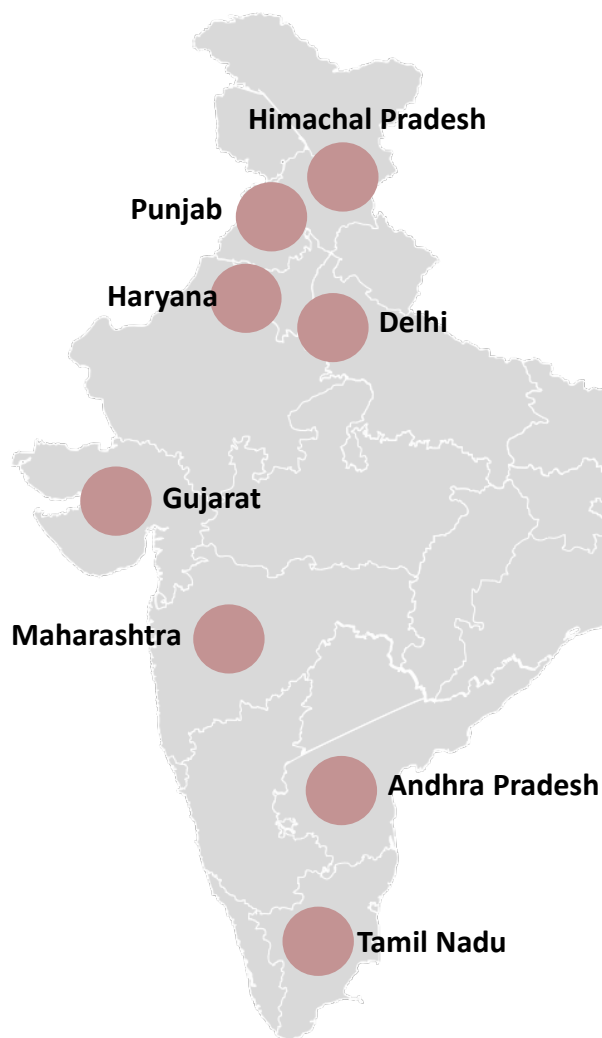
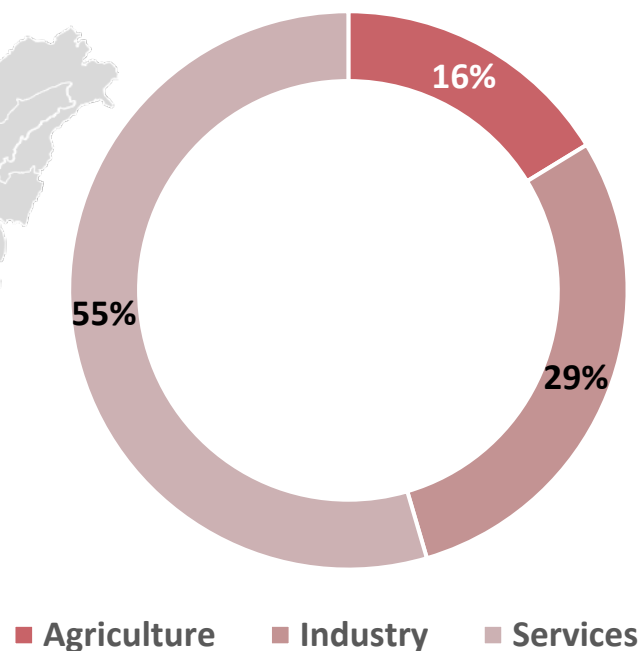


Overview of the Indian Economy amidst the COVID crisis

India's Economic Setting



Sectorial 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.

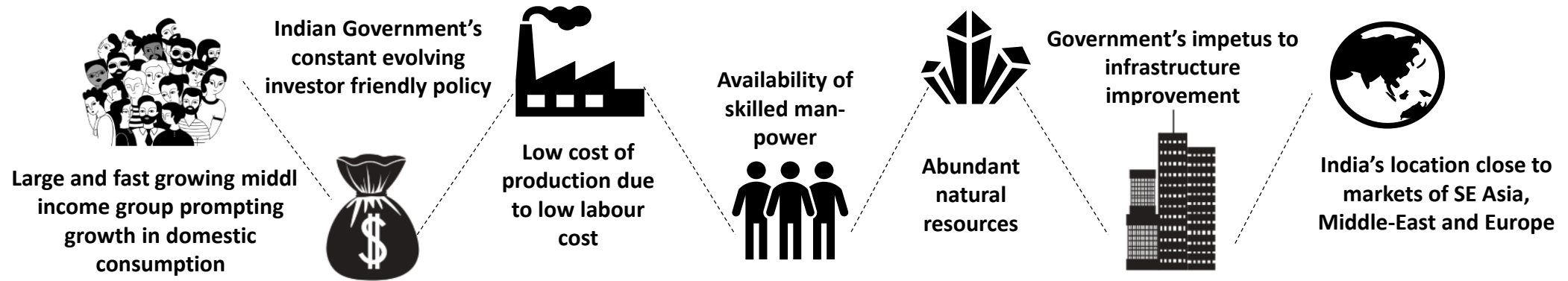
Median age population of 28 years

67% of the Indian population falls in the working age category. World's largest working population of 1 billion by 2050

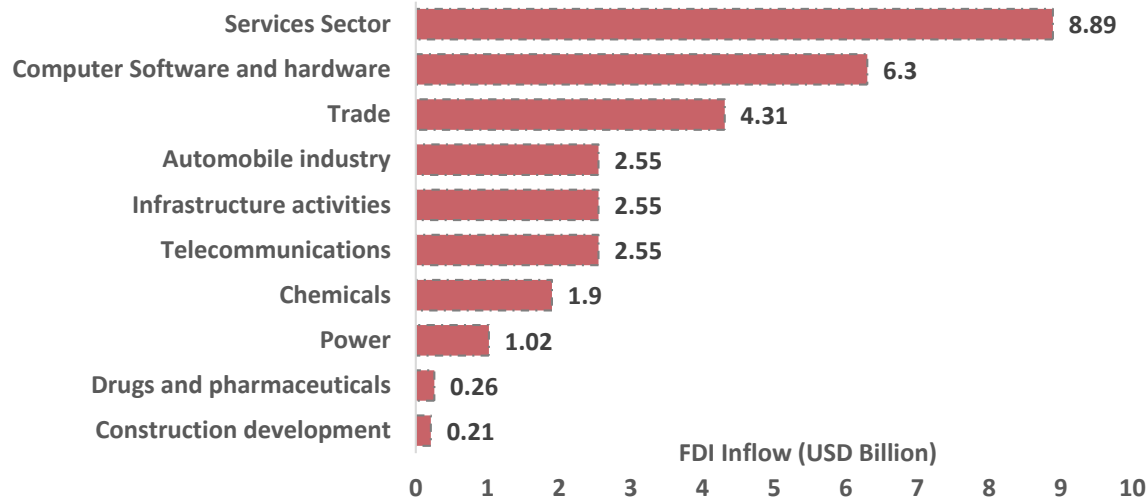
Current urbanisation is at 35% in India. By 2050, 57% of India's population will live in cities leading to a spurt in consumption.

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)

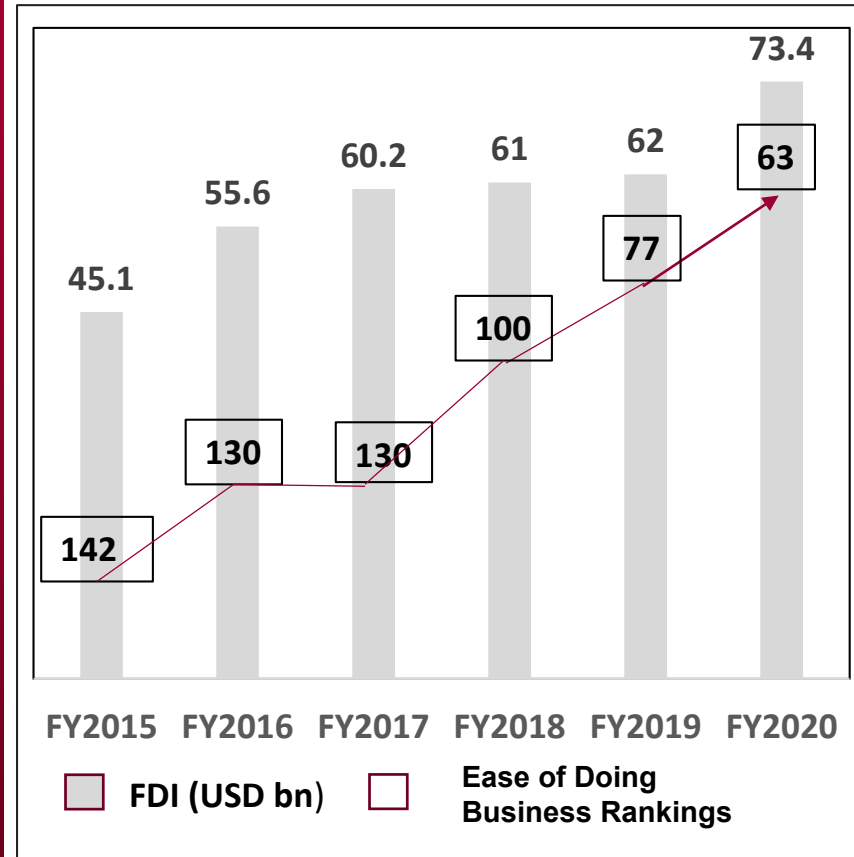
● FDI inflow in India for the first half of 2020 stood at USD 38 billion compared to USD 39 billion in 2019 y-o-y

Source: Global Investment Trend Monitor report compiled by United Nations Conference on Trade and Development (UNCTAD), Economic Survey, 2020, Budget, 2020, ET, Department for Promotion of Industry and Internal Trade

Improved Ease of Doing Business Rankings to Increase FDI



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

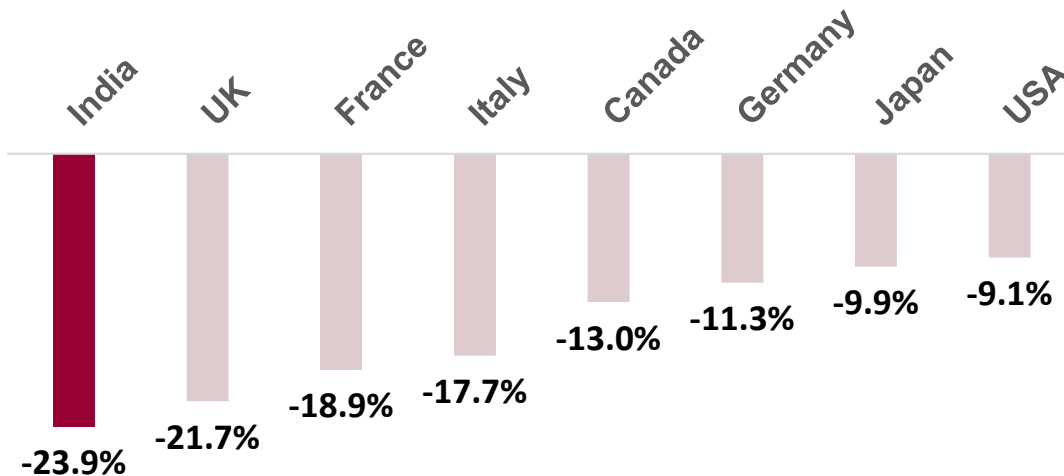


India is the only country in the world to rank among the top 10 improvers for the **third consecutive year**.

- 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**.

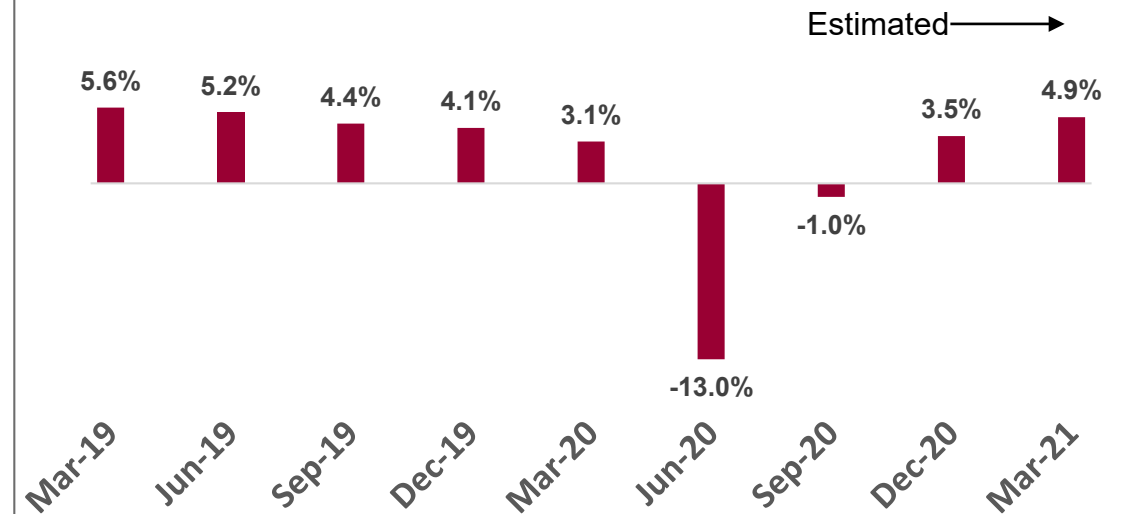
The Declining GDP Conundrum

**GDP Decline (April-June 2020
Quarter y-o-y%)**



Despite witnessing a steep decline in GDP by 23.9% in April-June 2020 quarter, India expected to rebound the quickest and is projected to have GDP growth of 6.7% for 2021-22

Trend in Real GDP Growth (y-o-y%)



India, for the first time in many years, is scheduled to have a current account surplus (CAS) of USD 19 billion roughly, akin to about 0.7% of GDP, in 2020-21

How the economy is re-booting?

1

Foreign Exchange Reserves; Robust Agrarian Growth

FER swelled by USD 3.6 billion to a record high of USD 538 billion in August 2020

2

Recovering Manufacturing PMI

PMI stood at 52 in August, up from 46 in July (PMI had fallen to a historic low of 27.4 in April, but has been steadily climbing since)

3

Emergency Credit Line Guarantee Scheme (ECLGS)

Banks have already sanctioned 50% of the USD 43 billion earmarked under ECLGS as of August 2020

4

Increasing Revenue Collection by the Government

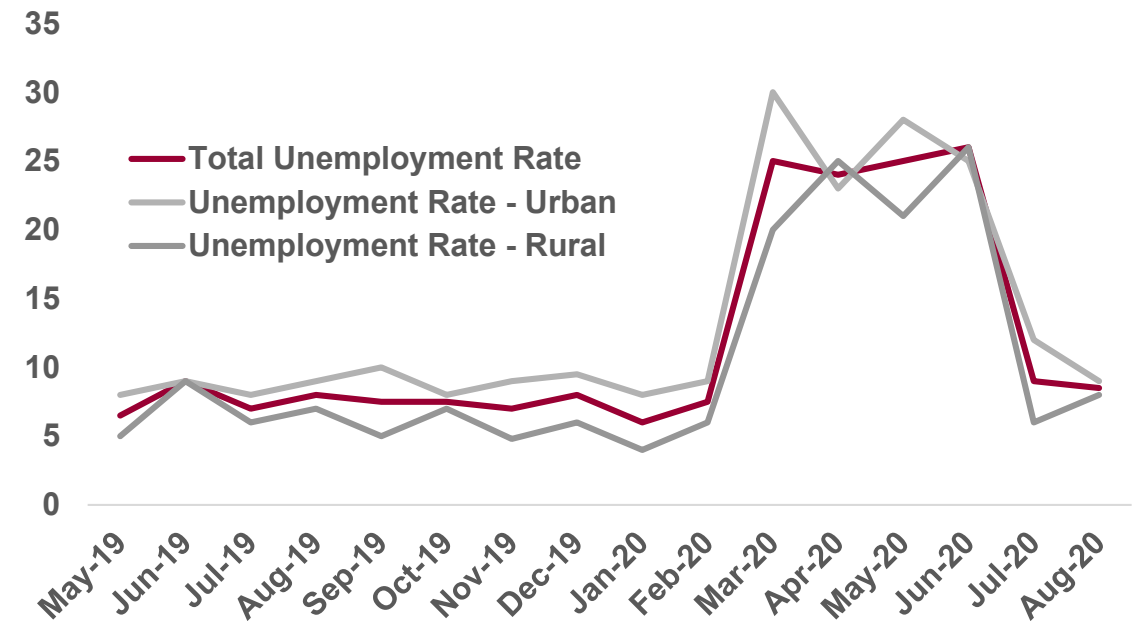
Intra-state and inter-state E-way bill collections (under GST) in July 2020 were just 7.3% below the levels of last year, an improvement over the 12.7% y-o-y contraction reported in June 2020

5

External Debt in Control

In last one year, India's external debt has risen by just 2.8%, driven by a minor 6.7% increase in commercial borrowings.

Unemployment Trend

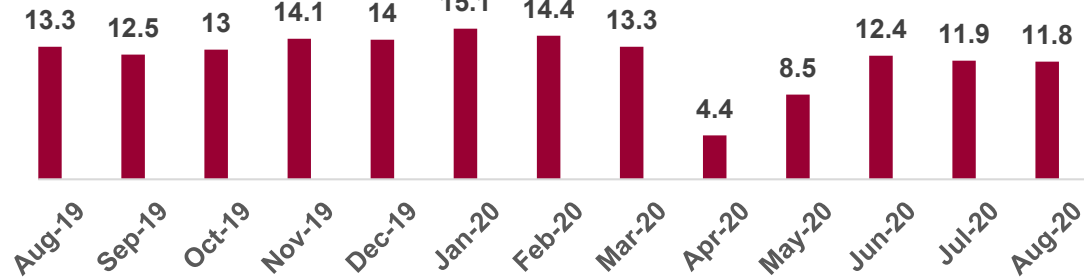


India's unemployment rate in July and August dropped to pre covid-19 levels, indicating that the job crisis during past 3 months, when the country was under strict lockdown, has declined notably.

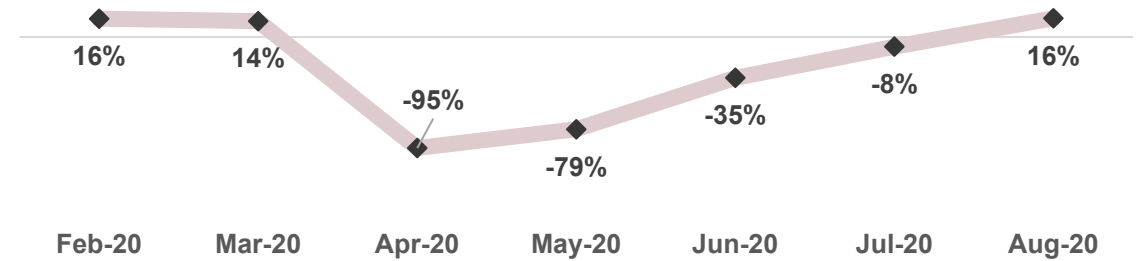
Unemployment rate in July came down to 7.3% from 11% in June and showed further signs of improvement in August

Economic and Industrial Indicators Rebounding

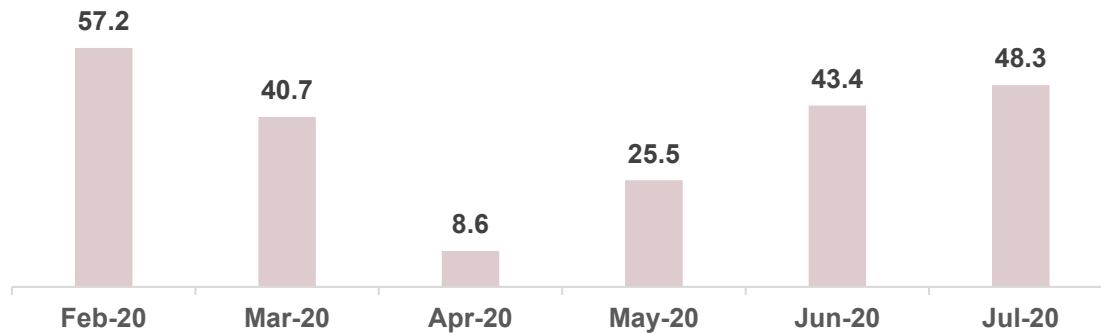
GST Collection (USD Billions) returning to Pre-COVID levels



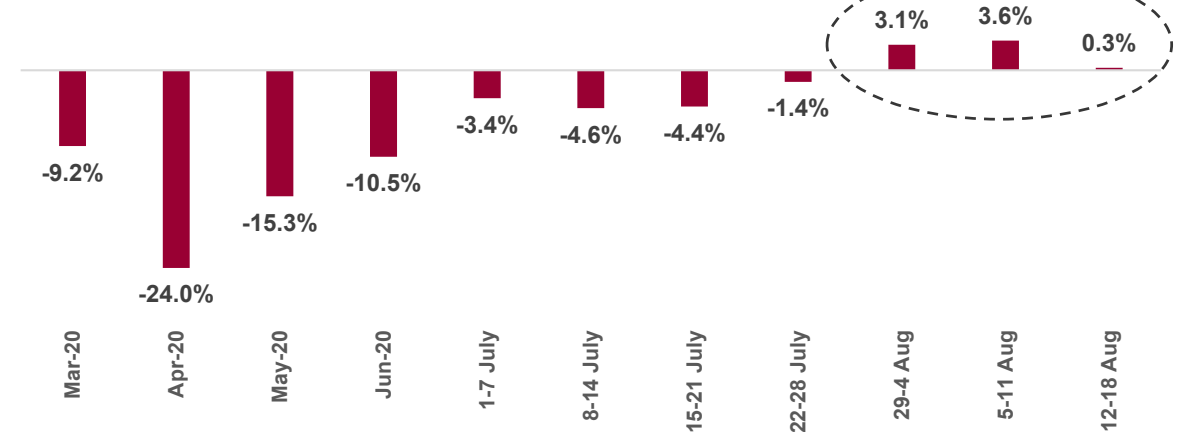
Passenger Vehicle Registration Improving (y-o-y%)



E-Way Bills Collection (Volume in Millions)



Increasing Power Demand (y-o-y%)



India's Consumption Story

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

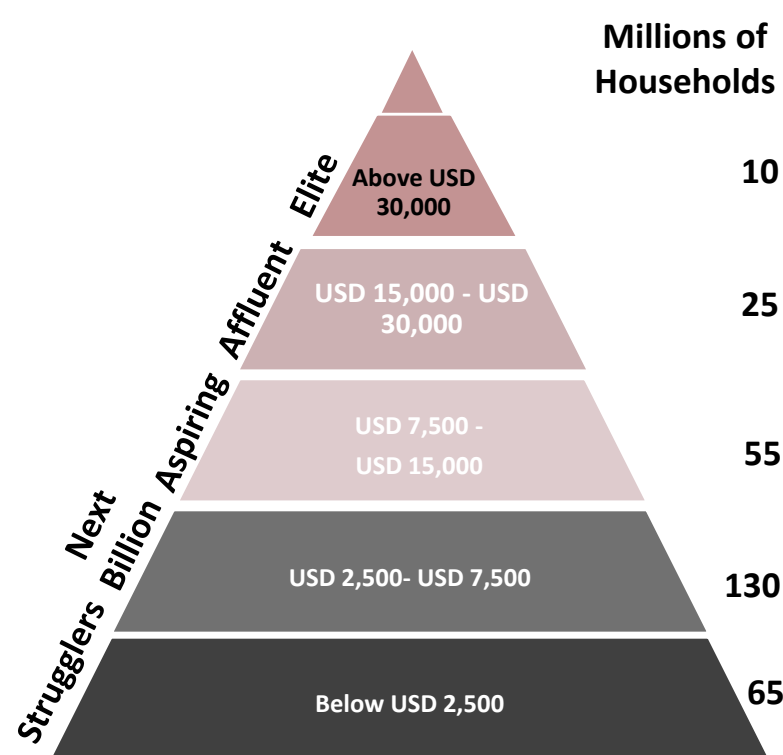
2015	Country	PPP	Share
	USA	44.7	13
	China	4.2	12
	Japan	2.1	6
	India	1.9	5

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

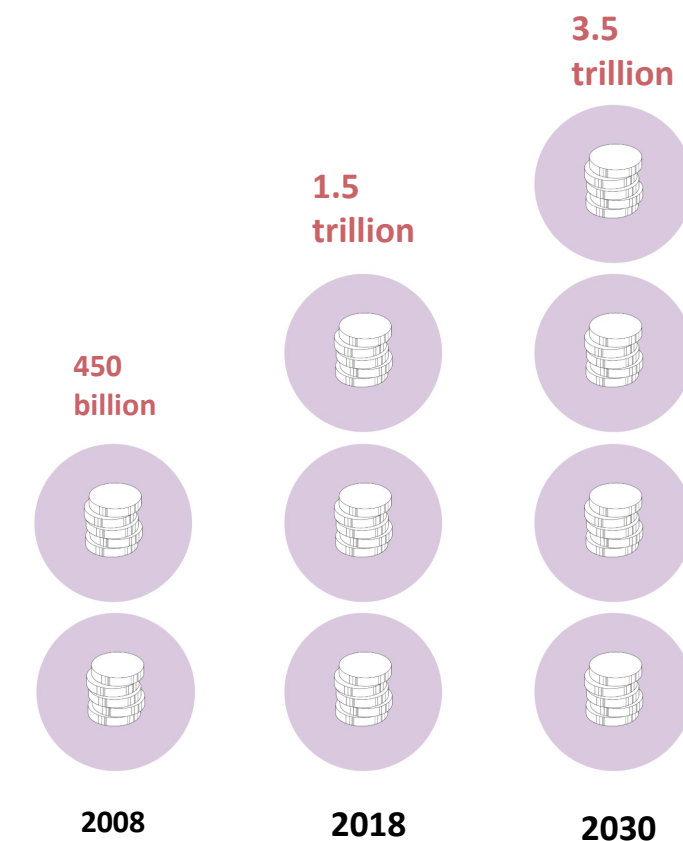
2030	Country	PPP	Share
	China	14.2	22
	India	10.7	17

Source: Brookings Institution, BCG

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



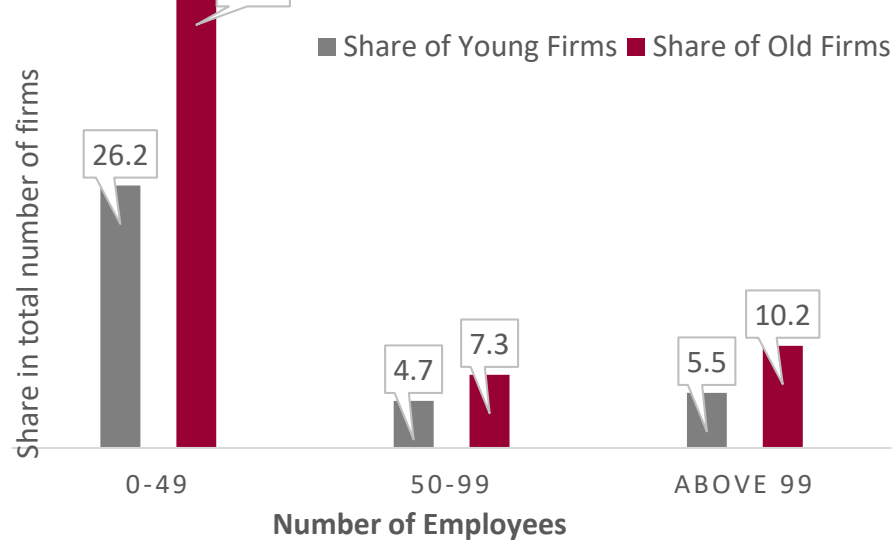
India's Private Consumption Expenditure indicates increasing disposable income



Source: McKinsey – India Turning Point

Economic Formalization in India

Share of dwarfs versus other firms in number

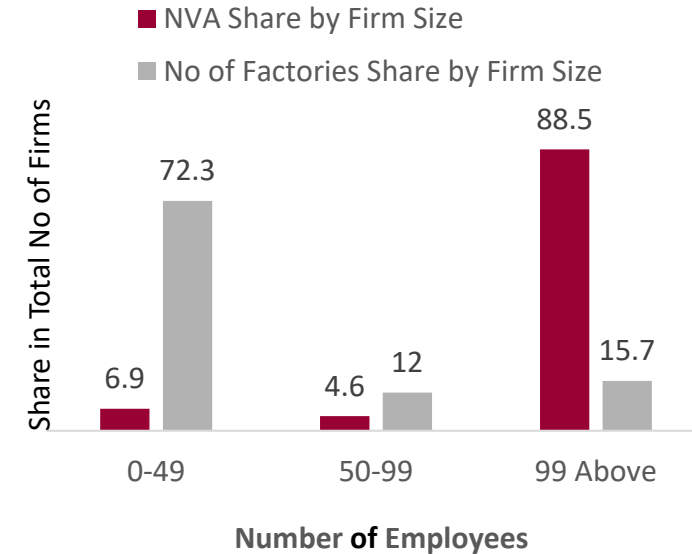


Dwarfs are the small companies having less than 100 employees and are older than a decade.

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.

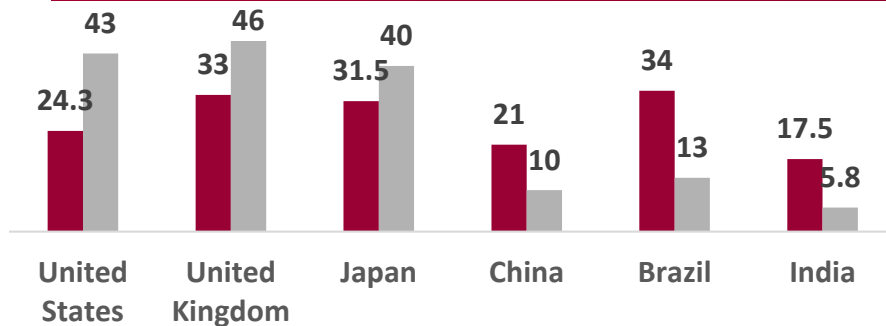
Impact of Dwarfism on Jobs and Productivity



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.

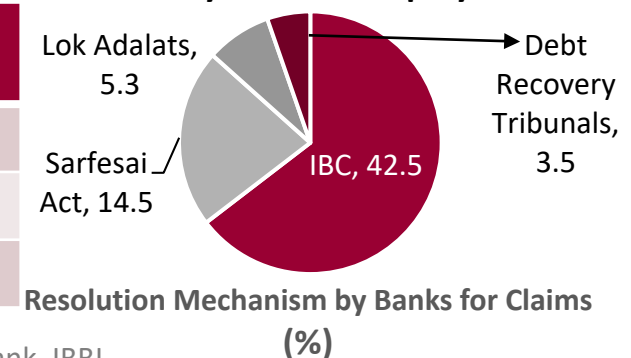
Firms having less than 50 employees dominate most but generate least amount of jobs and are the most unproductive.



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 56 bn
Claims under IBC upto FY2020

USD 25 bn
Recovery under IBC upto FY2020

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



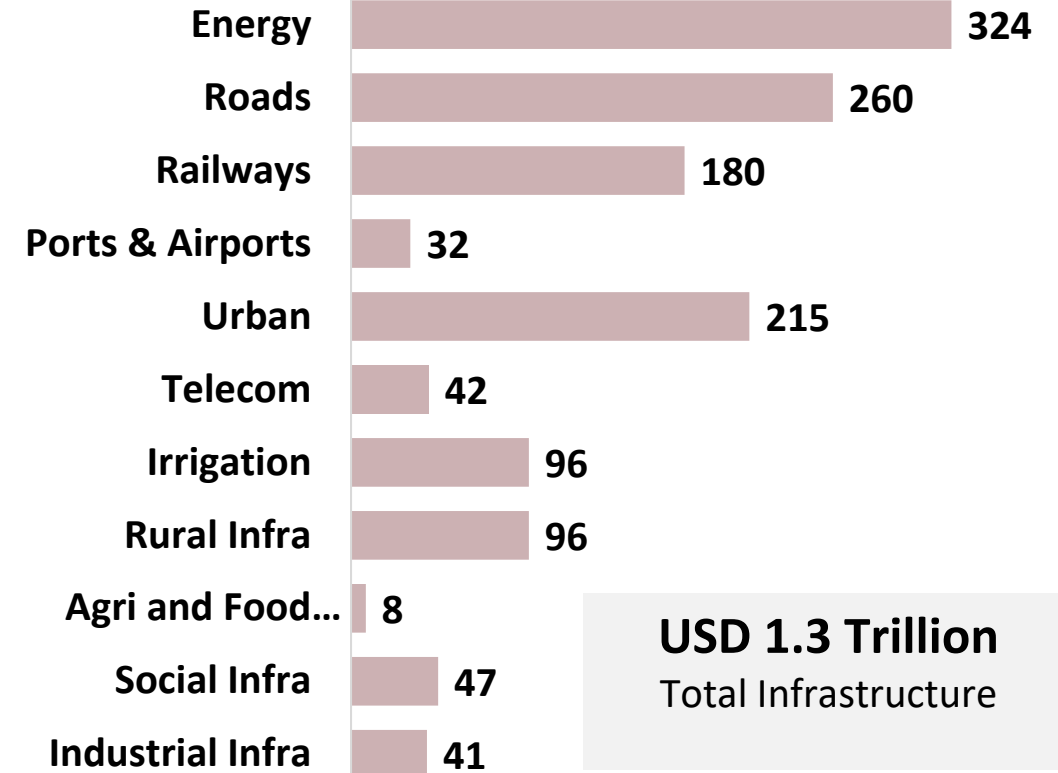
Housing and
water
supply for all



Quality Education

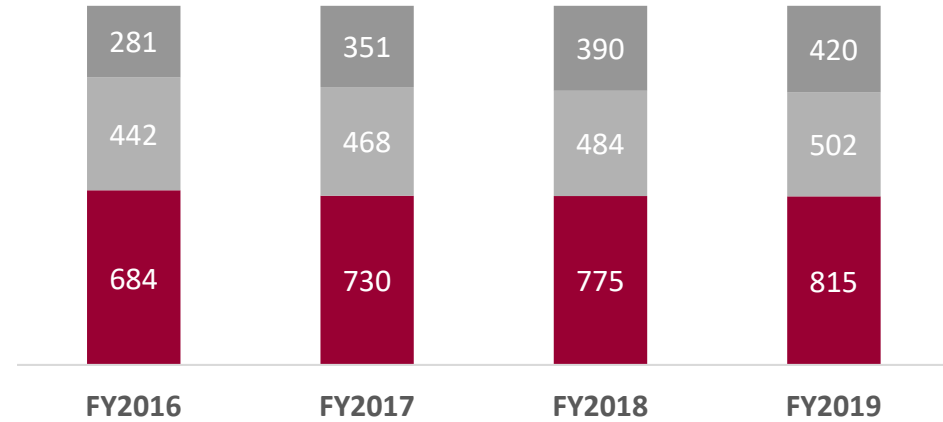


National Infrastructure Pipeline for 2019-25 (USD Billion)



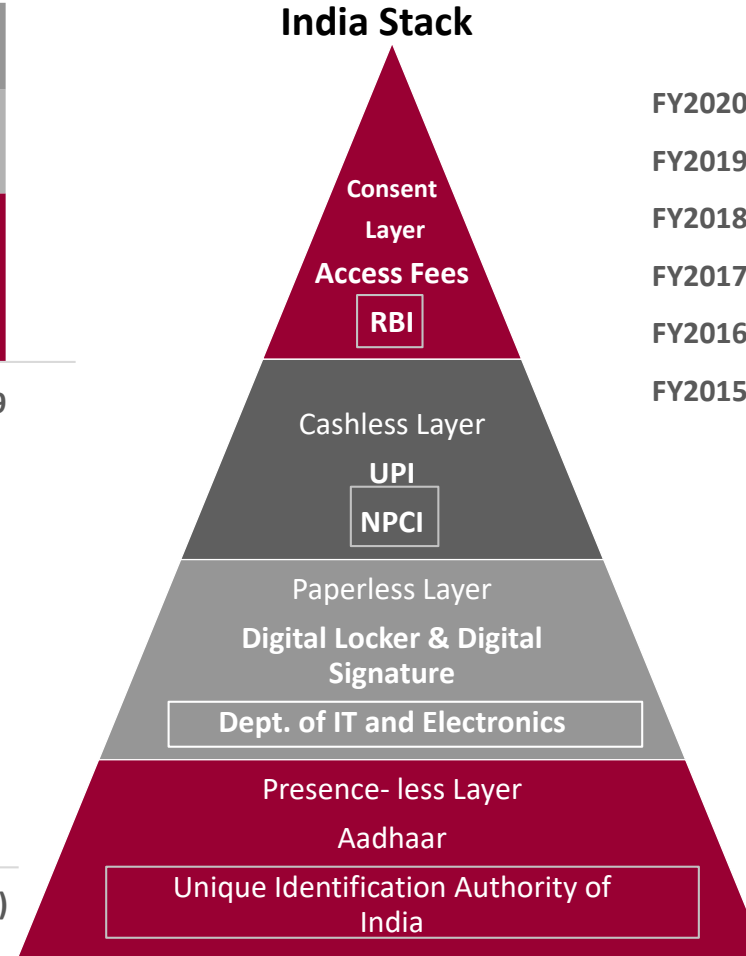
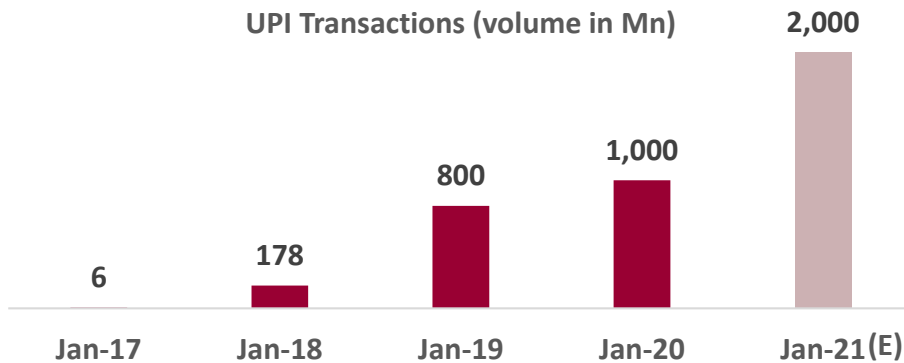
USD 1.3 Trillion
Total Infrastructure

Digital India

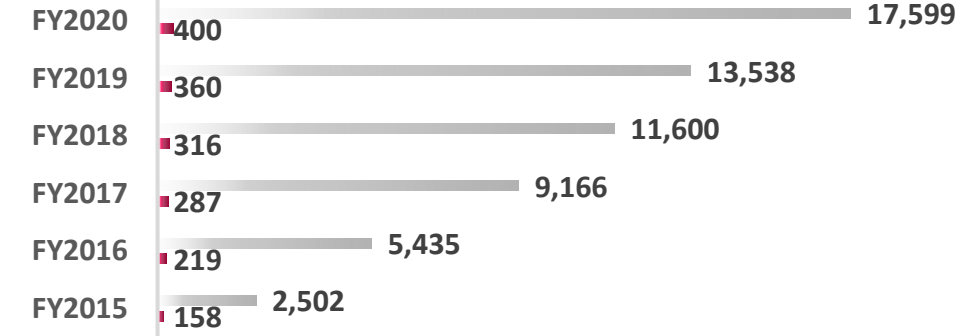


■ Mobile Phone Internet Users (mn) ■ Smart Phone Users (mn)
■ Mobile Phone Users (mn)

UPI Transactions (volume in Mn)

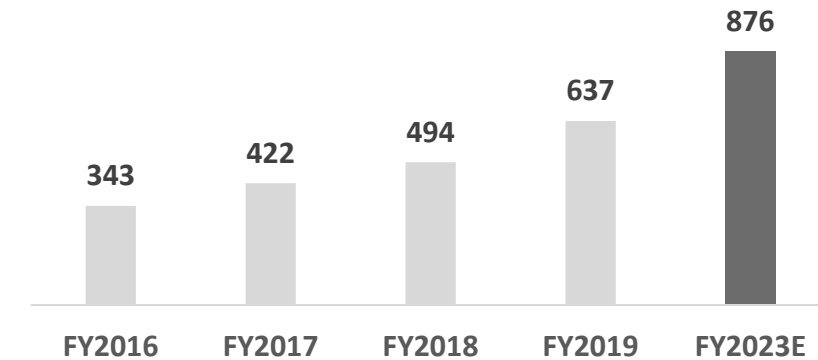


JAN DHAN YOJNA



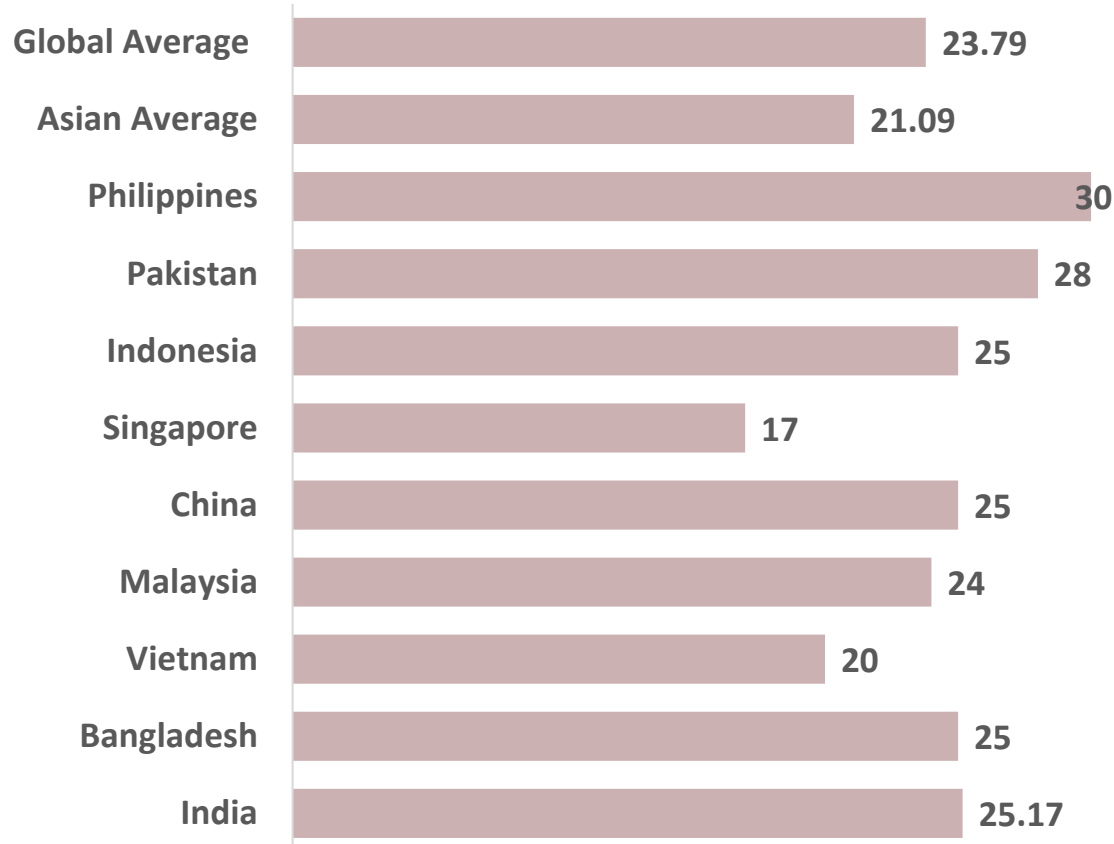
■ Deposits (USD Mn) ■ A/Cs Opened (Mn)

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.

Production Incentive Scheme (PLI) to boost domestic manufacturing - The scheme extends an incentive of 4% to 20% on incremental sales (over base year) of goods manufactured in India and covered under target segments, to eligible companies, for a period of five (5) years subsequent to the base year as defined

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%

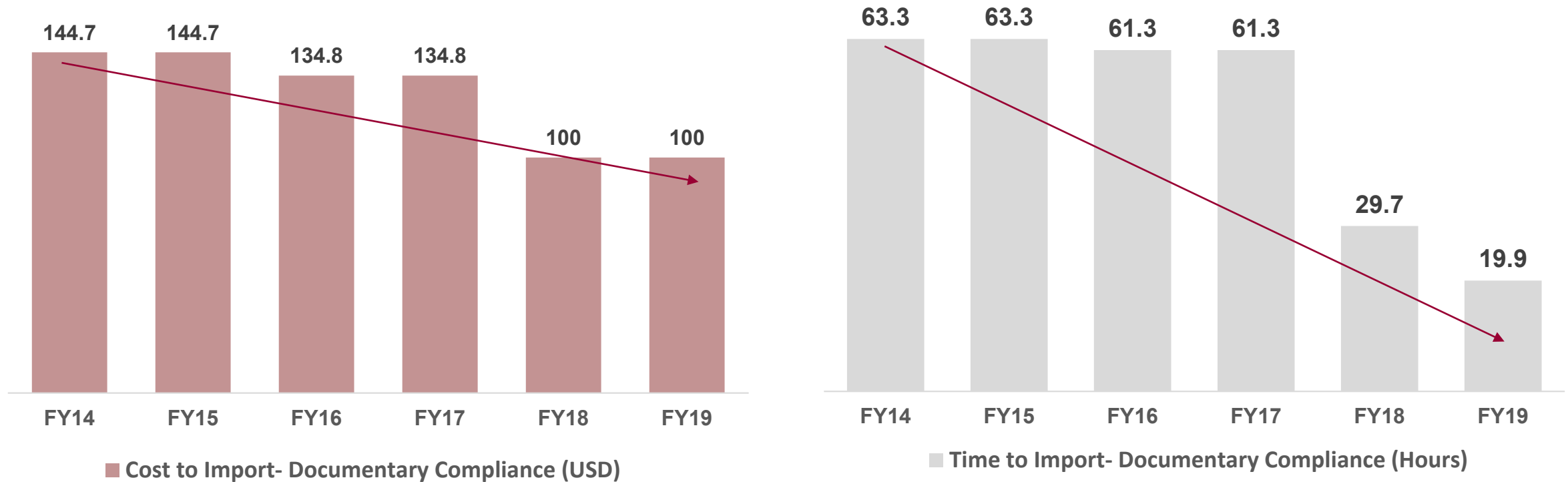
Solutions

- 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%



Cost of Compliance

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



USD 265 billion stimulus package to boost domestic economy

MSMEs

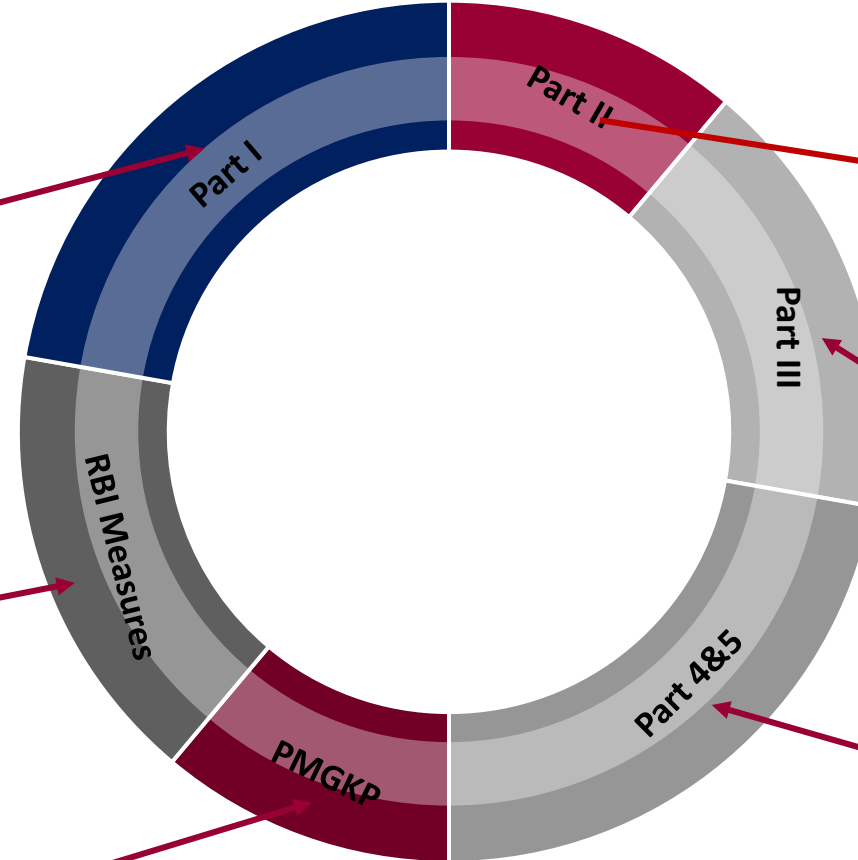
- ❑ USD 43 bn collateral free loans
- ❑ USD 700 mn equity infusion for MSMEs
- ❑ USD 430 mn liquidity relief measures for NBFC and HFCs
- ❑ USD 1 bn for Power Distribution companies.

RBI Package

- ❑ Reduction of CRR to enhance liquidity of USD 20 bn
- ❑ Long Term Repo Operations of USD 15 bn
- ❑ USD 700 mn for Mutual Funds

Poor Class

- ❑ USD 25 bn for Pradhan Mantri Garib Kalyan Yojna (PMGKY)



Migrant Workers and Street Vendors

- ❑ USD 28 bn for Kisan credit cards for farmers
- ❑ USD 157 mn to migrant workers from Disaster Relief Fund

Agriculture and Allied Sectors

- ❑ USD 21 bn for Agriculture and Allied Sectors
- ❑ Setting up cold chain and post harvest infrastructure

Sectoral Reforms

- ❑ Commercial mining in Coal sector
- ❑ Private participation in Space sector
- ❑ USD 570 mn for MGNREGA

The stimulus package is 10% of the GDP of India

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

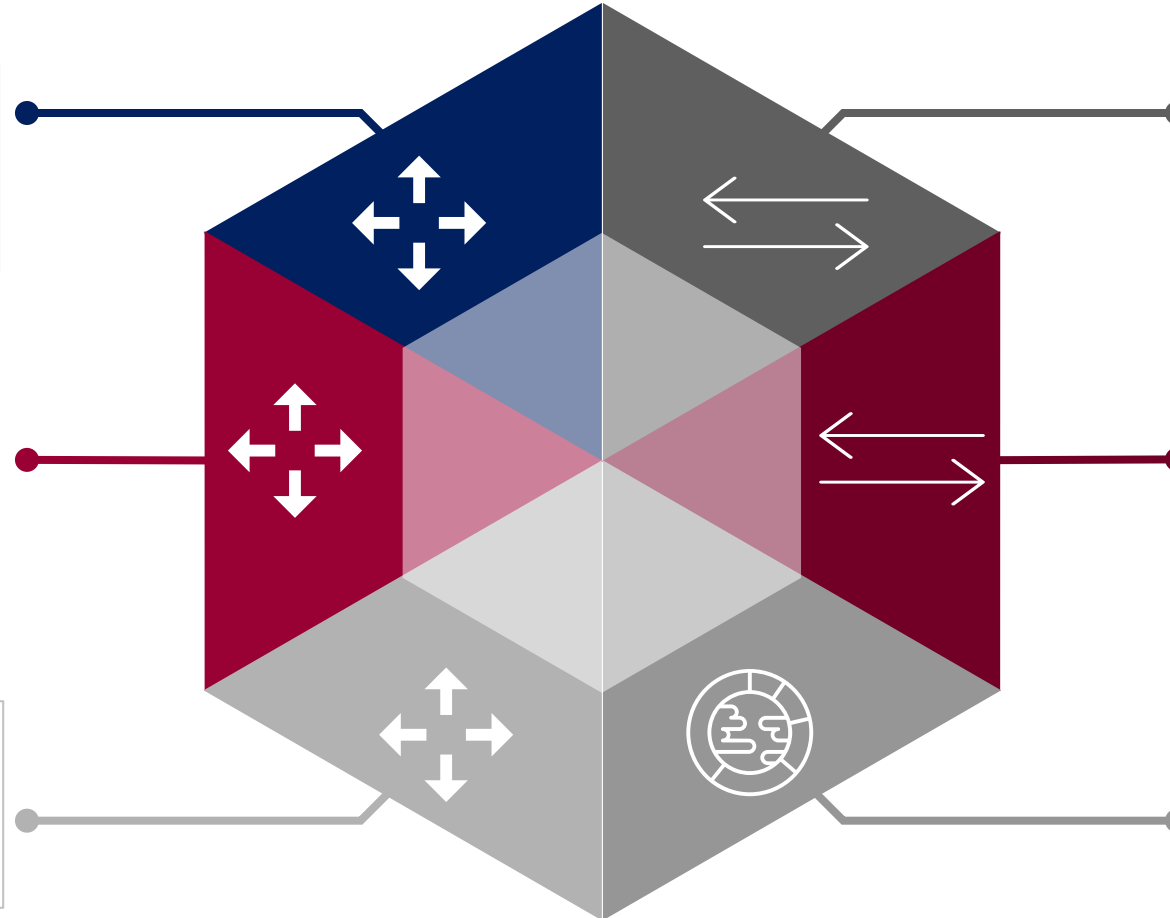
- ☐ No factory inspection for 3 months
- ☐ Renewal of factory licenses once in 10 years

Labour Reforms- Madhya Pradesh

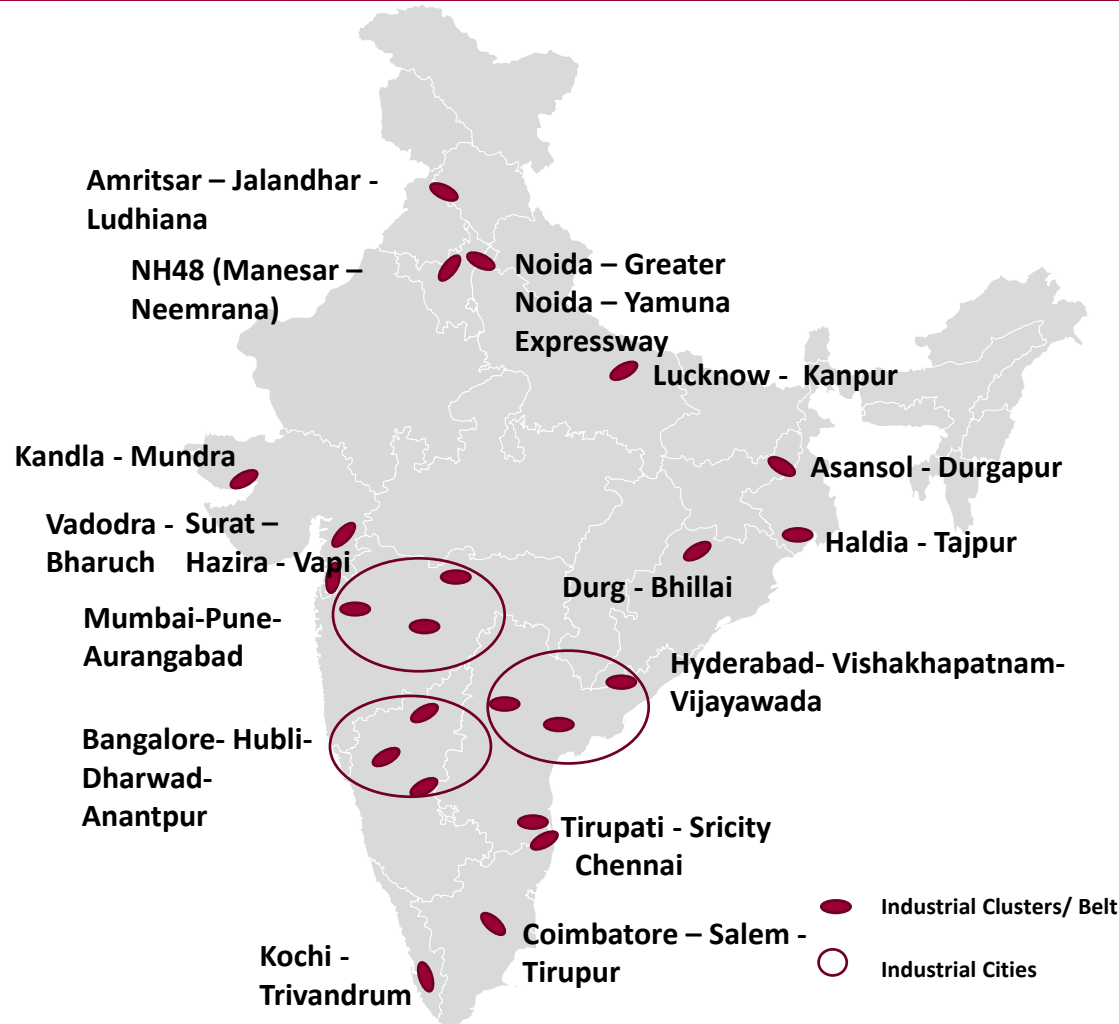
- ☐ Shift hours raised to 12 hours from 8 hours
- ☐ Overtime up to 72 hours permitted

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

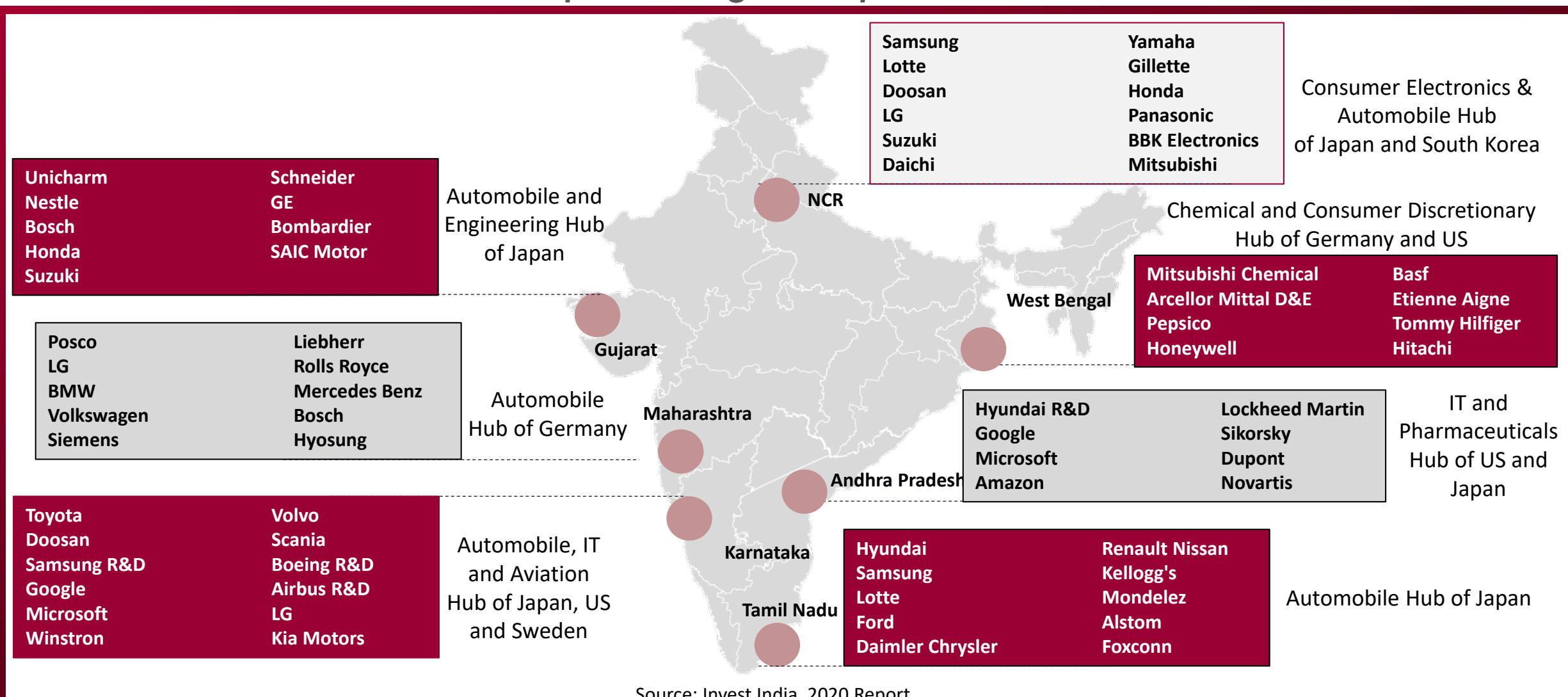
4

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



Source: Invest India, 2020 Report

THANK YOU
