



Embassy of India
Berlin, Germany



MAKE IN INDIA MITTELSTAND!

Rödl & Partner

NEWSLETTER

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Investment Support for German Mittelstand Enterprises



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Economic Overview

As 2024 is coming to an end, the global economy shows a mixed outlook. Structural weaknesses in Europe and China's slowdown are dragging on growth, while the US economy is exceeding expectations. Central banks are adopting more accommodative policies due to narrowing output gaps and falling commodity prices. The IMF maintains its global growth projections for 2024 and 2025 at 3.2%.

In this context, India remains steady according to the Indian Department of Economic Affairs' latest Monthly Economic Review¹. After a brief slowdown during the monsoon, economic activity picked up in October. Demand is growing steadily, as seen in rising FMCG sales volumes in urban and rural areas. Rural demand is particularly strong, with robust growth in two-wheeler and record-high tractor sales in October 2024. The PMI for manufacturing and services indicates strong activity in these sectors.

Retail inflation rose in October due to high food prices from supply disruptions caused by heavy rains. However, a bumper kharif harvest is expected to lower food inflation.

Merchandise exports grew moderately in the first seven months of FY25, while imports were strong, driven by domestic demand, leading to a wider trade deficit. Foreign portfolio investors turned net sellers in October due to geopolitical tensions and developments in China. However, net FDI inflows grew significantly, and India's forex reserves increased by USD 64.8 billion in 2024, the second-largest increase after China.

The labour market shows growth with rising formal employment and hiring, as indicated by net payroll additions, the PMI employment sub-index, and the Naukri JobSpeak index. The Annual Survey of Industries 2022-23 reports strong growth in manufacturing jobs, adding over 22 lakh (2.2 million) jobs compared to 2018-19. However, RBI surveys suggest urban consumers and manufacturers remain cautious about employment conditions.

Despite India's September quarter growth numbers having slowed down to 5.4% GDP growth – according to Finance Minister Nirmala Sitharaman no sign of a systemic slowdown but a sign of reduced public spending during the election season²– German companies are viewing India as a key destination for diversifying global supply chains. India's ambassador to Germany, Ajit Gupte, highlighted that recent conflicts and the Covid-19 pandemic have driven a realisation in Europe, particularly in Germany, of the need for resilient supply chains. German CEOs are seeking to "de-risk" by exploring various options, with India being a top contender alongside countries like Malaysia, Thailand, and Mexico³.

Economics and numbers aside, India has excelled once again in the sphere of chess, with Gukesh Dommaraju winning the 18th World Chess Championship in Singapore at the age of 18. With every fifth super grandmaster originating from India and seven of the top

twenty juniors being Indian, the country is poised to see many more World Chess Champions in the future⁴. For now, we congratulate Gukesh and look forward to a thriving, exciting new year. Season's greetings and "guten Rutch" to all our 'Make in India Mittelstand!' friends and members!

¹ <https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review%20October%202024.pdf>

² https://timesofindia.indiatimes.com/business/india-business/5-4-gdp-growth-doesnt-indicate-systemic-slowdown-nirmala-sitharaman/articleshow/116058567.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

³ <https://www.msn.com/en-in/travel/tripideas/german-ceos-see-india-as-one-of-the-most-important-prospective-destinations-says-india-ambassador-ajit-gupte/ar-AA1uVE8y?ocid=BingNewsVerp>

⁴ <https://www.faz.net/aktuell/sport/mehr-sport/wie-gukeshs-wm-sieg-den-schach-boom-in-indien-befeuert-110176510.html>

Maja Yadu, MIIM Project Co-ordinator, Roedl & Partner

Mittelstand In Focus

ONDC: Transforming Digital Commerce in India and the Potential for Foreign Investors

India is transforming its digital commerce landscape with the introduction of the Open Network for Digital Commerce (ONDC). Designed to democratise e-commerce and level the playing field for businesses of all sizes, ONDC presents a significant investment opportunity for foreign investors seeking to capitalise on India's rapidly growing digital economy.

What is ONDC?

The Open Network for Digital Commerce (ONDC) is a government-led initiative aimed at creating an open, decentralised network to connect buyers, sellers, and service providers across various e-commerce platforms. Unlike traditional e-commerce ecosystems dominated by a few major players, ONDC seeks to create an interoperable platform that will allow sellers and buyers to transact freely, irrespective of the platform they are using. This framework is similar to the Unified Payments Interface (UPI) in the financial sector, which enabled seamless peer-to-peer digital payments across different banks.

Key Aspects of ONDC:

1. Decentralisation: ONDC will break the monopoly of large e-commerce platforms by enabling sellers to list their products on a single platform and be visible across various e-commerce platforms.
2. Interoperability: ONDC aims to standardise operations such as cataloguing, order management, inventory handling, and fulfilment across platforms.
3. Inclusivity: The network will provide equal access to small and medium enterprises (SMEs), traditional stores, and new digital start-ups to compete with larger players on the same platform.

Why is ONDC Important for India?

India's digital commerce market has grown exponentially in recent years, spurred by widespread internet access, mobile penetration, and a young, tech-savvy population. However, this growth has primarily been concentrated among a few dominant players like Amazon, Flipkart, and other major platforms, limiting opportunities for small retailers and regional businesses.

The ONDC initiative aims to address this imbalance by:

1. **Enhancing Competition:** ONDC will foster competition among sellers by allowing more players to participate in the e-commerce market. This competition will drive innovation, reduce monopolistic control, and benefit consumers with better pricing and services.
2. **Empowering Small Businesses:** By lowering entry barriers for small and medium-sized businesses, ONDC gives local retailers and manufacturers the chance to reach a nationwide market without being beholden to large platforms. This, in turn, could lead to an increase in sales and better pricing for consumers.
3. **Reducing Cost of Operations:** ONDC will enable businesses to avoid high commissions, subscription fees, and logistics costs traditionally associated with selling on major platforms. This reduction in cost can be passed on to consumers while increasing margins for smaller sellers.
4. **Promoting Innovation:** With ONDC, new entrants can easily innovate and build solutions that plug into the open network, creating new opportunities for technology providers, fintech firms, and logistics players.

Why ONDC could be a game-changer for international investors?

For foreign investors, ONDC presents a wealth of opportunities, particularly in the context of India's booming e-commerce market, which is projected to grow to \$350 billion by 2030. Here's why ONDC could be a game-changer for international investors:

A Rapidly Expanding Market

India is home to over 1.4 billion people, with more than 800 million internet users. This vast digital landscape is still growing, as internet and smartphone penetration continue to rise in tier-2 and tier-3 cities. ONDC's inclusive framework will enable businesses, both big and small, to tap into this increasingly connected population.

For foreign investors, the ONDC framework allows access to a wide variety of merchants and services through a single-entry point. Investors can benefit from India's market expansion without needing to deal with the complexities of the existing fragmented e-commerce platforms.

Investment in Technology and Innovation

ONDC will drive the need for new technologies and innovations to support its decentralised model. From AI-driven logistics to automated catalogue management, the demand for tech solutions is bound to skyrocket. Foreign investors can take advantage of this demand by investing in or creating technology platforms that facilitate the ONDC ecosystem.

Additionally, with the adoption of ONDC, new opportunities for start-ups in data analytics, cybersecurity, cloud services, and digital marketing are likely to emerge. Early-stage foreign investment in these areas can yield significant returns as the ONDC platform expands and matures.

Logistics and Supply Chain Opportunities

ONDC's decentralisation will require an efficient and scalable logistics network to manage inventory and delivery across diverse geographies. India's logistics market,

which is set to grow to \$380 billion by 2025, will experience a surge in demand for warehousing, last-mile delivery, supply chain management solutions, and innovative logistics technologies like drones and autonomous vehicles.

Foreign investors in logistics and supply chain management have the potential to play a pivotal role in streamlining the fulfilment and delivery processes within ONDC.

Fintech and Payment Solutions

With millions of small businesses entering the e-commerce landscape through ONDC, there will be an increased need for secure and efficient payment systems. India's fintech sector is already thriving, thanks to innovations like UPI and digital wallets. ONDC will amplify the need for credit systems, payment gateways, and cross-border payment solutions tailored to small retailers and new businesses.

Foreign investors with expertise in fintech can leverage ONDC's growth to expand or introduce new financial products that cater to a broad spectrum of users.

Retail and Consumer Goods

ONDC will unlock a vast untapped market for consumer goods, especially in rural and semi-urban areas. Foreign investors in FMCG, electronics, fashion, and home goods will find new opportunities to distribute their products through this open network. By collaborating with local manufacturers and sellers, foreign companies can rapidly scale their product reach.

Challenges to Consider

While ONDC presents a promising investment landscape, it comes with its challenges. The success of ONDC will depend on widespread adoption by businesses and consumers. There may be initial resistance from established players who stand to lose market dominance. Furthermore, technological integration across diverse sectors, seamless logistics coordination, and compliance with regulatory frameworks will be critical to ONDC's success.

Conclusion

The Open Network for Digital Commerce represents a bold step towards reshaping India's digital commerce landscape. For foreign investors, ONDC provides a unique opportunity to capitalise on India's thriving e-commerce ecosystem while contributing to the growth of small and medium-sized enterprises.

Whether through technology, logistics, fintech, or consumer goods, foreign investors can find numerous entry points to invest in this transformative initiative. With the right strategy and partnerships, ONDC has the potential to unlock significant returns for international investors while simultaneously driving inclusive economic growth in India.

For more details refer to the below links:

[ONDC | Open Network for Digital Commerce](#)

[ONDC Project \(pib.gov.in\)](https://pib.gov.in)

India's Growth Story: Fastest Growing Large Economy

As the year comes to an end, we would like to take this as an opportunity to highlight some impressive facts and figures about India's recent developments.

Present Economic Snapshot (FY 2023-24)

Currently, India ranks as the fifth-largest economy, with an impressive 8.2% estimated GDP growth rate for FY 2023-24 and a forecasted growth of 7.6% for FY2024-25. Exports have reached USD 776 billion in FY 2023-24 with merchandise exports contributing USD 44.6 billion. Infrastructure achievements include Asia's largest rail network and the world's second-largest road network. Additionally, 65% of total FDI inflows since 2000 were received in the past nine years, highlighting the country's growing attractiveness to investors.

Corporate Tax Reforms and Investment Incentives

India's corporate tax structure is among the most competitive globally, with tax rates reduced to 22% for existing units and 15% for new units. To further enhance its investment appeal, the government has established 29 specialized Project Development Cells within various ministries to assist investors and provide ready-to-invest projects. The Semicon India Mission, with financial incentives worth USD 10 billion, aims to develop a robust semiconductor and display manufacturing ecosystem. Meanwhile, the Remission of Duties and Taxes on Exported Products (RODTEP) scheme ensures exporters are reimbursed for taxes and duties incurred.

Enhancing Logistics and Connectivity

The PM Gati Shakti initiative integrates a GIS-based technology platform to improve multimodal connectivity, supported by the National Logistics Policy, which aims to reduce logistics costs and elevate India into the Top 25 nations on the Logistics Performance Index. The National Single Window System (NSWS) provides a one-stop digital platform for all investor approvals, including a GIS-enabled repository for industrial-grade land. Simultaneously, the Open Network for Digital Commerce fosters an ecosystem for e-commerce growth.

Production Linked Incentive (PLI) Schemes

The PLI schemes, with an incentive allocation of US \$ 24 billion across 14 sectors, have been pivotal in transforming India's manufacturing landscape. Exports have seen a substantial uptick driven by key sectors such as electronics, pharmaceuticals and food processing. Other key specific achievements have been in sectors of (i) Large-scale Electronics Manufacturing (LSEM), (ii) Pharmaceuticals, Medical Devices and Bulk Drugs (iii) Automotive Industry, Renewable Energy and Solar PV (iv) Telecom and Networking Products and (v) Drones and Drone Components. Over 1,300 manufacturing units have been established, with notable contributions from 176 MSMEs in sectors like Bulk Drugs, Medical Devices, Pharma, Telecom, Textiles, and Drones. The electronics sector has witnessed a 50% increase in cell phone production and a 4x rise in exports since FY 2020-21. Similarly, the pharmaceutical sector has achieved self-reliance in key materials like Penicillin-G and a sevenfold increase in turnover for MSMEs and startups. Medical devices such as CT Scans, Heart Valves, and Stents are now produced domestically, underscoring India's strides toward self-reliance and innovation.

Conclusion

"Amrit Kaal" Vision 2047, charts a roadmap for sustainable development and growth. India is rapidly solidifying its position as the fastest-growing large economy, with projections estimating its economy to reach USD 32 trillion by 2047, making it the second-largest globally. The per capita income is expected to grow ninefold, reaching approximately USD 22,000. Key drivers include a 15x expansion in GDP, with the manufacturing sector set to grow to USD 6.2 trillion and the services sector to USD 20 trillion. Additionally, India boasts the largest and youngest workforce globally, with a median age of 28 years.

India's rapid economic growth, robust policy reforms, and investment-friendly environment position it as a global powerhouse. Initiatives like "Amrit Kaal" Vision 2047 and the PLI schemes continue to drive sustainable growth, making India a hub for manufacturing, innovation, and global investments. The country's demographic advantage and strategic reforms offer unparalleled opportunities for investors and businesses worldwide.



**We are proud to introduce our new
MIIM-member**



LogoMotive is a highly competent engineering company specializing in railway vehicles, handling all development stages from planning to approval. They are the specialists for mechanics and manage electrics in collaboration with partners. LogoMotive covers the full spectrum of rail transport, including local and long-distance, passenger and freight transport, track construction machines, and people movers. They manage components, complete train systems, national and international projects, consulting, and new developments.

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With extensive expertise and a commitment to quality, LogoMotive provides comprehensive engineering solutions for the railway industry.



MAKE IN INDIA MITTELSTAND!

WISHES YOU

MERRY
CHRISTMAS
AND A HAPPY NEW YEAR



Upcoming Events

MIIM Roadshow

Munich | 23.01.2025

More details will follow shortly

MIIM Stammtisch Stuttgart

30.01.2025

Save the date and register [here!](#)

8th MIIM Exchange Platform

06.02.2025 | Berlin

Save the date and register [here!](#)

MIIM Stammtisch Köln

13.02.2025

Save the date and register [here!](#)

MIIM Stammtisch München

20.02.2025

Save the date and register [here!](#)

Upcoming Webinar

**National Industrial Corridor Development Corporation (NICDC):
Pioneering India's Industrial Revolution with Smart Cities**

22.01.2025

Save the date and register [here!](#)

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 224 companies which represent a cumulative declared investment of 2.1 bn EUR to India. MIIM has supported and facilitated the establishment of approximately 125 new manufacturing sites and expansions, along with 65 new subsidiaries. The program also offers numerous workshops—both physical and virtual—and networking events that facilitate knowledge exchange, while also serving as catalysts for meaningful partnerships that drive innovation and growth.

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.





MAKE IN INDIA MITTELSTAND!

Rödl & Partner - Exclusive Knowledge Partner

Investment support for German Mittelstand Enterprises

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