

Make In India Research Paper

By Aarya Vohra

Class 12, Vasant Valley School



Introduction

Launched in 2014, **Make in India** is a major new national programme of the Government of India designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and build best in class manufacturing infrastructure in the country. Specifically, Make in India creates a policy framework to ease foreign investment, business transactions, and the management of intellectual property. This helps incentivize industries to establish their manufacturing bases in India; exports from such industries, subsequently, contribute to India's foreign exchange reserve.

Make in India Impact Across Sectors

The Make in India policy covers 25 sectors, ranging from automobile, defence, and construction, to IT, renewable energy, and entertainment. This paper will examine the policy's impact specifically in the aviation, automobile, and construction sectors, through data analysis and interviews with business leaders operating within each of those sectors.

AVIATION SECTOR:



India is the 9th largest aviation market in the world with a size of around **US\$ 16 billion**. (India Brand Equity Foundation, 2017) The Indian aviation industry carries huge growth potential due to the large and growing middle class population, its rising aspirations, rapid economic growth and higher disposable incomes. In fact, India's aviation sector recorded the highest growth of about **20.3 % in FY 15 over FY 14**, (Make in India – Aviation Sector, 2017)

As per statistics shared by IATA (International Air Transport Association), India is expected to be the 3rd largest aviation market by 2020.

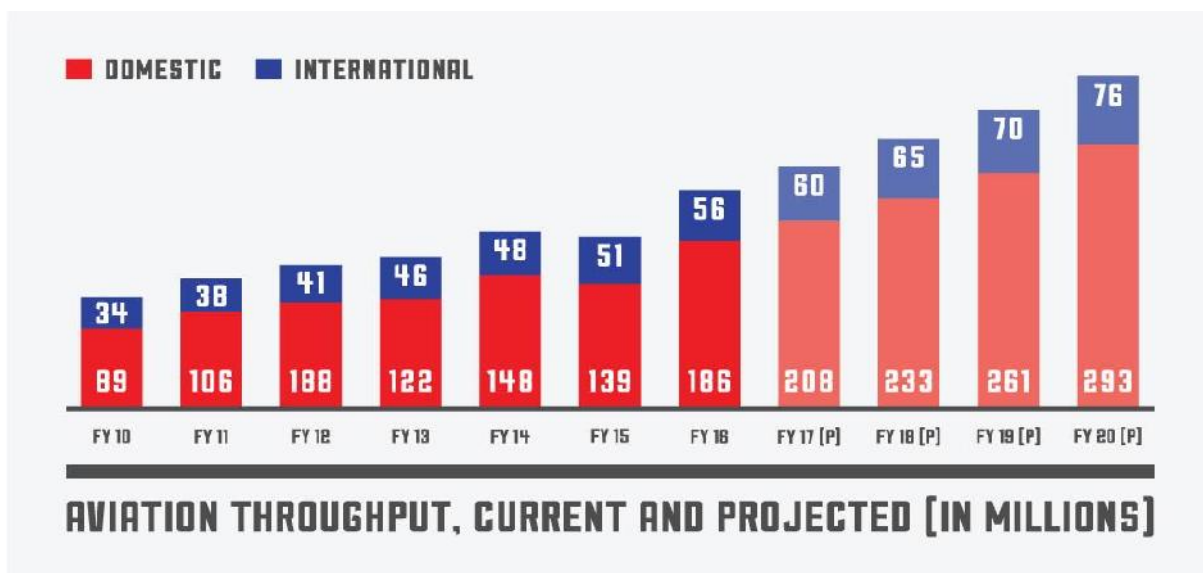


Image Source: Make in India – Aviation Sector (<http://www.makeinindia.com/article/-/v/make-in-india-sector-survey-aviation>)

AVIATION INDUSTRY INTERVIEW:



Name: Jeyadev Parthasaratay

Title: Vice President

Company: Chimes Aviation Pvt. Ltd.

Chimes Aviation Academy, India's premier & largest private sector Pilot Training Academy, was set up at Dhana Airport, Sagar, Madhya Pradesh, India in 2008 to train students to become successful commercial pilots.

How company has been impacted by Make in India policies – positive and negative impacts?

CAA has not been a direct beneficiary in the Make in India initiative compared to industries like Automobile but there has been a positive impact.

How has the entire Aviation industry sector been impacted by Make in India?

The aviation industry in India is still in a basic transition stage. Services have started in India but manufacturing of products is still work in progress.

Should the government make changes to the policy to improve outcomes across the sector?

The changes in government policy have started. The focus is in the right direction. Industry global leaders are being offered manufacturing & services base in India.

Have you seen an increase in FDI? How has this impacted your company? The entire Aviation industry sector?

There has been an increase in FDI in the aviation industry. Global companies are setting up bases in India.

Have you seen an increase in start-ups and entrepreneurial activity in the Aviation industry sector? How has this impacted your company/the entire sector?

There has been a high growth in the service space in aviation. Entrepreneurs have emerged in the training & service space.

Have recent policies improved ease of doing business within the sector?

There has been a steady improvement in policies in the aviation ministry, continues to improve.

Is your company involved in the Smart Cities mission? If so, in what capacity?

Not working in the smart cities mission.

AUTOMOBILE SECTOR:

AUTOMOBILES



The Automobile industry in India is a significant driver of macroeconomic growth and technological development, and holds a 7.5% share in India's GDP. (Make in India – Automobile, 2017) India is projected to be the world's third-largest automotive market in terms of volume by 2026. And as per the AMP 2026, the Automobile industry has a target to triple the revenues to \$300 Bn and increase exports sevenfold to \$80 Bn. (Make in India – Automobile, 2017)

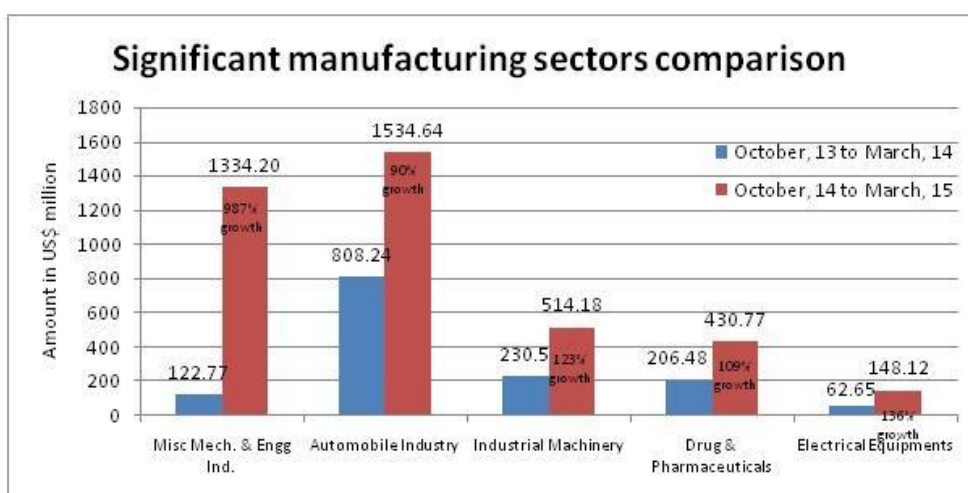


Image Source: Make in India – Sector Survey: Automobile (<http://www.makeinindia.com/article/-/v/make-in-india-sector-survey-automobile>)

AUTOMOBILE INDUSTRY INTERVIEW:



Name: Mr. Asheem Suri

Title: Director

Company: M/s. Godawri Motors Pvt. Ltd.

Registered in 2009, Godawari Motors Pvt. Ltd. has made a name for itself in the list of top service providers of in India. Godawari Motors Pvt. Ltd. is listed in Trade India's list of verified companies, offering wide array of automobile manufacturing and related services.

How company has been impacted by India policies-positive and negative impacts?

The 'Make-in-India' initiative was launched in September 2014 by the Government of India to encourage multinational and national companies to manufacture their products in the country. The automobile sector has received various investment and to manufacture in India.

The highlights of the 'Make-in-India' campaign in the industry:

1. The automotive sector contributed 7.1 percent to India's overall Gross Domestic Product (GDP) and contributes approximately 49 percent to the

country's manufacturing GDP in FY 2015-16. Also, the industry is estimated to be of USD 93 billion, at the end of this financial year.

2. India is the 6th largest car manufacturer in the world and the largest manufacturer of tractors. Also, the country is the 2nd largest two-wheeler manufacturer, 5th largest heavy truck manufacturer, 8th largest commercial vehicle manufacturer in the world.

3. Some of the biggest investments came from ISUZU Motors with an investment of \$445 million in a project in Sri City, Andhra Pradesh in April 2016 and Tata Motors and Fiat Ltd. set up a joint assembly line to manufacture SUVs at the Ranjangaon unit in Pune with an investment of \$280 million.

4. Other investment included Magneti Marelli; Fiat's component manufacturing arm opened a new manufacturing plant for production of robotized gearbox in October 2015. India's Force Motors opened Rs 100 crore Greenfield plant in June 2016 for supplying engines and axles to Mercedes-Benz India.

5. Suzuki has initiated a Greenfield project in car and power train manufacturing in June 2015 near Ahmadabad, Gujarat.

6. Mercedes-Benz opened its second manufacturing plant in Chakan, Maharashtra in July 2015.

7. A total of \$5.5 billion Foreign Direct Investment (FDI) has come into the automobile sector from April 2014 to March 2016.

8. Overall production has increased from 2.6 percent in FY 2015-16. The industry produced a total of 23,960,940 in FY 2015-16 compared to 23,358,047 in the previous period.

9. A significant growth was seen in the total production of green vehicles - electric and hybrid - from 17,107 in FY 2014-15 to 71,909 in FY 2015-16. It is not just production; sales have increased as well, with 16513 units in FY 201-15 to 65,224 units in FY 2015-16.

10. Exports grew as well with 1.9 percent increase over the previous period of FY 2014-15 which is worth \$8.8 billion.

The Make-in-India campaign is on the upward trajectory and this is bound to create a better environment for manufacturing products in India. The highlights above are the testament to the campaign and this will energise other automotive manufacturers to set up their plant in India.

How has the entire Auto Industry sector been impacted by Make in India?

PRESENT SITUATION

The industry produced a total of 23,960,940 vehicles in April-March 2015 as against 23,358,047 in April-March 2014, registering a growth of 2.58% over the same period last year. The country is also currently the 6th largest market in the world for automobiles and is expected to become the world's third-biggest car market by the year 2020. As per the Automotive Components Manufacturers Association of India (ACMA), the world standings for the Indian automobile sector are as follows:

- Largest tractor manufacturer
- 2nd largest two wheeler manufacturer
- 2nd largest bus manufacturer
- 5th largest heavy truck manufacturer
- 6th largest car manufacturer
- 8th largest commercial vehicle manufacturer

Today, 100% FDI is allowed in the sector through the automatic approval route which means that foreign investors do not require the prior authorization of the Government of India. The impact of this decision can be seen in the data released by Department of Industrial Policy and Promotion (DIPP) which states that the industry has attracted FDI worth USD 15.065 billion during the period April 2000 to March 2016.

Thus, it can be reasonably concluded that India has emerged as one of the key global players (both as a consumer and a producer) in the automobile industry. It has witnessed tremendous growth, especially in the last few years and has become a base for global manufacturers. Volkswagen, Nissan, Renault, General Motors, Ford, Honda, Suzuki, Hyundai, Daimler, BMW, Skoda, Audi are all present in India and are manufacturing and assembling locally. Mercedes-Benz recently decided to make the entry level GLA-class Sport Utility Vehicle (SUV)

in India. Japanese two-wheeler manufacturer Honda Motorcycle and Scooter India (HMSI) opened its 4th and world's largest scooter plant in Gujarat while Chrysler has planned to invest USD 513.5 million in Maharashtra, to manufacture Jeep Grand Cherokee model.

NEW INITIATIVES & VISION FOR THE FUTURE

The government of India aims to maintain this upward growth trend of the automobile industry and has launched several initiatives to achieve the same.

The Automotive Mission Plan 2016-26 (AMP 2026) is one such initiative. It clearly lays out the government's collective vision on how the automotive sector should grow regarding size, contribution to national development, technological maturity, global competitiveness and institutional structure. It aims to make India among the top three automotive industries in the world and increase exports exponentially to reach 35-40% of overall output. It also intends to increase its contribution to the GDP to over 12 %, generating 65 million more jobs as well as increasing the size to USD 300 billion by 2026.

Another initiative launched by the government was the Faster Adoption and Manufacturing of Hybrid and Electric (FAME) India scheme in 2015 with a capital outlay of USD 122.3 million. It is based on NEMMP (National Electric Mobility Plan) 2020 road map and covers all segments i.e. two, three wheelers, cars, LCVs, buses, and all forms of hybrid and pure electric vehicles.

With the emergence of 5 large automotive clusters in the country i.e. the Delhi-Gurgaon-Faridabad in the north, Sanand-Halol and Mumbai-Pune-Nasik-Aurangabad in the west, Chennai-Bengaluru-Hosur in the south and Jamshedpur-Kolkata in the east, India is fast on its way to becoming the primary global automobile manufacturer. The government of India is more than willing to lead this charge and assist this sector in every way to help it achieve its full potential.

Should the government make changes to the policy to improve outcomes across the sector?

Yes. Government should review the tax structure which is detrimental to the growth of the industry. It should give further levies for electric/hybrid cars to make it environment friendly and emission free. Going forward the government should guide in which technology the manufacturers should invest

more on BS6/Electric or hybrid vehicles, optimizing best utilization of resources.

Have you seen an increase in FDI ? How has this impacted your company? The entire Auto Industry sector?

Yes, NEW OE / Manufacturers have set up operations in India and have invested huge amount of Capital. This has resulted in manufactures bringing in latest technology and vehicles at par with rest of the works. In fact most manufacturers use Make in India to manufacture and then export the vehicles to other countries.

Have you seen an increase in start-ups and entrepreneurial activity in the Auto Industry sector? How has this impacted your company /the entire sector?

Startups, in India as in many other parts of the world, have received increased attention in recent years. Their numbers are on the rise and they are now being widely recognised as important engines for growth and jobs generation. Through innovation and scalable technology, startups can generate impactful solutions, and thereby act as vehicles for socio-economic development and transformation.

The Indian startup ecosystem has evolved dynamically over the last two decades. Some startups were founded in the 2000s, but the ecosystem was still immature as only a few investors were active and the number of support organisations such as incubators and accelerators was limited. Some successful exits occurred in the late 2000s and in the last ten years, the number of startups increased fast and more support has become available in all dimensions. Bangalore has emerged as India's primary startup hub, but significant founding activity is also taking place in Mumbai and the National Capital Region (NCR), as well as some smaller cities.

Startups in India: Opportunities and Growth Drivers

- a) Scope and Characteristics of the Indian Market
- b) Technological Change
- c) Increased Political Will and Government Support
- d) Companies Increasingly Seek to Engage in Open Innovation
- e) Changing Perceptions towards Entrepreneurship
- f) Increase Competition and choices

Have recent policies improved ease of doing business within the sector?

Too much compliance has resulted in less quality time to do business and family time.

Is your company involved in the Smart Cities mission? If so, in what capacity?

No

CONSTRUCTION SECTOR:



India's Real Estate sector is expected to reach a market size of \$180 Bn by 2020 and \$1 Tn by 2030. (Make in India – Construction, 2017) Its contribution to the country's GDP is expected to be approximately 13%. Similarly, India's construction industry will remain buoyant due to increased demand from real estate and infrastructure projects. The construction industry is expected to grow at an annual average of 6.6% between 2019 and 2028. (Make in India – Construction, 2017)

GDP and construction industry growth comparisons in India, FY'02-FY'08



Image Source: Make in India – Sector Survey: Construction
(<http://www.makeinindia.com/sector/construction>)

CONSTRUCTION INDUSTRY INTERVIEW:

Name: Vineet Kanwar

Title: Senior Executive Director

Company: DLF GROUP

DLF Limited is an India-based real estate company. The Company is primarily engaged in the business of real estate development, but also works in generation of power, provision of maintenance services, hospitality and recreational activities.

How company has impacted by Make in India Policies - positive and negative impacts?

Having been in existence for over 73 years, the DLF GROUP has been making exceptional living and working spaces for the new Indian Global Professionals. DLF believes in Make in India Policies as it is fully dedicated to developing ecosystems for India's changing needs.

How has the entire Construction sector been impacted by Make in India?

Upon the enactment of the Make in India Policy, the Real Estate Industry in India is flourishing at a fast pace. The real estate sector in India by riding on the back of the economic growth is witnessing an unparalleled growth and has brought many regulatory changes.

Should the government make changes to the policy to improve outcomes across the sector?

At the present scenario, no change in the policy is required. The policy, in itself is fully viable to improve outcomes across the real estate sector. However, the formulation of speedy processes of various approvals/ permissions may be required to make good outcomes.

Have you seen an increase in FDI? How has this impacted your company? The entire Construction sector?

The DLF GROUP does not carry any FDI at present. However, the group is already in collaboration/JV with various International Companies/ Institutes.

Have you seen an increase in start-ups and entrepreneurial activity in the Construction sector? How has this impacted your company/the entire sector?

The DLF Group has seen an increase in start-ups and entrepreneurial activities in Real Estate. The recent surge in the economic growth, including business houses, technical and consultancy services and call centres have constituted a good growth in the entire sector.

Have recent policies improved ease of doing business within the sector?

The recent policy of Government of India has improved the Easo of Doing business. The distance to frontier scores uses the best practices for doing business as the parameter and bench mark economies according to that parameter.

Is your company involved in the Smart Cities Mission? If so, in what capacities?

DLF Group has already been involved in the Smart Cities mission since its inception. Having smart cities across India is not only an eye catcher for the foreigners but also it makes India a world class country to live in. E.g.: Gurugram.



SWOT ANALYSIS ACROSS SECTORS

1. AVIATION INDUSTRY:

Strengths & Opportunities:

FDI grew 5 times - from \$229 mn (2010-14) to \$1148 mn (2014-18) in Air Transport sector.

Domestic passenger traffic crossed the 100 mn mark in 2017, reaching 123.32 mn during 2017-18.

A total of 75 airports were opened in 75 years of Independence while 33 new airports were started in just one year between 2016 and 2017.

Weaknesses & Threats:

Need to professionalise regulators like DGCA (Directorate General of Civil Aviation) to ensure that officials have an understanding of the sector. That will ensure bringing in better systems by airlines, leading to reforms in the way they are run.

Persistent technical issues due to reliance on indigenous technical know-how has plagued two of the most popular passenger aircraft models flown by India's airlines.

The gap between crew and fleet will widen in the coming years if we keep relying on domestic crew leading to a great mismatch.

2. AUTOMOBILE INDUSTRY

Strengths & Opportunities:

By 2020, more than 6 mn hybrid and electric vehicles are expected to be sold annually

India is projected, in terms of volume by 2026, to be the world's third-largest automotive market.

Weaknesses & Threats:

The automotive industry has been at a decline due to the convenient taxi services provided by OLA and UBER.

People have started to buy fewer cars as well as big cities have started to become too crowded and inconvenient to drive.

The government has started giving lesser loans to numerous companies in the industry as well.

3. CONSTRUCTION INDUSTRY

Strengths & Opportunities:

Investment of \$31.7 Bn has been proposed by 99 cities under the Smart City initiative.

Indian Real Estate sector is expected to reach a market size of \$180 Bn by 2020 and \$1 Tn by 2030. It's contribution to the country's GDP is expected to be approximately 13%

Weaknesses & Threats:

In India, on-time completion of construction projects happens rarely, in fact, time overrun in this industry is a universal problem.

Unfortunately, almost all the projects fail to achieve project completion with the projected cost.



TRENDS ACROSS SECTORS DUE TO MAKE IN INDIA

Through the government's Make in India initiative, the Aviation Industry looks hopeful as it plans to increase the number of operational airports to 250 by 2020. The government has also made an investment of approximately \$120bn towards airport infrastructure, and India's aviation market is set to become 3rd largest by 2024.

In the Automobile Industry, production of passenger vehicles rose by 2.8 percent in 2019. Make in India has also contributed to a significant cost advantage in that it attracts investment opportunities in this sector. In terms of future trends, the industry is trying to make a shift towards electric vehicles, which will be further bolstered by the advanced technology that Make in India intends to attract.

The Construction Industry continues to grow at a steady pace, and the size of global construction industry is likely to cross \$ 10 trillion by 2020. One of the most salient features of the industry is that it is quick to adopt newer technology and meet changing needs and circumstances. Another trend in the construction industry in light of Make in India has been the increase in investments that have led to an increase in the property prices all over the country.

With these trends, as well as the feedback from individuals working in each sector, it is clear that the Make in India policy has been beneficial for each sector. Though there are minor setbacks that require attention, as these are addressed over time, Make in India looks like it is on track to fulfil its stated goal of boosting the Indian economy through investment, skill development, and innovation.



BIBLIOGRAPHY:

“Construction Sector: Current Scenario & Emerging Trends”, *Infra Construction & Equipment Magazine*. Accessed at:

<https://www.nbmcw.com/report/construction-infra-industry/1835-construction-sector-current-scenario-and-emerging-trends.html>

Government of India. “Investor Desk”, Make in India.

<http://www.makeinindia.com/investor-desk>

India Brand Equity Foundation. *Aviation Industry*. July 2017. Accessed at:

<https://www.ibef.org/download/Aviation-July-2017.pdf>

Kanwar, Vineet (DLF Group). Email Interview. DATE: 2nd December, 2019

Make in India. “Sector Survey – Construction”. 2017. Accessed at:

<http://www.makeinindia.com/sector/construction>

Make in India. “Sector Survey – Automobile”. 2017. Accessed at:

<http://www.makeinindia.com/article/-/v/make-in-india-sector-survey-automobile>

Make in India. “Sector Survey – Aviation”. 2017. Accessed at:

<http://www.makeinindia.com/article/-/v/make-in-india-sector-survey-aviation>

Parthasaratay, Jeyadev (Chimes Aviation Pvt. Ltd.) Email Interview. DATE: 2nd December, 2019

Paul, Kennedy. “Report: Make in India and Its Impact on the Automobile Sector”, *DriveSpark*. 29 November, 2016. Accessed at:

<https://www.drivespark.com/four-wheelers/2016/make-in-india-automotive-sector-report-019348.html>

Suri, Asheem (Godwari Motors Pvt. Ltd.) Email Interview. DATE: 2nd December, 2019