

# Doing business in India

Talent, innovation driving global firms' interest

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India is increasingly being seen as a dynamic market teeming with opportunities for global companies, and not just a place to cut costs for products and services. The number of international firms setting up business in India has tripled — about 320 companies registered to operate here between 2019 and 2021, it rose to 984 companies between 2021 and 2023. The key to this lies in India's available talent pool, burgeoning consumer base and large-scale infrastructure improvements.

## ENGINEERING R&D

India's proposition has evolved to, 'a place for engineering innovation': India produces about one-third of the world's STEM graduates — those going beyond software coding to create the next wave of global products and services, from cutting-edge battery technology for electric vehicles to groundbreaking pharmaceutical formulations.

The value of engineering research and development (ER&D) sourcing from India is projected to increase from \$44-45 billion in 2023 to \$130-170 billion by 2030.

The government is also shaping policies to bolster this proposition across manufacturing: the National Manufacturing Mission aims to enhance ease and cost of doing business, workforce development, technology availability, production of quality products, and also support for micro, small, and medium-sized enterprises.

This approach shows results, like a leading global semiconductor company deciding to diversify its manufacturing footprint by building its first packaging, assembly and testing facility in India, taking advantage of a 70 per cent capital subsidy from the Central and State governments combined.

India's vibrant digital economy is also a driver of appeal: Smartphone users in India surpassed 690 million in 2024, and the number of internet users is expected to exceed 900 million in 2025. The value of digital commerce through the Open Network for Digital Commerce (ONDC) is projected to rise fivefold, from \$60-70 billion in 2022 to \$320-340 billion by 2030, according to McKinsey estimates.

However, tapping into these opportunities requires companies to navigate the unique challenges



**TARGET INDIA.** International companies see it as a growth engine

of operating in India. The country's diverse population and geographic spread create multiple "Indias within India": while the average monthly household consumption has risen from \$271 in 2012 to \$705 in 2023, there are wide variations in consumption patterns.

Detailed consumer segmentation could help companies develop products and their variants to appeal to the needs and spending capacity of a wide number of households.

## LARGE-SCALE PRODUCTION

The scale of the market also necessitates large-scale manufacturing. However, many suppliers in India are small to medium-sized firms that struggle to meet the quantity of components required for large-scale production. Additionally, global trade shifts and geopolitical uncertainties demand agility in managing new tariffs and trade policies.

Local plants can help businesses reduce costs and gain access to talented employees, developing a local supply chain can streamline component sourcing, and partnerships with Indian research institutions and start-ups could promote innovation and training.

Companies that expand operations, manufacturing, sourcing or other activities in India should focus on long-term gains, rather than quick wins. Companies that are winning in India tend to emphasise product quality and consumer satisfaction from the outset, move fast to capture opportunities and scale operations, customise pricing and set clear business goals.

India could create a new growth engine for international firms, with India not simply becoming a new location for manufacturing but a source of innovation and new product development.

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