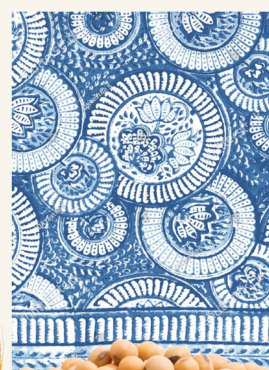
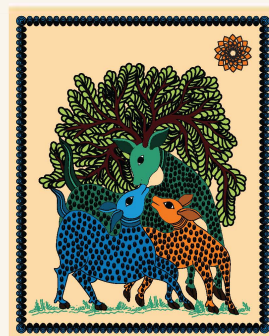


Towards a Viksit Madhya Pradesh: A Possible Export Strategy & Policy Perspective



EXPORT-IMPORT BANK OF INDIA

WORKING PAPER NO. 139

**Towards a Viksit Madhya Pradesh:
A Possible Export Strategy & Policy Perspective**

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Executive Summary

Economic Overview

The Government of India, in accordance with its ambitious vision of 'Viksit Bharat@2047', aims to embark upon a multifaceted journey of economic growth and social upliftment, to transform the country into a developed nation by the centenary of its independence in 2047. In alignment with this vision, by the same year, India aspires to become a US\$ 30 trillion economy with a per capita income of US\$ 18000 per annum thus commanding an annual economic growth rate in the range 7%-10% in the coming decades.

Therefore, realising India's vision of becoming a developed country implies sustained high growth rates across all its states and union territories, incorporating both economic prosperity and social development. However, in 2022-23, the ten largest states in the country, in terms of Gross State Domestic Product (GSDP) at constant (2011-12) prices, cumulatively contributed to over 70% of the GSDP of all states thus indicating the contradictory reality that shows substantial concentration of economic activities in select states only.

Therefore, the consistent participation of each state in the country becomes crucial. In this regard, the call to have a 'Viksit Madhya Pradesh' is also instrumental in working towards the realisation of a 'Viksit Bharat'. This necessitates the state to embark upon an ambitious roadmap to better capitalise on its immense economic potential and increase its contribution towards achieving India's economic vision.

Madhya Pradesh, a landlocked state in central India, is the second-largest state by area, sharing its borders with five other states, namely, Rajasthan in the north-west, Uttar Pradesh in the north, Gujarat in the west, Maharashtra in the south, and Chhattisgarh in the north-east. The state is home to the sixth largest population in the country at 7.27 crores, as per Census 2011.

Situated in the peninsular plateau of India, MP also houses the country's largest forest cover, endowed with large reserves of minerals like iron ore, diamonds, copper ore, magnesium ore, limestone, coal, marble and granite.

Agriculture and food processing, pharmaceuticals, textiles and apparel, renewable energy, and automobile and auto components are among the major industries based in MP, scattered around the industrial regions of Gwalior and Sagar, Bhopal, Rewa, Jabalpur, Ujjain, as well as Indore.

In 2022-23, the GSDP of MP at constant (2011-12) prices stood at ₹ 6.2 trillion, the 11th largest state economy in the country. The following year in 2023-24, MP's GSDP saw marginal increase to ₹ 6.6 trillion, working out to an average annual growth rate (AAGR) of 6.3% from 2014-15 to 2023-24.

The state's net state domestic product (NSDP) per capita at constant (2011-12) prices in 2023-24 stood at ₹ 66.4 thousand, almost half that of India. Further on, the economic landscape of MP is dominated by the tertiary sector, its contribution to the Gross State Value Added (GSVA) being essentially unchanged from the start of the decade at 39.6% in 2023-24 within which, the component of trade, repair, hotels and restaurants dominated with a share of about 11%.

The second-largest share in MP's GSVA was attributed to the primary sector at 35.8%, followed by the secondary sector with the least contribution of 24.5%.

Export Trend

An analysis of the last decade, from 2014-15 to 2023-24, reveals that exports from MP registered an AAGR of 8.3%, increasing from US\$ 4.1 billion in 2014-15 to US\$ 7.9 billion in 2023-24. The state ranked 15th in terms of its contribution to India's total exports in 2023-24, while contributing 1.8% to India's total exports.

The composition of MP's export basket has been observed to have remained largely unchanged over the said decade. In terms of principal commodity classification, in 2023-24, drug formulations & biologicals were the highest exported products from MP worth US\$ 1.6 billion, holding a substantial share of 20.1% in the state's total exports for the year, followed by oil meals (9.9%). Notably, export share attributable to pharmaceutical products from the state saw an increase from 16.5% in 2014-15 to 22.9% in 2023-24, owing to the well-established pharmaceutical manufacturing ecosystem in the state.

In 2023-24, the top ten destinations for MP's exports alone, accounted for a share of over 50% in the state's total export flows in the year. The USA is MP's largest export market receiving almost 20% of the state's total exports with pharmaceuticals and cotton fabrics dominating the product basket.

Upon analysing the status of trade connectivity and the logistics sector, which forms the backbone of trade-related activities in a landlocked state like MP, it was observed that approximately 25% of MP's exports in 2023-24 were routed through the Nhava Sheva Sea port in Maharashtra. The Inland Container Depots (ICD) in the state remain significantly underutilised with 4 of the 6 ICDs cumulatively contributing to about 25% of the state's export flows in the year.

In terms of district-wise exports, the state shows substantial dependency on Indore, the state's commercial capital. With an attributable export share of over 30%, Indore has a flourishing export-oriented industrial ecosystem owing to the presence of a Special Economic Zone (SEZ) with products like pharmaceuticals, textiles, and prepared animal fodder being major export items in 2023-24.

Export Competitiveness of Madhya Pradesh

The Study undertakes a granular analysis of the export competitiveness of MP using the concept of Revealed Comparative Advantage (RCA) to map the export products from the state that demonstrate a comparative advantage to the global import demand for the same. At the 6-digit HS Code level, the exported items from the state are classified into four product categories - Product Champions, Underachievers, Declining Sectors, and Achievers in Declining Markets.

In the short to medium term, MP can focus on leveraging the opportunities arising in the Product Champions segment given that the state is already performing well in the same, in terms of significant export value. In the medium to long term, the State should focus on capacity building in the Underachievers product segment.

Accordingly, at the 6-digit HS Code level, 382 export items from MP have been considered for the RCA analysis. These products accounted for a share of 97.3% of MP's total exports in 2023, with a total value of US\$ 7.6 billion.

Of these analysed products, 148 items worth US\$ 4082.2 million, constituting a share of 52.2% of MP's total exports in 2023, were classified as Product Champions. While organic chemicals (HS 29) were the most recurring export product in this classification, pharmaceutical products (HS 30) were largest in terms of export value.

To augment exports from the state in the long run, MP must focus resource allocation on the 47 items identified as 'Underachievers', worth US\$ 136.0 million globally while accounting for a share of just 1.7% of MP total exports in 2023.

Strategies to Enhance Madhya Pradesh's Export Capabilities

Exim Bank's Export Target for Madhya Pradesh

Over the last decade 2014-15 to 2023-24, MP's exports have almost doubled to touch US\$ 7.9 billion growing at an AAGR of 8.3%. The state continues to harbour its untapped potential across sectors like pharmaceuticals, chemicals and agricultural products. Realising this potential will result in the state increasing its contribution towards India's US\$ 1 trillion merchandise export target by 2030.

In this regard, the Study makes suitable assumptions and sets export targets for MP under different possible scenarios. Thus, as per the Study estimates, MP's exports may possibly grow to reach the range of US\$ 13.7 - US\$ 18.0 billion by 2029-30 from the current export level of US\$ 7.9 billion in 2023-24.

The export growth is expected to be the highest in the scenario should MP follow India's expected CAGR of 12.6% to reach US\$ 1 trillion by 2030, thus resulting in the state exports reaching US\$ 18.0 billion. Alternatively, in a scenario where MP targets to more than double its exports by 2029-30 to US\$ 16.0 billion, a CAGR of 10.6% must be maintained.

Expanding Export Horizons

Madhya Pradesh must continue to leverage its Product Champions, that is, products that hold a comparative advantage and witness high global import demand too. Top ten of these products alone constituted 42% of MP's total exports in 2023-24 with considerable dominance of pharmaceutical products. Focus must be on further enhancing trade in these identified products to increase their share in the global export of the respective items.

MP may direct policy focus towards the market diversification of the 'Achievers in Adversity' category of products, that is, products which are export competitive but face weak import demand. Shifting the export of these products, therefore, towards other identified major global importers showing robust import demand will ensure that the potential of these export products remains fully capitalised. For instance, toilet linen and kitchen linen exports from MP may be shifted away from low import demand countries towards, say, Kazakhstan that is among the main global importers of the product with considerable import demand growth, but does not feature among MP's major destinations.

Further on, the state must build export-oriented production capabilities across all its districts so as to reduce export dependency on Indore, particularly, and its other four top export districts that cumulatively contributed to over 70% of the state's total exports in 2023-24. Assistance in terms of financing, technology upgradation, marketing, etc. may be directed to better align each district's top export products with those identified under the One District One Product-District as Export Hubs (ODOP-DEH) initiative.

MP also holds scope for increasing the exports of its Geographical Indication (GI) tagged products spread across the sectors of agriculture, food, and handicrafts, like the Ujjain Batik Print, Ratlami Sev and Maheshwari saree, to name a few. This may be done by improving the branding and marketing of the same through a dedicated GI promotion body, accompanied by the identification of new products that may be awarded the GI status.

Attracting FDI for Future Exports

In 2023-24, Madhya Pradesh lagged behind fellow landlocked states like Telangana, Haryana, Uttar Pradesh and Rajasthan, which were ahead in terms of both, FDI received, and their respective contributions to India's total exports. This calls for greater FDI flows into MP to correct supply-side hindrances to improve export performance.

In this context, MP may focus on attracting FDI into enhancing the export competitiveness of the 'Underachievers' category of products in the short to medium term. The lack of export capabilities has hindered the growth of these products despite these witnessing ample import demand. Greater FDI flows in the identified sectors would stimulate export growth by way of improving infrastructure, spur knowledge sharing and technology upgradation, among others.

Among the identified product chapters in this category at 2-digit HS Code level, expanding FDI inflows into machinery and mechanical appliances may be prioritised considering that it is both, the most frequently occurring product chapter in terms of number of export items as well as the one with the highest export value in 2023. Through increased FDI into the sector, supply-side challenges like the lack of research-related activities and unorganised warehousing systems, to name a few, can be addressed to help meet the existing robust import demand, thus pushing for MP's increased export flow in the said sector.

Building Industrial Capabilities

MP's industrial sector was observed to be contributing the least to its GSVA, with a share of 24.5% in 2023-24, under which the state's manufacturing activities, particularly, have seen miniscule growth over the past decade. In this regard, the study acknowledges the growth potential of sectors like pharmaceuticals, semi-conductors and textiles to enhance MP's manufacturing capabilities to foster manufacturing induced growth in the state.

Pharmaceutical products manufactured in MP, despite dominating the state's export basket contribute very little to global exports. A sector focused policy for MP may foster greater growth of the existing pharma ecosystem in the state which already includes the flourishing pharma manufacturing hub of Pithampur SEZ and several USFDA compliant units.

The semiconductor industry which was the second-largest FDI receiving sector in the state over the last decade, can assist in contributing towards India's objective of reducing import dependency in its semiconductor

ecosystem. MP boasts of factors like abundant land area, electricity surplus, renewable energy potential, production capabilities in major chemical products, and the presence of select critical mineral reserves which, together, may incentivise increased semiconductor manufacturing in the state.

Further on, MP may also focus on improving its textile manufacturing capabilities by addressing the dichotomy of the dominance of such products in the state export basket, but the sector's miniscule contribution to India's global textile and apparel exports. Leveraging its production capacity in cotton and man-made fibres, expanding other textile segments like silk production to promote its GI products like Chanderi sarees, fostering greater collaboration with designing colleges based in the state and organising frequent textile exhibitions to showcase MP's sector-specific expertise, are select strategies to position the state as a growing textile manufacturing hub.

Strengthening Trade Infrastructure

Well-established transportation connectivity and accessible logistics infrastructure are vital to strengthening the trade performance of a landlocked state like Madhya Pradesh. The state needs to address challenges faced in the areas number of cold storage facilities and their capacities, Free Trade Warehousing Zone (FTWZ), area coverage of Inland Container Depots (ICD) and operational air cargo terminals.

A revised "Madhya Pradesh Warehousing and Logistics Policy" may be introduced to address the growing requirement of shifting away from small and unorganised warehousing systems and the refurbishment of existing warehouses and setting up of new ones, accompanied by improved digitalisation through say, the Unified Logistics Interface Platform (ULIP) in the sector.

Given the crucial role that ICDs play in MP, a state with no direct access to sea ports, improvement in capacity utilisation is a must through better road connectivity to warehouses and correcting the skewed distribution of the same by setting up more ICDs in the major industrial areas of MP. The lack of dedicated truck parking terminals which hinders the state's position as an important transit corridor given its inherent central location, may also be addressed.

Bolstering the R&D Ecosystem

To foster innovation and promote knowledge intensive employment, Madhya Pradesh must increase its research and development (R&D) expenditure, particularly in the domain of Science, Technology, and Innovation (STI).

Increased R&D expenditure will address the issues of low number of funded R&D units, including ones in the private sector, and the lack of skill development and training for its workforce. Boosting research activities through an Innovation Fund and a dedicated R&D policy for MP will create innovation-induced employment opportunities thus resulting in the overall economic development of the state. The number of National Accreditation Board for Certification Bodies (NABCB) certification inspection agencies as well as National Accreditation Board for Testing & Calibration Laboratories (NABL) accredited testing laboratories in the state also needs to be increased to ensure greater accessibility for the state's exporters to meet global quality standards and tap into strictly regulated advanced export markets.

Tourism as a Source of Foreign Exchange

Madhya Pradesh is yet to fully leverage its resources as a major tourist destination despite being home to 24 wildlife sanctuaries, 11 natural parks, 6 project tiger reserves, 3 UNESCO World Heritage sites, and 2 Jyotirlingas.

In 2022, despite being among the major destinations for foreign tourists in India, the state received relatively less attention from domestic tourists. To realise its potential as a major tourist destination at both national and international levels, the state must adopt a focused approach to strengthening air and rail connectivity, improving branding and marketing of its several UNESCO world heritage sites, and promote wildlife tourism and community-based tourism in the state.

To better promote tourism in the state's UNESCO sites, it must increase direct air connectivity to these sites from India's major cities, particularly, those receiving substantial foreign tourist inflow, to ease accessibility to the same. Hosting cultural shows and exhibitions based around these sites will not only help promote tourism in these heritage sites but also generate employment opportunities among local communities based around the same.

Given that in India, MP has the largest forest cover and the largest tiger reserves, it's scope for better publicising and establishing itself as a nature and wildlife tourism hub cannot be overlooked. Improving transportation, introducing sustainable lodgings, increased frequency of unique tourism experiences like night safaris and cycle tours, are some of the ways towards achieving this goal.

Being home to tribal communities like Gond, Bhil and Korku offers the state a very good opportunity to enhance its community-based tourism by offering insights into the culture and lives of such communities while also providing income-generating prospects to the said communities.



Madhya Pradesh: A Macroeconomic Profile

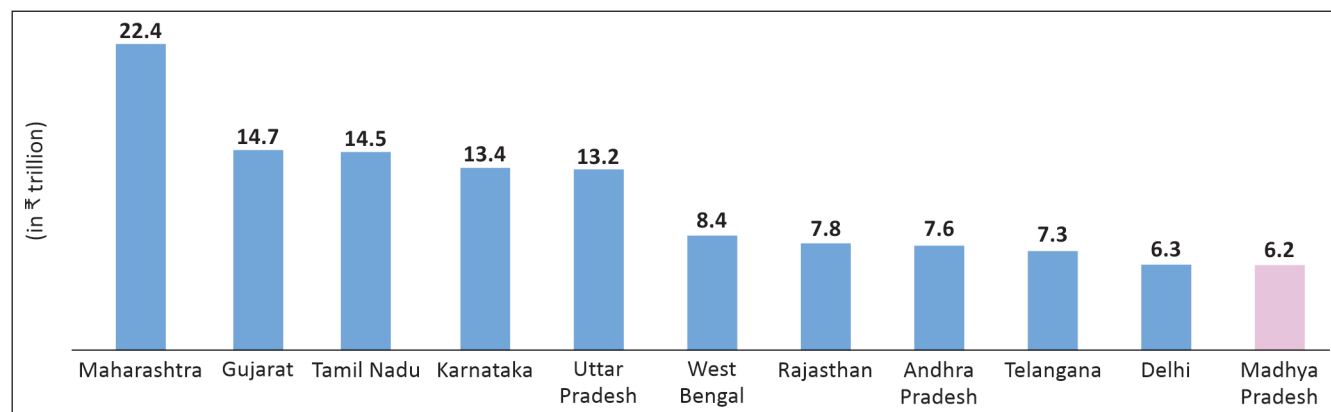
Madhya Pradesh (MP), a landlocked state located in the central part of India, shares its borders with five other states, namely, Rajasthan in the north-west, Uttar Pradesh in the north, Gujarat in the west, Maharashtra in the south, and Chhattisgarh in the north-east. Spread across an area of 308 thousand square kilometres, it is the 2nd largest state by area and holds the 6th largest population in the country at 7.27 crores, as per Census 2011. Situated in the peninsular plateau of India, MP has the country's largest forest cover, endowed with large reserves of minerals like iron ore, diamonds, copper ore, magnesium ore, limestone, coal, marble and granite.

The State's diverse economic base led by the services sector, along with significant contribution from agriculture is vital to its economic growth. Industrial growth in MP is skewed towards districts like Indore, Bhopal, Gwalior and Jabalpur. MP was also among the top-performing states in India's Ease of Doing Business (EoDB) rankings in 2022.

Economic Overview

The Gross State Domestic Product (GSDP), a measure of the total monetary value of all goods and services produced within the geographical boundaries of a state, helps gauge the economic growth trajectory of the same. In 2022-23, the GSDP of MP at constant (2011-12) prices stood at ₹ 6.2 trillion, making MP the 11th largest state economy in the country and the 4th largest among India's 10 landlocked states.¹

Figure 1.1: GSDP-wise Top States of India in 2022-23 (in ₹ trillion)

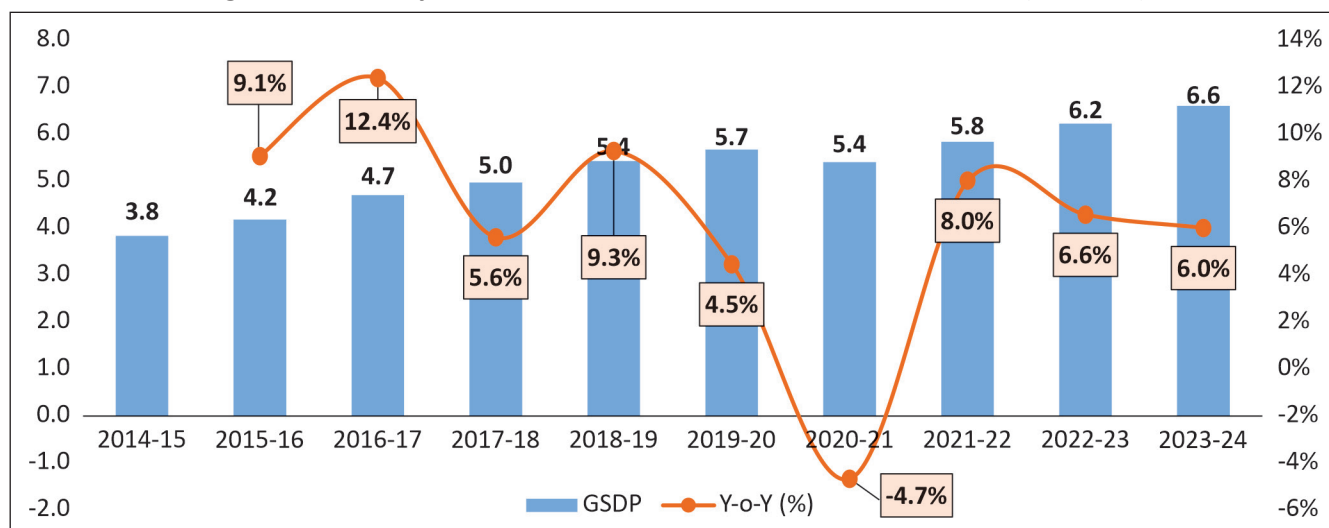


Source: Ministry of Statistics and Programme Implementation (MoSPI); India Exim Bank Research

¹ FY 2023 is the latest available year to draw a GSDP comparison inclusive of all Indian states

Over the past decade, from 2014-15 to 2023-24, MP's GSDP at constant (2011-12) prices increased at an average annual growth rate (AAGR) of 6.3%. The state's GSDP rose from ₹ 3.8 trillion in 2014-15 to ₹ 6.6 trillion in 2023-24. Thus, MP's economy has seen steady growth, barring the pandemic induced (-) 4.7% contraction witnessed in 2020-21.

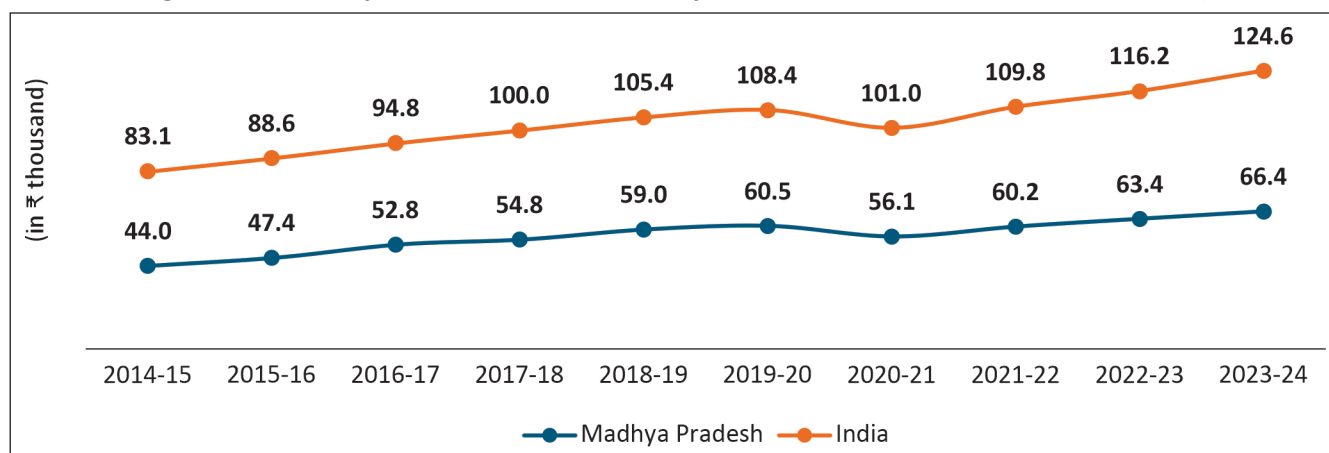
Figure 1.2: Madhya Pradesh's GSDP Estimates at Constant Prices (₹ trillion)



Source: Ministry of Statistics and Programme Implementation (MoSPI); India Exim Bank Research

Despite seeing a mostly upward trend, MP's net state domestic product (NSDP) per capita at constant (2011-12) prices in 2023-24 stood at ₹ 66.4 thousand, almost half that of India. In 2022-23 too, MP's NSDP per capita at constant prices stood quite low at ₹ 63.4 thousand, in comparison to other Indian states for whom, the NSDP ranged between ₹ 295.1 thousand (Goa) and ₹ 29.9 thousand (Bihar) in the same year.

Figure 1.3: Per Capita Income NSDP - Madhya Pradesh vis-à-vis India (in ₹ thousand)



Source: Ministry of Statistics and Programme Implementation (MoSPI); India Exim Bank Research

Sectoral Composition

The tertiary sector continues to dominate MP's economic landscape with its contribution to the Gross State Value Added (GSVA) essentially unchanged :- a marginal fall to 39.6% in 2023-24 from 39.7% in 2014-15. Within the services sector, the component of trade, repair, hotels and restaurants held the dominant share of

about 11% of GSVA in 2023-24. Apart from other services that held the next largest chunk, in the same year, transport, storage, communication and services related to broadcasting contributed majorly to this sector at almost 7%, followed by public administration at 5.4%. Comparing the shares across years, it is noticed that the share of the financial services segment has taken a hit – decreasing from 5.2% in 2014-15 to 4.3% in 2023-24.

The primary sector follows closely behind in shaping MP's economic activities. A substantial portion of the state's population is still engaged in farming and allied activities for their income generation. The sector is the second largest contributor to MP's GSVA, its share falling from 36.3% in 2014-15 to 35.8% in 2023-24.

Crop production has continued to dominate the primary sector of MP, considered to be among India's primary breadbaskets. Holding a share of 24.5% in MP's GSVA in 2023-24, the major crops produced in the state include wheat, rice, soybeans, pulses, oilseeds, cotton and sugarcane, as per the Economic Survey of Madhya Pradesh 2023-24. Notably, the share of livestock has increased from 4.1% in 2014-15 to 6.2% in 2023-24.

Among the three broad sectors, the secondary sector shows the least contribution to the GSVA at 24.5%. The growth in MP's secondary sector has been led by manufacturing, the share of which, however, has only seen miniscule growth – from 10.3% in 2014-15 to 10.7% in 2023-24. Several policy measures are being implemented with the aim of boosting the employment intensive manufacturing sector in the state.

**Table 1.1: Sectoral Composition of Madhya Pradesh's GSVA at Constant (2011-12) Prices:
2014-15 vs 2023-24**

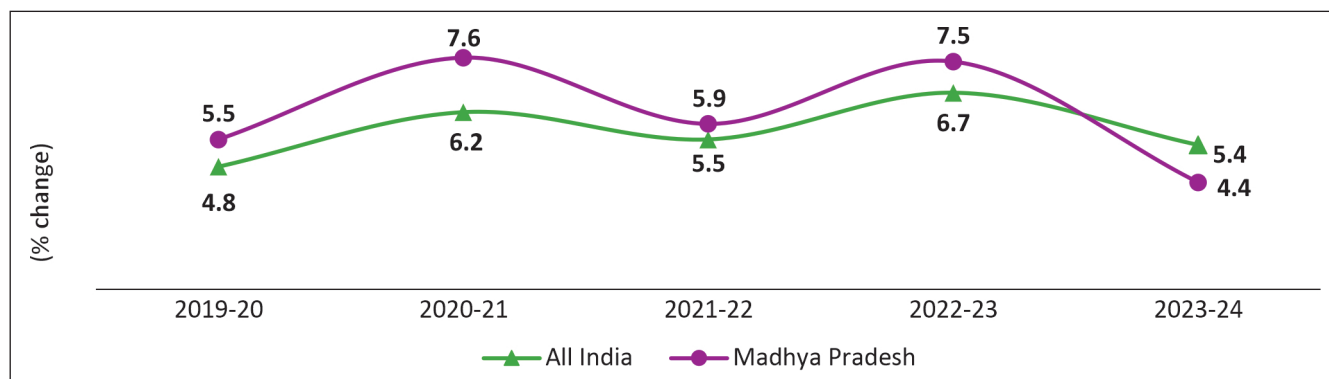
Sector	2014-15 (₹ billion)	2023-24 (₹ billion)	Share in GSVA in 2014-15 (%)	Share in GSVA in 2023-24 (%)
Primary	1319.1	2219.4	36.3	35.8
Crops	933.3	1517.7	25.7	24.5
Livestock	150.5	382.8	4.1	6.2
Forestry and logging	109.5	144.8	3.0	2.3
Fishing and aquaculture	9.4	33.6	0.3	0.5
Mining and quarrying	116.5	140.5	3.2	2.3
Secondary	875.3	1521.4	24.1	24.5
Manufacturing	375.9	665.9	10.3	10.7
Electricity, gas, water supply and other utility services	142.1	271.5	3.9	4.4
Construction	357.3	584.0	9.8	9.4
Tertiary	1442.1	2456.7	39.7	39.6
Trade, repair, hotels and restaurants	406.3	678.4	11.2	10.9
Transport, storage, communication and services related to broadcasting	244.9	417.7	6.7	6.7
Financial services	189.4	269.3	5.2	4.3
Real estate, ownership of dwelling and professional services	205.6	313.3	5.7	5.1
Public administration	187.4	336.2	5.2	5.4
Other services	208.5	441.7	5.7	7.1

Source: Ministry of Statistics and Programme Implementation (MoSPI); India Exim Bank Research

Consumer Price Index (CPI)

Price stability is an important factor that majorly influences the various economic aspects of production, investment, purchasing power, among others, of which the CPI rate is a vital measure. A year-on-year CPI (Base 2012=100) analysis for Madhya Pradesh and India for the last 5 years reveals that the average growth in price levels for MP has remained above that of India, for most part of the time period (Figure 1.4).

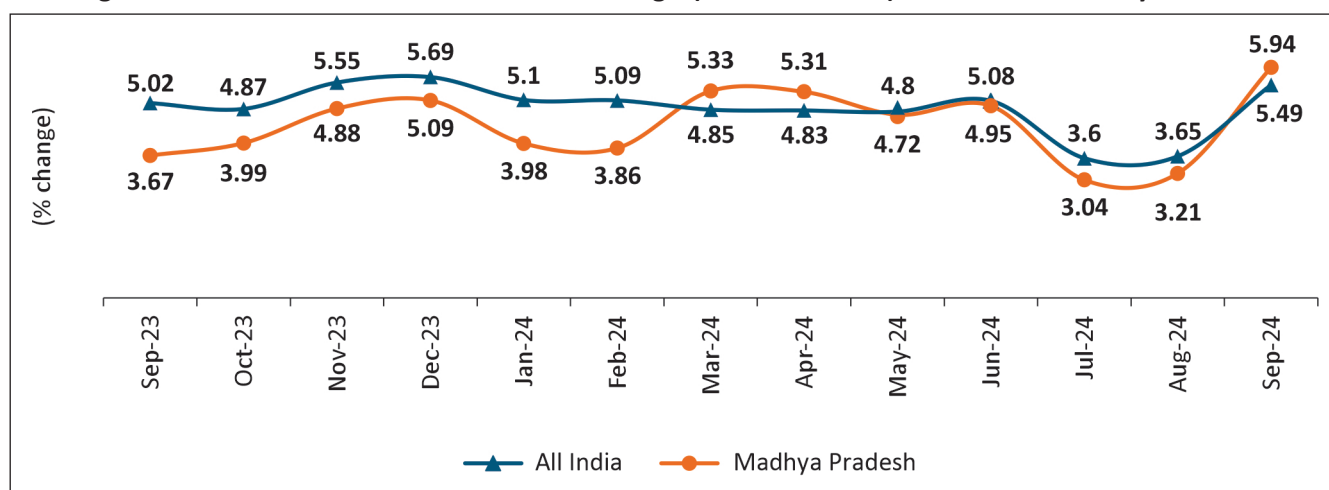
Figure 1.4: Annual CPI Change (Base 2012=100): All India vs Madhya Pradesh



Source: Handbook of Statistics on Indian States 2022-23; CMIE Economic Outlook; India Exim Bank Research

Further on, Figure 1.5 compares the monthly CPI rates over the 12 months upto September 2024, at both the state and national level. Over the included time period, price levels in MP are seen to be relatively volatile when compared to that of India. Up until February 2024, the inflation rates of MP remained below the national rates, however, on several instances since then the inflation rate of MP has exceeded that of the country. The latest, at the time of study, being in September 2024 the price levels in the state saw a growth of 5.94%, ahead of the all India growth at 5.49%.

Figure 1.5: Month-wise CPI Year-on-Year Change (Base 2012=100): All India vs Madhya Pradesh



Source: Ministry of Statistics and Programme Implementation (MoSPI); India Exim Bank Research

Public Finance and Banking

Madhya Pradesh, a revenue surplus state since 2004-05, faced a pandemic induced deficit in 2019-20, before recovering into a surplus again in 2021-22. The 15th Finance Commission recommends fiscal deficit to be

3% of GSDP for the period 2023-24 to 2025-26. In this regard, including the ₹ 9,500 crore provided under special central assistance from the Government of India, and the additional loan facility of 0.5% of GSDP for the energy sector, MP's fiscal deficit for 2023-24 was estimated to be 4.02% of the GSDP, as stated by the Economic Survey of Madhya Pradesh 2023-24.

Overall, in 2023-24, MP was expected to continue the trend of revenue surplus, estimated to be at ₹ 413 crore. The debt-GSDP ratio of the state is estimated to have increased to 30.42% by end-March 2024 owing to adverse economic conditions during the pandemic that led to increased expenditure in the face of falling revenue.

Table 1.2: Key Fiscal Indicators (in ₹ Crore)

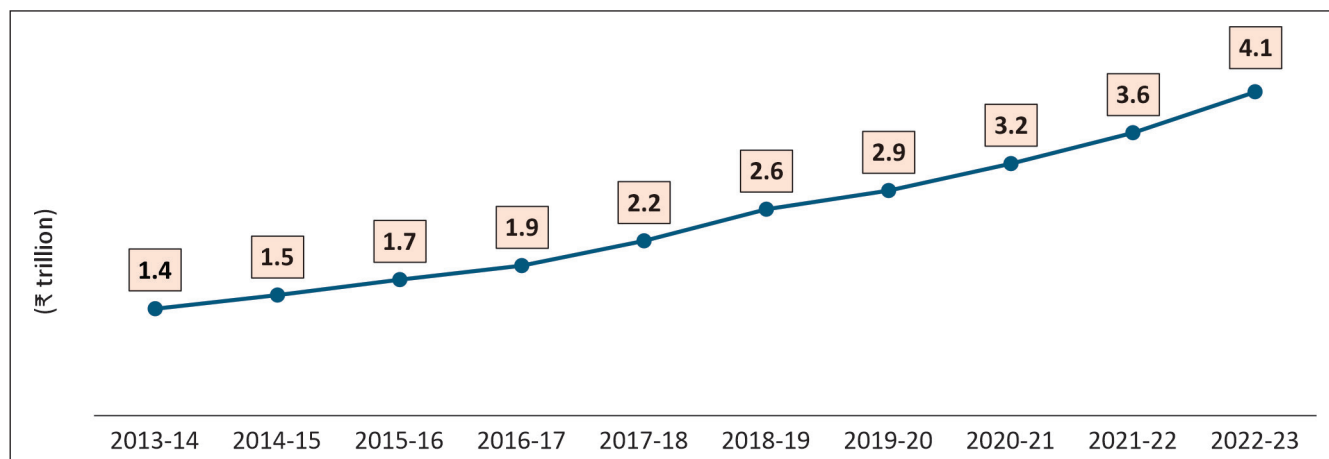
Indicator	2019-20	2020-21	2021-22	2022-23 (P.A.)	2023-24 (B.A.)
Revenue Deficit/Surplus (-/+)	(-) 2,801	(-) 18,356	(+) 4815	(+) 1,499	(+) 413
Fiscal Deficit	32,970	49,870	37987	47,339	55,709
Primary Deficit	18,753	33,951	19542	26,703	33,089
As % of GSDP					
Fiscal Deficit	3.64	5.44	3.25	3.75	4.02
Fiscal Deficit Target	3.99	5.64	4.00	4.07	4.18
Revenue Deficit/Surplus (-/+)	(-)0.31	(-)2.00	0.41	0.12	0.03
Interest for Revenue Receipt Percentage of Payout	9.63	10.87	9.92	10.12	10.02

Note: (P.A.) – Revised Estimate; (B.A.) – Budget Estimate

Source: Economic Survey of Madhya Pradesh 2023-24

Growth of credit by Scheduled Commercial Banks (SCB) in MP has seen steady and robust growth over the decade, from ₹ 1.4 trillion in 2013-14 to ₹ 4.1 trillion in 2022-23, at an AAGR of 13.1% (Figure 1.6). In the same year 2022-23, outstanding credit to the industrial sector in the state stood at ₹ 692.9 billion while that to agriculture was ₹ 1036.1 billion. The state lags behind the larger exporting states of Maharashtra and Gujarat that had credit worth ₹ 33.3 trillion and ₹ 8.3 trillion in the same year, respectively.

Figure 1.6: Credit By Scheduled Commercial Banks in Madhya Pradesh (in ₹ Trillion)



Source: Handbook of Statistics on Indian States 2022-23; India Exim Bank Research

Select Major Industries in the State

Agriculture and Food Processing

The state is India's largest producer of pulses, spices, garlic and coriander. MP ranks second in the production of soyabean, wheat, oilseeds, maize and ranks third in the production of okra, milk, medicinal plants. Such an expansive agricultural production base has resulted in the establishment of a strong food processing sector in the state. MP is also home to 8 food parks, 2 mega food parks and 4 clusters as sanctioned under the Agro Processing Clusters (APC) Scheme.

Pharmaceuticals

MP hosts a thriving pharmaceutical ecosystem with pharma products constituting the largest export from the state. Established pharma clusters exist at Indore, Dewas, Dhar, and the Pithampur SEZ which is India's leading pharmaceutical manufacturing hub. Employing over 1 lakh workers, the pharma industry in MP consists of 39 API/bulk drug manufacturing units and over 50 WHO-GMP (Good Manufacturing Practice) and USFDA (U.S. Food and Drug Administration) compliant units.

Textiles and Apparel

MP, among the major cotton producers in India, is home to traditional textile varieties like Chanderi, Tussar Maheshwari, and the Batik print. The textile industry in the state comprises over 60 textile mills with an installed capacity of 2.5 million spindles. Among India's major textile centres, Indore, Ujjain, Gwalior, Chhindwara, to name a few, are situated in MP and the RMG (Ready-made Garment) cluster at the Indore SEZ, alone, houses approximately 1200 units and an apparel designing center. There also exists support from various textile and design focused institutions within the state. Notably, MP received the highest investment amount under the Production Linked Incentive (PLI) scheme for the textile sector at ₹ 35.1 billion. In May 2023, an MoU was signed between the Ministry of Textiles, Government of India, and the Government of Madhya Pradesh to set up a PM Mega-Integrated Textile Regions and Apparel (PM MITRA) Park in the Dhar district, expected to generate direct employment for 50000 people and indirect employment for 1.5 lakh people.

Renewable Energy

As per the Ministry of New and Renewable Energy, MP has solar energy potential of ~62 gigawatts (GW), wind energy potential of ~55 GW, biomass energy potential of ~3 GW and small hydro potential of 820 megawatt (MW). Such immense potential supported by the Madhya Pradesh Renewable Energy Policy, 2022 creates a lucrative environment for the growth of the renewable energy sector in the state. Home to one of the largest single-site solar power plants worldwide, MP targets to transform 100% of state-level departments as completely renewable energy compliant by 2030.

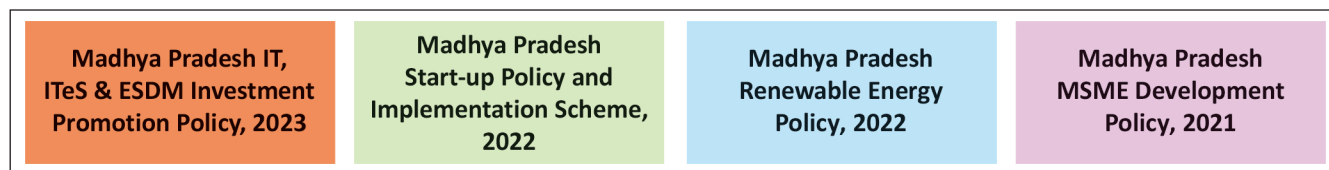
Furthermore, the presence of industries like aerospace and defence, automobile and auto components, minerals, IT and IT-enabled services in the state is also noteworthy.

Select Recent Industrial Policies in the State

Madhya Pradesh IT, ITeS & ESDM Investment Promotion Policy, 2023

The policy promotes the development of Information Technology (IT), Information Technology Enabled Services (ITeS), Data Centre and Electronics System Design and Manufacturing (ESDM) plug and play parks, co-working spaces and associated infrastructure through ₹ 10,000 crores worth of investment and generate 2 lakh jobs in the sector. The strategy also involves providing support to private players by streamlining procedures through a single window clearance system. Assistance is provided in the areas of capex, interest payment, rental payment, marketing, quality certification, stamp duty, patent filing, land-related benefits and other non-fiscal incentives to units and developers of IT/ITeS and ESDM, data centre units as well as edge data centres.

Figure 1.7: Select State Policies for Economic Development of MP



Madhya Pradesh Start-up Policy and Implementation Scheme, 2022

The policy has aims to develop the startup ecosystem of the State based on five focus areas of institutional support; promotion of product-based start-ups; innovation and entrepreneurship; marketing support; and financial and non-financial assistance. Under such pillars, select incentives include the establishment of Madhya Pradesh Start-up Center, development of an online portal, provision of assistance for event organising, lease rental and patent filing, among others. Tailored support for product-based startups is also provided through assistance in areas like employment generation, training expenditure reimbursement, and benefits on electricity duty. Further on, under the State Innovation Challenge, grant is also provided to the selected concept among those invited from several institutions including startups, that addresses four high-impact economic-social problems of the Madhya Pradesh.

Madhya Pradesh Renewable Energy Policy, 2022

The State is in a favourable position to develop itself as a renewable energy (RE) hub with special focus on RE equipment manufacturing given the immense potential it holds across different types of RE. By 2027, the policy aims to attain a share of 30% RE in the State's energy mix, as well as attract investments worth ₹ 50,000 crore in RE generation and ₹ 10,000 crore in RE equipment manufacturing, among other targets. Accordingly, select incentives provided for RE developers include exemption of electricity duty, stamp duty reimbursement and land at concessional rates. As per the policy, manufacturing of RE equipment and the production of green hydrogen and electrolyser manufacturing are also eligible for incentives under the State's Industrial Promotion Policy, depending on their investment size. The development of green cities, and SEZ-like green zones are other initiatives implemented to boost the green footprint in the overall energy mix of the State.

Madhya Pradesh MSME Development Policy, 2021

The policy builds its objective of achieving overall industrial development and MSME competitiveness based on six pillars, namely, creation of an enabling framework with respect to ease of doing business; procedural

reforms for the concession release; inclusion of private developers for the development of improved infrastructure facilities; a PPP Model-based infrastructure development; procedural assistance through online services; and a time-bound delivery of services and assistance. Concessions provided under the policy include subsidies for new industrial units, assistance in quality certification, patent cost reimbursement, financial assistance for infrastructure development and energy audit. Assistance for the expansion of existing MSME units, capacity strengthening, and revival of sick units are among the other policy provisions. Packages tailored to the needs of industries like furniture, toys, power looms, pharmaceutical, apparel, food processing units and textile units are also provided.

Box 1: Industrial Promotion Policy, 2014 (Amended 2022)

Amended in 2022, the state government implemented the Industrial Promotion Policy, 2014, to bolster industrial growth and attract investments in Madhya Pradesh through both fiscal and non-fiscal policy interventions. The policy forms the strategic roadmap for the state, laying out objectives like boosting growth in manufacturing and services sectors, simplification of business procedures, greater private sector participation, improving regulatory environment and identification of focus sectors like agribusiness and food processing, textiles, automotive and auto components, tourism, pharmaceuticals, biotechnology, IT/ITeS, healthcare, and logistics and warehousing for the state's overall growth.

Inter alia, the policy enhances ease of doing business in the state by strengthening the Single Window System, following a cluster-based approach to MSME growth, providing land concessions for industrial infrastructure development with focus on industrial parks, and pushing for green industrialisation. Fiscal incentives are provided in the form of subsidies, interest reimbursements, VAT/GST-related assistance, and electricity duty exemptions for eligible industries. The following sector-specific incentive packages are also provided -

- **Large Manufacturing Industries** - Basic Investment Promotion Assistance (BIPA) upto 40% of investment in plant and machinery, assistance for development of private/undeveloped government land, reimbursement on patent charges, interest subsidies for textile units as well as push for green industrialisation.
- **Large Scale Food Processing Projects** - Investment promotion assistance that is 1.5 times of BIPA, financial assistance for Mega Food Parks and Food Parks, reimbursement of mandi fee and stamp duty, and tariff rebates.
- **Large Scale Units under Garment Manufacturing Sector** - BIPA up to 40% of investment in plant and machinery along with other employment generation and export-oriented incentives. Also provides reimbursement of skill development and training expenses, as well as that of stamp duty and registration fees. Interest subsidy, electricity duty exemption and fixed electricity tariffs are other incentives. Garment units are eligible to avail incentives that are 200% of their investment in plant and machinery.
- **Logistics & Warehousing Hubs** - Investment assistance of 15% on gross fixed capital investment, and infrastructure development assistance of up to 50%. Other provisions include reimbursement of stamp duty and registration fees along with a relaxed floor area ration (FAR).

Source: Department of Industrial Policy & Investment Promotion, Government of Madhya Pradesh

Other major policies implemented in MP include the Madhya Pradesh Health Sector Investment Promotion Policy, 2019; Tourism Policy, 2016; Madhya Pradesh Defence Production Investment Promotion Policy.

Scope of Study

Madhya Pradesh holds great potential to contribute to India's ambition of establishing itself as a US\$ 7 trillion economy by 2030 owing to factors such as, inter alia, a strategic central location, steady growth rate, diversified economic base and presence of export-oriented industries in the State. The Study by analysing the economic and trade scenarios of Madhya Pradesh, aims to strategise tapping into the high export potential commodities which may propel the State economy to a higher growth trajectory, thereby bringing about socio-economic development in the state.



Trade and Investment Trends in Madhya Pradesh

To encourage greater trade flows from the state, Madhya Pradesh has introduced trade facilitation measures and is actively promoting a business-friendly policy environment.

The MP Industrial Development Corporation (MPIDC) acts as the state's nodal agency for the purpose of trade and investment promotion. MPIDC oversees the functioning of the Export Facilitation Cell and maintains the MP Trade Portal, an initiative of the Department of Industrial Policy and Investment Promotion, to improve accessibility of market research and trade information to state exporters. Additionally, a State-Level Export Promotion Committee (SLEPC) has also been formulated. The presence of 6 operational Special Economic Zones (SEZ) in the state, including the multiproduct Indore (Pithampur) SEZ, is also expected to drive up exports from the state.

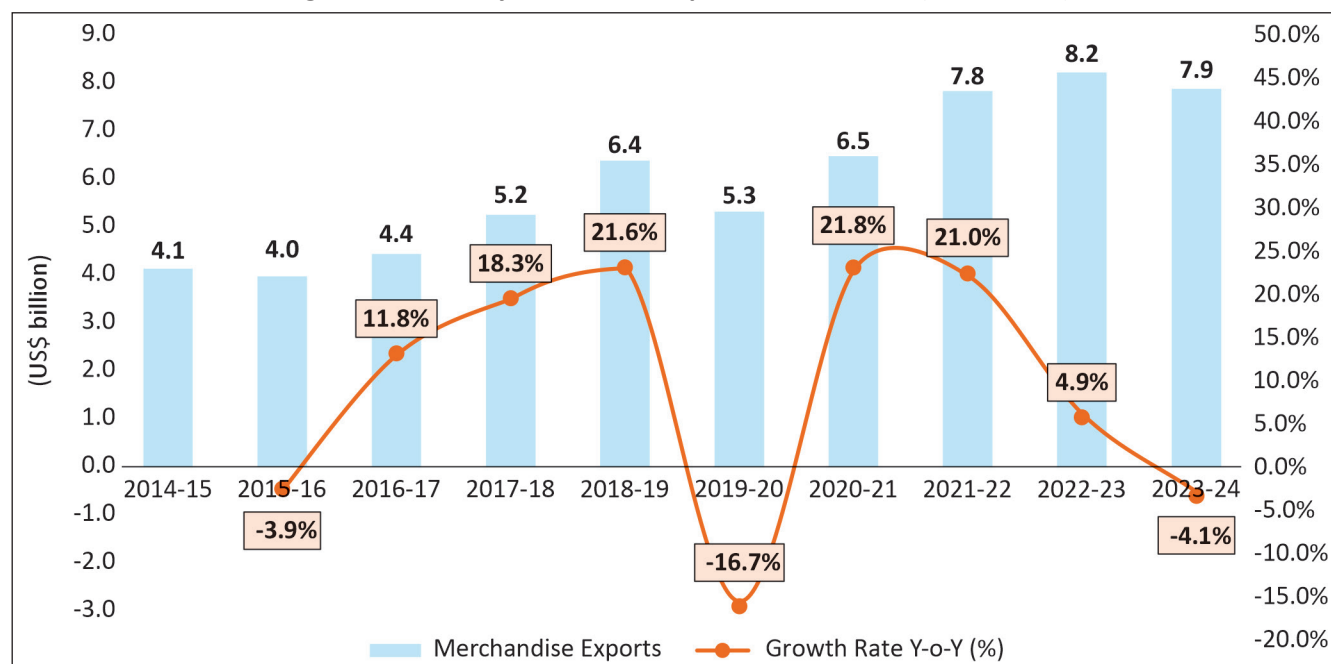
However, given the size and diverse economic base of the state, MP's export performance shows scope for improvement.

Merchandise Exports from Madhya Pradesh

In 2023-24, MP ranked 15th in terms of its contribution to India's total exports, valued at US\$ 7.9 billion, holding a share of 1.8% of the same. In the same year, the neighbouring landlocked state of Uttar Pradesh showed a better export performance accounting for a share of almost 5% of India's total exports. Other landlocked states of area smaller than MP like Haryana (4.0%), Telangana (3.2%) and Rajasthan (2.3%) also had relatively higher contribution to the country's total exports.

Over the decade, from 2014-15 to 2023-24, MP has shown robust export growth for the most part :— growing from US\$ 4.1 billion in 2014-15 to US\$ 7.9 billion in 2023-24, at an AAGR of 8.3% (Figure 2.1). Exports from the state showed a large pandemic-induced contraction in 2019-20 at (-) 16.7% before picking up pace the next year, catching up with pre-pandemic levels of trade, with a growth of almost 22%. The year 2023-24 also witnessed a contraction by 4.1% in the state's exports, with the same declining to US\$ 7.9 billion from the previous year's US\$ 8.2 billion.

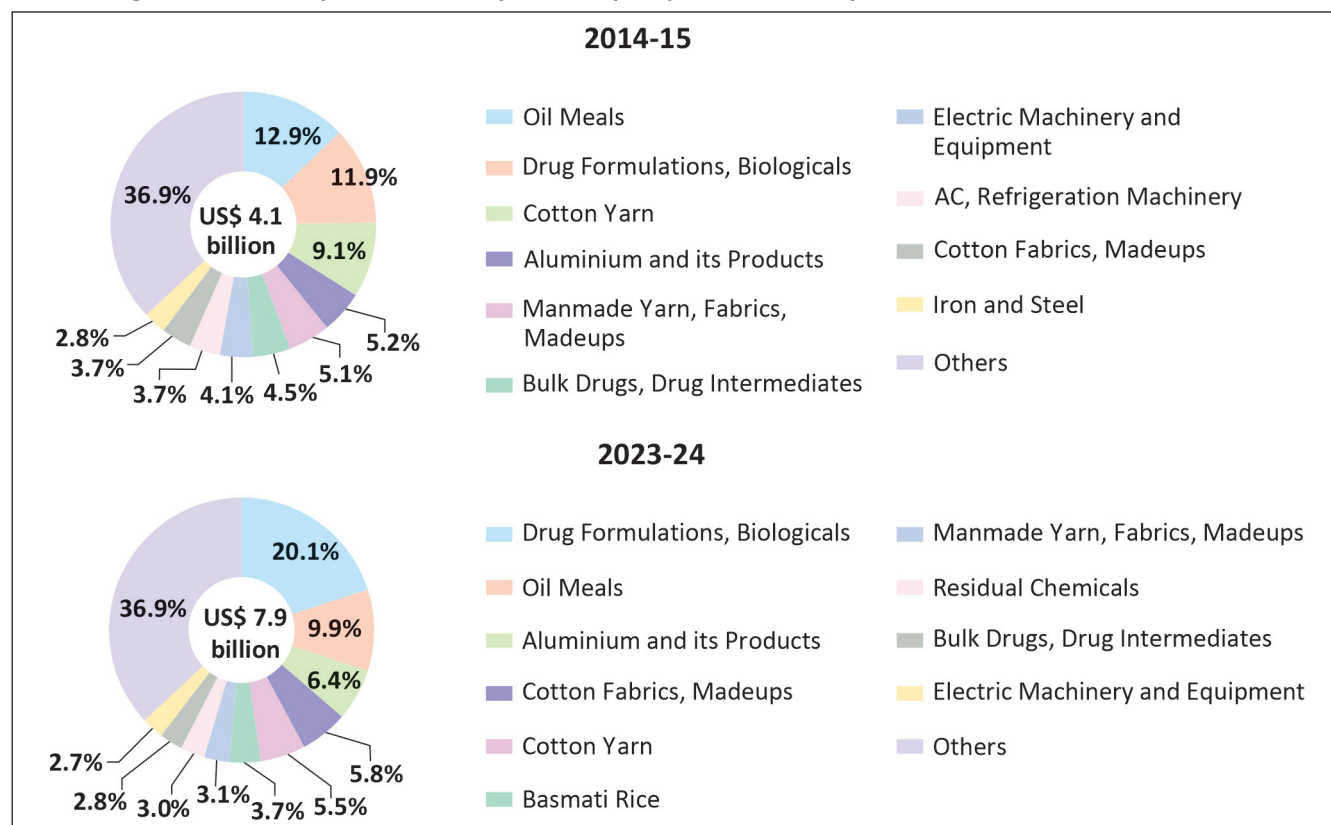
Figure 2.1: Madhya Pradesh's Export Performance (US\$ billion)



Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

Figure 2.2 draws a comparison between MP's top exported products in 2014-15 and 2023-24, as per the principal commodity classification. The composition of the state's export basket has been observed to have

Figure 2.2: Principal Commodity-wise Top Exports of Madhya Pradesh: 2014-15 vs 2023-24



Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

remained largely unchanged over the past decade. Four of the top five exported products have remained constant across both years.

In 2023-24, drug formulations, and biologicals were the highest exported product from MP worth US\$ 1.6 billion holding a share of 20.1% in the state's total exports for the year, a rise from the earlier share of 11.9% held in 2014-15. Oil meals which was MP's highest exported product in 2014-15 saw a fall in its share from 12.9% to 9.9% in 2023-24. Export share attributable to pharmaceutical products in the state saw an increase from 16.5% in 2014-15 to 22.9% in 2023-24, owing to the expanding pharmaceutical industry in the state with presence of both national and international pharma manufacturers.² Notably, basmati rice and residual chemicals were new entrants in the list of MP's top ten exports in 2023-24, the shares of which more than doubled over the decade :– from 1.4% to 3.7% and from 1.3% to 3.0%, respectively.

Table 2.1 lists MP's top exports in 2023-24, disaggregated at the 6-digit HS Code level. Accordingly, medicament for therapeutic or prophylactic purposes (HS 300490) was the state's largest export in the year at a value of US\$ 1.3 billion, holding a share of 16% of MP's total exports in 2023-24. Interestingly, electrodes used for furnaces (HS 854511) which accounted for a share of nearly 2.3% of MP's total exports in that year, contributed to a substantial share of 66.5% to India's total export of that product. Similarly, oil cakes (HS 230400) with a share of 8.4% in the state's total exports, accounted for 64.0% of India's exports of the product in 2023-24.

Table 2.1: Top Exports of Madhya Pradesh at HS Code Level in 2023-24

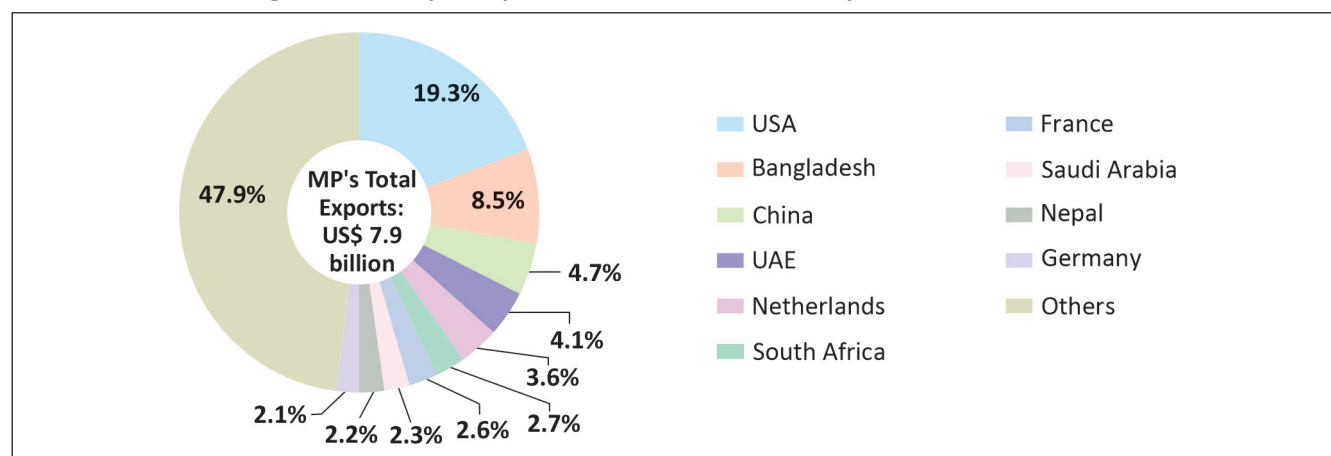
6-Digit HS Code	Product	Value of MP's Exports (US\$ million)	Share in MP's Total Exports (%)	Share of MP in India's Export of the Product (%)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	1260.8	16.0%	7.5%
230400	Oil-cake and other solid residues, whether or not ground	663.5	8.4%	64.0%
760110	Aluminium, not alloyed	454.7	5.8%	11.5%
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	439.1	5.6%	4.4%
630260	Toilet linen and kitchen linen	181.9	2.3%	16.3%
854511	Electrodes of a kind used for furnaces	180.3	2.3%	66.5%
630532	Flexible intermediate bulk containers of man-made textile materials	165.7	2.1%	21.1%
260111	Iron ores and concentrates, non-agglomerated other than roast	127.3	1.6%	5.3%
300420	Other, containing antibiotics	126.3	1.6%	10.0%
520523	Single yarn of combined fibres measuring < 232.56 decitex but >= 192.31 decitex	119.7	1.5%	11.7%

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

² Pharmaceutical products here comprise drug formulations, biologicals and bulk drugs, drug intermediates.

In 2023-24, the top ten destinations for MP's exports accounted for a share of over 50% of its total exports. The USA was MP's largest destination receiving US\$ 1.5 billion worth of exports, accounting for a share of 19.3% of the state's total exports, followed by Bangladesh (8.5%), China (4.7%), the UAE (4.1%) and the Netherlands (3.6%). Over half of MP's products exported to the USA comprise pharmaceuticals and cotton fabrics (Table 2.2).

Figure 2.3: Major Export Destinations for Madhya Pradesh (2023-24)



Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

Table 2.2: Principal Commodities Exported to MP's Top Export Destinations in 2023-24

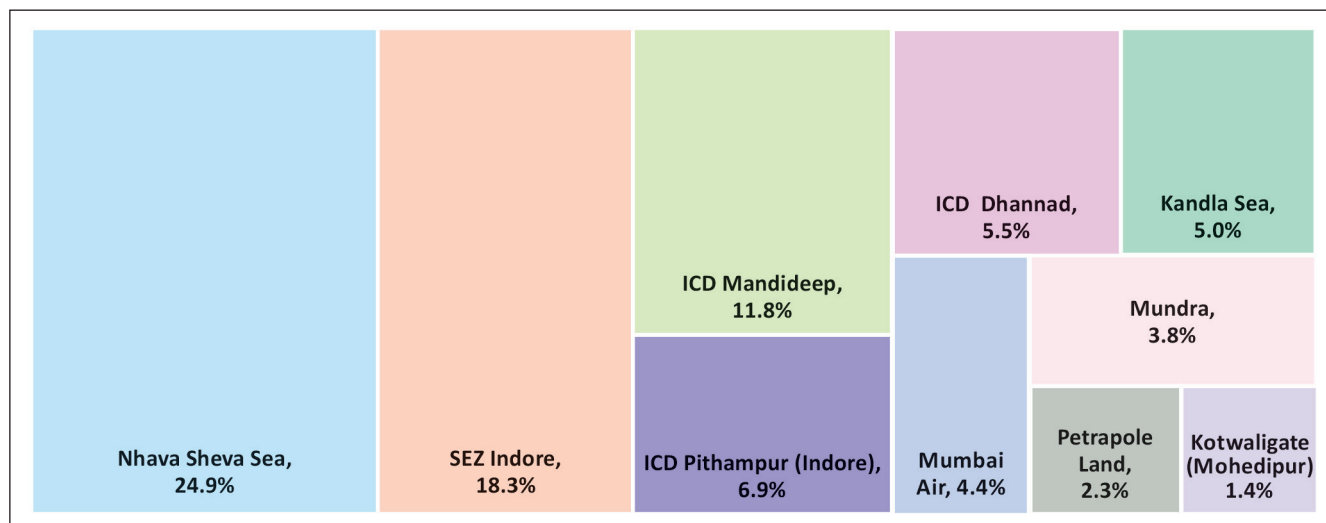
Export Destination	Principal Commodity	Share in MP's Total Exports to the Country (%)
USA	Drug Formulations, Biologicals	34.0%
	Cotton Fabrics, Madeups etc.	19.7%
	Basmati Rice	8.3%
	Electric Machinery and Equipment	5.0%
	Manmade Yarn, Fabrics, Madeups	3.4%
Bangladesh	Oil Meals	41.4%
	Cotton Yarn	20.2%
	Cotton Fabrics, Madeups etc.	9.3%
	Cotton Raw Including Waste	6.3%
	Aluminium and its Products	4.1%
China	Iron Ore	33.3%
	Cotton Yarn	25.1%
	Aluminium and its Products	12.7%
	Cotton Raw Including Waste	5.5%
	Bulk Drugs, Drug Intermediates	4.8%

Export Destination	Principal Commodity	Share in MP's Total Exports to the Country (%)
UAE	Oil Meals	22.6%
	Miscellaneous Processed Items	9.5%
	Pulses	7.1%
	Alcoholic Beverages	6.0%
	Drug Formulations, Biologicals	4.5%
Netherlands	Drug Formulations, Biologicals	32.3%
	Aluminium and its Products	21.0%
	Residual Chemical and Allied Products	17.1%
	Manmade Yarn, Fabrics, Madeups	7.4%
	Plastic Sheet, Film, Plts etc.	4.3%

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

Strong logistics and connectivity form the backbone of trade in a landlocked state like Madhya Pradesh. In 2023-24, it was studied that almost 25% of MP's exports were routed through the Nhava Sheva Sea port in Maharashtra given the proximity and efficiency of the same (Figure 2.4). Goods from this port were exported to countries like the USA, Malaysia, China, the Netherlands and Thailand, among others. The contribution of SEZs in the state's trade performance is also prominent with the Indore SEZ catering to over 18% of MP's exports in 2023-24. However, the contribution of MP's Inland Container Depots (ICD) to its exports, remain modest. The ICDs at Mandideep, Pithampur, Dhannad and Malanpur cumulatively contributed only 25% of the state's exports in 2023-24.

Figure 2.4: Port-wise Exports from Madhya Pradesh: 2023-24



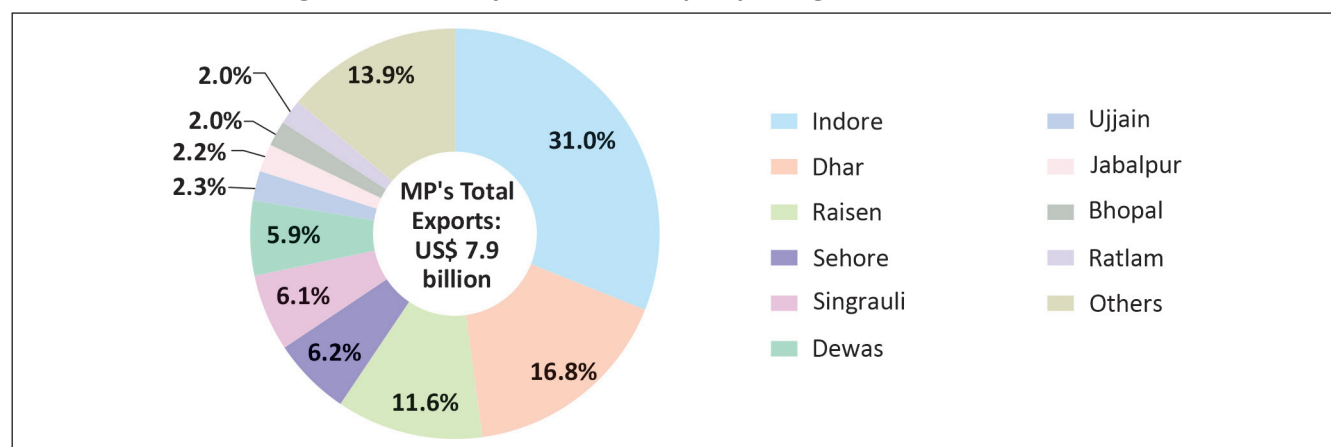
Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

In 2023-24, Indore was MP's largest exporting district, contributing to over 30% of the state's total exports (Figure 2.5). Known as the commercial capital of Madhya Pradesh, Indore's major industries include pharmaceutical, automobile, textiles, among others. Several infrastructure projects are concentrated in Indore

including the Crystal IT Park, Super Corridor, Pithampur SEZ, Pithampur-Dhar-Mhow Investment Region of Delhi Mumbai Industrial Corridor (DMIC) and the NATRIP (National Automotive Testing and R&D Infrastructure) project. In 2023-24, 'other medicines for retail sale' (HS 30049099) was the district's largest export product accounting for a share of 22.0% (Table 2.3). High pharmaceutical exports from Indore can be attributed to the presence of the Pithampur SEZ, a major pharma manufacturing hub, and home to companies like Cipla, Mylan, Lupin, among others.

Dhar, the second-largest exporting district in MP held a share of almost 17% with export value at ₹ 109.7 billion in 2023-24. Similar to Indore, here too, other medicines for retail sale (HS 30049099) was the district's largest export in the year with a share of 13.6%.

Figure 2.5: Madhya Pradesh's Top Exporting Districts in 2023-24



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

Table 2.3: Major Products of Madhya Pradesh's Top Exporting Districts in 2023-24

District	6-Digit HS Code	Product	Share in Total District Export (%)	Total Export Value of District (₹ billion)	Share of District in MP's Total Exports (%)
Indore	30049099	Other medicine put up for retail sale	22.0%	202.6	31.0%
	23040030	Meal of soyabean, solvent extracted (defatted) variety	14.5%		
	30049094	Theophylline, aminophylline and other broncho dilators	4.4%		
Dhar	30049099	Other medicine put up for retail sale	13.6%	109.7	16.8%
	84295900	Self-propelled mechanical shovels, excavators and shovel loaders	8.5%		
	63053200	Flexible intermediate bulk containers of man-made textile materials	7.2%		

District	6-Digit HS Code	Product	Share in Total District Export (%)	Total Export Value of District (₹ billion)	Share of District in MP's Total Exports (%)
Raisen	10063020	Basmati Rice	19.9%	75.6	11.6%
	85451100	Electrodes of a kind used for furnaces	19.7%		
	52052310	Single cotton yarn, of combed fibres ³	9.2%		
Sehore	63026090	Toilet linen and kitchen linen, other than handloom	37.2%	40.4	6.2%
	63023100	Other bed linen of cotton	19.5%		
	52052410	Single cotton yarn, of combed fibres ⁴	6.5%		
Singrauli	76011010	Aluminium ingots - not alloyed	95.0%	39.6	6.1%
	76051100	Wire of non-alloy aluminium, with a maximum cross-sectional dimension of > 7 mm	3.7%		
	27011990	Other coal, whether or not pulverised but ntagldmrtd	0.7%		

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

Export Competitiveness of Madhya Pradesh

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 way of comparison of the country's trade scenario with the world 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, index for country i , commodity j is –

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

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

³ HS 52052310 - Single cotton yarn, of combed fibres, containing $\geq 85\%$ cotton by weight and with a linear density of 192,31 decitex to $< 232,56$ decitex "> MN 43 to MN 52" (excluding sewing thread and yarn put up for retail sale): Grey 2401

⁴ HS 52052410 - Single cotton yarn, of combed fibres, containing $\geq 85\%$ cotton by weight and with a linear density of 125 decitex to $< 192,31$ decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale): Grey2401

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 to be capable of revealing the extent of comparative advantage more precisely and consistently than alternative RCA indices in the literature. NRCA can be defined in the following manner –

$$NRCA_{iju} = (RCA_{iju} - 1) / (RCA_{iju} + 1)$$

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

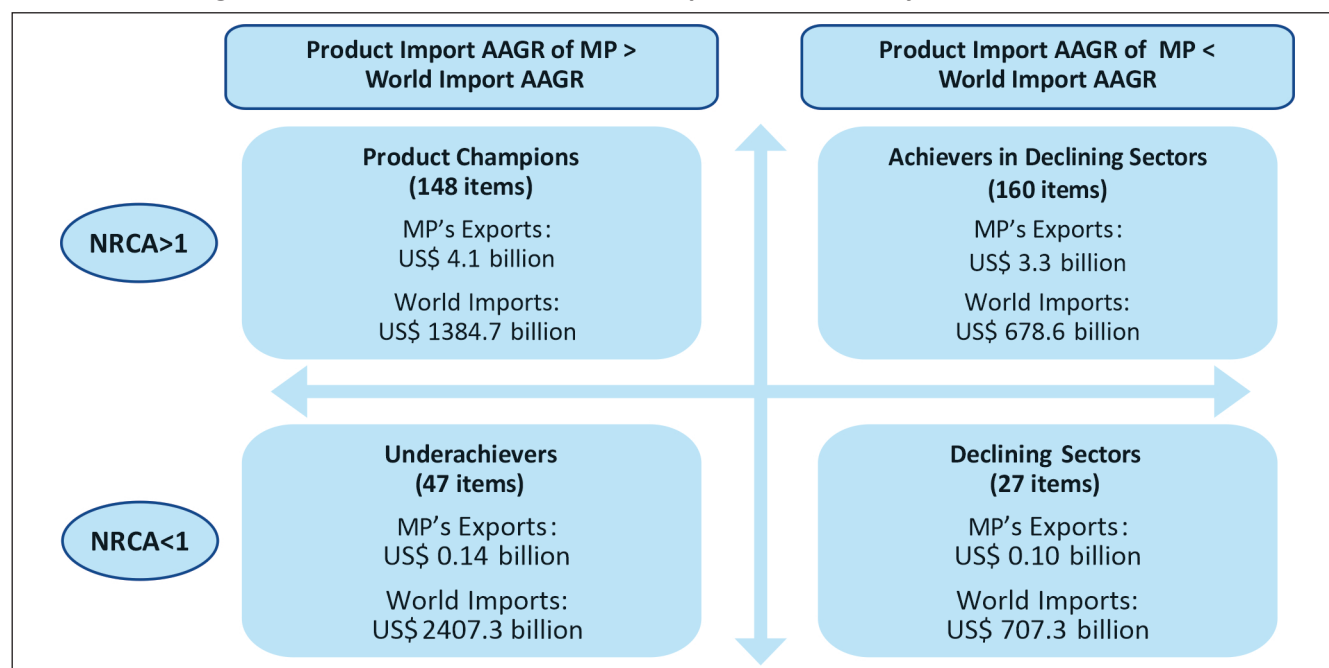
- **Product Champions – Competitive Exports (NRCA > 0); Growing Import Demand (Product Import AAGR > 0):** These products have the maximum potential, as the world demand for these products during 2014 to 2023 has shown robust growth, and MP has a comparative advantage in exports of these products.
- **Underachievers – Exports Not Competitive (NRCA < 0); Growing Import Demand (Product Import AAGR > 0):** MP does not have a comparative advantage in these products, but the import demand for these products has shown positive growth over the period under consideration. The state can strive towards increasing competitiveness in the same.
- **Declining Sectors – Exports Not Competitive (NRCA < 0); Weak Import Demand (Product Import AAGR < 0):** MP does not have a comparative advantage in these products, and also, the sector has registered negative global import growth during the period under consideration.
- **Achievers in Declining Sectors – Competitive Exports (NRCA > 0); Weak Import Demand (Product Import AAGR < 0):** MP has a comparative advantage in these products, but the world import demand for these products has been negative.

In the short to medium term, Madhya Pradesh can focus on leveraging the opportunities arising in the ‘product champions’ segment, considering that the state already possesses reliable capabilities in the same. In the medium to long term, the state needs to encourage capacity development in the ‘underachievers’ segment. Such a product analysis based on the export competitiveness and import demand of MP’s export products aims to direct policy formulation towards enhancing the state’s export performance by focusing on the identified products. (Please refer to Annexure for the list of identified products.)

Product Identification

For the purpose of analysing the export competitiveness of MP, at the 6-digit HS Code level, exports from the state with a minimum export value of US\$ 1 million and above have been taken into account for the year 2023. Accordingly, 382 items have been studied with a total value of US\$ 7.6 billion that accounted for a share of 97.3% of MP’s total exports in 2023. To calculate the world AAGR of imports, a time period of 10 years, that is, 2014 to 2023 has been covered. Following the above outlined methodology, these products have been classified as below -

Figure 2.6: Product Identification for Exports from Madhya Pradesh to World



Out of the total 382 commodities considered at the 6-digit HS Code level, 148 items with exports worth US\$ 4082.2 million fall under the category of 'product champions'. These products constituted a share of 52.2% of MP's total exports in 2023 with 'other medicine for retail sale' (HS 300490) being the largest exported item in the category.

Table 2.4 shows the top product champions of MP as per the highest export values, aggregated at the broader 2-digit HS Code level to help identify the recurring product chapters under this classification. Accordingly, it was observed that in 2023, exports of organic chemicals (HS 29) from MP was the chapter with the highest number of export items falling under product champions, at 17. However, exports of pharmaceutical products (HS 30) from the state, despite having only 4 items is the largest product category in terms of export value.

Table 2.4: Sector-wise Categorisation of Madhya Pradesh's Major Product Champions

HS Code	Product Chapter	Export Value (US\$ million)	Number of Identified Products at 6-Digit HS Level
30	Pharmaceutical products	1307.8	4
76	Aluminium and articles	510.2	4
10	Cereals	480.7	3
29	Organic chemicals	294.1	17
85	Electrical machinery and equipment	249.3	9
52	Cotton	167.3	10
07	Edible vegetables and certain roots and tubers	149.5	5
26	Ores, slag and ash	116.3	1
84	Machinery and mechanical appliances	84.8	8
21	Miscellaneous edible preparations	82.2	2

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

‘Underachievers’ comprise a total of 47 items worth US\$ 136.0 million, accounting for a share of a mere 1.7% of MP’s total exports in 2023. The largest export item under this category was iron or steel structures and its parts (HS 730890) with a value of US\$ 14.3 million.

Table 2.5 lists MP’s top ‘underachievers’ as per the highest export value, aggregated at the 2-digit HS Code level. Accordingly, it was observed that ‘machinery and mechanical appliances’ (HS 84) was both the state’s most recurring product chapter in the underachievers category as well as the one with the highest export value in 2023. Thus, MP should focus on building the export competitiveness of these products to keep up with their growing import demand and boost their share in the state’s total exports.

Table 2.5: Sector-wise Categorisation of Madhya Pradesh’s Major Underachievers

HS Code	Product Chapter	Export Value (US\$ million)	Number of Identified Products at 6-Digit HS Level
84	Machinery and mechanical appliances	23.4	6
87	Vehicles other than railway or tramway rolling stock	19.5	5
73	Articles of iron or steel	16.9	3
85	Electrical machinery and equipment	13.0	5
12	Oil seeds and oleaginous fruits	13.0	2
27	Mineral fuels and oils	6.4	2
90	Optical, photographic, or medical instruments and apparatus	5.7	3
76	Aluminium and articles	5.2	2
38	Miscellaneous chemical products	4.5	2

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

The product classification of ‘achievers in declining sectors’ comprise the second highest number of exports from MP at 160 items with a value of US\$ 3.3 billion and a share of 42.1% of MP’s total exports in the year. This is noteworthy considering that these products despite being competitive in the market do not have sufficient import demand but still continue to account for a substantial share in MP’s trade sector leading to inefficient resource utilization.

Lastly, products under ‘declining sectors’ consist of the least number of export products at 27 items, worth US\$ 0.10 billion, holding a share of 1.3% of MP’s total exports in 2023. The state must focus on diversifying resources away from such products that are neither competitive nor have robust import growth.

Export Preparedness Index (EPI) 2022 by NITI Aayog

In the EPI 2022 published by NITI Aayog, Madhya Pradesh ranked 12th among all states and union territories in India and ranked 5th among the landlocked states.

The index is based on four broad pillars, namely, policy; business ecosystem; export ecosystem; and export performance. Among these pillars, Madhya Pradesh secured the highest rank in export ecosystem with

full scores in 'Existence of Trade guide' and 'Online portals for information for exporter' under export infrastructure. MP performed exceptionally well in the policy pillar, its highest score among all.

The state needs to direct policies to overcome challenges faced in areas of export growth and diversification, R&D infrastructure and transport connectivity, to name a few.

Table 2.6: Pillar-wise Performance of Madhya Pradesh in the EPI 2022 by NITI Aayog

Pillar	Rank	Score
Policy	11	98.68
Export Promotion Policy		100.00
Institutional Framework		97.35
Business Ecosystem	18	42.68
Business Environment		38.01
Infrastructure		36.48
Transport Connectivity		53.57
Export Ecosystem	8	54.69
Export Infrastructure		92.83
Trade Support		48.24
R&D Infrastructure		23.01
Export Performance	16	33.25
Growth and Orientation		36.33
Export Diversification		30.17

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

Investment Trends in Madhya Pradesh

The Government of Madhya Pradesh is pushing to place the state as a lucrative investment location owing to its strategic central location, abundant natural endowments, industry specific infrastructure, and enhancement in ease of doing business with focus on reducing regulatory compliance burdens. As part of the Delhi-Mumbai Industrial Corridor, MP is also home to over 100 industrial zones and 7 smart cities. The 5 prominent industrial regions of the state include Gwalior and Sagar, Bhopal, Rewa, Jabalpur as well as Indore and Ujjain.

Figure 2.7: Select Focus Sectors for Investment in Madhya Pradesh

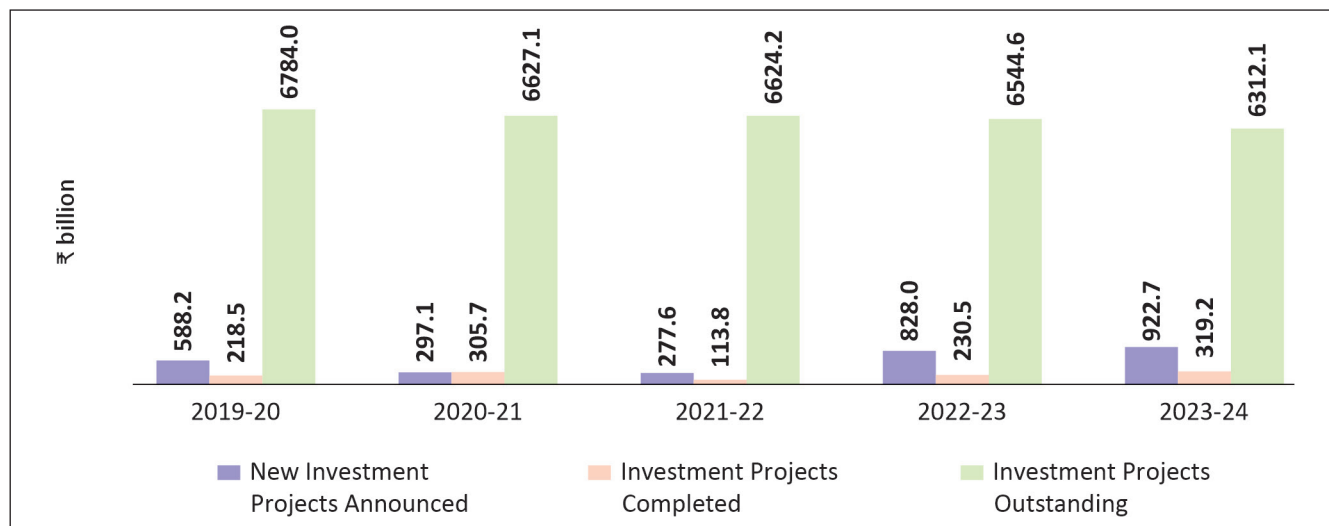
Agriculture, Food & Dairy Processing	Automobile & Auto Components	Textile
Pharmaceutical, Medical Devices & Healthcare	Renewable Energy	Aerospace & Defence

Source: Madhya Pradesh Industrial Development Corporation (MPIDC)

The MPIDC herein acts as the single window secretariat for all investment promotion and facilitation activities in the state. The state government also organises the Global Investment Summit (GIS), a biennial flagship investment promotion event. The last GIS held in 2023 attracted a total intent of investments worth ₹ 15.42 lakh crore across sectors of renewable energy, urban infrastructure and food processing.

Upon studying the investment trends of MP over the past five years, 2023-24 saw the highest amount of investment projects announced worth ₹ 922.7 billion while those outstanding were valued at ₹ 6312.1 billion. Projection completion in the state was also the highest in the same year at ₹ 319.2 billion.

Figure 2.8: Investment Trends of Madhya Pradesh (₹ billion)



Source: CMIE States of India; India Exim Bank Research

Foreign Direct Investment (FDI)

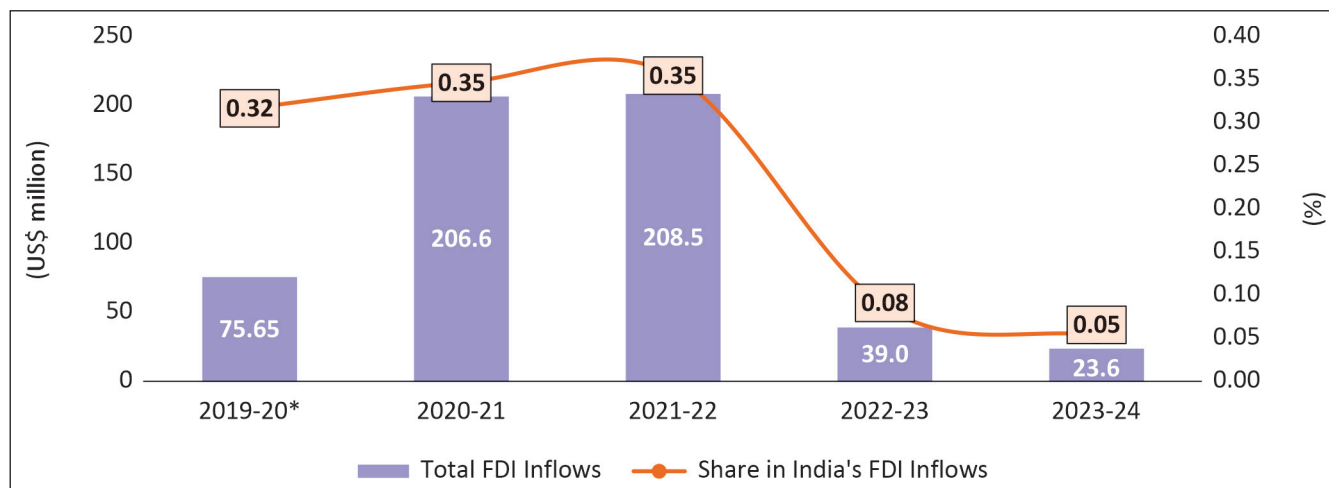
In 2023-24, MP ranked 19th in terms of the largest FDI receiving states in India, as reported by Department for Promotion of Industry and Internal Trade (DPIIT). Over the past five fiscal years starting October 2019, FDI inflows into the state have seen a sudden steep decline, in line with the fall in FDI inflows into India, after 2021-22. FDI inflow into MP declined from US\$ 208.5 million in 2021-22 to US\$ 39.0 million in 2022-23, showing a contraction of over (-) 80%. Factors like tighter global financial conditions, rise in geopolitical crises, post-pandemic protectionist measures and the overall economic slowdown in major investing countries into India, may have caused this sudden drastic fall in FDI inflows into MP.⁵

Over the period of 2014 to 2023, the top five investing countries in MP, alone, contributed to over 75% of the total envisaged FDI flows, as per fDi Markets⁶. During this period, the USA was the largest investor in MP with a share of 32.2%, followed by Singapore (19.6%), Germany (11.7%), Sweden (6.3%) and France (5.5%).

⁵ The Rajya Sabha, Unstarred Question No. 215, 21st July 2023

⁶ Data collated by the Financial Times through its online database, fDi Markets, tracking cross-border greenfield investment.

Figure 2.9: FDI Inflows in Madhya Pradesh



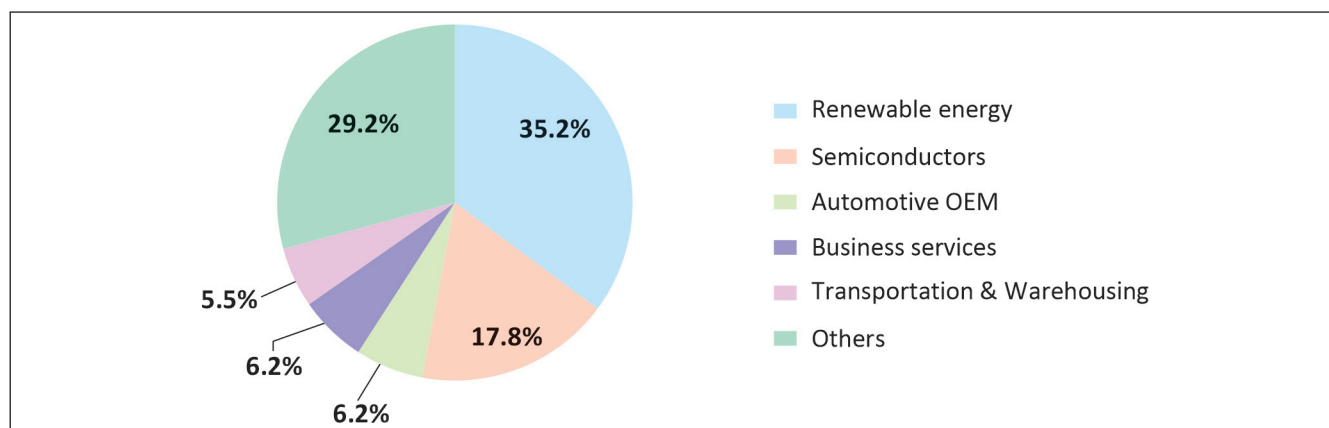
*Data for the year starts from October 2019

Source: Department for Promotion of Industry and Internal Trade (DPIIT); India Exim Bank Research

The top FDI receiving sectors of MP over the past decade have been renewable energy (35.2%), semiconductors (17.8%), automotive OEM (6.2%), among others. Such investments in the renewable energy sector, in particular, will help MP capitalise on its massive RE potential and thereby meet the RE energy mix targets set by the Madhya Pradesh Renewable Energy Policy, 2022. Within the semiconductor industry, MP aims to play a vital role in India by boosting investment through collaboration with chip companies from Taiwan. In this regard, MP's Devi Ahilya University has also signed an MoU with Taiwan's I-Shou University for the exchange of knowledge pertaining to the areas of IT and chip manufacturing in June 2024.

Major companies investing in the state in terms of capex include Sembcorp Green Infra, Cricket Semiconductor, VE Commercial Vehicles, Teleperformance and Fortum.

Figure 2.10: Top Sectors for Foreign Capital Investment in Madhya Pradesh (2014-2023)



Source: fDi Markets; Exim Bank Research

Thus, upon studying the trade and investment scenario prevalent in Madhya Pradesh, the Study has identified and consequently classified the state's export items as per its import demand and comparative advantage. Thereafter, the Study attempts to propose select export strategies across relevant sectors, to exploit the state's potential while taking into account MP's production capabilities and the investment-inducing factors.

Conclusion

Madhya Pradesh's exports, for most part, have been on an upward trajectory over the last decade, growing at an AAGR of over 8%. However, despite robust growth, its contribution to India's total export remains modest. The state's export basket has also remained largely unchanged over this period but with notable increase in the export share attributable to pharmaceutical products. The state's export performance has also been observed as having great dependency on Indore, its largest exporting district with a share of over 30%.

Owing to advantages like a central location, substantial mineral resource endowments, diverse economic base, business friendly policy environment, to name a few, the state has been emerging as an industrial investment hub with projects across sectors like renewable energy, automotive, semiconductors, among others. However, in terms of FDI inflows, the state has witnessed a sudden and massive contraction while also lagging behind several fellow landlocked states with comparable GSDP.

Overall, the analysis and consequent identification of export competitive products from Madhya Pradesh may help direct policy and other kinds of support towards driving growth of export potential products, market diversification for products with lagging import demand and shift resources away from sectors with no demand or export potential. In this regard, the state may focus on trade facilitation measures and capacity building, particularly, on 'achievers in declining sectors', the classification with the highest number of export products and 'product champions', the product category with the most valued export commodities of MP.



Strategies to Enhance Madhya Pradesh's Export Capabilities

An export strategy is critical to addressing existing trade-related challenges and serving as a roadmap to help realise the potential of Madhya Pradesh given its many geographical and economic benefits. This chapter makes an attempt towards devising an effective strategy, which needs to be implemented across levels while taking a holistic view of the State's economic potential.

Strategies to Enhance MP's Export Capabilities



1. Exim Bank's Export Target for Madhya Pradesh

Madhya Pradesh holds potential to further enhance export across sectors like pharmaceuticals, chemicals and agricultural products, to name a few, and thereby make a higher contribution to India's target of US\$ 1 trillion of merchandise exports by 2030. Since exports are a significant contributor to GDP growth, achieving higher economic growth requires considerable focus towards augmenting exports from the state. To drive export growth, well-defined export targets would be required. Thus, taking into account different growth rates, Exim Bank's scenario analysis sets the export target of MP within the range of US\$ 13.7-US\$ 18.0 billion by 2029-30 from the current export level of US\$ 7.9 billion in 2023-24.

An Exim Bank scenario based analysis of the same has been detailed below.

Scenario 1: In 2023-24, MP's exports amounted to US\$ 7.9 billion, accounting for a share of 1.8% in India's total merchandise exports, growing at a CAGR of 8.2% during the 5-year period from 2019-20 to 2023-24.

In a business-as-usual scenario, if export growth continues to be at a CAGR of 8.2%, exports from the state would be expected to touch US\$ 13.7 billion by 2029-30.

Scenario 2: As mentioned, India has set an export target of US\$ 1 trillion merchandise exports by 2030. To meet this target, exports are required to grow at a CAGR of 12.6% from the current export value of US\$ 437.1 billion as in 2023-24.

Assuming MP's exports too grow at the rate of 12.6% as anticipated for India's exports, the state's exports would reach US\$ 18 billion by 2029-30. Such an export level would certainly bring about a holistic development of MP.

Scenario 3: In a scenario where it is assumed that MP's exports doubles by 2029-30 to reach US\$ 16 billion from US\$ 7.9 billion in 2023-24, the state's exports must grow at a CAGR of 10.6%. This may lead to a rise in export share in India's total exports given the latter increases at a higher rate.

Table 3.1: Merchandise Export Target for Madhya Pradesh (2029-30)

Scenario	Current Exports: 2023-24	Export Target: 2029-30	CAGR
At par with MP's growth rate in last 5 years	US\$ 7.9 billion	US\$ 13.7 billion	8.2%
At par with India's required growth rate to achieve export target of US\$ 1 trillion		US\$ 18.0 billion	12.6%
MP's export doubles by 2029-30		US\$ 16.0 billion	10.6%

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

2. Expanding Export Horizons

2.1 Product Champions

To increase exports from MP, it is essential to map the export competitive products from the State to global import demand, thereby directing policy support and resources to these identified products.

In line with the revealed competitive advantage (RCA) analysis conducted in the previous chapter to identify MP's export potential products, it has been observed that 148 commodities could be classified as 'product champions'. These products are not only export competitive but also have witnessed robust global import demand over the past decade, thereby highlighting MP's continued focus towards exporting these items.

It may be observed that the top 10 amongst the 142 identified product champions, alone, accounted for a share of almost 42% of MP's total exports in 2023 (Table 3.2). In the sector-wise aggregation of MP's product champions, it was observed that pharmaceutical products were the most highly valued export products from MP.

At the same time, it is worth noting that items exported from MP like organic chemicals (focussed on lecithin and other phospho-amino lipids); cotton (single yarn of combined fibres); and electrodes (used for furnaces), have a significant share of 8.4%, 7.2%, and 6.7%, respectively, in world exports. Giving greater thrust to these export-oriented segments will bring rich dividends to MP.

Table 3.2: Major ‘Product Champions’ of Madhya Pradesh

HS Code	Item	MP’s Export of Item to World in 2023 (US\$ million)	Share in MP’s Total Exports in 2023 (%)	MP’s Share in World Exports in 2023 (%)
300490	Medicament products for therapeutic or prophylactic purposes	1218.0	15.6%	0.3%
760110	Aluminium	473.8	6.1%	1.4%
100630	Semi-milled or wholly milled rice	438.3	5.6%	1.6%
854511	Electrodes used for furnaces	175.0	2.2%	6.7%
292320	Lecithin and other phospho-amino lipids	135.2	1.7%	8.4%
520523	Single yarn of combined fibres ⁷	125.7	1.6%	7.2%
260111	Iron ores and concentrates	116.3	1.5%	0.1%
071320	Dried, shelled chickpeas “garbanzos”	110.6	1.4%	5.2%
210690	Food Preparations	57.4	0.7%	0.1%
741980	Articles of copper	44.4	0.6%	1.2%

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); India Exim Bank Research

2.2 Market Diversification

As per the RCA in Chapter 2, select products from MP’s export basket have been classified as ‘achievers in adversity’. These commodities despite showing export competitiveness have seen weak global import demand thereby resulting in inefficient resource usage.

However, in order to properly leverage the export potential of these products, market diversification strategies may be followed thereby shifting away from existing export destinations with weak demand to new markets showing robust import demand for the same. This would lead to increased export earnings through efficient resource allocation.

Therefore, Table 3.3 maps MP’s top 10 commodities in the ‘achievers in adversity’ product category to top global importers of the product as well as those that show growth rates above the global AAGR of the item. These major importing countries with growing demand offer alternate export markets for MP’s commodities which would lead to efficient use of their export potential.

For instance, MP’s top export destinations for toilet linen and kitchen linen⁸ do not match the top global importers in 2023, except for the USA. The state’s export of this commodity is highly concentrated in the USA which receives approximately 90% of the total exports of this commodity, and needs to be diversified. To better realise the product’s export potential of toilet linen and kitchen linen, new markets like Kazakhstan and France may be targeted that shown growing demand (Table 3.3).

⁷ Measuring < 232.56 decitex but >= 192.31 decitex

⁸ HS 630260

Table 3.3: Export Market Diversification for 'Achievers in Adversity' Category of Products

HS Code	Item	MP's Export in 2023 (US\$ million)	Share of Item in MP's Total Exports in 2023 (%)	Major Export Destinations of MP in 2023	Major Global Importers in 2023	Top Global Importers with Positive and Higher AAGR than World (2019-23)
230400	Oilcake and other solid residues, resulting from soya-bean oil extraction	642.2	8.2%	Bangladesh (26.8%)	Indonesia (8.3%)	Indonesia (17.2%)
				Vietnam (17.5%)	Vietnam (6.0%)	Thailand (11.2%)
				Iran (13.8%)	Thailand (4.9%)	Philippines (14.6%)
				Nepal (12.1%)	Philippines (4.6%)	Poland (13.8%)
				UAE (4.5%)	Poland (4.3%)	
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton	178.2	2.3%	USA (89.4%)	USA (35.0%)	Kazakhstan (132.2%)
				Australia (1.8%)	Japan (9.5%)	France (5.4%)
				New Zealand (1.6%)	Germany (5.3%)	
				Mexico (1.3%)	Kazakhstan (4.1%)	
				Bulgaria (1.2%)	France (3.9%)	
630532	Flexible intermediate bulk containers	167.8	2.1%	USA (26.1%)	USA (15.1%)	South Korea (4.8%)
				UK (14.6%)	Japan (13.1%)	
				Netherlands (10.0%)	South Korea (10.0%)	
				Germany (7.2%)	Germany (7.8%)	
				France (5.6%)	France (5.7%)	
842959	Self-propelled mechanical shovels, excavators and shovel loaders	121.1	1.5%	USA (27.3%)	USA (11.6%)	USA (21.0%)
				Saudi Arabia (13.2%)	Russia (8.0%)	Russia (33.0%)
				South Africa (11.9%)	Mexico (5.7%)	Mexico (29.2%)
				Mexico (6.2%)	France (3.8%)	Canada (17.6%)
				Turkey (5.9%)	Canada (3.7%)	
300420	Medicaments containing antibiotics	119.5	1.5%	USA (25.9%)	USA (17.7%)	Belgium (0.1%)
				Belgium (19.5%)	China (9.2%)	Germany (6.9%)
				Russia (11.2%)	Switzerland (7.4%)	
				South Africa (6.7%)	Belgium (5.6%)	
				Australia (4.2%)	Germany (3.7%)	
520524	Single cotton yarn, of combed fibres	119.2	1.5%	China (36.2%)	China (38.3%)	China (15.2%)
				Bangladesh (33.5%)	Bangladesh (29.7%)	Bangladesh (21.0%)
				Sri Lanka (8.6%)	Vietnam (4.8%)	Vietnam (10.0%)
				Egypt (5.6%)	Turkey (3.0%)	Turkey (7.2%)
				Vietnam (4.4%)	Sri Lanka (2.6%)	Sri Lanka (38.0%)
630231	Bedlinen of cotton	118.7	1.5%	USA (73.1%)	USA (33.5%)	Germany (4.1%)
				Australia (4.6%)	Germany (7.9%)	France (3.1%)
				Israel (3.8%)	France (6.3%)	UK (2.0%)
				Saudi Arabia (3.6%)	UK (5.9%)	Italy (9.5%)
				UK (2.7%)	Italy (3.8%)	

HS Code	Item	MP's Export in 2023 (US\$ million)	Share of Item in MP's Total Exports in 2023 (%)	Major Export Destinations of MP in 2023	Major Global Importers in 2023	Top Global Importers with Positive and Higher AAGR than World (2019-23)
392062	Plates, sheets, film, foil and strip, of non-cellular polyethylene terephthalate	105.8	1.4%	Italy (10.4%)	China (19.4%)	USA (5.7%)
				Germany (9.3%)	USA (11.2%)	
				USA (8.8%)	South Korea (4.8%)	
				Bangladesh (6.5%)	Germany (4.6%)	
				South Africa (5.8%)	Japan (4.6%)	
230649	Oilcake and other solid residues, resulting from high erucic acid rape or colza seeds extraction	99.9	1.3%	Bangladesh (98.4%)	Thailand (18.1%)	
				South Korea (1.5%)	South Korea (17.5%)	
				USA (0.1%)	Bangladesh (12.8%)	
				New Caledonia (0.03%)	Spain (10.1%)	
					Vietnam (7.9%)	
840999	Parts suitable for use with compression-ignition internal combustion piston engine	95.9	1.2%	France (59.2%)	USA (11.6%)	USA (9.7%)
				Brazil (22.6%)	Germany (10.4%)	UK (11.6%)
				Japan (6.0%)	UK (5.9%)	Poland (17.9%)
				USA (3.3%)	Poland (5.0%)	
				Belgium (2.5%)	France (4.9%)	

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); ITC Trade Map; India Exim Bank Research

2.3 Focusing on District-level Exports

Under the merged One District One Product-District as Export Hubs (ODOP-DEH) initiative, a total of 52 products have been identified covering all districts in MP, to help capitalise on the unique resources and culture of each district thereby boosting employment generation and stimulating economic growth in the region. The identified products are majorly concentrated under the agriculture and food processing sector.

In 2023-24, MP's top 5 exporting districts together accounted for over 70% of the state's total exports in the fiscal year, with Indore alone contributing a share of over 30%. This highlights a major challenge in the state's export capabilities that shows substantial dependence on only a few select districts for its export flows. Therefore, the state may strategically diversify its district-wise exports by building conducive environments in other potential districts resulting in their increased contribution towards driving export growth from MP.

Table 3.4 draws a comparison between the top exports from MP's major districts and the export potential products as selected under the ODOP-DEH initiative for the respective district. This analysis brings forth the need towards building export capabilities so as to realise the potential of the identified ODOP-DEH products thereby increasing their share in the district's export basket. Accordingly, effective support in areas of financing, market research, branding, skill development, logistics, among others, may be provided to districts in alignment with the published District Export Action Plan (DEAP) under the ODOP-DEH initiative. This will increase MP's share in India's exports by not only reducing dependency on a few districts for the state's export flows but also diversifying the export baskets of the major districts in the state.

Table 3.4: Top Exporting Districts of Madhya Pradesh: Major Export Products vis-à-vis Products Identified Under ODOP-DEH

District	Top Export Products in 2023-24	Total Export Value of District (₹ billion)	Share in MP's Total Exports (%)	Export Potential Products Identified under ODOP-DEH
Indore	Medicine put up for retail sale (22.0%)	202.6	31.0%	Onion, Potato, Paper and Paper Products, Pharma, Garment and Engineering, Leather Toys
	Meal of soyabean, solvent extracted (defatted) variety (14.5%)			
	Theophylline, aminophylline and other broncho dilators (4.4%)			
Dhar	Medicine put up for retail sale (13.6%)	109.7	16.8%	FIBC, Plastic Products, Automobiles, Automobile Parts, Other Engineering Products, Garments, Bagh Prints, Sitaphal, Soyabean
	Self-propelled mechanical shovels, excavators and shovel loaders (8.5%)			
	Flexible intermediate bulk containers (FIBC) of man-made textile materials (7.2%)			
Raisen	Basmati rice (19.9%)	75.6	11.6%	Rice (Basmati) and Agro-Products
	Electrodes of a kind used for furnaces (19.7%)			
	Single cotton yarn, of combed fibres ⁹ (9.2%)			
Sehore	Toilet linen and kitchen linen, other than handloom (37.2%)	40.4	6.2%	Wheat Flour, Farm Equipment, Paneer, Textile, Readymade Garments, Wooden Toys and Handicraft
	Bed linen of cotton (19.5%)			
	Single cotton yarn, of combed fibres ¹⁰ (6.5%)			
Singrauli	Aluminium ingots (95.0%)	39.6	6.1%	Kodu Kutki, Water Gel and Emulsion Explosives
	Wire of non-alloy aluminium ¹¹ (3.7%)			
	Coal ¹² (0.7%)			

Source: Ministry of Commerce and Industry; Districts as Export Hubs; India Exim Bank Research

2.4 State Council for GI

Furthermore, there also exists ample scope for MP to better capitalise, specifically, on its Geographical Indications (GI) tagged products spread across sectors such as agriculture, food, and handicrafts. The GI status of a commodity functions as a product differentiator and serves as an important marketing tool by reflecting characteristics that are unique to the respective geographic region. For instance, the Chanderi saree, which

⁹ HS 52052310 - Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 192,31 decitex to < 232,56 decitex "> MN 43 to MN 52" (excluding sewing thread and yarn put up for retail sale): Grey

¹⁰ HS 52052410 - Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear density of 125 decitex to < 192,31 decitex "> MN 52 to MN 80" (excluding sewing thread and yarn put up for retail sale): Grey2401

¹¹ wHS 76051100 - Wire of non-alloy aluminium, with a maximum cross-sectional dimension of > 7 mm (excluding stranded wire, cables, plaited bands and the like and other articles of heading 7614, and electrically insulated wires)

¹² HS 27011990 - Coal, whether or not pulverised, non-agglomerated (excluding anthracite and bituminous coal): Other coal w/n pulvrsd but ntagldmrtd

was awarded the GI status in 2005, is made from a combination of silk and cotton yarns with Zari work, hand woven in the Chanderi region of Madhya Pradesh.

As of November 2024, MP is home to 21 GI tagged products majority of the being in the handicrafts sector (Table 3.5). To better reap the benefits of these products, the state must focus on improving the branding and marketing of the same with distinguishable positioning of the logo and product. However, the lack of a dedicated institutional structure and mechanism focused solely on the promotion of GI products may hinder the export growth of such products. The state may also identify more products with potential to be awarded the GI status like Mawa Jalebi from Burhanpur, Poha from Indore, and Jali (Lattice) work from Gwalior.

To address the challenges hindering the export potential of GI tagged products from MP, a dedicated State Council for GI may be set up to maintain a repository of information about the artisans involved in the production of these commodities, ensure set quality standards are met, introduce product specific promotion strategies, organise capacity building workshops and fairs, both domestically and abroad to boost public awareness of these products. This council could be supported both by the local and central governments to promote GI based products abroad.

Table 3.5: Geographical Indications (GI) in Madhya Pradesh

S. No.	Geographical Indications	Product Category
1	Nagpur Orange*	Agriculture
2	Mahoba Desawari Pan**	Agriculture
3	Bundelkhand Kathiya Gehu (Wheat)**	Agriculture
4	Ratlam Sev	Food Stuff
5	Morena Gajak	Food Stuff
6	Balaghat Chinnor	Agriculture
7	Sharbati Gehu	Agriculture
8	Rewa Sunderja Mango	Agriculture
9	Ratlam Riyawan Lahsun (Garlic)	Agriculture
10	Chanderi Sarees	Handicraft
11	Leather Toys of Indore	Handicraft
12	Bagh Prints of Madhya Pradesh	Handicraft
13	Bell Metal Ware of Datia and Tikamgarh	Handicraft
14	Maheshwar Sarees & Fabrics	Handicraft
15	Gond Painting of Madhya Pradesh	Handicraft
16	Wrought Iron Crafts of Dindori	Handicraft
17	Ujjain Batik Print	Handicraft
18	Gwalior Handmade Carpet	Handicraft
19	Waraseoni Handloom Saree & Fab	Handicraft
20	Jabalpur Stone Craft	Handicraft
21	Jhabua Kadaknath Black Chicken Meat	Food Stuff

Note: List includes GI Applications registered as on 26 July 2024.

*Shared with Maharashtra; **Shared with Uttar Pradesh

Source: Intellectual Property India, Department of Promotions of Industry and Internal Trade (DPIIT)

3. Attracting FDI for Future Exports

In 2023-24, MP ranked 19th among FDI receiving states in India, having received just 0.05% of India's total FDI inflows, and ranked 15th in terms of its contribution to India's total exports, with a share of a mere 1.8%.

In the same year, fellow landlocked states like Telangana, Haryana, Uttar Pradesh and Rajasthan, were ahead in terms of both FDI received and their respective contributions to India's total exports. This highlights the need to attract greater FDI flows into MP and boost the overall export performance of the state.

In the long run, greater FDI flows into MP would stimulate export growth in the state by way of building industry specific infrastructure, transfer of knowledge and technology, integration into global supply chains, enhanced R&D activities, among other channels. In this context, the Study identifies products across sectors, namely the 'underachievers', trade in which may help increase MP's export flows once the lack of export competitiveness is addressed through appropriate investment in key areas of the production process.

According to the RCA analysis conducted in the Study, at 6-digit HS Code level, 47 items from MP have been classified as underachievers. Accounting for a negligible share of 1.7% in the state's total exports in 2023, these products contributed to a share of 10.1% in the total global imports in the same year. Products in this category despite facing high global import demand, are laggards in MP's overall export basket, owing to absence of export competitiveness and supply side bottlenecks.

Table 3.6 lists MP's top 10 underachievers with the corresponding global import demand growth rates. As may be observed, exports of iron or steel structures and parts (HS 730890) and soya bean (HS 120190) from the state exceeded US\$ 10 million in 2023, a level, though quite decent, has ample scope for further enhancement.

In the chapter-wise aggregation of MP's major underachievers, 'machinery and mechanical appliances' (HS 84) was the most recurring product chapter in this category as well as the one with the highest export value in 2023. Other chapters with high number of items were 'vehicles other than railway' (HS 87) and 'electrical machinery and equipment' (HS 85).

Table 3.6: Major Underachievers from Madhya Pradesh with Robust Global Demand in 2023

HS Code	Item	MP's Exports in 2023 (US\$ Million)	Global Imports of the Item in 2023 (US\$ Million)	Share of Item in Total Global Imports in 2023 (%)	AAGR of Item's Global Imports over 2014-23
730890	Iron or steel structures and parts of structures	14.3	44589.5	0.2%	4.1%
120190	Soya beans, whether or not broken (excluding seed for sowing)	11.9	97937.9	0.4%	5.5%
843149	Parts of machinery of heading 8426, 8429 and 8430 of cast iron or cast steel	8.1	33119.7	0.1%	4.0%
870423	Motor vehicles for the transport of goods ¹³	7.1	22684.4	0.1%	5.2%

¹³ HS 870423 - Motor vehicles for the transport of goods, with only compression-ignition internal combustion piston engine "diesel or semi-diesel", of a gross vehicle weight > 20 t (excl. dumpers for off-highway use of subheading 8704.10 and special purpose motor vehicles of heading 8705)

HS Code	Item	MP's Exports in 2023 (US\$ Million)	Global Imports of the Item in 2023 (US\$ Million)	Share of Item in Total Global Imports in 2023 (%)	AAGR of Item's Global Imports over 2014-23
870850	Drive Axles with Differential ¹⁴	5.7	31774.6	0.1%	4.7%
270119	Coal, whether or not pulverised, non-agglomerated	4.5	65275.2	0.3%	15.9%
760429	Bars, rods and solid profiles, of aluminium alloys	4.2	12705.6	0.1%	5.5%
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases	4.1	17188.3	0.1%	3.5%
847989	Machines and mechanical appliances	4.0	50566.2	0.2%	3.4%
854449	Electric conductors ¹⁵	3.8	36880.0	0.2%	4.6%

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS); ITC Trade Map; India Exim Bank Research

By highlighting the need to build export capabilities in this product category so as to meet the respective import demand, this product classification can assist the state in prioritising investment in these sectors. Investment flow into the aforementioned sectors will help address any supply side obstacles and enhance production capacity by increasing capital infusion, infrastructure expansion, skill development, technology transfer, inclusion in global supply chains, among other advantages, thereby pushing for export growth.

4. Building Industrial Capabilities

MP is yet to fully realise its potential as an industrial hub in India, attributable to factors such as, inter alia, vast and affordable land area that is centrally located in India, with accessible road and rail connectivity, skilled manpower from the presence of prestigious educational institutions, diverse mineral endowments, established industrial areas and SEZs, and a business-friendly policy environment.

In 2023-24, the industrial or secondary sector had the least contribution to MP's economic make-up holding a share of 24.5% of the state's total GSVA. Within the sector, manufacturing activities, in particular, saw only a marginal growth in share over the last decade – from 10.3% in 2014-15 to 10.7% in 2023-24. This highlights the need to build on MP's manufacturing capabilities so as to increase its contribution to the state's economic growth.

4.1 Further Strengthening the Pharmaceutical Industry

Given the contribution of pharmaceuticals to the state's exports, it is evident that the industry has much more significant prospects if exploited well. The share of pharmaceuticals in MP's total merchandise exports was over 15% in 2022-23. However, its share in global exports is a mere 0.3%.

¹⁴ HS 870850 - Drive-axles with differential, whether or not provided with other transmission components, and non-driving axles, and parts thereof, for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles, n.e.s.

¹⁵ HS 854449 - Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.

Given the same, a focused intervention in the medium term would help MP's share in pharmaceutical exports to reach 1% by 2030. In this regard, a MP Pharmaceutical Policy would be necessary to be introduced by the government.

Better capitalisation of the existing pharma ecosystem in MP, is needed. There is a presence of WHO-GMP/USFDA compliant units in MP, exporting to countries including USA, UK, Russia, Netherlands, Germany and Brazil, besides focusing on bulk drugs and formulations. The major clusters are around Indore, Dewas, Bhopal, Mandideep.

The strength of the pharmaceutical industry lies in the production of generic medicines that are manufactured and marketed after the patent on the original drug has expired. These drugs are typically cheaper than their brand-name counterparts and are made by different manufacturers. While the generic drugs are an important aspect of healthcare as they provide affordable options, they also become a hindrance in promoting research and development in the pharmaceutical industry for developing new drugs. At the same time, the unique selling proposition of the generic drugs is that they are cheaper which ultimately also leads to a lower value realization for the exporters and the focus is entirely on quantity. It is critical for the state government to focus on R&D for the state to transform into a pharma hub.

Other states in India have made significant headroom in the pharma space over the years. Thus, MP too can be developed as a pharma hub of the country given its existing pharma ecosystem. In this regard, the state may explore Telangana's model in pharma which could suitably be replicated by providing adequate incentives towards attracting investments in the said sector.

Box 2: Success of Telangana in Pharmaceuticals

Telangana has made some important strides in the pharma space. Today the state exports almost 20% of India's pharmaceuticals. In and around Hyderabad, is the hub of life sciences in Asia with over 800 pharma and biotech units, which produce one-third of global vaccines and 40% of India's API, amongst others.

The 'Telangana Life Sciences' division of Government of Telangana has already set up 'Hyderabad Pharma City' which is the world's largest pharma cluster. It is further strengthening and expanding the existing 'Genome Valley' cluster which is India's first organized cluster for Life Sciences R&D and Clean Manufacturing activities. In FY 2017-18, Genome Valley was accorded with Industrial Area Local Authority (IALA) status. The IALA status enables single point administration of the cluster.

The grid also has India's largest Medical Device Park which was set up in 2017. At the same time, Hyderabad has more than 20 incubation centers focused on Health tech and MedTech, highest for any city in India. The Government has also conceived the Research and Innovation Circle of Hyderabad (RICH) initiative. This platform aims to link research institutions, academia and industry along with venture capitalists, angel investors and incubators. Overall, Telangana has created a conducive ecosystem for the growth of the life sciences industry, with a strong focus on innovation, research, and entrepreneurship.

MP's focus has mainly been on pharmaceutical manufacturing and has developed a good position in this industry in the last decade or so. Going forward, given its experience and the potential, the State has a good opportunity, to enhance its R&D in the pharmaceuticals industry.

Source: India Exim Bank Research

4.2 Opportunity for a Semiconductor Ecosystem

MP harbours potential to position itself as a semiconductor manufacturing hub and contribute towards building India's ambitious self-sufficient semiconductor ecosystem and reduce import dependency within the said industry.

The functioning of a semiconductor manufacturing unit is dependent on several critical factors like availability of large area of land, uninterrupted supply of power and clean water, efficient waste disposal systems, strong transportation connectivity allowing participation in the semiconductor supply chain, to name a few. The presence of an established chemical industry in the vicinity, chip designing capabilities, and access to required critical minerals, are other factors that incentivise the establishment of the semiconductor manufacturing industry.

With electricity costs going up to 30% of fab operating costs in certain countries, large semiconductor fabs can use over 100 mega watt-hours of electricity each hour¹⁶. In this regard, MP is at an advantage considering it is an electricity surplus state. The installed capacity of MP as on 31 October 2024 stood at 27361.86 megawatt (MW)¹⁷. Also, with growing adoption of net zero targets and sustainable industry practices, the crucial role of renewable energy in powering these semiconductor manufacturing units is also growing given the substantial energy consumption of the industry.

As per the Renewable Energy Statistics 2023-24 put out by the Ministry of New and Renewable Energy, MP has solar energy potential of ~62 gigawatt (GW), wind energy potential of ~55 GW, biomass energy potential of ~3 GW and small hydro potential of 820 MW. As on March 31, 2024, the state had a cumulative RE installed capacity of 9333.37 MW.

A flourishing specialty chemical industry is also vital for the semiconductor manufacturing process, for tasks such as removing photoresist, etching material, cleaning wafers, doping semiconductors, and depositing materials. In MP, incentive to create a chemical industry stronghold exists by way of presence of mineral reserves and proximity to agricultural zones, thus lowering transportation costs. The RCA analysis conducted in the Study also identifies chemicals¹⁸ as among the state's 'product champions' thereby highlighting existing established production capabilities. Thus, prioritising investments and capacity building in the renewable energy industry and the chemical industry in MP will place the state in a favourable position as the next semiconductor manufacturing hub and may also boost investments into the latter as a domino effect.

The presence of select critical minerals like graphite and rare earth minerals in the state, may also incentivize, given their application in the semiconductor manufacturing process, FDI into this industry in the region. In July 2024, Coal India secured the Khattali Chotti graphite block in the Alirajpur district of Madhya Pradesh.

Investment into this sector in MP may also grow based on other supportive factors like (i) the IT, ITeS, ESDM Investment Promotion Policy, 2023 that provides assistance in areas of capital, rent, interest, marketing, quality certification; (ii) MoU signing between Madhya Pradesh State Electronics Development Corporation Limited (MPSEDC) and the Indian Electronics Semiconductor Association (IESA); and the (iii) MoU inked between Indore's Devi Ahilya Vishwavidyalaya and Taiwan's I-Shou University for chip making knowledge sharing.

¹⁶ Bringing Energy Efficiency to the Fab, McKinsey & Company (2013)

¹⁷ Central Electricity Authority of India

¹⁸ HS 28 and HS 29

4.3 Establishing a Textile Hub

India's textile and apparel exports, including handicrafts, accounted for a share of 11.2% of the country's total exports in 2019-20, before falling to a share of 8.2% in 2023-24. These products are exported to countries across the globe, with the USA and EU-27 alone receiving about 50% of India's textile and apparel exports in 2023-24, as reported by the Ministry of Textiles.

The states of Tamil Nadu, Gujarat, Andhra Pradesh and Karnataka are at the top of the export value chain of these products. Going by the trend, MP too can build on the textile value chain and contribute to India's textile exports.

In 2023-24, MP exported US\$ 842.7 million worth of textiles and apparels that contributed to a share of 10.7% of the state's total exports, a fall from the previous year's share of about 16%¹⁹. However, the state's contribution to India's textile exports in 2023-24 was a mere 2.9%, thereby highlighting room for further improvement, by boosting production capabilities in the sector. In the same year, MP's export of textiles was majorly concentrated in cotton and man-made staple fibres that made up a significant chunk of the textile exports. This calls for scaling up of manufacturing activities in other textile segments, particularly silk.

The state boasts of 2 GI-tagged silk textiles namely, the Chanderi and Maheshwari sarees. Boosting silk production through expansion of mulberry cultivation, technology upgradation, setting up infrastructure facilities with forward and backward linkages to support pre-cocoon and post-cocoon sectors are some areas that can be focused on.

The state may also foster collaboration between artisans at the grassroots including MSMEs, and professionals from textile and design-focused technological institutions like the NIFT Bhopal, NID Bhopal and IITDM Jabalpur to expand designing and production capabilities. Frequent state organised textile exhibitions and workshops will also help build manufacturing capabilities in the sector by ways of improving the marketing of MP's traditional textile segments.

In July 2024, an MoU was signed between the MP government and the Tiruppur Exporters' Association (TEA), the Southern India Mills' Association (SIMA), and the Indian Cotton Federation (ICF) to support skill and cluster development. The objective is to further increase cultivation of Extra Long Staple (ELS) cotton for which MP is well known with the help of SIMA and ICF by developing cotton acreage and enhancing yields and also setting up a Cotton Development Board. On the other hand, the TEA will facilitate the establishment and expansion of garment manufacturing units in Madhya Pradesh and promote investment opportunities for the garment industry there.

Although, the textile sector receives incentives under the state's overall Industrial Promotion Policy, 2014, given the potential of textile industry, a focused textile and apparel policy is desired. The suggested "Madhya Pradesh Textile Industry Policy" should, amongst others, also cover development and expansion of the sericulture ecosystem. It may be observed that Nimar and Burhanpur have evolved as sericulture hubs, besides the state becoming popular for Maheshwari silk.

Furthermore, the Madhya Pradesh Textile Industry Policy should take cognisance of the challenges Indian textile industry would face in the wake of the upcoming EU's Carbon Border Adjustment Mechanism (CBAM),

¹⁹ Textile exports calculated at 2-digit HS level covering HS Codes 50-62

and devise suitable incentives for companies to abide by the regulations, so as to remain export competitive to EU, which remains one of the key markets.

In 2022, the Government of India introduced the PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks, with Dhar in MP, being one of 7 such parks. A dedicated Madhya Pradesh Textile Industry Policy would ensure significant investments in the Bhensola village in Dhar which spans 1,563 acres where the park is coming up.

Apart from the aforementioned sectors, the state government has also identified other focus sectors like aerospace and defence, food processing, automobile, IT and ESDM, to name a few.

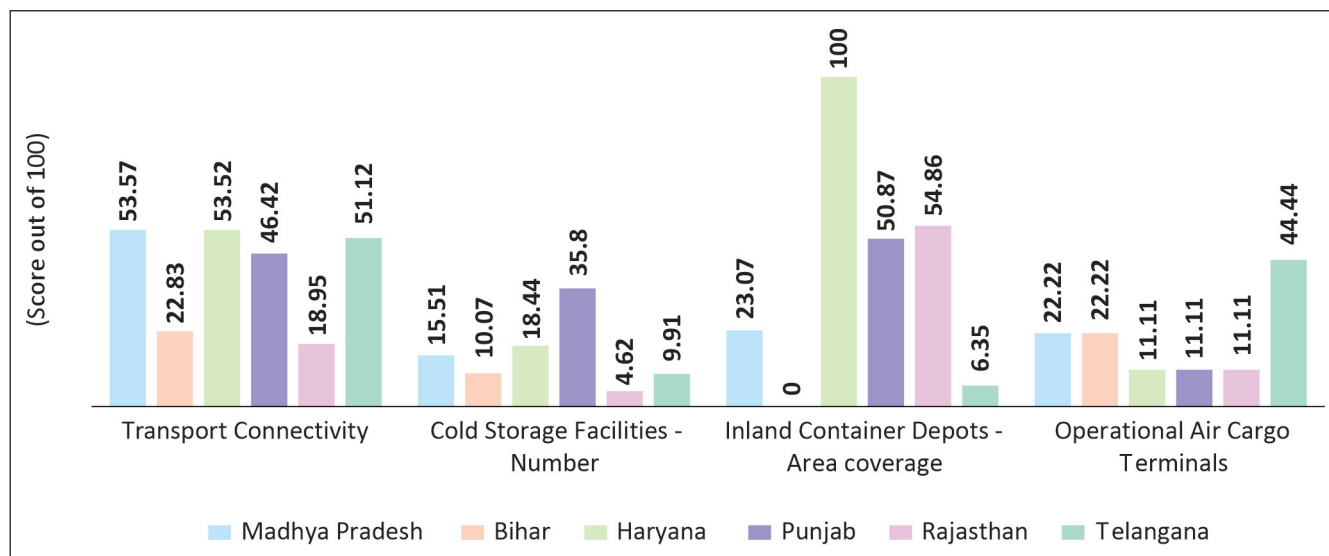
5. Strengthening Trade Infrastructure

MP may further enhance its logistics infrastructure to fully capitalise on its crucial central location in the country and facilitate better trade participation.

Figure 3.1 draws comparison between MP's transportation connectivity with select states which are either fellow landlocked states or those with similar GSDP. Despite securing high scores relative to select states in the sub-pillar of transport connectivity in EPI 2022, MP has room for further improvement in the areas of expanse of cold storage facilities and their capacity, Free Trade Warehousing Zone (FTWZ), area coverage of Inland Container Depots (ICD) and operational air cargo terminals.

Similar challenges have also been highlighted in the Logistics Ease Across Different States (LEADS) 2023 report by the Ministry of Commerce and Industry, that categorises MP as a 'Fast Mover' among India's landlocked states²⁰.

Figure 3.1: Transport Connectivity (EPI 2022): Madhya Pradesh vis-à-vis Select States



Source: Export Performance Index 2022; India Exim Bank Research

²⁰ States aspiring towards being 'Achievers' by notifying progressive policy and legislatives initiatives along with new infrastructure projects.

5.1 Improving Warehousing & Logistics

The state may improve its warehousing ecosystem - the backbone of any export logistics chain - both in terms of total number, and quality enhancement of the existing ones. Currently, Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) which is the nodal agency for the state's said sector, holds an average capacity of 225.11 lakh metric tonnes (MT) covering 300 warehouses.

Requirement of warehouses in the state is especially driven by the state government's substantial grain procurement drives, particularly those for wheat.

The establishment of a Multi Modal Logistics Park (MMLP) near Pithampur in the Dhar district is expected to increase the efficiency of the state's logistics ecosystem. This project is likely to benefit the adjacent industrial zones of Indore, Ujjain, Dewas, Dhar, among others, by way of employment generation and economic development.

Embracing digitalisation is paramount for logistics companies to remain relevant. Initiatives like the Unified Logistics Interface Platform (ULIP), designed as part of the comprehensive logistics action plan, should be utilised by all players in MP. ULIP, an open-source platform, integrates various stakeholders' systems, fostering efficient collaboration and information exchange.

Recently in October 2024, TVS Industrial & Logistics Parks (TVS ILP) has expressed its intent to invest in MP towards addressing the rising need for Grade-A logistics facilities in the region, particularly among e-commerce, retail, and FMCG giants seeking efficient and compliant storage solutions. It is hoped that such investments into the state would help enhance usage of data analytics, robotic process automation, artificial intelligence (AI) driven analytics, and Internet of Things (IoT), to boost the logistics industry in India.

It is suggested that a new "Madhya Pradesh Warehousing and Logistics Policy" may be devised which would incorporate new areas emanating from technology and provide opportunities therein.

Benefits like MP's central location in India, providing accessibility to different states, vast endowment of minerals and a diverse industrial base, inclusion in industrial corridors like DMIC, call for conducive warehouse infrastructure for both agro-based and industrial commodities, thus shifting away from smaller and unorganised warehouses.

5.2 Upgrading Inland Container Depots (ICD)

Further on, in landlocked states like MP that have no direct access to seaports, the role of an ICD is vital, serving as an intermediary linkage to global supply chains and international trade. The state has been seen to be underperforming in comparison to other select landlocked states in terms of ICD area coverage in the EPI 2022, being just ahead of Telangana. Currently, MP has 6 ICDs namely, Pithampur (Indore), Mandideep, Tihi, Dhannad, Pawarkheda, and Malanpur. However, performance of these ICDs has been underwhelming with Mandideep, Pithampur, Dhannad and Malanpur cumulatively contributing only 25% of the state's exports in 2023-24.

ICDs in the state are known to be underutilised with an average capacity utilisation of not more than 50% with Pawarkheda, particularly, receiving negligible traffic²¹. Inadequate supply of labour and inefficient

²¹ Average capacity utilisation of state ICDs is mere 50%, Times of India (February 2024)

infrastructure in select ICDs are possible bottlenecks which need correction for their smooth functioning, at par with their capacity. Also, the geographical distribution of ICDs is observed to be skewed in MP, with the eastern side of the state having none. This is despite the presence of industrial centres located in and around Jabalpur in the eastern region.

Establishment of an ICD in this part of the state will help cater to exporters in the region by way of providing benefits like concentration point for long distance cargo and its unitisation; availability of customs clearance facility near the centres of production and consumption; reduced level of demurrage and pilferage; competitive transport cost; reduced inventory cost; and increased trade flows. Road connectivity with export manufacturing units and the road quality in and around the state's dry ports also require enhancement, especially, in terms of road widening. Thus, addressing these challenges will help drive exports of the state with efficient use of ICDs.

5.3 Transit Corridors

Given the state's central location in the country, MP also serves as a crucial transit corridor for trucks, forming part of the domestic supply chain. Although the recent abolition of check points across the state is expected to boost efficiency in road freight transportation, the state still faces challenges like the lack of dedicated truck parking terminals. Currently operational truck terminals like the one in Madhavaram in Tamil Nadu or Adgaon in Maharashtra, to name a few, may be replicated to decongest truck traffic and provide resting space for drivers in Madhya Pradesh.

Furthermore, the state may also utilise the financial assistance provided under the Trade Infrastructure for Export Scheme (TIES) by the Department of Commerce to further strengthen its trade-related logistics system. This scheme offers grants-in-aid that can be availed by the state's implementing agencies for export linked infrastructure projects like border haats, land customs stations, quality testing and certification labs, cold chains, trade promotion centres, export warehousing and packaging, SEZs and ports/airports cargo terminuses. However, between 2019-20 and 2022-23, no project from MP has been approved.

6. Bolstering the R&D Ecosystem

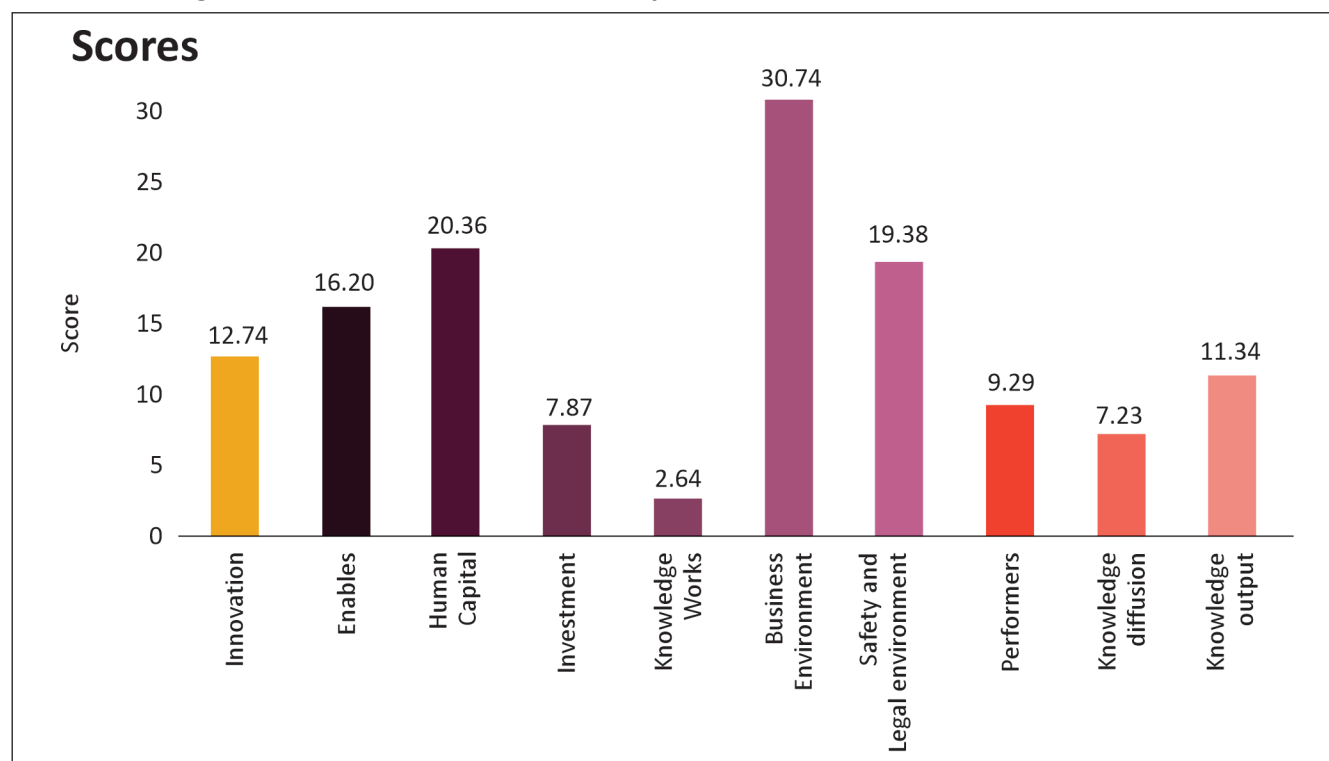
In order to foster the spirit of entrepreneurship in the state with the objective of increasing exports flows, particularly those higher up in the value chain, MP must focus on increasing its research and development (R&D) expenditure and promoting research related activities, especially in the domain of Science, Technology, and Innovation (STI).

In NITI Aayog's India Innovation Index 2021, MP secured a low rank of 13 among the 17 in the 'major states' category²². In order to meet the target of placing MP among the top 5 states in the index by 2030, the challenges highlighted in the report need to be addressed.

Among the 7 pillars incorporated in the index, MP scored the lowest in the pillars of knowledge worker, knowledge diffusion and investment while scoring the highest in the pillar of business environment. The absence of concrete R&D expenditure, low number of funded R&D units as well as private ones, lack of skill development training and knowledge intensive employment were among the challenges highlighted in the report.

²² The India Innovation Index by NITI Aayog is a comprehensive tool for the evaluation and development of the country's innovation ecosystem. It ranks the states/UTs on their innovation performance based on 7 pillars and 16 sub-pillars.

Figure 3.2: Pillar-wise Scores of Madhya Pradesh in India Innovation Index 2021



Source: NITI Aayog India Innovation Index 2021

R&D expenditure in MP decreased from ₹ 278.77 crore in 2018-19 to ₹ 262.57 crore in 2020-21. The state, however, saw a jump in patent applications filed from 191 in 2017-18 to 646 in 2022-23²³.

Boosting the share of R&D spending in the state is likely to drive growth in patent filings further, thus acting as a catalyst for innovation-induced economic growth and employment generation in the state. The state may also focus on creating an Innovation Fund to boost financial support provided to research related activities and draw up a dedicated R&D policy for the state, somewhat along the lines of Tamil Nadu's R&D Policy, 2022.

MP also needs to strengthen its testing infrastructure which ensures adherence to non-tariff barriers of Sanitary and Phytosanitary Measure (SPS) and Technical Barriers to Trade (TBT). As per EPI 2022 by NITI Aayog, MP has insufficient number of National Accreditation Board for Certification Bodies (NABCB) certification inspection agencies as well as National Accreditation Board for Testing & Calibration Laboratories (NABL) accredited testing laboratories²⁴.

As on 1 July 2024, MP has 251 NABL accredited laboratories whereas high export-oriented states of Gujarat, Maharashtra and Tamil Nadu have 919, 1356 and 763, number of such laboratories, respectively.

²³ S&T Indicators Tables, Research and Development Statistics 2022-23, Department of Science & Technology, Ministry of Science & Technology (March 2023)

²⁴ The NABCB, which provides accreditation to the certification, inspection, and validation/verification bodies, and the NABL, which provides accreditation to the testing, calibration and medical laboratories.

The presence of a sufficient number of NABCB agencies and NABL accredited testing laboratories is crucial to the state's exporters being equipped to meet global quality standards, in order to access highly regulated advanced economy markets. Therefore, there is need for ensuring that a greater number of such accredited bodies are present in the state along with ease of accessibility to the same.

7. Tourism as a Source of Foreign Exchange

MP with its vast cultural and natural heritage can strategize to better promote its tourism sector. Despite sharing borders with 5 states, MP is yet to leverage its potential as a tourist destination, given the presence of 24 wildlife sanctuaries, 11 natural parks, 6 project tiger reserves, 3 UNESCO World Heritage sites, and 2 Jyotirlingas.

In 2022, MP was the 10th largest state in terms of number of Foreign Tourist Visits (FTV), at 0.20 million, holding a share of 2.4% in India's total FTV²⁵ which is far below its potential.

In fact, MP did not feature in the top 10 states/UTs in terms of domestic tourist visits in the same year which again is not an encouraging statistic. Thus, for MP to leverage its vast tourism potential, the existing challenges must be addressed.

7.1 Overcoming Connectivity Challenges

Despite having the inherent advantage of a central geographical location in India, there exist both rail and air connectivity issues in MP that hinder tourism growth in the state. For instance, Khajuraho, a UNESCO World Heritage site, has direct domestic flight connectivity with only Varanasi and Delhi. This should be extended to other major metros like Mumbai, Bengaluru, and Kolkata. In fact, the first direct flight between Delhi and Khajuraho was flagged-off as recently as in 2022 despite the site having so much potential to show case our heritage.

7.2 Hosting Festivals Around UNESCO Sites

The state is also home to other UNESCO heritage sites of Sanchi, Bhimbetka and others like Gwalior, Burhanpur, Chanderi, Mandu, places holding cultural and historical values. To boost heritage tourism in the state, improvement in marketing strategies must be focused on.

Hosting annual festivals akin to the Khajuraho Dance Festival, around other such UNESCO monuments would revitalise the tourism ecosystem around the same, thus creating employment opportunities for the locals.

7.3 Nature and Wildlife

Natural and wildlife heritage is another aspect of MP's tourism landscape that cannot be overlooked, but it has ample room for improvement in terms of publicity. MP has the largest forest cover in the country at 94689 sq. km holding a share of 30% of the state's total area, and 146 notified forest areas for recreation and tourism experience activities. The state also has the largest tiger reserves covering more than 10,000 sq. km and major wildlife destinations like Kuno National Park, Bandhavgarh, Pench, among several others. Recently, the Ratapani Wildlife Sanctuary was also designated as a tiger reserve, making it the eighth such reserve in MP. This would enable it to receive funding from the National Tiger Conservation Authority, thereby offering economic opportunities for the local communities.

²⁵ India Tourism Statistics at a Glance 2023, Ministry of Tourism

The state may improve the marketing of existing safari tours and introduce more of unique wildlife experiences like cycle safaris, night safaris, birdwatching tours and nature walks. Building sustainable accommodation and improving transportation linkages to these areas, to increase tourist accessibility, while ensuring that no environmental degradation occurs, should also be focused on.

7.4 Community Tourism

Community tourism could be a good attraction amongst foreigners. The state being home to tribal communities like the Gond, Bhil, Baiga, Korku, Sahariya and the Santia tribes, to name a few, offers scope to promote community-based tourism in the state. In line with appropriate permits as deemed by the Madhya Pradesh Tourism Development Corporation (MPTDC), travel packages may be launched to allow tourists to delve into the lives of tribal communities and participate in local festivals, local handicraft workshops, experience local cuisines, by staying in lodges built for this purpose, while respecting the sanctity of the communities. A community-based tourism scheme may thus be introduced like the homestay scheme functioning under the MP Tourism Board.

Overall, MP must focus majorly on enhancing marketing strategies for its multi-faceted tourism sector. Boosting public awareness through various channels of media highlighting specific tourist sites unique to the state, should be focused upon.

Conclusion

By undertaking an analysis of MP's current macroeconomic conditions and export performance, the Study identifies major export items and those with untapped potential to improve the state's export performance. Sector-specific export promotion strategies are thus recommended to assist MP in achieving the estimated export targets in the future. This will prove to be mutually beneficial for India and the state, given that currently, export dependence of the country is only on some select states and MP has a small, stagnant share in the country's exports. In the coming years, by putting in place appropriate strategies and measures, as have been recommended in the Study, MP can develop its economic and trade capabilities thereby helping India realise its vision of a 'Viksit Bharat'.



Annexures

Table A.1: Top 50 ‘Product Champions’ of Madhya Pradesh

HS Code	Product	MP’s Export of Item in 2023 (US\$ million)	Share in MP’s Total Exports in 2023 (%)
300490	Medicament products for therapeutic or prophylactic purposes	1218.0	15.6%
760110	Aluminium-Not Alloyed	473.8	6.1%
100630	Semi-milled or wholly milled rice	438.3	5.6%
854511	Electrodes used for furnaces	175.0	2.2%
292320	Lecithin and other phospho-amino lipids	135.2	1.7%
520523	Single yarn of combined fibres	125.7	1.6%
260111	Iron ores and concentrates	116.3	1.5%
071320	Dried, shelled chickpeas “garbanzos”	110.6	1.4%
210690	Food Preparations	57.4	0.7%
741980	Articles of copper	44.4	0.6%
300432	Medicaments containing corticosteroid hormones	42.9	0.5%
730820	Towers and lattice masts	41.2	0.5%
100590	Other Maize (Corn)	41.0	0.5%
170199	Cane or beet sugar and chemically pure sucrose, in solid form	40.5	0.5%
090421	Fruits of the genus Capsicum or of the genus Pimenta, dried, neither crushed nor ground	40.3	0.5%
293399	Heterocyclic compounds with nitrogen hetero atom[s] only	38.4	0.5%
900110	Optical fibres, optical fibre bundles and cables	32.2	0.4%
850423	Liquid dielectric transformers, having a power handling capacity > 10.000 kVA	30.7	0.4%
842952	Self-propelled mechanical shovels, excavators and shovel loaders, with a 360° revolving superstructure	29.9	0.4%
390769	Poly “ethylene terephthalate”, in primary forms, having a viscosity number of < 78 ml/g	29.6	0.4%
300460	Medicaments containing any stated antimalarial active principles	27.6	0.4%
550953	Yarn containing predominantly, but < 85% polyester staple fibres by weight	25.8	0.3%

HS Code	Product	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
210610	Protein concentrates and textured protein substances	24.8	0.3%
293339	Heterocyclic compounds with nitrogen hetero atom[s] only	24.7	0.3%
560121	Wadding of cotton and articles	19.9	0.3%
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	19.2	0.2%
220830	Whiskies	19.2	0.2%
170490	Sugar confectionery not containing cocoa, incl. white chocolate	18.0	0.2%
520623	Single cotton yarn containing predominantly, but < 85% cotton by weight, of combed fibres and with a linear density of 192,31 decitex to < 232,56 decitex "> MN 43 to MN 52" (excl. sewing thread and yarn put up for retail sale)	17.8	0.2%
170114	Raw cane sugar, in solid form, not containing added flavouring or colouring matter	17.8	0.2%
761090	Structures and parts of structures, of aluminium	17.5	0.2%
610910	T-Shirts etc. of cotton	17.5	0.2%
293499	Nucleic acids and their salts, whether or not chemically defined	17.2	0.2%
850300	Parts suitable for use solely or principally with electric motors and generators	17.1	0.2%
843050	Self-propelled earth-moving machinery	17.0	0.2%
292250	Amino-alcohol-phenols, amino-acid-phenols and other amino-compounds with oxygen function	16.1	0.2%
070320	Garlic fresh or chilled	15.8	0.2%
760511	Wire of non-alloy aluminium, with a maximum cross-sectional dimension of > 7 mm	15.7	0.2%
854460	Electric conductors, for a voltage > 1.000 V, insulated	15.2	0.2%
721070	Flat products of iron or non-alloy steel, of a width of >= 600 mm	15.1	0.2%
848330	Bearing housings for machinery, not incorporating ball or roller bearings	14.4	0.2%
293590	Sulphonamides (excl. perfluorooctane sulphonamides)	12.4	0.2%
070310	Onions and shallots fresh or chilled	11.6	0.1%
293349	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing in the structure a quinoline or isoquinoline ring-system	11.3	0.1%
282732	Chlorides of aluminium	11.3	0.1%
380110	Artificial graphite	11.2	0.1%
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	10.4	0.1%
230990	Preparations of a kind used in animal feeding	10.0	0.1%
350790	Enzymes and prepared enzymes	9.7	0.1%
120400	Linseed whether or not broken	9.6	0.1%

Table A.2: 'Underachievers' of Madhya Pradesh

HS Code	Product	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
730890	Structures and parts of structures, of iron or steel	14.3	0.2%
120190	Soya beans - other	11.9	0.2%
843149	Parts of machinery of heading 8426, 8429 and 8430	8.1	0.1%
870423	G.V.W. Exceeding 20 Tonnes	7.1	0.1%
870850	Drive-axles with differential, whether or not provided with other transmission components	5.7	0.1%
270119	Coal, whether or not pulverised, non-agglomerated	4.5	0.1%
760429	Bars, rods and solid profiles, of aluminium alloys	4.2	0.1%
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases	4.1	0.1%
847989	Machines and mechanical appliances, n.e.s.	4.0	0.1%
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors, n.e.s.	3.8	0.05%
848390	Toothed wheels, chain sprockets and other transmission elements presented separately	3.6	0.05%
902750	Instruments and apparatus for physical or chemical analysis	3.4	0.04%
382499	Chemical products and preparations of the chemical or allied industries	3.2	0.04%
870880	Suspension shock absorbers	3.1	0.04%
190531	Sweet biscuits	3.0	0.04%
850440	Static converters	3.0	0.04%
851713	Smartphones	2.9	0.04%
390761	Poly (Ethylene Terephthalate): having a viscosity number of 7	2.4	0.03%
300390	Medicaments consisting of two or more constituents mixed together for therapeutic or prophylactic uses	2.3	0.03%
950699	Other sports equipment	2.3	0.03%
630790	Other made-up articles	2.3	0.03%
853710	Bords etc for a voltage <=1000 VIts	2.2	0.03%
847990	Parts of machines and mechanical appliances	2.0	0.03%
870421	G.V.W. not exceeding 5 tonnes	1.9	0.02%
271019	Other petroleum oils and oils obtained from bituminous mineral	1.8	0.02%
830230	Other mountings, fittings and similar articles suitable	1.8	0.02%
871410	Of motorcycles (including mopeds)	1.7	0.02%
842290	Parts of dishwashing machines, packing or wrapping machinery	1.5	0.02%
830990	Other packing accessories	1.5	0.02%

HS Code	Product	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
200410	Potatoes	1.5	0.02%
071340	Dried, shelled lentils, whether or not skinned or split	1.4	0.02%
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	1.4	0.02%
330590	Preparations for use on the hair	1.4	0.02%
382319	Other industrial monocarboxylic fatty acid	1.3	0.02%
731819	Other threaded articles	1.3	0.02%
330499	Beauty or make-up preparations and preparations for the care of the skin	1.3	0.02%
300449	Medicaments containing alkaloids or derivatives	1.3	0.02%
732690	Articles of iron or steel, n.e.s.	1.3	0.02%
851762	Machines for the reception, conversion and transmission or regeneration of voice	1.2	0.02%
902110	Orthopaedic or fracture appliances	1.2	0.02%
330210	Mixtures of odoriferous substances and mixtures	1.2	0.02%
721061	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm	1.2	0.01%
293319	Heterocyclic compounds with nitrogen hetero atom[s] only, containing an unfused pyrazole ring	1.2	0.01%
120991	Vegetable seeds used for sowing	1.0	0.01%
901890	Instruments and appliances used in medical, surgical or veterinary sciences	1.0	0.01%
760120	Aluminium alloys	1.0	0.01%
940690	Prefabricated buildings of other than wood	1.0	0.01%

Table A.3: Top 50 'Achievers in Declining Sectors' of Madhya Pradesh

HS Code	Product	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil	642.2	8.2%
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton	178.2	2.3%
630532	Flexible intermediate bulk containers of manmade textile	167.8	2.1%
842959	Self-propelled mechanical shovels, excavators and shovel loaders	121.1	1.5%
300420	Medicaments containing antibiotics, put up in measured doses	119.5	1.5%
520524	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear density of 125 decitex to $<$ 192,31 decitex " $>$ MN 52 to MN 80" (excl. sewing thread and yarn put up for retail sale)	119.2	1.5%
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	118.7	1.5%
392062	Plates, sheets, film, foil and strip, of non-cellular poly "ethylene terephthalate"	105.8	1.4%
230649	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of high erucic acid rape or colza seeds	99.9	1.3%
840999	Parts suitable for use solely or principally with compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	95.9	1.2%
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods incorporating a fan	82.1	1.0%
960200	Worked vegetable or mineral carving material and articles of these materials n.e.s	76.1	1.0%
550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	56.4	0.7%
520100	Cotton, neither carded nor combed	56.0	0.7%
294190	Antibiotics	49.4	0.6%
520522	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear density of 232,56 decitex to $<$ 714,29 decitex " $>$ MN 14 to MN 43" (excl. sewing thread and yarn put up for retail sale)	48.3	0.6%
120740	Sesamum seeds, whether or not broken	46.0	0.6%
392020	Plates, sheets, film, foil and strip, of non-cellular polymers of ethylene	46.0	0.6%

HS Code	Product	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
293729	Steroidal hormones, their derivatives and structural analogues, used primarily as hormones	45.2	0.6%
870840	Gear boxes	43.9	0.6%
300410	Medicaments containing penicillins or derivatives thereof with a penicillanic acid structure	43.4	0.6%
840820	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine", for the propulsion of vehicles of chapter 87	40.8	0.5%
870210	Motor vehicles for the transport of >= 10 persons, incl. driver, with only diesel engine	37.8	0.5%
520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear density of 232,56 decitex to < 714,29 decitex "> MN 14 to MN 43" (excl. sewing thread and yarn put up for retail sale)	34.2	0.4%
630221	Printed bedlinen of cotton (excl. knitted or crocheted)	33.1	0.4%
870422	G.V.W. >5 Tons Bt<=20 Tonnes	31.3	0.4%
841490	Parts of air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling hoods incorporating a fan, and gas-tight biological safety cabinets, n.e.s.	27.8	0.4%
520932	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , in three-thread or four-thread twill, incl. cross twill, dyed	26.6	0.3%
294200	Separate chemically defined organic compounds	24.8	0.3%
293329	Heterocyclic compounds with nitrogen hetero atom[s] only, containing an unfused imidazole ring	22.6	0.3%
520624	Single cotton yarn containing predominantly, but < 85% cotton by weight, of combed fibres and with a linear density of 125 decitex to < 192,31 decitex "> MN 52 to MN 80" (excl. sewing thread and yarn put up for retail sale)	20.9	0.3%
560749	Twine, cordage, ropes and cables of polyethylene or polypropylene	20.7	0.3%
580620	Narrow woven fabrics of textile materials, containing >= 5% elastomeric yarn or rubber thread by weight, with a width of <= 30 cm (excl. woven pile fabrics, incl. terry towelling and similar terry fabrics, chenille fabrics, and labels, badges and similar articles)	18.8	0.2%
300660	Chemical contraceptive preparations based on hormones	18.7	0.2%
290621	Benzyl alcohol	17.9	0.2%

HS Code	Product	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
841391	Parts of pumps	16.8	0.2%
293359	Heterocyclic compounds with nitrogen hetero atom[s] only, containing a pyrimidine ring	16.1	0.2%
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated	15.8	0.2%
841370	Other centrifugal pumps	14.3	0.2%
110100	Wheat or meslin flour	14.2	0.2%
300431	Medicaments containing insulin but not antibiotics	14.1	0.2%
520922	Woven fabrics of cotton, containing $\geq 85\%$ cotton by weight and weighing $> 200 \text{ g/m}^2$, in three-thread or four-thread twill, incl. cross twill, bleached	13.5	0.2%
401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excl. tyres with lug, corner or similar treads)	13.4	0.2%
732619	Articles of iron or steel, forged or stamped, but not further worked	13.2	0.2%
520622	Single cotton yarn containing predominantly, but $< 85\%$ cotton by weight, of combed fibres and with a linear density of 232,56 decitex to $< 714,29 \text{ decitex}$ " $> \text{MN } 14 \text{ to MN } 43$ " (excl. sewing thread and yarn put up for retail sale)	12.9	0.2%
350110	Casein	12.6	0.2%
292429	Cyclic amides, incl. cyclic carbamates, and their derivatives	11.4	0.1%
521142	Denim of yarns of different colour of mixed cotton fabrics	10.4	0.1%
600622	Dyed cotton fabrics, knitted or crocheted, of a width of $> 30 \text{ cm}$	10.1	0.1%
520514	Single cotton yarn, of uncombed fibres, containing $\geq 85\%$ cotton by weight and with a linear density of 125 decitex to $< 192,31 \text{ decitex}$ " $> \text{MN } 52 \text{ to MN } 80$ " (excl. sewing thread and yarn put up for retail sale)	9.9	0.1%

Table A.4: 'Declining Sectors' of Madhya Pradesh

HS Code	Item Label	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	20.4	0.3%
401110	New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing cars	12.5	0.2%
848180	Appliances for pipes, boiler shells, tanks, vats or the like	7.6	0.1%
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	5.7	0.1%
961900	Sanitary towels (pads) and tampons	5.1	0.1%
850490	Parts of electrical transformers and inductors	4.3	0.1%
040690	Other cheese	4.3	0.1%
610990	T-shirt etc. of other textile materials	4.2	0.1%
710239	Diamonds, worked, but not mounted or set (excl. industrial diamonds)	4.1	0.1%
401699	Articles of vulcanised rubber (excl. hard rubber), n.e.s.	3.2	0.04%
870829	Parts and accessories of bodies for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles (excl. bumpers and parts thereof, safety seat belts and front windscreens "windshields", rear windows and other windows)	2.8	0.04%
841330	Fuel, lubricating or cooling medium pumps for internal combustion piston engine	2.4	0.03%
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston engine, n.e.s.	2.4	0.03%
240220	Cigarettes containing tobacco	2.1	0.03%
392410	Tableware and kitchenware of plastics	2.0	0.03%
870893	Clutches and parts	2.0	0.02%
481920	Folding cartons, boxes and cases, of non-corrugated paper or paperboard	1.9	0.02%
380891	Insecticides	1.7	0.02%
870894	Steering wheels, steering columns and steering boxes, and parts	1.7	0.02%
611595	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied soles, of cotton, knitted or crocheted	1.6	0.02%

HS Code	Item Label	MP's Export of Item in 2023 (US\$ million)	Share in MP's Total Exports in 2023 (%)
847790	Parts suitable for use solely or principally with spark-ignition internal combustion piston engine, n.e.s.	1.5	0.02%
330510	Shampoos	1.3	0.02%
610510	Men/boy shirts of cotton	1.3	0.02%
853690	Electrical apparatus for switching electrical circuits, or for making connections to or in electrical circuits, for a voltage <= 1.000 V	1.1	0.01%
401693	Gaskets washers and other seals	1.1	0.01%
840810	Marine propulsion engines (diesel or semi-diesel engine)	1.0	0.01%
390890	Other polyamides	1.0	0.01%

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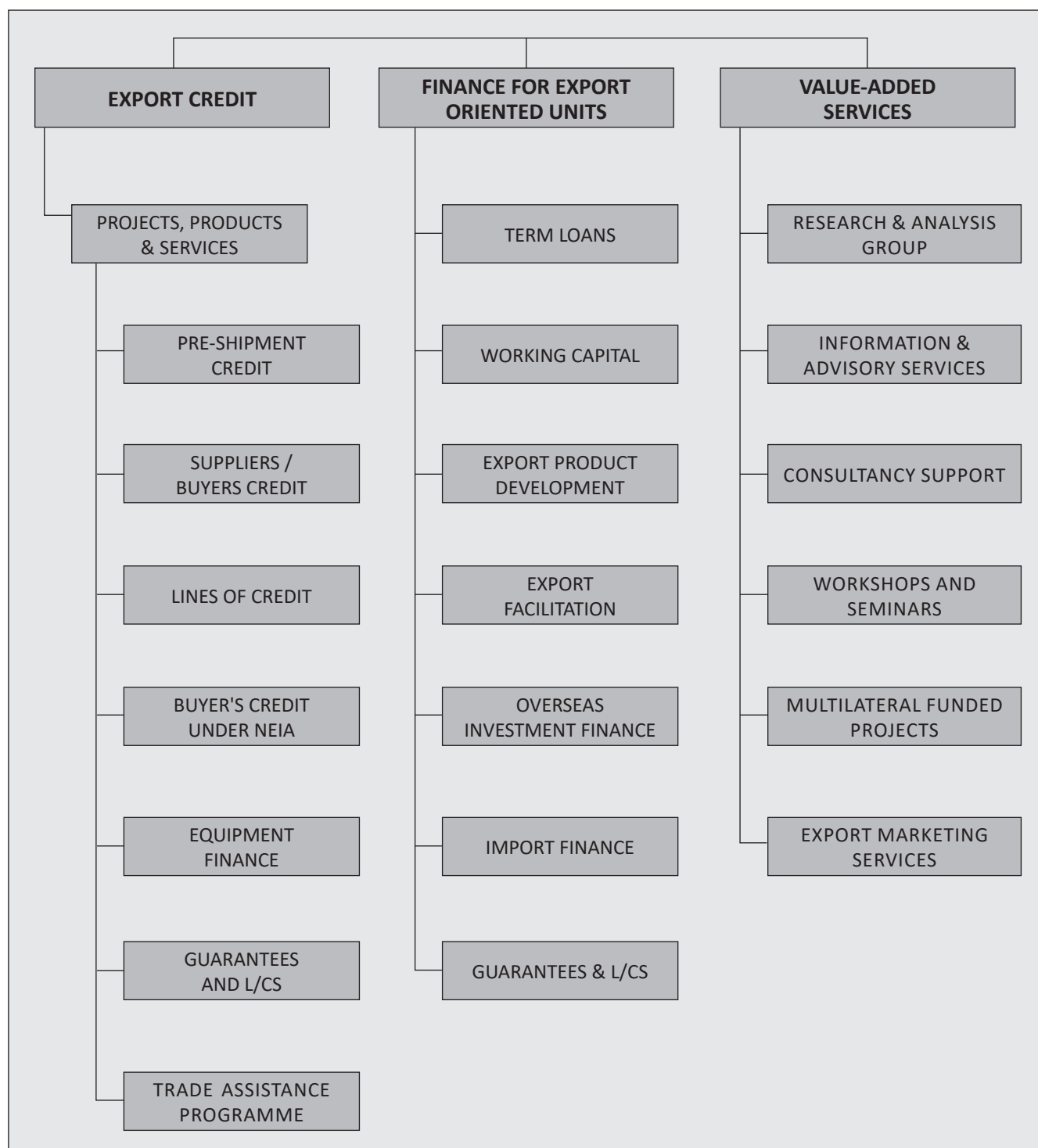
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