



PROTECT, CREATE, & RECOVER VALUE

# India Update FY23Q1

UNLEASHING THE  
ECONOMIC JUGGERNAUT!

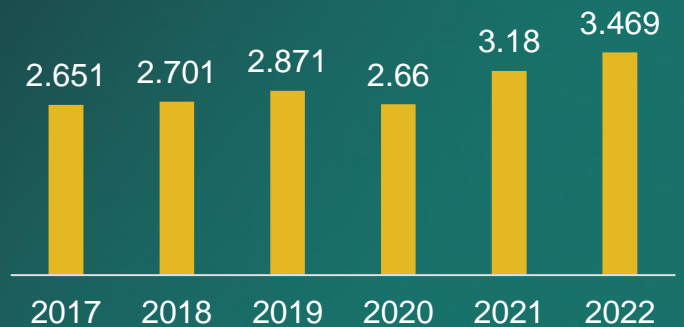


The Indian economy has made considerable strides to become the world's fifth-largest, with a nominal GDP of \$3.5 trillion as of March 2023. With an annual GDP growth rate of 6-8 percent, it is predicted to reach greater heights by 2030.

Formerly known as the "Golden Bird," India has transformed into a worldwide economic powerhouse capable of competing with some of the world's largest countries and ready to become the world's new economic engine.

With a population of over 1.4 billion people, India is the world's third-largest economy in terms of purchasing power parity. Robust private sector growth coupled with high consumption of goods and services provide India with a buoyancy in times of global economic uncertainties.

Indian GDP (U.S. \$ trillion)



## THE WORLD CAN NO LONGER IGNORE THE INDIAN MARKET



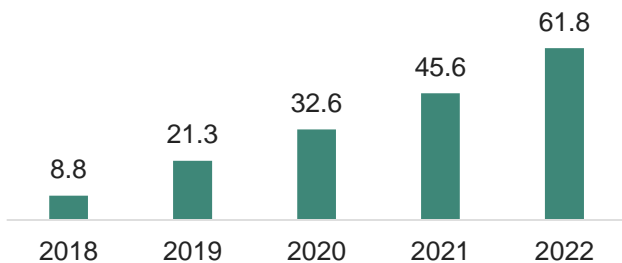
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# Factors That Drive Growth

The introduction of **UPI** has caused a substantial shift in the dynamics of the Indian payments system. In terms of transaction value, UPI currently reigns supreme as the most prevalent and extensive retail payment network, surpassing even NEFT, RTGS, and IMPS. In addition to its standardization across banks, UPI's ease of use, low fees, and frictionless processing set it apart from its competitors. This system not only facilitates swift bank transfers within a few clicks but also enhances transparency and interoperability, thus elevating its utility manifold.

UPI Payment value (INR trillion)



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The **Production Linked Incentive** scheme, often known as the PLI scheme, was launched in March 2020 with the goal of revitalizing the indigenous manufacturing industry. This effort aims to reduce rising import costs and boost indigenous production. It invites foreign companies to set up shop in India and promotes domestic companies to improve their manufacturing capabilities. The PLI scheme covers ten essential areas, including:

1. Pharmaceutical and medical devices manufacturing
2. Mobile and allied equipment
3. Automobiles and auto components
4. IT Hardware and laptop production
5. Food processing
6. White goods
7. Aviation
8. Textile and apparel
9. Renewable energy
10. Metal and mining



Thus far, India has entered into 13 **Free Trade Agreements** (FTAs) with its trading counterparts, including the India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA), India-UAE Comprehensive Partnership Agreement (CEPA), and India-Australia Economic Cooperation and Trade Agreement (IndAus ECTA), all of which were concluded within the past five years. Negotiations continue between India and UK for an FTA. These agreements proffer a plethora of advantages, enabling Indian companies to access diverse overseas markets and compete more effectively therein. The process of importing, exporting, and investing amongst the member nations is significantly streamlined upon the execution of an FTA, with import duties, government levies, and tariffs being slashed or removed altogether, and subsidies being introduced to expedite trade.



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The **National Logistics Policy** aims to achieve three goals: increasing India's trade competitiveness, creating more job opportunities, and improving the ease of doing business, setting the basis for India to emerge as a powerful logistics powerhouse. By streamlining operations through the use of cutting-edge technology and digitalization, the execution of this program would herald a revolutionary transition in the logistics sector.

A Comprehensive Logistics Action Plan (CLAP) will be used to put the policy into action. The recommended initiatives are grouped into eight primary action areas:

- |   |   |
|---|---|
| 1) Integrated Digital Logistics Systems   | 4) State Engagement                               |
| 2) Standardization of physical assets and benchmarking of service quality standards | 5) EXIM (Export-Import) Logistics                 |
| 3) Logistics Human Resources Development and Capacity Building                      | 6) Service Improvement framework                  |
|   | 7) Sectoral Plan for Efficient Logistics          |
|   | 8) Facilitation of Development of Logistics Parks |

# India's Growing Dominion

Air India made global headlines with Airbus and Boeing purchases, revealing India's aviation potential.

India, France to sign deal for Rafale-M fighters in March during the French Presidents visit.

India & U.S. defense conglomerate General Atomics sign a \$3 Billion drone purchase deal.

India's Adani group acquired the strategic Israeli port of Haifa for \$1.2 billion.

Uniper signed an exclusive contract for Green Ammonia offtake to EU from India's Greenko.

**In March 2023, the Bar Council of India notified the rules paving the way for entry of foreign lawyers and law firms in India to advise clients on foreign and International law.**

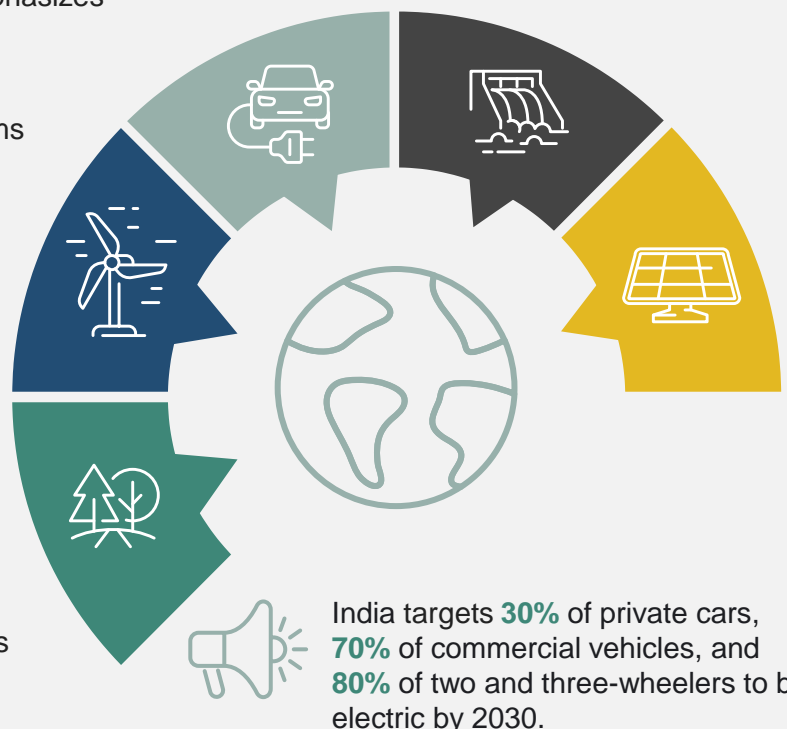
Read more: <https://www.barandbench.com/news/bci-clarifies-misgivings-surrounding-entry-of-foreign-lawyers-and-law-firms>

In addition to expanding footprint across different corporate sectors, India has also emerged as a significant player in the field of renewable energy, with commendable progress in the solar power sector. As of February 2023, India's installed renewable energy capacity, including large hydro, has risen to a staggering 174.53 Giga Watts, accounting for 42.5% of the nation's total capacity. This meteoric rise of 396% in just 8.5 years emphasizes India's commitment to a sustainable future.

In 2021, India secured the third position globally and the second spot in Asia in terms of new solar PV capacity, with 13 GW of additions.

The year 2022 witnessed India registering the highest year-on-year growth in renewable energy additions at 9.83%, a testament to the government's efforts to reduce the nation's carbon footprint. In the last nine years, installed solar energy capacity in India has surged by a remarkable 24.4 times, standing at 63.3 GW as of February 2023.

In February 2023, India discovered around 5.9 million tons of inferred lithium resources around **6%** of the world's total.



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# Key Challenges To The Indian Growth Story

India confronts an assortment of geopolitical predicaments, including border tensions and scourge of cross-border terrorism.



The Ukraine crisis has clearly put a strain on the Indian economy.

However, as the West becomes increasingly detached from China, it has also presented India with a unique window of opportunity. Despite the absence of any discernible signs of an impending resolution, the impact on supply disruptions has been equally difficult to forecast.

The conflict has exacerbated the conundrum of growth and inflation in India. It has led in a huge increase in crude oil prices as well as the establishment of major supply-side constraints, both of which have imposed significant upward pressure on inflation. Furthermore, the battle has dramatically increased the cost of fertilizer and jeopardized the delicate balance of the country's fiscal arithmetic.

The current economic crisis in Pakistan has made no difference to the core structural elements that underpin Pakistan's adversarial policies towards India. In fact, the power asymmetry between the two nations, both in economic and military domains, is growing, which is a continuing source of anxiety for India's progress and development due to Pakistan's nuclear capabilities.

The current economic predicament in Sri Lanka threatens India's courageous efforts to maintain security and develop strategic goals in South Asia.

China's truculence may be seen in its recent activity in the South China Sea, where it has been seen building an island, aggravating regional tensions as well as border skirmishes along India's Arunachal Pradesh.

**Notwithstanding the global geopolitical issues, it is the domestic elements that pose the most formidable risk to India's saga of progress.**

## Monopolistic Businesses



In several sectors in India, there are only two or three dominant businesses, limiting the possibility for significant competition. Monopolistic enterprises can pose major dangers to consumers as well as the market as a whole. These risks include fewer options, higher pricing, and reduced innovation, which can discourage competition and restrict economic growth.

## Corruption and Fraud



Whilst India's standing in the corruption perception index has ameliorated over time, there remains much to be desired in the endeavors of both public and private enterprises to confront the maladies of corruption and fraud. It can deter foreign investment, exacerbate income disparity, and maintain a culture of impunity, all of which can stymie growth and perpetuate poverty.

## Technology Risks



The year 2023 will be remembered for its pivotal emphasis on the management of cyber threats. Notwithstanding India's growing adoption of technology, the looming apprehension of threats to the entire supply chains of technological frameworks will remain a significant source of concern for both Indian corporations and the populace.

# FY 2023 Q1 - Outlook



Amidst the global expenditure on information technology anticipated to soar to a staggering \$4.6 trillion, representing a 5.1% hike from the preceding year, India's IT industry is set to regain its footing following a subdued 2022. However, this recovery is contingent on the resurgence of the economy in the West.



The Indian travel and aviation industry has shown extraordinary endurance in rebounding from pandemic-related limitations at a faster rate than expected. The recent extensive agreement between Air India and aircraft manufacturers Boeing and Airbus serves as a testament to the thriving growth of the Indian aviation sector for the forthcoming years.



The month of January 2023 witnessed a robust expansion in India's manufacturing industry, as reflected by the commendable score of 55.4 on the Performance Management Index (PMI). The surge can be attributed primarily to the burgeoning demand in the domestic market, albeit international sales witnessed a marginal uptick.



Banking and Financial services are expected to continue their strong momentum in 2023 supported by strong fiscal and capital market regulations. By March 2023, gross non-performing assets (GNPA) is predicted to drop to 5%, a tangible testament to the enhancement in asset quality.



According to data from the Association of Indian Automobile Manufacturers, automakers sold 37,92,356 passenger automobiles in 2022, the most in a year and surpassing the previous high of 2021. According to Economic Survey 2023, the automobile industry contributed 7.1% to GDP and 49% to manufacturing GDP. The Indian EV industry is predicted to increase to \$113.99 billion by 2029, from \$3.21 billion in 2022.



It is anticipated that the Indian Consumer Electronics realm will undergo a remarkable growth surge at a compounded annual rate of approximately 15.77% between 2022 and 2027. As renowned brands such as Foxconn, a key manufacturer for Apple, continue to expand their production capabilities within India's borders, the nation is poised to establish itself as a preeminent exporter of cell phones across the globe.



In the month of January 2023, India's mining sector witnessed a noteworthy surge of more than 8 percent on a year-on-year basis. With the government's renewed focus on the "Make in India" campaign, as well as initiatives such as rural electrification and the promotion of renewable energy projects, the mining sector is poised for a promising future in the years to come. Energy experts predict that the lithium reserves discovery will also significantly help India's mining sector.



2023 bodes well for the Indian textile industry, with an anticipated upswing in fortunes. This can be attributed to a plethora of government initiatives, including the Production Linked Incentive (PLI) scheme and the PM Mega Integrated Textile Region and Apparel (PM MITRA) program, alongside Free Trade Agreements (FTA's) with major markets like Australia and UAE.



According to the Economic Report 2023, India's domestic pharmaceutical market would reach \$130 billion by 2030. Additionally, the digital healthcare industry, which was valued at INR 524.97 billion in 2021, is predicted to grow at a CAGR of 28.50% to INR 2,528.69 billion by 2027.

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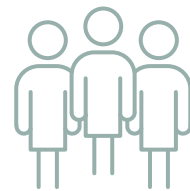
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