



**CA. Sunil Singhania**

Founder, Abakkus Asset Manager LLP

**India's long-term growth story intact**

The growth story of the Indian economy has been remarkable over the years. The structural transition in the Indian economy has started taking off since 1991, the year when India introduced the LPG policy. Since then, India's GDP has grown by 12x from USD 0.3 trillion to now USD 3.7 trillion; per capita income has grown by 9x; exports by 43x; imports by 47x; forex reserve by 496x, and stock market (Sensex) by 31x.

Amidst the many challenges faced by the world economy over these past few years, India has remained a safe harbor in the storm. With the pandemic shutting the world down in 2020, we have seen great changes in how we live and what we seek from life. With a greater focus on the integration of technology and AI into business, and with sentiments turning against Chinese manufacturing, India finds itself in a position to leapfrog to the front of the pack.

# The Dancing Elephant: A New India

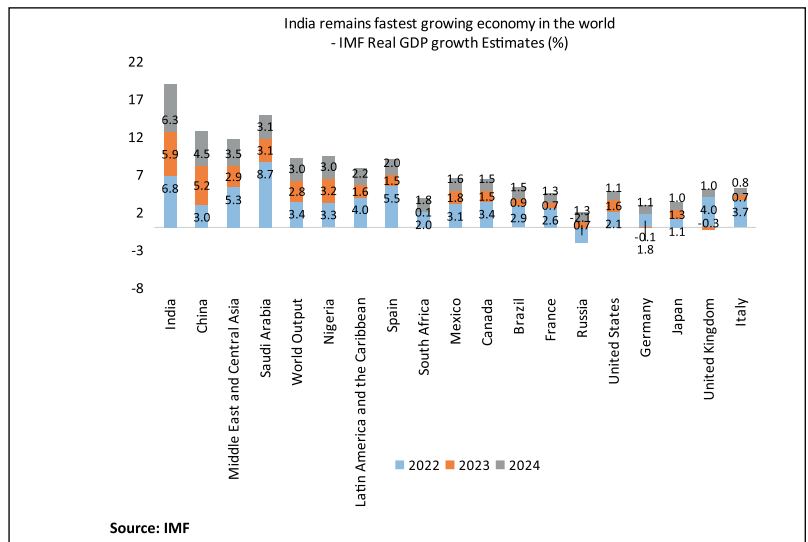
**Where we are headed at current juncture**

India has been one of the fastest-growing economies in the world in the recent years, with the latest projections estimating it to be at 6.1%, away and ahead of all the emerging markets. Over the past two decades, the country has consistently achieved a commendable GDP growth rate, outpacing many developed nations. With a growing middle class, the country offers a vast consumer market and a skilled labor force. Young, skilled labor and engineers are available aplenty, and with China slowly shifting to a consumption-based economy, labor costs there have become comparatively more expensive than in India. These

factors along with increasing urbanization have propelled economic expansion and development.

The other noteworthy point is that India's emergence as the world's fifth-largest economy by overtaking the United Kingdom in 2022 marks the beginning of the "India era" in the global growth story. It is set to surpass Japan and Germany to become the world's third-largest economy by 2027 as per World Bank report.

Since independence, India took 58 years to hit 1st USD trillion GDP mark, then took just 7 years to reach 2nd USD trillion, 6 years to hit USD 3 trillion mark. And the opportunity to grow even faster is still on.



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The key contribution to the growth of the economy is that India is a domestic-driven economy, less dependent on global growth. And this is the new normal now. A favourable demographic is in place; more than 65% of the population is below 35 years of age. A high saving rate and rise in per capita income bode well for consumption growth. The political stability in India is at its highest in many decades. Also, a pragmatic government with a focus on policy reforms has led India to be in a favourable position from a foreign investor’s standpoint.

Also, the stable macro-economic condition – Strong forex reserve,

stable INR currency, inflation in control, central bank’s clarity on interest rate management etc. will further aid to attract foreign investors to invest in India.

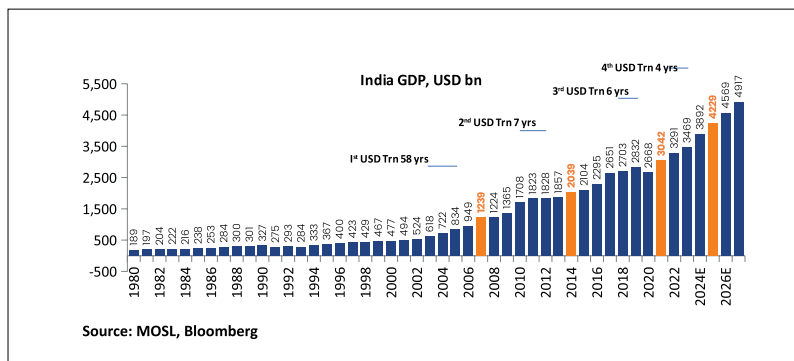
India has proven its resilience time and again, most recently when it remained stable through the regional banking crisis in the US during the month of April. India’s own financial sector has remained firm, backed by its strong fundamentals and robust loan book. This is reflected in how it accounts for over one fourth of the MSCI India Index, and nearly 30% in the Nifty50.

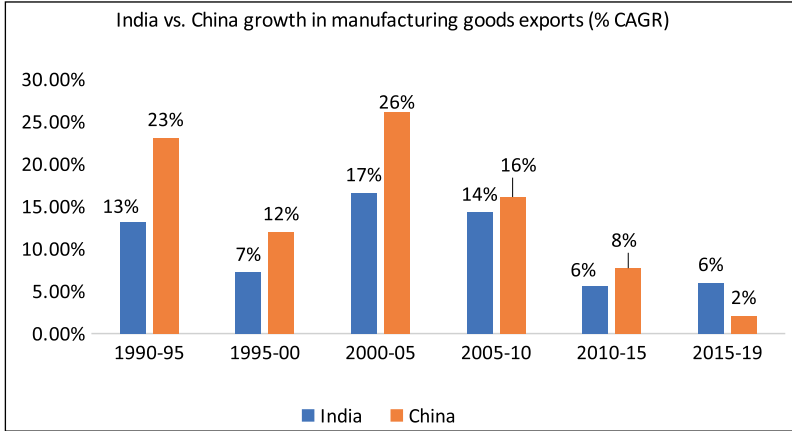
While the financial sector remains a large part of India’s appeal, there is a growing case in its manufacturing capabilities as well. In the month of May, exports from China have dipped by over 7%, highlighting the world’s new direction of decoupling their dependence on the Asian giant for their manufacturing needs. This trend can be observed as far back in 2019, when India outpaced China’s growth in manufactured growth exports.



With India’s steady growth and firm democracy, along with the sustained low cost of manufacturing, many companies look to shift base to a far more palatable market. Alongside this, India remains as a major exporter of key raw materials such as steel, cement, and iron ore. With this, India stands to play a vital role in the global supply chain, as material, manufacturing and manpower are all readily available at competitive prices.

This has not gone unnoticed by the government either, who have increasingly pushed for an ‘Atmanirbhar Bharat’ through policies such as Make in India, China+1 and the Production Linked Incentive (PLI) scheme to boost domestic manufacturing. The aim is to significantly boost the manufacturing sector to contribute over 25% of GDP by 2025, from below 16% currently. Already, sectors such as automobiles, electronics, pharmaceuticals, textiles, and renewable energy have experienced significant growth, bolstering India’s





manufacturing capabilities. The government’s emphasis on skill development and technology adoption has facilitated innovation and efficiency, contributing to the sector’s success.

This rapid development, coupled with the nation’s political stability, robust legal framework, and democratic governance creates an investor friendly environment that sets the country apart from other Emerging Markets.

These efforts are now beginning to see fruits. Already, smartphone giants like Samsung and Apple have moved their manufacturing to India, bringing the necessary environment to develop more skilled labor. Vestas, one of the world’s largest wind turbine manufacturers, set up two new factories in Sriperumbudur recently in 2021. Meanwhile, Foxconn has partnered with a local natural resource conglomerate for setting up a semiconductor fab within the country, bringing the key technology and industry knowledge to Indian shores. Dozens of companies have shifted or are in the process of

shifting their manufacturing to India, and FDIs are on the rise.

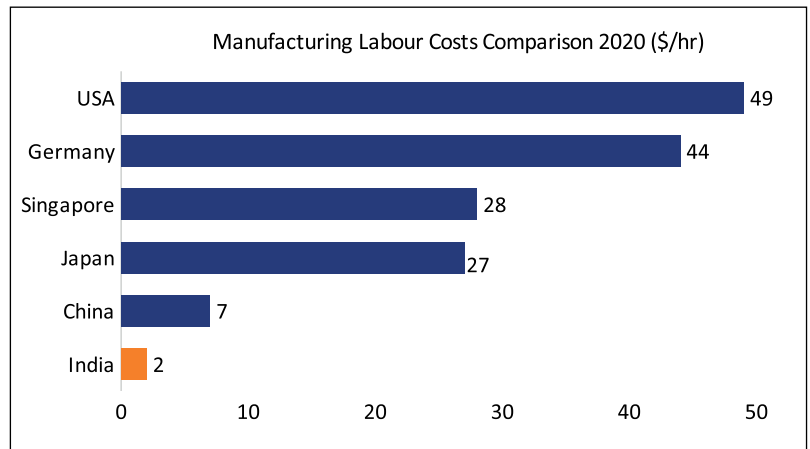
Besides the advantages in manufacturing, the growing number of internet users in India has led to a more aware, educated and skilled young workforce in the country. This meshes well with India, as it has been a hub for service-based industries, home to legions of tech companies, providing offshore support to companies abroad.

Alongside this expanding internet userbase, Indian IT companies can also leverage their skill sets and provide fintech solutions to global financial customers. Courtesy of UPI, India has seen massive

growth in digital transactions. Financial risk management services, insurance, natural disaster modelling and underwriting are examples of high value add services performed within India for a global audience. The recent craze with AI also serves as another opportunity for Indian companies to break ahead of their peers, with its integration into customer support services and content creation.

Another feather in India’s cap is the boom in its startup culture. Over a hundred unicorns have emerged, over 70 of which were added in the last three years alone, versus around 30 in the previous decade. Together, they have generated over 350 bn USD in value. In 2022 alone, unicorns raised USD 25 bn through 1000+ deals and 200+ M&As. Here too, the government has enabled faster growth through initiatives like ‘Startup India’, making it the third largest ecosystem in the world.

Additionally, India’s focus on renewable energy, digital transformation, and innovation-driven sectors



	Coal (Production in Mn MT)	Iron Ore (Production in Mn tonnes)	Crude Steel (Production in Mn tonnes)	Cement (Capacity in Mn tonnes)	Cotton Production (Mn tonnes)	Wireless Phone (Subscribers in Mn)	Electricity (Production in PWh)	Textile (Production in Bn Sq. Mt.)
INDIA	780 (2 <sup>nd</sup> largest)	254 (4 <sup>th</sup> largest)	125 (2 <sup>nd</sup> largest)	545 (2 <sup>nd</sup> largest)	34.2 (Largest)	1,200 (2 <sup>nd</sup> largest)	1.6 (3 <sup>rd</sup> largest)	71.05 (2 <sup>nd</sup> largest)
CHINA	4,560	380 (3 <sup>rd</sup> Largest)	1,018 (Largest)	2,130 (Largest)	5.9	1,575 (Largest)	8.5 (Largest)	-

positions it at the forefront of global trends. It presents the opportunity for more investment into infrastructure and the development of renewable sources of energy, in 2022, India saw almost 10% added to its renewable energy, and solar energy alone has increased by 25 times over 9 years.

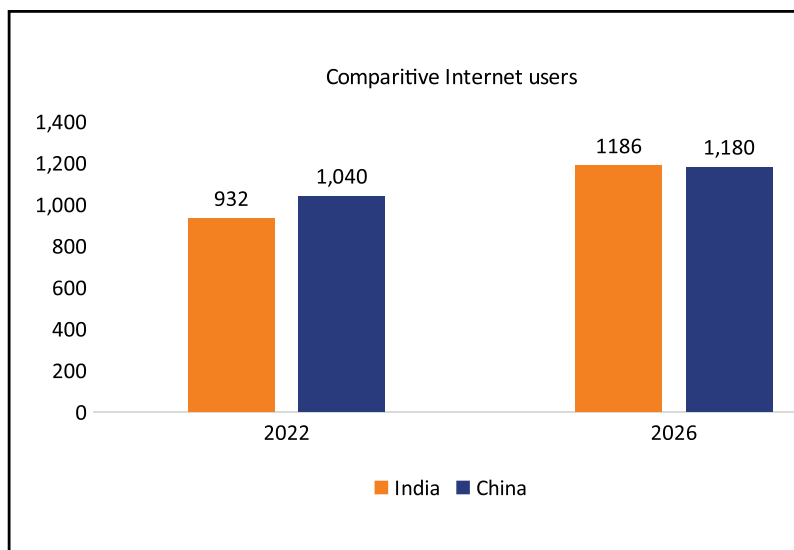
To conclude, looking at all the components discussed, India's remarkable economic growth, expanding manufacturing capabilities,

strategic advantages over China, and increased ease of doing business paint a promising picture for the country's future. As India continues to strengthen its position on the global stage, it is poised to become a significant pillar of the world economy. With a strong focus on inclusive growth, sustainable development, and technological innovation, India stands ready to embrace the challenges and opportunities that lie ahead.

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Author may be reached at  
eboard@icai.in