



Case Study

Global Health and Wellness Company Enters a Highly Regulated Sector in India

A health and wellness company with offices around the world sought entry into the rapidly growing Indian marketplace. However, since direct selling is a highly regulated sector in India, the company enlisted the help of professionals familiar with the regulatory framework to avoid pitfalls and roadblocks.

Challenges

Our client faced multiple challenges, including needing to:

1. Understand the regulatory framework and ensure timely approvals of the products from government authorities.
2. Set up operations in an unfamiliar market requiring incorporation, recruitment, office space rental and selection of a reliable online payment gateway.
3. Ensure product compliancy, as well as intellectual property and brand protection in the Indian market.

Solutions

To overcome the challenges, we helped by:

1. Conducting a feasibility study covering legislation and optimal entry structure among other business intelligence.
2. Incorporating the client and providing other services to help the client become operational including: gateway & vendor payment, recruitment & office rental, etc.
3. Handling product compliance research and registration along with trademark and tradename registration with government authorities.

Impacts

As a result:

1. Client had a clear strategy for market entry and was able to set up operations without the need of having their own team on the ground or dealing with multiple service providers.
2. Client's FDI incentive opportunities were maximized, including a reduction of their tax burden.
3. Client's product and IP is fully protected in the India marketplace.

CHALLENGE: Entering an unfamiliar market to take advantage of a rising consumer demand while being compliant with all necessary regulations.

Already operational in over 25 countries, a health & wellness company from California recognized the market potential of India's expanding middle-class and its high purchasing power. They sought to establish a presence in India and II a growing demand for health and wellness products.

Direct selling is a highly regulated sector in India that lacks a clear definition by the government. Although there is huge potential for the direct selling industry to grow and thrive in India like those of Western markets, our client like many such investors, faced a lack of regulatory and legal clarity. Additionally, India was an unfamiliar market for our client.

While India continues to rise through the Ease of Doing Business (World Bank) rankings, it remains a complex, dynamic business environment. The client's products for example, spanned multiple categories identified under the regulations, each requiring their own set of registration procedures. Put simply, our client required the assistance of an experienced and knowledgeable professional who could help them navigate the set-up process.

SOLUTION: Handling all necessary work for the client to get them up and running in the shortest time possible.

To save time and reduce human error, Dezan Shira & Associates configured the client's ERP system to store information in the correct format which could be easily delivered to the GTS.

We created a file that permitted integration between the ERP and the GTS tool, allowing information to be transferred directly between the two systems. Customer data, along with tax details and details about specific product and service offerings could now be transmitted automatically from the company ERP to the GTS.

Once a request to issue a fapiao is made in the GTS, details about the issued VAT number are written back into the client's ERP and stored there, creating a seamless two-way information sharing process. Within this ecosystem, instructions to issue the VAT number and print the fapiao could be made individually or in batches.

IMPACT: Quick, efficient processes with reduced costs

Step 1: An informed market entry strategy is key to entering a new and dynamic market such as India. To help the client make an educated decision about market entry, our team at Dezan Shira began a feasibility study, surveyed legislations applicable to the direct selling model, and researched product registration processes.

Ultimately, we identified and suggested an optimal entity structure, taking into account the client's business model, management structure and direct and indirect tax exposure.

Step 2: Once the client had a clear entry strategy in place, our capable team began the process of incorporation. By nature, setting up a legal entity has many phases to it. Our experts across departments helped our client to apply for name registration and approval certificate, le a business license, register for seals, open bank accounts, register under the Income Tax and other taxation laws, and issue and allot shares, in addition to other incorporation and post-incorporation requirements.

Additionally, DSA represented the company as Resident Director. Freeing the client from having to send an executive to India or immediately hire to fill the position.

Step 3: Simultaneously, our team of experts started the complex and long process of trademark and product registrations; the top priority of any company accessing a new market. The primary challenge was the sheer number of different applications and approvals needed for products that spanned multiple categories. Dezan Shira's India team studied laws related to food safety and cosmetics for the product registration applications.

Product registration taken care of, our professionals streamlined the IP process, handling the searching, ling, examination, publication, opposition and trademark registration activities for the client.

Step 4: E-commerce is a booming industry in India and is vital to our client's business model. Our team helped the client develop a payment gateway for their platform, localized for the India market. This customization added a layer of security and ease of banking services for the client and their customers.

Our corporate accounting services team was also able to provide banking services for vendor payment including assessing the tax liabilities and cross-checking payment requests for the client.

Step 5: A business is nothing without a team and a space to let them work. To enable our client to hit the ground running in India, Dezan Shira employed recruitment specialists to find, shortlist and interview candidates. The client also accessed our shared office space to reduce overhead costs from the get-go and begin operations that much quicker.

Consumers' earning capability and their purchasing power is rising in India, while health and wellness consumer products are increasingly becoming a popular category to spend in. Having already established presences in 25 different countries around the globe, our client recognized the potential and opportunity in this market. However, they also recognized they needed help to deal with the cumbersome regulatory framework of the direct selling model.

After diligent ground-work and strategic execution, the client was fully operational in their 26th country. The client also did not have to deal with many service providers.

DSA was the single point of contact and handled coordination with the various specialists. This saved the client considerable time and resources.

Our client:

- Entered the market with clarity on regulations along with an understanding of both their industry and optimal entity IMPACT: Client successfully enters their 26th country to capitalize on a growing market demand. structure. This understanding allowed them to make informed decisions and have a clear strategy.
- Was able to fully utilize the advantages they sought, including a reduction in their tax burden by knowing FDI incentives they could take advantage of; as well as keeping overhead costs light.
- Was reassured their intellectual property was completely protected and their products were compliant with local laws.
- The regulatory environment in India is highly dynamic as the government continues to encourage growth. Ensuring compliancy and remaining up-to-date is vital to any investor's long-term goal. That's why, after having established a strong working relationship and familiarity with the business, our client engaged DSA for retainer services in bookkeeping, HR, payroll, accounting, tax compliance, and ongoing company secretarial work.



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