

# INDIA INSIGHTS

*A monthly brief on the developments shaping India's  
business and investment landscape.*

**88.3**

USD Bn

Gross FDI Apr–Feb FY26

**6.26**

USD Bn

Net FDI — 6x prior year

**42%**

Share

From European nations

**65**

USD Bn

Greenfield announcements

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"A quarter that reset the baseline. January through March 2026 saw the strongest inbound quarter in four years - driven by the EU-India FTA, a once-in-a-generation tax overhaul, and the most consequential FEMA reforms since 2000."

# Partner Note



***“The qualitative shift matters more than the headline number.”***

***Ravi Sachdeva -  
Partner  
GSRA & Associates***

***Cross-border, market entry,  
RBI/FEMA, IPO preparation.***

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India is having a moment that goes beyond the usual macro headlines. The numbers are strong, but the structural story underneath them is what European investors should be reading.

Three signals stand out from the first quarter of 2026. The EU and India have concluded negotiations on a comprehensive Free Trade Agreement, the most strategically important trade pact India has signed in a generation. The European Union has just released a study confirming that nearly 6,000 EU firms now operate in India, generating roughly 5% of GDP and a quarter of manufacturing turnover. And Invest India has reported that 42% of grounded investment value in FY26 originated from European nations.

***~6,000 EU firms now operate in India | ~5% of GDP | 25% of manufacturing turnover.***

Read together, these are not separate stories. They describe a structural reweighting of European corporate India strategy: from cautious watch-list entries to grounded operating presence. The companies moving fastest are mid-market industrials, technology consultancies, and capability-centre parents, exactly the segments where the path through FEMA, transfer pricing and entity selection is least forgiving of advisory shortcuts.

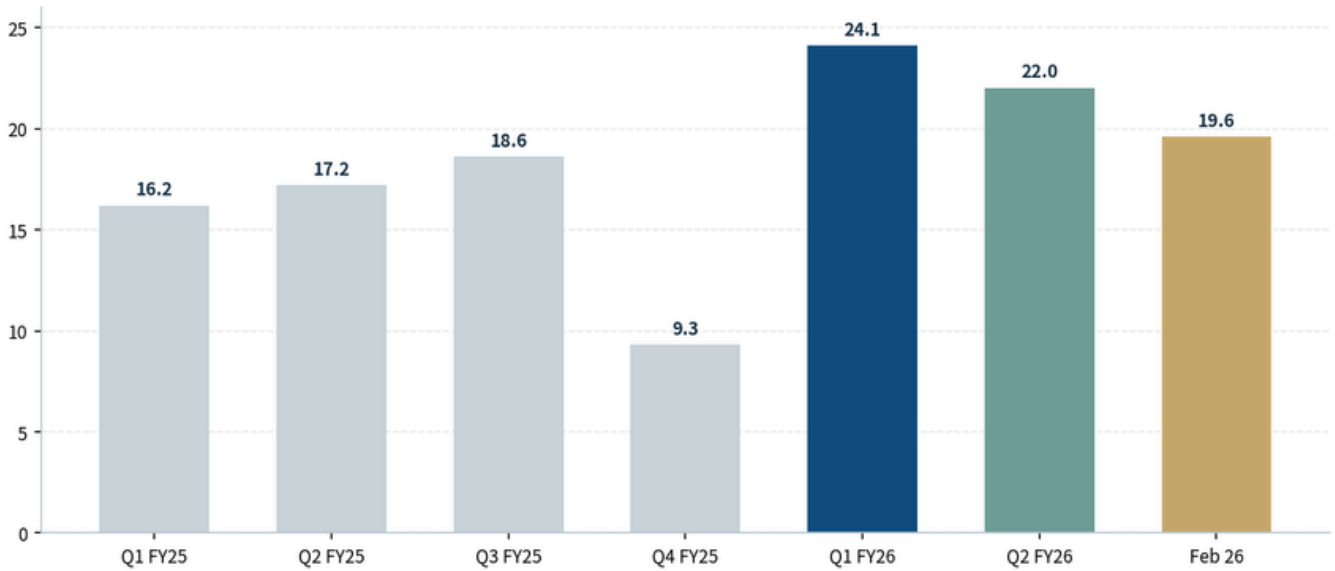
For our European readers in particular: the FTA window between conclusion and ratification is the single best preparation period your clients will get. The structures you set up now will be the structures that benefit when ratification clears.

***Welcome to India Insights.***

# Review-2026

India inbound: by the numbers.

Quarterly Inbound FDI (USD Bn)

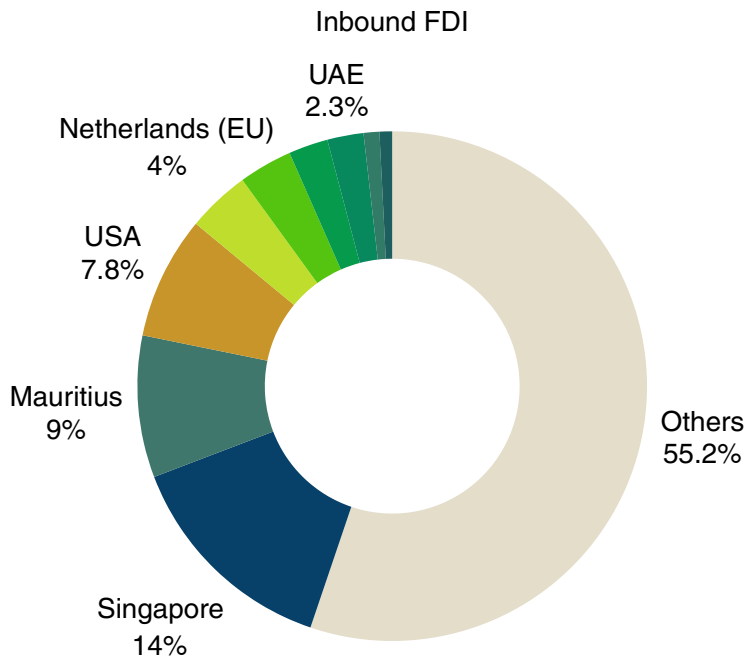


What the data tells us	What is accelerating	What is softening
The story is no longer about scale. Net FDI rose six-fold while gross rose 18%, meaning capital is staying in India, not leaving. February net FDI turned sharply positive after six negative months.	European inflows, manufacturing under PLI, GCC setups, and treaty-route investments. Manufacturing, computer services, financial, business and communication services together exceed two-thirds of equity inflows.	Greenfield announcements moderated to USD 65Bn from USD 73Bn prior year. Consumer-facing retail and traditional BPO segments saw flatter activity. The shift is toward higher-value, capability-led commitments.

Key Performance Indicators - FY26

<p><b>88.3</b></p> <p>USD Bn Gross FDI Apr–Feb FY26</p>	<p><b>+18.1%</b></p> <p>Year-on-Year Growth</p>	<p><b>47.9</b></p> <p>USD Bn FDI Equity Apr–Dec FY26</p>	<p><b>6.3</b></p> <p>USD Bn — 6x prior year Net FDI Apr–Feb FY26</p>
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# WHERE THE CAPITAL CAME FROM



Source: DPIIT Quarterly Fact Sheet (Q3 FY26), RBI, Invest India, IBEF.

## European Wedge

Five of the top ten source countries are now European. The Netherlands, Germany, the UK, France and Switzerland together represent the most concentrated EU footprint Invest India has tracked.

The EU is now India's top trading partner with EUR 200 billion in bilateral trade and EUR 140 billion in investment stock - and the FTA, once ratified, is expected to compound this further.

Rank	Country	Share / Index
1	Singapore	14
2	Mauritius	9
3	USA	7.8
4	<b>Netherlands (EU)</b>	<b>4</b>
5	Japan	3.4
6	<b>UK (EU/UK)</b>	<b>2.5</b>
7	UAE	2.3
8	<b>Germany (EU)</b>	<b>1</b>
9	<b>France (EU)</b>	<b>0.8</b>
10	<b>Switzerland (EU)</b>	<b>0.4</b>

## State-wise FDI Equity inflows

Rank	State / UT	FY26 Apr-Dec (USD Bn)	FY25 Full Year (USD Bn)	Cumulative Share
1	Maharashtra	15.4	19.6	31%
2	Karnataka	11.2	6.6	21%
3	Gujarat	5	5.7	15%
4	Tamil Nadu	3.9	3.1	-
5	Haryana	3.8	3.1	-
6	Delhi	3.5	6.1	13%
7	Telangana	1.7	3	-
8	Uttar Pradesh	0.8	0.4	-
9	Rajasthan	0.7	0.4	-
10	Jharkhand	<0.1	<0.1	1%

Maharashtra continues to dominate (31% of cumulative inflows). Karnataka's sharp jump reflects GCC expansion and technology sector investment. Gujarat, Tamil Nadu and Haryana benefit from PLI manufacturing schemes.

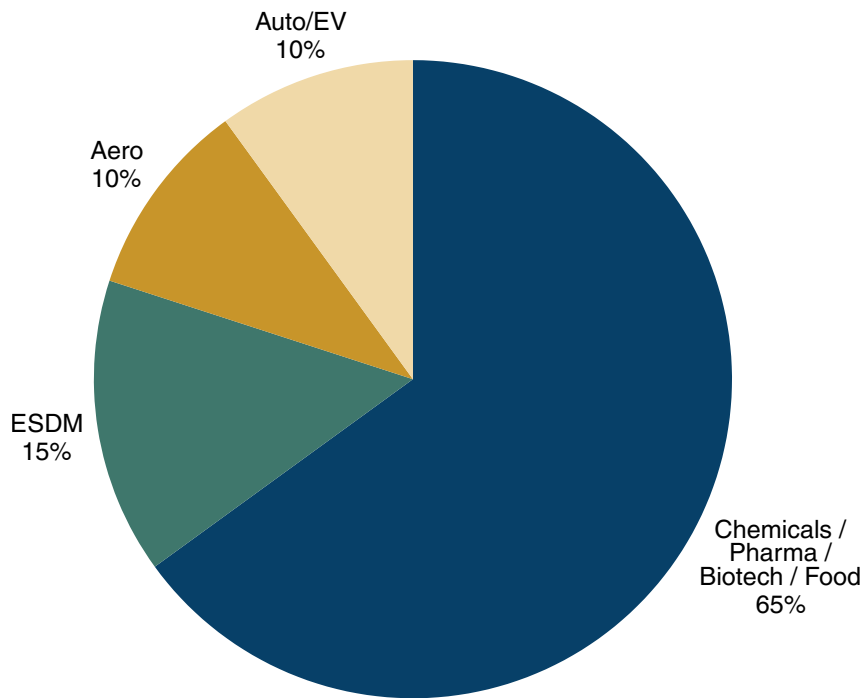
## Sector-wise FDI Equity Cumulative Leaders (Apr 2000 - Dec 2025)

Sector	Share
Services sector (Fin, Banking, Insurance, IT, R&D, Outsourcing)	16%
Computer software & hardware	16%
Trading	7%
Telecommunications	5%
Automobile industry	5%
Construction - infrastructure activities	5%
Construction development (townships, housing)	4%
Drugs & pharmaceuticals	3%
Non-conventional energy	3%
Chemicals (excl. fertilisers)	3%

Methodology/Source: DPIIT Quarterly Fact Sheet (Q3 FY26), RBI, Invest India, and IBEF.

# Sector Spotlight: Manufacturing & ESDM

*Of the USD 6.1 billion Invest India grounded across 60 projects in FY26, roughly 65% was concentrated in chemicals, pharmaceuticals, biotechnology and food processing.*



The Driver - PLI is finally maturing.	The Enablers – FTA + Budget + Labour Codes.	What to Watch - The state-level race.
<p>The Production Linked Incentive scheme (USD 22.9Bn outlay) is now in disbursement phase. Electronics and pharma absorbed about 70% of FY25 payouts. The structuring conversation has moved from speculation to execution.</p>	<p>Three reforms converged in Q1: the EU-India FTA, Budget 2026 with a rewritten Income Tax Act, and four consolidated Labour Codes replacing 129+ legacy laws.</p>	<p>Gujarat, MP, Maharashtra and Andhra Pradesh emerged as primary destinations. Tier-2 cities now offer credible cost advantages. The decision is no longer India yes or no - it is which state, which vehicle.</p>

## Four Inbound Moves



### *Germany*

#### **P3 re:invent -> India AI Factory**

**Technology | GCC | 2,000+ engineers over 3 years**

Stuttgart-based P3 launched its India AI Factory in Chennai and Pune, scaling to 2,000+ data and AI engineers over three years. Anchors global AI delivery across automotive, banking, telecom and defence.



### *France*

#### **Renault -> Chennai expansion**

**Automotive | USD 600 million**

Full buyout of Chennai JV from Nissan. USD 600M committed to expand the facility - now Renault's 5th core manufacturing location outside Europe and its most decisive Western OEM India bet in a decade.



### *USA*

#### **Ford -> Chennai powertrain**

**Powertrain | USD 370 million**

USD 370M committed to revamp Chennai powertrain plant for a new engine range. With European demand shifting electric, India's engineering cost base is being repurposed to supply conventional engines globally.



### *Cross-Border*

#### **ASML x Tata Electronics -> Dholera Fab | USD 11 Billion Semiconductor | Lithography Equipment**

India's first commercial 300mm semiconductor fab in Dholera, Gujarat marks a major milestone as ASML partners with Tata Electronics to supply advanced lithography tools, support local talent development, and strengthen R&D infrastructure under the planned INR 91,000 Cr (USD 11Bn) investment.

# THE GSRA INSIGHT

Aman Kesarwani — Company Secretary, FEMA, RBI, M&A

## *Three structuring questions European companies still get wrong on India entry.*

Most India-entry decisions are framed in the boardroom as should we go now or wait. That is the wrong frame. The decisions that actually compound - for tax, control, exit and operational scalability - are made in the structuring phase, in the first thirty days after the green light.

### 01 The holding-structure tax mistake

Direct-from-Europe versus routing through Singapore, Mauritius or the Netherlands is a treaty-and-exit question, not a tax-saving question. The mistake is choosing the route that minimises current withholding without modelling future capital-gains exposure on exit, GAAR risk, and substance requirements.

### 02 The FEMA reporting timing trap

The 30-day FCGPR window for share allotment reporting is unforgiving. The most common mistake is conflating share subscription with share allotment — the clock starts at allotment, not receipt of funds. With the new FEMA Guarantees Regulations 2026 now live, parent guarantees trigger fresh reporting obligations.

### 03 The LLP versus Private Limited default

European advisors often default to LLP, drawn by lighter compliance optics. For most European parents, this is wrong. LLPs constrain audit consolidation, limit transfer pricing flexibility, and complicate sectoral FDI compliance once activities expand. A Private Limited Company is the default that ages well.

**The structures set up in the first thirty days govern outcomes for the next thirty years. That is where advisory pays for itself — and where boilerplate templates from generalist firms create the most expensive long-term drag.**

## QUICK QUESTIONS

Answers every European investor needs

### Q 1 Can a European company own 100% of an Indian subsidiary?

Yes. Most sectors allow 100% FDI under the automatic route without prior approval. Restrictions remain in sectors like defence, telecom, and insurance. A Private Limited Company requires two directors, including one Indian resident.

### Q 2 EU-India FTA: should we wait for ratification, or move now?

Move early. The expected pre-ratification window until 2026–27 is ideal for entity setup, compliance, banking, and operational readiness before competition intensifies.

### Q 3 What is the most common FEMA mistake in year one?

Missing the 30-day FCGPR filing deadline after share allotment. Other common issues include incorrect share valuation and missed FEMA reporting obligations.

### Q 4 What is the preferred entry structure for EU companies entering India?

Most companies prefer a Private Limited subsidiary due to operational flexibility, easier fundraising, limited liability, and smoother long-term expansion.

### Q 5 How long does it typically take to set up an Indian subsidiary?

In most cases, incorporation, banking, and initial registrations take around 4–8 weeks, depending on sector approvals and documentation readiness.

### Q 6 Are profits freely repatriable from India?

Yes. Dividends, royalties, and profits can generally be repatriated subject to FEMA compliance, tax regulations, and applicable treaty provisions.

### Q 7 What are the key tax considerations for foreign companies in India?

Foreign companies should assess transfer pricing, permanent establishment (PE) exposure, withholding tax obligations, and treaty benefits before starting operations.

## India Calendar: May-July 2026

Date	Event	Focus
May-Jun 2026 Mumbai   New Delhi	<b>EU-India FTA Implementation Working Sessions</b> Industry consultations with DPIIT and EU Delegation on tariff phasing, services market access, and investor protection mechanisms.	<b>Policy / FTA</b>
4-7 Jun 2026 Bharat Mandapam, New Delhi	<b>IICS Expo 2026</b> Massive industrial exhibition for manufacturing and technology solutions - one of India's largest B2B platforms for industrial innovation.	<b>Manufacturing</b>
5-8 Jun 2026 GUCEC, Ahmedabad	<b>Electric Exhibition 2026</b> Showcases the latest advancements in electric technology - directly relevant to EV supply chain and PLI-linked energy investment strategies.	<b>EV / Energy</b>
5 Jun 2026 HITEX, Hyderabad	<b>PAPEXPO 2026</b> Premier tradeshow targeting the paper industry and manufacturing sectors. Relevant for packaging and industrial materials supply chains.	<b>Industry</b>
25-26 Jun 2026 The Lalit, Mumbai	<b>12th Steel Day 2026</b> Annual steel industry conference on Indian Steel Construction. Key platform for manufacturing and infrastructure investors tracking India's construction pipeline.	<b>Manufacturing</b>
Late Jun 2026 Mumbai   GIFT City	<b>India Cross-Border Structuring Forum</b> Working group on FEMA Guarantees Regulations 2026 and the October cutover for new Export & Import Regulations. Closed-door advisory peer sessions.	<b>FEMA / RBI</b>
Jul 2026 Chennai   Pune	<b>India Manufacturing &amp; PLI Summit</b> Sector-by-sector PLI disbursement reviews and next-generation incentives for ESDM, automotive components, and pharmaceuticals.	<b>PLI / MFG</b>
14-17 Jul 2026 Yashobhoomi, New Delhi	<b>India International Garment Fair</b> Major international market event connecting garment and textile exhibitors globally. Key touchpoint for export-led manufacturing investment.	<b>Textile / Export</b>
29-31 Jul 2026 Yashobhoomi (IICC), New Delhi	<b>RENEWEEEX Global 2026</b> Premier international exhibition dedicated to solar and renewable energy - directly relevant to India's non-conventional energy FDI push and PLI-linked green infrastructure commitments.	<b>Energy / PLI</b>

# Entering India successfully requires more than market interest - it requires the *right structure*.

Whether you are evaluating India for the first time or ready to move, the right local strategy — Compliance, entity structure, tax planning, and execution will define long-term success. GSRA & Associates works with European businesses at every stage of that journey.

## HOW WE SUPPORT EUROPEAN BUSINESSES

### Trusted advisors for India market entry, structure, compliance, and operations.

GSRA & Associates is a New Delhi-headquartered chartered accountancy firm with deep specialisation in cross-border business structuring, regulatory compliance, and market-entry advisory for international clients entering India.

With active associations across major Indian commercial centres and an international footprint spanning Europe, the Middle East, and the USA, we bring both local depth and global perspective that market entry demands.

- ◆ Entity structure & incorporation advisory
- ◆ Tax planning & transfer pricing strategy
- ◆ Regulatory compliance & FEMA / RBI advisory
- ◆ GCC and subsidiary setup & accounting
- ◆ Audit, assurance & CFO support services
- ◆ Trade, customs & export-import compliance
- ◆ Partners & Distributer search

## GET IN TOUCH

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Initial consultation available for European businesses exploring India market entry structures, regulatory compliance, and long-term investment strategy.

Contact us now!