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SpotLight

November 2023

India's Manufacturing Renaissance

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“No country is ever successful in the long term... without a really strong and vibrant manufacturing base”

— Alan Mulally
former President and CEO
of the Ford Motor Company

Shining a spotlight on India's Manufacturing Renaissance

In the ever-evolving landscape, India has emerged as a beacon of promise and potential. Through 360 ONE Asset's special series 'SPOTLIGHT,' we aim to offer comprehensive and insightful reports on topics specific to India.

In the inaugural edition, we delve into a subject of immense significance: **India's Manufacturing Renaissance.** This report captures a series of insights into the current state of manufacturing in India and its role on the global stage. It further identifies countries with abundant and well-educated labour forces, well-poised to benefit from the 'China + 1' trade policy. The report explores the advantages of manufacturing in India, outlining the synergies, PLI schemes, and the vast consumer market it offers.

As India's manufacturing sector looks poised for a significant shift, we hope this report serves as a source of inspiration for business leaders, policymakers, and innovators shaping the future of world's largest democracy.

Anup Maheshwari
Co-Founder & CIO
360 ONE Asset

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Chapter 01

China's manufacturing dominance

De-risking of supply chains away from China in progress

- China has emerged as the hub of global supply chains with robust and technologically sophisticated industrial ecosystems in the world
- China's manufacturing sector is supported by a skilled workforce and unmatched logistics infrastructure
- China experienced an unhindered surge in its share of global exports following WTO accession, rising from just 3.9% in 2000 to a peak of 15% in 2021
- China is likely to remain the world's leading exporter for the near future. However, China's dominance in the global exports may be approaching peak
- Ongoing geo-political tensions between western economies and China have fueled the process of de-coupling/de-risking of supply chains
- Proportion of China's share in total US imports has shown a steady decline. The decline can be attributed, in part, to the escalation of the trade war between the two countries
- There is an opportunity for other countries to benefit as companies seek alternatives for manufacturing to reduce dependency on China and enhance the stability of their global operations

Where do bicycles come from?

Saddle exports
China: US$100 million
Italy: US$85 million
Spain: US$16 million

Frame exports
China: US$977 million
Vietnam: US$147 million
Italy: US$66 million

Brake exports
Japan: US$200 million
Singapore: US$172 million
Malaysia: US$152 million

Wheel exports
China: US$170 million
Italy: US$28 million
France: US$26 million

Pedal and crank exports
Japan: US$150 million
China: US$137 million
Singapore: US$117 million

Global supply chains have become so integrated that even simple products like bicycles are composed of parts from different parts of the world

China has emerged as the hub of global supply chains, not only for complex products such as computers, smartphones, and chemicals, but also for relatively simpler products like clothing, furniture, and bicycles

China offers some of the most robust and technologically sophisticated industrial ecosystems in the world, supported by a skilled workforce and unmatched logistics infrastructure

Source: WDR 2020, using data from UN Comtrade Database. 360 ONE Asset Research

What is China's role in global export market?

Source: WTO, 360 ONE Asset Research

On 11 December 2001, China officially became a member of the WTO. Since then, its achievements in exports have been truly remarkable

Prior to joining the WTO, China held a mere 3.9% share of global exports. However, following its accession, China experienced an unhindered surge in its export share, which rose to 13.7% in 2015

After 2015, the pace of increase in export's share slowed down. However, the share continued to rise, reaching a peak of 15% in 2021

China has observed a rise in its share across all categories of manufacturing goods, including metals, chemicals, machinery, transport equipment, and textiles

US-China trade tensions: New cold war?

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A Brief Timeline of US-China Trade Tensions

2018

Jul-Sep 2018
US imposes 25% tariff on $34 bn worth of Chinese imports

Jul-Sep 2018
China retaliates on $34 billion in US imports

Dec 2018
Truce in trade war

2019

May 2019
US-China trade war resumes, with Huawei added to entity list and additional 25% tariff on $200 billion in Chinese imports

June 2019
China announces 25% tariff retaliation on $60 billion in US imports

Aug 2019
US Treasury designates China a currency manipulator

2020

Jan 2020
Phase One trade agreement

Feb-Sep 2020
Tariff was undone, with exemptions/ bans

2021

Jan-Feb 2021
Biden administration's official statement to keep tariffs on China in place

Jan-Feb 2021
China imposes sanctions on 28 former Trump administration officials

Sep 2021
Extended ban on investments in Chinese companies with ties to the Chinese military

2022

Jan 2022
World Trade Organization authorizes China to impose compensatory tariffs after US refusal to adjust anti-subsidy duties inconsistent with World Trade Organization

May 2022
Indo-Pacific Economic Framework for Prosperity launched with a dozen partners

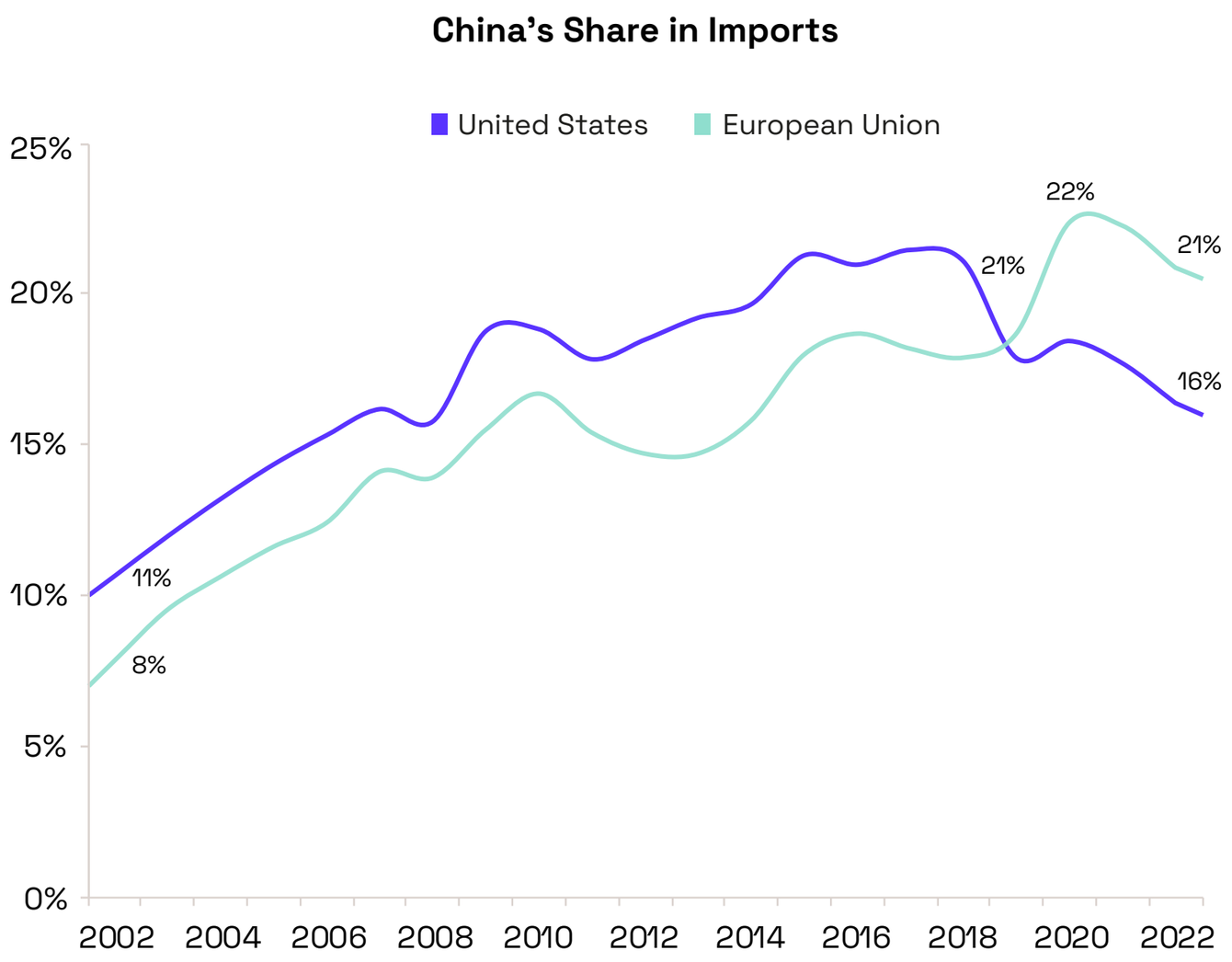
Aug 2022
President Biden signs Creating Helpful Incentives to Produce Semiconductors and Science Act, and Inflation Reduction Act

Oct 2022
New export controls prohibiting sales of advanced chips and chip-making technology to China

Dec 2022
World Trade Organization rules against the US in Section 232 tariffs on steel and aluminum and Hong Kong SAR labeling disputes

Source: IMF WEO April 2023, News Reports, 360 ONE Asset Research

Is China's manufacturing dominance in jeopardy?



Source: census.gov, FRED, Eurostat, 360 ONE Asset Research

The growing concern among developed markets over heavy reliance on China in global supply chains has led to adoption of various strategies, such as re-shoring, near-shoring, and friend-shoring

The ongoing diplomatic tensions between Western economies and China have also fueled the process of de-coupling and de-risking of supply chains

The impact of supply chain diversification is quite evident in China's imports to the United States. China's share in total US imports has steadily come down from a peak of 21% in 2018 to 16% in 2022

This situation has created an opportunity for other countries to benefit as companies seek alternatives to reduce their dependency on China and enhance the stability of their global operations

Chapter 02

China + 1: Beneficiaries

Vietnam clear beneficiary while India has maximum potential

- India, Vietnam, Thailand, Indonesia, and Malaysia are in the prime position to attract manufacturers seeking to diversify supply chains. Mexico could also benefit on account of geographical proximity to North American market
- All countries, except Thailand, possess a significant demographic advantage over China. India and Indonesia are likely to maintain their demographic advantage over the next 2-3 decades
- India represents 19% of the global working age population, making it a significant contributor to the world's labor force. India also stands out by a considerable margin when it comes to skilled workforce
- Vietnam has demonstrated a remarkable growth in manufacturing sector. Mexico also witnessed a marginal increase in share of manufacturing value added over the last decade
- India boasts a larger manufacturing sector in absolute terms among the countries discussed, despite having a much lower share of manufacturing in GDP
- Vietnam has been a clear beneficiary of US-China trade dispute. Mexico exports to US have also benefited. India has experienced only a marginal increase in share of US and EU goods imports
- India and China have experienced robust productivity growth since the beginning of the 21st century. Vietnam witnessed steep improvement in productivity over the last decade

What is ‘China + 1’? Who are the beneficiaries?

	China	India	Mexico	Indonesia	Thailand	Vietnam	Malaysia
GDP (current US$ Tn)	18.0	3.4	1.4	1.3	0.5	0.4	0.4
GDP per capita (current US$)	12,720	2,389	11,091	4,788	6,909	4,164	11,972
Total Population (Mn)	1,412	1,417	128	276	72	98	34
Share of Urban Population	64	36	81	58	53	39	78
Share of Working Age Population (15-64 years)	69	68	67	68	69	68	70
Literacy rate (% of people aged 15 and above)	97	74	96	94	95	96	95

Note: All data pertains to the year 2022

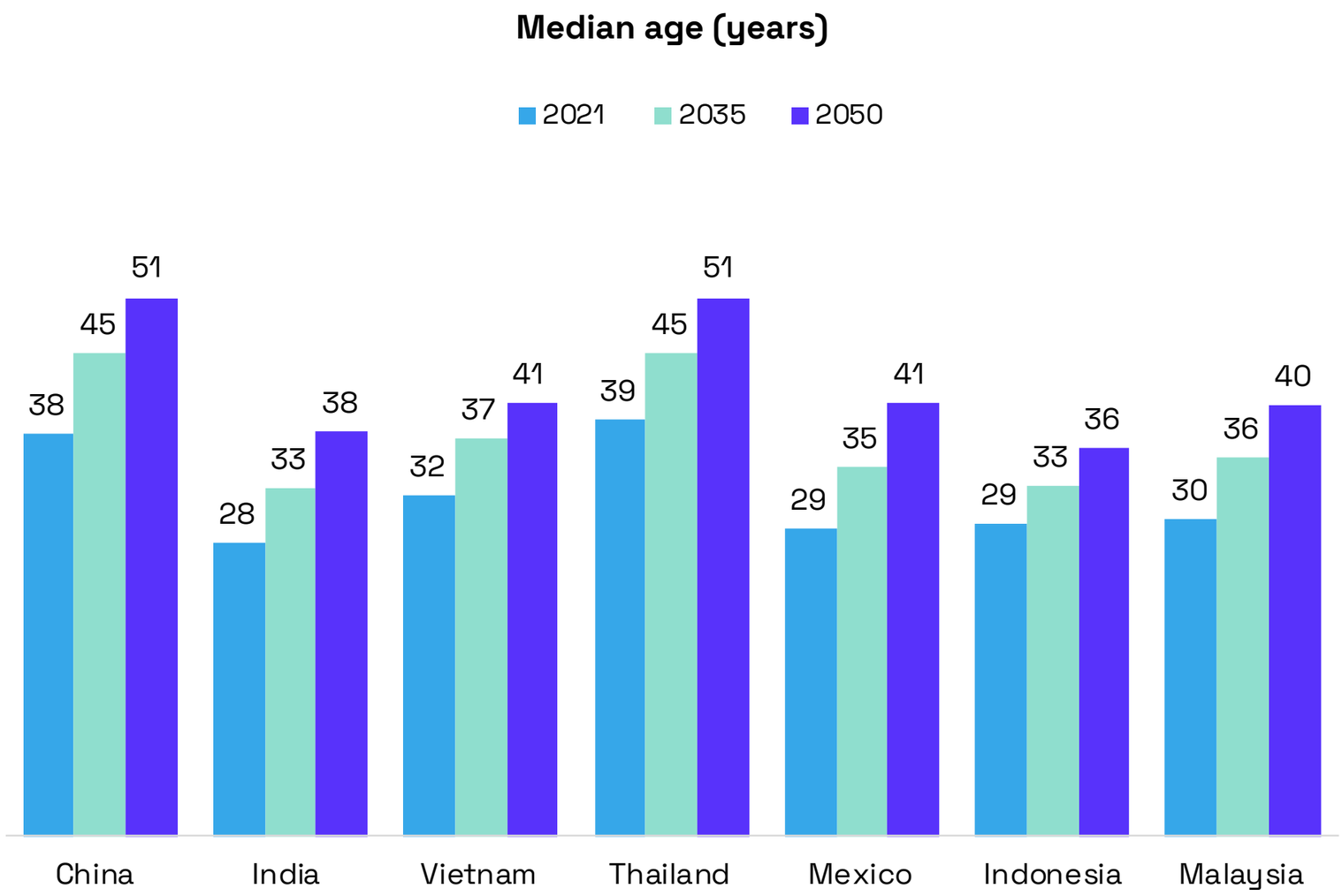
Source: World Bank, 360 ONE Asset Research

‘China + 1’ is a business strategy that involves diversifying business operations by expanding outside of China, or to channel investments into manufacturing in other promising developing economies

Introduced in 2013, the ‘China + 1’ concept gained momentum following the escalation of US-China trade tensions. Several factors like the diminishing cost advantage of China and growing geopolitical distrust between China and the West contributed to this trend

India, Vietnam, Thailand, Indonesia and Malaysia are in the prime position to attract manufacturers seeking to supplement their operations in China. Mexico could also benefit on account of geographical proximity to North American market

How do demographics compare?



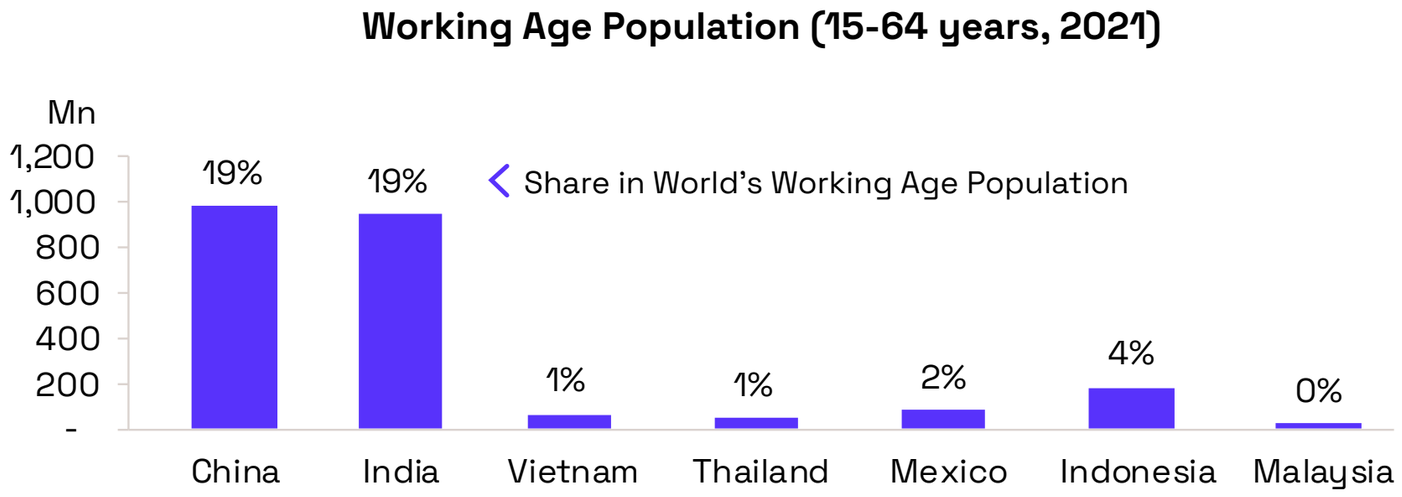
All countries, except for Thailand, possess a significant demographic advantage over China due to projected rapid aging of China's population

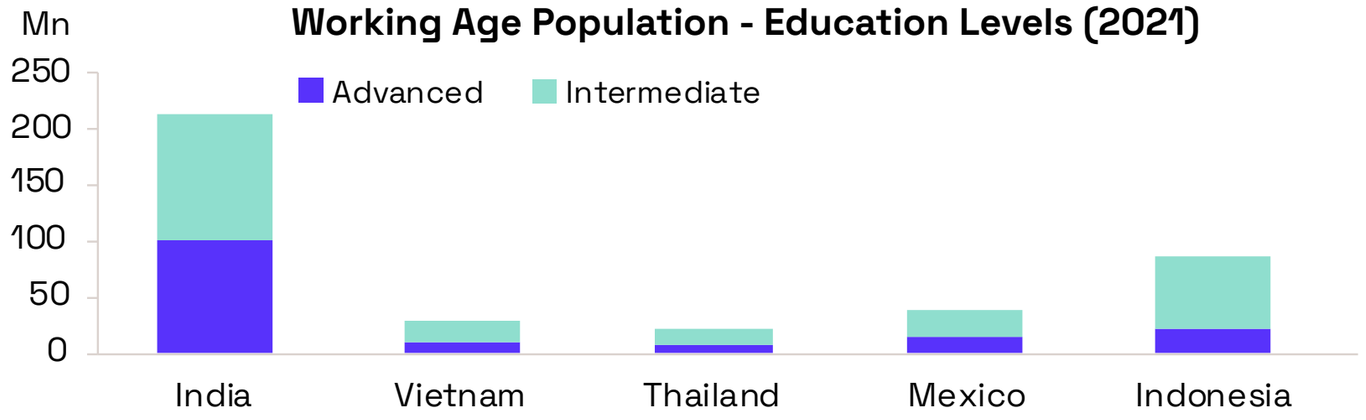
Thailand's demographics closely resemble those of China, with the median age expected to be among the highest by 2050

India and Indonesia share similar demographic characteristics, both having a comparatively lower median age. It is likely that both countries will maintain their demographic advantage over the next 2-3 decades

Source: United Nations Population Division, 360 ONE Asset Research

Which country possesses an abundant and well-educated labor force?





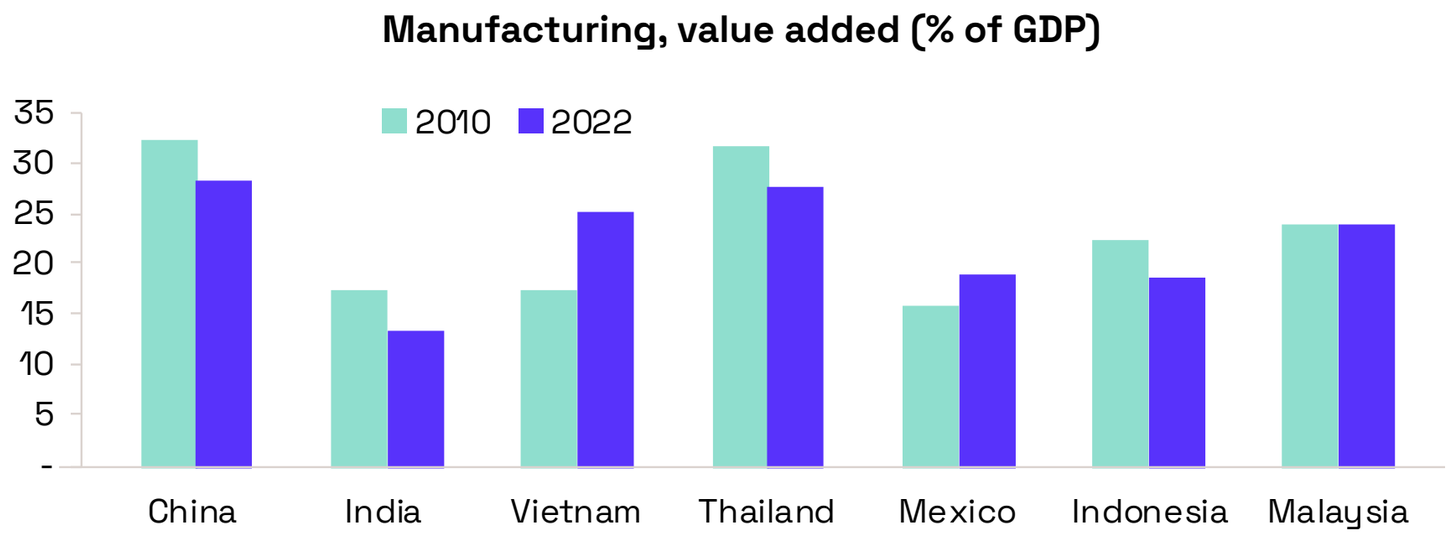
India, like China, represents 19% of the global working age population, making it a significant contributor to the world's labor force. In contrast, the combined working age populations of other mentioned countries amount to just 8% of the world's total working age population

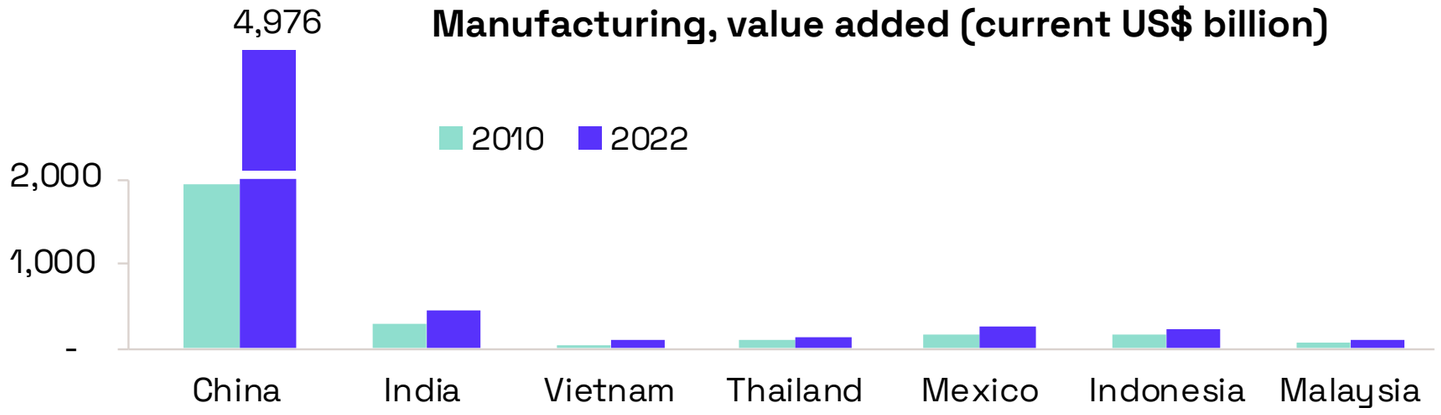
Moreover, India stands out by a considerable margin when it comes to skilled workforce. India's working age population with advanced education surpasses the number of individuals in other mentioned countries with both advanced and intermediate education

Indonesia also boasts a significant number of educated workers, surpassing those of Vietnam, Thailand, and Mexico by a decent margin

Source: United Nations Population Division, ILO, 360 ONE Asset Research

What is the manufacturing sector contribution?





Source: World Bank, 360 ONE Asset Research

Vietnam has demonstrated remarkable growth in manufacturing sector, evidenced by the share of manufacturing value added in GDP rising from 17% in 2010 to 25% in 2022

Mexico experienced a marginal increase in the share of manufacturing value added in GDP, while other countries faced a decline

The decline was particularly pronounced in India, where the manufacturing share in GDP fell from an already low 17% in 2010 to 13% in 2022. However, it's important to note that despite having a much lower share in GDP, India boasts a larger manufacturing sector in absolute terms among the countries discussed

China's manufacturing sector remains significantly ahead of the other countries

Who benefits from US-China trade tensions?

Source: census.gov, Eurostat, 360 ONE Asset Research

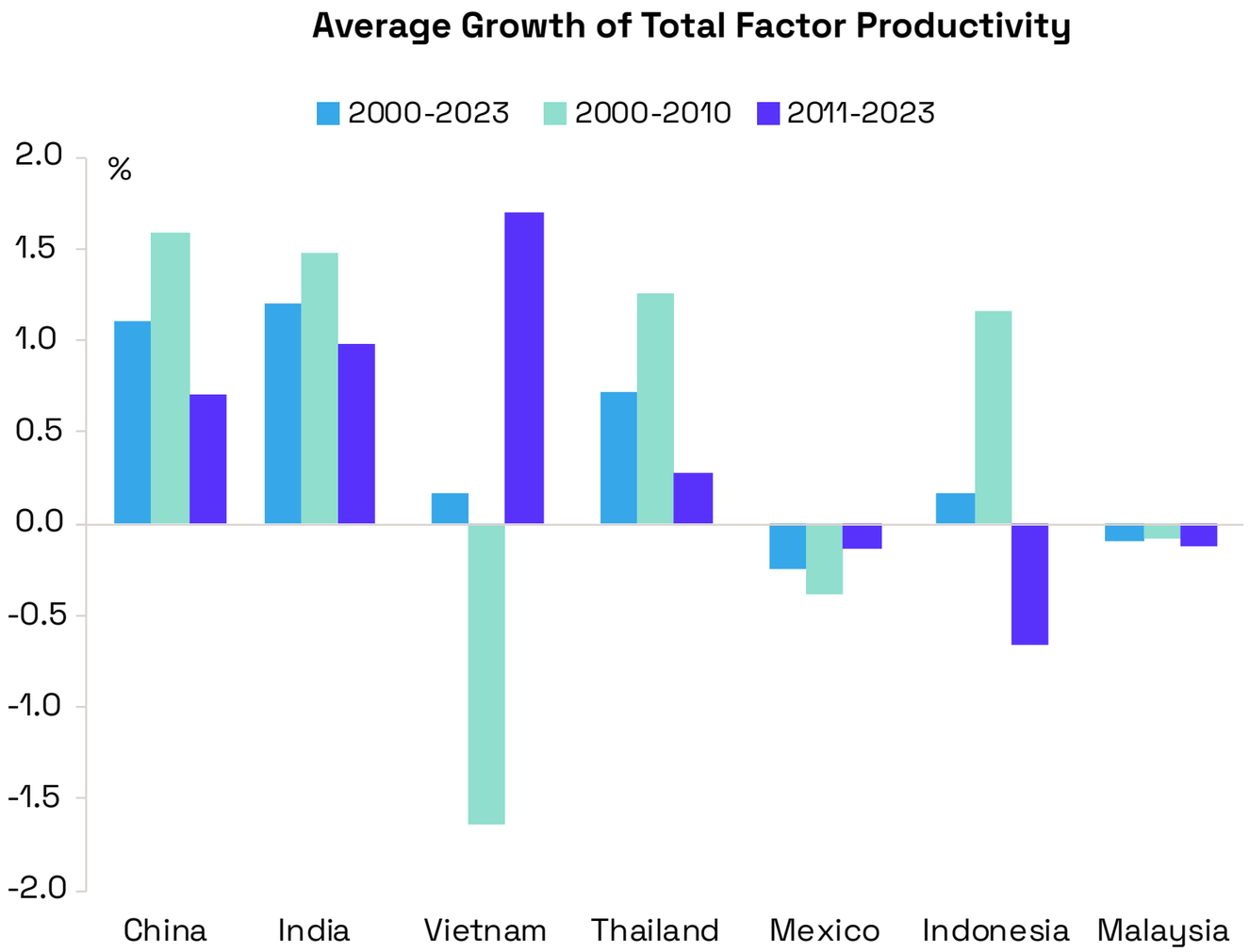
Vietnam has undoubtedly reaped significant benefits from the US-China trade conflict. As tensions escalated between the two economic giants, Vietnam emerged as a prominent alternative manufacturing hub to China. This shift in manufacturing dynamics has led to a notable boost in Vietnam's exports to both the United States and Europe

Mexico exports to US has benefited from geographic proximity and reduced transportation costs as companies strategically reorganize their supply chains by shifting production closer to the US consumer market

India's share in total goods imported by the US and EU has experienced a steady but marginal increase over time. Despite this positive trend, India's share remains quite low, considering the relative size of its economy and manufacturing sector

The European Union continues to heavily rely on China for imports

How has productivity growth unfolded over time?



Source: The Conference Board, 360 ONE Asset Research

Total Factor Productivity (TFP) represents the portion of output growth that cannot be attributed to the growth of traditionally measured inputs, such as labor and capital. It serves as a metric to gauge the impact of technological advancements and changes in worker know-how on overall economic growth

India and China have experienced robust TFP growth since the beginning of the century. However, both countries witnessed a decline in productivity growth during the last decade, with China experiencing a more pronounced decline

In contrast, Vietnam's TFP growth has been remarkable. The country's productivity growth shifted from a contraction during the 2000s to a steep expansion in the 2010s. This transformation can be attributed to the rapid expansion of the manufacturing sector in Vietnam

Other countries have also experienced a decline in productivity over the last decade. Indonesia, Mexico, and Malaysia witnessed contractions, while Thailand saw a subdued expansion

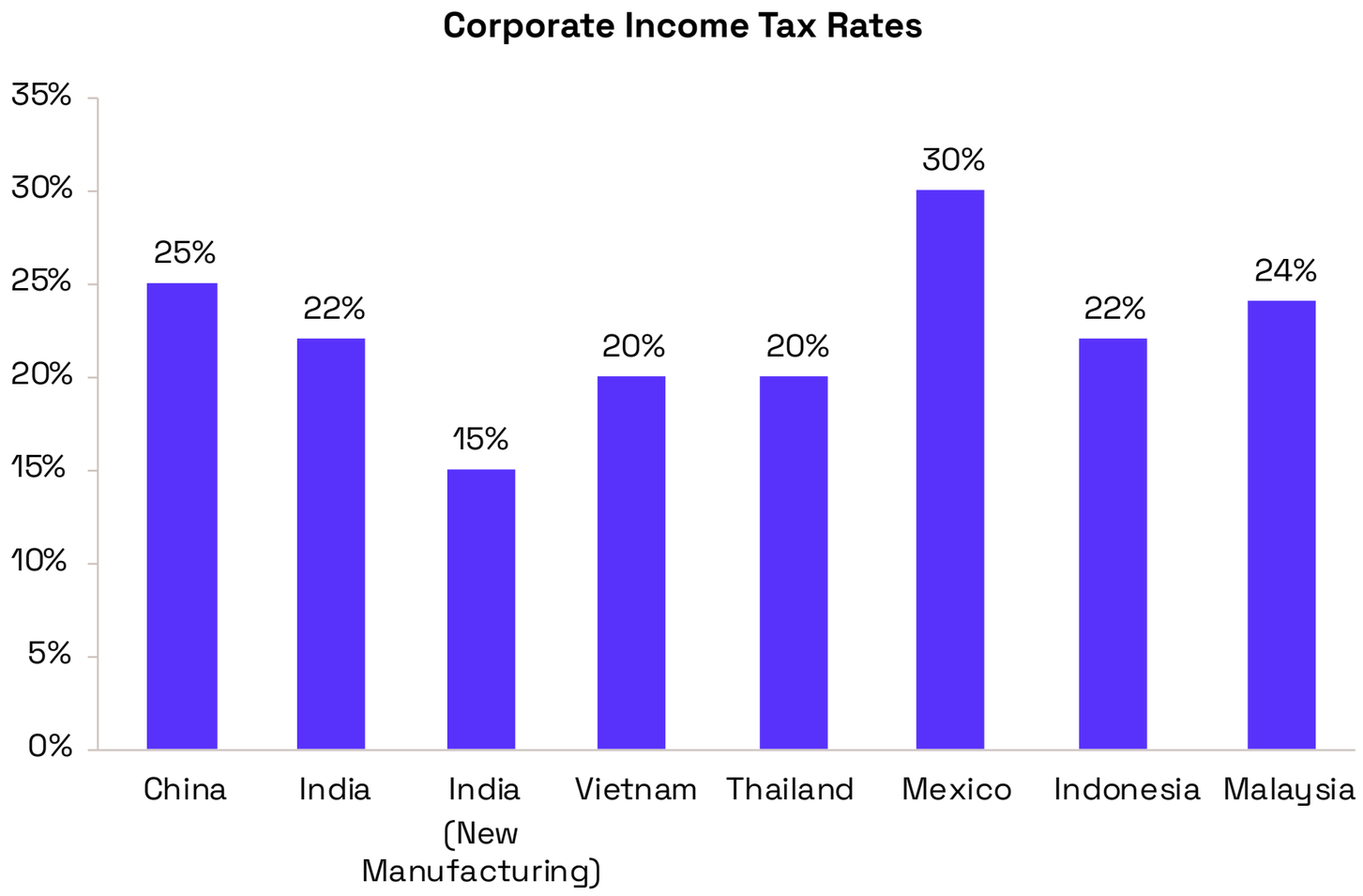
Chapter 03

Cost of doing business

India offers lowest tax rate and labor costs, Vietnam offers lowest energy costs

- India offers new manufacturing firms lowest corporate tax rate of 15%, while established manufacturing and services firms are subject to a 22% tax rate. Vietnam and Thailand also offer competitive tax rates of 20%
- Mexico imposes a significant tax rate of 30%, which is double the rate offered by India to new manufacturing firms. Among the South-East Asian economies, Malaysia has the highest corporate tax rate
- Energy costs are highest in Mexico. India also offers comparatively high energy costs. In contrast, Vietnam stands out with the lowest energy costs among the peer economies
- India offers the lowest lab sts among the competing countries. Vietnam is also a notable contender in providing cost-effective labor for the manufacturing sector
- While the cost of production might be noticeably higher in Mexico, the country has become a preferred industrial base due to its lower logistics costs for supplying to the US and Canada. This advantage is bolstered by Mexico's membership in the United States-Mexico-Canada Agreement (USMCA), which provides significant benefits

Which country offers the best tax rates?



India stands out as an attractive destination for new manufacturing firms due to its highly favorable corporate tax rates. While established manufacturing and services firms in India are subject to a 22% tax rate, new manufacturing firms are offered an even more appealing rate of just 15%. Vietnam and Thailand also offer competitive rates of 20%

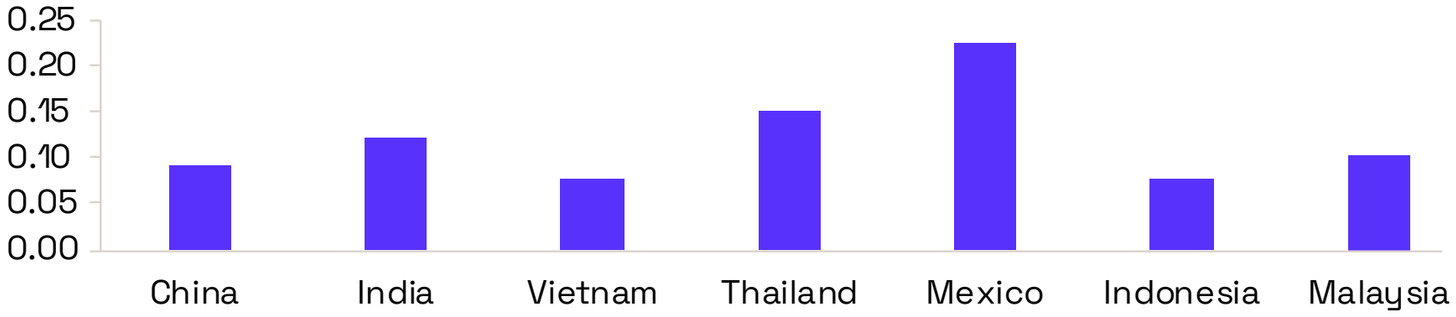
Notably, when compared to China, all countries in the peer group, except for Mexico, provide lower tax rates. Mexico imposes a significant tax rate of 30%, which is double the rate offered by India to new manufacturing firms

It's worth mentioning that Malaysia has the highest tax rates among the competing South-East Asian economies

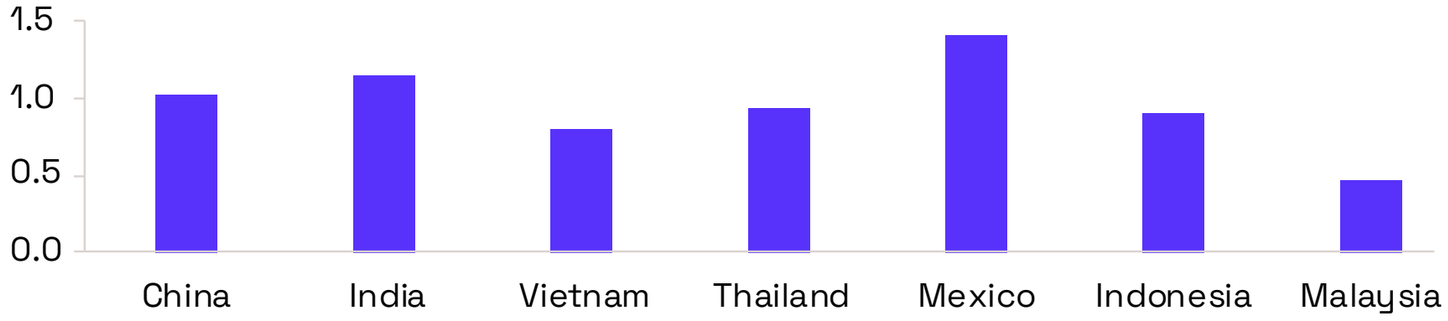
Source: Country governments, 360 ONE Asset Research

Which country has the lowest energy costs?

Electricity Prices for Business, December 2022 (kWh, USD)



Diesel Prices, July 2023 (litre, USD)



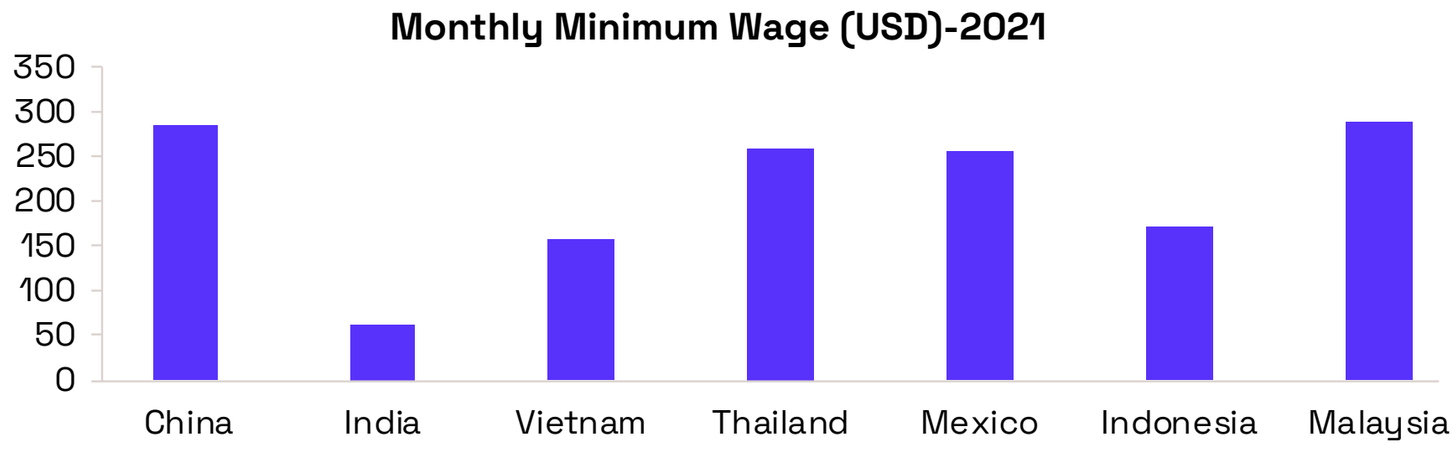
Industrial electricity prices are highest in Mexico, while they are lowest in Vietnam and Indonesia. India and Thailand also have comparatively higher electricity costs

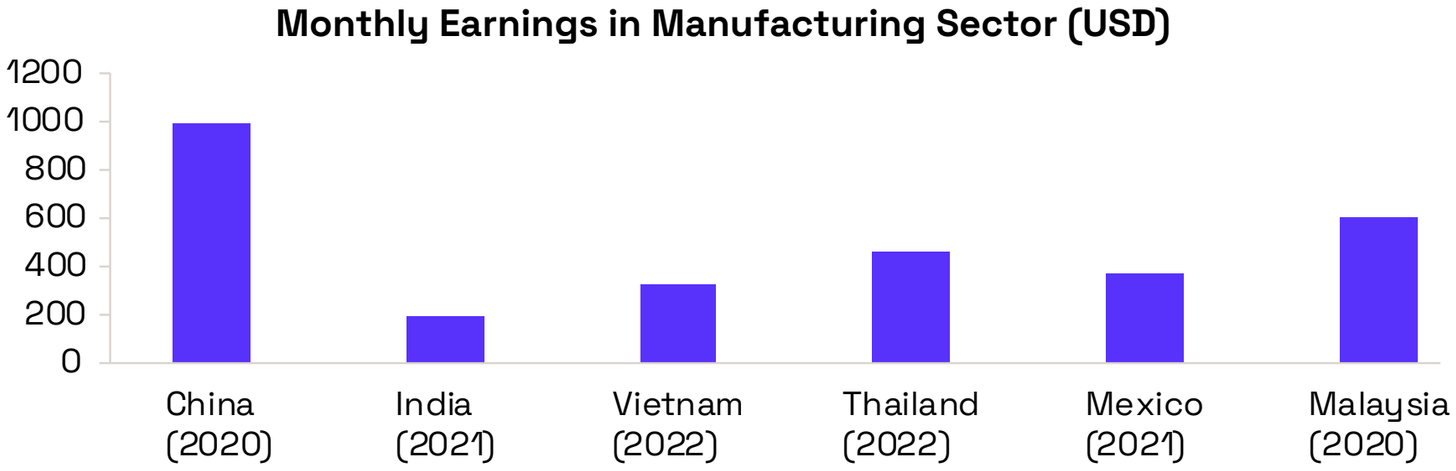
When it comes to diesel prices, Mexico tops the list with the highest prices, followed by India. On the other hand, Malaysia offers the lowest diesel prices, followed by Vietnam

Overall, energy costs are highest in Mexico. India also offers comparatively high energy costs. In contrast, Vietnam stands out with the lowest energy costs among the peer economies

Source: https://www.globalpetrolprices.com/, 360 ONE Asset Research

Which country has the lowest labor costs?





India stands out as an attractive destination for businesses seeking cost-effective labor. Vietnam is also a notable contender in providing cost-effective labor for the manufacturing sector. On the other hand, China and Malaysia have the highest labor costs among the countries discussed

India and Vietnam's competitive labor costs have positioned them as attractive choices for businesses aiming to optimize their production expenses and enhance their competitive edge in the global marketplace

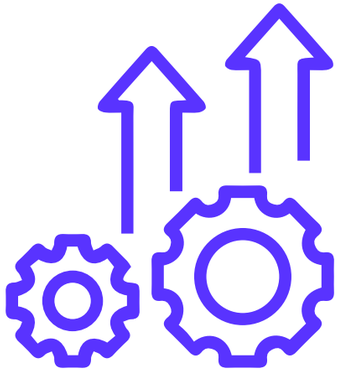
Source: ILO, 360 ONE Asset Research

Chapter 04

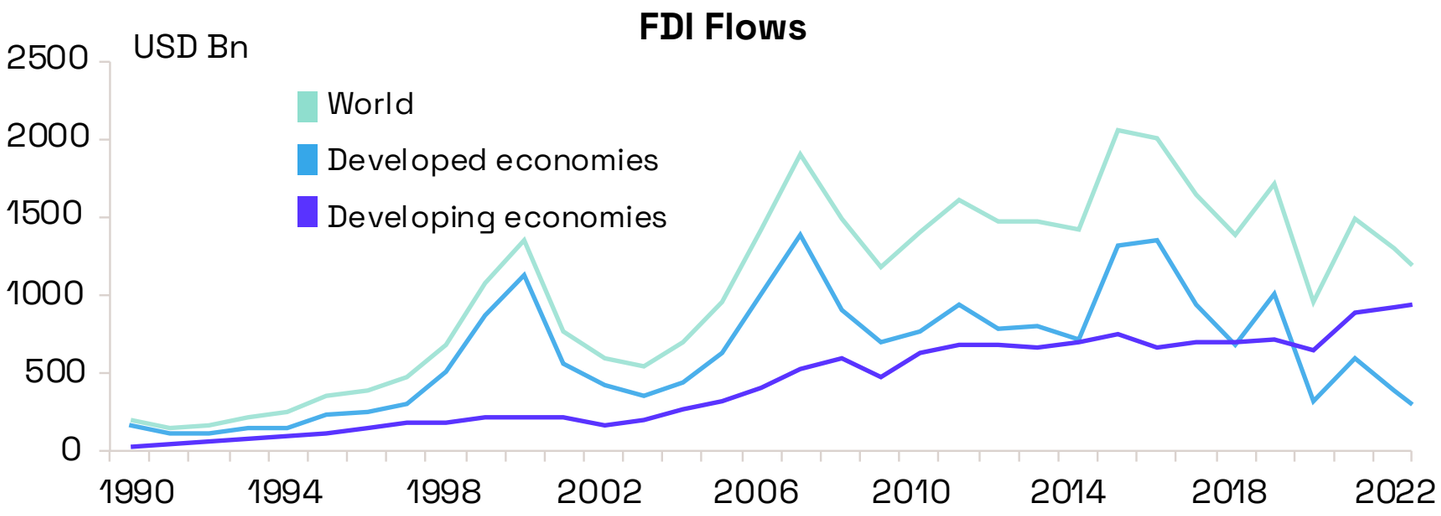
Foreign direct investment

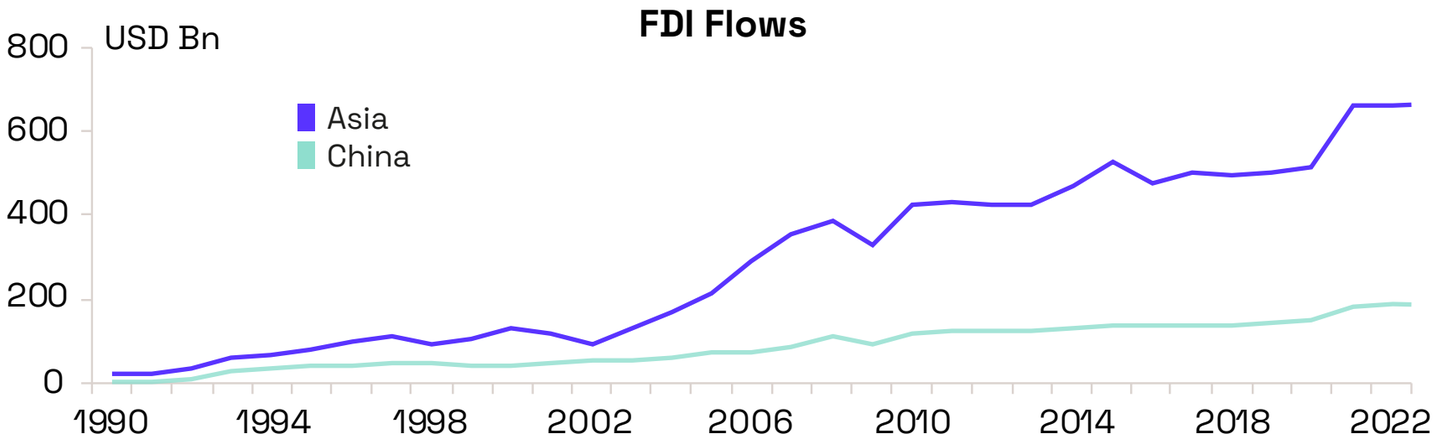
India has outperformed other countries in terms of FDI inflows, Indonesia trailing far behind as the next in line

- China is the world's second-largest FDI host country despite facing challenges such as trade wars, concentration risks, and regulatory uncertainties etc.
- Asian economies have been experiencing a consistent increase in FDI flows, contributing to almost half of the total global flows
- Clear signs of fragmentation in global FDI flows as new investments in strategic sectors gets directed towards US and Europe instead of China and other Asian economies
- India has observed a steady increase in its share of total global FDI, growing from approximately 1% in 2001 to 4% in 2022. Non-Conventional Energy (Renewables), Pharmaceuticals and Automobile are witnessing largest FDI flows to India among manufacturing sectors
- Indonesia and Vietnam have also experienced consistent growth in their share of global FDI, but they still account for only 2% and 1% respectively
- Malaysia witnessed a significant surge in FDI flows over the last two years, leading its share to rise from almost negligible in 2020 to 1% in 2022



What is the current status of global FDI flows?





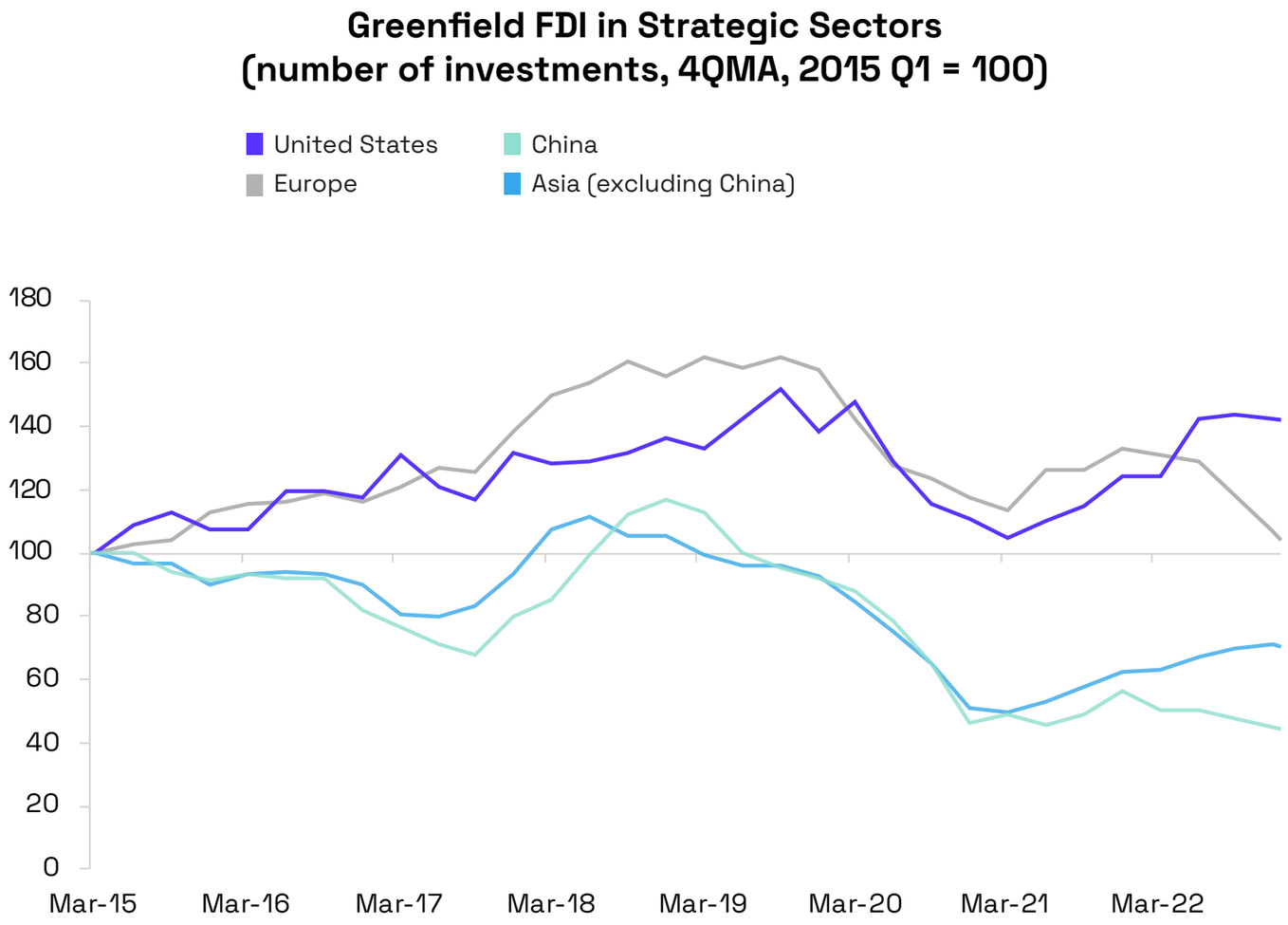
Global foreign direct investment (FDI) reached its peak in 2015. Since then, there has been a decrease, primarily attributed to diminished investments in developed economies. On the other hand, developing economies have continued to witness a steady rise in FDI inflows

Asian economies have been experiencing a consistent increase in FDI flows, contributing to almost half of the total global flows

Notably, despite facing challenges such as trade wars, concentration risks, and regulatory uncertainties, China remains an attractive destination for FDI

Source: UNCTAD, 360 ONE Asset Research

What about strategic sectors?



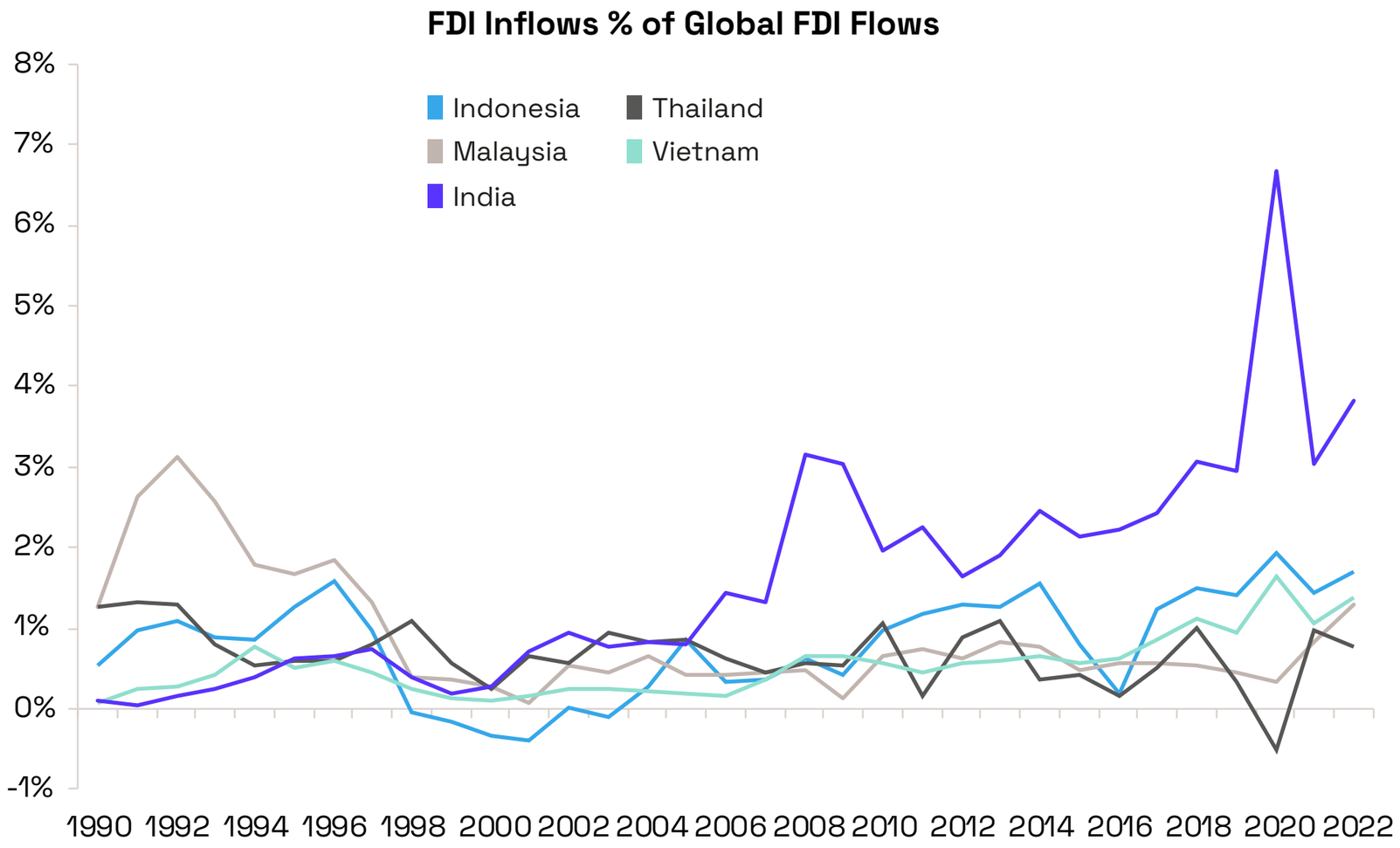
The flow of strategic FDI to Asian countries started to decline in 2019 and has recovered only mildly in recent quarters. By contrast, flows of strategic investments to the US and Europe have proved more resilient. As a result, by the fourth quarter of 2022, a significant gap emerged between new investment directed to these regions, with strategic FDI to Europe about twice that going to Asian countries

Fragmentation—and specifically the lack of recovery of FDI [Greenfield] to China—is even more apparent for foreign investment in R&D and in specific strategic industries, such as the semiconductor industry which both the US and the European Union have targeted with policies directed at strengthening domestic production and reducing the vulnerability from unaligned foreign suppliers

- Chapter 4, IMF World Economic Outlook, April 2023

Source: IMF WEO, 360 ONE Asset Research

How do China + 1 beneficiaries compare?



India has observed a steady increase in its share of total global FDI, growing from approximately 1% in 2001 to 4% in 2022

Similarly, Indonesia and Vietnam have also experienced growth, but they still account for only 2% and 1% respectively of the total FDI. Thailand's share, however, has remained relatively stable

In contrast, Malaysia witnessed a significant surge in FDI flows over the last two years, leading its share to rise from almost negligible in 2020 to 1% in 2022

Source: UNCTAD, 360 ONE Asset Research

Which manufacturing sectors in India are witnessing FDI flows?

FDI Inflows to India - USD Mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Non-Conventional Energy	781	784	1,205	1,446	1,393	797	1,601	2,500
Pharmaceuticals	729	857	1,010	266	518	1,491	1,414	2,058
Automobiles	2,682	1,609	2,090	2,623	2,824	1,638	6,994	1,902
Chemicals excl. Fertilizers	1,563	1,393	1,308	1,981	1,058	847	966	1,850
Food Processing	505	727	905	628	905	393	710	895
Electrical Equipment	462	2,231	489	977	571	1,412	684	895
Agricultural Machinery	16	15	17	6	102	143	269	742
Power	919	1,113	1,621	1,106	672	374	526	698
Electronics	206	84	197	452	422	375	417	555
Medical Appliances	165	480	87	157	309	69	208	397
Industrial Machinery	433	329	463	338	425	253	321	260
Other Industries	1,904	5,841	2,714	3,086	4,399	3,433	6,133	1,946
Total	**10,365**	**15,463**	**12,105**	**13,065**	**13,598**	**11,225**	**20,241**	**14,699**

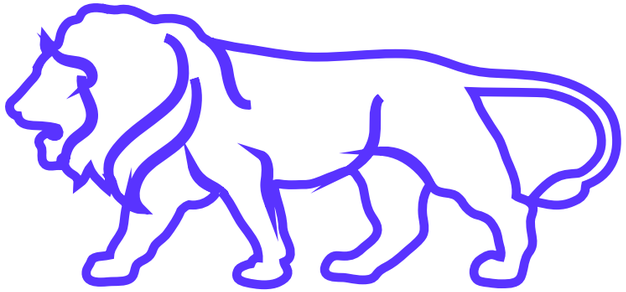
Source: CMIE, 360 ONE Asset Research

Chapter 05

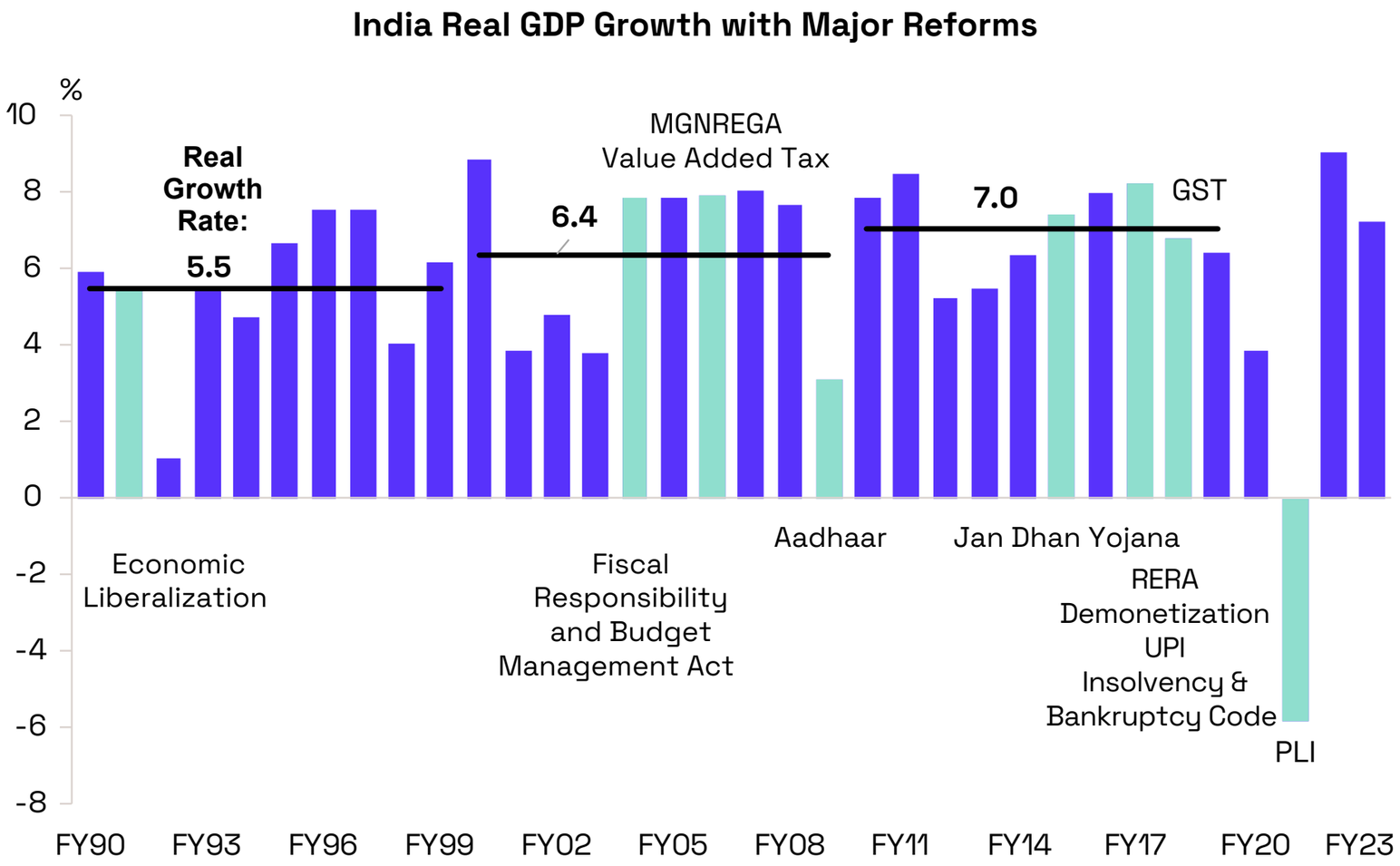
India manufacturing opportunity

Why make in india?

- Synergies resulting from the accelerated pace of reforms will enhance productivity and bolster long term growth
- PLI Schemes will transform India's exports basket from traditional commodities to high value-added products such as electronics & telecommunication goods, processed food products etc.
- India holds a distinct advantage in offering an expansive consumer market to companies looking to shift their manufacturing operations
- Government has significantly boosted capital expenditure, which has led to significant improvement in infra
- India has made impressive progress in the World Bank's Logistics Performance Index, climbing six positions from 44 in 2018 to 38 in 2023. The emphasis continues to be on further reducing logistics costs to align with global standards
- Clear signs of broad-based revival in private corporate capex
- Twin balance sheet advantage – corporates no longer overleveraged and banking NPAs have steadily come down
- Global manufacturers are increasingly eyeing India as an export base
- India has experienced a notable increase in the export of various items, including electronics (especially mobile phones), toys, and defense equipment, among other product categories



Accelerated pace of reforms to boost long term growth



Notes - MGNREGA: Mahatma Gandhi National Rural Employment Guarantee Act, RERA: Real Estate (Regulation and Development) Act, UPI: Unified Payments Interface, GST: Goods and Services Tax, PLI: Production Linked Incentive

Source: RBI, 360 ONE Asset Research

India has announced a series of reforms over the past decade

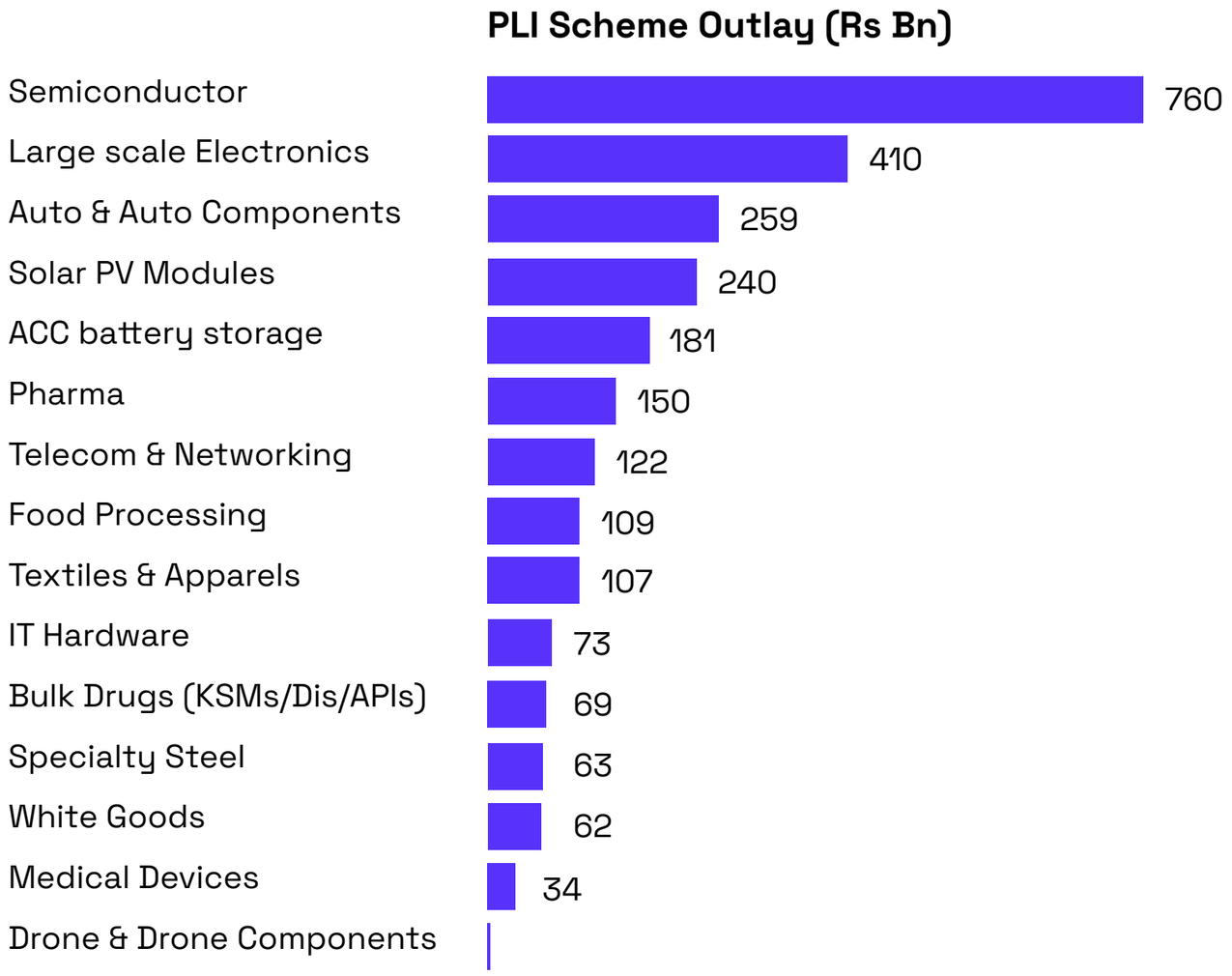
Pradhan Mantri Jan Dhan Yojana – a financial inclusion program expanded the reach of affordable financial services to previously unbanked population

Insolvency and Bankruptcy Code, 2016 (IBC) created a consolidated framework that governs insolvency and bankruptcy proceedings

Introduction of United Payments Interface (UPI) – instant payment system to transfer funds through mobile devises – transformed payment landscape

Goods and Services Tax (GST) was implemented in 2017 with the objective of creating a uniform indirect tax system across India

Incentives to boost domestic manufacturing



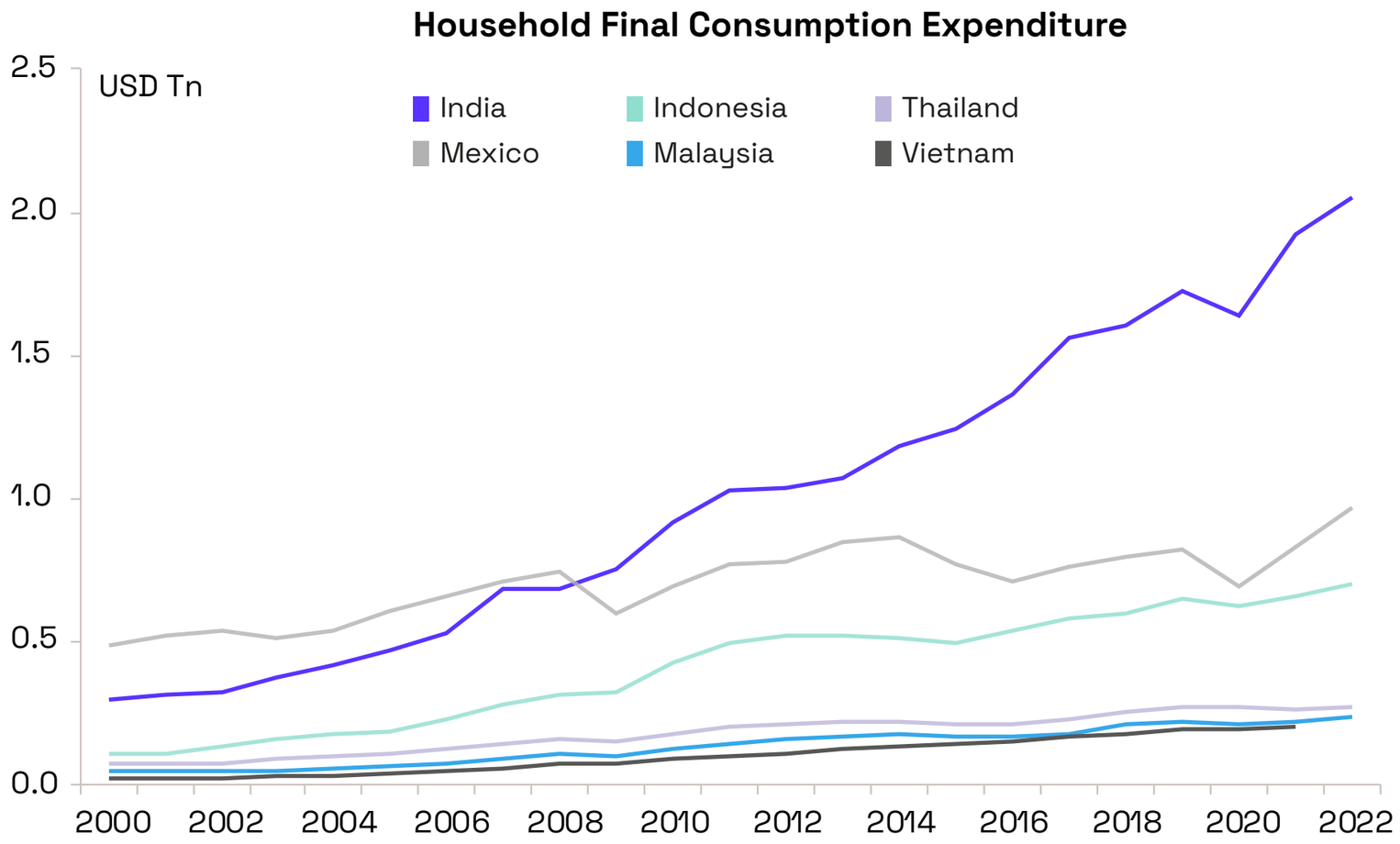
PLI Current Status (till 31st Mar'23)	
Applications Approved	733
MSME beneficiaries	176
Expected Investment	Rs 3.65 Tn
Actual investment	Rs 625 bn
Incremental Production/Sales	Rs 6.75 Tn
Employment Generation	325 thousand
Exports boosted	Rs 2.56 Tn

Production Linked Incentive (PLI) Schemes have led to a significant increase in production, employment generation, economic growth and exports. PLI Schemes will transform India's exports basket from traditional commodities to high value-added products such as electronics & telecommunication goods, processed food products etc.

Actual investment of Rs 625 bn has been realized till March 2023 which has resulted in incremental production/sales over Rs 6.75 Tn and employment generation of around 3,25,000. Exports were boosted by Rs 2.56 Tn till FY 2022-23

Source: Invest India, PIB, News Reports, 360 ONE Asset Research

Large consumption base



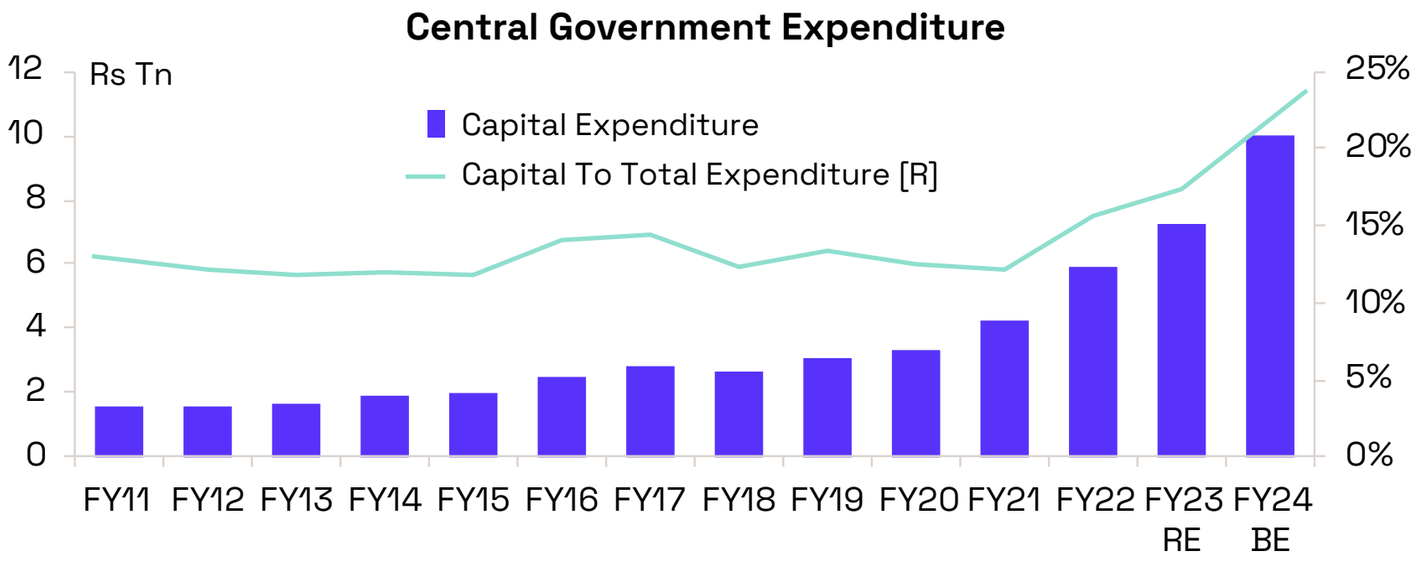
With a population exceeding 1.4 billion, India possesses one of the largest consumer markets in the world

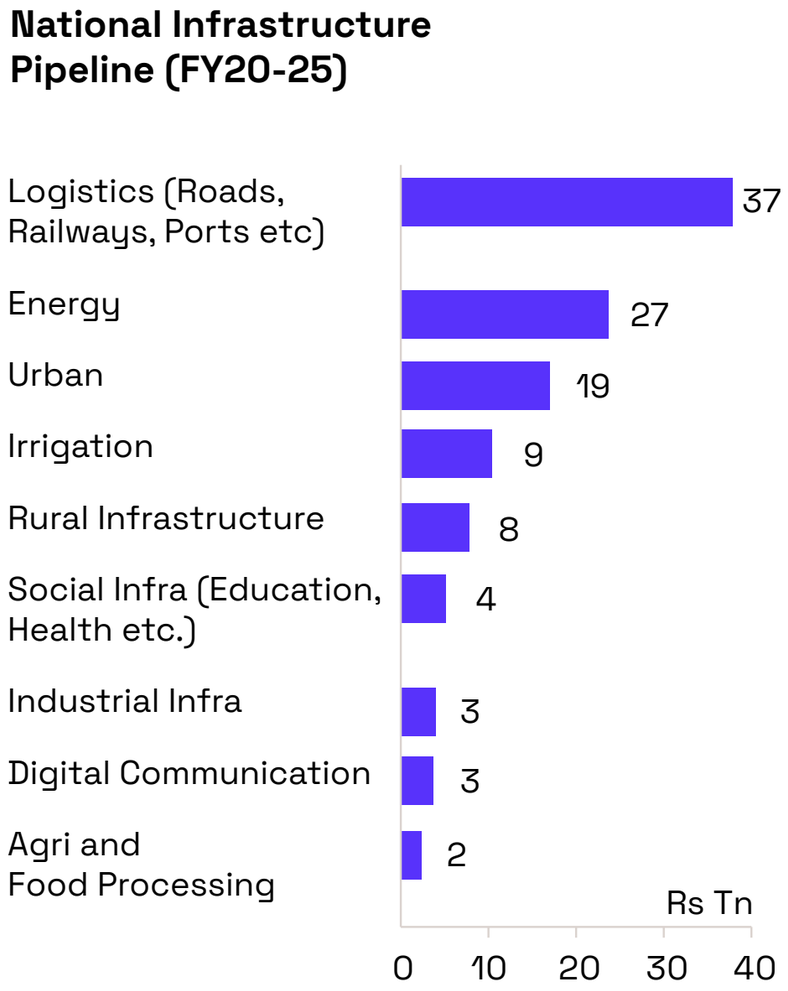
The consistent growth of the country's middle-class segment has resulted in increased purchasing power. Rapid urbanization and the growing aspiration are propelling a surge in demand for a wide range of goods and services

India enjoys a clear advantage in providing a vast consumer market for companies considering relocating their manufacturing operations

Source: World Bank, 360 ONE Asset Research

Massive increase in government capital expenditure





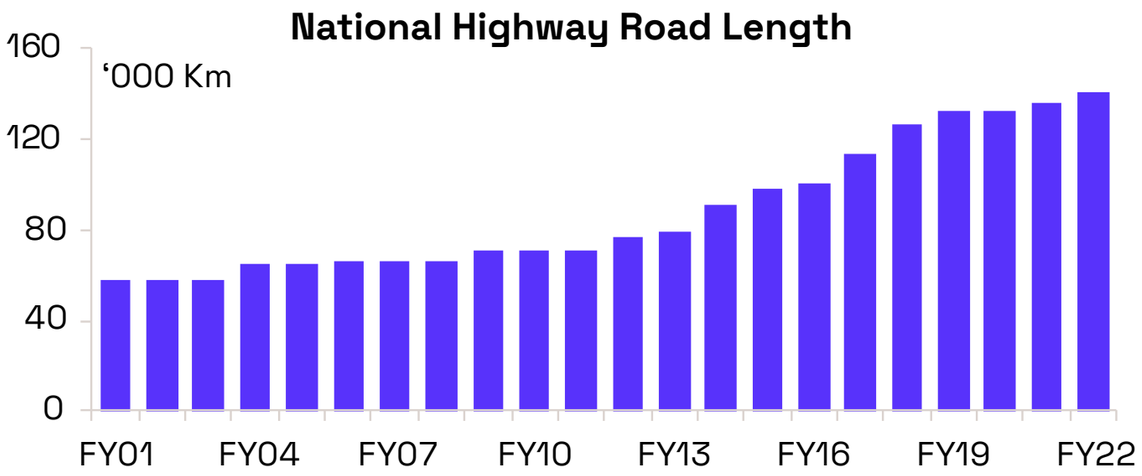
Central Government has significantly boosted capital expenditure over the past few years. Capital expenditure as a share of total expenditure has increased from 12% in FY21 to 22% in FY24 (budget estimates). In nominal terms, capex has more than doubled from around Rs 4 Tn to Rs 10 Tn during the same period

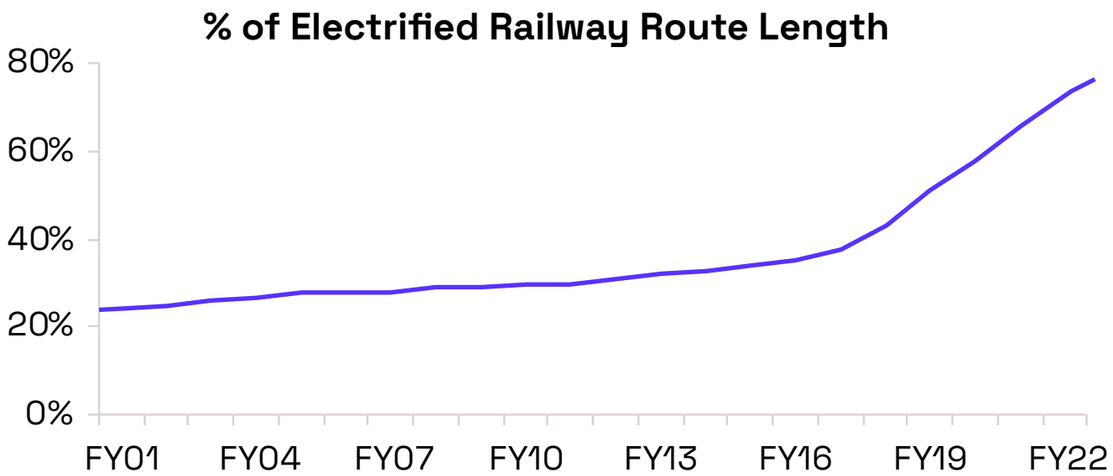
Under National Infrastructure Pipeline (NIP), government has also projected an investment of around Rs 111 Tn during FY20-25 with the Centre, States and the private sector to share the capital expenditure in a 39:39:22 formula

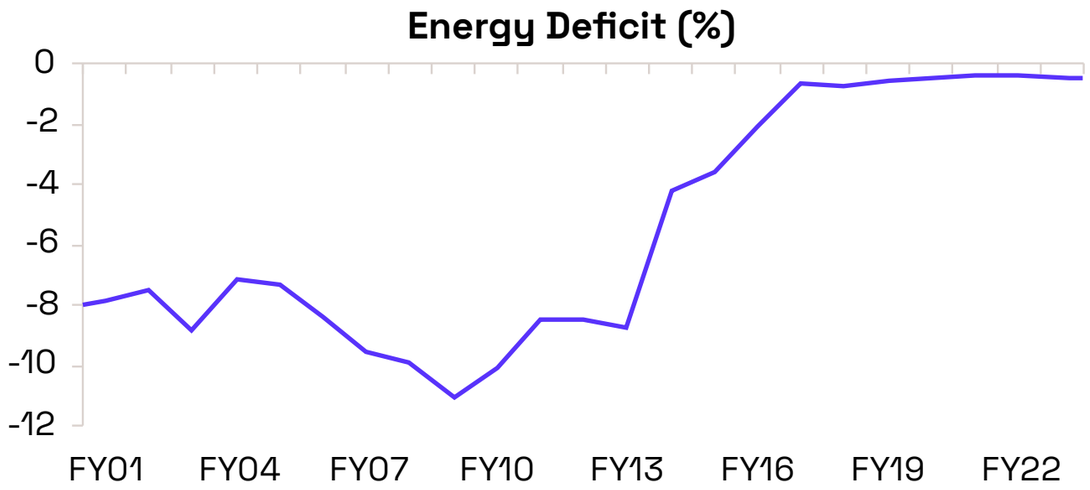
Source: Report of the Task Force National Infrastructure Pipeline, Budget Documents, 360 ONE Asset Research

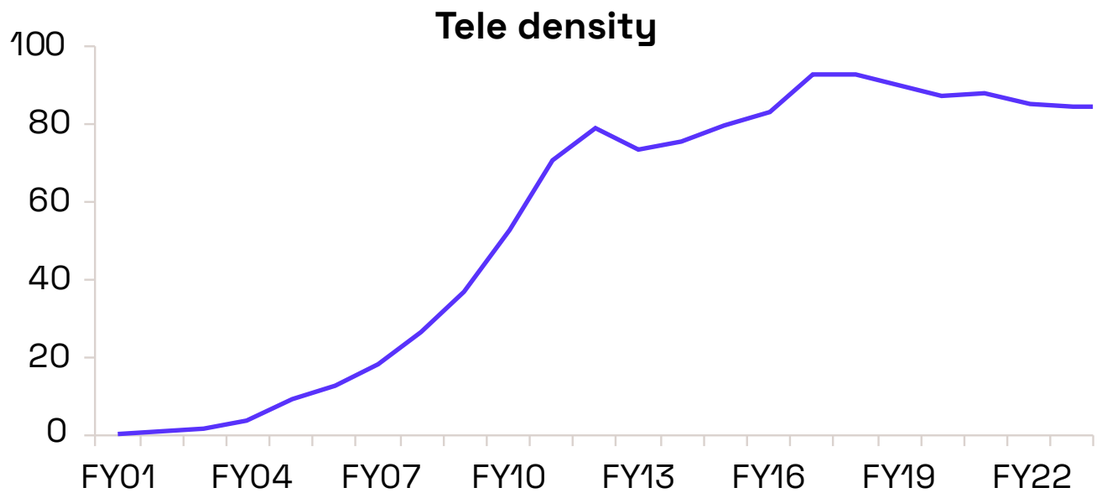
Note: RE- Revised Estimates, BE-Budget Estimates

Significant improvement in infrastructure





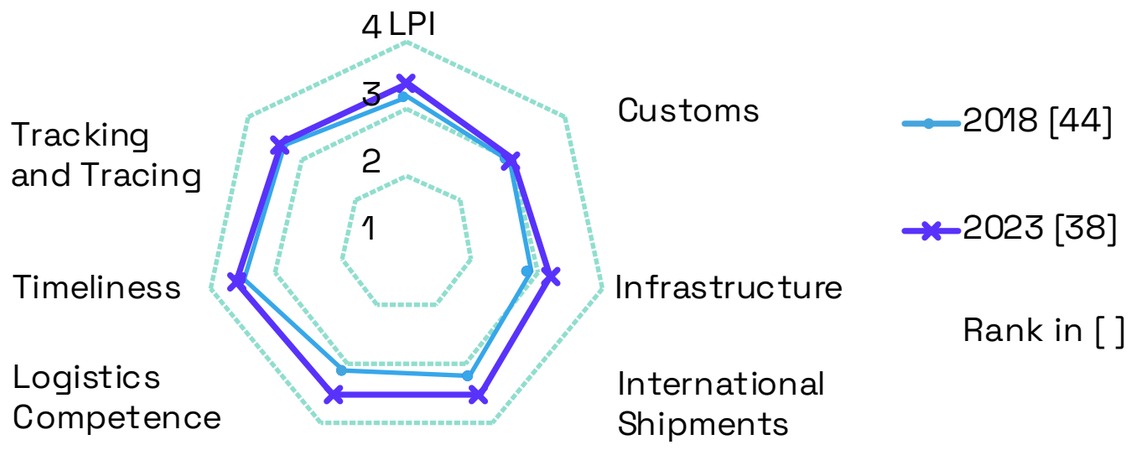




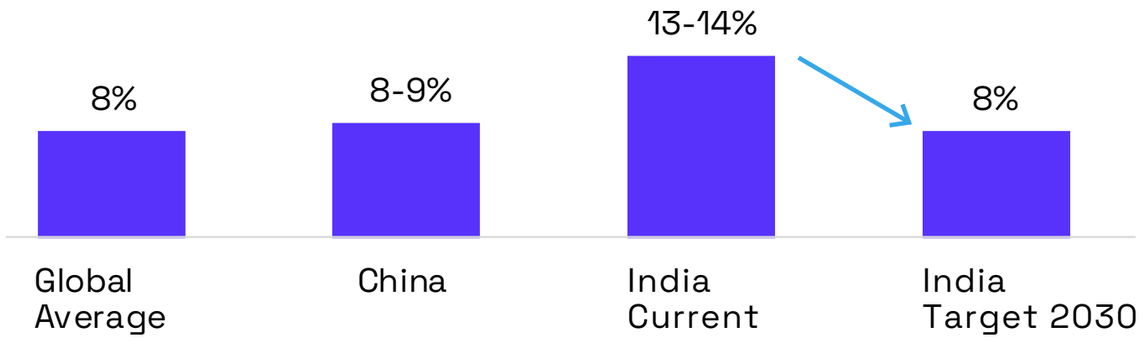
Source: CMIE, 360 ONE Asset Research

Focus on improving logistics infrastructure

India Logistics Performance Index Scorecard



Logistics Cost % of GDP



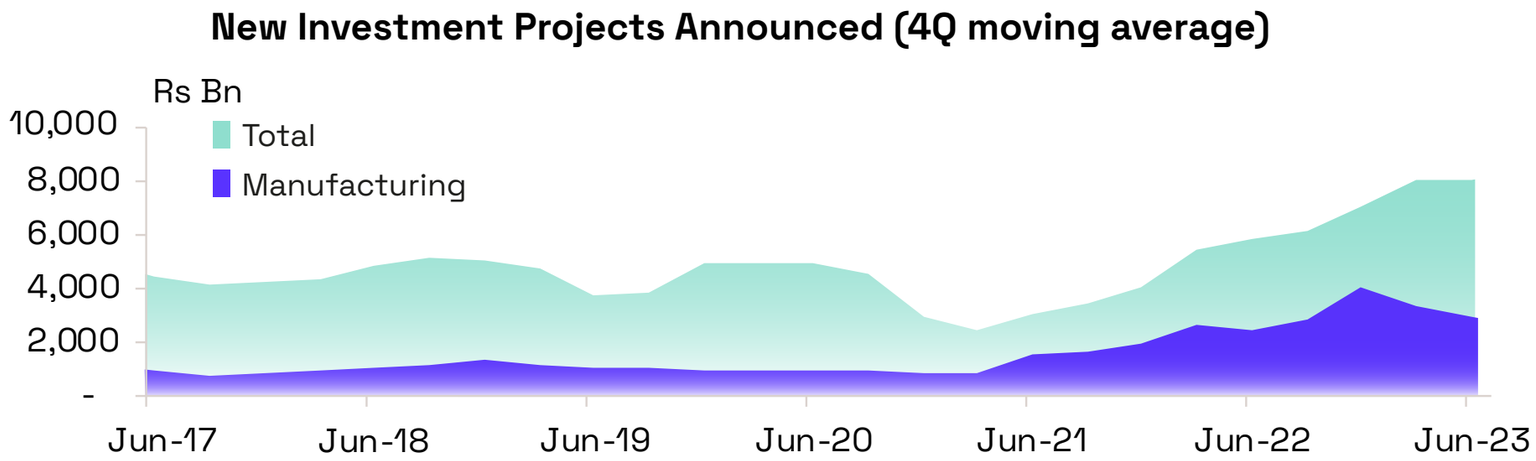
India has made impressive progress in the World Bank's Logistics Performance Index, climbing six positions from 44 in 2018 to 38 in 2023. Improvement was seen across almost all parameters

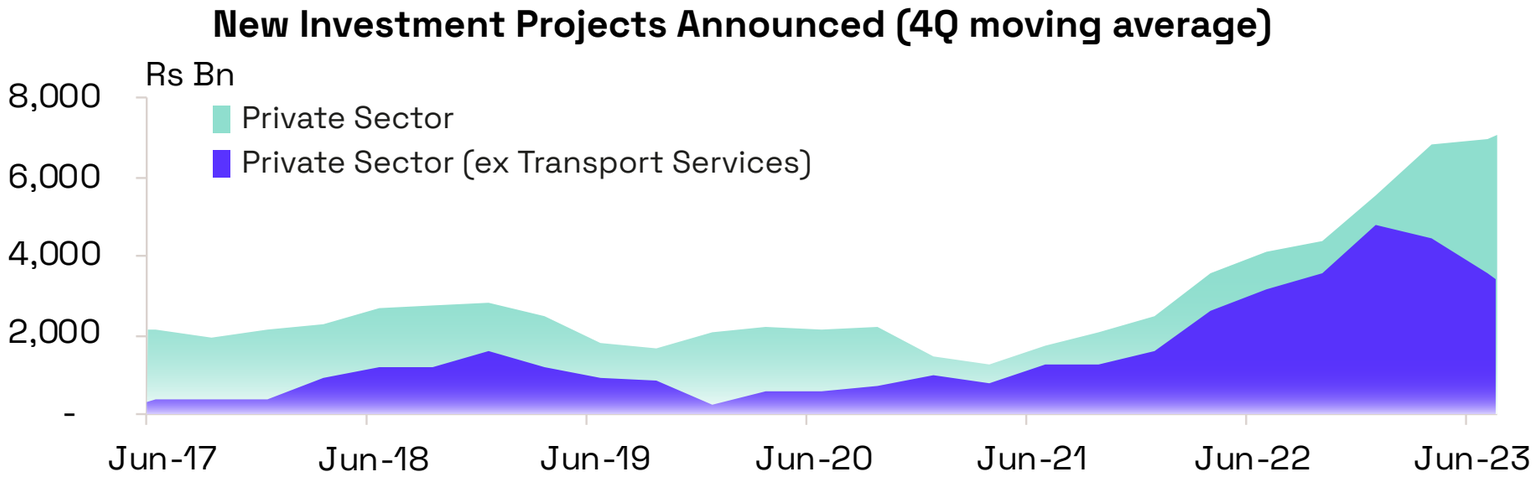
However, logistics costs in India are higher than global standards. To address this issue, the National Logistics Policy (NLP) was launched in September 2022. The policy aims (i) reduce cost of logistics in India to be comparable to global benchmarks by 2030; (ii) improve the Logistics Performance Index ranking - endeavor is to be among top 25 countries by 2030; and (iii) create data driven decision support mechanism for an efficient logistics ecosystem

Reducing logistics costs from 14 per cent to 10 per cent of GDP could result in savings of up to ₹10 lakh crore and significantly curb carbon emissions (Niti Aayog, 2021)

Source: Morgan Stanley Research, Invest India, Logistics Performance Index – World Bank, 360 ONE Asset Research

Revival in private capex





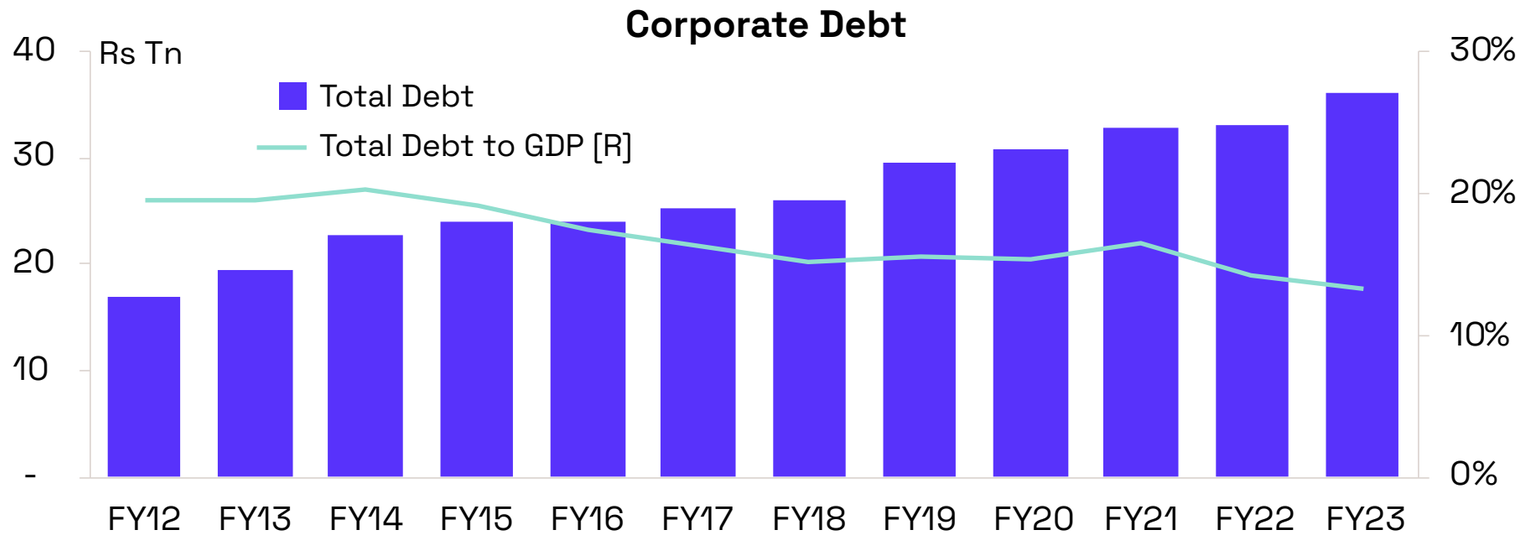
There are clear signs of investment revival. Over the past two years, there has been a gradual increase in the announcement of new investment projects

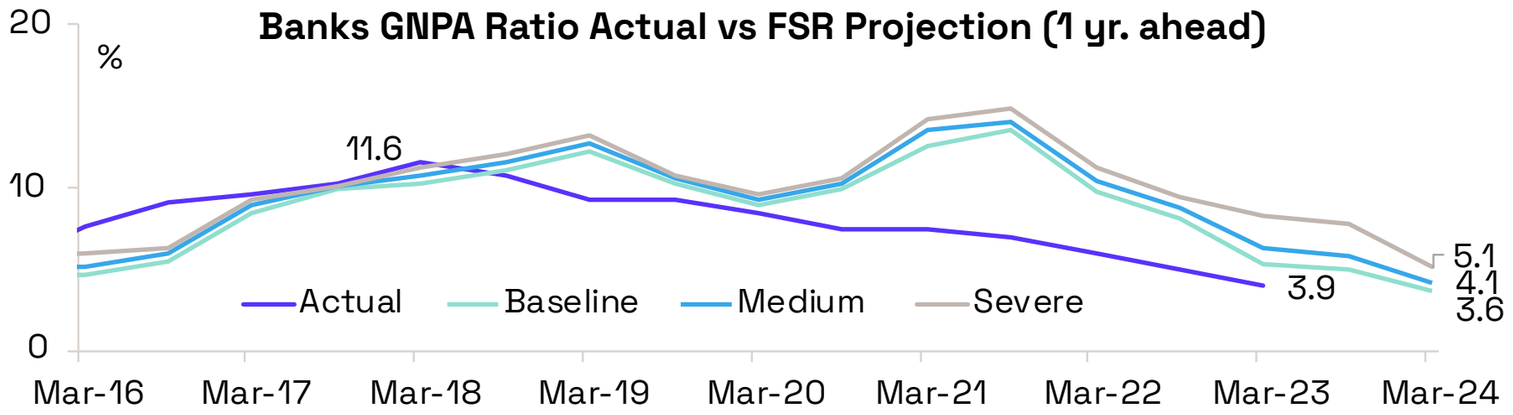
The growth in investment announcements has been primarily driven by the private sector. Within the private sector, a notable portion can be credited to the transport services sector, primarily due to the significant order of 970 aircraft placed by two airlines

However, it's important to note that investment announcements within the private sector, apart from the transport services sector, have also shown an upward trend. This suggests a broader improvement in private capital expenditure

Source: CMIE, 360 ONE Asset Research

Twin balance sheet strength





India has effectively addressed the twin balance sheet problems of highly leveraged corporations and elevated banking sector non-performing assets (NPAs)

Over the past few years, it has transformed into a twin balance sheet advantage, characterized by healthier corporate and bank balance sheets

There has been a consistent decline in the Gross Non-Performing Assets (GNPA) ratio of banking system. GNPA ratio has been consistently lower than the Reserve Bank of India's (RBI) baseline projections from its semi-annual stress tests

Source: Ace Equity, MOSPI, RBI, 360 ONE Asset Research

Note: Corporate Debt corresponds to a set of listed 2164 non-financial companies, FSR – Financial Stability Report

Global manufacturers increasingly eyeing India as an export base

asset 360 ONE

"Samsung to continue investment in R&D and manufacturing in India. Samsung is looking at India as a smartphone manufacturing hub for export to other countries.

– TM Roh, President and Head of MX Business, Samsung Electronics (March 2023)

We will increase our manufacturing footprint in India to cater well to the domestic demand. Eventually, we see India manufacturing to help us better serve the rest of the world.

– Enrique Lores, CEO, HP (March 2023)

India will be one of the four major manufacturing hubs for Schneider Electric. The company also sees India as one of its largest export bases.

– Jean-Pascal Tricoire, CEO, Schneider Electric (February 2023)"

"The opportunity for Honeywell in that as Make in India creates more capabilities and more supply bases, which to my mind is two-way benefit for us. One is that our manufacturing gets even more strengthened. Second, it become a sourcing hub for products and components.

– Vimal Kapur, COO, Honeywell (March 2023)

We are working towards exporting $10B per year from India by 2027 and are committed to strengthening logistics, skill development & supply chains to make India a global export leader in toys, seafood & other goods.

– Doug McMillon, CEO, Walmart Inc. (May 2023)"

"India would turn into a market as giant as China in the future, as the middle class and the wealthy are growing tremendously. In addition to concentrating production of mass-market air-conditioning products in India, we will also consider making heat pumps in the country that are exported abroad.

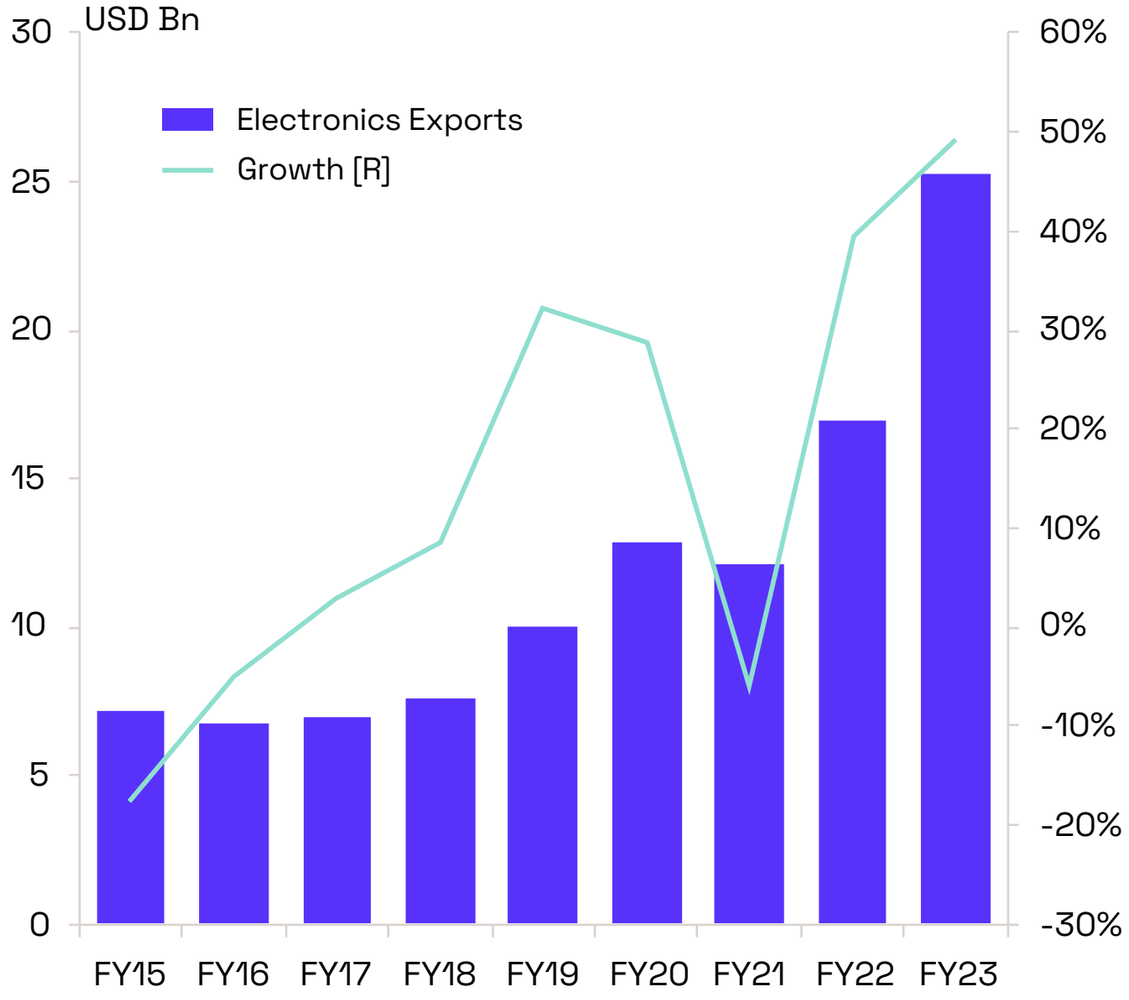
– Masanori Togawa, CEO, Daikin (March 2023)

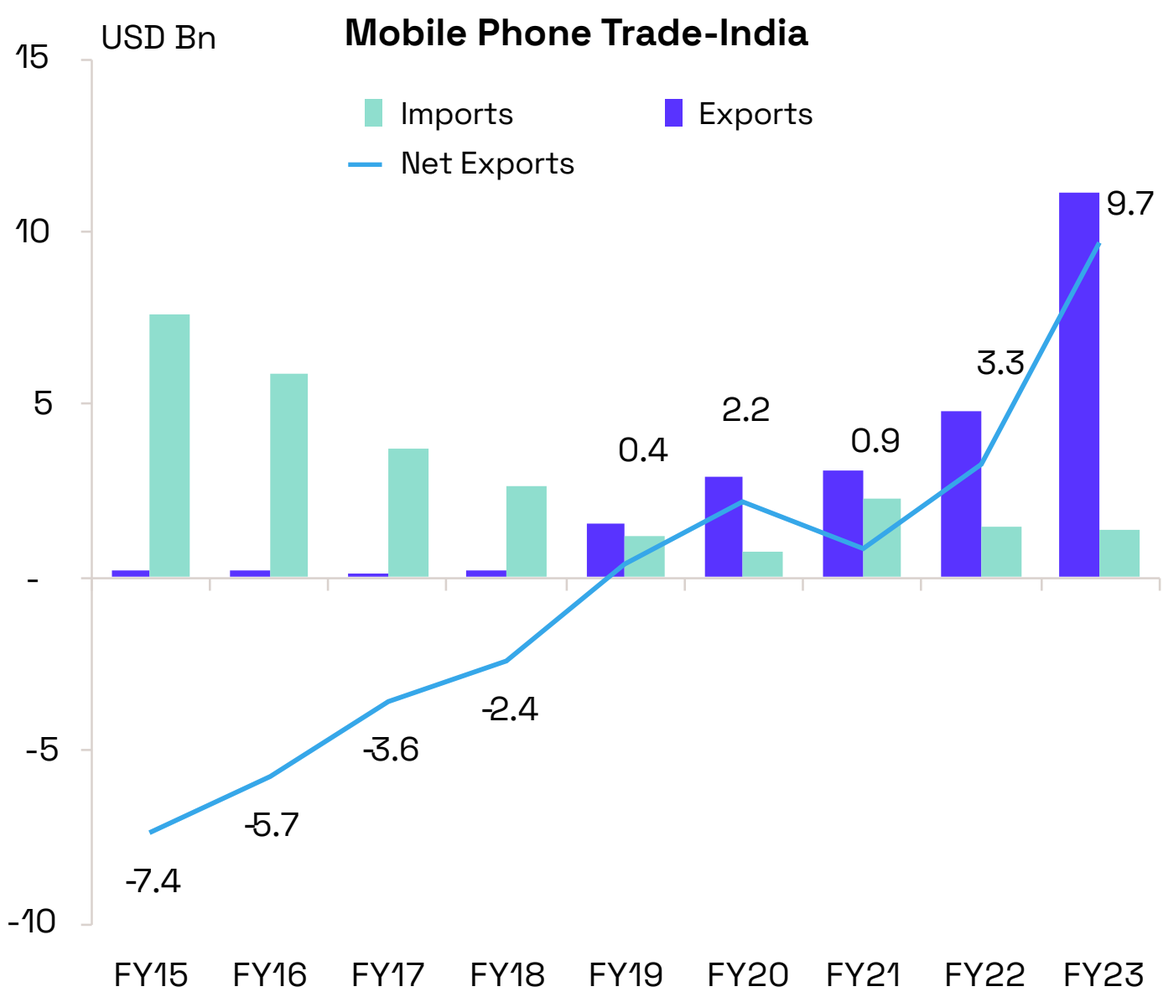
Brand's initial focus was on tapping into the Indian market and selling products...subsequent shift towards local manufacturing and now envisions India as a hub for exporting products.

– Carl Pei, CEO, Nothing (July 2023)"

Source: News Reports

Case study 1: Turnaround in electronics manufacturing





Source: Ministry of Commerce and Industry, 360 ONE Asset Research

Based on HS code: 85171211, 85171219, 85171290, 85171330

Case study 2: Apple in India

asset 360 ONE

2015

April 2015
Apple reaches $1B of sales in India in FY15

2016

Jan 2016
Apple applies for store in India with Indian government

2017

May 2017
Apple begins iPhone assembly in India with Wistron (iPhone SE)

2019

Jan 2019
Apple adds improved navigation and ride hailing for Apple Maps for India

Mid 2019
Hon Hai begins producing iPhones in India

Apple begins exporting India-made iPhones to Europe

June 2019
Apple improves Siri for India, bilingual keyboard that supports 22 Indian languages

2020

Feb 2020
Apple announces plans to open first India retail store

Sep 2020
Apple opens online store in India

2022

Sep 2022
Apple manufactures flagship phones in India for the first time

Oct 2022
Apple reported to be shifting some Air Pods production to India

Nov 2022
India Trade Minister says Apple targets 25% of production in India from 5-7%

Dec 2022
Apple reportedly speaking to the government about moving iPad production from China

2023

Jan 2023
Apple becomes first company to export phones worth $1B/month from India

Mar 2023
Pegatron in talks to lease another factory in Chennai

Foxconn reported to be setting up $200M Air Pods plant in India, also making $700M assembly facility in Bengaluru

Mar 2023
Apple reaches $6B of TTM sales in India, exported $7B of iPhones in TTM

April 2023
Apple opens its first India retail store in Mumbai and second retail store in Delhi

April 2023
Tata Group acquires Wistron facilities in India rumored to be ramping iPhone 15 and 15 Plus production

Demand Supply

Source: Morgan Stanley Research, 360 ONE Asset Research

Case study 3: 'Make for India' to 'Make for the World' - Samsung's Noida factory

1996	Foundation stone laid for first manufacturing facility in Noida
1997	Production commences, first color television rolls out
1998	Plant starts manufacturing microwaves
2003	Refrigerator production commences
2006	LCD TVs production starts
2007	Mobile phone manufacturing unit inaugurated
2012	First smartphone – Galaxy S3 was rolled out
2015	5.8 million handsets manufactured in one month
2017	Rs 4,915 crore investment to double the capacity announced
2018	World's largest mobile factory inaugurated

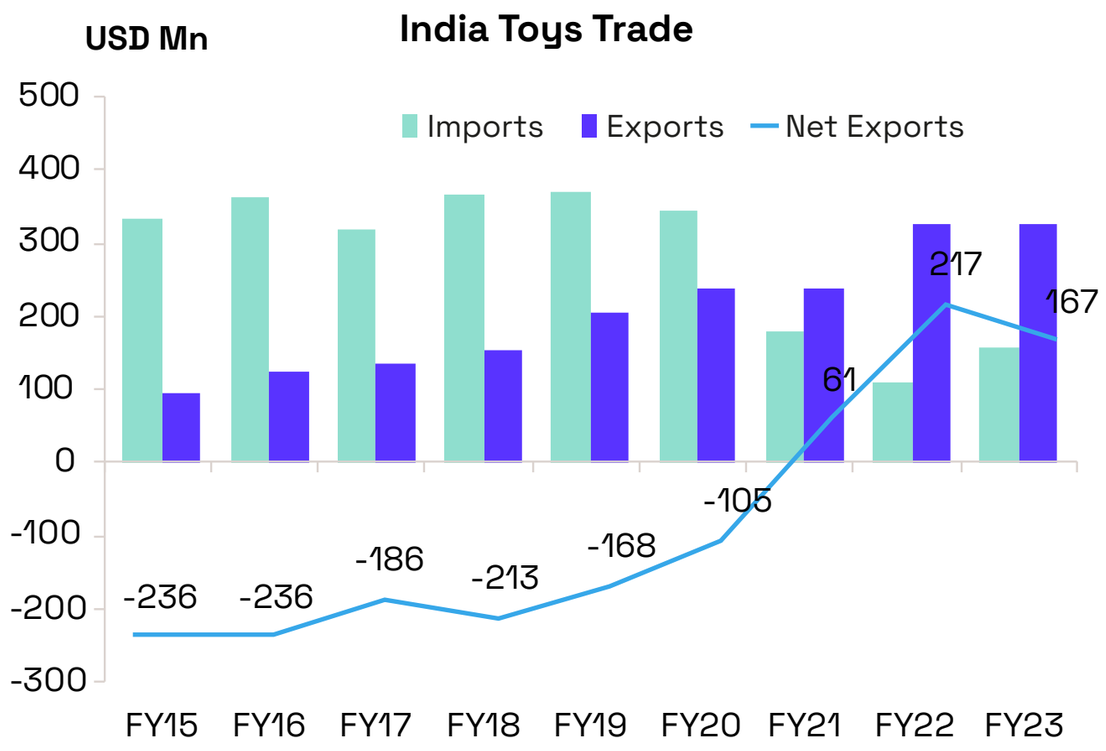
Source: Samsung Newsroom, News Reports, 360 ONE Asset Research

Samsung has been manufacturing mobile phones in India since 2007. After pioneering mobile manufacturing in the country, Samsung announced its 'Make for India' initiative in 2015. Under this initiative, Samsung started bringing 'Make for India' innovations in its products. These innovations resulted from feedback collected from Indian consumers. Samsung's 'Make for India' initiative has been a great success, helping the company become India's 'Most Trusted' brand over the years

In June 2017, Samsung announced Rs 4,915 crore of investment to double the capacity of its Noida plant. And a year later, the Company inaugurated its new mobile phone manufacturing facility – The World's Largest Mobile Factory – in Noida. Samsung India also launched its 'Make for the World' initiative, whereby it aimed to export mobile handsets produced in India, to overseas markets. Samsung also shifted its display manufacturing unit from China to Noida in 2021

Samsung's Noida plant is spread over 129,000 sq. meters and it is supported by a large ecosystem of suppliers in the Delhi-National Capital Region and partners across the country

Case study 4: The toy story



"We have diversified our global sourcing mix and decreased our dependence on Chinese manufacturing in recent years by increasing production of our products in other countries, including Vietnam and India"

-Hasbro Annual Report 2022

Source: Aequs, News Reports, 360 ONE Asset Research

India's First Toy Manufacturing Cluster

Spread over 400 acres, the Koppal Toy Cluster is designed to house an entire toy manufacturing ecosystem to support more than 100 industrial units. It has been engineered with infrastructure and facilities that meet global standards, ensuring comprehensive support for the entire manufacturing value chain

The Koppal Toy Cluster produces items for Hasbro as well as other international entities such as Chicco, Spin Master, Stomp Rocket, and Play Shifu. This encompasses a wide spectrum of toy categories including outdoor toys, vehicles, playsets, figurines, STEM-related items, and infant-oriented products, leaving no segment unattended

The Union government is providing capital investment subsidy up to 30 per cent of fixed assets, a wage subsidy of Rs 1500 per month per employee for five years, an interest subsidy of five per cent, a freight subsidy up to 75 per cent for exports, guaranteed power supply at Rs 2 per unit for five years, a 50 per cent reimbursement of rent and a training assistance of Rs 12,500 per candidate, apart from other incentives for all units located in the toy cluster

India has recently concluded Free Trade Agreements with UAE and Middle East, providing zero-duty market access opportunities for India-made toys

India poised to become a global manufacturing hub

- India is strategically positioned to gain advantage from de-risking/de-coupling of supply chains from China
- Vietnam has been a clear beneficiary of China + 1, but India offers the maximum potential with young, educated and large working age population
- India has witnessed robust total factor productivity growth over the past two decades
- India offers lowest tax rates for new manufacturing firms and lowest labor costs. However, reforms are required to reduce energy costs
- Among the economies vying for global manufacturing, India presents the largest consumption base
- Multiple reforms - Aadhar, UPI, IBC, PLI, PMJDY etc. are likely to push India's growth trajectory upwards and tangible results of reforms are quite evident
- Significant advancements in infrastructure have occurred over the past two decades. However, there remains a pressing need to reduce logistics costs
- India's has witnessed a steady increase in the share of world FDI. Among manufacturing sector, Non-Conventional Energy (Renewables), Pharmaceuticals and Automobiles are witnessing largest flows

With the right combination of skilled workforce, extensive scale, and favorable governmental policies, India holds the promise of emerging as the next global manufacturing giant

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