

Advantage India

Your next manufacturing
destination

June 2020



In the new normal, firms are looking to diversify their production bases, and the markets they serve. The objective is to bring in resilience in supply chains. Several global corporations in the automotive, electronics, engineering, food processing, chemicals and healthcare sectors have set up large manufacturing operations in India. The country is emerging as a suitable destination with its:



Good
governance



High quality
infrastructure



Robust trade
and
investment
policy



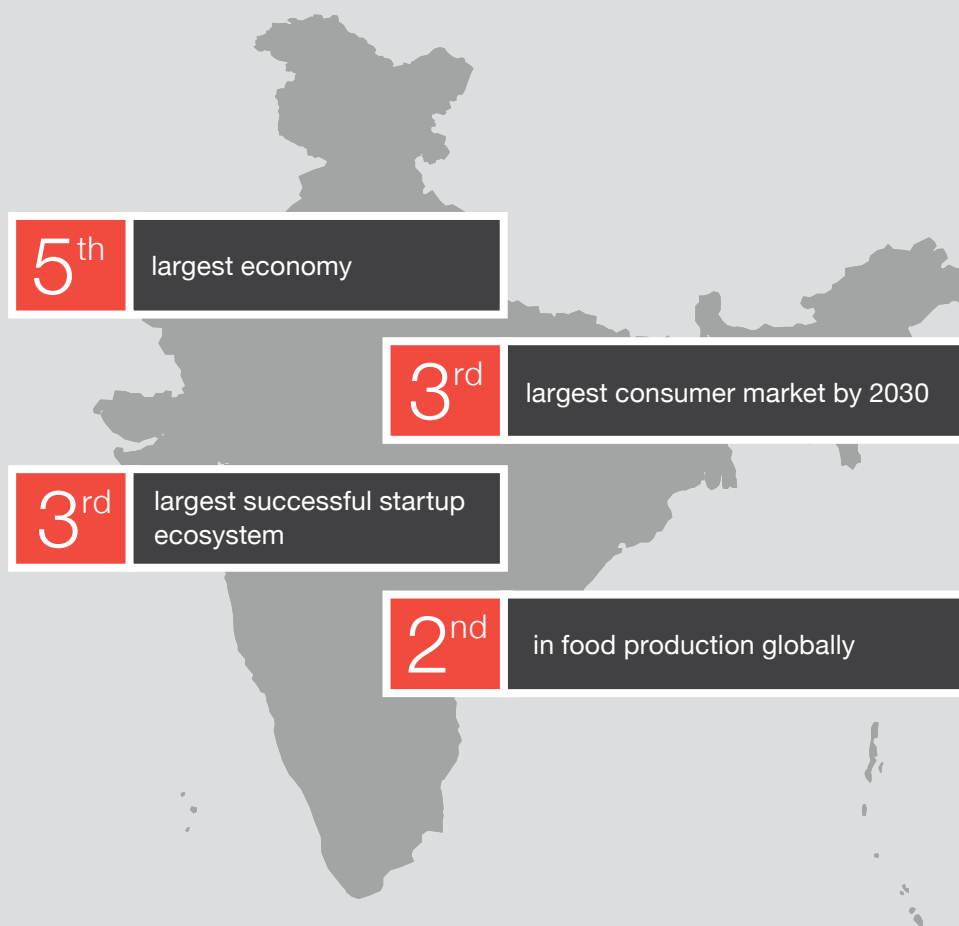
Strong
regulatory
framework



Quality
labour at
competitive
rates

Think global, act local, serve 'glocal'. Pivoting around this concept, India has a distinct advantage with its large internal market, strategic location for exports, and a thriving private sector. This serves India both internally and for the world.

India at a glance



Sources

[World Economic Forum](#)

Challenges and Opportunities Emerge as India Becomes Third-Largest Consumer Market by 2030, World Economic Forum

Startup India, DPIIT

Hurun Global Unicorn List 2019

101 Innovation and Initiatives, Indian National Elections 2019, Election Commission of India, Government of India

[Press Release, India's Foreign Trade: March 2019, Ministry of Commerce & Industry, Government of India](#)

Digital India, McKinsey Global Institute

At conversion factor of 1 USD = 71 INR as considered in National Infrastructure Pipeline (NIP), [Department of Economic Affairs, Ministry of Finance, Government of India](#)

World Economic Forum report, Future of Consumption in Fast-Growth Consumer Market - India, [economictimes.indiatimes.com](#)

India Brand Equity Foundation

http://www.citymayors.com/statistics/urban_growth1.html accessed in May 2020

[SDG India Index and Dashboard 2019](#)

[Economictimes.indiatimes.com](#)

Fit for future

Largest democracy with 910 mn strong electorate



Home to the world's **largest working age population**, estimated to cross 1 bn by 2030



Consumer spending expected to grow to nearly USD 6 tn by 2030



In FY19, **India's total merchandise exports hit a new high** of over USD 330 bn, having registered a 9 per cent growth



Between FY20 and FY25, **commitment of USD 1.5 tn by Government of India as part of National Infrastructure Pipeline (NIP)**, and improvement in energy, transport & logistics, industrial, social and urban infrastructure proposed



Digital content users expected to grow to 800 mn by 2025



25 cities in India are among the world's top 100 fastest growing cities



India is almost **halfway towards meeting its target of 175 GW of renewable energy** by 2022. World's first country to track performance of each state and union territory on a key performance indicator-driven matrix for their contribution to Sustainable Development Goals



Enabling the manufacturing ecosystem

Central government initiatives



Make in India

- Attracting investments in 25 priority sectors
- USD 357 bn in Foreign Direct Investment (FDI) since launch in FY14 till FY20*



New sectoral policies

- Production-linked and investment-linked incentives in key sectors such as electronics, pharmaceuticals and medical devices



Tax reforms

- 17.16% Corporate Tax rate for new manufacturing companies
- Goods & Services tax (GST), implemented from July 1, 2017, subsumed various Indian indirect taxes and helped create a common national market



High quality industrial infrastructure

- 3,300 parks covering over 1 mn acres of industrial land**
- 5 industrial corridors to enable integrated industrial development



Liberal FDI and foreign trade regime

- 100% FDI allowed under automatic route for most manufacturing activities and setting up of manufacturing clusters
- Investments are freely repatriable at fair market value without approvals, subject to payment of taxes
- Import of second-hand goods is generally permitted. Thresholds apply if incentives / low tax rate are to be claimed

State government initiatives



Fast-tracking of projects

- States have been hand-holding investors and enabling quick approvals



Fiscal incentives

- Tax-based incentives across sectors and segments of manufacturing



Non-fiscal incentives

- Capital subsidies, discount on tariffs and charges for utilities across various states of India



Customised support for large projects

- Based on the size of investment, customised incentive packages may be availed of



Liberalised labour laws and easier land availability

- States are liberalising labour laws and land parcel processes

Sources

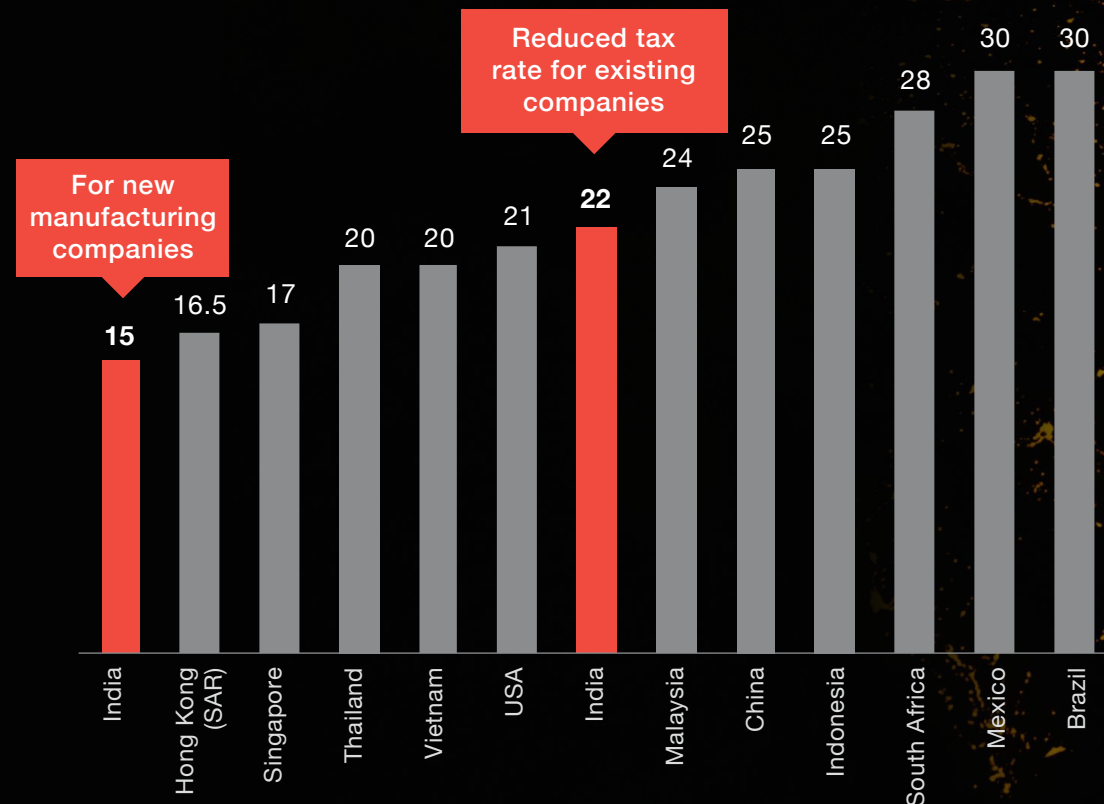
*DPIIT

**IIS web portal

Increasing competitiveness in the global landscape

India has attractive tax rates

Comparative Corporate Tax rates %, 2019



Effective tax rates in India including surcharge and cess is 17.16% for new manufacturing companies and 25.17% for existing companies not claiming prescribed deductions/exemptions

Source

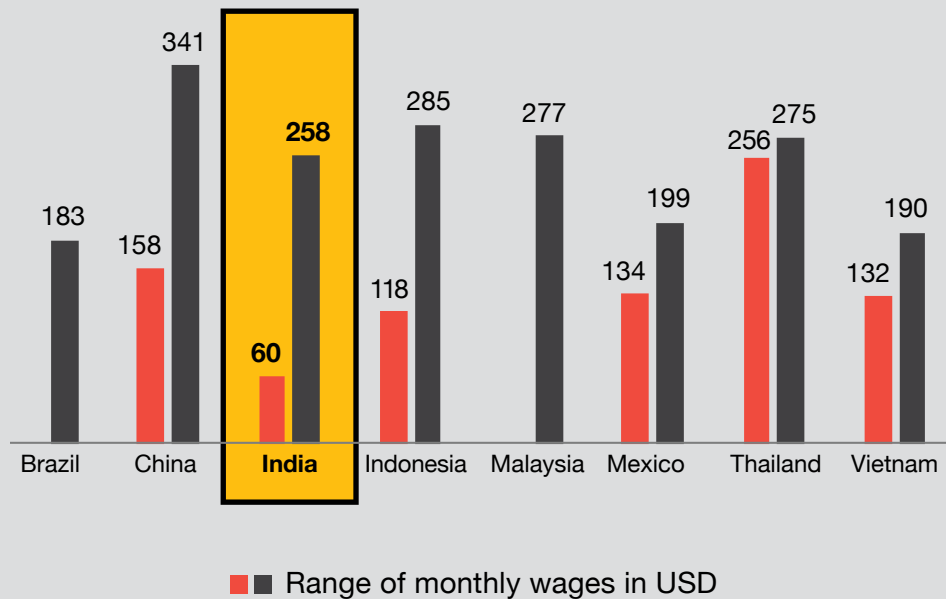
PwC Worldwide Tax Summaries Corporate Taxes 2018/19 [<https://taxsummaries.pwc.com/>]

Competitive cost of doing business



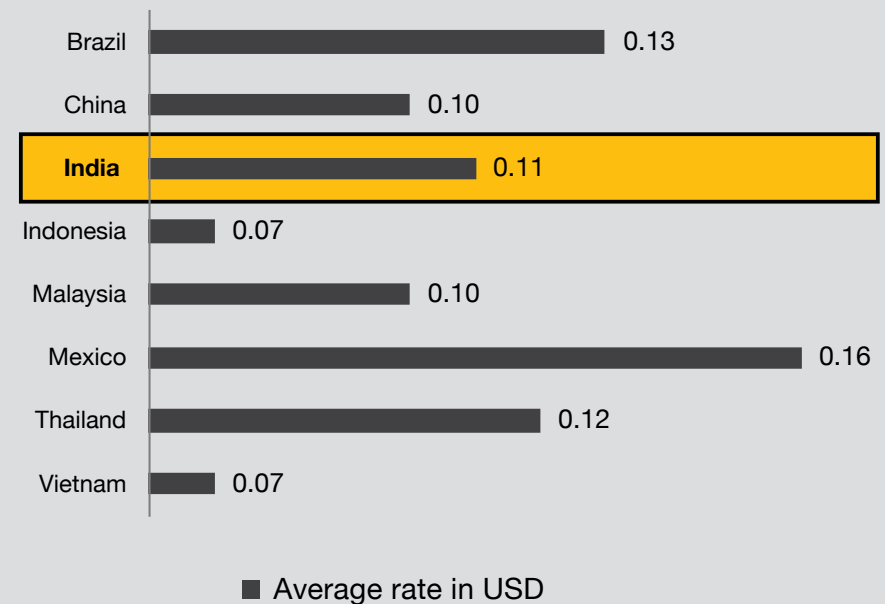
Labour rates

Range of monthly wages



Power rates

Electricity charges, USD per kWh



Sources

Data on minimum monthly wages was collected from various sources including: India (Nagaland - [Dept of Labour](#), Delhi - Govt of NCT of Delhi State Govt), [Asean Briefing, Nov 2019](#) (Indonesia, Central Java, DKI Jakarta), [Vietnam Briefing, Nov 2019](#) (Vietnam, Region IV, Region I), [Reuters, Dec 2019](#) (Mexico, Non-border, Border Zone), [MOHRSS, Jun 2018](#) (China, Liaoning, Shanghai), [Bangkok Post, Dec 2019](#) (Thailand, Yala, Chon Buri and Phuket), [Bloomberg, Jan 2020](#) (Brazil, National), [Asean Briefing, Feb 2020](#) (Malaysia, National)

Data on electricity charges was sourced from [GlobalPetrolPrices.com](#) as accessed on 23 June, 2020

India has improved its ranking from 142 in 2014 to 63 in 2019 in Ease of Doing Business

How India climbed 79 spots in the last 5 years:



Process

Single form for company formation



Time

Fast track approval for construction permits



Trade

'Indian Customs Single Window Project' implemented



Legal

Commercial Courts and Appellate Division of High Courts established

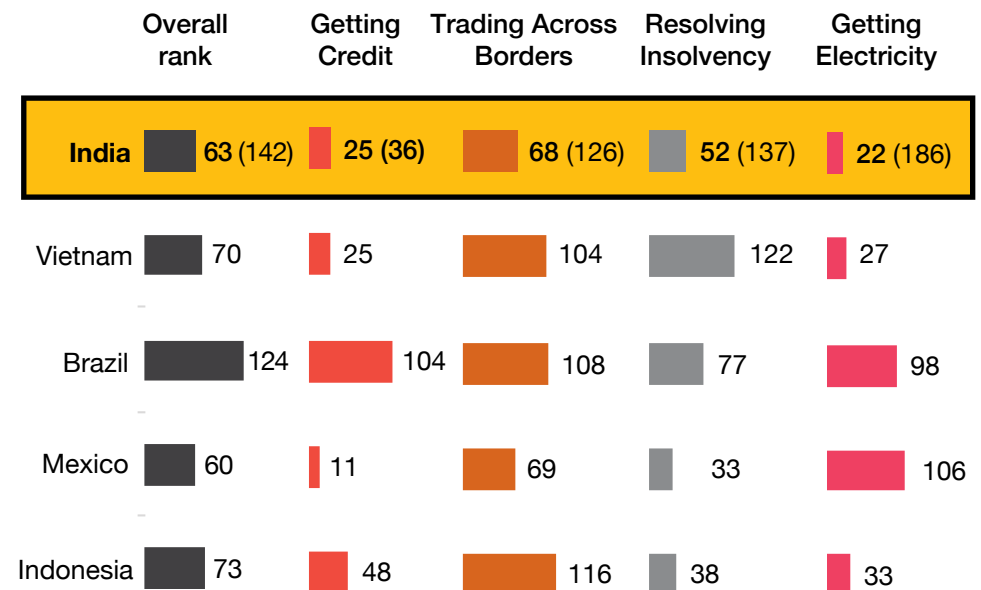


Exit

Insolvency and Bankruptcy Code 2016 for resolving insolvency

Ease of Doing Business: Top parameter-wise rankings*

#, 2019; (#), 2014









*Lower rank in a given parameter represents better positioning of the respective country

Source

Doing Business Assessment 2020 by World Bank

Recent initiatives for a better tomorrow

Centre and state guidelines	Dispute resolution	Intellectual property rights	Tax policy certainty	Logistics and Infrastructure	Pandemic proofing of supply chains
<ul style="list-style-type: none"> • Empowered Group of Secretaries set up to ensure faster clearances on setting up of new projects. • State governments have set up investment clearance cells by bringing nodal ministries together. • Clean and climate-friendly mobility initiatives undertaken across cities. • Reinforced waste management regulations ensure that a substantial number of global requirements around sustainability are addressed. 	<ul style="list-style-type: none"> • Steps taken by the government for faster resolution of disputes / enforcement of contracts. These include amendment in the Arbitration & Conciliation Act in 2015, which resulted in quicker and effective passing of awards (less than 12 months, in some cases). • Set of special courts to handle commercial disputes under Commercial Courts Act, 2015. • Institution of specialised quasi-judicial bodies / tribunals and regulatory authorities to decongest courts. 	<ul style="list-style-type: none"> • India has acceded to various global intellectual property (IP) treaties recently such as the WIPO Copyright Treaty, Vienna Agreement, Nice Agreement on Goods & Services that help align Indian IP with global standards. • Indian IP Office's online filing system has substantially reduced processing time. • Setting up of commercial courts with specialist judges has ensured the effectiveness of IP rights enforcement. 	<ul style="list-style-type: none"> • As an alternate dispute resolution scheme, a robust Advance Pricing Agreement (APA) programme has been introduced to provide ease of compliance in the domain of Transfer Pricing for a period that can extend to nine years. 325 APAs have been signed to date. • In 2020, India has proposed a one time direct tax dispute resolution scheme that aims to resolve long pending tax disputes. 	<ul style="list-style-type: none"> • Port capacity to increase to 3300+ million tonnes per annum by 2025. • Radio Frequency Identification system has been installed in 11 major ports to enhance security, and remove bottlenecks for seamless movement of traffic across port gates. • Delhi Mumbai Industrial Corridor Development Corporation's Logistics Databank System helps track the movement of containers. • Issuance of e-delivery orders, e-invoice and e-payment across all major ports has reduced paper work. 	<ul style="list-style-type: none"> • Aarogya Setu, the recently-launched COVID-19 tracking app, proactively informs citizens about best practices and provides relevant advisories on the containment of Covid-19. • The Ministry of Home Affairs has issued clear guidelines and standard operating procedures for manufacturing, logistics and transport companies. 

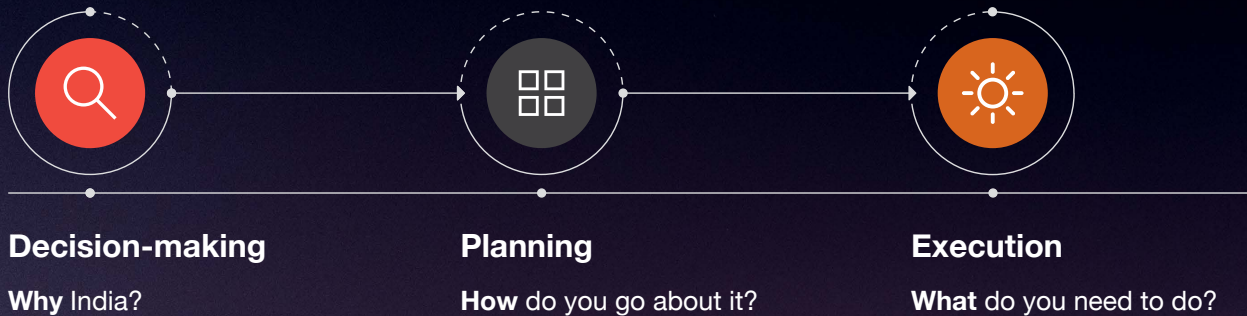
Sources

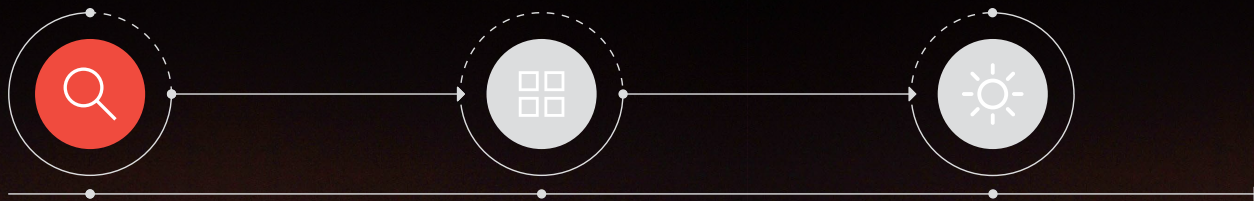
Industrial Information System, Department for Promotion of Industry and Internal Trade, Government of India
 Press Release - Press Information Bureau; 13 March 2019 ; Press Release - Press Information Bureau; 4th July 2018

Preface to the Annual Report of the Indian IP Office, 2017-18
 Gazette of India; 21st August 2018
 Business Standard, 28 November 2019

Where we can help

India evidently is fit for future and makes a compelling case for a local, regional and/or global manufacturing base. If you are weighing the option of investing in India and would like to plan out a roadmap, PwC India, with its rich and diverse experience, will be happy to partner with you through the entire journey from decision-making to planning and execution.





Decision-making

Why India?

Decision-making

Why India?

Planning

How do you go about it?

Execution

What do you need to do?

Market assessment for investors

Is the Indian market large enough?
Can India be a base for local, regional and/or global markets?

Cost, incentives and regulatory benchmarking

Can Indian operations lower costs globally?

PEST risk

What are the political, economic, social and technology risks?

Supply chain risk

What are the supply chain diversification risks?

We have helped multiple clients evaluate their business strategy and assess risk



Global major lithium-ion battery manufacturer

Identification of locations suitable for business operations



Large Asian chemicals player

Strategic market assessment of select industrial chemicals in India



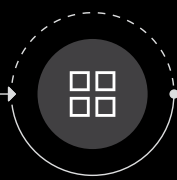
Leading global beverage manufacturer

Assessment of incentives for focus states and support in negotiation of customised incentives package



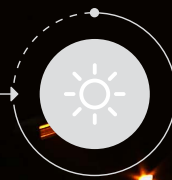
Decision-making

Why India?



Planning

How do you go about it?



Execution

What do you need to do?

Planning

How do you go about it?

Supply chain network strategy

How to mesh India operations with the global supply chain network?

Tax/Regulatory

What is the appropriate investment and operations structure?

Build versus buy

What is better: Brownfield or greenfield operations?

Greenfield: Location assessment

Which is the best suited location / state in India – factoring in incentives, costs, availability and infrastructure?

Brownfield: Target search

What are some potential targets for M&A?

Buy-side advisory

How can the deal be executed?

Valuation

What is the value to be paid for an acquisition?

We have helped multiple clients find acquisition targets and finalise locations



Global major lithium-ion battery manufacturer

Following the decision-making process, the next step was support in formulation of incorporation and post-incorporation strategy



Global pharmaceutical major

Location advisory services for setting up a manufacturing facility in North-East India



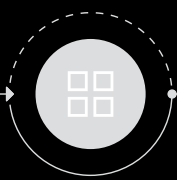
A domestic entrepreneurial group

Assessment of investment opportunities in the Precision Plastics industry and identification of potential partners



Decision-making

Why India?



Planning

How do you go about it?



Execution

What do you need to do?

Execution

What do you need to do?

Business plan

What will the projected financials look like?

Policy support and regulatory approvals

How to ensure compliance?

Partnerships

Who can be JV partners / suppliers / distributors?

Incentive support

How we can assist you in representing your business case?

Programme management

How to ensure implementation success?

We have helped multiple clients set up sustainable operations



Global major lithium-ion battery manufacturer

Having helped with decision-making and planning, execution entailed assessment and support in negotiation of customised incentive packages for investment



Global automotive OEM

Development of a five-year growth strategy and business plan for India automotive business



One of the world's largest FMCG players

Assessment of Indian market and evaluation of potential Indian partner universe to shortlist companies aligned with the client's business interests

A man wearing a yellow hard hat and a blue t-shirt is smiling and holding a fist, standing in a warehouse. The background shows shelves filled with boxes and industrial equipment.

#EmergingStronger

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