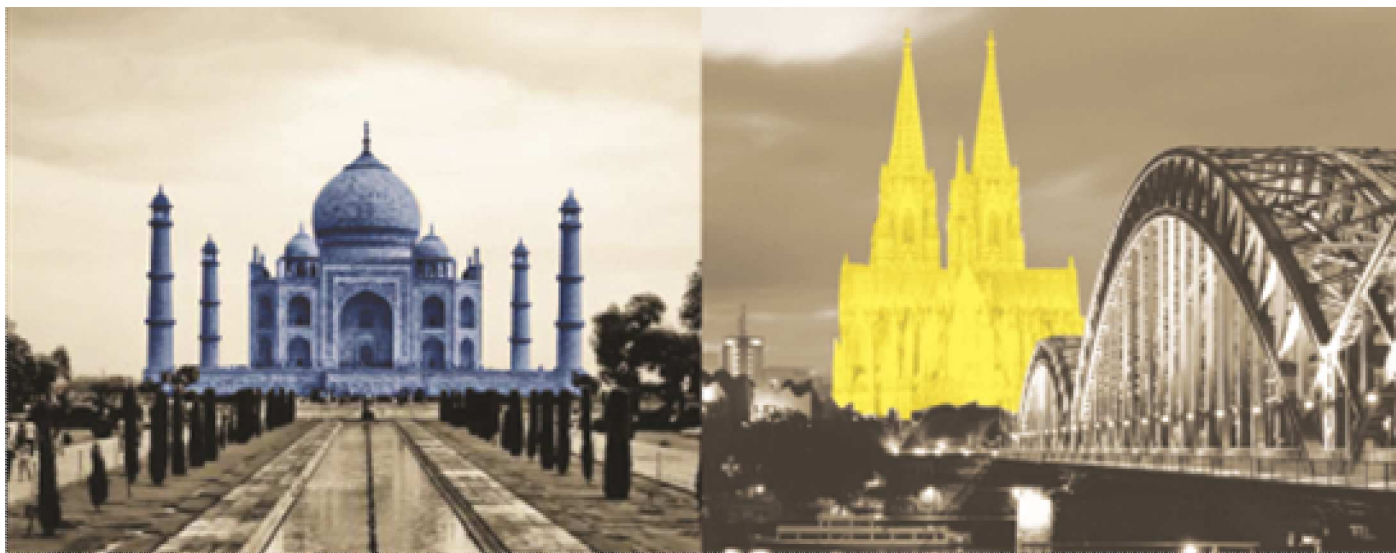

Growth opportunities for German companies in India

IHK Düsseldorf

March 29, 2011



Agenda

Section 1: Doing business in India – some key facts

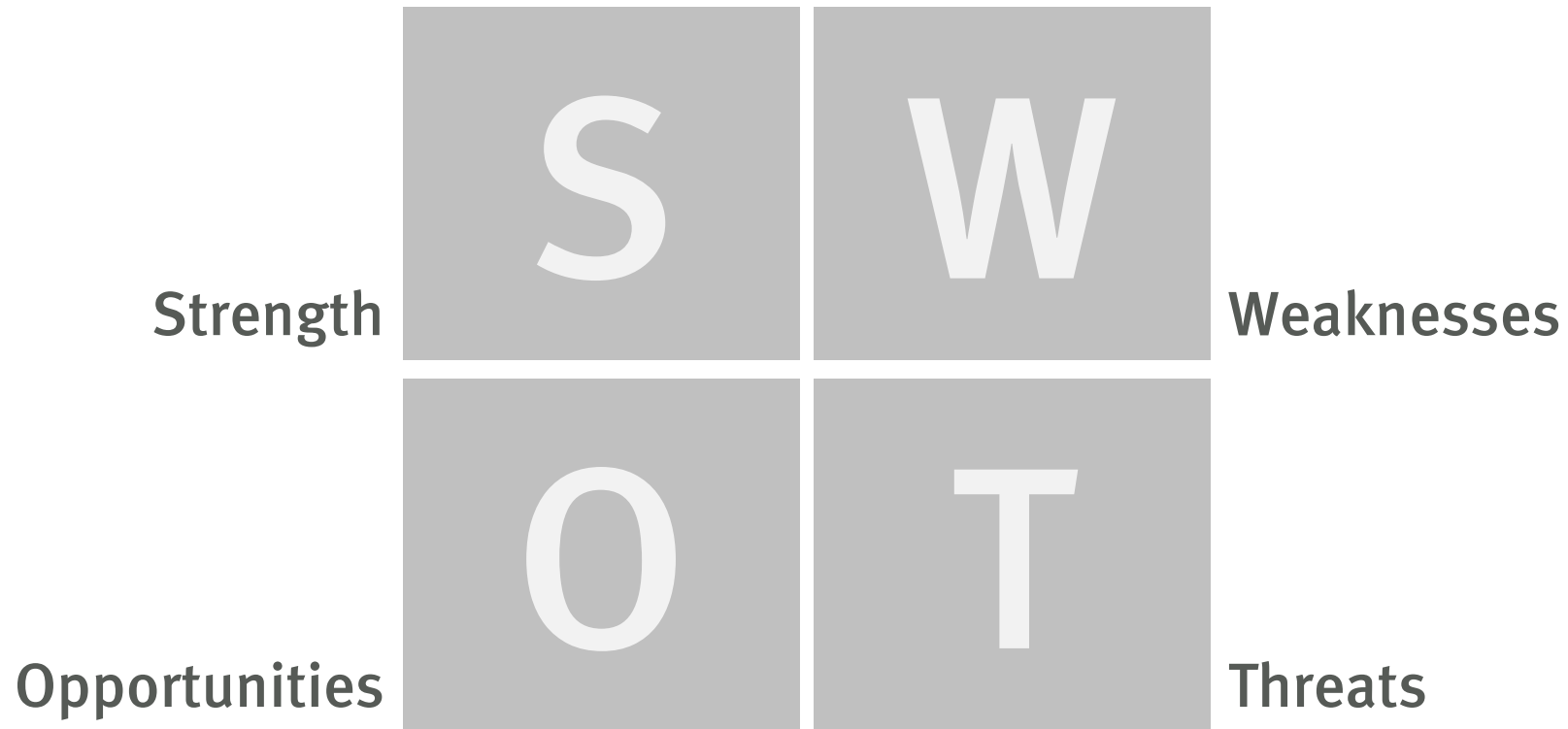
Section 2: Indo-German Business relations

Section 3: Business opportunities by sectors

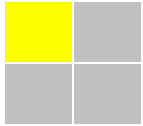
Section 4: optegra:hhkl

Section 1: Doing business in India – some key facts

SWOT-Analysis India

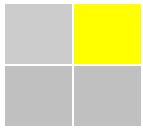


SWOT-Analysis India



Strength

- ▶ Sizeable market
- ▶ High economic growth despite financial crisis
- ▶ Western-oriented legal system (Common Law)
- ▶ Large number of graduates with higher education degree
- ▶ English is a common business language
- ▶ Open for foreign direct investments
- ▶ Well developed service industry
- ▶ Broad industrial basis
- ▶ Entrepreneurial thinking
- ▶ Democratic structures
- ▶ Free press



Weaknesses

- ▶ Low per capita income
- ▶ Poor infrastructure
- ▶ Low level of education among general population; no apprentice-ship programs; lack of specialized labor force
- ▶ Low level of labor productivity
- ▶ Existent bureaucracy
- ▶ Black economy
- ▶ Low level of tax receipts
- ▶ Lack of natural resources



Opportunities

- ▶ Growing free-spending middle class
- ▶ Hidden potential in poor infrastructure for foreign corporations
- ▶ Need for modernization in domestic industry
- ▶ High investment activities in private sector
- ▶ Low level of wages and salaries
- ▶ Growing significance in the world economy
- ▶ Planned trade agreement with the European Union



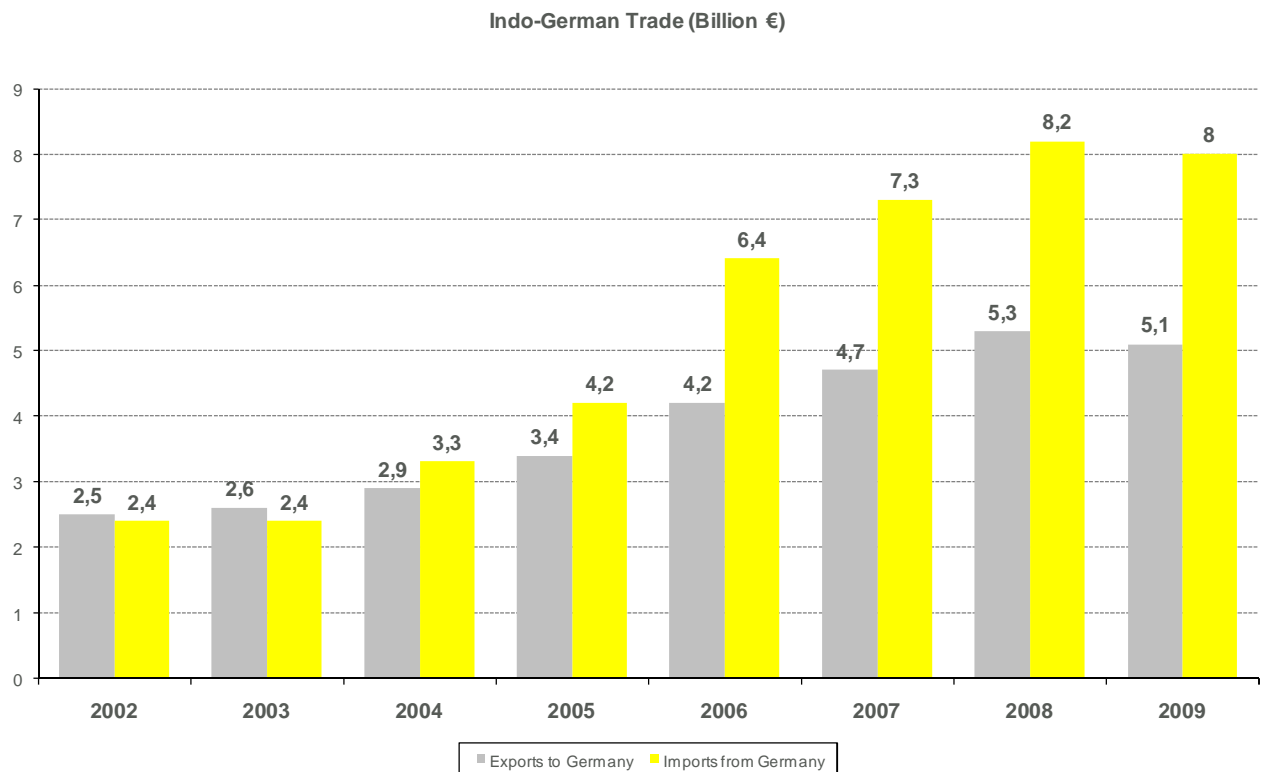
Threats

- ▶ Tedious law enforcement
- ▶ High influence of government on economy
- ▶ Strong position of labor unions and other interest groups
- ▶ Speculative property and real estate market
- ▶ High employee turnover rate
- ▶ Strong dependency on imports regarding natural resources
- ▶ Economy is highly dependent on meteorological conditions (e.g. Monsoon)

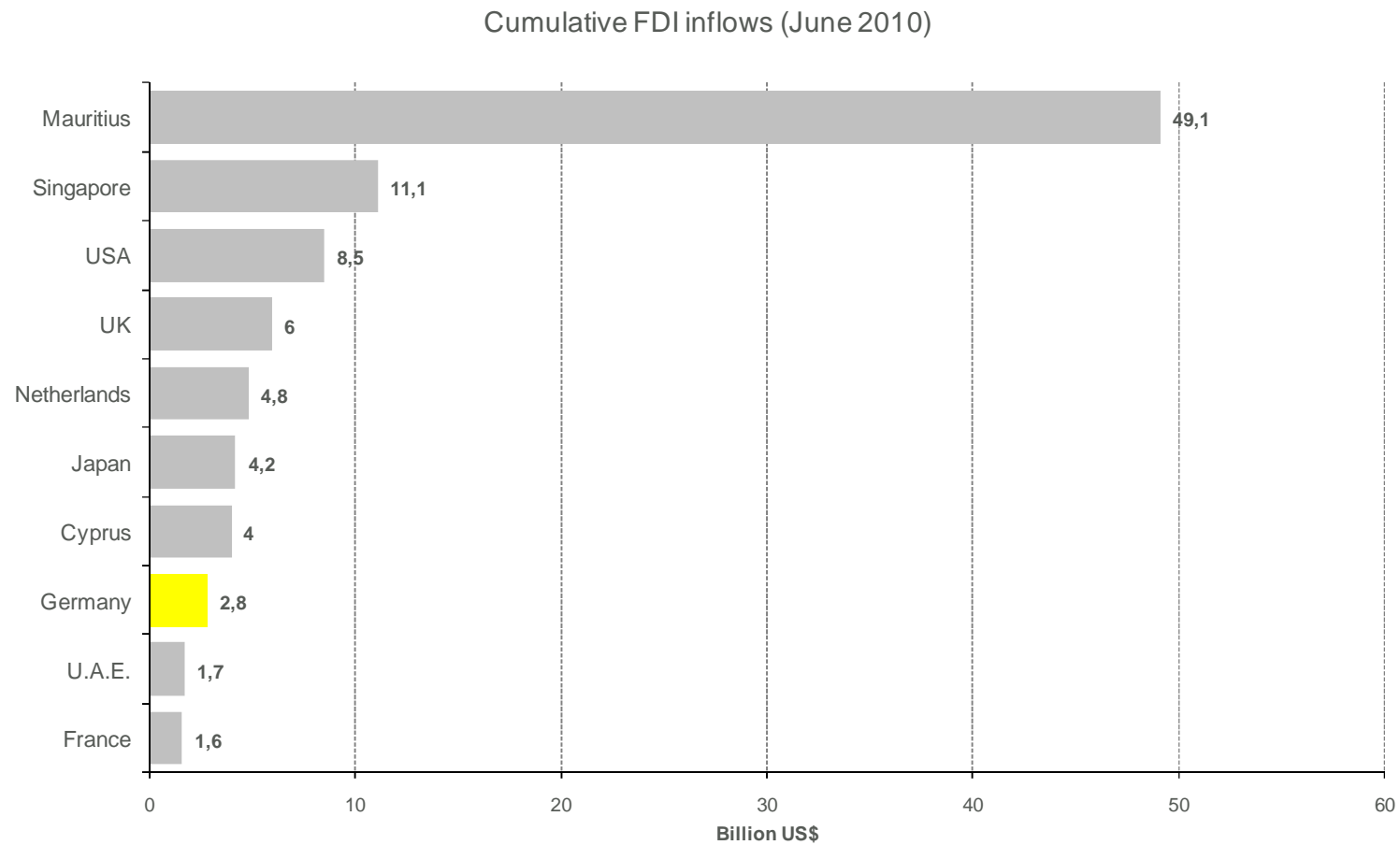
Section 2: Key facts about Indo-German Business relations

Bilateral Indo-German trade

- ▶ Germany is India's No. 1 trading partner in the European Union
- ▶ It is hoped to increase the bilateral trade to € 20 billion in 2012
- ▶ Indian exports focus on textile, chemical products, leather goods and iron goods
- ▶ German exports are mainly mechanical engineering products, chemical products and electrical goods

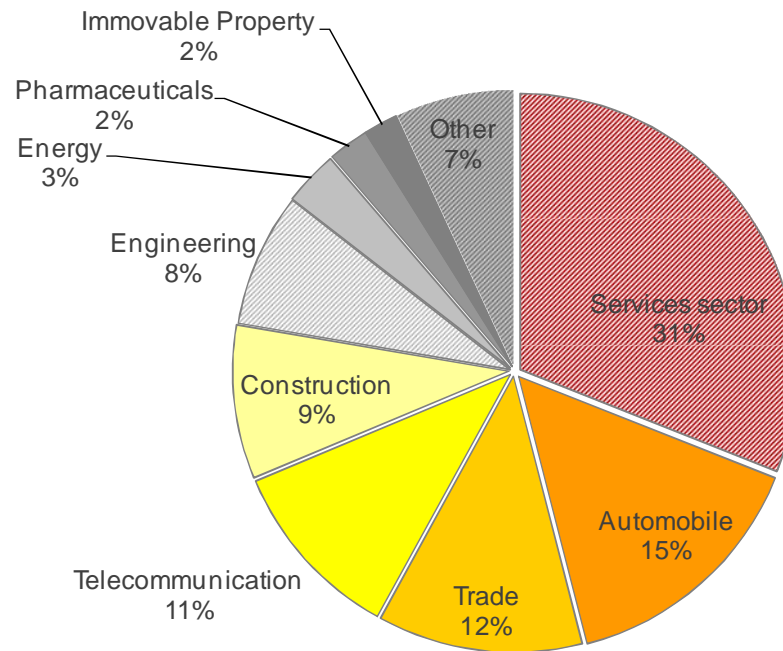


Bilateral Indo-German investments



Bilateral Indo-German investments

German FDI in India by Industry Sectors 2008

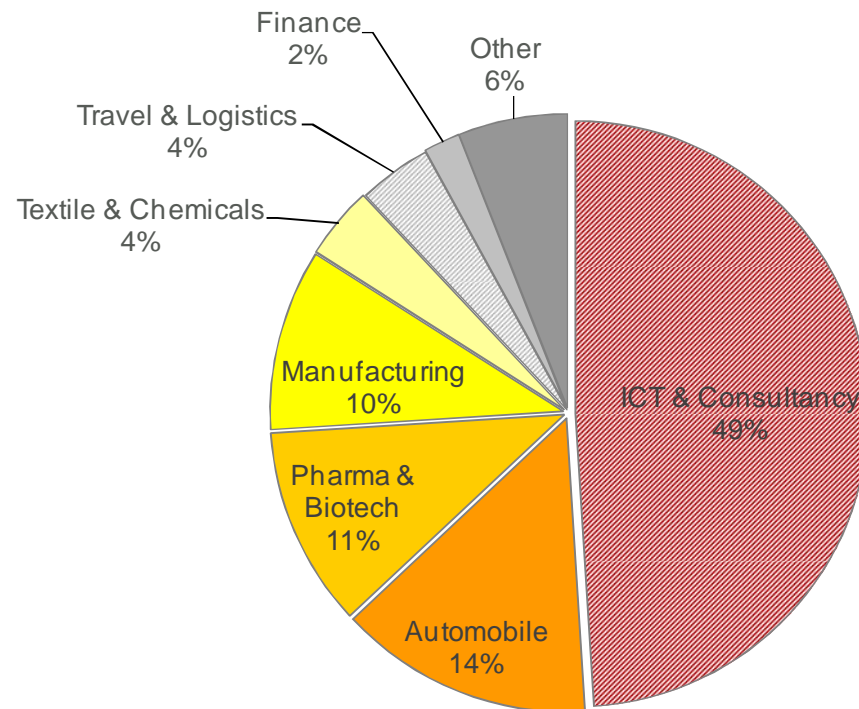


Bilateral Indo-German investments

- ▶ With 190 subsidiaries and appr. 24,000 employees (August 2010 figures), Indian companies have been at the forefront of emerging markets investors in Germany
- ▶ Stock of Indian FDI is estimated at about € 4.2 billion as of mid 2010
- ▶ No big ticket investment over the last two years
- ▶ NRW outperforms other German states in attracting Indian FDI`s

Bilateral Indo-German investments

Indian FDI in Germany by Industry Sectors 2010

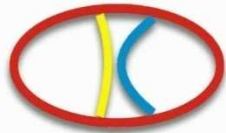


Prominent Indian employers in Germany (2009)



* The investor is of Indian origin but not an India-headquartered corporate house

Prominent Indian employers in Germany



Kiri Dyes and Chemicals Ltd.



**RUIA
GROUP**



APOLLO TYRES LTD.



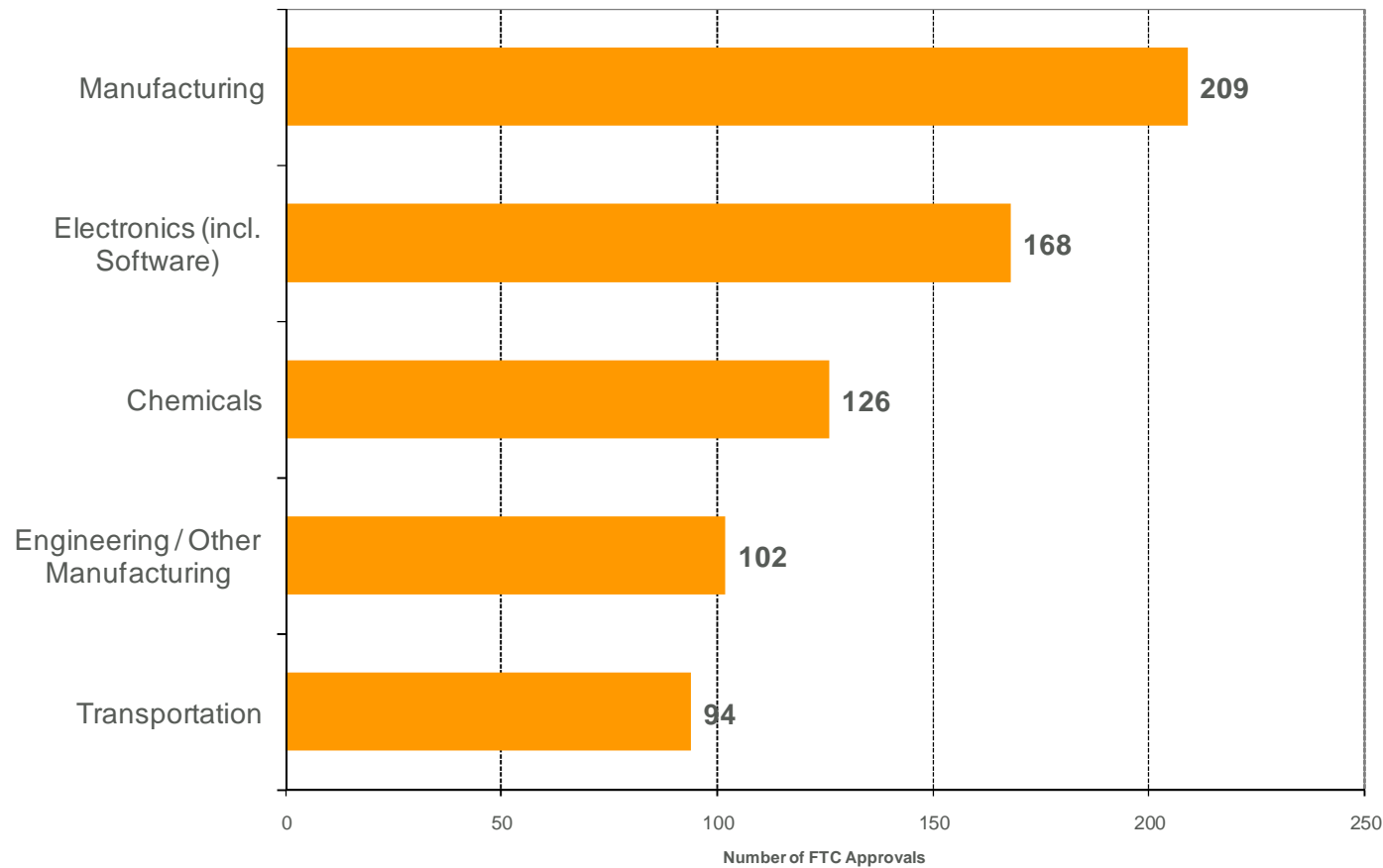
Motherson Sumi Systems Limited

Technology Transfer (FTC)

- ▶ Between 1991 and 2008 in total 7,962 FTC approvals for Technology Transfer Projects have been issued
- ▶ Out of that number 1,106 approvals have been issued for Indo-German projects
- ▶ The German federal government to promote the advancement of new technologies has launched the High-Tech Strategy committing appr. € 4 billion annually to the development of cutting-edge technologies.

Major Industry Sectors for Indo-German FTC Approvals

Major Industry Sectors for Indo-German FTC Approvals



Section 4: Business opportunities by sectors

Automotive Industry

- ▶ India is the third largest automotive market in Asia (behind Japan and China) and it is expected to be the 7th largest automotive markets by 2014
- ▶ For 2010/2011 sale of passenger cars on the Indian market is expected to be grown by appr. 23% (more than 2.2 million cars) while increase of truck sales is expected by 17% to 18% (more than 600.000 trucks)
- ▶ It has been estimated that the market volume for cars and trucks will be appr. USD 115 billion in 2016
- ▶ Currently appr. 1% of the Indian population owns a car
- ▶ Over the last years India's automotive industry has evolved into a supplier of also critical parts to global OEM's
- ▶ Since the German car demand is maturing, India offers significant opportunities already demonstrated by several major investments of German car brands
- ▶ Indian companies would like to benefit from Germany's technical expertise and quality by partnering and can offer growth opportunities and production facilities in India

- ▶ Increase of turnover of Indian engineering companies increased by appr. 10% in 2010
- ▶ To be able to be competitiv on the world markets and to supply the growing demand for high-tech products on the local market Indian companies are intensively investing into R&D and are looking for cooperations with partners
- ▶ VDMA observed an increase of german exports of engineering products to India by nearly 30% in the first half of 2010 (export volume € 1.5 billion)
- ▶ Indian machine tool producers are expecting an increase of turnover by appr. 40% in 2010/2011 especially supported by the growth in the automotive and energy sector

Energy

- ▶ The existing energy shortage in India is one of the biggest threats for the further development of the country
- ▶ The national 5 years budgets (2012:2017 and 2017:2022) plan appr. additional 100GW each
- ▶ This is accompanied by a big demand of power generation and power distribution equipment and technology

Clean technology

- ▶ Based on McKinsey research the Energy generating capacity in India has to be more than doubled from 165GW per today to appr. 400 GW in 2017
- ▶ This increase will be partly supported (50GW) by renewables as wind, solar and bio mass; also water power plants are expected to be expanded
- ▶ Currently wind energy is dominating the renewable energy production, while the trend shifts mainly to solar („Solar Mission“ with a planned capacity of 20GW in 2022)
- ▶ Since solar energy in India is not developed so far, India will need support equipment and know-how wise to achieve the plans set
- ▶ By launching guaranteed solar energy supply commissions this business will be more attractive for foreign investors than in the past
- ▶ Demand for waste management in India is a big opportunity for German companies as the global leader in this sector

Pharmaceuticals

- ▶ India's pharmaceutical industry is the third largest in the world (volumebased)
- ▶ Appr. 50% of the production gets exported
- ▶ In the generic production India is the leading country and this position is going to be extended since many patents are going to expire over the next years
- ▶ In particular because of the health consciousness of Indians combined with the raising income and growing middle-class the Indian market has huge growth expectations
- ▶ Biggest growth rates can be observed currently in diabetic and stomach and intestinal ulcer products
- ▶ India is expected as a preferred outsourcing destination in the pharma value chain (pharmerging market)

Chemicals

- ▶ India ranks currently No. 12 of the chemical producing countries in the world and No. 3 in Asia
- ▶ However the per capita consumption is significantly below the worldwide average
- ▶ The industry is expected to grow by 15-20 % per year over the next 5 years and serves mainly domestic customers
- ▶ Many multinational chemical brands have already entered the India market but still India is much depending on imports and German engineering companies are important suppliers of engineering equipment
- ▶ India offers opportunities for acquisitions since the market is highly fragmented with many interesting investment targets available

Medical engineering

- ▶ Association of Indian Medical Device Industry (AIMED) estimated the market volume in 2009 at USD 3 billion and expects an annual growth of appr. 12%
- ▶ Because of the size of the market, raising income and the big backlog demand, India is one of the most important growth markets in the world
- ▶ The average per capita medical care expenses are USD 40 per year
- ▶ The medical equipment of public hospitals is still very poor
- ▶ It is planned to increase the number of hospital beds by more than 1 million until 2015; 90% of this increase will be carried out by private investments
- ▶ India is aiming to become an important player in the outsourcing for laboratory testing, diagnostic testing and research which comes along with a great demand for state of the art technology to be able to comply with international standards

Infrastructure

- ▶ Investment needs into the Indian infrastructure are obvious in all areas (2012: 9.3% of GDP is going to be invested by the government):
 - Roads and Railway
 - Energy and Water Supply
 - Harbours and Airports
 - Telecommunication

- ▶ Biggest portion of private investment (PPP) is focusing on airport-, power plant and telecommunication projects

- ▶ Road-, Railway-, Watersupply- and Wastemanagent will be more and more liberalized over the next years resulting in a higher attractiveness also for foreign investors

- ▶ The extension of broadband internet connections is much slower than expected in the middle of the last decade (2010: appr. 10 million, 2014: 20 million estimated)

- ▶ In 2011 3G launch starts combined with the respective investments into the network; in addition the network in the rural areas will be expanded

- ▶ Gartner Group expects 700 million mobile users in 2012

Section 4: optegra:hhkl

About optegra:hhkl

Over 100 qualified experts are on hand in Cologne and Munich to attend clients needs, enabling optegra:hhkl to represent their interests comprehensively in the German and international markets.

optegra:hhkl offers the following professional services to national and international clients

- Audit & Assurance
- Tax & Legal Consultancy
- HR-Services
- Transaction Advisory
- Integrated Fund Solutions

optegra:hhkl advises you as your strategic partner. We are forward-looking first movers who think and act proactively. optegra:hhkl people think and act like entrepreneurs and advises its clients in the same manner i.e. cross-sector, international, success-oriented and profitable. optegra:hhkl has an ability to identify with your goals and deliver its services based on mutual trust and sustainable cooperation.

Our Services in India and Germany

Audit of annual accounts

- German GAAP/India GAAP
- International Financial Reporting Standards (IFRS)

Expert reports and special audits

- IT-Audit
- Quarterly reviews
- SOX 404 / J-SOX
- Fairness Opinions

Company Valuation

Trusteeships

Tax Consulting

- Set up of companies
- Accounting services
- Management reporting
- Tax filings
- Tax structuring (national and cross border)
- International taxation
- Transfer pricing
- Pay roll
- Expatriates taxation
- Legal assistance in tax matters

Mergers & Acquisitions/Transaction services

- Market Research
- Commercial Due Diligence
- Financial and Tax Due Diligence
- Corporate acquisition
- Corporate sale
- Joint Venture Partner search

Team India

Team Germany



Ajay Sethi FCA
Managing Partner

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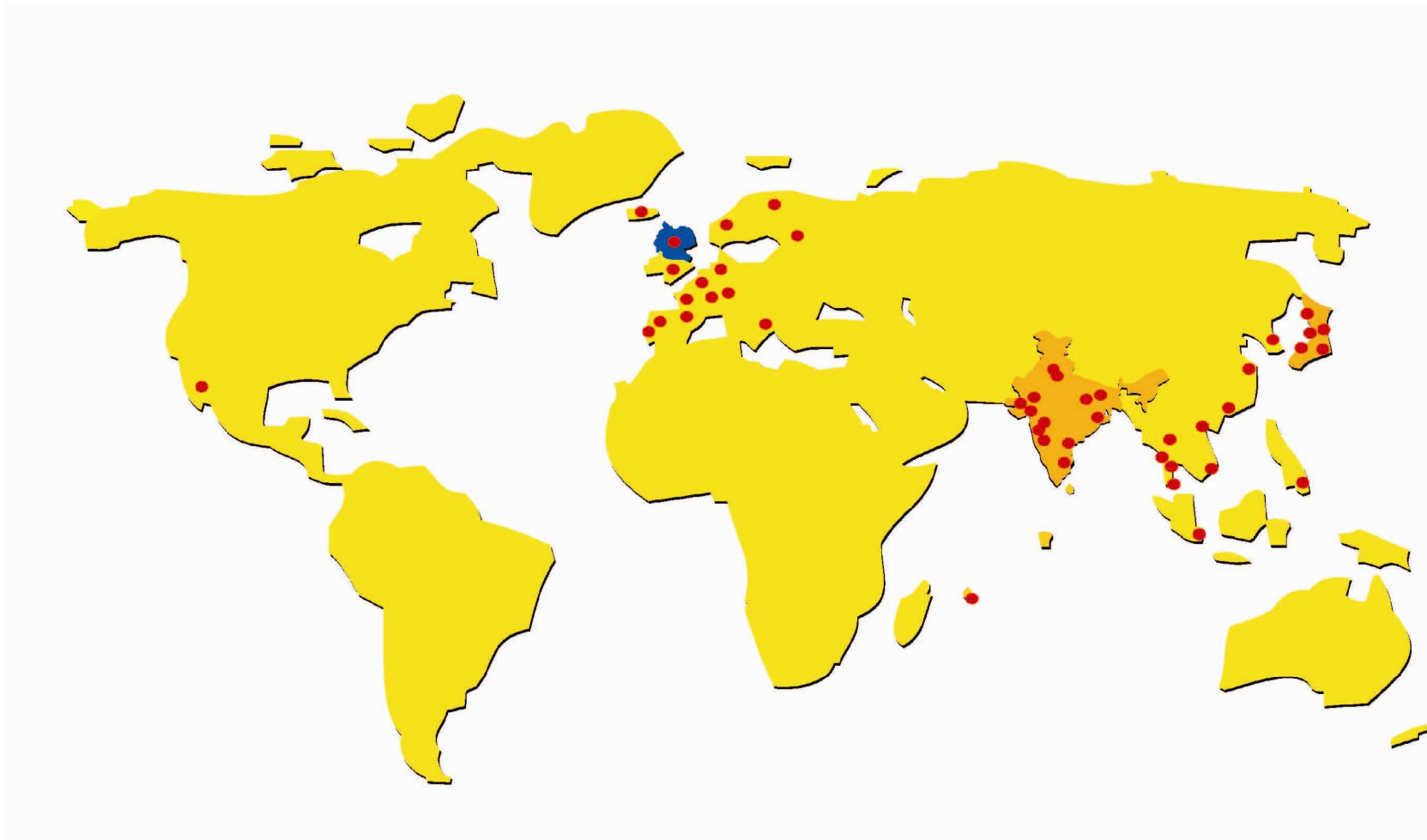


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