

# Review of Indian investment in Germany

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## **Abstract:**

In Global economy, foreign trade policy is to accelerate the economy from low level of economic activities to high level of economic activities by making it a globally oriented vibrant economy and to derive maximum benefits from expanding global market opportunities.

Many previous Indian investments in Germany were driven by a focus on low costs, leading to the acquisition of distressed enterprises. Today, however, most Indian investors have gained experience with expansion abroad, and are increasingly looking for strategically investment targets in Germany's high-tech sectors. This is the result of a new study of the Bertelsmann Stiftung and Ernst & Young, which combines insights from expert interviews with existing economic data.

Indian investments in Germany have shown a substantial increase in the last few years. Besides trading, Indian companies have set up value chain activities in Germany, manufacturing goods and services locally as well as engaging in R&D and innovation activities. Indian corporate entities have invested in Germany, mainly through Mergers & Acquisitions. Indian companies are operating in Germany, mainly in the sectors of IT, automotive, pharma, biotech and manufacturing. The presence of Indian software companies in the German market is growing and the major Indian software providers, namely HCL, TCS, Infosys, and WIPRO, have operations in Germany. Companies like Bharat Forge Limited, Mahindra & Mahindra, Tata Steel, Novelis, Ranbaxy, Samtel, Hexaware Technologies, Lupin Pharma, Amtek, Graphite India Limited, Hinduja Group, Piramal, Sona Group, Essar, Kirloskar, Dr. Reddy's Laboratories, Biocon, Hindustan National Glass and others have either acquired German companies or started their own subsidiaries.

India and Germany share a strategic partnership that has its basis in strong business and economic links. Over the years, not only the bilateral trade increased, but German firms have discovered new investment opportunities in India and so have the Indian firms in Germany..

German industry, right from the beginning, was always more than a supplier of goods to India. Periods of high exports and also imports were always accompanied by large flows of investment and technology. Since liberalization started in 1991 the new spurt of German exports to India and Indian export to German have led to an equally impressive boost in new investment and technical cooperation projects.

The study confirmed the growing role of Germany for Indian FDI and vice versa. As the trade ties between the two countries venture abroad, Germany will become indispensable for many Indian firms. Owing to geographical, cultural and linguistic distance, Germany, however, continues to be a tough market for some Indian firms. Nonetheless, as the study shows it is possible, with careful cultivation, to achieve extraordinary success in this highly attractive market.

## **Introduction:**

Germany is the 7th largest foreign direct investor in India since January 2000. German FDI in India in 2015 was to the tune of US\$ 1.14 billion. Germany's total FDI in India from January 2000 until March 2016 amounted to US\$ 8.64 billion. There are more than 1600 Indo-German collaborations and over 600 Indo-German Joint Ventures in operation.

Indian companies became one of the most important foreign investors around the world in the past years. The strong European brands and advanced technology attract Indian investors to Europe.

Within the European Union Germany is the biggest trading partner of India and the third most favoured investment destination globally after the US and the UK. Indian investors prefer Germany due to its numerous advantages. Germany has one of the biggest sales markets in Europe. It is strategically located in the heart of Europe and it is well connected by road and air to all European countries. Due to its favourable geographic location and to the removal of trade obstacles it is an excellent hub for business expansion for Indian investors. Political stability, legal transparency, efficient administration system, technological know-how and the high-quality products offer attractive investment opportunities.

Due to the above described attractive opportunities many Indian enterprises entered to the European market by using Germany as a 'Gateway to Europe'.

Indian investors appreciate Germany's high-quality infrastructure, transparency (low level of corruption), favorable R&D and innovation environment, political stability, and the workforce's high skill and educational levels.

## **Review of literature**

The study identifies sectors that have been most attractive to Indian investors, and draws conclusions as to how the German and Indian governments and other stakeholders can improve the economic and business environment in general, and support future bilateral investment activity in particular.

An investment in Germany is an investment in a country that strives to create and explore opportunities within even the smallest niches.

India's Economic Relations with Germany with special reference to Trade, technology and Investment came to the conclusion that prospects of increasing the volume of trade between India and Germany are extremely good and suggested that multi-directional and approves should be made for reduction of the trade gap between the two countries and helps to MAKE IN INDIA.

## **Research Methodology**

The analysis is based on secondary data obtained from the Ministry of commerce, Indian institute of Foreign Trade, Delhi, Economic survey, (different issues) and other government publications. Data and materials are also collected from books, periodicals, journals, serial Publications, newspapers and Indo-German Chamber of Commerce, Mumbai. Statistical tools/ techniques have been used wherever necessary.

## Indian Investment in Germany

Germany is considered as an attractive country for Foreign Direct Investment (FDI), but the global recession and subsequent Eurozone crisis have hampered the influx of FDI in recent year

Indian investment in Germany has also increased in recent years. The four dominant sectors include automotives, metals and metal-processing, chemicals and pharmaceuticals and professional, scientific and technical services. "The top 10 Indian companies alone account for more than 74 per cent of all revenues generated by Indian companies and employ around 59 per cent of this group's total workforce," it said. The report noted that excellent infrastructure, favourable R&D and innovation conditions as well as a highly skilled labour force comprise top-rated business environment factors by Indian investors in the 2018 update.

The IT sector continues to be the best represented in terms of foreign direct investment. According to FDI Markets, India has initiated 40 projects in Germany since 2003, 20 of which are in the software and IT sectors. Indian companies either acquiring firms or starting their own subsidiaries in Germany include Ranbaxy, Samtel, NIIT, Wockhardt, Graphite India Limited, Megasoft, Torrent Pharmaceutical, Tata Auto Component Systems, Bharat Forge Limited, Hexaware Technologies, Hinduja Group, Tooltech Software, Ocimum Biosolutions, Bharat Fritz Werner Ltd (BFW), Biocon, Lupin, IFGL Refractories, Kirloskar Electronic Company (KEC), 7 Seas Technologies Ltd, MKU Group, Kalyani Group, Sakthi-Group, Sintex Industries, Techno Life style, Kiri Dyes & Chemicals Ltd etc.

Dr. Reddy's Laboratories has acquired Betapharm GmbH, a generic drugs producer; Mahindra & Mahindra have acquired Schoeneweiss & Company and a 68% stake in Jeco Holding AG; Reliance has acquired Trevira GmbH; and Suzlon Energy has acquired a major stake in REpower Systems. ICICI Bank has set up a branch in Frankfurt; and Biocon has acquired 70% stake in German pharmaceutical company Axicorp GmbH.

As Germany has a large number of technically strong small and medium sized companies, the potential for strategic acquisitions by Indian companies remains strong. A recent study of the Technical University of Hamburg-Harburg estimates the total volume of Indian investments in Germany at over USD 4 billion. Of this, roughly USD 2 billion was invested in 2008 (USD 825 million in 2007), which is incontrovertible proof that India is emerging as a major investor in foreign markets.

Although Indian companies are spread throughout Germany, they are mainly clustered in the states of North Rhine-Westphalia, Hessen, Bavaria and Baden-Württemberg. Taken together, Indian companies in Germany employ nearly 24,000 people, most of whom are German nationals, there by adding to the job opportunities in Germany.

As many as 74 Indian companies have generated annual revenues of 11 billion euros and employed nearly 23,300 people in Germany, a recent survey said. According to a survey titled 'Indian Investment in Germany: Update 2018' conducted by EY, Indo German Chamber of Commerce and CII, four dominant sectors accounted for almost 95 per cent of the revenue generated by Indian companies in Germany, as well as 89 per cent of the 23,300 people employed.

Out of the total number of more than 213 Indian subsidiaries operating in Germany, nearly 74 Indian companies each with annual turnover of more than 10 million euros generated combined annual revenues of around 11 billion euros," the report said.

The study noted that Indian investors viewed the quality of living at affordable prices very positively.

"The quality of education, which is offered for free by the government, makes Germany an attractive location for relevant research and development activities.

Also, the security standards, personally and for financial investments, qualify Germany to be a perfect destination for Indians, who intend to diversify risks investing their private wealth in the Federal Republic,"

**Table:1**                      **Select large Indian employers in Germany**

S.N.	GERMAN FIRM	INDIAN STAKEHOLDER	EMPLOYEES
1	SMP Deutschland GmbH	Samvardhana Motherson Group	4,327
2	Novelis Deutschland GmbH	Hindalco (Aditya Birla Group)	2,035
3	SONA BLW Präzisionsschmiede GmbH	Sona Group	1351
4	Mahindra Forgings Europe AG (MFE)	Mahindra CIE Automotive Ltd	1326
5	Tata Steel Germany GmbH	Tata Steel	1310
6	Bharat Forge Group	Bharat Forge Group	753
7	Tata Consultancy Services Deutschland GmbH (TCS)	Tata Consultancy Services	912

There are many Indian Stakeholders companies in German firms such as Samvarddhana Motherson Group and engaged 4327 employees, Hindalco (Aditya Birla Group) and engaged 2035 employees, Sona Group and engaged 1351 employees, Mahindra CIE Automotive Ltd and engaged 1326 employees, Tata Steel and engaged 1310 employees, Bharat Forge Group and engaged 753 employees and Tata Consultancy Services in which 912 employees are engaged.

### Indian Exports to Germany

Germany is India's largest trading partner in European Union and 11th largest trading partner globally. Germany is also India's second largest technology partner. India's significance as a trading partner for Germany is also on the increase. Currently India ranks at the 28th position amongst trading partners for Germany worldwide, accounting for 0.7% of total German trade and ranks 5th among Asian exporters to Germany.

There have been several ups and downs in the development of Indo-German trade over the last 55 years. While growth was steady at a much lower level before liberalization, Indo-German trade increased multi-fold post-liberalization. 1991, the year when the Indian markets opened up, was a significant year for Indo-German Trade as it marked a first-ever export surplus (of DM 376 million) for India. In the following year (1992), imports grew more than exports, whereby exports and imports almost reached parity. From 1995 to 1997, imports from Germany overtook exports and trade volumes grew steadily with the impetus coming from import growth.

From 1998 to 2002, the two-way trade increased significantly, however, India once again exported more to Germany than imported from the country.

The most significant increases in Indo-German Trade, largely fuelled by phenomenal rises in imports, were recorded from 2003 onwards, where overall trade grew at over 20% per annum with a phenomenal 39% increase in 2006. Bi-lateral trade achieved its peak growth in the year 2006, when the first significant milestone of € 10 billion was crossed. Earlier, from 2003 to 2006, the volume of trade doubled in the four years.

**Table: 2**                      **Export to Germany and India's total export**                      values in USD million

S.No.	\Year	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
1.	<b>EXPORT</b>	7,092.87	7,181.61	8,687.80	8,902.43	8,290.90
2.	%Growth		1.25	20.97	2.47	-6.87
3.	India's Total Export	262,291.09	275,852.43	303,526.16	330,078.09	313,361.04
4.	%Growth		5.17	10.03	8.75	-5.06
5.	%Share	2.70	2.60	2.86	2.70	2.65

From the above table total export to Germany was 7181.61 USD million in 2016-17 which was 1.25% growth ,while 2017-18,it was highest export with 20.97% but in 2019-20 it reduced to -6.87% compared to 2018-19.

### **Summary and Conclusion:**

A total of 74 Indian companies have generated annual revenues of 11 billion euros and employed nearly 23,300 people in Germany.

According to the survey, conducted by EY, Indo German Chamber of Commerce and CII, four dominant sectors accounted for almost 95 per cent of the revenue generated by Indian companies in Germany, as well as 89 per cent of the 23,300 people employed.

When you invest in Germany, you acquire the skilled labour with which to take advantage of opportunities which will eventually arise. You acquire existing opportunities and solutions. And you can acquire and develop unique existing solutions for your company which cannot be found anywhere else. In Germany, you can create, grow, and consolidate. All strategies can be implemented there.

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