



INDIA BRIEFING

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Where to Invest in India: Analyzing Gujarat, Maharashtra, and Tamil Nadu's Business Environment

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Introduction



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Managing Director
Dezan Shira & Associates
New Delhi Office

The business landscape in India is a dynamic interplay of challenges and opportunities, catering to both well-established and emerging enterprises. With 28 states and 8 union territories, each characterized by unique language, culture, perspective, geography, infrastructure development, and industry regulations, effectively navigating this diversity is essential for foreign companies engaging in trade or investment.

As the world's most populous country, India's regional demographic spread significantly impacts the labor market size and requires foreign stakeholders to assess the quality of available human resources. Also, to succeed in the Indian market, foreign companies must conduct due diligence to identify suitable and cost-effective locations aligning with their operational needs, besides considering mature hubs in economically significant states.

This edition of *India Briefing Magazine* emphasizes the importance of market feasibility studies before entering India — crucial for optimal outcomes — by capitalizing on regional policies, industrial ecosystems, supplier networks, and talent sourcing. Additionally, we spotlight three prominent Indian states for manufacturing businesses, providing state-specific fact sheets that highlight key strengths and opportunities.

With extensive experience in assisting foreign enterprises in Asia, both in the pre-investment and market entry stage, Dezan Shira & Associates is well-equipped to assist your company meet its growth goals. Our offices across India provide valuable local insights and expertise. For more information, please contact us at india@dezshira.com.

With kind regards,

Rohit Kapur



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Why Choose India for Your Investment

To succeed in India, businesses must prioritize due diligence to pick investment-friendly and cost-effective destinations best suited to their enterprise needs. For foreign investors, conducting comprehensive feasibility studies is strongly recommended.



Koushan Das
Manager
Business Intelligence

India's economic outlook

Since the liberalization of the Indian economy in 1991, India's investment landscape has undergone a remarkable transformation, fueled by a more accommodating regulatory framework and recent relaxation of foreign direct investment (FDI) caps. Over the past decade, India has consistently demonstrated its economic prowess, achieving an average GDP growth rate of 5.5 percent, reflecting its robust and sustained expansion.

The latest projections from both the World Bank and the Reserve Bank of India (RBI) further underline the enduring strength of India's economic trajectory. The World Bank maintains its outlook for India's GDP to grow at a formidable 6.3 percent for the fiscal year 2023/24. In parallel, India's central bank echoes this sentiment by projecting a robust 6.5 percent growth rate for FY 2024. In fact, the RBI foresees continued quarterly growth rates in FY 2024-25, narrowing its initial projection range from 5.5-7 percent to 6.3-6.5 percent.

The compelling story of India's economic growth is further substantiated by its stellar performance in the FY 2022/23, where it achieved an impressive growth rate of 7.2 percent. This achievement positioned India's growth rate as the second highest among G20 countries, nearly doubling the average for emerging market economies. India continued this momentum into the first quarter of FY 2023/24, with GDP surging by 7.8 percent in the period from April to June, marking a significant improvement from the preceding quarter's growth of 6.1 percent.

In terms of key support factors, India also benefits from having a large demographic base. Now the world's most populated country, with 1.4 billion people, India is poised to assume a dominant role in the global commercial landscape throughout this decade. India's emergence as a significant economic player presents attractive prospects for foreign investors and businesses alike. The country has distinctive attributes, including a dynamic policy environment, large and differentiated consumer markets, and a robust digital infrastructure.

By the year 2031, India is projected to drive one-fifth of global economic growth. This will be underpinned by the convergence of several key trends, including global offshoring capabilities, digital innovation, and a shift towards cleaner energy sources.

India's favorable demographic profile and consistent growth trajectory overall makes it a relatively safe bet as an investment destination. Over the last two decades, spanning from April 2000 to March 2023, India has successfully secured over US\$919.63 billion in total FDI.

Key drivers of foreign investment in India

The contemporary drivers of foreign investment in India include sector-specific production-linked incentive (PLI) schemes, rapid growth of untapped markets in tier-2 and tier-3 cities, and investment facilitation measures like the National Single-Window System (NSWS). The NSWS simplifies the approval and clearance processes for investors, entrepreneurs, and businesses. Additional factors propelling India's growth trajectory forward encompass high-tech industrial development, the sheer size of its market, and ongoing advancements in the digital and technology ecosystem. Furthermore, strong public investment has driven growth in the construction sector, reflecting India's commitment to infrastructure development.

Where to invest in India

India comprises 28 states and 8 union territories, each characterized by its unique language, culture, outlook, laws, and regulations. Consequently, businesses should remain cognizant of these distinctions when engaging in trade with or planning investment into India and leverage the diverse strengths of individual states.

Factors Attracting Investor Interest in India

- 1 Make in India**

The government has launched Make in India program to drive self-reliance and aid manufacturing in India and strengthen the logistics supply chain.
- 2 PM GatiShakti**

With an INR 200 billion outlay, the initiative is driven by the seven engines - Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.
- 3 PLI Scheme**
 - Incentives of INR 1.97 trillion have been announced for 14 sectors.
 - Heavy incentives for foreign companies manufacturing in India.
- 4 Export Promotion**
 - Government planning changes to current SEZ Act. Authorities may eventually permit units in these zones to sell to domestic tariff areas without the payment of customs duties.
 - New Foreign Trade Policy announced in FY 2023.
- 5 Liberal FDI Norms**
 - Several sectors open to 100% FDI under automatic route.
 - 13 FTAs and six preferential trade agreements are signed with several countries.

Factors influencing investment decisions within India often revolve around the ease of doing business, including aspects like seeking approvals and navigating regulations, as well as market appeal. The latter relates to market size, spending power and purchasing habits, and the availability of a skilled workforce.

Notably, the most frequently cited reasons when choosing a business location include the region's expeditious approval process and efficient bureaucracy, market size, minimal regulations and supportive government policies, and the presence of a skilled labor pool. Other factors, such as robust physical infrastructure, also come into play.

The importance of making state comparisons in your India market entry planning

Comparing states in India is thus a critical step in the investment decision-making process. It enables investors to make informed choices that align with their business objectives, reduce risks, and maximize opportunities for success in their sector of operation. Different states offer different advantages and disadvantages, depending on your sector of economic activity, goals, and preferences.

Here we briefly discuss these factors of consideration.

Diverse business environments

India is a vast and diverse country with significant variations in business environments, regulations, and economic conditions across states. Each state has its unique strengths, weaknesses, and specializations. Comparing states allows investors to identify which one aligns best with their business goals and industry.

Regulatory variations

State governments in India have the authority to create and implement policies and regulations in their jurisdiction, which impact business and economic activity. These include provisions related to taxation, such as tax on agricultural income, professional tax, value added tax (VAT), state excise duty, land revenue, and stamp duty, as well as labor laws and environmental clearances, to mention a few. These regulations can significantly impact the ease of doing business. Comparing states helps investors understand the regulatory landscape and its implications.

Infrastructure and logistics

Infrastructure quality and logistics play a vital role in business operations. States differ in terms of transportation networks, access to ports, availability

of industrial parks, and overall connectivity. Investors need to evaluate these factors to ensure smooth operations and cost-effective logistics.

Labor and workforce

Labor availability, skills, and labor laws can vary widely among states. Investors must assess the local labor force's skills, productivity, and the ease of hiring and firing employees. Understanding labor conditions is essential for businesses reliant on a skilled or unskilled or highly specialized workforce.

Industry focus

Different states in India have distinct industrial specializations. For example, Gujarat is traditionally known for its petrochemical industry, while Maharashtra is a financial and manufacturing hub. Tamil Nadu has a strong automotive and electronics manufacturing sector. Comparing states helps investors identify which region aligns with their industry focus and expertise.

Incentives and support

State governments often offer incentives and support to attract investments. These incentives may include tax benefits, subsidies, and preferential treatment for specific industries. Comparing states helps investors evaluate which region provides the most favorable incentives for their business.

FDI inflows

Look at the FDI equity inflow data for various states, which indicates the level of foreign investment, presence of MNCs in a particular sector, and therefore business confidence in each state. According to 2021 data, the top five states in terms of FDI equity inflow were Karnataka, Maharashtra, Delhi, Gujarat, and Tamil Nadu.

Market access

The consumer market in India can vary significantly

from state to state due to cultural, economic, and demographic differences. Understanding the local market dynamics is crucial for businesses aiming to target specific consumer segments.

Risk mitigation

By comparing states, investors can diversify their geographic risk. Investing in multiple states can reduce exposure to regional economic downturns, political instability, or natural disasters.

Local partnerships

In some cases, forming partnerships with local businesses or government entities may be necessary. Choosing the right state for investment involves assessing the availability of suitable partners and collaborators.

Long-term viability

A thorough comparison helps investors assess the long-term viability of their investment. Understanding the stability and growth potential of a state's economy is essential for making sustainable investments.

Conducting a feasibility study to choose the right location for your business

When a foreign investor chooses to locate their investment in a specific Indian state or across multiple Indian states, they must consider the comparative economic, regulatory, infrastructural, and demographic aspects to make the most informed decisions.

A key challenge during this phase is seeking comparative and updated data sets, as each state publishes statistical information and economic data differently. Often this may be linked to particular goals of the state government and areas of performance that officials want to be highlighted.

Foreign businesses and investors are advised to conduct thorough research, seek local advice, and consult with local experts to navigate the complexities of the Indian investment landscape effectively.

Below we list key factors to be considered.

1. Economic indicators

- **Gross state domestic product (GSDP) growth:** Analyze the state's historical and projected GDP growth rates to gauge economic vitality.
- **Sectoral contribution:** Understand the state's major industries and their contribution to GDP.
- **Per capita income:** Evaluate the average income levels to assess consumer purchasing power.

2. Business environment

- **Ease of doing business:** Assess the state's ranking in national and global ease-of-doing-business indices.
- **Regulatory environment:** Examine state-specific regulations, taxation policies, and compliance requirements.
- **Investment policies:** Understand the state's incentives and support for foreign investors.

3. Infrastructure and logistics

- **Transportation:** Evaluate the quality of roads, ports, airports, and railways for efficient movement of goods and people.
- **Industrial zones:** Determine the availability of industrial zones or parks for setting up operations.
- **Connectivity:** Assess how well the state is connected nationally and internationally.
- **Land cost:** Evaluation of infrastructure and logistics, with particular attention to land costs, as they play a pivotal role in shaping the economic viability of the project.

4. Workforce and labor market

- **Labor force:** Analyze the size, skills, and demographics of the local labor force.
- **Labor laws:** Understand state-specific labor laws, wage rates, and labor union dynamics.
- **Availability of skilled workers:** Consider the availability of specialized skills required for your industry.
- **Labor costs:** Understanding and managing labor costs informs the scale and size of project investment and ensuring long-term profitability.

5. Industry focus

- **Industry specialization:** Identify the state's key industries and their growth prospects.
- **Competition:** Analyze the competitive landscape within the chosen industry in the state.
- **Supply chain:** Assess the availability and reliability of suppliers and partners.

6. Incentives and support

- **Tax benefits:** Investigate tax incentives, exemptions, and benefits for investors.
- **Subsidies:** Check for government subsidies and grants available for specific industries.
- **Infrastructure support:** Evaluate state-led infrastructure development initiatives.

7. Market access

- **Consumer base:** Examine the size, demographics, and preferences of the local consumer market.
- **Distribution networks:** Assess the efficiency and reach of distribution channels.
- **Market potential:** Determine the growth potential for your products or services.

8. Risk assessment

- **Political stability:** Consider the state's political stability and the potential for political disruptions.
- **Security:** Evaluate the state's security situation, especially if your investment involves sensitive assets.
- **Natural disaster risk:** Assess the susceptibility to natural disasters and the state's disaster management capabilities.

9. Local partnerships and networks

- **Government collaboration:** Explore opportunities for partnerships with state government agencies.
- **Local business partners:** Identify potential local partners, suppliers, or distributors.
- **Industry associations:** Join industry associations to gain insights and network.

10. Sustainability and environmental compliance

- **Environmental regulations:** Understand and comply with state-specific environmental regulations.
- **Sustainability initiatives:** Evaluate the state's commitment to sustainable practices.

11. Long-term viability


- **Economic trends:** Analyze the state's economic trends and its resilience during economic downturns.
- **Infrastructure development plans:** Investigate the state's long-term infrastructure development plans.

12. Cultural and social factors

- **Cultural sensitivity:** Be aware of cultural nuances and local customs that may impact business operations.

- **Community relations:** Establish positive relationships with the local community.

13. Legal due diligence

- **Legal framework:** Understand the state's legal framework, property rights, and contract enforcement mechanisms.
- **Dispute resolution:** Familiarize yourself with dispute resolution mechanisms available in the state. 



IDENTIFY THE OPTIMAL INVESTMENT DESTINATION WITH LOCATION AND SITE ANALYSIS

Choosing a location is particularly challenging in emerging Asia as the factors affecting site selection are rapidly changing. Location analysis and a strategic site selection plan can have a major impact on the success of a business, affecting production, operations, and sales. Companies must take steps to ensure they have the right information before committing time and money.

We offer market entry and expansion reports for clients in China, India, and ASEAN. These help clients assess industrial zones based on their preferred criteria, including locational advantages such as proximity to ports, integration with industrial clusters, minimum capital requirements, availability of required land and facilities, as well as available tax incentives.

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Case Study: Manufacturing Feasibility Study

Dezan Shira & Associates (DSA) was retained by a client (Company) specializing in the design and manufacturing of electronic components for several industries. Company was investigating the feasibility of moving part of its current manufacturing operations from China to India that provided a competitive advantage. The goal of diversifying its operations was to reduce operational costs, reduce dependence on one country, and minimize geopolitical risks. Shortlisted states included Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh, and Karnataka.

Approach

- DSA worked closely with Company to identify key aspects of shortlisted states to be reviewed: Political Climate, Economic Environment, Regulations and Environment Standards, Cities/Districts for Manufacturing, General Operating Costs, Labor Review, Logistics Quality, Tax and Tariff Review, and Incentives Policies.
- Conducted research by leveraging DSA's database and requested information from industrial zones, investors, state investment promotion agencies, and in-house legal and tax experts. This provided Company with a holistic picture of each potential state.
- Presented findings in a summary report that described the results of the research.
- Designed a state benchmarking comparison, which compared different states on aforementioned indicators to highlight the top states for Company to consider for investment.

Key challenges

- Limited information on some states of interest.
- Standardizing the data and information.

Result

- Manufacturing Feasibility Report that recommended top state(s) that were optimal for Company's operations.



Investment Spotlight on Western India: Gujarat vs Maharashtra

Both Gujarat and Maharashtra present investors with advantages and challenges. The decision on the ideal location hinges on a multitude of factors, including business goals, sector-specific interests, market prospects, supplier connections, local partnerships, regulatory and financial considerations, and risk tolerance.



Melissa Cyrill
Deputy Managing Editor
Asia Briefing

Introduction

Western India presents an attractive option for businesses considering expansion or setup, owing to its strategic location, well-established industrial hubs, natural resources, and business-friendly environments. The region's key states—Maharashtra and Gujarat—boast mature industrial centers and strong infrastructural foundations.

Maharashtra's capital, Mumbai, is India's financial and commercial nucleus and a major cosmopolitan metro hub, while Gujarat has earned a reputation for its diamond, petrochemical, and chemical industries as well as emerging sectors like semiconductors and GIFT City IFSC. Both states offer access to a skilled workforce and have implemented initiatives like "Make in Maharashtra" and the "Vibrant Gujarat Summit" to encourage investment.

Additionally, tier-2 and tier-3 cities in India's western states have a cost of living that can

be more affordable when compared to many metropolitan areas. However, businesses must conduct comprehensive research to align their specific needs with the advantages and challenges of the region, as conditions may vary across states and industries.

In this chapter, we focus on the investment allure of Maharashtra and Gujarat, listing critical factors that foster robust manufacturing and business operations, facilitate export growth, and draw increased levels of foreign investment in these states.

State profile: Maharashtra

Maharashtra, situated in the vibrant western region of India, is a longstanding economic powerhouse and a familiar base for discerning investors. The state has well-crafted policies and incentives tailored to designated 'thrust sectors.' Furthermore, its district-specific and sector-specific export promotion policies enable responsible resource management and equitable distribution.

The state's exceptional infrastructure network, covering air travel, railways, roadways, and ports, plays a pivotal role in optimizing logistics costs, making Maharashtra a preferred destination for industrial investors. In fact, Maharashtra consistently ranks as the top choice for both domestic and international investors, earning the distinction of leading a recent 2022 survey by the UK-India Business Council.

As the largest contributor to India's GDP, Maharashtra maintains a pivotal role in the nation's economic progress. Notably, the state is home to Asia's oldest stock exchange, the Bombay Stock Exchange, which further solidifies its position as a financial hub.

Maharashtra's robust industrial ecosystem is renowned, with a mature automobile manufacturing sector and leadership in agro, textile, and food processing industries. The state is also a key hub for captive business outsourcing industries. The majority of investments pouring into Maharashtra are channeled into renewables, information technology, and steel manufacturing, reflecting the state's diversification. The state's JNPT Port, a key gateway for trade, connects to 33 container freight stations and 47 inland container depots, enabling logistical efficiency.

Overall, Maharashtra presents a compelling proposition for businesses looking to thrive and expand in India's dynamic economic landscape, benefiting from a legacy of manufacturing and financial enterprise.

State profile: Gujarat

Gujarat is one of India's prominent manufacturing hubs and presents a compelling investment opportunity. The state's appeal is underscored by frequent updates in industrial policies, export

promotion schemes, and incentives for foreign investors in niche sectors. Leveraging an already well-established ecosystem of OEM firms and MSME clusters, multinational companies looking to expand their supply chains in India can find Gujarat to be an ideal destination.

Gujarat plays a pivotal role in India's economic landscape, contributing nearly 8 percent to the national GDP, despite occupying only 6 percent of the country's land area and housing 5 percent of its population. This economic performance is bolstered by Gujarat's position as a key player in cargo handling, managing 40 percent of India's cargo. Furthermore, the state offers a streamlined investment process through district-level single window facilities and the option to convert Industrial Parks into Special Economic Zones, offering the coveted status of deemed foreign territory with tax benefits.

Gujarat's economic diversity is underscored by the commodities that form the backbone of its exports, including petroleum, diamonds, ceramics, textiles, machinery, and more. In fact, the state's gems and jewelry industry accounts for over 80 percent of India's diamond exports. The chemical industry is a significant driver of investment, attracting half of the state's annual investments, while Gujarat also plays a pivotal role in the pharmaceutical sector, contributing 40 percent of India's pharmaceutical production. Additionally, the state's rich bio-resources and substantial forest cover, coupled with extensive horticultural cultivation, offer opportunities in sectors beyond heavy industry.

The dynamic workforce in Gujarat exhibits a shifting employment landscape, marked by the entry of half a million new entrepreneurs between September to December 2022, reaching a total of 3.7 million—an unprecedented figure since 2019.

Employment in Gujarat reached its zenith at 26.7 million during the period between September and December 2022, reflecting a transition away from agriculture to various other occupations. The distribution of employment during this period saw small traders and wage laborers make up approximately 31 percent of the workforce in Gujarat, closely followed by salaried employees at nearly 30 percent. Farmers accounted for 25.5 percent of employment, with businesspersons comprising a smaller share at 13.8 percent.

In summary, Gujarat offers a dynamic investment environment with a diversified industrial ecosystem, robust export potential, and an evolving workforce landscape. With forward-looking policies and strategic advantages, Gujarat is an attractive destination for both domestic and foreign investors seeking to tap into its well-established industrial infrastructure and emerging opportunities.

State comparison – choosing the right investment location

The choice between Maharashtra and Gujarat as a better place to do business depends on various factors and the specific requirements of your business. Both states offer distinct advantages and disadvantages, and the choice should be guided by factors such as your industry, business objectives, and other relevant considerations. Maharashtra showcases a mature industrial landscape in certain sectors, such as the financial services industry, while Gujarat stands out in areas like petrochemicals, exemplifying the diverse strengths of each state.

Both states are seeking to expand development beyond their urban and industrial hubs, creating multiple greenfield investment opportunities. In particular, Gujarat is seeking to build its reputation in frontier industries like semiconductor

manufacturing and assembly in the Ahmedabad-Dholera region as well as international financial services at GIFT City, while Maharashtra aims to boost its IT sector profile, playing catch up with Karnataka and Telangana to the south and the Delhi NCR region to the north.

MNCs and global captive centers can choose their destination based on the availability of talent and presence of high-ranking educational institutions. Each state also has legacy sectors that feed into the human capital development. Overall, Maharashtra benefits from its capital Mumbai being more cosmopolitan, and hosting a large population of migrant workers, students, and professionals from across the country. 🇮🇳



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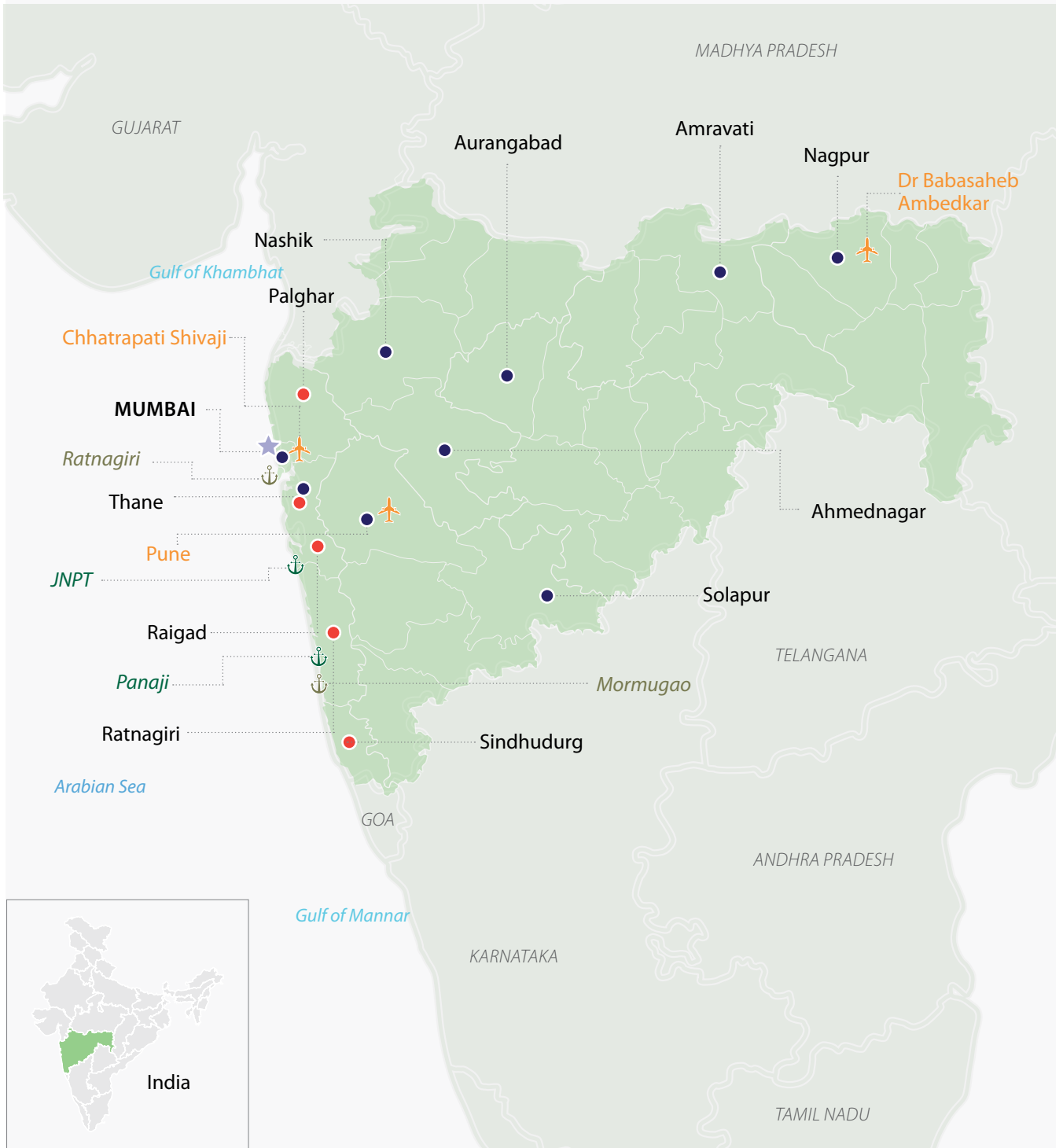
Our Cross Country Competitiveness Benchmarking service aids businesses in assessing expansion or relocation options by providing comprehensive insights into political, economic, manufacturing viability, human resources, infrastructure, logistics, regulatory environment, operating costs, and tax incentives. We offer customized studies to help you identify the most suitable Asian alternative for your investment.

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Maharashtra

- ★ CAPITAL
- Key cities and industry hubs
- Konkan division
- ✈ International Airports
- ⚓ Major Seaport
- ⚓ Intermediate Seaport








Maharashtra State Fact Sheet

Category

| | |
|--|--|
|  GDSP | INR 38.797 trillion (US\$466.60 billion) – 2023-24 projection, at current prices (US\$1=INR 83.15) |
|  Per capita | INR 242,247 (US\$2,911.60) in 2022-23, at current prices |
|  Minimum wage | Zone 1: INR 12,699 (unskilled) to INR 14,310 (skilled); Zone 2: INR 12,103 (unskilled) to INR 13,714 (skilled); Zone 3: INR 11,506 (unskilled) to INR 13,118 (skilled) (As of October 1, 2023) |
|  Population | 112.37 million (2011 Census) |
|  Internet subscribers | 97 million |
|  Area | 308,000 sq km |
|  State language | Marathi, Konkani, Hindi, and English |
|  Literacy rate | 82.3 percent |
|  Focus sectors | Auto and auto component ecosystem, chemical sector, defense sector, electronic system design and manufacturing (ESDM), food processing sector, gems and jewelry sector, IT, pharmaceutical sector, and textile sector |
|  Enabling policies | Aerospace & Defence Manufacturing Policy – 2018; Cloud Computing Policy – 2018; Extension of Industrial Policy – 2018; FinTech Policy – 2018; Incentive for Development of Integrated Industrial Area – 2018; Industrial Policy – 2019; Industrial Promotion Subsidy (IPS) under Industrial Policy - modification under Goods and Services Tax (GST) regime; Policy of Industrial Parks comprising of flatted galas of Readymade Garment manufacturing, Gems & Jewellery, Micro-Electronics and Engineering Units – 2018; Maharashtra Coir Policy – 2018; Maharashtra Industrial Policy – 2013 Schedule-A Modifications for development of Integrated Industrial Area; Maharashtra's Electric Vehicle and related Infrastructure Policy – 2018; Maharashtra's Logistics Parks Policy – 2018; Textile Policy – 2018; and Maharashtra IT-ITES Policy of 2023 |
|  Exports | Merchandise exports in FY23 = US\$73 billion. Top export products are pearls, precious, semi-precious stones; drug formulations/ biologicals; gold & other precious metals, jewelry; motor vehicles & cars and iron & steel. Top export destinations are USA, Hong Kong, UAE, Belgium, UK, China, Singapore, Mexico, and Germany |
|  Market access | 5 international and 13 domestic airports; 720 km coastline with 2 major ports and 48 minor ports; over 324,000 km of road network; about 5,987 km of rail route length; 18 inland container depots, 45 container freight stations, 8 private freight terminals, 11 air cargo terminals, 548 railway goods sheds, 2,233,000 warehouses, 1,009,693 MT cold storage capacity |
|  Cost of living | US\$527 (single person) to US\$1,308 (family of four) |
|  Talent sourcing | 1,112 engineering and management colleges, 732 polytechnic institutes, 438 pharmacy colleges, and 1,029 industrial training institutes, 1 central university, 23 state universities, 14 private universities, 21 deemed universities; 68% employable talent—highest in India |
|  FDI | INR 1.18 trillion (US\$14.806 billion) in FY 2022-23; INR 366.34 billion (US\$4.46 billion) in Q1FY24 |
|  Key foreign companies | GlaxoSmithKline, Fiat, McCain, Coca Cola, HP, Bayer, Haffkine, Pfizer, Cisco, Wockhardt, Barry Callebaut, Daimler, Schindler, L&T Infotech, Mercedes-Benz, Volkswagen |

Maharashtra State Fact Sheet

Category

| | |
|--|--|
|  Investment facilitation | <p>Maitri single window system, Maharashtra Industrial Development Corporation (MIDC), CIDCO, and Software Technology Park of India</p> |
|  Industry hubs | <p>Aurangabad – auto and auto component, IT/ITeS, food processing, electronics, tourism; Nashik – auto and auto component, food processing, defense, textile, pharmaceutical, and tourism; Mumbai – auto and auto component, banking and financial services, media, IT/ITeS, pharmaceutical, electronics, and tourism; Pune – education, auto and auto component, IT/ITeS, electronics, food processing, defense, textile, pharmaceutical, and tourism; Ahmednagar – food processing, defense, electronics, and tourism; Kolhapur – food processing, engineering, IT/ITeS; Sangli – engineering, IT/ITeS; Solapur – textile, engineering, IT/ITeS; Latur – food processing, engineering, IT/ITeS; Amravati – textile and IT/ITeS; and Nagpur – auto and auto component, food processing, defense, electronics, and tourism</p> |
|  Industrial infrastructure | <p>289 industrial areas; Wine Parks; Silver Parks; Floriculture Park; Food Parks; 12 Textile Parks and 1 PM Mitra Park; 27 IT Parks; 9 Special Economic Zones; 38 CFCs; Delhi-Mumbai Industrial Corridor; SUPA – Japanese Investment Zone; and largest water supply network in Asia</p> |
|  Resource availability | <p>Mineral deposits of bauxite, limestone, iron, copper, manganese, dolomite, silica sand, coal, mica, and others. Agricultural resources include rice, sugarcane, millets, coconut, mango, grapes, cashew, ragi, wheat, cotton, bajra, barley, and jowar.</p> |
|  Climate | <p>Maharashtra has a tropical wet and dry climate with hot, rainy, and cold seasons. Summers start in March with temperatures rising to 40-45°C, while winters extend until February, with December and January being the coldest months. Rainfall patterns vary across four meteorological regions in the state: coastal Konkan, Western Maharashtra, Marathwada, and Vidarbha.</p> |



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Discovering Gujarat's Investment Potential: Policies, Hubs, and Industry Base

In this edition of India Briefing Magazine, we discuss the key drivers of foreign investment in Gujarat and the major sectors promoted in the state and the preferential industrial policies that support them. The magazine also puts the spotlight on India's first international financial services center (IFSC) established at GIFT City. As a company with extensive experience in helping foreign enterprises set up operations in Asia, Dezan Shira & Associates has offices across India and can assist your company in entering the Indian market.

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Gujarat



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International Airports



Major Seaports





















Intermediate Seaports



Gujarat State Fact Sheet

Category

| | |
|--|---|
|  GDSP | INR 22.61 trillion (US\$271.95 billion) (US\$1=INR 83.14) |
|  Sector-wise contribution | Secondary sector: 42.9%, Tertiary sector: 37.3%, Primary sector: 19.8% (FY21) |
|  Per capita | INR 250,100 (US\$3005.98) in 2021-22, at current prices |
|  Minimum wage | Zone 1: INR 12,298 (unskilled) to INR 12,870 (skilled); Zone 2: INR 12,012 (unskilled) to INR 12,558 (skilled) (As of October 1, 2023) |
|  Population | 60.4 million (2011 Census) |
|  Internet subscribers | 52.5 million |
|  Area | 196,024 sq km |
|  State language | Gujarati, Hindi, English |
|  Literacy rate | 78.03% |
|  Focus sectors | Aerospace & defense, agro and food processing, auto and auto components, chemicals and petrochemicals, electronics system, EDSM, engineering, IT/ITeS, healthcare, pharmaceuticals, renewable energy, and textiles |
|  Enabling policies | Gujarat Electronics Policy, 2022-28; Gujarat Sports Policy, 2022-27; Gujarat Integrated Logistics & Logistics Parks Policy, 2021; Atmanirbhar Gujarat schemes for assistance to mega and large industries and MSMEs; Gujarat Industrial Policy, 2020; Gujarat Semiconductor Policy, 2022-27; Gujarat IT/ITeS Policy 2022-27; Gujarat Biotech Policy, 2022-27; Gujarat Solar Power Policy, 2021; and Gujarat State Electric Vehicle Policy, 2021 |
|  Exports | US\$126.8 billion (2021-22) |
|  Market access | 17 operational airports and airstrips, including 2 international airports; 157,470 km of road network; 1 major port and 48 minor ports; 1,600 km coastline; about 4,960 km of rail route length; 9 inland container depots, 19 container freight stations, 8 private freight terminals, 10 air cargo terminals, 119 railway goods sheds, 797,254 warehouses, 3,822,112 MT cold storage capacity |
|  Cost of living | US\$588 (single person) to US\$1,181 (family of four) |
|  Talent sourcing | 238 engineering colleges, 442 industrial training institutes, 3 central universities, 22 state universities, 32 private universities, 74 pharmacy colleges, 4 agricultural universities |
|  FDI | INR 370.59 billion (US\$4.71 billion) in 2022-23; INR 5.99 billion (US\$729 million) in Q1FY24 |
|  Key foreign companies | Clarins Paris, Honda, IBM, Kellogg's, McCain, Oracle, Pepsi, Siemens, Suzuki, ArcelorMittal, Abbott, MG |
|  Investment facilitation | Industrial Extension Bureau (iNDEXTb), Investment Facilitation Agency (IFA), Gujarat Industrial Development Corporation |

Gujarat State Fact Sheet

Category

| | |
|--|--|
|  Industry hubs | <p>Ahmedabad-Dholera Investment Region, Vadodara-Ankleshwar Industrial Area, Palanpur-Mehsana Industrial Area, Bharuch-Dahej PCPIR and Investment Region, Surat-Hazira Industrial Area, Valsad-Umbergaon Industrial Area, Mandal Becharaji Special Investment Region (MBSIR), Gujarat International Financial Tech (GIFT) City, and Diamond Research and Mercantile (DREAM) City</p> |
|  Industrial infrastructure | <p>202 industrial estates and 20 special economic zones. Major industrial estates in Gujarat are in Vapi, Panoli, Ankleshwar, Dahej, Jhagadia, Vilayat, Sachin, Pandesara, Naroda, Vatwa, PCC, Halol, Makarpura, Savli, Gandhinagar, Vaghodia, Porbandar, V.U. Nagar, Umbergaon, Lodhika, and Jamnagar-II</p> |
|  Resource availability | <p>Minerals – gate, asbestos, cement mortar, crude oil, dolomite, fire clay, graphite, gypsum, kaolin, lignite, limestone, manganese, mica, quartz, vermiculate, salt, silica sand, and ochre. Agricultural – oil seeds, rice, cotton, wheat, millets, mango, other fruits, chilli, maize, bajra, jowar, groundnut, potato, pulses</p> |
|  Climate | <p>Gujarat experiences extreme weather conditions. Summers are hot and dry in the plains but milder in hilly areas and along the coast. Winters are cold and dry. Monsoons vary across the region, with most of Gujarat receiving little rainfall, while southern Gujarat and the hilly regions experience heavy rainfall.</p> |



Top Reasons to Invest in the Indian Growth Story

Investors can capitalize on India's stable and attractive return on investment, driven by these compelling factors in its economic landscape:

- 1. Robust economic growth:** India's strong economic performance, with US\$70.97 billion in FDI for FY 2022-23 and a 6.3% growth forecast by the IMF for 2023, presents compelling opportunities for investors.
- 2. Demographic advantage:** A median age of 28.2 years contributes to a dynamic urban population, a growing pool of scientists and technicians, and a youthful workforce.
- 3. Infrastructure development:** Focused on key sectors like renewable energy, roads, urban, and railways, India offers stable and attractive returns on investment. Tier-2 and 3 hubs are emerging as areas for commercial expansion.
- 4. Global competitiveness:** India's favorable business environment is underscored by its rankings—40th on the Global Competitiveness Index and 38th on the World Bank's Logistics Performance Index for 2023.
- 5. Innovation hub:** India's ascent to the 40th position on the Global Innovation Index 2023 highlights its attractiveness as a vibrant innovation hub in Emerging Asia.
- 6. Global growth contribution:** India, alongside China, is projected to contribute to half of the world's growth in 2023 and 2024, with the Asia Pacific region labeled as the 'most dynamic' for 2023.
- 7. Startup ecosystem:** Boasting the world's third-largest startup ecosystem, India hosts 112,718 recognized startups across 763 districts as of October 3, 2023. India has 72 unicorn companies valued at a combined US\$195.75 billion.
- 8. Maritime trade shift:** Anticipating a shift in global maritime trade towards the Indian Ocean region by 2030, India aims to become a transshipment hub, targeting a 300% increase in port handling capacity by 2047.
- 9. Trade performance:** In 2022–23, India's exports reached US\$770.18 billion, with imports at US\$892.18 billion.



Investment Considerations When Choosing Tamil Nadu State

Tamil Nadu is a highly competitive investment destination in India for several manufacturing MNCs due to the state's supportive business policies, upgraded infrastructure, local OEM networks, and transportation links that optimize costs and facilitate export-oriented production.



Pritesh Samuel
Head of Business Intelligence

Introduction

Tamil Nadu, located in southeastern India, has emerged as a highly attractive destination for both domestic and international investors, especially in manufacturing and IT. Known for its rich cultural heritage, robust infrastructure, and proactive government policies, the state offers a myriad of opportunities across various sectors.

In this chapter, we delve into the factors that make Tamil Nadu an attractive choice for investment and explore the key industries that are driving its economic growth.

State profile

Business-friendly ecosystem

One of Tamil Nadu's standout features is its conducive business environment. The state government has taken several steps to simplify regulatory procedures, reduce bureaucracy, and

promote ease of doing business. Initiatives like the single-window clearance system make it easier for investors to set up and operate their businesses efficiently.

Strategic location

Tamil Nadu's strategic location on the southeastern coast of India provides easy access to major domestic and international markets. The state boasts an extensive network of roadways, railways, ports, and airports, making it a logistical hub for trade and commerce.

Industrial clusters

Tamil Nadu is home to several industrial clusters and manufacturing hubs. Chennai, the capital city, is known for its automobile and IT industries, while Coimbatore is a textile and engineering hub. Investors can benefit from these established ecosystems and tap into a skilled and specialized workforce.

Key sectors

Automotive sector

Often referred to as the "Detroit of South Asia", Tamil Nadu is one of the world's top 10 automobile hubs. To demonstrate this further, capital Chennai can produce three cars every minute, one truck every two minutes, and one motorcycle every six seconds.

The state has India's largest tire manufacturing capacity and is home to over 80 auto component manufacturers, per Invest India. Passenger vehicle exports from Tamil Nadu account for 70 percent of India's auto exports. A mega cluster is now being planned at Thirumudivakkam to support auto component production. The Kamarajar Port in Ennore has dedicated berths for automobile exports. Tamil Nadu manufactures about 46 percent of all electric two-wheelers sold in India. Hyundai has manufactured the first EV SUV made in India in the state. Opportunities exist for the expansion and upgrading of current auto manufacturing facilities towards clean mobility and EV segments – passenger cars, buses, and auto components.

Thriving IT/ITES sector

Capital Chennai is a burgeoning IT and ITES hub. The city's IT Parks and technology infrastructure have attracted major IT companies, creating a vibrant tech ecosystem. Tamil Nadu has a 11 percent share of total IT investments headed to India and ranks third in terms of software exports from the country. Chennai has 1780 IT units and 16 operational SEZs for IT/ITeS businesses. TCS, HCL, Honeywell, Wipro, Infosys, and Cognizant are some of the major IT players in the city. Chennai contributes to the bulk of India's SaaS revenues and accounts for 50 percent of the talent in SaaS in India, per the Electronics Corporation of Tamil Nadu (ELCOT).

Electronics manufacturing

Tamil Nadu ranks second in India for the production of computer electronics, and optical products. Tamil Nadu has two sector-specific SEZs for electronics and hardware in Kancheepuram district – Hi-Tech Industrial Park, spread over 570 acres in Sriperumbudur, and Industrial Park in Oragadam over 340 acres. Major electronics manufacturers include Nokia, Samsung, Flex, Dell, Motorola, Salcomp, HP, and Foxconn.

Heavy engineering

Tamil Nadu ranks second in the production of general purpose and special purpose machinery. In FY 2022-23, the state contributed 16 percent to India's total engineering exports.

Pharmaceuticals

Tamil Nadu accounts for around 10 percent of India's pharmaceutical production. Flagship infrastructure projects in this sector in the state are the TICEL Bio Park-II in Chennai and TICEL Bio Park – III at Coimbatore.

Textile and apparel

Tamil Nadu is the foremost contributor to apparel and textile production in India. The state's spinning industry accounts for about 40 percent of India's total installed capacity. Coimbatore, Tirupur, and Erode districts in the state are collectively referred to as the 'Textile Valley of Tamil Nadu'. To put it in numbers, 6,500 units out of a total of 13,000 garment units in India are in Tamil Nadu. The state is also home to several non-leather footwear manufacturing clusters in Ambur, Vaniyambadi, Ranipet, and Cheyyar. This year has seen substantial investments from major Taiwanese OEM/ODM manufacturers. High Glory Footwear India Pvt Ltd, a subsidiary of Taiwan's

Pou Chen, has initiated the construction of a non-leather footwear production facility within the SIPCOT Industrial Park in Ulundurpettai, Kallakurichi, with an investment of INR 23.02 billion (US\$276.81 million). Pou Chen Group, a leading global producer of branded athletic and casual footwear, serves as an OEM/ODM partner for renowned brands such as Nike, adidas, Asics, New Balance, Timberland, and Salomon. Moreover, the Tamil Nadu government has allocated 130 acres of land in the Panapakkam SIPCOT, located in the Ranipet district, for the establishment of a non-leather footwear unit valued at INR 10 billion (US\$120.25 million) by Taiwan's Hong Fu Group. Hong Fu's clientele includes notable brands like Nike, Puma, and Converse.

Renewable energy potential

Tamil Nadu has made significant strides in renewable energy production, particularly wind and solar power. The state's commitment to sustainability and renewable energy sources presents investment opportunities in the green energy sector. According to Central Electricity Authority (CEA) data from August 2023, Tamil Nadu contributes 18 GW to India's renewable energy capacity. Tamil Nadu contributes 26 percent of the wind power generation, 10 percent of solar generation, and a total of 14 percent to India's overall RE generation capacity.

Food processing

Tamil Nadu contributes around 8 percent to India's food processing industry output. The state has the second highest number of food processing units in India. Eight agro-processing clusters and six mega food parks are currently planned in the state. Tamil Nadu exported US\$432 billion worth marine products in FY 2022-23.

Educational institutions

The state is renowned for its educational institutions and a highly skilled workforce. Chennai's educational institutions, including the Indian Institutes of Technology (IIT) and Anna University, contribute to a talent pool that benefits various industries.

Infrastructure development

Ongoing infrastructure projects in Tamil Nadu include road expansion, the Chennai-Bengaluru Industrial Corridor, and port development. These initiatives enhance connectivity and create new opportunities for investors.

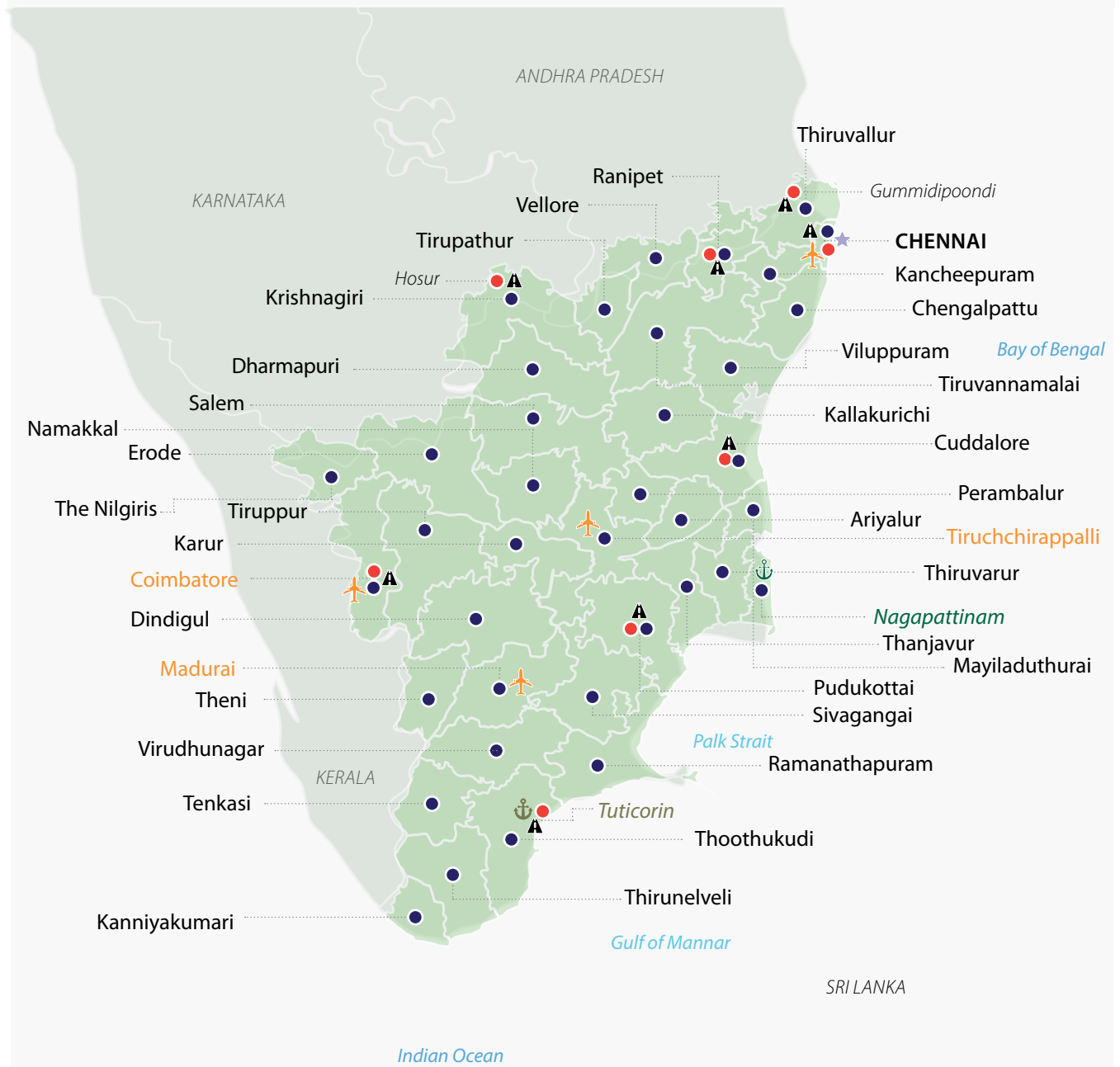
Investment incentives

Tamil Nadu offers various incentives and subsidies to attract investments under its industrial policy. These include tax benefits, land acquisition support, and financial incentives for specific industries.

Conclusion

Tamil Nadu's business-friendly environment, supported by a strategic location, government-backed investor assistance, industrial parks, and specialized clusters, fuels its high-ranking export performance. With robust logistics infrastructure, the state is an attractive option for both MSMEs and large multinationals. Across multiple sectors, Tamil Nadu's progressive policies and dynamic ecosystem provide an ideal setting for market entry and business expansion. As you embark on your India investment journey, we strongly advise conducting thorough due diligence, engaging with local authorities, and seeking expert guidance for well-informed decision-making. This will help to maximize the abundant opportunities that Tamil Nadu has to offer. 🇮🇳



















Tamil Nadu



- Districts
- Industry hubs
- ★ CAPITAL
- ✈ International Airports
- ▲ National highways
- ⚓ Major Seaports
- ⚓ Intermediate Seaports

Tamil Nadu State Fact Sheet

Category

| | |
|--|---|
|  GDSP | INR 23.65 trillion (US\$284.66 billion) at current prices in 2022-23 (US\$1=INR 83.08) |
|  Per capita | INR 273,288 (US\$3284.68) at current prices in 2022-23 |
|  Minimum wage | Categorized by occupation and divided across Zones A, B, C, and D. Zone D has the most modest wage rates. |
|  Population | 72.13 million (2011 Census) |
|  Area | 130,058 sq km |
|  State language | Tamil, English |
|  Literacy rate | 80.33% |
|  Focus sectors | Automobile, chemicals/petrochemicals, agro and food processing, IT/ITeS, pharmaceuticals and biotechnology, textile and apparel, electronics and hardware, aerospace and defense, renewable energy, heavy engineering, iron and steel, glass and ceramics, and machine tools. |
|  Exports | US\$40.7 billion worth merchandise exports in FY 2022-23, with electronic exports accounting for US\$5.37 billion. Merchandise exports for Q1FY24 reached US\$6.9 billion. Top export destinations include 5 European countries, including Czech Republic, Italy, the UK, and the Netherlands. |
|  Market access | 7 airports; 4,033 km of rail route length; 4 major ports and 1,076 km coastline. 11 inland container depots, 46 container freight stations, 1 private freight terminal, 6 air cargo terminals, 116 railway goods sheds, 1,472,098 warehouses, 400,210 MT cold storage capacity. |
|  Cost of living | US\$379 (single person) to US\$985 (family of four) |
|  Talent sourcing | 576 engineering colleges, 1,552 industrial training institutes and schools, 2 central universities, 22 state universities, 700 arts and science colleges, 501 polytechnic institutes, and 27 medical colleges. |
|  FDI | INR 172.47 billion (US\$2.17 billion) in 2022-23; INR 5.18 billion (US\$631 million) in Q1 2024. |
|  Key foreign companies | ABB, Coca Cola, Accenture, Dell, Daimler, Flex, Foxconn, GE, Honeywell, Hyundai, Lotte, Michelin, Nokia, Nestle, Pfizer, Ramco Aviation, Samsung, Siemens, Wockhardt, Yamaha, Pou Chen, Hong Fu |
|  Investment facilitation | Guidance Tamil Nadu; SIPCOT Land Bank; Industrial Guidance and Export Promotion Bureau; Biz Buddy – Industry Helpdesk |
|  Industry hubs and SEZs | 50 operational Special Economic Zones – highest number in India. |
|  Resource availability | Deposits of major minerals limestone, magnesite, graphite, bauxite, iron ore, and vermiculite; minor minerals granites, clay, silica sand, and lignite; fuel minerals petroleum and natural gas; and atomic minerals monazite, rutile, ilmenite. Agricultural resources include rice, pulses, cotton, sugarcane, tobacco, oilseeds, spices like chillies, turmeric, and coriander, tea, coffee, rubber, pepper, and cashew. |
|  Climate | The state's climate exhibits a range from dry sub-humid to semi-arid. It experiences two main periods of rainfall: the southwest monsoon, prevailing from June to September, driven by strong southwest winds, and the northeast monsoon, occurring from October to December, marked by dominant northeast winds. Tamil Nadu is geographically divided into seven distinct agro-climatic zones, namely the northeast, northwest, west, southern, high rainfall, high altitude hilly, and the Kaveri Delta, renowned as the most fertile agricultural region within the state. |



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