

MAKE IN INDIA MITTELSTAND!

**Make in India Business Support Programme for German
Mittelstand and Family Owned Enterprises**

INSIDE THIS EDITION

- SECTOR OVERVIEW – e-MOBILITY
- INDIA NEWS UPDATE
- RECENT MIIM EVENTS
- ABOUT MIIM AND UPCOMING EVENTS

1. SECTOR OVERVIEW – e-MOBILITY

EV in INDIA

Need for e-Mobility

- **Huge import dependency for fossil fuels:** Huge import bill (import dependency- 84% for crude oil, 45% for LNG) primarily for mobility sector driving need for sustainable solutions
- **Rising emissions – air pollution concerns:** Continual rise in CO₂ emissions and rising air quality degradation (NOx, PM_{2.5}) pushes need for alternate drive technologies
- **Regulatory pressure for compliance:** Stringent emission compliance targets for 2022/ 23+ under Corporate Average Fuel Economy (CAFÉ) norms – a calculated push for OEMs to have ~2-3% EVs as portfolio
- **Government thrust for India e-Mobility:** Focused efforts towards environment/ climate betterment fostering India's way-ahead for e-Mobility transition

Need for environment-friendly sustainable solutions coupled with continual government thrust is driving space for e-Mobility in India

With the introduction of supporting policies and targets for incentives, localization and relevant infrastructure, the Government of India has signalled the beginning of a new era of mobility for India. At the central level, several ministries and departments have been involved in supporting the electric mobility transition, including the Ministry of Road Transport and Highways, Department of Heavy Industry, Department of Industrial Policy and Promotion, Ministry of Finance, Ministry of Housing and Urban Affairs, Ministry of Power, Ministry of New and Renewable Energy, Department of Science and Technology and NITI Aayog. Additionally States have formulated strategies for transforming their mobility systems and some are in the process of formulating their EV policies.

Capturing the benefits of government incentives and its intended ripple effect on the electric mobility ecosystem will require the participation of multiple stakeholders in the ecosystem. Realizing scaled adoption beyond the time period of incentives demand continuous coordination and collaboration between government and industry and increasing customer awareness and acceptability of EVs.

Key Facts

India is the 3rd largest crude importer globally and has 84% import dependency for crude oil

India is the 3rd largest emitter of CO₂ globally with total 6.5% share in global CO₂ emissions

12-15% contribution in CO₂ emissions by Mobility sector of which >90% share of Automotive industry

“ The country is going to adopt EVs in the natural course — be it electric bikes, electric rickshaws, electric cars, trucks or buses and even electric highways. We are working on that front. This will help us to reduce imports and tackle the pollution problem.

”

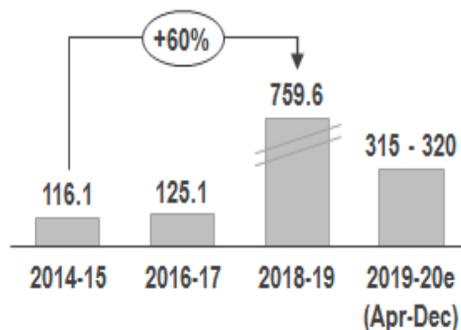


*Mr. Nitin Gadkari,
Minister of Road
Transport &
Highways*

EV SALES AND PENETRATION

- India e-Mobility sector with sales of 759.6 thousand units in 2018-19 has witnessed 6.5x growth in past 4 years, wherein penetration has risen from 0.5% to 2.8%
- Sales performance 2019-20 (Apr-Dec):
 - e-2 wheeler: 3,000 units (subsidized under FAME II), 49,000 units (non-subsidized)
 - Overall sales of 1,554 E4 wheeler
 - Estimated E3 wheeler sales of >260 thousand units
- Segment share:
 - e-3 wheeler accounts for ~82% of total volume (lead-acid driven) primarily by un-organized segment, followed by ~17% by e-2 wheeler and ~0.5% by e-4 wheeler

E-mobility Sales Development, 2015-19 (thsd units)



TOTAL EVs ON-ROAD
(MIO UNITS) **3.3**

EV PENETRATION
(% OF TOTAL AUTO SALES) **~2.2%**

e-3 wheeler



- The largest segment of EVs in India is controlled by small local players with 80-85% of the market share
- Key players: Mahindra, Lohia, Terra Motors, Piaggio and Kinetic
 - Battery: 48V/ 94-154 Ah; Range: 68 to 130 km/ charge; Max speed: 25- 45 kmph

- Sales of 126 thousand units in 2018-19 with CAGR of +85% during 2016-19

- Key players: Hero, Ather, Tunwal, Mahindra, Ampere etc (Presence of approx. 53 active OEMs/ assemblers, wherein ~90% being of Indian origin)
 - Battery: 48V/ 20-72Ah; Range: 60 to 110 km/ charge; Max speed: 25- 100 kmph
 - Focus on optimizing performance by extending vehicle range and maximum speed

e-2 wheeler



e-4 wheeler



- Tata Motors and Mahindra being the active E4W manufacturers; Maruti Suzuki, Hyundai have achieved fuel efficiency requirements by migrating to 'mild hybrid' without compromising vehicle price proposition
 - 100% electric introduced by MG, Hyundai, Tata, Mahindra
 - Hybrids by Toyota, Honda and Maruti Suzuki

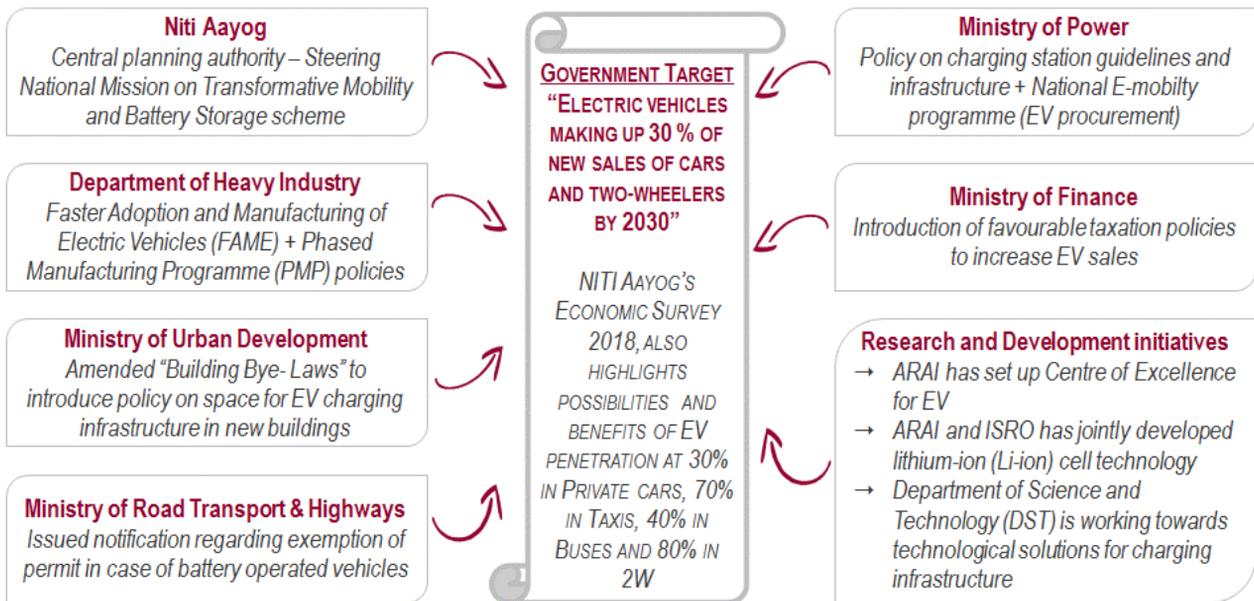
- e-commercial vehicle: Approx. only 50-60 units have been sold during 2018-19, but in last 12 months bus segment has seen positive traction due to Government's target to include e-buses in public transport for major cities
- Tata Motors is major player and has won contracts for supplying 62% of total bus requirement across 10 cities; other player includes Ashok Leyland, Olectra, Volvo

e-CV



OVERVIEW OF GOVERNMENT POLICIES ON e-MOBILITY AND ROLE OF KEY STAKEHOLDERS

India central government has set a target of 30% share of EV in new sales by 2030 for PV and 2W; Multiple relevant ministries and government institutions are working towards it at different fronts



TAXATION AND LOCALIZATION SUPPORT – UNION BUDGET

Budget 2019-20 announced GST reduction to 5%, up to ~2 thsd EUR tax deduction and other benefits, while Budget 2020-21 focussed on fostering localization of EVs along with support for energy sector

GST REDUCTION

GST on EVs reduced from 12% to 5%- boost to OEMs; Hybrids continue to attract 43%
Note: Ministry of Transport has requested GST reduction (28% to 5%) on hybrid PVs

TAX DEDUCTION

Up to 2,021 EUR deduction on yearly tax payable under interest component for EV loans- incentive to customers

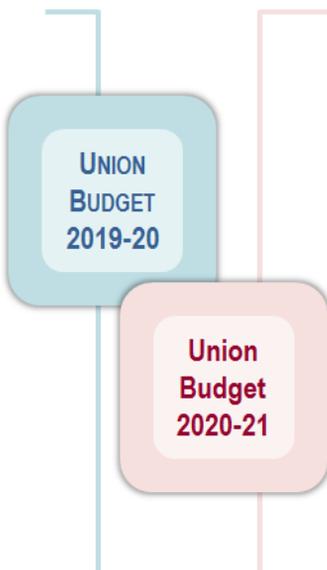
DUTY EXEMPTION

Customs duty on Li-ion cells reduced to 0%; import duty exemption on components¹⁾

TAX BENEFITS

Component²⁾ manufacturers offered investment linked tax exemptions, and other indirect tax benefits

1) E-drive assembly, on-board charger, e-compressor and charging gun, 2) Examples: Solar electric charging infrastructure and lithium storage batteries, 3) Applicable to domestic company set up and registered on or after Oct 19 and starts manufacturing on or before Mar'23



INCREASED CUSTOMS DUTY ON EVS

CBUs of EVs: 40% (from existing 25%) for e-buses and e-trucks

SKD units of EVs: 25% (from existing 15%) for e-buses, e-trucks, e-2Ws and 30% (from existing 15%) for e-3Ws and e-4Ws

CKD units of EVs: 15% (from existing 10%) on all electric vehicles

RELIEF FOR RENEWABLE ENERGY

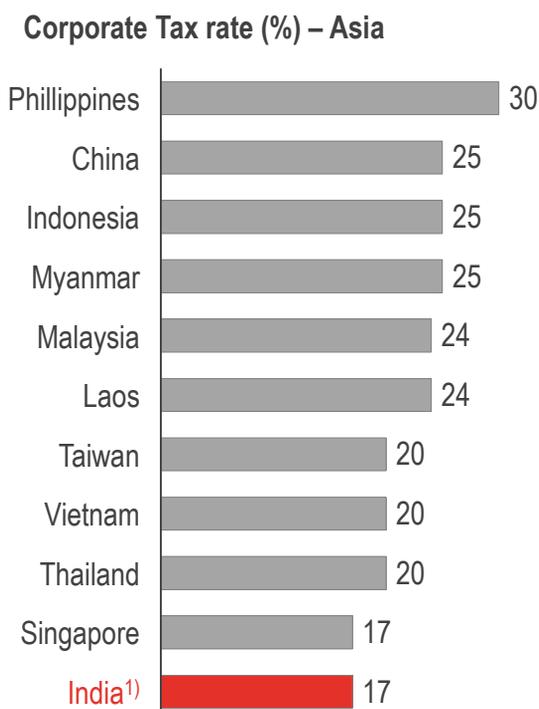
Proposed customs duty on solar panel and modules: 20%

Concessional corporate tax rate for new power generation companies³⁾: 15%

2. INDIA NEWS UPDATE

SEPTEMBER 2019: CORPORATE INCOME TAX REDUCED

- Indian Govt. have acknowledged the economic slowdown, provided much needed corporate tax reforms to boost manufacturing and provide alternate destination for MNCs shifting their base out of China
- For existing companies
 - Corporate tax rate for all domestic companies has been cut to 22% provided they do not avail any exemptions
 - Effective tax rate to be now 25.17%, inclusive of surcharge & cess
- For new companies
 - Companies incorporated after 1 Oct'19 and beginning production by 31 Mar'23 will have to pay 15% tax provided they do not avail any exemptions
 - Effective tax rate to be now 17.01%, inclusive of surcharge & cess



1) For companies set-up post Oct'19

FEBRUARY 2020: DIVIDEND DISTRIBUTION TAX ABOLISHED

- Effective DDT of 20.35% was abolished by the Govt, as it was termed to be a surrogate tax and was potentially obstructing the flow of foreign direct investment
- Abolition of DDT is expected to boost market sentiment, push investments and make Indian equities more attractive

FEBRUARY 2020: INTRODUCTION OF SPICe+ FOR GREATER EASE OF DOING BUSINESS

- As part of Government of India's Ease of Doing Business (EODB) initiatives, the Ministry of Corporate Affairs would be shortly notifying & deploying a new Web Form christened 'SPICe+' (*Simplified Proforma for Incorporating a Company Electronically*) replacing the existing SPICe form
- SPICe+ would offer 10 services by 3 Central Govt Ministries & Departments. (Ministry of Corporate Affairs, Ministry of Labour & Department of Revenue in the Ministry of Finance) and One State Govt.(Maharashtra), thereby saving as many procedures, time and cost for Starting a Business in India and would be applicable for all new company incorporations w.e.f 15th February 2020

3. OVERVIEW OF RECENT MIIM EVENTS

MIIM WORKSHOP CONDUCTED ON “ESTABLISHING SALES AND PRODUCTION SET-UP IN INDIA” 20 February 2020

- Make in India Mittelstand (MIIM) programme together with IHK Hannover conducted a half-day workshop on “Establishing sales and production set-up in India” on 20th February, 2020
- The workshop was designed to provide insights into ‘Doing Business in India’ and give an overview of the latest legislations, tax structures, financing solutions and success factors of building business in India
- The presentations were delivered by subject matter experts from MIIM partner network including EAC, Roedl & Partner, Deutsche Bank AG and IHK Hannover.



■ Modi 2.0's 'big bang' reform raises hopes of jobs, growth

Corporate taxes slashed, Sensex zooms 1,921 pts

Govt will lose ₹1.45 lakh cr in revenue a year

BY ANKUR KUMAR

KEY HIGHLIGHTS ON FISCAL RELIEF MEASURES

■ Corporate tax rate slashed to 27% for domestic companies not having any overseas/ foreign assets, the earlier rate was 30%

■ Effective tax rate for such companies now 25.17% (provisional rate was 24.8%)

■ New domestic firms incorporated on or after Oct 1, 2019, making fresh investments in capital goods on date of commencement of business will get a rate of 15% for the first three years (2019-20, 2020-21, 2021-22)

■ For companies which continue to avail exemptions, the Minimum Alternate Tax has been reduced from 18.5% to 15%

■ Revenue foregone for reduction in corporate tax and other relief estimated at ₹1,45,000 crore

■ Enhanced support to tax on capital gains on sale of share has been removed

■ No tax on dividends of companies announced before July 3, 2019

GST on hotel tariff slashed, rate doubled on beverages

■ GST on hotel tariff slashed to 12% from 18% and rate on beverages doubled to 28% from 14%

■ The tax changes came on a day the Sensex jumped 1,921 points to 35,111 points. The Sensex had risen 1,921 points to 35,111 points from 33,190 points on the previous day.

■ We are confident of the impact all this will have on our fiscal deficit and will reconcile the numbers — Nitin Kumar, Finance Minister



MIIM WEBINAR CONDUCTED ON “NEW CORPORATE INCOME TAX REGIME” 26 February 2020

- The Government of India has over the past couple of years undertaken various tax reforms, to improve the ease of doing business in India and to encourage global companies to set up and expand their base in the country. Including reduction in corporate tax for domestic companies and new local manufacturing companies
- In this context, Make in India Mittelstand (MIIM) programme together with its tax and legal partner – Khaitan & Co conducted a webinar on “New Corporate Income Tax Regime”

MIIM WEBINAR ON “INDIA e-MOBILITY PENETRATION 2025 – WAY FORWARD AND OPPORTUNITIES” 16 March 2020

- The webinar provided insights on status-quo, recent government reforms/ policies, future potential and opportunities for German MNCs in India’s e-Mobility sector
- It was attended OEMs, suppliers, associations and key industry/ government organisations



Note: You can view/ download all relevant presentations from MIIM website; to receive recordings of MIIM webinar, please approach us at miim@indianembassy.de

4. ABOUT MIIM

About MIIM

'MIIM' is a market-entry support programme for German Mittelstand and family owned enterprises launched by Embassy of India Berlin, Germany in 2015; driven by Government of India's national programme, 'MAKE IN INDIA'.

The objective of MIIM programme is to facilitate investments by German Mittelstand and family-owned companies in India and to provide market entry related services

The MIIM program has enrolled a total of 135 companies which represent a cumulative declared investment of 1.2 bn. EUR to India.

As a part of MIIM program members are exposed to a wide range of business support services under a single platform. The program is being implemented with the support of its Knowledge Partner - Euro Asia Consulting – EAC, Facilitation Partners including Central and State Government Ministries in India and also key industry partners who can support the companies in various aspects of market entry into India. Offered services includes Strategy consulting, M&A, operational market entry support, tax & legal support, financial services and other services.

Key MIIM Members: Snapshot

LIEBHERR



verbio



UPCOMING EVENTS

MIIM Webinar on "Megatrends Shaping Indian Renewable Energy Sector"

- Date: 30th April 2020
- Time: 10:00-11:30 AM
- To register, please click [here](#).



MAKE IN INDIA MITTELSTAND!

MAKE IN INDIA BUSINESS SUPPORT PROGRAMME FOR GERMAN MITTELSTAND AND FAMILY OWNED ENTERPRISES

MIIM PROJECT TEAM:

Mrs. Paramita Tripathi | Head MIIM Project Team | Deputy Chief of Mission |
Embassy of India, Berlin

Dr. Rajesh Gawande | MIIM Project Team | First Secretary | Embassy of India, Berlin

MIIM Hotline:

Email: miim@indianembassy.de

Phone: +49-30-25795514 Fax: +49-30-25795520

MIIM online:

 www.makeinindiamittelstand.com

 www.facebook.com/IndiaInGermany

 www.twitter.com/eoiberlin

 www.linkedin.com/in/miim-make-in-india-mittelstand