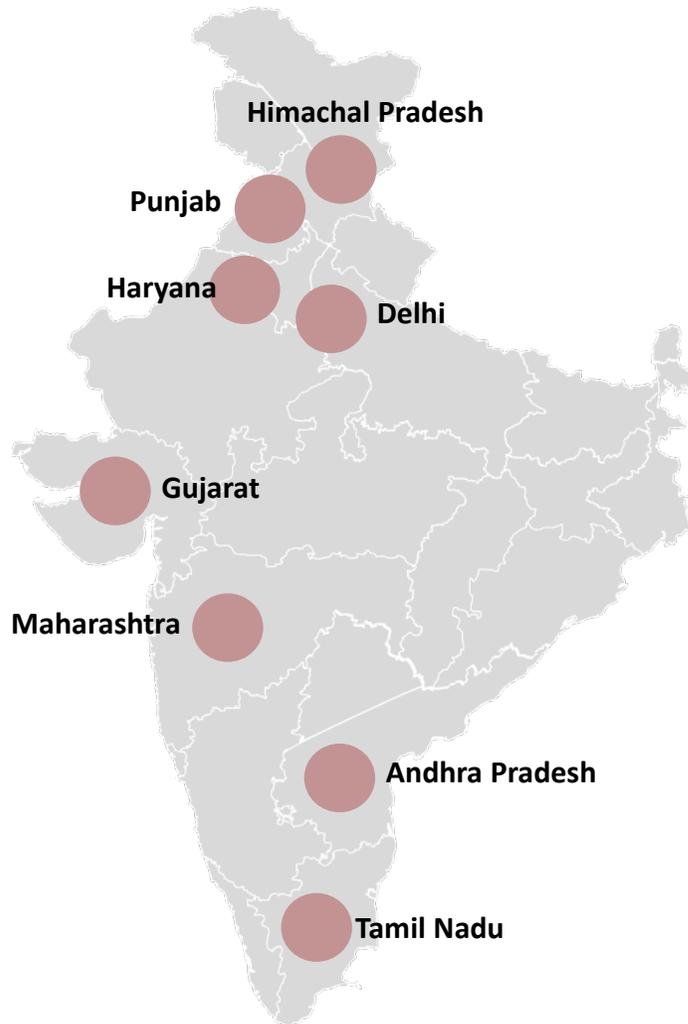
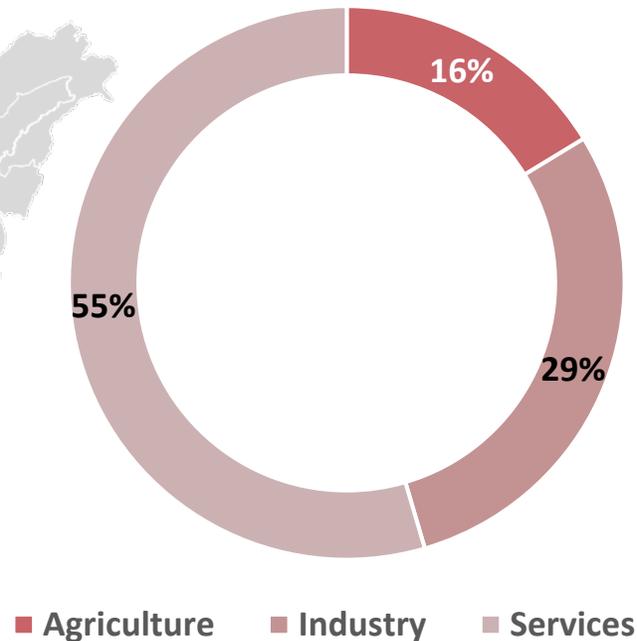


Overview of the Indian Economy amidst the COVID crisis

India's Economic Setting

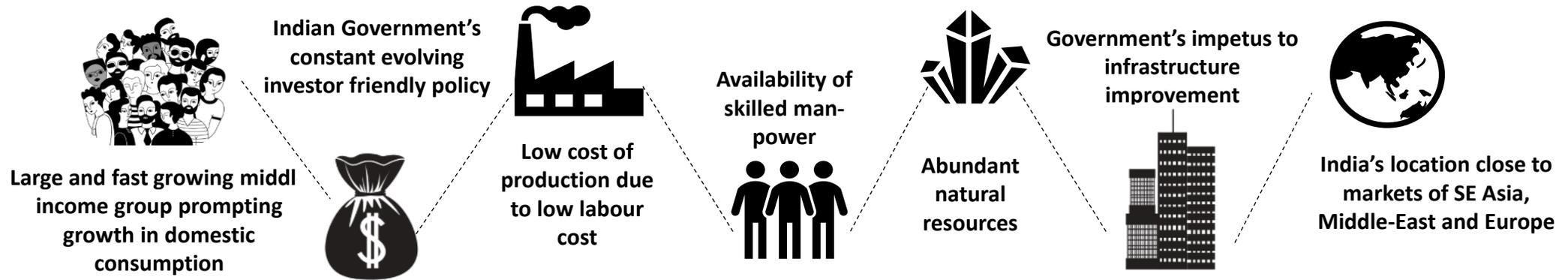


Sectoral Contribution to India's Gross Value Added, 2019

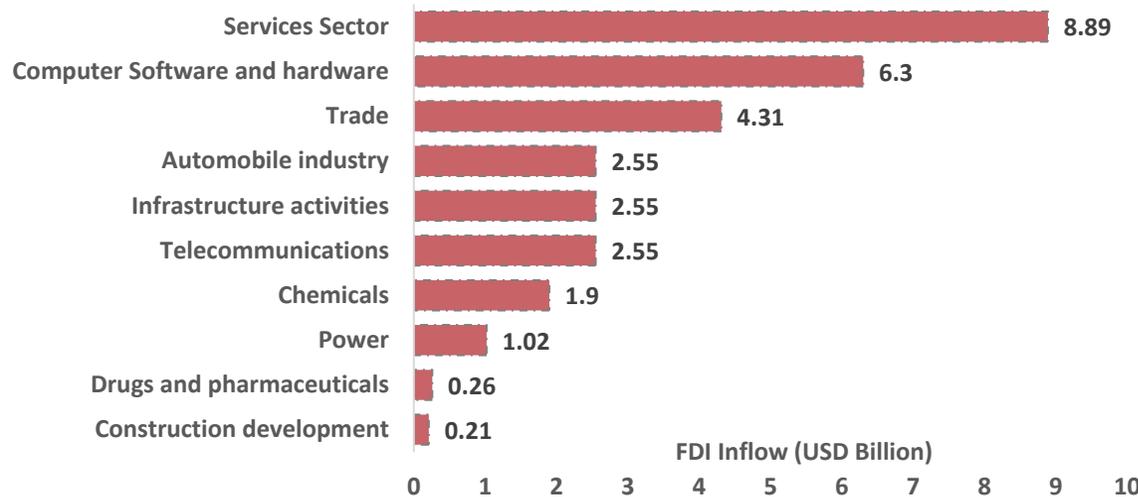


- India is the 5th largest economy with a total size of USD 2.9 Trillion in 2019. (IMF)
- Service sector contributes to 55% of Indian Gross Value Added. (Economic Survey of India)
- India plays catch up with Global per capita GDP at USD 2,038 current prices. (World Bank, 2019)
- Government's Make in India initiative promotes India as a manufacturing hub.
- Median age population of 28 years
- 67% of the Indian population falls in the working age category. World's largest working population of 1 billion by 2050
- Current urbanisation is at 35% in India. By 2050, 57% of India's population will live in cities leading to a spurt in consumption.
- 8 high-performing states—
 - ❖ houses 60% of India's consuming classes
 - ❖ Account for ~50% of India's GDP

India's Investment Climate



Sector-wise FDI inflow in India, 2019-2020



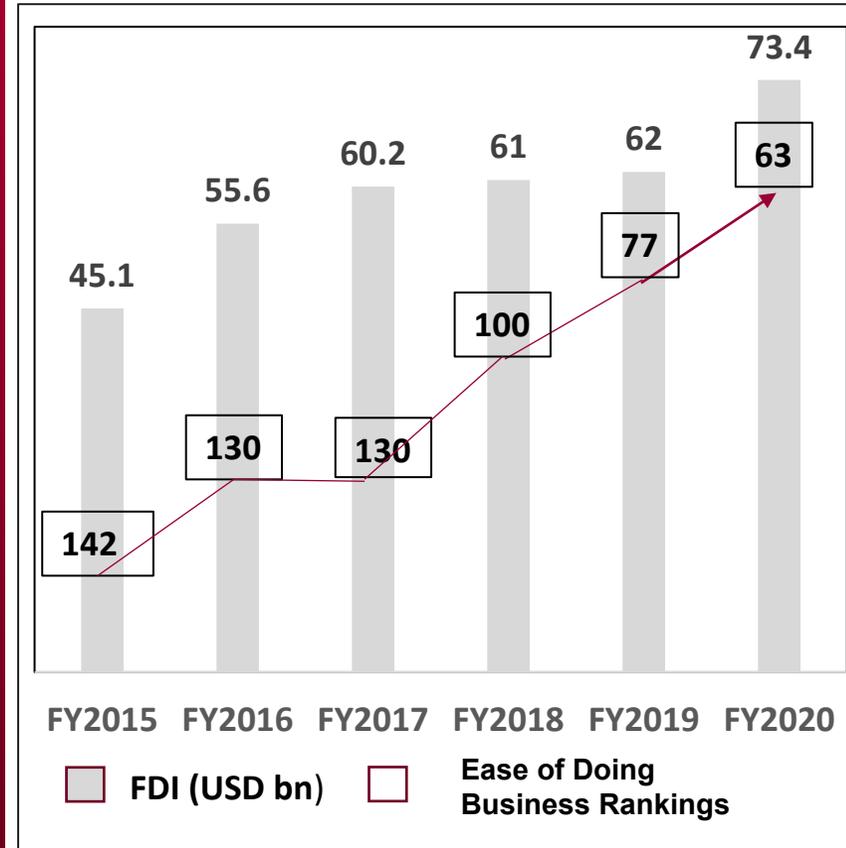
- USD 49 billion FDI inflow in 2019
- 16% increase from 2018.
- India Services Sector: 33% jump in gross FDI Equity inflows valued at USD 17.58 billion. (April-September 2019)
- FDI inflow in insurance sector to increase to 74% from 49%.

Source: Global Investment Trend Monitor report compiled by United Nations Conference on Trade and Development (UNCTAD), Economic Survey, 2020, Budget, 2020

Improved Ease of Doing Business Rankings to Increase FDI



	Malaysia	Thailand	Indonesia	Vietnam	India	India Rank
Building Permits	88	77.3	66.8	79.3	78.7	3
Getting Electricity	99.3	98.7	87.3	88.2	89.4	3
Getting Credit	75	70	70	75	80	1
Protecting Minority Investors	81.7	75	63.3	55	80	1



India is the only country in the world to rank among the top 10 improvers for the **third consecutive year.**

- ☐ India has moved **79** places in the **last 5 years** in the **Ease of Doing Business Rankings**
- ☐ **Half** of all FDI has come in the **last 5 years.**

India's Consumption Story

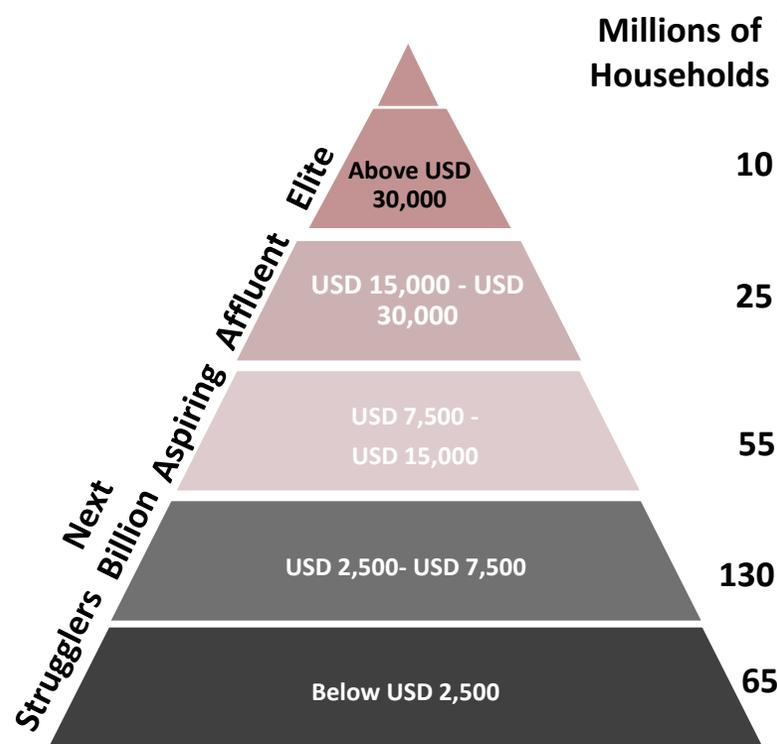
Middle class consumption (PPA constant 2011 trillion USD and global share)

2015	Country	PPP	Share
	USA	44.7	13
	China	4.2	12
	Japan	2.1	6
	India	1.9	5

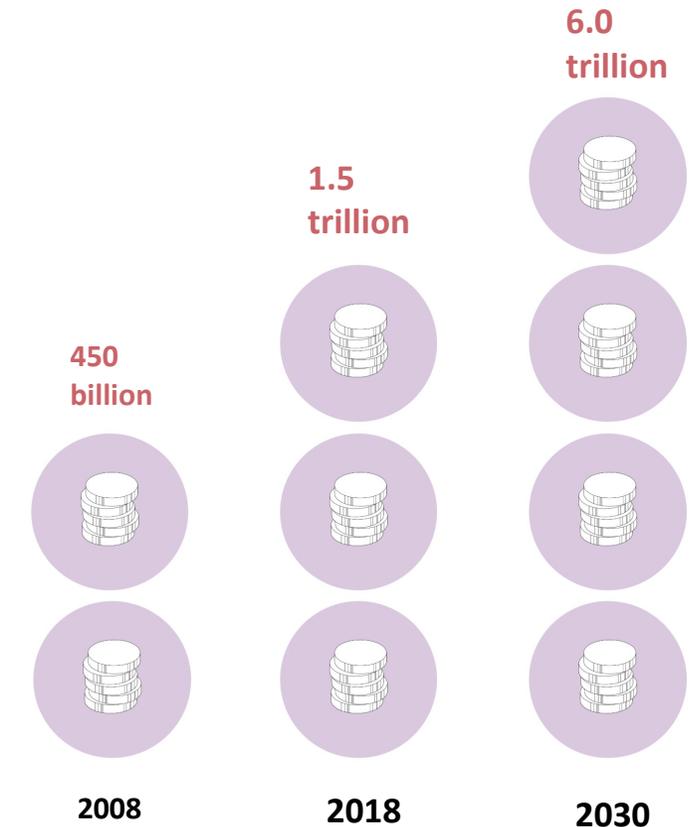
2020	Country	PPP	Share
	USA	6.8	16
	China	4.7	11
	India	3.7	9

2030	Country	PPP	Share
	China	14.2	22
	India	10.7	17

Middle class consumption (PPA constant 2011 trillion USD and global share)

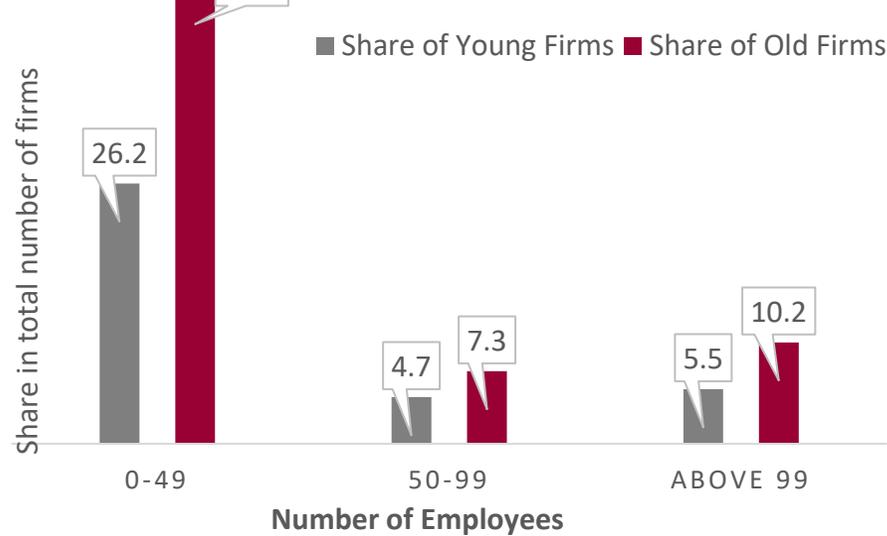


India's Private Consumption Expenditure indicates increasing disposable income



Economic Formalization in India

Share of dwarfs versus other firms in number

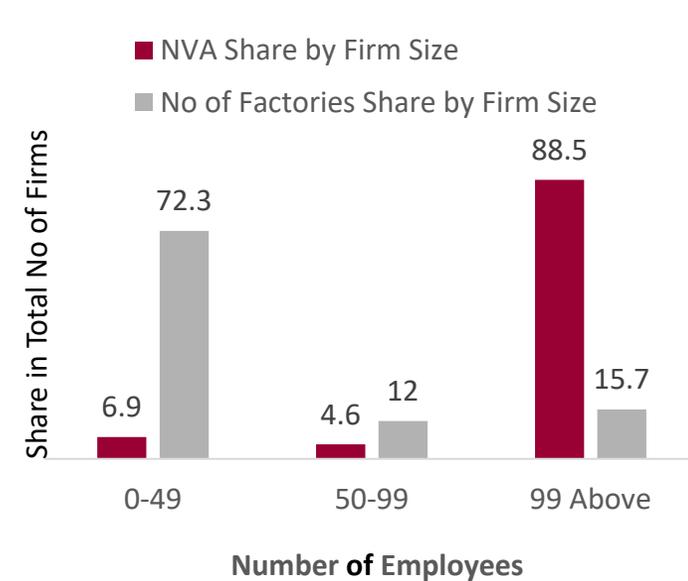


Dwarfs are the small companies having less than 100 employees and are older than a decade.

Dwarfs account for **half** of all firms in the organized manufacturing sector but employment share is only **14.1%**

Dwarf firms are hampering job creation and productivity in the country.

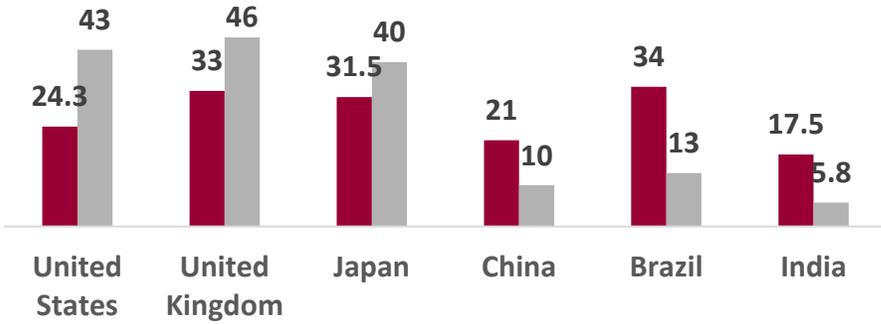
Impact of Dwarfism on Jobs and Productivity



Share of small firms in NVA from organized manufacturing sector is only 11.5%, whereas large firms have 88.5%.

Output and employment is insignificant though small firms dominate the economic landscape with 85% of firms.

Firms having less than 50 employees dominate most but generate least amount of jobs and are the most unproductive.

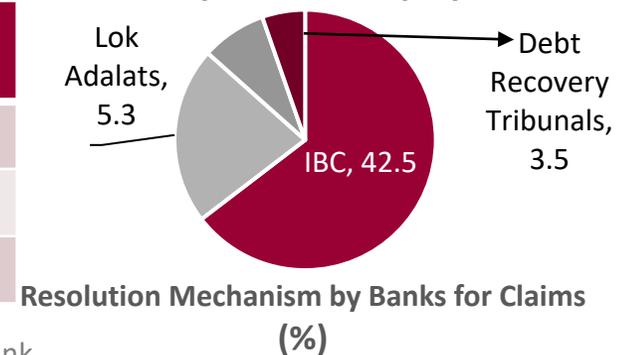


■ Tax to GDP Ratio(FY2018) ■ % of Population that Pays Income Tax

Enterprise Wise Category Formalisation

Tax & EPF	EPF	No Tax & EPF	Total
~5%	~12.5%	~82.5%	~100%
~5 mn	~10 mn	~60 mn	~75 mn
40% t/o	20% t/o	40% t/o	100%

Insolvency and Bankruptcy Code



USD 23 bn Claims under IBC in FY2019

USD 10 bn Recovery under IBC in FY2019

Indian Infrastructure Sector

India needs to spend USD 4.5 trillion on infrastructure by 2030 to realize the vision of a USD 5 trillion economy by 2025, and to continue an escalated trajectory until 2030

Infrastructure Vision 2025

Affordable and Clean Energy 

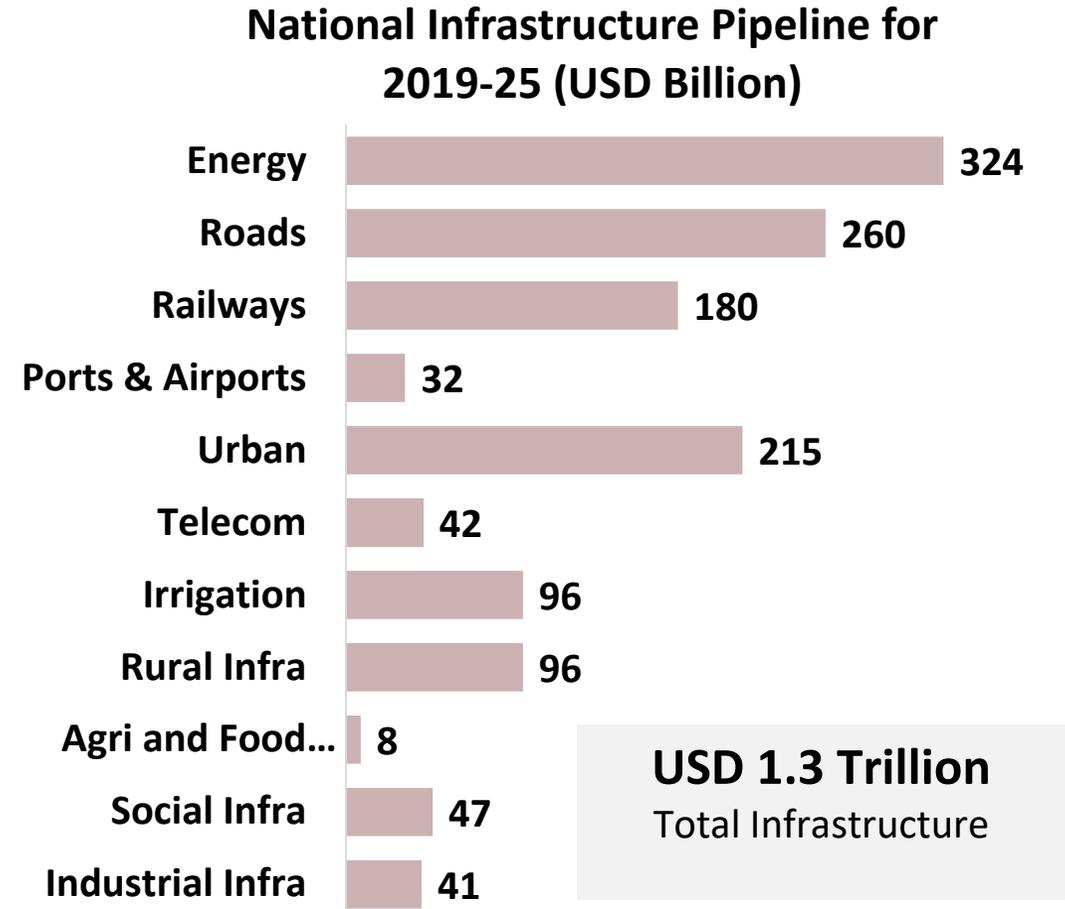
Digital services access for all 

Convenient & efficient transportation and logistics 

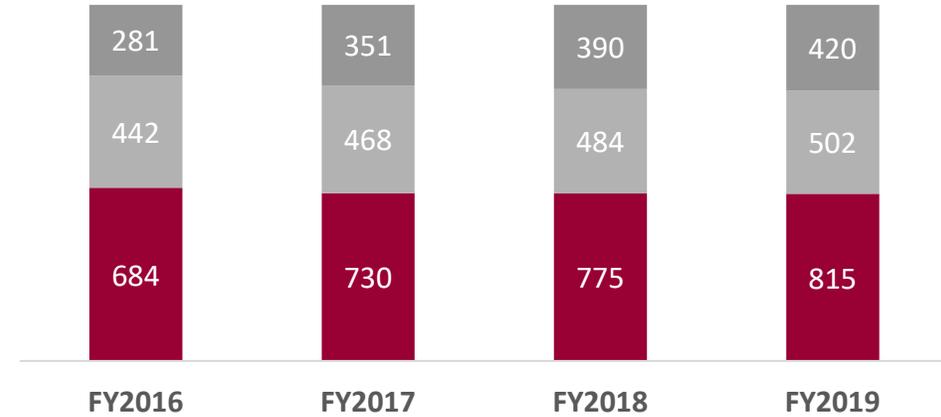
Sustainable and smart cities 

Housing and water supply for all 

Quality Education 

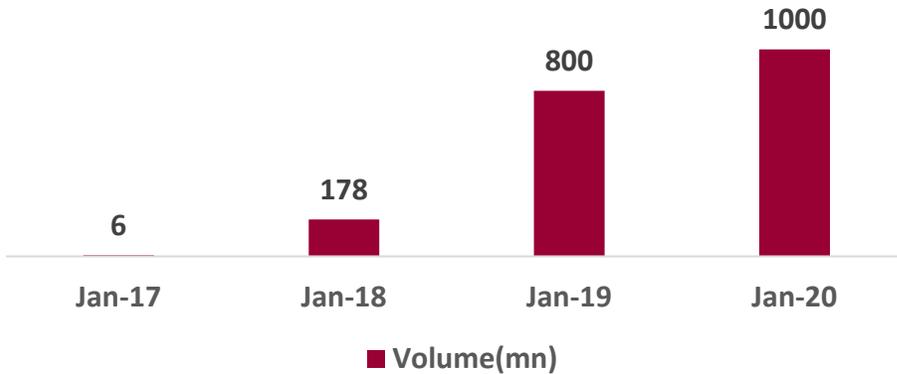


Digital India



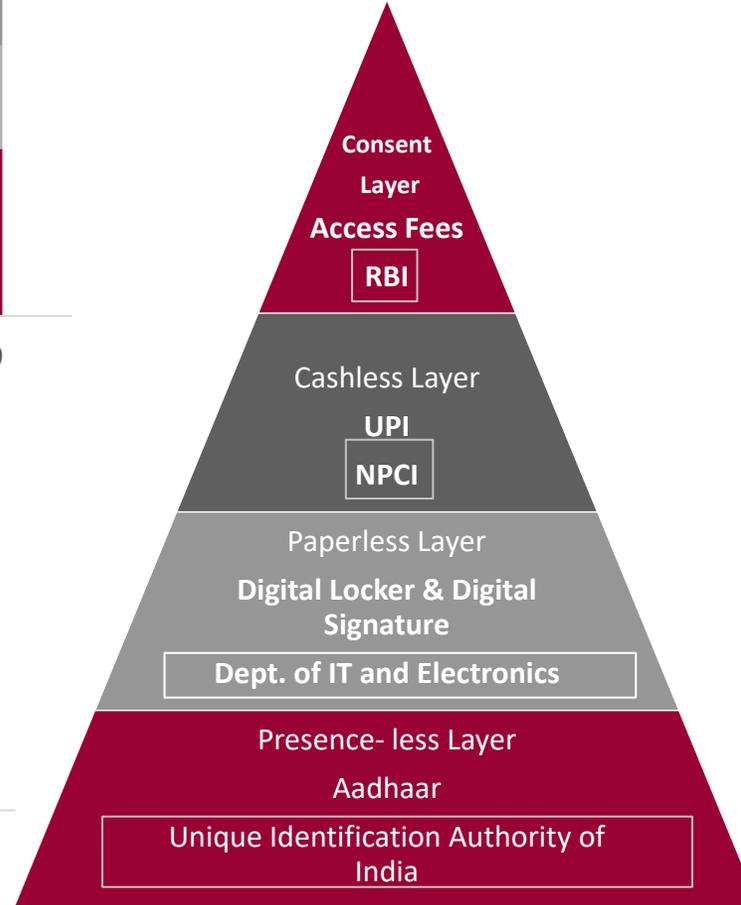
■ Mobile Phone Internet Users (mn) ■ Smart Phone Users (mn)
■ Mobile Phone Users (mn)

UPI Transactions

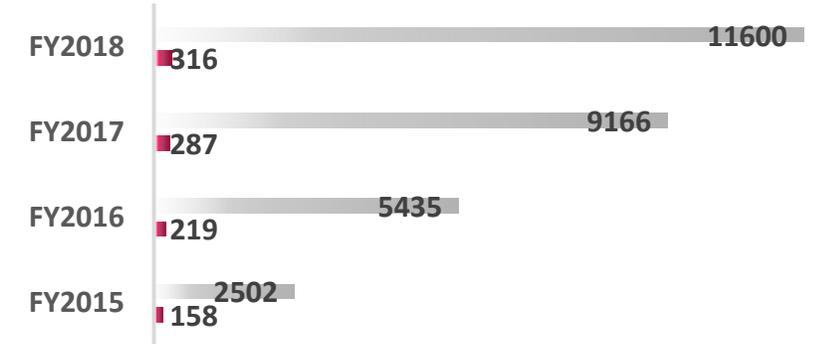


■ Volume(mn)

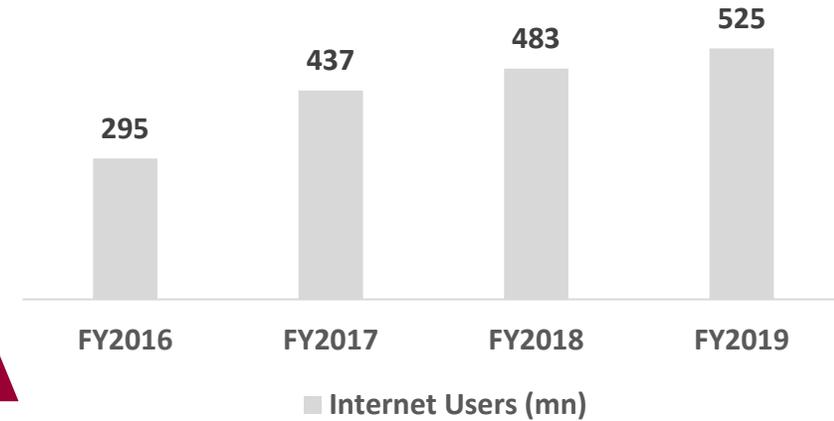
India Stack



JAN DHAN YOJNA



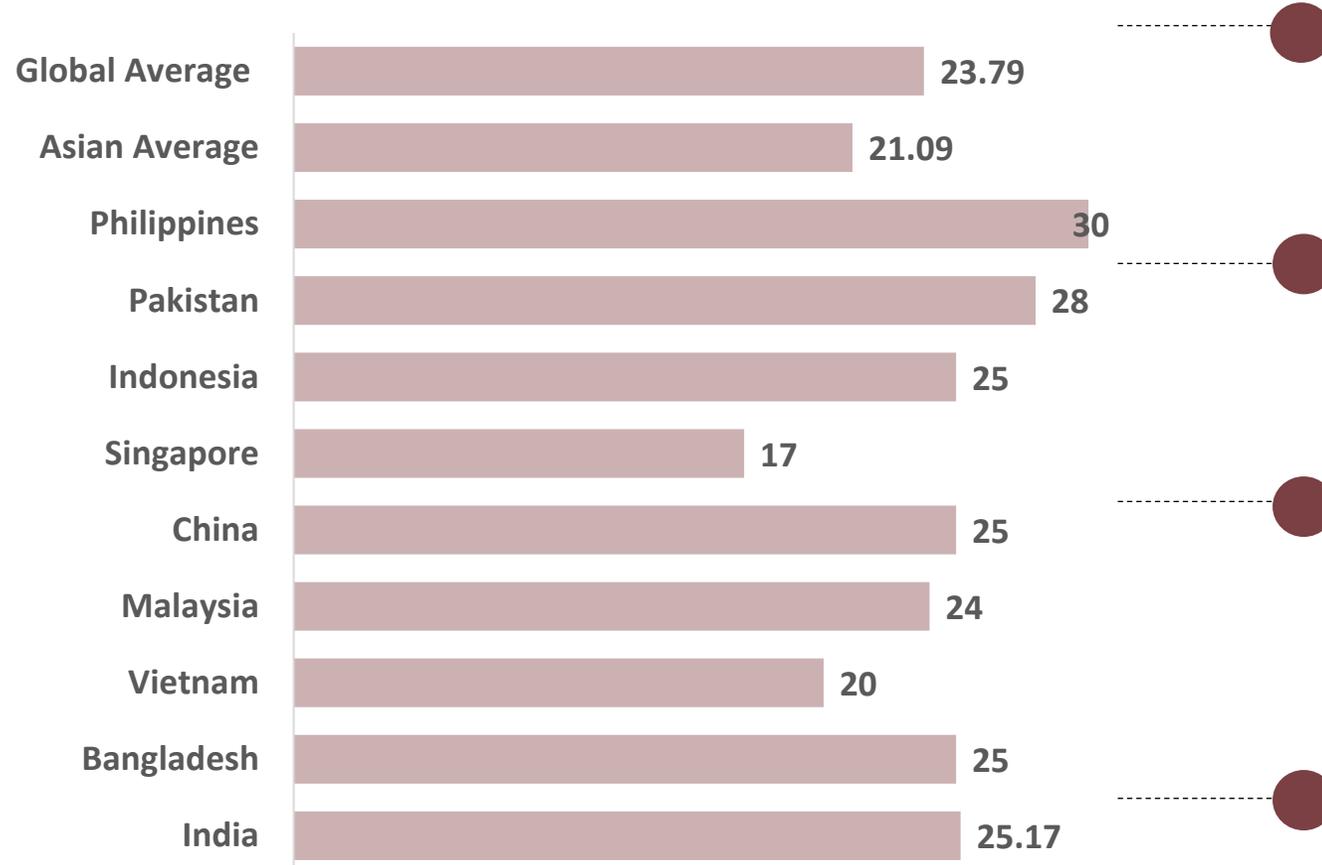
■ Deposits (mn) ■ A/Cs Opened (mn)



■ Internet Users (mn)

India's Corporate Tax Rates Now Globally Competitive

Headline Corporate Tax Rates (%)



With its recent historical tax reform, the Indian Government slashed the effective Corporate Tax in India by 10 percentage points. At 25.17%, India's Corporate Tax Rate is now competitive placed among global and other Asian economies.

For new manufacturing companies incorporated after 1st October 2019, and starting their operations before 31st March 2023, the applicable effective corporate income tax rate will be even lower at 17.16%.

Domestic companies opting for the new concessional corporate tax rates, will have to forgo certain exemptions, deductions, allowances (including additional depreciation) Also, the Minimum Alternative Tax (MAT) will not apply to these companies.

The effective Minimum Alternative Tax (MAT) rate has also been reduced from 21.55% to 17.47% for domestic companies not opting for the new reduced corporate income tax rates.

Logistics and GST

Challenges

- **High freight cost**
- **Complex tax structure: Tax Compliance & Deposit of Interstate Sales Tax**
- **Stock loss and slow movement of goods due to multiple warehouses in each state**
- **No standard palette size**
- **Dependence on Roadways & Railways**
- **High Centre & State Statutory Taxes: 26.5%**

Solutions

- **Elimination of Octroi reduces cost by 10-12%**
- **Removal of border check posts shall reduce idle time**
- **Smarter logistics chain will optimize warehouse structure**
- **Standardisation of Pallets**
- **Use of multi-modal transport: Inland waterways, coastal zone & dedicated freight corridors**
- **Single and uniform tax: Flat Tax Rate- 18%**



Trade Barriers and Regulations

Challenges

Complex & nontransparent tariff rates: Lack of transparency in determining net effective rates of custom duties.



Complicated Duty Remission Schemes:

Complicated duty drawback, duty exemption and duty remission schemes for imports



Disparities between WTO bound rates & MFN

Applied Rates: Average Bound Tariff Rate- 48.5%
MFN Average Applied Tariff Rate- 13.8%



Multiple Customs Duty: Additional & Special

Duty, Education Cess: Imports are subject to Additional duties as well as Anti Dumping Duty, Safeguard Duty, Customs Handling Fee



Solutions

Launch of India Trade Portal: Publishes applied tariff rates and other custom duty rates, information on the latest tariffs by harmonised codes

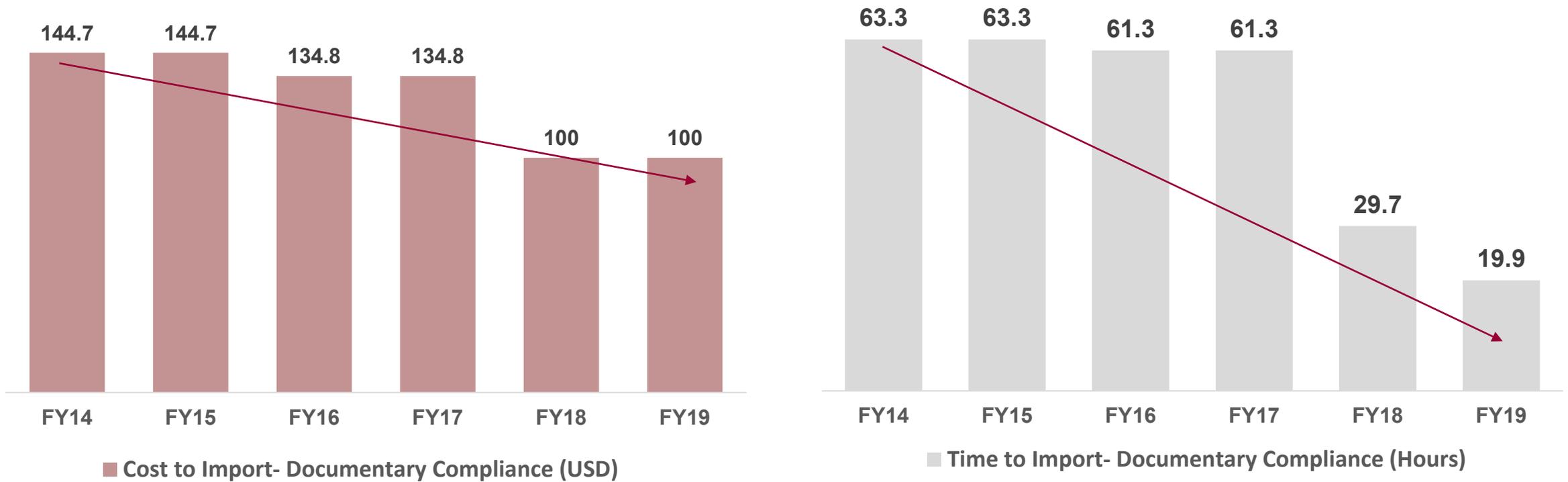
Introduction of Electronic Data Interchange Gateway: Web based portal for calculating duty rates, electronic filing and single window for custom documents

Rationalization of Basic Customs Duty
Goal of moving toward the average ASEAN tariff rate of 5%

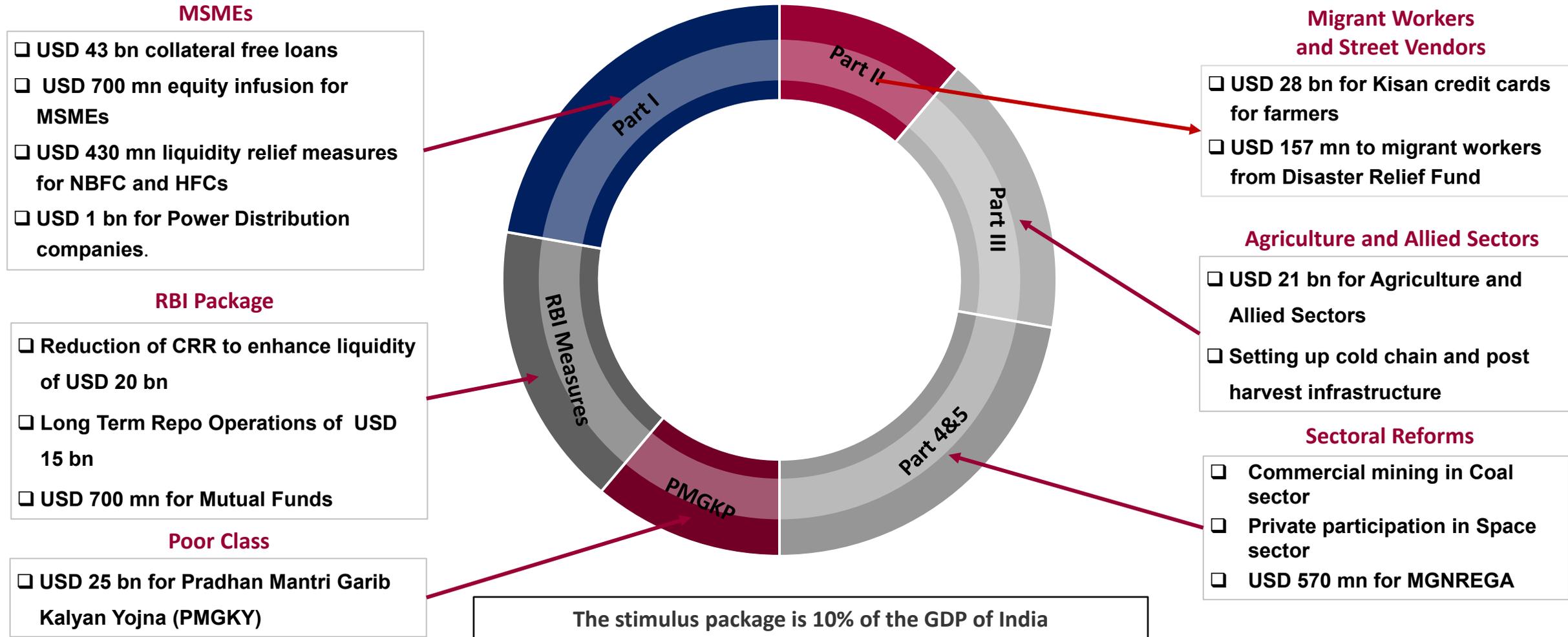
Introduction of GST
Abolishment of additional duty, special additional duty & education cess

Cost of Compliance

Savings in cost and time of documentary compliance to improve international trade



USD 265 billion stimulus package to boost domestic economy



Source: Press Information Bureau, Government of India,

Land and Labour to spur investment in manufacturing

Land Reforms- Karnataka

- Allowing Industries to buy land directly from farmers
- Deemed approval within 30 days if no red flags raised by commissioner

Land Reforms- Uttar Pradesh

- Developing online system for land allotment..

Land Reforms- Gujarat

- Making Unused Land available in SEZ which have robust infrastructure
- 33,000 hectares set aside and land to be allotted in 7 days

Labour Reforms- Rajasthan

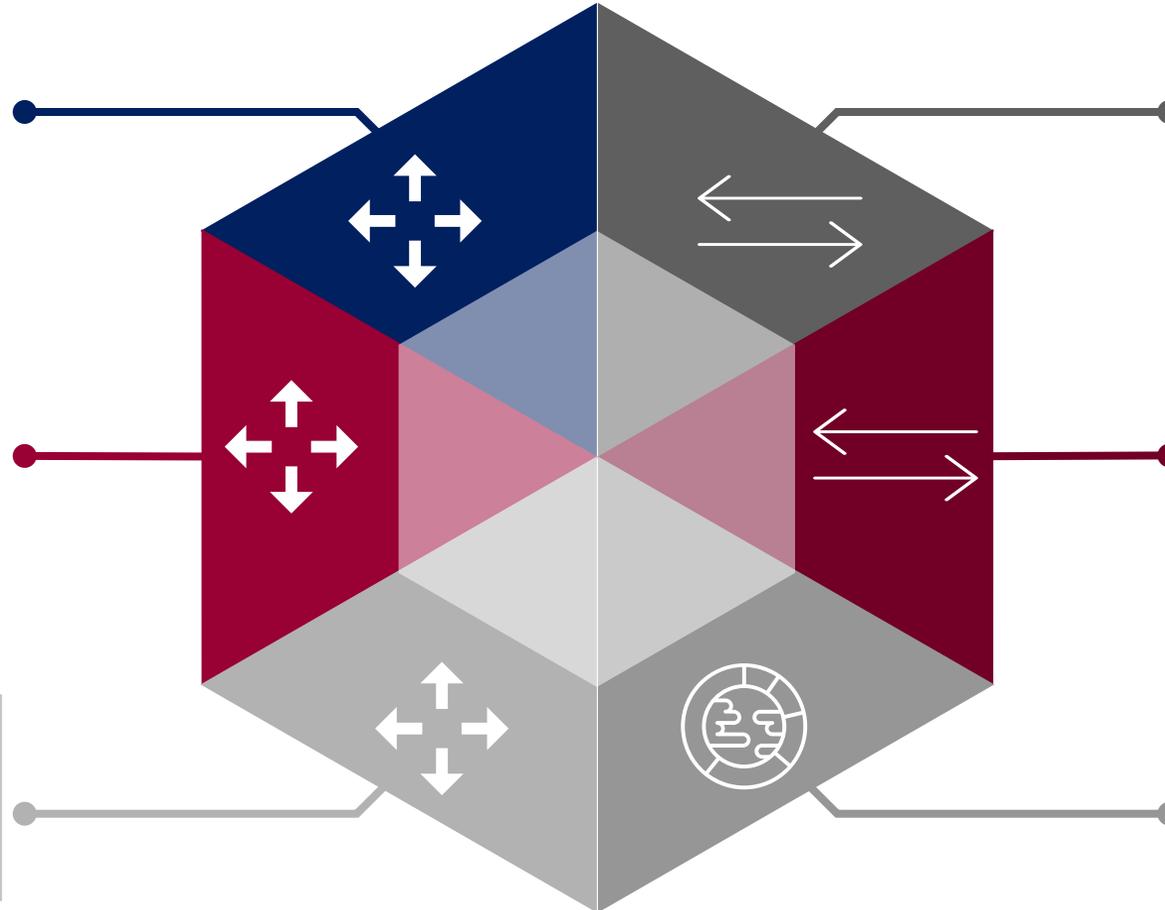
- No factory inspection for 3 months
- Renewal of factory licenses once in 10 years

Labour Reforms- Madhya Pradesh

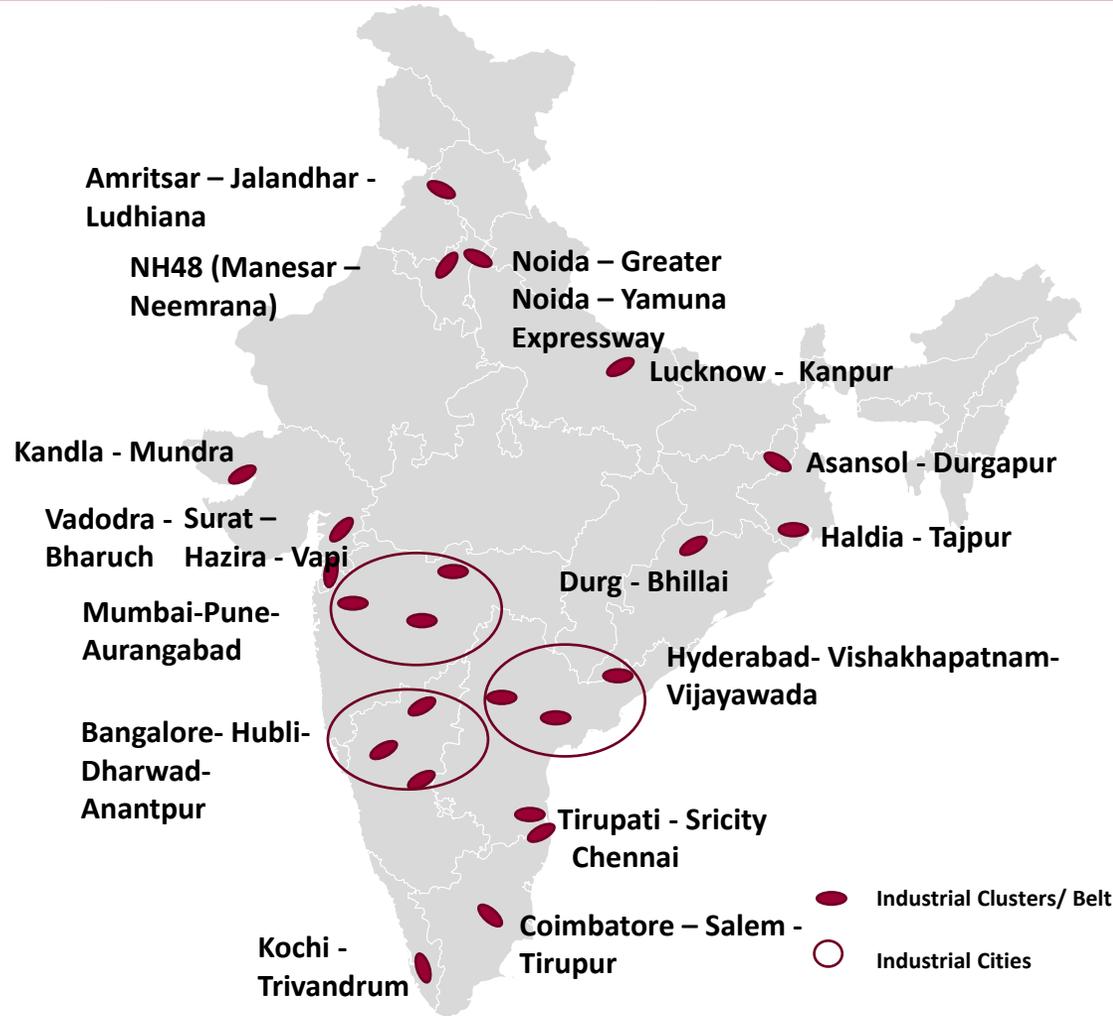
- Shift hours raised to 12 hours from 8 hours
- Overtime up to 72 hours permitted

Labour Reforms-Central

- 44 Central Labour laws to be merged into 4 categories- wages, social security, industrial safety & welfare, and industrial relations.



Major Industrial Clusters and Cities of India



1

NH 48- Gurugram Bhiwadi Neemrana Corridor
India's Oldest Auto Cluster

2

Noida- Greater Noida Yamuna Expressway
India's Electronics Manufacturing Cluster

3

Vadodara- Bharuch – Ankleshwar Cluster
India's Power Engineering and Chemicals Cluster

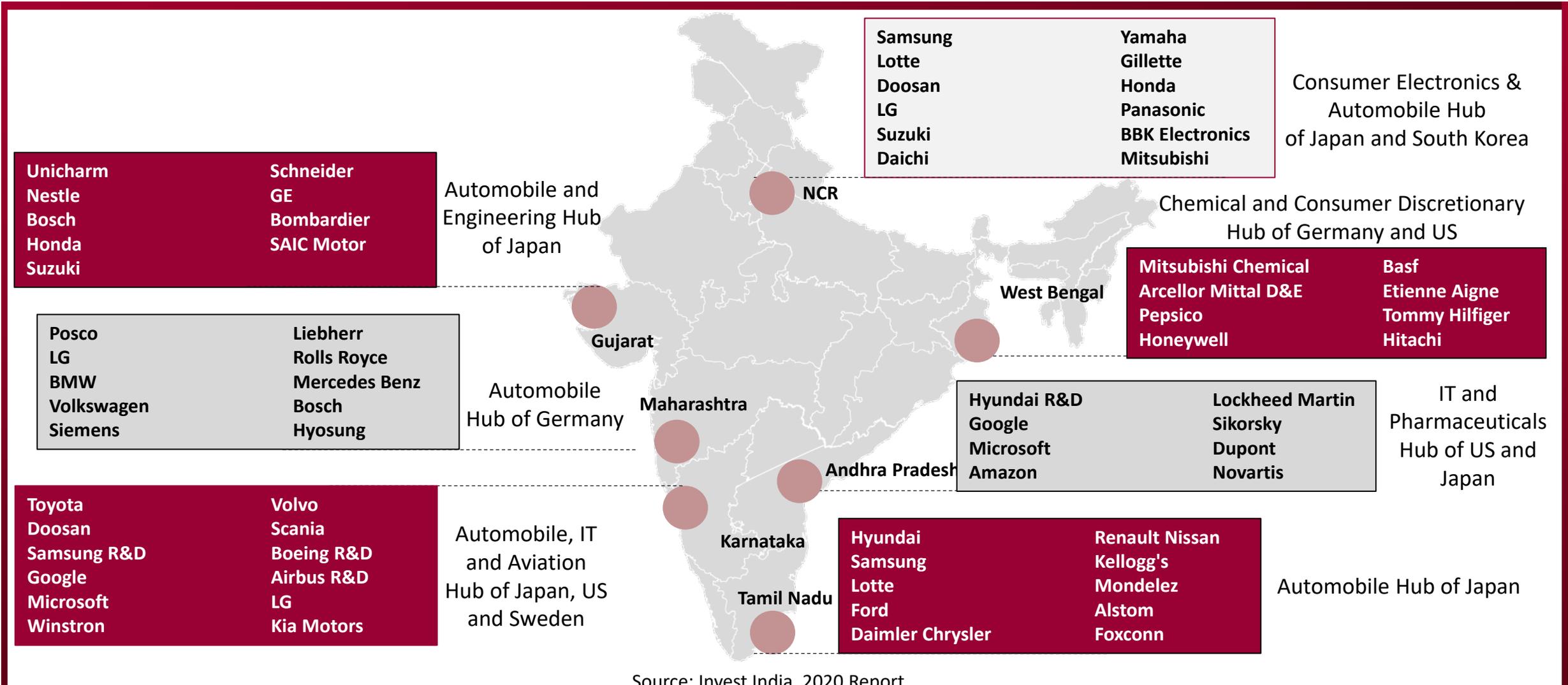
4

Tirupati- Chennai- Nellore
The Tri- City Industrial Corridor

5

Mumbai-Pune- Aurangabad
India's New Industrial, IT and Manufacturing Belt

Marquee Foreign Companies in India



THANK YOU
