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## THE “MISSION 2047” FOR INDIA COULD BE A “GOLDILOCKS” MOMENT, WITH A CAUTIOUS DESIGN.

**12 April 2024**

### Introduction

The Union Government has introduced 'Vision Viksit Bharat@2047,' visualizing India as a superpower, which is a reality as global agencies are re-iterating that India is globally among the fastest emerging economy. Initiatives such as 'Make in India' and Production-Linked Incentives (PLIs) have contributed to fostering a favourable business environment, attracting investments, and promoting domestic manufacturing.

According to media reports, with a total of 67 unicorns, India ranked third on the global list but still ranked much below compared with the US and China, who controlled with 703 and 340 high growth start-ups. In India, the idlers from the unicorn chart in 2023 were Byjus and PharmEasy. With a total of 1,453 unicorns in the world, TikTok owner ByteDance reserved the title of being the world's most valuable unicorn worth \$220 billion. The total value of the world's unicorns reached \$5 trillion.

According to Fullerton, the favourable performance across equity markets in South Korea, Taiwan, and India can continue. Post inclusion of Indian indices in Bloomberg and J. P. Morgan, healthy FPI inflows, and optimism around a forthcoming rate cut (though uncertain as of now), the Sensex and Nifty have been skyrocketing. The Sensex closed above the 75k mark on 10th April 2024 for the first time, that is catching the eyebrows and remains headlines in media. While the lowest benchmark remains at 70,514 on 14th December 2023, the highest benchmark as of now at 75,038 has been achieved on 10th April 2024, only in a gap of four months.



In FY24, ₹6,800 crore PLI disbursed for textiles, bulk drugs, food products, solar PV modules etc. Certain sectors have benefitted from the scheme, for instance, mobile manufacturing has seen substantial sales and exports, pharmaceutical and food processing are doing well. There is also thrust on white goods (Air conditioners and LED products). Earlier, companies choosing for one year of gestation period are eligible for PLI in the current year FY 2023-24 based on achieving the threshold investment and net incremental sales in FY 2022-23. Their online applications are under examination by the PMA. The government's thrust on R&D and innovation is a big boost. Nevertheless, in a fascinating op-ed,<sup>1</sup> Janak Raj<sup>2</sup> has highlighted that India improved its position to 40<sup>th</sup> rank among 132 economies in the Global Innovation Index 2023 from 81<sup>st</sup> in 2015, especially in the logistics sector. India, however, needs to cover a long way to make its manufacturing sector globally competitive. According to latest ILO estimate in 2024, the output per worker in India is still very low compared to many countries including China, UK, Germany, US etc. Low productivity needs to be addressed through more targeted skilled workforce, for which education in health and education should be enhanced in a focussed manner.

Besides, the investments in capex, digital public infrastructure, India also needs to enhance its expenditure in human development. India has now a well-functioning GST mechanism and collecting substantial revenue through both direct and indirect taxes, but the disinvestment scenario needs to be expedited.

Positive developments are also happening domestically, e.g. according to the 64th round of the quarterly order books, inventories and capacity utilisation survey (OBICUS) by the RBI in April 2024, the capacity utilisation (CU) in the manufacturing sector increased to 74.7 per cent in Q3:2023-24 from 74.0 per cent in the previous quarter, whereas, the seasonally adjusted CU increased sequentially (q-o-q) by 10 basis points to 74.6 per cent.<sup>3</sup> Further, on the capex front, the Ministry of Roads Transport and Highways recorded the highest ever capital expenditure of Rs 3.01 lakh crore in 2023-24 with both government and private expenditure at an all-time high at Rs 2.64 lakh crore and Rs 34,805 crore respectively.

Global agencies are now quite optimistic on India, and institutions like the IMF have highlighted that India remains the fastest growing economies globally. However, we need to be cautious about an uneven growth and in this regard, the RBI is doing an excellent job of maintaining domestic financial stability amid the challenging global environment. Unfortunately, a disturbing trend is that while core inflation is declining and supporting the efforts at moving towards the "target rate" the food inflation, supply chain disruptions due to exogenous factors are prolonging the rate softening expectations. Furthermore, the latest US CPI at 3.5 per cent and recent downgrade of China by a global rating agency has added some pain points. Global headwinds have increased substantially in recent years, making forecasting difficult. Therefore, India's strategy should be carefully designed, and this would make us help to move up the order.

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<sup>1</sup> "Beyond PLI targets" (10 April 2024) The Financial Express.

<sup>2</sup> Senior Fellow, Centre for Social and Economic Progress (CSEP), New Delhi.

<sup>3</sup> "Order Books, Inventories and Capacity Utilisation Survey on the Manufacturing sector for Q3:2023-24" (5 April 2024) The RBI, <https://rbi.org.in/Scripts/PublicationsView.aspx?id=22438>