

Charting the Course for Telangana's Export Growth: Strategies and Policy Recommendations



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Charting the Course for Telangana's Export Growth: Strategies and Policy Recommendations

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Executive Summary

Telangana, the only landlocked state in southern India, has distinct advantages across agriculture, industry, and services sectors. The state boasts a rich agrarian landscape characterised by fertile soil, favourable climatic conditions, and advanced irrigation infrastructure. Further, Telangana's strategic focus on industrial development, strategic location, well-connected transportation networks, and robust logistical infrastructure have fostered a conducive environment for investment and growth, positioning it as a thriving hub for manufacturing and industrial activities. In addition to agriculture and industry, Telangana's services sector has also emerged as a key pillar of its economic growth, offering a diverse array of opportunities across segments such as healthcare, education, tourism, and IT-enabled services.

Telangana's gross state domestic product (GSDP) at constant prices was estimated to be ₹ 7.3 lakh crore in 2022-23, accounting for a share of nearly 4.5 percent in India's Gross Domestic Product (GDP)¹ (at constant 2011-12 prices) during the year. The state is among the fastest growing states in the country, with its GSDP (at constant prices) estimated to have registered stronger y-o-y increase than India's GDP during 2021-22 and 2022-23.

Despite the strong growth, favourable policy environment and robust transport infrastructure in the state, the share of merchandise exports in Telangana's GSDP (at current prices) stood at only about 6.9 percent in 2022-23. Although this is an improvement over the share of 5.8 percent in 2018-19, the share remains below the share of merchandise exports in India's GDP of 13.3 percent in 2022-23.

Against this backdrop, the study examines the economic profile and export performance of Telangana at a granular level, making an attempt to map the supply side capabilities of the state with the demand emanating from the international market. The study analyses the potential for exports from the state, and also identifies dynamic products and potential markets for exporters. The study also recommends strategies for enhancing trade competitiveness at the state level and creating an enabling environment for exports from the state.

Merchandise Exports from Telangana

Telangana ranked 9th among Indian states/UTs in terms of merchandise exports, with a share of 2.5 percent in India's total merchandise exports in 2022-23. Telangana's merchandise exports have grown steadily over the recent years, registering a robust CAGR of 12.3 percent during 2018-19 to 2022-23.

¹ As per First Revised Estimate

Merchandise exports from Telangana have remained remarkably resilient to external shocks, including the Covid-19 pandemic. In 2019-20 and 2020-21, while India witnessed two consecutive years of decline in merchandise exports, Telangana's merchandise exports registered y-o-y growth rates of 2.7 percent and 18.3 percent, respectively. Telangana's merchandise exports continued to increase during 2021-22 and 2022-23, registering a y-o-y increase of 26.3 percent and 3.8 percent, respectively, to reach US\$ 11.4 billion in 2022-23. The trend has continued in FY 2023-24 as well. During April-December 2023-24, Telangana's merchandise exports were estimated at US\$ 9.4 billion, witnessing a y-o-y increase of 12.1 percent.

Drug formulations, biologicals is the topmost exported product category from Telangana, accounting for a share of 35.2 percent in Telangana's merchandise exports, followed by residual chemical and allied products (share of 10.2 percent in Telangana's merchandise exports), bulk drugs, drug intermediates (6.5 percent), organic chemicals (5.7 percent), spices (3.6 percent) and electric machinery and equipment (3.4 percent), among others.

Telangana is the largest exporter of 'fertilisers crude' and 'fruits/vegetable seeds' in India, accounting for shares of 22.9 percent and 22.1 percent, respectively, in India's overall exports of these products during 2022-23. Telangana is also a key exporter of 'drug formulations, biologicals' and 'bulk drugs, drug intermediates' in the country, with shares of 20.7 percent and 15.7 percent, respectively, in India's total exports of these products during 2022-23.

The USA is the largest destination for exports from Telangana, accounting for a share of nearly 30.0 percent in the merchandise exports from the state during 2022-23, followed by China (share of 5.8 percent), the UAE (4.9 percent), Belgium (3.0 percent), and the UK (2.5 percent), among others.

Nearly 33.1 percent of the merchandise exports from the state in 2022-23 was through the Hyderabad Airport. It is noteworthy that a substantial share of Telangana's merchandise exports is routed through ports in neighbouring states like Andhra Pradesh, Tamil Nadu, and Maharashtra. In fact, ports in Andhra Pradesh jointly accounted for about 13 percent of Telangana's merchandise exports in 2022-23.

During 2022-23, Medchal Malkajgiri was the largest exporting district of Telangana, accounting for 25.8 percent of merchandise exports from the state, followed by Sangareddy (share of 21.9 percent in Telangana's merchandise exports), Hyderabad (18.8 percent), Ranagareddy (17.6 percent), Medak (2.9 percent), and Nalgonda (2.5 percent).

Key Products and Markets for Merchandise Exports

During 2022, Telangana exported 2,838 products at HS 6-digit level. Among these products, the export strategy of the state should focus on those items which have the maximum potential for growth, taking into consideration both supply and demand side aspects. The Study undertakes a granular analysis of the products where the state has comparative advantage and matches it with the global import demand for these products. Based on the analysis, two sets of products have been identified for Telangana. The first set of products, termed 'Product Champions', include those where the state has comparative advantage and global import demand is increasing. These products could be targeted for achieving export growth in short to medium term. The second set of products, termed 'Underachievers' include those where the state does not have a comparative advantage, but the global import demand has been robust. Capacity building in these second set of products would enable export growth in the medium to long term.

A total of 156 products at HS-6 digit level have been classified as Product Champions. It is noteworthy that nearly 48 products identified as product champions are in the category of 'Organic Chemicals' (HS 29). However, in terms of value, the maximum value of exports from Telangana under product champions is in the category of 'Pharmaceutical Products' (HS 30). An assessment of the top export destinations for Telangana vis-à-vis the top importers globally in the top 10 Product Champion sectors indicates that some of the top global importers in the product champions categories do not feature among the top destinations for Telangana's exports of these products. Thus, there is scope for increasing exports of these product champions from the state by expanding export footprints into some of the top markets that are currently under-tapped.

Underachievers category for Telangana includes 20 products at HS 6-digit level. There already exists some supply base for exports of these products in the state. In the medium to long term, the state could target these segments for strengthening production capacities and enhancing market share in exports of these products.

Services Exports from Telangana

Based on Exim Bank estimates, Telangana accounted for at least 10 percent of the services exports from India, which is much higher than the state's contribution to the merchandise exports from the country.

The state has established itself as a leader in the IT and ITeS sector. The state's IT/ITeS exports reached a staggering ₹ 2,41,275 crores during 2022-23 from ₹ 1,83,579 in 2021-22, registering double-digit y-o-y growth of 31.4 percent. The increase of ₹ 57,706 crore in 2022-23 is the highest annual rise in IT and ITeS exports since the formation of the State. Tourism is another major category of services export from the state, with foreign exchange earnings for Telangana from foreign tourist visits estimated to have reached US\$ 135.4 million during 2022. Tourism and IT sector together generated more than US\$ 30 billion in export revenues for the state during 2022-23².

Export Target

The Indian economy has been on a positive growth trajectory, with a distinct possibility of reaching US\$ 5 trillion in GDP by 2026, owing to the numerous policy initiatives to propel economic growth and contain the effects of external shocks. It is further expected that merchandise and services exports will reach a level of US\$ 1 trillion each by 2030.

According to India Exim Bank research, the state has an untapped merchandise export potential of nearly US\$ 7.7 billion³. Tapping this potential can take Telangana's merchandise exports to US\$ 19.1 billion. Through an appropriate medium to long term export strategy, there is potential for propelling the state on an even higher export growth trajectory. Going forward, considering the target for India's overall exports by 2030, Telangana should aim to achieve at least US\$ 108 billion in overall exports (merchandise and services combined) by 2030.

Strategies for Exports Promotion

Developing a comprehensive export strategy would be an important first step for unleashing the untapped export potential of the state. With the objective of outlining a comprehensive and relevant export strategy

² As per India Exim Bank calculation based on average annual Rupee to Dollar conversion rate of 2022

³ Based on estimates of India's untapped export potential by ITC Export Potential Map

for the state, the Study analyses the opportunities and challenges for exporters in Telangana and recommends actionable strategies to tap the opportunities and address the challenges. These strategies are built upon six essential pillars viz. diversification to focus products and markets, infrastructure leverage and strengthening, capacity building, fiscal incentives, export promotion campaigns, and institutional streamlining.

Focus Products and Markets

Enhancing production capacities in higher value-added products and expanding market footprint in the top importing markets would be crucial for a substantive increase in exports from the state and imparting resilience to the state's exports basket. Based on the identification of 'Product Champions' and 'Underachievers' categories, the Study provides a set of focus products for enhancing exports from Telangana. These products include:

Agri and Allied Sectors

Processed Cereal Products: Cereals, particularly rice, as well as cereal preparations are important exported products from the state. In fact, exports of cereal preparations from Telangana accounted for 15 percent of India's exports of cereal preparations in 2022-23. Existing exports of cereal and cereal preparation largely comprise semi/wholly milled rice, broken rice, rice in husk, rolled/flaked grains, and cereal flour. Telangana is also among the top millet exporting states in the country.

Diversification of exports towards high value-added cereal preparations like snacks, ready to cook/ ready to eat products including pasta and noodles made from rice and/or millets, fermented rice flour, puffed or flaked cereals items, can garner greater exports from the state. Opportunities emerging in the gluten-free food industry can also be tapped through encouragement for capacity expansion in processed cereal items, particularly those made from rice and millets. The state government has recently launched the millet incubation centre for processing millet products, with state-of-the-art facilities for primary and secondary millet processing. More enterprises should leverage this facility to scale up their ideas and tap export opportunities in developed countries with high demand for gluten-free food products.

Spice Oleoresins: Telangana produces and exports a wide range of spices in dried and/or powdered form, including chillies, turmeric, pepper, cinnamon, cloves, nutmeg, mace, cumin, juniper berries, cardamom, and coriander, among others. The state had a share of nearly 10.8 percent in India's overall exports of spices during 2022-23.

There is substantial scope for enhancing exports in the higher value-added processed spice segment. One such area would be spice oleoresins (mainly under HS- 330190), which has also been identified as a product champion. The state is the 2nd largest exporter of oleoresins in the country, accounting for a share of 24.2 percent in India's total oleoresin exports in 2022-23. There is potential for further expanding the exports of oleoresins from the state given the growing demand for these products in overseas markets.

For building capacities in the segment, the state could incentivise investments by developing a spices park. The spices park could be set up in the district of Khammam, which accounts for a significant portion of the state's spice cultivation and exports. This spices park could be set up under a public private partnership mode, with facilities such as spices processing units as well as common processing and value addition facilities such as cleaning, sorting, grading, grinding, oil extraction and packaging of spices for use by the local farmers, traders, exporters, and other stakeholders.

Seeds Exports: The state could also focus on enhancing exports of seeds of various kinds, such as paddy, pulses, oil seeds, fibre crops, vegetables and green manure. The state currently exports seeds to nearly 18 countries in the world and meets nearly 65 percent of India's seed requirement⁴. The state government could consider promoting organic certified seed exports from the state⁵.

Pharmaceuticals

Telangana's exports of pharmaceutical products consist of a wide range of bulk drugs as well as drug formulations. The state is home to the Hyderabad Pharma City, which is one of India's largest integrated clusters for pharmaceutical industry, with a thrust on both R&D and manufacturing⁶. For product diversification, pharmaceutical players in the state could be encouraged to enhance capacities in biosimilars, which would provide new avenues for growth in exports. Globally, the demand for biologics is growing steadily as they can be used to treat and manage several chronic diseases including cancer, diabetes, infectious disorders, hormonal disorders, etc⁷.

Europe is the largest market for biosimilars currently with nearly 76 approved biosimilars as of May 2023⁸. The US FDA has also approved 48 biosimilars as of March 2024⁹. According to a report by McKinsey, patent expiry of nearly 17 blockbuster biologics¹⁰ during 2020 to 2025 is expected to create an opportunity worth US\$ 60 billion, due to loss of exclusivity of these patented drugs. This would create large opportunities for biosimilar players¹¹. Thus, exporters from the state could consider diversification into this key emerging segment.

Gems and Jewellery

Lab-grown diamonds are diamonds made in laboratories and factories, that are identical to natural diamonds in appearance and composition. The global lab-grown diamonds market was valued at US\$ 22.3 billion in 2021, and is expected to reach US\$ 55.6 billion by 2031, recording a CAGR of 9.8 percent¹². Factors such as affordability, sustainability and similarity in characteristics with that of natural diamonds have been the key growth drivers for the surge in demand for lab-grown diamonds across the world. Given that gems and jewellery sector is already an important export-oriented sector for Telangana, exporters in this sector could focus on diversification towards lab-grown diamonds segment.

Automobile and Auto Components

Automobile and auto components is an important export sector for Telangana. In this sector, products such as tractors (HS 870192 and 870193), dumpers designed for off-highway use (HS 870410), and new pneumatic tyres for buses and lorries (HS 401120) have been identified as product champions for the state. In the short

⁴ NABARD (2023), Credit Potential for Export Credit in the State – 2022-23 – State level sectoral paper, Telangana

⁵ Ibid.

⁶ Telangana Life Sciences Foundation, Government of Telangana

⁷ Biologics are products derived from living organisms like bacteria, as well as from mammals, plants, and animals through genetic engineering. Some of the commonly known biologics include monoclonal antibodies (MABs), vaccines, recombinant proteins, antisense, RNAi, molecular therapy, among others.

⁸ Biosimilars approved in Europe (May 2023), Generics and Biosimilar Initiative.

⁹ The US FDA Biosimilar Product Information (Mar 2024), US FDA

¹⁰ A blockbuster drug is an extremely popular drug that generates at least US\$ 1 billion worth of annual sales revenue for the pharmaceutical company that produces them.

¹¹ Ying Chen, Alex Monnard, and Jorge Santos da Silva (2021), An inflection point for biosimilars, McKinsey & Company

¹² Allied Market Research

term, exporters from the state could focus on enhancing exports of these products. Besides these, there is need for diversification towards electric vehicles (EV).

In line with the growing reorientation of demand towards EVs, Telangana is focussing on attracting investments from EV manufacturers. The state has introduced the Telangana Electric Vehicle & Energy Storage Policy 2020-2030, which offers a range of incentives to augment manufacturing of electric vehicles in the state. This includes capital subsidies, SGST reimbursements, power tariff subsidies, among others. Companies in the industry could utilise the benefits under the policy to increase production and enhance exports of EVs in the medium term.

Tourism

Telangana has a rich cultural heritage, with several ancient temples, forts, palaces, and monuments that showcase the region's architectural marvels. Hyderabad, the capital city of Telangana, is particularly known for its historical significance, vibrant culture, and culinary delights. Efforts are required to develop and popularise the existing tourism circuits in the state, to increase international footfall.

There is substantial scope for enhancing cinema/ film tourism, as there already exists a few film cities in the state viz. Ramoji Film City and Ramanaidu studios. These need to be further developed and popularised to attract international tourists. Besides, to promote creative services like motion picture and video tape production services, the state could bring out a film tourism policy. Currently, around 18 states/UTs in India have a dedicated incentive framework for promoting filming/film making at the state level. Telangana could also develop a similar policy with the objective of attracting national and international film production in the state targeted towards international audience. The state government could provide incentives for promoting shooting films in the state, such as free of cost shooting permits, special cash subsidy, etc. Further, financial incentives could also be given to movies that secure international awards.

Efforts are also needed to develop facilities at the heritage sites in the state to increase international footfall. There could also be a focus on show casing the unique culinary delicacies of the state for promoting culinary tourism in the state.

Market Diversification

There remains substantial scope for exporters from the state to diversify towards key global markets including several developed economies such as Germany, Japan, France, Singapore, Italy, the Netherlands, Italy etc. A list of sector-wise top potential countries for market diversification that may be targeted by exporters is provided in the Study.

Infrastructure Leverage and Strengthening

There is significant scope for improvement in the trade enabling infrastructure in the state. According to the Export Preparedness Index (EPI) 2022 of the Niti Aayog, Telangana underperforms across various categories of connectivity parameters when compared to several southern states and landlocked states of comparable economic size. In terms of transport connectivity, Telangana scores least when compared to the southern states of Tamil Nadu, Karnataka and Andhra Pradesh, and also lower than landlocked states such as Uttar Pradesh, Madhya Pradesh and Haryana. Besides, the state also scored the second lowest in terms of ICD area

coverage in the EPI 2022, among the states considered for analysis in the Study. As the state is landlocked, there is a need for the state to set up more ICDs and air cargo facilities.

Storage is another important link in the overall logistics chain for exports. Telangana has the lowest warehousing capacity and the second lowest cold storage capacity among southern states and landlocked states of comparable size considered for analysis in the Study.

The state can utilise the support under the Central Government's Trade Infrastructure for Export Scheme (TIES) for developing and strengthening the ICDs, CFSs, warehousing and cold storage facilities, and other essential export infrastructure. As per the latest available data, no projects have been approved under the TIES for developing export infrastructure in Telangana during 2019-20 to 2022-23¹³. Telangana needs to enhance its utilisation of the support provided under TIES.

Capacity Building

While exporters in the state produce a wide array of products, there is need for improving the design, quality and quantum of production in order to effectively tap the international market. In several products, there may not be enough exportable surplus, or the production may not be attuned to the requirements of the global market, necessitating capacity building efforts.

Branding of Geographical Indications

Geographical Indications (GI) status for agricultural, handloom and handicraft products of Telangana can function as product differentiators and serve as important tools for marketing. Telangana has a total of 16 GIs out of which 2 GIs belong to the agriculture sector, 1 GI is for a food stuff, and the rest 13 GIs belong to the handicraft sector. To reap the benefits of the GI Status, it is important for the GI brand to be recognised as a reliable and preferred brand in the market, with distinguishable positioning. The logo and the GI brand name need to be developed and marketed, and mechanism needs to be devised for ensuring that all products marketed under the GI brand adhere to minimum specific standards. To ensure the quality and uniqueness of the products, the state government could set up a GI certification body, that will provide certificate of authenticity to select high-potential export items in agriculture and handicraft categories. A repository of information about the artisans involved in production and exports of the GI products could be maintained by the certifying body.

Initiatives are also needed for identifying more products from the state which can be accorded GI status. This could include culinary delicacies such as '*Sarva Pindi*', '*Sakinalu*', '*Golichina Mamsam*', as well as beverages like '*Pachi Pulusu*', etc. GI tags could enhance the popularity of these food items and thereby boost exports of these products from the state. Obtaining GIs for these prepared food stuffs could also be helpful in promoting culinary tourism in the state.

Standards, Rules and Regulations

Exporters need to have in-depth knowledge of the latest global developments pertaining to packaging/eco-labelling, quality standards, regulatory norms and mandatory certification requirements, among others, to be able to expand their footprint into highly regulated markets in developed countries. Exporters also need to acquaint themselves with the rules and procedures of importing countries. It is therefore imperative to

¹³ PIB (2023), Trade Infrastructure for Export Scheme (TIES) being implemented for creation of appropriate infrastructure for the growth of exports

create an eco-system which supports exporters in adhering to the requirements in the export markets. This could be done through creating awareness about the rules, procedures and required standards, as well as through easing the financial burden associated with obtaining related certifications.

Awareness Workshops/ Programmes

Creating awareness among exporters about export procedures, regulations and standards related to various products is a crucial aspect of enhancing exports from the state. Awareness programmes/ workshops for creating awareness about the procedures to obtain clearances and certifications would help expand exports to more regulated markets. To that end, the state government could conduct regular district-level workshops/ seminars/ conferences on different aspects of international trade and across different sectors. Industry associations and agencies, in coordination with the proposed State Export Promotion Council (discussed later) can help in organising such programmes. Training and awareness drives could also be conducted in major production hubs for dissemination of information pertaining to the certifications required for exports, including process of application and support provided by the Government of Telangana. Awareness programmes for e-commerce exports could also be organised with focus on creating awareness about e-commerce related rules and processes, and skill development for promotion of exports through online medium.

Reimbursement of Certification Costs

The state government could make efforts to create awareness among aspiring and first-time micro and small enterprises (MSE) in Telangana about 'Capacity Building of First Time MSE Exporters (CBFTE)' programme launched by the Government of India (GOI) and encourage them to avail the benefits under this scheme. Besides, to improve market access for existing exporters, the state government could also consider providing a refund of expenses incurred on obtaining standards and certifications to other exporters who may not be eligible for support under the CBFTE. This will reduce the financial burden and improve competitiveness of exporters from the state.

Fiscal Incentives

Fiscal incentives in the form of refunds/ reimbursements and concessions could be a major step for mitigating the cost burden and enhancing the competitiveness of exporters in Telangana. These fiscal incentives are particularly relevant in the light of geopolitical conflicts and uncertainties, such as the Red Sea crisis, which have led to higher freight costs and transit times of shipping vessels. In light of these challenges, the state government could consider extending freight subsidy for subsidising the freight component in exports of key products from the state. Keeping in mind the budget considerations, district and product-wise schedule for eligibility of reimbursement and amount for reimbursement can be developed by the state for the freight subsidy, with special focus on districts that may be far from the ports or dry ports.

Moreover, in order to assist manufacturers, particularly micro, small and medium enterprises (MSMEs), to acquire and evolve cutting-edge technologies, catalyse growth and compete in global market, technology acquisition support could also be extended by the Government of Telangana. The state could consider setting up a Technology Acquisition Fund to provide firms with funds to improve product, process, and performance efficiency. The fund could be utilised for adoption of advanced technologies by export-oriented MSMEs in the state. Reimbursement of expenses incurred on plant and machinery/testing equipment for obtaining at least silver category status under the GOI's Zero Defect Zero Effect (ZED) scheme for MSME exporters, could also be considered by the state.

Export Promotion Campaign

Capacity Building of Industrial Clusters

Telangana already has a number of industrial clusters spread across an array of sectors, which are at various stages of development. In order to ensure continued progress across these industrial clusters, there is a need to develop a mechanism for assessing the performance of these clusters, in order to review the current status of the clusters and identify sectors/subsectors for developing new clusters. Such an assessment could cover aspects pertaining to prevailing infrastructure bottlenecks, as well as challenges in technological upgradation, access to skilled human resources, environmental sustainability, etc. The state government could undertake such studies with support from the central government under the Market Access Initiative (MAI) scheme. Upon assessment of the clusters, relevant capacity building activities can be undertaken by the state government, including construction/ upgradation of physical infrastructure, building institutions, setting up of quality certification labs, common facility centres, design centres, and development of human resources, among others. The state government could avail financial support for capacity building activities under the Micro & Small Enterprises - Cluster Development Programme (MSE-CDP).

Setting up a Brand Equity Fund

A brand equity fund could also be set up by the Government of Telangana, with an aim to build globally competitive brands for products originating from the state. The fund can assist in marketing the branded products from the state in the international arena. Export related brochures, social media campaigns, etc., can be created for popularising the products in the state in the international markets.

Market Development Assistance

Market Development Assistance (MDA) Scheme of the Government of India assists exporters in undertaking their export promotion activities abroad. A state-level MDA scheme could also be put in place for further encouraging participation of exporters from the state in these events. The scheme could include incentives at a fixed percentage of the export turnover to exporters for participating in exhibitions/ fairs, buyer-seller meets or for conducting regional/sectoral expos at the district level, among others. Apart from this, the state government could also collaborate with the Ministry of Tourism, GOI for providing marketing assistance to entities engaged in niche tourism verticals.

Institutional Streamlining

To streamline the activities pertaining to export promotion in the state, a single platform would be essential for exporters and stakeholders in the state. The overall institutional ecosystem in Telangana needs to be framed in a manner that facilitates the various schemes proposed for exports, allows regular monitoring of the proposed targets, and thereby propels the state to a higher export trajectory. In this context, Telangana Export Promotion Council (TEPC) could be set up under the Department of Industries, Government of Telangana, with the objective of ensuring strong export performance for the state. The TEPC could be set up with the participation of the state government, exporters and industry associations. It would also provide a forum for exchange of views, sharing of information, identifying obstacles faced by the exporters and implementing mechanism to overcome them. A structure for the TEPC is proposed in the Study.



Conclusion

Telangana has the potential to achieve an exports target of US\$ 108 billion by 2030. The six-pronged strategy outlined in the study shall help enhance trade competitiveness, enhance value addition in the production cycles, create awareness about exports, promote innovation, increase visibility of Telangana's exports, and create an institutional mechanism for nudging exports to a higher growth trajectory.



Economic Scenario of Telangana

Economic Backdrop

Telangana, the only landlocked state in southern India, has distinct advantages across agriculture, industry, and services sectors. The state boasts a rich agrarian landscape characterised by fertile soil, favourable climatic conditions, and advanced irrigation infrastructure. With a diverse range of crops cultivated including rice, cotton, maize, pulses, and oilseeds, Telangana has established itself as a significant contributor to India's agricultural output.

Moreover, Telangana's strategic focus on industrial development has fostered a conducive environment for investment and growth, positioning it as a thriving hub for manufacturing and industrial activities. The state's strategic location, well-connected transportation networks, and robust logistical infrastructure have attracted investors seeking to leverage its competitive advantages. The investments have led to significant growth in Telangana's pharmaceuticals, biotechnology, and textile sectors.

In addition to agriculture and industry, Telangana's services sector has also emerged as a key pillar of its economic growth, offering a diverse array of opportunities across segments such as healthcare, education, tourism, and IT-enabled services. The state's capital city, Hyderabad, often referred to as "Cyberabad," has garnered global recognition as a leading technology and innovation hub, home to a thriving ecosystem of multinational corporations, research institutions, startups, and skilled professionals. Further, the presence of world-class educational institutions, research centres, and incubation facilities have fuelled innovation and entrepreneurship, positioning Telangana as a preferred destination for knowledge-based industries.

Telangana's gross state domestic product (GSDP) at constant prices was estimated to be ₹ 7.3 lakh crore in 2022-23, accounting for a share of nearly 4.5 percent in India's Gross Domestic Product (GDP)¹⁴ (at constant 2011-12 prices) during the year. The state is among the fastest growing states in the country, with its GSDP (at constant prices) estimated to have registered stronger y-o-y growth than India's GDP growth during 2021-22 and 2022-23. In terms of per capita GSDP (at current prices) as well, Telangana is relatively well-positioned at an estimated ₹ 3,12,398 in 2022-23, as compared to an estimated national average (at current price) of ₹ 1,69,496 during the year.

The state has also taken substantial strides towards sustainable development. In fact, according to Niti Aayog's Sustainable Development Goals (SDG) India Index 2020, Telangana is among the frontrunners in achieving the UN SDGs, ranking 11th among Indian states in achieving overall SDGs. In the index, Telangana was classified in the Achiever category in providing affordable and clean energy.

¹⁴ As per First Revised Estimate

Telangana has a conducive business environment, as evinced by its position in the Ease of Doing business (EODB) Index in 2019-20. Telangana is among the best performing states on the Index and has maintained its position among the top performing states in the EODB index for three consecutive evaluation periods viz. 2016, 2017 and 2019. The state was ranked 3rd in the EODB index during 2019. Further, the state also has a favourable ecosystem for innovation and a stable logistic infrastructure. Telangana ranked 2nd among the major states in the Niti Aayog's India Innovation Index 2021, and also ranked 10th among all states/UTs in the Logistics Ease Across Different States (LEADS) index 2021. In the LEADS index 2022, Telangana is classified under the Achievers category, which includes states with exemplary logistics ecosystems, exceptional infrastructure and transparent regulatory processes.

Overview of the State Economy

Analysis in this section highlights the changes in the overall economy of the state, as evident from the changes in important macroeconomic indicators. Gross State Domestic Product is an important indicator to measure the growth and economic development in a state and gauge the structural changes in a state economy. It is equal to the income generated from the production of goods and services within the geographical boundaries of a state. The estimates of value added at the state level without any adjustments for the capital depreciation/ consumption is termed as the Gross State Value Added (GSVA).

Among the recent shocks to the Indian economy, the Covid-19 pandemic has been particularly disruptive for both lives and livelihoods. In terms of economic activities, the adverse effect of the pandemic was felt across all sectors, impacting both supply and demand in the economy. As a result, India's GDP (at constant 2011-12 prices) is estimated to have registered a sharp y-o-y decline of (-) 5.8 percent in 2020-21. The economy of Telangana was also impacted by the shocks triggered by the pandemic, with the GSDP of the state (at constant 2011- 12 prices) registering a decline of (-) 6.0 percent in 2020-21 (Table 1). The economy of Telangana recovered in the following year with the GSDP (at constant 2011-12 prices) registering a growth of 12.0 percent, higher than India's GDP growth rate of 9.7 percent during 2021-22 (Table 1). The growth remained robust in the following year as well. During 2022-23, Telangana's GSDP (constant prices) registered a y-o-y growth of 7.8 percent.

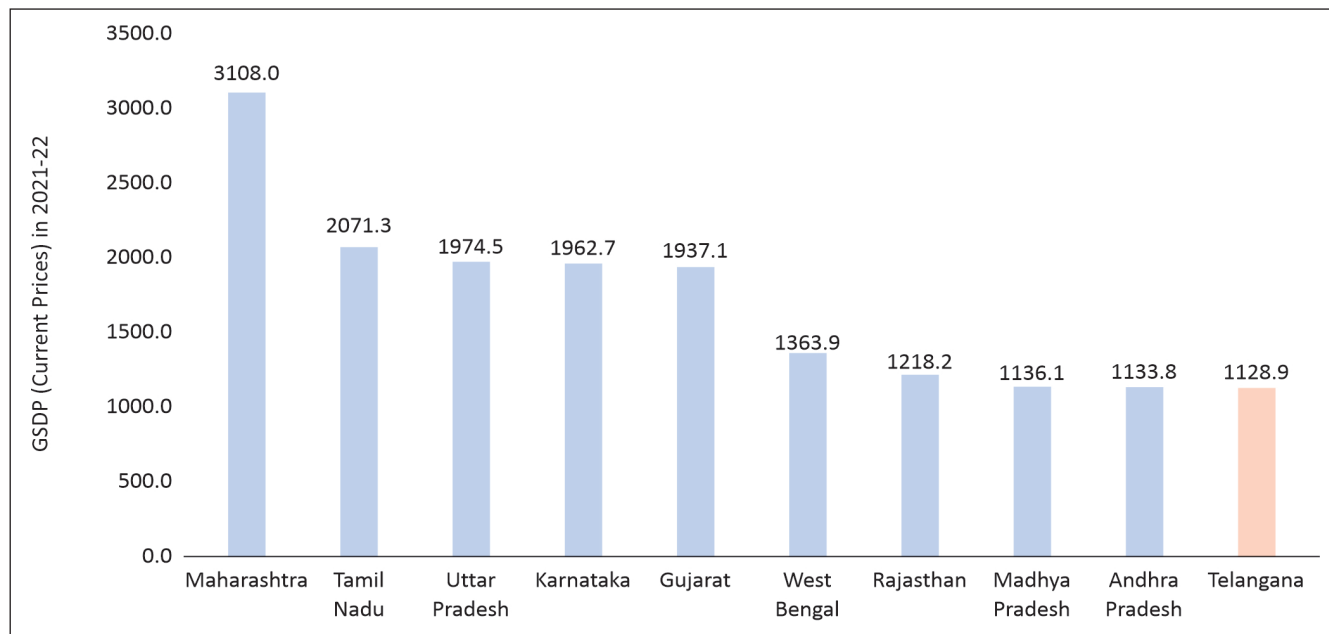
Table 1: Comparison of Gross State Domestic Product of Telangana with the Gross Domestic Product of India (Values in ₹ '000 Crore)

Year	Telangana				India			
	GSDP at Current Prices	Y-o-Y Growth %	GSDP at Constant (2011-12) Prices	Y-o-Y Growth %	GDP at Current Prices	Y-o-Y Growth %	GDP at Constant (2011-12) Prices	Y-o-Y Growth %
2016-17	658.3	13.9	507.9	9.3	15391.7	11.8	12308.2	8.3
2017-18	750.1	13.9	557.4	9.7	17090.0	11.0	13144.6	6.8
2018-19	857.4	14.3	608.4	9.1	18899.7	10.6	13992.9	6.5
2019-20	950.1	10.8	641.0	5.4	20103.6	6.4	14534.6	3.9
2020-21	942.8	-0.8	602.3	-6.0	19854.1	-1.2	13694.9	-5.8
2021-22	1128.9	19.7	674.4	12.0	23597.4	18.9	15021.8	9.7
2022-23	1313.4	16.3	726.7	7.8	26949.6	14.2	16071.4	7.0

Source: MOSPI; India Exim Bank Research

Telangana had the 10th largest GSDP (at current prices) among all states/UTs in 2021-22. The states of Rajasthan, Madhya Pradesh and Andhra Pradesh had GSDP in similar range as that of Telangana (Exhibit 1).

Exhibit 1: Top 10 States of India in terms of GSDP at Current Prices (Values in ₹ '000 Crore)



Source: MOSPI; India Exim Bank Research

The growth in GSVA at constant (2011-12) prices for Telangana has been robust, recording a CAGR of 6.3 percent during the period FY17-FY23, to reach an estimated ₹ 662.3 thousand crore in 2022-23. The services sector is the largest contributor in the GSVA of Telangana. However, the share of services sector in Telangana's GSVA has witnessed a decline— from 63.6 percent in FY17 to 61.2 percent during FY23. The share of agriculture and allied activities increased from 12.5 percent in FY17 to 14.6 percent in FY23, as the sector registered the fastest growth among all sectors. The industry sector also witnessed a marginal increase in share from 24.0 percent in FY17 to 24.2 percent in FY23, on the back of a moderate growth.

Table 2: Sector-wise Gross State Value Added (GSVA) of Telangana at Constant (2011-12) Prices (Values in ₹ '000 Crore)

Item	FY17	FY18	FY19	FY20	FY21	FY22	FY23	% Share in GSVA (FY23)	CAGR (FY17- FY23) %
Agriculture and Allied	57.3	62.8	66.7	86.6	89.3	88.9	96.7	14.6	9.1
Industry	110.2	123.7	142.4	137.9	135.4	155.5	160.2	24.2	6.4
Services	292.0	314.2	336.3	355.0	321.7	365.7	405.3	61.2	5.6
GSVA	459.5	500.7	545.4	579.5	546.4	610.0	662.3	100.0	6.3
GSDP	507.9	557.4	608.4	641.0	602.3	674.4	726.7	-	6.2

Source: MOSPI; India Exim Bank Research

Key Economic Activities

Agriculture and Allied Sector

Agriculture and allied sector is an important sector for Telangana's economy, with more than 60 percent of the rural population of Telangana employed in the sector. Of the total geographical area of over 276.95 lakh acres in Telangana, nearly 53 percent is net sown area, 25 percent is under forest cover, 8 percent is land put to non-agriculture use, 5 percent is fallow land, 5 percent is barren and uncultivable land, and the remainder is permanent pastures and other grazing lands. Besides farming, segments such as fishery, dairy, meat, and poultry, are also important sources of gainful employment and economic output in the state.

As noted earlier, the agriculture and allied sector in the state has been a key growth driver for the state economy over the recent years. The growth in the sector was primarily driven by strong growth in the crops segment and fishing and aquaculture segment, which registered CAGRs of 9.5 percent and 14.3 percent, respectively, during FY17-FY23 (Table 3).

In terms of contribution to agriculture GSVA, crops segment accounted for the largest share of 50.7 percent in Telangana's agriculture GSVA during 2022-23, followed by livestock (share of 43.7 percent), fishing and aquaculture (3.4 percent), and forestry and logging (2.2 percent).

Table 3: Segment-wise GSVA in Agriculture and Allied Sector of Telangana (Values in ₹ '000 Crore)

Item	FY17	FY18	FY19	FY20	FY21	FY22	FY23	% Share in Agri GSVA (FY23)	CAGR % (FY17-FY23)
Agriculture, forestry & fishing	57.3	62.8	66.7	86.6	89.3	88.9	96.7	100.0	9.1%
Crops	28.5	31.4	29.4	45.7	46.2	43.6	49.1	50.7	9.5%
Livestock	25.5	27.5	33.2	36.5	38.3	40.2	42.2	43.7	8.8%
Forestry and logging	1.8	1.9	1.9	2.1	2.1	2.1	2.1	2.2	2.2%
Fishing and aquaculture	1.5	2.0	2.2	2.4	2.7	3.0	3.3	3.4	14.3%

Source: MOSPI, India Exim Bank Research

Industrial Sector

The value added in the industrial sector of Telangana has witnessed a steady growth over the recent years, registering an estimated CAGR of 6.4 percent during FY17 to FY23. This surge in industrial value added is primarily driven by growth in 'electricity, gas, water supply and other utility services' segment and 'manufacturing' segment, which recorded strong CAGRs of 12.1 percent and 7.1 percent, respectively, during this period (Table 4). Within industries, the share of manufacturing was 61.3 percent during 2022-23, followed by construction with a share of 20.0 percent.

Telangana has a robust textile industry, which has a rich legacy dating back centuries. The state is known for its production of long staple cotton. The state's cotton-rich hinterland, coupled with skilled labour and supportive government policies, have nurtured a vibrant textile ecosystem encompassing spinning, weaving, dyeing, and garment manufacturing. The state also has a vibrant handloom industry, with several famous

ethnic designs and patterns such as *Pochampally Ikat*, *Gadwal Cotton*, Silk & Sico sarees, *Narayanpet Cotton* and Silk sarees, *Warangal Durries*, *Karimnagar Bed sheets & furnishings*, and *Gollabhama sarees* of Dubbaka.

In addition to textiles, Telangana's manufacturing landscape is characterised by a burgeoning pharma industry. The state contributes to nearly one-third of India's production of pharmaceuticals¹⁵. Hyderabad, the state's capital, serves as the nucleus of this thriving sector, with several pharmaceutical companies engaged in research, development, and production of drugs and formulations. The presence of world-class research institutions, such as the Indian Institute of Chemical Technology (IICT) and the National Institute of Pharmaceutical Education and Research (NIPER), further fosters innovation and collaboration in pharmaceutical R&D and manufacturing. With initiatives such as Pharma City, Genome Valley, Medical Devices Park and B-Hub, Telangana's life sciences ecosystem is poised to grow significantly.

Telangana also has a considerable automotive sector, with major automobile manufacturers and ancillary units setting up operations in the state. The state is also encouraging investments in manufacturing of electric vehicles and associated components.

Table 4: Segment-wise GSVA in the Industry Sector (Values in ₹ '000 Crore)

Item	FY17	FY18	FY19	FY20	FY21	FY22	FY23	% Share in Industry GSVA (FY23)	CAGR % (FY17- FY23)
Industry	110.2	123.7	142.4	137.9	135.4	155.5	160.2	100.0	6.4%
Mining and Quarrying	15.1	17.6	22.5	18.6	14.7	18.5	18.6	11.6	3.5%
Manufacturing	64.9	71.0	82.7	81.0	83.2	94.0	98.2	61.3	7.1%
Electricity, Gas, Water Supply and Other Utility Services	5.7	7.3	8.2	10.7	9.9	10.4	11.4	7.1	12.1%
Construction	24.4	27.8	29.1	27.6	27.6	32.5	32.0	20.0	4.7%

Source: MOSPI; India Exim Bank Research

Services Sector

Telangana has emerged as a global epicentre for IT innovation, entrepreneurship, and talent. The state's journey to becoming an IT powerhouse is marked by a confluence of factors, including government policies, robust infrastructure, a skilled workforce, and a conducive business environment, all of which have propelled Telangana to the forefront of the digital revolution.

The foundation of Telangana's IT hub status can be traced back to the establishment of HITEC City (Hyderabad Information Technology and Engineering Consultancy City) in the late 1990s. Conceived as a state-of-the-art IT park to accommodate the burgeoning demand for office space from IT companies, HITEC City quickly became the epicentre of Hyderabad's IT revolution, housing multinational corporations, research and development centres, and business incubators. In addition to HITEC City, Telangana has continued to invest in the development of specialised IT parks and clusters to cater to the diverse needs of the industry.

¹⁵ Invest Telangana

Furthermore, Telangana's vibrant startup ecosystem has played a pivotal role in fueling the growth of its IT hub. Hyderabad's emergence as one of the top destinations for startups in India is attributable to factors such as access to funding, mentorship programmes, incubation centres, and networking opportunities. Initiatives like T-Hub, India's largest startup incubator, and the Telangana State Innovation Cell (TSIC) provide a platform for budding entrepreneurs to transform their ideas into successful ventures, fostering a culture of innovation and entrepreneurship in the state.

Services sector accounts for the largest share in Telangana's GSVa, at nearly 61.2 percent in 2022-23. The services sector GSVa in Telangana registered a CAGR of 5.6 percent during FY17 to FY23. Within the services sector, 'real estate, ownership of dwelling and professional services' contributed significantly to the overall GSVa of the services sector of Telangana, with a share of 35.0 percent in 2022-23, followed by 'trade, repair, hotels and restaurants' segment (share of 27.2 percent in the services GSVa), 'transport, storage, communication and services related to broadcasting' segment (12.2 percent), and 'other services' (10.7 percent), among others. Trade, repair, hotels and restaurants segment has been a major growth driver in the services sector, witnessing robust CAGR of 9.2 percent during 2016-17 to 2022-23 (Table 5).

Table 5: Segment-wise GSVa in the Services Sector (Values in ₹ '000 Crore)

Item	FY17	FY18	FY19	FY20	FY21	FY22	FY23	% Share in Services GSVa (FY23)	CAGR % (FY17- FY23)
Services	292.0	314.2	336.3	355.0	321.7	365.7	405.3	100.0	5.6%
Trade, Repair, Hotels and Restaurants	64.8	75.1	89.1	97.3	77.0	93.6	110.0	27.2	9.2%
Transport, Storage, Communication and Services Related to Broadcasting	35.3	36.4	38.3	40.0	32.1	43.8	49.5	12.2	5.8%
Financial Services	33.8	35.1	35.3	35.6	36.8	36.4	41.9	10.3	3.6%
Real Estate, Ownership of Dwelling and Professional Services	97.9	103.5	110.7	119.3	120.7	134.9	141.9	35.0	6.4%
Public Administration	18.9	20.0	19.4	17.5	17.4	16.2	18.7	4.6	-0.2%
Other Services	41.2	44.1	43.4	45.3	37.6	40.8	43.3	10.7	0.8%

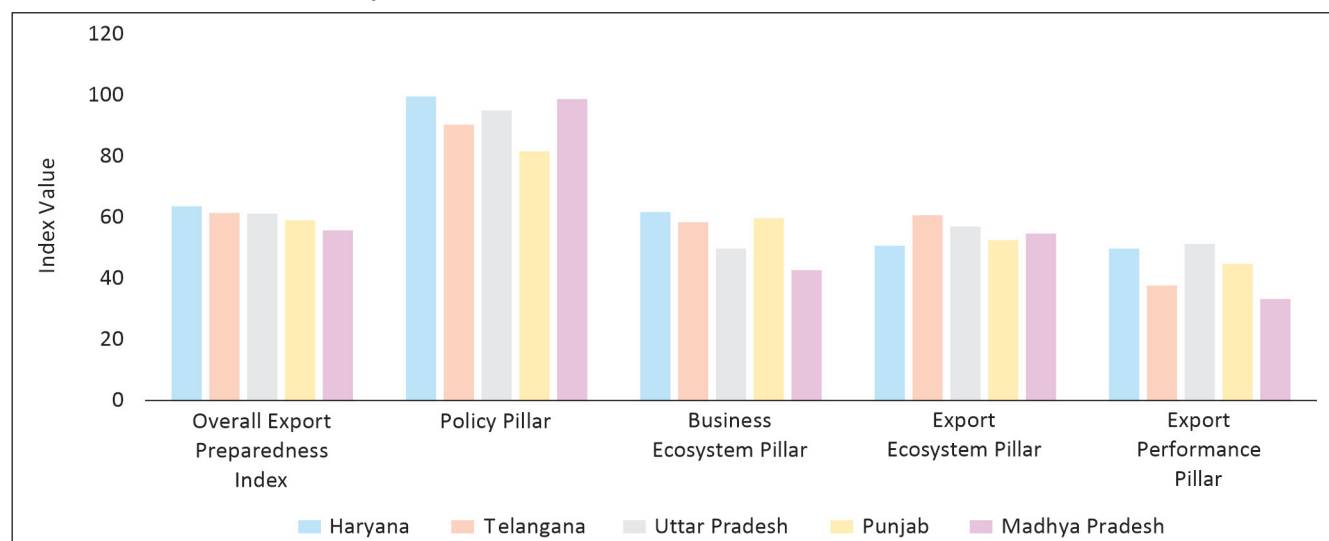
Source: MOSPI; India Exim Bank Research

Need for Export Strategy

Among all states/UTs, Telangana ranks 9th in terms of merchandise exports, accounting for a share of 2.5 percent in India's total merchandise exports during 2022-23. Despite the strong growth, favourable policy environment and robust transport infrastructure in the state, the share of merchandise exports in Telangana's GSDP (at current prices) stood at only about 6.9 percent in 2022-23. Although this is an improvement over the share of 5.8 percent in 2018-19, the share remains below the share of merchandise exports in India's GDP of 13.3 percent in 2022-23. The share is higher when compared to other landlocked states with similar GSDP such as Rajasthan (share of 5.7 percent in GSDP), Madhya Pradesh (5.3 percent), but lower than the neighbouring state of Andhra Pradesh (12.2 percent).

The state ranked 6th in the Niti Ayog's Export Preparedness Index (EPI) 2022. Among landlocked states, Telangana ranked 2nd, only behind Haryana (ranked 5th overall). Though the state ranked 4th on the export ecosystem pillar of the EPI 2022, its relative performance in the areas of policy framework and export performance remained subpar when compared to other landlocked states like Haryana, Uttar Pradesh, Punjab, and Madhya Pradesh (Exhibit 2).

Exhibit 2: Comparison of Performance of Select Landlocked States in EPI 2022



Note: EPI scores for each parameter range from 0-100 wherein a higher score indicates better performance

Source: Niti Aayog Export Preparedness Index 2022; India Exim Bank Research

A robust export strategy can help in bridging the existing gaps in export preparedness and further boost the export performance of the state. A well-designed export strategy can also have a positive impact on employment generation in the state, and bring down the labour market gap and persistent informality in the state.

Conclusion

The State has the potential to emerge as one of the key contributors to growth in exports from India. To realise this potential, there is a need to focus on areas of traditional advantage, but also build capabilities in other resilient sources of growth in exports, especially technology-intensive manufacturing sectors in which the state already has considerable capacities. There is also potential for reorienting the agriculture sector towards greater value-added activities. Alongside, the services sector also requires a concerted strategy for the state to maintain its leadership in information technology and target new avenues of growth in services exports.

Against this backdrop, the study examines the economic profile and export performance of Telangana at a granular level, making an attempt to map the supply side capabilities of the state with the demand emanating from the international market. The study analyses the potential for exports from the state, and also identifies dynamic products and potential markets for exporters. The study also recommends strategies for enhancing trade competitiveness at the state level and creating an enabling environment for exports from the state.



Exports Scenario of Telangana

Telangana's abundant resources, skilled workforce, and a favourable policy environment have positioned the state as an important contributor to India's economic output and exports. However, there remains substantial latent export potential, which can be tapped through multi-faceted interventions.

Merchandise Exports from Telangana

Telangana ranked 9th among Indian states/UTs in terms of merchandise exports¹⁶, with a share of 2.5 percent in India's total merchandise exports in 2022-23. During 2018-19 to 2022-23, Telangana's share in India's merchandise exports has been in the range of 2.2 percent to 3.0 percent. Telangana's merchandise exports have grown steadily over the recent years, registering a robust CAGR of 12.3 percent during 2018-19 to 2022-23.

Merchandise exports from Telangana have remained remarkably resilient to external shocks, including the Covid-19 pandemic. In 2019-20 and 2020-21, while India witnessed two consecutive years of decline in merchandise exports, Telangana's merchandise exports registered y-o-y growth rates of 2.7 percent and 18.3 percent, respectively (Table 6). Telangana's merchandise exports continued to increase during 2021-22 and 2022-23, registering a y-o-y increase of 26.3 percent and 3.8 percent, respectively, to reach US\$ 11.4 billion in 2022-23. The trend has continued in 2023-24 as well. During April-December 2023-24, Telangana's merchandise exports were estimated at US\$ 9.4 billion, witnessing a y-o-y increase of 12.1 percent.

Table 6: Trends in Merchandise Export from India and Telangana

Year	Telangana's Merchandise Exports (US\$ bn)	Y-o-Y Growth in Telangana's Merchandise Exports (%)	India's Merchandise Exports (US\$ bn)	Y-o-Y Growth in India's Merchandise Exports (%)	Share of Telangana in India's Overall Merchandise Exports (%)
2018-19	7.2	9.1	330.1	8.8	2.2
2019-20	7.4	2.7	313.4	-5.1	2.3
2020-21	8.7	18.3	291.8	-6.9	3.0
2021-22	11.0	26.3	422.0	44.6	2.6
2022-23	11.4	3.8	451.1	6.9	2.5
2023-24*	9.4	12.1	316.7	-5.8	3.0

*April-December

Source: DGCIS, India Exim Bank Research

¹⁶ Note: State-wise export data are compiled by DGCIS on the basis of State Codes reported by the exporters in the shipping bills with the customs authority. While filing such shipping bills, exporters report the State of Origin Codes where the item originated (or was produced). The primary source of data in the form of shipping bill is generated in customs from where DGCIS sources export data in the form of Daily Trade Return (DTR) as a secondary source of data. DGCIS does not validate the State Codes provided by the exporters.

Key Exported Products

Drug formulations, biologicals is the topmost exported product category from Telangana, accounting for a share of 35.2 percent in Telangana's merchandise exports. Other top exported products from Telangana during 2022-23 include residual chemical and allied products (share of 10.2 percent in Telangana's merchandise exports), bulk drugs, drug intermediates (6.5 percent), organic chemicals (5.7 percent), spices (3.6 percent), and electric machinery and equipment (3.4 percent), among others (Table 7).

Table 7: Top 10 Merchandise Exports from Telangana (2022-23)

Principal Commodity	Value of Exports (In US\$ Mn)	Share in Merchandise Exports of Telangana
Drug Formulations, Biologicals	4,020.2	35.2%
Residual Chemical and Allied Products	1,169.3	10.2%
Bulk Drugs, Drug Intermediates	737.4	6.5%
Organic Chemicals	648.3	5.7%
Spices	407.4	3.6%
Electric Machinery and Equipment	384.8	3.4%
Granite, Natural Stone and Product	228.0	2.0%
Electronic Instruments	214.7	1.9%
Aircraft, Spacecraft and Parts	210.2	1.8%
Gold and other Precious Metal Jewellery	200.7	1.8%
Total Merchandise Exports	11,412.4	100.0%

Source: DGCIS, India Exim Bank Research

Telangana is the largest exporter of 'fertilisers crude' and 'fruits/vegetable seeds' in India, accounting for shares of 22.9 percent and 22.1 percent, respectively, in India's overall exports of these products during 2022-23 (Table 8). Telangana is also a key exporter of 'drug formulations, biologicals' and 'bulk drugs, drug intermediates' in the country, with shares of 20.7 percent and 15.7 percent, respectively, in India's total exports of these products during 2022-23. Other exports from Telangana with a high share in India's exports include cereal preparations (share of 15.0 percent in India's total exports of the product in 2022-23), residual chemical and allied products (14.9 percent), aircraft, spacecraft and parts (14.7 percent), poultry products (13.8 percent), and hand tool, cutting tool of metals (13.1 percent), among others (Table 8).

Table 8: Products where Telangana has the Largest Share in India's Exports (2022-23)

Principal Commodity	Value of Exports from Telangana (US\$ Million)	Share of Telangana in India's Exports of the Product
Fertilisers Crude	5.9	22.9%
Fruits / Vegetable Seeds	26.1	22.1%
Drug Formulations, Biologicals	4,020.2	20.7%
Bulk Drugs, Drug Intermediates	737.4	15.7%
Cereal Preparations	112.7	15.0%
Residual Chemical and Allied Products	1,169.3	14.9%
Aircraft, Spacecraft and Parts	210.2	14.7%

Principal Commodity	Value of Exports from Telangana (US\$ Million)	Share of Telangana in India's Exports of the Product
Poultry Products	18.5	13.8%
Hand Tool, Cutting Tool of Metals	125.0	13.1%
Other Crude Minerals	37.3	12.9%
Granite, Natural Stone and Product	228.0	10.9%
Spices	407.4	10.8%
Cement, Clinker and Asbestos Cement	57.4	10.7%
Other Miscellaneous Chemicals	167.6	10.0%
Total	11,412.4	100.0%

Source: DGCIS, India Exim Bank Research

Key Export Destinations

The USA is the largest destination for exports from Telangana, accounting for a share of nearly 30.0 percent in the merchandise exports from the state during 2022-23, followed by China (share of 5.8 percent), the UAE (4.9 percent), Belgium (3.0 percent), and the UK (2.5 percent), among others (Table 9).

Table 9: Top 10 Destinations for Merchandise Exports from Telangana (2022-23)

Country	Value of Exports (US\$ Million)	Share in Merchandise Exports from Telangana
The USA	3,426.0	30.0%
China	664.5	5.8%
The UAE	555.4	4.9%
Belgium	340.9	3.0%
The UK	282.5	2.5%
Germany	256.3	2.2%
Bangladesh	245.0	2.1%
Russia	236.6	2.1%
Japan	222.3	1.9%
Canada	218.9	1.9%
Total Exports	11,412.4	100.0%

Source: DGCIS, India Exim Bank Research

An analysis of the top 5 items exported to the top 10 export destinations for Telangana highlights predominance of drug formulations, biologicals in Telangana's exports to several top export destinations, with the category appearing among the top 5 export items from Telangana in case of 7 out of the top 10 export destinations. Analysis indicates that nearly 58.6 percent of Telangana's export to the USA in 2022-23 were from only one product category viz. drug formulations, biologicals (Table 10). During 2022-23, drug formulations, biologicals also accounted for 81.0 percent of Telangana's total exports to Belgium, 23.2 percent of exports to the UK, 42.4 percent of exports to Russia, and 45.7 percent of exports to Canada. Other tech-intensive items such as electronics, electric machinery, and bulk drugs also feature among the top items exported from Telangana to

its top export destinations. Further, Telangana has significant exports of spices to China, with these products accounting for more than one-third of Telangana's exports to China during 2022-23.

Table 10: Share of Top 5 Products in Exports to the Top 10 Export Destinations for Telangana (2022-23)

Export Destination	Principal Commodity	Share of Product in Telangana's Exports to the Country
The USA	Drug Formulations, Biologicals	58.6%
	Residual Chemical and Allied Products	4.9%
	Aircraft, Spacecraft and Parts	2.9%
	Electric Machinery and Equipment	2.8%
	Products of Iron and Steel	2.8%
China	Spices	33.6%
	Granite, Natural Stone and Product	20.3%
	Bulk Drugs, Drug Intermediates	12.7%
	Copper and Products Made of Copper	5.5%
	Residual Chemical and Allied Products	5.4%
The UAE	Telecom Instruments	22.0%
	Gold and other Precious Metal Jewellery	18.5%
	Paper, Paper Board and Product	7.2%
	Bulk Drugs, Drug Intermediates	6.4%
	Organic Chemicals	4.3%
Belgium	Drug Formulations, Biologicals	81.0%
	Residual Chemical and Allied Products	13.5%
	Organic Chemicals	1.1%
	Bulk Drugs, Drug Intermediates	0.6%
	Spices	0.4%
The UK	Drug Formulations, Biologicals	23.2%
	Electronic Instruments	21.4%
	Electric Machinery and Equipment	13.5%
	Residual Chemical and Allied Products	7.2%
	Organic Chemicals	4.9%
Germany	Organic Chemicals	17.7%
	Drug Formulations, Biologicals	17.1%
	Residual Chemical and Allied Products	14.7%
	Bulk Drugs, Drug Intermediates	12.3%
	Aluminium, Products of Aluminium	8.4%

Export Destination	Principal Commodity	Share of Product in Telangana's Exports to the Country
Bangladesh	Cotton, Raw including Waste	14.8%
	Bulk Drugs, Drug Intermediates	13.4%
	Residual Chemical and Allied Products	11.5%
	Drug Formulations, Biologicals	9.6%
	Organic Chemicals	6.8%
Russia	Drug Formulations, Biologicals	42.4%
	Bulk Drugs, Drug Intermediates	14.7%
	Residual Chemical and Allied Products	9.6%
	Electronic Instruments	7.6%
	Other Misc. Engineering Items	3.7%
Japan	Iron and Steel	22.0%
	Residual Chemical and Allied Products	21.3%
	Organic Chemicals	17.2%
	Bulk Drugs, Drug Intermediates	12.1%
	Other Misc. Chemicals	8.4%
Canada	Drug Formulations, Biologicals	45.7%
	Residual Chemical and Allied Products	25.0%
	Electric Machinery and Equipment	4.8%
	Organic Chemicals	4.8%
	Bulk Drugs, Drug Intermediates	4.4%

Source: DGCIS, India Exim Bank Research

Port-wise Exports from Telangana

Nearly 33.1 percent of the merchandise exports from the state in 2022-23 were routed through the Hyderabad Airport, with the USA, the UAE, Belgium, Russia and Switzerland being the top five destinations for merchandise exports from the Hyderabad Airport. In terms of products, nearly 34.0 percent of Telangana's exports of drug formulations, biologicals are exported from the Hyderabad Airport. Besides this, residual chemical and allied products, bulk drugs and drug intermediates, and organic chemicals are the other major commodities exported from the port.

It is noteworthy that a substantial share of Telangana's merchandise exports is routed through ports in neighbouring states like Andhra Pradesh, Tamil Nadu, and Maharashtra. In fact, ports in Andhra Pradesh jointly accounted for about 13 percent of Telangana's merchandise exports in 2022-23.

Table 11: Port-wise Merchandise Exports from Telangana (2022-23)

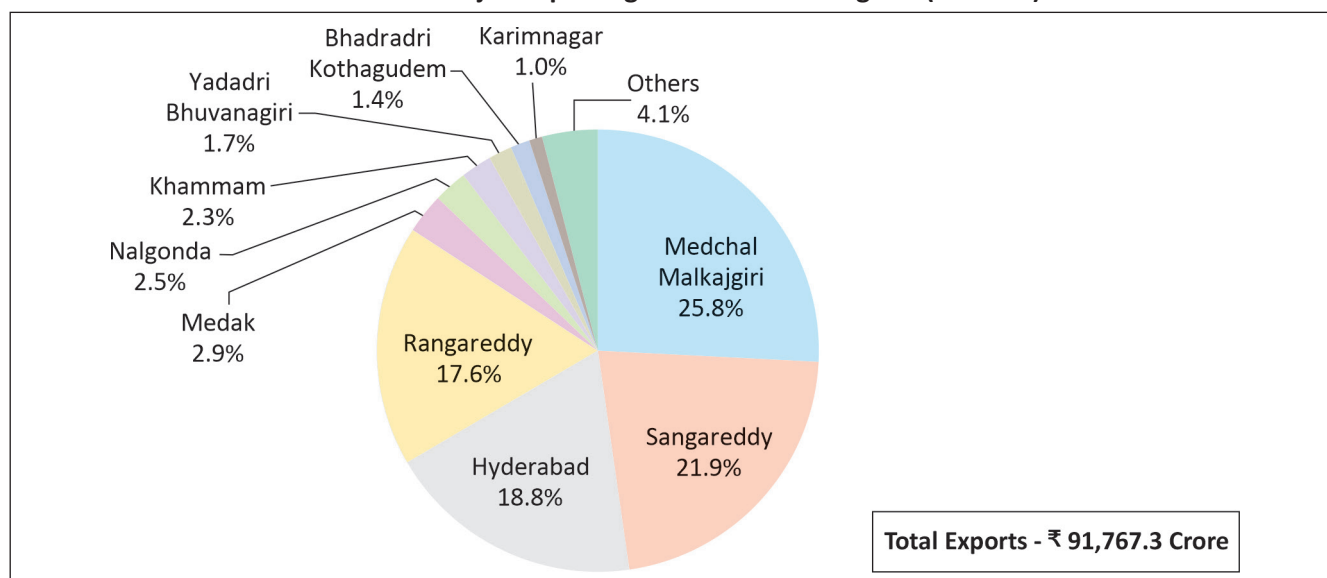
Port	State	% Share in Total Merchandise Exports from Telangana
Hyderabad Airport	Telangana	33.1%
ICD Hyderabad	Telangana	31.4%
Nhava Sheva Sea	Maharashtra	8.3%
AP Industrial Infra Ltd	Andhra Pradesh	7.3%
Chennai Sea	Tamil Nadu	3.4%
ICD Thimmapur	Telangana	2.4%
Kattupalli Port/ Tiruvallur	Tamil Nadu	1.7%
Devi S Lab Ltd.	Andhra Pradesh	1.6%
Mumbai Airport	Maharashtra	1.4%
Kakinada Sea	Andhra Pradesh	1.3%
APIIC SEZ Aerospace, Vizag	Andhra Pradesh	1.0%
Visakhapatnam Sea	Andhra Pradesh	1.0%
Others	-	6.1%

Source: DGCIS, India Exim Bank Research

District-wise Exports from Telangana

During 2022-23, Medchal Malkajgiri was the largest exporting district from Telangana, accounting for 25.8 percent of merchandise exports from the state, followed by Sangareddy with an estimated share of 21.9 percent in Telangana's exports. Other major districts in terms of merchandise exports from Telangana include Hyderabad (a share of 18.8 percent in Telangana's merchandise exports during 2022-23), Rangareddy (17.6 percent), Medak (2.9 percent), Nalgonda (2.5 percent), Khammam (2.3 percent), Yadadri Bhuvanagiri (1.7 percent), Bhadrachalam (1.4 percent), Karimnagar (1.0 percent), and Others (4.1 percent) (Exhibit 3).

Exhibit 3: Major Exporting Districts in Telangana (2022-23)



Source: Ministry of Commerce and Industry, India Exim Bank Research

The details of select major products exported from the top exporting districts are mentioned in Table 12. More than one-third of the exports from Medchal Malkajgiri is from a single product category— Other medicine put up for retail sale n.e.s (HS 30049099). Apart from Medchal Malkajgiri, pharmaceutical products, including bulk drugs and formulations, are also key item for exports across other top exporting districts such as Sangareddy, Rangareddy, Nalgonda and Yadadri Bhuvanagiri. In Hyderabad district, smartphones are fast emerging as a key export item, alongside traditional industries such as gems and jewellery.

Table 12: Select Products Exported from Top 10 Exporting Districts in Telangana

District	HS Code	Select Products	Exports During 2022-23 (₹ crore)	Share in District's Exports during 2022-23
Medchal Malkajgiri	30049099	Other medicine put up for retail sale n.e.s	8370.5	35.3%
	30039090	Other medicaments not put up in measured doses or in packing	1109.5	4.7%
	30041090	Other medicaments containing penicillin/ derivatives thereof with a penicillin acid structure/ streptomycin's or their derivatives put up for retail sale	627.7	2.7%
	30049079	Other antihypertensive drugs	620.3	2.6%
	30024129	Vaccines, toxins, cultures of micro-organisms (excluding yeasts) and similar products	574.7	2.4%
Sangareddy	30049099	Other medicine put up for retail sale n.e.s	1868.1	9.3%
	29339990	Other heterocyclic compounds with nitrogen hetro atom	1534.1	7.6%
	85042100	Liquid dielectric transformers having a power handling capacity not exceeding 650 kva	689.5	3.4%
	29222933	Para acetyl aminophenol (paracetamol)	666.4	3.3%
	29359090	Sulphonamides	600.6	3.0%
Hyderabad	85171300	Smartphones	984.7	5.7%
	71131940	Jewellery of gold set with precious and semi-precious stones other than diamonds	831.3	4.8%
	71131930	Jewellery of gold set with diamond	701.5	4.1%
	30049099	Other medicine put up for retail sale n.e.s	596.5	3.5%
	84111200	Turbo-jets of a thrust>25 kn	576.8	3.3%
Rangareddy	30049099	Other medicine put up for retail sale n.e.s	3797.3	23.5%
	88073000	Other parts of airplanes, helicopters or unmanned aircraft	1200.7	7.4%
	30049049	Other anticancer drugs	955.7	5.9%
	30049079	Other antihypertensive drugs	816.5	5.0%
	30049039	Other antihistaminic, antiacids, antiulcer, antiemetics and other gastrointestinal drugs	624.8	3.9%

District	HS Code	Select Products	Exports During 2022-23 (₹ crore)	Share in District's Exports during 2022-23
Medak	76042100	Hollow profiles of aluminium alloys	221.9	8.3%
	82071900	Other rock drilling or earth boring tools, including parts	204.3	7.6%
	73170013	Wire nails	198.2	7.4%
	74031300	Billets of refined copper	178.8	6.7%
	30049099	Other medicine put up for retail sale n.e.s	122.8	4.6%
Nalgonda	29339990	Other heterocyclic compounds with nitrogen hetro atom	459.4	20.3%
	29337990	Other lactams	346.5	15.3%
	29335990	Other compounds containing a pyrimidine ring (w/n hydrogenated) or piperazine ring in structure	248.5	11.0%
	73042990	Other casing, tubing of iron/steel	234.6	10.3%
	29189990	Other carboxylic acids with additional oxygen function and their anhydrides	219.9	9.7%
Khammam	09042110	Chillies, Of genus capsicum	1456.4	70.3%
	33019029	Oleoresins of spices n.e.s.,	196.7	9.5%
	25161100	Granite, crude or roughly trimmed	190.7	9.2%
	68022390	Other mosaic cubes and the like, of natural stone	105.9	5.1%
	68029300	Other granite	54.3	2.6%
Yadadri Bhuvanagiri	29349990	Other Nucleic acids and their salts, whether or not chemically defined; other heterocyclic compounds	132.4	8.4%
	29225090	Other frusemide amino dial domperidone	124.6	7.9%
	29333990	Other compounds containing an unfused pyran ring (w/n hydrogenated) in structure	107.9	6.8%
	29339990	Other heterocyclic compounds with nitrogen hetro atom	107.3	6.8%
	29242990	Other cyclic amides and derivatives and salts	100.4	6.4%
Bhadradi Kothagudem	48109900	Other coated paper and paper board (not multiply)	581.1	45.0%
	72023000	Ferro-silico-manganese	512.3	39.7%
	28451000	Heavy water (deuterium oxide)	118.5	9.2%
	48101990	Other in paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances	30.2	2.3%
	48025590	Other paper	11.9	0.9%
Karimnagar	25161100	Granite crude or roughly trimmed	723.2	82.1%
	68022390	Other mosaic cubes and the like, of natural stone	59.7	6.8%
	68022310	Granite blocks/tiles,polished	44.3	5.0%
	68029300	Other granite	19.4	2.2%
	10063010	Rice, parboiled	16.4	1.9%

Source: Ministry of Commerce and Industry, India Exim Bank Research

Key Products and Markets for Merchandise Exports

During 2022, Telangana exported 2,838 products at HS 6-digit level. Among these products, the export strategy of the state should focus on those items which have the maximum potential for growth, taking into consideration both supply and demand side aspects. The present section undertakes a granular analysis of the products where the state has comparative advantage and matches it with the global import demand for these products. Quantification of comparative advantage will help in identification of products where exports from the state have been performing well, as also those where success has been limited, although opportunities are significant.

Based on analysis in this section, two sets of products have been identified for Telangana. The first set of products include those where the state has comparative advantage and global import demand is increasing. These products could be targeted for achieving export growth in short to medium term. The second set of products include those where the state does not have a comparative advantage, but the global import demand has been robust. Capacity building in these second set of products would enable export growth in the medium to long term.

Methodology

For analysing the export competitiveness, the concept of Revealed Comparative Advantage (RCA) is used. RCA indices are used to identify categories of exports in which an economy has a comparative advantage by comparing the economy's trade scenario with the world trade scenario. The basic assumption underlying the concept of revealed comparative advantage is that trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects. As per Balassa's (1965) measure, RCA index for country i , commodity j is

$$RCA_{ij} = \frac{(X_{ji}/X_i)}{(X_{jw}/X_w)}$$

Where,

X_{ji} : exports of commodity j from country i

X_i : total exports from country i

X_{jw} : total exports of commodity j from world

X_w : total exports from world

The RCA index ranges from zero to infinity, with 1 as the break-even point. That is, an RCA value of less than 1 means that the country does not have comparative advantage in the product, while a value above 1 indicates that the country has a comparative advantage in the product.

The normalised revealed comparative advantage (NRCA) index has been demonstrated capable of revealing the extent of comparative advantage more precisely and consistently than other alternative RCA indices in the literature. NRCA can be defined in the following manner –

$$NRCA_{ij} = \frac{RCA_{ij}-1}{RCA_{ij}+1}$$

The export competitiveness of Telangana, as reflected in the NRCA, has been mapped with global demand for the products. Based on this mapping, four categories of products have been identified:

- **Product Champions – Competitive Exports (NRCA > 0); Growing Import Demand (Product Import AAGR > 0):** These products have the maximum potential, as the world demand for these products during 2018 to 2022 has shown robust growth, and Telangana has comparative advantage in exports of these products.
- **Underachievers – Exports Not Competitive (NRCA < 0); Growing Import Demand (Product Import AAGR > 0):** Telangana does not have comparative advantage in these products, while the import demand for these products has shown positive growth over the period under consideration. The state can strive towards increasing competitiveness in these products.
- **Declining Sectors – Exports Not Competitive (NRCA < 0); Weak Import Demand (Product Import AAGR < 0):** Telangana does not have comparative advantage in these products, and the sector has also registered negative global import growth during the period under consideration.
- **Achievers in Adversity – Competitive Exports (NRCA > 0); Weak Import Demand (Product Import AAGR < 0):** Telangana has comparative advantage in these products, but the world import demand for these products has been negative.

In the short to medium term, the state can focus on leveraging the opportunities arising in the Product Champions segment, as these are low hanging fruits. In the medium to long term, the state needs to encourage development of capacities in the Underachievers segment.

Identified Products

For the purpose of analysis, those products which contribute to at least 0.1 percent of the merchandise exports from Telangana have been considered. This filtration is essential to ensure that the identified products have a certain minimum supply base in the state.

A total of 211 products at HS-6-digit level have a minimum share of 0.1 percent in Telangana's merchandise exports. These products jointly accounted for 91.6 percent of Telangana's total merchandise exports in 2022. Of these, a total of 156 products have been classified as Product Champions, as Telangana has comparative advantage in exports of these products and the import demand for these products is growing. The combined exports of Product Champions from Telangana stood at US\$ 8.4 billion in 2022, accounting for more than 77.7 percent of the total merchandise exports from the state during the year. World imports of these product champions amounted to US\$ 1,581.5 billion in 2022, implying that there is substantial scope for tapping the international market for these products (Exhibit 4).

There are 20 products at HS-6 digit level in the Underachievers category. Exports of these products from the state amounted to US\$ 171.2 million in 2022, accounting for a meagre share of 1.6 percent in the state's exports. These are products that have a growing demand in the international market, but Telangana currently does not have comparative advantage in exports of these products. Global import of these 20 products stood at nearly US\$ 1447.6 billion, presenting significant opportunities for exporters. There is a need for capacity creation in these products through an appropriate incentive framework for attracting investments in the state. Focus on these products will provide much needed resilience to exports from the state, in the face of declining global trade and international commodity price volatilities.

Exhibit 4: Product Identification for Exports from Telangana (Values for 2022)

<p>Product Champions (156 products)</p> <p>Telangana's Exports: US\$ 8.4 Billion 77.7% of Telangana's Exports World Imports = US\$ 1,581.5 Billion 6.2% of World Imports</p>	<p>Achievers in Adversity (32 products)</p> <p>Telangana's Exports: US\$ 1.3 Billion 12.1% of Telangana's Exports World Imports = US\$ 142.5 Billion 0.6% of World Imports</p>
<p>Underachievers (20 products)</p> <p>Telangana's Exports: US\$ 171.2 Million 1.6% of Telangana's Exports World Imports = US\$ 1,447.6 Billion 5.7% of World Imports</p>	<p>Declining Sectors (3 products)</p> <p>Telangana's Exports: US\$ 23.6 Million 0.2% of Telangana's Exports World Imports = US\$ 128.8 Billion 0.5% of World Imports</p>

Source: DGCIS, ITC Trade Map, India Exim Bank Research

The state also has significant exports in the category of 'Achievers in Adversity,' which are products where the state has comparative advantage in exports but the global demand in these products has declined in the recent period, adding vulnerabilities to the export basket of Telangana. The state needs to diversify away from this segment of products and move towards the Product Champions and the Underachievers segments. The exports in this category were estimated at US\$ 1.3 billion, accounting for 12.1% of Telangana's exports during 2022.

Under the 'Declining Sectors,' there are only three products and export of these products from Telangana stood at US\$ 23.6 million in 2022, a share of 0.2 percent in the total merchandise exports from the state. Since the global import demand for the product has been declining in the period under consideration, Telangana could diversify away from exports of these products.

The identified product champions can be categorised under 42 major product groups at HS 2-digit level as given in Table 13. It is noteworthy that nearly 48 out of the 156 products identified at HS 6-digit as product champions are in the category of 'Organic Chemicals'. However, in terms of value, the maximum value of exports from Telangana under product champions is in the category of 'Pharmaceutical Products' (Table 13).

Table 13: Sector-wise Product Champions for Telangana

HS Code 2-digit	Product Category	Telangana's Exports in Product Champions during 2022 (US\$ Million)	Number of Products Identified (HS-6 Digit Level)
30	Pharmaceutical products	3558.5	7
29	Organic chemicals	1858.4	48
85	Electrical machinery and equipment and parts thereof;	425.0	14
9	Coffee, tea, maté and spices	229.3	3
71	Gems and Jewellery	211.5	1
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	202.7	8
10	Cereals	186.7	4
68	Articles of stone, plaster, cement, asbestos, mica or similar materials	145.3	3
48	Paper and Articles of Paper	118.7	4
73	Articles of iron or steel	107.3	4
39	Plastics and articles thereof	106.0	6
72	Iron and steel	104.2	3
52	Cotton	103.4	2
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	102.3	1
19	Preparations of cereals, flour, starch or milk	101.3	3
87	Vehicles, and parts and accessories thereof	97.5	3
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	96.2	4
76	Aluminium and articles thereof	95.3	2
13	Lac; gums, resins and other vegetable saps and extracts	77.2	1
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	76.4	1
12	Oil seeds and oleaginous fruits	51.4	2
74	Copper and articles thereof	48.0	1
40	Rubber and articles thereof	48.0	5
2	Meat and edible meat offal	39.1	1
28	Inorganic chemicals	27.7	3
70	Glass and glassware	27.1	2

HS Code 2-digit	Product Category	Telangana's Exports in Product Champions during 2022 (US\$ Million)	Number of Products Identified (HS-6 Digit Level)
20	Preparations of vegetables, fruit, nuts or other parts of plants	21.1	1
94	Furniture; bedding, mattresses; luminaires and lighting fittings; prefabricated buildings	19.5	2
38	Miscellaneous chemical products	19.4	3
32	Tanning or dyeing extracts	19.1	1
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	17.6	1
11	Products of the milling industry; malt; starches; inulin; wheat gluten	16.6	2
17	Sugars and sugar confectionery	15.9	1
21	Miscellaneous edible preparations	14.3	1
93	Arms and ammunition; parts and accessories thereof	11.0	1
18	Cocoa and cocoa preparations	7.9	1
15	Animal, vegetable or microbial fats and oils	7.9	1
83	Miscellaneous articles of base metal	6.7	1
4	Dairy produce; birds' eggs; natural honey; edible products of animal origin	6.4	1
31	Fertilisers	6.1	1
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	5.9	1
61	Articles of apparel and clothing accessories, knitted or crocheted	5.8	1

Source: DGCIS, India Exim Bank Research

An assessment of the top export destinations for Telangana vis-à-vis the top importers globally in the top 10 Product Champion sectors (Table 14) indicates that some of the top global importers in the product champions categories do not feature among the top destinations for Telangana's exports of these products. Moreover, in several product champions products, there is significant market concentration in a handful of countries. For instance, the USA is among the major export destinations for 8 out of the top 10 product champions items. In 5 of the top 10 product champion items, the top 5 export destinations constitute more than 70% of the total exports from the state. Thus, there is significant scope for augmenting exports of these product champions from the state by expanding export footprints into some of the top markets that are currently under-tapped.

Table 14: Export Destinations for Top 10 Product Champions for Telangana vis-à-vis Top Importers for these Products in the World (2022)

HS Code	Product Description	Export Destinations for Telangana	% Share of Export Destinations in Telangana's Export of the Product	Top Importers in the World of the Product	% Share of Importing Country in World Imports of the Product
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	The USA	54.1%	The USA	18.4%
		Belgium	8.2%	Germany	7.5%
		Russia	3.0%	Switzerland	6.7%
		Canada	2.4%	Belgium	6.4%
		South Africa	2.4%	Italy	4.4%
293399	Heterocyclic compounds with nitrogen hetero-atom[s] only	The USA	18.4%	Italy	15.2%
		Turkey	6.6%	Slovenia	14.9%
		South Korea	4.3%	Singapore	6.7%
		China	4.2%	China	6.1%
		Brazil	3.6%	The USA	6.0%
293339	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing an unfused pyridine ring, whether or not hydrogenated, in the structure, n.e.s	Bangladesh	6.4%	Germany	15.9%
		Brazil	6.3%	Panama	11.9%
		Belgium	6.2%	The USA	11.4%
		China	6.1%	Brazil	7.9%
		South Korea	5.7%	France	6.8%
711319	Articles of jewellery and parts thereof, of precious metal other than silver, whether or not plated or clad with precious metal (excl. articles > 100 years old)	The UAE	50.0%	Hong Kong	17.0%
		The USA	44.7%	The UAE	13.8%
		Singapore	2.6%	The USA	11.9%
		Bahrain	1.3%	Switzerland	9.6%
		Malaysia	0.6%	Singapore	4.9%
090421	Fruits of the genus Capsicum or of the genus Pimenta, dried, neither crushed nor ground	China	69.0%	China	21.4%
		Thailand	18.7%	The USA	13.7%
		Indonesia	9.0%	Thailand	12.4%
		Malaysia	0.7%	Malaysia	8.0%
		Vietnam	0.7%	Sri Lanka	6.9%
293499	Nucleic acids and their salts, whether or not chemically defined;	The UAE	11.3%	The USA	30.7%
		The USA	7.9%	Belgium	19.5%
		Turkey	6.4%	Germany	8.6%
		Vietnam	5.5%	Italy	3.5%
		Mexico	5.4%	Japan	3.3%
300420	Medicaments containing antibiotics, put up in measured doses	The USA	69.9%	The USA	19.6%
		Mexico	4.3%	China	9.0%
		Russia	3.4%	Switzerland	6.9%
		Canada	2.4%	Belgium	5.2%
		Kazakhstan	2.3%	France	3.5%

HS Code	Product Description	Export Destinations for Telangana	% Share of Export Destinations in Telangana's Export of the Product	Top Importers in the World of the Product	% Share of Importing Country in World Imports of the Product
300410	Medicaments containing penicillins or derivatives thereof with a penicillanic acid structure or streptomycins or derivatives thereof	The USA	54.9%	The USA	12.3%
		Malta	9.8%	Saudi Arabia	8.9%
		Brazil	5.5%	Egypt	8.7%
		Canada	3.8%	Germany	4.2%
		Mexico	2.8%	Austria	4.1%
294200	Separate chemically defined organic compounds, n.e.s.	China	14.4%	The UAE	11.9%
		Bangladesh	9.4%	Japan	8.7%
		Russia	7.7%	Iran	8.4%
		The USA	5.5%	The USA	4.6%
		Spain	4.8%	China	2.8%
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	The UAE	15.5%	Iran	8.1%
		The USA	14.6%	Saudi Arabia	5.4%
		Qatar	9.4%	China	5.3%
		Benin	9.1%	The USA	5.2%
		Somalia	7.7%	Philippines	4.7%

Note: In a particular export category, markets highlighted in bold are those which do not feature among the top export destinations for Telangana.

Source: DGCIS, ITC Trade Map, India Exim Bank Research

Underachievers category for Telangana includes 20 products at HS 6-digit level. There already exists some supply base for exports of these products in the state. In the medium to long term, the state could target these segments for strengthening production capacities and enhancing market share in exports of these products.

Table 15: Underachiever Products for Telangana

HS Code	Underachiever Products	Telangana's Exports in US\$ Million (2022)	Share in Telangana's Exports in 2022
210690	Other food preparations	23.5	0.2%
300215	Immunological products, put up in measured doses or in form	8.9	0.1%
392010	Plates sheets etc. of polymers of ethylene	7.3	0.1%
392690	Other articles of plastics	6.3	0.1%
401110	New pneumatic tyres of a kind used on motor cars (incl. station wagons and racing cars)	7.6	0.1%
401693	Gaskets washers and other seals	5.7	0.1%
732690	Other articles of heading 7326	7.1	0.1%

HS Code	Underachiever Products	Telangana's Exports in US\$ Million (2022)	Share in Telangana's Exports in 2022
740400	Copper waste and scrap	6.9	0.1%
841191	Parts of turbo-jets/turbo propellers	11.3	0.1%
841199	Parts of other gas turbines	8.0	0.1%
841459	Other fans	7.0	0.1%
841590	Parts of the air conditioning machines etc	7.1	0.1%
850440	Static converters	8.3	0.1%
852990	Other parts of heading 8525 to 8528	9.8	0.1%
853690	Other apparatus of heading 8536	8.9	0.1%
853890	Other parts of heading 8538	9.6	0.1%
854239	Electronic integrated circuits (excl. such as processors, controllers, memories and amplifiers)	5.7	0.1%
854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	8.3	0.1%
870421	Goods vehicles, with compress ignition internal combustion piston engine	8.6	0.1%
901890	Other instruments and appliances of medical science	5.5	0.1%

Source: DGCIS, Exim Bank Research

Services Exports from Telangana

Based on Exim Bank estimates, Telangana accounted for at least 10 percent of the services exports from India, which is much higher than the state's contribution to the merchandise exports from the country. The state has emerged as a major IT hub, contributing significantly to India's IT/ITeS exports. Tourism is another major services export from the state. Tourism and IT sector together generated more than US\$ 30 billion in export revenues for the state during 2022-23¹⁷.

Tourism

Tourism is an important sector for the state. Telangana has a rich cultural heritage, with several ancient temples, forts, palaces, and monuments that showcase the region's architectural marvels. Hyderabad, the capital city of Telangana, is particularly known for its historical significance, vibrant culture, and culinary delights. As a result, Telangana stood 6th among all states/ UTs in India, in terms of domestic tourist visits, accounting for a share of 4.7 percent in India's domestic tourism visits in 2021.

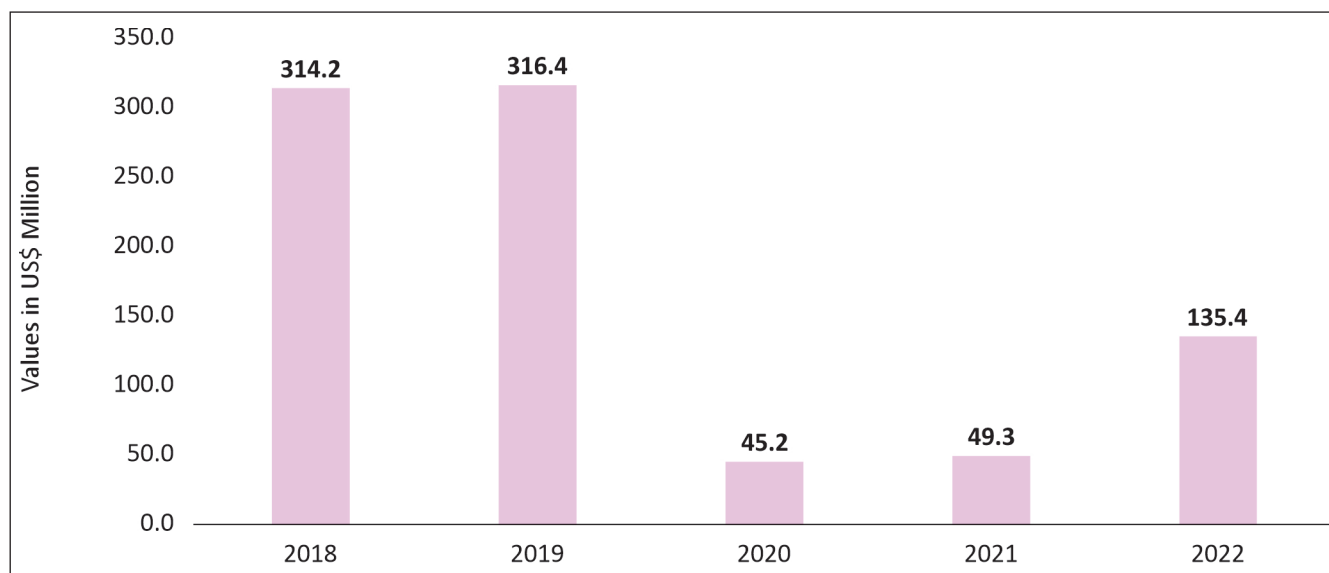
However, in terms of Foreign Tourist Visits (FTVs), the share of Telangana in India's total FTV count has remained low. Over the recent years, the FTVs to the state have fallen steadily. For instance, in 2018, Telangana accounting for a share of 1.1 percent of India's total FTVs and in the following year the share reduced to

¹⁷ As per India Exim Bank calculation based on average annual Rupee to Dollar conversion rate of 2022

1.03%. In 2020, owing to the Covid-19 related disruptions around the world, Telangana's share in India's FTVs declined further and reached 0.65%, dipping further to 0.56% during 2021. There was a slight improvement in Telanagna's share in India's FTV during 2022, with an estimated share of 0.8%.

Owing to the decline in FTVs in the state, the Foreign Exchange Earnings (FEE) from tourism for Telangana has also declined. As per India Exim Bank estimates, in 2019, FEE from tourism in Telangana stood at nearly US\$ 316.4 million, which declined to US\$ 45.2 million during 2020 (Exhibit 5). Telangana is witnessing a slight recovery in terms of FEE. With an increase in the overall foreign tourism activity, FEE for Telangana is estimated to have reached US\$ 135.4 million during 2022. This, however, remains below the pre-covid level.

Exhibit 5: Foreign Exchange Earnings (FEE) from Tourism in Telangana



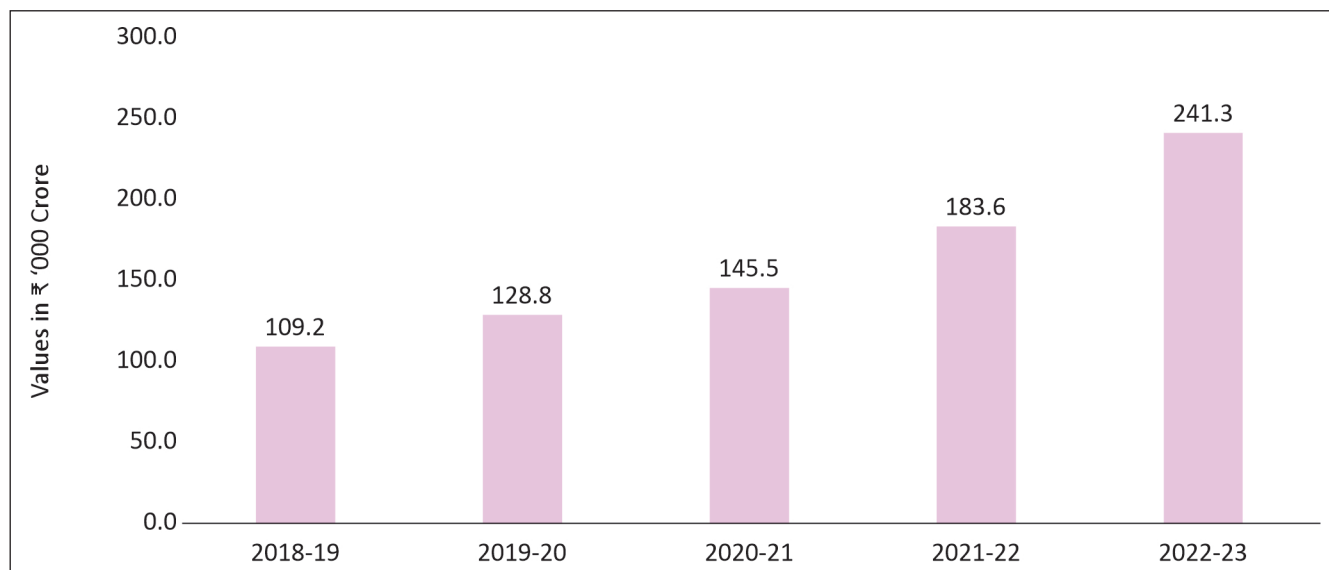
Source: India Exim Bank Research based on data from India Tourism Statistics, Ministry of Tourism, Govt. of India

IT and ITeS

IT and ITeS sector has turned out to be the cornerstone of services exports from India. India is recognised as one of the global leaders in software. Among states, Telangana has established itself as a leader in the IT and ITeS sector. The growth of IT sector in Telangana has been primarily driven by the Software Technology Parks in the state.

Telangana has witnessed a remarkable increase in IT/ITeS exports over the recent years, reaching a staggering ₹ 2,41,275 crores during 2022-23 from ₹ 1,83,579 in 2021-22,. This represents a double-digit growth of 31.4 percent compared to the previous financial year. The surge of ₹ 57,706 crore in the fiscal year 2022-23 is the highest annual rise in IT and ITeS exports since the formation of the state.

Exhibit 6: Trends in IT and ITeS Exports from Telangana



Source: Annual Report 2022-23, Information Technology Electronics & Communications Department, Government of Telangana

Export Target

The Indian economy has been on a positive growth trajectory, with a distinct possibility of reaching US\$ 5 trillion in GDP by 2026, owing to the numerous policy initiatives to propel economic growth and contain the effects of external shocks. It is further expected that merchandise and services exports will reach a level of US\$ 1 trillion each by 2030.


The vision of the exports strategy of Telangana should be to bolster growth in exports in order to meet the national target of US\$ 1 trillion each in exports of goods and exports of services by 2030. An essential first step towards contributing to this vision would be setting an exports target for the state and preparing a roadmap for achieving the target.

According to India Exim Bank research, the state has an untapped merchandise export potential of nearly US\$ 7.7 billion¹⁸. Tapping this potential can take Telangana's merchandise exports to US\$ 19.1 billion. Through an appropriate medium to long term export strategy, there is potential for propelling the state on an even higher export growth trajectory. Going forward, considering the target for India's overall exports by 2030, Telangana should aim to achieve at least US\$ 108 billion in overall exports (merchandise and services combined) by 2030.

Conclusion

Merchandise exports from Telangana has been on an upward trajectory over the recent period. Nearly 77.7 percent of the state's exports basket falls under the category of product champions, which can be low hanging areas of export promotion from the state. In the product champions segments, there is a need to diversify exports towards the top global importers that are currently not among the top export destinations for Telangana. Alongside, for resilient medium to long term growth, the state should also focus on building

¹⁸ Based on estimates of India's unrealised export potential by ITC Export Potential Map



capacities in the Underachievers segment. Analysis in the chapter also highlights that a considerable value of Telangana's exports is in the category of 'Achievers in Adversity,' which are adding vulnerabilities to the exports basket of Telangana. The state needs to diversify away from this segment of products and move towards the Product Champions and the Underachievers segment.

Services sector's contribution to the state's GSVA has been high at about 61.2 percent in FY23 and there has been a commensurate increase in the value of services exports from the state. In fact, exports in services such as IT/ITsS have witnessed a remarkable growth in the recent years. The state could strengthen the existing services segments as also identify new growth shoots in the services sector. The product and market diversification strategies, coupled with promotional measures, infrastructure strengthening, and institutional streamlining, can help increase exports from the state.



Strategies for Exports Promotion

Telangana has the potential and the resources to be a key contributor to India's exports target of US\$ 2 trillion by 2030. Analysis in the previous chapter indicates that the state can target to increase its overall merchandise and services exports to nearly US\$ 108 billion by 2030. Developing a comprehensive export strategy will be an important first step for unleashing the untapped export potential of the state and attaining this target. With the objective of outlining a comprehensive and relevant export strategy for the state, this chapter analyses the opportunities and challenges for exporters in Telangana and recommends actionable strategies to tap the opportunities and address the challenges. These strategies are built upon six essential pillars viz. diversification to focus products and markets, infrastructure leverage and strengthening, capacity building, fiscal incentives, export promotion campaigns, and institutional streamlining (Exhibit 7).

Exhibit 7: Key Pillars of Export Strategy



Focus Products and Markets

Enhancing production capacities in higher value-added products and expanding market footprint in the top importing markets would be crucial for a substantive increase in exports from the state and imparting resilience to the state's exports basket. Based on the identification of 'Product Champions' and 'Underachievers'

categories in the previous chapter, this section provides a set of focus products for diversifying exports from Telangana (Table 16).

Table 16: Focus Products for Enhancing Telangana's Export

Sector	Existing Product	Prospective High Value-Added Exports	Comments
Agriculture and Allied sector	Semi/wholly milled rice, broken rice, rice in husk (paddy or rough), maize seed, cereal preparations	Gluten free products made of processed rice - snacks, ready to cook/ ready to eat products such as rice-based noodles, fermented rice flour, bakery products etc. Millet-based products	Developed countries in North America and Europe including the USA, Canada, Germany, and France are expected to be the top markets for gluten-free products ¹⁹ .
	Spices – dried/ powdered chillies, turmeric, pepper, cinnamon, cloves, nutmeg, mace, cumin, juniper berries, cardamom, coriander	Spice oleoresins	The global market for oleoresins is estimated to be valued at US\$ 1.8 billion in 2023, and is expected to register strong CAGR of 6.9 percent during 2024 to 2030, to reach US\$ 2.8 billion by 2030 ²⁰ .
Pharmaceutical	Wide range of bulk drugs and drug formulations	Focus on biosimilars	Significant opportunities in Europe and the USA for biosimilars due to increasing acceptability of these drugs. According to a report by McKinsey, patent expiry during 2020 to 2025 is expected to create an opportunity worth US\$ 60 billion for biosimilar players.
Gems and Jewellery	Jewellery of gold set with precious and semi-precious stones, diamonds; jewellery of silver	Lab-grown diamonds	The global lab-grown diamonds market was valued at US\$ 22.3 billion in 2021, and is expected to reach US\$ 55.6 billion by 2031, recording a CAGR of 9.8 percent ²¹ .
Auto and Auto Components	Trailers and semi-trailers; Tractors, dumpers designed for off-highway use, wide range of auto components; New pneumatic tyres for buses and lorries	Electric vehicles	The state has introduced the Telangana Electric Vehicle & Energy Storage Policy 2020-2030 for enhancing R&D and manufacturing of Electric Vehicle & Energy Storage Systems, while ensuring their faster adoption in the state.
Tourism	Religious tourism; film tourism	Recreational Tourism; Heritage Tourism; Rural Tourism; Culinary Tourism; greater focus on film tourism	Efforts are required to develop and popularise the existing tourism circuits in the State, to increase international footfall.

Source: India Exim Bank Research

¹⁹ ISI Emerging Markets- Grand View Research

²⁰ ISI Emerging Markets- Grand View Research

²¹ Allied Market Research

Agri and Allied Sector

Processed Cereal Products

Cereals, particularly rice, as well as cereal preparations are important exported products from the state. In fact, exports of cereal preparations from Telangana accounted for 15 percent of India's exports of cereal preparations in 2022-23. Existing exports of cereal and cereal preparation largely comprise semi/wholly milled rice, broken rice, rice in husk, rolled/flaked grains, and cereal flour. Telangana is also among the top millet exporting states in the country. Diversification of exports towards high value-added cereal preparations like snacks, ready to cook/ ready to eat products including pasta and noodles made from rice and/or millets, fermented rice flour, puffed or flaked cereals items, can garner greater exports from the state. Owing to the increasing incidences of lifestyle diseases due to gluten-resistance, as well as rising fitness consciousness across the world, the demand for gluten-free food products is increasing. These gluten-free food products are typically characterised by high fibre and low caloric content and have significant health benefits. According to recent research, the global market for gluten-free food products stood at an estimated US\$ 6.5 billion in 2022 and is expected to register a robust CAGR of 9.8 percent during 2023 to 2030. Opportunities emerging in the gluten-free food industry can be tapped through encouragement for capacity expansion in processed cereal items, particularly those made from rice and millets. Developed countries from North America and Europe including the USA, Canada, Germany, and France are expected to be the top markets for gluten-free products, going forward²². These markets could be targeted for exports of gluten-free preparations from Telangana. The state government has recently launched the millet incubation centre for processing millet products, with state-of-the-art facilities for primary and secondary millet processing, extrusions lines of vermicelli, pasta, bakery lines and puffing line. More enterprises should leverage this facility to scale up their ideas and tap export opportunities in developed countries with high demand for gluten-free food products.

Spice Oleoresins

Telangana produces and exports a wide range of spices in dried and/or powdered form, including chillies, turmeric, pepper, cinnamon, cloves, nutmeg, mace, cumin, juniper berries, cardamom, and coriander, among others. The state had a share of nearly 10.8 percent in India's overall exports of spices during 2022-23.

There is substantial scope for enhancing exports in the higher value-added processed spice segment. One such area would be spice oleoresins (mainly under HS- 330190), which has also been identified as a product champion for the state in the previous chapter. Oleoresins have high potency of active components that enable their usage in small dosages, while also leading to standardisation in taste and consistency. Oleoresins find application in industries such as beverages, confectionery, meat canning, sauces, pharmaceuticals, seasonings etc.

Exports of oleoresins from Telangana was valued at US\$ 82.2 million in 2022-23. The state is the 2nd largest exporter of oleoresins in the country, accounting for a share of 24.2 percent in India's total oleoresin exports in 2022-23. There is potential for further expanding the exports of oleoresins from the state, given the growing demand for these products in overseas markets. The global market for oleoresins is estimated to be valued at US\$ 1.8 billion in 2023, and is expected to register strong growth at a CAGR of 6.9 percent during 2024 to 2030, to reach US\$ 2.8 billion by 2030²³. Currently, majority of the state's exports of oleoresins is concentrated in China,

²² ISI Emerging Markets- Grand View Research

²³ ISI Emerging Markets- Grand View Research

which accounts for nearly 40.4 percent of the state's exports of the product, followed by the USA (Share of 12.2 percent), Indonesia (11.6 percent), South Korea (8.3 percent), and Mexico (5.0 percent). Exporters from the state could target European countries such as the UK, Germany, Belgium, France, Spain, and Austria, which are among the top importers of spice oleoresins in the world²⁴, for enhancing the exports of the product.

For building capacities in the segment, the state could incentivise investments by developing a spices park. The spices park could be set up in the district of Khammam, which accounts for a significant portion of the state's spice cultivation and exports. This spices park could be set up under a public private partnership mode, with facilities such as spices processing units as well as common processing and value addition facilities such as cleaning, sorting, grading, grinding, oil extraction, and packaging of spices for use by the local farmers, traders, exporters, and other stakeholders. This could help enhance capacity for exports of value-added spice products from the state.

Seed Exports

The state could also focus on enhancing exports of seeds of various kinds, such as paddy, pulses, oil seeds, fibre crops, vegetables, and green manure. The state currently exports seeds to nearly 18 countries in the world, and meets nearly 65 percent of India's seed requirement²⁵. The state government is actively involved in seed production and certification. In 2021-22, as part of its seed distribution programme, the state government distributed around 1.92 lakh quintals of quality seeds. Telangana State Seeds Development Corporation (TSSDC) is the Nodal agency meeting the seed requirement of the Department of Agriculture in the state. Moreover, the Telangana State Seed & Organic Certification Authority (TSSOCA) is actively undertaking the task of maintaining and making available high-quality seeds of notified varieties to the farming community through certification process. During 2019 to 2021, nearly 306 farmers have been registered for organic certification in the state with an area of 2,981 acres. The state government could consider promoting organic certified seed exports from the state²⁶.

Pharmaceuticals

Telangana's exports of pharmaceutical products consist of a wide range of bulk drugs as well as drug formulations. The state is home to the Hyderabad Pharma City, which is one of India's largest integrated clusters for pharmaceutical industry, with a thrust on both R&D and manufacturing²⁷.

Drug formulations accounted for a share of 35.2 percent in the state's merchandise exports during 2022-23, while bulk drugs exports accounted for 6.5 percent of the merchandise exports from the state. Several top exported products under the categories of bulk drugs and drug formulations have been identified as product champions for the state.

For product diversification, pharmaceutical players in the state could be encouraged to enhance capacities in biosimilars, which would provide new avenues for growth in exports. Globally, the demand for biologics is growing steadily as they can be used to treat and manage several chronic diseases including cancer, diabetes,

²⁴ ISI Emerging Markets- Grand View Research

²⁵ NABARD (2023), Credit Potential for Export Credit in the State – 2022-23 – State level sectoral paper, Telangana

²⁶ Ibid.

²⁷ Telangana Life Sciences Foundation, Government of Telangana

infectious disorders, hormonal disorders, etc²⁸. Biosimilars are highly similar biological products that are made using state-of-the-art technology to be comparable in characteristics to the reference biologics in terms of purity, bioactivity, and chemical identity²⁹. Europe is the largest market for biosimilars currently with nearly 76 approved biosimilars as of May 2023³⁰. The US FDA has also approved 48 biosimilars as of March 2024³¹. According to a recent report by McKinsey, patent expiry of nearly 17 blockbuster biologics³² during 2020 to 2025 is expected to create an opportunity worth US\$ 60 billion, due to loss of exclusivity of these patented drugs. This would create large opportunities for biosimilar players³³. Thus, exporters from the state could consider diversification into this key emerging segment.

Gems and Jewellery

Lab-grown diamonds are diamonds made in laboratories and factories, that are identical to natural diamonds in appearance and composition. The global lab-grown diamonds market was valued at US\$ 22.3 billion in 2021, and is expected to reach US\$ 55.6 billion by 2031, recording a CAGR of 9.8 percent³⁴. Factors such as affordability, sustainability and similarity in characteristics with that of natural diamonds have been the key growth drivers for the surge in demand for lab-grown diamonds across the world. With the rise in demand for lab-grown diamonds, India's export of polished lab grown diamonds have also surged, recording a robust y-o-y growth of 27.9 percent stood to reach US\$ 1.7 billion during 2022-23. The USA is the largest consumer of lab-grown diamonds in the world, and is the topmost destination for India's exports of the product. Given that gems and jewellery sector is already an important export-oriented sector for Telangana, exporters in this sector could focus on diversification towards lab-grown diamonds segment.

Automobile and Auto Components

Automobile and auto component is an important export sector for Telangana. The state currently exports a wide range of automobile including trailers and semi-trailers; tractors, dumpers designed for off-highway use; and a wide range of auto components. Of these, products such as tractors (HS 870192 and HS 870193), dumpers designed for off-highway use (HS 870410), and new pneumatic tyres for buses and lorries (HS 401120) have been identified as product champions from the state. In the short term, exporters from the state could focus on enhancing exports of these products. Besides these, there is need for diversification towards the electric vehicles (EV). According to the International Energy Agency (IEA), the global sales of electric vehicles recorded a y-o-y growth of more than 55 percent in 2022, driven by the rising demand for battery electric vehicles and plug-in hybrid electric vehicles. As per scenario analysis by the IEA, total fleet of EVs (excluding two/three-wheelers) is expected to increase to about 240 million in 2030 in the State Policies Scenario

²⁸ Biologics are products derived from living organisms like bacteria, as well as from mammals, plants, and animals through genetic engineering. Some of the commonly known biologics include monoclonal antibodies (MABs), vaccines, recombinant proteins, antisense, RNAi, molecular therapy, among others.

²⁹ Biosimilars have essentially no differences from existing FDA-approved reference biologics, indicating that the biosimilar and the reference biologics are structurally and functionally similar in nature. Minor differences in the clinically inactive components such as a stabilizer or a buffer are acceptable by regulators in key global markets.

³⁰ Biosimilars approved in Europe (May 2023), Generics and Biosimilar Initiative.

³¹ The US FDA Biosimilar Product Information (Mar 2024), US FDA

³² A blockbuster drug is an extremely popular drug that generates at least US\$ 1 billion worth of annual sales revenue for the pharmaceutical company that produces them.

³³ Ying Chen, Alex Monnard, and Jorge Santos da Silva (2021), An inflection point for biosimilars, McKinsey & Company

³⁴ Allied Market Research

(STEPS)³⁵, achieving an average annual growth rate of about 30%. With this growth, EVs would account for over 10 percent of the road vehicle fleet by 2030.

In line with the growing reorientation of demand towards EVs, Telangana is focussing on attracting investments from EV manufacturers. The state has introduced the Telangana Electric Vehicle & Energy Storage Policy 2020-2030, which offers a range of incentives to augment manufacturing of electric vehicles in the state. This includes capital subsidies, SGST reimbursements, power tariff subsidies, among others. The Policy also includes demand-side incentives for the purchase of electric 2-wheelers, 3-wheelers and 4-wheelers within Telangana. Companies in the industry could utilise the benefits under the policy to increase production and enhance exports of EVs in the medium term.

Tourism

Tourism is an important sector for the state. As noted in the previous chapter, Telangana stood 6th among all states/ UTs in India, in terms of domestic tourist visits, accounting for a share of 4.7 percent in India's overall domestic tourist visits in 2021. However, in terms of Foreign Tourist Visits (FTV), the share of Telangana in India's total FTV has remained low at 0.8 percent in 2022.

Telangana has a rich cultural heritage, with several ancient temples, forts, palaces, and monuments that showcase the region's architectural marvels. Hyderabad, the capital city of Telangana, is particularly known for its historical significance, vibrant culture, and culinary delights. Efforts are required to develop and popularise the existing tourism circuits in the state, to increase international footfall.

There is substantial scope for enhancing cinema/ film tourism, as there already exists a few film cities in the state viz. Ramoji Film City and Ramanaidu studios. These need to be further developed and popularised to attract international tourists. Besides, to promote creative services like motion picture and video tape production services, the state could bring out a film tourism policy. Currently, around 18 states/UTs in India have a dedicated incentive framework for promoting filming/film making at the state level. Telangana could also develop a similar policy with the objective of attracting national and international film production in the state targeted towards international audience. The state could focus on conservation, development and promotion of its unique ecological, cultural and heritage sites to attract film makers to the state. Moreover, given the potential of films to generate foreign exchange earnings, the state could also incentivise production of movies that may have greater international audience, including English films. The state government could provide incentives for promoting shooting films in the state, such as free of cost shooting permits; special cash subsidy, etc. States like Uttar Pradesh, Odisha and Himachal Pradesh currently provide similar subsidies for English films shot in their respective states, subject to a specified maximum limit. Further, financial incentives could also be given to movies that secure international awards. A similar incentive is being given by the Gujarat Government³⁶.

Given the rich cultural heritage of the state, there is immense potential in the areas of heritage tourism and rural tourism as well. The state government has recently submitted proposals for obtaining Heritage Tags for Niluvu Rallu, a megalithic burial site (dating back to 3,500 years ago) at Mudmal village in Narayanpet

³⁵ The Stated Policies Scenario (STEPS) is designed to provide a sense of the prevailing direction of energy system progression, based on a detailed review of the current policy landscape.

³⁶ Filming Incentives in India, Filming Facilitation Office, Government of India

district, and Chaya Someshwaralayam, a temple built in 11th-12th centuries by Ikshvaku kings, in Panagal on the outskirts of Nalgonda town. While the state government is already undertaking measures to protect these sites, the state could also consider popularising and developing these sites for attracting international tourists. As per a recent survey conducted by the Ministry of Tourism, Government of India, majority of the foreign tourists visiting centrally protected monuments in India faced issues such as lack of clean toilets/washrooms, lack of provision of drinking water, lack of cleanliness and mechanism for garbage disposal, poor signage and visibility and inaccessible amenities, among other issues. The state government could develop heritage sites in the state keeping in mind these aspects. This could include development of facilities such as mobile toilets, interpretation centers, audio guides and foreign language guides, money exchange facilities, water kiosk, among others.

There is also substantial scope for enhancing culinary tourism through state-sponsored food festivals for showcasing the unique culinary delicacies of the state. Food festivals are popular way of representing delicacies and food-items belonging to different states as also for attracting international tourists. Some of the popular food festivals which attract food connoisseurs and tourists include Delhi Tourism's 'Dilli ke Pakwaan' Festival; International Mango Festival in Delhi; Sea Food Festival in West Bengal; Bangalore Restaurant Week Festival; and Gujarati Food Festival, among others. The State Government in Telangana could also develop a similar food festival for promoting culinary tourism.

The State government has already published the draft Telangana State Tourism Policy, with a view to develop tourism in Telangana and position the State as a preferred tourist destination³⁷. The policy could be speedily finalised, with focus on aspects of film tourism, heritage tourism and culinary tourism.

Market Diversification

There remains substantial scope for exporters from the state to diversify towards key global markets including several developed economies such as Germany, Japan, France, Singapore, Italy, the Netherlands, Italy etc. Sector-wise top potential countries for market diversification that may be targeted by exporters is given in Table 17.

Table 17: Top 10 Exported Product-wise Potential Countries for Market Diversification from Telangana

Product Classification	Current Top Markets	Potential Markets
Pharmaceuticals	The USA, Belgium, Russia, Canada, South Africa, Brazil, Mexico, The UK, Saudi Arabia, Malta	Germany, Switzerland, China, Japan, Italy, France, The Netherlands, Spain, Australia, Ireland
Organic Chemicals	The USA, China, Japan, Turkey, Germany, South Korea, Brazil, Spain, Mexico, The UAE	Belgium, Italy, The Netherlands, Ireland, France, The UK, Singapore
Electrical equipment and parts	The UAE, The USA, The UK, Singapore, Greece, Israel, Spain, Russia, Turkey, France	China, Hong Kong, Germany, South Korea, Taiwan, Japan, Mexico, Vietnam, Malaysia

³⁷ Telangana Tourism (2023), Global Tourism Investors Summit Roadshow, Investment Promotion In Tourism & Hospitality Sector

Product Classification	Current Top Markets	Potential Markets
Machinery, mechanical appliances and parts	The USA, Singapore, The UK, The UAE, Russia, Tanzania, France, Nigeria, Japan, Bangladesh	China, Germany, Mexico, Canada, Hong Kong, Taiwan, The Netherlands, South Korea
Coffee, Tea, Mate and Spices	China, Thailand, The USA, Indonesia, Bangladesh, The UAE, Vietnam, Iran, Saudi Arabia, Malaysia	Germany, France, Italy, Canada, Japan, Belgium, The Netherlands, The UK, Spain, Switzerland
Salt, sulphur, earths and stones	China, Malaysia, Turkey, Indonesia, The UAE, Bangladesh, Saudi Arabia, Vietnam, Thailand	The USA, Germany, Italy, The Netherlands, DR Congo, Morocco, Japan, Belgium, France
Aircraft, spacecraft and parts	The USA, Switzerland, Singapore, China, The UK, The UAE, Israel, France, Thailand, Indonesia	Ireland, Germany, Canada, Spain, Malaysia, The Netherlands, Turkey, Japan, Brazil
Pearls, precious stones/ metals, and its articles	The UAE, The USA, Singapore, Bahrain, Malaysia, Qatar, Hong Kong, Australia, Oman, The UK	Switzerland, China, Germany, Turkey, Japan, Belgium, Italy, Canada, Thailand, France
Cereals	Philippines, Bangladesh, The USA, The UAE, Somalia, Maldives, Qatar, Benin, Oman, Nepal	China, Japan, Mexico, Iran, South Korea, Spain, Egypt, Italy, Saudi Arabia, Turkey
Plastic and its articles	China, Bangladesh, Thailand, Sri Lanka, Indonesia, Malaysia, The USA, Nepal, Italy, The UK	Germany, Mexico, France, Belgium, Canada, The Netherlands, Poland, Vietnam, Turkey

Note: 1) Telangana's top 10 exported products at HS-2 digit level have been considered for the analysis;

2) Potential markets include top global importer countries in the respective product category, that did not feature among top export destinations for Telangana during 2022-23.

Source: DGCIS; ITC Export Potential Map; India Exim Bank Research

Infrastructure Leverage and Strengthening

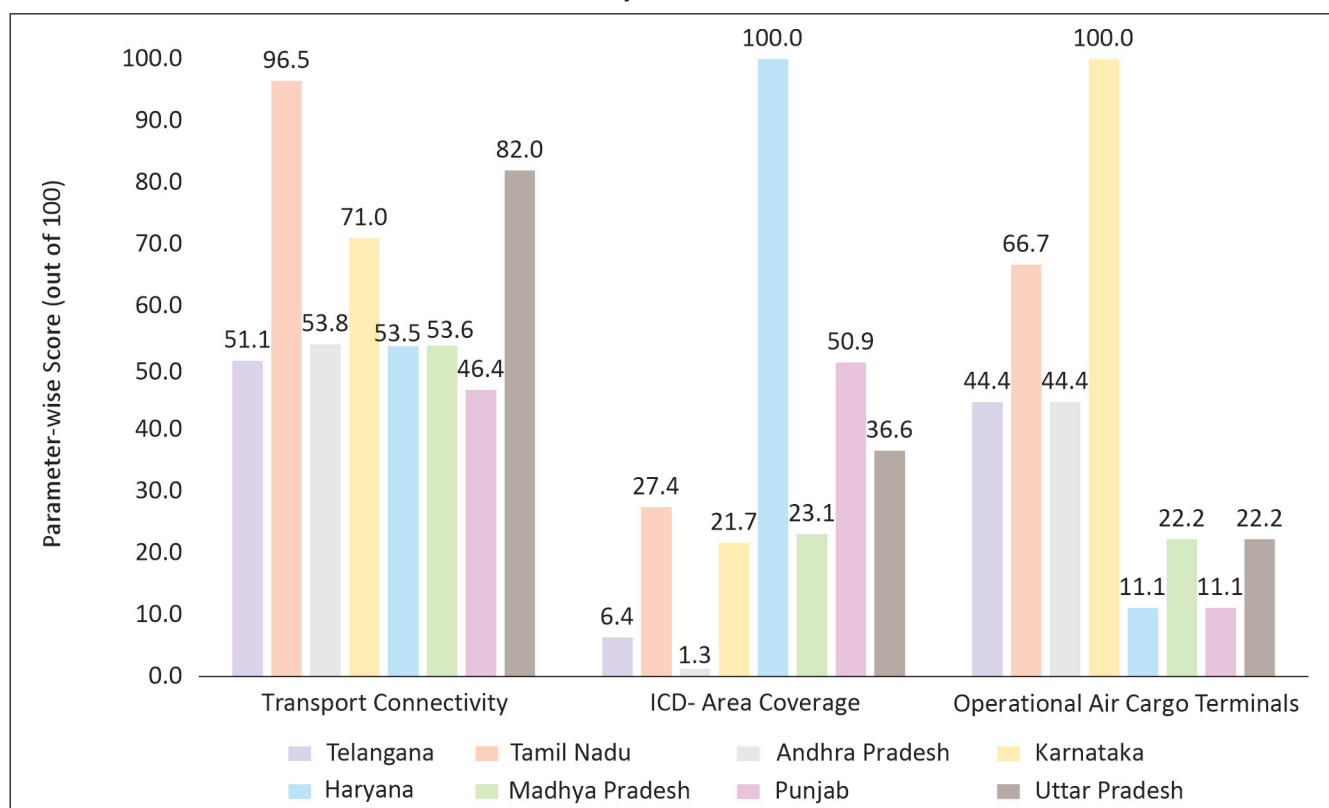
Infrastructure plays a vital role in enabling trade. Telangana has been categorised as an 'Acheiver' in the Government of India's Logistics Ease Across Different States (LEADS) Index 2023. The state has a large base of transport infrastructure, which includes 3,974 km of national highway, 1,727 km of state highway, 3,223 track-km of railways. The state also has 2 container freight stations (CFS), 2 inland container depots (ICD), 3 private freight stations (PFT), and 1 air cargo terminal³⁸, among other facilities. However, there is significant scope for further improving the trade enabling infrastructure in the state. According to the Export Preparedness Index 2022 of the Niti Aayog, Telangana underperforms across various categories of connectivity parameters when compared to several southern states and top performing landlocked states in the EPI ranking. In terms of transport connectivity, Telangana scores least when compared to the southern states of Tamil Nadu, Karnataka

³⁸ Logistics Ease Across Different States (LEADS) index Report 2022, DPIIT, Government of India

and Andhra Pradesh, and also lower than landlocked states such as Uttar Pradesh, Madhya Pradesh, and Haryana³⁹ (Exhibit 8).

Among the states taken into consideration, Telangana also scored the second lowest in terms of ICD area coverage in the EPI 2022, after Andhra Pradesh. The state has a total of 2 CFSs, 2 ICDs and 1 air cargo facility (ACF), which is significantly low compared to other top exporting southern states such as Tamil Nadu (46 CFSs, 11 ICDs and 6 ACFs), Andhra Pradesh (16 CFSs, 1 ICD, 4 ACFs), and Karnataka (4 CFSs, 4 ICDs and 7 ACFs) (Table 18). This is also significantly low when compared to top performing landlocked states in EPI 2022 such as Haryana (3 CFSs, 11 ICDs, 1 ACF), Madhya Pradesh (6 CFSs, 7 ICDs, 2 ACFs), Punjab (3 CFSs, 8 ICDs, 1 ACF), and Uttar Pradesh (11 ICDs, 5 CFSs and 2 ACFs). As the state is landlocked, there is a need for the state to set up more ICDs and air cargo facilities.

Exhibit 8: Score of Telangana vis-à-vis other Major Southern States and Landlocked States* on Select Connectivity Parameters of EPI



* Top performing landlocked states in the EPI 2022 have been considered for the analysis

Source: Export Performance Index 2022; India Exim Bank Research

Storage is an important link in the overall logistics chain for exports. There is a need to strengthen warehousing and cold storage facility in the state. Comparison of the warehousing capacity of Telangana with other states also indicates that Telangana has the lowest warehousing capacity among southern states and landlocked states taken under consideration for the analysis (Table 18). Other than warehousing, the state also needs robust cold storage infrastructure given that there are substantial exports from sectors such as pharmaceuticals and agricultural products. The state's cold storage capacity is the second lowest among the states analysed (Table 18).

³⁹ EPI scores for each parameter range from 0-100 wherein a higher score indicates a better performance and vice versa

Table 18: Comparison of Trade-related Infrastructure in Telangana vis-à-vis other Major Southern States and Select Landlocked States*

States	Warehouse Capacity (incl. State, Central, Private owned) (MT)	Cold Storage Capacity (MT)	ICD (Number)	CFS (Number)	Air Cargo Terminal (Number)
Telangana	4,45,369	4,10,905	2	2	1
Andhra Pradesh	12,17,566	11,56,759	1	16	4
Tamil Nadu	14,72,098	4,00,210	11	46	6
Karnataka	42,48,959	6,76,832	4	4	7
Haryana	22,05,000	8,19,809	11	3	1
Madhya Pradesh	149,80,000	13,26,032	7	6	2
Punjab	58,55,000	23,50,000	8	3	1
Uttar Pradesh	26,28,630	26,28,630	11	5	2

* Top performing landlocked states in the EPI 2022 have been considered for the analysis

Source: Logistics Ease Across Different States (LEADS) index Report 2022; India Exim Bank Research

The state can utilise the support under the Central Government's Trade Infrastructure for Export Scheme (TIES) for developing and strengthening the ICDs, CFSs, warehousing and cold storage facilities, and other essential export infrastructure in the state. The Government of India launched the TIES in March 2017, with the objective of assisting state governments and government-owned agencies in the creation of appropriate infrastructure for growth of exports. Financial assistance under the scheme is provided in the form of grant-in-aid. As per the latest available data, no projects have been approved under the TIES for developing export infrastructure in Telangana during 2019-20 to 2022-23⁴⁰. Telangana needs to enhance the utilisation of the support provided under the TIES for developing and strengthening essential export infrastructure.

Capacity Building

While exporters in the state produce a wide array of products, there is need for improving the design, quality and quantum of production in order to effectively tap the international market. In several products, there may not be enough exportable surplus, or the production may not be attuned to the requirements of the global market, necessitating capacity building efforts.

Branding of Geographical Indications

Geographical Indications (GI) status for agricultural, handloom and handicraft products of Telangana can function as product differentiators and serve as important tools for marketing. Telangana has a total of 16 GIs out of which 2 GIs belong to the agriculture sector, 1 GI is for a food stuff, and the rest 13 GIs belong to the handicraft sector (Table 19). The reference to geographical origin, along with the use of traditional practices and processing methods, can provide substantial marketing potential for exports of these products from Telangana.

⁴⁰ PIB (2023), Trade Infrastructure for Export Scheme (TIES) being implemented for creation of appropriate infrastructure for the growth of exports

Table 19: List of Geographical Indications in Telangana as on March 2024

Sr. no.	Geographical Indications	Industry
1	Pochampalli Ikat	Handicraft
2	Silver Filigree of Karimnagar	Handicraft
3	Nirmal Toys and Craft	Handicraft
4	Nirmal Furniture	Handicraft
5	Nirmal Paintings	Handicraft
6	Gadwal Sarees	Handicraft
7	Hyderabad Haleem	Food stuff
8	Adilabad Dokra	Handicraft
9	Cheriyal Paintings	Handicraft
10	Pembarthi Metal Craft	Handicraft
11	Siddipet Gollabama	Handicraft
12	Narayanpet Handloom Sarees	Handicraft
13	Warangal Durries	Handicraft
14	Telia Rumal	Handicraft
15	Tandur Redgram	Agricultural
16	Banaganapalle Mangoes	Agricultural

Source: Intellectual Property India⁴¹

To reap the benefits of the GI Status, it is important for the GI brand to be recognised as a reliable and preferred brand in the market, with distinguishable positioning. Products such as Darjeeling Tea, for example, have been able to gain substantial market share on account of this brand building. In order to attain similar levels of success, key value proposition needs to be defined for the products having GI status in Telangana. The logo and the GI brand name need to be developed and marketed, and mechanism needs to be devised for ensuring that all products marketed under the GI brand adhere to minimum specific standards. To ensure the quality and uniqueness of the products, the state government could set up a GI certification body, that will provide certificate of authenticity to select high-potential export items in agriculture and handicraft categories. A repository of information about the artisans involved in production and exports of the GI products could be maintained by the certifying body.

Initiatives are also needed for identifying more products from the state which can be accorded GI status. This could include culinary delicacies that are unique to the state such as '*Sarva Pindi*', '*Sakinalu*', '*Golichina Mamsam*', as well as beverages like '*Pachi Pulusu*', etc. GI tags could enhance the popularity of these food items and thereby boost exports of these products from the state. Obtaining GIs for these prepared food stuffs could also be helpful in promoting culinary tourism in the state.

⁴¹ GI Application Register List, March 2024, Intellectual Property India, DPIIT, Government of India

Standards, Rules and Regulations

Exporters need to have in-depth knowledge of the latest global developments pertaining to packaging / eco-labelling, quality standards, regulatory norms and mandatory certification requirements, among others, to be able to expand their footprint into highly regulated markets in developed countries. Exporters also need to acquaint themselves with the rules and procedures of importing countries. It is therefore imperative to create an eco-system which supports exporters in adhering to the requirements in the export markets. This could be done through creating awareness about the rules, procedures and required standards, as well as through easing the financial burden associated with obtaining related certifications.

Awareness Workshops/ Programmes

Creating awareness among exporters about export procedures, regulations and standards related to various products is a crucial aspect of enhancing exports from the state. As per the NITI Aayog's Export Preparedness Index Report 2022, Telangana's score in capacity building or orientation workshops for exporters stands at a meagre 2.18 out of 100, which is lower compared to other southern states such as Tamil Nadu and Andhra Pradesh. Telangana's score is lower even when compared to landlocked states such as Madhya Pradesh and Uttar Pradesh. Awareness programmes/ workshops for creating awareness on the procedures to obtain clearances and certifications would help expand exports to the more regulated markets. To that end, the state government could conduct regular district-level workshops/ seminars/ conferences on different aspects of international trade and across different sectors. Industry associations and agencies, in coordination with the proposed State Export Promotion Council (discussed later) can help in organising such programmes. Training and awareness drives could also be conducted in major production hubs for dissemination of information pertaining to the certifications required for exports, including process of application and support provided by the Government of Telangana. Awareness programmes for e-commerce exports could also be organised with focus on creating awareness about e-commerce related rules and processes, and skill development for promotion of exports through online medium.

Reimbursement of Certification Costs

Adhering to standards and obtaining the requisite certifications entail considerable cost to the exporters, due to which many small players may be unable to access the international market. With a view to facilitate the internationalisation efforts of Indian micro and small enterprises (MSEs) and encourage MSEs to produce and offer products and services of international standards for the export markets, the GOI has recently launched the 'Capacity Building of First Time MSE Exporters (CBFTE)' scheme. CBFTE involves reimbursement of various costs incurred by first time MSE exporters on their export shipments, including a) fees paid for Registration-cum-Membership Certificate (RCMC) for registration with Export Promotion Councils (EPCs); b) export insurance premium paid by MSEs; and c) fee paid on testing and quality certification acquired by MSEs to export products. The state government could make efforts to create awareness among aspiring and first-time MSE exporters in Telangana about this initiative and encourage them to avail the benefits under this scheme.

Besides, to improve market access for existing exporters, the state government could also consider providing a refund of expenses incurred on obtaining standards and certifications to other exporters who may not be eligible for support under the CBFTE. This will reduce the financial burden and improve competitiveness of

exporters from the state. To incentivise exports of pharmaceuticals, the state government could consider reimbursement of expenditure incurred on obtaining certificate of WHO-GMP or US-FDA certificate, to the extent of 50 percent, subject to a suitable ceiling per company. A similar support is being provided by the Government of Madhya Pradesh as part of its MSME Policy 2021, for supporting exports from MSMEs in the pharmaceutical sector. Likewise, the state government could consider providing refund of expenses incurred for obtaining statutory certifications like Conformite Europeene (CE), China Compulsory Certificate (CCC), Good Manufacturing Practices (GMP) certification, etc., to the extent of 50 - 100 percent, subject to a ceiling per exporting unit. This would help promote exports from high technology sectors in the state. Similar sector-specific reimbursements of certification cost could also be considered for products that face significant SPS/ TBT measures and are important contributors to the state's exports including processed food, spices, oleoresins and essential oils, among others.

Fiscal Incentives

One of the major reasons for producers to refrain from exporting is the high cost of export operations. Costs are high due to large capital investment required for generating adequate volumes for exports, compliance cost of certifications and standards, tariffs, etc. These costs affect the competitiveness of exporters. Fiscal incentives in the form of refunds/ reimbursements and concessions could be a major step for mitigating the cost burden and enhancing the competitiveness of exporters in Telangana.

These fiscal incentives are particularly relevant in the light of geopolitical conflicts and uncertainties, such as the Red Sea crisis, which have led to higher freight costs and transit times of shipping vessels. In light of these challenges, the state government could consider extending freight subsidy for subsidising the freight component in exports of key products from the state. Keeping in mind the budget considerations, district and product-wise schedule for eligibility of reimbursement and amount for reimbursement can be developed by the state for the freight subsidy, with special focus on districts that may be far from the ports or dry ports. Several state governments provide such freight assistance for export promotion. For instance, the Government of Uttar Pradesh incentivises export-oriented units by providing subsidy on export cargo sent by air and subsidy on freight charges on gateway port. On similar lines, the Government of Punjab provides freight assistance to MSMEs in the state for export of goods manufactured by MSME, to the extent of 1 percent of Free on Board (FOB) value or actual freight (excluding government fee and taxes on transportation of goods from place of manufacture to the seaport and airport from where they are shipped), whichever is less, and maximum up to Rs. 20 lakh per annum⁴².

Moreover, in order to assist manufacturers, particularly MSMEs, to acquire and evolve cutting-edge technologies, catalyse growth and compete in global market, technology acquisition support could also be extended by the Government of Telangana. The state could consider setting up a Technology Acquisition Fund to provide firms with funds to improve product, process, and performance efficiency. The fund could be utilised for adoption of advanced technologies by export-oriented MSMEs in the state, including Internet of Things (IoT), Robotics, and Additive Manufacturing etc. The state could consider reimbursement of up to 50 percent of the cost incurred in adopting technology from a recognised National Institute, subject to maximum limit per firm. Likewise, reimbursement of expenses incurred on plant and machinery/testing

⁴² Fiscal Incentives for MSME units, Department of Industries & Commerce, Government of Punjab

equipment for obtaining at least silver category status under the GOI's Zero Defect Zero Effect (ZED) scheme for MSME exporters, could also be considered by the state. Such support is also provided by the Government of Punjab for MSMEs in the state.

Export Promotion Campaign

Capacity Building of Industrial Clusters

Industrial clusters often aim to provide specialised infrastructure and services that can be used by clustered firms, thereby reducing their individual investment needs. Clusters also benefit from technological/ knowledge spillovers arising from geographical proximity, development of specialised skills and possibilities for flexible specialisation. Clusters also facilitate better integration into global value chains (GVCs) as enterprises that participate in clusters, including SMEs, have the ability to join GVCs through the external linkages developed by the cluster. Moreover, enterprises can also achieve high level of competitiveness if they work in a cluster environment as this ensures complementarities, availability of common facilities, and collaboration through collective activities, including collective sourcing and marketing. Clusters can also engender adequate exportable surplus from entities which are otherwise unable to export on a standalone basis. In the Indian scenario also, development of clusters has proven to be advantageous in promoting the industrial growth across several industry sectors.

Telangana already has a number of industrial clusters spread across an array of sectors, which are at various stages of development. In order to ensure continued progress across these industrial clusters, there is a need to develop a mechanism for assessing the performance of these clusters, in order to review the current status of the clusters and identify sectors/subsectors for developing new clusters. Such an assessment could cover aspects pertaining to prevailing infrastructure bottlenecks, as well as challenges in technological upgradation, access to skilled human resources, environmental sustainability, etc. The state government could undertake such studies with support from the central government under the Market Access Initiative (MAI) scheme.

Upon assessment of the clusters, relevant capacity building activities can be undertaken by the state government, including construction/ upgradation of physical infrastructure, building institutions, setting up of quality certification labs, common facility centres, design centres, and development of human resources, among others. The state government could avail financial support for capacity building activities under the Micro & Small Enterprises - Cluster Development Programme (MSE-CDP). As of March 2024, only 3 projects under the MSE-CDP have been completed in Telangana. This is low when compared to other Southern states like Tamil Nadu (61 projects completed), Kerala (20 projects completed), Karnataka (16 projects completed) and Andhra Pradesh (10 projects completed) that have much higher utilisation of the programme⁴³.

Setting up a Brand Equity Fund

A brand equity fund could also be set up by the Government of Telangana, with an aim to build globally competitive brands for products originating from the state. The fund can assist in marketing the branded products from the state in the international arena. Export related brochures, social media campaigns, etc., can be created for popularising the products in the state in the international markets.

⁴³ State-wise Projects Under MSE-CDP, Development Commissioner, Ministry Of Micro, Small & Medium Enterprises, Government of India, accessed on March 20, 2024

Market Development Assistance

Market Development Assistance (MDA) Scheme of the Government of India assists exporters in undertaking their export promotion activities abroad. Entrepreneurs get funding for participating in trade delegations/ buyer-seller meets/ fairs/ exhibitions etc. These initiatives have proven to be helpful for exporters in their export promotion activities. A state-level MDA scheme could also be put in place for further encouraging participation of exporters from the state in these events. The scheme could include incentives at a fixed percentage of the export turnover to exporters for participating in exhibitions/ fairs, buyer-seller meets or for conducting regional/sectoral expos at the district level, among others. Apart from this, the state government could also collaborate with the Ministry of Tourism, GOI for providing marketing assistance to entities engaged in niche tourism verticals.

Institutional Streamlining

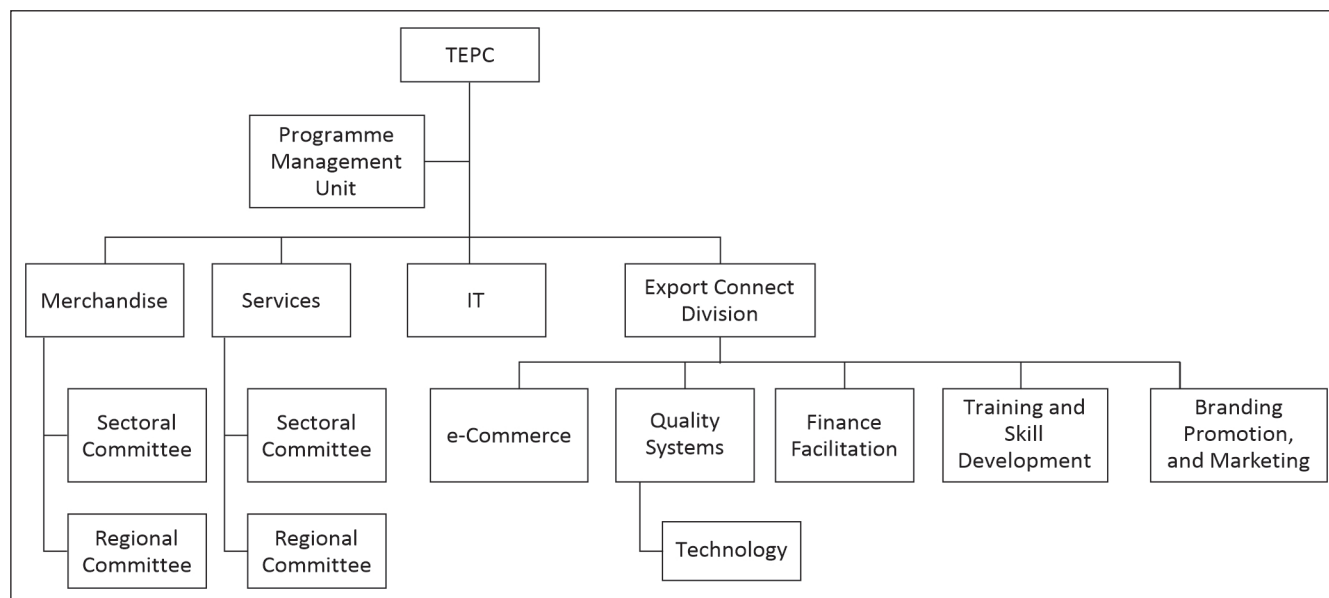
To streamline the activities pertaining to export promotion in the state, a single platform would be essential for exporters and stakeholders in the state. The overall institutional ecosystem in Telangana needs to be framed in a manner that facilitates the various schemes proposed for exports, allows regular monitoring of the proposed targets, and thereby propels the state to a higher export trajectory. In this context, Telangana Export Promotion Council (TEPC) could be set up under the Department of Industries, Government of Telangana, with the objective of ensuring strong export performance for the state. The TEPC could be set up with the participation of the state government, exporters and industry associations. It would also provide a forum for exchange of views, sharing of information, identifying obstacles faced by the exporters and implementing mechanism to overcome them.

The proposed structure of the TEPC has four key operational areas – merchandise exports division; services exports division; export connect division; and information technology (IT) division (Exhibit 9). Apart from this, a Programme Management Unit (PMU) could also be set up for integrating the various functions of the TEPC. The functions of the various divisions would be:

1. Merchandise and Services Divisions: The merchandise wing of TEPC could focus on merchandise export segments by coordinating with state bodies, exporters, etc., while the services wing could focus on services segment such as IT and tourism. These wings would largely be composed of government officials, who would outline strategies for ensuring that the targets are met in their respective areas. These shall also provide advisory services to exporters.

The Merchandise and Services wings could in turn be composed of sectoral committee and regional committee. The sectoral committee could manage the delivery of export promotion products and services to the exporting sectors, while the regional committee could work with the trade and commerce related offices located in India and abroad through the Embassies/ High Commissions, Export Promotion Councils, India Exim Bank and other chambers of commerce and industry. The sectoral committee could inter alia, focus on application for GIs, assessing applications under the proposed brand equity fund, and providing support to exporters for availing benefits under the proposed technology acquisition fund. The regional committee could inter alia, focus on the proposed market development assistance program, and reimbursement of costs for certifications required for exports to various markets.

Exhibit 9: Structure of the Telangana Export Promotion Council



2. Export Connect Division: This could offer critical export-related support services and could comprise separate units/wings for each of the support services – e-commerce; quality systems; finance facilitation; training and skill development; and branding, promotion and marketing. The Division could comprise subject experts. The functions of the various segments within the Export Connect Division could be:

- e-Commerce Unit:
 - ☐ Enabling onboarding of MSMEs on e-commerce platforms.
 - ☐ Capacity building of firms for e-commerce exports.
- Quality Unit:
 - ☐ Enhancing focus on quality control and inspection protocols.
 - ☐ Disseminate key inputs related to quality aspects to export stakeholders.
 - ☐ Provide input to the regional committee on standards and certification.
- Technology Unit:
 - ☐ This shall have linkages with the quality division, and will include subject matter experts who will work with export stakeholders for boosting the technology and innovation quotient.
 - ☐ Disseminate information on value addition, and use of technology for enhancing competitiveness of local products/ services.
 - ☐ Provide inputs to the sectoral committee for its support to companies applying for technology acquisition funding.
- Training and Skill Development Unit:
 - ☐ Work with the National Skill Development Council, Telangana Academy for Skills and Knowledge, Sector Skill Council, and State-level institutes to build export relevant skills in the state.
- Finance Wing:
 - ☐ Disseminate information on procedures to avail export finance and guarantee.

- **Branding, Promotion and Marketing Unit:**

- ☐ Work towards improving the branding and marketing of local products.
- ☐ Provide inputs to the sectoral committee for financing under the proposed brand equity fund.
- ☐ Advise the sectoral committee on application of GIs.
- ☐ Advise the regional committee on financing under the MDA scheme.

3. IT Division: The IT division could manage systems for providing information to stakeholders in a timely manner. For this purpose, a comprehensive and interactive website for exporters could be developed and managed by the division. This portal could enable exporters to improve their know-how and access information pertaining to markets, finance, export promotion programs, event details, etc. The website could comprise information and data pertaining to exports including inter alia monthly/ quarterly trade journal; Hand Book on export procedures and documentation requirements; list of available export logistics and export infrastructure facilities; potential products and markets for exports from the state; export guidance FAQs; relevant application forms/ form formats; tariffs; details of export/import duties; and links to various Export Promotion Councils, Commodity Boards, related Government Departments/ undertakings, among others. Advisory services can also be provided through the portal. The website could also contain online training modules for exporters, as well as updates on upcoming skill development programmes in the state that may be of relevance for exporters.

4. Program Management Unit: The PMU could be set up to integrate all the functions of the various divisions of TEPC. The PMU could undertake continuous monitoring of the export targets, their achievements and key constraints for the same on a periodical basis, so that prompt corrective actions can be taken should there be a deviation from the projected targets. The PMU could also liaison with national export bodies on issues of importance.

Conclusion

Telangana has the potential to achieve an exports target of US\$ 108 billion by 2030. The six-pronged strategy outlined in the study shall help enhance trade competitiveness, enhance value addition in the production cycles, create awareness about exports, promote innovation, increase visibility of Telangana's exports, and create an institutional mechanism for nudging exports to a higher growth trajectory.

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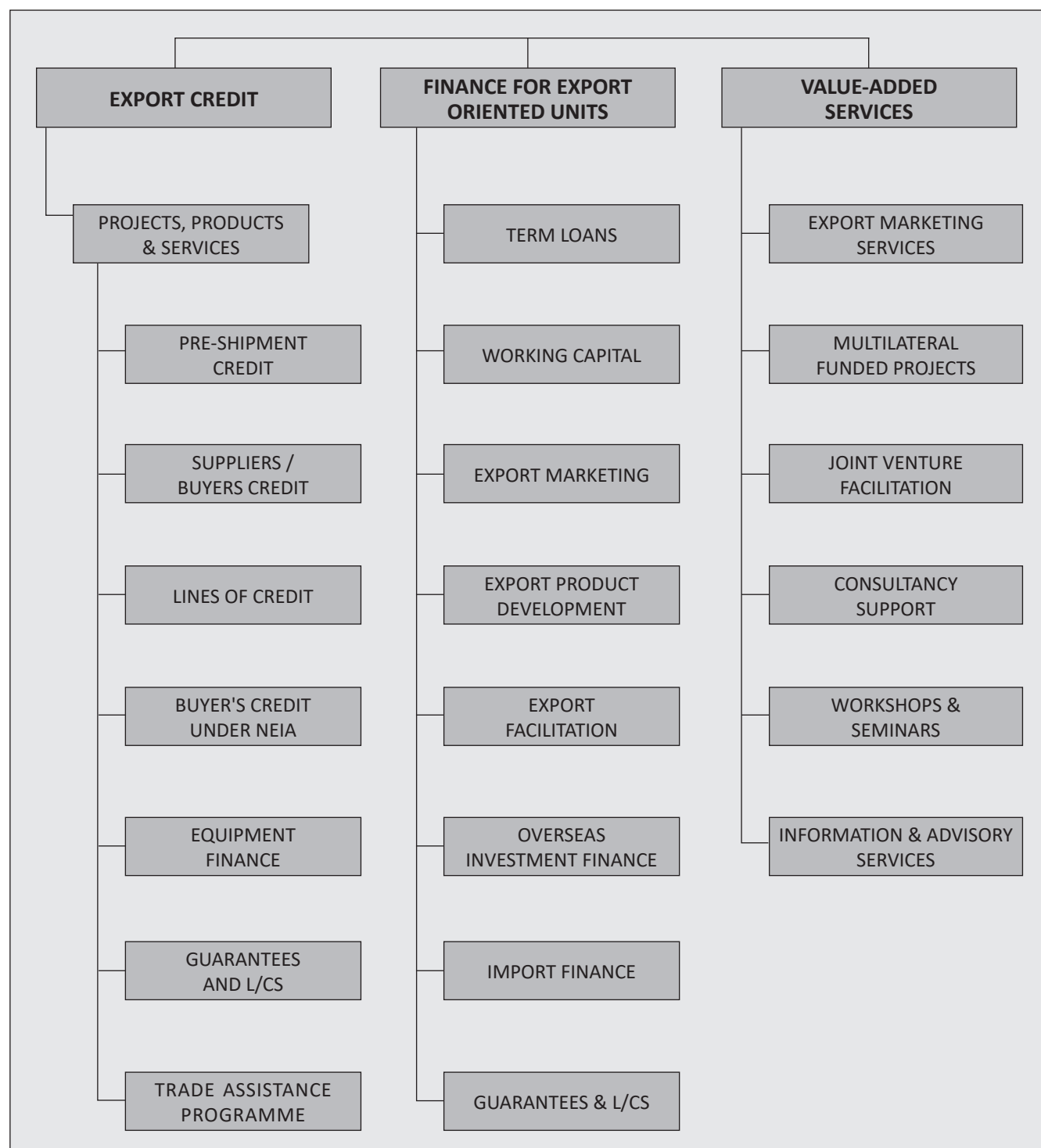
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