

German Investments in India

Germany specific highlights:

- German FDI inflows since August 1991 to March 2014 is over US \$8.3 billion accounting for almost 3.2% share of total investment inflow into India
- Germany ranks 7th in the list of top ten investing countries since 1991.
- German investment inflows from April 2014 to March 2015 amounted to US \$1,125 million, 7th highest among all countries.
- Top sectors attracting German FDI inflows from April 2000 to March 2015 are Automobile Industry (21%), Miscellaneous Mechanical Et Engineering Industries (16%), Services Sector (12%), Chemicals-other than fertilizers (8%) and Trading (6%). These top 5 accounted for 63% of total inflows from Germany since the turn of the millennium.
- Top sectors attracting FDI inflows from Germany during FY April 2014 to March 2015 are Automobile industry (20.6%), Services Sector (15.9%), Construction (infrastructure) activities (15.6%), Industrial machinery (6.2%) and Drugs Et pharmaceuticals (6.2%). These top 5 accounted for about 64.5% of total inflows from Germany during the last fiscal.
- 1,634 financial collaborations have been approved for Germany since 1991 (7.8%) of a total of 21,018 for all countries.
- 1,117 technical collaborations (13.7%) of Germany have been approved out of a total 8,151 for all countries since 1991
- During the financial year 2014-15, Maharashtra – 47.3%, Tamil Nadu- 26.9%, New Delhi – 12.7%, Karnataka – 4.25% and Andhra Pradesh – 0.8% were the top investment locations for German companies in India
- Germany's total investments into India during Apr.'14 to Mar.'15 amounted to US \$1,125 million, accounting for over 3.6% of total Indian investment inflows in that year.

Strategic partnership with Germany enters a new phase

India took center stage as the official Partner Country at the Hannover Messe 2015, the world's largest industrial trade fair. On his maiden visit to Germany, India's Prime Minister Narendra Modi inaugurated the fair together with Germany's Chancellor Angela Merkel. The fair, which was held from 13th to 17th April 2015 in Hannover, is set to provide the necessary boost to India's manufacturing sector. PM Modi was accompanied by the 'who's who' of India Inc. while he met a number of top German CEOs at HannoverMesse. Throughout the fair, there were India focus seminars, presentations by Federal, Chief and State Ministers, discussions on high technology partnerships and signing of MOUs. 'Make in India' initiative was the focal theme, with the Department of Industrial Policy and Promotion (DIPP) hoping to attract investors and foreign direct investment (FDI).

At the inauguration of the Indo-German Business Summit organized by IGCC during the Fair together with Confederation of Indian Industry (CII), Asia-Pacific Committee of German Business (APA) and the Engineering Exports Promotion Council (EEPC), Hubert Lienhard, APA-Chairman and President and CEO Voith GmbH said, "The German industry is ready. When India grows, we grow too and invest. However, the conditions must be conducive. India and its new government must convince the world that it is truly possible to grow sustainably." At the run up to the Summit itself, he commented positively on the "Make in India" initiative of the Prime Minister Narendra Modi: "With the 'Make in India' initiative, India has taken a vital step. It is therefore more necessary for us to talk in Hannover about

what the expectations are on both sides and what measures have to be taken to intensify cooperation."

During her speech subsequently, German Chancellor Angela Merkel made it clear to the Indian government what is important to German politicians and German industry. "And that is that German companies are treated in the same way as local industry – with equal access to public contracts and the awarding of licenses and with the same legal framework conditions," she said. In this context, she praised the reforms launched by Prime Minister Narendra Modi. The Chancellor declared that the German government will endeavour to remove any remaining hurdles on the German side. "Germany not only wishes to invest more in India, but is interested in seeing more Indian companies in Germany," she said.

In his address, Prime Minister Narendra Modi emphasized that India now was a changed country. Substantiating his remark through examples Mr. Modi said: "You will be able to see for yourself the winds of change in India. We are very keen to develop the sectors where you are strong. We need your involvement. The scope and potential, the breadth and length of infrastructure and related developments is very huge in India." He further added, "We also want to promote manufacturing in a big way particularly to create jobs for our youth. For this purpose, we have launched a campaign called "Make in India". He also mentioned that a lot of effort was being put in to improve the 'Ease of Doing Business' in the subcontinent. He then went on to elaborate on the various measures taken on this front.

The joint declaration which was announced on 14th April 2015 stated the two governments' intentions of furthering collaboration in areas like Manufacturing, Skill Development, Urban Development, Environment, Railways, Cleaning of Rivers, Renewable Energy, Education, Language, Science and Technology.

The declaration stated that the momentum generated by India's participation in the Hannover Messe should be utilized to foster stronger ties between business and industry on both sides in order to support India's 'Make in India' initiative. Greater investments, a positive investment climate and technology partnerships are crucial for the success of India's 'Make in India' initiative, it said.



Indian Pavilion Inauguration at HannoverMesse 2015

German investments grew 8.4% last year

Since 1991, the year of liberalization, Germany is the 7th most important investing country for India with total investments amounting to around US \$8,316 million. The country has consistently been among the top ten investing countries for India. During the last financial year (2014-15), it ranked 7th with investments to the tune of US \$1,125 million. While overall foreign direct investments into India grew 27.3% during the last fiscal, inflows from Germany grew 8.4%.

German Investment inflows since 2000 (Table 8)

The graph of German investment inflows from the years 2000 to 2015 is inundated with several crests and troughs. After declining initially in 2001-02, the following year saw German investments rise, posting a growth of 26.8%. In the subsequent year i.e. 2003-04, there was a substantial dip again (-43.6%) with another rise in the following year of 79%. In 2005-06, investment inflows from the country saw a healthy growth once again, growing by over 108%. That year Germany's share in total investments into India was maximum with 5.4%. Another dip in German investments followed in 2006-07 (-60.4%) only to rise substantially once again in the following year by 328%. In 2008-09, there was a reasonable growth of 22.5% in German investments and the level was more or less maintained during 2009-10. The numbers took another plunge in 2010-11 when investments dropped by over 68%. This was succeeded by the phenomenal rise of 711% during the year 2011-12, which amounted to nearly US \$1,622 million accounting for a share of 4.6% of total investments from all countries into India. German investments once again declined 47% amounting to US \$860 million in 2012-13 and in 2013-14, investment inflows from the country into the subcontinent was to the tune of US \$1,038 million, posting a growth of 20.7% and accounting for a share of 4.3%. According to the statistics of the Department of Industrial Policy Et Promotion, Govt. of India, last year i.e. 2014-15, inflows from Germany amounted to US \$1,125 million, registering a growth 8.4% while taking up a share of 3.6% of total investment inflows into India last year.

Overall, German investments since the year 2000 amounted to over US \$7.6 billion, accounting for a share of 3.1% of total investments into India from the turn of the millennium.

Sector-wise inflows of German FDI (Apr'14- Mar'15) – Top Sectors (Table 9)

With a share of 20.6% of total German investments (US \$1,124.9 million), the Automotive industry was once again the largest contributor to German investment inflows during the last financial year (2014-15). However, the sector attracted 65% less investments last year than in the previous year. Investments in this sector amounted to US \$232 million in the last fiscal. Next was the Services sector (Financial, Banking, Insurance, Non-Financial/Business Outsourcing, R&D, Courier, Tech. Testing and Analysis, Others) with US \$179.4 million and a share of 15.9%, followed by Construction infrastructure activities (Roads, Highways Et other Construction) with US \$175.6 (15.6% share).

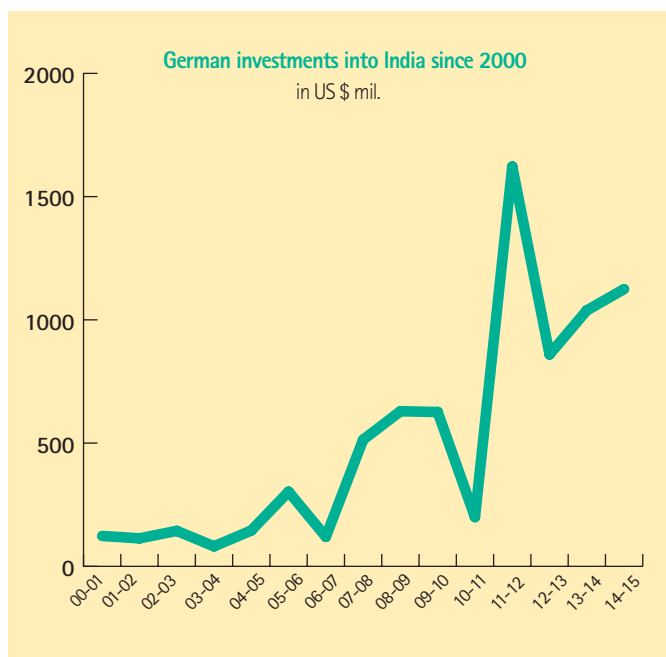
Construction activities which did not feature among the top sectors in the previous year has suddenly assumed the 3rd position to become one of the top areas for German investments. Next was Industrial machinery which attracted German investments worth US \$69.9 million while accounting for a share of 6.2%. This sector moved up from the 10th position in the previous fiscal to the 4th position by

Table 8 German investment inflows since 2000

Year (April-March)	From Germany (in US \$ mil.)	% change over previous year	From all countries* (in US \$ mil.)	% share of Germany
2000-01	123.34	-	2,463	4.2
2001-02	113.48	-8.0	4,065	2.8
2002-03	143.91	26.8	2,705	5.3
2003-04	81.17	-43.6	2,188	3.7
2004-05	145.35	79.1	3,219	4.5
2005-06	302.82	108.3	5,540	5.4
2006-07	119.95	-60.4	12,492	1.0
2007-08	513.61	328.1	24,575	2.1
2008-09	629.22	22.5	31,396	2.0
2009-10	626.14	-0.5	25,834	2.4
2010-11	199.74	-68.1	21,383	0.9
2011-12	1,621.95	711.0	35,121	4.6
2012-13	859.62	-47.0	22,423	3.8
2013-14	1,038.42	20.7	24,299	4.3
2014-15	1,124.86	8.4	30,931	3.6
Total	7,643.58	17.3	248,634	3.1

*including equity, re-invested earnings Et other capital

Source: Department of Industrial Policy Et Promotion, Govt. of India



Source: Department of Industrial Policy Et Promotion, Govt. of India

appreciating over 468%. In the 5th place last year was Drugs and pharmaceuticals which again did not feature among the top sectors in 2013-14. Investments in this sector was to the tune of US \$69.3 million with a share of 6.2% of total German investments into India last year.

The sectors which were not in the previous year's list but feature in last year's list are Construction infrastructure activities; Scientific instruments (US \$30.8 million, 2.7% share); Fermentation industries (US \$16.8 million, 1.5%); Ceramics (US \$7.6 million, 0.7%) and Textiles (US \$5.1 million, 0.5%). Other sectors which did not invite big ticket investments and no longer feature among the top 20

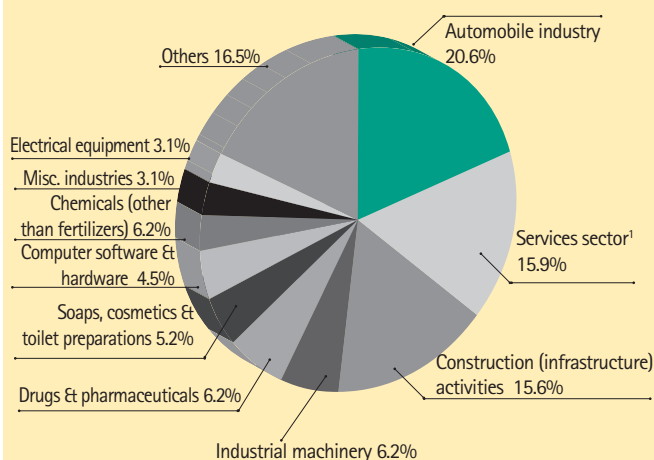
Sector-wise German FDI equity inflows from Apr.'14-Mar.'15
Table 9 (in US \$ million)

S.No.	Sector	Amount of FDI inflow in US \$ mil.	% of total inflows
1	Automobile industry	231.9	20.6
2	Services sector ¹	179.4	15.9
3	Construction (infrastructure) activities	175.6	15.6
4	Industrial machinery	69.6	6.2
5	Drugs Et pharmaceuticals	69.3	6.2
6	Soaps, cosmetics Et toilet preparations	58.3	5.2
7	Computer software Et hardware	51.0	4.5
8	Chemicals (other than fertilizers)	36.7	3.3
9	Miscellaneous industries	34.3	3.1
10	Electrical equipment	32.9	2.9
11	Scientific instruments	30.8	2.7
12	Consultancy Services	25.9	2.3
13	Metallurgical industries	19.8	1.8
14	Trading	18.9	1.7
15	Fermentation industries	16.8	1.5
16	Non-conventional energy	14.1	1.3
17	Railway related components	12.9	1.1
18	Ceramics	7.6	0.7
19	Construction development ²	5.3	0.5
20	Textiles (incl. dyed, printed)	5.1	0.4
	Others	28.7	2.5
	Total ³	1124.9	100

¹ incl. Financial, Banking, Insurance, Non-financial/ business, outsourcing, R&D, Courier, Tech. Testing and Analysis Et others ² Townships, housing, built-up infrastructure and construction development projects ³ Amount includes the Inflows received through SIA/FIPB route, acquisition of existing shares and RBI's automatic route only

Source: Department of Industrial Policy Et Promotion, Govt. of India

Sector-wise German FDI equity inflows from Apr.'14-Mar.'15
(in US \$ million)



¹ incl. Financial, Banking, Insurance, Non-financial/ business, outsourcing, R&D, Courier, Tech. Testing and Analysis Et others

list are Hospital Et diagnostic centres, Prime movers, Printing of books, Power, Electronics and Glass.

During the last year (Apr'14 to Mar'15), the top five categories took up over 64.5% of total German equity inflows, whereas during the previous year (Apr'13 to Mar'14), 82.3% of total investments were accounted for by the top five categories. This indicates that the investments were spread out over more number of sectors unlike the previous year where the Automotive industry accounted for the biggest share of the investments pie.

Region-wise distribution of German FDI (Table 10)

Last year, Maharashtra attracted the lion's share (47.3%) of German investments into India to the tune of US \$531.5 million making it the top destination for investment inflows. Investments to Maharashtra, including Dadra Et Nagar Haveli, Daman Et Diu jumped 322% and thereby it overtook Tamil Nadu which was at no.1 in the previous year. Tamil Nadu was the 2nd most important location with investments amounting to US \$302.68 and a share of 26.9%. This was followed by New Delhi covering the capital, parts of UP and Haryana, which attracted inflows worth US \$143 million accounting for a 12.7% share. Karnataka (US \$49 million, 4.25% share) and Andhra Pradesh (US \$9.04 million, 0.8% share) were the 4th and 5th most important destinations for German investments during the last fiscal. Andhra Pradesh received some good investments last year which moved the region up from 9th to 5th place.

At the 6th position was West Bengal (incl. Kolkata, Sikkim, Andaman Et Nicobar Islands) which received US \$8.02 million worth investments last year (2014-15), however, saw a drop of nearly 74% over the previous year (2013-14). Gujarat retained its 7th position with investment inflows worth US \$3.52 million (0.3% share).

The Chandigarh region which constitutes Punjab, Haryana and Himachal Pradesh, did not attract any significant German investments last year and hence did not feature in the last year's top regions. In the previous year (2013-14), it ranked 6th. Last year, Kochi (Kerala, Lakshadweep) and Kanpur (Uttar Pradesh, Uttaranchal) were at no.11 and no.12 positions, while they did not feature in the previous year's list at all. Madhya Pradesh which includes Chattisgarh was not a preferred destination for German investments last year and hence did not feature among the top locations. The top five regions accounted for around 92% total German investments during the last financial year.

German Investments through Automatic Route in the last fiscal (Table 11)

Foreign Investment in India can either fall under the - (a) Automatic route or (b) Approval route.

a. Automatic Route

Under the current FDI Policy, Indian companies engaged in most of the sectors / industries can issue shares to foreign investors up to 100% of their paid up capital under the Automatic Route. The Reserve Bank of India (RBI) issues regulations in these regards. Under the Automatic route, no permission is required from the Government of India or RBI.

b. Approval Route

In cases where Automatic Route is not available, an application has to be made to the Foreign Investment Promotion Board (FIPB), Ministry of Finance, Government

Table 11

German investments through Automatic Route during April'14–March'15

S.No.	Sector	Total German inflows received in US \$ million (Apr.'14–Mar.'15)	Received by RBI (under automatic route) in US \$ million (Apr.'14–Mar.'15)
1.	Automobile industry	231.85	224.28
2.	Services*	179.39	141.71
2.	Construction (infrastructure) activities	175.63	175.63
4.	Industrial machinery	69.92	69.59
5	Drugs Et pharmaceuticals	69.33	33.49
6.	Soaps, cosmetics Et toilet preparations	58.25	0.69
7.	Computer software Et hardware	50.99	50.99
8.	Chemicals (other than fertilizers)	36.67	36.67
9.	Miscellaneous industries	34.34	34.34
10.	Electrical equipment	32.89	32.89
11.	Scientific instruments	30.82	30.82
12.	Consultancy services	25.90	25.90
13.	Metallurgical industries	19.82	19.82
14.	Trading	18.85	18.53
15.	Fermentation industries	16.82	16.82
16.	Non-conventional energy	14.14	14.14
17.	Railway related components	12.50	9.58
18.	Ceramics	7.61	7.61
19.	Construction development**	5.28	5.28
20.	Textiles (including dyed, printed)	5.10	5.10
21.	Leather, leather goods Et pickers	5.05	5.05
22.	Medical Et surgical appliances	4.58	4.58
23.	Miscellaneous mechanical Et engineering industries	3.02	3.02
24.	Hospital Et diagnostic centres	2.57	2.57
25.	Electronics	2.03	2.03
26.	Printing of books (including litho printing industry)	1.98	0.95
27.	Rubber goods	1.82	1.82
28.	Glass	1.79	1.79
29.	Agricultural machinery	1.66	1.41
30.	Boilers Et steam generating plants	1.33	1.33
31.	Information Et Broadcasting incl. print media	0.82	0.82
32.	Industrial instruments	0.80	0.80
33.	Sea transport	0.46	0.46
34.	Machine tools	0.21	0.21
35.	Education	0.20	0.20
37.	Commercial, office Et household equipments	0.08	0.08
38.	Fertilizers	0.07	0.07
39.	Paper Et pulp (incl. paper products)	0.06	0.06
40.	Power	0.04	0.04
41.	Food processing industries	0.03	0.03
42.	Timber products	0.03	0.03
	Cement Et gypsum products	0.00	0.00
	Telecommunications	0.00	0.00
	Total	1,124.68	981.36

* incl. Financial, Banking, Insurance, Non-financial/ business, Outsourcing, R&D, Courier, Tech. Testing and Analysis Et others

**Townships, housing, built-up infrastructure and construction development projects

Source: Department of Industrial Policy Et Promotion, Govt. of India

of India. However due to continuous liberalization in the FDI guidelines, such cases have reduced drastically and most of the cases now fall under Automatic route.

During the financial year 2014-15, out of the total of US \$1,124.68 million German investments made in India, US \$981.36 million (over 87%) came through

the automatic route or via the Reserve Bank of India. In the 2013-14, 83% had come through the automatic route, while in 2012-13, 51% and in 2011-12, only 21.7% were routed through the RBI. This goes to show that each year more and more German investments are coming in through the automatic route, requiring no permission from the Government of India or RBI.

S.No.	Regional Offices of RBI	States covered	FDI inflows in US \$ mil.	% of FDI inflows
1	Mumbai	Maharashtra, Dadra & Nagar Haveli, Daman & Diu	531.50	47.25
2	Chennai	Tamil Nadu, Pondicherry	302.68	26.91
3	New Delhi	Delhi, part of UP and Haryana	142.98	12.71
4	Bangalore	Karnataka	48.99	4.36
5	Hyderabad	Andhra Pradesh	9.04	0.80
6	Kolkata	West Bengal, Sikkim, Andaman & Nicobar Islands	8.02	0.71
7	Ahmedabad	Gujarat	3.52	0.31
8	Patna	Bihar, Jharkhand	1.55	0.14
9	Bhubaneshwar	Orissa	1.12	0.10
10	Panaji	Goa	0.23	0.02
11	Kochi	Kerala, Lakshadweep	0.14	0.01
12	Kanpur	Uttar Pradesh, Uttaranchal	0.04	0.00
	Regions not indicated		75.05	6.67
		Total	1,124.86	100

Source: Department of Industrial Policy & Promotion, Govt. of India