Manufacturing

IBEF
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Table of Contents

Executive summary

Pillar for economic growth

- The Indian manufacturing industry generates around 17% of India's GDP and is projected to be one of the fastest-growing sectors.
- The machine tool industry was literally the nuts and bolts of the manufacturing industry in India. Today, technology has stimulated innovation with digital transformation a key aspect in gaining an edge in this highly competitive market.
- The manufacturing sector of India has the potential to reach US$ 1 trillion by 2025-26.
- Manufacturing is emerging as an integral pillar in the country's economic growth, thanks to the performance of key sectors like automotive, engineering, chemicals, pharmaceuticals, and consumer durables.

Potential to become a global hub

- India has the capacity to export goods worth US$ 1 trillion by 2030 and is on the road to becoming a major global manufacturing hub.
- India is planning to offer incentives of up to Rs. 18,000 crore (US$ 2.2 billion) to spur local manufacturing in six new sectors including chemicals, shipping containers, and inputs for vaccines.
- India's e-commerce exports are projected to grow from US$ 1 billion to US$ 400 billion annually by 2030, aiding in achieving US$ 2 trillion in total exports.
- Prime Minister Mr. Narendra Modi envisions Viksit Bharat@2047: Transforming India into a US$ 30 trillion developed economy with US$ 18,000 per capita income by 2047, leveraging manufacturing to elevate its GDP contribution to 25%, generating 100 million new jobs, while targeting significant reductions in logistics costs and doubling female workforce participation.

Competitiveness

- Technology has today encouraged creativity, with digital transformation being a critical element in gaining an advantage in this increasingly competitive industry. The Indian manufacturing sector is steadily moving toward more automated and process-driven manufacturing, which is projected to improve efficiency and enhance productivity.

Source: *Bain & Company, News Articles*

Advantage India

Advantage India

2. INCREASING INVESTMENT

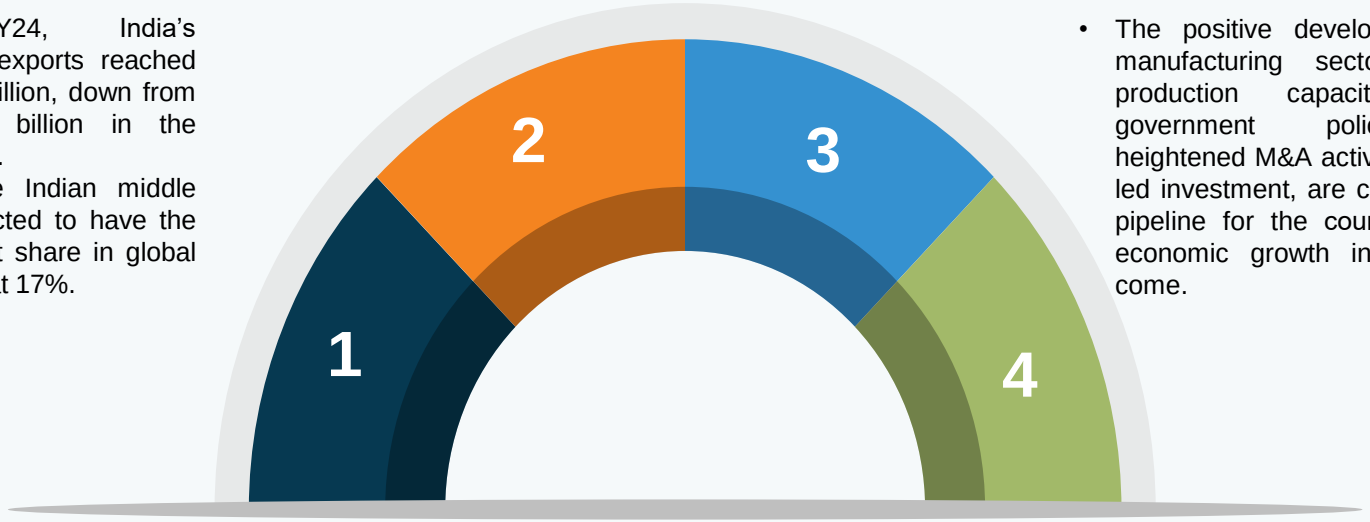
- Propelled by growth in priority sectors and driven by favourable megatrends, India’s manufacturing sector has opened itself into new geographies and segments.
- Building on the competitive advantage of a skilled workforce and lower cost of labor, the manufacturing sector is also witnessing an increased inflow of capex and heightened M&A activity, leading to a surge in manufacturing output and resultant increased contribution to exports.

3. POLICY SUPPORT

- DPIIT is boosting India's startup ecosystem and manufacturing sector by developing incubators to foster innovation, enhance competitiveness, create jobs, and strengthen the country's self-reliance and global trade position, with support from government initiatives and collaborations between corporates and startups.
- India's manufacturing sector is poised to reach US$ 1 trillion by 2025-26, led by Gujarat, Maharashtra, and Tamil Nadu, fueled by investments in automobile, electronics, and textile industries. Government initiatives like Make in India and PLI schemes drive growth, attracting FDI and enhancing industrial infrastructure.

1. ROBUST DEMAND

- During FY24, India’s merchandise exports reached US$ 437.06 billion, down from US$ 451.07 billion in the previous fiscal.
- By 2030, the Indian middle class is expected to have the second-largest share in global consumption at 17%.



4. COMPETITIVE ADVANTAGE

- The positive developments in the manufacturing sector, driven by production capacity expansion, government policy support, heightened M&A activity, and PE/VC-led investment, are creating a robust pipeline for the country’s sustained economic growth in the years to come.

Source: *Brookings Institute, DPIIT, Economic Times, Make in India, Bain & Company*

Market Overview

Evolution of the Indian manufacturing sector

IBEF
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Pre-Independence

- Most of the products were handicrafts and were exported in large numbers before the British era started.
- The first charcoal fired iron making was attempted in Tamil Nadu in 1830.
- India's present-day largest conglomerate Tata Group started by Jamsetji Tata in 1868.
- Slow growth of Indian industry due to regressive policies of the time.
- Indian industry grew in the two world war periods in an effort to support the British in the wars.

1948-91

- Focus of Indian Government on basic and heavy industries with the start of five-year plans.
- A comprehensive Industrial Policy resolution announced in 1956. Iron and steel, heavy engineering, lignite projects, and fertilisers formed the basis of industrial planning.
- Focus shifted to agro-industries as a result of many factors while license raj grew in the country and public sector enterprises grew more inefficient. The industries lost their competitiveness.

Post 1991 reforms

- Indian markets were opened to global competition with the LPG reforms and gave way to private sector entrepreneurs as license raj came to an end.
- Services became the engines of growth while the industrial production saw volatility in growth rates in this period.
- MSMEs in the country were given a push through government's policy measures.

2014-24

- Government is aiming to establish India as global manufacturing hub through various policy measures and incentives to specific manufacturing sectors.
- Launched in 2014, the Make in India initiative aims to transform India into a manufacturing, design, and innovation hub. The initiative spans 27 sectors, supported by policies like PLI schemes, GST, corporate tax reduction, and ease of doing business reforms. The One District One Product (ODOP) initiative promotes regional development by highlighting unique products from each district, fostering socio-economic growth..

Note: *MSME - Micro, small and Medium Enterprises, FDI - Foreign Direct Investments, SE- Second Estimate*

Source: *data.gov.in, Central Statistics Office, Indian Express*

Sub-sectors under manufacturing

As per National Industrial Classification, following 24 activities make up the manufacturing sector in India:

Manufacturing

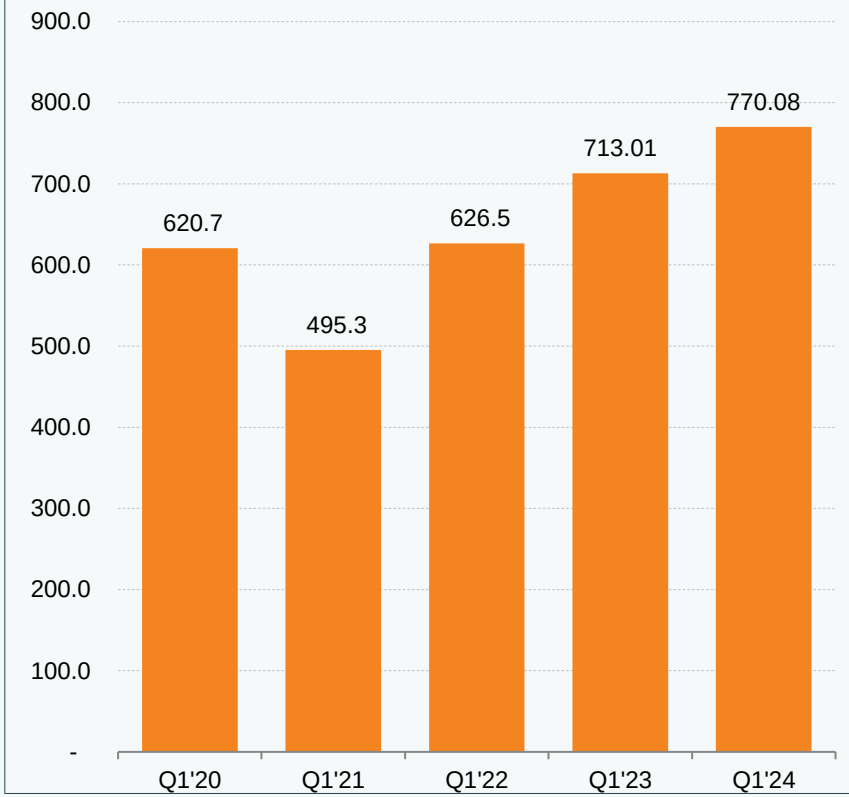
- Food products
- Beverages
- Tobacco products
- Textiles
- Wearing apparel
- Leather and related products
- Wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
- Furniture
- Paper and paper products
- Printing and reproduction of recorded media
- Coke and refined petroleum products
- Chemicals and chemical products
- Pharmaceuticals, medicinal chemical and botanical products
- Rubber and plastics products
- Other non-metallic mineral products
- Basic metals
- Fabricated metal products, except machinery and equipment
- Computer, electronic and optical products
- Electrical equipment
- Machinery and equipment n.e.c.
- Motor vehicles, trailers and semi-trailers
- Other transport equipment
- Repair and Installation of machinery and equipment
- Other manufacturing which includes jewelry, bijouterie and related articles, musical instruments, sports goods, games and toys, medical and dental instruments and supplies

Source: *udyogaadhaar.gov.in*

Gross value added by manufacturing

- India’s GDP surged in the January-March quarter, growing 7.8%, exceeding the 6.7% forecast. Manufacturing rebounded by 9.9%, contrasting with last year's contraction. GDP for the fiscal year hit 8.2%. IMF projects India as the world's fourth-largest economy by 2025.
- India’s gross value added (GVA) at current prices was estimated at US$ 506.35 billion as per the quarterly estimates of the fourth quarter of FY24.
- India’s gross value added (GVA) at current prices was estimated at US$ 770.08 billion as per the quarterly estimates of the first quarter of FY24.
- The manufacturing GVA at basic prices was estimated at US$ 128.06 billion in the fourth quarter of FY24.
- Significant initiatives have been introduced under Aatmanirbhar Bharat and Make in India programmes to enhance India’s manufacturing capabilities and exports across the industries. Sector specific Production Linked incentives (PLI) have been introduced in the aftermath of the pandemic to incentivize domestic and foreign investments and to develop global champions in the manufacturing industry.

Quarterly estimates of GVA at current prices (US$ billion)

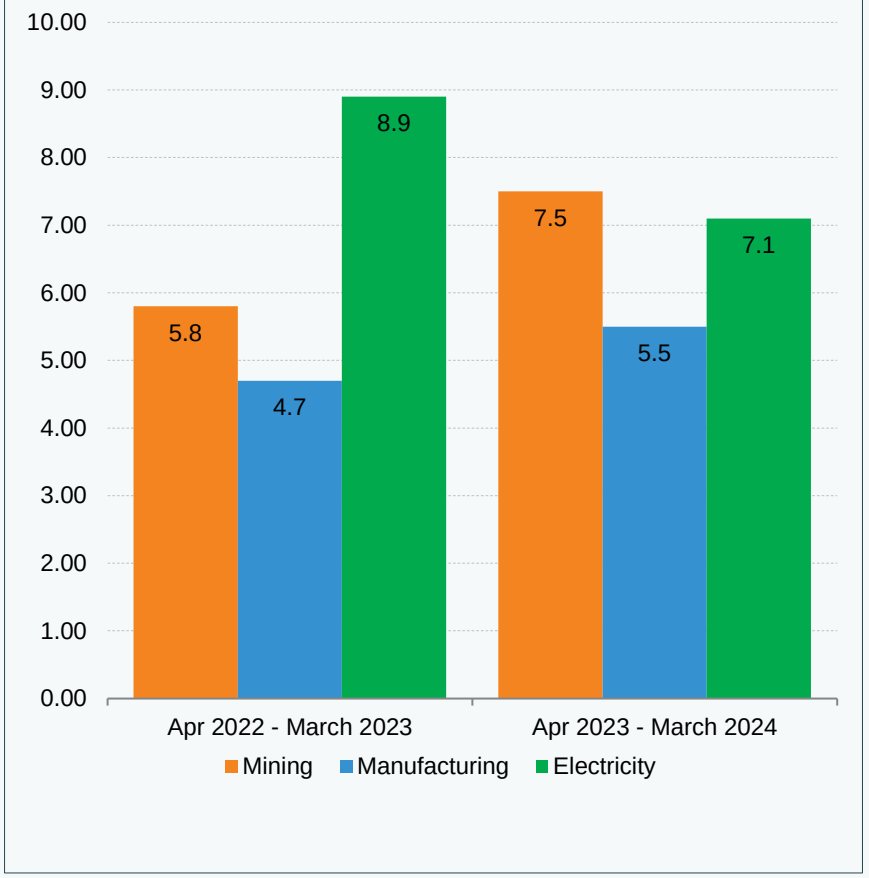


Source: *Ministry of Statistics and Programme Implementation, Economic Survey 2022-23*

Industrial production

- 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.
- For the month of April 2024, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 147.7. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of January 2024 stand at 130.8, 144.2, and 212.0, respectively.
- The Index of Industrial Production (IIP) from April-March 2024 stood at 144.6.
- Manufacturing sector posts remarkable growth of 13.9% in Q2 FY24, exceeding forecasts and playing a pivotal role in India's GDP expansion.
- Strong performance in manufacturing attributed to favorable base effect, low input cost pressures, and increased government expenditure, driving Gross Fixed Capital Formation (GFCF) and corporate investments.

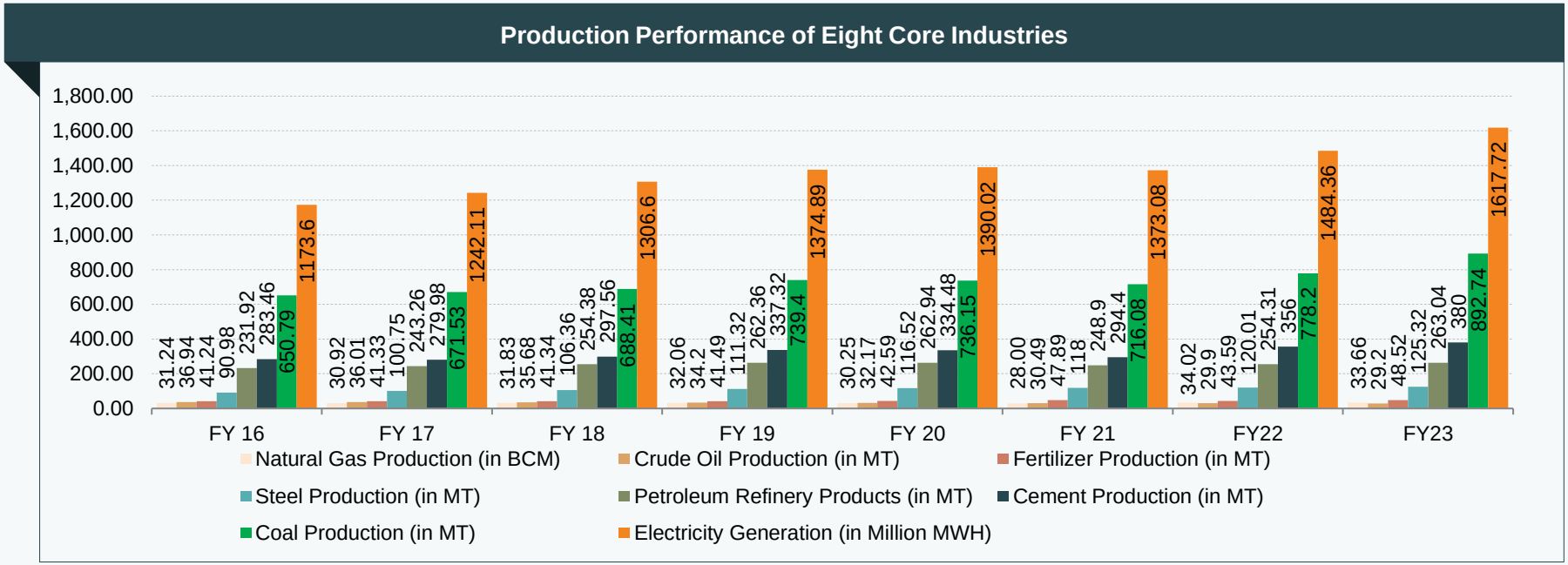
Annual Growth Rates of IIP (%) at Sector Level



Source: *Central Statistics Office, Ministry of Statistics & Programme Implementation*

Performance of eight core industries

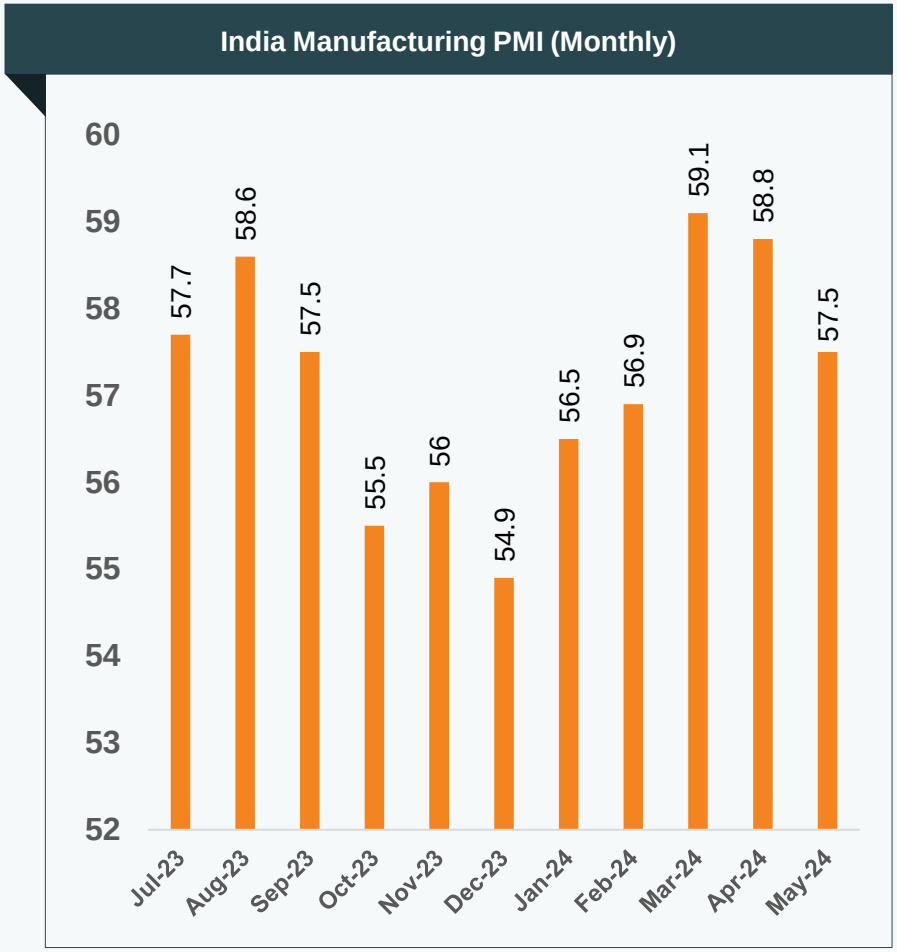
- The Index of Eight Core Industries (ICI) is an index reflecting the production performance of eight core industries - coal production, crude oil production, natural gas production, petroleum refinery processing, steel production, cement production and electricity generation.
- The combined index of eight core industries stood at 157.8 for 2023-24 against 146.7 for 2022-23.



Note: *MT - Million Tonnes, BCM - Billion Cubic Metres, MWH - Mega Watt Hour*
Source: *Office of the Economic Adviser*

Manufacturing sector PMI

- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) indicates the sentiments relating to manufacturing activity in the economy.
- A value above 50 reflects positive sentiments and potential expansion of the sector.
- In March 2024, the Manufacturing Purchasing Managers' Index (PMI) in India stood at 59.1.
- India's manufacturing industry witnessed its fastest expansion in 16 years in March, with the HSBC final India Manufacturing Purchasing Managers' Index (PMI) soaring to 59.1, the highest since February 2008. This surge was fuelled by increased demand, resulting in notable improvements in new orders, output, input stocks, and job creation, as reported by S&P Global.
- In May 2024, the Manufacturing Purchasing Managers' Index (PMI) in India stood at 57.5.

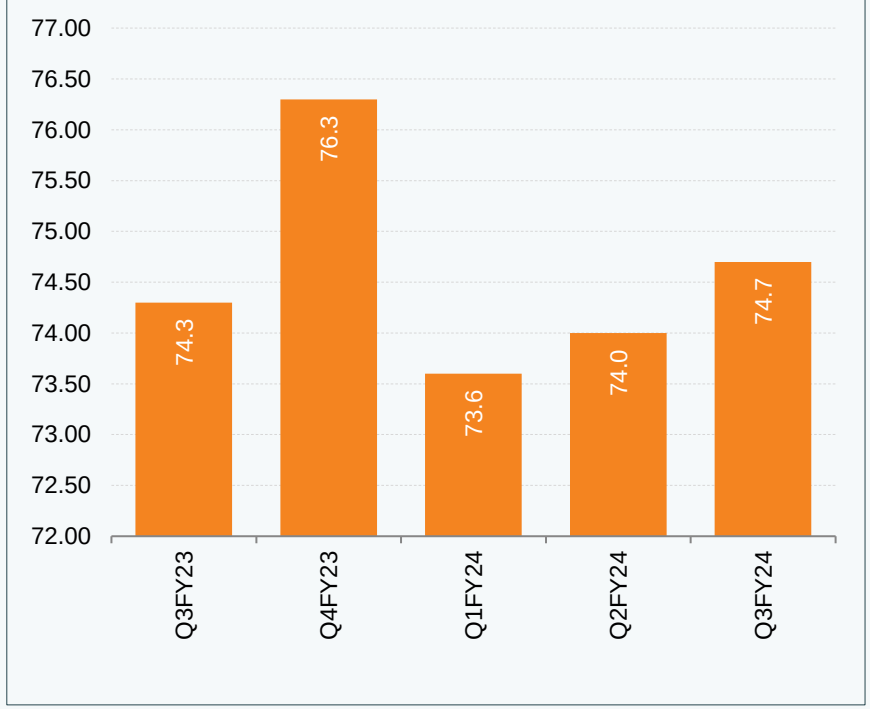


Source: *IHS Markit*

Capacity utilisation in manufacturing sector

- Capacity utilisation in the manufacturing sector is measured by Reserve Bank of India (RBI) in its quarterly order books, inventories and capacity utilisation survey.
- It indicates not only the production levels of companies but also the potential for future investment.
- As per the survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI), capacity utilisation in India's manufacturing sector stood at 74.7% in the third quarter of FY24, indicating a significant recovery in the sector.
- In Q2 FY24, the survey, which covered 380 manufacturers that account for about Rs. 4.8 trillion (US$ 58 billion) in sales, showed a robust 74% capacity utilization and improved future investment outlook during Q2.
- Capacity utilization at manufacturing facilities was at a robust 74.3% in Q3 of FY23, up from 74% in Q2. Utilization has held above the 72% mark since Q3 of FY22, indicating that the manufacturing activity is taking place at a brisk pace.
- India's manufacturing sector, driven by pharmaceuticals, motor vehicles, and cement, demonstrated resilience despite weak global demand in July-August 2023. PMI remained robust, reflecting domestic economic strength. Capacity utilization in manufacturing trended upwards, signalling positive investment prospects. RBI MPC maintained policy repo rate to control inflation.
- At the aggregate level, the capacity utilization (CU) in the manufacturing sector increased to 74.7% in Q3:2023-24 from 74% in the previous quarter.

Capacity Utilisation in Manufacturing Sector (in %)

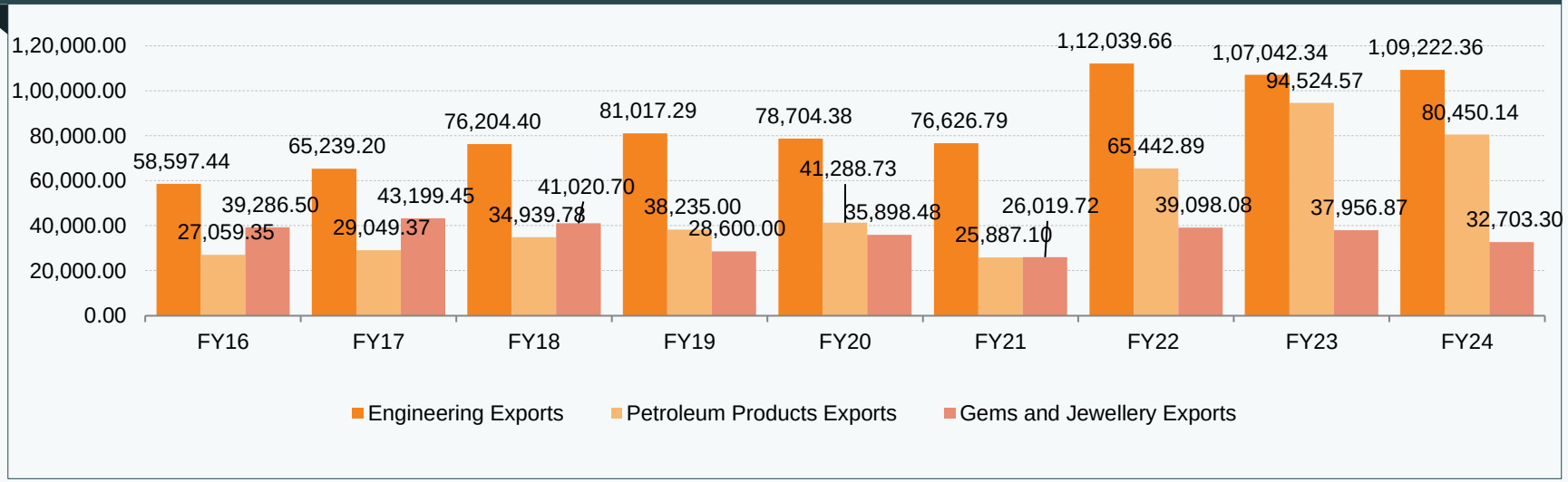


Source: *Reserve Bank of India Order Books, Inventories and Capacity Utilisation Survey*

Exports of manufactured goods

- Manufacturing is a key component of India’s merchandise export.
- India's overall exports during the April-March period of 2023-24 are estimated to be US$ 776.68 billion, reflecting a marginal positive growth of 0.04% over the April-March period of 2022-23. In March 2024 alone, exports stood at US$ 70.21 billion.
- Manufacturing exports registered the highest ever annual exports of US$ 447.46 billion with 6.03% growth during FY23 surpassing the previous year (FY22) record exports of US$ 422 billion.
- Chemicals, pharmaceuticals, electronics, automotive, industrial machinery, and textiles (among others) are expected to propel manufacturing exports to reach US$ 1 trillion by FY28.
- In FY24, the export of the top 6 major commodities (Engineering goods, Petroleum products, Gems and Jewellery, Organic and Inorganic chemicals, Electronics goods and Drugs and Pharmaceuticals) stood at US$ 308.65 billion.

Export performance of select industries (US$ million)



Source: *EEPC, DGCIS, GJEPC, CHEMEXCIL, PHARMEXCIL, Bain & Company, News Articles*

Role in employment

- Manufacturing constitutes a significant part of employment in India.
- During the financial year 2023-24, around 1.65 crore net members were added by EPFO with an increase of 19% compared to the previous financial year 2022-23 wherein EPFO had added approximately 1.38 crore net members.
- The Employees' Provident Fund Organisation (EPFO) added 8.41 lakh people in December 2023.
- Samsung India has partnered with the National Skill Development Corporation (NSDC) to train 50,000 young people as part of a CSR programme called ‘Samsung DOST’ (Digital & Offline Skills Training) to prepare them for careers in the electronics retail industry.
- EPFO's provisional payroll data for February 2024 shows a net addition of 15.48 lakh members, with the 18-25 age group constituting 56.36% of new additions and around 2.05 lakh new female members added, reflecting significant increases in both youth and female employment compared to the previous year's net addition of 12.34 lakh members and 1.75 lakh new female members.
- The overall intent to hire, across manufacturing and services sectors combined, increased from 61% in Q2 to 65% in Q3 and is projected to cross 70% in the next few quarters, according to the “Employment Outlook Report” for Q3, which surveyed 311 manufacturing companies across 14 cities in India.

Net Subscribers added to EPFO in February 2024

Category	Value
Total	15,48,000
Members who re-joined	11,78,000
18-25 years old	56.36%
Female	205,000

Note: *Updating of employee records is a continuous process, thus data gets updated in subsequent months*

Source: *MOSPI, World Bank, Press Information Bureau, EPFO*

Recent Trends and Strategies

IBEF
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Notable trends in India's manufacturing sector

2. MOTHERBOARD MANUFACTURING

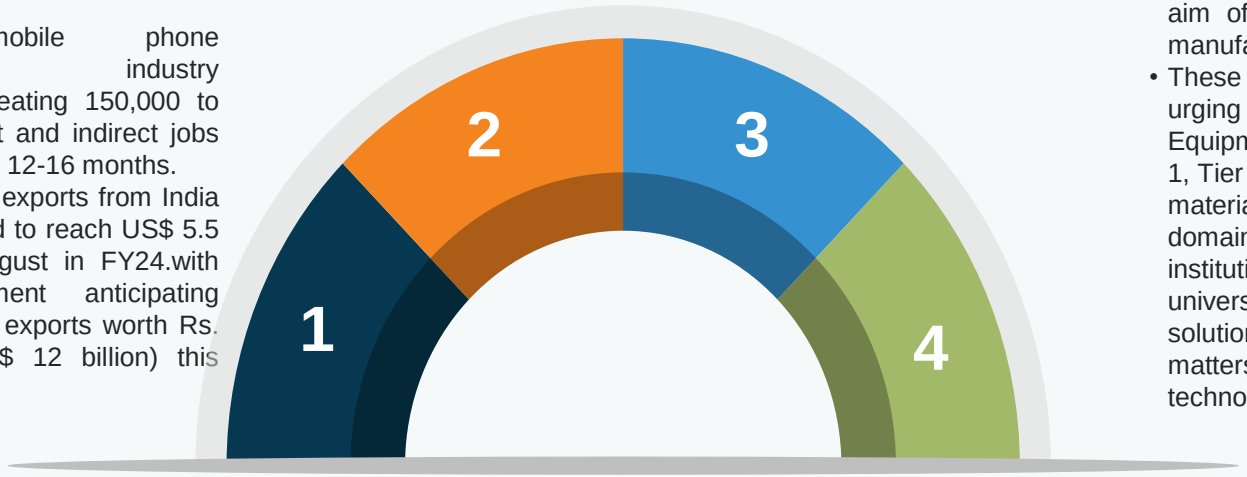
- Electronic motherboards demand in India is expected to grow by over six folds to reach ~ US$ 81.5 billion by 2026, according to Manufacturers' Association for Information Technology report. Between FY21 and FY26, India is expected to generate cumulative export revenue of US$ 101 billion.

3. INDUSTRIAL INTERNET OF THINGS (IIOT) AND INDUSTRY 4.0

- The fourth industrial revolution, Industry 4.0 is poised to happen on a global scale, taking the automation of manufacturing processes to a new level by linking the cyber & physical, incorporating AI and enabling customized and flexible mass production technologies.

1. EXPORT-DRIVEN EXPANSION

- India's mobile phone manufacturing industry anticipates creating 150,000 to 250,000 direct and indirect jobs within the next 12-16 months.
- Mobile phone exports from India nearly doubled to reach US$ 5.5 billion, by August in FY24.with the government anticipating mobile phone exports worth Rs. 1 trillion (US$ 12 billion) this year.



4. TECHNOLOGY INNOVATION PLATFORMS

- Six new technology innovation platforms launched to enhance indigenous manufacturing. The platforms have been developed with the aim of facilitating globally competitive manufacturing in India.
- These six platforms will work towards urging industries (including Original Equipment Manufacturers (OEMs), Tier 1, Tier 2, and Tier 3 companies and raw material manufacturers), start-ups, domain experts/professionals, R&D institutions and academia (college and universities) to come up with technology solutions, suggestions and opinions on matters related to manufacturing technologies

Note: *ISRO - Indian Space Research Organisation, * - by PwC, IISC - Indian Institute of Science*

Source: *PwC India Manufacturing Barometer, FICCI, Bloomberg Quint, News Articles*

Strategies adopted

1. DIGITAL TECHNOLOGIES

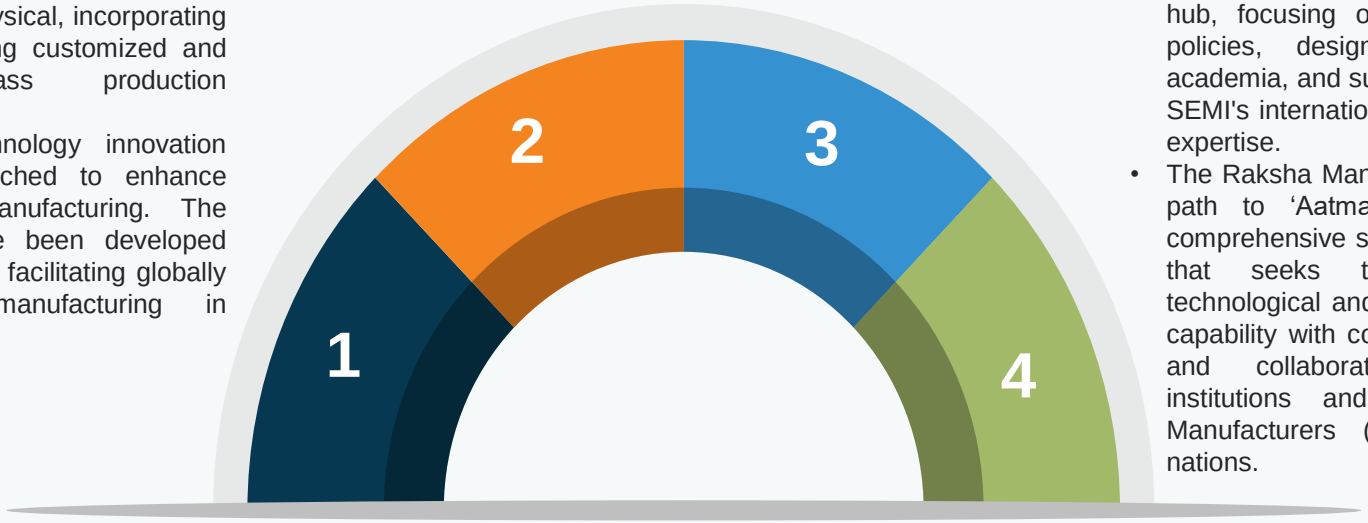
- The fourth industrial revolution, Industry 4.0 is poised to happen on a global scale, taking the automation of manufacturing processes to a new level by linking the cyber & physical, incorporating AI and enabling customized and flexible mass production technologies.
- Six new technology innovation platforms launched to enhance indigenous manufacturing. The platforms have been developed with the aim of facilitating globally competitive manufacturing in India.

2. FOCUS ON BACKWARD INTEGRATION

- Backward integration gives a business higher control on the cost, quality, and quantity of raw material (the level of control depends on how far up the value chain a business can reach). These synergies result in lower costs and better margins, especially in high-volume, low-margin industries like steel manufacturing or refining.

3. FOCUS ON FORWARD INTEGRATION

- Forward integration is a strategy adopted by businesses to reduce production costs and improve the firm's efficiency by acquiring supplier companies and, therefore, replacing the third-party channels and consolidating its operations.



4. COLLABORATION

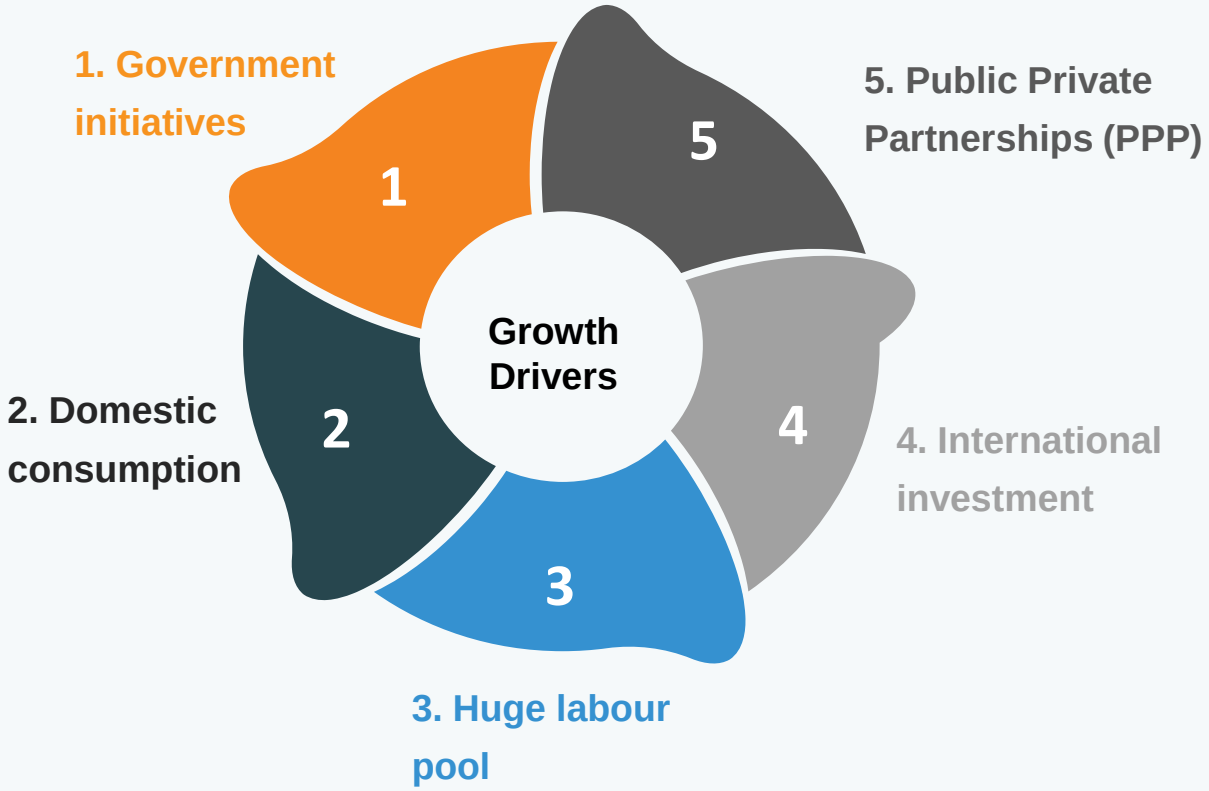
- Semiconductor associations IESA and SEMI signed a Memorandum of Understanding (MoU) in Bengaluru to establish India as a global manufacturing hub, focusing on talent development, policies, design, skilling, research, academia, and supply chains, leveraging SEMI's international network and IESA's expertise.
- The Raksha Mantri emphasized that the path to 'Aatmanirbhar Bharat' is a comprehensive set of policy frameworks that seeks to build indigenous technological and production capacity & capability with cooperation, participation and collaborations with reputed institutions and Original Equipment Manufacturers (OEMs) from friendly nations.

Source: *Annual Reports and Company Presentations, Press Information Bureau, News Articles,*

Growth Drivers and Opportunities

IBEF
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Growth drivers for manufacturing in India



Make in India 2.0

- Make in India' is an initiative which was launched on September 25, 2014, to facilitate investment, foster innovation, build best-in-class infrastructure, and make India a hub for manufacturing, design, and innovation. It is one of the unique 'Vocal for Local' initiatives that promoted India's manufacturing domain to the world.
- Make in India' initiative has significant achievements and presently focuses on 27 sectors* under Make in India 2.0. Department for Promotion of Industry and Internal Trade (DPIIT) is working closely with 24 sub-sectors which have been chosen keeping in mind the Indian industries strengths and competitive edge, need for import substitution, potential for export and increased employability. These 24 sub-sectors are: Furniture, air-conditioners, leather and footwear, ready to eat, fisheries, agri-produce, auto components, aluminium, electronics, agrochemicals, steel, textiles, EV components and integrated circuits, ethanol, ceramics, set top boxes, robotics, televisions, close circuit cameras, toys, drones, medical devices, sporting goods, gym equipment.
- Through Make in India 2.0, the government aims to continue the momentum of the Make in India initiative, driving economic growth, job creation, and self-reliance in the country.
- The Government of India is making continuous efforts under Investment Facilitation for implementation of Make in India action plans to identify potential investors. Support is being provided to Indian Missions abroad and State Governments for organizing events, summits, road-shows and other promotional activities to attract investment in the country under the Make in India banner. Investment Outreach activities are being carried out for enhancing International co-operation for promoting FDI and improve Ease of Doing Business in the country.
- Government has taken various steps in addition to ongoing schemes to boost domestic investments in India. These include the National Infrastructure Pipeline, Reduction in Corporate Tax, easing liquidity problems of NBFCs and Banks, trade policy measures to boost domestic manufacturing. Government of India has also promoted domestic manufacturing of goods through public procurement orders, Phased Manufacturing Programme (PMP), Schemes for Production Linked Incentives of various Ministries.

*Note: *Make in India 2.0 - 27 sectors: Manufacturing Sectors: Aerospace and Defence, Automotive and Auto Components, Pharmaceuticals and Medical Devices, Bio-Technology, Capital Goods, Textile and Apparels, Chemicals and Petro chemicals, Electronics System Design and Manufacturing (ESDM), Leather & Footwear, Food Processing, Gems and Jewellery, Shipping, Railways, Construction, New and Renewable Energy ; Service Sectors: Information Technology & Information Technology enabled Services (IT &ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services, Education Services*

Source: *Bloomberg, Economic Times*

Skill India Mission 2.0

- Skill India Campaign was launched in 2015 with an aim to train over 400 million people in various skills. It involves various schemes such as National Skill Development Mission, Pradhan Mantri Kaushal Vikas Yojana and National Policy for Scheme Development and Entrepreneurship.
- In September 2021, Indian government launched Entrepreneurship Development Centre in Kohima, under the SANKALP project, to boost skill training for rural youths.
- As of December 2022, there were about 14,953 Industrial Training Institutes (ITIs) in India.
- Since its inception in 2015, approximately 1.40 crore candidates have undergone training or orientation under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) as per Skill India Digital data until December 13, 2023.
- In the Short-term Training (STT) program, where placement was incentivized, 42% of the candidates found placement opportunities in various sectors nationwide. This translates to 24.39 lakh candidates being successfully placed out of 57.42 lakh candidates certified in STT.
- Under Skill India Mission 2.0, the government will impart skills training to the youth for overseas opportunities and for jobs in some sectors under its production-linked incentive scheme, in what could be a move towards demand-driven and outcome-based approach to skilling. This will be part of the government's revamped skills programme called Skills India Mission 2.0.
- Union Minister of Education and Skill Development & Entrepreneurship, Mr. Dharmendra Pradhan inaugurates Rashtriya Udyamita Vikas Pariyojana under Skill India Mission, empowering PM SVANidhi beneficiaries with comprehensive 22-week entrepreneurship training, including theoretical and practical components, in collaboration with Flipkart and focusing on 40% women participation.
- Last year, the government had invited ideas for the Skill India 2.0 in a bid to urgently create a “reliable and qualified workforce” and help it to “tap into new opportunities”.
- Under the new scheme, the government is focusing on strengthening the digital skill ecosystem as technical skills like augmented and virtual reality (AR/VR), machine learning, and the ability to work with data, including automated systems, have “become a must-have”.
- Under the revamped Skill India scheme, the government is aiming to train around 50,000 young people in Meghalaya. As far as other states in the North-East region are concerned, the Skill Development Ministry has set a target to skill around 60,000 youth in Tripura and 35,000 in Nagaland across a spectrum of approved courses.

Source: *Budget, Economic Times, Media sources, Ministry of Skill Development and Entrepreneurship*

Startup India

- In Union Budget 2021-22, the government proposed to allow one-person companies (OPCs) to be incorporated—a move that would favour start-ups and innovators.
  - Minister of Finance Ms. Nirmala Sitharaman stated that the incorporation of OPCs would be encouraged by enabling such companies to expand without restriction on paid-up capital and turnover by permitting any other form of company to be converted at any time by reducing the residency limit for an Indian citizen to set up an OPC from 182 days to 120 days and by allowing non-resident Indians to incorporate OPCs in India.
- The Government of India has prepared the 'Startup India Vision 2024' document with tax incentives and other measures to promote new ventures.
- The Startup India Seed Fund Scheme (SISFS) supports startups with financial assistance for proof of concept, prototype development, and market entry, involving 198 selected incubators and 1,740 startups with a total approved funding of Rs 802.98 crore (US$ 96.58 million) as of December 31, 2023.
- The Startup India initiative unveiled an Action Plan to cultivate a vibrant startup ecosystem, emphasizing innovation, private investment, and streamlined support mechanisms for entrepreneurial endeavors. This comprehensive strategy aims to propel startups towards growth and sustainability in the dynamic market landscape.
  - On December 25, 2023, InCred achieved unicorn status, raising US$60 million at a valuation of US$1.04 billion, marking India's second unicorn of the year. The capital infusion aims to bolster InCred's business verticals such as consumer loans, student loans, and MSME lending.
- DPIIT recognizes 7,559 startups in Tamil Nadu under Startup India Initiative till December 2023, showcasing the state's vibrant entrepreneurial ecosystem nurtured through schemes like SISFS, FFS, and CGSS, aimed at providing financial assistance, venture capital investments, and collateral-free loans respectively.
- On August 26, 2023, Zepto announced a Series E funding round, raising US$ 200 million at a valuation of US$ 1.4 billion, making it India's first unicorn of 2023. The investment was led by US private market investor StepStone Group, marking its first direct investment in an Indian firm.
- India is now the third-largest ecosystem for start-ups globally and ranks second in innovation and quality among middle-income countries.
- India is currently home to more than 1,17,254 DPIIT-recognized startups and 113 unicorns.
- The Union Budget 2023-24 proposed to extend the date of incorporation for income tax benefits to start-ups from March 31, 2023, to March 31, 2024. It also provides the benefit of carrying forward of losses on change of shareholding of start-ups from 7 years of incorporation to 10 years.

Source: *Media sources, Press Information Bureau, Union Budget 2023-24, Economic Survey 2022-23*

National manufacturing policy

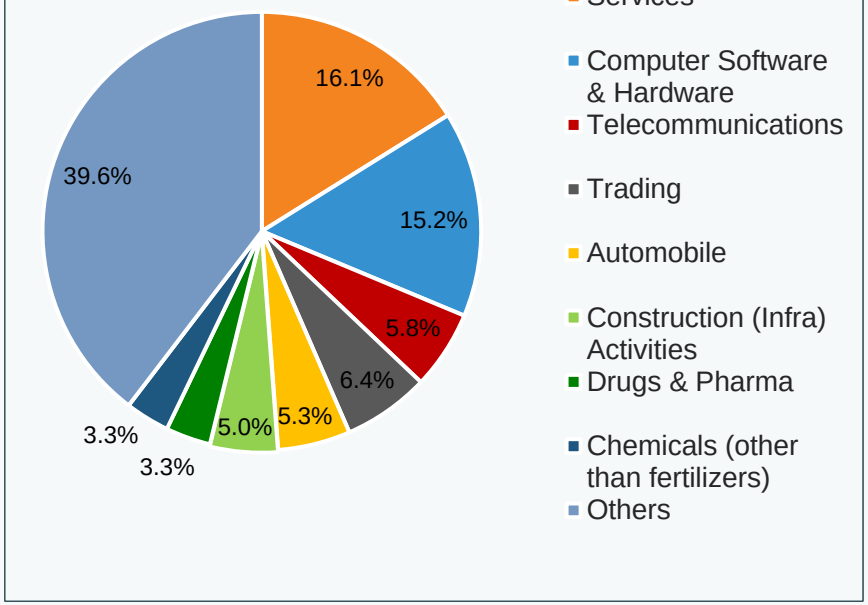
- National Manufacturing Policy was introduced in to increase the sectoral share of manufacturing in GOP to at least 25% by 2022; to increase the rate of job creation so as to create 100 million additional jobs by 2022; and to enhance global competitiveness, domestic value addition, technological depth and environmental sustainability of growth.
- The policy has been formulated after detailed consultations with the industry; subject matter experts; State Governments and the concerned Ministries/Departments of the Government of India. The policy envisages specific interventions broadly in the areas of industrial infrastructure development; improvement of the business environment through rationalization and simplification of business regulations; development of appropriate technologies especially green technologies for sustainable development and skill development of the younger population.
- The policy was introduced to create an enabling policy framework and provide incentives for infrastructure development on PPP basis.
- Under the policy, National Investment and Manufacturing Zones (NIMZ's) have been conceived as large industrial townships managed by a Special Purpose Vehicle (SPV). These SPV's would ensure planning of the zones, pre-clearances for setting up industrial units and undertaking other specific functions.
- Fourteen NIMZ's have already been granted 'in principle' approval while four of them have been given final approval.
- Central and State governments will provide exemptions subject to fulfillment of conditions by the SPV from compliance burdens for industries located in these zones.
- Exemption from Capital Gains Tax on sale of plant and machinery will be granted in case of re-investment of the capital gain amount for purchase of plant and machinery within the same or different NIMZ within three years of sale.
- A Technology Acquisition and Development Fund (TADF) has been launched for acquisition of appropriate technologies, creation of a patent pool and development of domestic manufacturing of equipment's for reducing energy consumption.

Source: *Media sources, Press Information Bureau*

Foreign investments flowing into the sector

- According to the White & Case, India ranked eight among the top recipients of Foreign Direct Investment (FDI) in the world in 2023.
- 100% FDI is approved in the sector through automatic route under the current FDI Policy.
- In FY24, India received a total foreign direct investment (FDI) inflow of US$ 46.42 billion.
- Between April 2000-March 2024:
  - The automobile sector received FDI inflows of US$ 36.26 billion.
  - The chemical manufacturing sector (excluding fertilisers) received FDI inflows worth US$ 22.14 billion.
  - The drug and pharmaceutical manufacturing sector received FDI inflows worth US$ 22.52 billion.
  - The Food Processing Industries received FDI inflows worth US$ 12.58 billion.
- Amazon Inc's cloud computing division, Amazon Web Services, became the latest company to invest in India. The company has planned to invest US$13 billion (over Rs 1 lakh crore) in India by 2030 to build its cloud infrastructure and create thousands of jobs.
- India aims for US$ 100 billion annual foreign direct investment (FDI) in the coming years, according to Union Minister of Information and Broadcasting Mr. Ashwini Vaishnaw, as part of the government's strategy focused on infrastructure investment, social upliftment, manufacturing growth, and simplification of business processes, amidst projections of consistent 6-8% economic growth over the next decade.

Total FDI equity inflow in the manufacturing subsectors between April 2000-March 2024



Source: *DPIIT, UNCTAD*

Opportunities in manufacturing

Defence manufacturing

- Ministry of Defence has set a target of achieving a turnover of US$ 25 million in aerospace and defence Manufacturing by 2025, which includes US$ 5 billion exports.
- On March 13, 2024, the Ministry of Defence contracted AVNL for 693 Armament Upgrades, enhancing Infantry Combat Vehicle BMP2 to BMP2M, with a focus on indigenous development.

Government initiatives

- Through initiatives like the PLI Scheme and targeted budget allocations, the government is actively promoting diversification and growth within the manufacturing sector. By incentivizing key industries such as automobiles, electronics, pharmaceuticals, and food processing, India seeks to capitalize on emerging market trends.
- The government has launched several initiatives from time to time like MUDRA Yojana, Emergency Credit Line Guarantee Scheme, Scheme of Fund for Regeneration of Traditional Industries (SFURTI) etc. to provide necessary and timely support to the MSME sector, which has helped benefit crores of people across the country.

Electronic goods manufacturing

- By 2030, the Indian government expects the electronics manufacturing sector to be worth US$ 300 billion.
- Initiatives like Make in India, Digital India and Startup India have given the much-needed thrust to the Electronics System Design and Manufacturing (ESDM) sector in India.
- Moreover, the government's endeavors such as Modified Special Incentive Scheme (M-SIPS), Electronics Manufacturing Clusters, Electronics Development Fund and National Policy on Electronics 2019 (NPE 2019) have been a huge success.
- The Scheme for Promotion of Manufacturing of Electronic Components and Semiconductors (SPECS) has been notified with an aim to strengthen the value chain for the manufacturing of electronic products in India.

Source: *Media sources, Invest India, Press Information Bureau, MakeinIndia*

Key Highlights of Union Budget 2024-25

IBEF
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Key highlights of Union Budget

- In the interim budget 2024, the allocation for the Production Linked Incentive (PLI) Scheme for various sectors saw a substantial increase, with notable examples including a 360% rise to Rs 6,903 crore (US$ 830 million) for the Semiconductors and Display Manufacturing Ecosystem and a 623% surge to Rs 3,500 crore (US$ 421 million) for the Automobile sector.
- In the interim budget 2024, there was commendable fiscal responsibility demonstrated alongside significant investments in infrastructure, including emphasis on affordable housing, clean energy, and technological advancement. Additionally, the budget allocated funds for the creation of a Rs 1-lakh crore (US$ 12 billion) innovation fund for sunrise domains, providing a substantial boost for the startup industry. Moreover, there was a notable focus on promoting the shift to electric vehicles (EV) through the expansion of EV charging networks, thereby offering opportunities for small vendors in manufacturing and maintenance.
- In the Interim Union Budget 2024-25, the Ministry of Defence has been allocated Rs. 621,541 crore (US$ 74.78 billion), marking a significant increase of approximately 4.72% from the previous allocation of Rs. 593,538 crore(US$ 71.41 billion).
- As per the Union Budget 2023-24, the income tax rate for new co-operative societies engaged in manufacturing activities has been lowered from 22% to 15% (plus 10% surcharge).
- Startups incorporated within a time-period and meeting other conditions can deduct up to 100% of their profits; the end of this period has been extended from March 31, 2023 to March 31, 2024. In addition, the period within which losses of startups may be carried forward has been extended from seven to ten years.
- The upper limit on turnover for MSMEs to be eligible for presumptive taxation has been raised from Rs 2 crore (US$ 2,43,044) to Rs 3 crore (US$ 3,64,528). The upper limit on gross receipts for professionals eligible for presumptive taxation has been raised from Rs 50 lakh (US$ 60,754) to Rs 75 lakh (US$ 91,132).
- Expenditure on fertilizer subsidy is estimated at Rs 1,75,100 crore (US$ 21.2 billion) in 2023-24. This is a decrease of Rs 50,120 crore (US$ 6.09 billion) (22.3%) from the revised estimate of 2022-23. Fertilizer subsidy for 2022-23 was increased substantially in response to a sharp increase in international prices of raw materials used in the manufacturing of fertilizers.
- Basic customs duty on seeds used in the manufacture of Lab Grown Diamonds has also been reduced.

Source: *Media sources*

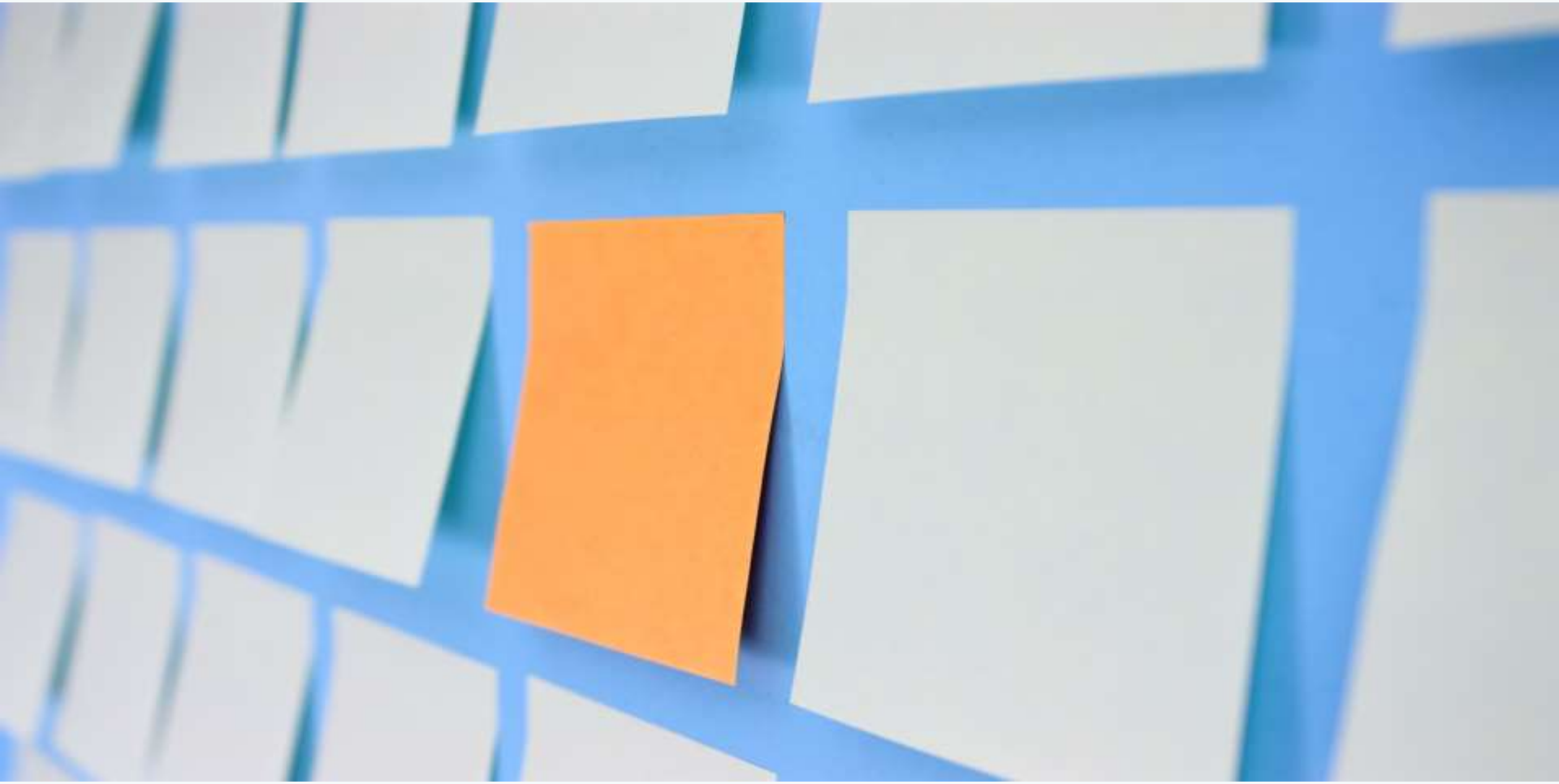
Key Industry Contacts

IBEF
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Key Industry Contacts

Agency	Contact Information
The Textile Association (India) (TAI)	72-A, Santosh, Dr M B Raut Road, Shivaji Park, Dadar (W), Mumbai- 400 028 Telefax: 91 22 24461145 Website: www.textileassociationindia.org
All India Food Processors' Association (AIFPA)	206, Aurbindo Place Market, Hauz Khas - 110016, New Delhi Phone: 011-26510860, 41550860 E-mail: aifpa@vsnl.net Website: www.aifpa.net
Cement Manufacturers' Association (CMA)	CMA Tower A-2E, Sector 24, Noida - 201301, Uttar Pradesh Phone: 0120-2411955, 2411957, 2411958 E-mail: cmand@cmaindia.org Website: www.cmaindia.org
Automotive Component Manufacturers Association of India (ACMA)	The Capital Court 6th Floor, Olof Palme Marg, Munirka - 110067, New Delhi Phone: +91-11-26160315 E-mail: acma@acma.in Website: www.acma.in

Appendix



Glossary

- BTRA: Bombay Textile Research Association
- CAGR: Compound Annual Growth Rate
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March)
- GOI: Government of India
- Rs.: Indian Rupee
- US$: US Dollar
- ACMA: Automotive Component Manufacturers Association of India
- Wherever applicable, numbers have been rounded off to the nearest whole number

Exchange rates

Exchange Rates (Fiscal Year)

Year	Rs. Equivalent of one US$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49
2020-21	73.20
2021-22	74.42
2022-23	78.60
2023-24	82.80

Exchange Rates (Calendar Year)

Year	Rs. Equivalent of one US$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89
2020	74.18
2021	73.93
2022	79.82
2023	82.61
2024*	83.21

Note: **- Until April 2024*
Source: *Foreign Exchange Dealers' Association of India*

Disclaimer

This presentation is for information purposes only. While due care has been taken during the compilation of this presentation to ensure that the information is accurate to the best of IBEF's knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability, damages or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

IBEF shall not be liable for any special, direct, indirect or consequential damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.