



MAKE IN INDIA MITTELSTAND!

Rödl & Partner

# N E W S L E T T E R

M A Y 2 0 2 3



Investment Support for German  
Mittelstand Enterprises



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# Economic Update

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The last weeks have yet again shown India's increasing role on the international stage. India, albeit not officially part of the G7 countries, was invited to the G7 Summit in Japan. The honorable PM Modi, upon being invited by his Japanese counterpart PM Kishida, thus attended the summit and met several world leaders, seizing the opportunity to discuss important issues with them.

Another signifier for India's importance was the German Defense Minister's visit to the country along with a delegation from the industry. Boris Pistorius visited India with the clear aim to foster a defense partnership with India and to bring about a change in India's dependencies on Russia regarding the defense industry. The German Defense Minister stressed the willingness to support "reliable partners like Indonesia, like India". He also explained that he "came here because this region will be shaping the 21st century in regards of security, freedom of navigation [and] international economic challenges", making the Indo-Pacific region important both for Germany as well as Europe more generally.

The next German Minister to visit India is Robert Habeck, Vice Chancellor and Federal Minister for Economic Affairs and Climate Action, who is expected to travel to India along with a delegation from 19th – 22nd of July.

With regards to India's current economic prospects, the outlook remains positive. According to the new Monthly Economic Review published by the Indian Department for Economic Affairs, FY24 showed a strong activity due to the GST collections in April, which in turn widened the tax base and heightened the overall economic activity. According to the report, inflationary pressures in India are waning and the country sees prices of international commodities currently easing. However, the price level continues to remain above pre-pandemic levels and has a dependency on factors such as geo-political circumstances and weather conditions.

The declining commodity prices have eased import costs narrowing the deficit in India's trade account. The Production Linked Incentive (PLI) scheme has also driven a substantial increase in exports of electronic goods, particularly smartphones, whose global producers are well on their way to making India a manufacturing hub.

Services exports, too, rose sharply during the recovery from the pandemic, with the sharpest growth witnessed in business services exports between FY20 and FY23. The sharp increase is linked to India's sudden proliferation of Global Capability Centres (GCC). Through GCC, global businesses outsourced their back-office operations to India after wage costs in their parent countries spiked up after the inflation spurt. Increased demand for digitisation and preference for online delivery of services since the outbreak of the pandemic also encouraged the export of business services.

India has reopened applications for its ambitious chipmaking programme. The India Semiconductor Mission (ISM), which is implementing the \$10-billion programme, will accept fresh applications from 1 June, allowing both new and existing applicants to submit their proposals until December 2024.

The Central Board of Indirect Taxes and Customs (CBIC) has enabled e-invoice for taxpayers with an Aggregate Annual Turnover (AATO) between Rs. 5 crore and Rs. 10 crores. E-invoices will become mandatory for all businesses with annual turnover above Rs 5 crore from August 1.

Also this will give time for the Industry to ensure that any vendor supplying goods or services and crossing the threshold turnover of Rs 5 crore is necessarily issuing a e-invoice to avoid any dispute with respect to availment of input tax credit (ITC).

In case a business is registered in multiple states using one Permanent Identification Number, AATO will be calculated as annual turnover of all entities. The e-Invoice System is for GST registered people for uploading all the business to business invoices to the Invoice Registration Portal (IRP). The IRP generates and returns a unique Invoice Reference Number (IRN), digitally signed e-invoice and QR code to the user.

- **Maja Yadu, Project Coordinator MIIM, Rödl & Partner**

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# Subsidies for Manufacturing in India: Part-2

## TAMIL NADU INDUSTRIAL POLICY- 2021

In our special series of articles on the subsidies provided by State Governments in India, we now discuss about the Industrial Policy introduced by the State Government of Tamil Nadu in year 2021, for manufacturing companies. The Government unveiled the **TAMIL NADU INDUSTRIAL POLICY, 2021** to further develop the industrial manufacturing ecosystem and to revive the industrial growth hampered by COVID-19 pandemic. Besides the industrial growth, the policy also emphasizes on ensuring improved ease of doing business, accelerating the innovation ecosystem and harnessing the State's skilled human resources. An overview of the policy in terms of applicability, benefits, timelines etc. have been provided below.

### Who can apply for the benefits under Industrial Policy, 2021?

Ultra Mega	>INR 50 Billion	7 Years	Investment Period
Mega	INR 5 Billion to INR 50 Billion	4 Years	
Large	INR 3 Billion to INR 5 Billion	4 Years	
Sub-Large	INR 500 Million to INR 3 Billion	4 Years	

policy document. Industrial units expanding their existing manufacturing capacities also qualify for incentives based on defined criteria. The industrial units are categorized into Sub-Large, Large, Mega and Ultra-Mega based on the "Investment in Eligible Fixed Assets made within Standard Investment Period". Further, for the purpose of administering the fiscal incentives, various districts of the State of Tamil Nadu have been divided into three categories i.e. A, B and C Category wherein, districts in category A have higher existing industrialization as compared to districts in category C. The specific categorization for an industrial unit under the policy can be further understood from the following diagram:

## **What are the benefits under the Industrial Policy, 2021?**

As the benefits under the Policy differ for one category to another, an applicant would have to evaluate the benefits that would be available to him based on the category depending on the location of unit and the quantum of investments. Some of the major benefits under policy are elaborated below:

### **Investment Promotion Subsidy**

- *100% reimbursement of State Goods & Services Tax (“SGST”) payable by the unit on the on the sale of final products manufactured, sold, and registered in the State shall be reimbursed for a period of 15 years from the date of commercial production or upon achieving minimum eligible investment for structured package in the given district, whichever is later.*
- *A Fixed Capital Subsidy and Flexi Capital Subsidy as a percentage of investments in Eligible Fixed Assets based on the location of investment in the State, employment, exports and ecosystem creation.*
- *Turnover Based Subsidy (eligibility only for Mega and Ultra-Mega Units) for projects creating minimum employment of 2000 jobs.*

*(Note: For Large, Mega & Ultra Mega, above mentioned subsidies are mutually exclusive and a onetime choice has to be exercised at the beginning of the project by the Eligible Unit)*

### **Other benefits**

- *Apart from the above incentives, one may also look at other benefits offered under the policy, including but not limited to the following:*
- *Electricity Tax Incentive: Electricity Tax exemption for the period of 5 years.*
- *Stamp Duty Exemption: 50%-100% Concession on stamp duty payable on lease or purchase of land/shed/buildings meant for industrial use shall be offered in parks promoted by SIPCOT/ SIPCOT JV/SIDCO depending upon the categorization of the industrial unit and category of the districts in which such unit is being set up.*

- *Green Industry Subsidy: 25% subsidy on the cost of setting up environmental protection infrastructure subject to a limit of INR 10 Million (subject to conditions).*
- *Interest Subvention: Interest subvention of 5% as a rebate in the rate of interest only on actual term loans taken for the purpose of financing the project, up to INR 40 Million per annum for a period of 6 years (available only for Ultra-mega units).*
- *Additional Incentives for Sunrise Sector: The State of Tamil Nadu supports technology-driven manufacturing projects in the State. Additional incentives are applicable to Mega and Ultra-Mega Projects for "A" districts or Large, Mega and Ultra-Mega Projects for "B" & "C" districts in Sunrise Sector. The additional incentives include additional rate of investment promotion subsidy, land cost subsidy, stamp duty incentive, enhanced incentive for quality certification, enhanced incentive for intellectual property creation and interest subvention. Specialized policies have also been notified for providing incentives for investments in specified Sunrise sectors.*
- *The list of Sunrise Sector has been illustrated, as follows:*

### **List of Sunrise Sector**

- Aerospace and Defence applications
- Renewable Energy Components Manufacturing
- Medical Electronics, Devices and Equipment
- Biotechnology
- Petrochemicals and Speciality Chemicals
- Footwear, Finished Leather Goods and Polyurethane Fabric
- Agro & Food Processing except Edible oil industries
- Electronics System Design & Manufacturing
- EV, EV Cell & Battery Manufacturing or any green fuel technology
- Pharmaceuticals, Bulk Drugs and Nutraceuticals
- Footwear, Finished Leather Goods and Polyurethane Fabric
- Any other industries as may be notified by Govt from time to time

## **When should an entity apply for the benefits under the Industrial Policy, 2021?**

An application under the Scheme can be submitted to the Implementing Agency by an Eligible Unit only after it has taken all the steps such as acquiring land, fixed assets, obtaining required registration, ensuring minimum employment criteria, etc. but not later than 31 March 2025. The application is required to be supported by documentary evidence with regard to completion of the steps.



An Eligibility Certificate would be issued by the Implementing agency after ascertaining that the Eligible Unit has complied with the provisions of the Scheme and has commenced its Commercial Production within the permissible investment period.



The incentives under the policy (except Stamp Duty Exemption and Land Cost Subsidy) cannot be claimed unless an EC has been issued by the Implementing Agency and the Eligible Unit has complied with the stipulations/conditions of the EC. The period of incentives would vary from 10 years to 15 years as prescribed in the provisions of the scheme



## **Why should an entity evaluate subsidies for manufacturing before setting up business in the State of Tamil Nadu?**

With the introduction of the Industries Policy, 2021, the State Government of Tamil Nadu is focusing on the development of infrastructure by introducing Industrial Parks and Land Bank Creation, improving the transportation and logistics facilities, generation of electricity, water resource management for the industrial growth and betterment of ITC infrastructure. Apart from the above benefits and incentives offered, the Tamil Nadu State Government offers various sector specific schemes such as Start Up and Innovation Policy, 2018-2023, Electric Vehicle Policy, 2019, Solar Policy, 2019, Aerospace and Defense Policy, 2019, etc. From infrastructure point of view, the State of Tamil Nadu has 28 Comprehensive Road Infrastructure Development National Highways. It is an important terminus in the Golden- Quadrilateral road link of NHAI and the district centers are linked via 187 state highways. Further, the State has 3 major ports and 15 minor ports.

A business entity claiming benefits under these schemes can reduce of the capital investment substantially over a period of time which can result into effective management of cash flow for the business. Accordingly, with the wide range of scheme and incentives available to manufacturing units in the State of Tamil Nadu, which offer different and substantial benefits and incentives, it becomes relevant to analyze these policies prior to finalizing the location to set up a manufacturing.

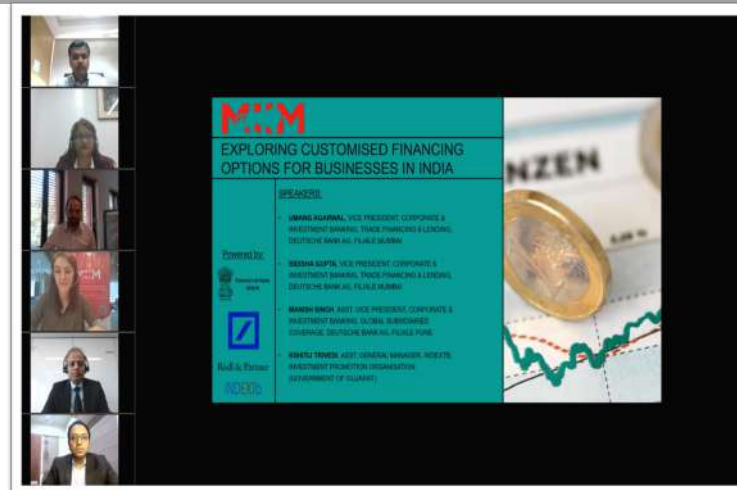
- **Anand Khetan, Partner, Roedl & Partner**
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# Webinar-Recap: “Exploring Customised Financing Options for Businesses in India: GIFT City and TReDS Platform”

On 25th of April 2023, the Make in India Mittelstand Team conducted the webinar “From Waste to Worth: Creating a Circular Economy” with speakers from Invest India, German REtech Partnership, the Material Recycling Association of India (MRAI), BlackForest Solutions GmbH as well as AlphaMERS Ltd.



On 31st of May 2023, the Make in India Mittelstand (MIIM) programme conducted the webinar “Exploring Customised Financing Options for Businesses in India: GIFT City and TReDS Platform” with speakers from Deutsche Bank AG and iNDEXTb.

The webinar provided insights into Financing Options for businesses in India as well as information on the state of Gujarat as an investment destination for foreign investors.

GIFT city in Gujarat aims at providing a conducive business eco-system at par or above with leading global financials hubs, at being India’s first global financial centre and to internalize Indian rupees. TReDS Platform is an electronic platform which strives to facilitate the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers.

Would you like to know more about Financing Options for Businesses in India or about the state of Gujarat as an investment destination? Do you have remaining questions? Watch the recording of the webinar [here](#), reach out to us for the slides that have been presented or simply contact the MIIM Team for more information – we’re happy to help.

# Webinar-Recap: “Gateway to Growth: Exploring India’s Lucrative Medical Device Industry”

On 6th of June 2023, the Make in India Mittelstand Team conducted the webinar “Gateway to Growth: Exploring India’s Lucrative Medical Device Industry” with speakers from Invest India and SPECTARIS. The webinar also entailed relevant case studies – Carl ZEISS and Siemens Healthineers – from the sector.



India's medical devices industry has witnessed significant growth in recent years and is poised for further expansion. With the government's increased focus on healthcare and medical infrastructure, coupled with a growing population, there is a huge demand for medical devices in India. The industry is expected to reach \$50 billion by 2030, making it one of the fastestgrowing markets in the world

For small and medium-sized enterprises (SMEs), this presents a unique opportunity to tap into this growing market and make a name for themselves. India's medical devices industry is characterized by a wide range of products, from simple instruments to complex equipment, and offers ample opportunities for innovation and growth. With the government's push for local manufacturing and the promotion of the "Make in India" initiative, SMEs can also take advantage of the supportive policy environment. It is thus that the webinar provided insights into the growing market for medical devices in India and the opportunities that lie therein. expat or local workforce should be employed – tax and social security related topics, as well as current developments in the Indian market in general.

Would you like to know more about the Medical Device sector in india? Do you have remaining questions? Watch the recording of the webinar [here](#), reach out to us for the slides that have been presented or simply contact the MIIM Team for more information – we’re happy to help.

# Upcoming Event

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**An exclusive interaction with  
H.E. the Ambassador of India to Germany**

**29.08.23**

Register [here](#) for the event.

*Stay tuned for many more events!*

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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 174 companies which represent a cumulative declared investment of 1.5 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





MAKE IN INDIA MITTELSTAND!

Rödl & Partner - Exclusive Knowledge Partner

# Investment support for German Mittelstand Enterprises

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