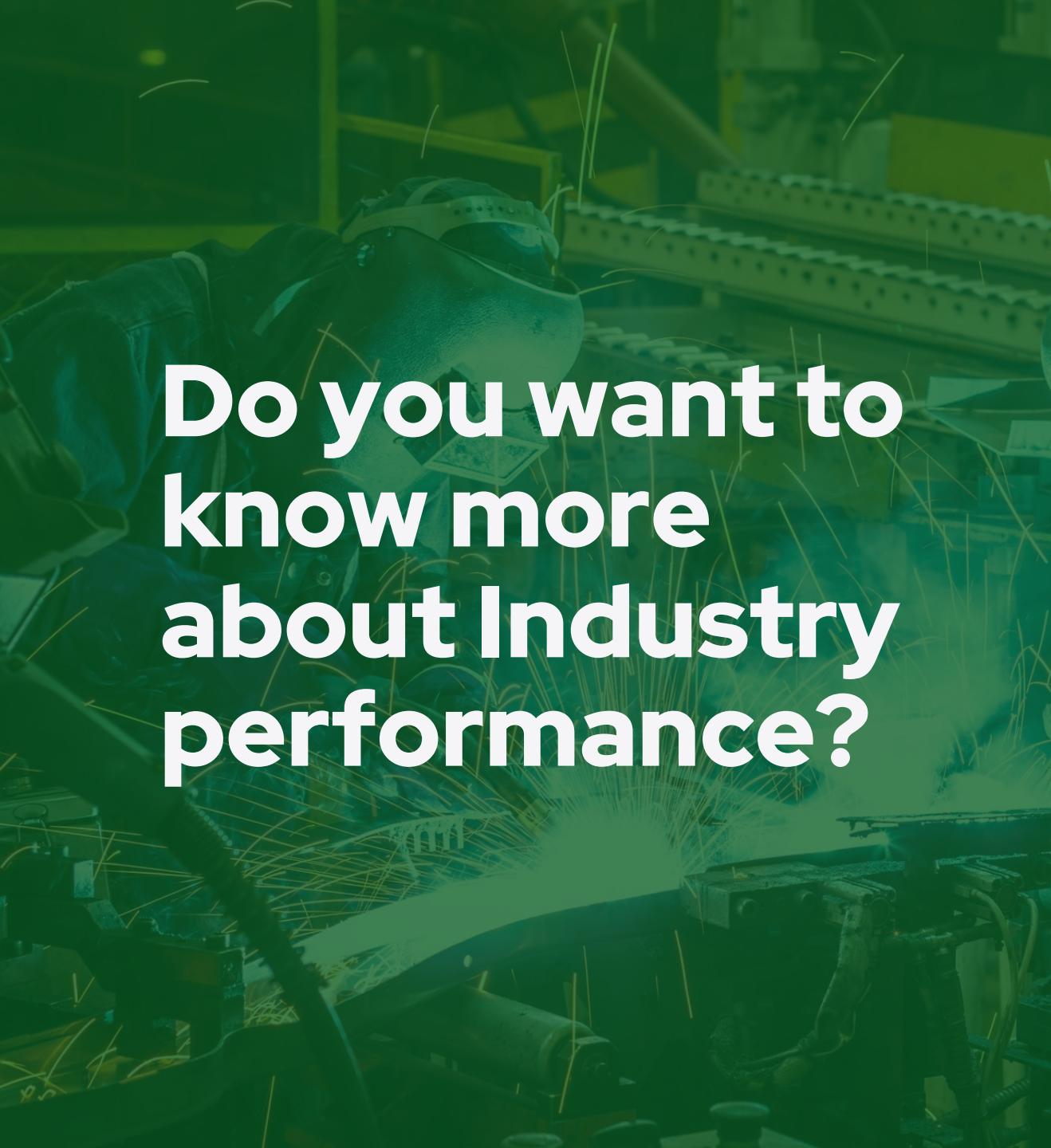


MARC

India: The next global manufacturing hub

2023





**Do you want to
know more
about Industry
performance?**

MARC's research expertise can help you unlock full potential of your business by gaining deeper insights on your target market, understand your customer requirements better, know your competition's actions and performance and hence derive the most optimum customer value proposition to make your business a success!

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Overview of Manufacturing Sector

**US\$
418
billion**

US\$ 418 billion India's manufacturing **exports for FY22, grew more than 40%** compared to the US\$ 290 billion from the previous year.

**US\$
626.5
billion**

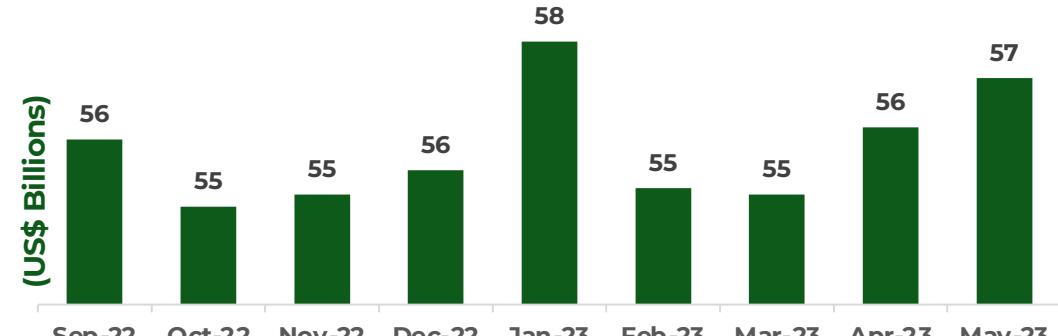
US\$ 626.5 billion estimated Gross Value Added in FY22

16 to 17%

16-17 percentage of the **total GDP** generated by manufacturing industry.

- India has potential to become a global manufacturing hub and **by 2030** it can add more than **US\$ 500 billion** annually to the global economy.
- According to an Economist Intelligence Unit (EIU) report, India has moved from rank **14th** in 2018 **to rank 10th** in 2022 in terms of **ease of doing business**.
- As per the Global Innovation Index (GII) 2022 report, India entered the **top 40 innovating countries** for the first time in 2022 since the inception of the GII in 2007.

Purchasing managers' Index (US\$ Billions)



Value above 50 reflects positive sentiments and potential expansion of the sector.

Driving Factors



Robust demand

By **2030**, Indian middle class is expected to have the second largest share in the world of global consumption at **17%**.



Digital transformation

Industry **4.0** shall enable manufacturers to improve efficiency, reduce costs and improve quality control.



Trade treaties

India has signed many treaties with global powers like **UK** and **Europe** which would help in export of manufacturing goods.

- India has become the most populous country in the world. Hence the **consumer market has risen** with increase in disposable income.
- After Covid-19 ended India emerged as one of the four major business relocation hubs as per US reports, due to **diversification of supply chain**.
- **Strengthening of Indian rupee** will have an immediate impact on the manufacturing sector.
- **Increased government initiatives** like Make in India, Startup India and digital initiatives has encouraged more international and domestic players to become a part of this industry.
- **Infrastructure development** has also been a key to boosting India's manufacturing exports.

Government Initiatives

Production Linked Initiative (PLI) Scheme

- Launched in 2020 for targeting 4 major industries - mobile manufacturing, electric components, pharmaceutical and medical device manufacturing.
- As of November 2021, the PLI schemes covered 13 sectors with a total budgeted outlay of **US\$ 26.48 billion**.

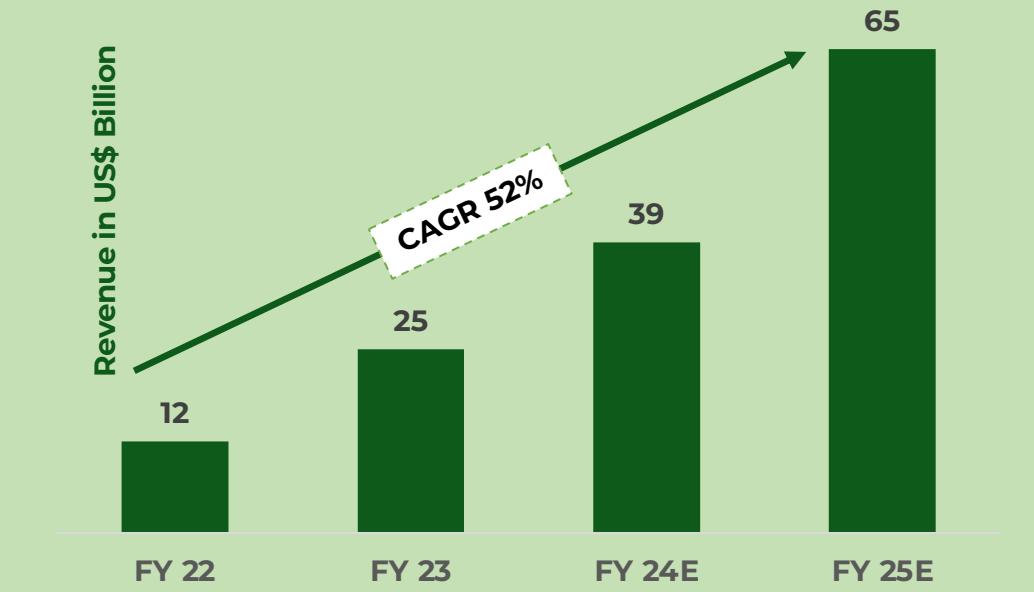
Benefits:

- It is designed to reduce India's dependence on imports and boost country's self reliance.
- Local manufacturing will be encouraged, reducing reliance on imports from other countries.
- It would be distributed among many companies hence monopolistic competition would reduce.

Source: Credit Suisse estimates

The major beneficiaries are semiconductor, automotive and smartphone industries. The additional revenue is estimated to be **US\$ 65 billion by 2025**.

Aggregate additional revenues from PLI scheme(in US\$ bn)



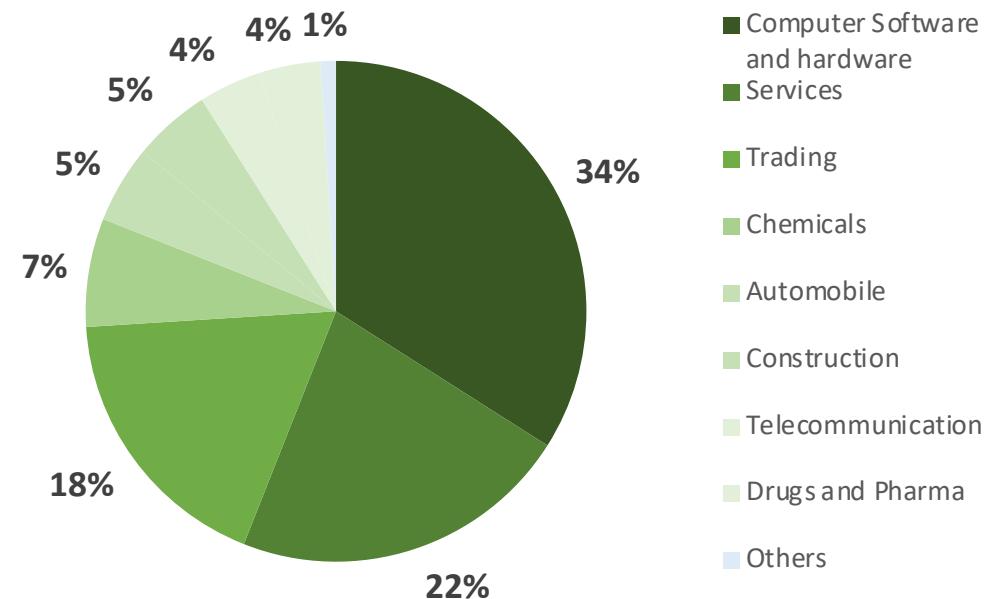
Government Initiatives

Other Initiatives

- As per union budget 2022 – 23, **the income tax rate for new manufacturing companies engaged in manufacturing activities has been lowered from 22% to 15% (plus 10% surcharge)**.
- National Logistics Policy:** National Logistics Policy (NLP) was launched on 17th September 2022, that aims to lower the cost of logistics and achieve parity with other developed countries.
- Industrial Corridor Development Programme:** It aims to establish sustainable infrastructure and develop greenfield industrial regions, areas, and nodes that offer plug and play infrastructure at the plot level. The program involves four stages of development, and it is focused on creating **eleven industrial corridors**.
- PM Gati Shakti National Master Plan (NMP):** It aims at creating a multimodal connectivity infrastructure.

- National Single Window System:** The aim is to offer comprehensive support and assistance to investors by providing pre-investment advice, information on land banks, and facilitating necessary clearances at both the center and state levels.
- Removal of restrictions on FDI** for various industries.

Total FDI inflow from April 2000 to September 2022



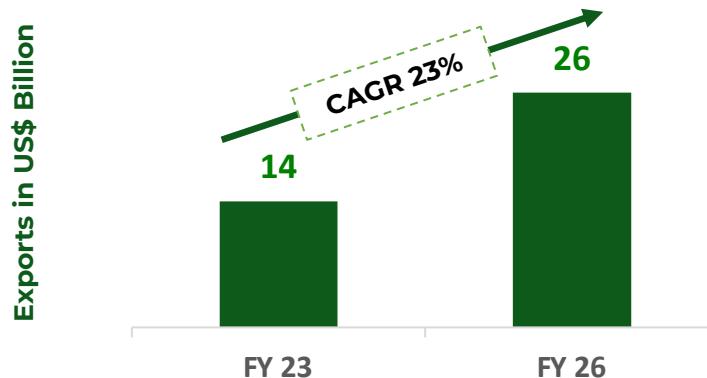
Sectorial Overview

Electronics Industry

The domestic electronics industry, as of FY23, is valued at US\$140 billion. India aims to **reach US\$ 300 billion worth** of electronics system market **and US\$ 26 billion in exports by FY26**, supported by the vision of a **US\$ 1 trillion** digital economy by 2025.

2nd largest mobile-phone manufacturer globally, with the production of handsets going up from six crore units in FY15 to **31 crore units in FY22**.

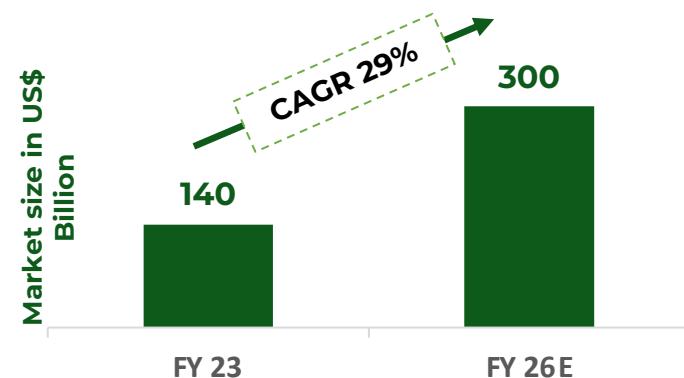
Growth rate in Electronic Exports



GROWTH DRIVERS

- Make in India
- PLI scheme
- Digital India
- Incentives for growth of Semiconductor Industry

Electronics Systems Market size (US\$ billion)



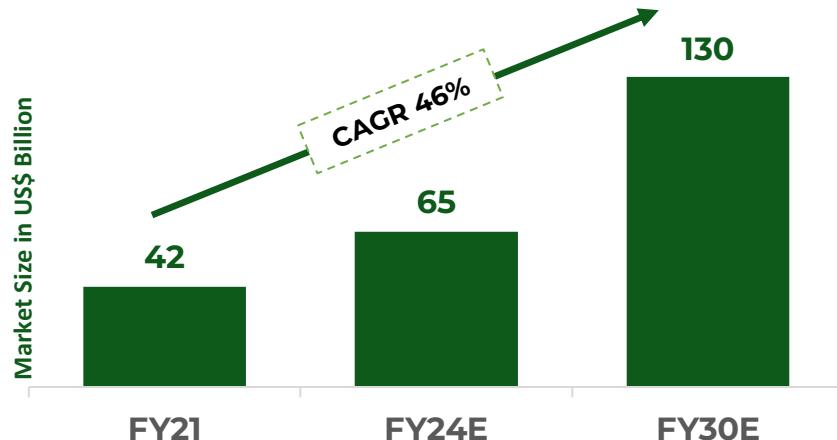
Sectorial Overview

Pharmaceutical Industry

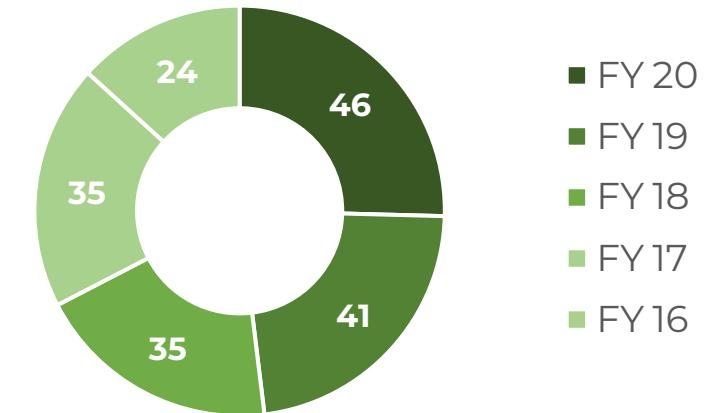
3rd worldwide in the production of pharma products by volume and 14th by value as of January, 2023.

As of January, 2023 India is the **largest provider of generic medicines** globally, occupying a **20%** share in global supply by volume, and is the leading vaccine manufacturer globally with a market share of 60 per cent.

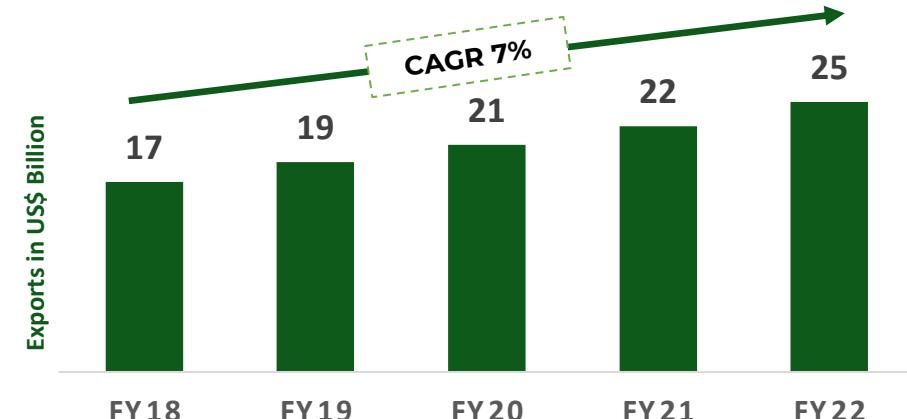
Indian Pharmaceutical Market (in US\$ billion)



Government expenditure (in US\$ billion)



Exports from India (in US\$ billion)



Sectorial Overview

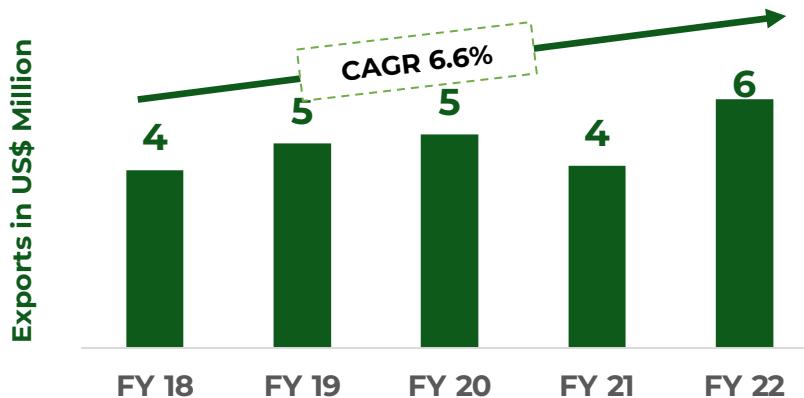
Automotive Industry

3rd Largest automobile market in the world, surpassing Germany and Japan.

It contributes **7.1% to the overall GDP** and 49% to the manufacturing GDP .

Rising middle-class income and a huge youth population will result in strong demand.

Number of automobiles exported (million)



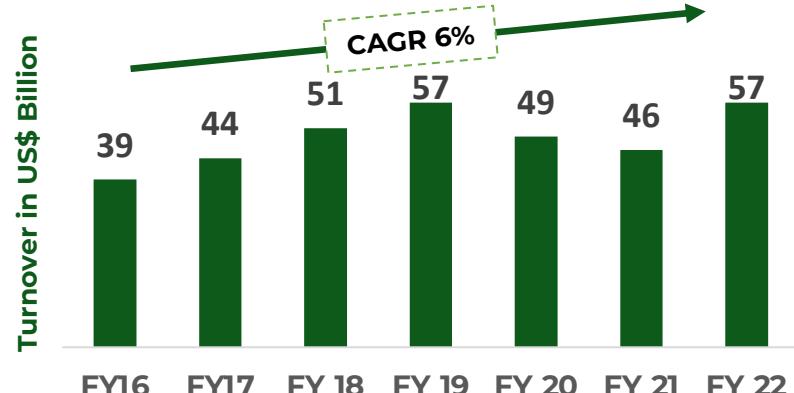
GROWTH DRIVERS

- EV adoption
- PLI scheme
- BS VI norms adoption
- FAME phase 2 scheme
- Make in India

Auto Components segment at a glance

- The auto components industry accounted for 2.3% of India's GDP. By 2026, the automobile component sector will contribute **5-7% of India's GDP**.
- Auto component **exports** are expected to grow and **reach US\$ 30 billion in FY26**.
- From FY16-FY22, the industry registered a CAGR of 6.35% and was valued at US\$ 57 billion in FY22. It is expected to reach **US\$ 200 billion** by FY26.

Aggregate turnover of auto components (US\$ billion)



Sectorial Overview

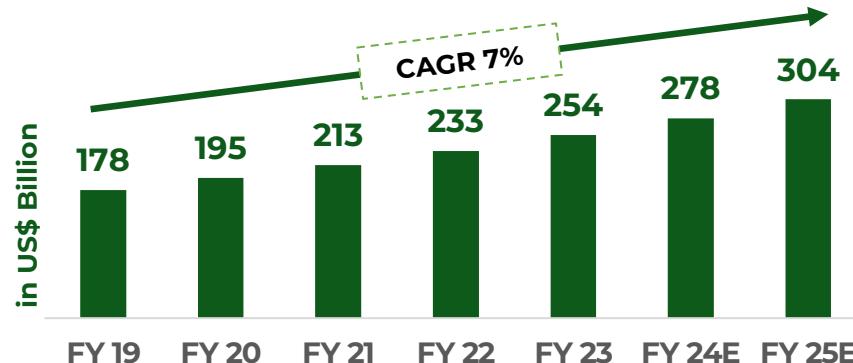
Chemical Industry

4th largest producer of agrochemicals after the United States, Japan and China.

India accounts for **16-18%** of the world production of **dyestuffs and dye intermediates**. Indian **colorants** industry has a global market share of **15%**.

Domestic chemicals sector's MSME's are expected to showcase **14-17%** revenue growth in FY23

Market Size (US\$ billion)



GROWTH DRIVERS

- Shift in global supply chain due to China+1 strategy.
- PLI scheme
- Union Budget allocated US\$ 20.93 million to this Industry

Segmentation

Bulk Chemicals

Agrochemicals

Petrochemicals

Polymers

Fertilizers

Dyestuffs & dye intermediates

Industry at a glance

- Specialty chemicals** constitute 22% of the total chemicals and petrochemicals market in India. Its share in global markets is 4% and is expected to rise to 6% by FY 26.
- India holds a strong position in exports and imports of chemicals at a global level and **ranks 14th in exports** and 8th in imports at global level.

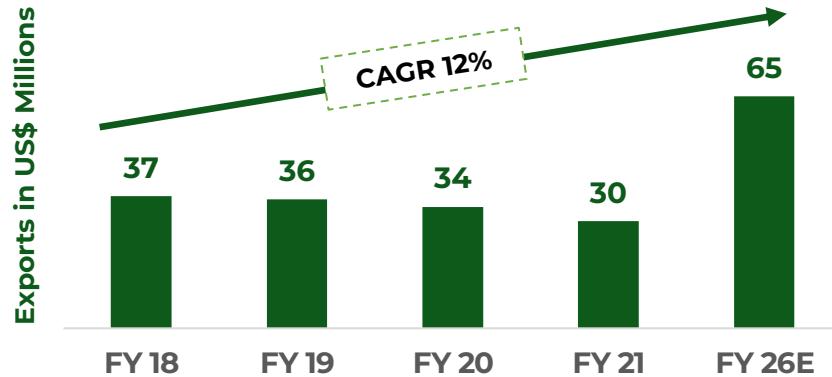
Sectorial Overview

Textiles and Apparels

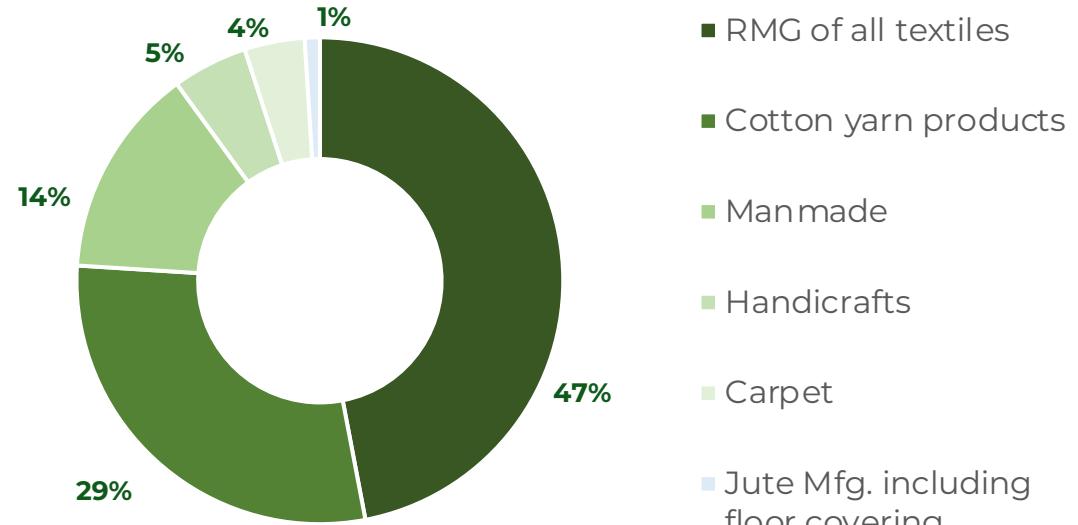
4% Share in global trade market. The exports (including handicrafts) stood at US\$ 44.4 billion in FY22, a 41% increase YoY.

The textile industry in India possesses a **robust production foundation** for a diverse array of fibers and yarns, encompassing both **natural options** such as cotton, jute, silk, and wool, as well as **synthetic and man-made alternatives** like polyester, viscose, nylon, and acrylic.

Exports (US\$ billion)



Share of India's exports



GROWTH DRIVERS

- Scheme for Integrated Textile Parks (SITP)
- Mega Integrated Textile Region and Apparel (MITRA) Park scheme.
- PLI scheme

Industry at a glance

- India has an advantage compared to global peers due to skilled labour and low cost of production.
- Leading players in the textiles sector are achieving sustainability in their products by producing textiles that utilize natural materials that are recyclable.

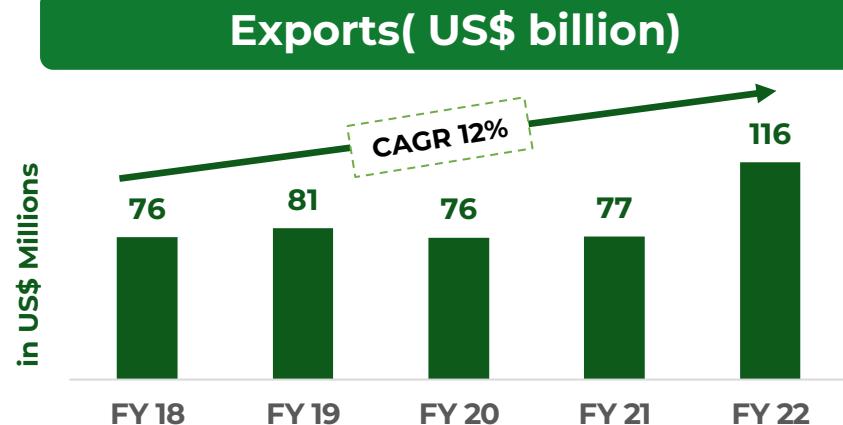
Sectorial Overview

Engineering and Capital Goods

Capital Goods sector **contributes to 12% of India's manufacturing output** and 1.8% to GDP. Market valuation of the capital goods industry was US\$ 43.2 billion in FY22.

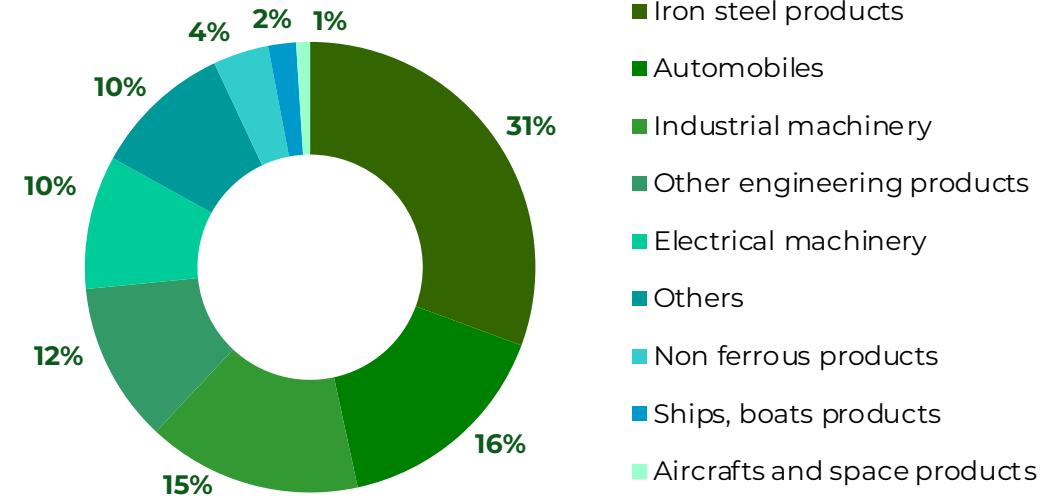
India's textile machinery exports registered a growth of **21.4%** to US\$ 762.15 million in the first nine months of 2022.

Demand for this sector is being driven by capacity expansion in industries like infrastructure, electricity, mining, oil and gas, refinery, steel etc.



Source: IBEF

Share of India's exports



GROWTH DRIVERS

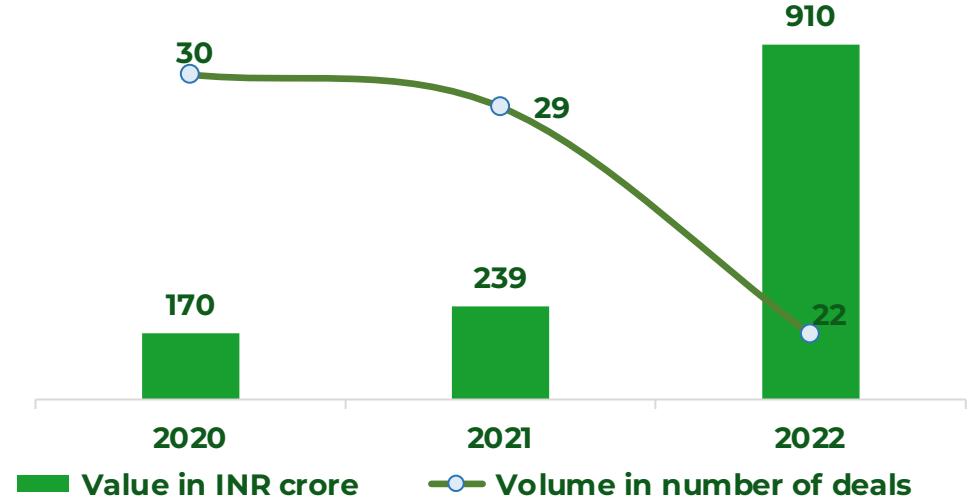
- Make in India
- Increased Government Budget allocation for this sector.(US \$ 120 Bn)
- 100% FDI approval in this sector.

Industry at a glance

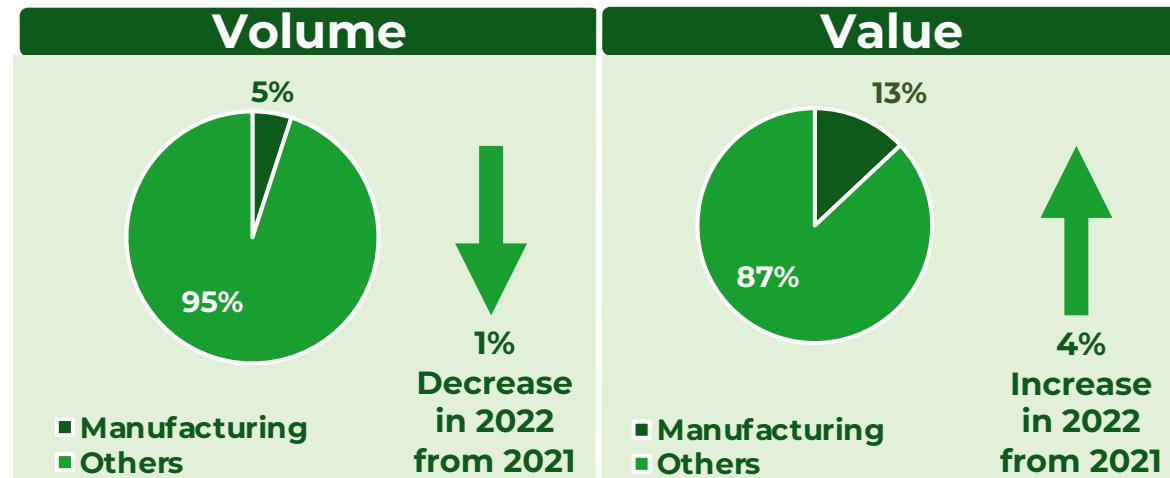
- Engineering goods sector accounts for 27% of the total factories in the industrial sector and represents 63% of the overall foreign collaborations.
- India exports engineering goods mostly to US and Europe, which account for over 60% of the total exports.

Merger & Acquisition

Yearly growth of Manufacturing sector M&A



Manufacturing sector in comparison to all M&A deals across sectors in 2022 in India



Prominent Merger and Acquisition deals in the Manufacturing sector

4th biggest deal in India in 2022	ACQUIRER Adani Group	TARGET Ambuja Cement Ltd and ACC Ltd	VALUE US\$ 6.4 Billion	STAKE 56.69% of ACC 63.15% of Ambuja Cements	TYPE Domestic Merger
10th biggest deal in India, 2022	ACQUIRER Dalmia Cement (Bharat) Ltd	TARGET Jaiprakash Associates Ltd	VALUE US\$ 57 billion	STAKE 100% of Jaiprakash Associates Ltd	TYPE Domestic Merger

Source: Grant Thornton annual deal tracker 18th annual edition

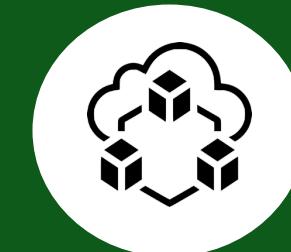
Trends in Manufacturing Industry

Digital Twin Technology



A digital twin is a virtual copy of a product, process, machine or a supply chain. It would help in quality management, supply chain management, predictive maintenance, and improving customer experience.

Big Data



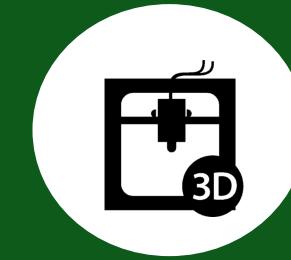
By collecting and analyzing data, businesses can gain a deeper understanding of their operations, customers, and areas of difficulty. This insight can then be used to develop new and innovative strategies to enhance performance and improve overall efficiency.

Industry 4.0



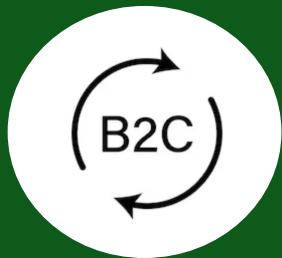
This includes integration of various technologies like IOT, artificial intelligence, cloud computing and analytics. This helps in better decision making and would help companies improve their products and services,

Additive Manufacturing and 3D Printing



It enables the production of complex designs and customized products with reduced waste and faster turnaround times. It is expected to transform supply chains and facilitate on-demand manufacturing.

Trends in Manufacturing Industry



Changing focus from B2B to B2C

Rather than relying on retailers or distributors to serve as the middleman, many companies in the manufacturing space today are selling their products directly to the consumer through e-commerce and other methods



End-to-end manufacturing cloud solutions

with cloud technology at the forefront, as new capabilities that enable secure connection of people, assets, workflow, and business processes will enable businesses to be more resilient

MARC Forecast

1. Sustainability trends in the industry

Use of renewable energy

Reducing and recycling of waste into useful products

Reduction of carbon footprint

3. Growth of Manufacturing industry

Increased government expenditure on infrastructure

Improved inventory management

Shift from B2B to B2C culture

Digital supply chain

2. Technology trends

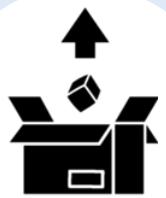
Digital twin Technology

Increase in automation by use of robots

Smart Factories

Use of AI in decision making

Key Figures to consider



US\$ 1 Trillion

expected capacity of manufacturing exports by 2030.



25%

Projected share contribution to the nations GDP by 2025

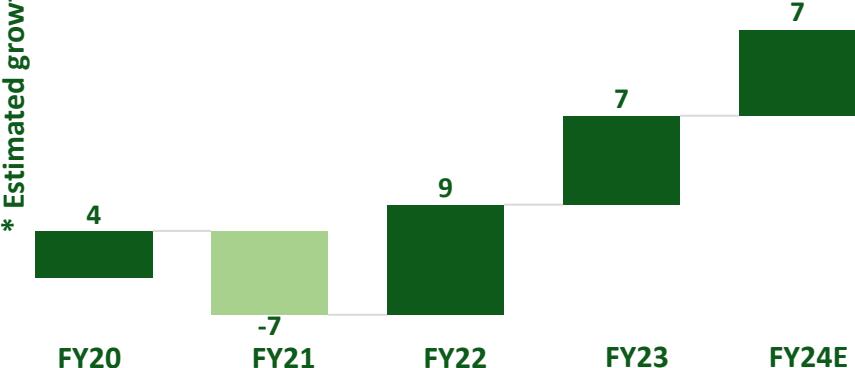


US\$ 500 Billion

Contribution of Indian manufacturing sector to global economy by 2030

* Estimated growth rate

India's GDP YoY growth rate(%)



Industry	Projected exports CAGR
Electronics	35%-40%
Pharmaceutical	16%-18%
Automotive	15%-18%
Chemical	19%-23%
Textiles and apparels	13%-16%
Engineering and capital goods	18%-20%

Source: Bain and Co.

Challenges Faced

Shortage of Skilled Labor

Unfortunately, only a meager **4.69%** of the workforce possesses formal skills, which is considerably lower compared to countries like China (**24%**), the US (**52%**), the UK (**68%**), Germany (**75%**), Japan (**80%**), and South Korea (**96%**).

Lack of Infrastructure

India is a developing nation and has **high manufacturing costs** as compared to other countries due to limitation of infrastructure. Inadequate power and limited road network.

Regulatory Environment

India has **complex regulatory compliances** and stringent labour laws which causes hindrances for new companies to enter this market.

Lack of Innovation

India has a small share (**less than 1%**) in global patent applications and only **3%** share globally in R&D spendings. Inspite of the large population, it lacks research, development initiatives and innovation.

**Ever wondered
if your business
is performing up
to its full
potential or if it's
in-tune with the
industry?**

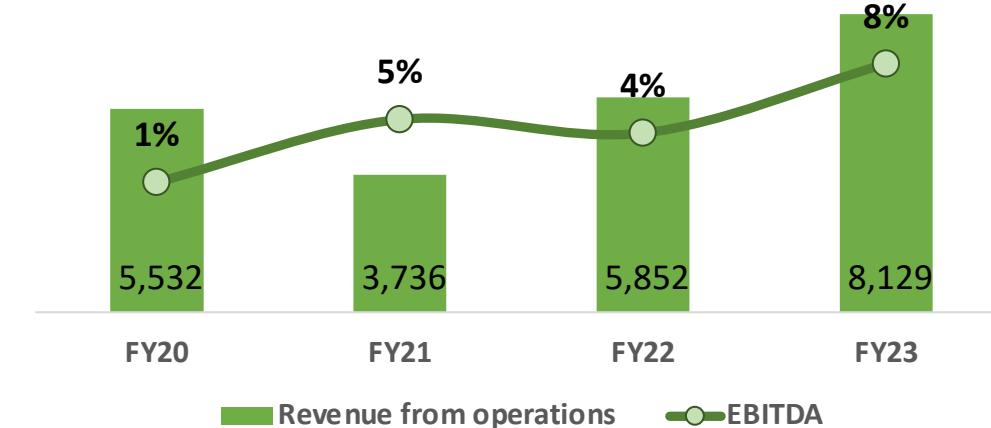
MARC's detailed and comprehensive analysis of your business performance, as well as of your competitors and their strategies and how your own business is performing against the industry benchmarks, all of this with MARC's personalized recommendations.

Profit & Loss Snapshot

P&L snapshot of ABC company

US\$ Millions	Actuals				Common size			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Revenue from operations	5,532	3,736	5,852	8,129	100%	100%	100%	100%
Total Revenue	5,532	3,736	5,852	8,129	100%	100%	100%	100%
Expenses								
Cost of materials consumed	3,977	2,637	4,435	6,016	72%	71%	76%	74%
Employee Benefit expenses	535	408	440	491	10%	11%	8%	6%
Product development/Engineering expenses	51	63	111	129	1%	2%	2%	2%
Publicity Expenses	92	53	59	73	2%	1%	1%	1%
Other Expenses	829	400	582	767	15%	11%	10%	9%
Total Expenses	5,484	3,561	5,626	7,476	99%	95%	96%	92%
EBITDA	48	174	225	654	1%	5%	4%	8%
Depreciation and Amortization	412	211	215	216	7%	6%	4%	3%
Finance Costs	241	258	259	250	4%	7%	4%	3%
Other Income	169	51	81	100	3%	1%	1%	1%
EBT	(436)	(243)	(168)	288	-8%	-7%	-3%	4%

Revenue in US\$ million

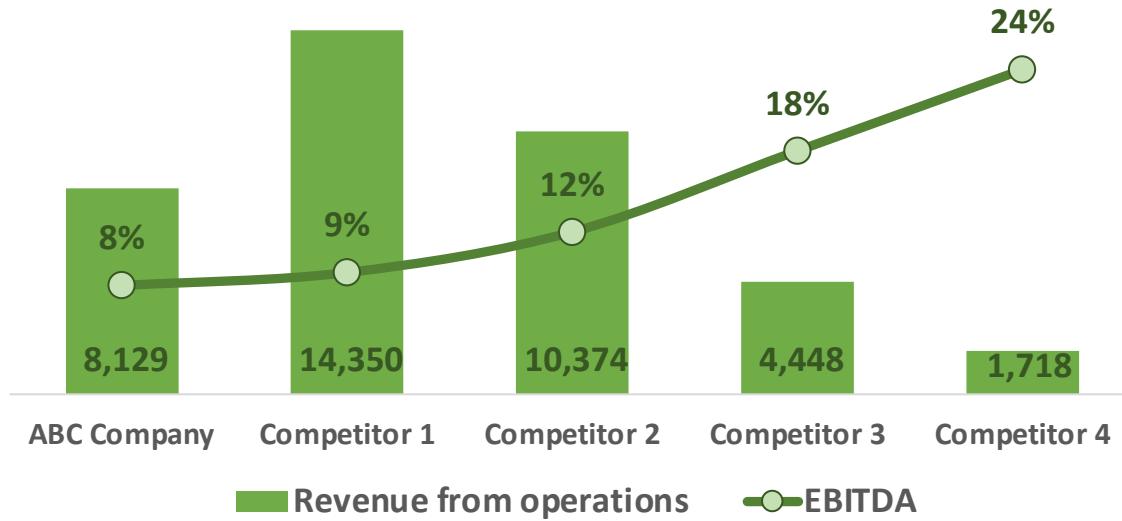


EBITDA has increased **from 1% in FY20 to 8% in FY23**, mainly due to **YOY** decline in other expenses and Employee benefits expenses as a percentage to the Revenue.

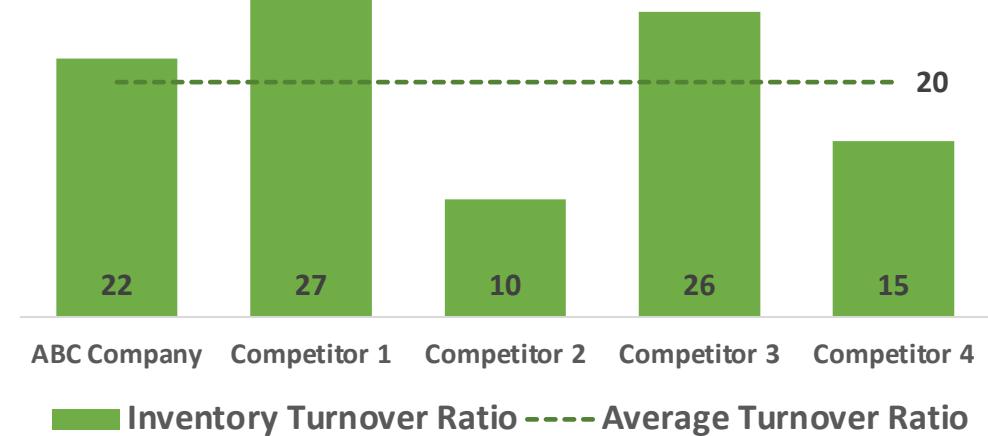
- Revenue from operation shows positive trend from FY21 onward.
- Cost of material consumed contributes **74%** of total expenses on an average. However as percentage to the revenue the same has decreased from **76%** in FY22 to **74%** in FY23.
- Pertinent to note that EBITDA margin shows significant **increase from 4% in FY22 to 8% in FY23**, as the company has reduced the workforce in FY21 following the cost reduction policy, resulting in declining Employee Benefit Expense.

Competitor Analysis

Profitability analysis (Revenue in US\$ Million, FY23)



Inventory turnover ratio (FY23)



- Although Revenue from operation of ABC company has surpassed the average revenue from operation of the competitors, the **8% EBITDA margin of ABC company is far lesser than that of the average EBITDA margin (14%)** of the competitors. It is mainly because Employee benefit expense of ABC company as a percentage to revenue from operation is higher compared to the Competitors.

- ABC company's **Inventory Turnover Ratio (22)** is **more than the industry average inventory Turnover Ratio (20)**, it is because the company has efficiently managed its inventory and is able to convert its inventory into sales more often compared to most of the competitors in FY23.

KPI's in comparison

Particulars	ABC company	Competitor 1	Competitor 2	Competitor 3	Competitor 4
No of manufacturing plants	6	4	4	3	3
Number of Days In Working Capital	-15	-23	62	44	11
Average Revenue per Employee (US\$ Thousands)	160	895	74	439	351
Production efficiency	68%	77%	92%	55%	66%
Total Asset turnover Ratio	2	2	1	1	1
ROCE	9%	17%	20%	29%	27%
Operating Cycle (days)	42	25	90	36	71



Contact



+91-9359628675



contact@marcglocal.com



www.marcglocal.com



2nd floor, CMM bldg.
Rua de Ourem,
Panaji Goa 403001

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