

MARC

India: The Next Goldmine For Global Manufacturing Industry

By: Pawan Kotharkar



Contents

1. About MARC

2. Explosion In Indian Exports
And The Future

3. Is The World Moving Away
From China?

4. Sectors That Will Drive
Manufacturing Growth

5. Opportunities In India

6. Challenges In India

7. Trade Treaties With India

8. Logistical Advantages of
Free Trade Agreements

1. About MARC



MARC is one of the fastest growing professional services and business consultancy companies in India.



Established in 2010, we have over a decade's worth of knowledge and expertise.



We 8 offices across India and MARC Glocal Inc, a subsidiary in Delaware USA.



Our global presence is enhanced by our partners in Europe, Africa, South America, Australia, Hong Kong and Singapore.



A boutique firm with a team strength of about 30 including a management that has worked with the Big 4 firms and other MNCs

Our Expertise



Market Research



Growth Strategy

MARC

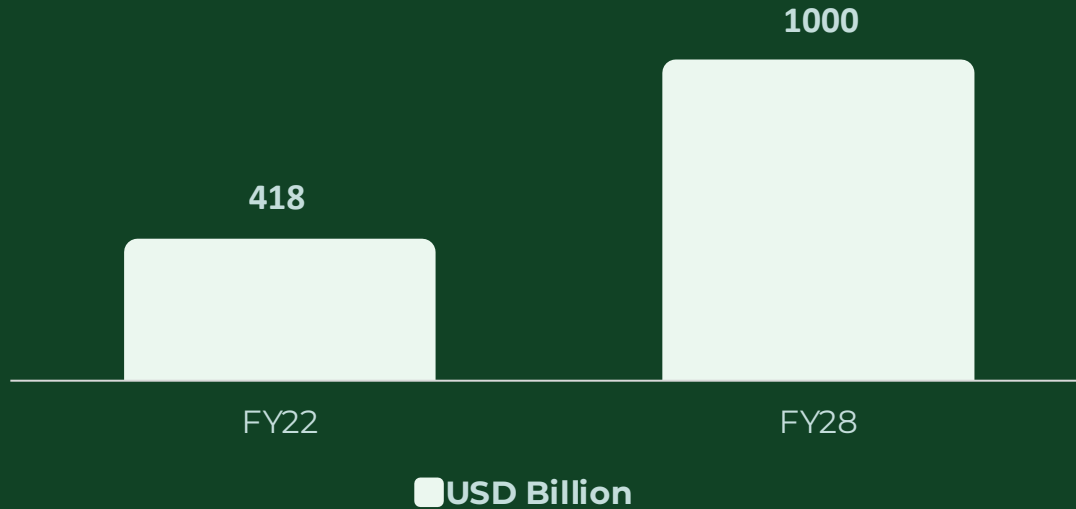


Mergers & Acquisitions



Internationalization

2. Explosion In Indian Exports And The Future



Source – Bain & Company: The Trillion-Dollar Manufacturing Exports Opportunity for India

Indian manufacturing industry has seen an astounding growth since FY21. Prior to COVID-19, India's manufacturing exports typically grew between 5% and 10% per year, but during the past two years, exports have expanded significantly, with a CAGR of 15%. India's manufacturing exports hit \$418 billion in FY22. By FY28, India is anticipated to increase its manufacturing exports to \$1 trillion.

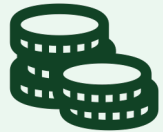


3. Is The World Moving Away From China?

Reasons why companies are moving to India



Large Pool Of Workforce In India



Government Led Initiatives for foreign investments



Increase In Domestic Consumer Demand

Due to the trade wars between US and China coupled with serious supply chain blockages, several big companies have already planned to move their manufacturing base to India. Giant heavyweights in the electronics industry like Samsung and Apple have expressed interest in shifting their assembly operations to India. According to Bloomberg, these companies have committed to spending \$1.5 billion to build factories for making cell phones. Also, several factors such as **Government Investment On Infrastructural Development, Lower Corporate Taxes, Increase In Domestic Demand and Investor Friendly Government Policies** are all helping India stand out as one of the top destinations for big companies to move their manufacturing base. Although there might be some challenges for India in the short term, the long-term benefits for the manufacturing industry looks promising.

4. Sectors That Will Drive Manufacturing Growth

	Chemicals	~\$110–\$130B	<ul style="list-style-type: none"> Projected exports CAGR: 19%–23% Hot segments: specialty chemicals, agrochemicals
	Pharma	~\$45–\$50B	<ul style="list-style-type: none"> Projected exports CAGR: 16%–18% Hot segments: active pharmaceutical ingredients and drug intermediaries
	Industrial Machinery	~\$70–\$75B	<ul style="list-style-type: none"> Projected exports CAGR: 18%–20% Hot segments: Food processing machines and textile machines
	Electrical & Electronics	\$120–\$145B	<ul style="list-style-type: none"> Projected exports CAGR: 35%–40% Hot segments: Mobile phones & Industrial electronics
	Automotive	\$45–\$55B	<ul style="list-style-type: none"> Projected exports CAGR: 15%–18% Hot segments: EV components
	Textiles & Apparels	~\$95–\$110B	<ul style="list-style-type: none"> Projected exports CAGR: 13%–16% apparel Hot segments: man-made fibers, technical textiles

Note: Projected exports depicted in red; all the growth numbers from FY22–28
Source: Bain & Company: The Trillion-Dollar Manufacturing Exports Opportunity for India

5. Opportunities In India (1/3)



Diversification of Supply Chain

India's exports increased as a result of the global supply chain's diversification after the epidemic ended. As large Asian economies like Japan started considering India as a substitute for China for sourcing their needs, American businesses ranked India among the top four locations for business relocation. Companies are also searching for other nations that are more enticing for investment in due to issues including the US-China trade war, increasing restrictions, and unfavorable regulations.



Friendly Government Initiatives

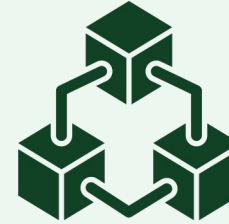
The ongoing efforts of the Indian government gave a boost to capex, new investments, and ease of doing business. While the \$47.8 billion in Production Linked Incentives (PLI) spending that is scheduled over five years, started in 2021, has boosted domestic production and supported exports that are driven by manufacturing. The PLI schemes also aim to improve 13 key sectors contributing to overall increase in exports. The plans are anticipated to result in a \$500 billion rise in production over the following five years, as well as a nearly \$50 billion infusion of new investment.

5. Opportunities In India (2/3)



Digitalization

India has started to pick up the pace in the digitalization of the manufacturing sector to stay competitive globally. The Indian government is accelerating digitization by launching numerous projects and establishing digital infrastructure as a public utility. The economy's new engine of growth will be digitalization. It will aid in financial inclusion in addition to lowering costs for enterprises. It will also bring several sector wide benefits like, Introduction Of New Products, Enhancing Flexibility, Improving Quality And Improving Efficiency.



Increasing Sectoral Growth

India's key manufacturing sectors, including chemicals, pharmaceuticals, automotive, electronics, industrial machinery, and textiles, have experienced significant growth in recent years. India benefits from inherent strengths in these sectors such as low costs, a robust supplier base, strong R&D capabilities, and favorable government policies. For instance, India's pharmaceutical manufacturing costs are 30-35% lower than those in the US and Europe, making it an attractive location for global companies. Similarly, the automotive sector is gaining popularity due to low costs and strong manufacturing capabilities.

5. Opportunities In India (2/3)



Growth In Mergers & Acquisitions

Manufacturing businesses are reshaping their portfolios through M&A to add new skills, access new markets, and expand their reach. Of the \$108 billion in M&A agreements in India in 2021, which included 15.7% in the manufacturing sector, first-time purchasers accounted for nearly 80% of the transactions, while scope acquisitions outside of firms' main operations accounted for 4 out of 10 transactions. With a rise in cross-border transaction value from roughly \$0.4 billion in 2017 to \$1.2 billion in 2021, cross-border M&A is also continuously expanding.



CAPEX Led Growth

After post-pandemic economic recovery and high-capacity utilisation, India's capex cycle is anticipated to accelerate, helping to meet the rising demand. For FY23, the Indian government has budgeted a \$100 billion increase in capex, or 35% YOY. There is a significant demand for capex expansion as many businesses approach high levels of capacity utilisation, and an increase in planned capex of more than six times the level of planned capex from five years ago is a strong predictor of increased manufacturing activity across sectors.

6. Challenges in India



Developing Infrastructure

India's manufacturing industry faces higher costs compared to countries like China due to inadequate infrastructure, which makes the transportation of raw materials and finished goods slow and expensive. The condition of Indian roads, archaic labor laws, and extreme weather conditions can further compound these challenges. Therefore, India must find innovative and cost-effective solutions to improve the transportation of goods within the country. Investing in infrastructure development and adopting modern technologies can help reduce the time and cost involved in moving goods across the country.



Labour Laws and Shortage of Skilled Labour

India's challenges in manufacturing include strict labour laws and a shortage of skilled workers, despite its advantage of a large and inexpensive workforce. Efforts to improve labour efficiency are ongoing, but the workforce still lacks necessary skills. As manufacturing becomes more digital, the Indian workforce must be trained to keep up with technological advancements. Most skill training in India is self-taught, observed, or learned from master craftsmen. Only 4.69% of the workforce is formally skilled, a small percentage compared to other countries such as China (24%), the US (52%), the UK (68%), Germany (75%), Japan (80%), and South Korea (96%).

7. Trade Treaties With India – Europe

India-EU Free Trade Agreement

- On 17 June 2022, the European Union relaunched negotiations with India for a Free Trade Agreement and launched separate negotiations for an Investment Protection Agreement and an Agreement on Geographical Indications (GIs).
- India is the EU's 10th largest trading partner, accounting for 2.1% of EU total trade in goods in 2021.
- Trade in goods between the EU and India increased by about 30% in the last decade.
- Around 6,000 European companies are present in India, providing directly 1.7 million jobs and indirectly 5 million jobs in a broad range of sectors.

Benefits of the Free Trade Agreement For Europe

- **Unparalleled market opportunity:** India's demographic dividend offers unparalleled market opportunity for EU investors.
- **Wide-ranging economic gains:** The enabling FTA can provide wide-ranging economic gains to EU companies, such as increased market access, reduced tariffs, and lower barriers to trade.
- **Potential world-class manufacturing hub:** India's smart infrastructural development, ease of doing business parameters, and rapidly digitizing economy offer the potential for EU companies to access a world-class manufacturing hub.
- **Export-oriented production:** EU companies can benefit from investigating opportunities in key Indian sectors such as textiles, leather, and sports goods for export-oriented production.
- **Advanced technology supporting manufacturing:** India is establishing incentive hubs and logistics corridors to expand advanced technology supporting manufacturing, providing significant opportunities for EU companies.

7. Trade Treaties With India – UK

India-UK Free Trade Agreement

- Discussions on a "forward-facing trade deal with India" are ongoing, and the eighth round of India-UK FTA negotiations is scheduled to take place from March 20-24 in New Delhi, using hybrid mode.
- India was the UK's 12th largest trading partner in the four quarters to the end of Q3 2022 accounting for 2.1% of total UK trade.
- UK-India trade in goods and services was valued at £34.0 billion in the four quarters up to Q3 2022, up by £11.6 billion or 51.7% compared to the same period in 2021.
- Total UK exports to India amounted to £14.8 billion, in current prices, in the four quarters to the end of Q3 2022 (an increase of 75.5% or £6.4 billion compared to the four quarters to the end of Q3 2021)

Benefits of the Free Trade Agreement For UK

- **Lower tariffs:** UK businesses exporting to India could benefit from reduced or eliminated tariffs on their products, making them more competitive in the Indian market.
- **Greater access to Indian markets:** An FTA could provide UK businesses with greater access to Indian markets, allowing them to explore new business opportunities and expand their operations.
- **Improved regulatory cooperation:** The FTA could facilitate greater regulatory cooperation between the UK and India, reducing barriers to trade and investment and increasing business certainty.
- **Protection for intellectual property:** The FTA could provide greater protection for UK businesses' intellectual property rights in India, reducing the risk of counterfeiting and piracy.
- **Increased investment opportunities:** The FTA could create new opportunities for UK businesses to invest in India, including in sectors such as manufacturing, technology, and services.

8. Logistical Advantages Of Free Trade Agreements



Streamlined Customs Procedure:

An FTA could simplify and streamline customs procedures for UK and EU businesses exporting to India, reducing delays and costs associated with cross-border trade.



Enhanced digital connectivity:

The FTA could provide a framework for greater digital connectivity of UK and EU with India, enabling businesses to take advantage of opportunities in e-commerce and other digital sectors.



Harmonized standards:

The FTA could help to harmonize regulatory and technical standards of India with the UK and EU, reducing the need for businesses to adapt to different sets of regulations in India.



Improved transport links:

The FTA could help to facilitate improved transport links to India, including through the development of new air, sea, and land transport routes.



Access to trade-related infrastructure:

The FTA could help to facilitate greater access to trade-related infrastructure such as ports, airports, and logistics facilities, making it easier for businesses to move goods and services to India.



Contact



+91-9359628675



contact@marcglocal.com



www.marcglocal.com



2nd floor, CMM bldg.
Rua de Ourem,
Panaji Goa 403001

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