



Embassy of India  
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MAKE IN INDIA MITTELSTAND!

Rödl & Partner

N E W S L E T T E R

AUGUST 2024

Investment Support for German  
Mittelstand Enterprises



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# Economic Overview

As we look forward to a pivotal month for the India-Germany partnership, marked by the 18th Asia-Pacific Conference of German Business (APK 2024) in New Delhi from October 24-26, 2024, we aim to examine India's current economic status and other pertinent aspects of Indo-German relations.

Starting with insights from the Department of Economic Affairs' latest Economic Review<sup>1</sup>, India's economic momentum continued in Q1 FY25, with GDP growing by 6.7% at constant prices. Cumulative real GDP growth since FY21 reached around 27%, showing recovery from the pandemic and transformational sector changes by FY24.

Aggregate demand components, including private consumption, fixed investment, and exports, increased. General government expenditure is gradually rising due to the April-June general elections, but overall investment still grew by 7.5% in Q1, driven by private investment.

High-frequency supply indicators suggest continued economic expansion, with steady GST collections, positive purchasing managers' indices, and growth in air and port cargo. Global trade dynamics are influenced by geopolitical conflicts, trade disputes, climate change, and AI advancements. Despite weak global demand, India's merchandise exports saw negligible growth, while imports rose due to strong domestic demand.

Labour market conditions improved, with an upswing in net payroll additions under EPFO in Q2 2024, indicating formal job creation. Headline retail inflation was 3.7% in August 2024, with softening food and steady core inflation. As public expenditure and the rural economy strengthen, overall growth is expected to remain steady in the upcoming quarters. This overall optimistic outlook also resonates with the Reserve Bank of India's upgraded growth forecast<sup>2</sup> for the fiscal year 2024/25 to 7.2%, an increase from the previous estimate of 7%, due to a revival in private consumption, strong investment, and a recovery in exports.

The months of September and October 2024 are marked by visits from senior government officials between Germany and India. Svenja Schulze, Germany's Federal Minister for Economic Cooperation and Development, along with a business delegation from the renewable energy sector, visited the RE-INVEST event in Gandhi Nagar, Gujarat, in mid-September. Minister Schulze emphasized India's crucial role in the global energy transition and praised India's efforts to become the world's second-largest solar power producer. She stated, "[...] ultimately the entire world will benefit if India accomplishes an energy transition."<sup>3</sup>

Furthermore, External Affairs Minister S. Jaishankar, during his visit to Germany as part of a three-nation tour, met with German Foreign Minister Annalena Baerbock in Berlin in

September. According to his tweet on the platform 'X,' they "took stock of the India-Germany Strategic Partnership, focusing on trade and investment, green and sustainable development, skilled workers' mobility, technology, and defence and security," and "exchanged views on Ukraine, Gaza, and the Indo-Pacific region"<sup>4</sup>. The Foreign Ministers are set to meet again at the 7th Intergovernmental Consultations. German Chancellor Olaf Scholz and Federal Minister for Economic Affairs and Climate Action Robert Habeck are also scheduled to visit India for the Intergovernmental Consultations, with Robert Habeck additionally chairing the upcoming Asia-Pacific Conference of German Business<sup>5</sup>.

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

2 <https://www.reuters.com/world/india/indias-economy-poised-robust-growth-ahead-annual-budget-2024-07-17/>

3 <https://www.bmz.de/en/news/press-releases/minister-travels-to-energy-transition-conference-in-india-225218>

4 <https://x.com/DrSJaishankar/status/1833509119682097643>

5 [Registration link and more information: https://asiapacificconference.com/registration](https://asiapacificconference.com/registration)

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

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# Mittelstand In Focus

## Understanding NACH: Transforming India's Financial Transactions Landscape

The National Automated Clearing House (NACH) is an initiative by the National Payments Corporation of India (NPCI) aimed at facilitating electronic payments and clearing transactions across various sectors. NACH enables the automated processing of bulk debit and credit transactions, thus replacing the traditional paper-based clearing mechanisms. Its primary objective is to enhance the efficiency, reliability, and reach of electronic payments in India.

### **History and Development**

The evolution of electronic payment systems in India reflects a broader global trend towards digitalisation. Prior to NACH, India's financial transactions relied heavily on paper-based methods, which were both time-consuming and prone to errors. The inception of NACH was a response to these inefficiencies, aiming to modernise and expedite the clearing process.

Launched in 2010, NACH represented a significant step forward in the Indian banking sector. It built upon the earlier achievements of the Electronic Clearing Service (ECS), incorporating advanced features and broader functionalities. Over the years, NACH has evolved through various phases, adapting to the growing needs of the financial sector and incorporating new technologies to enhance its effectiveness.

### **How NACH Works**

NACH operates as a centralised electronic platform that facilitates the processing of bulk payments and receipts. The system involves multiple participants, including banks, financial institutions, and service providers. Here's a simplified overview of how NACH transactions work:

- 1. Initiation:** The process begins when a bank or financial institution submits a batch of transactions (either credits or debits) to the NACH system.
- 2. Processing:** NACH processes these transactions in a secure and automated manner. The system validates and verifies each transaction to ensure accuracy and compliance with regulatory standards.
- 3. Clearing:** Once processed, the transactions are cleared, and the respective amounts are transferred between the involved accounts. This step involves updating the records of both the debit and credit accounts.
- 4. Settlement:** Finally, the settlement phase ensures that the funds are accurately transferred and credited to the respective accounts.

## **Types of NACH Transactions**

NACH supports two primary types of transactions: credit and debit.

- **Credit Transactions:** These include bulk payments such as salary credits, pension disbursements, and other regular payments. For instance, many employers use NACH to deposit salaries directly into employees' bank accounts, ensuring timely and accurate payments.
- **Debit Transactions:** NACH facilitates bulk debit transactions such as utility bill payments, loan repayments, and subscription fees. By using NACH, service providers can automate recurring payments, reducing the need for manual intervention and minimising errors.

In addition to these, NACH plays a significant role in the Direct Benefit Transfer (DBT) scheme, which aims to deliver subsidies and benefits directly to beneficiaries' bank accounts, enhancing transparency and efficiency in government welfare programs.

## **Benefits of NACH**

NACH offers several key benefits:

- **Efficiency and Convenience:** NACH significantly speeds up the processing of bulk transactions compared to traditional methods. This efficiency translates into quicker crediting and debiting of accounts, reducing the processing time from days to hours.
- **Reduced Transaction Costs:** By automating transactions, NACH lowers the costs associated with manual processing and paperwork. This reduction in operational costs benefits both financial institutions and customers.
- **Enhanced Security and Fraud Prevention:** NACH incorporates robust security measures to safeguard transaction data. Automated processing reduces the likelihood of human error and fraud, enhancing the overall integrity of the financial system.

## **Regulatory Framework and Governance**

NACH operates under the regulatory oversight of the National Payments Corporation of India (NPCI), which is responsible for developing and managing retail payment systems in India. The regulatory framework governing NACH ensures compliance with industry standards and safeguards the interests of all participants.

The Reserve Bank of India (RBI) also plays a crucial role in overseeing NACH operations, setting guidelines, and ensuring that the system adheres to regulatory requirements. This governance structure helps maintain the reliability and security of the NACH system.

## **Features of NACH Mandate**

- **Authorisation:** NACH mandates authorised banks or service providers to initiate automated transactions from the customer's bank account.
- **Flexibility:** Mandates can be set up for various payment frequencies, including one-time, recurring, or periodic payments.
- **Modification:** Customers can easily modify or update their mandates to change payment amounts, frequencies, or other parameters as needed.
- **Cancellation:** Customers have the option to cancel NACH mandates at any time,

- providing flexibility and control over their automated payments.
- **Security:** NACH mandates adhere to strict security protocols, ensuring the confidentiality and integrity of customer banking information.

### **Challenges and Limitations**

**System Adoption and Integration:** While NACH has been widely adopted, some financial institutions and service providers still face challenges in integrating with the system. This can lead to delays and inconsistencies in transaction processing.

**Technical and Operational Issues:** Technical glitches or operational errors can occasionally disrupt the smooth functioning of NACH. Ensuring system reliability and addressing these issues promptly is essential for maintaining trust in the system.

**Awareness and Training:** Adequate training and awareness programs are necessary for stakeholders to fully understand and utilise NACH's capabilities. Continued education and support are crucial for optimising the system's benefits.

### **Conclusion**

NACH has undeniably transformed the landscape of financial transactions in India, offering a more efficient, secure, and cost-effective alternative to traditional methods. By automating bulk payments and receipts, NACH has streamlined processes, reduced operational costs, and improved the overall reliability of the financial system. As India continues to advance its digital payment infrastructure, NACH will likely play a pivotal role in shaping the future of financial transactions in the country.

For more details refer to the below links:

What is NACH? NACH Types, Forms, Charges, Benefits and Features (aavas.in)

Explained: How changes in NACH will affect cheque payments - Hindustan Times

e-Mandate & e-NACH: Full Form, Meaning, Differences, Benefits, How does it work? (kotak.com)

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

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**Ministry of Commerce & Industry**

# **Make in India Celebrates 10 Years: A Decade of Transformational Growth**

India's Manufacturing Revolution Gathers  
Momentum with Focus on Innovation, Investment,  
and Self-reliance

The 'Make in India' initiative, launched on 25th September 2014, completes a landmark decade of empowering India to become a global manufacturing hub. Under the visionary leadership of Prime Minister Shri Narendra Modi, the program has played a pivotal role in boosting domestic manufacturing, fostering innovation, enhancing skill development, and facilitating foreign investment.

## **10 Years of Impact: A Snapshot**

**Foreign Direct Investment (FDI):** Since 2014, India has attracted a cumulative FDI inflow of USD 667.4 billion (2014-24), registering an increase of 119% over the preceding decade (2004-14). This investment inflow spans 31 States and 57 sectors, driving growth across diverse industries. Most sectors, except certain strategically important sectors, are open for 100% FDI under the automatic route. FDI equity inflows into the manufacturing sector over the past decade (2014-24) reached USD 165.1 billion, marking a 69% increase compared to the previous decade (2004 -14), which saw inflows of USD 97.7 billion.

**Production Linked Incentive (PLI) Scheme:** The PLI Schemes introduced in 2020 have resulted in ₹1.32 lakh crore (USD 16 billion) in investments and a significant boost in manufacturing output of ₹10.90 lakh crore (USD 130 billion) as of June 2024. Over 8.5 lakh jobs have been created directly and indirectly due to the initiative.

**Exports & Employment:** India's merchandise exports surpassed USD 437 billion in FY 2023-24. Exports have surged, with an additional ₹4 lakh crore generated due to the PLI schemes, while total employment in the manufacturing sector increased from 57 million in 2017-18 to 64.4 million in 2022-23.

**Ease of Doing Business:** India's commitment to improving business conditions is evident in its sharp rise from 142nd rank in 2014 to 63rd rank in 2019 in the World Bank's Doing Business Report. Over 42,000 compliances have been reduced, and 3,700 provisions has been decriminalized. The Jan Vishwas (Amendment of Provisions) Act, 2023, passed by Lok Sabha on 27th July 2023 and Rajya Sabha on 2nd August 2023, which has decriminalized 183 provisions across 42 Central Acts.



## **Key Reforms**

**Semiconductor Ecosystem Development:** Semicon India Program, worth ₹76,000 crore, aims to provide an impetus to semiconductor and display manufacturing by facilitating capital support and technological collaborations. India has developed policies to support every segment of the semiconductor ecosystem, not just focusing on fabs but also including packaging, display wires, OSATs, sensors, and more.

**National Single Window System (NSWS):** Launched in September 2021, this platform simplifies the investor experience, integrating clearances from 32 Ministries/ Departments and 29 States/UTs, facilitating rapid approvals.

**PM Gatishakti:** PM Gati Shakti National Master Plan (NMP), a GIS based platform with portals of various Ministries/Departments of Government, was launched in October, 2021. It is a transformative approach to facilitate data-based decisions related to integrated planning of multimodal infrastructure, thereby reducing logistics cost.

**National Logistics Policy (NLP):** Aimed at reducing logistics costs and increasing efficiency, the NLP, launched in 2022, is key to making Indian products more globally competitive.

**Industrial Corridors & Infrastructure:** The development of 11 industrial corridors under the National Industrial Corridor Development Programme has seen the approval of 12 new projects with a projected investment of ₹28,602 crore. These corridors enhance India's competitiveness by providing world-class infrastructure.

**One-District-One-Product (ODOP):** Promoting indigenous products and craftsmanship across India, the ODOP initiative has fostered local economic development, with Unity Malls being set up in 27 states to provide platforms for these unique products.

**Startup India:** The Government with intent to build a strong ecosystem for nurturing innovation and encouraging investments launched the Startup India initiative on 16th January 2016. Sustained efforts by the Government under the Startup India initiative have led to an increase in the number of recognised startups to 1,40,803 as on 30th June 2024, which have created over 15.5 lakh direct jobs.

Government of India has undertaken a comprehensive and multi-faceted approach to boost both domestic and foreign investments, fostering a robust and dynamic economic environment. From landmark reforms such as the Goods and Services Tax (GST) and the reduction in corporate tax, to far-reaching measures aimed at improving ease of doing business and streamlining FDI policies, every step is geared towards creating a more investment-friendly ecosystem. Initiatives like the Phased Manufacturing Programme (PMP), public procurement orders, and Quality Control Orders (QCOs) are focused on driving domestic manufacturing and enhancing product quality.

The Government's proactive response to the challenges posed by COVID-19, through the Atmanirbhar Bharat packages and targeted investments under the National Infrastructure Pipeline (NIP) and National Monetization Pipeline (NMP), has turned adversity into an opportunity for growth. Tools such as the India Industrial Land Bank (IILB), Industrial Park Rating System (IPRS), and the National Single Window System (NSWS) further streamline

processes for investors. Additionally, Project Development Cells (PDCs) in various Ministries ensure that investment proposals are fast-tracked, making India a more attractive destination for global and domestic investors. These efforts collectively reinforce India's position as a burgeoning hub for manufacturing and innovation.

As India moves into its next decade of growth, Make in India 2.0 focuses on furthering sustainability, innovation, and self-reliance. With strategic interventions in renewable energy, green technologies, and advanced manufacturing, the initiative is ensuring that Indian products meet the highest global standards.

# EPR Compliance for Companies Operating in India

The Ministry of Environment, Forest, and Climate Change (MoEFCC) has significantly revamped compliance guidelines related to **Extended Producer Responsibility (EPR)** to promote sustainable practices among companies operating in India. These changes apply to plastic, electronics, batteries, and waste tyres, aiming to make industries more accountable for waste management. As India moves forward in its commitment to the **United Nations Sustainable Development Goals (UNSDG)**, EPR compliance has emerged as a pivotal part of this journey towards sustainability.

## Understanding EPR Compliance

EPR is a policy approach where the **Indian Government** holds **producers, importers, and brand owners** responsible for managing post-consumer waste generated by their products. This means that companies need to ensure their products are designed with sustainability in mind, focusing on recyclability, waste reduction, and ethical disposal at every stage of a product's lifecycle. Essentially, companies must take responsibility not only for their products but also for the waste these products generate.

## Key stakeholders in EPR Compliance

There are three primary stakeholders involved in EPR compliance:

- 1. Producers:** These include manufacturers who play a significant role in sustainable product design. They must use eco-friendly materials, set up efficient waste collection systems, and collaborate with authorized recyclers to manage waste generated from their products.
- 2. Importers:** Importers are equally responsible for ensuring EPR compliance. If they choose to import products into India, they must register with the authorities, provide product details, and implement waste management strategies. This often involves forming service agreements with authorized waste disposal vendors.
- 3. Brand Owners:** Even if a company does not directly manufacture a product but labels it under its brand name, it still falls under the EPR compliance umbrella. Brand owners must work closely with both producers and importers to ensure that their products are disposed of sustainably.

## Sectors covered by EPR Compliance

EPR compliance covers several waste categories, with key areas including:

- 1. Plastic Waste:** Companies involved in the production or import of plastic packaging and products must maintain records of their plastic usage. They are required to implement a waste management system for collecting and disposing of used plastics.

1. **E-Waste:** With the rise of electronic goods, e-waste management has become crucial. Companies in this sector need to set up collection facilities for electronic waste and submit detailed EPR plans to regulatory authorities.
2. **Tyre Waste:** Manufacturers of tyres must collect and recycle old tyres, ensuring ethical disposal through authorized recyclers.
3. **Waste Batteries:** Companies producing batteries must collect used batteries and ensure they are sent to certified recyclers for disposal.

### **How does EPR compliance work?**

The EPR compliance process begins with **registration** with regulatory authorities, where companies must provide comprehensive details about their products, waste generation, and management strategies. Once registered, companies need to establish a waste collection system and meet recycling goals in accordance with EPR guidelines. Additionally, they must submit annual compliance reports, usually due by April 30th each year.

Non-compliance with EPR regulations can result in **hefty penalties and legal actions**, which can disrupt business operations. Therefore, it is essential for companies to prioritize EPR compliance to avoid such risks.

### **The importance of EPR Compliance**

EPR compliance is more than a regulatory requirement; it is an opportunity for companies to actively contribute to a more sustainable future. By adopting EPR practices, businesses can reduce their environmental impact, improve resource efficiency, and enhance their reputation as environmentally responsible entities.

### **Conclusion**

In conclusion, **Extended Producer Responsibility (EPR)** is an essential component for companies looking to contribute to sustainability in India. As we continue on this journey toward a greener and more sustainable world, EPR compliance will play a critical role in making India a cleaner, more eco-friendly nation.

Let's work together to embrace EPR compliance and ensure a sustainable future for generations to come.

**Rushak Tatkalkar, Partner, Roedl & Partner**  
**Mayank Tripathi, Consultant, Roedl & Partner**

# Upcoming Events

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## **Indien im Fokus: Neue Chancen auf dem Subkontinent**

*09.10.2024 | Frankfurt*

**Register [here!](#)**

## **Rising Rajasthan: Munich Investor Meet**

*15.10.24 | Munich*

**Register [here!](#)**

## **Rising Rajasthan: Rajasthan Tourism Meet**

*15.10.24 | Munich*

**Register [here!](#)**

## **Asia-Pacific Conference of German Business 2024**

*24 - 26 October 2024 | New Delhi*

**Register [here!](#)**

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# Upcoming Webinar

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## **Opportunities in the Textiles sector and the state Odisha**

*Online | Date to be confirmed shortly*



You are cordially invited to  
**RISING RAJASTHAN  
TOURISM MEET**

15 October 2024 • 6.30 pm onwards  
Hotel Sofitel Munich Bayerpost,  
Bayerstraße 12, 80335 München, Germany

Chief Guest

**SHRI BHAJANLAL SHARMA**  
Hon'ble Chief Minister, Rajasthan

Guest of Honour

**MS. DIYA KUMARI**  
Hon'ble Deputy Chief Minister  
Government of Rajasthan

OTHER DIGNITARIES

**MR. SHIKHAR AGRAWAL**  
Additional Chief Secretary to CM  
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You are cordially invited to

# RISING RAJASTHAN MUNICH INVESTOR MEET

15 October 2024 • 11 am onwards  
Hotel Sofitel Munich Bayerpost,  
Bayerstraße 12, 80335 München, Germany

Chief Guest

**SHRI BHAJANLAL SHARMA**  
Hon'ble Chief Minister, Rajasthan

Guest of Honour

**MS. DIYA KUMARI**  
Deputy Chief Minister  
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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 219 companies which represent a cumulative declared investment of 2.1 bn EUR to India. MIIM has supported and facilitated the establishment of approximately 122 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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