# India – The Next Destination For Global Supply

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As the globe is still fighting against the pandemic COVID-19, several countries in the world are facing problems like downfall in GDP, unemployment, credit crunch, cash crunch and much more.

But at the same time, it can be looked upon as paradigm shift or rise of opportunities for developing countries like India to attract investments from foreign companies, large corporate as well as Small and Medium Entities.

With disruptions in China's manufacturing and production operations and delayed delivery of goods, resulting into non-fulfilment of demand, as a result of the ongoing COVID-19 outbreak, many global MNCs are seeking alternative destinations to diversify their supply chains. The companies having production/ manufacturing facilities in China are looking for the more suitable options. In such times, India has an excellent opportunity to lure the global companies in this old land rich of resources, facilities, and culture.

With low labour costs, incentives declared by the Indian government in recent days and regulatory relaxations, especially in labour laws for manufacturing, and most importantly reduced corporate tax rate for both manufacturing and non-manufacturing units, India has emerged as an alternative hub for global manufacturing.

For instance, the entry level salaries in India are INR10,000 (USD132) per month to INR 15,000 (USD198) per month, which is way too lower than that of China, apparently three times lower. Apart from low labour cost, India offers facilities such as Special Economic Zones for duty free exports, subsidies in various industrial sectors especially to manufacturers, competitive infrastructure, incentives to boost domestic manufacturing, and business-friendly policies. These factors certainly give edge to India to be a preferential destination to set up manufacturing facilities.

Owing to this, we have set up two companies in India one from China and another from Netherlands, investment totalling to USD 5.40 Million in the last year. One of the companies we set up is in electrical components and another one is in software. We are also in talks with one British company and a Finish company to set up their businesses in India and they are quite eager to enter into the Indian market, although COVID-19 situation is holding them back.

**Simpler tax structure in India**

**1. Indirect taxes – goods & services tax**
Indian government introduced Goods & Services Tax (GST) in India from July 2017, which has changed the scenario drastically. Earlier, there were more than 5 (five) taxes for each activity such as excise duty on manufacturing, service tax on provision of services, state VAT on sale within the state, Central Sales Tax on sales outside the State, Entry Tax/ Octroi and other sub-heads of taxes. GST, holding the motto of "One Nation, One Tax", has effectively subsumed all these taxes and made the lives of the businessmen much easier in terms of compliance and tax rate structure.

**2. Direct taxes – income tax**
Indian government, in a welcome move, have reduced the corporate tax rate to 15% for manufacturing companies and 22% for other corporates as against earlier rates of 30%. This has provided boost for the manufacturing sector and is a major ground for attracting foreign investments. This slashed rate of corporate tax has allowed India to be in competition with emerging economies like Vietnam, Thailand, Indonesia, Singapore.

**3. Labour law reliefs**
In India, Labour laws were considered as one of the most stringent laws to handle and comply. However, owning to Corona conditions, many states have modified the labour laws and given most awaited concessions to the employers from labour laws. The States reliving the employers from these cumbersome compliances and regulations are Maharashtra, Uttar Pradesh, Gujrat, Madhya Pradesh, Haryana, Uttarakhand, Himachal Pradesh, Assam, Rajasthan and Goa. That has indeed made doing business simpler for the industrialists and businessmen.

**Large market**
According to World Economic Forum (WEF), with an annual GDP growth rate of 7.5 per cent, India is currently the world's sixth-largest economy. By 2030, domestic private consumption, which accounts for 60 per cent of the country's GDP, is expected to develop into a USD 6-trillion growth opportunity.

**Boosting domestic market**
India has recently allocated about US$ 6 billion to boost domestic manufacturing, and to attract investment and incentivize electronics and components manufacturing and exports in the country. In March, India's cabinet announced a production-linked incentive (PLI) scheme for the electronics sector with an outlay of over ₹40,000 crore. As per the recent news, Apple plans to shift 20% of its production capacity to India from China. It is expected that Apple will produce up to $40 billion worth of smartphones, mostly for exports, availing the benefits under the production-linked incentive (PLI) scheme. Indian Automobile industry depended largely upon China for the spare parts such as fuel injection systems for latest engines and other electronic parts, which can be another huge market in India, given that automobile sale will get a boost post COVID 19 as people will prefer buying their own vehicle over travelling in public transport.

**Foreign firms in China interested in Indian markets**
India is undoubtedly a huge market where demand and supply are always met equally, for any product. You can produce, manufacture, and sell anything in India and India will always have the demand for it. According to a report in The Economic Times, the government in April reached out to more than 1,000 companies in the U.S. and through overseas missions to offer incentives for manufacturers seeking to move out of China. India is prioritizing medical equipment suppliers, food processing units, textiles, leather, and auto part manufacturers. Some states including Maharashtra have ensured that supply chains for foreign manufacturers remained functional through India's national virus lockdown. Others like Tamil Nadu in the south and Uttar Pradesh in the north have offered concessions for those planning to move. The political pressure between USA and China has certainly made impact on the global companies to think for the alternative destination.

In the light of these recent global and domestic developments, it is clear that India is all set for becoming next destination of manufacturing for global MNCs. The Indian land rich of resources, culture and human resource is an option the world cannot ignore in these days of crisis.