Embassy of India
Berlin, Germany

MAKE IN INDIA MITTELSTAND!

Rödl & Partner

Investment support for German Mittelstand Enterprises

IN THIS ISSUE:


wishes you
Happy New Year

Economic Update

During the third round of India-EU FTA talks that took place recently, India and the European Union discussed data flows, privacy, consumer protection, open government data, and issues related to capital movements and payments under the ongoing free trade agreement negotiations. The two sides also discussed a system of self-certification for the origin of goods clause. The fourth round of talks is scheduled for March 2023. The EU also proposed a free movement of capital to liberalise investment and other transactions.

Issues related to source code and customs duties in the chapter on digital trade were also taken up. The industry experts suggests that taking on commitments on digital trade will mark a permanent shift in India's trade policy stance on e-commerce at the World Trade Organisation where it is opposed to any binding commitments besides having implications for India's security.

As per Mr. Parminder Jeet Singh, Executive director of IT for Change, China and the US are the main threats to India's digital space, giving concessions to the EU would mean giving concessions to everyone. The EU wants free cross-border data flows and the full opening of government data which will challenge India's sovereign rights over its data and the policy space to use such data for the benefits of Indian small enterprises and start-ups.

India has so far refrained from making any international commitments on digital trade to protect its policy space to design national digital sector policies in the future including on digital industrialisation. The discussions are happening at a time when New Delhi is firming up its Data Protection laws. The draft Digital Personal Data Protection Bill 2022 has dropped provisions on localisation, social media, hardware, and non-personal data while introducing new concepts such as data transfer to trusted locations.

The India-Australia Economic Cooperation and Trade Agreement (ECTA) has come into force from December 29, 2022. The free trade agreement (FTA) between India and Australia will help boost bilateral trade in goods and services to cross USD 70 billion in the next five years, according to Global Trade Research Initiative (GTRI).

As per GTRI, the trade of value USD 23 billion would become duty-free from day one. This is equivalent to 93% of merchandise trade of USD 25 billion in 2021-22 between India and Australia. Their estimation suggests that the bilateral trade will cross USD 70 billion in the next five years due to buoyant trade relations and Australia's gradual weaning away from China.

India's goods exports to Australia stood at USD 8.3 billion and imports from the country aggregated to USD 16.75 billion in 2021-22. India's exports are diversified, ranging from agriculture, garments and railway engines to telecom. Around 95% of India's imports from Australia are raw materials and mining products needed by industry. This makes the two countries gain from both exports and imports. As per the Union Commerce Minister, Mr. Piyush Goyal, he expects at least two more free trade agreements to be signed up in 2023. Negotiations are scheduled with the UK, European Union and Canada.

Jamly John, Head of Business Development and Public Relations, Rödl & Partner

Perspectives for India in 2023

A truly challenging year 2022 lies behind us, not only on an individually, but on a global scale. It is against this background that a fresh start into a more promising looking 2023 leads to hopes running high – for a good reason. For India, 2023 is expected to be one of the most promising years.

More companies on a global scale started diversifying their market as part of the China-Plus-One strategy and refrain from investing solely into the Chinese market. India, with its manifold economic advantages and as a country strongly rooted in democratic principles, offers a favourable alternative.

This has also been highlighted by the visit of Annalena Baerbock, Germany's Foreign Minister, in December. Her statement that "there is no doubt India will have a decisive influence on shaping the international order in the 21st century – in the Indo-Pacific and beyond" allows for an optimistic outlook on India in 2023 and beyond. Germany and India pledged steps to strengthen their cooperation regarding economic, climate and security policies and signed a mobility agreement. The ties between both countries are expected to only tighten in the future.

Moreover, India has assumed the G20 Presidency and will be hosting the G20 Leaders' Summit in New Delhi in September this year, a watershed moment for the country. In the light of the challenges the international community is currently facing, the motto of India's G20 presidency – "One Earth, One Family, One Future" – is of particular relevance.

The offical logo and motto for India's G20 presidency

India is expected to witness visits of many top foreign leaders this year. The German Chancellor Olaf Scholz, for example, is expected to visit India twice this year, with a first visit in February, and the French President Emmanuel Macron has announced a first visit in March. The next few months will bring a lot of international leaders to India with a primary focus on bilateral cooperation in multiple areas of concern, such as energy, food security, trade, defense, technology, health-care and global partnerships, to only name a few.

As a nation committed to democracy and multilateralism, India continues to firmly establish its role on the global stage. 2023 could turn out to be the year to mark in its history for India.

Maja Yadu, Project-Coordinator MIIM, Rödl & Partner

India & Germany: Accelerating Adoption of Electric Vehicles

This report has been researched by Germany Trade & Invest (GTAI). The article in its entirety was first published by IGCC in the Indo German Economy Magazine, Vol 4/2022.

While Germany's e-Mobility market continues to expand rapidly, the demand for e-vehicles in India has been gaining momentum, favoured by supply and government subsidies. With Germany's cutting-edge technologies and India's economies of scale, these two economies have the potential to reduce costs and accelerate the rapid adoption of EVs, not just in their domestic markets but globally.

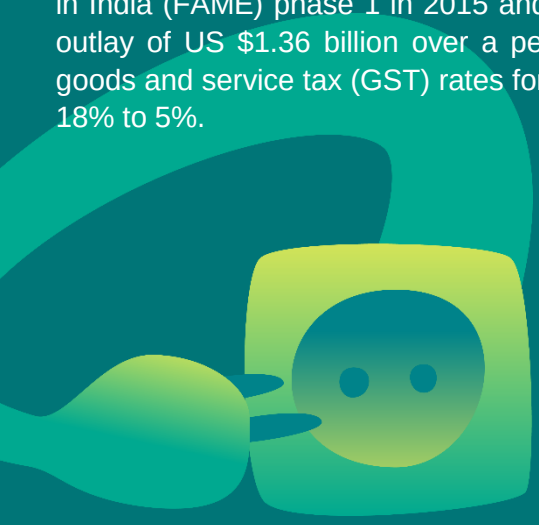
e-mobility and India

Germany is strongly advancing towards electrification, but the Indian EV industry is a growing industry. The move to e-mobility is a priority for the Government of India (GOI). In 2012, India unveiled the National Electric Mobility Mission Plan (NEMMP) 2020 to address issues of national energy security, vehicular pollution, and the growth of domestic manufacturing capabilities.

A study by CEEW Centre for Energy Finance has recognised a US$ 206 billion opportunity for electric vehicles in India if the country maintains steady progress to meet the Indian government's ambitious 2030 target. This will necessitate a US$ 180 billion investment in vehicle manufacturing and charging infrastructure.

Another report by India Energy Storage Alliance (IESA) estimates that the EV market in India will grow at a CAGR of 36% till 2026. In addition, the EV battery market is also expected to expand at a CAGR of 30% during the same period. Overall, by 2030, the EV industry is set to create 10 million direct jobs and 50 million indirect jobs. India is also witnessing the rise of a sizeable EV financing industry, according to NITI Aayog and the Rocky Mountain Institute (RMI), the market is likely to reach Rs. 3.7 lakh crore (US$ 50 billion) by 2030.

The government has taken numerous steps, both for consumers as well as manufacturers, to ease the adoption of EVs. Several fiscal and non-fiscal measures have been put in place to facilitate the adoption of electric mobility. Initiatives taken by government to make EVs affordable and accessible began with the launch of National Electric Mobility Mission Plan (NEMMP) in 2013, followed by a strong government push launching Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India (FAME) phase 1 in 2015 and later FAME phase II in 2019, was released with a total budget outlay of US $1.36 billion over a period of five years. Another welcoming step was a reduction of goods and service tax (GST) rates for EVs from 12% to 5% and on chargers or charging stations from 18% to 5%.



In 2021, the government rolled out a Production-Linked Incentive Scheme (PLI) for Auto Industry (Rs. 259.38 billion) and ACC Battery Storage Manufacturing (Rs. Rs. 181 billion), which incentivizes domestic production of auto components, boost local battery cell production and reduce the dependence on imports. This will enable India to leapfrog from traditional fossil fuel-based automobile transportation system to environmentally cleaner, sustainable, advanced, and cost-effective Electric Vehicles (EV) based system with the requisite infrastructure. Shortage of semiconductors led to closure or lowering of production volumes by several firms from diverse industries including the automobile sector after which the government released a Production-Linked Incentive Scheme exclusively for semiconductor with a budgetary outlay USD 10.28 billion (Rs. 76,000 crore) providing the right impetus to the manufacturing sector.

Indo-German Trade

Today, Germany is one of the most important trading partners and the largest trading partner in Europe for India. The two countries are committed to intensifying bilateral and multilateral cooperation with a focus on strategic cooperation in the fields of cutting-edge technology with a higher exchange of intelligence and knowledge. In terms of trade, investment, knowledge and innovation, the economic relations between the two nations have grown and can be intensified further.

At present, India and Germany aim to partner by leveraging advantages on each side and intensifying cooperation on next-generation technologies, including the Internet of Things (IoT). Industries such as industrial automation, robotics and automotive are likely to provide good opportunities for German companies in India. Growing demand for EVs equipped with smart and automated technologies is driving the electric mobility market in both countries. Raw materials deemed critical for both economies also hold significant opportunities in the EV space. Companies are investing in the development of vehicle networking, infotainment systems, head-up displays, etc., to enhance vehicle operability.

Germany has persistently been a strong ally to the Indian economy. Hence, exploring the potential to foster synergies between the two automotive powerhouses in the e-mobility ecosystem is likely to accelerate the adoption of Electric vehicles in both countries. The German automotive industry sees India as a reliable and important partner. As a result, German manufacturers and suppliers are present at over 100 locations and production sites in India. Thereby, India, as one of the fastest-growing economies in the world, offers various opportunities for German companies.

Germany is sturdily advancing towards electrification, but the Indian EV industry is a developing industry, and the move to e-mobility is a priority for the Government of India (GOI). India has promised to cut its emissions to net zero by 2070 at the 26th Conference of the Parties (COP26) in November 2021, which would also require decarbonising high greenhouse gas (GHG) intensive sectors such as transport and energy. The country's present demand for energy is growing at a significant pace as the economy develops. To achieve its pledge, the composition of India's energy demand will likely have to shift more towards cleaner energy.

Looking at the road ahead, the world's largest populated country is in need of external support and innovation to achieve this dream. By having broader cooperation in Technology and Research & Development and collaborating with Germany, India could benefit from Germany's robust automotive industry and excellence in engineering.

Germany, with its outstanding EV ecosystem, remains the world's automotive innovation hub, leading the way forward to a new mobility era that can help India in overcoming its existing infrastructural gaps in this evolving EV ecosystem. Collaboration among leading OEMs and auto component manufacturers is a healthy industrywide phenomenon, such as Tata's and Hyundai's recent collaboration to boost India's charging infrastructure.

India offers the largest untapped market worldwide for foreign direct investment (FDI), specifically in electric mobility, where 100% FDI is approved. In 2021, India's EV industry attracted investments worth $6 billion and is becoming steadily more attractive to private equity/venture capital investors, with investments increasing from US$181 million (2020) to US$1,718 million (2021) (recording an annual growth rate of 849%). Substantial investments in the EV segment can help boost operations in the last-mile delivery, which, if implemented across scale, can generate operational savings for the fleet operators. According to Automotive Component Manufacturers of India (ACMA), automakers need to explore new technologies and focus on start-ups as the industry needs to learn to take risks. While traditional ICE vehicle manufacturers as well as new EV start-ups are investing heavily in setting up new manufacturing lines for EVs and charging equipment, Indian EV tech start-ups alone secured funding of USD 444 million across more than 25 deals in 2021, according to ET Auto research.

The lack of charging infrastructure is one of the biggest challenges for the EV sector in India. India is currently working on a Draft Battery Swapping Policy which presents significant opportunities for German companies and the Indian automotive sector in providing technical assistance to India as it seeks to increase domestic energy capacity and generate battery storage solutions.

Conclusion

The Government has been primarily focused on reducing India's reliance on fossil fuels, and other traditional non-renewable forms of energy and henceforth, the Ministry of Road Transport and Highways aspires that India reaches aggressive targets of EV sales penetration of 30% for private cars, 70% for commercial vehicles, 40% for buses, 80% for two and three-wheelers by 2030. Undoubtedly, factors such as attractive government subsidies like the FAME policy, PLI schemes, decreasing cost of technology, and distressing pollution levels, will accelerate India's transition to EVs and enable the government to near its vision, but there is still a long way to go.

Sustainable innovation between India and Germany is the way forward to tackle global challenges such as climate protection and accelerate the adoption of Electric Vehicles. The solutions are evident, and the environment is conducive. All that remains to be seen is how swiftly the EV ecosystem develops in India & Germany.

Sources for the entire report:

Germany Trade & Invest; The German Association of the Automotive Industry (VDA); International Organization of Motor Vehicle Manufacturers (OICA); Grant Thornton; FICCI; Invest India, Press Information Bureau of Govt. of India, Autocar Professional, Business Standard

"E-Mobility Transformation: An Indo-German Alliance" Interview with Frank Müller, Head of the German Federal Association for E-Mobility

1. Mr. Müller, as a start to the interview, could you briefly give us the most important reasons why you consider the transformation to e-mobility to be of paramount importance?

Today, I think there are really strong reasons to switch to e-mobility. First of all, especially with a view towards India, one major factor we have to consider is air pollution. E-mobility will change the pollution in the cities dramatically - in a positive way. Thus, the e-mobility transformation is of utmost importance, especially for India.
The second important reason is the need to drastically reduce CO2 emissions which comes about with the use of electric vehicles (EV).
Thirdly, e-mobility permits us to use energy more efficiently. Normal cars use about 80% of its energy to heat up to produce warmth, to bruise the seed, and only 20 to maybe 25% of the energy is used to move forward. Electric vehicles, on the other hand, are extremely efficient and use about 90% or 95% of the energy to move forward, only about 5-10% of the energy goes waste.
Another very strong point for e-mobility is the possibility to produce energy for mobility locally. We can use solar energy with our own solar panels which are produced regionally and then use this energy locally. We don't need to start wars over energy, we can produce energy ourselves and free ourselves from dependencies and oil-selling dictators.
Last but not least, EVs can significantly add to noise reduction, especially in urban areas. This would lead to an overall improvement in terms of life quality.

2. You've been working in the e-mobility sector for more than a decade now. Could you give us some insights on the most prominent changes you have witnessed in the past couple of years?

Personally, I think that most prominent change – especially from the perspective of the German EV market – is the huge development of electric vehicles. The variety, technology and availability is steadily improving. For example, mid-sized cars now have a range of around 250 to 300km. The first EVs had a range of only about 100 to 150km! Electric cars are also a lot safer and more user-friendly.

Another major development concerns the charging infrastructure. It is improving steadily, we have more and more charging points all over Germany and Europe – an incredible change. Five years ago, we hardly had any kind of charging infrastructure and ten years ago there was nothing at all.

3. Where do you see India's strengths and potential regarding the EV sector and what opportunities do you see for German SMEs in this respect?

In my view, India does not need to compete with the German EV auto industry regarding luxury vehicles. Instead, India's potential lies especially in light EVs. Germany has hardly produced light electric vehicles and therefore lacks competence in this respect. And that's exactly where India's strength lies.

4. Where, on the other hand, do you see and anticipate challenges?

I see challenges in adapting the European or German standards and in providing all the necessary certificates and overall paperwork. But I'm optimistic that India will overcome this challenge.

5. Many people argue against EV with reference to the cost factor. How do you feel about this?

It is important to connect electric vehicles with solar energy right away. So whenever there is a company planning to buy electric vehicles, they should also think about buying or implementing a solar park or wind energy facilities to produce their own energy. This leads to the overall cost of EV dropping significantly, especially in the light of the high fuel prices we are facing at the moment. Hence, the argument that EV is more expensive does not hold true anymore, quite on the contrary – it is cheaper when you look at the overall picture, especially if you use renewables instead of fossil burning cars. Not to forget that repair work on EVs is cheaper and things such as oil changes are not required.

6. What do you think can India learn from Germany's EV progress and vice versa?

India should learn from Germany's funding system. The German government was very strong and proactive in funding electric cars. So, whatever is possible from the point of view of India's budget should be implemented as funding for EVs, especially for light electric vehicles. However, the funding should not stop there. Funding public and private charging infrastructure should also be considered. This also pushed e-mobility in Germany to a significant degree.

7. Can you tell us more about the role of start-ups in the e-mobility transformation?

Startups are highly relevant for the EV sector, especially in the field of software development. I see a big potential for Indian startups here, for example regarding new innovative charging projects or the development of electric vehicles that are missing in the global market. We need the creativity and innovation startups can provide to push the e-mobility transformation to new heights.

EVENTS

1. **MIIM Networking Meet in Berlin:**
   7th of February 2023

Please register here for the event or send an email to miim@indianembassy.de for further information. You will find the detailed agenda on the next page.

WEBINARS

1. **India's Union Budget** – scheduled for mid-February

2. **'Waste to Wealth'** – scheduled for end of February

Stay tuned for many more events!

Embassy of India
Berlin, Germany

MAKE IN INDIA MITTELSTAND!

INVITATION
"6TH MIIM EXCHANGE PLATFORM"
07 FEBRUARY 2023; TIME: 16:00-18:30 HRS CET
VENUE: TIERGARTEN STR. 17, 10785 BERLIN

MIIM team cordially invites you to join our 6th Annual Networking and Exchange Platform on February 07, 2023, at the Embassy of India, Berlin.

MIIM will enter its 8th year in April 2023 and would like to celebrate the program's success together with our member companies, program partners of MIIM from India and Germany, leading policymakers from both sides, and stakeholders from the Indo-German business community. The event will also provide insights into the experiences of MIIM companies that have entered the Indian market.
We look forward to welcoming you to the Exchange Platform!

About MIIM
Make in India Mittelstand (MIIM) is a Business Support Programme launched by the Embassy of India in Berlin for German Mittelstand to facilitate their entry into the Indian market. So far, 163 German companies are supported as part of the MIIM Programme.

Embassy of India
Berlin, Germany

MAKE IN INDIA MITTELSTAND!

PROGRAM OVERVIEW

15:30 – 16:00 hrs	Registrations & Entry
16:00 – 16:10 hrs	Welcome Address Mr. Parvathaneni Harish, Ambassador of India to Germany
16:10 – 16:20 hrs	Keynote Address Mr. Udo Philipp, State Secretary of the BMWK
16:20 – 16:30 hrs	Special Address Mr. Volker Treier, Member of the Executive Board, DIHK
16:30 – 16:40 hrs	Special Address Mr. Andreas Jahn, Member of the Federal Executive Board and Head of Foreign Trade, BVMW
16:40 – 16:50 hrs	Highlights of the MIIM Programme Mr. Saketa Musinipally, First Secretary Embassy of India Mr. Martin Wörlein, Partner and Head India Team, Rödl & Partner
16:50 – 17:30 hrs Panel Discussion	"Indo-German Strategic Partnership: Navigating Global Headwinds Together" Moderated by Mr. Martin Wörlein, Partner and Head India Team, Rödl & Partner
17:30– 18:10 hrs Panel Discussion	"Make in India for the World – How the Mittelstand Can Capitalise on a Rapidly Growing India" Moderated by Mr. Stefan Halusa, Director General, IGCC
18:10 – 18:15 hrs	Closing Remarks Mr. Gaurav Sharma, First Secretary Embassy of India
18:15 hrs onwards	Networking Reception

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About MIIM

MIIM' is a market-entry support programme for German Mittelstand and family-owned enterprises launched by Embassy of India Berlin, Germany in 2015; driven by Government of India's national programme, 'MAKE IN INDIA'.

The objective of MIIM programme is to facilitate investments by German Mittelstand and family-owned companies in India and to provide market entry related services.

The MIIM program has enrolled more than 150 companies which represent a cumulative declared investment of 1.4 bn EUR to India.

As a part of MIIM program members are exposed to a wide range of business support services under a single platform. The program is being implemented with the support of its Knowledge Partner – Rödl & Partner, Facilitation Partners including Central and State Government Ministries in India and also key industry partners who can support the companies in various aspects of market entry into India. Offered services includes Strategy consulting, M&A, operational market entry support, tax & legal support, financial services and other services

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November & December 2022

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We are proud to introduce our new MIIM-member …

HORA eTec GmbH

- experts in electrical technology since 1919 -

Since 1919 HORA eTec is a supplier for the electrical industry particularly for busbar technology and power distribution. We are experts for power supply distribution in the field of low-voltage technology. With our products we always ensure the right connection.

Therefore, we are specialised in two areas: In the “Customised turned parts” area, we manufacture electromechanical components made of non-ferrous metals such as brass, lead-free brass and aluminum on behalf of customers. In the “Components” area, we produce standard parts for the electrical connection technology.

Worldwide we supply renowned companies in the electrical engineering industry and the trade and have joint ventures in India and China. Our products are used in building installation, measurement and control technology, industrial automation, e-mobility as well as in PV and wind power plants and always ensure the right connection.

The company is based in Bünde (East Westphalia). Since 2021, we have a subsidiary in Eberdingen (Stuttgart area), HORA eTec Connectivity GmbH, who is specialised in the production of connectors and bushing systems. We employ around 130 people at our locations in Germany.

We are proud to introduce our new MIIM-member …

Lohmann GmbH & Co. KG

Lohmann, the high-tech tape manufacturer was founded in 1851 and has developed into a global manufacturer in the field of bonding technology. The "Bonding Engineers" are represented in over 50 countries with more than 1,800 employees in 27 branches worldwide and exclusive sales partners.

Lohmann specializes in high-tech adhesive tapes and high-precision die-cuts. Most products have additional functions to bonding: electrical or thermal conductivity, sealing or damping. Adhesive solutions "Made in Germany" are used in motor vehicles, cell phones, household appliances, windows and doors, in the printing sector, in diaper closure systems as well as in portable blood glucose meters or in COVID-19 tests. Adhesive solutions that are invisible at first glance, but that enable products used by millions of people every day.

Research and development, with constant attention to sustainability aspects, is a top priority for Lohmann: TwinMelt® technology enables innovative adhesive tape solutions on the one hand and the elimination of solvents in the coating of double-sided adhesive tapes on the other, thus significantly reducing the company's carbon footprint. Another example is the development of the UV-LUX® adhesive technology. It is the world's first adhesive tape solution that can be activated by UV light in combination with a color change. For Lohmann, social responsibility is an integral part of its holistic contribution to sustainability.

MAKE IN INDIA MITTELSTAND!

Investment support for German Mittelstand Enterprises

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