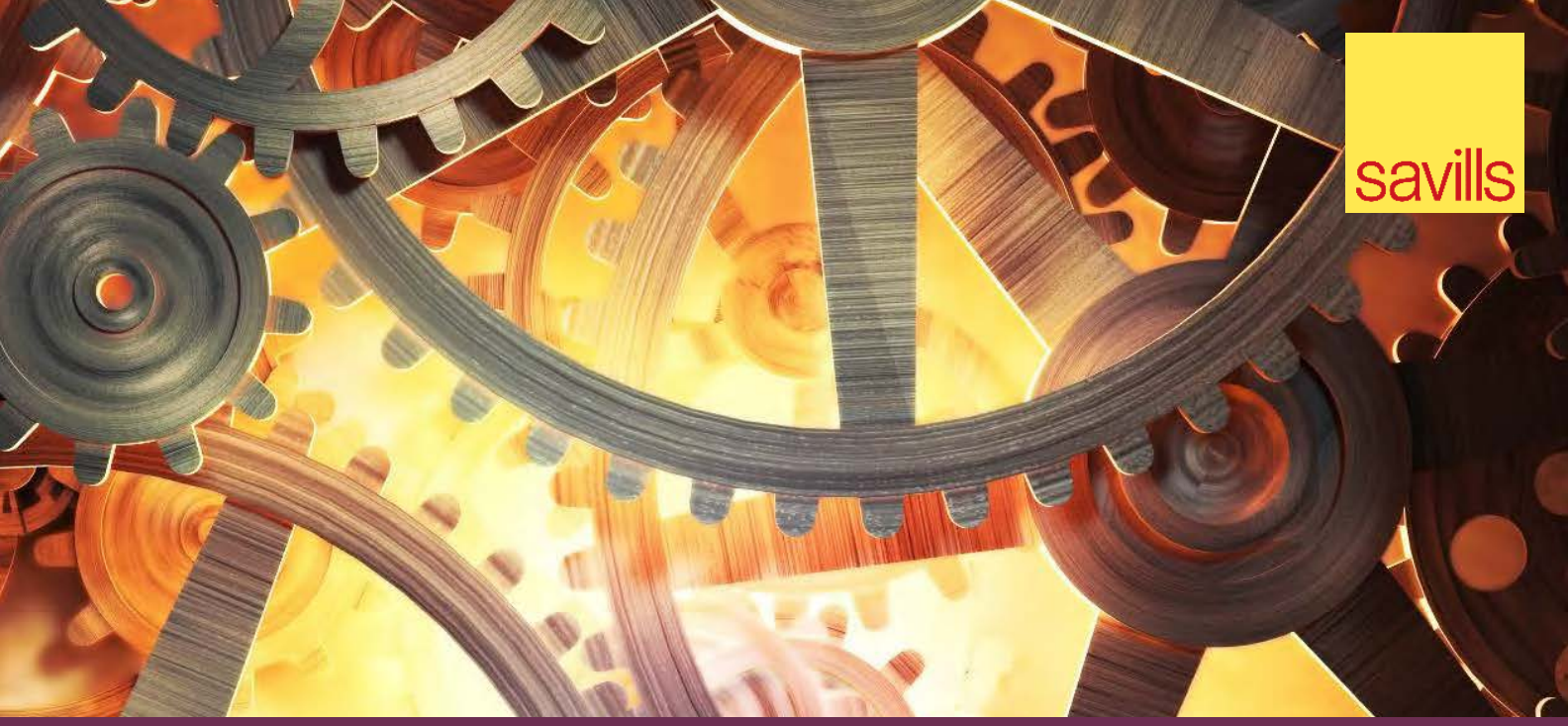


savills

Unlocking the growth potential of Indian manufacturing sector



Introduction

Indian manufacturing sector has undergone transformation since independence, as a result of introduction of several development plans, which were focused on industrialization of the country. At present, manufacturing sector is emerging as one of the core growth sectors in India, targeting both local and global markets.

As of 2018-19, manufacturing sector accounted for 16.8% of the GDP according to the Ministry of Statistics and Programme Implementation (MoSPI). The government is working towards achieving of manufacturing sector share to 25% of GDP by 2022.

The government of India has taken several industry specific reforms, initiatives that have significantly improved the overall business environment. At present, Indian manufacturing sector is on a high growth trajectory, backed by large domestic market, strong consumerism, sustained availability of skilled talent pool and low-cost labor. In addition, the policy incentives, subsidies & tax benefits from the government are catalyzing the manufacturing performance in India.

This document summarizes the current market dynamics, growth drives, major policies and incentive schemes. The document also covers the manufacturing real estate dynamics across the regions and presents the growth opportunities.



Strong macro-economic fundamentals for sustained growth



India's Growth **Potential**

Key Pillars of Growth

Economy
India retained its position as one of the fastest growing large economies in the world.

Demographics and Consumerism
India's population likely to reach to 1.53 billion by 2035 - according to the World Bank.

Ease of Doing Business
The Government of India has taken several industry specific reform initiatives that have significantly improved the overall business environment.

India improved by 14 ranks in the World Bank's Ease of Doing Business Survey, 2020. **India ranks 63rd in 2019 among 190 countries from 77th rank in 2018.**

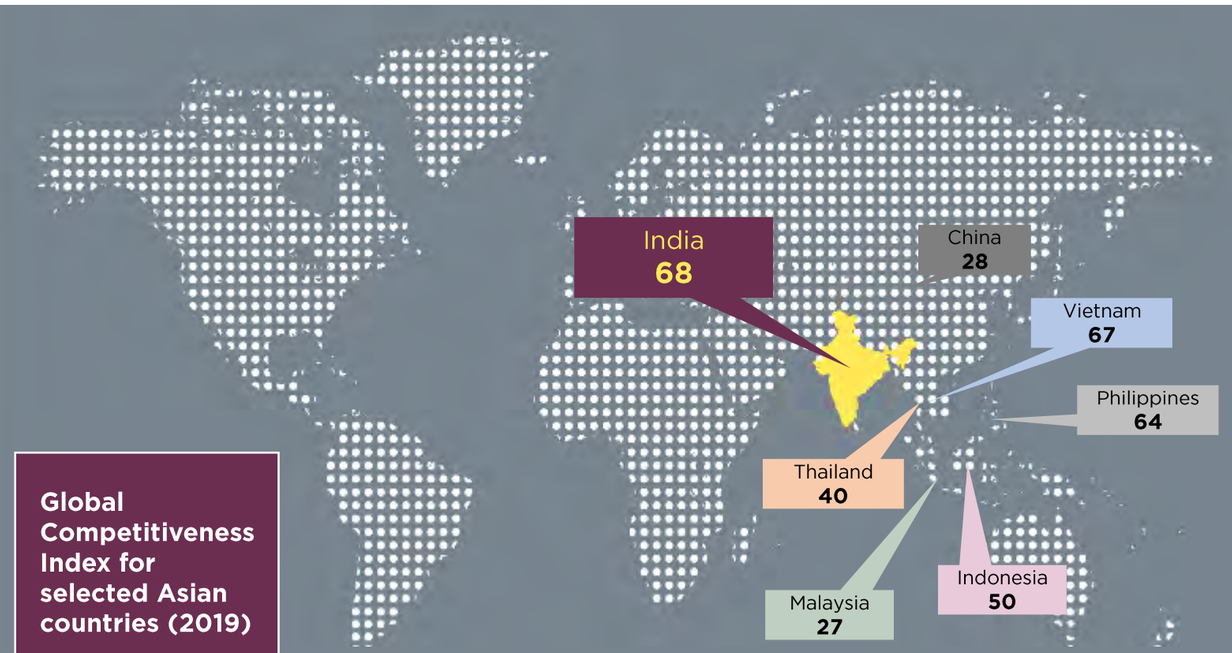
Transport Infrastructure and Freight Traffic
Total road length of India will reach to 15 million km by 2035 and total freight traffic of road and rail will reach to 13,000 BTKM in 2031-32 as per TIFAC Technology Vision-2035.

Manufacturing Sector
The share of the manufacturing sector to the GDP likely to increase to 25 % by 2022 - Make in India.

Smart Phone Users
India is expected to rise by 84% to 859 million smart phone users by 2022 from 468 million in 2017-a joint study by Associated Chambers of Commerce and Industry of India and PwC.

Smart Cities
100+ Smart Cities by 2022

India Strengthening in **Global Competitiveness**



Global Competitiveness Index for selected Asian countries (2019)

Global Competitiveness rankings (India) - 2019

Institutions	Infrastructure	ICT Application
59 | 25 | 87 | 89 | 67 | 51	70 | 35 | 96 | 77 | 71 | 72	120 | 33 | 88 | 41 | 62 | 72
Macro-economic stability	Health	Sills
43 | 35 | 55 | 64 | 43 | 54	110 | 66 | 102 | 71 | 38 | 96	107 | 30 | 67 | 93 | 73 | 65
Product Market	Labor Market	Financial System
101 | 20 | 53 | 79 | 84 | 49	103 | 20 | 39 | 83 | 46 | 85	40 | 15 | 43 | 60 | 16 | 58
Market Size	Business Dynamics	Innovation Capability
3 | 24 | 31 | 26 | 18 | 7	69 | 18 | 44 | 89 | 21 | 29	35 | 30 | 72 | 76 | 50 | 74

India | Malaysia | Philippines | Vietnam | Thailand | Indonesia

> **"Though India ranked 68th in the annual Global Competitiveness Index compiled by World Economic Forum (WEF), market size, innovation capability, strong financial system, number of institutions, and macro-economic stability are bringing greater competitive advantage to India."**

Economic shift – will fuel in Indian **manufacturing sector**

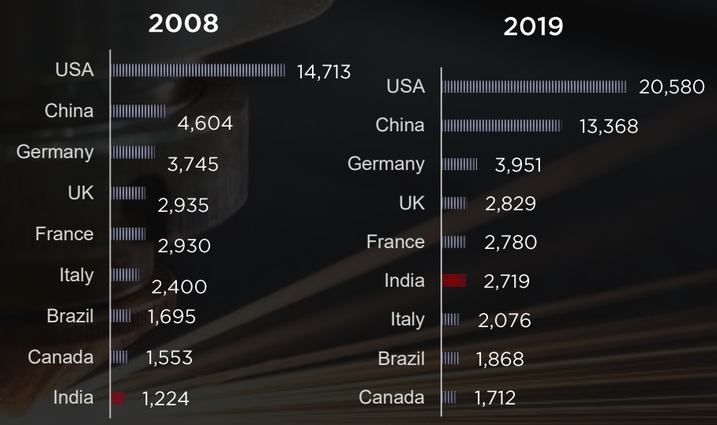
Economic Shift – increase in per capita income and GDP

GDP PPP Per Capita (USD)



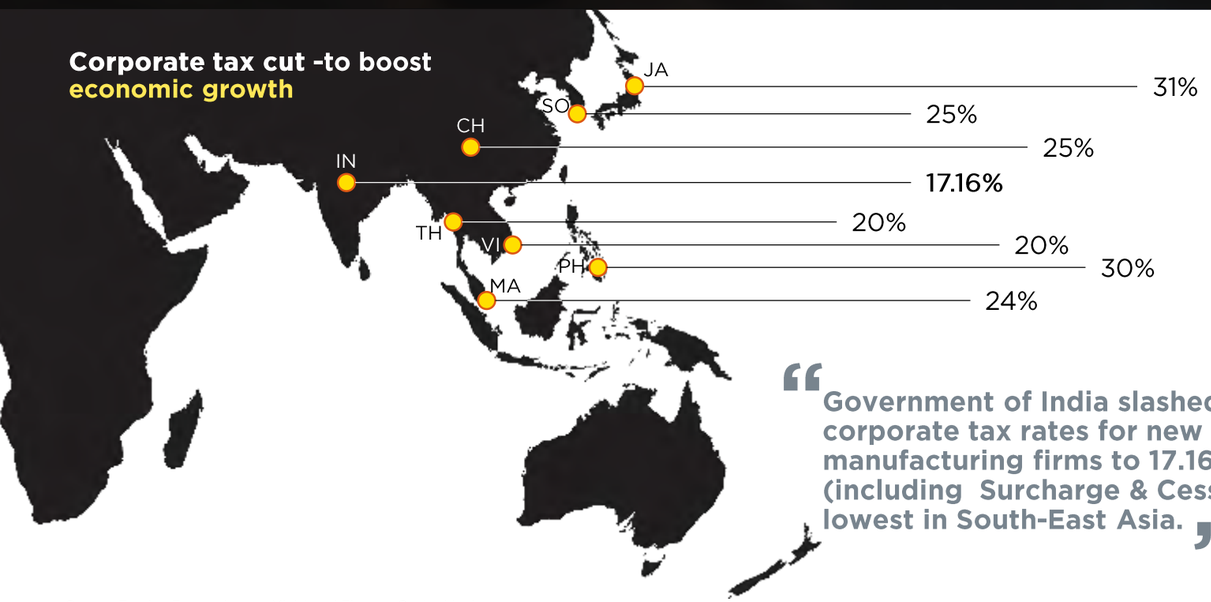
Source: IMF

GDP in USD Billion (at current prices)



> "India's long-term macro-economic fundamentals are strong, the economy is currently growing at the fastest pace in the world."

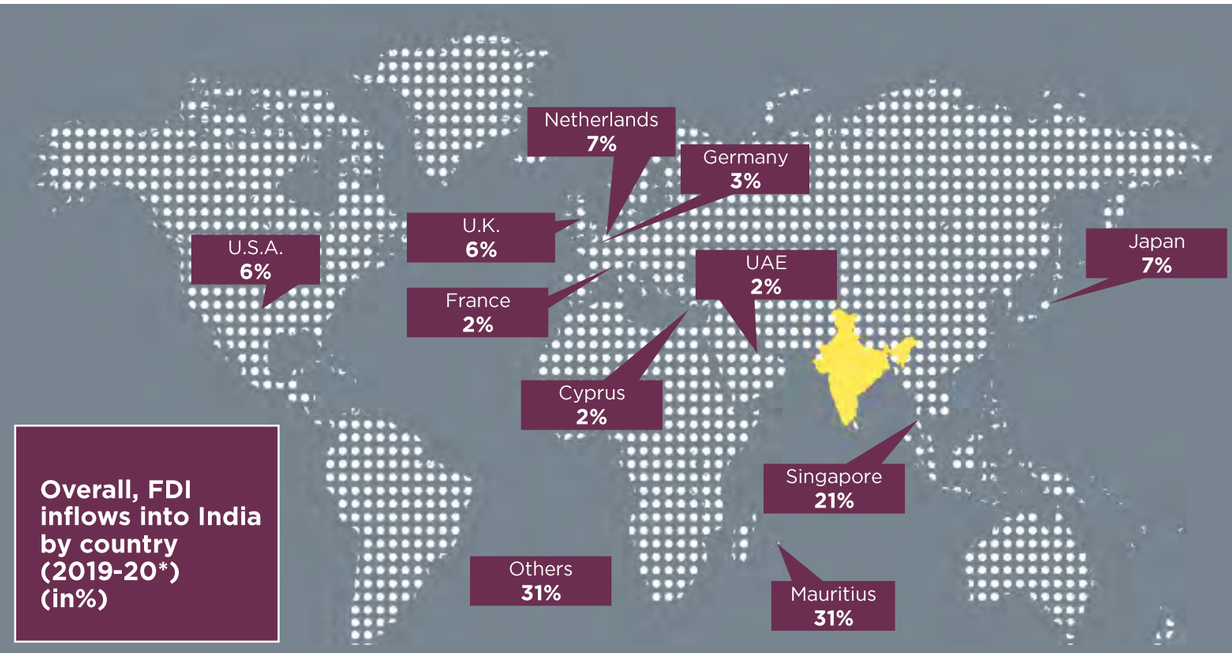
Corporate tax cut -to boost economic growth



> "Government of India slashed corporate tax rates for new manufacturing firms to 17.16 % (including Surcharge & Cess)- lowest in South-East Asia."

Source: Trading Economics and Ministry of Finance, Govt. of India

Overall FDI Inflows into **India**



Overall, FDI inflows into India by country (2019-20*) (in%)

*April-19 to Dec 2020
Source: Department for Promotion of Industry and Internal Trade, Govt. of India

Overall FDI Inflows into India (USD million)



Current Market Dynamics



Growth Drivers for Indian **Manufacturing Sector**

- The Government of India introduced **Make in India** to encourage investments and make India a renowned manufacturing hub
- Make in India resulted in improved business environment of the country, pushing the Manufacturing Sector towards a high and sustainable growth.
- **Low labor costs and Sustained availability of high skilled labor** - continues to transform the manufacturing industry with respect to creating a competitive advantage

Make in India and Skill India

- Strong consumerism in the domestic market with growing with India's population reaching 1.53 billion by 2035

Large domestic market

- **Industrial Parks**
- **SEZs**
- **National Investment & Manufacturing Zones (NIMZ)** – It is a combination of production units, public utilities, logistics, residential areas and administrative services
- **Industrial Corridors – 5 planned**

1. Bengaluru – Mumbai – Economic Corridor (BMEC)
2. Amritsar – Kolkata Industrial Development Corridor (AKIC)
3. Chennai – Bengaluru Industrial Corridor (CBIC)
4. East Coast Economic Corridor (ECEC)
5. Delhi -Mumbai Industrial Corridor (DMIC)

Infra-structure

Key reforms and policy initiatives

- The Government of India has taken several industry specific reform initiatives that have significantly improved the overall business environment
- Implementation of Goods and Service Tax (GST)
- **Corporate tax rate for new manufacturing companies**- the effective tax rate for new manufacturing firms will be 17.16 % inclusive of surcharge and tax
- **Pradhan Mantri Mudra Yojna** was launched to provide loans small scale enterprises

Subsidies and Incentives

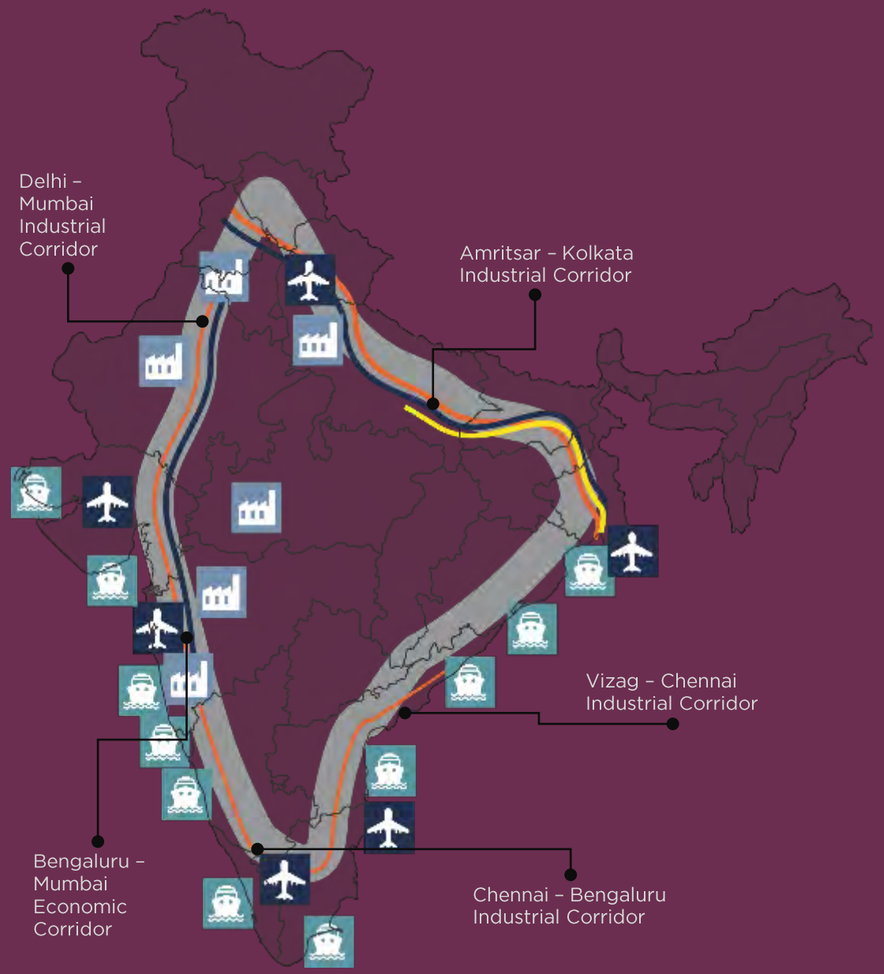
- **Modified Electronic Clusters**- the Government of India approved a total incentive outlay of USD 512.3 million spread over a period of 8 years with an objective to create modified electronics manufacturing clusters. Production Linked Incentives- the cabinet also extend an incentive of 4% to 6% on incremental sales (over base year) of goods manufactured in India and covered under target segments, to eligible companies
- **Bulk Drug Parks and Production Linked Incentives**- the Union Cabinet approved USD 408.5 million for promotion of Bulk Drug Parks for next 5 years and a sum of USD 944.9 million for Production Linked Incentive Scheme for next 8 years. This scheme is designed for strengthening of the domestic active pharmaceutical ingredients (APIs) manufacturing

Improvement in supply chains

- **Advanced supply Chains** helping companies to move from cutting costs to enabling new processes and making corporations more connected
- **Technology integration** resulted in increase the supply chain efficiency and **tailor-made end to end solutions**

Infrastructure will drive **manufacturing sector**

Presence of **industrial** and **transport** infrastructure



Aviation

India is the fastest growing aviation market and as per IATA the Country is expected to cater to 520 million passengers by 2037.

Source: IATA

Waterways

The traffic on national waterways is expected to increase from 72 metric tonnes in 2018 -19 to 100 metric tonnes by FY-2022.

Source: Inland Waterways Authority of India, Government of India

Rail Freight Traffic

Indian Railways is targeting to increase its freight traffic to 3.3 billion tonnes by from 1.22 billion tonnes in 2019.

Source: Ministry of Road Transport and Highways, Government of India

Road Network

The Government of India plans to construct 65,000 km of by 2022.

Source: Ministry of Road Transport and Highways, Government of India

Manufacturing **Fact Sheet**

Major manufacturing states

Maharashtra, Gujarat, Tamil Nadu, Karnataka, Uttar Pradesh, Haryana and Uttarakhand states, **together contributed for 66% of the manufacturing Net Value Addition (NVA). in 2017-18.**

State wise Contribution to manufacturing NVA in 2017-18

Maharashtra	Gujarat	Tamil Nadu	Karnataka
18%	15%	11%	07%
Uttar Pradesh	**Haryana**	**Uttarakhand**	**Others**
06%	05%	04%	34%



Invested capital

31.8% growth in Invested Capital from USD 461 billion in 2013-14 to USD 607 billion in 2017-18.

15.54 million
15.5% increase on 2013-14



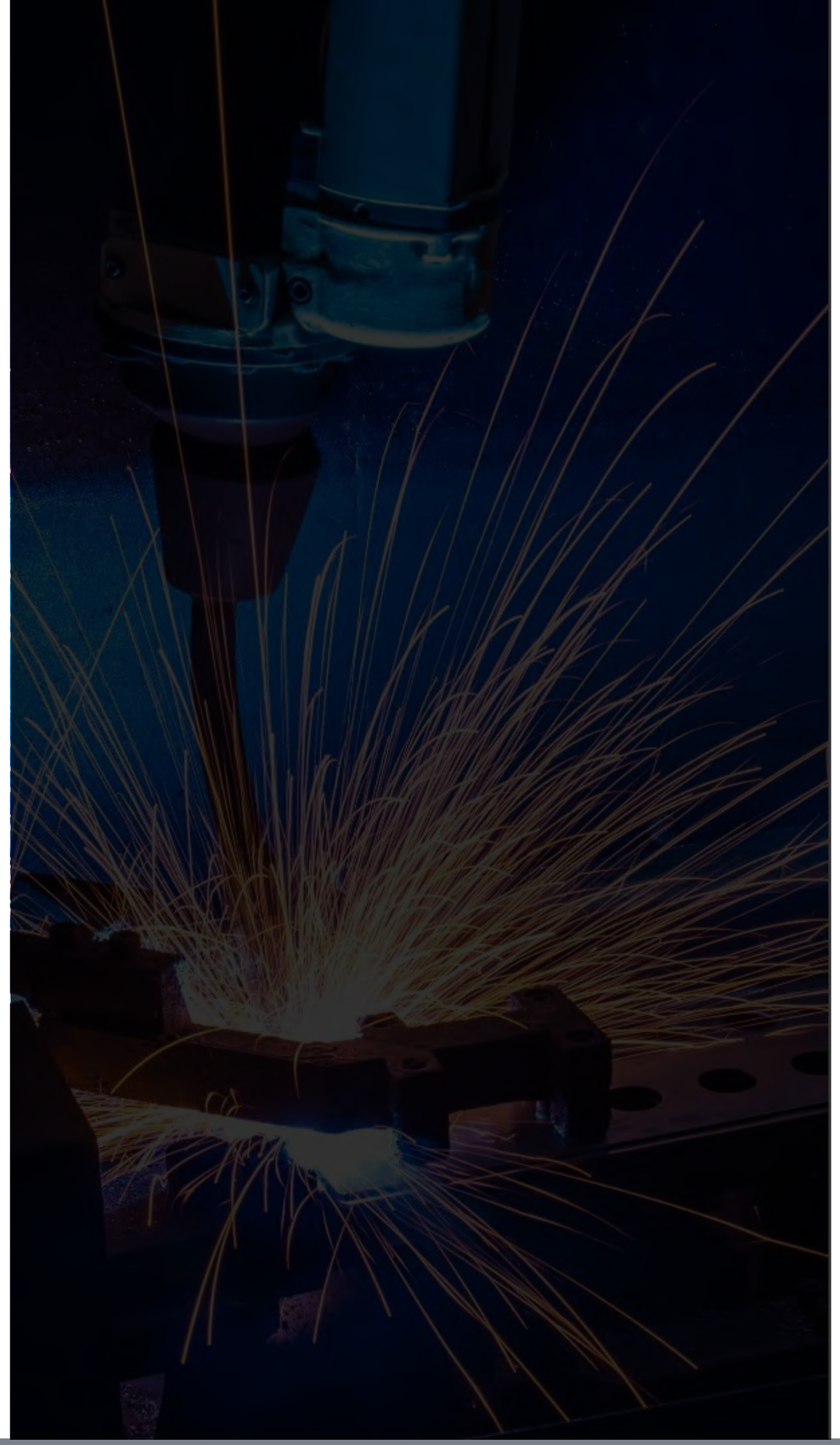
Number of employees (2007 – 18)

237,684
Factories in Operation



Number of factories (2007 – 18)

Source: Annual Survey of Industries 2017-18, Ministry of Statistics and Programme Implementation



Sector wise contribution & Net Value Addition **(NVA)**

Sector wise contribution to NVA (2017-18)

Electricals & Electronics	Motor Vehicles	Basic Metals	Coke & Refined Petroleum Products
06%	08%	08%	13%
Textiles	**Pharmaecuiticals**	**Food Products**	**Chemicals**
05%	07	07%	10%
Machinery & Equipment	**Non-metal Mineral Products**	**Others***	
06%	05%	25%	



Key industries

Refined Petroleum Products, Chemical & Chemical Products, Basic Metals, Automobiles, Pharmaceuticals, Machinery & Equipment, Minerals and Textiles **together accounted for 68% manufacturing NVA in 2017-18.**

Growth in NVA (2013-14 to 2017-18) **37.3%**

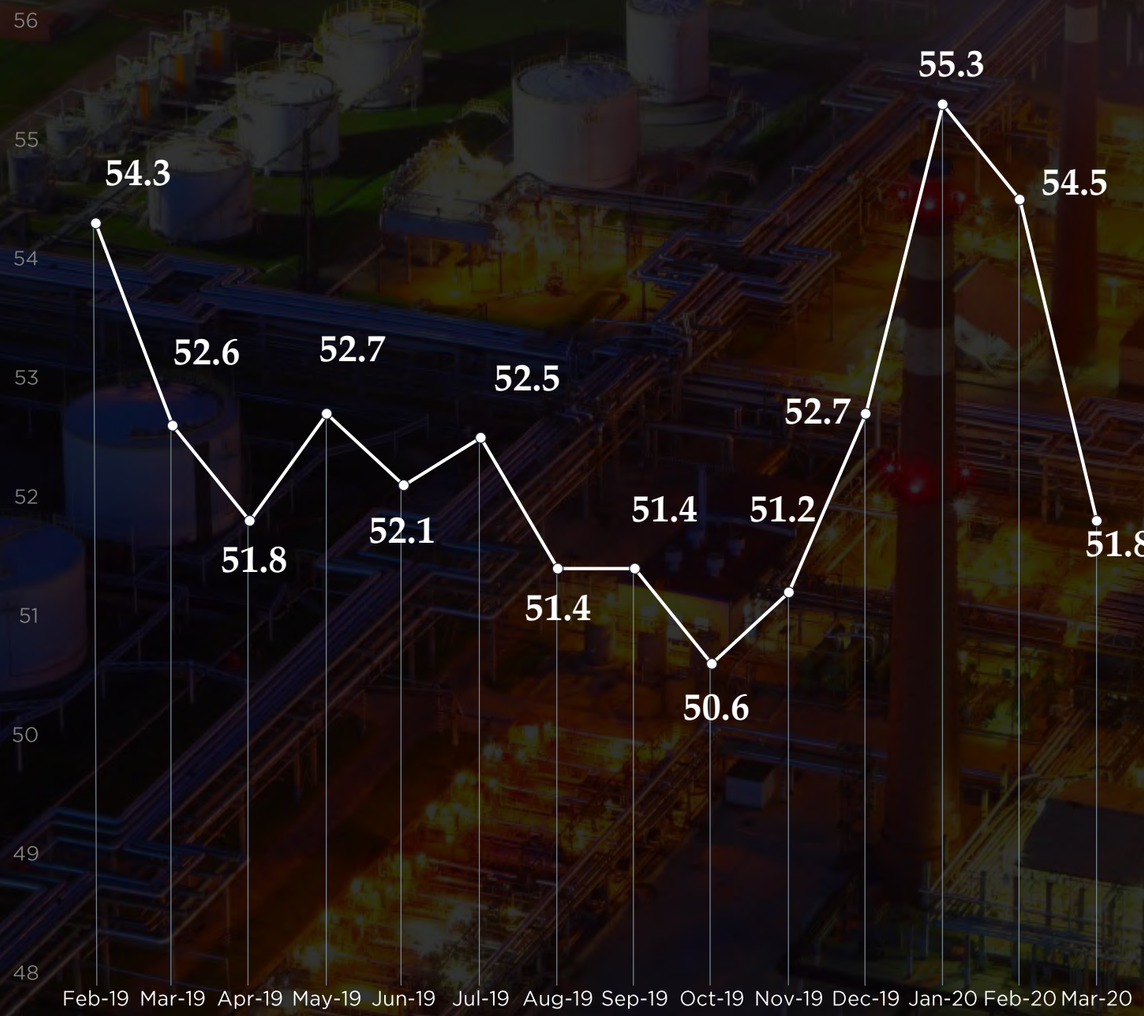
USD 122 bn	USD 146 bn	USD 167 bn
2013-14	2015-16	2017-18



Source: Annual Survey of Industries 2017-18, Ministry of Statistics and Programme Implementation

Manufacturing Performance Indicators in India – Impact of **Covid-19**

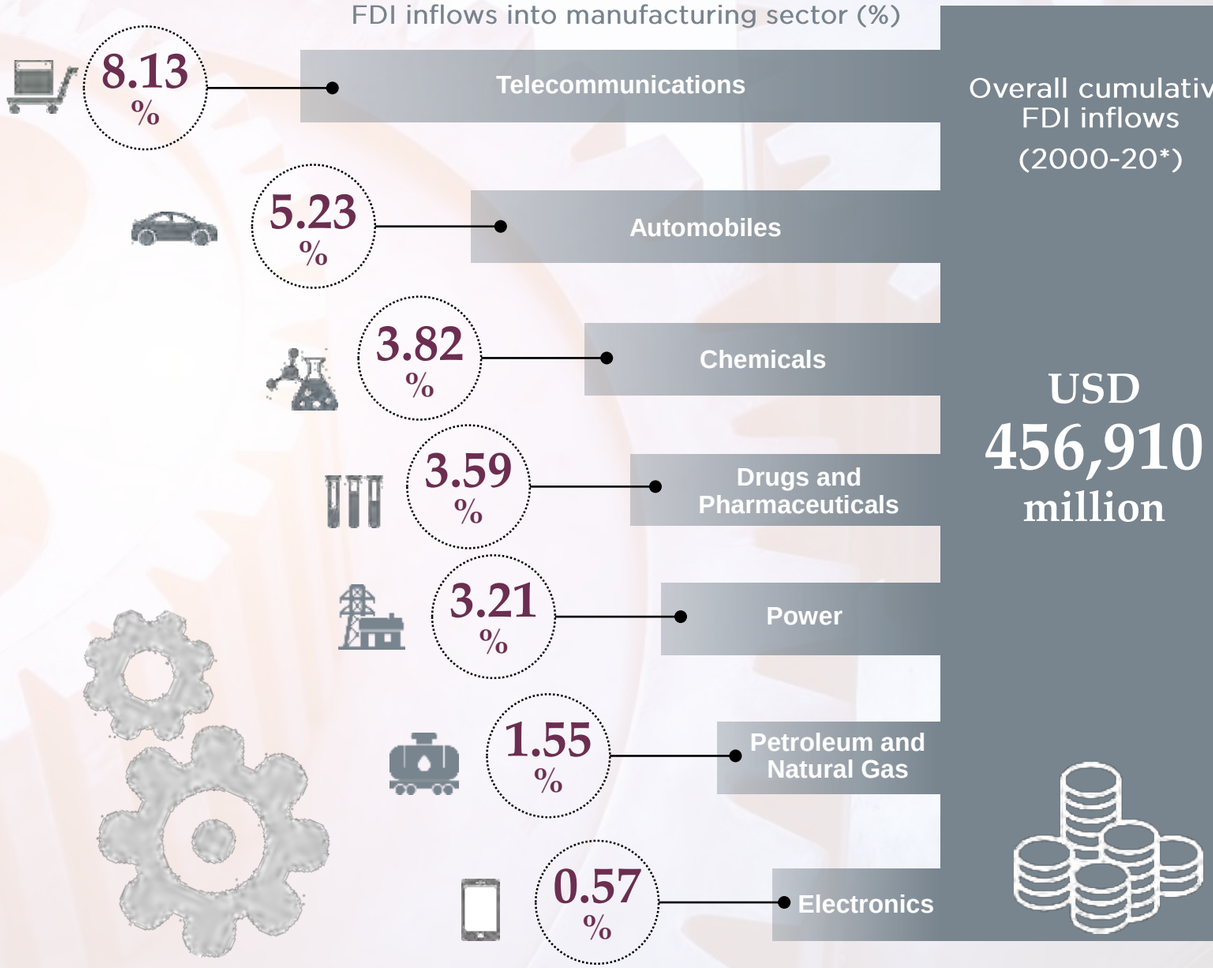
Manufacturing Purchasing Managers' Index



Source: Ministry of Statistics and Programme Implementation

India's manufacturing activity growth slowed in February and March, 2020. The Manufacturing Purchasing Managers' Index fell to 51.8 in March 2020 from January's near eight-year high of 55.3 but remained above the 50-point threshold mark. This is back of concerns regarding the impact of the COVID-19 outbreak on exports and supply chains.

FDI Inflows into Indian Manufacturing **Sector**



* April 2000 to December 2020

Source: Department for Promotion of Industry and International Trade

Government is allowing 100% FDI in the manufacturing sector under the automatic route except for Contract Manufacturing. However, the government is considering allowing 100% foreign direct investment (FDI) in contract manufacturing to give a boost to the sector-a proposal to allow 100% FDI in contract manufacturing likely to attract overseas investments.

Major Investments in Industrial & Logistics
asset class



GLP
Everstone
500 $
2018

Ascendas FirstSpace
Sun Logistics Park @ Chennai
50 $
2018

Allianz
ESR
225 $
2018

Morgan Stanley
KSH Distriparks @ Pune
50 $
2018

DP World
NIIF
3bn $
2018

Logos
Casa Distri Park @ Chennai
100 $
2018

Proprium
Musadilal Group (Scalar Industrial)
Projectwise
2019

ADIA
Shapoorji Pallonji
1.2 bn $
2019

Blackstone
All Cargo
210 $
2019

Indospace
Sugal
~25 $
2019

Welspun Group
One Industrial Spaces
Undisclosed
2019

ESR
Lodha @ Palwa City
100 $
2019

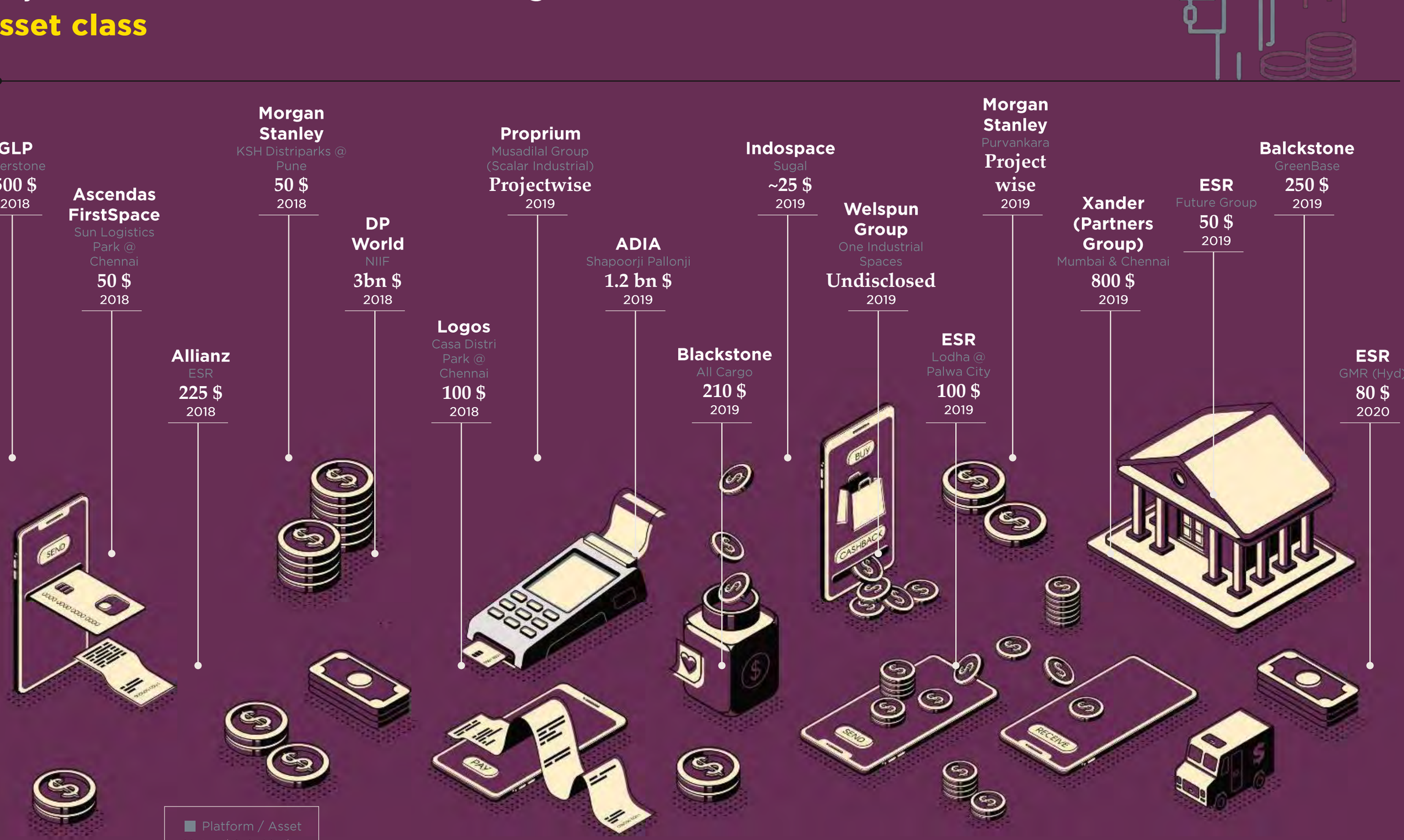
Morgan Stanley
Purvankara
Projectwise
2019

Xander (Partners Group)
Mumbai & Chennai
800 $
2019

ESR
Future Group
50 $
2019

Balckstone
GreenBase
250 $
2019

ESR
GMR (Hyd)
80 $
2020



Platform / Asset
Note : $ is in Mn $

Source : Compiled from various secondary sources

Govt. & private- **availability snapshot**

Free Trade Warehousing Zones (FTWZs)

Uttar Pradesh

Notified Operational FTWZs (Completed + U/C)
Arshiya Northern FTWZ, Khurja

Notified FTWZs
Hari Fertilizers, Pargana-Ralhupur

Gujarat

FTWZs with in-principal Approval
Avash Logistic Park, Villages – Mota Layaja, Godhara & Bayath

Maharashtra

Notified Operational FTWZs (Completed + U/C)
Arshiya FTWZ, Panvel

Notified FTWZs
Arshiya International, Bori, Village Bori, Taluka Nagpur

FTWZs with in-principal Approval
- Redi Port, Redi
- North Mumbai International Commodity Township, Kaman-Bhiwandi Road
- Raj Build Infra, Taloi
- Avash Logistic Park, Mota Layaja, Godhara & Bayath

Andhra Pradesh

FTWZs with in-principal Approval
Lepakshi Knowledge, Hub, Chillamaturu

Karnataka

FTWZs with in-principal Approval
ISPRL FTWZ, Padur

Kerala

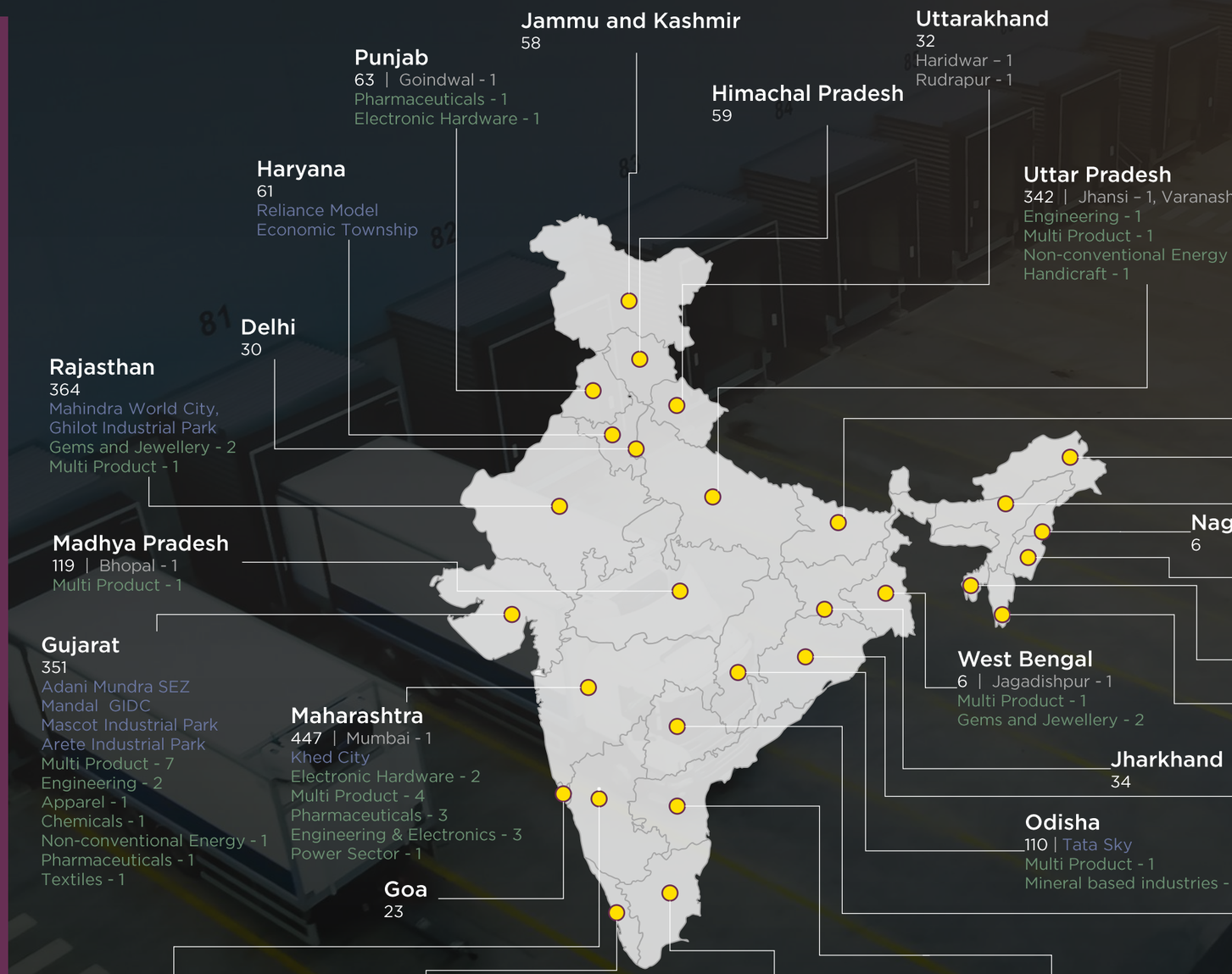
FTWZs with in-principal Approval
Cochin Port Trust, Cochin

Tamil Nadu

Notified FTWZs
J. Matadee Free Trade Zone, Mannur and Valarpuram Villages,
Integrated Chennai Business Park, Vallur and Edayanchavadi Villages

FTWZs with in-principal Approval
- Vikram Logistics and Maritime Services, Vallur
- NDR Infrastructure, Nandiyambakkam
- Venkatesh Coke & Power, Athipattu

Source: Ministry of Commerce & Industry, Govt. of India



Number of Industrial Parks/ Estates/ Clusters/ Nodes

Facilities available in govt. (BHEL) manufacturing units*

Major Private Industrial Parks in India

Industry Specific SEZs

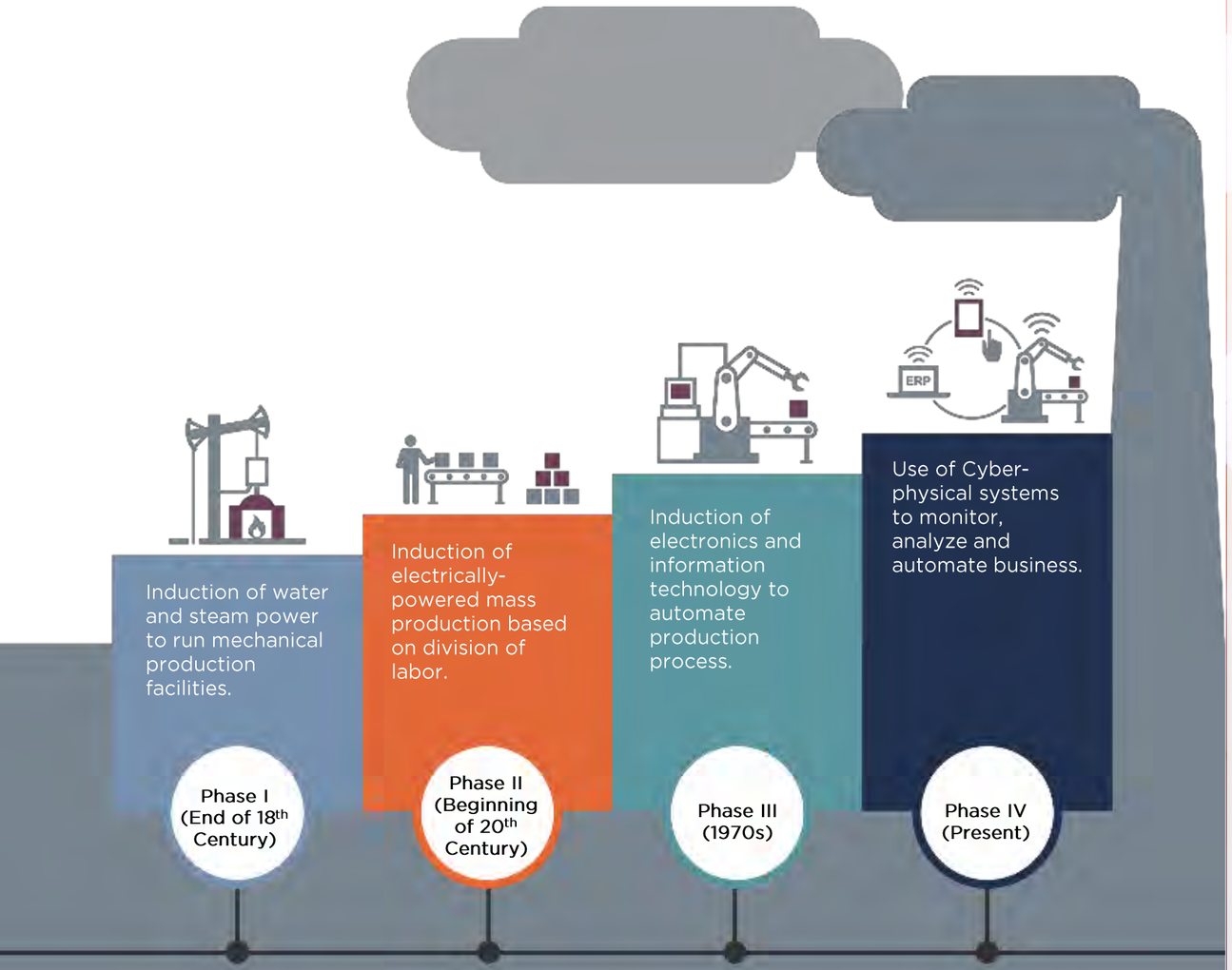
*In order to further promote Make in India and support international companies for setting up manufacturing in India, BHEL has floated an Expression of Interest (EOI) inviting global companies to partner with it and leverage its facilities and capabilities for setting up a manufacturing base in the country.

Source: Ministry of Commerce & Industry, Govt. of India
Source: BHEL

Favorable Policies Invigorate Indian Manufacturing Sector



Industrial Revolution in **India**



Key Reforms and policy Initiatives – India's Decade of **Development**

National Policy on Electronics (2019)

National Auto Policy (2018)

Pharmaceutical Policy (2017)

Make in India (2014)

National Manufacturing Policy (2011)

Recent Reforms (2020)

1. The government announced significant changes for FDI in all sectors. All sectors will be open for private participation, including strategic ones
2. FDI limit in defence manufacturing under automatic route is enhanced to 74% from 49%
3. Fast-tracking of investment clearance is proposed through Empowered Group of Secretaries (EGoS)
4. Ranking of states is proposed for investment attractiveness
5. Challenge mode for Industrial Cluster Upgradation of common infrastructure and facilities
6. All industrial parks to be ranked in 2020-21

Favorable Govt. **Policies**

NATIONAL MANUFACTURING POLICY:

Aim to Increase Share of Manufacturing in GDP to 25% by 2022



National Manufacturing Policy-2011

Objectives

- To increase the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs
- The policy aims at setting up National Investment and Manufacturing Zones (NIMZ) using clean energy and efficient technology
- The policy aims to bring global competitiveness of Indian manufacturing through efficient policy support
- Industrial townships are proposed to be self governing and autonomous bodies
- Infrastructure will be financed appropriately by Central government through viability gap funding while Special Purpose Vehicle will develop zone infrastructure through PPP mode

Key Impact

- Emergence of manufacturing hubs, cluster and infrastructure corridors
- Employment growth
- Infrastructure developments
- Increased capital inflows

NATIONAL AUTO POLICY:

Envisages Propelling India's Automotive Industry Amongst the Top Three Nations in the world



National Auto Policy-2018

Objectives

- To promote clean, safe and comfortable mobility and adopt a long-term roadmap to streamline emission standards with global standards
- Scale-up automotive exports to 35-40% over the next 10 years
- To make India as a globally competitive auto R&D and manufacturing hub
- To bring down CO2 emissions to 110 g/km by 2028
- To drive employment generation and skill development

Key Impact

- Increased focus on green mobility – Increased demand for electric vehicles
- Increase in production and exports
- Reduction in CO2 emissions
- Increased R&D activities

MAKE IN INDIA:

Devised to Transform India into a Global Design and Manufacturing Hub



Make in India-2014

Objectives

- Make in India initiative is devised to transform India into a global design and manufacturing hub
- To create employment and skill development
- To create world class zero defect products and global recognition
- Investments promotion and economic development

Key Impact

- New entrants into the country
- Improving in Ease of Doing Business
- Infrastructure developments
- Employment creation and skill enhancement

NATIONAL ELECTRONICS POLICY:

targets $400 billion turnover by 2025



National Policy on Electronics Policy-2019

Objectives

- Aims to position India as a global hub for Electronics System Design and Manufacturing (ESDM)
- The policy targets $400 billion turnover by 2025 from domestic manufacturing and exports
- To provide incentives and benefits for manufacturing of core electronic components
- Creation of Sovereign Patent Fund (SPF) to promote the development and acquisition of Intellectual Properties(IPs) in ESDM sector

Key Impact

- Increased electronics manufacturing and export
- Increased R & D spending- Intellectual Properties(IPs) in ESDM sector
- Increase in capital inflows and investments

Manufacturing Landscape In India

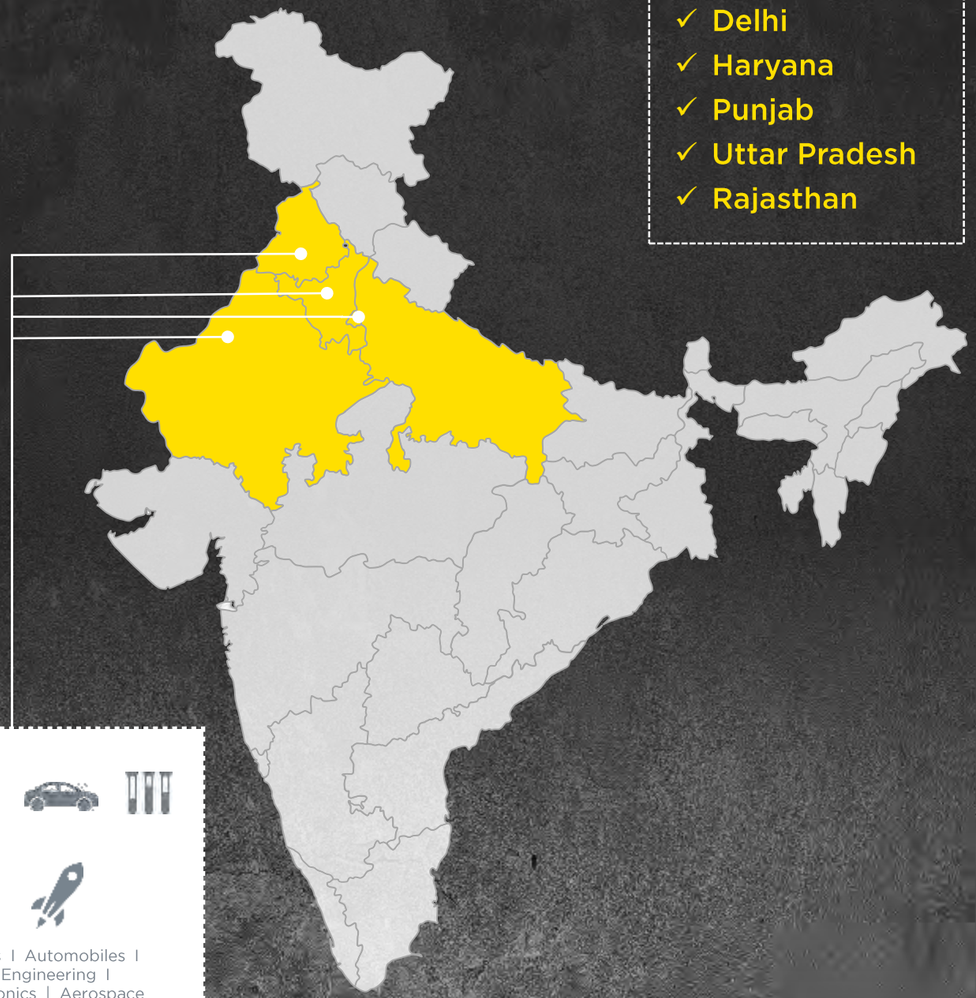


Manufacturing Sector Footprint in **India**



Manufacturing footprint – **North Region**

- ✓ Delhi
- ✓ Haryana
- ✓ Punjab
- ✓ Uttar Pradesh
- ✓ Rajasthan



MAJOR INDUSTRIES

FMCG | Chemicals I Automobiles I Pharmaceuticals I Engineering I Electricals & Electronics | Aerospace

KEY OCCUPIERS

MARUTI SUZUKI · HONDA · RANBAXY LABORATORIES LIMITED · MITSUBISHI ELECTRIC · Nestle · ESCORTS · BOSCH invented for life · Whirlpool · SAMSUNG HEAVY INDUSTRIES · CMX · gsk · Electrolux · DAIKIN · HAVELLS

Manufacturing footprint – **North Region**

Delhi NCR (Rajasthan/Haryana)

Gurgaon & Surroundings

1.8 - 4.5 | 83 - 377

Sonipet, Panipath & NH10

1.8 - 3.5 | 68 - 271

Faridabad

1.8 - 4.5 | 83 - 377

Manesar – Neemrana

2.3 - 3.3 | 84 - 248

Delhi NCR (Uttar Pradesh)

Noida & Surroundings

3.8 – 6.0 | 121 - 829

Greater Noida and Yamuna Expressway

2.3 - 3.7 | 219 - 353

Delhi NCR (Punjab)

Ludhiana - Rajapura

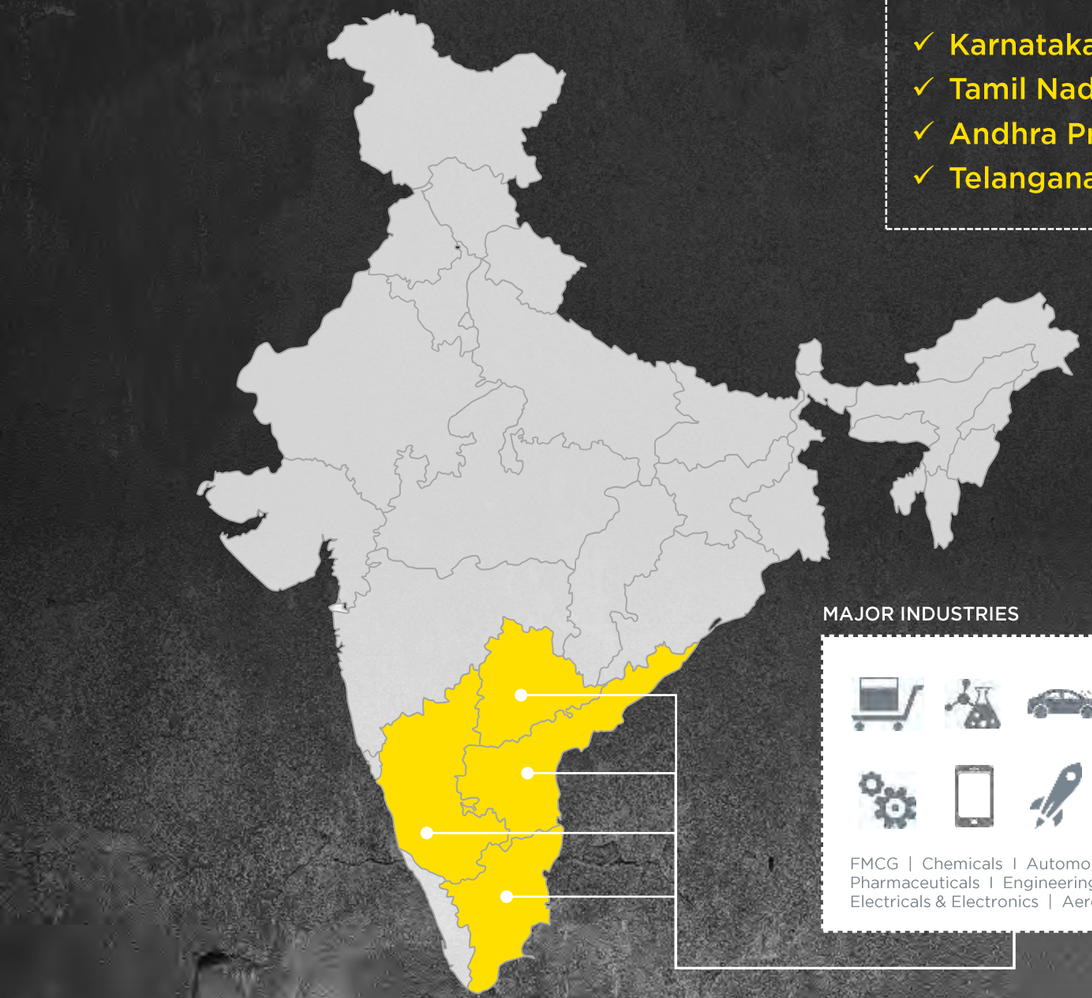
1.8 - 2.2 | 34 - 50

- Rental Values (USD per sqm pm)
- Land Values (USD per sqm pm)
- Oil and Gas
- Jewellery
- Cycle
- Pharmaceuticals
- FMCG
- Aerospace
- Paper
- Agro
- Automobiles
- Packaging
- Biotechnology
- Polythene
- Heavy Engineering
- Heavy Metals
- Ferroalloys
- Electronics

Note: USD to INR exchange rate of 73.444 (Jan-April- 2020 average) was taken to arrive at the values in USD

Manufacturing footprint – **South Region**

- ✓ Karnataka
- ✓ Tamil Nadu
- ✓ Andhra Pradesh
- ✓ Telangana



MAJOR INDUSTRIES

FMCG | Chemicals I Automobiles I Pharmaceuticals I Engineering I Electricals & Electronics | Aerospace

KEY OCCUPIERS

Biocon, Coca-Cola, Toyota, KIA, Honda, Britannia, Cipla, Himalaya Since 1930, TVS, Bosch, Mahindra Aerospace, MRF, Mitsubishi Electric, Dr. Reddy's, Apollo Tyres, Hyundai, Kirloskar Electric

Manufacturing footprint – **South Region**

Karnataka

Hoskote

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.8 - 3.5	39.5 – 80.3

Tumkur Road

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
3.5 – 4.9	47.9 – 95.9

Hosur Road

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.4 - 3.5	64.7 – 97

Hosur Road

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.7 - 3.2	80.3 – 112.8

Tamil Nadu

NH48 - Bangalore Highway

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
3.4 - 3.9	128.3 - 259.4

Chennai -Thiruvallur Highway

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
3.2 – 3.5	135.3 – 162.1

Grand Southern Trunk Road

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
4.2 - 4.9	97.3 – 193.1

Grand Northern Trunk Road

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.3 - 3.5	32.4 – 80.3

Telangana

Nagpur – Karimnagar Highway

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.3 – 3.1	77.5 – 155.1

Mumbai Highway

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.3 – 3.1	63.4 – 169.2

Bangalore Highway

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.3 – 3.1	63.4 – 155.1

Vijayawada Highway

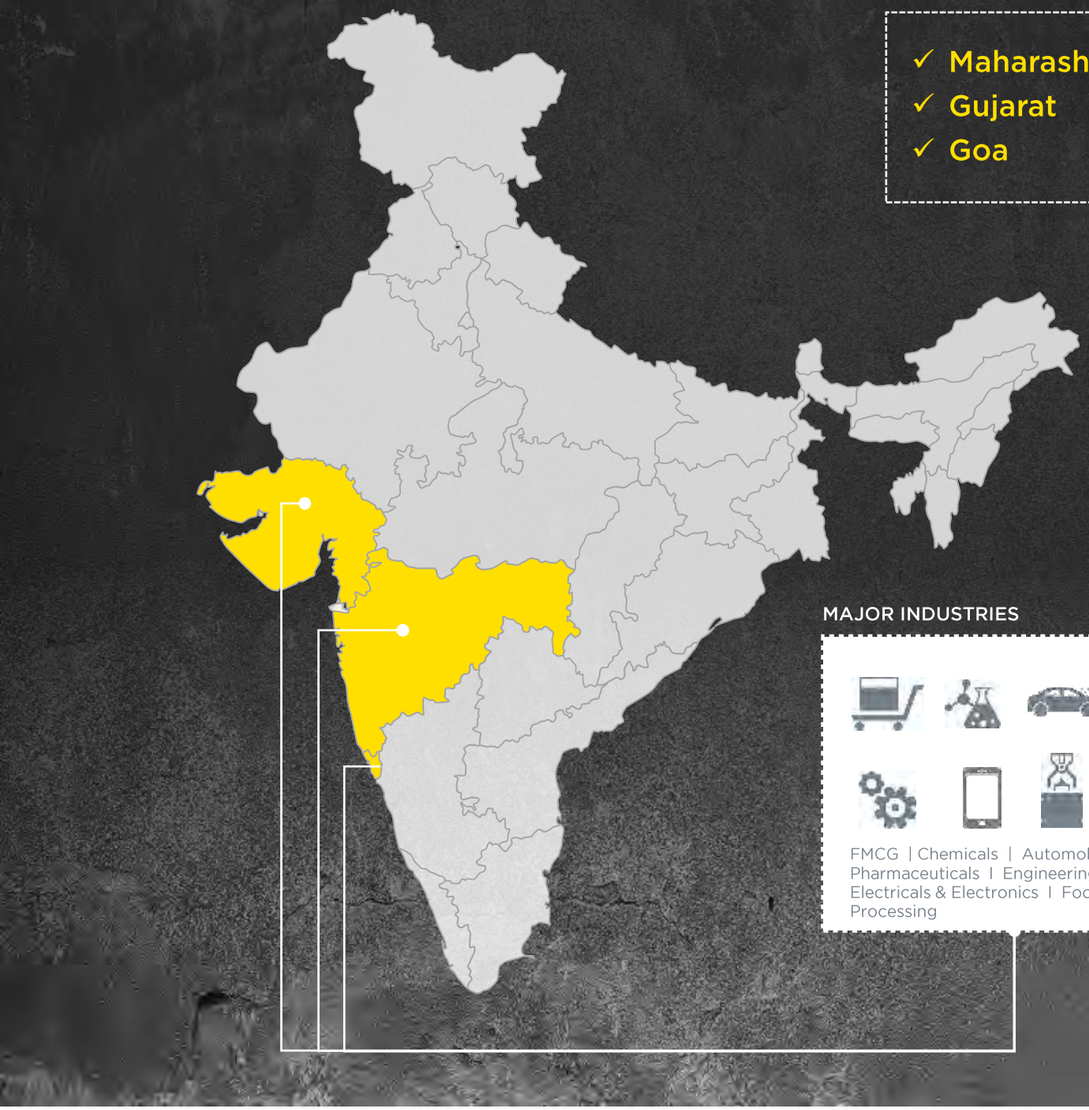
Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.4 - 3.4	91.64 – 80.3

Rental Values (USD per sqm pm)
Land Values (USD per sqm pm)
Oil and Gas
Jewellery
Pharmaceuticals
FMCG
Aerospace
Paper
Automobiles
Packaging
Biotechnology
Polythene
Heavy Engineering
Heavy Metals
Ferroalloys
Electronics

Note: USD to INR exchange rate of 73.444 (Jan-April- 2020 average) was taken to arrive at the values in USD

Manufacturing footprint – **West Region**

- ✓ Maharashtra
- ✓ Gujarat
- ✓ Goa



MAJOR INDUSTRIES

FMCG | Chemicals | Automobiles | Pharmaceuticals | Engineering | Electricals & Electronics | Food Processing

KEY OCCUPIERS

JAGUAR, Nestlé, JUBILANT LIFESCIENCES, Camlin KOKUYO, TATA MOTORS, Whirlpool, Godrej, DOW, UB GROUP, TATA STEEL, Parle Agro, LG, Watson

Manufacturing footprint – **West Region**

Maharashtra

TTC MIDC

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
4.9 - 5.5	394.7 - 521.6

Taloja

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.8 - 3.5	190.3 – 211.4

Ambernath

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
3.5 - 3.9	155.1 – 183.3

Khopoli – Khalapur

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.1 - 2.5	22.6 – 42.3

Chakan -Talegaon

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
3.1 - 3.7	77.5 - 141

Hinjewadi

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
4.2 – 5.4	211.4 – 422.9

Ranjangaon

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.4 – 3.1	49.3 – 70.5

Shirwal

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2 - 2.5	40.9 – 49.3

Gujarat

Ahemadabad

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.5 – 3.5	49.3 – 98.7

Bharuch

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.1 – 3.5	28.2 – 63.4

Vadodara

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
1.4 – 3.5	21.1 – 56.4

Surat

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.8 – 5.6	70.5 – 422.9

- Rental Values (USD per sqm pm)
- Land Values (USD per sqm pm)
- Oil and Gas
- Jewellery
- Pharmaceuticals
- FMCG
- Aerospace
- Paper
- Automobiles
- Packaging
- Biotechnology
- Polythene
- Heavy Engineering
- Heavy Metals
- Ferroalloys
- Electronics

Note: USD to INR exchange rate of 73.444 (Jan-April- 2020 average) was taken to arrive at the values in USD

Manufacturing footprint – **East Region**

- ✓ West Bengal
- ✓ Jharkhand



MAJOR INDUSTRIES

FMCG I Chemicals I Textiles | Pharmaceuticals

KEY OCCUPIERS

Fiji, CenturyPly, Coca-Cola, PepsiCo, Britannia, Cadbury, Aditya Birla, Eveready, Tata Steel, Elkos, KCI, Sunshine Polymers, Kesoram

Manufacturing footprint – **East Region**

West Bengal

Howrah – Bagnan

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.5 - 3.7	70.5 – 112.8

Dankuni – Singur

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.3 - 3.1	49.3 – 77.5

Diamond Harbour Road

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
3.1 - 4.2	211.4 – 310.1

Kalyani Expressway

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
2.1 – 3.1	49.3 – 70.5

Jharkhand

Durgapur/ Dhanbad

Rental Values (USD per sqm pm)	Land Values (USD per sqm pm)
1.5 – 2.3	50 – 84

- Rental Values (USD per sqm pm)
- Land Values (USD per sqm pm)
- Oil and Gas
- Jewellery
- Mining
- Pharmaceuticals
- FMCG
- Aerospace
- Paper
- Automobiles
- Packaging
- Biotechnology
- Polythene
- Heavy Engineering
- Heavy Metals
- Ferroalloys
- Electronics

Note: USD to INR exchange rate of 73.444 (Jan-April- 2020 average) was taken to arrive at the values in USD



Manufacturing sector in India -**Strengths, Challenges, Opportunities and Observations**



Strengths

- **Favorable demographics** – Increasing working age population
- Sustained availability of skilled manpower
- Strong consumerism in the domestic market
- **Low real estate costs**-compared with the other countries in Asia such as Japan, China, Vietnam, Philippines and Malaysia
- **Lowest tax rate for new manufacturing companies** – the effective tax rate for new manufacturing firms will be 17.16%
- **Policy support** – Make in India, National Auto Policy, National Logistics Policy, National Policy on Electronics

Opportunities

- **Global slowdown and growing operating costs** – likely trigger manufacturing opportunities for low cost economies such as India
- **Potential for skilled and qualified labor-Skill India initiative**
- **Ease of Doing Business** – India emerging as an attractive destination
- Proposed **FDI relaxations for Contract Manufacturing**
- **India emerging as alternative destination to China**-many manufacturing companies are planning to shift their manufacturing base to India from China

Challenges

- **Low employee productivity** compared with other economies such as China, Japan and Korea
- **Low rate of adoption of new technologies in manufacturing**
- **Existing infrastructure is inadequate** to meet the growing needs of manufacturing sector

Observations

- **Competition from other Asian economies**-China, Thailand, Malaysia, Vietnam and Philippines
- **Rising cost of capital** – credit crunch due to growing NPAs

India emerging as alternate manufacturing investment destination to China

There are about 1,000+ foreign manufacturing companies which are planning to shift their manufacturing base to India from China, out of which 300+ companies are actively pursuing production plans in mobiles, electronics, medical devices and textiles.

Government of India and State Governments are making all-out attempt to attract foreign firms that are looking at shifting manufacturing base from China. In a major push to domestic manufacturing, the government of India has recently slashed the corporate tax rates. Together, with reduced corporate tax rate, the implementation of Goods and Services tax (GST) and low labor costs are encouraging the foreign companies to relocate their production base to India.

The manufacturing companies from USA, Korea and Japan are already engaged in discussions at various levels with the Indian authorities to enter India. Japan has announced $2.0 billion financial aid for its companies to shift production out of China. Many more countries such as USA and Korea could follow Japan, which is expected to benefit India.

Existing growth potential, government's clear strategy, strong leadership and India's cost advantage will help in attracting the sizeable foreign investments into the manufacturing sector. In 2019-20, there are many manufacturing companies from USA, Japan and Korea made sizeable investments in the county through Hyundai, POSCO, Samsung, LG, KIA Motors, Mc Wane and Wistron to name a few.



Manufacturing sector in India - in the **news**



Growth **opportunities**

The Government of India has taken several initiatives to strengthen the manufacturing sector in the country. The country has introduced several favorable policies, incentive schemes and tax benefits to augment the manufacturing sector. The government is working hard to create a favorable and enabling climate to attract FDI as a policy priority. The government is considering allowing 100% foreign direct investment (FDI) in contract manufacturing, a proposal to allow 100% FDI in contract manufacturing likely to attract overseas investments

In terms of the types of fiscal incentives granted, the government slashed corporate tax rates of firms receiving incentives to 25.17 % from 35 % and the rates for the firms which do not receive incentives to 22 % from 30%. In addition, the government revised the tax rate to 17.16 % inclusive of surcharge and cess for new manufacturing companies, which is lowest in comparison with the other Asian counties such as Thailand, Philippines, Vietnam, Malaysia and Indonesia.

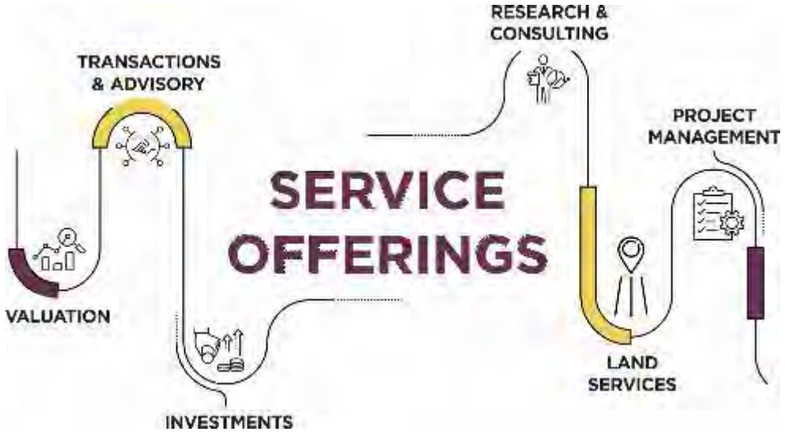
The government recently approved the incentives outlay for creation of Modified Electronic Clusters and Bulk Drug Parks and also a Production Linked Incentives (PLI) scheme. These developmental schemes are likely to strengthen the domestic active pharmaceutical ingredients (APIs) and electronics manufacturing.

India places high priority on infrastructure development, the government is developing several Industrial Parks, SEZs, National Investment & Manufacturing Zones (NIMZ) and Industrial Corridors, thus offering high growth opportunities for a wide range of manufacturing industries. The government introduced several policies recently, including National Manufacturing Policy, Make in India, National Auto Policy, Skill India and National Policy on Electronics with an aim of making India a Global Manufacturing Hub and to Create Employment.

Despite a backdrop of Covid-19 outbreak the manufacturing sector continue to grow backed by strong demand and supply fundamentals. Both domestic and foreign occupier's are likely to drive the manufacturing sector in India, evident from the increasing number of enquiries for lease/ built to suit manufacturing space. We anticipate the emergence of Tier II and Tier III cities of India as new manufacturing destinations.



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