



Embassy of India
Berlin, Germany



MAKE IN INDIA MITTELSTAND!

Rödl & Partner

NEWSLETTER

MARCH 2024



Investment Support for German Mittelstand Enterprises



IN THIS ISSUE:

- 1 Economic Overview
- 2 Mittelstand In Focus
Unlocking value through
National Monetisation
Pipeline
- 3 The Bull run continues for
the EV Industry
- 4 Event Recap:
The 7th MIIM Exchange
Platform

Economic Overview

As the Indian financial year has just drawn to a close on the 31st of March and Germany is returning from its Easter holidays, 'Make in India Mittelstand' takes a look at the most recent developments concerning India's economy.

Starting with the Indian Department of Economic Affairs' **latest monthly economic review**, India's economy soared to a six-quarter high in Q3FY24, surpassing 8% growth for the third time in a row, building on previous momentum. The second advance estimate for FY24's economic growth, released after incorporating updated data, has boosted optimism, with many expert agencies revising their projections upwards. Strong investment activity, fueled by both public and private sectors, alongside steady consumption, is driving this growth. Manufacturing, construction, and related services are thriving due to strong aggregate demand.

Furthermore, India's external account remains stable despite geopolitical challenges. The trade deficit is narrowing due to falling international commodity prices, while services exports are robust, leading to increased net services receipts. Foreign portfolio investors have turned net buyers in February, though foreign direct investment inflows are still gaining momentum. India remains among the top five destinations for global greenfield projects.

Retail inflation has remained stable within the target range for six consecutive months and the core inflation is declining due to domestic growth and favorable global commodity prices, supported by timely government supply-side measures.

Recent data releases also indicate positive trends in employment, with a decline in the unemployment rate and increased labor force participation. The Indian labor market is undergoing structural transformation, with the non-farm sector absorbing labor freed from agriculture. The organized manufacturing sector has shown resilience post-pandemic, with employment rebounding.

Overall, India's economy ended its financial year on a positive note, despite challenges such as rising crude oil prices and global supply chain bottlenecks. Looking ahead to FY25, the country anticipates a bright outlook.

One among many reasons for the positive outlook is **the latest substantial investment India has just secured through an agreement with the European Free Trade Association (EFTA)**, comprising Iceland, Liechtenstein, Norway, and Switzerland. Trade Minister Piyush Goyal announced that the EFTA states plan to invest approximately \$100 billion in India over 15 years. The agreement, which includes provisions on intellectual property rights and gender equality, is hailed as modern and mutually beneficial. After 16 years of negotiations, Switzerland and other EFTA states achieved a significant milestone by becoming the first European partners to finalize a free trade agreement with India. The agreement will result in India eliminating or partially liberalizing customs duties on 95.3% of industrial imports from Switzerland. Ratification by all signatory states is required before the agreement can take effect, with Switzerland aiming for ratification by 2025 at

the latest. The EFTA, originally established in 1960 and consisting of Iceland, Liechtenstein, Norway, and Switzerland, ranks as the tenth most significant trading bloc for industrial products and the eighth for services, excluding Switzerland from the European Economic Area (EEA). It remains to be seen how this new development will influence the trade negotiations between India and the EU – the next round of talks is scheduled to be held in Brussels after the end of the upcoming Indian elections, i.e. after the 4th of June.

One more recent development concerning India and Germany is that the latter is now **eager to enhance strategic defense ties with India**, moving past previous hesitations. This includes cooperation in arms sales, joint production of military equipment like submarines, and military interoperability in the Indo-Pacific, in light of regional security dynamics. German Ambassador Philipp Ackermann highlighted this shift, emphasizing the political will to deepen defense collaboration through military visits, co-production, new areas such as cybersecurity and joint exercises, with a first exercise **scheduled for August this year**. The aim is to enhance interoperability with India and like-minded countries in the Indo-Pacific, including the US, Japan, Europe, and Australia.

For India, an exciting new financial year has just begun. One among many interesting events falling into this new financial year is, to only name one example, the 18th Asia-Pacific Conference of German Business which will be taking place in New Delhi (25.-26.10.2024), chaired by APA Chairman Dr. Roland Busch and the Federal Minister for Economic Affairs and Climate Action Dr. Robert Habeck. MIIM keenly looks forward to the news, developments, as well as relevant events awaiting us in the coming weeks and will continue informing you about the same in the next newsletter.

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

Mittelstand In Focus

Unlocking value through National Monetisation Pipeline

Facilitating economic collaboration between Germany and India, the Make in India Mittelstand, seamlessly integrates a range of support services tailored for German mid-sized companies entering the Indian market. This collaborative effort, facilitated by the Government of India and the Reserve Bank of India (RBI), has given rise to various initiatives aimed at enhancing the ease of doing business for global entities in India. In this edition of the Mittelstand in Focus series, we explore the business opportunities presented by the National Monetisation Pipeline for German Mittelstand companies.

National Monetisation Pipeline

The National Monetisation Pipeline (NMP) is a strategic and forward-looking initiative undertaken by the Government of India, with an aim to unlock value in public-sector assets through private-sector partnerships.

Launched in 2021, the NMP essentially lays out a roadmap for monetizing brownfield infrastructure assets across a range of sectors, including roads, railways, airports, sports stadiums, and power transmission lines. NMP estimates aggregate monetisation potential of ~EUR 66,000 Mn through core assets of the Central Government, over a four-year period, from FY 2022 to FY 2025. ¹

The NMP underscores the central government's policy to bridge the infrastructure funding gap without resorting to additional fiscal deficit strains. Built on a philosophy of 'Asset Recycling,' the programme allows the government to retain ownership of the assets, while leveraging private sector investment and efficiencies to enhance and operate these assets for a stipulated period.

NMP: a framework for partnering opportunities

A key policy underlying the NMP is the framework that guides the process. It establishes clear guidelines for identifying assets, the mode of monetisation such as Operate-Maintain-Transfer or Infrastructure Investment Trusts (InvITs), ensuring transparent bidding processes, and monitoring the performance post-monetisation. This policy is intended to safeguard public interest while enabling seamless transfers to private entities.

The Union Budget following the announcement of the NMP have reflected the government's commitment to this initiative. The budget meticulously allocate funds to sectors identified under the pipeline, fostering an environment conducive to attracting private investments. Notably, the budgetary support focuses on creating an enabling ecosystem through regulatory facilitations, providing viability gap funding, and instituting capacity-building measures for government agencies involved in the monetisation process.

National Monetisation Pipeline Sector-wise Allocation:

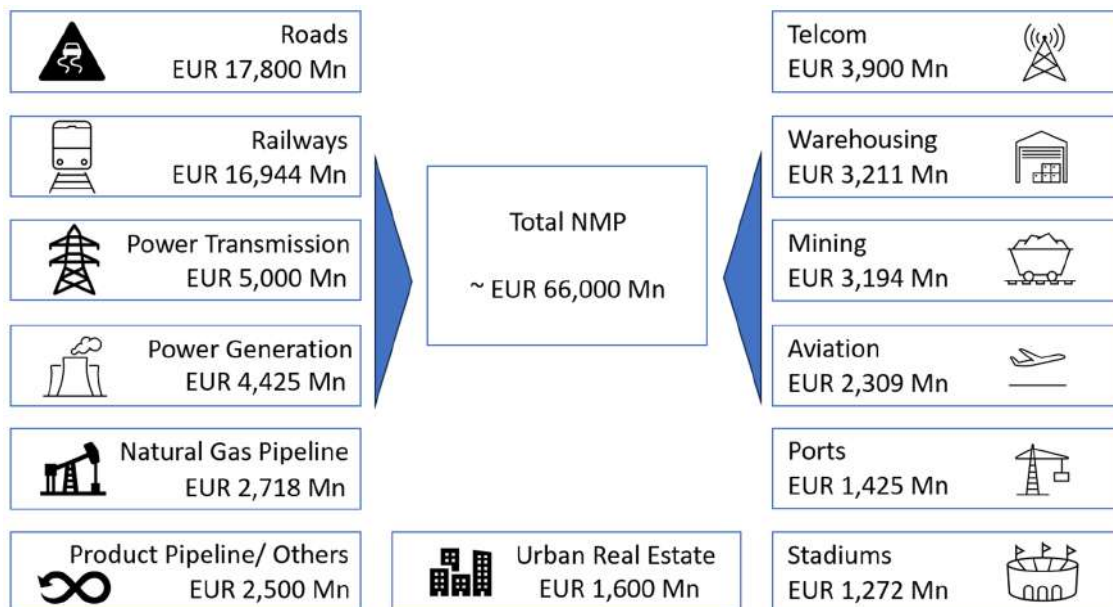


Figure 1: Source: <https://www.india.gov.in/spotlight/national-monetisation-pipeline-nmp>

NMP - key trends:

Transactions with aggregate monetization value of ~ EUR 11,000 Mn and ~ EUR 15,000 in FY22 and FY23 were completed in terms of accrual or private investment under NMP.² Several key narratives emerge from the trends in the NMP programme:

- **Investor Appetite:** A strong interest is observed among both global and domestic investors in acquiring or investing in Indian infrastructure. This interest is bolstered by the growing confidence in India's economic stability and the clear, structured opportunities presented by the pipeline.
- **Sectoral Focus:** Roads, railways, and power transmission have seen the most activity, indicating these sectors are more attractive due to existing revenue streams and operation models that align with private sector expectations.
- **Innovation in Monetisation Models:** India is experimenting with various innovative asset monetization models such as Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs), which have already seen success in funding real estate and infrastructure projects.
- **Public-Private Collaboration:** There is a noticeable shift towards collaborative models wherein risk and investment are shared, and public-private partnerships are strengthened through mutually beneficial agreements.

The NMP presents India with an opportunity to revamp its infrastructure without overburdening its fiscal budget. By leveraging private sector proficiency, the government anticipates an efficient operation and maintenance of its assets, resulting in improved services and creation of additional economic value. The trends indicate a favorable disposition towards investment in Indian assets, aligning the NMP with the sustainable development and economic growth objectives of the country. The roll-out of this multi-year programme will require a balanced approach that aligns public welfare and commercial viability, ensuring that the NMP becomes a benchmark for successful asset monetisation around the globe.

Deutsche Bank's support to clients

Deutsche Bank stands as a dependable partner for firms willing to invest in the Indian economy. Well regarded for its unwavering dedication to the Indian market, robust client relationships, advanced product technology, and global linkage underpinned by stringent governance, Deutsche Bank offers tailored solutions for manufacturing operations in India and automated tools for effective liquidity management and foreign currency risk mitigation.

Deutsche Bank has a bouquet of financing products for catering to the client's capex and working capital requirements including long term INR denominated loans, Capex LC, among others. Clients can also benefit from Deutsche Bank's Gift City branch and avail long term financing for capex in form of ECB (External Commercial Borrowing) and buyer's credit for capex imports.

Additionally, Deutsche Bank India has a sophisticated platform for automating cross border flows and a dedicated FEMA (Foreign Exchange Management Act) desk for regulatory adherence.

For more information refer to **National Monetisation Pipeline (NMP)| National Portal of India**

Sources:

1 National Monetisation Pipeline (NMP)| National Portal of India

2 National monetisation pipeline: Transactions worth Rs 1.3 lk cr completed under Natl Monetisation Pipeline in FY23 - The Economic Times (indiatimes.com)

Manish Singh, Deutsche Bank AG
Rahul Malhotra, Deutsche Bank AG

The Bull run continues for the EV Industry

Over the past few years, the Indian EV industry has witnessed rapid growth and is expected to continue its momentum in 2024. This growth story is credited to a combination of factors, including Government initiatives, a dedicated industry focus, and growing public adoption of EVs. Incentives such as Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India (FAME India), the PLI scheme for auto and auto components, and advanced chemistry cell batteries have been instrumental in fostering local production and boosting EV adoption. Several states have shown keen interest in fostering the industry and embracing EVs by providing local incentives and quick adoptions. These have enhanced the unit economics and made it a very lucrative sector for investors.

FAME expiry and expected extension

The current FAME scheme nears its expiration on 31 March 2024. However, it is anticipated to see further extension along with continued policy innovations and a larger budget outlay. The sector may see the introduction of objective compliance conditions, possibly under the banner to emphasise genuine localised manufacturing and conditionalities around domestic value additions for being eligible to claim FAME subsidies.

Continued vigilance

2024 would continue to witness Government scrutiny on original EV equipment manufacturers for compliance with FAME conditionalities and meeting the localization norms or bundling of chargers, software and essential accessories in the true spirit.

Wider adoption of EVs

The Government of Himachal Pradesh issued a directive instructing Government departments to refrain from purchasing diesel and petrol vehicles starting January 1, 2024. Several other states and Government bodies are expected to follow suit and push for wider adoption of EVs.

Impetus to battery manufacturing

Battery manufacturing activities, another key driver of the EV industry, have seen exceptional momentum. With revelation of abundant lithium-ion deposits in India, this is likely to be a very busy space for deal making in the coming year.

Improvement in the charging infrastructure landscape is expected with both the Government and private players investing in setting up public charging stations across the country to foster widespread EV adoption. There may be incentives and push in certain sectors

such as logistics for decarbonisation and adoption of EV fleets. As such, deal making in the entire EV ecosystem would gain substantial traction in the coming year.

Exit possibilities

2024 may also witness exits or secondaries for financial sponsors and early-stage backers in this sector. Adding to the excitement are the potential IPOs on the anvil, with Ola Electric leading the charge. Exit possibilities affirm the maturation of this industry and potential for well measured growth ahead.

This article is part of a consolidated document (“Foresight 2024”). Foresight 2024 is Khaitan & Co’s flagship publication that gazes into the proverbial crystal ball and discusses the key themes and stories that will play out over the course of 2024 in India.

Kartikeya Prakash, Partner, Khaitan & Co

Event-Recap: “The 7th MIIM Exchange Platform”



On 19th of March 2024, the "Make in India Mittelstand!" programme organised its annual flagship event, the MIIM Exchange Platform at the Indian Embassy in Berlin.

The event provided the perfect opportunity to further nurture the economic cooperation between India and Germany and highlighted various prospects presented by the Indian market. The MIIM Exchange Platform is the largest yearly gathering of its kind at the Embassy and offers its attendees valuable insights into the diverse opportunities available in Indian market for German Mittelstand companies. Furthermore, the event provides the opportunity to be inspired by, but also to learn from, German Mittelstand companies who have previously successfully ventured into India and to network with fellow company representatives.

It was a pleasure and privilege to witness the convergence of high-level officials from German industry associations, alongside esteemed policymakers from both India and Germany and to hear from esteemed keynote speakers, whose insights were not only informative, but also inspiring. Their contributions were invaluable in driving meaningful dialogue and fostering collaboration between India and Germany.

Events like these underscore the significance of initiatives like "Make in India Mittelstand!" in fostering synergies between two economic powerhouses Germany and India. They not only facilitate knowledge exchange but also serve as catalysts for meaningful partnerships that drive innovation and growth. The MIIM Team is happy and proud to have hosted such a successful event and we keenly look forward to many more – stay tuned!

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 202 companies which represent a cumulative declared investment of 1.74 bn EUR to India. MIIM has supported and facilitated the establishment of approximately 114 new manufacturing sites and expansions, along with 54 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

MIIM Team

MRS. RACHITA BHANDARI

*Head MIIM Project Team
Deputy Chief of Mission
Embassy of India, Berlin*

DR. DINESH ANTIL

*Deputy Head - MIIM Project Team
First Secretary
Embassy of India, Berlin*

MR. MARTIN WOERLEIN

*MIIM Project Team
Head of India Practice
Rödl & Partner*

MIIM Hotline:

Email: miim@indianembassy.de | Phone: +49 30-25795514 | Fax: +49-30-25795520

MIIM Team

www.makeinindiamittelstand.de

www.facebook.com/IndiaInGermany

www.twitter.com/eoiberlin

www.linkedin.com/in/miim-make-in-india-mittelstand

This Newsletter offers non-binding information and is intended for general information purposes only. It is not intended as legal, tax or business administration advice and cannot be relied upon as individual advice. When compiling this Newsletter and the information included herein, Embassy of India, Berlin, used every endeavour to observe due diligence as best as possible, nevertheless Embassy of India, Berlin, cannot be held liable for the correctness, up-to-date content or completeness of the presented information. The information included herein does not relate to any specific case of an individual or a legal entity, therefore, it is advised that professional advice on individual cases is always sought. Embassy of India, Berlin, assumes no responsibility for decisions made by the reader based on this Newsletter. Should you have further questions please contact Embassy of India, Berlin, contact persons.

The entire content of the newsletter and the technical information on the Internet is the intellectual property of Embassy of India, Berlin, and is protected by copyright. Users may load, print or copy the contents of the newsletter only for their own use. Any changes, duplication, distribution or public reproduction of the content or parts thereof, whether online or offline, require the prior written consent of Embassy of India, Berlin.

Herausgeber/Editors:
Embassy of India

Embassy of India
Tiergartenstraße 17
10785 Berlin
Deutschland/Germany
<https://indianembassyberlin.gov.in/>
miim@indanembassy.de

Verantwortlich für Inhalt, Layout, Satz /
Responsible for content and layout :

Embassy of India
Tiergartenstraße 17
10785 Berlin
Deutschland/Germany
<https://indianembassyberlin.gov.in/>
miim@indanembassy.de