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INDIA & GERMANY

EXCITING PRESENT, PROMISING FUTURE

Federation of Indian Chambers of Commerce and Industry

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Contents

Foreword

Dr. Amit Mitra

Ian Gomes

India and Germany are old trading partners. It is recorded that the first economic relations between the two countries date back to the 16th century, which was further strengthened by the opening of consular offices of cities of Hamburg (1844) and Hanover (1855) in India. An oft-quoted example of historic economic ties is Siemens laying the telegraph cable between Kolkata and London in 1867.

For many years, the bilateral trade between countries was not significant but has improved since the 1990s. It has further room for improvement as India still ranks low among Germany's trading partners with a 0.7 % share of Germany's global trade. However, from India's point of view, Germany is a significant trading partner and ranks among the top five globally and is the largest trading partner in Europe. Bilateral trade has grown significantly in the past decade and is expected to increase to €20 billion by 2012, if the ambitious trade target set by the German Chancellor and Prime Minister Singh in 2007 is achieved on schedule.

Other than trade and bilateral investment, the agenda for Indo-German partnership includes cooperation in several areas: environment, renewable energy, science and technology, culture, education skill development to name a few.

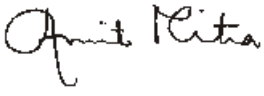
Bilateral investment and business-to-business links have strengthened concomitant to India's rapid economic growth. India has become an attractive market and a production base for German companies, not just large companies, but also mid-sized companies in a wide range of industries. Reports suggest that about 2,700 Indo-German cooperative

business ventures have been set up since 1991 and Germany, with an FDI stock of US$ 2.8 billion as of May 2010, is 8th largest investor in India.

India's fast-paced economic growth has helped companies in developed countries, including Germany, escape the stagnancy in local markets and find growth opportunities in India: increasing contribution of Indian subsidiaries to global corporations' bottom line confirms this. India has also helped several of these companies reduce their production cost and be competitive. Overall productivity gains and improvement in production quality in India has only helped them further.

India with a sustained economic-growth and stable business environment offers long-term opportunities to German companies. On the other hand, German companies with world-class technology, innovation and expertise in various industries can increase product quality of Indian companies.

We are confident that this publication, which highlights such opportunities, will be instrumental in further strengthening the ties between India and Germany. Both FICCI and KPMG remain committed to facilitating economic and business partnerships between India and Germany.



Dr Amit Mitra
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Summary

The purpose of this publication is to provide a general background on business environment and to outline current activities and opportunities in various industry sectors in the two countries. Some economic and commercial issues on both sides have been highlighted to understand how it is to conduct business in respective countries; what are the challenges and opportunities. Furthermore, a few examples of successes and learnings on both sides have been showcased.

To strengthen the economic relations both countries have acknowledged the need to facilitate bilateral trade through easy procedures and removal of non-trade barriers and emphasized on the importance of cooperation on scientific research and technology.

The efforts have resulted in bilateral trade growing by an average of 17 percent annually between 2000 and 2009. According to the Indian Embassy in Berlin, In 2009, due to global economic crisis total trade, however, decreased marginally to Euro 13.09 billion, India's export to Germany decreased by 2.81% to Euro 5.10 billion and import from Germany decreased by 1.93% to Euro 7.99 billion. The target set earlier by the two Heads of Governments to double bilateral trade from Euro 5 billion to Euro 10 billion by 2010 was achieved three years ahead of schedule. During the visit of German Chancellor Angela Merkel to India in October 2007, both sides have set a new trade target of Euro 20 billion to be achieved by 2012.

Foreign Direct Investment into India from Germany is also picking up. FDI Stock, which stands at US$ 2.8 billion, has increased three times between April 2002 and May 2010. Investments by Indian companies in Germany too have seen impressive growth.

To German companies, India's sustained economic-growth and competitive cost base offers long-term opportunities; whereas Indian companies can access world-class technology and R&D through collaboration with German companies. Several sectors present business opportunities between the two countries. Trends in some of these sectors: such as automotive, pharmaceuticals, clean technology, infrastructure, food processing; have been outlined in this paper.

 # Auswärtiges Amt

In each of these sectors, both countries have respective strengths that companies can take advantage of. For example, India is one of the largest automotive markets in the world and the third-largest in Asia, behind Japan and China. It is expected to be the seventh-largest automotive market by 2014. India also presents an opportunity to German suppliers to address the global auto components market and serving also India's large and growing domestic market by basing production there.

A key element of this paper is a survey on economic and commercial issues on both sides to understand how it has been to conduct business in respective countries; what are the challenges and opportunities on each side.

Key challenges that German companies face in India are related to speed and ease of doing business, which is relatively faster and simpler than before but can still be slower and more difficult than what German companies are used to. Lack of adequate infrastructure is another major concern and so is lack of information and clarity on procedures and regulations, particularly with regard to tax and foreign investments.

On the other hand, Indian companies find excellent infrastructure in Germany but face issues with the tax and labour laws (which they find complex) and work-permit and visa regulations.

Introduction

India's position in the world underwent significant change in the last decade of 20th century. This was due to its impressive economic growth after it initiated reforms to reduce bureaucratic controls and other impediments to doing business in and with India. Germany saw the potential of new India and created an Agenda for Indo-German Partnership to strengthen the relations between the two countries. The agenda paper, which was signed by the two countries' foreign ministers in May 2000, identified several areas of cooperation: bilateral political relations; issues of security policy and disarmament; economic and trade relations; cultural relations etc. The agenda paper has been supplemented by further agreements on improving bilateral relations in April 2006 and October 2007.

To strengthen the economic relations both countries have acknowledged the need to facilitate bilateral trade through easy procedures and removal of non-trade barriers and emphasized on the importance of cooperation on scientific research and technology.

This publication provides a general background on business environment and outlines current activities and opportunities in various industry sectors in the two countries. Some economic and commercial issues on both sides have been highlighted to understand how it is to conduct business in respective countries; what are the challenges and opportunities. Furthermore, a few examples of successes and learnings on both sides have been showcased.

Objective

The objective of this paper is to provide a background on the economic business environment and to outline current activities and opportunities in various industry sectors in India and Germany.

Structure

First, this paper provides an overview of India and Germany's current economic situation. The development of various industry sectors is outlined to give an idea of business opportunities that exist between the two countries. Second, the paper presents key learning of companies from doing business in two countries.

Methodology

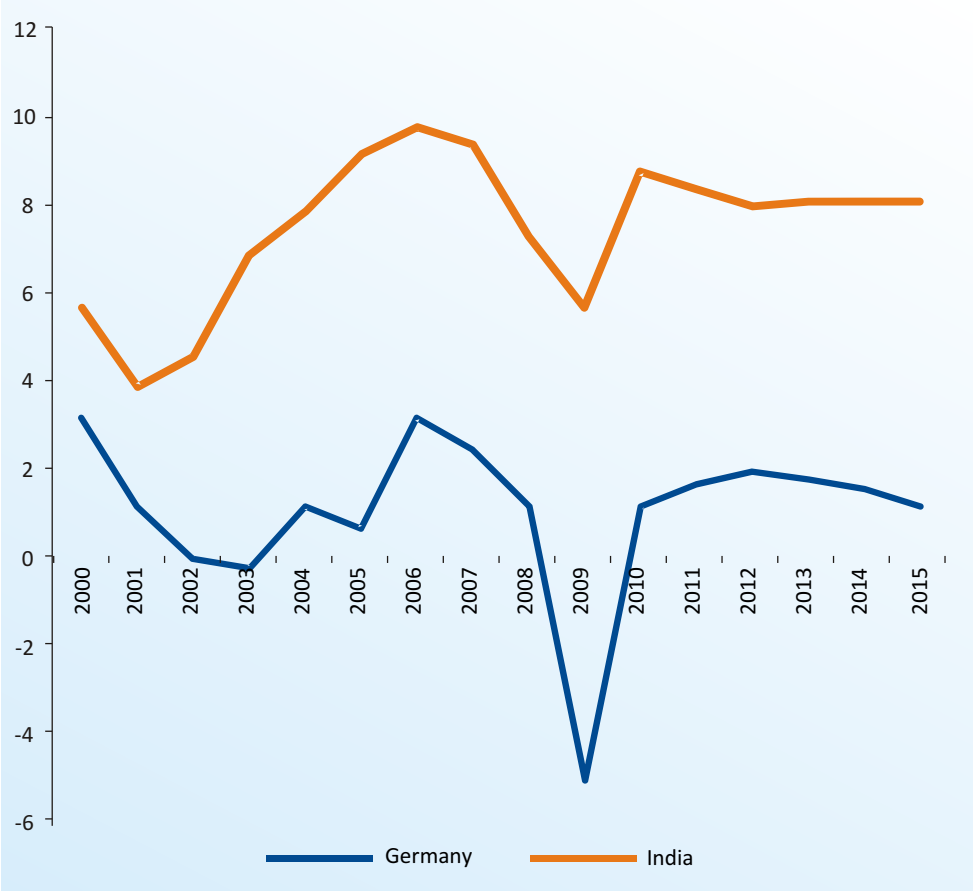
This paper is not an academic study. KPMG has researched and substantiated its contents from a wide range of sources. Specific sources, which are named in the text, were used according to the respective industry sector being described. KPMG also held several interviews with individuals and companies.

Economic Overview

Indian economy

The Indian economy has witnessed phenomenal growth during the last decade. The country posted respectable growth even during the recent slowdown and is among the countries that lead the recovery path. The growth in real Gross Domestic Product (GDP) was nearly 6 per cent in 2009 and is projected at 8.8 per cent in 2010 (Chart 1)[#].

Chart 1:Real GDP growth (Annual percent change)

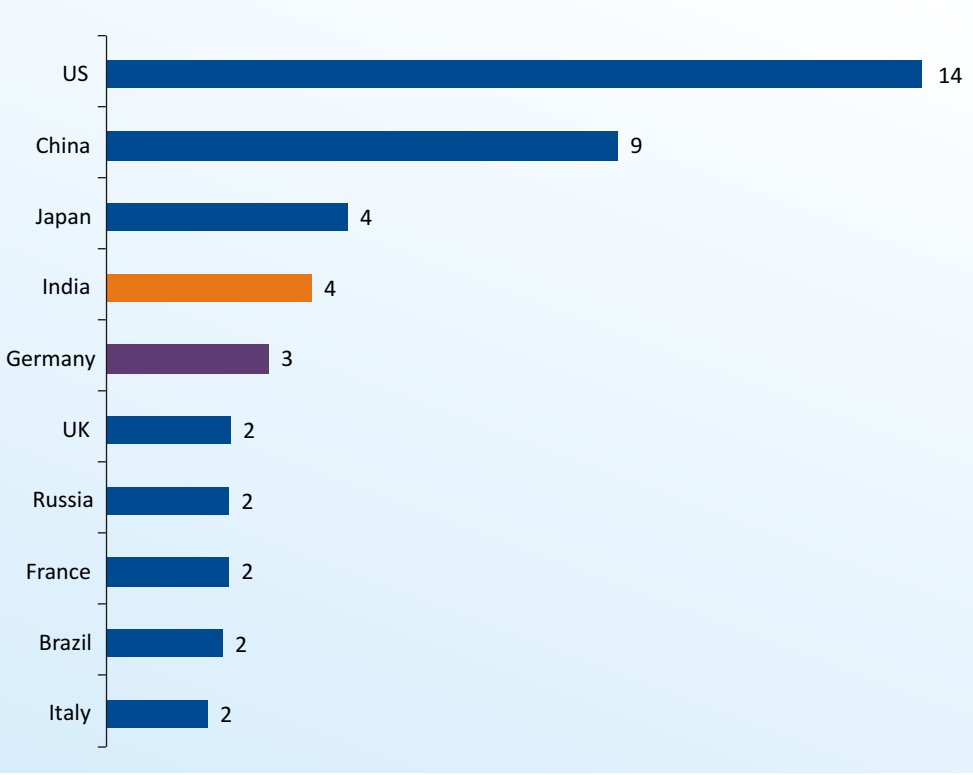


Source: IMF - World Economic Outlook 2010

 # The WEO growth projections are on a calendar year basis (different from fiscal year which is from March to February in India) and are based on GDP calculated at market prices. This leads to difference from headline growth figures reported in India and country reports. For example, growth in 2008-09 was 6.7 per cent. WEO figures have been used here for comparison

A number of factors contribute to this growth, including an increasing domestic market driven by increasing income levels and a surge in investment. These factors are further supported by favourable demographics. Two remarkable features of India's growth have been its sustainability and decreased volatility (explained by gradual decrease of agriculture to GDP). Today India is world's fourth largest economy by GDP adjusted to purchasing power parity (Chart 2).

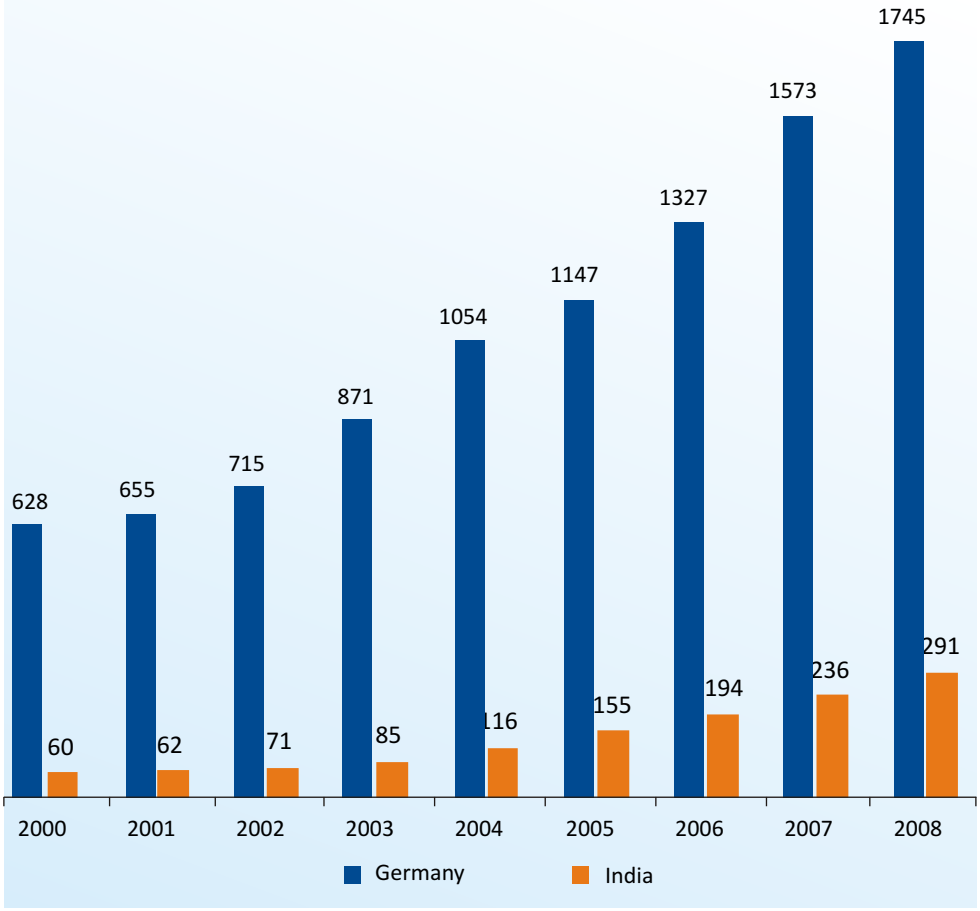
Chart 2: Top 10 countries by GDP in 2009 adjusted to purchasing power (USD trillion)



Source: IMF - World Economic Outlook 2010

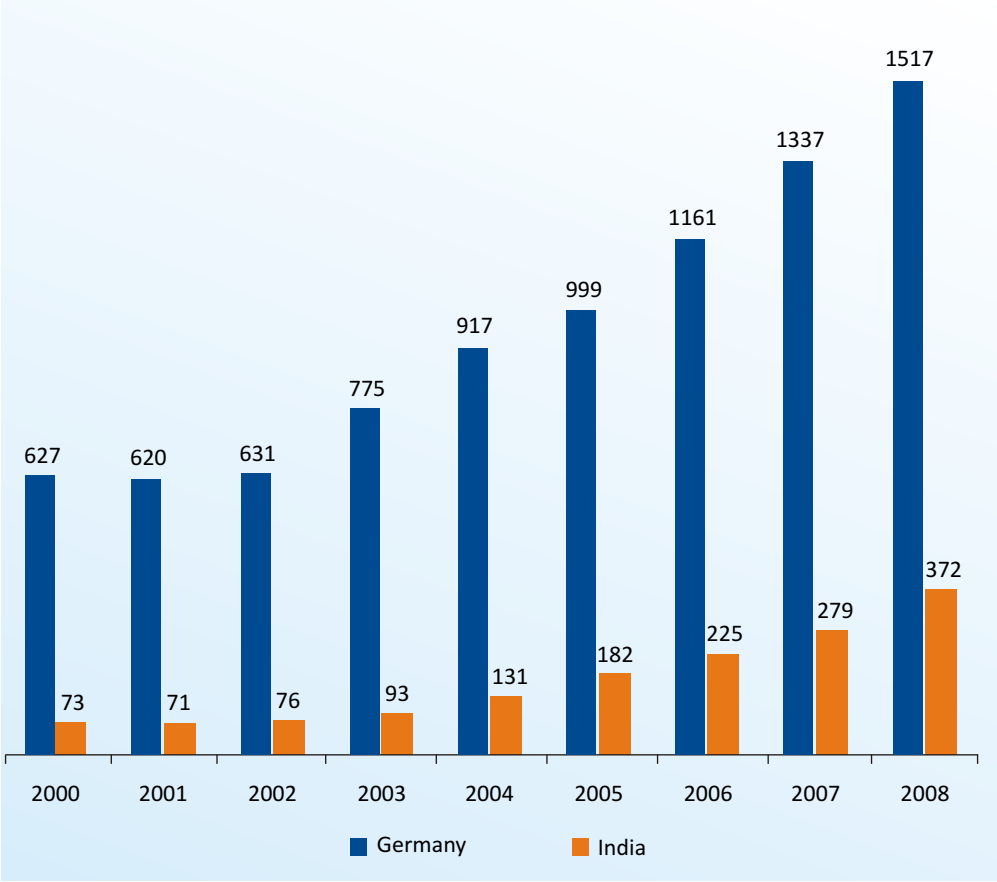
In last five years, India's exports of goods and services had an impressive growth and reached USD 291 billion in 2008 from USD 85 billion in 2003 (Chart 3). India's share of global merchandise trade was 0.83 percent in 2003, which rose to 1.45 percent in 2008 as per WTO estimates. India's share of global commercial services export was 1.4 percent in 2003 which also rose to 2.8 percent in 2008, and at the same time, its share in goods and services increased to 1.64 percent in 2008 from 0.92 percent in 2003.

Chart 3: Exports of goods and services (Billions of US Dollar)



Source: IMF - World Economic Outlook 2010

Chart 4: Imports of goods and services (Billions of US Dollars)



Source: IMF - World Economic Outlook 2010

However, there are constraints and risks to this growth. Currently, inflation has put pressure the government. Though strict financial controls have been out to rein in rising prices. Another worry is expanding fiscal deficit, which is estimated to be 6.5 per cent (10 per cent if states are included) of GDP in 2010, which many economist believe is sustainable given the growth of India's nominal GDP*. However, a large part of this deficit stems from poorly targeted spending and since the public sector's savings have fallen to 1.4 per cent GDP, government's borrowings crowds out private sector investment. Furthermore, rising debt-service payments reduces capacity to invest in infrastructure.

These risks have been gradually softened by continuous reforms and well-formulated policies. For example, prudent monetary policy has ensured macroeconomic stability. Overall, India's growth fundamentals are strong and support sustained economic growth.

** Martin Wolf: India's elephant charges on through the crisis, Financial Times March 2, 2010*

German economy

Germany is world's export champion (until 2009 it was at number one position) and Europe's largest economy. Its economy has been resilient in the face of recent global economic downturn by making necessary short-term sacrifices for long-term success. Figures released in August 2010 showed quarter-on-quarter economic growth of 2.2 percent, Germany's best performance since reunification in 1991[#].

The competitiveness gained by German exporters between 2001 and 2005 as a result of focus on quality and technology, wage control and corporate restructuring meant that Germany's products have continued to be in demand worldwide. Since 2003, its exports have grown by around eight percent each year till 2009[#], when the global downturn hit it harder than most of the world since Germany's exports consists mainly of capital goods. However, now with global economic recovery it also stands to benefit more. German-produced goods from chemical, automotive and machinery and equipment industries are in high demand and German exporters have already gained from the recovering global growth and will benefit further in the later stages of recovery when the demand for capital goods builds up.

Business environment in India

It is easier to do business in India now than it was in the years preceding 1991 when a host of regulatory reforms were initiated by the government. These reforms - such as deregulation of industrial sectors, reduction of import controls and licensing requirements - helped businesses operate efficiently. Foreign investments in almost all sectors barring a few were allowed. The outward looking growth strategy has also ensured a competitive business environment. But it is not always easy to do business in India when compared to developed countries. Various aspects of setting up and running a business, such as land acquisition, obtaining different permissions and filing taxes can be complex.

However, the complexity of business environment in India is juxtaposed with immense market opportunities (India is ranked 9th in terms of market opportunities by EIU's business environment ranking). Several companies, Indian and foreign, have come up with new business models changing

 # Federal Statistical Office (Destatis)

almost every aspect of business from supply chain management to recruitment to navigate through the complex business environment in India. Alternatives and improvisations have given these companies the capability to conduct business in other emerging markets where the environment can be even tougher.

Overall, India is a diverse place for investors. Politically, the country is largely stable providing continuity of the policy changes and business friendly environment. Every government is expected to deliver on wide-ranging reforms - selling stakes in government enterprises, further easing of restriction on foreign direct investments, changes in labour laws, and so on.

Table 1: Business environment rankings

	Global Rank		
	Germany 2005-09	India 2004-08	India 2009-13
Overall position	12	62	58
Political environment	9	51	50
Macroeconomic environment	15	56	56
Market opportunities	**9**	**9**	**3**
Policy towards private enterprise & Competition	16	46	43
Policy towards foreign investment	10	63	47
Foreign trade and exchange controls	4	77	69
Taxes	37	66	64
Financing	10	57	47
The labour market	20	49	39
Infrastructure	9	78	72

Source: Economist Intelligence Unit

Business environment in Germany

Germany is known to be business friendly. Foreign businesses have the same rights and are expected to obey the same rules and regulations. There are no significant barriers to foreign investments. However, special licenses can be required for business in banking, insurance, military

equipment pharmaceuticals etc. All imported products are required to meet high trade quality standards, which can at times a barrier in itself. Furthermore, high cost of labour can be an operational hurdle in running a business in Germany. This is further complicated by Germany's strict employment regulations, which the World Bank rates as one of the least flexible when it comes to the ease of hiring and dismissing staff*.

Bilateral relations

Overview

In recent years, economic relations between Germany and India have markedly gained momentum and increased in intensity.

Trade

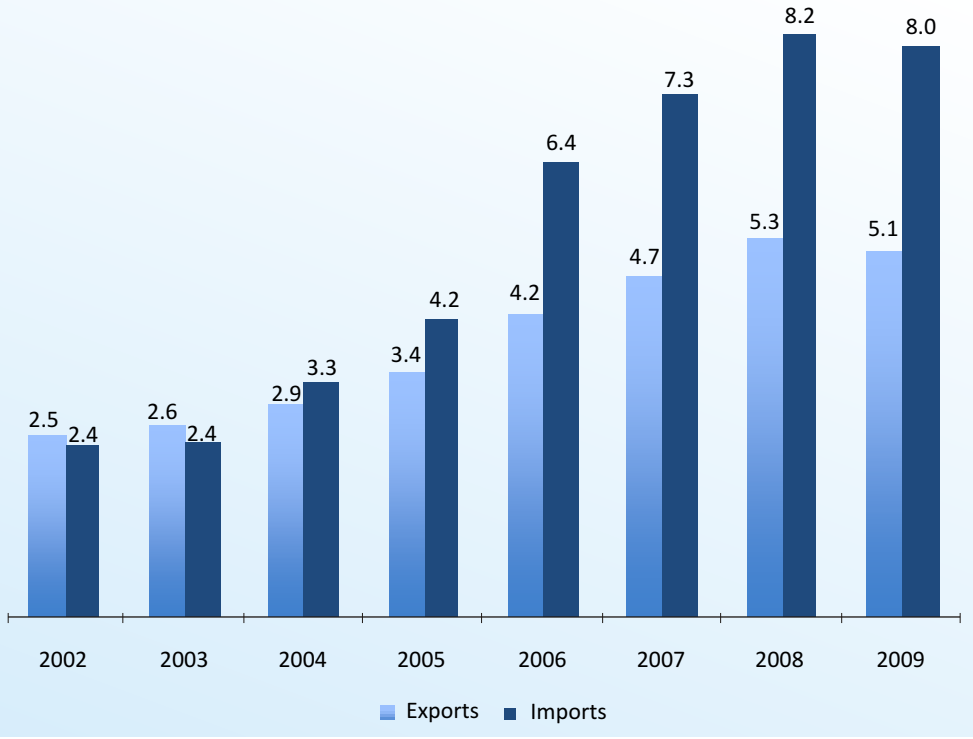
Germany is India's principal trading partner in the EU. Since India embarked on a course of reform in 1991, the volume of trade between the two countries has increased rapidly. Given the considerable potential for growth, it is hoped to increase the volume of bilateral trade to EUR 20 billion by the end of 2012. In 2008, it reached a new high at approximately EUR 13.5 billion. German exports to India increased by 11 per cent, to approximately EUR 8.2 billion, and Indian exports to Germany by 11 per cent, to approximately EUR 5.2 billion. Germany thus recorded a balance of trade surplus of around EUR 2.9 billion.

** The World Bank's Doing Business Report 2010*

India is also increasing its significance as a trading partner for Germany and has now climbed from 26th to the 24th position in worldwide ranking in 2009. Germany is also the 8th most important destination for Indian exports. India accounts for 0.7% of total German trade and ranks 5th among Asian exporters to Germany. Apart from traditional sectors, knowledge-driven sectors hold good potential for collaboration. There is considerable scope for co-operation in the fields of IT, ITES, biotechnology, auto components, renewable energy, green technology and the entertainment industry for Indian companies.

Germany's principal exports are mechanical engineering products (accounting for one-third of total exports to India), followed by chemical products and electrical goods. Also of importance are aircraft, precision engineering products und optical goods.

Chart 5: Indo-German Trade (Billions of Euros)



Source: Destatis (Federal Statistics Office)

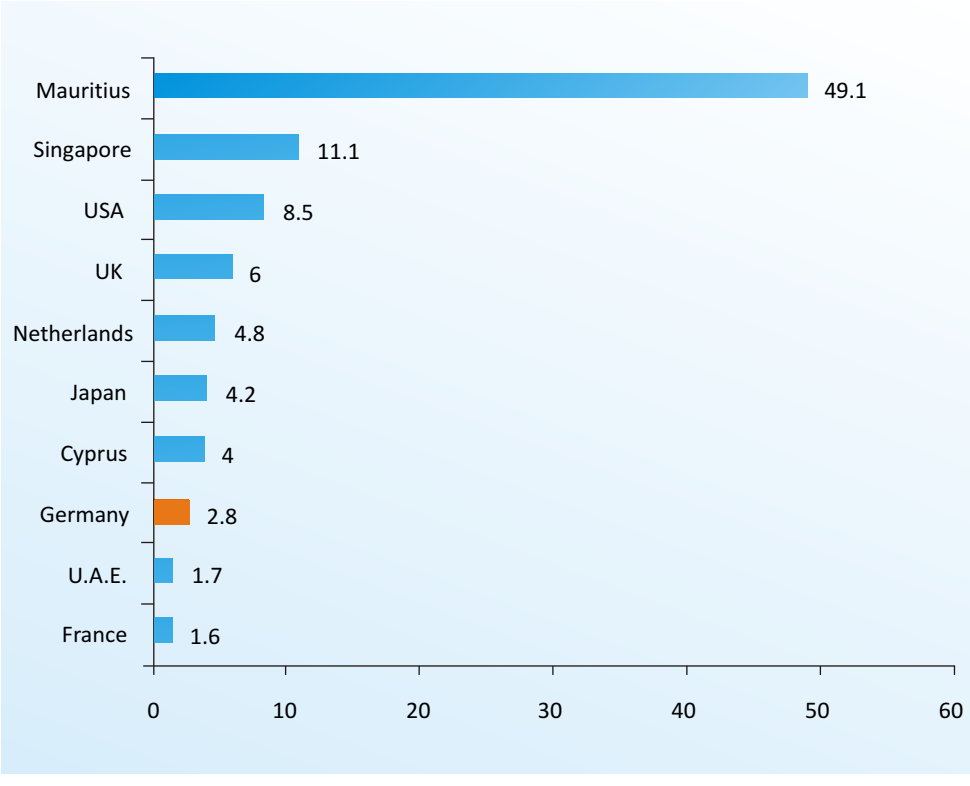
Indian exports to Germany focus on the textile sector, followed by chemical products, leather goods, foodstuffs, iron and iron goods as well as motor vehicles.

Bilateral investments (FDI)

German investments in India

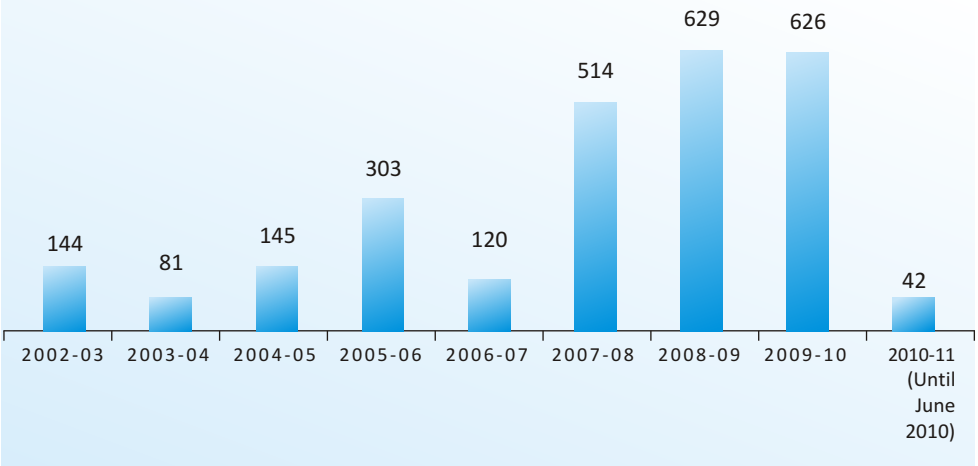
Germany is the eighth largest investor in India. Aggregate German direct investment (excluding the substantial reinvestment and other currently unrecorded inflows) amounts to approximately USD 3 billion, putting Germany in third place among European investors, after the United Kingdom and the Netherlands. According to official Indian figures, new German direct investment in the financial year 2008/09 amounted to USD 629 million (EUR 410 million). However, real engagement of German companies, which are expanding their capacities, in particular through reinvestment is higher than these figures reveal. Some 2,700 Indo-German cooperative business ventures have been set up since 1991. These projects are concentrated in chemicals, pharmaceuticals, machine and plant engineering, electrical engineering and software.

Chart 6: Cumulative FDI inflows (June 2010)



Source: Department of Industrial Policy & Promotion, Ministry of Commerce, India

Chart 7: FDI inflow by Germany in India (million USD)



Source: Department of Industrial Policy & Promotion, Ministry of Commerce, India

Indo-German FDI Stock in Comparison		
	Germany FDI in India	Indian FDI in Germany
FDI Stock (2008)	€4.26 billion	€298 million
Growth in FDI Stock (2005 -2008)	112percent	277percent
Number of firms (growth since 2005)	359 (46percent)	19 (533percent)

Source: Official Data of German Central Bank quoted by Rajnish Tiwari of TUHH, Hamburg)

Indian investments in Germany

Indian companies have been attempting, often successfully, to find opportunities across borders. A UNCTAD report published in 2006 estimated that between 1991 and 2003, the number of outward investing Indian companies had grown from 187 to 1700. Among these outward investing Indian companies a growing number has followed the path of acquisitions to obtain new technology, increase product portfolio and gain access to new customers. These cross-border investments have not been limited only to large companies. Mid-cap companies have done a significant proportion of these cross-border deals and their acquisitions are in many countries, including Germany, which is fast becoming an attractive destination for Indian investment. Mergermarket, an independent Mergers and Acquisition intelligence service, reports 24 acquisitions between December 2005 and June 2008 by Indian companies

 # Indian Investments in Germany - recent developments Rajnish Tiwari and Cornelius Herstatt

Table 3: Prominent Indian employers in Germany

Germany company	Indian parent company	Employees
Corus Deutschland GmbH	Tata Steel	6,100
Novelis Deutschland GmbH	Hindalco (Aditya Birla Group)	2,264
Sona BLW Präzisionsschmiede	Sona Group	1,568
REPower Systems	Suzlon Energy Ltd	1,288
Mahindra Forgings Europe AG	Mahindra Group	1,039

Source: Indian Investments in Germany - recent developments (Rajnish Tiwari and Cornelius Herstatt)

in Germany. According to a research report, as of end of March 2010 the stock of Indian FDI was estimated to be about €4.1 billion[#]. Even though there were no large investments made in 2009, ten investments, including 5 greenfield projects, have been reported between 2009 and March 2010.

Several Indian companies, such as Bharat Forge Limited (BFL), Hexaware Technologies, NIIT, Graphite India Limited, have either acquired German companies or started their own subsidiaries in Germany. Tata Consultancy Services (TCS) inaugurated their 'Solutions Centre' in Munich on November 16, 2005. The centre caters to business clients in southern Germany and Austria with focus on manufacturing, telecom and insurance sectors.

India's second largest pharmaceuticals company Dr. Reddy's Laboratories acquired Betapharm GmbH, Augsburg, Bavaria, one of Germany's top five generic pharmaceuticals companies for € 480 million from its former owner 3i investment firm of UK. Mahindra acquired 67.9percent stake in a German forgings firm Jeco Holding AG, Aalen, and has also acquired another German forging company, Schoeneweiss & Co., Hagen to grow its auto component footprint across the globe.

Industry Sector Performance and potential of business relations

Automotive industry

India

India is one of the largest automotive markets in the world and the third-largest in Asia, behind Japan and China. It is expected to be the seventh-largest automotive market by 2014. However, despite the increase in income levels and strong growth in sales of cars in recent times, car ownership in India - 12 cars for every 1000 people[#] - remains among the lowest in the world. Cars remain a luxury item for most of the Indian population. Two- and three-wheelers remain popular and within the reach of majority of people looking for personal mobility. Nonetheless, the situation has slowly started to change with several carmakers planning to launch small, affordable cars encouraged by the strong demand for Nano, a low-priced car made by Tata Motors. Over the next years, driven by rising income, necessity for personal mobility and improved infrastructure, the demand for cars is forecast to grow at an annual rate of 14percent between 2010 and 2015 (Chart 8)

The industry was deregulated in the early 1990s, which allowed domestic automakers to expand their operations and a number of world's largest manufacturers to invest in India. Today about 50 major companies employ over 10 million people and account for 5percent of industrial output*.

Over the years, India has evolved into a supplier of a range of high-value and critical parts to global automakers. Though global recession in 2009, which affected most of the economies, affected also the Indian auto-parts

 # Economic Intelligence Unit

** Automotive Components Manufacturers Association*

suppliers, the sector is back on path of growth. Indian companies have developed the ability to meet stringent quality and technical requirements. Exports to the developed US and European markets form a considerable proportion of India's auto component export basket; and an increased percentage of exports are made to OEMs and Tier1 companies. With this background, India presents an opportunity to German suppliers to address the global auto components market and serving also India's large and growing domestic market by basing production there.

Germany

Producing almost one-tenth of world's car output, Germany is the fourth-largest vehicle manufacturer in the world and the largest in Europe[#]. In 2009, German-branded cars accounted for more than one-sixth of total global car productions, almost half of that was made in foreign countries - a significant increase from 1998 when only about a third was made outside Germany. Several factors: high labor cost; stagnant demand (though 2009, which saw 23percent year-on-year growth on account of a direct effect of €2,500 scrappage scheme on demand, was an exception); access to new markets; account for this shift in car production for German companies. Despite a significant shift in production outside Germany car manufacturing is Germany's key specialization. It still made 5 million cars in 2009 (down 18percent from 2008) out of which 3.4 million[#], were exported accounting for a significant trade surplus.

Given the size of the automotive industry in Germany and its strengths in manufacturing more widely, it is unsurprising that the country's automotive parts industry is large and strong. According to the Federal Statistical Office, turnover in the industry amounted to over €55.4bn in 2009 (down by 28.7percent on 2008), compared with €207.8bn (down by 18percent) in the vehicle manufacturing sector. It is also more labour-intensive, with 316,300 people employed in the industry in 2009, compared with 406,700 in vehicle manufacturing.

The global economic downturn hit the industry hard. Its impact has also been rapid, in large part owing to the "just-in-time" inventory management arrangements of carmakers. In the final weeks of 2008 alone three major German parts manufacturers declared bankruptcy: TMD Friction (brake linings), Tedrive Germany (drive shafts) and Wagon

 # Verband der Automobilindustrie

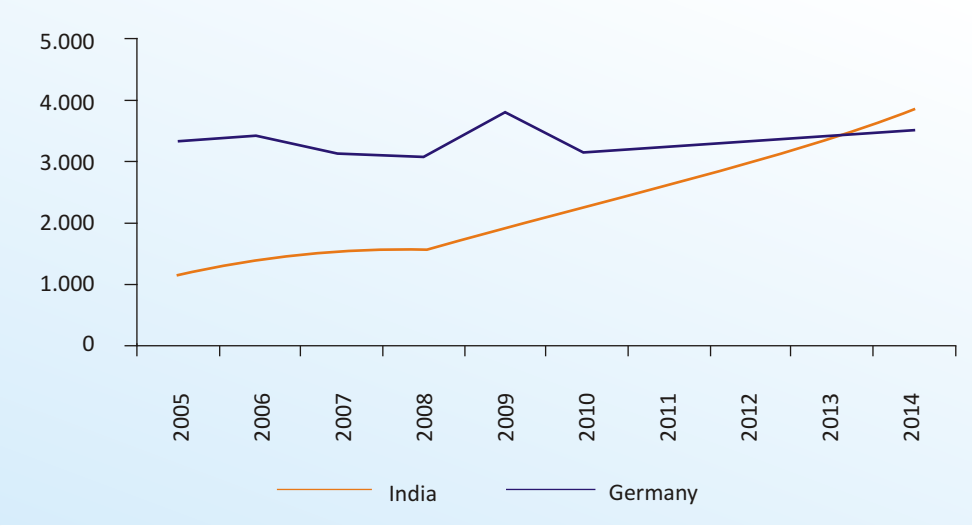
Automotive (car body parts). Since then, government action, both directly in the form of company-specific aid and indirectly via scrappage incentives, has provided some cushion for the industry. Despite this, many parts-makers continue to suffer. Continental, a major German tyre-maker that was acquired by the privately held Schaeffler Group in early 2009, saw its net losses increase by 50percent in 2009 to €1.65bn as global revenue fell sharply.

Opportunities

Demand for cars in Germany is maturing, while the Indian market, with double-digit growth in all segments, offers significant opportunities. Several German OEMs have made significant investments in production facilities in India. Following them, many of the major parts suppliers have also set up production sites in India to take advantage of domestic growth and the opportunity to produce quality components at competitive costs. Tier 2 and Tier 3 suppliers can now follow suit.

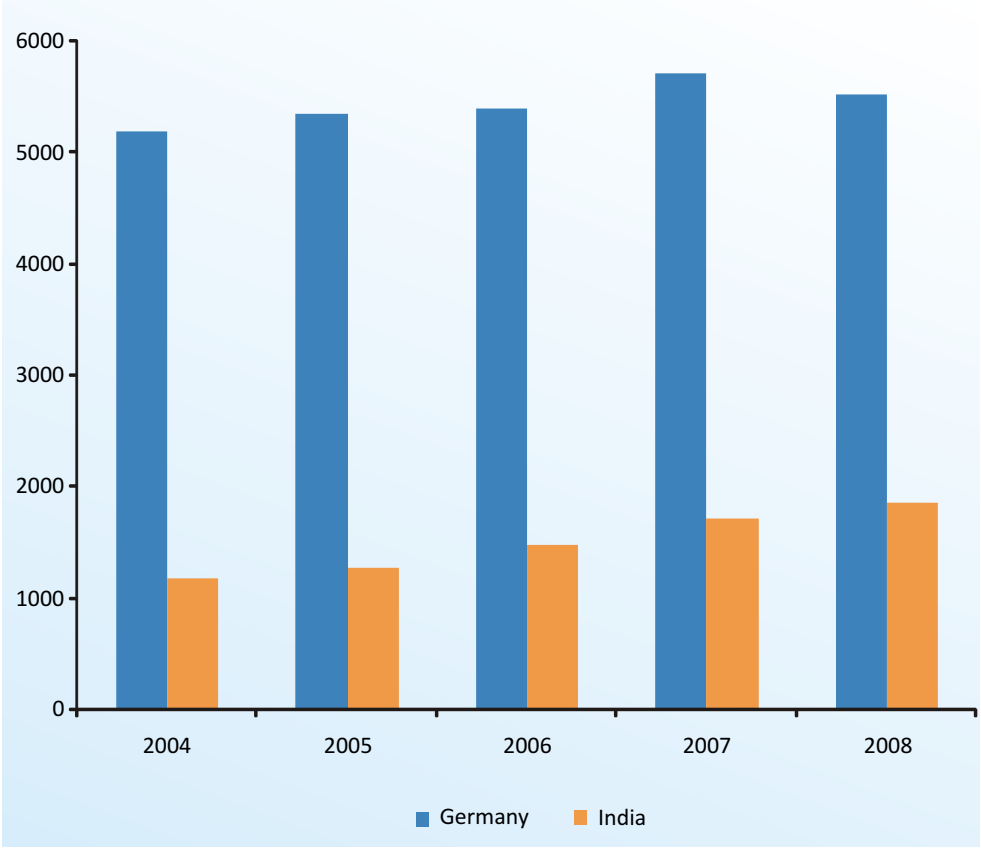
Germany continues to maintain its position as a global leader in the automotive industry due to cutting-edge technology and innovation. Indian companies can benefit from Germany's technical expertise and excellent product quality by entering into joint ventures and strategic alliances while offering growth opportunities and production base in India.

Chart 8: New passenger-car registrations ('000 units).



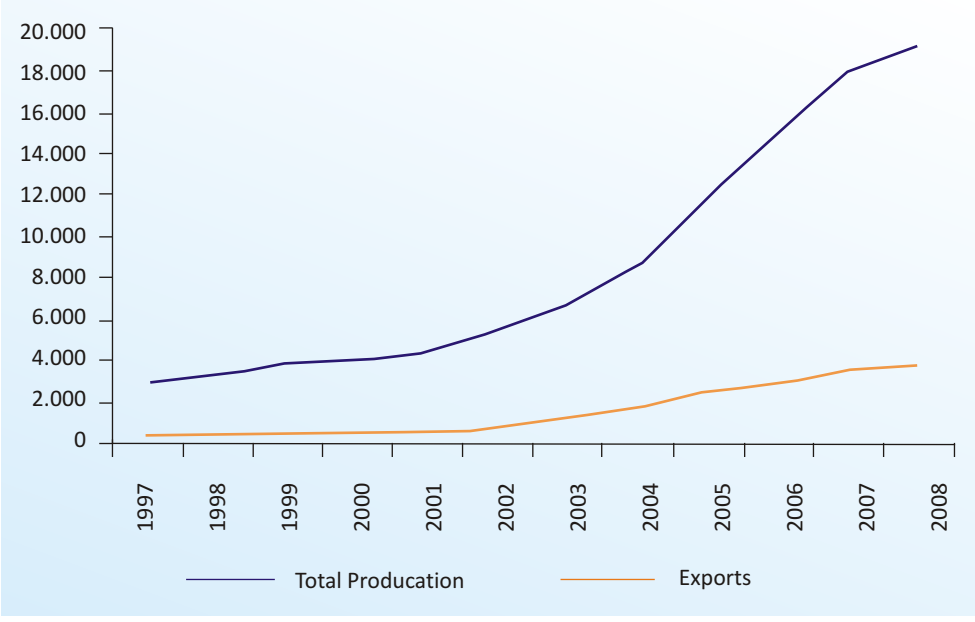
Source: Economist Intelligence Unit

Chart 9: Car production ('000 units)



Source: International Organisation of Motor Vehicles Manufacturers (OICA)

Chart 10: Auto components industry production - India (US $ million)



Source: Auto Components Manufacturers Association, India

Table 4: Automotive Industry in India in 2016

Segment			
(Current Global Position)	Domestic Sales	Exports	Global Position
Passenger (7)	3.0	1.1	7
Commercial (8)	0.7	0.08	4
Two Wheelers (2)	32.0	3.0	2

Source: Auto Components Manufacturers Association, India

Table 5: Some of leading German automotive companies in India

Company	Location	Output	Recent activities and plans
			• New facility started in Chakan, Pune in March 2009 - total investment €580 million (including €150 million funding from International Finance Corporation) and capacity of 150,000 units
VW Group	Aurangabad Pune	19000 Units Models in the market: Fabia, Octavia, Superb, Jetta, Passat	• Production of Skoda Fabia started in May 2009 • Jetta is being shipped as a knocked-down kit from Mexico • Plans to set up an R&D unit in India • Two small cars - one from Skoda and other from VW - planned to be rolled out over next two years
Mercedes Benz		Pune Models in the market: S-Class, E-Class, C-Class, M-Class, CLS-Class, SLK-Class, CL-Class, GL-Class and the Maybach	• Launched E-Class in 1995 • 30000 cars on the road; anked number 2 after BMW as the largest seller of luxury cars in India • 9 per cent growth in year-on-year sales for the first half of 2010 • Chose India for its second launch of the supercar (SLS AMG) after Germany
Bosch	12 manufacturing sites and 4 development centres	Fuel injection systems, spark plugs, electronics and braking systems. Supplier to major OEMs - domestic and international	• Production of anti-locking braking systems started in 2009 at its Pune plant for supplying to Toyota, Honda and Hyundai • Several components being supplied to Tata (including fuel-injection pumps and starter motors for Nano)

Source: Press reports, company websites and KPMG analysis

Table 6: Some Indian automotive investments in Germany

Company	Target company	Date	Description
Bharat Forge	CDP Aluiniumtechnik	December 2004	Acquisition for entering into aluminum auto components business.
Ruia Group	Gumasol Werke Henniges Automotive	August 2010 December 2009	Gumisol is Germany-based maker of solid resilient tyres, rubber components and rubber to metal components. 60percent stake in Henniges Automotive, a German sealing system supplier. The new company has been named Draftex.
Sona Group	ThyssenKrupp Präzisionschmiede	January 2008	Sona Okegawa Precision Forgings Limited acquired ThyssenKrupp Präzisionschmiede GmbH, a Germany-based precision forging company from ThyssenKrupp Technologies, a subsidiary of ThyssenKrupp AG. The acquisition was to expand business capacity and geographical presence.
Mahindra & Mahindra	Schöneweiss & Co. Jeco Holding	December 2006 June 2007	Mahindra & Mahindra acquired the two forgings companies to scale its auto components business and have a presence in continental Europe. The companies have been integrated as Mahindra Forgings Europe.

Source: Press reports, company websites and KPMG analysis

Table 8: Opportunities for Indian companies

Indian companies seek	Germany offers
• Technology • Innovation • Product quality	• World-class technology and innovation (production of Nano was supported by a number of innovations provided by German suppliers such as Bosch and Behr • Hot-bed for innovation with 1775 patents for transportation technologies in 2007 and over 32 innovation clusters in automotive-related areas • Strong network of cooperation with universities and research institutions involved in mechatronics, microelectronics, power electronics, telematics, environmental technologies, manufacturing processes and technologies and material researc • Opportunity for acquisition • Opportunities for joint venture, strategic alliance and technical collaboration

Source: VDA, Destatis, German Trade & Investment, Press reports, KPMG analysis

Bharat Forge in Germany

Bharat Forge, a Kalyani Group company, bought the German automotive supplier, CDP Aluminiumtechnik GmbH & Co. KG in 2004. The company now operates as "Bharat Forge Aluminiumtechnik (BFAT)". Bharat Forge's objective was to enter the rapidly growing aluminum sector in the automotive supplier industry. The state-of-the-art German technology and European customers were also important investment drivers. BFAT's customers are the large OEMs, such as BMW, Audi, Volkswagen and Ford, for example. The company has since developed and patented its own forging technology in the aluminum sector. BFAT's site is close to Dresden in Saxony, an automotive industry cluster where BMW and Porsche have also invested in new plant

Table 7: Opportunities for German companies

German companies seek	India offers
• Move with customer: continued supply to OEMs as they move into new markets, including India • Cost reduction to remain competitive • Access to new markets	• Low-cost, quality workforce • Good technology base for R&D • Part of global sourcing systems • Capability to meet stringent quality and technical standards • Domestic market - 2009 exports to India by German suppliers of automotive parts were over €200 million, this was in addition to the sales of the German companies operating in India • Production hub for OEMs and part suppliers • Opportunities for joint venture, strategic alliance and technical collaboration

Volkswagen in India

With its headquarters in Pune, Maharashtra (India), the Volkswagen Group is represented by three brands in India: Volkswagen, Audi and Skoda. The Volkswagen Group is completing 10 years of its India journey which began with the entry of the Skoda brand in 2001, Audi brand and Volkswagen brand in 2007. Each brand has its own character and operates as an independent entity in the market.

Volkswagen Group India is a part of Volkswagen AG, which is globally represented by 9 brands- Audi, Bentley, Bugatti, Lamborghini, Scania, Seat, Skoda, Volkswagen Commercial Vehicles (Volkswagen Nutzfahrzeuge) and Volkswagen Passenger Cars. The product range extends from low-consumption small cars to luxury class vehicles and trucks. The Group operates 60 production plants around the world. In total more than 370,000 employees produce more than 26,600 vehicles or are involved in vehicle-related services each working day.

From December 12, 2009 the new Pune plant has started rolling-out the hatchback version of the Volkswagen Polo.

Skoda entered the Indian market in 2001. Its plant in Aurangabad, which assembles a total of eight models including the Audi A6 and Audi A4 as well as the Volkswagen Passat and Volkswagen Jetta, has been instrumental in this achievement. At Auto Expo 2010, Audi also unveiled the Audi Sportback Concept - a five-door model offering a glimpse into Audi's future design vocabulary.

Volkswagen Group is setting up dealerships across India with a total around 120 dealers. In the period between January 2009 and December 2009, the three brands of the Volkswagen Group have together sold around 19,000 vehicles in India, an increase of 1.4percent over 2008 in a year marked by recession in the auto industry.

A crucial element of the Volkswagen's strategy is to establish a long-term presence in India is the Group's production facility near Pune in the Chakan Industrial Park. The investment with a total sum of around INR 3,800 crore (580 million Euros) is the biggest investment of a German company realized in India so far. The plant, one of the most modern in the Volkswagen Group has a high level of vertical integration -

In recognition of its efforts in India, Volkswagen India won the coveted 'Automotive Company of the Year 2010' award at the Inaugural Golden Steering Wheel Awards India presented by the leading automotive magazine, Auto Bild India.

Source: Volkswagen India website

Clean technology: Water and Waste Management

India

The government, with external funding from multilateral agencies such as the World Bank and ADB, has planned huge investments in water supply. New programmes, for example Jawaharlal Nehru Urban Renewal Mission, are expected to help India meet its Millennium Development Goal of safe drinking water for all by 2017. Water treatment and supply projects have been given infrastructure status, which means that these projects are eligible for bank finances and a 10-year tax holiday. The projects are permitted FDI up to 100 percent of project equity. 8.79 percent of the 33000 million litres of urban wastewater released every day in Indian cities is untreated.

Germany

With sales volume of EUR 226 billion in 2007 (eight percent of GDP) and more than 600,000 employees, Germany has the largest environmental technologies market in almost all sectors internationally. Sales volume within the closed loop recycling and sustainable water technology sectors was EUR 85 billion in 2008. Germany has a world market share of 24 percent and 19 percent in the recycling technology and sustainable water technology sectors respectively.

Opportunities

Demand for waste management and recycling and lack of enough technical expertise in India present a big opportunity for German companies who are global leaders in this sector and have pioneered several waste management technology and techniques. For example, Remondis, a German water and waste management company entered India through an acquisition in 2009 (table 9)

Remondis acquires Shrusti to enter India.

Remondis AG & Co KG, a Germany-based water and waste management was founded in 1934. The group has presence in several European countries, China, Japan, Taiwan and Australia. It provides contracting solutions for industrial water management and has implemented numerous industrial projects with MAN, BASF, Henkel, AkzoNobel, GEA, Saxonia and Deutsche Nickel. It has also executed wastewater projects in Europe.

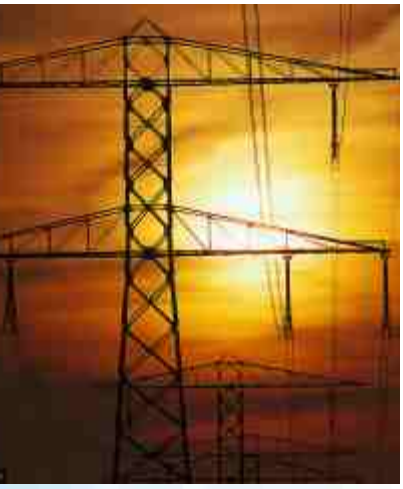
The company entered India by acquiring of Shrushti Consultants, an Indian company that provides water supply and treatment plants to industry. Through this deal, Remondis acquired 11 management contracts for water treatment plants in Maharashtra - nine for industrial clients and two for municipal water supply, waste water collection and disposal.

The Indian company, which has been renamed Remondis Aqua (India) Private Ltd became a wholly owned subsidiary of Remondis Aqua International GmbH.

According to press reports, the company is currently active in industrial water supply and wastewater treatment but may even expand the business to include waste management.

Source: Press reports

Clean technology: Renewable Energy



Context: The Indian power sector

India's fast growing economy and population results in rapid increase in electricity demand. The country's installed power generation capacity has increased from just 1.4 GW in 1947 to over 120 GW in 2009. The current generation mix in India is dominated by coal; large hydropower and gas are next. Renewable sources rank fourth with an installed capacity of around 13.2 GW.

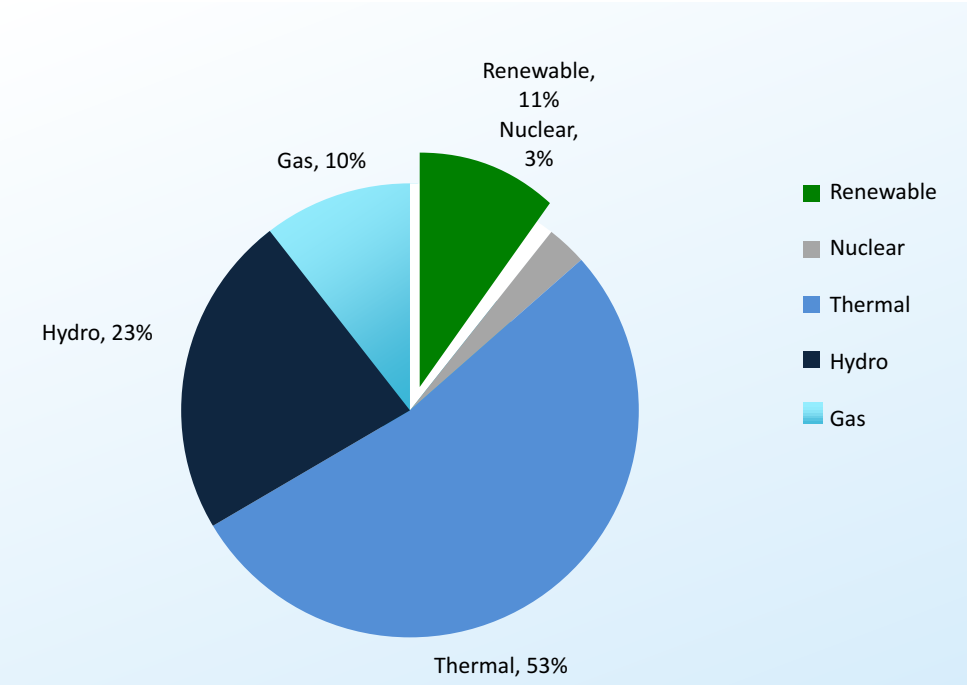
Despite over 100 times increase in total generation capacity since independence, the Indian government is struggling to keep up with

growing demand. This urgent need is reflected in the target the Indian government has set in its 11th Five Year Plan (2007-2012), which envisages an addition of 78.7 GW in this period.

Renewable energy is growing rapidly in India. With an installed capacity of 13.2 GW, renewable (excluding large hydro) currently account for 11percent of India's overall power generation capacity. The government intends renewable energy to increasingly contribute to additional generation capacity planned in the coming years.

In the early 1980s, the Indian government established the Ministry of Non-Conventional Energy Sources (MNES) to encourage diversification of the country's energy supply and satisfy the increasing energy demand of a rapidly growing economy. In 2006, this ministry was renamed the Ministry of New and Renewable Energy (MNRE).

Chart 13: Electricity mix, India



Source: IREDA, April 2010

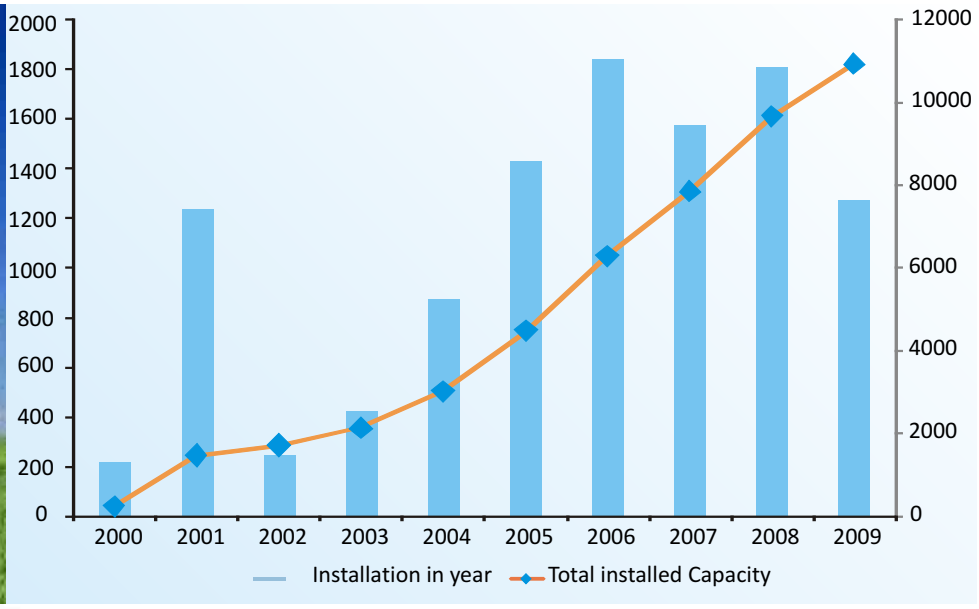
Renewable: Wind Energy

India

Wind energy is continuing to grow steadily in India, with a wind power capacity of 7,926 MW added in the last five years, taking the total installed capacity to 10.9 GW at the end of 2009, up from 9.6 GW at the end of 2008. Wind power in India has been concentrated in a few regions, especially the southern state of Tamil Nadu, which maintains its position as the state with the largest wind power installation, with 4.3 GW installed on 31 March 2009, representing 42percent of India's total wind capacity. This is beginning to change as other states, including Maharashtra (1,942 MW), Gujarat (1,566 MW) and Karnataka (1,340 MW) start to catch up.

India has a solid domestic manufacturing base, including global leader Suzlon with a 50 percent market share, as well as Vestas Wind Tech and RRB. In addition, international companies have set up production facilities in India, including Enercon, Vestas and GE and new entrants like Gamesa, Siemens, WinWinD, and others. Overall, 16 companies now manufacture wind turbines in India, with an annual production capacity of 3,000-3,500 MW. Greater stability in the Indian market has also stimulated a stronger domestic manufacturing sector; some foreign companies now source more than 80 percent of the components for their turbines in India.

Chart 14: Cumulative installed capacity (India) MW



Source: The Global Wind Energy Council (GWEC)

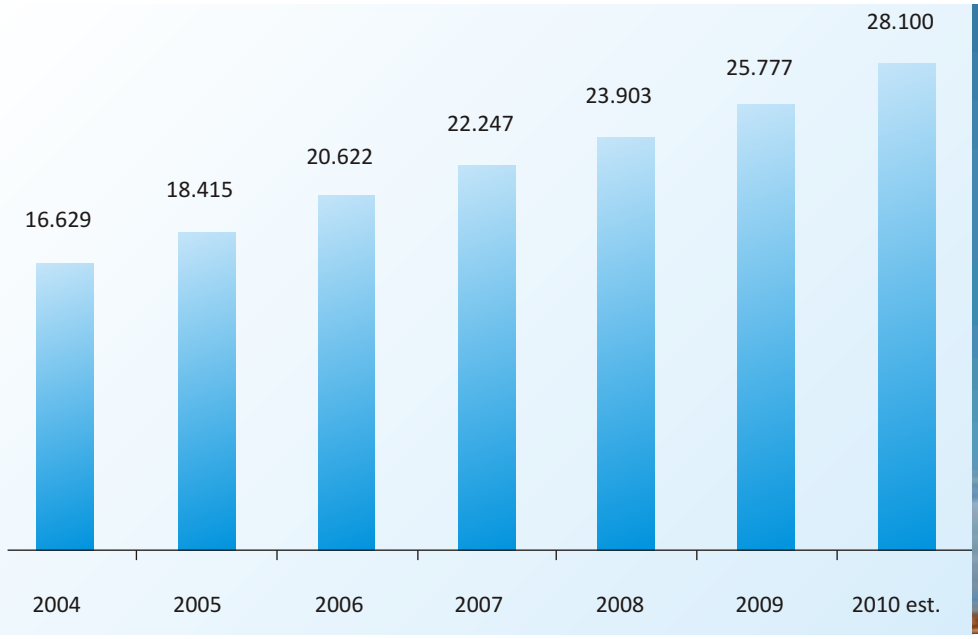
Germany

With over 16 percent of globally installed capacity, Germany is home to the world's largest wind industry. Germany recorded a year-on-year growth rate of 15 percent in 2009. By the end of 2009, total installed capacity and production accounted for 25,777 MW (Chart 15)) and 38 billion KWH respectively.

Germany's wind electricity production accounts for a share of more than 7.5 percent of gross power consumption (DEWI 2010) and is most common of renewable source of electricity. Around 60 MW offshore capacity was installed in Germany by the end of 2009, and over 90 offshore wind park project developments are currently in progress.

Significantly high export levels allow above-average industry participation in global and European development. International wind sector turnover reached EUR 50 billion in 2009.

Chart 15: Cumulative installed capacity (Germany) MW



Source: The Global Wind Energy Council (GWEC)

Germany has an excellent reputation for innovation and engineering capabilities in latest wind power generation technologies. Close cooperation between Germany's R&D institutes and equipment manufacturers helps maintain an internationally unparalleled competitive edge. R&D is considered to be among the most important areas for the development of the German economy.

Opportunities

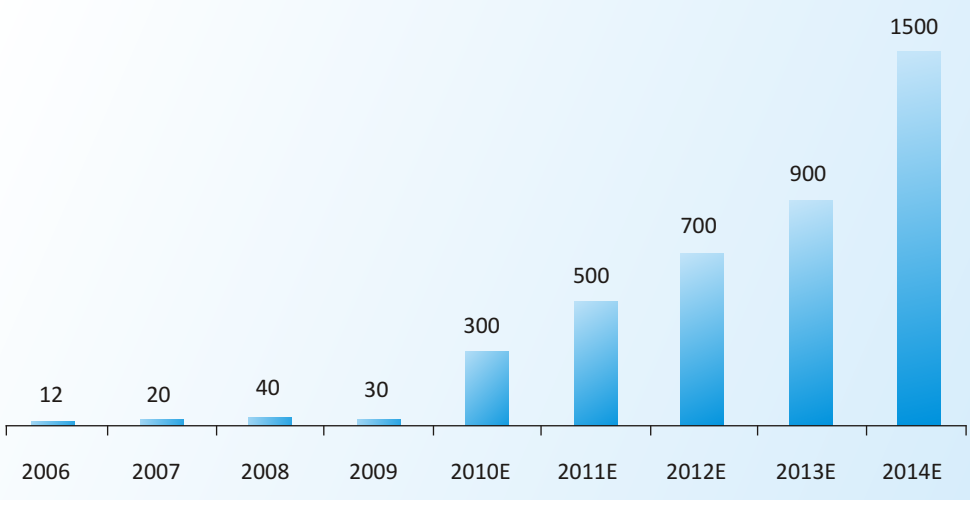
Perhaps the complementarity of two countries in this sector is illustrated best by acquisition of RE Power by Suzlon. Suzlon develops wind turbine generators (WTG) through a close collaboration of groups in Germany, Denmark, The Netherlands and India. Product Development Division in Germany and Denmark is overall responsible for WTG design, which is optimized in terms of economic value to Suzlon's customers by achieving lowest cost per unit of generated energy. The Product Development Division has its headquarters in Hamburg, the majority of its workforce in Rostock and core activities in Berlin and Ãarhus, Denmark.

Renewable: Solar Energy

India

In July 2009, India unveiled a $19 billion plan to produce 20 GW of solar power by 2022. Under the plan, solar-powered equipment and applications would be mandatory in all government buildings including hospitals and hotels. It was reported in November 2009 that India was ready to launch the Jawaharlal Nehru National Solar Mission under the National Action Plan on Climate Change, with plans to generate 1,300 MW of power by 2013 (table 9). It is planned to be achieved in three phases through a mix of utility power projects, roof top and small solar projects and various off-grid applications

Chart 16: Annual PV installation (India)

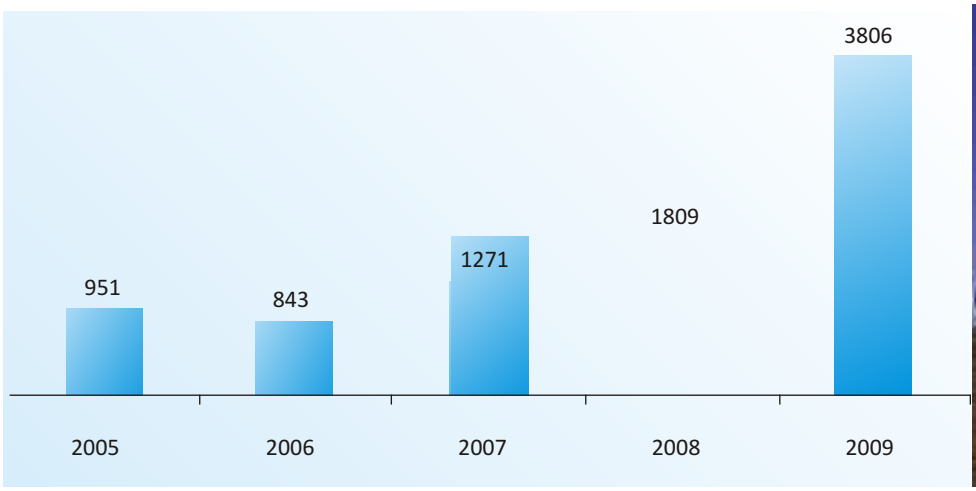


Source: IREDA, April 2010

Germany

Germany is the world's strongest photovoltaic (PV) market in terms of installed PV capacity. In fact, Germany converts more solar energy into electricity than any other country. Germany is Europe's leading PV manufacturer and the third largest PV producer. PV technologies (wafer based, thin film and organic PV) are developed, produced and sold in Germany. Leading global PV players, innovative small and medium-sized enterprises (SMEs), research institutes, and equipment and material suppliers help form the largest industrial PV cluster in the world. The high concentration of players along the whole value chain provides excellent partnering opportunities, invaluable first-hand expertise and accelerated commercialization options.

Chart 17: Annual PV installation (Germany)



Source: German Solar Industry Association (BSW-Solar)

Table 10: National Solar Mission, India

		Targeted Cumulative Capacity	
Phase	**Period**	**Power Applications**	**Solar Collectors**
Phase I	Upto FY 2012-13	1,300 MW	7 million Sq. miles
Phase II	From FY 2013-14 to 2016-17	4,000 -10,000 MW	15 million Sq. miles
Phase III	From FY 2017-18 to 2021-22	20,000 MW	20 million Sq. miles

Source: IREDA, April 2010

Opportunities

Though several German companies are world leaders in solar energy technology, most of these companies are under tremendous financial pressure. Growth in size by pursuing opportunities in international growth markets offers chance of survival. India with its recently announced solar mission plan offers an opportunity. India can seek help from German companies in bringing down costs of installing solar power and can also benefit by getting technology and training.

SE Drive Technik GmbH (Ltd.) in Germany

The Indian company Suzlon is one of the leading developers and producers of wind turbine technology in the world. It started as a company of just 20 people in the Indian state of Gujarat in 1995, and now has state-of-the art wind farms in Asia, North America and Europe, and an international team of employees that is 13,000 strong. The German subsidiary SE Drive Technik GmbH puts German scientific prowess to use in the development of this important environmental technology. Suzlon's main centre for development and production support is now based in Hamburg, where the firm's research and development activities are also coordinated. The manufacturing departments of the German branch are building wind turbine machinery, such as gears and engine parts, as well as offering maintenance services. The head of Suzlon, Tulsi Tanti, holds his German colleagues in high regard: "There are extremely well-qualified and experienced wind energy experts in Germany." Suzlon is a majority shareholder in the organisation RE Power Systems, and together they started the joint venture "Renewable Energy Technology Centre GmbH" (RETC) in Hamburg, in order to cooperate strategically in the field of research and technical training. In addition to an international forum for development and education, an academy is planned. It will offer challenging technical courses and programmes in conjunction with current university curricula

Source: Federal Ministry of Education and Research (BMBF)

Pharmaceuticals

India

The double-digit growth of the Indian pharmaceutical market outpaces the growth of the global industry. India is regarded as a high-quality and low-cost producer of pharmaceuticals. The introduction of the product patent regime has enabled rapid integration of the Indian industry into the global pharma industry. Cumulative FDI inflow for Drugs and Pharma for the period from April 2000 to February 2010 is USD 1.7 billion. Highly fragmented industry with about 300 - 400 units in the organised sector and around 15,000 units in the unorganised sector. Generics remain the mainstay of the Indian pharmaceutical industry.

Opportunities: Domestic Market

Domestic market is to witness significant growth on the back of sustainable growth drivers-growing population, improving healthcare awareness and increasing per capita income. The domestic formulation market was USD 7.6 billion in FY09 and is expected to grow at a CAGR of 14.4 percent till FY143. Long-term demand is likely to be driven by chronic and life-style diseases segments Healthy growth of the rural pharma market is driven by a variety of factors such as rising disposable incomes, improving awareness levels among the rural population and doctors, increased focus of Indian pharma companies and the strategies adopted by them.

Generic Exports

Drugs worth an estimated USD 137 billion are expected to go off patent in the US and Europe over the next five years. Focus is shifting from EU/US markets to semi-regulated markets.

Contract Research and Manufacturing Services (CRAMS)

Although India currently accounts for approximately 3 percent of the global CRAMS market and 2 percent of the clinical trials market, this is expected to increase in the future. India is gradually emerging as the preferred outsourcing destination for activities spanning the pharma value chain.

Discovery Research

Increasing number of in-licensing and out-licensing deals and collaborative research. Over 60 New Chemical Entities (NCEs) are under various stages of development in the pipelines of the leading Indian companies.

Germany

Germany's retail pharmaceutical market was worth some US$ 36.3 billion in the 12 months upto April 2010, indicating a 4 percent year-on-year (y/y) increase at constant exchange rates. The retail pharmacy market accounts for the vast majority of the country's drug sales, most of which are reimbursed via the GKV public health insurance funds. Germany continues to hold its position as Europe's largest pharmaceutical market, although sweeping cost-containment reforms have slowed the pace of market growth in recent years.

The domestic manufacturing sector remains one of the world's largest, with a substantial trade surplus. According to the latest available data from the Association of Research-Based Pharmaceutical Companies (VFA) domestic production was worth around 27.1 billion euro in 2008, a 3.5 percent year-on-year increase. Germany is the world's fifth-largest producer of pharmaceuticals after the United States, Japan, France and the United Kingdom. It is also among the world's biggest drug exporters, with some 56.1 percent of all German-made pharmaceuticals exported in 2008. Domestic manufacturers now command a share of less than half the market, with foreign players exercising a growing influence on the sector.

In recent years, annual R&D expenditure has continued to inch up in Germany. According to the VFA, its members spent 4.84 billion euro on R&D in 2008-an increase of 6.9 percent over the previous year and of 97.5 percent from 1996.

Table 11: Leading German Pharmaceutical companies

Company	2009 Sales (mil. euro)
Bayer HealthCare	15,988
Boehringer Ingelheim	12,721
Merck Pharmaceuticals*	5,459

Source: Company websites

Germany has the largest generic pharmaceutical market in Europe, worth 7.7 billion euro in 2008, up 6.9 percent year-on-year. The average retail price of one pack of generic drugs rose 1.8 percent year-on-year in December 2009 and stood at 19.12 euro, while the average price of an off-patent branded product decreased 16.4 percent year-on-year to 37.81 euro during the same month. Recent government policy-namely, the generic rebate scheme launched in 2008 and the expansion of the reference-pricing system to group certain branded drugs with generic alternatives has further strengthened the environment for generic products

Opportunities

Table 12: Dr. Reddy's buys Betapharm in Germany, 2006

- In 2006, Dr Reddy's acquired Betapharm, a generic-drug maker in Germany
- Betapharm had a large share of the domestic generic market and a portfolio of high-quality drugs
- It was a strategic investment for Dr. Reddy's towards becoming a mid-sized global pharmaceutical company with strong presence in all key pharmaceutical markets
- The acquisition promised to enable Betapharm to continue its growth and provide Dr- Reddy's with a strong foundation to build a significant generics business in Europe.

Table 13: Merck allies with Glenmark

- In 2006, Glenmark and Merck entered into an agreement by which Merck was to register and commercialize a Glenmark's solution for a treatment of diabetes
- Glenmark benefited from a partnership with Merck, which is a global market leader in oral diabetes medication - a highly competitive sector

Chemicals

India

Overall economic growth has driven per-capita chemical consumption that was traditionally low. Infrastructure development promises opportunities for upstream chemicals, which will necessitate evolution of companies along the product value chain. The industry, which is expected to grow by 15-20 percent each year over the next 5 years, mainly serves domestic customers, which off-takes 30 percent of local production. India still remains a net importer of chemicals (constituting 8percent of total imports) lacking sufficient domestic supply particularly in specialty chemicals.

Germany

In 2007, the German chemical industry achieved sales of EUR 174 billion. Of this, 70 percent (worth some EUR130 billion) was generated through export of chemical products. 75 percent of these exports went to other European countries, while nine percent headed to North America (NAFTA) and 11 percent to Asia. The German chemical industry has benefitted more strongly than its European competitors from the economic upswing over the past five years. Growing at over four percent per year on average, it has significantly outpaced the US, Japan and the other main chemical-producing nations of Europe.

German companies are at the forefront of chemical industry and have maintained their global prominence.

The country's top producers include global names such as BASF, Bayer, Evonik Industries, Linde, Merck and Lanxess.

Opportunities

India offers outsourcing, manufacturing and R&D for global companies in specialty and knowledge chemicals segment, which require high investment in R&D and marketing. And given the fragmentation in the industry - top ten companies account for one-tenth of revenues but more than half of total industry profits, India offers opportunities for acquisitions.

On the other hand, Germany is the global leader in chemicals in terms of size; range of products and R&D spends. Several German companies mainly in the mid-sized segment are looking for opportunities to remain competitive by finding new markets, creating economies of scale, optimizing the value chain and minimizing costs.

Table 14: Kiri Dyes acquires DyStar

Kiri Dyes acquires DyStar
Kiri Dyes and Chemicals Limited, a listed Indian company that makes high quality of dyes and intermediated in the dyestuff industry, acquired DyStar Textilfarben GmbH, a Germany-based textile-dyes manufacturer, through a Singapore-based joint venture acquisition vehicle.

Table 15: BASF in India

BASF's association in India started way back in 1943, when it acquired shares of R. A. Cole Private Limited, which was engaged in the manufacture of Expanded Polystyrene from imported Styropor®. The name of this company was changed to Indoplast Limited in January 1963 and thereafter to BASF India Limited in September 1967. The company is a public limited listed company (listed at the Bombay and National Stock Exchange), and is a BASF SE, Germany.

At present, the BASF Group in India is represented by the following companies:

BASF India Limited

BASF Coatings Private Limited

BASF Styrenics Private Limited

BASF Polyurethanes India Limited

BASF Construction Chemicals (India) Private Limited

BASF Catalyst India Private Limited

BASF Asia Pacific (India) Private Limited

Activities & Products

BASF in India is engaged in the business of manufacturing & marketing of Styropor®, tanning agents, leather chemicals and auxiliaries, crop protection chemicals, textile chemicals, dispersions and specialty chemicals, plastics, automotive and coil coatings, catalysts, construction chemicals, polystyrene and polyurethane systems.

BASF Group in India employs more than 1800 employees at various production sites and an R&D centre, which is part of the BASF Global Technology Platform.

Infrastructure

India

Investment in infrastructure constituted 6.5 percent of GDP in 2009. Investment in Infrastructure as a percent of GDP is expected to gradually increase to 9.3 percent by 2012, as Indian Government understands the criticality of infrastructure for the growth of economy. Both Central and State Governments are working towards removing policy, regulatory and institutional bottlenecks for speedy implementation of infrastructure projects.

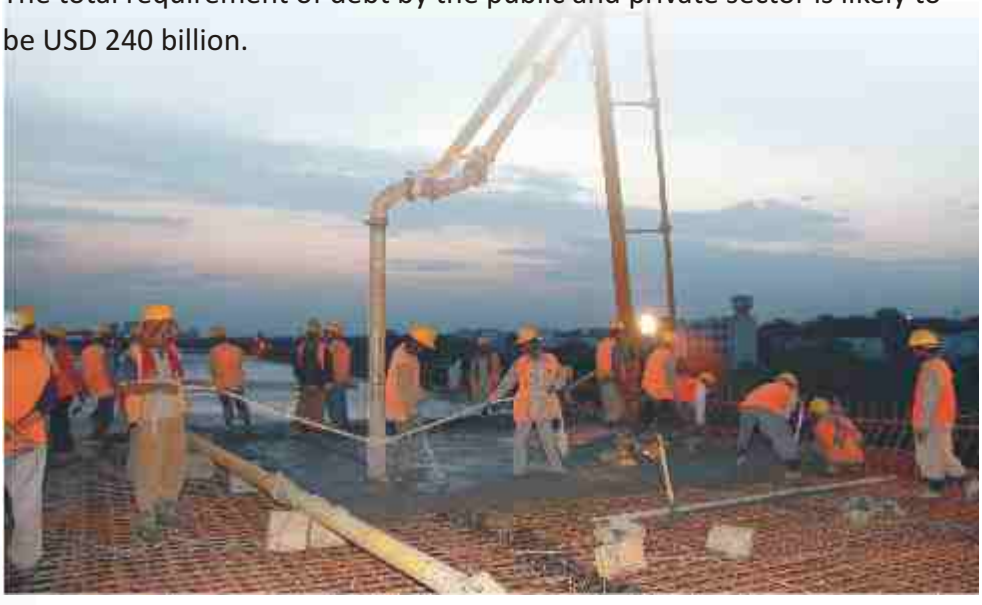
Investments in infrastructure have been expanding at a rapid pace. According to the planning commission, USD 507 billion of investment is proposed for the Eleventh plan period (2007-12)

An estimated 25 percent of the overall expenditure is to be made by private sector as compared to 18 percent in the Tenth plan

Over past three to four years, the government has been promoting PPP projects, whereby it plays the role of a regulator and the private participator invests in the build out of infrastructure. The constraints in budgetary allocation towards infrastructure projects have enhanced the need for private participation.

In some areas like the ports and airports the amount financed through the PPP model exceeds 60 percent of the required funds

The total requirement of debt by the public and private sector is likely to be USD 240 billion.

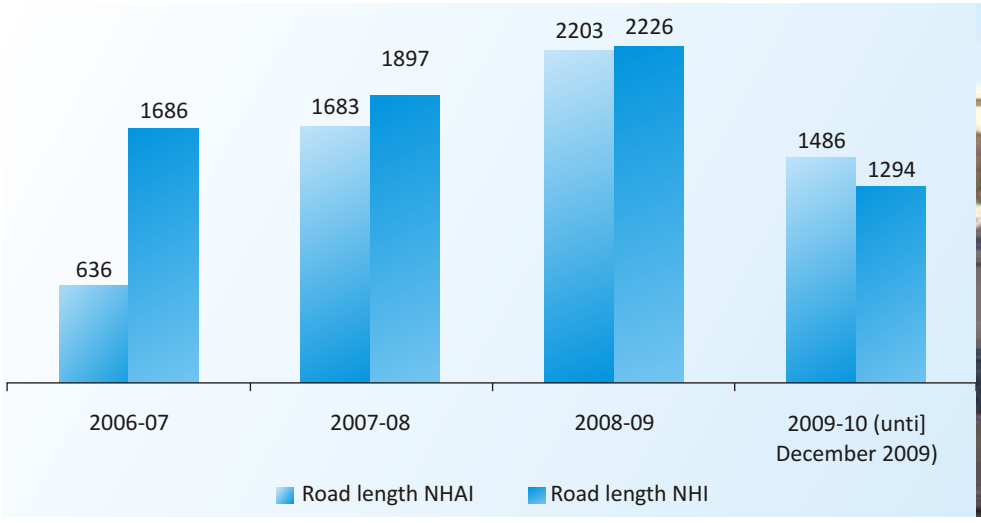


Roads

National Highway Authority of India (NHAI) has been mandated to implement National Highway Development Project (NHDP), entailing an estimated investment of USD 70 billion (from 2006 to 2017).

Road sector investment in FY 2009 in India was USD 12.9 billion and is expected to grow at Cumulative Annual Growth Rate (CAGR) of over 16.5 percent over next five years. The Government has set an ambitious target of building 20 kms of road per day, which translates into an investment of approximately USD 95 billion over next four years (includes national highways, state roads and rural roads). This presents a significant opportunity for private sector, both domestic and international, to participate in the Indian road sector.

Chart 18: Addition to road length



Source: Economic Survey (Planning Commission of India), 2009-10

The NHAI intends to award ~24,400 km under the NHDP to the private sector over the next four years. Around 60 percent of the NHDP is expected to be funded by the private sector.

Typical returns on investment in BOT projects is: BOT (Annuity) -Project IRR 10-12 percent (post-tax), Equity IRR 14-15 percent (post-tax) and BOT (Toll) -Project IRR 14-16 percent (post-tax), Equity IRR 16-18 percent (post-tax).

Investment opportunities exist in a range of projects being tendered by National Highway Authority of India (NHAI) for implementing the remaining phases of the National Highway Development Project (NHDP) The target for XIth Plan, which is currently underway, is as follows:

The ambitious seven phase NHDP is India's largest road project ever. Phase II, III, and IV are under implementation. Key sub projects under this include; the Golden Quadrilateral and the North-South and East-West Corridors A program for six laning of about 6,500 km of National Highways is also underway.

There are around 35 companies who are active in Indian road sector. However, around 60 percent of the BOT road projects bid out by NHAI are being developed by 8-9 key developers in India. Some of these companies who had been aggressive in the infrastructure projects in the past couple of years, are finding themselves over leveraged (financially as well as technically) on their existing projects.

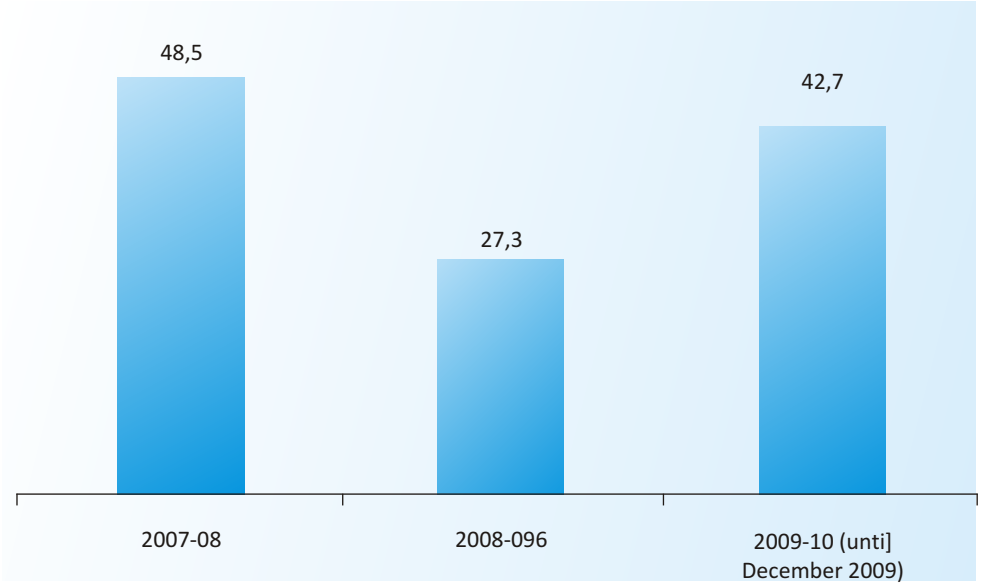
International players and large infrastructure companies with domestic execution capabilities are likely to benefit from the supply constraint in Indian road sector. Several new JVs have been announced between international and domestic players for investing in the Indian road sector capturing execution capabilities of Indian companies in the local environment and experience of international companies in handling large PPP projects.

The central government launched a major initiative to upgrade and strengthen national highways in a phased manner under the NHDP. It is the largest and most ambitious highways project ever undertaken in the world and India. NHAI is undertaking developmental activities under NHDP in seven different phases covering around 54,454 kms. The various phases of the NHDP currently approved and under implementation aggregate to 34,800 kms of arterial routes.

Ports

- Capacity addition and modernisation of major and minor ports in India; new capacity planned in the Eleventh plan; 485 million metric tonnes (MMT) in major ports and 345 MMT in minor ports.
- Rapid growth in traffic at minor ports is signaling investment requirements.

Chart 19: Addition to the port capacity (million tones per annum - MTPA)



Source: Economic Survey (Planning Commission of India), 2009-10

Airports

- Airports need to develop alternative revenue streams. Indian airport operators have huge scope to develop airport enabled activities and increase their non-aeronautical revenues like their global counterparts
- Significant opportunity exists in the area of airport development modernisation; 35 non-metro airports to be modernised / developed and several greenfield projects to be constructed o Upgrading of air traffic management facilities.

Fraport AG in India

Fraport AG operates several airports around the world including Frankfurt airport, one of the world's most important airports. In India it owns 10percent of the share in Delhi International Airport Private Limited (DIAL), which has developed and operates Indira Gandhi International Airport in Delhi. Fraport, one of three partner companies, has an operator contract with DIAL under which it has certain airport-specific consulting responsibilities regarding the modernization, development and operation of the Delhi International Airport. The concession runs for 30 years with an option to renew it for another 30-year period.

According to press reports, Fraport is now keen to further bid for at least three greenfield airports in India. These projects are Navi Mumbai, Pune (Chakan) and Goa (Mopa). It is also likely to acquire 26percent stake in these new projects.

Source: Company website, press reports

Railways

- Construction of dedicated freight corridors between Mumbai- Delhi and Ludhiana- Kolkata have been planned
- New rail - 8132 kms and gauge conversion of 7148 kms by end of the Eleventh Plan.

Indian Railways rolls diesel locomotive equipped with the latest Siemens technology

In early 2010, Indian Railways rolled out the HP Diesel Electric Locomotive, which is equipped with the most advance traction system as well as locomotive control system in India, supplied by Siemens Mobility Division, which is a leading provider of transportation and logistics solution and is focused on networking the various modes of transportation in order to ensure the efficient and environmentally compatible transport of people and goods.

Siemens Limited is a listed company in India. Siemens in India, which comprises 19 legal entities, is a leading provider of industry and infrastructure solutions with a business volume aggregating about €2 billion. It operates in the core business areas of Industry, Energy and Healthcare. It has a nation-wide Sales and Service network, 19 manufacturing plants, a network of around 500 channel partners and employs about 16,800 people

Source: Company website

Voith in India

Voith, a leading producer of machines for paper, energy, mobility industries, is represented in India by its subsidiaries: Voith Turbo Private Limited and Voith Turbo Rail Private Limited. Voith Turbo was founded in 1987 in Hyderabad. Production at its manufacturing plant there started in 1990. Voith Turbo Rail started its operation in the year 2001 also in Hyderabad to serve primarily the Indian Railways. Voith Turbo Rail is a leading supplier of various components and systems for railcars. The entire fleet of Delhi Metro Rail's Coaches is fitted with Voith Axle drive and Voith Schaku Auto and Semi Auto Couplers.

Shipping

- According to International Maritime Organization (IMO), single hull oil-tankers over 25 years old will not be permitted to operate from 2010 onwards, while those less than 25 years old will be prohibited from operation unless the country of ownership registration, the country of loading and the country of unloading have all granted permission. Thus, this offers huge opportunity for the ship building

industry. Besides, the phasing out of the old ships can help improve business for the ship breaking industry.

- Liquefied natural gas (LNG) is to be imported to harness India's power and fertiliser projects. This plan involves huge volume of business for the shipping industry amounting to several billion dollars.
- According to the Planning Commission, USD 19.6 billion is to be invested in the ports sector during the Eleventh Plan (2007-2012). Furthermore, the government has announced that it plans to award 21 port expansion projects worth USD 3.13 billion under the PPP mode in 2010-11. Thus, there is a huge opportunity for private sector to invest through the PPP route.
- Inland Waterways today accounts for a meager 0.15 percent of the total domestic transport today, compared to 14 percent in the US and 46 percent in the Netherlands. Due to the gradual increase in cargo movement through inland waterways, India is developing inland waterways which provides good opportunity to inland water transport and coastal shipping.

Opportunities for German companies

Roads

PPP to be the dominant model for NHDP projects

- More than 60 percent of the estimated investment requirement under NHDP is expected to be privately financed
- Phase I and II work on Golden Quadrilateral (GQ) and East West-North South (EW-NS) corridor is primarily being implemented by NHAI with only 35percent of the investment to be made by the private sector.
- The remaining phases III, IV, V, VI and VII are envisaged to have significant participation from the private sector with 63 percent and 86 percent of Phase III and V investments respectively expected from the private sector.
- The NHAI expects to award 126 projects covering around 12,000 km highways in the next 4 quarters. To begin, 65 projects are likely to be opened for bidding in the next 2 quarters.

Market investment potential

- NHAI plans to award around 24,400 kilometers under NHDP over the next four years
- NHDP Phase IV is likely to be the main driver of road project awards from 2010-11 onwards. Phase IV, which comprises projects expand lanes, would be the main contributor at 72 percent of the overall work plan

- 48 percent of the overall work plan will be awarded on BOT (Toll) basis followed by BOT (Annuity) contributing 40 percent
- Brownfield investments (expansion, improvements of existing infrastructure) are expected to account for majority of NHDP investments at 60 percent while greenfield investments (setting up of new infrastructure) are likely to contribute the rest

Investment incentives

- Foreign Direct Investment (FDI) up to 100 percent is permitted in the construction and maintenance of roads, highways, vehicular bridges, toll roads and vehicular tunnels under the automatic route.
- 100percent exit possible in 2 years from Date of Commissioning
- Retail asset securitization permitted
- Easy repatriation of dividends
- Double taxation avoidance treaties
- Ease of procedures for investment
- Holding company structure
- Dividend Distribution tax reduced at one holding company level
- Direct Tax Code provisions from 2011
- The private sector can develop commercial retail service and rest areas along the roads on which they have secured operation and maintenance contracts.
- Tax holiday to the extent of 100 percent profits (subject to certain conditions) for development, operation or maintenance of a toll road, bridge, rail system, highway project, port, airport, inland waterway, and inland port. This tax exemption is available for any 10 consecutive years out of 20 years beginning from the year in which the undertaking or the enterprise develops and begins to operate the infrastructure facility. Nevertheless, Minimum Alternate Tax (MAT) will still be due at 19.93 percent rate
- 100 percent customs duty exemption on items that are listed under list 18 of serial number 23 of notification 21/2002 dated 1st March 2002
- Duty free import of high capacity and modern road construction equipment
- Viability-Gap funding provided by Government up to 40 percent of project cost based on competitive bidding for each project.
- Protection of the concessionaire from the risks of additional tolls and competing roads.
- Retention of toll by concessionaire for BOT (Toll) projects.
- Revenue sharing in the form of negative grant and concession fee.

Ports

- Opportunities in setting up terminals, greenfield and brownfield

Food processing

India

India's Food Processing Industry is estimated to be around USD 67 billion of the USD 180 billion Food Industry and creates more employment opportunities per unit investment than any other sector. India has a diverse agro-climatic regions and soil types with optimum amount of sunshine hours and day length suited for cultivating both food and commercial crops round the year. Naturally, India is a leading producer of many agricultural products like fruits and vegetables, cereals, pulses etc. India offers a huge potential in terms of rising consumption and as a sourcing hub for the world due to its supply strength. The Food Processing sector offers many opportunities across the value chain right from the farm equipment players to the retail/food services segment.

The key demand drivers are

- Changing working class profile
    - increasing share of young working population
    - 20 percent of women in urban middle class are working
- Increasing consumerism

- High rate of Urbanization - top 10 percent towns have 60percent of the urban population
- Increasing Health Consciousness - consumers willing to pay premium for healthy food products
- Organized Food Retailing expected to grow to USD 6 bn by 2010 and USD 20 bn by 2015
- Government incentives: export earnings exempt from corporate tax; food and beverages as a sector is de-licensed; import of capital goods and raw material for 100 percent export oriented units waived, etc

Germany

The German food and drink industry, which is estimated to be about €155 billion, is the fifth largest industrial branch in Germany; and with a growth of 5.6percent, it grew faster than the overall economy. Most of this growth came from exports, which is about €42 billion.

The German food and drink industry is well known for its wide range of products of the highest quality. But the industry comprises not just food

and drinks companies but also specialists of transport, logistics and distribution, retailers and operators of cold storage houses; refrigeration engineering companies; special vehicle manufacturers; packaging manufacturers etc. And in many of these areas German companies are world leaders

Opportunities

Key investment opportunities, both for catering to the domestic market as well as for exports, exist in many areas of food processing in India. Milk and milk products, meat and poultry, fruits and vegetables are some of the areas with huge potential.

Poor infrastructure for storage, marketing and distribution of food products in India is one of the key reasons for low processing levels and high loss of agri-produce post harvest. The government has recognized this and announced various policy and fiscal measures to augment the storage capacity.

Dr. Oetker, a German food company, has set up a joint venture with Fun Foods in India. This is only the beginning, going forward we see more such cooperation and partnerships between food and retail companies in India and Germany.

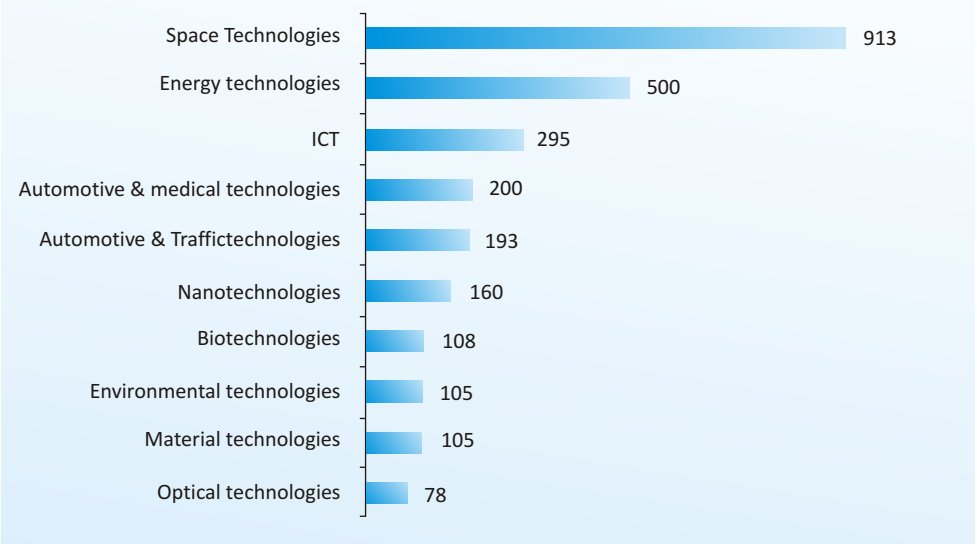
Areas of cooperation to support economic relations

Science and technology

Research and development (R&D) are the cornerstones of the future of the German economy. Generous public funding programs contribute to the excellent conditions allowing companies from all over the world to carry out their R&D in Germany: setting the stage for international high-tech products "made in Germany." The public and private sectors have made a significant commitment to spend around three percent of national GDP per year on R&D activity. This amounts to approximately EUR 70 billion R&D spending annually.

The German federal government to promote the advancement of new technologies has launched the High-Tech Strategy. The campaign combines the resources of all government ministries, committing approximately EUR 4 billion annually to the development of cutting-edge technologies. R&D projects can accordingly count on generous financial support in the form of R&D grants.

Chart 20: Sectors and annual budgets (in million Euros)



Source: Germany Trade & Invest

Scientific and technological cooperation with India dates back to the late 1950s and is based partly on two intergovernmental agreements (1971, 1974). Indian science (particularly space research, IT and biotechnology) enjoys a good reputation in Germany, as does German scientific activity in India. After the US and Japan, India is the third-largest recipient of Alexander von Humboldt scholarships worldwide, and with more than 550 guest researchers it is one of the Max Planck Society's two biggest partner countries in terms of academic/scientific exchange.

The key areas of scientific and technological cooperation between Germany and India are:

- Biotechnology
- Health research
- Space research, technology and applications
- Information technology
- Environmental technology
- Materials research
- Sustainability research
- Production technology
- Disaster and security research

In 1998, the seven Indian Institutes of Technology (Centres of Excellence) and nine German technical universities agreed to set up a programme providing for study trips for Master's students to the partner country. In the same year, the German Academic Exchange Service (DAAD) and the Indian Department of Science and Technology (DST) established a joint programme to promote project-oriented research cooperation.

India's importance as a partner country in science and technology cooperation is also underlined by the Federal Foreign Office's decision to set up a German Science and Innovation House (DWIH) in Delhi, one of five locations worldwide. The DWIH will be a German science and academic organizations/foundations institution. The German Research Foundation (DFG) is in charge of the team tasked with establishing the DWIH in Delhi.

Recently, the Union Cabinet recently approved the establishment of an Indo-German Science and Technology Centre (IGSTC) in India with matching contribution as per Expenditure Finance Committee (EFC) approval of 2 million Euros each year for next five years. The Centre would be registered as a "society" under the relevant Act. The IGSTC will play a proactive role in facilitating participation of industry in joint research and development projects; provide/assist in mobilizing resources to carry out industrial R&D projects. It will also facilitate and promote Indo-German bilateral collaborations in basic and applied science, research and technology through substantive interaction among government, academia and industry. Furthermore, it will encourage Public Private Partnerships (PPP) to foster elements of innovation and application and cultivate a culture of cooperation between science and industry.

SME Cooperation

Exports are driven by Germany's backbone of highly innovative small and medium-sized enterprises (SMEs). These constitute 99.7 percent of all companies that employ 70.5 percent of all employees in Germany. Many of these SMEs are world market leaders in their respective niche segments and make up Germany's manufacturing industrial base.

Table 16

Company Structure in Germany			
	Total	**SMEs**	**SME-Share**
Number of Companies (2008)*	3.63 m	3.62 m	99.7 percent
Turnover of Companies (2007)	5,148 bn	1,932 bn	37.5 percent
Employed	30.01 m	21.15 m	70.5 percent
Net Value-Added (2007)**			47.3 percent

Source: Ifm Bonn (2010)

Definition of SME in Germany according to European Commission			
Enterprise Category	**Headcount**	**Turnover**	**OrBalance Sheet total**
Micro	< 10	≤ €2 million	≤ €2 million
Small	< 50	≤ €10million	≤ €10million
Medium	< 250	≤ €50 million	≤ €43 million

Source: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

Definition of Micro, Small, and Medium Enterprises in India as per MSMED Act 2006			
Enterprise Category	Engaged in Manufacturing or Preservation of Goods (incl. Processing Units)	Engaged In Providing or Rendering of Services	Remarks
Micro	Not to Exceed ₹ 2.5 million	Not to Exceed ₹ 1 million	1. Separate threshold investment limits proposed by the Act for Manufacturing and Services Sectors.
Small	More than ₹ 2.5 million but does not exceed ₹ 50 million	More than ₹ 1 million but does not exceed ₹ 20 million	2. Micro Enterprises newly introduced under both the sectors
Medium	More than ₹ 50 million but does not exceed ₹ 100 million	More than ₹ 20 million but does not exceed ₹ 50 million	

Source: http://www.bankofindia.com/smepol.aspx (retrieved on August 31, 2010)

India has over three and a half million SMEs, which account for half of the country's industrial output, over 95 percent of industrial units and 40 percent of gross industrial value-added. Furthermore, these SMEs employ 20 million people directly and contribute to 7 percent of the country's GDP. They are engaged in producing over 7500 products ranging from basic to high-technology products for domestic and international markets (over a third of India's exports is accounted by SMEs)*

Owing to liberalization and opening up of the economy, the SMEs have been facing stiff competition from imports. They need to constantly upgrade technology and produce cheaper and better quality products. SMEs engaged in the manufacturing of engineering and automobile products have shown excellent growth in the past years due to their expertise in supplying original equipment manufacturer (OEM) assemblies and subassemblies, components, etc.

These companies will further look for technical collaborations and alliances to withstand competitive pressure and further growth. It is important that strategic partnership between two countries at government and institutional level is in place to extend training and research facilities, investments etc.

** Asian Development Bank (http://pid.adb.org/pid/LoanView.htm?projNo=43158&seqNo=01&typeCd=3)*

Skills Development and Training

Vocational training is regarded as a main pillar of the educational system in Germany. Two-thirds of young people undergo vocational training in the dual system. This training ideally lasts two to three and a half years, depending on one's occupation. It is described as a 'dual system' as training is carried out in two places of learning: at the workplace and in a vocational school. The aim of training in the dual system is to provide a broad-based basic to advanced vocational training and impart the skills and knowledge necessary to practice a skilled occupation within a structured course of training. Those completing the training are entitled to undertake skilled work in one of about 355 recognised occupations requiring formal training. The only requisite is that the student should have completed full-time schooling before commencing vocational training.

Imparting high quality skill training is a key to India's global competitiveness as well as improving an individual's access to decent employment. For enterprises to compete in the global economy, the quality of training must reach world standards and be relevant to the needs of national and international markets.

Inwent in India

Inwent is a non-profit organisation with worldwide operations dedicated to human resource development, advanced training, and dialogue.

When the Bureau of Energy Efficiency (BEE) was given responsibility for developing the necessary structures and organisations in all Indian states to implement energy conservation measures at all levels, Inwent was engaged to support the BEE's efforts with the "Energy Efficiency in India" programme. Experts and executives from the respective government offices and energy-intensive commercial sectors improve their qualifications and train as energy auditors. They pass along their knowledge on energy efficiency and conservation, and advise decision-makers in those branches in particular with high energy consumption. They can also use their newly acquired knowledge to contribute to developing an effective training programme on energy efficiency for India

A survey of Indo-German business environment

The key challenges for Indian companies in Germany are the following:

Labour laws

Germany has very strict employment regulations. It is amongst the least flexible countries when it comes to the ease of hiring and dismissing staff. Temporary contracts are difficult to extend. Discussions with Works Council to lay off employees are often long-drawn. Furthermore, there is a social ranking regulation that mandates that newer employees be considered for lay-offs before the previously employed irrespective of skill and experience. One of the companies interviewed expressed frustration with a particular labour law that protects employees who might have been (even if only partly) responsible for company going insolvent. Presence of strict labour laws is corroborated by World Bank's Doing Business report in 2010. It ranks Germany 158 out of 183 countries on flexibility of labour laws.

Work Permit and Visa

Indians are required to obtain a permit to work in Germany. Immigration rules are often unclear and seem to be arbitrary. The process, requirements and time taken varies (often in similar cases) and from one state to the other. In one case consultants hired from India had to leave midway because the process to extend their visas took inordinately longer than expected. Obtaining a business visa to Germany for long term, say one year is very difficult. Businessmen have to apply for visa for each visit, which results in loss of time and more expense. It is also difficult to get visas for their spouses. These delays and unpredictability affects work and deadlines adversely as the German clients do not appreciate deadlines being crossed.

In the case of a German retail company, that has been taken over by an Indian, the engagement of an Indian consulting firm helping the new owner was constantly hampered due to repeated delays in the processing of the long term work permits for the consultants. The absence of a fast track channel for visa processing led to the consultants having to wait for more 6 weeks, an extremely long time in the context of restructuring and

business turnaround, before they could start working. The visa approvals were received in 6 weeks, only because of the constant pressure they applied with the local bodies in Germany. Another prominent Indian company associated with Germany for over 9 years, recently started their Branch operations in Germany. It took them almost two years to establish their branch due to lengthy regulatory procedures. Long term visas for Indian personnel working in the branch and their spouses also took a very long time.

VAT Refund and Reciprocity

Till 1995, Indian companies were getting refund of VAT from Germany. In 1995, the German VAT Code was amended making refund of VAT to non-German enterprises conditional.

a. No VAT or similar Tax is imposed in India

b. If imposed, there should be reciprocity

India has both the above disqualifications. At the Indo-German JBC in Berlin in 2000, Govt. of India pointed out that INDIAN Sales Tax is not a VAT. Reciprocity condition is met because there is no discrimination between German Companies in India under Sales Tax systems, and all MNCs are treated alike, India and Germany provide MFN status. USA has a similar Sales Tax system as India where VAT Refund was first denied by Germany and later restored. The German side has conceded this, but a formal decision is awaited.

Export Controls

Several products including textiles and steel products from some countries are generally restricted by import quotas and require an import license. Furthermore, export of components for military equipments require specific licenses and Indian importers, including large companies, have faced issues with this. Federal Office of Economics and Export Control (Bundesamt für Wirtschaft und Ausfuhrkontrolle - BAFA), which is responsible for the relevant procedures, can take inordinate time in issuing a license resulting in uncertainty and loss.

Specific import control regulations apply to products that may potentially pose a risk to human health, public security or environmental protection, such as medicine, weapons or endangered species of plants and animals. These controls can often pose as non-trade barriers.

Social Insurance

Germany has a compulsory social security system that covers health insurance, old-age benefits etc. A Totalisation Agreement has been in place wef October 1, 2009 between Indian and Germany, which would exempt their nationals working in either country from social security contributions. But there seems to be a conflict between this agreement and a recent executive order of the Federal Employment Agency that requires social security contribution for obtaining a work visa.

Exporters' Issues

Pharma: The production facilities of registered exporters from the pharmaceutical industry are subjected to periodic EU inspections. However, every time products manufactured by such facilities are imported in Germany, they are once again subjected to a re-analyses test. Despite the mandatory requirement in Germany for pharmaceutical companies to have qualified personnel that can authorize the release of products for sale, the re-analysis tests for selling imported pharmaceutical products is required to be carried out by external agencies in Germany. This process is extremely time consuming and can affect the launch strategies particularly for products going off-patents. The German authorities may have to consider unrestricted import of products from facilities that in any case are subjected to periodic on-ground inspection by German authorities.

EU Level Issues

REACH

The REACH regulation covers about 30,000 chemicals imported in quantities above one tonne per company per year. Since this applies to Germany as well, this would adversely impact India's exports of chemical products to Germany as registration, testing and certification in the EU of chemicals and generation of safety data are prohibitively costly to Indian exporters. This is more so as the Indian industry in this sector is highly fragmented and is dominated by SMEs.

Indian producers and exporters of pharmaceuticals (especially of active pharmaceutical ingredients) face difficulties in exporting their products to Germany due to amendments in the German Code of Medical Law. This issue was taken up in the 16th session of the Joint Commission. The Indian side had proposed an Agreement on Mutual Recognition of Good Manufacturing Practices (GMP) certificates, which has to be concluded at

the EU level and cannot be resolved bilaterally. The Department of Chemicals & Petrochemicals has raised this issue at the EU level, but it is important to have concurrence and support from Germany.

This issue was discussed in the 17th session of the JCM. The German side has offered that they could work with the Indian Ministry of Chemicals and Petrochemicals to help create awareness and give training to Indian producers.

Market Access

Export of several food products such meat and fruit face restrictions as a result of the existing regulations, which need to be reviewed and harmonized across all EU countries including Germany. Frequently changing regulations often cause lot of hardship to the exporters and sometimes they are not even aware of the new regulations.

Furthermore, the EU Directive on Traditional and Herbal Medicine covers around 1000 substances used in traditional Ayurvedic and herbal products. The directive acts as a non-tariff barrier to access the EU market including Germany for Ayurvedic products. Besides the quality dossier and the formal information to be provided in the application procedure, a tradition of at least 30 years (including at least 15 years within the EU) has to be proven together with the product's safety and the plausibility of the pharmacological effects or efficacy.

The quality control guidelines stipulated in the EU Directive makes companies incur significantly higher costs due to the additional requirements and complexities of product registration) (especially those with mixtures of herbs), labeling, and reporting, while the requirement of 15 years prior tradition in the EU effectively acts as a block against entry of Indian Ayurvedic medicines and is a serious hindrance to market access.

German business in India

The key challenges for German companies in India are the following:

High "ground-level" hassles

German companies feel that it is difficult to navigate through India's bureaucratic controls and procedures, sometimes leading to time and cost overruns. They feel that crisp guidelines and clearly established processes easily available to foreign investors would address the situation to a large

extent. German companies also feel that a lot of certification is required most of which is not required in similar countries.

Inflexible labour laws and relatively high taxes

As a result of labour market rigidities, employers are generally unwilling to hire more workers due to the difficult prospect of retrenching them during cyclical downturns, making it difficult to close down inefficient businesses. In addition corporate tax rates in India are quite high by Asian standards. Further, with respect to employee lay-offs, prior permission of the state Government is mandatory in order for a business in India with at least one hundred employees to be shut down. German companies would desire this threshold for state government approval to be reviewed and increase it to around 300 people.

Unsatisfactory infrastructure

Inadequacies in infrastructure in India represents a major impediment to the country's achieving its full potential, especially in the manufacturing sector. German companies find India's ports and airport facilities inadequate in an international comparison. In addition, investors remained concerned with the lack of improvement in transport, roads, power and water availability.

Transfer Price Legislation

German companies have raised the issue of simplification of tax system in India in India and the need for greater transparency in Transfer Pricing Legislation in India. They have also called upon India to open the construction sector and law firms to enable entry in these sectors as well. This issue was also discussed at the 17th session of the Indo-German Joint Commission Meeting in Delhi.

Visa and work permit issues

German companies find it difficult to get work permits for their personnel and the procedure to extend the visa is also very difficult. They suggested that the duration of visa granted should be synchronized with the employment contract. There is a quota system in place from December 2009 and it is becoming increasingly difficult to get work visas for German technicians. Since the requirement for registration of foreign nationals is mandatory in India with the Foreigners Regional Registration Office (FRRO), and the process could take upto a day, it is difficult for German professionals who are in India on a short duration stay.

The Road Ahead

The steadily increasing trade volume over the past years and the increasing number of joint R&D projects and corporate investments in future markets such as biotechnology, nanotechnology, renewable energy and other green technologies promises a bright future in the bilateral economic relations. To expand the increasing growing partnership between India and Germany, a series of events titled “Infinite Opportunities – Germany and India 2011-2012” have been planned. 2011 is also a year of special significance for Indo-German relations: the two countries celebrate 60 years of diplomatic relations. However, as the series is titled, the significance of the relationship is not in the past events but in the future of Indo-German relations.

As this paper highlights, there is immense potential for enhancing economic and business relations between the two countries. Germany's strength in technology is well matched by India's attributes of a high growth market, favourable demographics, cost-efficient production and R&D base (access to wider South Asia market, availability of skilled labour). In the near future, more German companies are expected to invest in India in automotive, chemical, pharmaceuticals, infrastructure and renewable energy sectors to name a few. For India, Germany will always remain an important destination for high end technology and as a base to tap the combined EU market.

About KPMG

KPMG operates as an international network of member firms offering audit, tax and advisory services. We work closely with our clients, helping them to mitigate risks and grasp opportunities. Our firms' clients include business corporations, governments and public sector agencies and not-for-profit organizations. They look to KPMG for a consistent standard of service based on high order professional capabilities, industry insight and local knowledge.

KPMG member firms can be found in over 140 countries. Collectively they employ more than 135,000 people across a range of disciplines.

KPMG in Germany

In Germany too, KPMG is one of the leading auditing and advisory firms and has around 8,500 employees at more than 20 locations. Our services are divided into the following functions: Audit, Tax and Advisory. Our Audit services are focused on the auditing of consolidated and annual financial statements. The Tax function incorporates the tax advisory services provided by KPMG. Our high level of specialist know-how on business, regulatory and transaction-related issues is brought together within our Advisory function. We have established teams of interdisciplinary industry specialists for key sectors of the economy. These pool the experience of our specialists around the world and further enhance the quality of our advisory services.

KPMG in India

KPMG was established in India in September 1993, and has rapidly built a significant competitive presence in the country. The firm operates from its offices in Mumbai, Pune, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Kochi and Chandigarh, and offers its clients a full range of services, including financial and business advisory, tax and regulatory.

About FICCI

Established in 1927, FICCI is the largest and oldest apex business organization in India. Its history is closely interwoven with India's struggle for independence and its subsequent emergence as one of the most rapidly growing economies globally. FICCI plays a leading role in policy debates that are at the forefront of social, economic and political change. Through its 400 professionals, FICCI is active in 52 sectors of the economy. FICCI's stand on policy issues is sought out by think tanks, governments and academia. Its publications are widely read for their in-depth research and policy prescriptions. FICCI has joint business councils with more than 80 countries around the world.

A non-government, not-for-profit organization, FICCI is the voice of India's business and industry. FICCI has direct membership from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 83,000 companies from regional chambers of commerce.

FICCI works closely with the government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialized services and global linkages. It also provides a platform for sector specific consensus building and networking. Partnerships with countries across the world carry forward our initiatives in inclusive development, which encompass health, education, livelihood, governance, skill development, etc. FICCI serves as the first port of call for Indian industry and the international business community.

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