



Investing in India: Legal, Tax, and Strategic Finance Insights

Finance Outlook India Team



In an exclusive interaction with Finance Outlook, **Gaurav Makhijani**, a seasoned expert in cross-border taxation, strategic finance, and investment structuring, shared comprehensive insights on navigating **India's evolving investment landscape**. With over two decades of experience advising multinational corporations and foreign investors on market entry, regulatory compliance, and tax optimization, Gaurav highlighted the transformative opportunities in sectors like renewable energy, data infrastructure, and advanced manufacturing. He emphasized the critical importance of **proactive legal** and **financial planning**, robust **IP protection**, and leveraging government incentives like **PLI schemes** to ensure long-term sustainability. Gaurav envisions India as a **digitally empowered, reform-driven economy** that offers globally competitive advantages for strategic, **high-return investments** over the coming decade.

What are the current sectors that provide the highest ROI and strategic advantage for foreign investors?

India continues to be one of the fastest-growing major economies in the world. It is attracting foreign investment across many industries. In recent years, the services sector especially for **Global Capability Centres (GCCs)** has seen strong growth as global companies look to India for skilled talent and cost efficiency. This trend is expected to continue as other regions face workforce shortages. Manufacturing too is gaining attention, supported by reforms and government incentives.

Among the high-potential areas, I would like to emphasize on below :

Renewable energy(solar, storage, and hybrid power projects)could offer long-term growth as India expands its clean energy capacity. The government's ambitious renewable targets, rising energy demand, and international funding (such as German bank KfW's support for Indian projects) make this sector particularly attractive.

Data centres and cloud or AI infrastructure: This in particular is a booming sector primarily due to India's data localisation policies and rapid digitalisation. States like Andhra Pradesh and Tamil Nadu have become key investment hubs for global tech players such as Google and Meta. Open AI also recently established its presence in India. We see strong growth in such sectors.

The electric vehicle (EV) including batteries and auto components: This sector continues to benefit from Production Linked Incentive (PLI) schemes and a strong push for local manufacturing. China has objected this move in WTO as it sees this unfair trade. However, this is unlikely to have any real impact on the sector.

Electronics and semiconductors: They are gaining traction under India's SEMICON initiative and the "China-plus-one" diversification strategy. This also has backing of government incentives both under Central government PLI schemes and State government subsidy. In some cases, major part of the investment can be claimed as incentive.

Pharmaceutical and medical devices: This is one sector that offers steady growth, supported by export demand and PLI incentives. Even despite the Tariff announcement from USA, this sector sees steady growth.

In addition, infrastructure and cement remain reliable long-term plays in line with India's expanding economy. Overall, while traditional sectors continue to perform well, investors should pay close attention to emerging areas such as renewable energy, data infrastructure, and advanced manufacturing, which promise higher returns and strategic advantages in the coming decade.

Which government approvals and regulatory licenses are most critical during initial setup?

The first step for any foreign investor is deciding on the right business structure i.e., whether to set up a wholly owned subsidiary, a branch office, or a liaison office. Most investors choose to establish a private limited company to have a flexible presence.

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Deduction Account Number (TAN), and **Goods and Services Tax (GST)** registration. PAN and TAN are now automatically generated at the time of company incorporation. GST registration were facing some practical challenges with respect to processing time, which government is trying to fix.

Depending on the sector, specific approvals may also be required. For example, energy projects must get clearances from the Ministry of New and Renewable Energy (MNRE) and state agencies, while data centres and telecom companies need permissions from the **Department of Telecommunications (DoT)** and local bodies for power and infrastructure. In pharma, food, and medical devices, approvals from authorities such as CDSCO, FSSAI, and DCGI are essential before production or sales.

Manufacturing units must secure factory licences and comply with environmental and municipal regulations, including pollution control board approvals and building permits. Registration under labour laws (EPFO, ESIC, and professional tax) is also compulsory.

Foreign and local businesses should also pay attention to **intellectual property (IP)** protection by registering trademarks and patents with Intellectual Property India.

Additionally, manufacturers selling regulated products must comply with **BIS (Bureau of Indian Standards)** certification requirements, which involve factory auditseven for sites located outside India.

Also Read: [How India’s Entrepreneurs are Becoming India’s Philanthropists](#)

How can an investor effectively manage legal risks in contract law, employment law, and intellectual property issues?

India follows the common law system, which is different from the civil law framework used in many other countries. Therefore, foreign investors should adapt their contracts and policies to align with Indian laws and practices.

When entering into contracts, ensure they are governed by Indian law and include clear terms for dispute resolutionpreferably through arbitration to allow faster enforcement. Contracts should also define conditions for change in scope, termination, and payment security using instruments like letters of credit or escrow.

Under employment laws, India is in the process of simplifying its labour regulations through four new labour codes. Implementation is awaited.Businesses must still maintain written employment agreements, make statutory deductions for [provident fund \(EPF\)](#) and social insurance (ESI), and ensure a transparent payroll process. Non-solicitation and IP assignment clauses should be included in employee contracts to protect company interests. Since non-compete clauses are generally not enforceable after employment ends, companies should focus on confidentiality and non-solicitation terms.

Protecting intellectual property is equally important. Companies should register their trademarks and file patents (nationally or under the Patent Cooperation Treaty) before disclosing their products or technologies. Proper agreements should ensure that any IP created by employees or vendors automatically belongs to the company. Businesses dealing with customer data should also comply with India’s new data protection laws and localisation requirements.

Practically, companies can manage legal risks by standardising contract templates, conducting regular legal audits for labour, IP, and tax compliance, and maintaining an IP register. Proactive legal planning significantly reduces exposure to disputes and improves operational stability. We expect further reforms in IP laws in India in coming days.

How does financial planning play a role in ensuring long-term sustainability for businesses in India?

Sound financial planning forms the backbone of a sustainable business. Clearly defining the capital structure i.e., mix of equity, local and foreign debt, and project financinghelps optimise costs and manage currency risks. Companies with high import exposure should consider hedging to protect against exchange rate fluctuations. This has become more important in current scenario.

Investors should also factor in government incentives, such as central and state subsidies or benefits under the **Production Linked Incentive (PLI) schemes**, when planning long-term budgets. Strategic supply chain planning can help businesses take full advantage of India’s foreign trade benefits.

Effective tax and transfer pricing planning is equally critical. Tax disputes are common in India, so companies should establish clear policies in advance. Using Safe Harbour rules and Advance Pricing Agreements (APAs) can provide certainty and prevent litigation in cross-border transactions. Regular cash flow monitoring and stress testing are essential to manage risks arising from delays in receivables, GST refunds, or customs processes.

Strong compliance and governance systems are now a necessity, not a choice. With India’s shift toward digital tax filing and faceless assessments, businesses must have robust accounting systems (ERP) and work closely with reliable tax advisors to stay compliant.



Implementation of the **Digital Personal Data Protection (DPDP)** law will be another major development. Clearer rules on data transfers, breach notifications, and compliance procedures will create more responsibilities for data-driven businesses but will also bring predictability.

On the tax side, reforms will aim to provide greater certainty through the wider use of Safe Harbour rules, APAs, and faster electronic dispute resolution. Simplified tax laws and continued digitisation will make compliance smoother for both local and foreign companies.

The new labour codes are expected to bring long-term clarity in employment laws, although actual enforcement will determine their impact. Environmental and sustainability norms will also become stricter with increased emphasis on emissions reporting, green finance, and ESG disclosures.

In addition, India may tighten localisation rules especially for public tenders to promote make in India. Investors should consider these aspects while planning supply chains and technology transfers.

India continues to offer one of the most promising investment landscapes globally, driven by strong economic growth, stable governance, and ongoing reforms. Strategic sectors like renewable energy, digital infrastructure, EVs, and manufacturing are supported by clear policy direction and attractive incentives. Simplified regulations, improved tax certainty, and a focus on sustainability are making the business environment more predictable and transparent. With its young workforce, large consumer base, and reform-driven policies, India stands out as a destination for long-term high-return investments.

Also Read:

- Board Advisors & Diverse Teams: Driving Business Growth
- Empowering India's SCF with Technology and Inclusion

