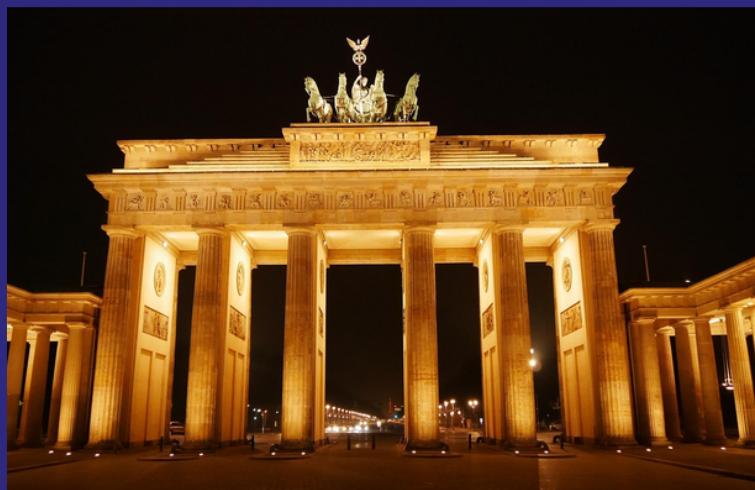


INDO-GERMAN ECONOMIC PARTNERSHIP: TRADE, INVESTMENT AND THE ROAD AHEAD



AUGUST 2026



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DISCLAIMER



This report, Indo-German Economic Partnership: Trade, Investment and the Road Ahead, has been compiled as part of continued knowledge-sharing efforts in support of the India-Germany trade and investment ecosystem. The contents are intended for informational purposes only and aim to benefit a broad spectrum of industry stakeholders, partners, and decision-makers. This report is based primarily on secondary research from publicly available and other reliable sources, with AI-assisted tools used, where appropriate, to support research and drafting.

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EXECUTIVE SUMMARY



India and Europe are entering a new phase of economic engagement. A relationship historically anchored in merchandise trade, machinery, engineering and manufacturing is broadening into a more strategic economic partnership spanning advanced technology, sustainable industry, resilient supply chains, digitalisation, clean energy and innovation. This transition is unfolding against a changing global trade environment in which geopolitical fragmentation, supply-chain vulnerabilities, technological competition, and the energy transition are encouraging governments and businesses to diversify markets, production networks, and technology partnerships.

The economic foundation is already substantial. The European Union was India's Second-largest goods trading partner in calendar year 2025, with bilateral merchandise trade of approximately USD 133.3 billion (€118 billion), equivalent to 11.6% of India's total goods trade. EU-India merchandise trade has increased by about 84% over the past decade. Bilateral services trade reached approximately USD 75.3 billion (€67 billion) in calendar year 2025, comprising about USD 42.8 billion (€38 billion) of EU imports from India and USD 33.1 billion (€29 billion) of EU exports to India. Investment ties are also significant: the stock of EU foreign direct investment in India stood at approximately USD 143.7 billion (around €132.8 billion) in 2024, while around 6,000 European companies have established a presence in the Indian market. Despite this scale, India accounted for only around 2.3% of the EU's total goods trade in 2025, underscoring the considerable headroom that remains for deeper economic integration.

A STRATEGIC INFLECTION POINT

The conclusion of negotiations for the India-EU Free Trade Agreement (FTA) on 27 January 2026 marks a structural shift in this relationship. Its significance extends well beyond tariff liberalisation. The negotiated framework encompasses trade in goods and services, rules of origin, customs and trade facilitation, digital trade, intellectual property, regulatory practices, small and medium-sized enterprises and sustainable development. Once implemented, the agreement will provide overall trade liberalisation, including partial liberalisation, covering approximately 96.6% of EU exports to India and 99.5% of Indian exports to the EU by trade value.

The sectoral effects are potentially significant. For India, improved European market access can reinforce competitiveness in textiles and apparel, footwear, fisheries, chemicals and pharmaceuticals, while creating opportunities for deeper participation in European industrial value chains. For European businesses, India's reduction of historically high tariffs should improve market access for machinery and industrial equipment, chemicals, pharmaceuticals, medical devices, aerospace, and automotive products. Machinery and electrical equipment alone represented approximately USD 17.6 billion (€16.3 billion) of EU exports to India in calendar year 2024, illustrating the scale of the existing industrial relationship on which further trade can be built.

Equally important are the institutional changes surrounding market access. Simplified customs procedures, greater regulatory transparency, rules of origin, intellectual-property protection and the FTA's dedicated SME provisions can reduce some of the fixed costs and information barriers associated with cross-border trade. These constraints tend to weigh more heavily on smaller enterprises than on multinational corporations, making effective implementation particularly relevant for Indian MSMEs and Europe's specialised industrial SMEs, including Germany's Mittelstand.

FROM TRADE EXPANSION TO ECONOMIC INTEGRATION

The next phase of India-European economic relations is likely to be defined increasingly by investment, co-manufacturing, technology partnerships, supplier integration and innovation, rather than by merchandise trade alone. Areas with particularly strong complementarities include advanced manufacturing and Industry 4.0, automotive and electric mobility, semiconductors and electronics, renewable energy and green hydrogen, pharmaceuticals and medical technology, aerospace and defence, artificial intelligence and industrial software, and circular-economy technologies.

This transition is supported by a wider strategic relationship that increasingly links trade with technology, sustainability, research, skills and economic security. Cooperation around clean energy, innovation ecosystems, research, digital technologies, skilled mobility and resilient supply chains provides a broader platform through which European technology, capital and industrial expertise can combine with India's manufacturing capacity, engineering talent, digital capabilities and rapidly expanding domestic market.

Germany occupies a pivotal position in this evolving relationship. As Europe's largest economy and one of the world's leading industrial and export-oriented economies, its strengths in advanced machinery, automotive technology, industrial automation, chemicals, electrical engineering and specialised manufacturing closely align with India's industrial development priorities. German exports of goods and services to India amounted to approximately USD 24.8 billion (€21.97 billion) in calendar year 2025, while the total stock of bilateral India-Germany foreign direct investment was approximately USD 30.4 billion (€28.14 billion) in 2024. More than 13,300 German companies exported to India as of 2026, demonstrating both the depth of existing commercial engagement and the potential for a broader participation of Germany's Mittelstand in the Indian market.

For Germany, therefore, the India-EU FTA arrives at an important juncture. India offers not only a large and expanding market for German industrial products and technologies, but increasingly a potential manufacturing, engineering, and sourcing base within diversified global production networks. For India, closer integration with German industry provides access to advanced manufacturing technologies, specialised engineering capabilities, industrial know-how, research networks and established European value chains.

THE OUTLOOK: 2026-2035

Over the next five to ten years, the principal opportunity is likely to extend well beyond higher bilateral trade volumes. European, and particularly German, businesses can increasingly approach India simultaneously as a growth market, manufacturing location, engineering and innovation base, sourcing ecosystem and strategic node in diversified global supply chains. Indian enterprises, meanwhile, can use deeper European partnerships to access technology, capital, specialised industrial capabilities, research networks and high-value markets.

This evolution will require businesses on both sides to move beyond conventional buyer-seller relationships. Joint ventures, technology licensing and partnerships, supplier development, local manufacturing, R&D collaboration, strategic sourcing and cooperation in third-country markets are likely to become increasingly important forms of engagement. For MSMEs, the opportunity is especially significant when complementary capabilities come together: German specialisation, technology, and precision engineering with Indian manufacturing capacity, engineering talent, cost competitiveness, and market scale.

Once in force, the India-EU FTA would provide an enabling architecture for this transition. Still, its economic impact will ultimately depend on how effectively businesses use the market access and regulatory certainty it creates. Tariff reductions alone will not produce deeper integration; firms will still need to navigate standards, certification, supplier qualification, regulatory requirements, sustainability obligations, and differences in business practices.

For India and Germany in particular, the period to 2035 therefore represents an opportunity to transform a mature commercial relationship into a more integrated industrial partnership built around technology, manufacturing, sustainability, resilient supply chains, talent and innovation. Indian MSMEs and the German Mittelstand can be central to this transition, not simply as exporters and importers, but as technology partners, suppliers, investors and co-creators of the next generation of Indo-German industrial value chains.

Note: India and the EU concluded FTA negotiations on 27 January 2026, but the agreement is not yet in force as of August 2026. The published negotiated texts remain subject to legal revision and become final upon signature; the agreement becomes binding only after the parties complete the required internal legal procedures for entry into force.

INDIA AND THE EU: AN ECONOMIC PARTNERSHIP GAINING SCALE

India and the European Union have developed a substantial economic relationship over the past decade, underpinned by expanding merchandise trade, a growing services relationship, and increasingly significant investment flows. What was once a relatively conventional trade relationship is progressively becoming more interconnected, reflecting India's emergence as a major global market and manufacturing economy and Europe's continuing importance as a source of technology, capital and high-value industrial demand.

The expansion in merchandise trade has been particularly notable. In calendar year 2025, bilateral EU–India trade in goods reached approximately USD 133.3 billion (€118 billion), making the EU India's second-largest goods trading partner and accounting for 11.6% of India's total merchandise trade. Over the preceding decade, bilateral goods trade increased by 83.7%, demonstrating that economic integration was already gathering momentum before implementation of the India-EU Free Trade Agreement. Yet the relationship remains markedly asymmetric in its relative importance: while the EU represents a major destination and source market for India, India accounted for only 2.3% of the EU's total merchandise trade in 2025, ranking as the EU's ninth-largest goods trading partner. This contrast is one of the clearest indicators of the relationship's still-unrealised potential.

The composition of trade reflects complementary economic capabilities. EU imports from India are concentrated in chemicals, machinery and appliances, mineral products, textiles and base metals, combining India's traditional export strengths with its growing capabilities in engineering and industrial manufacturing. EU exports to India, meanwhile, are led by machinery and appliances, transport equipment, optical and medical instruments, and chemicals, categories closely associated with Europe's strengths in advanced manufacturing, capital goods and technology-intensive industries. This industrial complementarity is important: as India expands domestic manufacturing and infrastructure investment, its demand for sophisticated machinery, automation, precision equipment and industrial technologies can deepen European participation in India's industrial transformation, while greater market access can allow Indian manufacturers to move further into European value chains.

Services constitute a second major pillar of the partnership. Bilateral EU–India services trade amounted to approximately USD 75.3 billion (€67 billion) in calendar year 2025, based on the European Commission's reported value of €67 billion, with EU services exports to India equivalent to approximately USD 33.1 billion (€29.3 billion). The services relationship is increasingly important as India's strengths in information technology, business services, engineering, professional services and digital capabilities intersect with Europe's demand for skilled talent and digitally enabled business functions. Over time, this creates scope for the relationship to evolve beyond the physical movement of goods towards a more integrated exchange of technology, expertise and knowledge-intensive services.

Investment ties have deepened alongside trade. The stock of EU foreign direct investment in India reached approximately USD 143.7 billion (€132.8 billion) at end-2024, rising from the equivalent of €105.1 billion in 2021 to €132.8 billion in 2024. Conversely, India's FDI stock in the EU stood at approximately USD 14.8 billion (€13.7 billion) at the end of 2024. Around 6,000 European companies are present in India, giving the relationship a significant corporate foundation extending across manufacturing, automotive, engineering, chemicals, pharmaceuticals, energy, financial services, technology and other sectors. The considerable difference between European investment in India and Indian investment in Europe also points to an area where the relationship can become more balanced as Indian companies internationalize and pursue European technology, customers, brands and manufacturing capabilities.

The importance of these linkages extends beyond their present value. India's large domestic market, sustained economic growth and expanding industrial base increasingly complement European strengths in advanced manufacturing, technology, capital and research. At the same time, European businesses are reassessing global production and sourcing strategies amid geopolitical uncertainty, supply-chain concentration risks, energy transition requirements and the need for greater economic resilience. India therefore occupies an increasingly important position not only as a destination for European exports, but as a potential manufacturing, sourcing, engineering and innovation partner.

Nevertheless, the trade relationship remains below what the economic weight of the two markets would suggest. India's 2.3% share of total EU goods trade in calendar year 2025 remains significantly below the shares of the EU's largest partners: the United States, China and the United Kingdom. Historically, tariffs, technical barriers, differences in standards, regulatory complexity and market-access constraints have limited the extent to which businesses, particularly smaller enterprises, could fully exploit bilateral opportunities.

The conclusion of negotiations on the India-EU Free Trade Agreement in January 2026 therefore comes at an important stage in the evolution of the partnership. Its long-term significance lies not simply in expanding existing trade, but in creating conditions for a more integrated economic relationship encompassing investment, manufacturing, technology, services and supply chains. For European businesses, India represents one of the world's largest remaining growth markets; for Indian businesses, Europe offers access to sophisticated consumers, industrial customers, technology and high-value value chains.

The relationship is already substantial, but relative to the size and complementarity of the two economies, it remains underdeveloped. The next phase will be defined by whether India and Europe can convert rising trade into deeper investment, industrial integration and technology-led partnerships.



INDO-GERMAN PARTNERSHIP AT A TURNING POINT

India and Germany enter the second half of the 2020s from very different economic positions, yet with increasingly complementary strategic interests. India is one of the world's fastest-growing large economies, with annual GDP growth projected at above 6%, while Germany remains Europe's largest economy and its foremost industrial and manufacturing powerhouse. For Germany, India's expanding domestic market, manufacturing ambitions and engineering talent offer diversification and long-term growth opportunities; for India, Germany represents a critical source of advanced technology, capital equipment, industrial expertise and access to sophisticated European value chains.

THE PARTNERSHIP AT A GLANCE

USD 133.3 billion (€118 billion)

EU-India goods trade | Calendar year 2025

The EU was India's second-largest goods trading partner, accounting for about 11.6% of India's merchandise trade. Bilateral goods trade has expanded by about 83.7% over the preceding decade.

USD 143.7 billion (€132.8 billion)

EU FDI stock in India | End-2024

European investment has developed a substantial presence in India, with approximately 6,000 European companies operating in the country.

USD 24.8 billion (€21.97 billion)

German exports of goods and services to India | Calendar year 2025

Germany already has a sizeable commercial relationship with India, reflecting its strengths in industrial goods as well as services.

USD 18.4 billion (€16.3 billion)

German goods exports to India | Calendar year 2025

Machinery and mechanical appliances, electrical machinery and equipment, and aircraft and spacecraft are among the leading German export categories.

USD 6.4 billion (€5.6 billion)

German services exports to India | Calendar year 2025

Transport, telecommunications, computer and information services, and other business services are leading components of the bilateral services relationship.

USD 30.4 billion (€28.14 billion)

Total bilateral Germany-India FDI stock | 2024

Investment links increasingly complement the traditional trade relationship, providing a foundation for deeper manufacturing and technology partnerships.

13,347 companies

German companies exporting to India | Reported in 2026

The breadth of the exporter base demonstrates that India-Germany commerce already extends well beyond Germany's largest multinational corporations and into its specialised industrial business ecosystem.

WHY THE RELATIONSHIP IS AT A TURNING POINT

First, the economic relationship is shifting from trade towards deeper industrial integration. India is increasingly relevant to German companies not only as an export market, but also as a location for manufacturing, engineering, sourcing, R&D and supply-chain diversification.

Second, the industrial strengths of the two economies are unusually complementary. German capabilities in machinery, automation, mobility, chemicals, electrical engineering and precision manufacturing intersect with India's priorities in manufacturing expansion, infrastructure, clean energy, electronics and industrial modernisation.

Third, the India-EU FTA can materially improve the economics of bilateral business. For German exporters, the negotiated agreement will eliminate or reduce tariffs on 96.6% of EU goods exports by trade value, alongside provisions addressing customs procedures, services, intellectual property and smaller businesses.

Fourth, MSMEs and the German Mittelstand can become a much larger part of the next phase. Lower trade barriers matter particularly for smaller companies, for which tariffs, regulatory complexity, customs procedures and market-entry costs can determine whether international expansion is commercially viable.

Finally, the opportunity extends beyond bilateral commerce. Combining German technology and specialised industrial capabilities with India's manufacturing scale, engineering talent and cost competitiveness creates potential for joint production and innovation serving India, Europe and third-country markets.

The result is a relationship approaching an important inflection point. The traditional foundation of German technology and capital goods meeting Indian market demand is giving way to a broader proposition: India and Germany as increasingly integrated partners in manufacturing, technology, sustainable industry and resilient global value chains.

Note: EUR-denominated 2025 figures have been converted to USD using the 2025 annual-average EUR/USD exchange rate of approximately 1.13. The 2024 bilateral FDI figure has been converted using the corresponding 2024 annual-average exchange rate.

THE CHANGING GLOBAL TRADE ARCHITECTURE



The global trading system is undergoing its most consequential reconfiguration since the expansion of global value chains in the 1990s and 2000s. For much of that period, multinational companies organised production primarily around cost efficiency, scale and just-in-time supply chains. Today, those considerations increasingly coexist with a different set of priorities: resilience, geopolitical exposure, security of supply, technological sovereignty and sustainability. Trade has not ceased to globalise, but the logic determining where companies invest, source and manufacture is changing.

FROM CHINA+1 TO SUPPLY-CHAIN DIVERSIFICATION

The pandemic, US-China strategic competition, disruptions to global shipping and growing concerns over concentrated dependencies have accelerated China+1 and multi-country sourcing strategies. The objective is increasingly not to replace China entirely, but to avoid excessive dependence on any single geography for critical inputs, manufacturing capacity or final-market exposure. The IMF has documented a marked rise in corporate interest in reshoring, near-shoring and friend-shoring alongside increasing geopolitical tensions. At the same time, its research cautions that fragmentation carries economic costs, making diversification rather than wholesale economic decoupling the more sustainable strategy for most businesses.

This shift is particularly consequential for Germany, whose economic model has historically combined globally integrated industrial supply chains with strong export orientation. India consequently assumes greater strategic relevance: not simply as an alternative production location, but as a large domestic market capable of supporting manufacturing scale while providing engineering capabilities and opportunities for long-term localisation. Reflecting this shift, the German government stated in 2026 that reducing unilateral supply-chain dependencies is important for economic resilience and identified India, the fastest-growing G20 economy, as a central German partner in the Indo-Pacific. More than 2,000 German companies are already active in India.

INDUSTRIAL POLICY RETURNS TO THE CENTRE OF ECONOMIC STRATEGY

A second structural change is the resurgence of industrial policy. Semiconductors, batteries, critical minerals, clean technologies, defence, pharmaceuticals and digital infrastructure are increasingly regarded not merely as commercial sectors but as strategic capabilities. Governments are using incentives, regulation, public procurement, investment screening, and technology policy to influence where critical industries develop.

The energy transition reinforces this trend. Decarbonising manufacturing, transport, and energy systems requires enormous deployment of renewable energy, batteries, electric mobility, green hydrogen, energy-efficient machinery and circular-economy technologies. For India and Germany, this creates a new field of complementarity: Germany possesses significant technological and industrial capabilities, while India offers deployment scale, expanding industrial demand and a growing clean-technology manufacturing ecosystem.

Digitalisation is simultaneously reshaping the architecture of trade itself. AI, semiconductors, high-performance and quantum computing, 6G, digital public infrastructure and advanced manufacturing have become central components of international economic partnerships. At the third EU-India Trade and Technology Council in July 2026, India and the EU agreed to deepen cooperation in precisely these areas, alongside establishing an Innovation Hub for electric-vehicle charging technologies, launching a deep-tech Startup Partnership and strengthening semiconductor and electronics value chains.

INDIA MOVES HIGHER ON EUROPE'S STRATEGIC AGENDA

Against this backdrop, India's importance to European corporate strategy has changed materially from a decade ago. The attraction is no longer explained by market size or lower production costs alone. India increasingly combines market growth, manufacturing capacity, engineering and digital talent, technological ambition and geopolitical relevance, a combination available in relatively few economies of comparable scale.

The EU-India economic agenda reflects this transition. In 2025, the Trade and Technology Council explicitly identified diversification of value chains as important to both sides' economic security, with cooperation spanning active pharmaceutical ingredients, clean technologies, food security, solar energy, offshore wind and green hydrogen. By July 2026, the agenda had expanded further into strategic value chains, semiconductors, advanced manufacturing, AI, quantum technologies and deep-tech innovation.

For Indo-German relations, this represents the fundamental difference between the present environment and that of a decade ago. Efficiency remains important, but resilience has acquired economic value of its own. India can increasingly complement Germany's existing global production networks as a market, manufacturing and sourcing base, engineering hub and technology partner. Germany, in turn, can contribute the advanced industrial capabilities India requires as it moves toward higher-value manufacturing.

The emerging opportunity is therefore broader than bilateral trade. As globalisation becomes more diversified, technology-intensive and strategically managed, the economic case for deeper India-Germany integration has become considerably stronger.

GERMANY: EUROPE'S ECONOMIC & INDUSTRIAL ENGINE



GERMANY'S ROLE IN THE EUROPEAN ECONOMY

Germany occupies a distinctive position within Europe: it is simultaneously the EU's largest economy, largest industrial base, and one of its principal trading hubs. German GDP reached approximately USD 5.1 trillion (€4.5 trillion) in calendar year 2025, accounting for 23.8% of the EU's total GDP. Its economic importance, however, extends beyond scale. Germany sits at the centre of dense European production networks linking manufacturers, suppliers and specialised SMEs across Central and Western Europe. In 2025, Germany was the largest destination for merchandise exports for 16 of the other 26 EU Member States, underscoring its central role in the EU's industrial value chains.

Manufacturing remains fundamental to this position. In calendar year 2024, manufacturing accounted for 19.9% of German gross value added, compared with an EU average of 15.9%, a substantially higher industrial intensity than other large EU economies such as Italy (16.6%), Spain (11.9%) and France (10.7%). This industrial ecosystem combines large global corporations with the *Mittelstand*, specialised, often family-owned companies that occupy important positions in engineering and global manufacturing supply chains.

Germany is consequently highly export-oriented. Merchandise exports reached approximately USD 1.77 trillion (€1.56 trillion) in calendar year 2025, generating a goods trade surplus of about USD 227 billion (€201 billion). Motor vehicles and automotive components were Germany's largest export category, accounting for 16.3% of merchandise exports, followed by machinery at 13.7% and computers, electronic and optical products at 8.7%. Chemicals, pharmaceuticals, and electrical equipment further reinforce Germany's position in technology- and knowledge-intensive manufacturing.

Germany's economic weight also gives it considerable influence over the direction of European industrial, trade, climate and regulatory policy. As the EU's largest national economy and a major manufacturing stakeholder, German industry is deeply exposed to European rules governing product standards, sustainability, competition, digitalisation, energy and international trade. Consequently, shifts in EU market-access conditions can have disproportionate implications for German manufacturers and exporters.

This is precisely why the India-EU FTA has particular significance for Germany. The agreement connects India's expanding market and industrial ambitions with an economy whose competitive strengths: advanced machinery, automotive technologies, chemicals, electrical and electronic equipment, pharmaceuticals, precision engineering and industrial automation- closely match India's requirements for manufacturing modernisation. For Germany, therefore, deeper EU-India integration is not simply an opportunity to expand exports; it creates a platform for greater investment, technology partnerships, localisation and integration of Indian firms into German and wider European industrial value chains.

Germany matters to the India-EU relationship because it represents the industrial core of Europe. As India-EU economic engagement deepens, the India-Germany relationship is likely to become one of its most commercially consequential bilateral dimensions.

GERMANY: AN EXPORT-DRIVEN INDUSTRIAL ECONOMY

Germany's global economic influence rests disproportionately on its industrial and export capacity. In calendar year 2025, the country exported approximately USD 1.77 trillion (€1.56 trillion) of goods and imported about USD 1.54 trillion (€1.36 trillion), generating a merchandise trade surplus of roughly USD 227 billion (€201 billion). Exports increased by 0.9% in nominal terms over 2024, while imports rose by 4.3%.

Its export profile remains strongly manufacturing-led. Motor vehicles and automotive components accounted for 16.3% of German goods exports in 2025, followed by machinery at 13.7% and computers, electronic and optical products at 8.7%. Chemicals, pharmaceuticals and electrical equipment constitute additional pillars of Germany's high-value export base. Manufacturing itself accounted for 19.9% of German gross value added in calendar year 2024, compared with 15.9% across the EU, underlining the unusually high industrial intensity of Europe's largest economy.

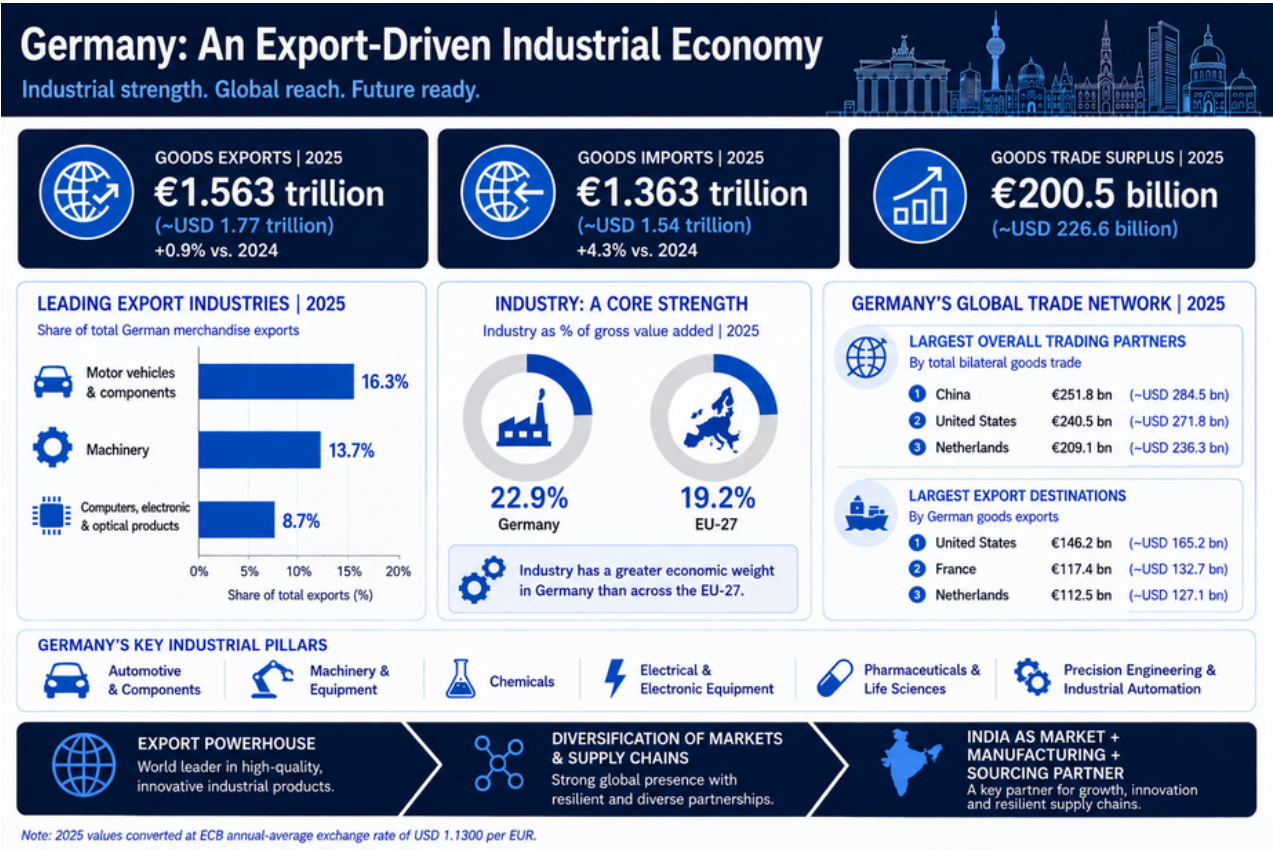
Germany is simultaneously deeply integrated into European production networks and global markets. In 2025, China was its largest overall goods trading partner, followed by the United States and the Netherlands. The United States remained Germany's largest export destination, receiving approximately USD 165 billion (€146 billion) of German goods, followed by France at around USD 133 billion (€118 billion) and the Netherlands at around USD 127 billion (€112 billion).

This export orientation also explains the strategic importance of diversification. As established markets mature and geopolitical risks alter global supply chains, German industry increasingly requires new sources of demand, production capacity and specialised suppliers. India therefore represents both a growing export market and a potential future production, engineering and sourcing partner, creating scope for the relationship to evolve from market access towards deeper industrial integration.

USD 1.77 tn
Goods exports | 2025

USD 1.54 tn
Goods imports | 2025

USD 226 bn
Goods trade surplus | 2025



Note: EUR values are converted at the year 2025 annual-average exchange rate of USD 1.1300 per EUR.

INDO-GERMAN RELATIONS: FROM PARTNERSHIP TO STRATEGIC ECONOMIC ALIGNMENT

Indo-German relations have evolved steadily from a conventional diplomatic relationship into a broad strategic partnership encompassing trade, technology, sustainability, skills, mobility and global governance. Formal diplomatic relations date to 1951, when India became one of the first countries to establish relations with the Federal Republic of Germany. A major institutional step followed in May 2000, with the adoption of the Agenda for the Indo-German Partnership in the 21st Century, which established the framework for the bilateral Strategic Partnership. Since 2011, the relationship has been anchored by biennial Intergovernmental Consultations (IGC), bringing together the cabinets of both countries and providing an unusually high-level mechanism for coordinating cooperation across ministries.

The partnership has broadened significantly over the past decade. The Green and Sustainable Development Partnership, launched in May 2022, created an umbrella framework for cooperation on renewable energy, climate action, sustainable urban development, biodiversity and green technologies. Germany and India subsequently concluded the Migration and Mobility Partnership Agreement in December 2022, aimed at facilitating legal mobility, skilled migration and people-to-people exchange. Technology cooperation has also deepened through the India-Germany Innovation and Technology Partnership, while the seventh IGC in October 2024 produced new roadmaps covering innovation, advanced materials and green hydrogen.

A further strategic shift came with Germany's Focus on India policy, adopted in October 2024. The strategy explicitly seeks to elevate the bilateral partnership and identifies India as an increasingly important actor in the Indo-Pacific and international economic order. Its priorities span foreign and security policy, economic and trade relations, climate and environmental cooperation, research and academia, development cooperation and skilled-labour mobility. Germany's Federal Foreign Office now describes India as an important partner for its economic reform agenda, energy transition, research and technology, while also recognising India's growing importance as a source of skilled talent.

The trajectory is therefore increasingly one of strategic economic alignment rather than bilateral cooperation in isolated sectors. Germany brings advanced industrial technologies, research capabilities, vocational expertise and capital; India offers scale, a rapidly expanding market, engineering and digital talent, and growing manufacturing capability. The result is a partnership that is moving beyond traditional trade and development cooperation towards a more integrated agenda built around innovation, industrial transformation, sustainability, technology and mobility.

For businesses, this matters because the bilateral relationship now benefits from a much denser institutional architecture than it did a decade ago. Government-to-government mechanisms increasingly support commercial collaboration in areas such as green hydrogen, renewable energy, semiconductors, advanced materials, vocational training, skilled mobility and industrial technology. This creates a stronger foundation for investment, technology transfer, and long-term Indo-German industrial partnerships, particularly between Indian MSMEs and Germany's Mittelstand.

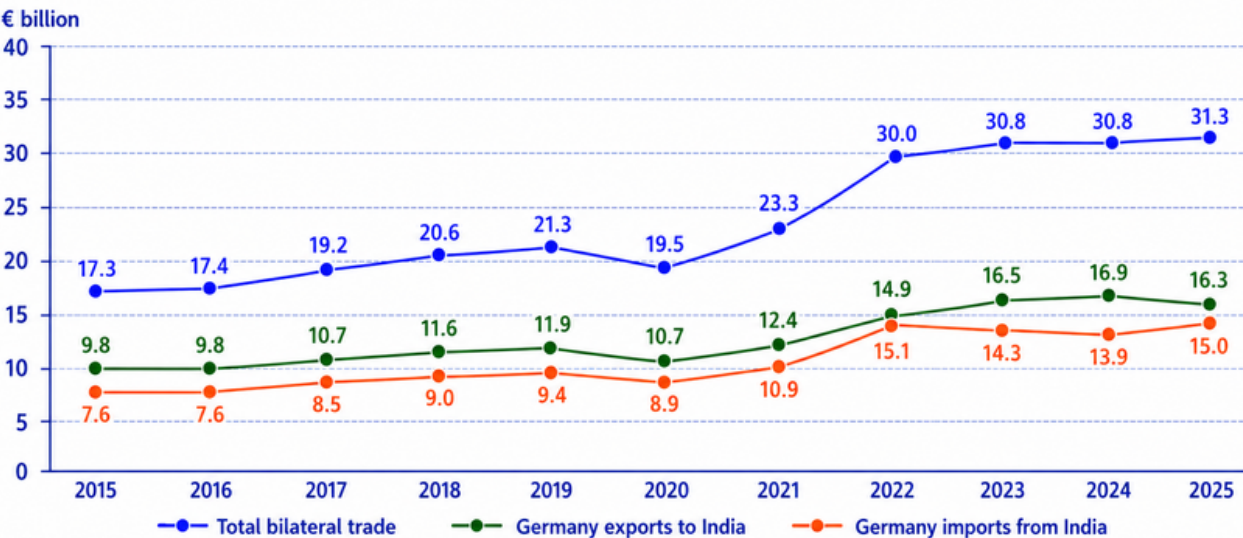
INDIA-GERMANY BILATERAL TRADE: EVOLUTION

India-Germany merchandise trade has expanded steadily over the past decade, reflecting both stronger Indian demand for German industrial goods and a gradual broadening of India's role as a supplier to German industry. On a calendar-year basis, bilateral goods trade increased from approximately USD 19.4 billion (€17.17 billion) in 2015 to a record USD 35.4 billion (€31.33 billion) in 2025, implying a compound annual growth rate of about 6.2%. Germany's exports to India grew from approximately USD 10.9 billion (€9.65 billion) to USD 18.4 billion (€16.28 billion) over the same period, while German imports from India almost doubled, from approximately USD 8.6 billion (€7.61 billion) to USD 17.0 billion (€15.04 billion).

The trade balance has historically favoured Germany, although the gap is narrowing as Indian exports gain scale. Germany recorded a merchandise surplus of approximately USD 1.5 billion (€1.33 billion) in calendar year 2025, compared with about USD 3.0 billion (€2.65 billion) in 2024. The narrowing primarily reflects the 12.5% year-on-year increase in German imports from India in 2025, substantially faster than the 0.6% increase in German exports to India.

India-Germany Merchandise Trade, 2015–2025

Merchandise trade based on Germany-reported exports to and imports from India.



Source: Statistisches Bundesamt (Destatis), GENESIS-Online, Table 51000-0003.
Note: Calendar-year merchandise trade on a Germany-reported basis. Figures may not sum precisely due to rounding; 2025 data are provisional.

WHAT GERMANY EXPORTS TO INDIA

The bilateral relationship remains strongly industrial. In calendar year 2025, Germany exported USD 18.4 billion (€16.28 billion) of goods to India. Machinery was the largest category at approximately USD 5.24 billion (€4.64 billion), representing 28.4% of German merchandise exports to India, followed by chemicals at USD 2.95 billion (€2.61 billion), aircraft and components at USD 2.32 billion (€2.05 billion), electrical engineering products at USD 1.83 billion (€1.62 billion), and measurement, testing and control equipment at USD 1.49 billion (€1.32 billion). Road vehicles contributed a further USD 669 million (€592 million). These categories closely align with India's industrialisation requirements: capital equipment, automation, precision technologies, mobility systems, process technologies and high-value manufacturing inputs. The India-EU FTA is therefore particularly relevant to Germany because many of the products for which India maintains relatively high industrial tariffs correspond directly with German export strengths. The European Commission separately identifies machinery, electrical machinery and aerospace among Germany's principal FTA opportunities.

WHAT INDIA EXPORTS TO GERMANY

India's export profile is becoming more diversified. Germany imported approximately USD 17.0 billion (€15.04 billion) of goods from India in calendar year 2025, led by chemical products at USD 3.38 billion (€2.99 billion), machinery at USD 2.26 billion (€2.00 billion), and apparel at approximately USD 2.00 billion (€1.77 billion). Other important categories included food products (USD 1.03 billion/€912 million), electronics (USD 925 million/€819 million), electrical engineering products (USD 876 million/€775 million), textiles (USD 630 million/€558 million) and footwear (USD 591 million/€523 million). Pharmaceuticals remain an important component of India's chemicals and life-sciences trade with Germany, while engineering products and manufactured components are becoming more prominent.

This changing composition is strategically important. India's traditional strengths in chemicals, pharmaceuticals, textiles and consumer manufactures increasingly coexist with machinery, electrical equipment, auto components and electronics. However, India remains relatively underrepresented in several high-value segments central to German industrial demand, particularly precision engineering, advanced production equipment, sophisticated industrial components, medtech, aerospace components and specialised manufacturing systems. These areas represent some of the strongest opportunities for the relationship to move from conventional trade towards deeper supplier integration.

Services add another important dimension. In calendar year 2024, India-Germany services trade reached approximately USD 17.0 billion (€15.04 billion), with Indian services exports to Germany at roughly USD 10.3 billion (€9.12 billion) and German services exports to India at about USD 6.4 billion (€5.6 billion). India's strengths in IT, digital engineering, business services and professional capabilities therefore complement its growing manufactured-goods relationship with Germany.

The underlying shift is clear: bilateral trade is no longer defined simply by German capital goods flowing to India and traditional Indian exports moving to Germany. The emerging relationship increasingly combines machinery, technology, engineering, digital services and industrial components, creating the basis for much deeper integration into each other's value chains.

INDIA-GERMANY BI-LATERAL INVESTMENT RELATIONSHIP

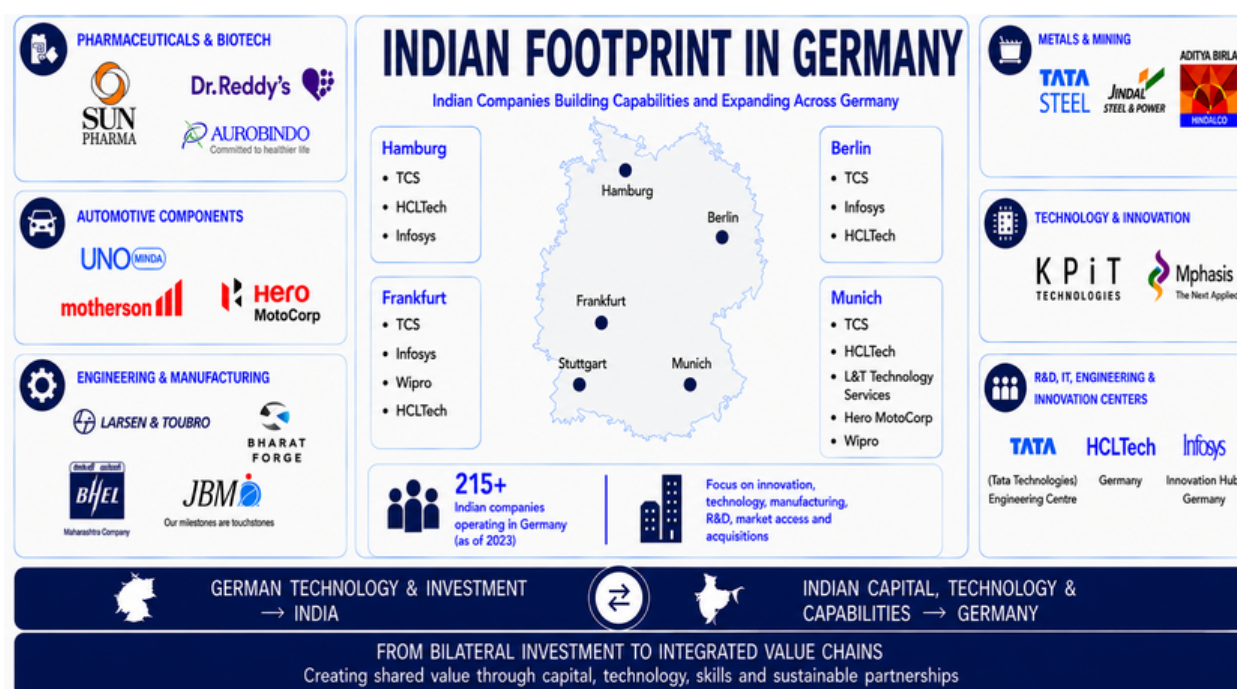
Investment has become an increasingly important second pillar of India-Germany economic relations, moving the partnership beyond trade towards deeper integration in manufacturing, technology and innovation. The total bilateral FDI stock stood at approximately USD 30.4 billion in calendar year 2024 (€28.14 billion), while Germany ranked as India's ninth-largest source of cumulative FDI, with German inflows into India reaching USD 15.11 billion (€13.37 billion) between April 2000 and March 2025. More than 2,000 German companies are active in India, with investments spanning transportation, automobiles, electrical equipment, chemicals, metallurgy, services and manufacturing; increasingly, these investments also include R&D, engineering and Global Capability Centres (GCCs). Recent projects illustrate this evolution from conventional manufacturing towards technology-intensive operations, including Carl Zeiss's Bengaluru GCC focused on cloud and cybersecurity. Investment is also becoming more genuinely two-way: more than 215 Indian companies were operating in Germany as of 2023, particularly across IT, automotive, pharmaceuticals, biotechnology and manufacturing, with Indian firms increasingly establishing local production, R&D and innovation activities. Together with acquisitions, joint ventures and technology partnerships, these investments indicate a structural shift from a predominantly trade-led relationship towards interconnected industrial and innovation ecosystems, in which companies increasingly use India and Germany as complementary locations for manufacturing, engineering, research and access to their respective regional markets.

INDIAN FOOTPRINT IN GERMANY

The reverse investment relationship is becoming increasingly important. More than 215 Indian companies were operating in Germany as of 2023, with significant activity across IT and digital services, automotive and components, pharmaceuticals and biotechnology, and engineering and manufacturing. Indian firms are no longer using Germany only as a sales market: they are increasingly establishing local manufacturing, R&D, innovation and service capabilities, while M&A has been an important route into German industrial and technology markets. The growing presence of Indian technology companies is particularly visible, while industrial groups have used acquisitions and local operations to gain access to German engineering capabilities, customers, brands and wider European value chains. Germany therefore serves Indian businesses both as a major end-market and as a strategic platform for technology acquisition, industrial partnerships and expansion across Europe.

Recent investments illustrate this evolution. In 2023, HCLTech acquired Germany-based ASAP Group, adding more than 1,600 employees across nine locations and strengthening its automotive engineering capabilities. Samvardhana Motherthon International expanded its German footprint through acquisitions including SAS Autosystemtechnik and Dr. Schneider Group, adding advanced automotive manufacturing and technology capabilities. More recently, Tata Technologies acquired Germany's ES-Tec Group in 2025, strengthening its capabilities in ADAS, connected driving and digital engineering.

The relationship is progressively moving from German investment into India toward more genuinely two-way capital, technology and supply-chain integration. The emerging model is one in which German companies increasingly manufacture, engineer and innovate in India, while Indian companies invest, acquire capabilities and build local operations in Germany, creating a more interconnected Indo-German industrial ecosystem.



GERMAN FOOTPRINT IN INDIA

German corporate presence in India is broadening from traditional manufacturing into a more diversified industrial and technology footprint. More than 2,000 German companies are active in India, with established strengths in automotive and components, machinery and engineering, chemicals, electrical and electronic equipment, logistics, industrial technology, renewable energy and financial/business services.

Recent investments illustrate how this footprint is evolving: Siemens announced approximately USD 108 million (€95.58 million) of investment in 2024 to expand its Indian manufacturing network, SAP committed roughly USD 108 million (€95.58 million) to enlarge its largest R&D hub outside Germany, Schaeffler invested around USD 216 million (€191.15 million) during 2022–2024 in manufacturing and e-mobility capabilities, and DHL announced approximately USD 270 million (€238.94 million) of investment through 2030 for fleet, hubs and acquisitions in India.

The footprint is also geographically concentrated around India's leading industrial and technology ecosystems. Pune/Maharashtra is a major automotive, engineering and industrial-manufacturing base; Chennai/Tamil Nadu combines automotive, machinery, electronics and increasingly defence manufacturing; Bengaluru/Karnataka is particularly important for R&D, engineering, digital technology and corporate technology centres; Delhi NCR serves as a major commercial, automotive and services hub; Gujarat has strengths in chemicals, engineering and renewable energy; and Hyderabad/Telangana is developing as an important technology, pharmaceuticals and engineering centre. These clusters allow German firms to combine access to customers with supplier networks, engineering talent and increasingly sophisticated local manufacturing ecosystems.



Despite strong economic complementarities between Indian MSMEs and Germany's Mittelstand, cross-border participation remains significantly harder for smaller firms than for large multinational companies. The principal constraint is often not demand, but the fixed cost and complexity of entering, qualifying for, and operating in a foreign market. Regulatory requirements, unfamiliar standards and certification procedures, limited market intelligence and difficulties identifying credible partners can make internationalisation disproportionately resource-intensive for SMEs.

BARRIERS PREVENTING GREATER MSME COOPERATION



For Indian MSMEs seeking to enter Germany and wider European value chains, technical standards, conformity assessment, product certification, sustainability requirements and procurement qualification can present substantial entry barriers. Compliance increasingly extends beyond the product itself to traceability, environmental performance, cybersecurity and supply-chain due diligence. German SMEs entering India face a different but related set of challenges, including regulatory complexity across central and state jurisdictions, customs procedures, market-entry strategy, partner selection and navigating a large but heterogeneous business environment. The European Commission's SME-focused FTA material similarly identifies lack of information about overseas markets, complex regulation, and customs procedures among the obstacles that particularly affect smaller businesses.

Commercial constraints reinforce these regulatory barriers. Access to trade and growth finance, protection of intellectual property, identification of reliable distributors or technology partners, logistics costs, and availability of appropriately skilled personnel can determine whether an otherwise attractive opportunity is commercially viable. Differences in contracting practices, decision-making, communication and business culture can further lengthen the process of establishing trust, particularly for Mittelstand and family-owned businesses whose international partnerships are often built around long-term relationships rather than transactional sourcing.

The external environment has also become less predictable. Geopolitical shocks, shipping disruptions, energy-price volatility and renewed domestic protectionism can affect input costs and market access with little warning. Governments are simultaneously pursuing industrial policies intended to strengthen domestic manufacturing and strategic autonomy. While these policies create new investment opportunities, local-content requirements, subsidies and other preferential measures can also alter competitive conditions for foreign SMEs. The challenge for businesses is therefore increasingly to build supply chains that optimise not only cost, but also resilience, compliance and geopolitical exposure.

These barriers help explain why the potential of Indo-German MSME cooperation remains larger than its present scale. Greater integration will require more than tariff reductions: companies need clearer market information, easier customs procedures, predictable regulation, standards cooperation, reliable mechanisms for identifying partners, and stronger institutional support for smaller businesses.

The India-EU FTA does not remove every barrier, but it materially changes the commercial equation. By combining tariff liberalisation with provisions on customs and trade facilitation, regulatory transparency, intellectual property, services, and a dedicated SME chapter, the agreement can reduce several of the fixed costs that have historically made India-EU trade difficult for smaller firms. Most importantly, it can shift the question for many Indian MSMEs and German Mittelstand companies from whether cross-border expansion is commercially feasible to how it can be executed effectively.

THE INDIA-EU FTA: THE NEW ENABLER

INDIA-EU FTA: WHAT HAS CHANGED?

The India-EU Free Trade Agreement marks the most significant reset in bilateral economic relations in nearly two decades. Negotiations were originally launched in 2007, but after difficult discussions over market access, services, automobiles, agriculture, intellectual property, and other sensitive sectors, progress stalled in 2013. Political engagement revived in the early 2020s, and formal FTA negotiations were relaunched on 17 June 2022, alongside separate negotiations on investment protection and geographical indications. Momentum accelerated sharply through 2025, with both sides politically committing to conclude a commercially meaningful agreement, culminating in the formal conclusion of FTA negotiations on 27 January 2026 at the 16th EU-India Summit.

The result is far broader than a conventional tariff agreement. The negotiated framework covers goods, services, rules of origin, customs and trade facilitation, digital trade, intellectual property, regulatory practices, technical barriers, government procurement, SMEs, energy and raw materials, competition and sustainable development. It creates the institutional architecture for a much deeper economic relationship between two markets representing close to a quarter of global GDP.

A critical distinction, however, must be maintained. The FTA is not yet in force as of August 2026. The European Commission published the negotiated texts after the conclusion of negotiations on 27 January 2026, but explicitly states that they remain subject to legal revision. The texts become final upon signature, and the agreement becomes legally binding only after India and the EU complete the required internal procedures for entry into force.



KEY ELEMENTS

Below are some key elements for EU exports to India:

Product	Current tariffs	Future Tariffs
Machinery and electrical equipment	Up to 44%	0% for almost all products
Aircraft and spacecraft	Up to 11%	0% for almost all products
Optical, medical and surgical equipment	Up to 27.5%	0% for 90% of the products
Plastics	Up to 16.5%	0% for almost all products
Pearls, precious stones and metals	Up to 22.5%	0% for 20% of the products and tariff reduction for another 36% of the products
Chemicals	Up to 22%	0% for almost all products
Motor vehicles	110%	10% (quota of 250k)
Iron and steel	Up to 22%	0% for almost all products
Pharmaceuticals	11%	0% for almost all products
Wine	150%	20% (premium range); 30% (medium range)
Spirits	Up to 150%	40%
Beer	110%	50%
Olive Oil, margarine and other vegetable oils	Up to 45%	0%
Kiwis and pears	33%	10% in-quota
Fruit juices and non-alcoholic beer	Up to 55%	0%
Processed food (breads, pastries, biscuits)	Up to 50%	0%
Sheep meat	33%	0%
Sausages and other meat preparations	Up to 110%	50%

SIGNIFICANCE

WHAT DOES INDIA GAIN?

India will receive preferential access across 96.8% of EU tariff lines, covering 99.5% of its exports to the EU. Around 90.7% of exports by value will become duty-free from entry into force, including more than USD 33 billion of labour-intensive exports such as apparel, textiles, leather, footwear, and gems and jewellery.

Major beneficiaries include textiles and apparel, footwear, fisheries and marine products, chemicals, pharmaceuticals and other manufactured goods, strengthening India's competitiveness in one of the world's largest high-income markets.

The FTA also expands opportunities in services and professional mobility, with predictable access across 144 EU services subsectors, including IT/ITeS, professional and business services and education. Improved provisions for temporary professional mobility, business visitors and students further strengthen opportunities for India's IT, engineering, digital-services and skilled-professional sectors.

WHAT DOES THE EU GAIN?

India will provide preferential access across 92.1% of tariff lines, covering 97.5% of EU exports. Duties will be eliminated immediately on 49.6% of tariff lines, with another 39.5% phased out over 5, 7 and 10 years; selected products will receive tariff reductions or tariff-rate quotas.

The agreement significantly improves access to India's fast-growing market for machinery and electrical equipment, automobiles and components, chemicals, pharmaceuticals, medical and optical equipment, aerospace and selected agri-food products. Overall, tariffs will ultimately be eliminated or reduced on 96.6% of EU goods exports by value.

The European Commission estimates that the FTA could save EU exporters up to €4 billion annually in customs duties and potentially double annual EU goods exports to India by 2032, creating particularly significant opportunities for German industrial exporters.

WHY DOES THE FTA MATTER FOR GERMANY?

Few EU economies are as closely aligned with the tariff reductions negotiated with India as Germany. German exports to India are heavily concentrated in precisely those industrial sectors where Indian tariffs have historically been highest.

Germany exported approximately USD 18.4 billion (€16.28 billion) of goods to India in calendar year 2025. Within this, machinery represented approximately USD 5.24 billion (€4.64 billion), accounting for 28.4% of German merchandise exports to India; chemicals approximately USD 2.95 billion (€2.61 billion); aircraft and components approximately USD 2.32 billion (€2.05 billion); electrical engineering products approximately USD 1.83 billion (€1.62 billion); and measurement, testing and control equipment approximately USD 1.49 billion (€1.32 billion). Road vehicles contributed a further USD 669 million (€592 million).

The sectoral fit is therefore unusually strong:

German industrial strength	FTA implication
Machinery & mechanical equipment	Current Indian tariffs of up to 44% on machinery/electrical equipment move toward zero for almost all covered products, generally through phased schedules
Electrical equipment	Substantially improved market access and lower landed costs
Automotive & components	Most car-component tariffs phased out over 5-10 years; passenger vehicles receive major reductions subject to quotas
Chemicals	Tariffs of up to 22% are removed on most products, many from entry into force
Medical & precision equipment	Zero tariffs for around 90% of covered optical, medical and surgical products
Aircraft & aerospace	Zero tariffs for almost all covered products, generally phased
Pharmaceuticals	Tariffs reduced to zero for almost all covered products
Agri-food & processed foods	Material reductions across selected food and beverage categories

These changes could be particularly significant for the Mittelstand, where specialised machinery, automation systems, industrial components and niche technologies often compete in relatively small volumes but at high unit values. Reducing tariffs and administrative friction improves the economics of market entry and can make India commercially viable for German companies that previously regarded the market as attractive but difficult to access.

The opportunity extends beyond exports. Lower trade barriers can make it easier for German firms to establish local assembly, supplier networks, joint ventures and manufacturing operations in India, while using imported specialised components and technology as part of local production. In this sense, the FTA can become a catalyst for deeper industrial localisation rather than merely larger import volumes.

WHAT THE FTA MEANS FOR SMES AND THE MITTELSTAND?

For smaller firms, tariffs are only one part of the cost of internationalisation. Customs delays, unfamiliar regulations, certification requirements, information asymmetry, and intellectual-property concerns can be equally important. The FTA addresses several of these barriers through a combination of institutional and regulatory provisions.

Customs and trade facilitation provisions seek to simplify and accelerate procedures, improve transparency, and increase predictability for exporters. Rules of origin establish the criteria determining which products qualify for preferential tariff treatment, making supply-chain structuring an increasingly important commercial consideration.

The agreement also contains a dedicated SME chapter, designed to improve access to practical information and explore further facilitation measures for smaller companies. For German Mittelstand firms and Indian MSMEs, many of which do not possess the regulatory and legal resources available to multinationals, this can materially reduce the fixed cost of entering the other market.

Other provisions reinforce this effect. Stronger intellectual-property protection, greater regulatory transparency and commitments on services improve confidence for technology-intensive firms. Digital-trade provisions support electronic transactions and aim to reduce unnecessary digital barriers, while the broader EU-India relationship is expanding pathways for skilled professionals, researchers and students.

The practical implication is important: the FTA does not eliminate the need for localisation, regulatory compliance or partner due diligence, but it lowers several of the institutional barriers that have historically discouraged smaller firms from cross-border expansion.

THE FTA IS ONLY ONE PIECE OF THE PARTNERSHIP

The long-term importance of the agreement becomes clearer when viewed alongside the wider EU-India strategic architecture. At the 16th EU-India Summit in January 2026, both sides adopted the Towards 2030 Joint Comprehensive Strategic Agenda, positioning trade alongside technology, sustainability, security, connectivity, and people-to-people links.

The broader framework now includes:

- EU-India Trade and Technology Council
- Comprehensive Framework of Cooperation on Mobility
- Green Hydrogen Task Force and clean-energy cooperation
- EU-India Innovation Hubs and Startup Partnership
- Formal negotiations on India's possible association with Horizon Europe
- Security and Defence Partnership
- Connectivity and resilient value-chain cooperation

= Strategic Economic Partnership

The evolution continued after the Summit. At the third EU-India Trade and Technology Council in July 2026, the two sides agreed to begin formal negotiations on India's association with Horizon Europe, establish an Innovation Hub focused on electric-vehicle charging technologies, launch a deep-tech Startup Partnership, and intensify cooperation in semiconductors, electronics, AI, quantum technologies, 6G and strategic value chains. Clean-energy cooperation is developing in parallel. The EU-India Clean Energy and Climate Partnership for 2025-2028 covers renewable hydrogen, offshore wind, energy efficiency and connectivity, while the January 2026 Summit welcomed the establishment of an EU-India Task Force on Green Hydrogen.

The central point is therefore that the FTA should not be viewed in isolation. It is the commercial foundation of a much wider strategic partnership linking trade with technology, capital, talent, sustainability and economic security. For India and Germany, this broader architecture substantially increases the range of potential cooperation, from conventional exports and imports to joint innovation, advanced manufacturing, clean technologies, research partnerships and integrated supply chains.

The India-EU FTA does not by itself create deeper economic integration. It creates the conditions under which businesses can build it. For Germany and India in particular, the real opportunity lies in using lower trade barriers as a platform for investment, technology partnerships, localisation and long-term industrial cooperation.

WHERE THE NEXT WAVE OF INDIA-GERMANY BUSINESS WILL COME FROM

The next phase of India-Germany economic relations is likely to be driven less by conventional trade alone and more by co-manufacturing, technology partnerships, supplier integration and joint innovation. The shift is already visible: German companies that previously approached India primarily as an export market are increasingly considering local sourcing, production, and R&D, while Indian companies are moving into higher-value manufacturing and technology-intensive segments. Germany Trade & Invest notes that firms already active in India are increasingly evaluating local procurement and production, reflecting India's growing role as both a market and a sourcing base.

EMERGING OPPORTUNITY SECTORS

Advanced manufacturing & Industry 4.0

German strengths in automation, robotics, precision machinery and industrial software align directly with India's drive to deepen domestic manufacturing. India's machinery sector itself is expanding rapidly, creating opportunities not only for equipment exports but for local supplier development, component manufacturing and industrial technology partnerships.

Automotive, EV & mobility

The opportunity is shifting from conventional vehicles towards EV components, batteries, power electronics, charging infrastructure, lightweight materials and vehicle software. At the third EU-India Trade and Technology Council in July 2026, the two sides agreed to establish their first Innovation Hub focused on EV charging technologies and testing, reinforcing the strategic relevance of this sector.

Renewable energy & green hydrogen

India's deployment scale and Germany's clean-technology capabilities create strong scope in electrolyzers, hydrogen equipment, renewable-energy systems, industrial decarbonisation and energy-efficiency technologies. The India-Germany Green Hydrogen Roadmap, launched at the seventh Intergovernmental Consultations in October 2024, provides a bilateral policy framework for this cooperation.

Semiconductors & electronics

India's emerging semiconductor and electronics ecosystem creates opportunities for German firms in production equipment, specialised materials, automotive electronics, testing, embedded systems and industrial electronics. The wider EU-India technology agenda is also prioritising semiconductor and electronics value chains, advanced manufacturing and deep-tech cooperation.

Aerospace & defence

Growing Indian localisation requirements create potential in precision components, electronics, MRO, engineering services and joint manufacturing. Defence-industrial cooperation is already receiving greater bilateral attention; a dedicated India-Germany Defence Round Table was held alongside the 2024 Asia-Pacific Conference of German Business.

Healthcare, medtech & pharmaceuticals

India's pharmaceutical and process-manufacturing strengths can complement German capabilities in medical technology, diagnostics, precision equipment and advanced life sciences, with opportunities extending from trade to joint R&D and manufacturing.

Digital, AI & industrial software

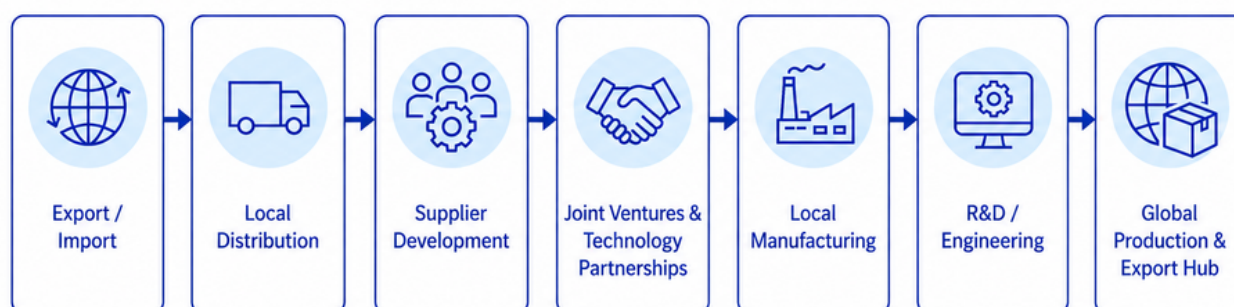
India's software and digital-engineering talent complements Germany's industrial installed base. The strongest opportunities are likely to emerge in AI-enabled manufacturing, industrial software, digital twins, cybersecurity, embedded systems and smart factories. Indo-German science and technology cooperation has already supported projects in advanced manufacturing, embedded systems and ICT.

Circular economy & green manufacturing

As industrial decarbonisation becomes a competitive requirement, cooperation can expand into recycling technologies, water and waste management, resource efficiency, low-carbon production and carbon-management systems.

FROM TRADE TO CO-MANUFACTURING

The commercial model is increasingly likely to evolve along a deeper integration pathway:



The objective is therefore not merely "Germany sells to India" or "India exports to Germany", but German and Indian firms producing together for India, Europe, and third markets.

INDIA AS A MANUFACTURING & INNOVATION PARTNER FOR THE MITTELSTAND

India's attractiveness to German Mittelstand companies rests on a combination of market scale, manufacturing growth, engineering talent, digital capability, industrial corridors, policy incentives, and supply-chain diversification. India's Production Linked Incentive programmes alone provide approximately USD 27 billion (€23.89 billion) in incentives across targeted manufacturing sectors, while *Make in India Mittelstand* provides a dedicated framework for German SMEs considering investment in the country.

However, successful localisation requires a realistic assessment of execution risks. Differences between states, regulatory implementation, supplier qualification, land and infrastructure availability, skills gaps, and adherence to German quality standards can materially affect project outcomes. GTAI also notes that identifying suitable sourcing partners remains challenging because of the fragmented structure of India's supplier base, even as the number of export-quality Indian manufacturers continues to increase.

GERMANY AS INDIA'S GATEWAY TO EUROPEAN INDUSTRIAL VALUE CHAINS

The relationship is equally valuable in the opposite direction. Germany offers Indian firms access to sophisticated industrial customers, Mittelstand supplier networks, advanced technology, R&D partnerships, European standards expertise, distribution channels, and specialised skills. It can also serve as a platform for strategic acquisitions and wider entry into European manufacturing value chains.

This reciprocal model is increasingly important. Germany's government has explicitly identified India as a key partner in the diversification of German economic relations in the Indo-Pacific, while bilateral cooperation now encompasses innovation, advanced materials, green hydrogen and skills.

The next wave of India-Germany business will therefore come not from trade growth alone, but from combining German technological depth with Indian scale, talent and manufacturing capacity. The strongest partnerships will be those that create value jointly, through manufacturing, innovation and supply chains designed for India, Europe and global markets.



TAMIL NADU-GERMANY BUSINESS ENGAGEMENT AND RELATIONS



Tamil Nadu has emerged as one of the most important state-level anchors of the India-Germany economic relationship, reflecting a strong alignment between Germany's industrial capabilities and Tamil Nadu's manufacturing, engineering and technology ecosystem. More than 120 German companies were reported to be operating in Tamil Nadu as of December 2024, comprising wholly owned subsidiaries and joint ventures. The German corporate footprint has continued to expand through new investment commitments during 2025-2026, reinforcing the state's position as a major destination for German industry in India. German activity spans automobiles and components, industrial machinery, renewable energy, electronics, IT, logistics and financial services. Established names include BMW, Daimler Truck, Siemens, Schaeffler and Schwing Stetter, alongside a growing base of specialised industrial and technology companies.

FROM MANUFACTURING BASE TO TECHNOLOGY AND INNOVATION HUB

Automotive and engineering have historically provided the strongest foundation for German investment in Tamil Nadu. BMW Group Plant Chennai, operational since 2007, with a capacity of 17,500 vehicles per single shift and localisation of up to 50%, is emblematic of this relationship, while Chennai's wider automotive and component ecosystem has attracted German manufacturers and suppliers seeking access to skilled labour, established vendor networks, ports and a large domestic market.

The relationship is now expanding into industrial machinery, rail and mobility technologies, renewable energy, electronics, engineering services, logistics, R&D, and advanced manufacturing, reflecting a shift from production capacity towards integrated manufacturing, engineering, technology and global business functions.

In 2024, Hapag-Lloyd signed an MoU with the Government of Tamil Nadu involving approximately USD 295 million (₹2,500 crore) for container-terminal and logistics/industrial infrastructure investments. In February 2026, Knorr-Bremse broke ground on its new Future Campus in Chennai, involving planned investment of up to €200 million (approximately USD 230 million) over five years. Designed for up to 3,500 employees, the campus will combine production, engineering, AI, and global business functions, building on the company's AI centre opened in Chennai in 2025.

NEW MOMENTUM IN INVESTMENT AND MITTELSTAND ENGAGEMENT

Tamil Nadu's investment mission to Germany in September 2025 resulted in 26 MoUs representing about ₹7020 crore (approximately USD 0.8 billion) in proposed investments and an estimated 15,320 jobs. Major commitments included Knorr-Bremse, Nordex Group and ebm-papst, alongside Vensys Energy, BASF, Herrenknecht, PULS and Witzenmann. Vensys Energy alone announced a ₹10.68 billion (approximately USD 122 million) wind-component facility expected to generate more than 5,200 jobs.

Institutional ties have also strengthened. Guidance Tamil Nadu and NRW.Global Business signed an MoU to deepen cooperation between Tamil Nadu and North Rhine-Westphalia, creating a platform for closer trade, investment and business collaboration.

Engagement is simultaneously extending beyond large corporations towards Germany's specialised Mittelstand ecosystem, creating opportunities for collaboration with Tamil Nadu's manufacturing MSMEs in precision components, machinery, industrial automation, renewable-energy equipment and supplier development.

SKILLS AS A NEW BRIDGE

In 2025, Guidance Tamil Nadu and NextMittelstand signed an MoU to introduce Germany's dual vocational training or Ausbildung model in Tamil Nadu. Germany's iMOVE describes it as the first formal state-level implementation of the German Ausbildung model in India. NextMittelstand states that its Tamil Nadu partnerships provide access to more than 50 training centres and around 20,000 skilled workers, including in electronics, mechatronics and metalworking.

Regional cooperation is also expanding. In April 2026, Tamil Nadu and the Free State of Saxony signed an MoU covering skilled-labour recruitment, vocational training and business cooperation, with linkages to areas including advanced manufacturing and semiconductors. In Coimbatore, Gedee Technical Training Institute, MEPZ, and companies represented through the Indo-German Chamber of Commerce are also collaborating on manufacturing skill development, incorporating German vocational-training practices.

FROM INDUSTRY TO DEEP TECHNOLOGY

Tamil Nadu-Germany engagement is increasingly moving into frontier technology. At Uagine 2026, Tamil Nadu's iTNT Hub signed a Letter of Intent with German quantum-computing company XeedQ GmbH to develop a state-backed quantum-computing programme providing startups and students with access to quantum hardware.

Coimbatore is also emerging as an innovation node. In June 2026, the Indo-German Innovation Studio (IGIS) was inaugurated at AIC RAISE, Rathinam Global University, following a 2025 MoU involving StartupTN, SICCI, and the German Indian Business Alliance. The initiative seeks to strengthen Indo-German startup, innovation, and business linkages while complementing Coimbatore's established engineering and manufacturing base.

Indicator	Latest position
German corporate presence	120+ companies, Dec. 2024
2025 Germany investment mission	26 MoUs
Proposed investment	₹70.2 bn / around USD 0.8 bn
Expected employment	15,320 jobs
Knorr-Bremse Future Campus	Up to €200 mn / around USD 230 mn
Campus capacity	Up to 3,500 employees
Institutional cooperation	NRW.Global Business; Free State of Saxony
Emerging areas	AI, R&D, rail, renewables, skills and deep tech

The relationship is also increasingly reciprocal: around 25 Tamil Nadu companies were reported to be operating in Germany as of December 2024, spanning IT, manufacturing, and automotive activities.

Looking ahead, Tamil Nadu is well positioned to become an important platform for the next generation of German investment in India. Its established manufacturing clusters, automotive and EV ecosystem, engineering talent, ports, electronics base and renewable-energy capabilities align closely with German strengths in advanced machinery, mobility, industrial automation and clean technologies. The opportunity is therefore evolving from German companies manufacturing in Tamil Nadu toward a more integrated model involving local supplier development, R&D, technology partnerships, skilled talent and joint production for Indian and global markets.

Tamil Nadu-Germany engagement increasingly represents the wider transformation of the Indo-German relationship: from investment and manufacturing towards an integrated partnership built around technology, Mittelstand, MSME cooperation, skills, sustainability and globally connected industrial value chains.

Note: EUR and INR figures are shown with approximate USD equivalents for readability. The original investment commitments remain denominated in EUR/INR.

THE ROAD TO 2030

India-Germany Economic Partnership 2030

The India-Germany economic relationship is entering a period in which its trajectory will depend less on headline trade growth and more on the depth of industrial, technological and institutional integration achieved over the remainder of the decade. Rather than relying on a single trade forecast, three broad scenarios better capture the range of possibilities.

Base Case

The India-EU FTA is implemented progressively, tariff barriers decline and bilateral trade continues to expand, but the structure of the relationship remains broadly similar to today. German firms increase exports and selective localisation in India, while Indian companies gain incremental access to German and wider EU markets. Cooperation deepens, but remains concentrated in established sectors such as machinery, automotive, chemicals, pharmaceuticals and business services.

Accelerated Partnership

A stronger outcome emerges if German Mittelstand companies and Indian MSMEs participate more actively in cross-border supply chains, supported by supplier-development programmes, technology transfer, joint ventures and local manufacturing. Investment expands into advanced manufacturing, EVs, clean technologies, semiconductors, digital engineering and green hydrogen. The bilateral frameworks already established in areas such as innovation, mobility and the India-Germany Green Hydrogen Roadmap launched in October 2024 provide an institutional platform for this transition.

Strategic Integration

In the most ambitious scenario, India becomes one of Germany's principal Asian partners for manufacturing, engineering, digital services and innovation, while Germany becomes an important gateway for Indian firms into European industrial value chains. The relationship moves decisively from trade towards co-development, R&D, joint manufacturing and third-market collaboration. This would align closely with Germany's 2024 Focus on India strategy and the broader effort to deepen cooperation in economic relations, technology, energy transition and skilled labour.

Five Pillars for 2030

- **Trade:** Broader bilateral flows, greater participation in each other's value chains and stronger SME/Mittelstand engagement.
- **Investment:** More two-way manufacturing investment, technology partnerships, JVs and strategic acquisitions.
- **Technology:** Cooperation in advanced manufacturing, AI, semiconductors, clean technologies, mobility and industrial digitalisation.
- **Talent:** Deeper skilled-labour mobility, vocational cooperation, research exchange and stronger links between universities and industry. Germany already hosts almost 60,000 Indian students, indicating the scale of the emerging talent bridge.
- **Sustainability:** Joint development of green hydrogen, renewable energy, energy-efficient industry, sustainable mobility and low-carbon manufacturing.

By 2030, the quality of the India-Germany partnership will be measured not simply by how much the two countries trade, but by how deeply their companies, technologies, talent pools and industrial ecosystems become interconnected.

RECOMMENDATIONS TO FURTHER STRENGTHEN INDIA-GERMANY BUSINESS RELATIONS

India and Germany already possess the institutional foundations for a substantially deeper economic partnership. The next priority should be to translate the India-EU FTA, Germany's Focus on India strategy, the Intergovernmental Consultations, and existing technology, mobility, and sustainability partnerships into commercially actionable opportunities. Germany's own strategy calls for reducing obstacles to trade and investment, strengthening SME exchange, and diversifying supply chains through closer economic ties with India.

1. Build a Dedicated Mittelstand-MSME Partnership Platform

The greatest untapped opportunity lies below the level of large multinational corporations. A structured India-Germany Mittelstand-MSME platform could connect companies by sector and capability, facilitate verified partner identification, organise supplier-development programmes and support technology licensing, joint ventures and co-manufacturing. Existing initiatives such as Make in India Mittelstand and Partnering in Business with Germany provide a foundation, but the next step should be a more permanent business-matching architecture focused on transactions and long-term partnerships. The German Government itself has identified more intensive SME exchange as a priority.

2. Convert the FTA into Practical Market-Entry Support

The benefits of the India-EU FTA will depend on whether companies, particularly smaller firms, can actually use it. India and Germany should develop FTA implementation desks, sector-specific tariff and rules-of-origin guidance, customs advisory support and compliance toolkits for MSMEs and Mittelstand companies. The FTA's dedicated SME chapter already provides for publicly accessible market information and SME contact points; bilateral institutions can build upon this with Germany- and India-specific implementation support.

3. Move from Buyer-Seller Relationships to Co-Manufacturing

Business promotion should increasingly target joint manufacturing, localisation and supplier integration, rather than exports alone. German companies can combine specialised technology with Indian manufacturing capacity and engineering talent, while Indian firms can progressively qualify as suppliers to German and European industrial value chains. Priority programmes could focus on advanced machinery, automotive and EVs, electronics and semiconductors, aerospace, medtech, renewable energy and industrial decarbonisation. This would also support Germany's stated objective of using deeper economic relations with India to diversify and strengthen supply-chain resilience.

4. Create Faster Pathways for Standards and Supplier Qualification

Market access does not end with tariffs. Indian MSMEs seeking German customers frequently need to meet demanding technical, quality, environmental and procurement standards, while German companies entering India face regulatory and implementation complexities. Joint testing and certification programmes, standards-readiness centres and supplier-upgradation initiatives could reduce these barriers. Large German manufacturers already established in India could play an anchor role by mentoring and qualifying Indian suppliers for their Indian and global procurement networks.

5. Strengthen the Innovation Bridge

The relationship should deliberately connect German industrial technology with India's digital and engineering capabilities. Joint R&D programmes, corporate-startup partnerships, university-industry projects and shared innovation challenges could target AI for manufacturing, robotics, semiconductors, advanced materials, clean technologies and industrial software. The 2024 IGC already produced a bilateral Roadmap on Innovation and Technology, alongside cooperation on advanced materials and startup incubation, providing an institutional basis for expansion.

6. Make Skills and Mobility an Economic Strategy

Talent should be treated as a core component of bilateral industrial policy. India can help address German shortages in engineering, IT, healthcare and technical occupations, while German vocational expertise can support India's manufacturing workforce. Priorities should include dual vocational training, mutual recognition of relevant qualifications, German-language training, industry-linked apprenticeships and efficient skilled-worker mobility pathways. Germany's Focus on India and bilateral policy already identify skilled labour and practice-oriented vocational training as important areas of cooperation.

7. Develop Joint Green-Industrial Projects

The energy transition should become a commercial pillar, not simply a government cooperation agenda. The existing Green and Sustainable Development Partnership and Green Hydrogen Roadmap can be used to develop bankable projects involving German technology and Indian deployment/manufacturing capacity in green hydrogen, electrolyzers, renewable energy, energy efficiency, sustainable mobility, circular economy and industrial decarbonisation. The bilateral Green Hydrogen framework already encompasses plant engineering, standards, financing, transportation, storage and utilisation.

8. Deepen State-Länder Industrial Partnerships

India's economic opportunities vary significantly by state, just as Germany's industrial capabilities are distributed across its Länder. More direct state-to-Länder partnerships can connect complementary clusters, for example, automotive and engineering, renewable energy, electronics, chemicals, research and vocational training. Germany's Focus on India explicitly recognises initiatives by German federal states as having potential to generate additional business cooperation. Tamil Nadu-Germany engagement provides a useful model for how such sub-national relationships can translate national strategic cooperation into concrete investment, technology and skills partnerships.

From Frameworks to Transactions

The central challenge is no longer a lack of bilateral institutions. India and Germany already have the Strategic Partnership, Intergovernmental Consultations, CEO Forum, Fast Track Mechanism, Make in India Mittelstand, technology and innovation cooperation, mobility arrangements and green-development frameworks, with the India-EU FTA adding a major new commercial enabler.

The next phase should therefore focus on execution: connecting companies, qualifying suppliers, financing projects, developing talent, commercialising technology and converting institutional cooperation into investment and long-term industrial partnerships. For Indian MSMEs and the German Mittelstand in particular, success should ultimately be measured not by the number of dialogues held, but by the number of sustainable business partnerships created.

CONCLUSION: FROM COMMERCIAL RELATIONSHIP TO STRATEGIC ECONOMIC PARTNERSHIP



India and Germany enter the next phase of their economic relationship from a position of considerable strength. Trade and investment ties are well established, German companies have built a significant industrial presence in India, and Indian businesses are becoming more active investors and technology participants in Germany. Yet the opportunity ahead is structurally different from the relationship that developed over previous decades. The future will be shaped less by a conventional exchange of German capital goods for Indian products and services, and increasingly by joint manufacturing, technology partnerships, integrated supply chains, clean-energy collaboration, skilled talent and innovation.

The strategic rationale has strengthened on both sides. For Germany, India offers a combination of market scale, manufacturing capacity, engineering and digital talent, and supply-chain diversification at a time when German industry is seeking greater resilience and new sources of long-term growth. For India, Germany offers advanced industrial technologies, specialised engineering capabilities, R&D networks, vocational expertise and access to sophisticated European customers and value chains. These complementarities are particularly relevant in the industries likely to define the next decade: advanced manufacturing, mobility and EVs, semiconductors and electronics, renewable energy and green hydrogen, healthcare and medtech, AI and industrial software, and low-carbon manufacturing.

The India-EU Free Trade Agreement, negotiations for which concluded on 27 January 2026, can provide an important commercial foundation for this transition. Its significance lies not only in tariff reductions, but also in greater predictability around customs, rules of origin, services, intellectual property, digital trade and the operating environment for smaller businesses. Combined with expanding India-EU and India-Germany cooperation in technology, mobility, research, skills and sustainability, it creates a substantially stronger institutional framework within which businesses can invest and collaborate.

For German Mittelstand companies and Indian MSMEs, this represents perhaps the most important opportunity. These firms possess many of the complementary capabilities required for deeper industrial cooperation, specialised German technology, precision engineering and global customer relationships on one side; Indian manufacturing capacity, engineering talent, cost competitiveness and market scale on the other. The objective should therefore extend beyond increasing the number of transactions towards creating long-term supplier relationships, joint ventures, technology partnerships, co-development and production platforms serving India, Europe and third markets.

The direction of travel is clear: from trade to investment, from transactions to partnerships, and from market access to industrial integration. If businesses and policymakers can translate the new institutional architecture into commercially viable partnerships, India and Germany have the opportunity to build a relationship that is not simply larger by 2030, but qualitatively deeper, one in which capital, technology, talent and manufacturing capabilities increasingly operate across an interconnected Indo-German economic ecosystem.

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