

M+V Newsletter on business trends and corporate strategies

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“Opportunities for German-Indian trade are enormous“

Interview with Rainer Brüderle
German Federal Minister of
Economics and Technology

M+V: Minister, you are visiting India for the first time – what impressions will you take back to Germany?

Brüderle: I have been welcomed here with open arms. Alongside China, India is the country with the most rapid economic growth – we want to have a stronger presence here and to further develop the joint potential of our bilateral economic relationship. “Made in Germany” has an outstanding reputation in India and the opportunities for German-Indian trade are enormous. In particular, the economic boom can be clearly seen here in the cities. India has in my view a great interest in high quality technology.

M+V: You have just completed a three day trip to New Delhi and Mumbai. Is it possible to achieve really significant results in such a short space of time? What prompted you to visit India at this particular point in time and has the visit met your expectations?

Brüderle: With its stable economic growth, India is already of great importance for German export business today. German products are naturally still expensive for Indian consumers yet at the same time they fulfil the desire in the Indian economy for modernisation and technological development. I not only see opportunities in this country for large corporations but also numerous possibilities for medium-sized companies. Moreover, there are already innovative companies in India who are currently considering investment in Germany. This development is also highly welcome – and it is important for us to actively promote this investment.

I believe that there is still enormous potential on both sides for more intensive cooperation. The visit has contributed

towards intensifying dialogue and for smoothing the way for further reciprocal involvement between the two countries.

M+V: Did you have the opportunity to discuss the high import duties with your Indian colleagues and if so, what results from these discussions can we convey to our customers?

Brüderle: This was an important topic during the meeting of the Indo-German Joint Commission Meeting on industrial and economic cooperation. However, we need to first work together on achieving concrete results in this area. I also hope that the negotiations about a free-trade agreement between the EU and India will be able to get things moving.



Minister Brüderle during the interview with M+V’s Managing Director Klaus Maier and Senior Project Manager Klaus Friedrich Meier

M+V: The free-trade agreement between the EU and India is currently being discussed. Are you taking part in the discussions yourself? In which areas is there a need to clarify matters and when do you think we can expect a breakthrough?

Brüderle: The discussions about a free-trade agreement between India and the EU were naturally an important topic during my visit. However, the mandate for the negotiations lies in the hands of the EU Commission, who represent the combined interests of all 27 member states in the EU.

M+V: Did the members of the delegation experience the positive attitude towards German products and services at first hand during the 17th Session of the Indo-German Joint Commission Meeting on industrial and economic cooperation? Please could you provide our readers who were not present with your assessment of the meeting: In which sectors is it particularly worthwhile investing in India and why?

Brüderle: India is of interest to the German economy as a whole. Alongside the traditional sectors like mechanical engineering and the automobile industry, there are also

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a few „shooting stars“. It is not without good reason that renewable energies are currently at the centre of public attention. Thus, in the next few years within the course of the “National Solar Mission”, the energy generation capacities from solar energy will be greatly expanded. I see great potential here for our dynamic solar companies, who are at the very cutting edge of technological development, to lead the way in the sector.

Another important and profitable sector is Indian infrastructure. The constantly growing economy and the increasing flow of goods make massive investment in the country’s infrastructure absolutely essential. There are also a lot of opportunities for German specialists in this area.

M+V: India has withstood the economic crisis well and is currently considered the driving force for growth in Asia. What are the reasons for this in your opinion?

Brüderle: The growth in the Indian economy is driven to a large extent by domestic demand. In terms of the country’s infrastructure and technological modernisation, there is an enormous requirement for development in India. This ensured that there remained a buoyant level of investment even during the economic crisis. In addition, there is also a growing and extremely free-spending Indian middle class. The aim

must certainly be to broaden the base of this significant middle class in Indian society but even today it is already an important factor in domestic demand.

M+V: And one last question: Regular personal contact is of huge importance in India. India’s Minister of Finance, Shri Pranab Mukherjee, has given you his mobile phone number. Will you make good use of it and when do you think that you will visit India again?

Brüderle: I will certainly be keeping in touch. I view this gesture as a mark of confidence and at the same time as an opportunity to further deepen the relationship between Germany and India.

I will be back in India in person at the very latest for the Asia-Pacific Conference in November 2012 in Delhi. The conference is sure to be a worthy conclusion to the forthcoming „German Year in India“, which will see Germany presented in a very special way in India.

There still remains a great deal to be done before then. We want to develop educational cooperation and work intensively together in the area of future-oriented technologies.

Our next milestone is the “20 billion Euro turnover in bilateral trade by 2012” – which was agreed between the Indian Prime Minister Manmohan Singh and the German Chancellor Angela Merkel.

SVB implements higher standards

by Thomas Breiting | Project Manager | M+V Cologne

Import price evaluation may cause additional costs

Since spring 2010 European companies with subsidiaries in India can’t ignore the so called “SVB” any longer.

The Special Valuation Branch (SVB) exists only in India – It is a Branch of the Custom House, specialising in investigating the transactions involving relationship between the supplier and the importer with focus on the influence of such relationships on the invoice value of the imported goods. If there is a permanent relationship between the exporting and the importing Indian company – Indian subsidiaries and their foreign parent companies have such a permanent relationship – a SVB registration will be requested by the authorities where the shipment is being cleared.

Intent of the customs authority is to prove that the CIF price is not underpriced on purpose by the importer with the objective to pay less import-duty.

A newly incorporated company has six months to start the process to get the SVB - after this period the customs duty department will charge anywhere between 1% to 5% of the CIF value of products that are sold to the Indian subsidiary by the related company abroad. According to the law, the

SVB evaluation process should be complete within the first year.

In the past it was possible to ignore this request and to pay the additional 1% – 5% as “SVB” but since spring 2010 the SVB has started to show it’s teeth and may blocks consignments at the ports which leads to high demurrage charges!

The Customs authority may as well check the market price of some of the leading competitors operating in India and it has the full authority to increase the CIF value in case they find that product underpriced.

To prove that the import price is not intentionally underpriced, the importer has to engage a third party consultant to conduct a “Special Valuation Branch Evaluation”. The SVB evaluation study can be done by various specialised consultancies in India. More information is available at M+V upon request.



Increasing Sales in India – M+V's Trading Platform

by Sudhir Sivaraman / General Manager / M+V Gurgaon

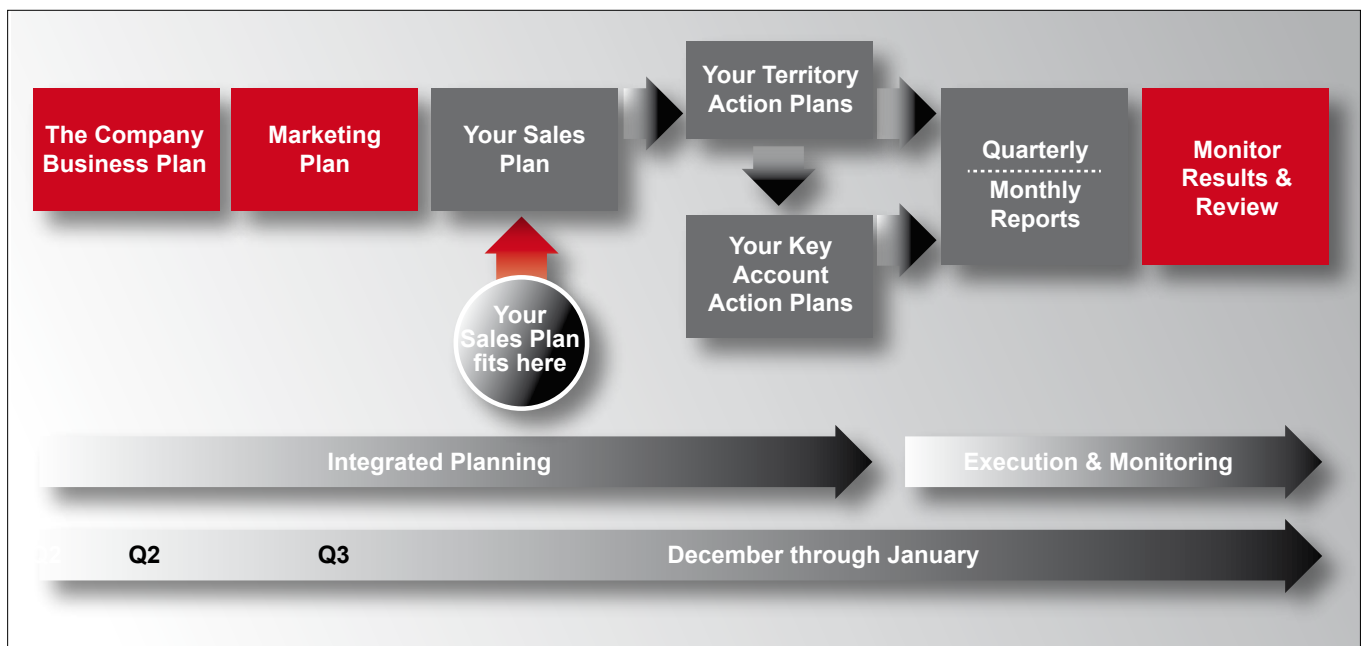
Following a sales & service strategy as the initial India entry approach, most companies find that having their own set-up and personnel is the key success factor in developing sustainable business activities. However, opening independent offices and developing professional sales, service and administration structures can be very expensive and time consuming in India.

Companies when coming to India look at being successful with trading operations in order to generate profit. To ensure that they have very little problems with market entry M+V offers its trading platform which lays emphasize on distribution, smart management and turnover of inventory. M+V has implemented a structure which allows our clients to start trading from day one and offer high performance at each stage of trading in India. Therefore the focus lies on the supply chain

Most of the companies are start up companies with few employees. Normally these employees come from established companies where structures and policies are well defined. To enter into a recently incorporated company as employee number one has got its own share of issues. India varies geographically with different behaviour and buying patterns in different regions of the country. Therefore the service platform eases the pain to a large extent. The second part comes into commercial viability and subsequent transaction. This is the part many companies tend to underestimate, which may lead to a longer gestation period. At M+V there are tools in place which address these issues.

These analytical tools derive from sales controlling and lead to effective monitoring enhancing quality as well as efficiency and direction of sales in a large and complex sales environment. M+V experts analyse various sales parameters like margins and inventory and cash flow requirements. The sales controlling function will focus on reviewing and providing insight on all aspect of sales. Enhancing sales effectiveness and tracking sales, expenses and profitability matrix on a monthly basis would be one of the key aspects of this function, leading to a sustainable success of one's market entry.

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Translation of global marketing plan into local sales plan by M+V

management (SCM) where we have heavily invested in terms of SAP and manpower and contacts. SCM incorporates the entire scale of activities which is designed to ensure that the cost of material movement and distribution is in the most efficient and economical manner. We have therefore incorporated components of domestic purchase, procurement, inventory management, sales order processing, logistics, warehousing and special registrations. Due to our countrywide presence we are able to offer our services all across India. The value proposition to our clients is that they can piggy back on this right from day one. This saves time, not to speak of faster success in the business.

Moving forward we feel responsible for the sales process of our clients and thus we focus on activities like importing, warehousing, etc.

Upcoming Events

23.11.-24.11.2010 > Indienforum

Global Competence Forum | Munich

06.12.-07.12.2010 > How to manage Indian

Subsidiaries | Management Circle | Cologne

24.01.-25.01.2011 > How to manage Indian

Subsidiaries | Management Circle | Munich

28.02.-01.03.2011 > How to manage Indian

Subsidiaries | Management Circle | Frankfurt a.M.

17.05.-18.05.2011 > Successful Market Entry

Global Competence Forum | Dresden

For further information please go to www.mv-group.com

New Publication: “Praxisleitfaden Indien” for SMEs

VDMA and ZVEI want to ease Small and Medium sized companies their market entry in India. For this purpose both associations in cooperation with M+V, TÜV Rheinland and WTS recently presented their latest publication “Praxisleitfaden Indien”.



Acceptance of international business partners and products are excellent in India. Nevertheless country-specific labour- and business-culture may cause difficulties for companies from abroad entering the subcontinent. Furthermore foreign investors often underestimate specific characteristics of the Indian market. The sheer size of the country along with infrastructure deficiencies are just two barriers which need to be taken care of already during early planning phase. Furthermore bureaucracy as well as legal and tax-related issues are often enough a challenge. “Praxisleitfaden Indien” wants to support especially small and medium-sized companies in this sometimes difficult market environment.

Apart from general information on topics like import, product- and trade-registration as well as taxes the „Praxisleitfaden“ gives companies orientation when it comes to the building up of distribution structures and own representations in India. Advice on potential pitfalls while dealing with partners from India as well as practical hints with reference to choice of location and search for suitable personnel is also part of the comprehensive compendium.

You may order at www.zvei.com, www.vdma.org or www.gtai.de

Global Connect: Forum for international contacts and Investments

by Graziella Trebbels | Project Manager
M+V Cologne

Global Connect 2010 / Stuttgart – International Trade fair and conference platform for medium- sized companies

Global Connect, the forum for international contacts and investments, took place for the second time from 26 to 27 October in the ICS International Congress Center Stuttgart, fully meeting the expectations of both visitors and exhibitors. For the first time the Maier + Vidorno GmbH took the opportunity to exhibit on the multi-faceted event with a well-balanced array of features saw approximately 2,800 visitors pour through its gates this year, clearly confirming its position as the most important German platform for the theme of international trade.

The trade visitors from the export departments and management levels of German companies met with 159 exhibitors during the various event modules and exchanged information and experience on the theme of “export”. The main focus of the event was on the BRIC states. Hence many of the visitors come to see the M+V booth to get in contact with M+V, as the one Business Development Company solely orientated on India, and for discussing export opportunities to India. M+V’s success on Global Connect 2010 was encouraging, for which reason M+V plans to expand its marketing activities in the coming years to popularize Business Opportunities in India.

The next Global Connect event will take place from 14 to 15 November 2012 at Messe Stuttgart. We look forward to meeting you there.

Impressum

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BVMW – Bundesverband Mittelständischer Wirtschaft

DAPG – German Asia Pacific Society e.V.

DAW – German-Asian Business Circle

EBGI – European Business Group India

FICCI – Federation of Indian Chamber of Commerce and Industry

IGCC – Indo German Chamber of Commerce

OAV – German-Asia-Pacific Business Association

OSEC – Business Network Switzerland

Sanet – Strategic Alliance Network

UKIBC – UK India Business Council

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