



# Industry Sector Profile

Report by SESEI



# Overview of the Indian Economy

- ❑ Strong medium term growth prospects for Indian economy
- ❑ Key Determinant of future growth are;
  - Huge untapped domestic demand
  - Potential Demographic Dividend
  - Boost to Manufacturing & Infrastructure sector
  - Expansion of infrastructure services
  - Low per capita consumption or penetration
- ❑ Strong spin-off or multiplier effect likely on sectors like ICT, Electronics, Automobiles, Heavy Machinery, Mining and Construction

# Future Prospects in the Priority sectors

- ❑ Poised as 3<sup>rd</sup> largest automobile manufacturing country after China and USA
- ❑ Electronics hardware demand to increase by \$400 bn by 2020
- ❑ Domestic market in electricity generation equipment to grow to \$25-30bn by 2022
- ❑ Heavy Machinery industry to increase 67% by 2020 from 30% in 2011
- ❑ Earthmoving & Construction Equipment (ECE) Industry projected to grow at CAGR of 13-14 % to Rs 20,000 crore by 2015
- ❑ IT industry to grow to \$300 bn by 2020
- ❑ India to become 2<sup>nd</sup> largest online community with 243 mn internet users

# Indian Automotive Industry

- ❑ Fastest Growing 'Sunrise Industry' 7% share in GDP , employing 19 mn people
- ❑ Reduction in excise duty to fuel domestic demand to pull up growth.
- ❑ Industry Segments: Two wheelers (77%), passenger Vehicles (15%), Commercial vehicles (4%) and Three-wheelers (4%).
- ❑ Growth of Industry (in terms of production)
  - 1991 - 2 mn vehicles
  - 2006 - 9.7 mn vehicles
  - 2013-14 - 40 mn vehicles
- ❑ Fast 'emerging as the destination of choice' for design and manufacturing
- ❑ Target for 2016: Output of \$145 billion , share in GDP 10% , Additional employment generation: 25 mn
- ❑ Increase in demand due to low vehicle penetration, rising prosperity and growing younger generation
- ❑ Passenger vehicle production expected to reach 10 mn units by 2020-21.
- ❑ Industry to grow at a CAGR of 13 % and projected to touch \$30 bn by 2020-21
- ❑ Need for focus on environment friendly greener and cleaner technologies

# Electrical Equipment & Consumer Electronics

- ❑ Electronics industry growth during :
  - 2005-06 (24.9 %), 2007-08 (21.2 %), 2009-10 (10.4 %)
- ❑ Electronics industry expected to grow at 25-30 % CAGR
  - reach > \$125 bn in 2014 and \$158 bn by 2015
- ❑ Demand for electronics is expected to be fuelled by
  - growth of huge middle class
  - increasing per capita income fuelling demand for personal electronics
  - increase in telecom & broad-band connectivity reaching rural areas and having PCs and Notebooks
  - Primary demand drivers : Telecom, IT & e-governance , Consumer Electronics and Energy
  - significant foreign investment and conducive regulatory environment

Government Task Force project increase in demand for electronics hardware from \$45 bn in 2009 to \$400 bn by 2020 while Production is projected to increase to \$ 104 bn, creating a gap of \$ 290 bn in demand and production.

- ❑ Government's Vision 2020 and National Policy on Electronics envisage by 2020:
  - Investment to \$100 bn
  - Production to \$ 400 bn
  - Employment Generation to 28 mn
  - Exports to \$80 bn ( from \$8 bn now).

# ICT Industry

- ❑ India poised as the next global leader in ICT and IT market in the world
- ❑ Expected to become 2<sup>nd</sup> largest online community after China
- ❑ Growth drivers for ICT include ;
  - increasing investment by SMEs in ICT
  - drastic increase in data consumption by 3G users
  - favored destination for foreign companies' offshore offices and IT functions.
- ❑ India's share in global IT industry stands at 7 % indicating huge potential
- ❑ 7% of total FDI inflows by Telecom Sector worth \$12,500 mn in last 13 yrs
- ❑ As per NASSCOM data:
  - IT industry currently at \$118 bn is projected to grow to \$300 bn by 2020
  - IT BPO industry revenue is expected to cross \$225 bn by 2020
  - IT and BPO sector exports are expected to grow by 12-14 % in FY 14 to touch \$84-87 bn

# Heavy Machinery Industry

- ❑ Government giving growth impetus to heavy machinery industry through investments in infrastructure development in 2012-17 in Telecom, Energy and Construction Sectors.
- ❑ Very promising growth prospects as Department of Heavy Industry (DHI) plans to increase its market share to 67 % by 2020 from 30 % in 2011.
- ❑ DHI plans to make India one of the Top 10 machine tool producing countries by 2020.
- ❑ Key growth drivers include user industries : Power, Oil & Gas, Refinery, Mining, Steel, Construction, Railways, Infrastructure, Auto and Auto-components.
- ❑ Engineering sector, of which heavy machinery is a part, is among top two contributors to the total export basket with total shipments of \$56.7 bn in 2012-13 expected to increase to \$65 bn in 2014-15.
- ❑ Engineering R &D (ER&D) currently valued at \$14 bn has growth potential to reach \$44 bn in coming years.
- ❑ Automotive Engineering service market is expected to grow at a CAGR of 18.22 % during 2012-16.

# Heavy Electrical Industry (EE)

- ❑ India's per capita energy consumption is very low, but growing economy, increasing electrification of rural and semi-urban areas, consumption of electricity is expected to increase and would demand from EE industry.
- ❑ Indian EE industry has grown close to Rs 110,000 crore (\$17.18 bn) in 2010-11.
- ❑ Investment estimates and capacity addition targets suggest size of domestic market in generation equipment would reach \$25-30bn by 2022 while that of T & D equipment industry would grow to \$70-75 bn, translating into a CAGR of about 14 %.
- ❑ EE industry has developed strong capabilities in manufacturing top-end and high technology products.
- ❑ Demand for EE industry is closely linked to power generation capacity addition program in the country.



# Indian Earthmoving & Construction Industry (ECE)

- ❑ ECE industry has enjoyed strong growth over last several years.
- ❑ ECE accounts for 65 % of the Rs 20,000 cr (\$3.12 bn) construction equipment market.
- ❑ Its revenue and volumes grew at over 40 % per annum during 2004-7 to reach \$2.3 bn in 2007 with estimated potential to grow to \$ 12-13 bn by 2013-14 and \$22.7 bn by 2020.
- ❑ ECE industry is projected to grow at least 10-15 % over next five years as boost to infrastructure will have direct impact.
  - India would need about a trillion dollar investment in infrastructure during 12<sup>th</sup> FYP (2012-17).
- ❑ Similarly mining machinery industry will have a great scope.
  - National Mineral Policy 2008 envisions to make indigenous industry stronger for manufacture of mining equipment and machineries by encouraging foreign technology and investment.

# Conclusion

- ❑ Indian economy grew at 8-9 % for 7 consecutive years before slowing down to 5 % in 2012-13 due to impact of global slowdown.
- ❑ Multiple reasons at play for expected increased growth
  - Revival in global demand
  - Newly elected government focusing on growth revival.
  - Huge middle class, estimated at over 145 mn
  - Low consumption or penetration,
  - rising prosperity, growing younger generation,
  - growing rural and semi-urban demand
  - growing investment by SMEs in technology, machineries, ICT, etc.

All above indicate large potential for growth for industries like automobile, electronics, infrastructure related heavy machinery including earthmoving & construction, mining equipment, automotive equipment, ICT , IT-enabled services and Communications

# Thank you!

Contact Details:

**Dinesh Chand Sharma**

(Seconded European Standardization Expert in India)

Director – Standardization, Policy and Regulation

European Business Technology Centre, DLTA Complex,  
South Block, 1st Floor, 1, Africa Avenue, New Delhi  
110029

**Mobile:** +91 9810079461, **Tel:** +91 11 3352 1500,

**[dinesh.chand.sharma@eustandards.in](mailto:dinesh.chand.sharma@eustandards.in)**