

**ECONOMIC SYNERGY 2026:  
INDIA-KOREA ICCK INSIGHTS**



# Foreword



**Dr. Shardul S. Shroff**  
Executive Chairman  
SAM

It gives me immense pleasure to present this joint publication by the Indian Chamber of Commerce in Korea and Shardul Amarchand Mangaldas & Co., at a time when the India–Republic of Korea partnership is entering a new and dynamic phase.

The relationship between our two nations has evolved well beyond trade statistics. It is anchored in shared democratic values, deepening economic interdependence, and a growing cultural affinity between our peoples. From Korean cinema and K-dramas finding enthusiastic audiences across Indian cities, to the global resonance of K-pop and Korean technology brands in Indian households, the cultural bridges between our countries are stronger than ever. Likewise, India’s vibrant film, digital and technology ecosystem continues to attract interest from Korean enterprises and consumers alike. These people-to-people connections provide a durable foundation for long-term economic collaboration.

At the governmental level, both countries have demonstrated a clear strategic intent to strengthen cooperation. The Comprehensive Economic Partnership Agreement, ongoing dialogue on its upgrade, and sustained summit-level engagement reflect a forward-looking commitment to expand trade, investment, technology partnerships and supply chain resilience. India’s policy focus on manufacturing, digital infrastructure, semiconductors, green energy and advanced technologies complements Korea’s strengths in electronics, mobility, shipbuilding, batteries and innovation-driven industries.

From a broader PESTEL perspective, the outlook is encouraging. Politically, both nations are stable democracies with converging strategic interests in the Indo-Pacific. Economically, India remains one of the world’s fastest-growing major economies, supported by structural reforms, digital public infrastructure and expanding capital markets, while Korea continues to be a global technology and industrial powerhouse. Socially, both countries benefit from highly educated, aspirational populations and a growing start-up culture. Technologically, there is significant scope for co-innovation in semiconductors, EV ecosystems, artificial intelligence, defence and space. Environmentally, the transition towards clean energy and sustainable supply chains offers substantial collaborative opportunities. Legally and institutionally, continued reforms aimed at tax certainty, ease of doing business and regulatory transparency are enhancing investor confidence.

As this publication demonstrates, the India–Korea economic corridor is not merely growing; it is maturing. Bilateral trade continues on a steady trajectory and investment flows are diversifying across sectors. The opportunity now lies in scaling this partnership from transactional engagement to strategic co-creation.

It is our hope that this booklet will serve as a constructive guide for businesses, policymakers and investors seeking to participate in this promising chapter of India–Korea cooperation.

A handwritten signature in black ink, appearing to read 'Shardul S. Shroff', written in a cursive style.

**Dr. Shardul S. Shroff**

# Foreword



**Mr. Ramesh Iyer**  
Chairman  
Indian Chamber of Commerce in Korea

It is a privilege to launch this new India–Korea Economic Synergy Booklet in partnership with SAM, which will serve as our annual publication hereafter.

This edition presents an in-depth analysis of India’s Union Budget 2026 and its implications for MSMEs and cross-border enterprises in both nations.

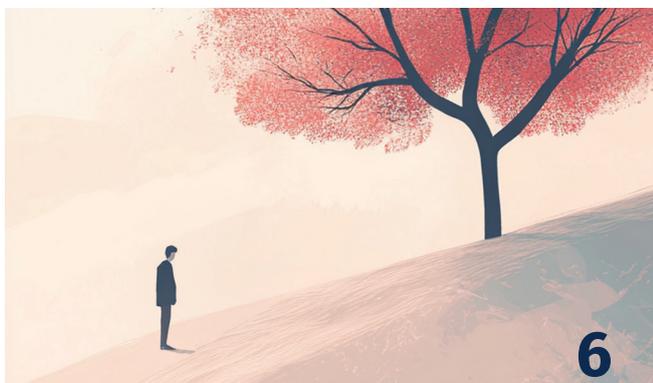
In an evolving global economy, MSMEs continue to be vital drivers of innovation, job creation, and resilient value chains. The 2026 Budget reinforces these pillars by prioritizing manufacturing, digital transformation, green growth, infrastructure, AI and semiconductor ecosystems, electric mobility, and skill development — creating new horizons for collaboration between India and Korea.

As bilateral ties strengthen across these sectors, MSMEs stand at the forefront of this partnership, shaping sustainable trade and investment linkages. I extend my appreciation to ICCK Board Members, Mr. Harns Kim, for his article on Krafton’s pioneering role in the India–Korea gaming and startup ecosystem, and Mr. Padmesh Mandloi, for his thoughtful insights on entrepreneurial synergies. My sincere thanks also go to the SAM research team for their committed efforts in making this initiative possible.

May this annual publication inspire continued dialogue, insight-driven cooperation, and lasting economic synergy between our two nations.

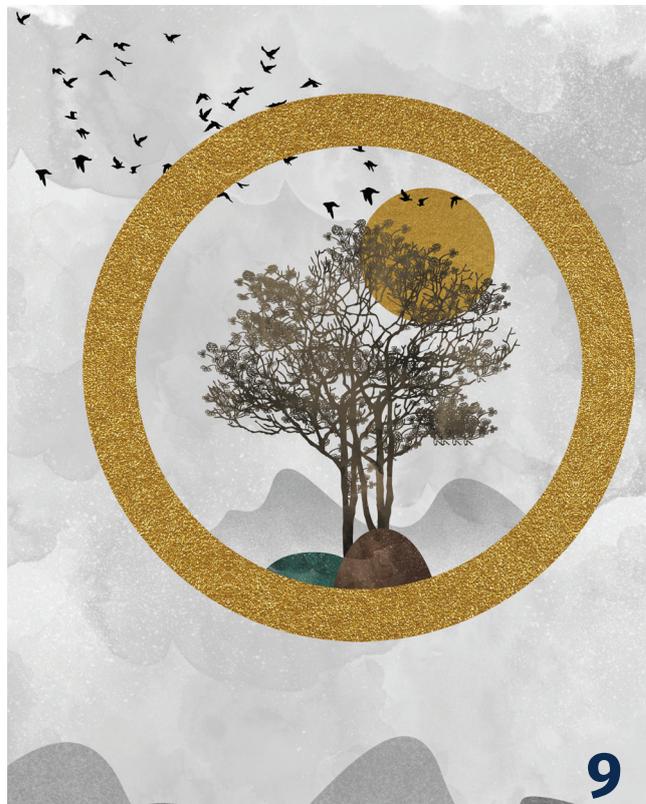
**Mr. Ramesh Iyer**  
Chairman  
Indian Chamber of Commerce in Korea

# Table of Contents



Indo-Korean Investment and Trade-Related Data

6



Implications of the Union Budget 2026 for India-Korea Cross-Border Investment

9



Start-up Ecosystem of India and Korea and The Future Areas of Collaboration

15



Asking the Way in India - Krafton Inc.

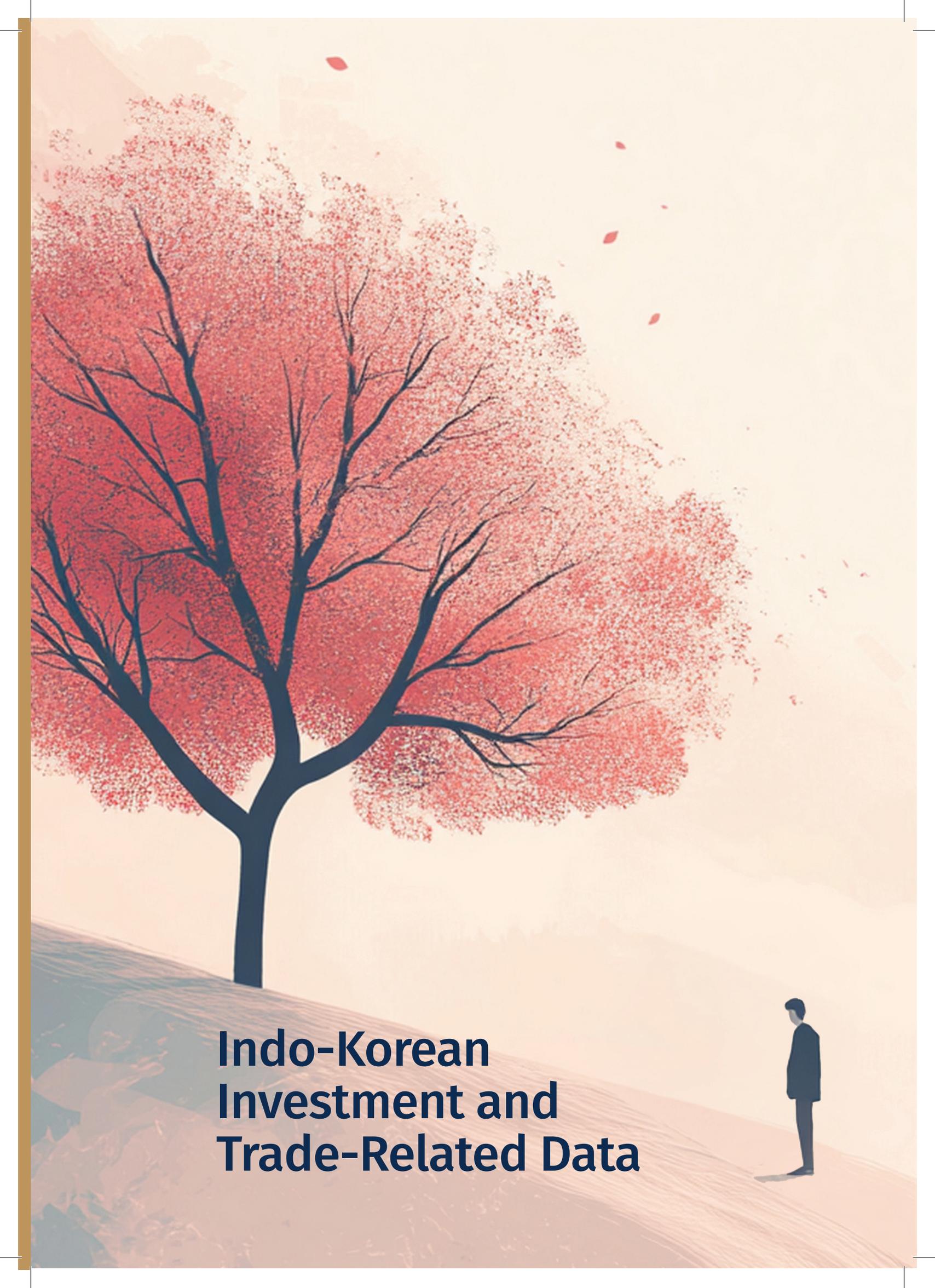
20



Gaming Industry Brief in India

18

# Summary of India–Korea Trade and the Union Budget



# Indo-Korean Investment and Trade-Related Data

# Indo-Korean Investment and Trade-Related Data

## Snapshot of Korean investments in India since 2023<sup>1</sup>

In recent years, India has experienced increased investment interest from Korean investors, with some of Korea's largest and most prominent investment firms choosing to invest into the Indian market. In FY2024-25, total South Korean foreign direct investment ("FDI") into India amounted to USD 832.44 Million<sup>2</sup>, of which mergers and acquisition ("M&A") activity was USD 228 Million<sup>3</sup>. While South Korea remains only India's 13<sup>th</sup> largest source of FDI<sup>4</sup>, the commercial relationship between the two countries holds significant growth potential.

The last three years alone have seen transactions involving the Mirae Group, Shinhan Bank, Yanolja, Krafton, Samsung, POSCO and Hyundai. These investments span a wide range of sectors, including finance, technology, hospitality, pharmaceuticals, transportation, industrial machinery, steel manufacturing and automobile manufacturing, reflecting the breadth of collaboration between Indian and Korean companies across industries and segments.

Please see below an overview of the M&A deals that have been executed by Korean investors in the Indian market since 2023:

S.No.	Announced date	Target	Acquiror
1.	December 2023	Sharekhan Securities (100%)	Mirae Asset Financial
2.	April 2024	HDFC Credila Financial Services (10%)	Shinhan Financial Group, Shinhan Bank
3.	February 2025	Cashfree Payments India (undisclosed)	Krafton, Apis Partners
4.	August 2024	Neo Asset Management (undisclosed)	Crystal Investment Advisory, MUFG Bank, Deepak Agarwal (private individual), Euclidean Capital, Peak XV Partners
5.	August 2024	RoomsXML Solutions (100%)	Yanolja Co Ltd
6.	May 2025	CJ Darcl Logistics Ltd (6%)	CJ Logistics Corp
7.	February 2024	Zeno Health (undisclosed)	STIC Investments (South Korea)
8.	March 2025	Nautilus Mobile (controlling)	Krafton
9.	May 2023	Red Brick Lane Marketing Solutions	Samsung Electronics Co Ltd
10.	February 2025	Shadowfax Technologies (0.57%)	Mirae Asset Financial, EAAA India Alternatives, InCredMAPE, TPG NewQuest, NGP Capital US LLC
11.	May 2025	Shuru (undisclosed)	Krafton, Eximius Capital Ventures, Omidyar Network India
12.	Jun 2025	Kwangsung Sandhar Technologies (50%), Kwangsung Sandhar Automotive Systems (4.5%)	Kwangsung Corp Ltd
13.	March 2025	Jinyoung Sandhar Mechatronics (50%)	Jinyoung Electro-Mechanics Co Ltd
14.	December 2024	POSCO India Pune Processing Center (35%)	POSCO Holdings, POSCO India Processing Center
15.	August 2023	Manufacturing plant located in Maharashtra Talegaon (100%)	Hyundai Motor Co, Hyundai Motor India
16.	November 2023	Shadowfax Technologies (minority)	Mirae Asset Private Equity (South Korea)

1 Mergermarket: <https://mergermarket.ionanalytics.com/>

2 Department of Promotion of Industry and Internal Trade: <https://www.dpiit.gov.in/static/uploads/2025/12/96ef15467062867511774805e128b65d.pdf>

3 Ion Analytics: <https://ionanalytics.com/insights/mergermarket/south-korean-firms-target-india-expansion-even-as-ma-lags/>

4 Department of Promotion of Industry and Internal Trade: <https://dpiit.gov.in/publications/fdi-statistics>

## IPOs

There have been 2 major initial public offerings (“IPOs”) of Korean-owned companies on the Indian stock market, the IPOs of Hyundai Motor India Limited and LG Electronics India Limited<sup>5</sup>.

**Hyundai Motor India Limited:** Hyundai Motor India listed on October 22, 2024 through an offer-for-sale of 142,194,700 equity shares at a face value of INR 10 per share<sup>6</sup> representing approximately 17.5% of its share capital. The shares were offered at a price band of INR 1,865 to INR 1,960 and were listed on both the Bombay Stock Exchange (“BSE”) and the National Stock Exchange (“NSE”). The IPO raised approximately USD 3.3 billion<sup>7</sup>.

**LG Electronics India Limited:** LG Electronics India listed on October 14, 2025 through an offer-for-sale of 101,815,856 equity shares at a face value of INR 10 per share, amounting to approximately 15% of the share capital of LG Electronics India. The shares were offered at prices between INR 1,080 and INR 1,140<sup>8</sup> and listed on both the BSE and NSE. The final amount raised in the IPO was USD 1.3 billion<sup>9</sup>.

SAM advised both Hyundai Motor India Limited and LG Electronics India Limited on their IPOs in India.

## Trade Data between India and South Korea<sup>10</sup>

- The bilateral trade between India and Korea has been on a steady upward path, increasing from USD 27.88 Billion in

FY2022-23 to USD 29.39 Billion in FY2024-25.

- While India’s exports to Korea in FY2024-25 were slightly less than previous years due to global trade instability (USD 5.82 Billion compared to USD 6.65 Billion in FY2022-23 and USD 6.42 Billion in FY2023-24), this figure should be viewed in the context of what has been a steady long-term trend of increased exports to Korea. Additionally, in the same time period Korea’s imports into India increased noticeably from USD 21.23 Billion to USD 23.57 Billion. When viewed in context of the figures for FY2020-21 (USD 4.69 Billion and USD 12.77 Billion respectively, for a total bilateral trade of only USD 17.46 Billion), we can observe a clear long-term positive trend.
- As India’s economic ties continue to grow with South Korea, the bilateral trade between the two countries is expected to reach USD 50 billion by 2030<sup>11</sup>.
- India’s top exports to South Korea in FY2024-25 were: (i) petroleum products (making up 16.56% of India’s total exports to Korea); (ii) aluminium and aluminium products (10.06%); and (iii) iron and steel (6.75%).
- On the other hand, Korea’s top imports into India in FY2024-25 were: (i) electronic components (making up 13.98% of Korea’s total exports to India); (ii) iron and steel (10.98%); (iii) petroleum products (8.48%); and (iv) plastic raw materials (8.48%).

Financial Year	Exports from India to Korea (USD Billions)	% Growth in Exports	Imports from Korea to India (USD Billions)	% Growth in Imports	Total Bilateral Trade (USD Billions)	% Growth in Total Trade	Balance of Trade (USD Billions)
2022-23	6.65	-17.69	21.23	21.46	27.88	9.07	-14.58
2023-24	6.42	-3.57	21.14	-0.43	27.55	-1.18	-14.72
2024-25	5.82	-9.31	23.57	11.53	29.39	6.68	-17.75

5 InvestIndia: <https://www.investindia.gov.in/team-india-blogs/korean-ipos-india-reflect-global-confidence-indias-capital-markets>

6 Bajaj Finserv: <https://www.bajajfinserv.in/hyundai-motor-ipo>

7 <https://www.amsshardul.com/shardul-amarchand-mangaldas-co-advises-hyundai-motor-india-limited-on-its-ipo-aggregating-to-approx-usd-3-3-billion/>

8 Bajaj Finserv: <https://www.bajajfinserv.in/investments/lg-electronics-india-limited-ipo>

9 J.P. Morgan: <https://www.jpmorgan.com/insights/banking/asia-pacific-ipo-market-outlook>

10 Ministry of External Affairs: <https://www.mea.gov.in/Portal/ForeignRelation/India-ROK-Dec-2025.pdf>

11 India Brand Equity Foundation: <https://www.ibef.org/indian-exports/india-korea-trade>



**Implications of the  
Union Budget 2026 for  
India-Korea Cross-Border  
Investment**

# Implications of the Union Budget 2026 for India-Korea Cross-Border Investment

## Background

The Union Budget 2026 was presented by the Finance Minister on 1 February 2026 and is anchored in the Government's vision of sustained economic growth and self-reliance. With India's GDP growth projected at 6.8-7.2% for FY 2026-27, the Budget places significant emphasis on seven strategic manufacturing sectors, semiconductors, textiles, chemicals, electronics, healthcare, capital goods, and defence, while simultaneously introducing wide-ranging tax reforms aimed at simplifying the tax regime, reducing litigation, and attracting foreign investment. The total capital expenditure outlay has been increased substantially, and the Government has signalled its intent to position India as a global manufacturing and services hub through its "India Development - India First" agenda.

Against this backdrop, the Budget's direct and indirect tax proposals carry important implications for cross-border investment flows between India and the Republic of Korea. India-Korea bilateral trade and investment ties have deepened considerably in recent years, underpinned by the Comprehensive Economic Partnership Agreement ("CEPA") and the revised India-Korea Double Taxation Avoidance Agreement ("DTAA") and provides for reduced withholding tax rates and expanded permanent establishment ("PE") provisions. This memorandum analyses the key Budget proposals in the context of Korean entities seeking to invest in India or already operating therein, as well as Indian entities with interests in Korea. The Budget proposals must be read in conjunction with the existing DTAA framework.

## Direct Tax

The Budget introduces several direct tax measures that are of particular relevance to the India-Korea investment corridor. These span PE risk mitigation for data centres and contract manufacturing, overhaul of Minimum Alternate Tax provisions, safe harbour and transfer pricing reforms, and changes to the taxation of capital returns. The key proposals and their implications for Korean and Indian entities are analysed below.

### Data Centre Services Exemption - Korean Technology Companies

The Budget's proposal to exempt foreign companies from Indian taxation on income arising from procuring data centre services under notified Government schemes is of direct relevance to

Korean technology and platform companies. Major Korean conglomerates with significant digital service operations could benefit substantially from this provision, which effectively eliminates the PE risk that previously arose from using Indian server infrastructure.

In the recent past, Indian tax authorities have been taking the position that a foreign company that purchases data centre services from an Indian company or entity has a PE, i.e. taxable presence in India. Accordingly, the business profits of the foreign enterprise relating to the use of the data centre, should be taxed in India at 38.22%. This created a lot of unrest with the Tech companies that are looking to build data centres in India and use their capacity for both their Indian and offshore business.

Considering that the Indian government is looking to attract data centres, Union Budget 2026 exempts foreign companies from the payment of taxes in India for income arising from the use of Indian data centres up to the tax year ending on 31 March 2047, subject to the following conditions:

- (a) The tax exemption will only apply to foreign companies that are notified for such exemption by the Central Government.
- (b) In addition to the foreign company, the data centre should also be set up under an approved scheme and should be notified by Central Government in the Ministry of Electronics and Information Technology.
- (c) The data centre should be owned and operated by an Indian company and not the foreign company.
- (d) The foreign company should not operate any physical infrastructure or any resources of the data centre.
- (e) The foreign company must maintain and furnish specified information to the Indian tax authorities (this is yet to be prescribed)
- (f) All sales by the foreign company to users located in India should be made through a reseller entity being an Indian company

For foreign companies, the key structural takeaway is that services must be procured from an Indian company that owns and operates the data centre infrastructure. The foreign entity cannot own or operate any physical infrastructure or resources of the data centre. Furthermore, the exemption requires that services to Indian end-users be sold through an Indian reseller

company, meaning revenue from Indian users will be taxed in the hands of the Indian reseller entity at applicable corporate tax rates. Payments by the Indian reseller to a foreign company for purchase of services for onward resale may, however, be exempt in the hands of the foreign company.

The tax exemption is available until the tax year ending 31 March 2047, providing a considerable window of certainty and provides a no PE safe harbour for foreign companies that use of Indian data centre infrastructure.

#### **Capital Equipment Exemption for Contract Manufacturing - Electronics Manufacturers**

The exemption for foreign companies supplying capital goods, equipment, and tooling to contract manufacturers in custom bonded areas in India is arguably the most significant Budget proposal for electronics companies. Korea is a global leader in electronics manufacturing. Korean semiconductor and electronics majors have extensive contract manufacturing arrangements worldwide.

Under a toll manufacturing arrangement, a foreign company would often provide capital goods, equipment, and tooling to the contract manufacturer in India. The ownership of such capital goods, equipment and tooling would remain with the foreign company. As a result, such capital goods, equipment and tooling could create a PE for the foreign company in India. To promote manufacturing of electronic goods in India, the Budget proposes to address such PE risk. It provides that income accruing or arising to a foreign company from the provision of capital goods, equipment, and tooling to the contract manufacturer in India, for use in electronic goods manufacturing in India, will be tax exempt in India up to the tax year 2030-2031. To fall under such exemption, the Indian manufacturer should be in custom bonded area and should produce electronic goods on behalf of the foreign company. Moreover, such capital goods, equipment and tooling should be under the control and direction of the Indian manufacturer.

This directly addresses the PE risk that arose when foreign companies retained ownership of equipment deployed at Indian manufacturing facilities. Previously, such equipment could constitute a PE under the India-Korea DTAA. The exemption now removes this impediment, making India a significantly more attractive destination for Korean electronics companies to set up

or expand toll manufacturing operations.

#### **Rationalisation of Minimum Alternate Tax ("MAT") - Impact on Foreign Subsidiaries and branch/ project offices**

- Presently, MAT is charged on the book profit of a company at the rate of 15% (except in case of certain International Financial Services Centre ("IFSC") units, where MAT is payable at 9%). Notably, MAT is payable when tax liability of the company determined under regular tax provisions is lower than 15% of its book profits. The excess amount paid as MAT is allowed as a tax credit, which can be carried forward up to 15 years and set off in future years when the company's regular tax liability exceeds MAT. MAT is typically applicable to domestic companies under the old tax regime (i.e., corporate tax rate of 22% without any tax holidays/incentives) and foreign companies having a PE in India.
- In a major overhaul of the MAT regime, the Budget proposes the following:
  - Reduction in MAT rate for non IFSC units from 15% to 14% of book profit.
  - From tax year 2026-27, MAT will be a final tax liability. There will be no option to claim MAT credit in respect of the MAT paid from such tax year onwards.
  - For companies under old regime (i.e. companies subject to corporate tax at 25%-30% with tax holidays/incentives), all accumulated MAT credit from prior tax years will lapse. However, in case such companies opt for the new regime, the accumulated MAT credit can be used to set off income tax liability under regular provisions to the extent of 25% of such tax liability.
  - For foreign companies that have accumulated MAT credit relevant to tax years preceding 2026-27, set off is proposed to be allowed in subsequent tax years to the extent that tax under regular provisions exceeds MAT liability in a tax year.
  - Foreign companies that are subject to specified presumptive taxation regimes namely, the business of operation of cruise ships, and business of providing services or technology for setting up an electronics manufacturing facility in India to a resident company, have been exempt from MAT.

The MAT overhaul has significant implications for Korean companies with Indian subsidiaries or branch or project offices

in India. To the extent that the Indian subsidiary is under the old regime with accumulated MAT credit, such subsidiary may look to elect to the new regime to ensure such accumulated credit does not lapse. In addition, from 2026 onwards, Korean companies will need to factor MAT paid by Indian subsidiaries and branch/ project offices as a final tax cost.

### **Exemption for Non-Resident Expatriates**

The Budget proposes to exempt foreign sourced income of expatriate employees (being non-residents for at least 5 consecutive tax years preceding the tax year when they first visit India) visiting India to provide services in connection with a scheme notified by the Government. Such tax exemption is available for 5 consecutive tax years commencing from the first tax year during which they visit India in connection with such scheme.

This exemption of foreign-sourced income of expatriate employees visiting India under notified Government schemes is relevant for Korean companies deploying technical personnel to India. This provision could benefit Korean companies sending engineers, technicians, and management personnel to support Government notified projects in India, as it provides certainty that their Korean-sourced salary and benefits will not be taxed in India during the initial deployment period.

### **Extended International Financial Services Centre (“IFSC”) Deductions**

Currently, the business profits earned by an IFSC unit are tax exempt for a period of any 10 consecutive tax years out of 15 tax years from registration. The Budget proposes to increase the duration of such tax holiday. Henceforth, exemption will be available to the business profits of an IFSC unit for any 20 consecutive tax years out of 25 tax years from registration. In case of Offshore Banking Units, such tax holiday has been extended from 10 tax years to 20 tax years from registration. Business income earned after the tax holiday expires will be taxed at a concessional rate of 15%.

The extension of the tax holiday for IFSC units from 10 out of 15 years to 20 out of 25 years, together with the post-holiday concessional rate of 15%, makes GIFT City’s IFSC an increasingly attractive platform for Korean financial

institutions and conglomerates to route treasury, fund management, and financial services operations. Korea has a well-developed financial services sector, and several Korean banks and financial institutions may find the extended IFSC incentives compelling for establishing regional treasury or booking centres.

### **Rationalisation of Safe Harbour Provisions**

#### **Information Technology Services**

- Provision of Software development services, IT-enabled services, Knowledge Process Outsourcing services and contract R&D services relating to software development has been clubbed under a single head of “Information Technology Services”
- Central Government has proposed a uniform safe harbour margin of 15.5% for Information Technology Services.
- The revenue threshold for this sector has been expanded from INR 3 billion (USD 32.7 million) to INR 20 billion (USD 218 million).
- Further, the Safe Harbours for IT services to be approved by automated rule-driven without the intervention of a tax officer for up to five consecutive years.
- This proposal has been introduced to reduce administrative burden, litigation, and accelerate growth of GCCs in India.

#### **Data Centre Services**

- The scope of safe harbour regulations has been expanded to include data centre services by Indian taxpayer to its associated enterprises.
- Central Government has proposed a safe harbour margin of 15% for data centre services.
- The inclusion of data centre services has been proposed to provide an impetus to multinational enterprises to set-up data centres in India and accord tax certainty.

Korean companies with Indian GCCs providing IT and technology services to their Korean parent or affiliates can now benefit from a simplified and automated safe harbour regime, reducing transfer pricing litigation risk. The automated, rule-driven approval process for up to five consecutive years eliminates the need for case-by-case scrutiny by tax officers.

The inclusion of data centre services within the safe harbour

framework, with a 15% margin, complements the PE exemption discussed above and provides additional transfer pricing certainty for Korean companies operating data centres through Indian subsidiaries.

#### **Advance Pricing Agreement (“APA”) Programme Enhancements**

- Timeline of 2 years (extendable by another 6 months at the request of the taxpayer) has been proposed in the Budget for conclusion of unilateral APA .

#### **Modified Returns by Associated Enterprises**

- The Budget proposes to extend the facility of filing of modified income tax return, pursuant to the conclusion of an APA, to the associated enterprises as well.
- This will enable the associated enterprises of the Indian applicant to modify their income corresponding to the terms of the APA.
- On account of this amendment, the associated enterprises will be able to seek refunds in case of downward adjustment of the covered transaction which are taxable for both the parties in India such as royalties and intra-group service payments, etc.
- The timeline proposed for the associated enterprise to file the modified income tax return is same as the timeline defined for the Indian applicant, which is three months from the end of the month in which the APA is concluded.
- This amendment will apply from tax year 2026-27 and onwards.

The proposed two-year timeline (extendable by six months) for conclusion of unilateral APAs in the IT sector, and the extension of the modified return facility to associated enterprises, are significant improvements for foreign companies. The domestic APA enhancements will facilitate more efficient resolution of transfer pricing matters.

Further, foreign enterprises will now be able to file modified returns within three months of APA conclusion, enabling refunds in cases of downward adjustments on royalties, intra-group service payments, and other covered transactions.

#### **Indirect Tax Implications**

The Union Budget 2026 is a forward-looking budget which

has been presented keeping in mind the continuing growth of the economy. There has been significant emphasis given to seven manufacturing strategic sectors like semiconductors, textiles, chemicals, electronics, healthcare, and manufacture of capital goods and significant capital inducement has been proposed with increase in investment outlay for these sectors.

The indirect tax proposals are designed to manufacturing competitiveness. Strategically, the Budget rationalises customs duty on critical minerals and raw materials for solar glass and aircraft parts, directly aiding the green energy and defence manufacturing sectors. Exemption notifications have also been streamlined to facilitate ease of doing business.

On the service sector paradigm, the removal of the place of supply for intermediary services from the supplier in India to the recipient overseas will give significant boost to intermediary operations in India with the opening up of export refunds increasing cash flow for the business.

Other business friendly and forward looking proposals include exemption from income tax for five years to non-residents providing capital goods, equipment or tooling, to toll manufacturers in a bonded zone; the introduction of a special one-time measures to facilitate sale in the Domestic Tariff Area at concessional rate of duty, by eligible manufacturing units of SEZs; all committed initiatives to attract global service and manufacturing entities into the “India Development — India First” story. This signals the Government’s commitment to attract investment and facilitate existing business operations in India.

#### **Basic Customs Duty (“BCD”) Exemption for Battery Energy Storage Systems**

The extension of BCD exemption on capital goods for manufacturing Lithium Ion Cells from Electric Vehicle (“EV”) batteries to Battery Energy Storage Systems is relevant for Korean battery manufacturers and cell technology providers. Korean companies are global leaders in lithium-ion cell and battery technology, and this exemption will incentivise the manufacturing of lithium-ion cells in India. Korean companies looking to set up or expand

cell manufacturing operations in India will benefit from reduced customs duty on capital goods imports, lowering the initial capital outlay and improving project economics for India-based battery production facilities.

### **Place of Supply for Intermediary Services**

The change in the place of supply of intermediary services from the location of the supplier in India to the location of the overseas recipient is one of the most significant indirect tax changes in this Budget. Recommended by the 56th GST Council, once notified, this will fundamentally alter the Goods and Services Tax (“GST”) treatment of cross-border intermediary services.

For Korean companies with Indian subsidiaries or service providers acting as intermediaries (such as procurement agents, marketing support entities, or liaison coordinators), these services will now qualify as exports (subject to fulfilment of other conditions). This ends prolonged litigation around the characterisation of intermediary services and opens up GST refund claims for Indian entities providing such services to Korean principals or group companies. The improved cash flow position from refund eligibility will make India a more competitive location for Korean companies to house intermediary and support functions.

### **SEZ DTA Clearance at Concessional Duty**

The introduction of one-time special measures to facilitate sale in the Domestic Tariff Area (“DTA”) by eligible Special Economic Zone (“SEZ”) manufacturing units at concessional

rates of duty, proportional to their export revenue of the previous year, is relevant for Korean manufacturers operating within Indian SEZs. Several Korean companies have established manufacturing operations in Indian SEZs, particularly in the electronics and automotive sectors. This provision will enable DTA clearances from SEZs, allowing Korean manufacturers to utilise existing capacity within SEZ units and optimise stagnant SEZ operations at par with DTA manufacturers. This is a pragmatic measure that improves the flexibility and commercial viability of SEZ-based manufacturing for Korean investors.

### **Conclusion**

The Union Budget 2026 represents a concerted effort by the Indian Government to attract foreign investment in strategic sectors, particularly electronics manufacturing, data centres, and IT services, whilst providing greater tax certainty and reducing compliance friction. For Korean entities, the proposals are overwhelmingly favourable, addressing longstanding PE concerns in data centres and contract manufacturing, rationalising MAT, enhancing safe harbours and the APA programme, and improving the indirect tax treatment of cross-border services.

Korean conglomerates with existing India operations should undertake a comprehensive review of their Indian tax positions to capitalise on these changes, whilst new entrants should evaluate the significantly improved investment proposition that the Budget offers, particularly in the electronics and digital services sectors.

**Featured Industry Write-ups  
By Our Experts — Annual Edition**

# Start-up Ecosystem of India and Korea and The Future Areas of Collaboration



**Mr. Padmesh Mandloi**  
Vice President, APAC  
Synopsis Inc.

# Start-up Ecosystem of India and Korea and the Future Areas of Collaboration

India has surpassed over 200,000 DPIIT-recognized startups as of December 2025 and has become the third largest ecosystem after US and China. In terms of unicorn count as well, India ranks third after USA and China. India secured over \$10.5 billion in tech funding in 2025. Indian startups have generated over 2.1 million direct jobs as of late 2025.

South Korea has a very dynamic and evolving startup ecosystem as well. There are over 28,000 startups nationwide with nearly 30 unicorns. The startup support budget has increased 570% in the last 10 years and was over \$2.5B in 2025. The venture investment has also increased nearly 500%, crossing over \$9B.

The Korea-India diplomatic, cultural and economic cooperation has gained significant strength and momentum in the last decade. The Korea-India Special Strategic Partnership was signed over 10 years ago in May 2015 committing to annual summit-level meetings, dialogues around defense and security, economic cooperation, regional strategy and innovation.

In order to foster the startup ecosystem and leverage them for the mutual benefit of two countries, India established the India-Korea Startup Hub in 2019. It was designed to bridge the startup ecosystem of India and South Korea facilitating joint innovation and market entry for entrepreneurs in both the nations. Startup Hub has been successful in driving more activity in terms of participation of startups from either side at events and competitions like COMEUP, Startup Maha Kumbh and the Grand Startup Challenge. It has also helped with talent search and placement at startups to address local talent shortages.

Korea on the other hand has also reinforced their own Global Acceleration Program to boost startup activity. The Global Startup Center (GSC), supported by MSS (Ministry of SME and Startups and KISED) is a 'one-stop' support hub designed to help foreign entrepreneurs establish, settle, and scale their businesses within the South Korean market.

The K-Startup Grand Challenge (KSGC) is South Korea's flagship inbound acceleration program designed to help international startups establish a foothold in the Korean

and broader Asian markets. Launched in 2016 and funded by the Ministry of SMEs and Startups (MSS), it has grown into one of the world's largest government-backed programs for global entrepreneurs. It offers market entry support, acceleration and mentorship, corporate partnership, financial incentives, etc.

Specialized startup accelerators like Unicorn Incubator Korea have come up to facilitate cross-border business between South Korea and India helping Korean startups enter the Indian market and Indian startups enter Korea through specific programs, talent search and events.

Korean startups in India have been gaining some ground. Some of the prominent ones include Balance Hero, a micro-fintech company, Turing, an edtech startup with an AI powered learning platform, Krafton, the gaming company, and TagHive, another ed-tech company specializing in clicker-based system that connect students and teachers.

Many Indian startups have surfaced in Korea, through participating and winning competitions and challenges, but are yet to make a deeper impact.

Polymerize, the AI-driven material informatics startup, won the first prize at the K-Startup Grand Challenge 2024. Konnect, the AI-based integrated service platform company - developing a data-driven authentication and payment platform designed to address the identity verification and payment challenges commonly faced by foreign residents in Korea - won the first prize in 2025. Other startups that have either featured or have made some presence in Korea include Avataar Skincare (health-tech), Predulive Labs (AI and drones), Bversity (biosciences), and so on.

Despite current progress, there is still immense potential to scale the impact of these two growing startup hubs. Here is how we can accelerate that growth:

Pivot the collaboration around industry focus:

- Semiconductors: India's goal to build a sustainable and competitive semiconductor and display manufacturing ecosystem through India Semicon Mission is an excellent opportunity for Korean companies including

startups to contribute to the India growth story. Indian entities will tremendously benefit from the decades of experience of the Korean industry in semiconductor design, manufacturing, assembly and testing. It will also benefit the semiconductor related startups in Korea (focusing on chip services, advanced-packaging, AI) to find partners in India to further scale their operations and support the India ecosystem.

- Defense: Both Indian and South Korean startups are increasingly vital to the local defense sector as the focus shifts from large-scale manufacturing to agile, high-tech innovation. Both the governments have launched dedicated initiatives to integrate startups into their national security frameworks. Korea plans to nurture 100 defense-focused startups by 2030 to strengthen the defense industry's growth potential and better adopt cutting-edge technologies. Simpler regulations and entry for foreign startups would facilitate creating a win-win for both the defense industry and the startups.
- Space: India and Korea have expressed interest in collaborating in the area of space. ISRO and KASA have been planning on a MoU. The Indian Ambassador to Korea recently met with the KASA chief to explore ways to create B2B partnership in both the countries. This collaboration must extend to include leveraging startups as well. While Korea has been building their space startup ecosystem, they can benefit from entry of Indian startups in Korea as well as from the large talent pool of space related expertise that currently exists in India. A tighter collaboration between IN-SPACE and KASA can support the same.
- Other industry segments such as EVs, batteries, nuclear energy and shipbuilding would benefit from close collaboration of the industry and startup ecosystem of the two countries as well.
- Learn from India's activities/relations with other countries around startups.
  - Platforms like the US-India Strategic Partnership Forum (USISPF) offer great support to B2B startups, particularly in the technology sector. Thematic forums like the US-India Space Business Forum or the US-India Energy Roundtable creates the specific industry focus and allows the right stakeholders

(including government, industry, academia and startups) from either side to come together and explore ways of collaboration. This is something that can be scaled in the context of India-Korea relations.

- Countries like UAE have become preferred destination for Indian startups offering 100% foreign ownership in free zones because of the 'soft-landing' package and accelerated free entry they offer to fast-track their growth and international expansion via the UAE-India CEPA council initiative. Both India and Korea can explore similar policies to boost the collaboration.
- Stronger and deeper relationship and collaboration between the Indian and Korea startup incubators and accelerators
  - Both India and Korea have a vast ecosystem of startup accelerators and incubators, however only a few focus on leveraging them across the borders. Connecting these incubators to established entities like GSC (Global Startup Center) in Korea or to the India-Korea Startup Hub would help in significantly scaling up the outreach, awareness and impact of the two ecosystems.
  - While both the countries have their own systems, having a joint, India-ROK startup forum with shared incubators, cross-border VC funding, and industry-academia partnership will support co-development and market access.
- Stronger academic and research collaboration
  - While several Indian universities have established partnerships with Korean universities, tighter collaboration between the research labs of these different universities as well as between the incubation centers would help in increasing the awareness the overall research and startup activity. Additionally, specific recruitment hubs (especially at IITs) should be established to simplify and streamline availability and access of high-skilled talent to be absorbed in the Korean Industry including startups.
- Regulatory harmonization and reducing entry barriers
  - Both nations must finalize the upgrade of

the Comprehensive Economic Partnership Agreement (CEPA) to ease cross-border trade, lower tariffs, and simplify regulatory hurdles for startups.

India and Korea have built world-class startup hubs; bridging them would trigger a new era of exponential growth

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**Gaming Industry Brief  
in India**

# Gaming industry Brief in India

India's gaming industry has evolved from a niche pastime into one of the fastest-growing segments of the country's media and entertainment economy, and is now on a trajectory to become a multi-billion-dollar global hub by the end of this decade.

## Current landscape

India today has roughly 420–490 million gamers, making it one of the largest gaming populations in the world, with over 100 million people playing daily. Industry estimates value the broader gaming market at around 3–4 billion USD in FY24, after growing at double-digit rates despite tax and regulatory headwinds. Over the years, the ecosystem expanded to comprise of casual mobile titles, mid-core games, real-money gaming (RMG), esports, and an expanding creator and streaming economy

## Growth drivers

Three structural shifts underpin this growth: near-universal affordable mobile data, mass smartphone adoption, and a young, digitally native population. Monetisation has moved from a heavy reliance on real-money gaming toward in-app purchases, subscription services and advertising in casual and mid-core games, with in-app purchases now the fastest-growing revenue stream. Regional-language content, social features, and battle-royale-style games such as BGMI and Free Fire Max have significantly increased playtime and users' willingness to pay.

## Policy and regulation

The sector is being reshaped by active regulation rather than operating in a grey zone. In 2023, amendments to the IT Intermediary Rules sought to bring online gaming intermediaries under a clear compliance framework, recognized the role of self-regulatory bodies, and defined "permissible" real-money games, giving the government wide powers to block harmful or illegal games. This was followed in 2025 by the Promotion and Regulation of Online Gaming Act, which mandates licensing of platforms and formally distinguishes E-sports and online social games from real money games of skill, chance and/or betting. At the same time, a 28% GST on deposits and tighter taxation of winnings had pressured RMG margins and nudged some users towards offshore or illegal sites, consequences with which policymakers continue to grapple.

## Trajectory to 2030

While regulations are still dynamic, most forecasts suggest

sustained expansion. India's digital gaming industry, currently valued at USD 2.4 billion in FY2025, is poised for robust expansion at an 18% CAGR to reach USD 4.3 billion by FY2030, outpacing the broader entertainment ecosystem. The sector has demonstrated notable resilience, recording 15% year-on-year revenue growth in FY2025 despite regulatory headwinds following the ban on online real-money gaming, as creative and financial capital pivoted toward digital gaming, esports, and interactive storytelling. Crucially, the market's composition is maturing as mid-core and core gaming segments now drive 53% of total revenues (projected to reach 60% by FY2030), while in-app purchases are expected to triple and overtake advertising as the primary monetization stream. The 5.5x surge in average revenue per paying user from USD 3.5 in 2020 to USD 27 in 2024, signals a fundamental shift away from free-to-play dependency, with Indian gamers increasingly willing to pay for premium experiences, skins, and battle passes.

## Long-term outlook

If India can balance consumer protection with innovation, it is well-placed to emerge as a global gaming powerhouse over the next decade. The likely trajectory is: slower but more compliant growth for monetized models of gaming, rapid expansion in casual/mobile and mid-core titles fueled by in-app purchases, growing impetus of game development in India, maturing esports and creator ecosystem that integrates gaming more deeply into India's broader digital economy.

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# Asking the Way in India - Krafton Inc.



**Mr. Harns Nakhyoung Kim**  
*Vice President / Director of  
India Business (HQ)  
Krafton Inc.*





## Asking the Way in India - Krafton Inc.

### Finding the Answer in “Growing Together,” Beyond Geopolitical Waves

When KRAFTON established its subsidiary in India in 2020, the situation was far from simple. Geopolitical tensions triggered by the border conflict between India and China had a major impact on the digital industry. Many Chinese mobile apps and games were banned in India, and the gaming sector was not free from these changes. Regulations shifted quickly, and foreign companies faced closer scrutiny from policymakers.

In this environment, KRAFTON also experienced service suspension and a later relaunch. Even a company with a global hit title realized that without fully understanding local policy and public sentiment, sustainable business operations would be impossible.

However, instead of withdrawing, KRAFTON chose to reorganize. Even at the cost of short-term losses, the company decided to redesign its service in a way that aligned with local laws and culture. That decision became the foundation of its success today.

### Choosing Settlement, Not Just Market Entry

KRAFTON established KRAFTON INDIA in Bengaluru and built an independent decision-making system focused on the Indian market. This was not simply an expansion of global publishing, but a clear intention to respect Indian users and the local regulatory environment.

The symbolic result of this effort was BATTLEGROUNDS MOBILE INDIA (BGMI).

While based on a global IP, BGMI was redesigned to fit India’s environment. Its data management system, user protection policies, and compliance processes were adjusted to meet local regulations. This was not just a name change or minor content edits. The service structure itself was rebuilt for India.

As a result, BGMI surpassed 200 million registered users and became one of the most representative mobile games in the country. At the same time, it evolved into a key platform for India’s esports industry, creating a new cultural ecosystem.

### The Essence of Localization: Respect for Culture and Policy

Many companies talk about localization, but KRAFTON’s approach was deeper. Its marketing reflected India’s unique cultural codes and aesthetics. Collaborations with local celebrities and influencers helped transform the game into a part of mainstream culture. Award-winning campaigns showed the strength of this strategy.

Data-driven performance marketing was also advanced. While acquiring tens of millions of new users, KRAFTON focused equally on retention and community engagement. The goal was not short-term downloads, but long-term platform growth.

Strong live service capabilities were another key factor. Through stable updates and events for a massive user

base, KRAFTON built a sustainable gaming ecosystem rather than a short-lived trend.

### **Beyond Games: Building an Industry Ecosystem**

KRAFTON's strategy in India goes beyond the success of a single title. In 2025, the company acquired Nautilus Mobile, the developer of the Real Cricket franchise. Cricket in India is more than a sport—it is part of the nation's identity. This was not just a portfolio expansion, but a strategic move based on a deep understanding of local culture.

At the same time, KRAFTON has made long-term investments in India's gaming industry. With more than \$200 million invested in Indian startups and digital content companies, the company is helping to build the broader industry ecosystem. This goes beyond the role of a publisher—it reflects a commitment to grow together with the local industry.

Through the KRAFTON India Gaming Incubator (KIGI), the company also supports Indian developers by providing funding, mentoring, and opportunities for global expansion. This model of directly nurturing local studios strengthens the self-sustainability of India's gaming sector.

### **From a "Game Company" to a Digital Partner**

Importantly, KRAFTON's investments are not limited to gaming. The company has expanded into streaming, content, and technology-based startups connected to the digital economy. By doing so, KRAFTON is becoming part of India's broader digital ecosystem.

This is not simply business diversification. After experiencing geopolitical tensions and regulatory shifts, KRAFTON learned that the success of one service alone cannot guarantee long-term stability. Sustainable growth requires deep connections across the local ecosystem and strong partnerships across industries.

KRAFTON sees India not just as a market, but as a space to grow together. This belief is reflected in its investments, hiring, and expanding partnerships.

### **Esports: The Potential of a New Cultural Industry**

The esports ecosystem built around BGMI is one of KRAFTON India's most important achievements. Through large-scale leagues and tournaments, along with professional

broadcast production, the company has reached hundreds of millions of viewers. This has transformed gaming from a simple playing experience into a viewing experience. Through online streaming and social media, esports events have become major cultural moments.

Esports is also creating a new industry structure. Beyond professional players, new roles have emerged—coaches, commentators, production staff, content creators, and event managers. This has led to new digital job opportunities, especially for young people. Gaming is increasingly recognized not only as entertainment, but also as a career path.

Brands and companies now see esports as a key marketing platform. Sponsorships and collaborative content connect esports with the advertising and media industries, expanding its economic impact. In this way, the growth of esports around BGMI shows how gaming can evolve into a powerful new cultural industry.

### **The Reasons for Success—and Its Meaning**

KRAFTON's experience in India sends several clear messages.

First, geopolitical risks and policy changes cannot be avoided, but they can be overcome through respect and redesign.

Second, long-term ecosystem investment—not short-term revenue—is the key to sustainability.

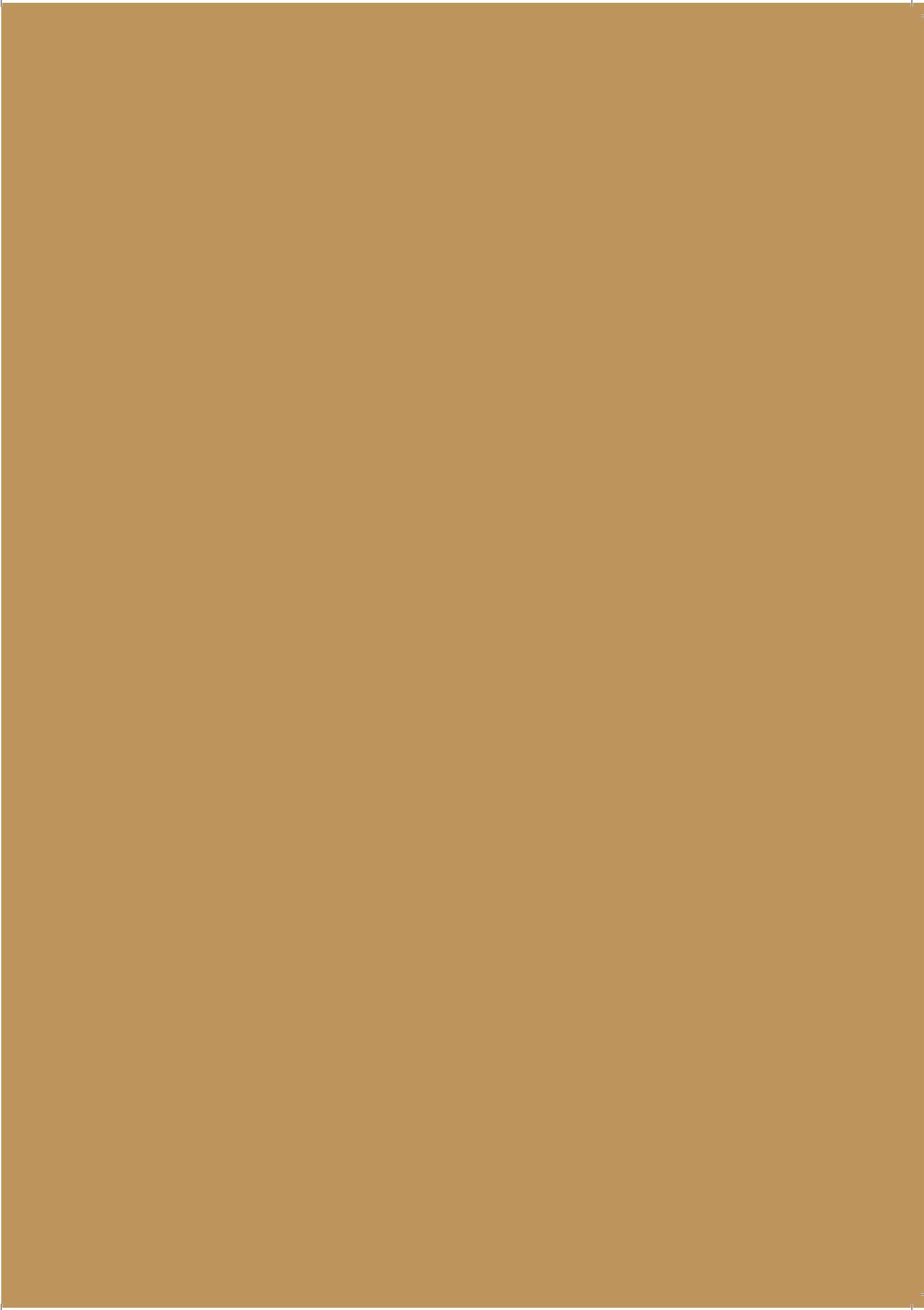
Third, gaming can become a core pillar of cultural industries and the digital economy. India continues to change rapidly. Yet one lesson is clear.

Many companies enter a market, but few truly settle there. KRAFTON chose to grow with India despite geopolitical challenges. Its journey is more than a story of overseas expansion. It is an example of how a global company can build trust and create a sustainable ecosystem in a new market.

And the answer is simple:

Turning crisis into opportunity is not about speed—it is about attitude.





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