

INDIA – INVESTMENT DESTINATION OF THE DECADE



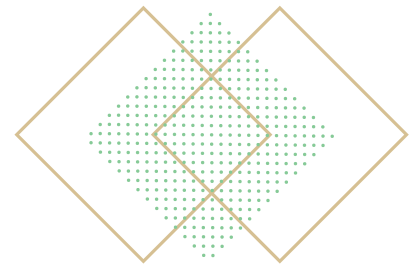
March 2024



India continues to grow at over 7% for a 3rd straight year on the back of strong fundamentals. India is the fastest growing economy in the G-20 group and is expected to grow at 7.3% in the current fiscal. What's helping India maintain this momentum when global average growth rate is a mere 3%?

The Indian economy is stably placed on a tripod of robust domestic demand coupled with investment in physical and digital infrastructure. A strong financial sector coupled with business reforms has set the stage for the 7%+ growth trajectory. Physical infrastructure creation is helping convert private investments into output quickly while digital infrastructure is improving institutional efficiency.

There is a set of strong fundamentals backing up the India growth story.



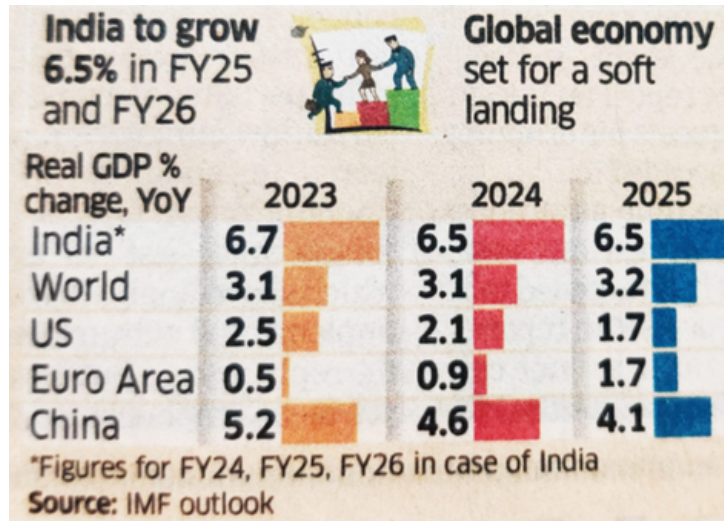
GLOBAL POSITIVE POSITIONING

1. Business & Political Stability

Continuity of policies is a characteristic of a mature economy. The government's commitment to policy continuity instils confidence in the economy. The government's unwavering dedication to realise its 'Viksit Bharat' vision by 2047 is visible in the various policy frameworks being put in place by key ministries. The latest interim budget for FY 24-25 is a proof of this commitment wherein allocation to most programmes like those for farm and allied sectors, skill development, PLI & MSME development have remained consistent.

2. Impressive Growth Trajectory

India is the fastest growing economy in the world. According to latest estimates from S&P Global, India's economy is on track for a 6.5% growth in FY 24-25 and expected to touch 7% in 2026. It's a remarkable feat to be consistently growing around 7% when the rest of the world is struggling to grow at 2%. India is expected to expand by a better-than-expected 7.3% in the current year. According to IMF estimates, India will become a \$5-trillion economy in FY28, after hitting \$4 trillion in 2024-25.



3. Ease of Doing Business

India has made significant progress in making itself more lucrative to foreign investments. India jumped 79 positions from 142 in 2014 to 63 in 2020 in the World Bank's Ease of Doing Business Index (EoDB) for 190 countries. India has shown a positive improvement in seven out of the ten parameters for the EoDB Index. The government has prioritized rationalisation and digitalization of regulatory compliances. As per highlights presented on the 2023-24 Union Budget, more than 39,000 compliances have been rationalised and more than 3400 legal provisions have been decriminalised.

4. Rising Global Competitiveness

India ranked 40th on the **Global Competitiveness Index 2023**. India jumped six places to rank 38th in World Bank's **Logistic Performance Index 2023**. Aadhaar is the world's largest social security program in the world covering 1.35 billion Indians. GST, the biggest tax reform in India since its independence, has integrated various indirect and state taxes to make India as one big unified national market. India climbed to 40th rank in **Global Innovation Index**, a huge leap of 41 places in 8 years. India ranks #1 in Central & Southern Asia region in this index.

DOMESTIC ECONOMIC DRIVERS

5. 2047 Vision of Viksit Bharat

India's goal to be a developed nation by 2047 is backed by a slew of policy reforms. Viksit Bharat 2047 vision is already translating into firm action plans by key ministries across infrastructure (telecom, roadways, railways, airways), energy transition, health, education and skill development. The interim budget 2024-25 carries enough cues in this direction. A record INR 11.11 lakh crore of capex outlay is going to finance high-multiplier effect projects across the country to build world-class roads, airports, upgrade city infrastructure and the railways.

This will translate into enormous PPP (Private-Public Partnerships) opportunities across high-impact sectors of the Indian economy that will go a long way in strengthening the foundations of Viksit Bharat. The PM Gati Shakti has already picked up enough steam since its launch in 2021 and holds tremendous potential for improving multi-modal connectivity. Similarly, the National Infrastructure Pipeline (NIP) will transform the Indian landscape over the coming years and boost economic activities.

6. Make in India through PLIs

The Atmanirbhar push through Make in India has made significant progress across key manufacturing sectors ranging from telecom, electronics, auto, defence, drones to pharmaceuticals and white goods. The manufacturing push is already visible through ambitious plans across industries. For instance, Department of Telecommunication (DoT) is already working on policy measures to capture 20% share of global manufacturing of mobile telecom technologies and increase India's share in global supply of optical & network equipment to 25%. There is also plan to propel one Indian telecom manufacturing company to global top five optical and network technology firms.

The PLIs have now been extended to sectors like toys, footwear and leather. India's global positioning is being cemented through the PLI-led focus on manufacturing, leading to import substitution and export opportunities.

7. Energy Transition

A growing economy with massive infrastructure buildout will have its impact on energy needs. Investments made in recent years in building Renewable Energy (RE) capacity has already translated into significant outcomes with India becoming the third-largest producer of RE in the world. 40% of India's installed electricity capacity is now coming from non-fossil fuel sources. India has the fourth-largest installed wind as well as solar energy capacity.

8. Demographic Dividend

India is home to world's largest youth population. India has a diverse, English speaking, skilled and young population that is unmatched in the world. By 2030, 42% of India's population will be urbanised. India's large consumer base, rising urban incomes and aspirations of the world's largest young population is feeding the expansion plans of most businesses. Due to its domestic consumption strength, the Indian economy has remained resilient in the face of deteriorating external environment compared to other Emerging Market Economies (EMEs) as per the World Bank report, "Navigating the Storm".



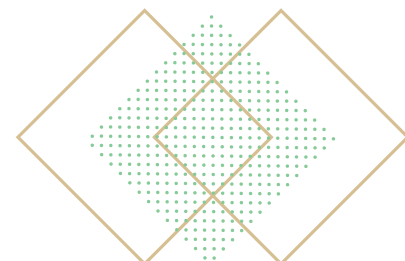
9. Inclusive Growth

India's focus on inclusive growth presents great opportunities to foreign investors across sectors like health, education and technology to invest in R & D, capacity building. They can help achieve the goal of broad-based economic progress and leverage the demographic dividend this country has to offer in the long run.

EXTERNAL INVESTMENT LEVERS

10. China +1 Beneficiary

India has become a major beneficiary of the China+1 strategy being adopted globally after the world experienced supply chain disruptions due to China's zero Covid approach. India's large base of young and skilled population coupled with the Make in India initiative and low labour cost, present India as a natural alternative to China as the world's sourcing hub.



11. Collapsing China

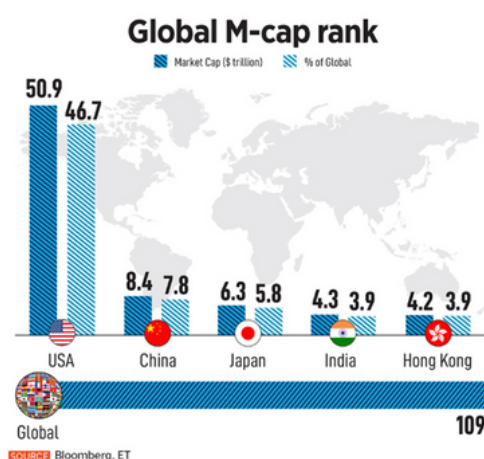
A tumbling real estate sector that had once led the rapid Chinese growth story by funnelling nearly 3/4ths of household savings into infrastructure doesn't augur well for the 2nd largest economy in the world. Investment-led export growth has depressed domestic consumption and is now faltering as China's trade surplus with the rest of the world slows. India, positioned as an export-led growth story, stands to benefit from a cooling Chinese economy that has an outsized investment and punny consumption footprint globally.

If China chooses to revive consumption by transferring income to households through increased wages and interest rates, the world's factory loses its comparative advantage. India again stands to gain in such a scenario.

12. China Rout & Reallocation

India has already surged ahead of Hong Kong to become the 4th largest equity market in the world following selling pressure on Chinese stocks. India's market cap is \$2 trillion lower than that of Japan, the 3rd largest equity market with market-cap of \$6.35 trillion. The Indian equity market now accounts for close to 4% of global market-cap.

Several overseas institutional investors have pruned their exposure from Hong Kong H shares and reallocated to other Asia countries owing to rising China risk and India stands to benefit from such reallocations for good reasons. India, given its stable political setup, consumer-driven economy and strong corporate earnings, has positioned itself as an alternative to China.

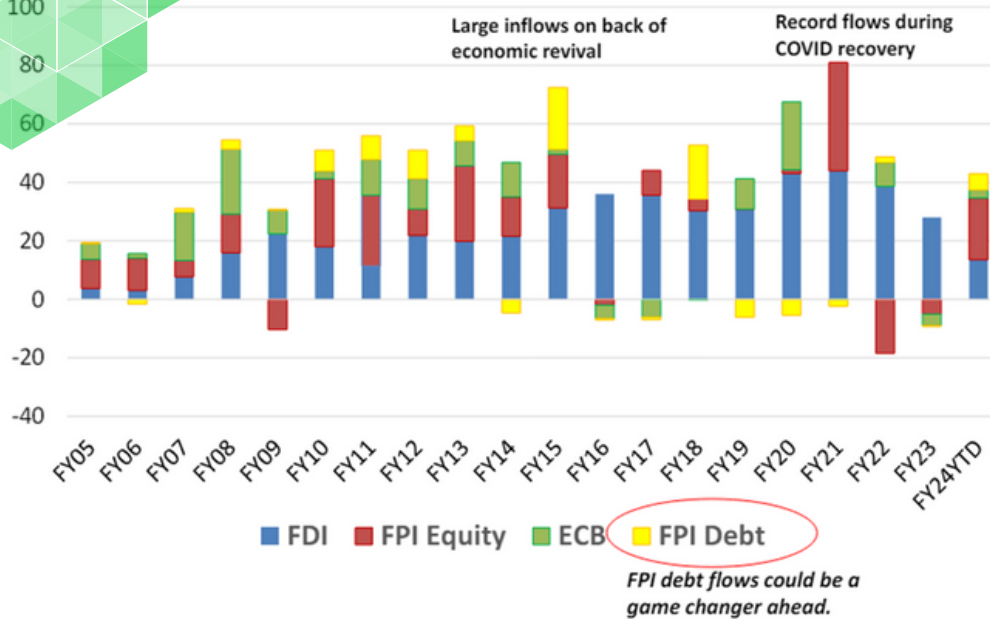


INCENTIVES TO INVEST

13. Well-regulated Capital Market

As per Goldman Sachs' Global Strategy Conference survey of Jan 2024, there is a clear consensus that India is the best long-term investment opportunity. India offers the fourth-largest number of companies (173) with market-cap more than \$5 billion and fourth-highest liquidity, with 259 stocks having daily average trading value of over \$10 million according to Goldman Sachs.

In the last five months since JP Morgan's announcement to include Indian sovereign bonds in its emerging market index, FPIs have invested about \$9 billion in G-sec bonds. India is likely to receive \$25 billion in FPI inflows as it becomes part of global bond indices later in 2024. Delivery of steady returns in equity markets, no default on sovereign bonds and now a relatively stable currency over the last 5 years makes India, the 5th largest economy by GDP, a desirable investment destination.



Source: NSDL, CMIE, CDSL, DSP;
Data as on Jan 2024

14. Investment Climate

India has a thriving startup ecosystem. Allocation of INR 1lakh crore in the interim budget for FY 24-25 to help young entrepreneurs innovate in sunrise industries is just an indication of the government's intent to help MSMEs compete globally. This in itself is a great opportunity for foreign investors to participate in the growth story of India through alternate investment channels.

15. International Trade Facilitation

Many of the key sectors are now open to FDI through 100% automatic route. Thirteen Foreign Trade Agreements (FTAs) and six preferential trade agreements have been signed with several countries in the last five years to boost export-oriented domestic manufacturing. India has one of the largest networks of tax treaties for avoidance of double taxation and prevention of tax evasion. India has established 94 comprehensive Double tax Avoidance Agreements (DTAAs) and eight limited DTAAs compared to China's 110 and Vietnam's 80.

Given the India narrative we've just unveiled before you, are you ready to be part of India's growth story?

Sources:

1. www.investindia.gov.in
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4. World Intellectual Property Organisation
5. International Institute for Management Development
6. Ministry of Finance, Gol

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