



President's Message



In the dynamic landscape of India's industrial sectors, the imperative of supply chain localisation takes centre stage, steering the course for resilience and self-sufficiency. This month's exploration delves into the challenges and triumphs of key industries, including automotive, battery manufacturing, and electronics, each navigating the path toward greater self-reliance in the intricate dance of global supply chains.

Foundry Fraternity, Namaste!

\$5 Trillion Economy by 2026

Economist Sri Arvind Panagariya predicts that India's sustained economic growth, averaging 10.22% in current dollars over the past two decades, will propel its GDP to reach \$5 trillion in 2026 and \$5.5 trillion in 2027. Sri Arvind Panagariya anticipates India becoming the world's third-largest economy by the end of 2026. Assuming a conservative growth rate of eight per cent in constant dollars over the next two decades, India is projected to catch up with the USA in 2072, marking the end of its 125th year of independence.

Key factors supporting this growth include political stability, low per-capita income offering room for technological advancements, favorable demographics with a large young population contributing to higher savings and investment, and a global environment favouring India as China exits its high-growth phase. Sri Arvind Panagariya emphasises the importance of pro-market reforms, with existing and potential reforms contributing to India's economic expansion. He highlights the interconnectedness of small habitations, farms and enterprises, urging reforms to help these entities grow larger, generating job opportunities and driving urban migration.

Challenges for Self-Reliance in Automotive and Battery Manufacturing

India's automotive sector, a substantial contributor to the GDP, faces the challenge of surging imports, notably from China. As the sector thrives with a 7.1% GDP contribution and the production of 2.7 crore vehicles in FY23, the call for supply chain localisation resonates. Efforts are underway to leverage local competency, reduce dependence on foreign sources, and align government policies with industry strategies.

In the battery manufacturing realm, the journey toward self-sufficiency encounters hurdles, particularly in the face of imported battery cells comprising a significant percentage of costs. Despite ambitious government schemes like the Production-Linked Incentive (PLI), challenges persist in meeting the forecasted demand for Li-cells. The debate on preferred battery chemistry, compounded by raw material price hikes, adds complexity to the localisation narrative.

India - The new Electronics System Design and Manufacturing (ESDM) hub for the world

India strategically positions itself as an ESDM hub, witnessing remarkable growth in electronics production. The PLI scheme propels India to become the second-largest global mobile phone manufacturer. The emphasis on supply chain localisation in the ESDM sector is not just a strategic move but a testament to its success, evident in increased employment, higher FDI, diversified export baskets, and substantial value addition.

FICCI President's Vision for Manufacturing

FICCI President Anish Shah articulates a compelling vision for India's manufacturing sector, envisioning it as a global powerhouse. The emphasis on financial inclusion, 'Make in India,' and sustainability aligns with the imperative of supply

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chain localisation. Shah anticipates increased foreign capital inflows and heightened private sector investments, underscoring the potential for growth and resilience in the sector.

National Logistics Policy and the recent developments

India's emergence as a manufacturing hub is gaining global recognition, marking a significant shift in perception. The synergy between policy formulation and effective implementation is emphasised as the key to progress. The National Logistics Policy, a result of eight years of concerted effort, aims to reduce logistics costs from 13-14 per cent to single digits, fostering competitiveness. The Unified Logistics Interface Platform (ULIP) is introduced to consolidate digital services in the transportation sector onto a single portal, streamlining operations.

The transformative impact of Gatishakti and the National Logistics Policy is highlighted, steering the nation toward a new work culture. As India aspires to compete with developed countries, the need for competitiveness in all aspects is underscored. The National Logistics Policy is lauded for its potential to reinforce India's self-reliance in the supply chain. By lowering logistics costs and streamlining operations through ULIP, the policy aims to fortify the domestic supply chain, reducing dependence on external factors.

Young India

A recent survey on IITians' migration patterns reveals a notable shift as around 70% of the top 1,000 choose to stay in India, indicating a change from the 10% retention observed in the previous generation 40 years ago. While migration persists, the majority of current top ranked IIT graduates are opting to contribute to India's future, reflecting a positive trend in talent retention for national development.

IFEX 2024

Throughout the year, our Centres of Excellence and Head Office orchestrated a series of programmes dedicated to enhancing membership services. The IIF Western Region Conference, WESCON 23, held at Daman on November 25th and 26th, 2023, proved to be an exceptionally effective, productive, and successful event. The technical sessions, panel discussions, and quiz programme were all executed with top-notch precision, placing a strong emphasis on member services. The experience of meeting and interacting with fellow members from the Western Region was enriching, and the event played a crucial role in establishing numerous valuable connections.

As we gear up for the 72nd IFC and 20th IFEX in 2024, preparations are in full swing, with most programmes already finalised. The organising committee is working tirelessly, around the clock, to ensure that the Bangalore event stands out as the best of the best for IIF. We strongly encourage you to expedite your registration, including your spouse, at the earliest convenience to be part of this exceptional experience.

2023 So far

As we conclude this exploration into the intricacies of India's supply chain localisation journey in 2023, the landscape appears both challenging and promising. The automotive, battery, and electronics sectors grapple with complexities, but the strategic alignment of policies and industry efforts fuels optimism.

The Indian economy roared in the first half of 2023, exceeding initial estimates with a 7.8% year-on-year GDP growth. This was fuelled by a record high \$85 billion in FDI, booming services sector growth of 9.3%, and resilient private consumption of 6.0%. GST collections hit an all-time high of \$163.6 billion, reflecting robust economic activity. However, some shadows emerged. Auto sales witnessed a slight dip compared to the blistering 2022, while industry output growth moderated to 4.5%, indicating pockets of concern. As inflation climbed to 6.8%, the RBI cautiously tightened monetary policy. Despite these challenges, the first half was a resounding success, leaving experts optimistic about full-year growth exceeding the official 6.5% projection.

The challenges of the past year serve as steppingstones toward a future marked by strengthened local supply chains and heightened economic resilience, bringing the promise of a new year filled with opportunities and growth.

Wish you all a very Happy New Year 2024

Jai Hind and Happy Reading,

Best wishes

D S Chandrashekar

President IIF, 2023-24