

Investment in India

Still a leading choice amongst BRIC economies.

AGN Global Business Voice: Business Alert
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► **Business Alert: Investment in India. Still a leading choice amongst BRIC economies.**

The World Bank has predicted GDP growth for India at 8.2% for FY-23, despite global turmoil and uncertainties in the global economy. The country remains a hot topic where many AGN member firms have helped their clients take advantage of the incentives to do business.

In terms of attractiveness, investors ranked India #3; around 80% of investors have plans to invest in India in the next 2-3 years, while approx. 25% reported investments worth →US\$ 500 million, the Economic Times reported.

Policies driving investment attractiveness

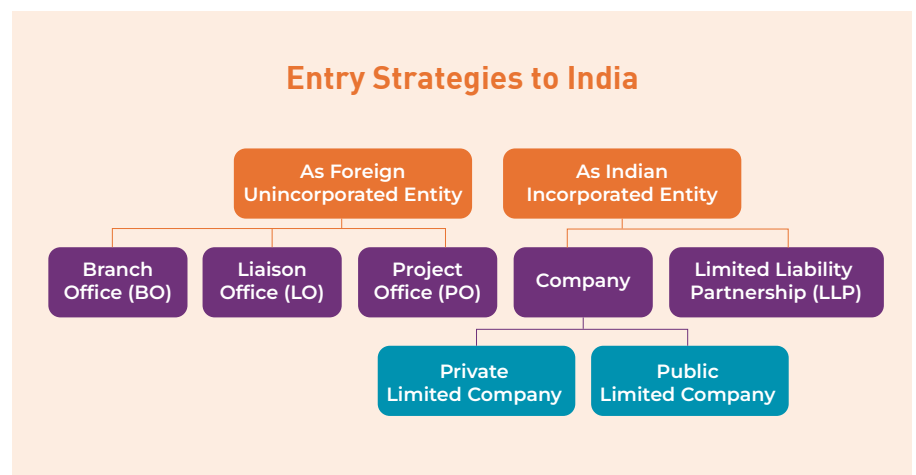


India ranked 43rd on the Institute for Management Development's (IMD) annual World Competitiveness Index 2021. According to the IMD, India's developments in government efficiency are primarily due to relatively stable public finances (despite COVID-19-induced challenges), and optimistic sentiments among Indian business stakeholders with respect to the funding and subsidies offered by the government to private firms.

1. Not as complicated as you might think!

Contrary to the concerns of some, India was placed at 63rd position in the World Bank's ease of doing business report 2020 out of 190 countries.

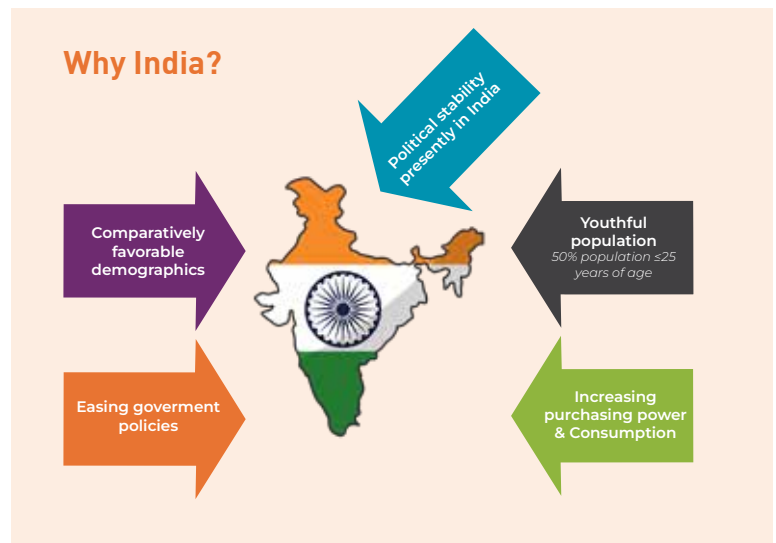
- Reducing bureaucracy - The government of India has identified 6,000 burdensome compliances at central and state levels that it now intends to eliminate or ease.
- Simplify the business code
 - And the government has decided to bring various amendments to Insolvency and Bankruptcy Code (IBC) and Companies Act 2013, to enhance ease of doing business in the country.



2. Innovation, talent & domestic market opportunity.

In terms of the Global Innovation Index 2021, India has jumped 2 positions in the last couple of years and now ranks 46th in the rankings. India has the third-largest group of scientists and technicians in the world. Its rising economic influence in the world is signalled by the fact that the centre of global maritime trade has moved from the Pacific to the Indian Ocean Region.

Alongside China, India will be one of the largest manufacturing hubs of the world by 2030 with an economy larger than that of Japan and third globally behind the US and China in purchasing-power. India's GDP is projected to grow in real terms by 8.0-8.5 per cent in 2022-23 making it still one of the world's fastest growing economies. It's a youthful economy and will continue to have the largest population of young people in the world until 2030.



3. Government incentives for Foreign Investors in key sectors.

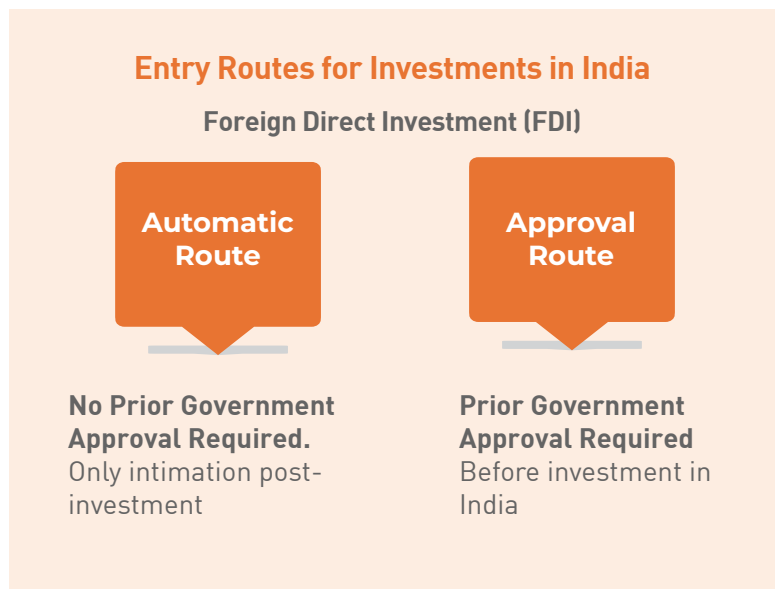
The Indian government have recently liberalised their policies around Foreign Direct Investment to encourage a greater inflow of capital. India is expected to attract FDI of US\$ 120-160 billion per year by 2025, according to a CII and EY report. Over the past 10 years, the country witnessed a 6.8% rise in GDP with FDI increasing to GDP at 1.8%.

Production Linked Incentives (PLI).

In the 21/22 budget, the Indian Finance Minister announced an outlay of Rs 1970 billion for the Production-Linked Incentive (PLI) scheme for 13 identified sectors. The scheme is aimed at boosting domestic manufacturing under the government's Atmanirbhar Bharat initiative (Self-reliance India).

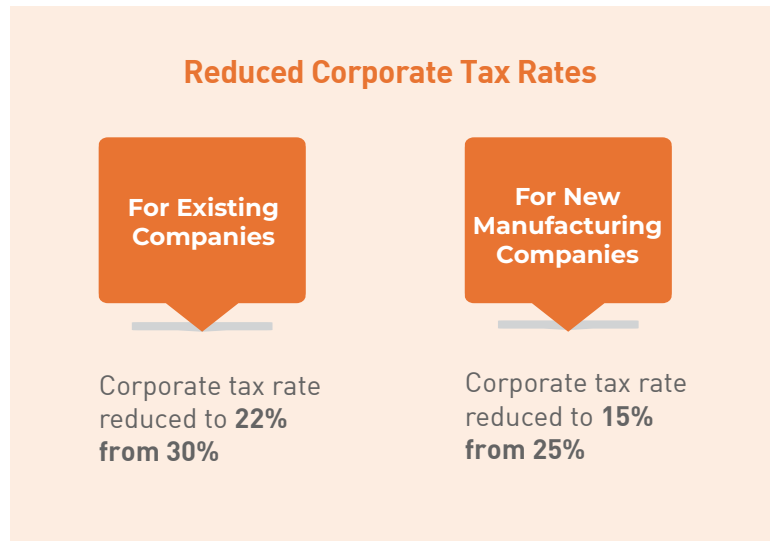
The PLI schemes can provide financial incentives to companies for investing in domestic manufacturing and can reduce import tariffs improving the cost competitiveness of local goods.

The PLI schemes provide eligible manufacturing companies with incentives ranging from 4% to 6% **on incremental sales** over the base year of 2019-20 for a four to six-year period. It is like a subsidy being provided by direct payment – as budgeted – for domestically manufactured goods by the chosen beneficiaries. Under PLI Scheme, savings from one PLI scheme of an approved sector can be utilized to fund the scheme for another approved sector.



The 13 identified sectors for PLI :

1. Mobile manufacturing and specified electronic components,
2. Critical key starting materials/drug intermediaries & active pharmaceutical ingredients,
3. Manufacturing of medical devices,
4. Automobiles and auto components,
5. Pharmaceuticals and drugs,
6. Specialty steel,
7. Telecom & networking products,
8. Electronic/technology products,
9. White goods (ACs and LEDs),
10. Food products,
11. Textile products: MMF segment and technical textiles,
12. High efficiency solar PV modules, Advanced chemistry cell (ACC) battery.



Conclusions

India's post covid revival continues as it resumes its aggressive economic growth pattern. Aside from anything else if the last decade's stock market performance is anything to go by (India +113%) then this is a more attractive investment market than China (+95%), Russia (-6%) or Brazil (+72%).

The government programs of 'Make in India' and now the PLI scheme have contributed to sweep aside the old ideas of doing business in India. There are still bureaucratic hurdles to manage, but probably no more than other comparable fast-developing economies. If a client uses quality local advice to fully leverage the available incentives, and is prepared to pace their approach, then their strategy could deliver very significant results in what is becoming known as an increasingly welcoming environment.

What Next?

If you're a tech or manufacturing business looking to expand capacity, or a business with an interest in any one of the special sectors mentioned above, or if you've already invested in India and want to explore how you might take advantage of the new Indian government incentives, please contact your local existing local firm and AGN member, or make contact with the Indian AGN member detailed below.

Media highlights & important links.

Media highlights & important links.

PLI scheme draws investment of 2340 Billion in 14 sectors.

https://economictimes.indiatimes.com/news/economy/policy/pli-scheme-draws-investment-of-2-34-lakh-crore-in-14-sectors/articleshow/90968836.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

6.45 million new jobs to be created under the PLI scheme in 14 sectors.

<https://sightsinplus.com/news/jobs-news/60-lakh-new-jobs-to-be-created-under-the-pli-scheme-in-14-sectors/>

About Production Linked Incentive (PLI) Schemes.

<https://www.investindia.gov.in/production-linked-incentives-schemes-india>

CONTACT: For further information about how your clients or your own business might benefit from the incentives available around Indian investment, please contact:

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