



Promoting SME Cooperation Between Germany and India

CII-KAS Webinar Proceedings

14 July 2022







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Introduction

The ever-growing contribution of small and medium enterprises (SMEs) in promoting economic development, enhancing trade engagements and cross-border M&A cannot be emphasized more. The Embassy of India in Berlin launched the Make in India Mittelstand (MIIM) programme to facilitate the entry of German Mittelstand companies (small and medium-sized enterprises and family businesses) to invest in India.

India and Germany share many complementarities and have high potential of collaboration, and must find definitive models for strengthening SME cooperation. Amidst the many uncertainties the world is facing, especially in the face of the global pandemic and the many recent geopolitical developments such as the Russia-Ukraine war, India and Germany need to deepen their collaboration to fuel economic growth and create resilient supply chains.

Given this backdrop, the Confederation of Indian Industry (CII) along with the India office of the Konrad-Adenauer-Stiftung (KAS), organized a webinar on 'Promoting SME Cooperation between Germany and India' on July 14, 2022. The discussions focussed on the many targeted initiatives and programmes underway for enhancing SME cooperation between the two sides while also addressing the several challenges facing the German SMEs in India and possible solutions.

Key Takeaways

- Given the many uncertainties facing world, it is important for India and Germany to deepen collaboration, especially in the area of SME cooperation, which is critical for fuelling economic growth and establishing resilient supply chains.
- A primary demand of the SMEs from Germany in India is security security in terms of rule of law, prices of services, functions of common infrastructure and the amount of bureaucracy that they must handle.





- A strong voice of the company is an integral part of the security framework for SMFs.
- Indian and German companies have had many success stories in terms of new business and investment opportunities in both India and Germany, which must form the basis for extending the business relationship between the two sides for mutual benefits.
- Mittelstand companies have the greatest potential and have been remarkably resilient and will play a key role as the economy recovers globally and particularly in Germany.
- The Make in India Mittelstand (MIIM) programme has been established as a premium market support entry programme and is now being replicated across various European economies.
- The MIIM programme has been very successful in convincing German companies, which were initially risk averse, to explore opportunities and to invest in India.
- There is no one-size-fits-all approach for the SMEs, as individual needs of companies vary.
- While India has many policies and programmes in place, the lack of implementation is a big challenge.
- SME growth can happen through greater collaborations, internationalization, going into the European markets and joint ventures.
- It is important for German Mittelstand companies to have a strategy when they come to India, particularly in terms of selecting the right partners with similar long-term perspectives.

Suggestions

- Both states and industry associations must play an important role in providing a secure environment for SMEs.
- Cross-border trade or multinational linkages are critical for Mittelstand growth that goes beyond borders
- India and Mittelstand can be a perfect fit if the right dialogue is initiated communications will be a key aspect and early exchanges with the right-minded people are important.





- Increasing the transparency with regard to markets, regulations, commercial conditions, how implementation of policies can actually take place etc. in India, is a key area to focus on for greater SME cooperation.
- There is a strong need for policies, which have the potential of making business cases not just economically viable but also making them attractive.
- The German companies need to leverage Made in Germany brand, especially in the B2B industrial products segment.
- A good Customer Relationship Management (CRM) system is recommended in India which can help in tracking important indicators such as post sales services.





Dr. Adrian Haack Director-India Office, Konrad-Adenauer-Stiftung e.V



Dr. disc. pol. Adrian Haack is Director of the Konrad Adenauer Foundation (KAS) in New Delhi.

Dr. Haack studied political science in Hanover and Warsaw and received his doctorate from University of Göttingen. He was supported by a scholarship and published a book on the European Union.

Dr. Haack has served in a battle tank unit in the First Division and is an officer in the Navy reserve forces. In the CDU, Dr. Haack has been involved since the age of seventeen years. In CDU's youth branch and the party itself, he held numerous positions. He was the youngest member of the CDU executive board at state level and an election candidate in 2021. Since 2015 he worked for the parliamentary group in the fields of free trade and security policy. Most recently, he headed the CDU General Secretary's Bundestag staff for three years.

Opening Remarks by Dr. Adrian Haack

Dr. Adrian Haack opened the discussion and observed that given the many uncertainties and the recent geopolitical developments in the world, it is important for India and Germany to deepen their collaboration, especially in the area of SME cooperation. This is critical for fuelling economic growth on the one hand, and for establishing resilient supply chains, on the other, he added.

Dr. Haack stated that the strength of the Indo-German partnership was reflected in the existence of around 1600 Indo-German collaborations and 600 joint ventures between India and Germany, at present. However, for achieving the true potential, it was necessary to have better frameworks, he observed.





Dr. Haack mentioned that a primary demand of the SMEs from Germany in India is security, as they have very little risk capital and think in terms of generations rather than years. The SMEs also worry about their security abroad – security in terms of rule of law, prices of services, functions of common infrastructure and the amount of bureaucracy that they must handle. The common European market has been a success for the German medium companies, which provides these basic, fundamental securities, Dr. Haack noted.

The secure environment for the SMEs going abroad is based on the status of the state on one hand, and industry associations, on the other, Dr. Haack added further. Therefore, a strong voice of the company is an integral part of the secure framework, he added.

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Mr. Ashok Saigal Co-Chairman, CII MSME Council and Managing Director, Frontier Technologies



Mr. Ashok Saigal is a Member of the CII National Council and the Co-Chairperson of the CII MSME National Committee. He has been active in MSME policy discussions for several years and has participated in CII initiatives in the areas of Ease of Doing Business, Finance, and in promoting Integrity and Transparency in Business.

Mr. Saigal was the SME Member of the India Pakistan Joint Business Forum and led the Indian SME side in discussions in Lahore and Delhi in 2015 and 2016. In 2016 he represented India at the SAARC Chamber of Commerce and Industry meeting in Kathmandu.

Ashok Saigal is the Managing Director and a co-founder of Frontier Technologies, an SME specialised in the manufacturer of heat shrink products, mainly used for insulation in Electrical Power Distribution Systems.

With over 40 years of work experience, he has worked with Larsen & Toubro, a leading Engineering company in India, Raychem USA and India, and helped Sicame, a French multinational, enter the Indian market. He has played an important role in the introduction of several new technologies in India and has been a member of Sub-committees for Cable Accessories of the Bureau of Indian Standards.

He is an Electrical Engineer from IIT Kharagpur (1973) and obtained his MBA from the Harvard Business School (1977). His schooling was at the Mayo College, Ajmer, Rajasthan.





Address by the Session Chair, Mr. Ashok Saigal

India and Germany have a trade history of over 500 years and the two sides are linked by a common past of economic cooperation, stated Mr. Ashok Saigal. Over recent times, bilateral trade has increased, and many German companies have discovered new business and investment opportunities in India and so have the Indian firms who have partnerships with German companies, he added. As these success stories continue, they form the basis for extending the business relationship between the two sides for mutual benefits, Mr. Saigal added.

India is one of the fastest growing economies in the world today and offers various opportunities for German companies, Mr. Saigal asserted. He observed that the Mittelstand companies have the greatest potential and have been remarkably resilient and will play a key role as the economy recovers globally and particularly in Germany.

MSMEs are the backbone of the Indian economy and are well known for precision engineering and the quality of their output. More than half of German SMEs (around 54%) who make up the Mittelstand believe that new technology is necessary to stay competitive. "This is something we in India are trying to convince our SMEs to recognize," Mr. Saigal emphasized.

Mittelstand growth also requires growth which goes beyond borders and is not restricted to the geographical borders that they operate in, Mr. Saigal added. He underscored the importance of cross-border trade or multinational linkages in this context. In this area, CII has been playing its advocacy role with the support of the Government, in spreading the message of digitalization, e-commerce, national payment platforms, and various other digital tools which are now available, he stated further.

This year's draft national policy for the MSMEs has been released by the Ministry and the purpose of the draft policy is to bring together a comprehensive framework of strategies in action for suitable adaption and inclusion, not only at the national level but more diffused at the state level throughout India, Mr. Saigal stated.

Mittelstand growth also requires growth which goes beyond borders and is not restricted to the geographical borders that they operate in.





Mr. Saketa Raja Musinipally First Secretary (Head of Chancery and Economic & Commercial), Embassy of India in Berlin



Saketa Musinipally is an officer of the Indian Foreign Service (2015 Batch) and is currently the Head of Chancery and the Economic and Commercial Wing in the Embassy of India, Berlin. Before joining the Indian Foreign Service, Saketa was a practicing lawyer and worked with two of India's most prominent law firms, Jyoti Sagar Associates (JSA) and Luthra & Luthra partners. Saketa Musinipally is a graduate of the prestigious National Law School of India University (NLSIU) in Bangalore and also has a Master's degree in Interpretation and Translation (German-English) from the Middlebury Institute of International Studies in Monterey, California.

Remarks Mr. Saketa Raja Musinipally

Mr. Raja stated that the Make in India Mittelstand (MIIM) programme is the flagship investment facilitation programme, jointly supported by the state's division in the Ministry of External Affairs and Department for Promotion of Industry and Internal Trade (DPIIT).

As the implementation agency in Berlin, the Embassy of India has had the privilege of running the programme for more than six years now and is currently in its seventh year, Mr. Raja stated. He added that the idea is to attract German Mittelstand companies to India and to also act as their one stop source for their market entry into India.

Mr Raja elaborated that the programme was launched in 2015, when Prime Minister Mr. Narendra Modi visited Germany for the Hannover Messe in 2015. During this time, around 25 Make in India focus sectors were selected. Since then, this model has been established as a premium market entry support programme, which is now being replicated across various other European economies, he added.





Mr. Raja observed that while a Mittelstand in Germany can be equated to an SME, a critical difference is that these companies are not only just about numbers in terms of their turnover but also about their value and management practises. He noted that some of the biggest companies in the world still consider themselves to be Mittelstand and that there are many successful middle-sized companies who are 'Hidden Champions' and are dominant in their sectors. They contribute to around 78% of turnover in the economic sectors of construction and more than 56% of employment in Germany.

Mr. Raja stated that the MIIM programme has grown significantly in the last six years and that the programme has been very successful in convincing German companies, which were initially risk averse, to explore opportunities and to invest in India. The programme has indeed helped generate a lot of confidence and assisted in building capacities over the years, Mr. Raja emphasized.

The MIIM programme has grown significantly in the last six years and has been very successful in convincing German companies, which were initially risk averse, to explore opportunities and to invest in India.





Mr. Martin Woerlein Head of India & South Asia, Roedl & Partner



Mr. Martin Woerlein has a professional background of over 20 years with Rödl & Partner, a German professional services firm with own offices in 50 countries and the specialization on advising Mittelstand companies from Germany for their German and cross border requirements.

Martin received a legal education in Germany, Scotland and the United States.

For the last 15 years, he has been focused on Germany – India advisory, where he was in charge for starting the Rödl & Partner practice in India.

He spent 6 years full time in New Delhi and now splits his time between Germany and the 5 offices of Rödl & Partner in India.

Apart from work on joint ventures and acquisitions, he currently also is the project leader in Germany for the role of Rödl & Partner as Knowledge Partner of the Make-in-India- Mittelstand – programme of the Indian Embassy Berlin.

Keynote Address by Mr. Martin Woerlein

Mr. Martin Woerlein commented that India has been Germany's close partner and over the last 15 years, various offices have been built across India through the MIIM programme. As Knowledge Partners, which is, essentially, the project management and execution wing of the MIIM programme, Mr. Woerlein stated that the focus is on building communications and function as the prime facilitation coordination hub for the various enquiries coming from the Mittelstand companies.

The primary objective of the wing is to provide first contact and first access to first rounds of general information from all the program partners that include general





advisory on investment frameworks, banking, tax environment, etc. Mr. Woerlin stated. He added that in the next step, workshops and webinars are provided in various formats in a more formalised setting.

Customized options are also presented to the companies, as each company project is different. Exchanges between companies via exchange platforms and regular enquiries and contacts with the authorities via the Indian Embassy team are also facilitated, for sorting out formal administration questions at a general level. The presence of a quality audience and a quality focus group is also important for a successful exercise, Mr. Woerlin stated. He added further that there is no one-size-fits-all approach, as individual needs of companies vary.

The programme helps in identifying the requirements of German companies interested in investing and moving into India. There is a formal onboarding process, involving formal documentation, so that in this stage, the companies are willing to be part of the network to have the access to the platforms through the various partners, with their queries and questions about the status of their project.

The strategy and project development teams handle the various queries and provide basic information to these companies, such as whether the Indian market is right for the company's products, what is the suitable location in India, etc. Information on identifying the right team in India, financing frameworks, paperwork on visa and the all-encompassing question on taxes and legal matters are also provided to the companies.

While concluding, Mr. Woerlin stated that India and Mittelstand can be a perfect fit if the right dialogue is initiated. He emphasized that communication is key and early exchanges with the right-minded people are important. "We are very optimistic about the prospects of the programme and journey into India for many more companies," Mr. Woerlin stated.

India and Mittelstand can be a perfect fit if the right dialogue is initiated.





Mr. Ashish Kumar Managing Director, VERBIO India



Mr, Kumar is an Ex-Indian Navy Officer, currently the Managing Director, VERBIO India Pvt. Ltd., India and is on the Board of Directors of EAC – Euro Asia Consulting Pvt. Ltd.

He has a vast knowledge of strategy consulting for German (DACH) Mittelstand for India/ SEA (South East Asia) and MEAST (Middle East)

He has completed his Master of Business Administration (MBA) from HHL-Leipzig Graduate School of Management-Germany and Master of Science (MS), BITS Pilani India.

Remarks by Mr. Ashish Kumar

In his remarks, Mr. Ashish Kumar described Verbio's journey as a German bio-fuel producer in India. Verbio, a German bio-fuel producer mainly focuses on production of petrol, diesel and CNG from agricultural produce, which is 100% clean and green, Mr. Kumar stated.

Mr. Kumar added that India's agricultural strength is well known and that there is enough feedstock available in the market on the supplier side. However, on the demand side, given India's import dependence on fossil fuels, there is a clear case of the demand for bio-CNG or CNG, in particular.

He went on to add that the project, which was started in 2019, has started commercial production since April this year, and an automotive grade quality of oil or bio CNG has been made for the first time. This is a useful application which is not only environment friendly but is also overall impacting the economy positively by creating employment, and replacing fossil fuel with clean fuel, among many other benefits.





Mr. Kumar highlighted several challenges that the German SMEs face in India. In this context, he stated that while India had many policies and programmes in place, the lack of implementation of these is a big challenge. He observed that the awareness of implementation related challenges is rarely showcased to an investor, as a result of which the ground reality is unknown to most of the advisors. Therefore, increasing transparency with regard to markets, regulations, commercial conditions, how implementation of policies can actually take place, etc., is an area to focus on.

Industry and associations must channelise their energies, initiatives, and workshops, while programmes must focus on highlighting implementation related topics, Mr. Kumar suggested. He also added that industries need to engage in a confidence-building exercise.

The Indian market has been very welcoming and supportive, especially from the state and central Governments, Mr. Kumar stated. He emphasized that there is a strong need for policies, which have the potential of making business cases not just economically viable but also making them attractive.

At the same time, the focus must be on implementation of these policies. It is important to address how to include implementation-oriented parameters in rankings such as Ease of Doing Business (EoDB), apart from the focus being just on the entry process, Mr Kumar stressed. "We are 200% committed to the Indian market because of the strong fundamentals which can be escalated exponentially in the coming years," he added further.

Increasing transparency with regard to markets, regulations, commercial conditions, how implementation of policies can actually take place, etc., is an area to focus on.





Mr. Manoj Barve President, BVMW Representative Office, Federal Association of German SMEs



Manoj Barve is an SME evangelist, who has been championing the cause of Indian SMEs in an effort to help them find their rightful place on the global platform.

As the President of the BVMW Representative Office in India, Mr. Barve aspires to elevate the standard of Indian SMEs by supporting them to augment their technical capabilities, be inspired by the latest developments in their domains and help them connect better with potential buyers and collaborators.

Mr. Barve comes with over 35 years of global experience, with a career footprint across several countries. He previously served as the Director of Finance and Member of the Board at Alfa Laval India and held similar positions at ThyssenKrupp India, Hydro Aluminium Deutschland in Malaysia, Eaton CEAG Sicherheitstechnik, ITT Richter Chemie-Technik, PwC Germany and JMcDermott Inc. Dubai.

A Chartered Accountant and Cost & Management Accountant by profession, Mr. Barve has invaluable experience in Mergers & Acquisitions, Business Process Optimisation, Finance Transformation, Restructuring, Corporate Policy and Risk Management.

Remarks by Mr. Manoj Barve

Mr. Barve, while speaking at the session, mentioned that there are many engineering companies based in Pune and a number of SMEs based in India, which are technology oriented, quality oriented and are similar to German Mittelstand companies. These companies are looking for growth and such growth can happen through greater collaborations, internationalization, going into the European markets and joint ventures, he asserted.





Mr. Barve observed further that during the last few months, Germany has been pursuing the China-plus policy and is looking for friendly, reliable democratic partners who believe in multilateralism, better Intellectual Property (IP) protection, etc. He added that a lot of cooperation is already happening on the ground level, particularly at the Government-to-Government and association levels. A lot of work is underway on SME-to-SME cooperation on innovation, skill development, education, and research, he stated.

Mr. Barve emphasized that security is extremely important for MSMEs. It is important for German Mittelstand companies to have a strategy when they come to India, he added. Selection of right partners is critical in this case, as the companies need to select likeminded companies with similar long-term perspectives for establishing joint ventures, he added. Thus, the mind-set of Mittelstand companies is very important, over and above just domain expertise. Quality, skilling of employees, technology, etc. are some characteristics which must match with the partner.

While listing the India strategy, Mr. Barve stated that as India is an extremely competitive market which is price sensitive, the strategy for it must include localisation of products, a pricing strategy, possibility of dual branding, and the appropriate technology, among others. He highlighted that as value for money is important for Indian consumers, value engineering needs to be done, at least till the brand is well-established.

The German companies need to leverage Made in Germany brand, especially in the B2B industrial products segment. There is also a need to establish a regional sales network so that regional differences can be considered.

Mr. Barve emphasized the importance of having good financial controls. He added that cash flow needs to be controlled closely on a regular basis, with a proper reporting and controlling system in place, ensuring compliance procedures are followed. As customer convergence rate is very low in India, a good CRM (Customer Relationship Management) system is recommended, which can help in tracking important indicators such as post sales services.

Mr. Barve noted that the availability of skilled personnel is a big challenge, and the status of vocational education is still low in India. The Government and private industry have increasingly recognized the importance of vocational education and industry clusters are being built and companies are coming from the same cluster/domain to train in vocational education, he observed.

Employee retention is another challenge in India. Thus, German SMEs should focus on work culture, as well as intracultural aspects. Branding is also an important aspect of employee retention, Mr. Barve added.





SMEs in India also face moral hazards. Establishing direct contact with senior Government officials, and taking support from industry associations such as CII could be some possible solutions.

Mr. Barve stated that intracultural training is also important for understanding the creativity, flexibility, agility, curiosity, customer orientation and risk-taking aspirations of employees.

Thus, if the India strategy is in place, India could become an excellent market. However, India needs to be transparent and be ready for the challenges, Mr. Barve observed.

As India is an extremely competitive market which is price sensitive, the strategy for it must include localisation of products, a pricing strategy, possibility of dual branding, and the appropriate technology, among others.

Q&A

What are the initiatives on the supply chain law?

In the recent development cooperation negotiations, both India and Germany have agreed that there is a need to raise awareness on the supply chain law and address obstacles to ensure minimal disruptions to bilateral trade. This is on the agenda of both Governments. There are also many private think tanks and organizations which are doing events on this topic, and this is on the priority list of the Embassies as well.

However, there are a lot of loose ends that need to be tied up on both sides and more clarity is required on the supply chain laws in terms of enforcement and implementation, as well as staffing.

Implementation rules under the German law are still not finalised. India has a very detailed framework of local laws and compliances in various fields. But how exactly these can be utilised or implemented needs to be seen from the German side, moving forward.



The Konrad-Adenauer-Stiftung (KAS) is a political foundation. Established in 1955 as "Society for Christian-Democratic Civic Education", in 1964 the Foundation proudly took on the name of Konrad Adenauer, the first Chancellor of the Federal Republic of Germany.

With 16 regional offices in Germany and over 120 offices abroad, the Konrad Adenauer Foundation is committed to achieving and maintaining peace, freedom and justice through political education. We promote and preserve free democracy, social market economy, and the development and consolidation of the value consensus. We focus on consolidating democracy, the unification of Europe and the strengthening of transatlantic relations, as well as on development cooperation.

The leitmotif of the Konrad Adenauer Foundation "Germany. The next chapter" is supported by a thematic focus. With the three main topics Innovation, Security and Representation and Participation, it is quite clear which topics the Konrad Adenauer Foundation will focus on in the coming years.

KAS cooperates with governmental institutions, political parties and civil society organizations, building strong partnerships along the way. In particular, it seeks to intensify political cooperation in the area of development cooperation on the foundations of our objectives and values. Together with their partners, they make a significant contribution to the creation of a global order that empowers every country to determine its own developmental priorities and destiny in an internationally responsible manner.

The Konrad-Adenauer-Stiftung has organized its program priorities in India into five working areas:

- 1. Foreign and Security Policy
- 2. Economic, Climate and Energy Policy
- 3. Rule of Law
- 4. Political Dialogue focussed on Social and Political Change
- 5. Media and Youth

The India Office of the Konrad Adenauer Foundation takes great pride in its cooperation with Indian partner institutions who implement jointly curated projects and programmes.



Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with around 9000 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from 286 national and regional sectoral industry bodies.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

As India completes 75 years of Independence in 2022, it must position itself for global leadership with a long-term vision for India@100 in 2047. The role played by Indian industry will be central to the country's progress and success as a nation. CII, with the Theme for 2022-23 as **Beyond India@75: Competitiveness, Growth, Sustainability, Internationalisation** has prioritized 7 action points under these 4 sub-themes that will catalyze the journey of the country towards the vision of India@100.

With 62 offices, including 10 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 350 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

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