

INDO-GERMAN NEWSLETTER EASTERN REGION

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Consul's Corner

Dear Readers,

According to the bible, St. Paul once wrote a letter, that the love of money is the root of all evil. Contrary to that, we all know the proverb "Time is money" (meaning waste of time is evil), attributed to the universalist Benjamin Franklin (1706-1790), who apart of being one of the founding father of the United States invented the lightning –conductor. Yet Benjamin Franklin got nothing for his proverb nor for his invention. Another universalist was Albert Einstein (1879-1955), whom we all know for his theory of relativity of time, space and gravity. He received the Nobel Prize, which is little in relation to Einstein's persistence and to the money which could be made later from his discoveries by others. Einstein's theory also postulated the gravitational waves. Now, 100 years after his theory, scientist from all over the world who collaborate in an going and expanding network called LIGO are able to prove clearly that the prediction is right.

In Kolkata the Indian Institute of Science Education and Research (IISER) is involved. This is a breakthrough achievement which required endurance and patience to the extreme from the scientists and quite some venture capital from government and nongovernment sources. One day gravitational waves may be put to some practical use. What can we learn from this for business? Time may be money relatively often but not always. If you have a vision for your business, it may well pay to stick to it long term, even at a cost. Or as Albert Einstein once said: Imagination is more important than knowledge. For knowledge is limited to all we now know and understand, while imagination embraces the entire world."

The new discovery is also an important encouragement for highly demanding issues outside astronomy as for example the fusion power research. Even in industry quite a lot of resources are being invested in research, innovation and development without knowing exactly when and what will finally come out. Keep going. Sometimes the late bird is catching the worm and a big one, too.

Best Regards,

**Mr Olaf Iversen
Consul General of the Federal Republic of Germany**

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German Engineering Federation (VDMA)

Union Budget 2016-17: Impact on the manufacturing sector

The Hon'ble Finance Minister of India, Mr. Arun Jaitley presented the Union Budget of India to the Parliament on February 29, 2016. Despite the global economy in a serious crisis and a shortfall in India's monsoon for two consecutive years, the Indian economy has been robust and has grown 7.6% in 2015-16. The foreign exchange reserves have reached a highest ever level of about USD 350 billion. The fiscal deficit in 2015-16 and 2016-17 has been retained at 3.9% and 3.5% of GDP respectively. The current account deficit is projected to be 1.4% of GDP in 2016.

The Union Budget 2016-17 has proposals with a plethora of initiatives to boost economic growth, with promises for further benefits in the future. The budget focuses on ensuring macro-economic stability and prudent fiscal, boosting domestic demand, continuing the pace of economic reforms and policy initiatives. There is focus on enhancing expenditure in priority areas of - farm and rural sector, social sector, infrastructure sector employment generation and recapitalization of the banks. The government also ensures early passage of the most awaited Goods and Service Tax bill.

Finance Minister has introduced several measures with respect to the manufacturing sector and industrial growth. In the earlier budget, Government had mooted proposal to reduce Corporate Tax from 30% to 25% over a period of four years, accompanied by rationalization and removal of various tax exemptions and incentives. Final plan of phasing out exemptions is proposed in the current budget. New manufacturing companies which are incorporated on or after 1st March 2016 are proposed to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation. The government proposed to lower the corporate income tax rate for the next financial year for small enterprises i.e companies with turnover not exceeding Rs. 5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess. For further promoting start-ups, the Government intends to assist their propagation through 100% deduction of profits for 3 out of 5 years for startups set up during April 2016 to March 2019.

In line with the Make in India campaign, the Government proposes to make changes in customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair. As part of the “Skill India” mission, Government is to set up 1500 Multi Skill Training Institutes across the country with a fund of Rs. 1700 crore and skill 10 million youth over the next three years.

The finance minister laid out plans to boost infrastructure. The total outlay for infrastructure is Rs. 2,21,246 crore with speeding up of road construction. The government proposed to approve nearly 10,000 kms of National Highways in 2016-17. In the civil aviation sector, the Government is to draw up an action plan for revival of unserved and underserved airports at an indicative cost of Rs. 50 to 100 crore each. Further, to modernise ports and increase their efficiency, Rs. 8000 crore has been allocated for Sagarmala project. To develop new Greenfield ports in eastern and western coasts of the country. Work on National Waterways is being expedited. Rs. 800 crore provided for these initiatives.

The Budget has done much to reignite the investment cycle by enhancing allocations for the infrastructure sector. Reducing the infrastructure gap is critical to accelerate manufacturing growth and attract foreign investment. While augmenting the allocation on roads, railways, ports and airports is significant, the Budget has rightly announced measures to revitalise public-private partnership (PPP) through the introduction of Public Utility (Resolution of Disputes) Bill, formulating guidelines for renegotiation of PPP Concession Agreements and introducing a new credit rating system for infrastructure projects.

To give impetus to food processing industry, the Government intends to allow 100% FDI through FIPB route in marketing of food products produced and manufactured in India. With a view to promote Make in India, foreign investors will be accorded Residency Status subject to certain conditions, unlike currently where the investors are granted business visa only up to 5 years at a time. In order to ensure effective implementation of Bilateral Investment Treaties signed by India with other countries, the Government proposes to introduce a Centre-State Investment Agreement and states which opt to sign these Agreements will be seen as more attractive destinations by foreign investors. The Government also proposed to introduce a bill to amend the Companies Act, 2013 in the current

Budget Session of the Parliament, which would also improve the enabling environment for start-ups. All these decisions will facilitate ease of doing business for foreign investors and their domestic recipients.

Past events:

- On 7th & 8th January 2016, the Government of West Bengal has organised the **Bengal Global Business Summit 2016**, at Milan Mela, Kolkata. The event was positioned as an **exhibition cum business summit** where the state will exhibit its areas of strength and opportunity and facilitated interaction with all stakeholders. **Mr. Rajesh Nath, Managing Director, Mr. Sumit Sharma, Regional Manager (North), Ms. Jamly John, Regional Manager (West), Mr. Sandip Roy, Senior Manager, Mr. Ajmal Fawad, Deputy Manager, Business Development** from VDMA India participated in the event.
- On 18th February 2016, **Mr. Olaf Iverson, Consul General, Consulate General of the Federal Republic of Germany, Ms. Sabina Pandey, Regional Director, IGCC & Mr. Rajesh Nath, Managing Director, VDMA India** visited the factory of **Wacker Metroark Chemicals** and met **Mr. Soumitra Mukherjee, Managing Director**.
- On 22 February 2016, **VDMA India** in association with **Frankfurt Business School** is organized a seminar on **“Learning from the Leaders”** at the Saturday Club, in Kolkata. **Mr. Olaf Iversen Consul General of Federal Republic of Germany, Kolkata** was the Chief Guest of the event. The presentation was made by **Mr. Sumit Rai, Regional Head South Asia, Frankfurt Business School**. The presentation on the **“Leadership of the German Mittlestand (SME)”** was given by **Mr. Andreas Emser, Director Executive - Education, Frankfurt Business School**. The presentation on **Indo - German Trade in Engineering Sector** was given by **Mr Sandip Roy, Senior Manager, VDMA India**. There were around 42 participants from the industry.
- **The VDMA India Quarterly Newsletter - German Machinery Industry (Jan- Mar’16)** was released in January. This Newsletter covers the development in the various industrial sectors in Germany. Please click on the following link to download or view the newsletter:-

https://drive.google.com/file/d/0BykiT_nSY811WjRQelpXZ1BCUnc/view?usp=sharing . In case you wish to subscribe or refer a friend to our free quarterly e-newsletter or get a hard copy, kindly send in your requests to: subscriptions.vdmanewsletter@gmail.com.

Upcoming events:

- On 4th March 2016, **VDMA India** in association with **Khaitan & Co** is organizing a presentation on **Union Budget 2016-17 - Impact Analysis**, at The Saturday Club, Kolkata from 6.30 pm onwards. This seminar aims at providing a snapshot and probable impact of new policies and taxes to the manufacturing sector in particular and other industry in general. **Please note that the participation is by invitations only.**
- On 17th March 2016, **VDMA India** in association with **Beckhoff Automation Pvt. Ltd., and ifm electronic pvt. ltd. as partners** is organising the “**German Technology Day**” at the Palladian Lounge in Kolkata. The event would focus on latest automation and sensor technologies in steel, mining and plastic sectors in eastern region. **Please note that the participation is by invitations only.**

We are looking forward to hearing from you!

Mr Rajesh Nath, Managing Director VDMA India and the VDMA India Team

Website: www.india.vdma.org; Facebook: www.facebook.com/vdmaindia

About VDMA India

The office in India acts a ‘**bridge-head**’ between the German and Indian Industry and serves the Indo-German economic relations in the different engineering sectors. This office promotes the activities of the VDMA member companies in India with a nodal office in Kolkata and regional offices in Mumbai and New Delhi/Noida. VDMA India office maintains close relations with the Indian Industry, Indo-German companies, Embassy and Consulates and various Indian Industry Associations, particularly with CII, FICCI, EEPC, ASSOCHAM, FIEO, CAPEXIL, ICC, IGCC to name a few. Find out more detailed information under

www.india.vdma.org

We are looking forward to your queries and suggestions:

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