

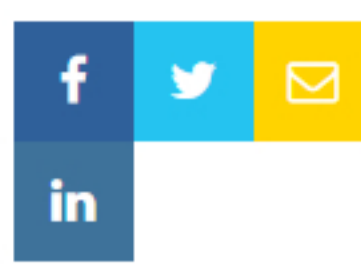
A decade of 'Make in India'

The foundation for building a manufacturing powerhouse

by **Ashish Bhandari, Managing Director & CEO, Thermax Limited**

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A decade of 'Make in India': The foundation for building a manufacturing powerhouse



As India experiences profound economic growth, it has emerged as the second most sought-after manufacturing destination in the world, contributing 13.9%^[1] to the economy. The S&P Global India Manufacturing Purchasing Managers' Index (PMI), reaching 56 in November 2023, also signifies sustained growth and robust expansion.^[2] The significant growth in India's manufacturing sector over the past decade coincides with the introduction of the 'Make in India' initiative, which has played a major role in the sector's development. A decade later, on the 10th anniversary of the government's flagship initiative, it is an opportune time to reflect on India's concerted efforts and reforms, which have delivered the desired results for strengthening its manufacturing sector.

In the spirit of Amritkal 2047, a vision that charts the course for India's centenary of independence, the manufacturing sector stands as a testament to India's aspirational journey. This vision is not just about industrial growth; it's about creating a sustainable, inclusive, and technologically advanced ecosystem that resonates with the global shifts in manufacturing paradigms.

The recent trends in the Indian manufacturing landscape reflect this ambitious vision. We are witnessing a significant surge in investments across diverse sectors, with renewable energy, electric vehicles, and advanced manufacturing technologies leading the charge. These sectors are not only attracting substantial investments but are also pivotal in aligning India's industrial growth with sustainable practices. The emphasis on renewable energy aligns with our national goal of achieving Net Zero by 2070, demonstrating a commitment to responsible and sustainable growth.

An enabling environment and infrastructure for businesses

A series of reforms undertaken to accelerate investment, encourage innovation, and build world class infrastructure to make India a manufacturing hub has helped create an enabling environment for business. India's current position at 63 among 190 countries in the World Bank's Ease of Doing Business 2020 Report shows notable progress from its rank of 142 in 2014.^[3] Efforts such as the reduction of over 39,000 compliances and decriminalisation of 3,400 legal provisions, have led to large inflows of investments from global technology giants. Securing over 2,55,000^[4] approvals, enabled through a nationalised single window system, are also a testament to the positive impact of Make in India goals.

The presence of an Investor Facilitation Cell which guides, assists and handholds investors through the entire process, has further boosted confidence of both domestic and international investors. Consequently, the total FDI inflows in the country stood at \$70.97 Billion in FY 22-23 and the total FDI equity inflows at \$46.03 Billion.^[5] This increase in FDI inflows from manufacturing firms reflects India's evolving role in the global market. According to the S&P Global Market Intelligence Report, the nation's magnetic pull for foreign investments remains undeterred despite geopolitical tensions.

The most recent policy push came in the form of production-linked incentive scheme (PLI), launched during the pandemic. With an incentive outlay of Rs 1.97 lakh crore, the scheme is being implemented across 14 key sectors, poised to enhance India's local manufacturing capabilities and exports.

Be it building industrial corridors, setting up of new railway stations and high-speed railways, or the Sagarmala project aimed at unlocking the potential of India's waterways and its vast coastline, the government has been instrumental in enhancing India's multimodal connectivity. The geographical distribution of investments paints an interesting picture as well. States such as Gujarat, Maharashtra, and Tamil Nadu are emerging as hotspots for manufacturing investments, thanks to their robust infrastructure, skilled workforce, and investor-friendly policies.^[6]

While India's exports of goods and services in October 2023 rose by 9.4% y/y,^[7] these steps are excellent for boosting the country's potential as an export base for the world.

Digitalisation for ease of access and sustainable practices

The significant focus on digital initiatives, under Make in India, have been quite helpful at a time when shifting global supply chains, need to be more agile, resilient and have end-to-end visibility.

Take the Indian Trade Portal for instance. It serves as a single point for relevant information on non-tariff measures such as standards, technical regulations, conformity assessment procedures, sanitary and Phytosanitary measures which may affect trade adversely. Additionally, the online portals for Employees State Insurance Corporation (ESIC) and Employees Provident Fund Organization (EPFO) have led to real-time registrations, online payments, and digital application process for several key clearances. These facilities have equipped India with the physical and digital infrastructure to raise the share of the manufacturing sector in the economy and make a realistic bid to be an important player in global supply chains.

Along with delivering world-class products, at the core of India's manufacturing growth, is its ability to align with sustainable practices by embracing resource efficiency, cleaner production technologies, and circular economy practices to control its carbon footprint. Sustainability in India's manufacturing narrative is not a standalone goal, but an integral part of the nation's broader economic vision. Moreover, the emphasis on sustainable manufacturing, supply chain management, responsible sourcing, and resource optimisation underscores the sector's commitment to creating a greener and a more resilient future.

Heading toward a successful Make in India 2.0

While 'Make in India' has done its bit, the focus is now on making Make in India 2.0 a similar resounding success. The Department for Promotion of Industry and Internal Trade (DPIIT) is now working closely with 24 sub-sectors including furniture, air-conditioners, leather, and footwear, ready to eat, fisheries, Agri-produce, among others. These choices are based on the strengths and competitive edge of industries in India, their potential for export, scope for employability, and most importantly the need for import substitution.

The International Monetary Fund (IMF)'s acknowledgment of India as one of the growth engines in the world economy, underscores the nation's economic prowess. The Make in India initiative has a lion's share in pushing the country's capabilities in this direction. Even as we express optimism for the future, it is evident that the country's manufacturing journey has just begun and demonstrates India's ability to adapt, innovate, and compete globally. Based on its current momentum, the nation is well poised to not only meet domestic demands, but to lead as a global manufacturing giant.

Shaping the next decade: The impact of energy transition

As India strides forward in its manufacturing and industrial journey, a critical facet of this progression is the energy transition sweeping across the nation. This transformative shift, pivoting towards renewable energy sources like solar, wind, and bioenergy, is not just a response to the global climate crisis but also a strategic move to ensure energy security and sustainability. The target to achieve 450 GW of renewable energy capacity by 2030 indicates a significant shift in the energy landscape.^[8] This transition is being bolstered by significant investments and innovations in green technologies, which are rapidly becoming more cost-effective and efficient.

The proliferation of solar parks and wind farms, especially in states like Karnataka and Tamil Nadu, exemplifies this commitment. Furthermore, the adoption of electric vehicles and the establishment of green energy corridors are instrumental in reducing carbon emissions and fostering a green economy. This energy transformation, while addressing environmental concerns, also opens new avenues for job creation and economic growth, positioning India as a leader in sustainable practices globally.

The impact of this energy transition on the next decade will be profound and far-reaching. By embracing green energy, India is not only mitigating the adverse effects of climate change but also reshaping its industrial and economic landscape. The integration of renewable energy sources is expected to fuel a new wave of industrial growth, driven by sustainability and innovation. This shift is likely to attract further global investments, as international stakeholders are increasingly looking to support environmentally conscious initiatives. Moreover, the transition to renewable energy sources will reduce dependency on fossil fuels, leading to a more resilient and self-sufficient energy ecosystem. In essence, the energy transition is poised to be a cornerstone of India's growth story in the next decade, setting a benchmark for sustainable development and showcasing India's commitment to playing a pivotal role in the global fight against climate change.