

## Leveraging China Plus One Strategy can significantly boost India's manufacturing sector, create millions of jobs

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  - A regulation is required to boost export opportunities for Indian Firms
- India's strategic location, improved infra, streamlined laws strengthen its position in global supply chains

**Bengaluru, November 12, 2024:** The China+1 Strategy can significantly boost India's manufacturing sector and help create millions of jobs – one of the key goals of the government. The PLI schemes can attract over \$520 bn in investment, generate more than 6mn jobs by 2025. India's strategic location, improved infra, streamlined laws has strengthened its position in the global supply chains. A regulation is required to boost export opportunities for Indian firms, says a study by Niveshaay – a smallcase manager, that manages a portfolio - Make In India, it contains mid and small cap size companies available at reasonable valuations with strong market hold.

### The PLI booster

India currently holds a strategic position in the 'China Plus One Strategy'. India's competitive labor market and favorable demographics make it an attractive alternative for companies diversifying from China. The government initiatives, like Production-Linked Incentive (PLI) schemes, support investments in key sectors such as electronics, automotive, and textiles.

### India's potential to compete with China

India has the potential to compete with China in several sectors, it has made inroads in the below.

- a. Electronics Manufacturing: India's electronics production grew by 17% in FY2023, with mobile phone exports crossing \$11 billion, positioning it as a rising competitor in this sector.
- b. Renewable Energy: India is expanding rapidly in solar power, targeting 500 GW of renewable energy capacity by 2030.
- c. Pharmaceuticals and Biotech: Already a global leader in generics, India's biotech industry is projected to reach \$100 billion by 2025.
- d. Automotive: India's EV market is growing at a CAGR of 36% until 2030, challenging China's dominance.

While China dominates in manufacturing and high-tech, India leads in services, pharmaceuticals, and digital innovation. With strategic investments, India is poised to compete with China in key sectors, enhancing its global economic standing.

### The required Policy Push

There are policy level regulations required to enhance the export opportunity for the Indian firms. The Indian government has implemented strategic measures to enhance export opportunities for Indian firms, focusing on infrastructure modernization, streamlined customs procedures, and cost reduction through the National Logistics Policy.

Sector-Specific Policies for Export Enhancement

#### **i. Manufacturing and Capital Goods**

- PLI Schemes: Boost manufacturing and exports, targeting INR 7.5 lakh crore output over five years.
- National Manufacturing Policy: Aims to increase manufacturing's GDP share to 25% by 2025, supporting export growth.

#### **ii. Renewables**

- PLI for Solar PV Modules: Encourages solar manufacturing with an aim for 10 GW capacity, enhancing exports.
- Renewable Energy Export Promotion Council: Promotes export of renewable energy products, positioning India as a global hub.

#### **iii. Defence**

- DPEPP 2020: Targets \$5 billion in defence exports by 2025, supporting domestic manufacturing for global markets.
- Strategic Partnership Model: Facilitates export-oriented defence manufacturing through joint ventures.

#### **iv. Electronics Manufacturing**

- PLI for Electronics: Incentivizes production, targeting \$150 billion in additional output, boosting exports.
- Electronics Development Fund (EDF): Supports R&D to create export-ready electronics products.

#### **v. Chemicals and Pharmaceuticals**

- RoDTEP Scheme: Refunds taxes to enhance global competitiveness of chemical and pharma exports.
- Pharmexil and CHEMEXCIL: Provide market access support and promote exports in pharmaceuticals and chemicals.

These policies collectively aim to boost exports by enhancing sector-specific capabilities and global competitiveness.

*"India's well-planned policies and growth-driven initiatives are slowly but surely putting the country as a strong alternative to China in the global investment landscape," says Arvind Kothari, smallcase Manager and Founder of Niveshaay. "Our skilled and competitive workforce, labor costs give a strong base, especially as the world shifts towards a 'China Plus One' strategy. With focused initiatives like the Production-Linked Incentive schemes, significant infrastructure investments, and a thriving digital ecosystem, India is not only growing its manufacturing capabilities but also securing a central role in the global supply chain."*

#### **About Niveshaay:**

Niveshaay is a SEBI Registered boutique Investment Advisory Firm, founded by Mr. Arvind Kothari. He has over 15 years of experience in Equity Research and Investment Advisory. He began his career as an Industry Research Analyst at ICICI Bank. Observing the complexities of the wealth management industry, he left his job nearly a decade ago to start advising on wealth management and leading investments for his family and friends, giving birth to Niveshaay. He has a firm belief that taking entrepreneur calls work better than questioning quarterly performance.

Make in India smallcase, managed by Arvind Kothari plays a significant role on India's expanding manufacturing sector. Supported by favorable policies and consistent government spending, India's manufacturing sector is experiencing significant growth. The supply chain reorganization post-pandemic, combined with government-led initiatives aimed at boosting investments, promoting import substitution, and enhancing export focus, is fueling this upward trajectory.

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<https://www.niveshaay.com/disclosure>

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