

NEWSLETTER

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Investment Support for German Mittelstand Enterprises



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Economic Overview

“Neues Jahr, neues Glück” (roughly translated into English as “another year, another chance”) – and new year, new updates on India in what promises to be an extremely interesting year ahead! As always and just like last year, the MIIM team is happy to provide you with the most relevant news on India as a Mittelstand destination in a year 2024 that marks, among other things, elections in some of the most important economies such as the US, the EU parliament and – last but not least – India!

Last year, India assumed the presidency of the G20, a significant global economic assembly, marking a milestone year. During this period, India showcased its economic strength and diplomatic finesse to the global community. Noteworthy in this respect is India's role in advancing a renewed era of multilateralism, wherein developing countries actively contribute to shaping the global narrative by integrating concerns of the Global South into international discourse.

From an economic standpoint, India has functioned as a significant growth engine for the world, contributing 16% to global growth in 2023. With a growth rate of 7.2% in fiscal 2022-2023, India ranked second-highest among G20 countries, nearly doubling the average for emerging market economies during that period according to an article **published as part of the World Economic Forum Annual Meeting** in Davos, Switzerland.

What's more, the outlook for this year is indeed again a promising one:

The World Bank has retained its optimistic outlook for India's FY25 economic growth at 6.4%, highlighting the positive factors of robust domestic demand, increased public infrastructure spending, and strong private-sector credit growth. Despite acknowledging a potential tapering in private consumption growth due to high food inflation and reduced pent-up demand, the report affirms India's position with the fastest growth rate among major economies. The post-pandemic recovery is expected to gradually pick up, with an estimated growth of 6.3% in FY24 and a promising rebound to 6.5% in FY26.

What's more, in terms of stock market value, India has increasingly been gaining attraction as a lucrative option among emerging markets and its stock market has, just a few days ago, **claimed the fourth spot globally** according to Bloomberg data. Over the past four years, India's market capitalisation has approximately doubled.

What else is on the agenda for the next month?

French President Emmanuel Macron is expected to visit India as the chief guest at the country's Republic Day celebrations. His visit is expected to boost discussions on the India-EU trade agreement, according to the GTRI economic think tank. The FTA talks, which were halted in 2013 after six years of discussions, are set to resume with the seventh round scheduled from February 19-23.

Another notable event to look out for is the release of the interim Union Budget on February 1st, 2024. Although no “spectacular announcements” are to be expected according to the finance minister, experts are still expecting some major announcements. The full Union Budget is expected to be released in July/August this year. A comprehensive summary of the main points with inputs from the PTI (Press Trust of India) that will be addressed in the interim Union Budget can be found **here**.

The MIIM-Team looks forward to keep you informed about relevant developments – regarding the Union Budget and beyond – in our next newsletter!

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



Mittelstand In Focus

Unlocking Value Through GIFT City

Driving economic collaboration between Germany and India, the Make in India Mittelstand initiative, a key endeavour by the Indian government, seamlessly integrates a spectrum 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 birthed 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 delve into the numerous business opportunities presented by the Gujarat International Finance Tec-City (GIFT City) for German Mittelstand companies.

GIFT City

GIFT City is a Special Economic Zone (SEZ) located in the Gandhinagar district of the state of Gujarat, India. GIFT City comprises of two distinct zones, the first is that of the International Financial Services Centre (IFSC) which serves as a specialized hub for financial activities, while the second caters to general corporates, providing a strategic location with various incentives. The advantages of GIFT City include tax benefits, state-of-the-art infrastructure, and a regulatory framework tailored to specific industries, fostering a dynamic and competitive business ecosystem. As of August 2023, more than 550 entities are registered with the GIFT City IFSC.

Why establish an IFSC within the GIFT City?

In April 2015, the Government of India took a significant step by initiating the development of an IFSC within GIFT City. GIFT City IFSC, strategically located, offers an efficient platform for foreign currency transactions, attracting global investors interested in sectors like asset management, banking, green finance, social impact capital, insurance, and reinsurance.

Globally, IFSCs cater to customers beyond domestic borders, facilitating the flow of finance, financial products, and services across international boundaries. In the Indian context, an IFSC is a jurisdiction that offers financial services to both non-residents and residents (Institutions) in any currency other than the Indian Rupee (INR). Governed by the Special Economic Zones Act, of 2005, the GIFT City IFSC presents opportunities such as access to a vast hinterland economy, serving as an inbound and outbound gateway for international financial services, and providing global investors with easy access to India's growth story.

What are the advantages offered by GIFT City to corporates?

- Foreign Currency Funding: Corporates can avail funding in various permissible foreign currencies.

- **Geographical Advantage:** GIFT City's location in India provides a time-zone advantage for effective transaction processing and last mile delivery.
- **Competitive Costing:** Various local statutory costs are not applicable, offering competitive costing to corporates. e.g., no Withholding Tax (WHT) on the interest payment for financing availed by corporates situated in India from Banks situated in GIFT City.
- **Easy Onboarding Process:** Faster and easy onboarding process for entities already registered in India.

What are the products offered by GIFT City?

1. Trade Finance Products

- **Post shipment financing for both import and exports:** to support Foreign Currency (FCY) receivables/ payables for both goods and services with a maximum tenor of 1 year for raw material and 3 years for capital goods.
- **Reimbursement Financing:** to support FCY import payments.
- **Bank Guarantee (BG) issuance:** structured BGs supporting both resident and non-residents.

2. Term loan Products

- **External commercial borrowing:** longer tenor FCY borrowing for various corporate purposes as per extant regulations.
- **Offshore loans:** Local entities can provide financial support to their offshore subsidiaries/projects.

3. Accounts and deposits: Foreign currency current accounts or term deposit accounts

What are the benefits of setting up a IFSC business unit in GIFT City?

1. Tax benefits

- 100% income tax exemption for a block of 10 consecutive years out of 15 years, selected by corporates.
- Dividend distribution tax to be taxed in the hands of shareholder.
- No Goods & Services Tax (GST) on services received by unit in IFSC or provided to IFSC.
- Various other state subsidies

2. Exemptions under Companies Act, 2013

- No Corporate Social Responsibility (CSR) provisions are applicable for 5 years from commencement of business.
- Internal Audit applicable only if provided in Articles of Association (AOA).
- IFSC unit can follow the same financial year as holding company without any approval.
- No Limits on Managerial Remuneration.
- No requirement to set up Audit Committee, Nominations and Remuneration Committee.

3. Special Capex/ Opex incentives for IT City/Township, Cloud ecosystem, Data Centres and R&D institutes

Deutsche Bank's support to clients

Deutsche Bank's presence in GIFT City as an International Financial Service Banking Unit (IFSBU) serves the following purposes for clients:

- **Effective and Timely Support:** Deutsche Bank can support offshore needs of German subsidiaries in India, more efficiently due to the absence of time zone differences.
- **Medium and Long Term Fundings:** Deutsche Bank provides medium and long-term fundings in foreign currencies to diversify clients' debt sources.
- **Sophisticated Product Technology:** Deutsche Bank offers structured products for onshore and offshore funding requirements.
- **One-Stop Solution:** Deutsche Bank provides comprehensive support for fund-based and non-fund-based needs, supporting global projects and Joint venture/wholly owned subsidiaries

For more information, please refer to:

GIFT | Welcome to the new epicentre of Global Finance and IT. (giftgujarat.in)

Gujarat International Finance Tec-City - Global Financial Hub (giftsez.com)



We cordially invite you to this year's **"7th MIIM Exchange and Networking Platform"**.
Come and join us in building bridges and fostering collaboration between German Mittelstand and the Indian market!



19th March | 16.00 – 18.30 Hrs | Berlin
followed by a Networking reception

[Click here!](#)

Upcoming Events & Webinar

KEY ISSUES AND CONSIDERATION IN INTERNATIONAL COMMERCIAL ARBITRATION

31.01.2024 | 11:00 TO 12:00 CET

Register [here](#) for the event.

7TH MIIM EXCHANGE PLATFORM

Berlin | 19.03.2024

Register [here](#) for the event.

Stay tuned for many more events!

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 189 companies which represent a cumulative declared investment of 1.7 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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