

» Opportunity and Challenge – India



» India is booming.

More than 1.2 billion people live on the Indian subcontinent. Germany exported goods there to the value of around 6.2 billion euros in 2010. German direct investments over the last ten years amounted to more than 3 billion euros.

“Made in Germany” – Atreus helps companies implement their plans for the Indian market

India has one of the most rapidly expanding economies in the world, growing at a rate of 8.5 percent. With 1.2 billion inhabitants as of now, it will presumably not only be the most populous country on the planet by the middle of the century, its gross domestic product will also be ranked third, behind only China and the USA. Economic relations between Germany and India have become much more dynamic and intense in recent years. Visits by the German Chancellor, accompanied by high-ranking economic delegations, underscored the mutual interest of the two countries in further consolidating their economic relationship. “Made in Germany” really means something in India. Germany is India’s most important

trading partner from the EU, and it is the eighth largest supplier and buyer of Indian goods.

Germany the biggest group of exhibitors at the IMTEX

Our trading surplus of around 3 billion euros bears witness to strong Indian demand, in particular for German capital goods – machines mostly, which account for around a third of all German exports to India – and motor vehicles. Other important product groups in bilateral trade include chemical and electrical engineering products as well as precision engineering and optical products. The biggest growth rates are to be found in aircraft, food, motor vehicles, machines, electrical engi-

neering and optical devices. The focus of Indian exports to Germany lies on textiles, followed by chemical products, leather goods, food, iron and ironware and motor vehicles. And so it comes as no surprise that Germany’s 70 exhibitors represent the biggest national contingent at India’s largest mechanical engineering fair IMTEX (www.imtex.in) to be held in January 2012 in Biec, Bangalore. But business is booming not only in the mechanical engineering sector; the automotive and automotive components industry is also performing strongly. This industry is coming together at the “Auto Expo New Delhi” (www.autoexpo.in), Asia’s largest fair for the automotive industry, also in January 2012.



Presence on international sales and procurement markets as a success factor

We have been seeing rapidly growing demand for interim managers for some years now. They help our customers make a success of their projects on the Indian market. Indeed, more than a quarter of all Atreus assignments are today outside Germany, and the trend is on the rise, because it is becoming ever more important for large company groups and SMEs alike to have a presence on international markets.

Our Atreus Managers working in India are all experienced executives with proven knowledge of the special features of this market. They have already successfully dealt with similar tasks in India in the past, so they make the right assessments and can move to the implementation phase fast. For example, we currently have an interim General Manager in an international chemicals company group, who is using his know-how to restructure the Indian subsidiary and reorganize its sales structures, with the goal of significantly improving the market share in India. In another mandate the Atreus expert is on location as production manager in the toolmaking industry to optimize work processes and ensure quality.

Building new industrial and production facilities

Typical for the development in India: Whereas in Germany it is things like the modernization of production sites, process optimizations and quality management that are the main issues, major new industrial facilities are being built in India. For example, we assisted in the construction of a production site in the electrical engineering field with highly automated mass production. And Atreus experts are also on the job in neighboring Pakistan for a major German manufacturer of power plants.

We look forward to hearing from you with regard to your plans on the Indian market, and would be happy to help you at short notice with our expertise and exactly the right managers for your needs.

We hope you enjoy reading the A.topic.

With our best regards

Dr. Harald Linné, Managing Partner
Erich Mayer, Partner

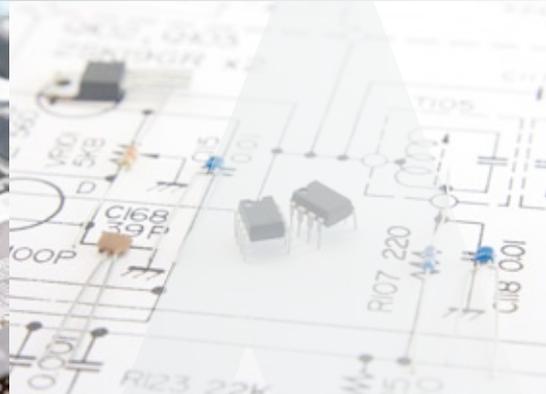
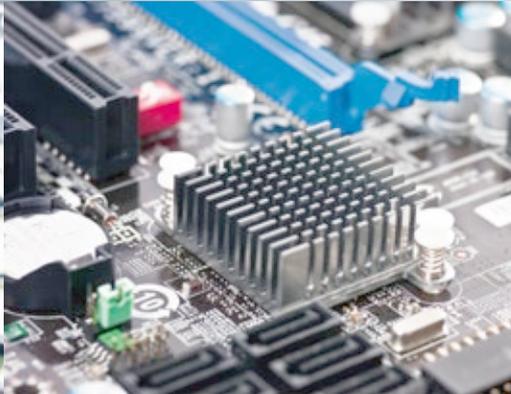
Atreus Projects in India

The Atreus Managers currently on the job in India are experienced executives with proven knowledge of the special characteristics of this market.

Examples:

- ▶ General Manager for an international chemicals company group, who is restructuring an Indian subsidiary and reorganizing its sales structures
- ▶ Production manager in the toolmaking industry, optimizing working processes and quality assurance
- ▶ Production expert in the electrical engineering industry, setting up highly automated mass production
- ▶ Example Pakistan: Here Atreus Experts are working for a major German power-plant builder

More than a quarter of all Atreus assignments are outside Germany. And this trend is on the rise.



Summary

1

▶ **India is one of the major Emerging Markets.** Its growth is largely driven by its own domestic demand. India's dependence on international markets has increased, but it is still not very dependent on exports.

2

▶ **German exports to India are growing at double-digit rates.** With a plus of around 20 percent, Germany will presumably generate an export volume of 11 billion euros over the year as a whole.

3

▶ **In the industrial sector the growth rate is between 7 and 9 percent.** In some segments, for example in the automotive industry, 15 percent are expected.

4

▶ **Germany has an excellent reputation in India – especially in the fields of capital goods, mechanical engineering and plant construction.** Around 50 percent of all machines required in India are produced domestically, while the other 50 percent are imported. Germany is the top supplier of these imported machines.

5

▶ **Germany's major company groups are strongly represented in India.** And there are also many smaller companies that act as suppliers to these corporations. They also work for Indian companies, which are highly appreciative of German technology.

6

▶ **There are numerous relationships between Indian and German companies.**

7

▶ **Income, consumption and consumer behavior in India differ greatly from those in Western countries.** The Indian middle-class is often described too euphorically as having purchasing power. The Indian consumer will always choose an Indian product over a foreign one, because the local product is generally much less expensive.

Country profile – India

▶ **Name:** Republic of India, Bharatiya Ganarajya (Hindi)

▶ **Climate:** Monsoon-based (July to September), hot dry season (April to June), more seasonal in the north

▶ **Location:** South Asia (both sides of the Tropic of Cancer)

▶ Surface area: 3,287,000 km² (more than nine times that of Germany)

▶ **Capital city:** New Delhi (population approx. 13.8 million, "National Capital Territory of Delhi")

▶ **Population:** approx. 1.027 billion (2001 census)

▶ **Languages:** Hindi and English are the national languages, 21 other recognized languages spoken





 Vita Dirk Matter

 E-Mail Dirk Matter



Germany Year in India

To celebrate 60 years of diplomatic relations between Germany and India, the Germany Year "Germany and India 2011-2012" is being held from autumn 2011 to autumn 2012. The motto of this event is "Germany and India: Infinite Opportunities".

Germany, the "land of ideas", will be presenting itself at this event as an innovative and creative partner to India providing answers to questions of India's future. The aim is to raise the profile of existing German-Indian collaborations and provide impetus for new co-operations. The program will encompass the fields of politics, commerce, education, research, science and culture. One of the highlights is a mobile event space, with which the project will be presented consecutively in seven major Indian cities; making its guest appearances for around ten days in each metropolis.

The Foreign Office, the Goethe Institute, the Asia-Pacific Committee of German Business (APA) and the Federal Ministry of Education and Research are responsible for the project.

» Interview with Dirk Matter, Director of the Indo-German Chamber of Commerce in Düsseldorf

» How is the Indian market developing from the point of view of German companies?

The trend is very pleasing. Germany's exports are growing at double-digit rates. With a plus of around 20 percent we will presumably generate an export volume of 11 billion euros over the year as a whole, which means Germany is not doing badly at all in an international comparison. Of course China is a whole different ball game. India is now really booming. In the industrial sector the growth rate is fluctuating between 7 and 9 percent. In some industries, such as automotive for example, as much as 15 percent growth is expected.

» What products does Germany deliver to India?

Germany is very strong in capital goods, or in a classical sense in mechanical engineering and plant construction. We have an excellent reputation in these fields.

» So "Made in Germany" is highly valued?

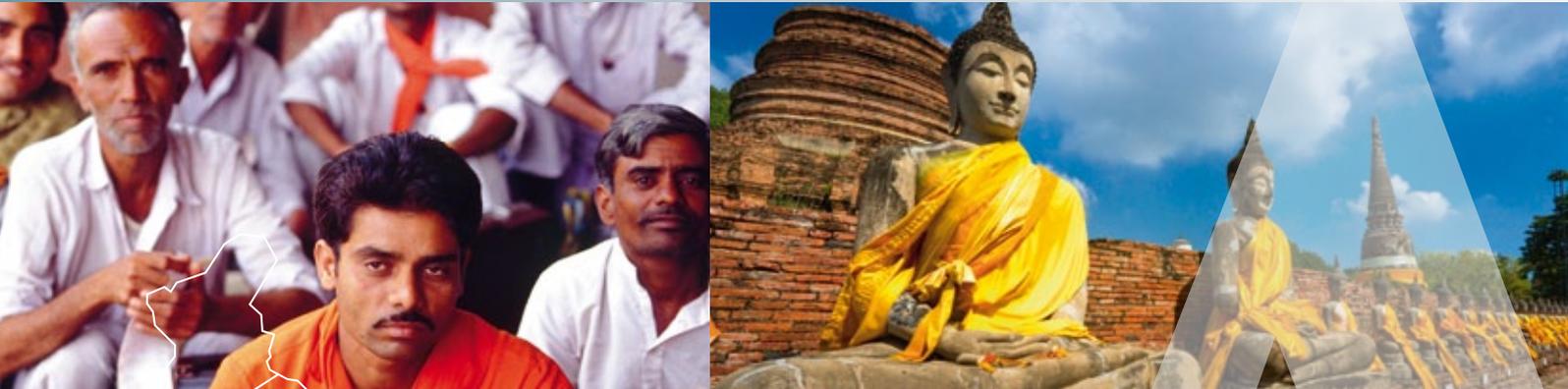
India is one of the countries in which "Made in Germany" still bears real weight. In the mechanical engineering sector, for example, more than half of the

machines required in India are manufactured there, and the other half is imported. And Germany is the number 1 country when it comes to machine imports to India. India isn't as mysterious or exotic as it used to be any more. There are a good number of companies – and not just the major conglomerates – that have been active on this market for a long time now. Many industrial machines, steel plants, refineries, strip mills, chemical plants etc. are being built in India, bringing strong demand with them.

» The media speak of a society in transformation, of a new middle class and rapidly growing consumer demand. Are new market opportunities arising?

There is a large middle class forming that the media euphorically often describe as having great buying power. That is true to some extent, but one cannot compare the Indian middle class with the European income situation. It is much more moderate. Consumption patterns and consumer behavior are also much different to ours. Of course India is very interesting for the large international company groups in the consumer goods industry. Coca Cola, Pepsi, Unilever, Procter & Gamble, etc.





are very active there. Unlike China or Russia, however, India is not yet a big market for luxury consumer goods. And what is more, when observing the competitive situation there, one is forced to draw the painful conclusion that Indians will always prefer an Indian product, for the simple reason that the Indian product is much cheaper than the foreign one.

» Are large company groups well established in India?

Of course our major German companies such as Siemens, Bayer, BASF and the well-known carmakers are big in India. The automotive components supplier Bosch is also well situated. But there are also many smaller companies acting as suppliers to these groups that have “piggy-backed” into the Indian market in this way. One mustn’t forget though that many Indian company groups are very receptive to German technology. For example, Tata Motors uses numerous German machines and calls on German engineering companies when designing its vehicles. There are many interrelationships between Indian and German companies.

» Do German managers work for Indian companies?

There are exceptions, but as a rule no. German managers are largely employed in German companies in India. One exception is Klaus-Peter Forster, who was CEO of Tata Motors and the first foreign chairman in an Indian group. The large In-

dian companies are either state-owned or, even if they are listed on the stock exchange, family-owned with one family that owns the stock, and they very rarely revert to international management.

» Is that a mistake?

That is of course a fair question, but it has to do with very strong personal relationships and networks. Indian companies are managed differently, which by the way is one of the reasons why German companies have their difficulties there. The “how to do business”, i.e. the intercultural communication is an enormous problem. Business is done in an oriental way in India, which is totally different to how we do things in Europe.

» What special management skills does one have to bring to the table?

First of all you have to accept and learn to understand the local mentality. This means you have to be an excellent negotiator. In my many years of experience with India, I can say that the Indians are much better than us in this respect. They are extremely smart and clever negotiators. What we Germans lack here is patience – patience and more patience. For us, time is money, but in India the pace is much more Oriental. There are always delays, decisions are overturned, things have to be renegotiated, and so on and so forth. You have to have nerves of steel to do well there.

Country profile – India

► **Religions:** Hinduism (approx. 80.5%), Islam (approx. 13.4%), Christianity (approx. 2.3%), Sikhism (approx. 1.8%), Buddhism, Jainism, Parsi and others

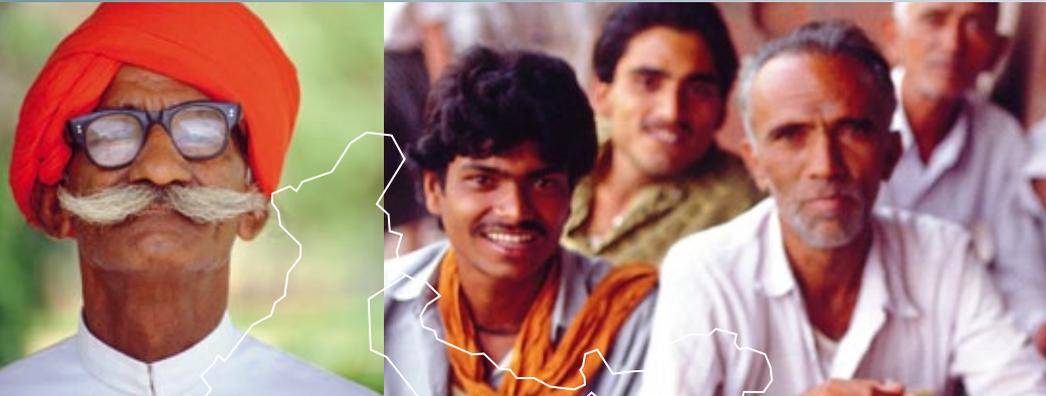
► **Independence:** 15 August 1947

► **Form of government:** Parliamentary democracy: Federal state (28 states, 6 Unions territories, National Capital Territory Delhi)

► **Head of state:** Pratibha Devisingh Patil, President of India

► **Head of government:** Dr. Manmohan Singh, Prime Minister of India





» Do you recommend to German companies that they get active in India?

Well you should definitely include India in your plans. It is one of the really important Emerging Markets: that much is certain. This is because the growth is driven strongly by the country's own domestic market. India has become more dependent on international markets, but it is still not very dependent on exports. On top of that, the Indian financial system is very solid, as the Indian rupee is not freely convertible. Indian bankers and investors were never allowed to invest in sub-prime securities in the US or anything like that. There are still controls on capital flows in India.

» But haven't the forecasts for India been reduced?

Everything is dovetailed in today's global world, and no country can boom any more when all around it everyone is falling into a recession. That also applies to India, especially since the United States of America are such an important market for it. But the Gulf states are also very major trading partners that aren't doing so well at the moment either. So the forecasts have been cut back a little. The hope is to achieve the 10 percent growth forecast in the coming years. That is now being calculated more conservatively and the estimate is now around 8 percent.

» How do you see the visit of the German Chancellor, who was in India with a large economic delegation in May?

That was a business card that they left in India, and business cards are very important in India. Personal contact is key here. That makes things particularly difficult for foreign companies, because it means a lot of travel to India. The first time you go there you exchange cards. The second time you drink tea together. On the third visit you gradually start to talk business. Confidence building takes time there. That is why the supporting measures of the federal government are so important.

» Thank you for talking with us, Mr. Matter.

Country profile – India

» Organizations in the economy (trade associations, employer associations):

Governing bodies:

- FICCI (Federation of Indian Chambers of Commerce and Industry) www.ficci.com
- CII (Confederation of Indian Industry) www.ciionline.org
- ASSOCHAM (The Associated Chambers of Commerce and Industry of India) www.assocham.org
- PHD Chamber of Commerce and Industry, www.phdcci.in

Professional associations:

- ACMA (The Automotive Component Manufacturers Association of India) www.acmainfo.com
- SIAM (Society of Indian Automobile Manufacturers), www.siamindia.com
- IEEMA (Indian Electrical and Electronic Manufacturers' Association) www.ieema.org
- FISME (Federation of Indian Micro and Small and Medium Enterprises) www.fisme.org.in
- FIEO (Federation of Indian Export Organisations), www.fieo.org
- NASSCOM (NATIONAL ASSOCIATION OF SOFTWARE & SERVICE COMPANIES), www.nasscom.org



» Economic data

INDIA/Republic of India	2009/10	2010/2011
Population in millions	1154 (+1.4)	1186 (+1.4)
Gross domestic product (GDP) total at market prices	\$ 1424 bn	\$ 1713 bn
Gross domestic product (GDP) total (in prices from 2004–2005) (the percentage growth rates are in figures in Indian rupees)	€ 1092 bn	€ 1313 bn
Real growth in % (at market prices)	17,3%	20,3%
Real growth in % (2004-2005 prices) (the percentage growth rates are in figures in Indian rupees)	8.0%	8.6%
GDP per capita (at market prices)	\$ 1011 € 775	\$ 1185 € 909
Rate of price increase (WPI)	3.6%	9.4%
Rate of price increase (CPI)	12.4%	11%
State budget in % of GDP (expenditure)	17%	15%
Balance of state budget in % of GDP (budget deficit at Union level)	6.4%	5.1%
Foreign trade		
Export	\$ 178.7 bn (-3.5%)	\$ 164.7 bn (+29.5%) (Apr.–Dec. 2010)
Import	\$ 288.4 bn (-5%)	\$ 246.7 bn (+19%)
Balance of trade	\$ -13 bn	\$ -28 bn (Apr.–Sept. 2010)
Balance of international debt	\$ 225 bn (End of Dec. 08)	\$ 295.8 bn (End of Sept. 2010)
Currency reserves	\$ 297.3 bn (January 2011)	
Debt servicing in % of GDP	5.5 % (End of March 2010)	3.8 % (End of Sept. 2010)
Bilateral relations		
	2009	2010
Exports to Germany	€ 5098.6 m.	€ 6193.2 m.
Imports from Germany	€ 8094.4 m.	€ 9253.5 m.
Trade with the EU		
EU exports to India	€ 27.5 bn	–
EU imports from India	€ 25.4 bn	–
Cumulative German direct investments in the guest nation	€ 2910 m. (Apr. 2000–Dec. 2010)	
	2009-2010	2010-2011
Net inflow of German direct investments	\$ 626 m.	\$ 111 m. (March – Dec. 2010)
Investment protection agreement of	05.06.1997 in effect	
Double taxation agreement of	19.12.1996 in effect	

Figures based on the following exchange rates: Ind.Rs./\$: 46 and Ind. Rs./€: 60

Reporting year: 2010–2011 (1 April to 31 March), as at: 1 March 2011

Source: Foreign Office, as of September 2011



Country profile – India

► Gross domestic product:

(2009/2010):
approx. € 1,022 bn
(\$ 1,363)

► Per capita income:

(2009/2010):
approx. € 775
(\$ 1,033)

► Currency:

Indian rupee (INR);
1 rupee = 100 pais
1 € = approx. 64 INR (Sept. 2011)
1 \$ = approx. 46 INR (Sept. 2011)

Source: Foreign Office,
as of September 2011

