

A SPECIAL REPORT ON THE INDIAN EXPORT MARKET OCTOBER 2021



A GBS Knowledge Perspective



Compiled by
Guidant Business Solutions

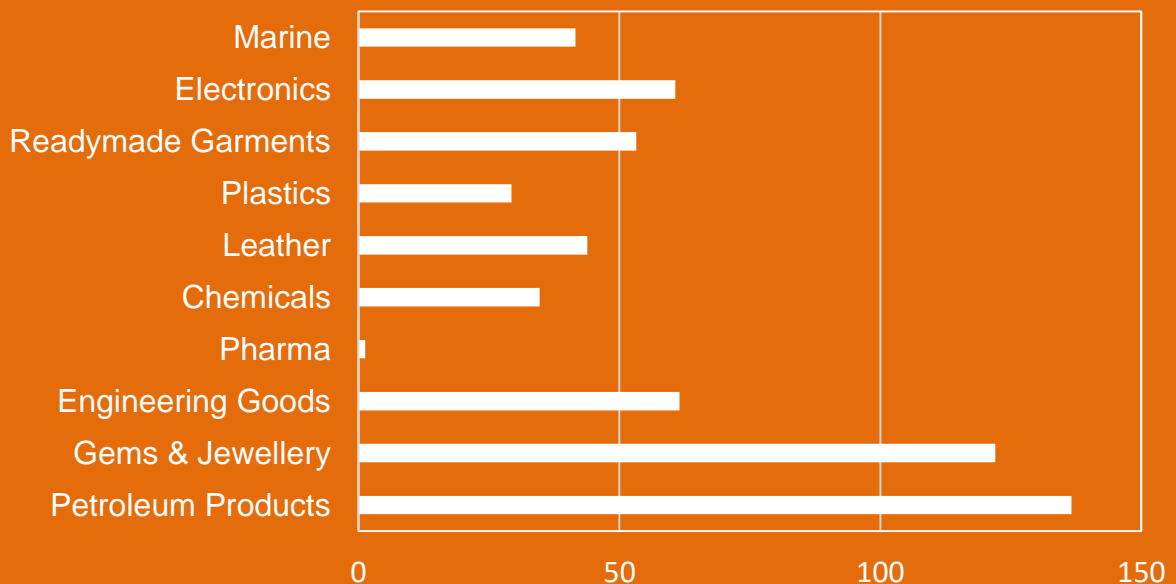
This paper is based on secondary research carried out by GBS using multiple data points across sources from the Print, Internet and Social Media handles. The attempt is to educate the reader in an appropriate/ alternative way, about the topic which holds a great amount of economic importance in the present scenario. GBS, in no way, claims propriety over the source data. This paper is a mere reproduction of relevant facts derived from Source Data . In no way, it attempts to drive GBS's individual viewpoint in any way.

Introduction

- ❑ **India's exports rose 45.17 per cent to USD 33.14 billion in August**, driven by healthy growth in sectors such as engineering, petroleum products, gems and jewellery and chemicals, according to provisional data from the commerce ministry.
- ❑ **Commerce and Industry Minister Piyush Goyal said**, "India galloping towards USD 400 billion merchandise export target for the current financial year. 45 per cent growth in merchandise exports in August 2021 over the same period last year. Big boost to local businesses in capturing global markets."
- ❑ **Commerce Secretary B V R Subrahmanyam said** the numbers reflect healthy growth. "I am very confident of achieving the USD 400 billion exports target for this fiscal. It will be a solid 30 per cent jump."
- ❑ **Exports grow by 62.92% during April-Sep 2021**
 - ✓ Exports during April-August 2021 grew by 66.92 per cent to USD 197.89 billion. Imports during April-August 2021 rose by 81.75 per cent to USD 219.54 billion.
 - ✓ Imports rose to USD 47.01 billion in August from USD 31.03 billion in the same month of 2020. The trade deficit stood at USD 13.87 billion in August 2021 compared to USD 8.2 billion in August 2020.

India has clocked record exports in the first half of FY22 at \$197.89 bn and is closer than ever to achieve the \$400 bn annual exports milestone by the end of the year. However, the soaring global commodity prices, including of key inputs such as oil, chemicals, metals, plastic and cotton, are largely responsible for this rise. The volume growth is not commensurate with this value growth, traders and industry watchers say.

Product Story - Apr-Sep 2021 Exports growth (%)



Source : Economic Times dated 15th Oct 2021

PM Narendra Modi unveils strategy to boost exports

Aug 7, 2021

New Delhi, India

Courtesy - Business Standard



Interacting with Heads of Indian Missions abroad and stakeholders of trade and commerce virtually, Modi pointed out four factors that are very important for accelerating outward shipments from India

Modi pointed out four factors that are very important for accelerating outward shipments from India

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- 1. increasing domestic manufacturing,
- 2. Ironing out problems of transport, logistics,
- 3. Need for the Centre and state governments to walk shoulder to shoulder with the exporters and
- 4. Expanding international market for Indian products.

Over the last nine years, merchandise exports from India have hovered around \$260-330 billion, with the highest ever being \$330 billion in 2018-19. July saw the highest ever merchandise exports at \$35.17 billion. The government has set up a target of \$1 trillion in 2027-28 for merchandise exports and \$500 billion exports in the next two years.

Key points from his interaction were –

- Aimed at encouraging stakeholders towards expanding India's export potential and utilizing the local capabilities to fulfil the global demand.
- Need for diversification of India's export basket as well as identification of new products that can be exported and relevant markets for such items and prepare strategies for that. Presently,
- Currently exports are dominated by products with engineering goods, petroleum products, gems and jewellery, pharmaceuticals being the top items.
- Need to have a seamless and high quality supply chain and low-cost logistics
- Robust exports can boost economic growth at a time when private consumption as well as investment have been tepid due to the disruption caused by the pandemic.
- **Target of \$400 billion worth merchandise exports in the current fiscal.**
- India has met nearly a third of its annual target in the first four months of 2021-22.

At present our exports are about 20 per cent of GDP. Considering the size of our economy, our potential, the base of our manufacturing and service industry, it has the potential to grow a lot," Modi said, adding that India needs to have a seamless and high quality supply chain and low-cost logistics to boost exports.

- The government had earlier said that targets have been disaggregated via regions and countries, commodity groups, and export promotion councils. Ambassadors and high commissioners have also been given the targets for their territory, breaking it up into various commodity groups. The government is also working out detailed strategies for trade deals, promoting districts as export hubs, import monitoring and using market intelligence for exporters.

"It is time for a new journey with new goals for Brand India. This is the time for us to establish a new identity of quality and reliability. We have to see that there is a natural demand for high value-added products of India in every nook and corner of the world," he said.

Besides, the Centre and states are also trying to reduce regulatory burden for exporters.

"Our exporters doing business in different countries of the world know very well how big the impact of stability is. The decision taken by India to get rid of retrospective taxation shows our commitment, shows consistency in policies," he added.



The export market growth for India looks very optimistic with the current scenario where China is facing bunch of issues with power shortage, debt crisis and are unable to meet the global demand in various sectors. India must capitalize this opportunity to tap the gap and scale up the production however the Govt must provide Export PLI schemes to the sector which can bridge the trade deficit and also expedite the logistics process in terms of custom clearance. Any container shortage must be taken care by local supplier. Sectors like metals, Pharma, API, Medical device, IT, and Auto enabled industry can be a big contributor now. India must be seen as a Global supplier of Goods and services and not only cater to domestic need and opportunities.

Ravi Shankar Srivastava

**Managing Partner –
Client Acquisition &
Entrepreneurial
Development**



If there's one factor differentiating India and the global economy, it is, undoubtedly, India's growth potential, despite the back lash arising out of the pandemic. Also, India's handling of the pandemic has been much appreciative. All this put together, adds up to give a boost to Indian Businesses to explore global markets. As global preferences shift away from China, businesses have an option of looking at India as a major supplier. Which places India in a very favourable position, in terms of it's export potential. This paper highlights the various indicators that support this sentiment. The next decade belongs to India. Atmanirbhar Bharat (Self-Reliant India) is in the making. It's all about believing in our abilities and being there to take the world head on. We welcome you to examine this wonderful perspective.

Jaykumar Acharya

**Managing Partner –
Leadership &
Process Expert**



The Indian export story in the last decade has not been very encouraging so a lot of emphasis needs to be paid on the drafting the FTPs which favours our domestic manufacturers and encourages them to export more. Robust FTPs will transform 'Make in India' to 'Make for the World'. FTPs should be in sync with other industrial policies. Emphasis should be given to build trade relations with other nations to enable exporters to reach out to the untapped market. All in all the future for the Indian export market looks very bright with India turning into a giant manufacturing and technology hub.

Shardul Srivastava

**Managing Partner –
Client Relations &
Start-Up Cell**

- Exports of top major commodity sectors**
- ✓ Exports of engineering, gems and jewellery's , petroleum products and chemicals rose by about 59 per cent to USD 9.63 billion, 88 per cent to USD 3.43 billion, 140 per cent to USD 4.55 billion and 35.75 per cent to USD 2.23 billion, respectively.

- Non-petroleum exports register positive growth of 36.57%**

- ✓ The value of non-petroleum exports was USD 28.58 billion in August 2021, registering a positive growth of 36.57 per cent over non-petroleum exports of USD 20.93 billion in August 2020 and positive growth of 25.44 per cent over non-petroleum exports of USD 22.78 billion in August 2019.
- ✓ The cumulative value of non-petroleum exports in April-August 2021 was USD 140.6 billion, up 56.96 per cent from USD 89.58 billion in April-August 2020 and 21.92 per cent higher than USD 115.33 billion in April-August 2019.



Growth Indicators for Export

- Massive shift in the global trade because of the ongoing COVID-19 pandemic.
- Manufacturing was halted, thereby effecting exports badly.
- Increased domestic demand might strengthen imports faster than exports, widening deficit.
- PM Narendra Modi has sought to solve the problem through “Aatmanirbhar Bharat” or Self-reliant India, one of the main components to strengthen domestic demand and supply chains.

The Government has planned & planning to improve exports through

- Trade policies/ reforms like GST and by incentive creation Merchandise Exports Scheme
- Service Exports from India Scheme
- Trade Infrastructure for Export Scheme
- High quality supply chain and low-cost logistics to boost exports.
- Production Linked Incentive (PLI) scheme
- Industrial policies
- Manufacturing infrastructure also needs to improve significantly.
- Enhancing trade relations
- Attract MNCs
- Needs a robust Foreign Trade Policy (FTP)
- Streamlining The Infrastructure And Logistic Aspects
- R&D support for small Exporters
- Conduct workshops to disseminate information about the government’s schemes like foreign trade partnerships and promotions so that even smaller exporters can become aware and participate in it.
- Use of export credit the China way
- Improvement R&D infrastructure

- ✓ The Confederation of Indian Industry (CII) has also outlined a **10-point agenda for increasing India's exports of goods and services in line with the prime minister's vision of an Aatmanirbhar Bharat.**
- ✓ For developing international competitiveness, key suggestions by CII include re-examining FTAs and tariff structure with an aggressive market-seeking approach, and build India brand and undertake market promotion in key markets.
- ✓ The CII report, titled '[Re-orienting India's Export Endeavour in the Covid-19 World](#)', states India must aim to achieve 5 per cent share in world merchandise exports and 7 per cent in services exports by 2025.
- ✓ India's share in global merchandise exports is 1.67 per cent, with a low share in top globally traded items. In services, it enjoys 3.54 per cent share.
- ✓ The onset of the Covid-19 outbreak that led to a global trade slowdown, affected Indian exports substantially, and led to a drop in Indian exports by 35 per cent in March, 60 per cent in April, and 36.5 per cent in May 2020.
- ✓ Outlining 10 areas where action is required to boost exports, the chamber said an open and facilitative import environment is required to attract global companies and ensure competitive access to intermediate goods.
- ✓ **In general, higher duties on finished goods and lower on intermediates should be applied.**
- ✓ Further, CII calls for a robust and overarching [foreign trade policy](#) to be instituted when the current one expires in 2021. It should not be limited to incentives for exporters but extend across different areas for a holistic export strategy, the report said.
- ✓ "The first order of the day is to bring out the new [foreign trade policy](#) to establish a stable and predictable regime for promoting exports," CII said.
- ✓ The report further said India should initiate its own GVCs in a manner that it not only increases its share in world trade but also increases its trade competitiveness.
- ✓ Make in India and FTAs could be leveraged to attract more FDI and use them to connect Indian SMEs to large firms.
- ✓ It noted that India's free trade agreements with countries and regions are not panning out as expected even while a large part of international trade is taking place through such agreements.



Based on inputs from traders, trade associations, members of Parliament and a government-appointed high-level advisory group, some key expectations are:

•Easy credit access:

- ❑ A long-standing demand of exporters, especially MSMEs, is credit access. Formal financial institutions such as banks are reluctant to lend to MSMEs due to their lack of adequate collateral.
- ❑ The policy can help open up alternate credit avenues, such as finance technology start-ups. The advisory group suggests raising borrowing limits at the Export Import Bank of India.

•Infrastructure upgrade:

- ❑ One reason why China is a manufacturing and export powerhouse is its network of ports, highways and high-speed trains, which are among the best in the world. India needs to learn from its Neighbour and improve its flagging infrastructure by upgrading existing ports, warehouses, quality testing and certification Centers and building new ones.
- ❑ The Trade Infrastructure for Export Sector, a scheme for developing infrastructure to promote exports, was launched in 2017 for a period of three years. Many in the industry hope it will be extended.

- **Less subsidy, more support:** In 2020, Commerce Minister Piyush Goyal said quality, technology and scale of production were the answers to India's global ambitions, not subsidies.
- Many in the industry agree, saying government support in the form of skill development programs and technological upgradation rather than subsidies would help them become more competitive.
- Pharmaceuticals, biotechnology and medical devices are some sectors that could do with upskilling.
- Similarly, the trade policy could include incentives with a focus on research and development, something the government has spoken of in the past.
- On the technology front, the Amended Technology Upgradation Fund Scheme – which facilitates improvements in investment, productivity, quality and exports in the textile industry through technology upgrades – can be replicated for other sectors.

Tax breaks:

- Easier and lower taxes are a way of filling this gap. The reduction of corporate tax rates and simplification of duty structures are long-standing demands.
- The Confederation of Indian Industry suggests simplifying the import duty structure by following “the general principle of higher duties on finished goods and lower/minimal duties on intermediates and raw material”.

India aspires to be a \$5-trillion economy by 2025. To achieve this dream, it needs to Register a GDP growth rate of 8% or more in the next few years

•Triple its exports to \$1 trillion by 2025

This a tough ask, considering Indian exports have hovered around the \$300-billion mark since 2011-2012. Battered by the pandemic, exports for the April-November 2020 period stood at \$304.25 billion The country's GDP reached \$ 2.88 trillion in 2019-2020.

In its 2019 report on what India must do for exports to reach \$1 trillion by 2025, the high-level advisory group suggested:

- Urgent reform of labour laws
- Easing of regulatory controls
- Lowering the cost of capital
- Selection of right trading partners (given India's unhappy experience with FTAs)
- Sector-specific strategies to drive exports, especially in pharmaceuticals, biotechnology, textiles and electronics
- The formation of a special committee to take quick decisions on foreign direct investment (FDI), including identifying and attracting potential investors

The government, on its part, seems committed to seriously working towards its \$5-trillion dream. Briefing MPs about FTP 2021-2026 on January 12, the Ministry of Commerce announced some of its plans for the new policy. These include:

- **District Export Hubs:** The government will identify potential products and services in each district, identify agricultural and toy clusters, map GI products, set up district export promotion panels and district export action plans as part of this initiative targeted at small businesses and farmers.
- **Correcting imbalances:** A persistent demand of exporters/importers is correcting the imbalances in India's international trade processes. At the meeting, the ministry committed to reducing "domestic and overseas constraints related to the policy, regulatory and operational framework for lowering transaction costs and enhancing ease of doing business". It also spoke of creating "efficient, cost-effective and adequate logistical and utilities infrastructure".



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6. Outsourcing	The Make/buy Algorhythm
7. Service Provider Mgmt	Managing Vendors, Suppliers, External Partners
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