Embassy of India
Berlin, Germany

MAKE IN INDIA MITTELSTAND!

Rödl & Partner

NEWSLETTER

Investment Support for German Mittelstand Enterprises

IN THIS ISSUE:

Article provided by:

Rödl & Partner

Economic Overview

India's 'Lok Sabha' (i.e. general elections) are in full swing and the whole world turns to the subcontinent in anticipation – not least because **India is becoming an increasingly important trading partner for Germany[1]:** In 2023, German exports to India reached a new record as goods worth 17.8 billion dollars were exported, almost 14% more than in the previous year.

As always, this Economic Overview aims at summarising the latest economic developments in the country and to briefly inform you about relevant developments in the Indo-German (business) sphere:

Globally, signs suggest increased economic activity, although ongoing conflicts continue to pose risks. Despite these global challenges, India's economic performance demonstrates growth across sectors and thus reinforces its vital role in global growth support according to the **Indian government's Monthly Economic Review[2].**

While global inflation has decreased in many areas, recent rises in inflationary pressures worldwide, along with sustained core inflation, are concerning. In India, governmental and RBI efforts to combat inflation through measured policy rates, bolstering food reserves, and easing imports seem to be effectively managing inflation. Consequently, retail inflation dropped significantly in Financial Year 2023-24, reaching its lowest level since the Covid-19 pandemic, with core inflation at 3.3 percent in March 2024. Furthermore, predictions of a favorable monsoon in 2024 suggest a good harvest, alleviating worries regarding the inflation.

Slowing global trade, as indicated by the United Nations Conference on Trade and Development (UNCTAD), presents a challenging landscape for economies worldwide. Despite these difficulties, India's trade deficit is expected to shrink in the future as the PLI (Production Linked Incentive) scheme broadens its reach and includes more sectors. Supported by strong exports and resilient remittances, various international agencies and the RBI anticipate the CAD to GDP ratio to have dropped below 1 percent in Financial Year 2023-24. Additionally, strategic trade pacts like the India-EFTA Trade and Economic Partnership Agreement demonstrate India's commitment to expanding its global trade presence and leveraging international partnerships for sustained economic growth.

Overall, India maintains its position as the fastest-growing major economy, with positive growth outlook assessments for the current fiscal year from international organizations and the RBI. Accordingly, the IMF has raised its estimate of India's real GDP growth for FY2023-24 to 7.8 percent in its April 2024 World Economic Outlook (WEO), up from 6.7 percent in its January 2024 update and 6.3 percent in its October 2023 WEO.

1 https://wiwo.de/politik/ausland/weltgroesste-demokratie-neue-rekord-exporte-warum-indien-fuer-deutschland-immer-wichtiger-wird-/29764250.html

2 https://dea.gov.in/sites/default/files/Monthly%20Economic%20Review_March%202024.pdf

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

The Water (Prevention and Control of Pollution) Amendment Act, 2024

The Ministry of Environment, Forests & Climate Change has introduced a crucial amendment under the Water (Prevention & Control of Pollution) Amendment Act, 2024 which received the Presidential assent as on 15 February, 2024. The said amendment will be immediately enforceable in the states of Rajasthan, Himachal Pradesh, and Union Territories, and it shall apply to such other State which adopts this Water (Prevention & Control of Pollution) Amendment Act, 2024 by resolution.

As per this amendment, section 27-A is newly inserted whereby the Central Government, in consultation with the Central Pollution Control Board (CPCB), is authorized to issue guidelines to State Pollution Control Boards (SPCBs) concerning matters such as exemptions for certain categories of industrial plants, the granting, refusal, or revocation of consent for any industrial operation or process related to wastewater treatment and disposal systems, as well as to bringing into use of a new or altered outlet. These guidelines shall also encompass the mechanism for timely disposal of applications submitted under Section 25 of the Water (Prevention and Control of Pollution) Act, 1974, as well as the duration of consent validity. SPCBs are required to adhere to these guidelines when carrying out their functions regarding the granting, refusal, or revocation of consent under Sections 25 or 27 of the Water Act.

Section 25 of the Water Act states that conditional to the provisions of this section, no person shall, without the previous consent of the State Board- (a) establish any industry, operation or process, or any treatment and disposal system or, any extension or addition thereto, which is likely to discharge sewage or trade effluent into a stream or well or sewer or on land or (b) bring into use any new or altered outlet for the discharge of sewage; or begin to make any new discharge of sewage. Section 27 of the Water Act stipulates that SPCB shall not grant its consent under section 25 of the Water Act for the establishment of any industry, operation or process, or treatment and disposal system or extension or addition thereto, or to the bringing into use of a new or altered outlet unless the industry, operation or process, or treatment and disposal system or extension or addition thereto, or the outlet is so established as to comply with any conditions imposed by the Board to enable it to exercise its right to take samples of the effluent. The existing provision under section 44 of the Water Act is retained by the Water (Prevention & Control of Pollution) Amendment Act, 2024 which stipulates that contravention of Section 25 is punishable with imprisonment for a term not less than 1 year and 6 months but which may extend to 6 years and with fine.

It is pertinent to note that except for violation in terms of section 25 and 26 of Water Act, the Water (Prevention & Control of Pollution) Amendment Act, 2024 has to a certain extent decriminalized certain penal provisions and have replaced with financial penalty between INR 10,000 up to INR 1,500,000.

Further in case such offences continue, the penalty shall be INR 10,000 for each day of subsistence of the offence. The non-payment of penalties may result in imprisonment of up to 3 years or a fine double the penalty amount.

If the defaulting entity prosecuted by the National Green Tribunal and held guilty it is liable to pay penalty in addition to any relief or compensation imposed on it by the tribunal. Such amount of penalty is to be credited to the Environment Protection Fund.

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In brief: India's 2024 Code Prescribing Marketing Practices for the Pharma Industry

In March 2024, the Uniform Code for Pharmaceutical Marketing Practices (UCPMP) 2024 ("Code") was notified to pharmaceutical associations in India. The Code applies to manufacturers, agents, wholesalers, and distributors of medicinal drugs as well as medical devices, unless specifically exempted.

While the Code is substantially similar to the UCPMP notified in the year 2014, it appears to clarify aspects of the pharma industry's relationship with medical practitioners to correspond with obligations from the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002 governing registered medical practitioners in India.

Notably, the Code makes the executive head of a company responsible for its adherence and a self-declaration to that effect is required to be submitted at the close of every financial year by every company falling in the purview of the Code.

The Code can be divided into four major sections as follows for ease of understanding.

1. The opening section deals with claims on the usefulness of a drug and comparisons of drugs as well as textual and audio-visual promotional material. The provisions are intended to ensure that promotion of a drug is consistent with the terms of its marketing approval.
2. Next, the Code deals with medical representatives and distribution of brand reminders by them. It specifies who shall be construed as medical representatives, the standard of their conduct, and holds the companies engaging them responsible for the activities they carry out. Particularly, the Code here introduces that the value of any informational and educational items distributed as brand reminders shall not exceed INR 1,000.00 per item, while having no independent commercial value for the medical practitioner receiving it. It also introduces a distribution limit of twelve sample packs per drug to a medical practitioner in a year as well as a monetary value limit on sample distribution being 2 per cent of the domestic sales of the company per year.
3. Further, the Code specifies the framework for engagement of the pharma industry with medical practitioners for continuing medical education, support for research through industry-academia linkage, and relationship with medical practitioners in terms of extending travel and hospitality facilities. It prohibits monetary and non-monetary gifts as well as monetary grants under any pretext for personal benefit to a medical professional or their immediate and extended family member.
4. In the final section, the Code establishes the complaints procedure. It provides for the formation of an Ethics Committee for Pharma Marketing Practices (ECPMP) in each pharma industry association in India which shall decide complaints alleging breach of the Code. The ECPMP is mandated to give its decision in a timebound manner, and the Code provides actions that it can take against an erring entity. An appeal from its decision rests with the Apex Committee for Pharma Marketing Practices (ACPMP) which

shall be headed by the Secretary of the Department of Pharmaceuticals of the Government of India.

The Code is expected to be disseminated and implemented strictly by pharmaceutical associations in India. As a result, businesses are recommended to ascertain areas of concern, and prioritize review of their marketing policies, promotional material, contracts with medical representatives, etc. to comply with the Code.

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Article provided by:

Deutsche Bank

Mittelstand In Focus
Benefits of the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme

In the endeavour to further 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 benefits offered by the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme for companies exporting products originating in India.

Remission of Duties and Taxes on Exported Products (RoDTEP) scheme

The "Remission of Duties and Taxes on Exported Products" (RoDTEP) Scheme is a policy adopted by the Indian government to boost the country's exports. The scheme offers a rebate on various taxes levied on exported products, ensuring that the products are more competitively priced in the global market. The RoDTEP Scheme is designed to refund duties, taxes, and levies at the central, state, and local levels, which are not refunded in any other existing schemes. This includes taxes such as the Value Added Tax (VAT), Central Excise Duty, and fuel used in transportation. Its primary aim is to make Indian products cost competitive in international markets, supporting the exporting community to meet global standards and regulatory requirements.

Benefits of RoDTEP Scheme

The benefits of the RoDTEP Scheme are multifaceted and aimed at enhancing the competitiveness of Indian exports. Key benefits include:

- ***Reduced Cost:*** It reduces the cost of production for exporters by offering a rebate on taxes, making their products competitively priced.
- ***Boost in Exports:*** By making products more attractive price-wise, it helps boost the country's exports.
- ***Enhance Productivity:*** With reduced costs, organisations can invest more in R&D and product enhancement, thereby increasing productivity and quality.
- ***Ease of Doing Business:*** The scheme simplifies the process of tax rebates, contributing to the ease of doing business.

Rules and Regulations

The RoDTEP Scheme is governed by rules and regulations to ensure that the benefits are extended to the right beneficiaries and are not misappropriated. Some of the key regulations include:

- ***Eligibility Criteria:*** Exporters must meet certain criteria to be eligible for the scheme. This includes the requirement that goods must be manufactured in the country and exported.

- ***Documentation:*** There are strict documentation and compliance requirements to claim the benefits under the scheme. This includes proof of export, production details, and tax payments.

- ***Claim Process:*** It involves the submission of necessary documents to the designated authority within a specified timeframe.

- ***Rebate Rates:*** The scheme offers varying rebate rates depending on the product and its tax incidence. The government regularly updates and publishes these rates.

Eligibility to obtain benefits under the RoDTEP Scheme

- All sectors, including the textiles sector, may enjoy the benefits of the RoDTEP Scheme. Labor-intensive sectors that enjoy benefits under the Merchandise Exports from India Scheme (MEIS) will be given priority.

- Manufacturer exporters and merchant exporters (traders) are both eligible for the benefits of this scheme.

- There is no turnover threshold to claim the RoDTEP.

- Re-exported products are not eligible under this scheme.

- To be eligible for the benefits of this scheme, the exported products must originate from India. Special Economic Zone Units, and Export Oriented Units are also eligible to claim the benefits under this scheme.

- Even where goods have been exported via courier through e-commerce platforms, RoDTEP scheme applies.

The RoDTEP Scheme represents a vital endeavour geared towards enhancing exports by alleviating the tax and levy burdens borne by exporters. Through the provision of rebates on various taxes, it amplifies the competitiveness of products within the global market sphere. However, to avail the scheme's benefits, exporters must diligently adhere to the stipulated rules and regulations. Consequently, the scheme not only provides financial assistance to exporters but also promotes adherence to compliance and regulatory standards, thereby contributing to the comprehensive growth and development of the country's export sector.

Deutsche Bank's support for 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 imports.

Additionally, Deutsche Bank in 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 visit RoDTEP SCHEME (indiantradeportal.in).

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

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En Route to Cleaner Energy

2023 saw India doubling down on its commitment to boost renewable energy in order to battle the climate crisis. With ambitious targets and pioneering policies, India not only captured global attention but also established itself as a trailblazer. The year ahead is expected to see several transformative trends to redefine India's clean energy trajectory.

Renewable Expansion Acceleration

India's relentless momentum towards a renewable future remains steadfast. The nation's trajectory aims at installing 500 GW of non-fossil fuel capacity by 2030, propelled by competitive tariffs, technological leaps, and robust Government incentives. The projected tendering spree, targeting 50 GW annually over the next five years, promises a monumental leap in solar and wind capacities, attracting substantial investment from both domestic as well as foreign investors.

Promotion of Carbon and Green Credit

The Green Credit Rules, 2023 are intended to incentivise environmentally positive actions through a market-based mechanism and generate green credit, that would be tradable on a domestic market platform.

Similarly, introduction of the Carbon Credit Trading Scheme, 2023 for the first time provides for setting up an Indian Carbon Market along global lines and signals that carbon emission ¬concerns have taken prominence in the Indian context as well.

Green Hydrogen Mission

The National Green Hydrogen Mission has ushered in a new era of development and deployment of a new alternative clean energy source in India. Recently, the Solar Energy Corporation of India concluded its request for proposal for setting up of green hydrogen facilities which saw a massive response from stakeholders. In 2024, this sector is likely to witness more tenders and substantial advancements driven by regulatory interventions, increased investment, and strategic partnerships.

Stepping on the gas

The Government has set a target to increase the share of natural gas in the energy mix share from 6% to 15% by 2030. This increase in the share of natural gas by 2030 is intended through proposed expansions of the National Gas Grid Pipeline, city gas distribution (CGD) network, and liquefied natural gas (LNG) terminals. In the coming years, we may see substantial thrust from the Government, attracting more private participation. Recently the Petroleum and Natural Gas Regulatory Board launched its twelfth round of bidding for

CGD networks which is likely to be concluded in 2024.

As 2024 unfolds, it promises groundbreaking strides in clean energy adoption, policy evolution, and international partnerships, illuminating the path towards India's greener and more sustainable energy landscape, making India's energy sector the preferred destination for investment.

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.

Dibyanshu Sinha, Partner, Khaitan & Co

We are proud to introduce our new MIIM-member

Licht Kunst Licht is an international lighting design studio with offices in Bonn, Berlin, Bangalore and the LKL Design Hub in Barcelona. With an enormous portfolio comprising over 1,000 completed projects, many of which have received highly prestigious honors and awards.

In addition to the planning and design of artificial light, the team also includes specialists dedicated to daylight and product design.

Licht Kunst Licht boasts over 500 book and magazine publications and a collection of five personally published books documenting their extensive field of activity.

www.lichtkunstlicht.com

We are proud to introduce our new MIIM-member

GROUP SCHUMACHER

Agricultural technology is one of the world's strongest innovation sectors. Increasing quantities of harvested crops need to be processed in the shortest possible time and with minimum loss. This challenge is precisely Group Schumacher's goal.

GROUP SCHUMACHER is a family-owned and operated group of manufacturers, developing, producing and selling innovative components and parts for the agriculture industry. As a global player with seven sites in Germany, USA, Brazil, Russia and China they are one of the leading manufacturers of cutting and binding technology for harvesters and balers.

Millions of our products, such as cutting systems and knife drives for combines, crop lifers, knotters for square balers, straw chopper knifes, rotary blades, branch and hedge trimmers, are used in harvesting machines around the world - either as part of the machine equipment from the outset, as changeover or as spare parts.

With the experience from the important harvesting regions around the world, the company's 600 employees are committed to innovative harvesting solutions and services that enable machine manufacturers, farmers and contractors to improve their profitability. Based on state-of-the-art technology and the expansion of digitalization Group Schumacher is increasing their ability to respond to the complex requirements of changing and volatile markets. This enables them to harvest important raw materials for food and energy production efficiently and safely.

Upcoming Webinar

More than 'Good Chemistry':
Succeeding in the Indian Chemical Sector as a Mittelstand Company

8 May, 2024 | 11.00 – 12.15 CET

Register here!

Stay tuned for many more events!

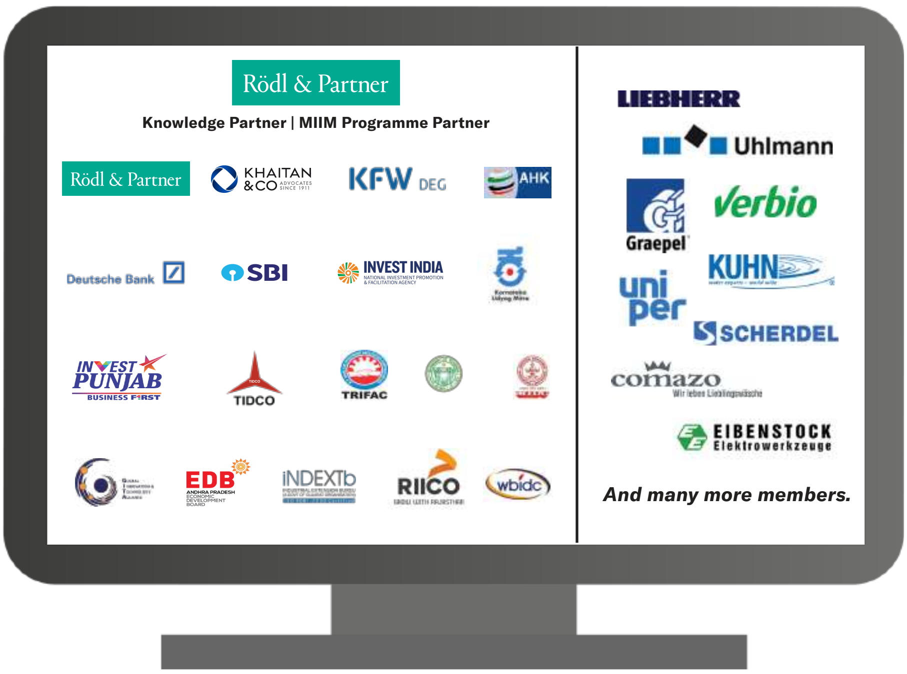
About MIIM

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 205 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.



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Investment support for German Mittelstand Enterprises

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