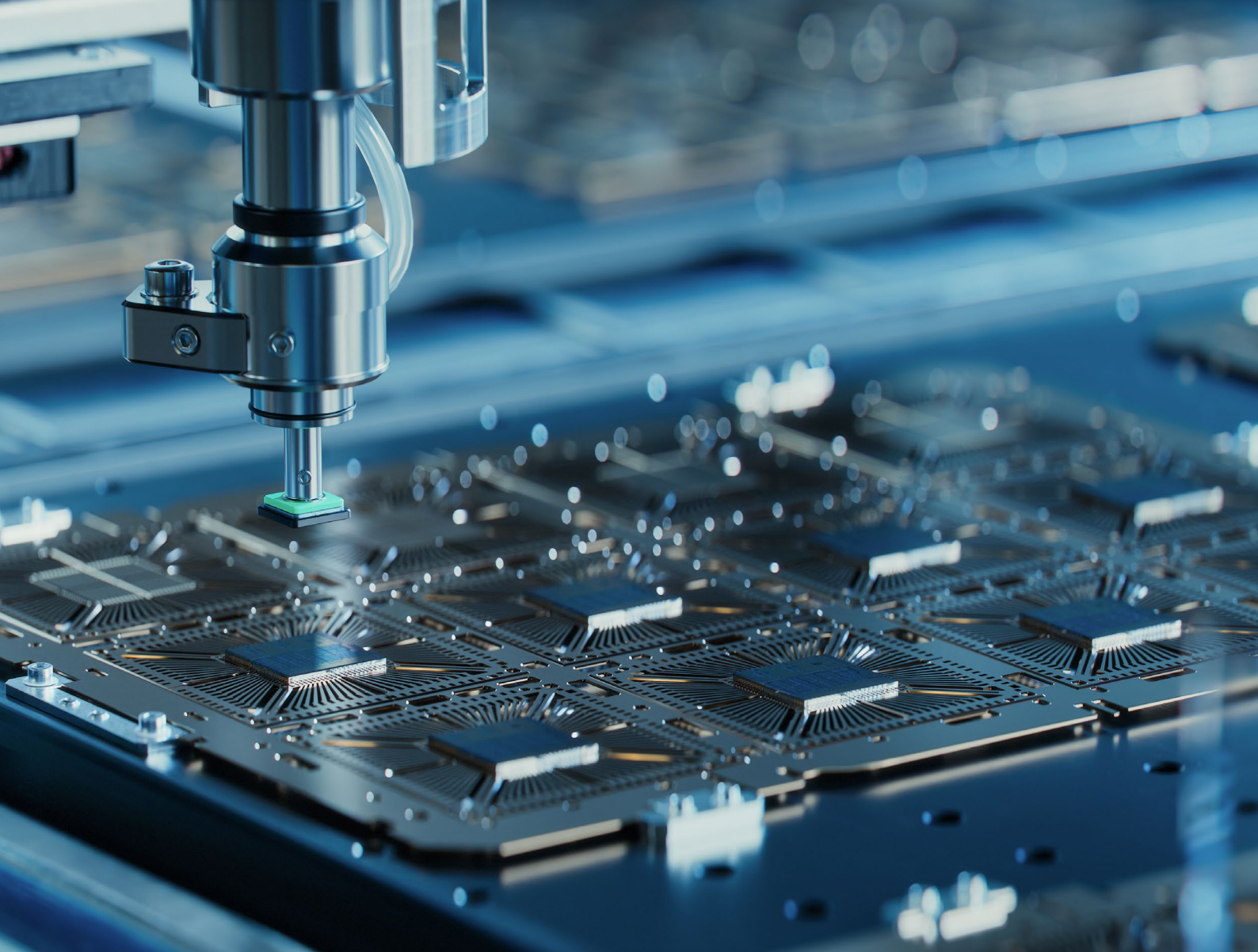




Advantage India

What makes the country a
competitive global manufacturing
powerhouse



Advantage India: What makes India ready for global manufacturing investments?

- 01** India is the only large economy globally showing encouraging economic indicators – offering both scale and growth.
- 02** India's economic growth has both the breadth and depth to merit serious investment consideration.
- 03** The demand for new investments is through consistent growth in sunrise sectors, driven by technology enhancements and changing consumer demands.
- 04** As a global powerhouse of captives and services companies, India offers a strong business ecosystem, skilled workforce and well-developed ICT infrastructure.
- 05** The investment climate has significantly transformed through positive interventions of the Government of India (GoI) as well as state governments.
- 06** Ease of doing business (EoDB) has also leapfrogged in the past few years due to significant infrastructure improvements, regulatory simplifications and digitisation.
- 07** India is evolving into a competitive alternative to other manufacturing hubs in the Asia-Pacific region with substantial improvements in the manufacturing ecosystem and favourable demographic tailwinds.

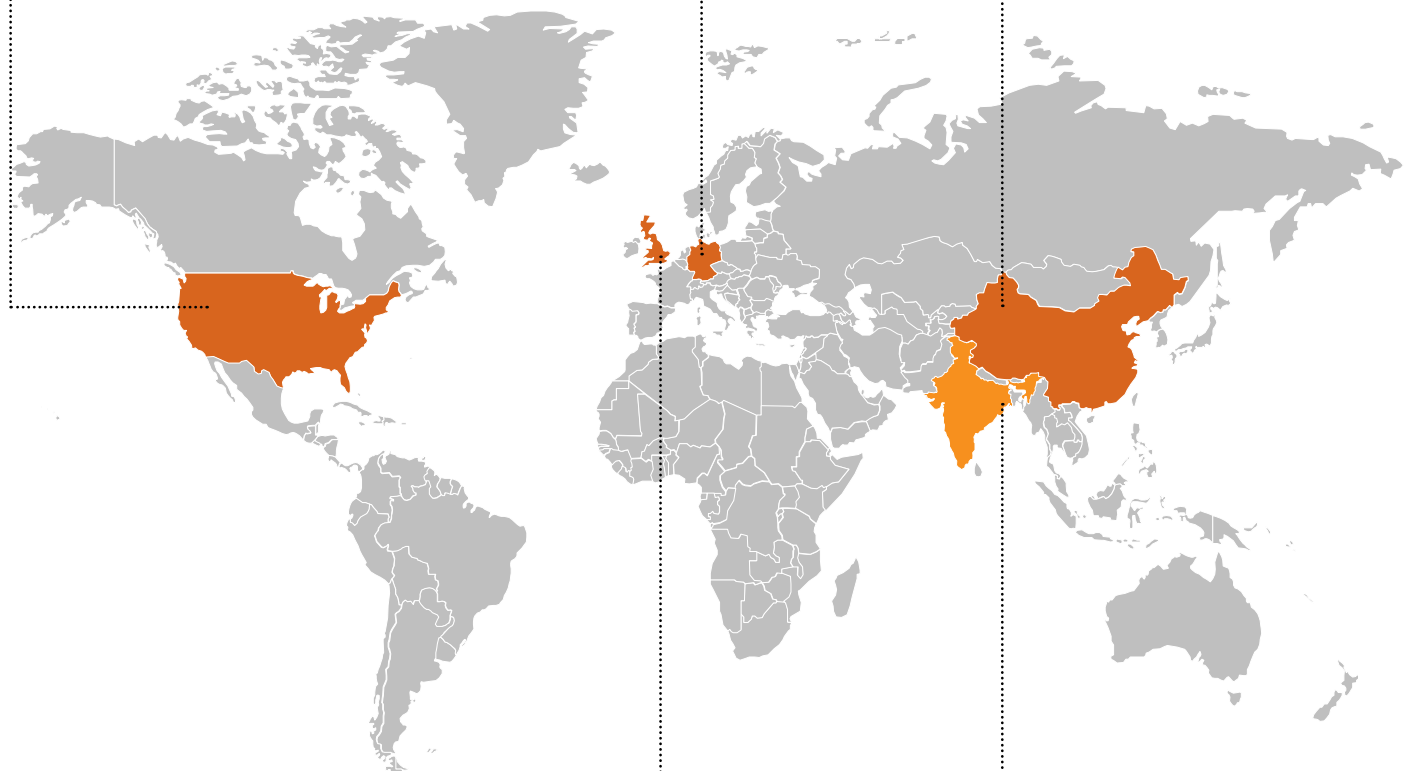
Global economic trends position India uniquely for new investments

As organisations rethink their strategies to mitigate global geopolitical and concentration risks, India offers a comparatively stable manufacturing and investment environment

Germany: Europe's largest economy is heading towards contraction with a negative annual growth rate, increasing energy prices, and highest inflation in over 25 years.

● **USA:** High inflation, rising interest rates, liquidity concerns. GDP recovering, recession avoided so far.

● **China:** Post COVID-19 numbers show weak recovery. Growth targeted at nearly 5% with a focus on domestic growth and disruptions in supply chain.

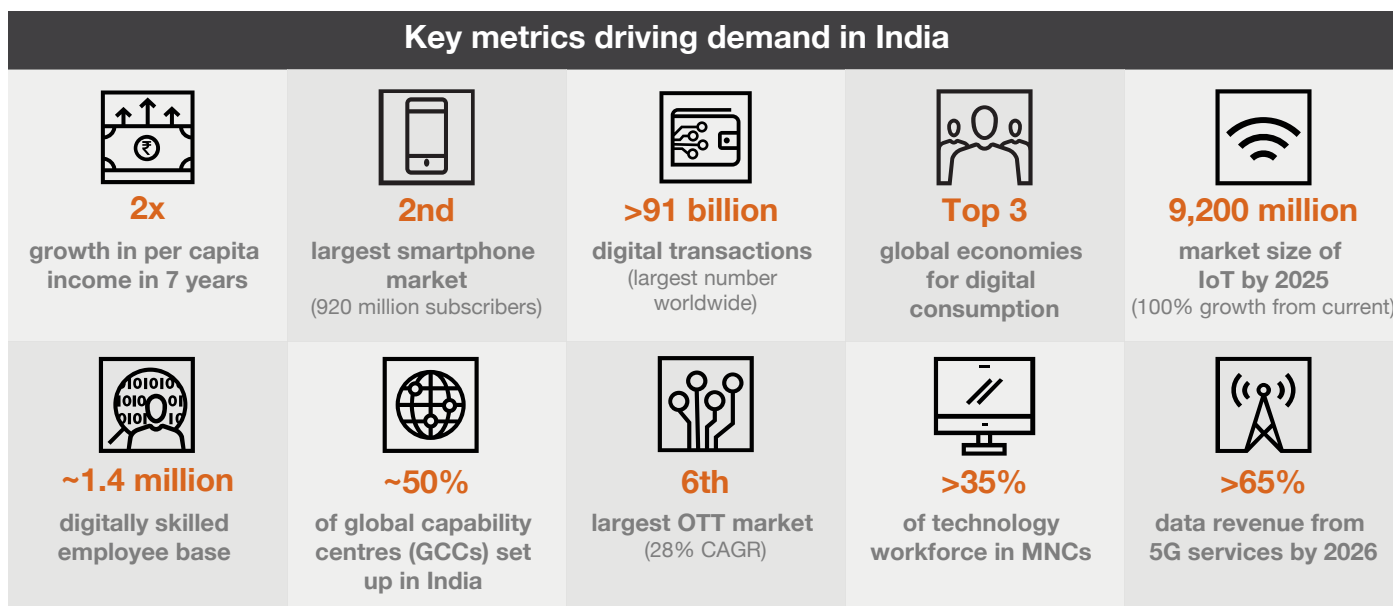


● **UK:** Economy faces serious challenges such as high inflation, weaker pound and high energy bills.

● **India:** Poised for 6–7% growth, the fastest among all major economies. Has the lowest possibility of recession globally. Best suited to receive manufacturing shifts driven by geopolitical considerations.

Source: World Economic Outlook, October 2022

A snapshot of India's strong performance on macroeconomic indicators



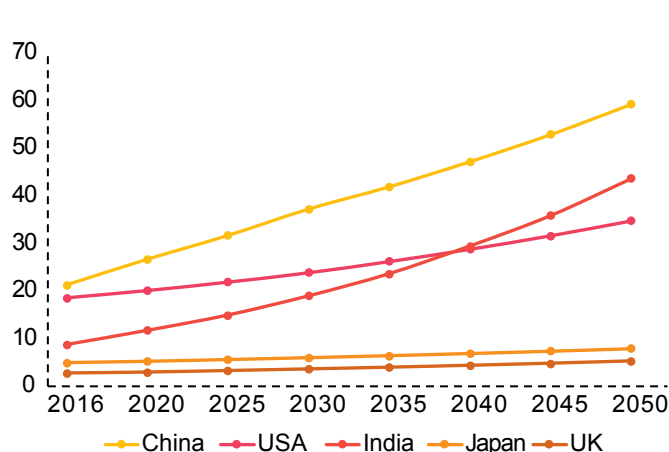
Sources: IBEF, MeitY, IESA, Press Information Bureau

India has attracted significant FDI in the IT hardware, telecom, pharmaceutical and chemical sectors

- India could edge past the US to become the world's second largest economy before 2040.
- India has created a strong economic base and looks poised to achieve the status of a developed country over the next 25 years.
- India has attracted FDI over USD 919.6 billion from FY 2000 to FY 2023.
- FDI inflow in the last eight FYs (2014–22) has increased by 82% to USD 525.10 billion from USD 289.03 billion in the previous eight FYs (2006–14).
- FDI equity inflow in manufacturing increased by 76% in FY 2021–22 (USD 21.34 billion) compared to the previous FY 2020–21 (USD 12.09 billion).

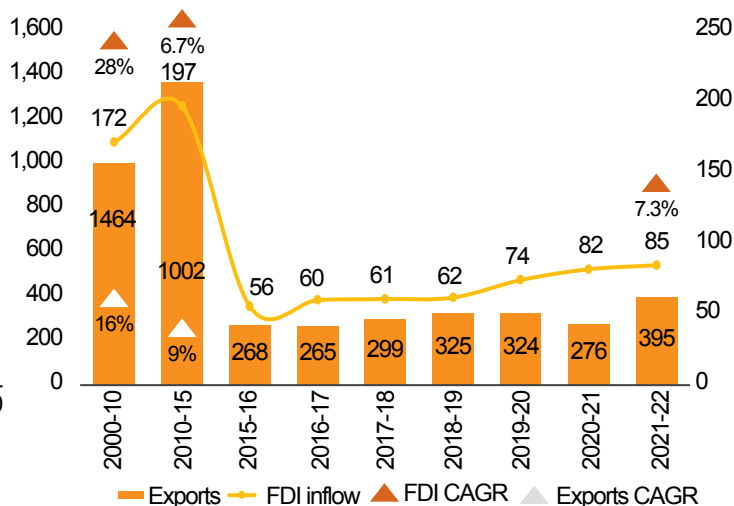
India will contribute to 15% of the global GDP by 2050

GDP in PPP terms (USD trillion)



Source: IMF for 2016 estimates, PwC's projections for 2030 and 2050; PwC's 'The long view: how will the global economic order change by 2050'?

Growth in FDI inflow into India and exports since FY 2000–22 (USD billion)



Source: FDI statistics, DPIIT; World Bank

3. The demand for new investments is through consistent growth in sunrise sectors, driven by technology enhancements and changing consumer demands.

Sunrise sectors are enabling the growth of new investments in India, guided by technology enhancements and changing consumer demands



Mobiles and wearables

- Segment to grow from USD 38.6 billion in FY21 to USD 83.4 billion in FY26
- 2nd largest smartphone market
- Potential to have 850 million smartphone users by FY26 (55% of the population)



Information technology (IT)

- IT market is expected to reach USD 17.4 billion by FY26
- Demand for data servers could rise by 10x owing to technological changes and Govt's focus on data localisation



Telecom

- 2nd largest telecom market, expected to grow at 16% CAGR
- 60x growth in data traffic in the last 5 years
- 850 million+ internet subscribers
- One of the biggest data consumers – ~11 GB per month per user in FY20



Industrial

- EV chargers and industrial drones are two of the highest growing segments at 96% and 49% respectively
- 15% growth in IoT is expected to drive the growth of the sector



Consumer electronics

- 22% of the electronics industry in India
- The sector is expected to grow at a CAGR of 6.5%
- AC, refrigerators, TVs and set-top boxes are the top four sub-segments



Automotive

- Projected to reach USD 300 billion by FY26 from current USD 222 billion
- Expected to be the 3rd largest market (in volume terms) by FY30
- EV market could reach USD 7 billion by FY25

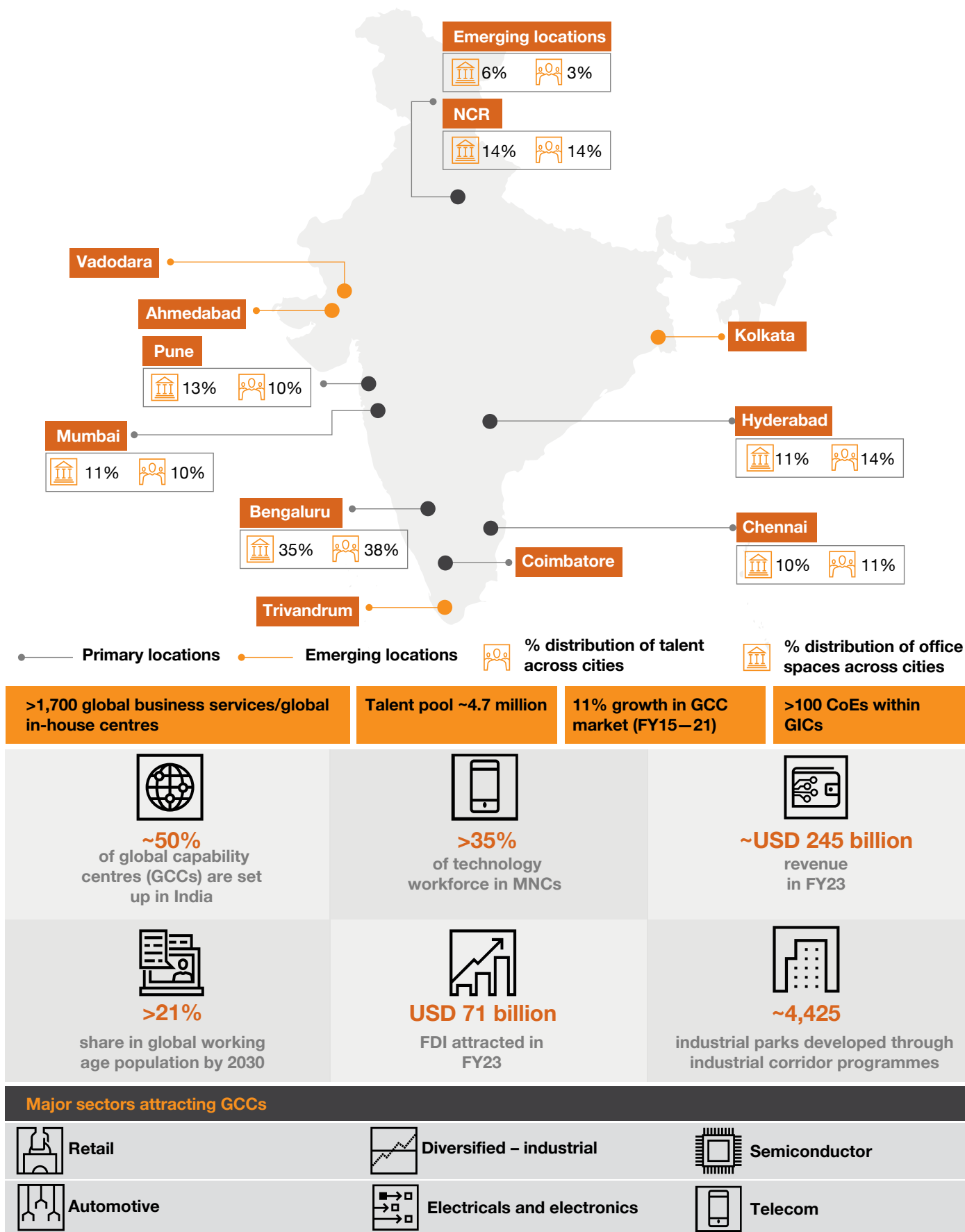


Aerospace and defence

- A rapidly growing industry, expected to consume electronics worth USD 70–72 billion in this decade
- The Aero India 2021 initiative is expected to position India among the top 5 aerospace and defence sectors globally

Sources: IESA, IBEF, PwC analysis

4. As a global powerhouse of captives and services companies, India offers a strong business ecosystem, skilled workforce and well-developed ICT infrastructure.



Sources: NASSCOM and PwC analysis based on inputs from IT park developers and the IT/ITeS industry

5. The investment climate has significantly transformed through positive interventions of the Gol as well as state governments.

Initiatives such as Production Linked Incentive (PLI) schemes are enabling demand momentum and accelerating manufacturing investments

As on December 2022, USD 5.6 billion (INR 47,000 crore) of actual investment was made with production/sales of USD 45 billion (INR 3.75 lakh crore) that reportedly generated employment of around 2.5 lakh.

Incentives worth USD 29 billion have been budgeted over 5–10 years; investments worth USD 44 billion have been committed in FY23

| Sectors | Incentives budgeted (USD billion) | Investments committed (FY23; USD billion) | Sectors | Incentives budgeted (USD billion) | Investments committed (FY23; USD billion) |
|--------------------------|-----------------------------------|---|----------------------------|-----------------------------------|---|
| Semiconductors | 9.1 | 2.5 | Pharmaceuticals | 1.8 | 2.7 |
| Automobile | 3.1 | 9.3 | IT hardware | 0.6 | 0.3 |
| Solar | 0.5 | 11.7 | Specialty steel | 0.75 | 5.3 |
| Textiles | 1.3 | 2.3 | Drone and drone components | 0.6 | 0.6 |
| Advanced chemistry cells | 2.1 | 5.6 | White goods | 0.75 | 0.8 |
| Mobile | 4.9 | 1.3 | Telecom | 4.5 | 0.5 |
| Food processing | 1.3 | 0.7 | Medical devices | 1.3 | 0.1 |

Source: Press Information Bureau, Ministry press releases, Gol

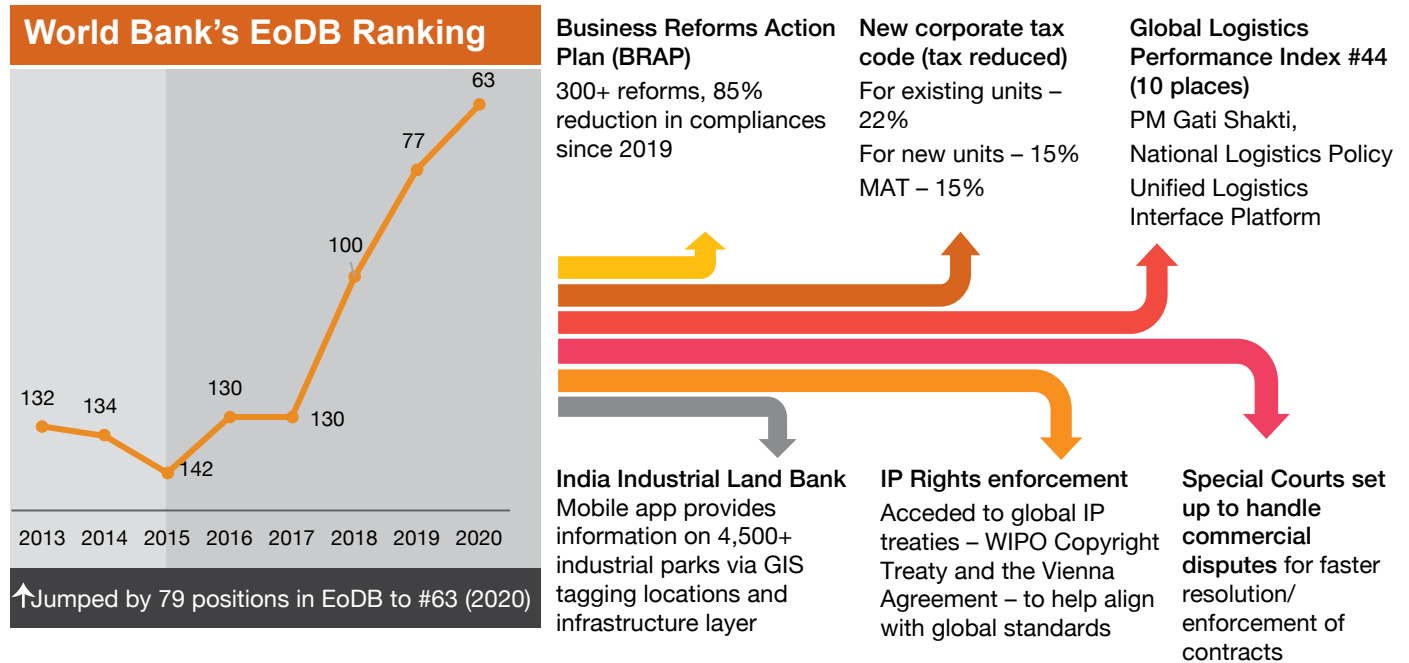
Attractive industrial policies and incentives offered across sectors by the Central and state governments

| Key policy measures by the Central government | | State competitiveness |
|---|---|--|
| PLI schemes covering investment intent of around USD 44 billion, Semicon India programme – fiscal support for fabs, display, design, SPECS | National Infrastructure Pipeline with nearly 9,000 projects and investment of approximately USD 2 trillion | Fiscal incentives Capital subsidy up to 25–50%, net SGST reimbursement up to 100% over 5–10 years, turnover subsidy up to 2.25%, employment-linked incentives, discount on tariffs/charges for utilities, etc. |
| Export-linked incentives Refunds under provisions of GST legislation, Foreign Trade Policy (FTP), duty drawback, etc. | Tax benefits for start-ups 100% deduction of profits for three consecutive years, angel tax exemption, etc. | Non-fiscal incentives Liberalising labour laws, centrally integrated land-allocation processes, enabling quicker approvals |
| Empowered group of secretaries to provide support and facilitate investments | Liberal FDI and foreign trade regime – 100% FDI allowed under automatic route for manufacturing activities | Customised support for large projects Facility to avail customised incentive packages based on the size of investment |
| | | Sector and region-specific incentives Electronics, semiconductors, IT and ITeS, data centres, aerospace and defense, electric vehicles (EVs), logistics and warehousing |

Source: Press Information Bureau, Gol, State Industrial Policies

6. Ease of doing business (EoDB) has also leapfrogged in the past few years due to significant infrastructure improvements, regulatory simplifications and digitisation.

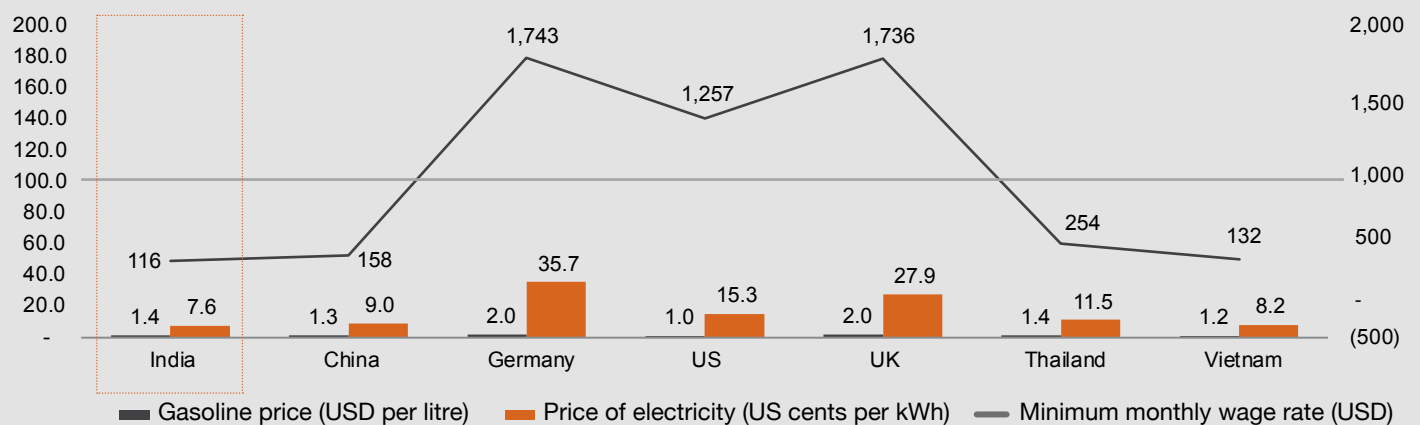
Enhanced EoDB owing to reforms in the Indian regulatory system, digitised systems and progressive policies



Source: Press Information Bureau, DPIIT, PwC analysis

Favourable cost of doing business in India makes it a competitive destination as Asia-Pacific alternatives emerge

Key factor costs

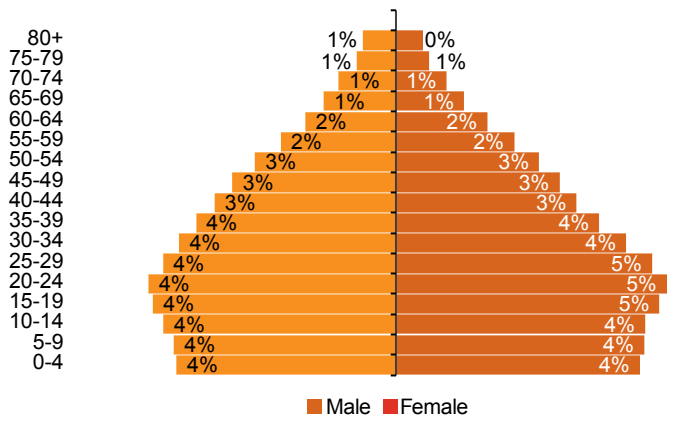


Source: World Bank, ILO, Ministry of Labour of each country, Trade Press, PwC analysis

**For these countries, the minimum wage varies according to the state and the sector. Considered minimum value across states or sectors where applicable: China (RMB 1,120, Liaoning), India (INR 8,840, industrial workers engaged in removal and stacking of stones), Vietnam (VND 3.07 million, Region IV), Thailand (THB 8,163, Yala); wage data for Germany, the US and UK as reported on ILO. 2019 data for the US and UK

India's workforce is one of the most viable among manufacturing markets

Age distribution in India (% , 2021)



| | 2021 | 2031 E | % to global (2021) | % to global (2031) |
|-----------------------|------|--------|--------------------|--------------------|
| % of Indians below 25 | 44% | 39% | 19% | 18% |
| % of Indians below 40 | 68% | 63% | 19% | 19% |

21 %

India's share in the global working-age population in the next decade

- Working-age population for India expected to grow till as late as 2050

28 years

India's median age – lower than China by 11 years

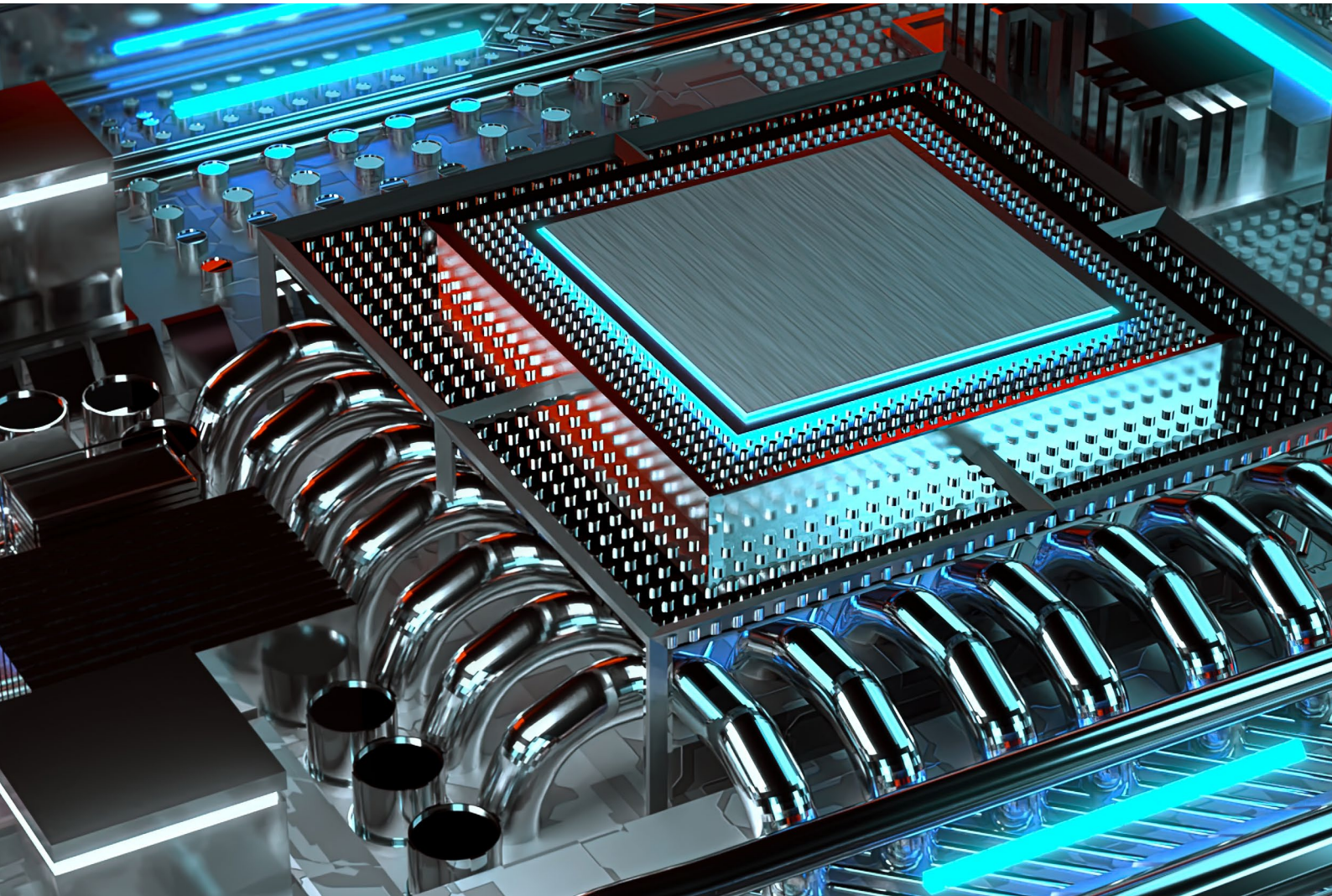
- Aspirational movement from low-wage agricultural jobs to manufacturing jobs

<50%

Lower wages than China and Thailand

- 75% of wages in Vietnam and Cambodia

Sources: US Census Bureau International Database, UN Population Projections, Populationpyramid.net; International Labour Organization statistics



7. India is evolving into a competitive alternative with substantial improvements in manufacturing competitiveness and favourable demographic tailwinds.

Focus on high-quality industrial infrastructure enhances manufacturing competitiveness

National Infrastructure Pipeline (2019–25)

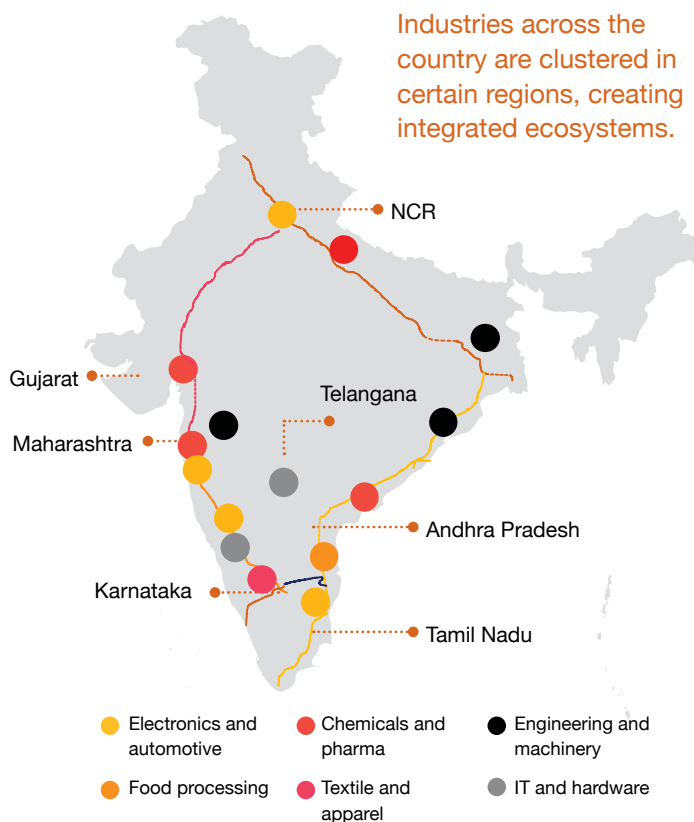
- First-of-its-kind comprehensive plan to increase quality of life and ease of living in India
- Top 5 priority sectors – roads, urban and housing, railways, power and irrigation
- 2,073 projects under development worth USD 1,800 billion

Industrial corridors and dedicated freight corridors (DFCs)

- 11 industrial corridor projects approved across major manufacturing hubs in India – Bengaluru, Chennai, Delhi, Mumbai, Dholera, etc.
- 4,425 industrial parks, with over 15 nodes under various industrial corridor programmes
- 37 mega food parks and 16 National Investment and Manufacturing Zones

PM Gati Shakti

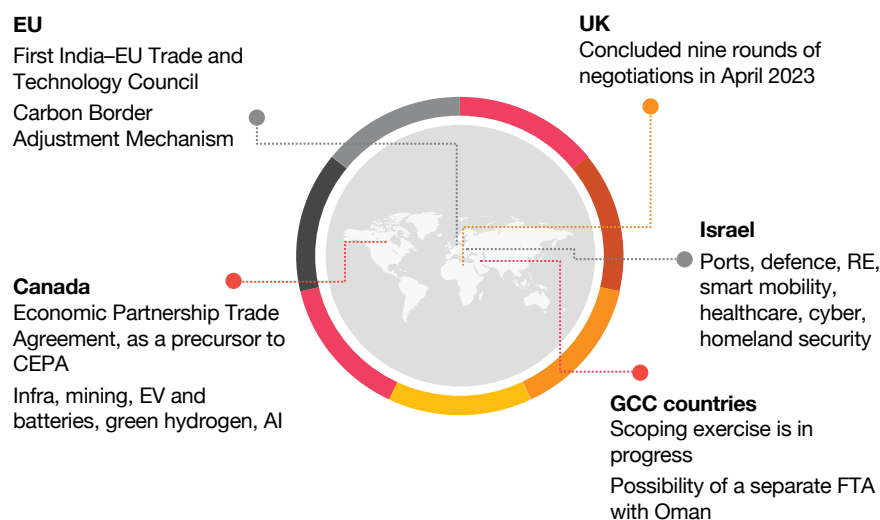
- National master plan worth USD 1.2 trillion to improve multimodal connectivity to prominent economic zones
- Digital platform launched to bring 16 ministries together for integrated planning
- Addressing 196 critical infrastructural gaps



Sources: Press Information Bureau - Government of India, NICDC, Gati Shakti portal and National Infrastructure Pipeline portal

India for the world: Building trade partnerships

Key upcoming FTAs and sector opportunities



Recently signed FTAs

India–Australia Economic Cooperation and Trade Agreement (ECTA)

Effective since December 2022

Target: Bilateral trade worth USD 45–50 billion by 2035 | End to double taxation

India–UAE Comprehensive Economic Partnership Agreement (CEPA)

Effective since May 2022

Target: Trade of USD 100 billion in goods and USD 15 billion in services

India–Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA)

Effective since April 2021

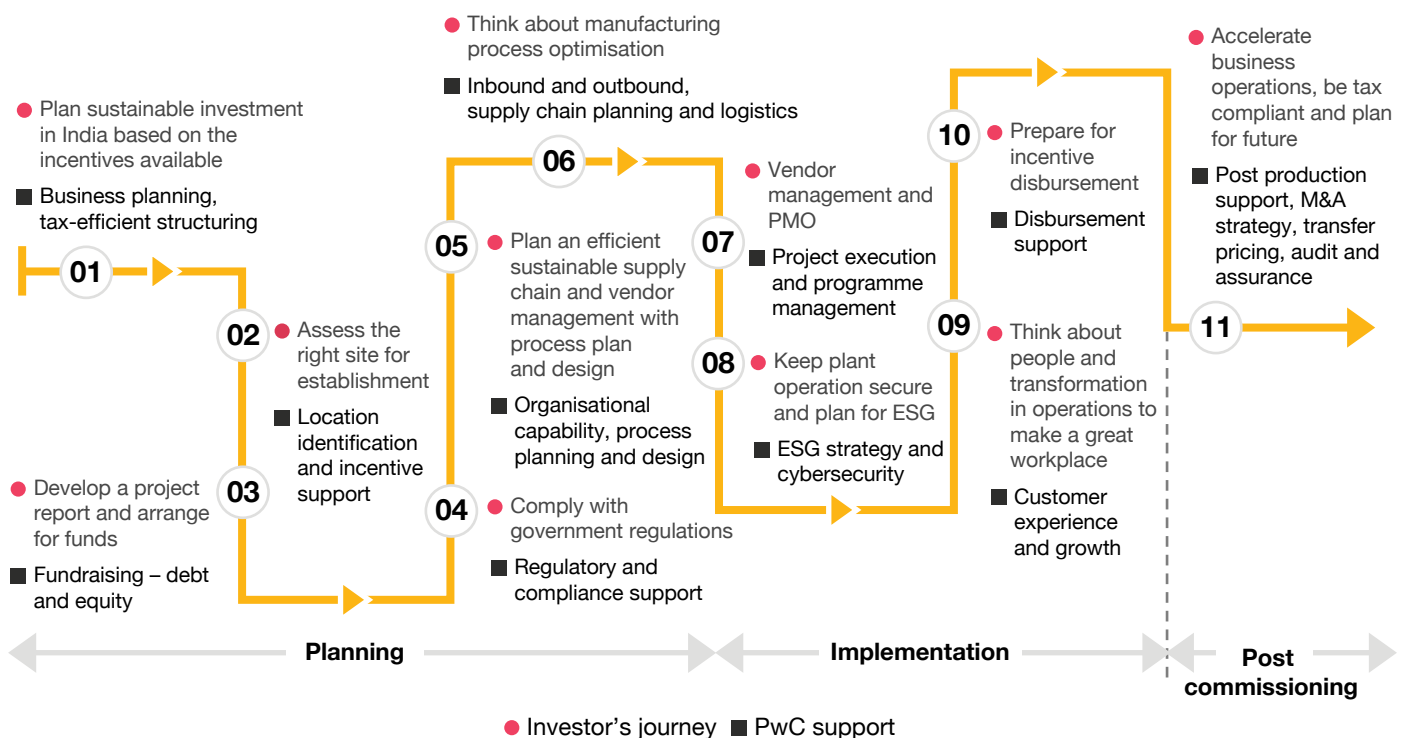
FTA with an African nation, access to 310 export items from India



Source: Press Information Bureau, DPIIT, PwC analysis

PwC India can help you drive your growth agenda amidst geopolitical uncertainty

We leverage our Industrial Development and Investment Promotion (IDIP) platform to handhold investors through the investment lifecycle in India



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