



cyril amarchand mangaldas  
ahead of the curve

# India's Manufacturing Advantage: Why the World is Investing



*'Make in India, Make for the World'* was a national clarion call in 2014 when Prime Minister Narendra Modi first reimagined India as a global manufacturing hub. What then seemed a distant dream is now taking shape as India begins to earn its rightful place on the world map as a dependable supply-chain partner.

## Manufacturing Sector: THE INDIA ADVANTAGE

India's most significant potential to drive economic growth is a globally competitive manufacturing sector. Large demographic dividend in terms of labour, skilled workforce, and technical expertise; increased domestic consumption; fiscal and policy support from the government; a developing logistics network; a competitive tax regime (among the lowest in the world) along with government incentives; and low production costs are some of India's most important offerings to foreign and domestic players. The increase in foreign direct investment (**FDI**) in India across industries only supplements this.

These preceding advantages and other incentives announced by the Government of India (**GOI**) have further provided the much-needed impetus to the manufacturing landscape, firmly placing India on the radar of international investors. GOI has implemented several reforms under the FDI policy regime across sectors, including insurance, defence, telecom, pharmaceuticals, retail trading, and e-commerce.

GOI also launched initiatives such as Aatmanirbhar Bharat (Self-Reliant India), product-linked incentive schemes (**PLI Schemes**), PM Gati Shakti National Master Plan, National Logistic Policy, and Industrial Development Corridor Programme towards providing seamless movement of goods and services from production to consumption.

GOI has also set up a national investment promotion and facilitation agency that provides investment promotion and facilitation services to foreign investors by helping them identify suitable investment opportunities in India, providing information on government policies and regulations, and assisting with the approval process.

Following the COVID-19 pandemic, the ensuing geopolitical uncertainties led numerous global corporations to make tectonic business decisions. When some corporations started considering diversification of their production and supply chain activities, India became one of the preferred destinations. India's business-friendly and progressive policies, coupled with its own goal to become a hub for manufacturing, helped propel this shift.



## WHAT DOES OUR CURRENT MANUFACTURING LANDSCAPE LOOK LIKE?

In FY 2022–23 (April to December), the manufacturing sector received an FDI inflow of US\$ 21.7 billion, which is higher than the pre-pandemic level of US\$ 17.3 billion in FY 2019–20. Singapore is India's highest contributor to FDI inflows, followed by Mauritius, the United States of America, the United Arab Emirates, the Netherlands, Japan, and the United Kingdom. Companies from Taiwan, France, Japan, and Germany have also recently made significant investments in India.

Recent developments and investments in the Indian manufacturing space include the following:

- *EV Segment:* Tauschen Internationals (a Hong Kong-based company) has proposed setting up an EV-manufacturing facility in UP.<sup>1</sup> Foxconn is also in talks with various state governments to set up its EV facility.<sup>2</sup>
- *Electronic Segment:* Mitsubishi plans to set up its facility in Tamil Nadu. Foxconn is in talks to invest more than US\$ 600 million in India for its phone-manufacturing project.<sup>3</sup>
- *Semiconductor Segment:* Various semiconductor production companies, such as Qualcomm, Foxconn, and other Taiwan giants, consider India the most promising jurisdiction for their manufacturing operations. Micron has already signed a memorandum of understanding with the Gujarat government to set up a ₹ 22,500 crore (US\$ 2.7 billion approx.) semiconductor facility at Sanand near Ahmedabad, Gujarat.
- *Healthcare Segment:* Proctor & Gamble recently announced investment worth ₹ 2000 crores in a healthcare manufacturing facility in Gujarat.<sup>4</sup> StemCures has proposed establishing its facility in Telangana in the life sciences sector.<sup>5</sup>

## Key Manufacturing Sectors and Government Schemes

### AUTOMOBILE INDUSTRY

India is now the largest manufacturer of three-wheelers and tractors (first), two-wheelers (second), heavy trucks (third), and cars (fourth) in the world and is a significant producer of auto parts. Gujarat is a major centre for automobile manufacturing in India. It is home to several major automobile manufacturers and auto parts suppliers, including Tata Motors, Maruti, General

<sup>1</sup> <https://timesofindia.indiatimes.com/city/lucknow/hong-kong-based-company-to-set-up-two-ev-plants-in-up/articleshow/98030660.cms?from=mdr>

<sup>2</sup> <https://www.businesstoday.in/latest/corporate/story/iphone-maker-foxconn-looks-to-set-up-ev-plant-in-india-talks-on-with-four-states-385849-2023-06-16>

<sup>3</sup> iPhone maker Foxconn to invest \$600 million into India projects (cnbc.com)

<sup>4</sup> P&G India to invest Rs 2,000 crore to set up export hub in Gujarat | Zee Business (zeebiz.com)

<sup>5</sup> <https://www.timesnownews.com/business-economy/economy/another-big-ticket-investment-in-india-largest-stem-cell-manufacturing-plant-set-to-open-in-this-state-by-us-based-firm-huge-investment-jobs-expected-article-100489073>

Motors, Bosch Automotive India, Motherson Sumi Systems, etc. The Indian automobile and components industry is estimated to grow at CAGR 9% in FY 2022–27.

Further, environmental consciousness has led to the growth of electric vehicles as an alternative to traditional diesel and petrol-based vehicles. The EV segment is looking to create opportunities worth US\$ 206 billion for its manufacturing and charging infrastructure and achieve a CAGR of 49% between 2022 and 2030. It aims to hit 10 million units in annual sales by 2030. Exports in the automobile segment increased to 5.6 million automobiles in FY 2022 compared with 4.1 million in FY 2021.

### Key Government Schemes

- a) PLI Scheme for the Automobile and Auto Component Industry provides financial incentives to boost domestic manufacturing of advanced automotive products.
- b) Faster Adoption and Manufacturing of Hybrid and Electric Vehicles Scheme (Phases I & II) provides incentives to buyers of electric vehicles.

## CHEMICAL INDUSTRY

The chemical industry primarily consists of segments like bulk chemicals, specialty chemicals, agrochemicals, petrochemicals, polymers, and fertilizers. India leads the global dye supply, with a market share of 16% globally in dyestuff and dye intermediates production. Jamnagar in Gujarat is home to India's largest petrochemical complex and is a major producer of other chemicals such as pharmaceuticals, dyes, and pigments. The Indian chemical industry is targeting a CAGR of 9.3% per year by 2025. Further, revenue growth will likely be around 6–7% year-on-year in FY 2024, driven by the recovery in domestic demand and higher realizations owing to rising crude oil prices and better exports.

### Key Government Schemes

- a) Petroleum, Chemicals, and Petrochemicals Investment Region Policy 2020–35 aims to establish multiple chemical hubs for exports to meet specific industry needs.
- b) Plastic Park Scheme supports setting up need-based plastic parks with requisite state-of-the-art infrastructure and common infrastructure facilities “CIF”).

## DEFENCE MANUFACTURING INDUSTRY

Defence is one of the most critical sectors from a strategic point of view considering the security and safety of the country amid tensions with hostile neighbouring countries, especially Pakistan and China. GOI has identified the defence and aerospace sectors as focus areas for the Aatmanirbhar Bharat initiative, focusing on establishing indigenous manufacturing infrastructure supported by a requisite research and development ecosystem. India is the third largest military spender in the world, with a budget accounting for 2.15% of its total GDP (the FY 2023–24 budget allocation being ₹ 5.94 lakh crores). The Ministry of Defence has targeted a turnover of ₹ 1.75 lakh crores in aerospace and defence manufacturing by 2025, including exports of ₹ 35,000 crores. The sector is expected to achieve a CAGR of more than 4% between 2024 and 2028.

Recently, GOI has also opened up this sector for private players to boost manufacturing and exports. GOI has also announced two dedicated industrial corridors in the states of Tamil Nadu and Uttar Pradesh to function as defence-manufacturing clusters. Further, to enable innovation within the defence and aerospace ecosystem, GOI has launched schemes such as iDEX (Innovations for Defence Excellence) and DTIS (Defence Testing Infrastructure Scheme).

### Key Government Schemes

- a) Defence Production and Export Promotion Policy 2020 aims to achieve self-reliance in defence manufacturing in line with the Aatmanirbhar Bharat goal.
- b) Defence Acquisition Procedure 2020 aims to empower the domestic industry through the Make in India initiative by laying down a strict order of preference for procurements with adequate FDI provisions to protect the interests of domestic players.
- c) Strategic Partnership Model promotes the participation of the Indian private sector in manufacturing high-tech defence equipment in India.

## FMCG INDUSTRY

The anticipated revenue growth of the FMCG market to around US\$ 615.87 billion by 2027 and a CAGR of 28% between 2021 and 2027 is likely to fuel growth in related industries such as digital advertising and e-commerce. The FMCG digital advertising market will likely grow at a CAGR of 15–17% in 2023–24—higher than the overall growth of the digital advertising market, which will likely grow at a CAGR of 12% during the same period. The e-commerce market will likely generate around ₹ 26,459.18 billion (US\$ 319.3 trillion) by the end of 2027, expanding at a CAGR of 26.71% during 2022–27.

## Key Government Schemes

- a) *Pradhan Mantri Kisan SAMPADA Yojana* aims to create modern infrastructure with efficient supply chain management from the farm to the retail outlet, with schemes relating to mega food parks, integrated cold chain, creation of food processing/preservation capacities, etc.
- b) *PLI Scheme for the Food Processing Industry* aims to support the creation of global food manufacturing champions commensurate with India's natural resource endowment.

## RENEWABLE ENERGY

India is the third largest energy-consuming country in the world. India stands fourth in global renewable energy installed capacity, including large hydro, wind, and solar power .<sup>6</sup> At the 26<sup>th</sup> Conference of Parties (COP26), the UN Climate Change Conference held in 2021, India projected targeted expansion of up to 500 GW of non-fossil fuel-based energy by 2030, making it the world's most extensive expansion plan in renewable energy.

India's installed non-fossil fuel capacity has increased by 396% in the last 8.5 years to more than 179.322 GW (including large hydro and nuclear power). India also saw the highest year-on-year growth in renewable energy additions of 9.83% in 2022. The installed solar energy capacity has increased 24.4 times over the last nine years and stood at 67.07 GW as of July 2023. The installed renewable energy capacity (including large hydro) has risen by around 128% since 2014. The CAGR of this sector is expected to be around 8% between 2023 and 2028.

## Key Government Schemes

- a) *PLI Scheme for High-Efficiency Solar PV Modules* incentivizes domestic and global players to build large-scale solar PV capacity in India to make India part of the global value chain for solar PV manufacturing.
- b) *National Green Hydrogen Mission* aims to make India a global hub for green hydrogen production, usage, and exports by providing various financial and non-financial incentives like subsidies, tax breaks, loans, and guarantees, support for R&D, etc., to develop 5 million metric tonnes (MMT) annual production capacity of green hydrogen by 2030.

## METAL AND MINING INDUSTRY

The metal and mining industry is one of the critical sectors for driving growth in the manufacturing sector, as the majority of raw materials for developing and producing goods come from this industry. Coal and iron ore are the critical minerals for power generation and steel production.

---

<sup>6</sup> [https://www.ren21.net/wp-content/uploads/2019/05/GSR2022\\_Full\\_Report.pdf](https://www.ren21.net/wp-content/uploads/2019/05/GSR2022_Full_Report.pdf)

India is the second-largest producer of crude steel. Moreover, the growing demand for electricity will require a constant supply of coal as a raw material.

The cement industry is a significant part of the Indian metal and mining industry, accounting for over 20% of its revenue. India is the world's second-largest cement producer, with an installed capacity of over 550 million tonnes per annum. The industry is highly fragmented, with over 200 players; however, the top 10 players account for over 60% of the market share. A major consumer of raw materials such as limestone, clay, and iron ore, the cement industry is likely to grow at a CAGR of 6–7% over the next five years.

A constant supply of raw materials from the metal and mining industry is necessary to cater to the growing demand for cement; infrastructure facilities such as airports, roads, railways; and electronics equipment and items. In terms of data, the Indian metal-forging market is expected to reach US\$ 8.8 billion by the end of 2029 with a CAGR of 10.7% between 2022 and 2029.<sup>7</sup>

### Key Government Schemes

- a) *PLI Scheme in Specialty Steel* aims to enhance India's manufacturing capabilities and exports in line with the country's Aatmanirbhar Bharat goal.

## PHARMACEUTICAL INDUSTRY

The Indian pharmaceutical industry is the largest provider of generic drugs and affordable vaccines and the third largest in pharmaceutical production by volume. Gujarat is a leading producer of pharmaceuticals and has a robust pharmaceutical industry supported by the availability of raw materials, skilled labour, and a favourable business environment. Amid the COVID-19 pandemic, India supplied vaccines worldwide, accounting for around 60% of the global vaccine production. The Indian pharmaceutical industry will likely grow to US\$ 65 billion by 2024 and US\$ 130 billion by 2030. The industry holds a 20% share in global exports, and the domestic market will likely grow threefold over the next decade.

### Key Government Schemes

- a) *Scheme for Promotion of Research and Innovation in Pharma MedTech Sector* aims to promote R&D through grants, loans, capacity building, infrastructure development, etc.
- b) *PLI Scheme for Key Starting Materials/Drug Intermediates and Active Pharmaceutical Ingredients* aims to boost domestic production of 41 select critical bulk drugs.
- c) *PLI Scheme for Pharmaceuticals* aims to enhance India's manufacturing capabilities by increasing investment and production in the sector and contributing to product diversification

---

<sup>7</sup> <https://www.fortunebusinessinsights.com/india-metal-forging-market-106788>

of high-value goods in the pharmaceutical industry.

- d) *Scheme for Strengthening of Pharmaceuticals Industry* aims to strengthen the existing infrastructure facilities to make India a global leader in the pharma sector by providing financial assistance to pharma clusters to create CIF to improve the quality and ensure the sustainable growth of clusters.
- e) *Scheme for Promotion of Bulk Drug Parks* aims to provide easy access to world-class CIF to units located in the park to significantly reduce the manufacturing cost of bulk drugs, making India self-reliant in bulk drugs with increased competitiveness.

## MEDICAL DEVICES INDUSTRY

The medical device industry has five major segments: (i) consumables and disposables, (ii) diagnostic imaging, (iii) dental products, (iv) orthopaedics and prosthetics, and (v) patient aids. Indian manufacturing primarily concentrates on disposables, orthopedic implants, and cardiovascular implants. The post-pandemic growth of India's manufacturing footprint in scale and geography has been steady, and the government is developing dedicated manufacturing clusters and industrial parks to provide easy access to standard testing and infrastructure facilities for medical device manufacturing. Development of four medical device parks in Himachal Pradesh, Tamil Nadu, Madhya Pradesh, and Uttar Pradesh is on the anvil. NITI Aayog expects India to grow into a US\$ 50 billion market for medical devices over the next few years and become self-sufficient in domestic medical device manufacturing by 2025–26 potentially growing around 28% annually.<sup>8</sup>

### Key Government Schemes

- a) *PLI Scheme for Medical Devices* aims to boost domestic manufacturing of medical devices and make India the global hub for manufacturing and innovation.
- b) *Medical Devices Policy, 2023* aims to reduce India's import reliance and to establish the country as a global manufacturing hub for medical devices.
- c) *Scheme for Promotion of Medical Device Parks* aims to create a robust ecosystem for medical device manufacturing by providing CIF and reducing costs significantly.

India is emerging as a perfect alternate manufacturing hub for businesses looking to expand their manufacturing operations or diversify their supply chains. The Indian advantage lies in providing demographic dividend, domestic market consumption, fiscal and policy support from the government, healthy competition among market players, low-cost high efficiency, and large domestic market.

---

<sup>8</sup> <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1863861>



## GROWTH WITH BALANCE

Environmental, social, and governance (**ESG**) factors are increasingly important for investors and businesses in almost every sector. The manufacturing sector has been a significant contributor to environmental and social factors that significantly impact our environment. To combat climate concerns, GOI has launched many initiatives in the manufacturing sector to promote the adoption of clean technologies to help reduce environmental damage. Some of the key initiatives include (i) the National Action Plan on Climate Change (a flagship climate change policy for India, which *inter alia* promotes climate adaptation in the manufacturing sector), (ii) the Perform, Achieve, and Trade Scheme (awards energy-efficiency certificates to energy-efficient units that can be traded for less energy-efficient units); and (iii) the Bureau of Energy Efficiency (offers several incentives to manufacturing units to invest in energy-efficient technologies). These initiatives have also played a part in making the Indian manufacturing sector more desirable for investment.

India must address certain key challenges to become a global manufacturing hub and accelerate its growth. The development speed of our infrastructure is yet to match our economic and growth aspirations. India has made considerable progress in the ease of doing business index, and GOI has been working towards making it more investor- and growth-friendly. Skill development of the workforce and promotion of innovation through research and development also remain focus areas.

Some of the concerns hampering or delaying investment in India's manufacturing sector include (i) globally high logistics costs; (ii) unreliable power supply in many parts of the country; (iii) complex labour laws that obstruct workforce regulation; and (iv) the absence of a favourable investment climate for domestic and foreign investors, which can be created by reducing corporate taxes and simplifying the tax code.

By focusing on the previously outlined areas, India can further accelerate the growth of its manufacturing sector and become a global manufacturing hub.

## Key Contacts

**Paridhi Adani**

Partner (Head – Gujarat)

[paridhi.adani@cyrilshroff.com](mailto:paridhi.adani@cyrilshroff.com)

**Monark Gahlot**

Partner

[monark.gahlot@cyrilshroff.com](mailto:monark.gahlot@cyrilshroff.com)

**Preeti Pandey**

COO (Ahmedabad & Real Estate)

[preeti.pandey@cyrilshroff.com](mailto:preeti.pandey@cyrilshroff.com)

With thanks to Akshay Zaveri (Senior Associate), Rishabh Manihar and Tilak Dangi (Associates)



## **Disclaimer**

This note has been sent to you for informational purposes only and does not cover analysis of any of the schemes or policies formulated by GOI or the respective state governments. The information and/or observations contained in this note do not constitute legal advice and should not be acted upon in any specific situation without appropriate legal advice. The views expressed in this note do not necessarily constitute the final opinion of Cyril Amarchand Mangaldas. In case of any query, please feel free to contact us.



cyril amarchand mangaldas  
ahead of the curve

#### ahmedabad

Block A-1512, 15th Floor, Navratna Corporate Park,  
Ambli Bopal Road, Bodakdev, Ahmedabad – 380 058, India  
T +91 79 3503 9999  
E cam.ahmedabad@cyrilshroff.com

#### mumbai

Peninsula Chambers, Peninsula Corporate Park, GK Marg,  
Lower Parel, Mumbai – 400 013, India  
T +91 22 2496 4455 F +91 22 2496 3666  
E cam.mumbai@cyrilshroff.com

#### bengaluru

3rd Floor, Prestige Falcon Tower, 19, Brunton Road,  
Off M G Road, Bengaluru – 560 025, India  
T +91 80 6792 2000 F +91 80 2558 4266  
E cam.bengaluru@cyrilshroff.com

#### hyderabad

Office No. 226, 2nd Floor, Regus Ilabs Oval,  
Gate No. 6, Inorbit Mall Road, Madhapur  
Hyderabad – 500 081, India  
T: +91 40 4433 4323  
E cam.hyderabad@cyrilshroff.com

#### gift city

Cyril Amarchand Mangaldas – OFC,  
415, Pragya Tower, GIFT City, Gandhinagar - 382 355, Gujarat, India  
T +91 79 4903 9900 F +91 79 4903 9999  
E cam.giftcity@cyrilshroff.com

#### delhi-ncr

Level 1 & 2, Max Towers, C-001/A, Sector 16 B,  
Noida – 201 301, Uttar Pradesh, India  
T +91 120 669 9000 F +91 120 669 9009  
E cam.delhi@cyrilshroff.com

#### chennai

Office No. 823 & 824, 8th Floor, Regus KRM Plaza, Old Harrington Road,  
Chetpet, Chennai – 600 031, India  
T: +91 44 4904 2874  
E cam.chennai@cyrilshroff.com

#### singapore

61 Robinson Road,  
#11-03, Singapore - 068 893  
T +65 6329 2260  
E cam.singapore@cyrilshroff.com  
(CAM Singapore Pte Ltd., UEN: 202137213R)