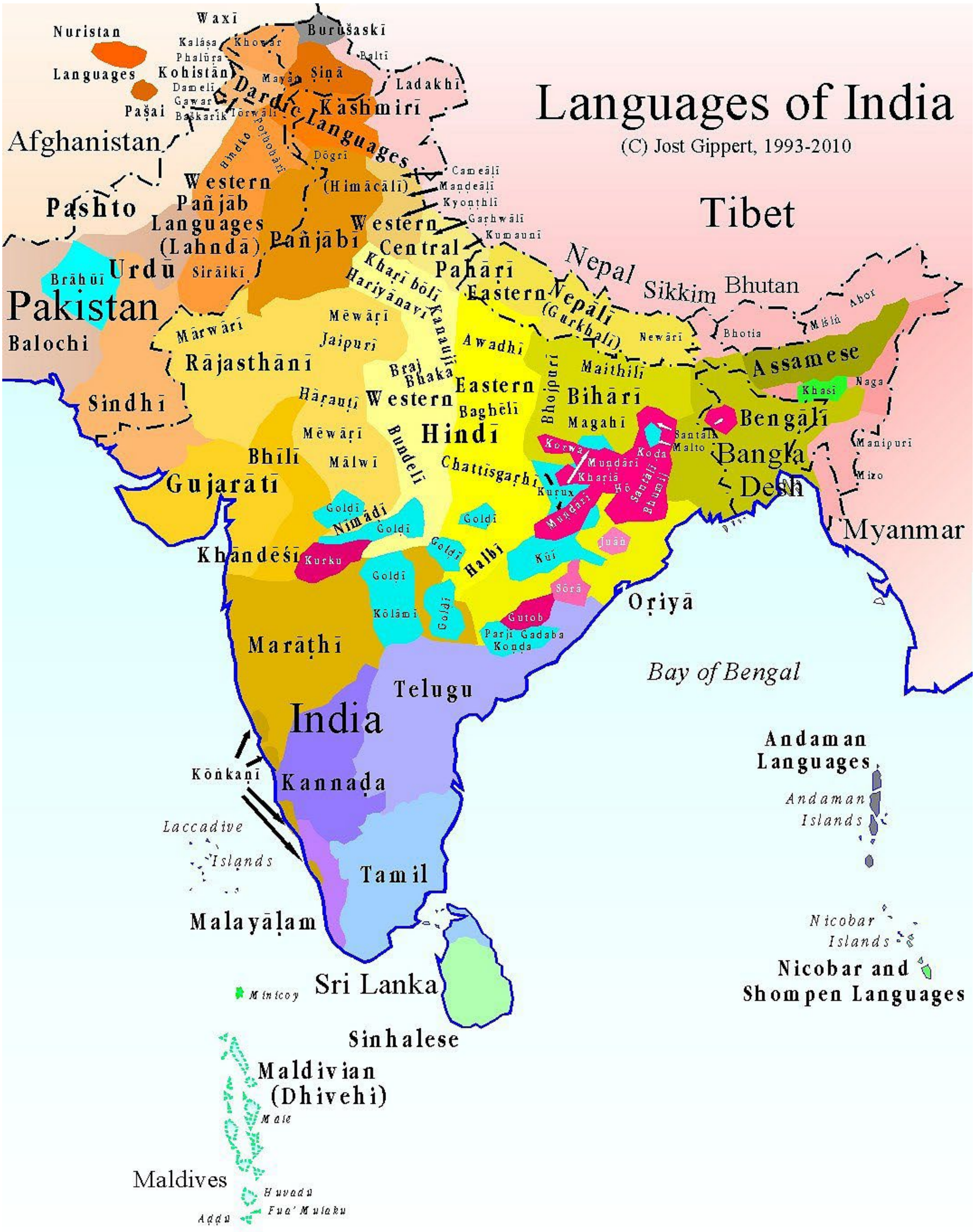
For instance, consider an individual from Kashmir, the northernmost part of India. The person may first identify as a Kashmiri, reflecting their regional and cultural roots. Additionally, they might identify with their caste, which often plays a more significant role in social and political life than religious identity. Even within the relatively small Kashmiri community, there are differences in dialect, accent, and lifestyle depending on whether one comes from a rural or urban area. Beyond this, there is the broader identity of being a North Indian, which connects Kashmiris with other northern communities like Punjabis and Haryanavis. Finally, there is the overarching Indian identity that unites all these diverse layers. This Kashmiri living in the North might have little in common with a Tamil, a Malayali from the South, or a Gujarati from the West regarding language, customs, dress, and physical appearance.

Despite these differences, there has always been a shared cultural foundation. For centuries, people from vastly different parts of India, such as Tamil Nadu, Kashmir, Bengal, and Maharashtra etc., would have been familiar with places like Benares (Varanasi) and stories from the Ramayana, Mahabharata, and Gita—cultural and religious narratives that form a common thread running through the fabric of Indian society.

”Deep, diverse, and staggeringly complex, Indian culture is in your face from the moment you land there, with swarming crowds, honking horns, chaotic traffic, and the jostling in the overcrowded shops. On the other hand, you will find gentle greetings, respect, and incredibly warm hospitality and enthusiasm in working together.”[38]

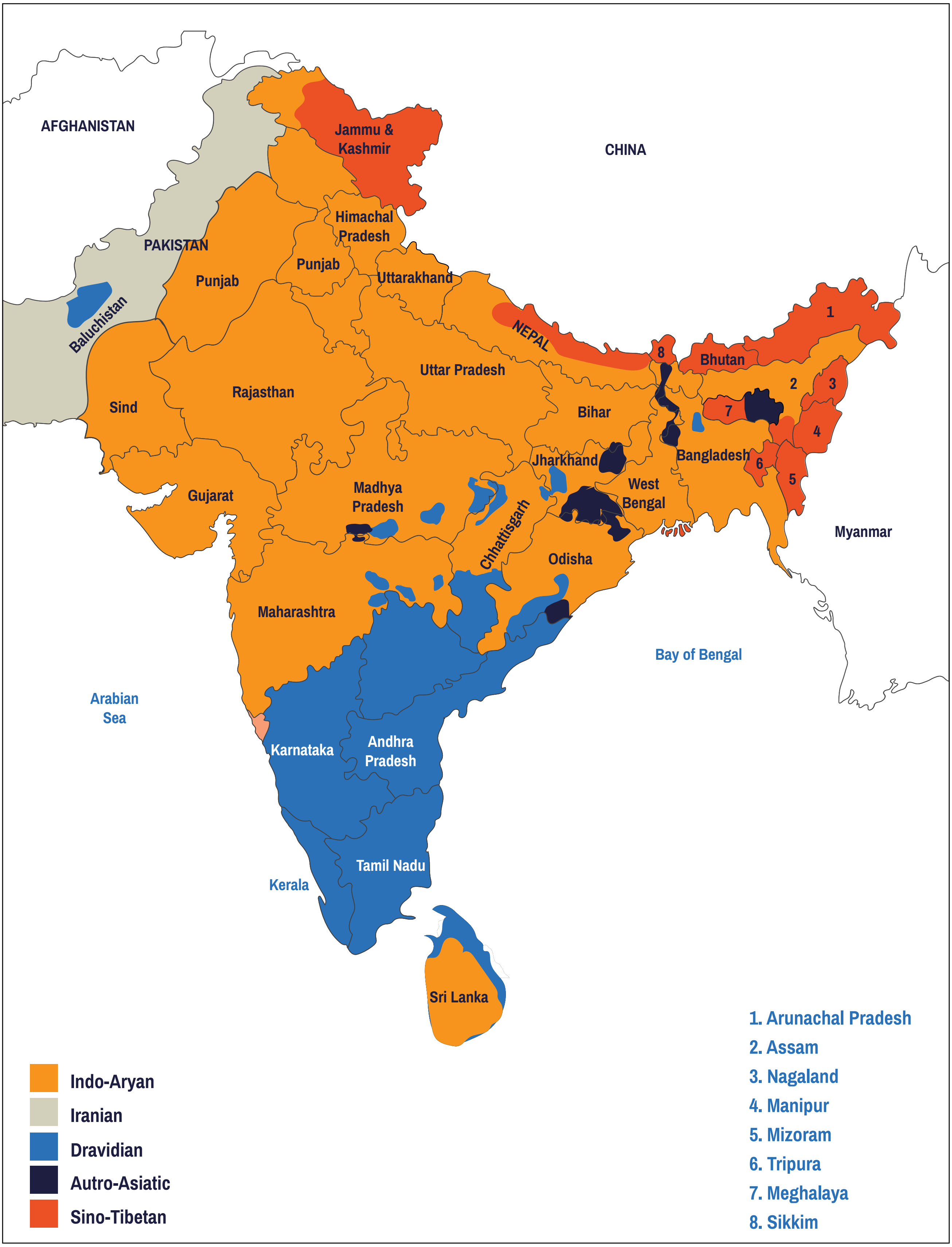
[38] Quoted by Marvin Hough, a Canadian Business Executive and university professor

Figure 5.1: Indian languages



Source: [*kottke.org*](kottke.org)

Figure 5.2: South Asian language families



Source: Norindic Research and Consulting LLP

Diversity in India results in complexity, which makes it challenging for foreigners to understand India in general and Indian business culture in particular. It is extremely challenging to present a few dos and don’ts to a foreigner in such a scenario. In the next section, we will present a general model that may have elements of stereotyping and, hence, will have widespread exceptions. However, it will be indicative and a helpful tool for beginners in India.

5.3 Cultural backpack model to understand Indian business culture

The ‘Cultural Backpack’ model suggests that every individual carries an invisible backpack filled with the values, beliefs, and norms they’ve acquired from their environment— including their continent, country, and state, to their local community and family. These values shape how they perceive the world and interact with others. We will consider an example of an Estonian interacting with an Indian from the southern part in the following section.

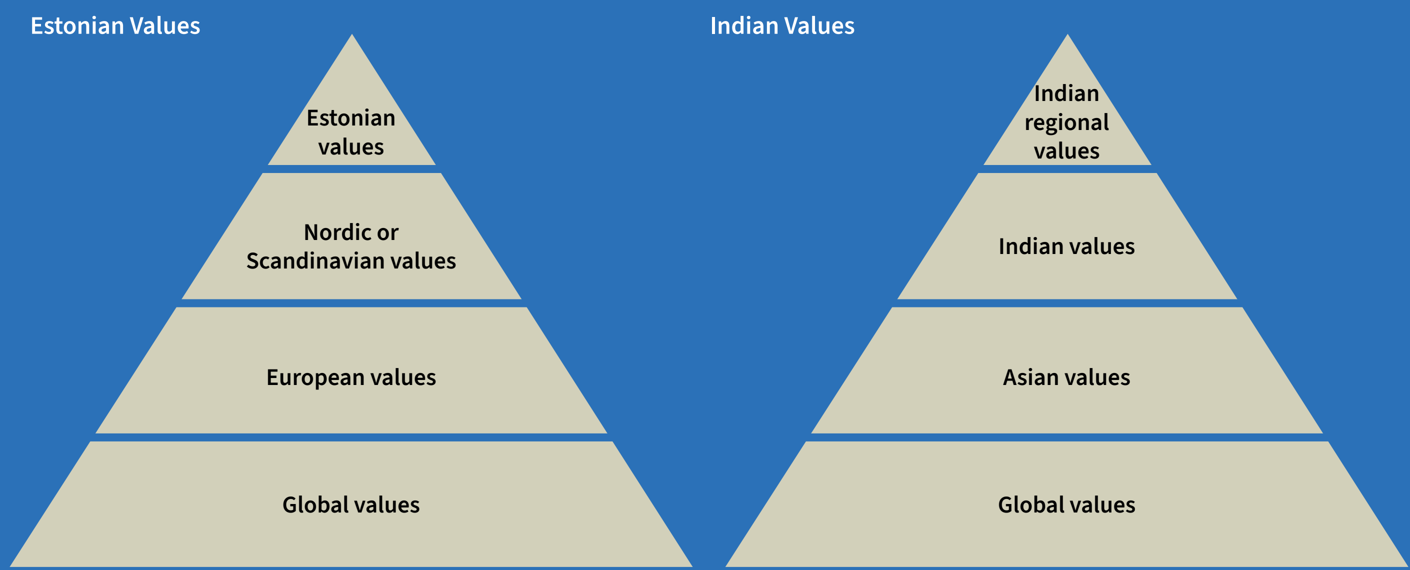
5.3.1 Estonian vs Indian communication style

Indians have a high-context culture, whereas Estonians generally have a relatively low- context culture. According to the Estonian companies interviewed this is the key difference between Indian and Estonian culture and value systems. Indians communicate through contextual elements, such as body language, tone of voice, status of individuals, caste, religion, etc. They also prefer indirect communication and consider situational factors more important than what is said. Indians tend to rely on nonverbal communication, like facial expressions and gestures.

5.3.2 Interaction between Estonian and an Indian

When individuals from different cultural backgrounds meet—such as an Estonian and an Indian—their interactions are influenced by the contents of their respective cultural backpacks.

Box 5.5: Building up of a cultural backpack – Estonia vs India



Source: Norindic Research and Consulting LLP

- **Initial interaction**
  During their first meeting, the Estonian and the Indian will exchange words, gestures, and actions. Each will interpret these interactions through the lens of their own cultural values.
- **Cultural interpretation**
  The Estonian will view the Indian's words and actions from the perspective of Estonian values. At the same time, the Indian will interpret the Estonian's behaviour through the filter of South Indian values.
- **Potential for misinterpretation**
  Due to these differing value lenses, the same word, gesture, or action might be interpreted in contrasting ways. For instance:
  - » What the Estonian perceives as professional might be rude to the Indian.
  - » What the Indian considers friendly could be seen as overly familiar or even intrusive by the Estonian.
- **Consequences of misinterpretation**
  These cultural misinterpretations can lead to misunderstandings, which may result in mistrust, strained relationships, missed business opportunities, and overall poor communication.

5.3.3 Bridging the cultural gap

- **Cultural awareness**
  The likelihood of miscommunication is reduced when both parties understand each other's cultural values.

- **Building the bridge**

The key to successful cross-cultural interactions lies in bridging the cultural gap. This bridge is constructed through mutual understanding and respect for each other's value systems. By doing so, both parties can interpret each other's behaviours with a broader perspective, reducing the risk of miscommunication and fostering trust and collaboration.

The 'Cultural Backpack' concept highlights the importance of cultural awareness in cross-cultural interactions. By taking the time to understand the values and perspectives of others, individuals can communicate more effectively, build stronger relationships, and achieve better outcomes in both personal and professional settings.

5.4 Value system

The value system is the foundation of any culture. Merriam-Webster's dictionary defines a value system as 'the system of established values, beliefs, norms, or goals existing in a society'. However, the value system is a dynamic entity evolving with time.

In older times, before globalisation became all-pervasive, cultures were largely distinct. But with the advent of Travel, Cinema, Television, and, most importantly, the Internet, the boundaries between cultures are becoming porous and more homogeneous.

There is a broad set of common global values. Values like respect, politeness, honesty, trust, etc., are universal. However, each culture has its own distinct set of values. It is safe to say that a value system is a layered, pyramidical structure. For example, the Estonian value system would be influenced by global, European, Western as well as Eastern European, Nordic, Baltic, slavic and Estonian beliefs, customs, norms, etc. In many ways, Estonian values may be like German ones, yet they are distinct. Finnish and Estonian values may have many elements of Nordics yet are distinct in many ways.

5.5 Indian value system[39]

Indian value system can be defined to some extent by the following elements:

- Diversity
- No social security; Limited resources and opportunities
- Hierarchy
- Religion and superstition
- Following rules does not come naturally
- Short-term planning
- Jugaad (Improvisation is an approximate term to describe it)

5.5.1 Diversity

Diversity defines India, and Estonian businesses need to understand that. There is diversity in language, food, culture, habits, dressing, and almost everything else across India. Anyone who wants to sell a product or service in India must keep this in mind and develop an understanding of diverse languages, ethnic groups, castes, communities, etc., to better understand Indian business culture.

Box 5.6: Indian languages, ethnicity, religion and communities

Diverse language and ethnic groups relevant to business	Relevant castes, communities and non-hindu religions
Gujarati	Baniya
Punjabi	Brahmin
Bengali	Kshatriya
Tamil	Konkani
Telegu	Dalits
Kannada	Jains
Malayalam	Muslims
Marathi	Sikhs
Konkani	Christians
Hindi or its dialect as the main language	Parsis

All successful global companies in India have understood this. McDonald's adapted its menu in India. It introduced vegetarian burgers—the McAloo Tiki burger, which has a potato patty inside and is tailored for the Indian vegetarian palate. Amazon in India has become hyper-local in serving customers from different languages and cultures across the country.

There is no one-size-fits-all behaviour when dealing with Indians. The mere traditional greeting varies according to region, religion, and caste. But a mere 'Hello' or a hand-folded 'Namaste' is a common greeting in most of India. In many parts of India, youngsters greet their elders by touching their feet. The diversity is prevalent even in the spice level of food. The Andhra cuisine from South India is spicier than many other parts of India. Gujarati food usually has a sprinkling of sweetness in it. And there are endless differences. Understanding these nuances or even recognising that behaviours, customs and practices will vary as you travel from one part of India to another. This understanding and recognition will help in better communication with Indians.

[39] These are broad generalisations and should be considered as references only.

5.5.2 No social security; limited resources and opportunities

Most Indians are poor and survive on a day-to-day basis with very little savings (mostly none for the majority) or financial security[40]. The middle-class (150 to 300 million) Indians are first- or second-generation entrants into a life of savings and some form of social security. But even for them, there is a thin line between economic security and falling into bad times with no safety net. This results in some peculiar behaviours that are important to understand and interpret in the words and actions of Indians in general. These are:

- Indians will say 'Yes' even if a 'No' should be the answer. An Indian is more likely to commit to a product or service despite being unable to deliver that specific service or product. With a large population living from hand to mouth, it is ingrained in Indians to try to get hold of any opportunity, sometimes resulting in promises or contracts remaining unfulfilled or delayed.
- A similar behaviour can be expected from your Indian employees.[41] It is common for an Indian employee to commit to a delivery even though it is practically very difficult. Employment opportunities are limited and tens of thousands applying for a handful of jobs is a common occurrence. Hence, an Indian is fearful of losing a job if has to say no.

We are seeing a change in this behaviour among young, educated and skilled Indians. However, it will still take time before Indians have a secure social system to fall back upon in case of a loss of opportunity.

5.5.3 Hierarchy

Indian society, traditionally, is very hierarchical. Indians interact differently with other Indians depending on their 'Status'. This value is manifested as:

- Clear authority figures – there is a vertical hierarchy and people at the lower side of this hierarchical ladder will defer to the bosses. Usually, an Indian subordinate will be a mute spectator in the presence of their higher-ups. He or she expects to participate in a discussion only when directed by their boss.
- A 'Do as directed' or 'Boss will decide' attitude is expected compared to taking initiative. A subordinate will participate in a meeting but wait for a nod from the boss to decide. This differs from Western values, especially the 'Nordic' ones, where the structure is more horizontal, juniors and seniors treat each other equally, and decision-making is far more decentralised.
- Indian employees expect direction and regular supervision.

Again, with globalisation, this aspect is changing especially in modern-day businesses, especially among younger Indians.

5.5.4 Religion and superstition

Religion plays an important part in Indian society. It dictates day-to-day activities and habits. Most Indians follow auspicious days, rituals and food habits influenced by religion. Even scientists launching missions to the Moon will perform an elaborate religious ritual before the launch of a rocket. Religion and tradition are critical in India, whereas 'Religion and Tradition' are interesting in the West.

5.5.5 Following rules does not come naturally

Until a few decades ago, nearly 70% of Indians lived in villages. Even now, more than 50% of the population lives in villages. Industrialisation, urbanisation, and a scientific temper have become more widespread in the last 30 years. The value of a rule-based society is still not deeply rooted in India. A good example of this is witnessed on Indian roads.

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[40] The Indian government is now providing free rations to 800 million people, which provides dietary security. (Source: Department of Food and Public Distribution, GOI)

[41] This comes with a caveat that this behaviour depends on level of education, experience and exposure.

5.5.6 Short term planning

A European will plan his/her activities months or years in advance. Western education is built on planning. Indians, owing to various factors, have a very short planning horizon. They plan their activities, holidays, travel, and work with a short horizon. Perhaps only religious activities and marriages are planned with a long-term horizon.

5.5.7 Jugaad (Improvisation)

This is an Indian way of doing things. It is probably an outcome of limited resources, lack of long-term planning, and the urge to deliver—by hook or crook. This attitude is handy in Indians' daily lives. Indians will recycle a Coke bottle for many uses, make a motorised goods carrier out of a bicycle, carry natural gas in large polyethene bags, and carry a whole family on a motorbike. These innovative methods are visible to foreigners across India when they are travelling.

The problem arises when this approach is incorporated into modern industry or work. We have examples of this attitude in road construction, building bridges, building products or delivering services. People cut corners to deliver a product or service somehow. Sometimes it works, but it can also fail spectacularly. Hence, an Estonian business needs to delve deeper into the processes followed by its Indian partners and not take things or processes for granted in India.

Figure 5.3: Indian 'Jugaad' turns TVS XL sport heavy duty moped into a trolley

Source: The Financial Express

5.6 Summary of Western and Indian values

The Indian values described in the previous section are summarised below using simple phraseology and have been compared with the Western values for a better perspective.

Table 5.1 Western culture vis-à-vis Indian culture

Western	Indian
Low-context culture	High-context culture
Time as rigid and exact	Time as soft and elastic
Focused, concentration on the task	Subject to distractions and interruptions
Sequence talking, turn taking	Overlap, talk
Achieved status	Ascribed status
Earned accomplishment	Special privilege
Shared authority	Clear authority figures
Consultation and teamwork	Direction and relationships
Tradition is interesting	Tradition is critical and valued
Initiative – greatly valued and expected	Initiative – not as common as “do as directed”
Supervision – emphasis on accountability and independent work	Supervision is expected
Management technique – inspiration allows employees to prove themselves	Management technique – show care for employees and families – praise good work, strict when necessary
Employee performance – meet deadlines, think independently, take initiative, be reliable and smart	Employee performance – work hard, do not take too much leave, don’t quarrel with teams, honest, soft-spoken and reliable

Source: Marvin Hough, Global Business Culture

5.7 Bridging the cultural gap

Estonian companies and Team Estonia need to understand the Indian value system and introduce Estonian value systems to Indian counterparts.

- Companies can organise workshops in association with their Indian partners to draw up simplified manuals or illustrative case studies to enable understanding of the values from both ends. This will reduce misunderstandings and increase the ease of communication.
- Team Estonia should often hold seminars and create some literature on Indian and Estonian cultures for businesses to use to provide cultural and other information to Estonian companies and their Indian counterparts.
- The local Estonian embassy should also organise cultural events for Indians and involve Estonian businesses in Indian cultural activities. Film screenings, dance performances, music, literary exchanges, and tourism promotions to and from both countries will certainly help foster the relationship.

5.8 Generalised practical tips on business etiquette in India

- Dress—Most Indian business executives in large companies are dressed formally. Formal attire includes a suit and a shirt. It is uncommon for Indian executives to wear casual clothes like Jeans and T-shirts. India is a hot country, and wearing a tie is not very common. The dress in startups is mostly casual.
- Organising a meeting with an Indian company: There are no hard and fast rules about organising a meeting with an Indian company. If the context is interesting, Indian companies will equally accept email and phone inquiries.
- Organising a meeting with a customer from a government organisation is different. It is advisable to be very formal with the government. Indian officials will entertain meetings with personnel whom they consider to be at an equivalent rank.
- It is important to identify the right contact in an Indian company. Since Indian companies are hierarchical, it is more efficient to identify the right contact in the hierarchy.
- English is commonly spoken by executives who interact with exporters.
- Indian communication can be indirect - both written as well as spoken.
- The time taken to conclude a deal with a private customer is simple and depends on logical factors like pricing, quality, value etc. However, it is important to negotiate with personnel at the right hierarchy or level.
- Transactions with a government agency are very formal and driven by bureaucratic processes. Government procurement usually requires a Tendering process that can last months and years.

Indian economy

06

6.1 India's economic landscape

India is currently in a strong economic position, managing significant growth despite adverse global conditions. It is a service-intensive economy. The service sector accounts for 55% of the Gross Value Added (GVA), while manufacturing and agriculture account for 17% and 15%, respectively. The total GVA by the service sector was €1,325 billion in FY24.

Growth forecasts place India among the top large economies in terms of nominal growth. The nominal Gross Domestic Product (GDP) increased by 14.2% in FY23, with a revised estimate projecting a 9.6% growth in FY24.[42] The government aims to transform India into a developed economy by 2047.

6.2 Adverse global challenges and their impact

- **Geopolitical Conflicts:** The Russian invasion of Ukraine, the Israel-Hamas war, and the disruption of the Red Sea route by Houthi attacks have affected oil flow globally.
- **US-China Trade Tensions:** These have led to a container shortage, impacting global trade.
- **Oil Production Cuts:** OPEC and non-OPEC producers have reduced oil production by 3 to 4 million barrels per day.

Despite these challenges, India has remained resilient, with no significant increase in crude oil prices. As a major oil importer, India's attractiveness among BRICS economies has grown due to various geopolitical and internal factors.

6.3 Factors driving Indian growth

- **Stable political regime:** The current government, now in its third consecutive term, provides political stability.
- **Functional democracy and rule of law**: This makes India appealing to foreign investors.
- **China plus one strategy:** Post-COVID, the global shift towards diversifying supply chains has benefited India.
- **Human capital strength:** India's expertise in software and engineering has positioned it as a key player in the global economy. The country hosts over 1,500 Global Capability Centres (GCCs) for companies like Microsoft, Qualcomm, and NVIDIA.[43]
- **Demographic advantage:** A large, young, and educated population supports strong domestic consumption.
- **Infrastructure development:** Rapid growth in infrastructure, including roads, airports, ports, electricity, and telecom, has fuelled economic progress.
- **Vibrant startup ecosystem:** India's startup environment is flourishing in sectors like AI, space, gaming, fintech, and EdTech.

6.4 Challenges facing India

- **Income inequality:** Only 100 to 200 million Indians have significant spending power, while the rest of the population's income levels are comparable to sub-Saharan economies. The political opposition in India has been very vocal about this issue. As per certain estimates, the market capitalisation of Indian billionaires is equal to 25 to 30% of Indian National Income. Despite a very low per capita income, India has the third largest population of billionaires and has added many billionaires post- COVID.

[42] Ministry of Statistics and Program Implementation
[43] NASSCOM

- **Poor human development indicators:** Issues such as high child mortality, infant malnutrition, and inadequate urban infrastructure persist. To address these concerns, the government has launched various schemes like the National Health Mission (https://nhm.gov.in/) and universal insurance of 5,600 for all citizens above 70 years of age. The National Health Mission has components that study the causes of child mortality, infant malnutrition, etc. and provide targeted incentives to ameliorate this situation.
- **High unemployment:** The unemployment rate remains a critical issue. The government of India has several schemes in place to address this issue (https://dge.gov.in/dge/schemes_programmes). Besides, in its recent budget, the government of India has provided incentives to the private sector to provide internships to unemployed youth. However, this is still a work in progress, and it will take time to see any tangible results.
- **Hostile neighbours:** Tensions with China and Pakistan necessitate large defence expenditures. There is an impasse with Pakistan, but India is engaging in a constant dialogue with Chinese authorities to resolve this impasse, especially the issues related to border demarcation. The Foreign Minister of India in a recent statement said that 70% of these issues have been agreed upon.

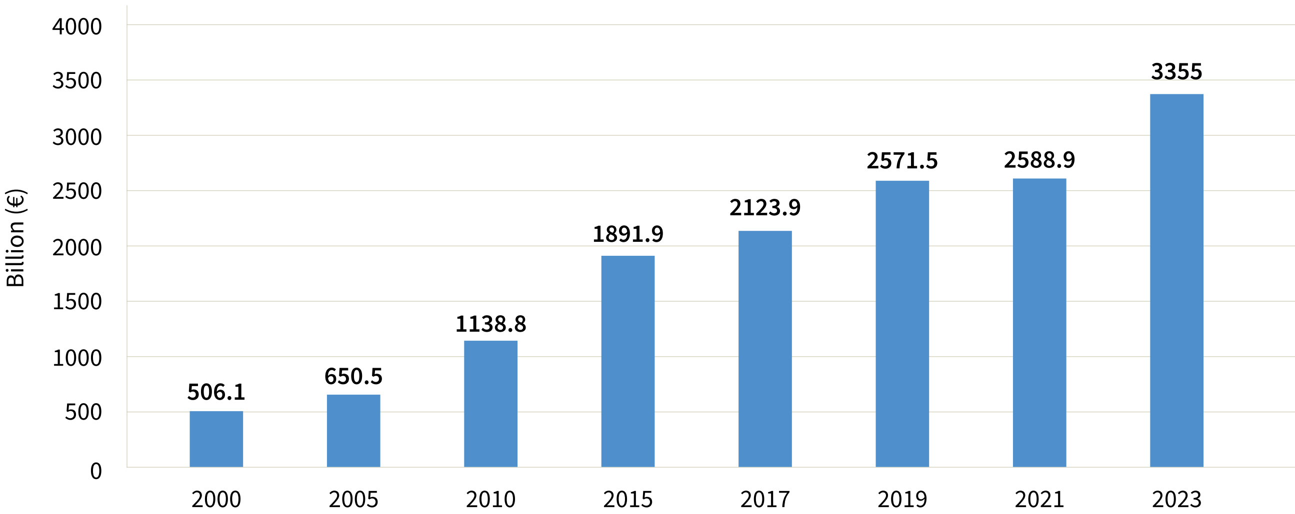
6.5 Reforms and growth post-1991

In 1991, facing a sovereign payment default, India sought assistance from the International Monetary Fund (IMF), which mandated economic reforms. India deregulated many sectors, devalued the rupee, and encouraged foreign investments. This led to a rapid economic transformation, with growth rates increasing to 6-7% shortly after the reforms. Major global corporations entered the Indian market, attracted by its large consumer base and improving business environment.

6.6 Current status of the Indian economy

Since 1991, India has sustained annual growth rates between 5-8%. Per capita income has risen from €447 in 2000 to €2,348 in 2023, and the nominal Gross National Income (GNI) has expanded from €506.1 billion in 2000 to €3,355 billion in 2023.

Figure 6.1: India's GNI in nominal terms (in € Billion)



Source: Norindic Research and Consulting LLP, World Bank

India's expanding market size and growing purchasing power make it an increasingly attractive destination for exporters, including those from Estonia.

India ranks 136th globally in terms of per capita income, with an average annual income of €2,296 per person.[44] India has taken a different path, unlike China, Japan, and South Korea, which transitioned from agrarian economies to manufacturing powerhouses before developing strong service sectors. India's economy is predominantly service-driven, which has led to the limited labour movement from the less productive agricultural sector into manufacturing. While the service sector contributes significantly to the GDP, it offers fewer employment opportunities.

To address this imbalance, the Indian government has implemented initiatives like the Production Linked Incentive (PLI)[45] scheme and provided various fiscal supports to Micro, Small, and Medium Enterprises (MSMEs) to boost the manufacturing sector.

6.6.1 Debate on economic strategy

There is ongoing debate among experts about the best path forward for India's economic growth. Raghuram Rajan, former Governor of the Reserve Bank of India (RBI), advocates for a focus on service-led growth and the development of intellectual capital, where most of the value is generated. He cites Apple as an example: Apple, which primarily focuses on design, marketing, and intellectual property, has a market valuation exceeding €3 trillion. In contrast, Foxconn, which manufactures Apple's products, is valued at around €75 billion.[46]

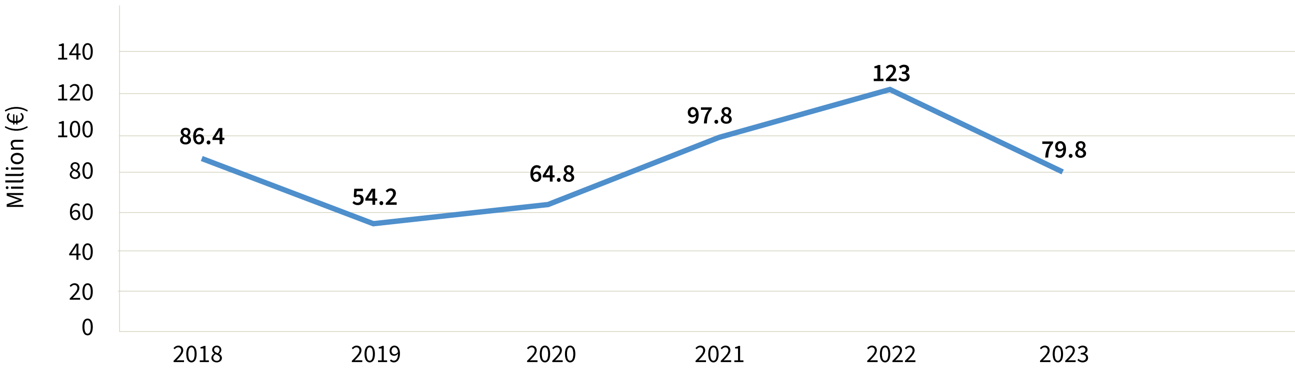
Rajan also highlights the challenges Japan, South Korea, and China faced during their manufacturing growth phases, where they had to compete with developed Western economies for labour advantages. Today, India competes with countries like Vietnam, Bangladesh, and Mexico, where it does not enjoy a significant labour cost advantage.

6.7 Indian imports from Estonia

Exports to India have been growing led by growth in wood pulp exports. In addition, Shaped Wood, Ferrous waste, scrap, Electrical Signaling and Electrical Control Boards exports have shown a consistent trend. In addition, total services exported to India makes up for a significant amount. It was Euro 19.5 million in 2022 and increased to Euro 24.2 million in 2023.

[44] Business Today
[45] The Production-Linked Incentive (PLI) Scheme is a government initiative designed to boost domestic manufacturing and exports, offering financial incentives across 14 key sectors, including electronics, pharmaceuticals, automotive, textiles, and renewable energy, with a total budget allocation of €22 billion over a period of 5 years starting from 2020.
[45] The New Indian Express

Figure 6.2: Exports from Estonia to India (in million euros)



Source: Statistics Estonia

Table 6.1: Sectoral share of exports as % of total exports

Year	2018	2019	2020	2021	2022	2023
Wood pulp	26.9	35.8	21.4	24.2	30.4	30.7
Shaped wood	7.57	15.5	7.05	8.26	7.09	10
Equipment for measuring electrical quantities	1.46	2.08	1.39	-	2.41	6.5
Electrical signalling or traffic control equipment for infra	2.26	2.77	3.16	2.3	2.61	6.1
Electrical control boards	1.21	4.59	1.89	0.82	1.54	5.97
Ferrous waste and scrap	2.49	3.09	2.91	2.42	3.2	5.86
Electrical transformers	7.78	2.99	1.75	-	0.35	1.49
Refined petroleum products	27.5	0	0	0	0	0
Lifting and loading machinery	1.99	0	19.3	0	0	0
Machines for cleaning bottles and machines for filling	0	0	11.2	7.32	0	0
Oils and other products of coal tar	0	0	0	35.9	31.6	0

Source: World Bank

PESTLE analysis of India

07

Pestle analysis of India

Politics

Strengths

- Largest functional democracy.
- A mix of strong central and strong state governments.
- Stable government at the centre since 2014.
- Regional Parties are strong in many states.
- State governments play an important role as partners in economic activities.

Weakness

- Tense relations have developed between the central. government and opposition-led regional states in recent years.
- Vote banks[47] are highly influenced by caste and religion.
- Political unrest can disrupt business activity.
- Red tapism and bureaucracy persist despite increased e-governance efforts.

Economy

Strengths

- 5th largest economy in the world.
- India is the fastest-growing major economy globally.
- The service sector is the dominant sector.
- India's service exports are strong.
- The government's local manufacturing incentives have boosted exports and reduced import reliance.
- India's robust startup environment has resulted in a high number of unicorns in the past five years..
- The fiscal deficit is decreasing.
- CPI Inflation stood at 3.54% in July 2024, the lowest in 5 years.
- Debt-to-GDP ratio remains favourable owing to the government's prudent fiscal policies, particularly during the Covid pandemic.
- The government has allocated significant funds for capital expenditure, particularly in infrastructure development.
- Strong foreign currency reserves.
- Rapidly growing middle and upper middle classes are anticipated to position India as a leading force in consumer spending.
- GST has boosted tax revenue by expanding the taxpayer base and improving compliance.

Weakness

- India has one of the poorest tax-to-GDP ratios in the world.
- The service sector contributes over 50% to India's GDP but employs only about 25% of the labour force.
- Fluctuating inflation and interest rates can affect consumer spending and business investments.
- Most India's rural households still depend primarily on agriculture for their livelihood, and they are often vulnerable to monsoon variability and climate change.
- High income inequality. According to reports, the top 1% of the population holds 22.6% of the national income and 40.1% of the national wealth as of 2022-23.
- India's low per capita income keeps it in the lower middle-income category, underscoring challenges in income distribution and poverty alleviation.
- High formal unemployment level.
- The unorganised sector, comprising about 93% of India's workforce, suffers from low wages, job insecurity, and minimal social protections, affecting millions of livelihoods.
- India's ranking on the Ease of Doing Business index remains low.
- India has not fared well in merchandise exports compared to countries like Vietnam and Bangladesh.

[47] Vote banks refer to groups of people who consistently support a particular politician, party, or ideology. These groups can be formed based on various factors such as demographics, interests, or affiliations. Vote banks are often targeted by politicians and parties seeking to build a loyal following and secure their vote.

Social

Strengths

- One of the most diverse countries in the world.
- Large population of young people is providing a demographic dividend to the national economy.
- Large population of young English-speaking professionals.
- Government has been ensuring food security for more than 800 million poor people by giving highly subsidised rations.
- Caste plays a crucial role in Indian society. Lower castes, historically discriminated against by upper castes, have gained political empowerment and support through various policy measures.
- The government has provided financial assistance to more than 42 million households to build basic permanent (Pucca) house.
- More than 100 million houses have received financial support for constructing toilets.
- India's top engineering, management, and medical colleges produce globally excelling professionals who lead companies like Microsoft, Google, and Adobe, and hold key roles at the IMF and World Bank.
- Rising focus on enhancing education and economic opportunities for women through government schemes and social movements like "Beti-Bachao Beti Padhao".
- A strong community sense exists, with individuals relying on family and social networks for support.

Weakness

- Diverse population creates cultural and language barriers.
- Interfaith tensions have intensified in recent years.
- Caste-related discrimination and exploitation persists
- Social safety net is minimal.
- Access to basic healthcare for most of the population is of poor quality or non-existent.
- The quality of education provided to most students through government institutions (primary and secondary schools, especially) is poor.
- The housing condition of most of the population is poor. A large percentage of the population lives in non-permanent (non-pucca) houses or slums.
- India's growing population strains resources and infrastructure, worsening existing social issues.
- India fares poorly on various human development indicators (ranked 134), such as child mortality and gender inequality.
- Child labour persists, with many children working in hazardous conditions instead of attending school.
- High illiteracy and education gaps between urban and rural areas limit opportunities.
- Disparities in education, employment, and healthcare for women persist, along with high gender-based violence.

Technology

Strengths

- Large pool of young engineers, scientists, doctors and economists
- A powerhouse in ICT services
- Has built a technology stack called India Stack. It is built upon a large, digitized database which has been made available to entrepreneurs through APIs
- A strong Fintech sector has been created as part of the India stack making India a global leader in Digital Payments

Weakness

- India has not been successful in competing with low-cost manufacturing with China, Vietnam, Bangladesh and other South-East Asian economies
- India still fares poorly in terms of the availability of basic infrastructure like reliable power supply, good roads, etc.
- With increased digitisation, cybersecurity threats have become more prominent, and the infrastructure to

Technology

Strengths

- Strong start-up presence in Fintech and E-commerce sectors.
- Strong start-ups are emerging in deep tech sectors such as AI, space, defence, and rocket science.
- India is emerging as a hub for high quality research through Global Competence Centres being set by global technology leaders.
- Strong in generic pharmaceutical manufacturing, with companies advancing to research and new product development.
- Strong automobile manufacturing, especially in two-wheelers.
- Strong tech-driven company base.
- India has become a net exporter of smartphones and a supplier of defence equipment.
- GSTN and e-invoicing modernise tax administration, enabling real-time tracking and enhancing revenue efficiency.

Weakness

combat these threats is still developing.

- India's research and development (R&D) expenditure is relatively low compared to other major economies.
- Weak enforcement of intellectual property rights.
- Skills Gap- There is a major shortage of skilled professionals in emerging technologies like AI, cybersecurity, and data science, causing a mismatch between industry needs and available talent.

Legal

Strengths

- India has a functional legal system comprising of courts at the District, State and National Level.
- The judiciary is independent from the executive and legislative branches of the government.

Weakness

- Dispensation of justice through the legal system is very lengthy and expensive.
- Courts are over-burdened with cases.
- The legal system enables people to prolong dispute resolution, which is detrimental to weaker parties.
- India's regulatory environment is often seen as complex and challenging, with overlapping regulations at the central and state levels.
- Labor law enforcement is often weak, especially in the informal sector, where many workers are employed.

Environment

Strengths

- India is a low emitter of Green House Gases on a per capita basis.
- India is endowed with abundant natural resources, particularly wind and solar energy potential and hence has the 4th largest installed renewable energy capacity in the world.
- Initiatives such as the National Action Plan on Climate Change (NAPCC) and state-level missions emphasize climate adaptation and mitigation strategies.
- India has ambitious Renewable Energy Targets.
- India aims for 500 GW of renewable energy installed capacity by 2030 with a target of 50% non-fossil fuel electricity by 2030. The renewable sector, especially solar, has seen rapid growth.

Weakness

- Air and water pollution are rampant in India, with many cities ranking among the worst for air quality.
- India's urban infrastructure is poor, with inadequate sewage and drainage systems causing floods and water contamination during the rainy season.
- The systems for waste disposal are poor. This has resulted in mountains of solid waste in many cities across India.
- India is vulnerable to climate change, which can disrupt agriculture and other resource-dependent sectors.
- India's environmental laws face challenges in implementation due to limited expertise, resources, and political will, requiring more public support.
- Excessive groundwater use for irrigation has reduced its availability near the surface, threatening food security in key agricultural areas.

Overview of sectors

08

8.1 EdTech

India is the second-largest market for online learning after the United States. The EdTech sector became popular in India during the COVID-19 pandemic when parents and schools started looking for online alternatives to traditional education system involving schools and tuition centres. As of 2024, the EdTech sector is valued at €6.92 billion and is expected to grow at a CAGR of 26%, reaching €26.8 billion by 2030. With over 5,500 EdTech startups, including seven unicorns, the sector supports 1.49 million institutions and 265 million students by offering better digital access, quality content, and innovative learning solutions.
The market has four main segments: K-12 (Kindergarten to Grade 12), Test Preparation, Online Certification, and Upskilling. The K-12 market leads the market with the valuation of €3.5 billion, driven by the large number of students in India.

8.2 ICT

The ICT sector in India has been the engine of India's economic growth since 1990's. The economic reforms opened the doors to foreign investment and technology transfer, laying the foundation for a robust software services industry. This growth trajectory was further accelerated by the proliferation of internet connectivity, the expansion of mobile networks, and the rise of digital literacy across the nation.

India ICT sector is driven by service delivery and the major companies in this area are TCS, Infosys, Wipro, HCL, Tech Mahindra etc. Revenue from ICT services was around €8.4 billion in 2000 and surpassed €180 billion by 2023, which has allowed start-ups to grow from around 7,500 in 2017 to over 80,000 by 2024. As of 2024, with a contribution of over 13% to India's GDP, the ICT sector is the country's major economic driver.[48] Indian companies are now making efforts to develop products. Some of the leading examples of product driven ICT companies are Zoho, Tally, Freshworks, etc.

8.2.1 FinTech/GovTech/Regulatory Tech

India's FinTech sector is the third-largest FinTech market globally, after the United States and China, with 26 unicorns and over 10,000 startups. It is expected to reach €400 billion by 2029, growing at a CAGR of 31%, driven by advancements in technology, government support, and evolving consumer behaviour. The sector involves services like digital payments, lending, InsurTech, WealthTech, and FinTech infrastructure, etc.

GovTech and Regulatory Tech are transforming governance and regulatory processes, aiming to make them more efficient, transparent, and citizen-centric. Initiatives like the Digital India campaign, modelled on Estonia's E-Estonia concept, have accelerated India's digital transformation. The Regulatory Tech market alone is projected to grow from €0.32 billion in 2024 to €1.00 billion by 2029, at a CAGR of 24.09%. Key developments in this sector include e-KYC, Digi locker, and electronic tax filing, etc. This sector also faces challenges like digital literacy and cybersecurity, which need to be addressed to capitalise on the growing opportunities in these areas.

8.2.2 Cybersecurity

India's cybersecurity market is experiencing rapid growth, driven by increased digitization, the expansion of online banking and e-commerce, and the rising adoption of the Internet of Things. The market is divided into companies offering product, such as antivirus, firewalls, and endpoint detection, and services, including vulnerability assessments, penetration testing,

[48] International Trade Administration

and cloud security. From 2019 to 2023, the market grew at a CAGR of over 30%, reaching €5.6 billion, and it is expected to grow at 18%, reaching €20.7 billion by 2032. This growth is supported by the country's reliance on digital technologies and efforts to address sophisticated cyber threats. However, the sector faces challenges such as outdated technology and a shortage of skilled cybersecurity professionals, which limit the sector's ability to address the growing frequency of attacks. These include DDoS, malware, data breaches, and phishing, all of which have risen significantly in recent years.

8.3 CleanTech

The CleanTech industry in India is primarily focused on renewable energy production and technologies aimed at reducing carbon emissions. The government and private sector are also concentrating on emerging areas like Green Hydrogen, Energy Storage, and Smart Grid energy management. India's commitment to tackling climate change is reflected in its ambitious energy goals, which include reducing carbon emissions by 50% by 2030 and achieving net-zero emissions by 2070. To support this, the country is targeting 500 GW of renewable energy capacity by 2030 and over 600 GW by 2032. Key initiatives include expanding transmission networks, developing green hydrogen hubs, and integrating advanced energy storage technologies.

Recently, India has seen growth in renewable energy capacity, with solar energy reaching 92.19 GW, wind energy at 47.71 GW, and other renewable sectors like biomass and hydropower contributing significantly. The Green Hydrogen and Energy Storage sectors are drawing strong interest from major corporations and innovative startups. Notable companies like Reliance, Adani Green Energy, and NTPC are active, alongside startups such as Newtrace and Hygenco offering solutions in energy storage, efficiency, recycling, renewable energy generation, etc.

8.4 HealthTech

The HealthTech sector in India is experiencing rapid growth, fuelled by a strong foundation of generic pharmaceutical manufacturers, vaccine producers, biotech companies, and modern diagnostic firms. India is a global leader in the production of generic pharmaceuticals and vaccines, with major companies like Sun Pharmaceuticals, Cipla, Zydus Cadilla, Dr Reddy's, and Aurobindo Pharma at the forefront. Alongside pharmaceuticals, the sector is benefiting from the integration of digital technologies such as artificial intelligence (AI), data analytics, telemedicine, wearables, and mobile applications, which are transforming healthcare delivery and outcomes. Government initiatives, including the Prime Minister's Jan Aarogya (PMJAY) scheme and the National Digital Health Mission (NHDM), are one of the driving factors for the growth of HealthTech. PMJAY, launched in 2018, is a health insurance scheme by the Government of India which aims at providing financial protection of up to ₹5 lakh per family annually for medical care to economically vulnerable families. NHDM, launched in 2020, aims to create a comprehensive digital health ecosystem to improve healthcare delivery, store medical records, and promote telemedicine across India.

The sector includes key players such as Practo, Tata Health, HealthPlix, Innovaccer, and Tata 1mg, among others. However, modern HealthTech remains concentrated in urban areas, and there is a significant opportunity to expand these solutions to rural regions and government-owned healthcare centres, which are still reliant on legacy systems.

8.5 Defence industry

India has the third-largest defence budget globally, following the United States and China, and is the largest defence importer, accounting for 9.8% of global imports. Defence spending in India represents 1.89% of GDP in 2024, reflecting the country's focus on strengthening its defence capabilities. The defence manufacturing ecosystem includes 16 Defence Public Sector Undertakings (DPSUs), over 50 DRDO[47] research laboratories, more than 16,000 MSMEs, 329 startups, and over 100 original equipment manufacturers (OEMs). While indigenous defense manufacturing in India is still evolving, the country continues to rely significantly on imports to meet its defence needs. Indian government have also allowed private companies to enter the sector, aiming to enhance efficiency and innovation. The defence market in India is expected to grow at 13% annually from FY24 to FY30, with an opportunity worth €80–90 billion over the next 5-6 years. The market primarily serves the Indian Army, Navy, Air Force, and Coast Guard, guided by the Defence Acquisition Procedure (DAP) 2020, which governs the procurement of defence equipment from both local and international sources, giving strong preference to domestically produced goods.

8.6 Food and beverage sector

India's food and beverage market is experiencing rapid growth, driven by urbanisation, changing consumer preferences, a growing middle class, and heightened health consciousness. The rise in premium hotels and restaurants, along with globalisation, is further fuelling market expansion. By 2027, the market is projected to reach €465 billion, growing at a compound annual growth rate (CAGR) of 10-15%. Key segments such as premium packaged foods, health and wellness products, and innovative beverages are seeing significant demand, particularly among health-conscious consumers seeking organic, gluten-free, vegan, and plant-based options. Despite the growth opportunities, challenges such as price sensitivity, distribution hurdles, and regulatory complexities persist. Besides these, alcoholic beverages also incur high base customs duty ranging between 100 to 150%. Food and beverages companies are tackling these challenges by targeting urban, affluent consumers and aligning their offerings with regional preferences.

8.7 Timber sector (Including modular houses)

The timber sector in India is significant. The total demand for wood in India is approximately 63 million cubic meters, of which around 30 million cubic meters are produced domestically and 33 million cubic meters are imported. India protects the domestic wood processing industry through a tariff structure favouring unprocessed logs. As a result, wood in rough accounts for the largest import category in wood in India.

The adoption of modular wooden houses in India is still in its early stages due to factors such as the country's diverse climate, preference for materials like RCC (Reinforced Cement Concrete), and the high cost of importing prefab modular homes. The climate challenges, including extreme temperatures and humidity, make maintaining wooden houses difficult. However, modular wooden houses have potential in areas like mountainous regions, farmhouses for the affluent, and remote hotel chains, indicating opportunities for growth in these niches.

8.8 Maritime industry

India has a strong tradition in the maritime sector, encompassing ports, shipbuilding, and ancillary industries. The country boasts 13 major ports located along its east and west coasts, including Kandla, Mumbai, Jawaharlal Nehru, Chennai, and Vishakhapatnam, which handle about 60% of India's total cargo traffic. These ports are managed by the central government, with Kandla being the largest for cargo handling and Jawaharlal Nehru Port the largest for container traffic. In addition, India has over 200 minor ports, managed by state governments, that support regional trade and contribute to the Sagarmala project aimed at reducing logistics costs and boosting internal trade. To modernize the sector, India is investing heavily in port automation and infrastructure, with companies like Thales and Kongsberg Gruppen providing key systems. Several privately owned ports, such as Mundra, Krishnapatnam, and Hazira, also play a significant role in maritime trade, with the Adani Group being the largest private operator.

India also has a long history in shipbuilding, with public shipyards like Cochin Shipyard and Mazagon Docks, and private shipyards like L&T and Reliance Naval. Indian shipyards rely on key equipment imports from Nordic suppliers, such as Rolls Royce Marine and Wärtsilä, to meet their needs in commercial, defence, and offshore vessel construction.

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