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MARC Insights

Manufacturing Industry Overview

May 2025



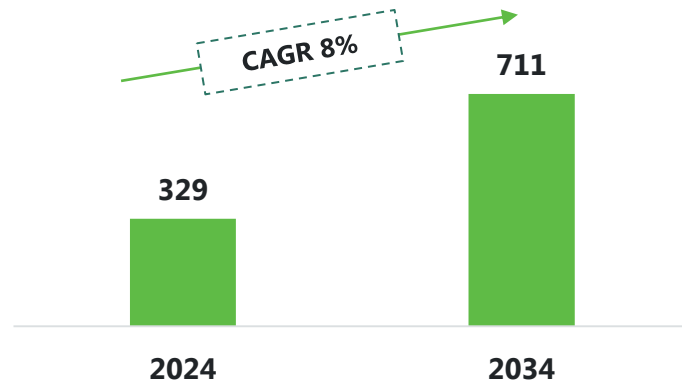
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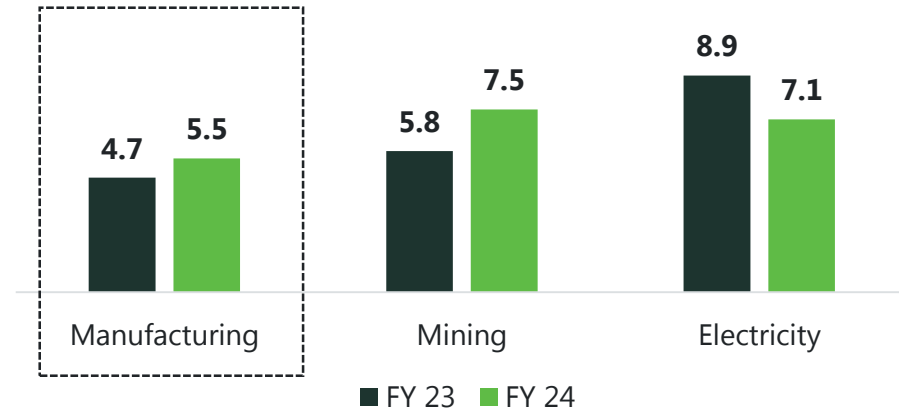
Manufacturing Industry Overview

Overview of Manufacturing Sector

Manufacturing Industry market size (in US\$ billion)



Annual Growth Rates of IIP (%) at Sector Level

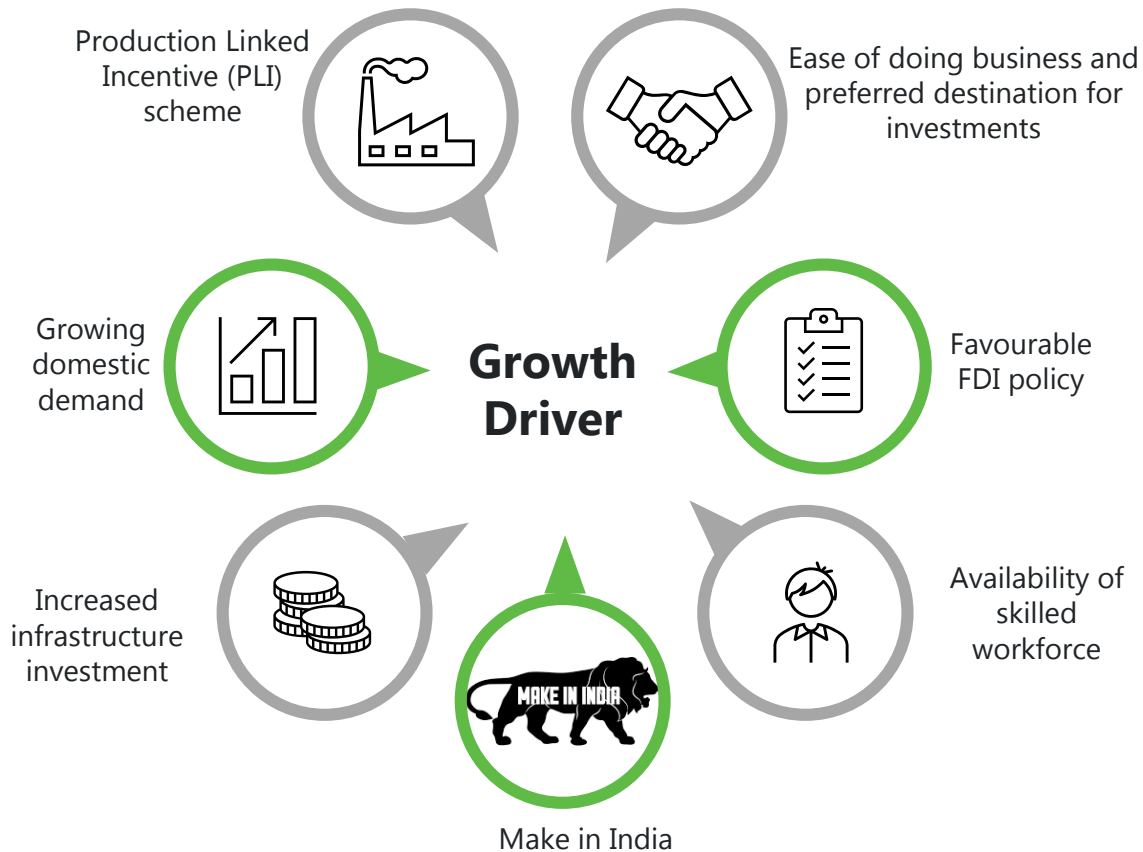


- **16%-17%** of the total GDP generated by manufacturing industry.
- **US\$ 383.5 billion** FDI inflows for the period 2019-2024 for manufacturing sector.
- **US\$ 603 billion** India's manufacturing exports for April-December in 2024, grew 6% Year on Year.

- The Index of Industrial Production (IIP) is prepared by the Central Statistics Office to measure the activity happening in three industrial sectors namely mining, manufacturing, and electricity.
- It is the benchmark index and serves as a proxy to gauge the growth of the manufacturing sector of India since manufacturing alone has a weight of 77.63% in the index.
- Manufacturing sector saw 22% CAGR for the year FY 24.

Source - www.ibef.org/industry, www.ceoinsightsindia.com, www.india-briefing.com, www.wipo.int, www.lakshmisri.com/, www.marketresearchfuture.com, www.bharat-mobility.com

Driving Factors



- **Increase in disposable income-** India's per capita disposable income was **US\$ 2.11 thousand in 2019**, and rose to **US\$ 2.54 thousand in 2023**.
- **Increased government initiatives-** The "**National Manufacturing Mission**" in the **Union Budget 2025-26** to boost "Make in India" by supporting industries of all sizes with policy frameworks, ease of business, MSME growth, future-ready workforce, and clean tech manufacturing.
- **Infrastructure development-** As per a report of Morgan Stanley India's infrastructure investment to steadily increase from **5.3% of GDP in FY24 to 6.5% of GDP by FY29**.
- **Increasing integration of technologies-** AI, IoT, automation, and big data analytics in manufacturing processes enhances productivity, efficiency, and quality control.

Source - www.investindia.gov.in, www.investindia.gov.in, msme.gov.in/about-us, www.ibef.org, pdf.savills.asia

Government Initiatives

Government Initiatives

Production Linked Initiative (PLI) Scheme

As of April 2024, the PLI schemes covered 14 sectors with a total budgeted outlay of **US\$ 23.4 billion**.

Benefits

It is designed to reduce India's dependence on imports and boost country's self reliance.

Local manufacturing will be encouraged, reducing reliance on imports from other countries.

It would be distributed among many companies hence monopolistic competition would reduce.

The major beneficiaries are semiconductor, automotive and smartphone industries. The additional revenue is estimated to be **US\$ 65 billion by 2025**.

Union Budget 2025-26 – Manufacturing sector

MSME for Manufacturing sector Classification Enhanced -

Investment and turnover limits have been increased by 2.5 times, enabling companies to expand operations while retaining MSME benefits.

A “**National Manufacturing Mission**” to cover small, medium and large industries for furthering “Make in India” was announced in Union Budget 2025-26.

The **US\$ 2.30 billion** allocation for **nuclear energy, legislative reforms for energy security**, and **US\$ 2.30 billion** commitment to the PM Surya Ghar Muft Bijli Yojana for **rooftop solar expansion** was announced in Union Budget 2025-26.

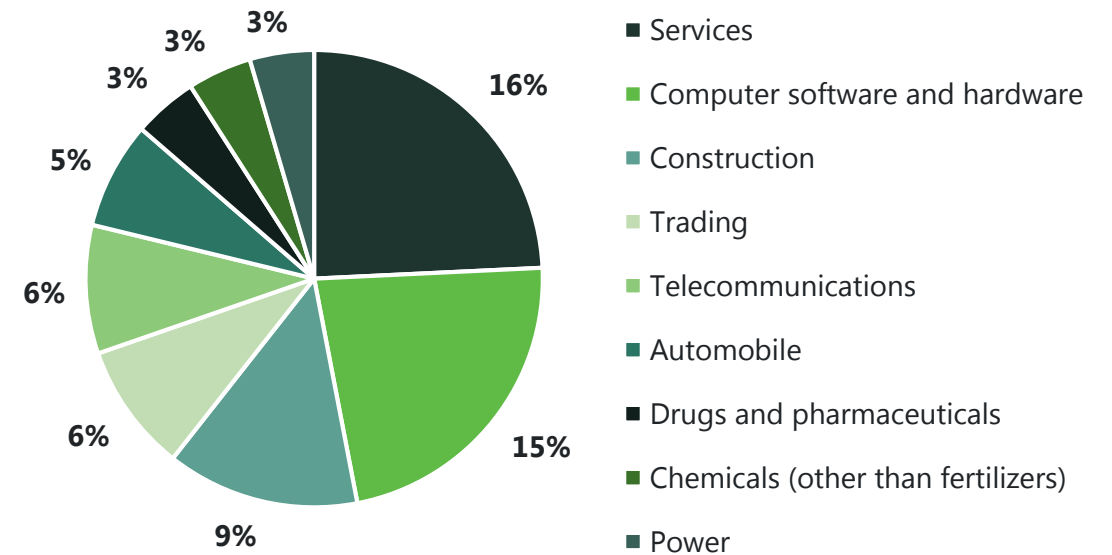
Source - www.india-briefing.com, pib.gov.in, www.ibef.org

Government Initiatives

Other initiatives

- As per union budget 2024 – 25, **the income tax rate for new manufacturing companies engaged in manufacturing activities has been lowered from 22% to 15% (plus 10% surcharge).**
- **National Logistics Policy:** National Logistics Policy (NLP) was launched on 17th September 2022, that aims to lower the cost of logistics and achieve parity with other developed countries.
- **National Single Window System (2021):** The aim is to offer comprehensive support and assistance to investors by providing pre-investment advice, information on land banks, and facilitating necessary clearances at both the center and state levels.
- **PM Gati Shakti National Master Plan (NMP):** Launched in 2021. It aims at creating a multimodal connectivity infrastructure.

Total Cumulative FDI inflow from 2000 to 2024



Note: Percentage worked out in US\$ terms & FDI inflow received through Government Route + Automatic Route + acquisition of existing shares only.

<https://www.india-briefing.com/tax2win.in>

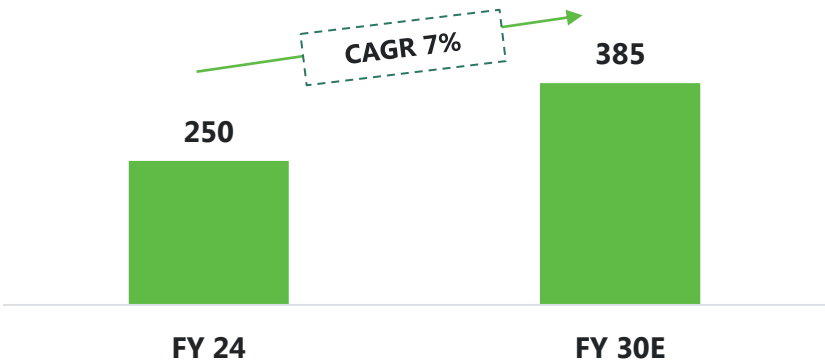
Sectorial Overview

Chemical Industry

Overview

- India is the **6th largest producer of chemicals** in the world & **3rd in Asia**, contributing 7% to GDP.
- India accounts for 16-18%** of the world production of **dyestuffs and dye intermediates**. Indian colorants industry has a global market share of 15% as of 2025.
- The chemicals market is expected to reach **US\$1 trillion**, supported by a **CAGR of 9.3%**.

Market Size (US\$ billion)



Source - chemicals.gov.in, www.ey.com, www.ibef.org, fineotex.com

Growth Drivers

- Rising Demand Across End-Use Industries:** The increasing demand for such chemicals across various end-use industries, such as automotive, pharmaceuticals, agrochemicals, and construction, is a major driver of growth.
- Research and Innovation:** Continuous research and innovation in these chemicals are driving the development of advanced and high-value products.
- Export Opportunities:** The growing demand for specialty chemicals globally presents significant export opportunities for Indian manufacturers.
- Growing Middle-Class Population:** The expanding middle class in India is driving demand for a wide range of consumer products, including personal care and home care products and the chemicals used in these products.

Segmentation

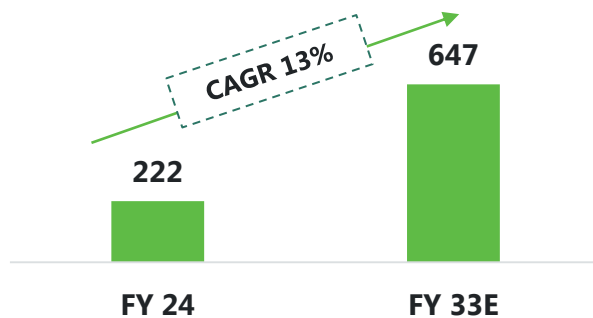
Bulk Chemicals	Agrochemicals
Petrochemicals	Polymers
Fertilizers	Dyestuffs & dye intermediates

Textiles and Apparels

Overview

- India is the world's **2nd largest producer** of **textiles and garments**.
- **India** is the **6th largest exporter** of **Textiles & Apparel in the world**. Exported textile items worth US\$ 34.4 billion in 2023-24
- It contributes **2.3%** to the overall **GDP**.
- The Textile sector received total FDI inflows of **US\$ 4.56 billion** from 2000 to 2024.

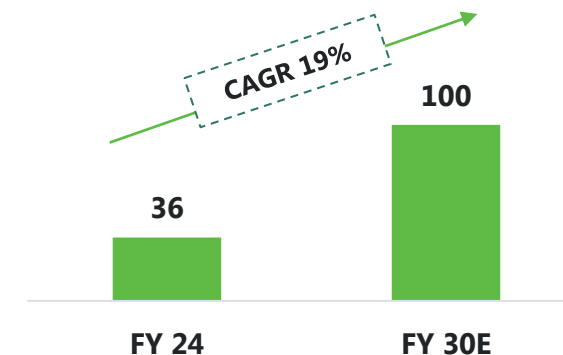
Market size(US\$ billion)



Growth Drivers

- **Increasing Global Demand for Textiles:** India is positioned as a leading supplier of textiles globally. Expected to see significant growth in exports, driven by increasing demand in key markets such as the United States, Europe, and the Middle East.
- **Sustainability and Eco-friendly Practices:** As the world moves toward sustainability, the Indian textile industry is embracing eco-friendly manufacturing practices.
- **Technological Advancements:** Automation Technological innovations are revolutionizing the Indian textile industry. Automation, AI, and IoT (Internet of Things) are streamlining production processes, improving efficiency, and reducing costs.

Growth rate in Exports (US\$ billion)



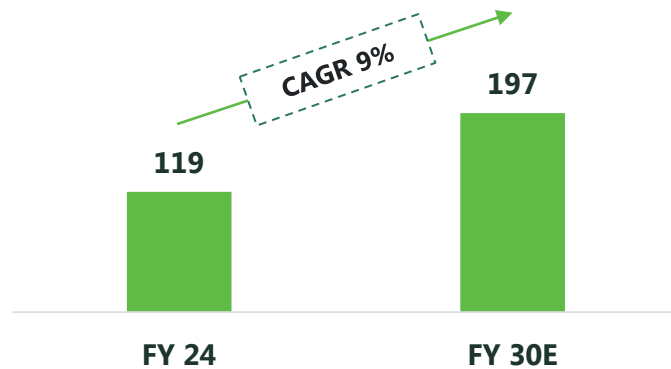
Source : pib.gov.in, www.ibef.org, www.pib.gov.in, www.textilesphere.com

Automotive Industry

Overview

- **4th Largest automobile market in the world.** India holds only 3% share in global traded auto components.
- It contributes **7.1%** to the overall **GDP** and **49% to manufacturing GDP**.
- The automotive sector received total FDI inflows of **US\$ 37.21 billion** from 2000 to 2024.

Market Size (US\$ Billion)

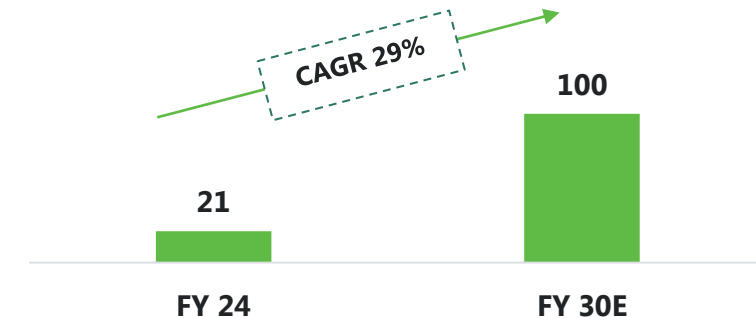


Source - www.pib.gov.in, pib.gov.in, www.ibef.org, utkarsh.com, www.brickworkratings.com, www.marketresearchfuture.com

Growth Drivers

- **Steady Vehicle Production:** Domestic component supply to OEMs rose 8.9% to INR 5.19 lakh crore in FY2023-24, representing 6% of national component output.
- **Growth in the Aftermarket:** The aftermarket, including parts and services, grew 10%, contributing INR 90,000 crore due to more vehicle ownership and maintenance.
- **Emergence of Electric Vehicles (EVs) :** The EV market, at 6% of component production, indicates a move towards advanced auto tech adaptability.
- **Global Supply Chain Dynamics:** India's growing role in auto component sourcing is drawing foreign investment amid global supply chain changes.

Growth rate in Auto Components exported (billion)

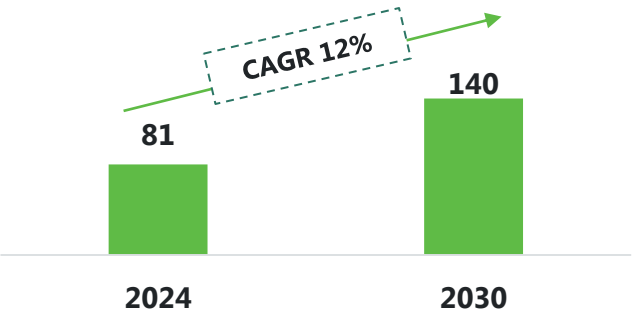


Engineering Goods

Overview

- Capital Goods sector **contributes to 12% of India's manufacturing output** and 1.9% to GDP. Market valuation of the capital goods industry was US\$ 92 billion in FY22.
- The **Union Budget 2025-26** proposes to add **35 additional capital goods for EV battery manufacturing**, to the list of exempted capital goods.
- In **FY25 (until December)**, **exports** of engineering goods reached at **US\$ 87.22 billion**.

Market size (in US\$ billion)



Note: Product typers- Electrical and construction equipment considered, Until December 2024 is calculated
Source : www.ibef.org, pib.gov.in, indbiz.gov.in, www.investindia.gov.in, www.ibef.org

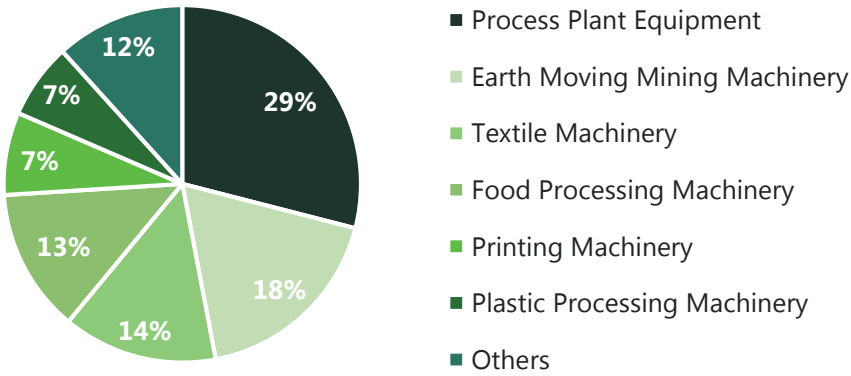
Growth Drivers

Increase in exports: India's engineering goods exports have shown impressive growth, with the sector being a major contributor to the country's total exports. Key export destinations include USA, UAE, and China. The Zero duty EPCG scheme has significantly added to this growth.

Rapid Urbanization and Infrastructure Development: Growing cities and the need for enhanced infrastructure, including smart cities, transportation networks, and utilities, fuel demand for construction equipment, power equipment, and other capital goods.

FDI policy: 100% Foreign Direct Investment (FDI) is allowed through the automatic route in the engineering sector, attracting international players.

Share of India's exports for FY 24

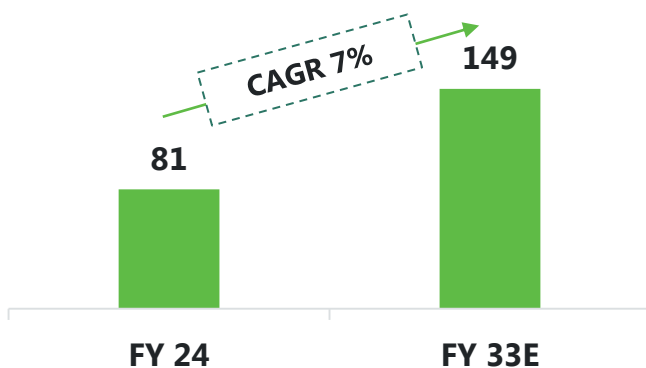


Indian Consumer Electronics Industry

Overview

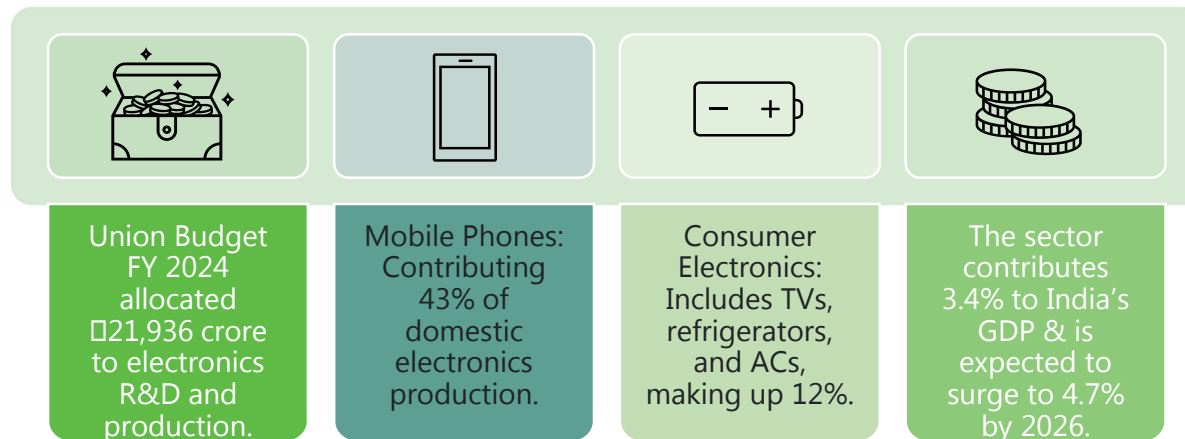
- **2nd** largest mobile-phone manufacturer globally, with the manufacturing units going up from 2 units in 2014 to **300 units in 2024**.
- The domestic electronics industry, as of **FY23**, is valued at **US\$140 billion**.
- India aims to reach **US\$ 300 billion** worth of electronics production by FY30.

Market size (US\$ billion)

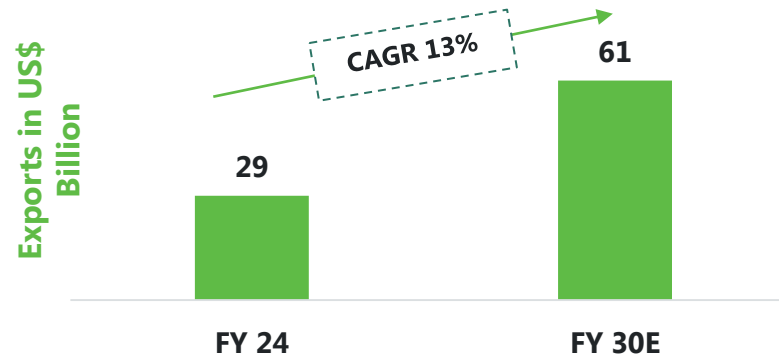


Source - www.ibef.org, pib.gov.in, www.custommarketinsights.com, www.india-briefing.com

Industry at a glance



Growth rate in Electronic Exports (US\$ billion)



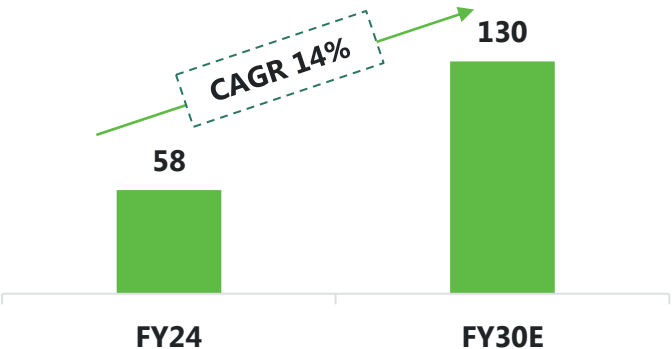
Industry sub-segmentation : Home appliances, Entertainment & communication, Personal care & grooming, Others

Pharmaceutical Industry

Overview

- **3rd** worldwide in the production of **pharma products** by **volume** and **14th** by **value** as of December 2024.
- **India** is rightfully known as the "**pharmacy of the world**" due to the low cost and high quality of its medicines.
- As of February 2024, the Indian pharmaceutical sector **supplies** over **50% of the global demand** for various vaccines, **40% of the generic demand** in the **US**, and **25% of all medicines in the UK**.

Market size (in US\$ billion)

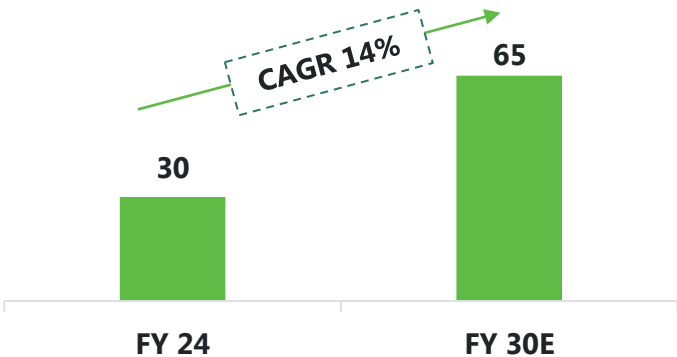


Source - www.ibef.org, static.pib.gov.in, www.india-briefing.com, www.ibef.org, economictimes.com, www.suncareformulations.com

Growth Drivers

- **Government Support:** Investment Outlay supporting manufacturing of medicines-PLI for Bulk Drugs (INR 6,940 Cr), PLI for Pharmaceuticals manufacturing (INR 15,000 Cr)
- **Rising Domestic Demand:** India's rapidly growing population, coupled with an increasing life expectancy, creates a substantial market for pharmaceuticals.
- **Generic Drug Manufacturing Powerhouse:** India's generic drug strength is key to its pharmaceutical industry and global affordable medicine supply.
- **Growth of the Biotechnology Sector:** India's biotech sector is rapidly growing, fueled by R&D investments in biosimilars and advanced therapies.

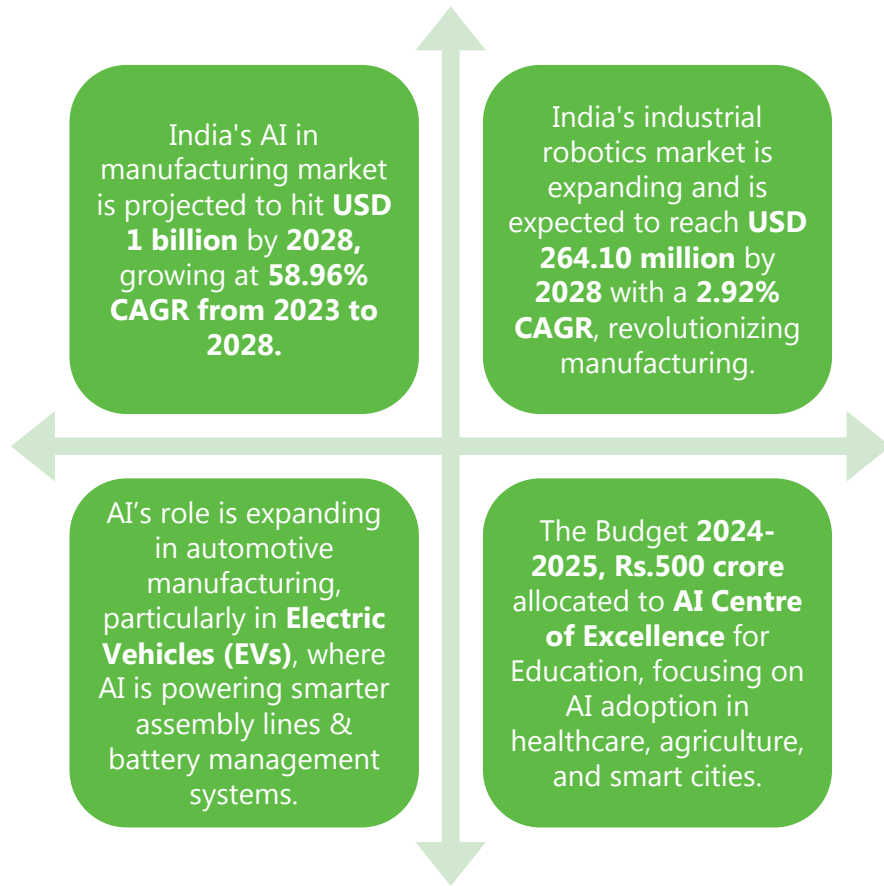
Growth rate in Exports (in US\$ billion)



Artificial intelligence in Manufacturing Industry

AI in Manufacturing

Overview



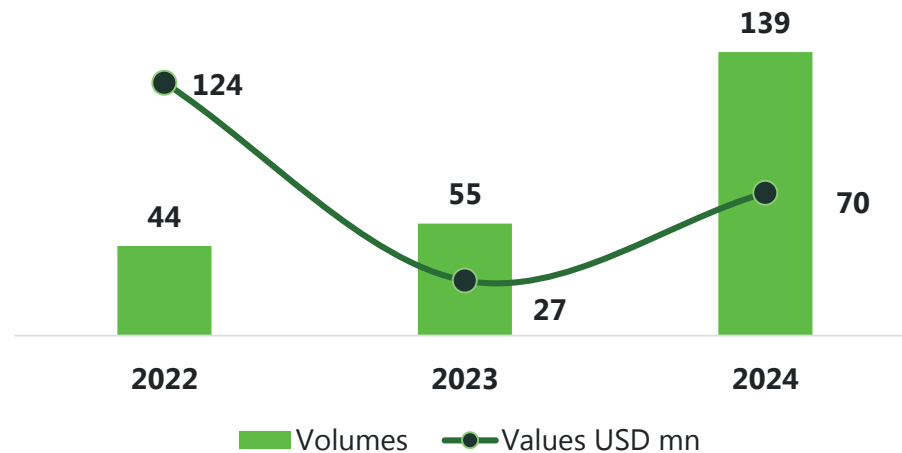
- **AI's Role in Material Flow:** AI-powered materials management systems connect Manufacturing Execution Systems (MES) and Warehouse Management Systems (WMS) to provide real-time visibility into material flow.
- **AI in Sustainable Manufacturing Practices: Minimising Waste and Costs:** Leading companies in 2025 leverage AI to track production patterns, identify areas of overuse, and suggest improvements. This leads to lowered costs and can help in aligning with the company's sustainability goals.
- **Data Quality and Integration:** Accurate, consistent, and timely data is the foundation upon which AI systems operate.

Source : indiatoday.in, www.forbes.com , www.investindia.gov.in

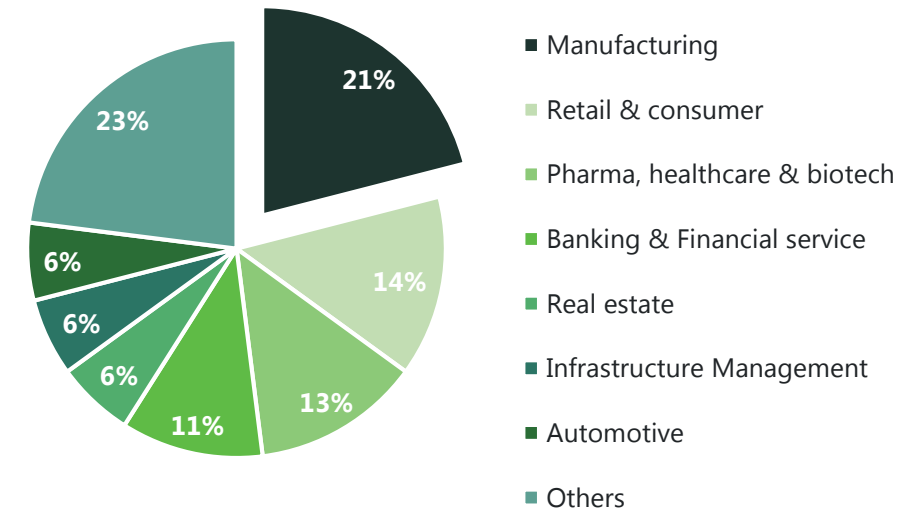
Merger & Acquisition

Merger & Acquisition in India

Yearly growth of Manufacturing sector M&A



IPO sector trend in 2024 (by volumes)



Manufacturing sector in comparison to all M&A deals across sectors

- The Manufacturing, Retail & Pharmaceutical sectors emerged as the leading drivers of domestic M&A activity, collectively contributing 43% of the volumes and 77% of the values.
- This increase was primarily driven by companies pursuing strategic mergers and acquisitions to consolidate their market position, address gaps in their product offerings, and expand their distribution networks.
- The big enabler here is robust balance sheet positions with consistent growth in last 3 years, and availability of ample financing options.

Source : campaign.grantthornton.in

Merger & Acquisition in India

Prominent Merger and Acquisition deals in the Manufacturing sector

ACQUIRER	TARGET	VALUE	STAKE	TYPE
Ambuja Cement Ltd	Penna Cement Industries Ltd	US\$ 1256 Billion	100% of Penna Cement Industries Ltd	Domestic Acquisition
Ambuja Cement Ltd	Orient cement Ltd	US\$ 976 billion	Strategic stake	Domestic Increasing stake
Adani Group	Ambuja Cement Ltd & ACC Ltd	US\$ 997 billion	Increasing stake to 70%	Domestic Increasing stake
Adani Group	Ambuja Cement Ltd & ACC Ltd	US\$ 803 billion	Increasing stake to 67%	Domestic Increasing stake

Source : campaign.grantthornton.in

Trends & Challenges

Trends in Manufacturing Industry

The rise of smart factories

Smart factory adoption in manufacturing is accelerating beyond isolated implementations towards widespread, integrated systems leveraging comprehensive data analytics and machine communication with central monitoring.

Increased focus on sustainability & carbon neutrality

As manufacturers face increasing concerns about ESG (environmental, social, and governance) issues, sustainable manufacturing and carbon-neutral practices will gain prominence.

Artificial intelligence and virtual processes

Digital twins, machine learning, AI, AR/VR are boosting manufacturing effectiveness and efficiency by enabling remote monitoring, servicing, and operation, reducing the need for on-site presence.

Data-driven maintenance as a margin enhancer

Sensors, remote monitoring, connected devices and the Internet of Things (IOT) have appeared on lists of digital trends in the manufacturing industry for the past several years and that continues this year.

Supply chain reassessment

In 2025, the supply chain continues to hold a prominent position as an area for continuous monitoring, management, and improvement, with facilities seeking creative ways to add flexibility and reliability while also retaining value.

Changing focus from B2B to B2C

Rather than relying on retailers or distributors to serve as the middleman, many companies in the manufacturing space today are selling their products directly to the consumer through e-commerce and other methods

Source : www.advancedtech.com

Challenges Faced

Shortage of Skilled Labor

Unfortunately, only a meager **4.69%** of the workforce possesses formal skills, which is considerably lower compared to countries like China (**24%**), the US (**52%**), the UK (**68%**), Germany (**75%**), Japan (**80%**), and South Korea (**96%**).

Lack of Infrastructure

India is a developing nation and has **high manufacturing costs** as compared to other countries due to limitation of infrastructure. Inadequate power and limited road network.

Regulatory Environment

India has **complex regulatory compliances** and stringent labour laws which causes hindrances for new companies to enter this market.

Lack of Innovation

India has a small share (**less than 1%**) in global patent applications and only **3%** share globally in R&D spendings. Inspite of the large population, it lacks research, development initiatives and innovation.

Source : www.advancedtech.com

Financial Analysis

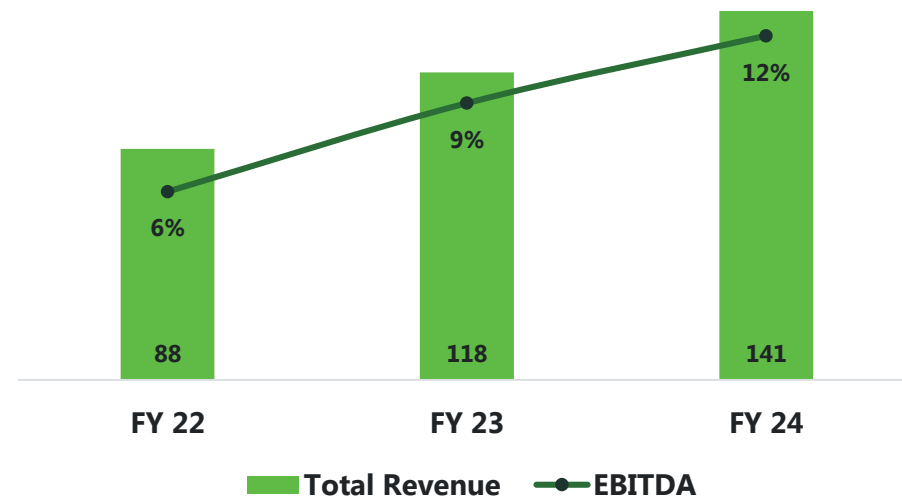
Profit & Loss Snapshot – Maruti Suzuki

Snapshot of Maruti Suzuki FY22 – FY24

In INR Crore	Actuals			Common size			Variance	
	FY24	FY23	FY22	FY24	FY23	FY22	FY24	FY23
Revenue From Operations	141	118	88	100%	100%	100%	20%	33%
Total Revenue	141	118	88	100%	100%	100%	20%	33%
Cost Of Materials Consumed	101	86	66	71%	73%	75%	17%	31%
Gross Margin	24	20	17	17%	17%	19%	18%	22%
Expenses								
Employee Benefit Expenses	5	5	4	4%	4%	5%	19%	14%
Other Expenses	19	16	13	13%	13%	14%	18%	25%
Total Expenses	125	107	83	88%	91%	94%	17%	29%
EBITDA	16	11	6	12%	9%	6%	49%	96%
Depreciation	3	3	3	2%	2%	3%	7%	1%
Finance Costs	0.2	0.2	0.1	0%	0%	0%	4%	48%
Other Income	4	2	2	3%	2%	2%	78%	21%
EBT	17	10	4	12%	9%	5%	68%	126%
Tax	4	2	2	3%	2%	2%	82%	29%
PAT	13	8	3	9%	7%	3%	65%	182%

Source : www.moneycontrol.com

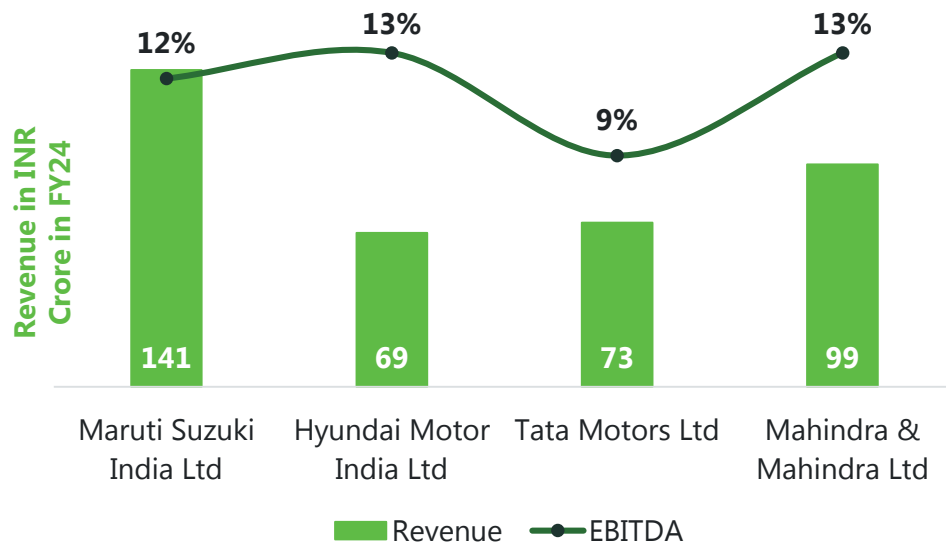
Revenue & EBITDA in INR Crore



- Revenue from operation showed a positive trend increasing from INR 88 Cr in FY22 to INR 141 Cr in FY24.
- Cost of material consumed contributes 73% of total expenses on an average. However, due to an increase in the revenue it has reduced from 75% as a % to revenue in FY22 to 71% in FY24.
- EBITDA Margin for the company has significantly improved from 6% as a % to Revenue in FY22 to 12% in FY24, majorly due to Cost of Materials Consumed.

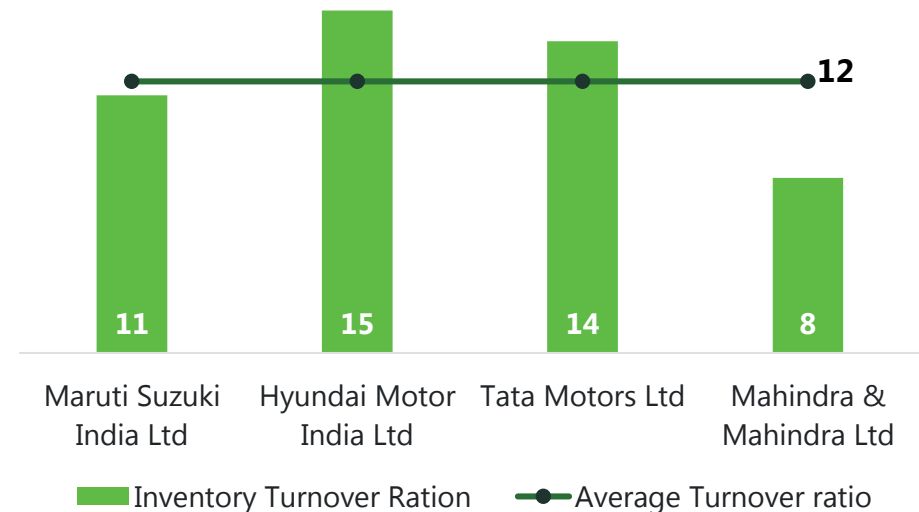
Competitor Analysis

Profitability analysis



- Revenue from operation of Maruti Suzuki has surpassed the average revenue from operation of the competitors.
- While Maruti Suzuki has the highest revenue, its EBITDA % is slightly lower than Hyundai and Mahindra showcasing better operational efficiency.
- Maruti Suzuki is a market leader in terms of revenue, signifying its dominant market share.

Inventory Turnover Ratio



- Hyundai Motor India Ltd has the highest Inventory Turnover Ratio at 15. This indicates that Hyundai is very efficient at managing its inventory, selling and replacing its stock 15 times within the period.
- Maruti Suzuki India Ltd has an Inventory Turnover Ratio of 11. While not as high as Hyundai or Tata Motors.

Source : www.moneycontrol.com, www.moneycontrol.com/JSW, www.moneycontrol.com/sunpharma, www.moneycontrol.com/cement

KPI's in comparison

Particulars	Maruti Suzuki	Hyundai Motor India Ltd	Tata Motors Ltd	Mahindra & Mahindra Ltd
No of manufacturing plants	3	2	6	6
Return On Equity	15.72%	56.81%	26.21%	20.5%
Current Ratio	0.87	1.24	0.56	1.35
Retention Ratio	79.41%	-77.92%	90.24%	81.14%
Total Asset turnover Ratio	1.46	2.29	1.15	1.15
ROCE	19.72	62.89	17.41	23.55

Source : www.moneycontrol.com, www.moneycontrol.com/JSW, www.moneycontrol.com/sunpharma, www.moneycontrol.com/cement

Conclusion

Continued Expansion:



- India's industrial production has shown a positive growth trajectory in early 2025. The Index of Industrial Production (IIP) recorded a growth of 2.9% in February and edged up to 3% in March 2025.

Global Hub Potential:



- India is increasingly seen as an alternative manufacturing hub as global economies look to diversify supply chains. Factors like a large domestic market, favourable policies, and competitive labour costs support this shift.

Government Initiatives:



- Schemes like the "National Manufacturing Mission" are in place to boost domestic manufacturing, promote clean tech, support MSMEs. This mission aims to increase the manufacturing sector's contribution to GDP to 25% by the end of 2025.

Investment Inflow:



- The sector is witnessing increased capital investment and mergers and acquisitions, indicating strong investor confidence.



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