



Impact of Make in India Programme on Private Investment

Electronic Equipment sector garners 14% of private investment in new projects

Electronic equipment sector outperform other industrial sectors in attracting private investment for new projects. Nearly 21% of new project investment in electronic sector came from foreign companies. Chemicals and mining sector witness fall in private investment in new projects.

The present study assesses the impact of Government of India's Make in India Programme on private investment across key manufacturing sectors. For the purpose of the study, we have analysed private investment in new projects across 10 industrial sectors that together contribute more than 74% to the industrial production of the country. These sectors are chemical and chemical products, construction materials, consumer goods, electricity, food and agro products, machinery, metals and metal products, mining, textiles and transport equipments. Additionally, we have also considered real estate as the 11th sector considering that investment in real estate has huge multiplier effect in the economy.

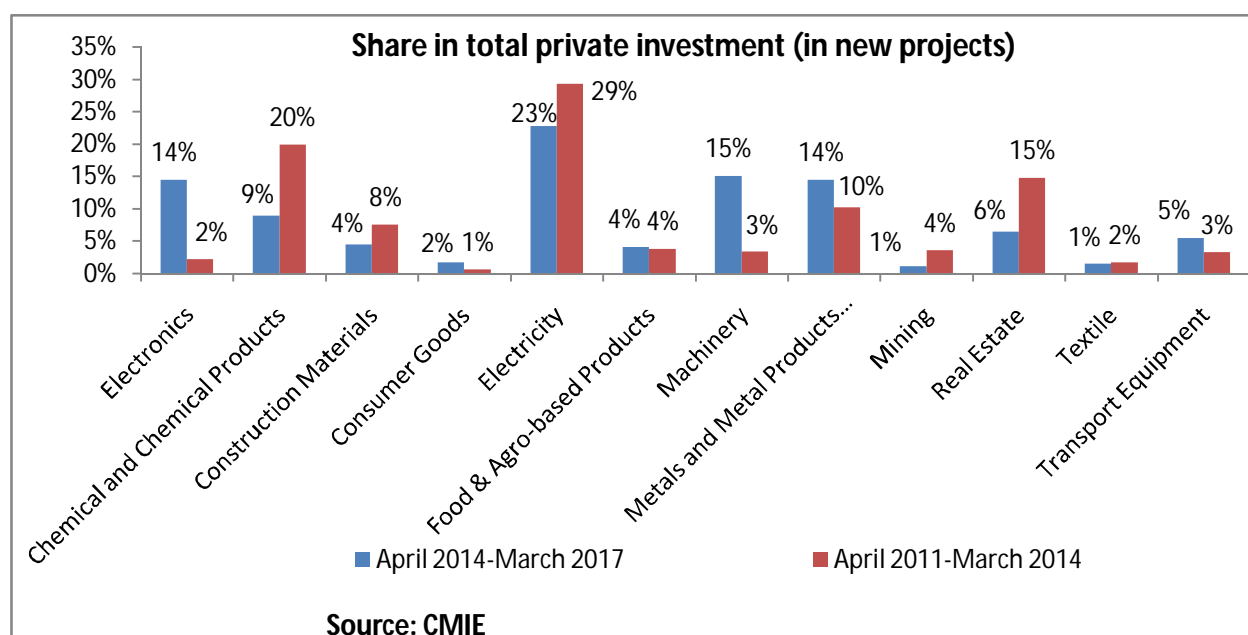
The Make in India Programme was launched in September 2014. In order to study the impact of this programme on private investment, we considered private investment in new projects during the three years from April 2014 till March 2017. We have then analysed how much has the private investment during these three years changed from the preceding three years (April 2011 – March 2014).

Following are the key findings of the study -

Key Findings of the Study
1. Seven out of the 10 industrial sectors showed growth in cumulative private investment during the period April 2014 till March 2017 compared to the previous three years (April 2011 till March 2014).
2. The largest growth was registered by machinery sector, which witnessed 534% rise in private investment during the above mentioned period. Within the machinery sector, electronic machinery (which includes computers, communication equipments and other electronic equipments) registered 831% growth in private investment. In fact, electronic machinery sector received 26% of the total foreign direct investment in the 11 industrial sectors considered in this study.
3. Other sectors such as consumer goods, food and agro products, metals and metal products, transport equipment, textile also witnessed strong growth in private investment
4. Mining, chemical and chemical products and construction materials are the three sectors that registered decline in private investment
5. Among non-manufacturing sectors, real estate sector witnessed 39% decline in private investment
6. FDI has shifted from chemicals and transport equipment to machinery and electricity sectors

Private investment in new projects has grown after the Make in India Programme, which was launched by Government of India in September 2014. Private investment in new projects has grown in seven out of 10 manufacturing sectors during the three years from April 2014 till March 2017 compared to the preceding three years. Private investment in new projects has grown 40% to Rs 13.54 lakh crore during the three years ending March 2017 from the earlier three years.

Machinery sector witnessed the maximum amount of investment. The share of machinery sector in total private investment (in new projects) has risen from 3% to 15% during this period. Among the machinery sector, electronic machinery garnered 14% of all new project investment. The share of electricity in new project investment declined from 29% to 23% during this period.



Among other sectors, metals and metal products witnessed almost 100% growth in private investment. Around 88% of new project investment in this sector is in the steel segment. Both private sector and public sector steel companies have been investing in increasing their production capacity. Government of India plans to increase the crude steel production capacity to 300 million tonne per annum by 2025 from the present capacity of 121 million tonne.

Private Investment in New Projects (in Rs. Crore)			
Sectors	April 2014-March 2017	April 2011-March 2014	Growth (in %)
Machinery	203199.77	32034.37	534%
(Among Machinery) Electronics	195389.83	20995.1	831%
Chemical and Chemical Products	119963.24	191661.49	-37%
Construction Materials	59944.49	72457.3	-17%
Consumer Goods	23222.53	5396.59	330%
Electricity	307414.6	282700.45	9%
Food & Agro-based Products	54803.45	36450.01	50%
Metals and Metal Products Industry	195442.63	98176.16	99%
Mining	14867.71	34576.22	-57%
Real Estate	86699.3	142367.05	-39%

Textile	19501.76	16358.03	19%
Transport Equipment	74154.71	31745.66	134%
Source: CMIE			

Notable Trends in Foreign Direct Investment (FDI)

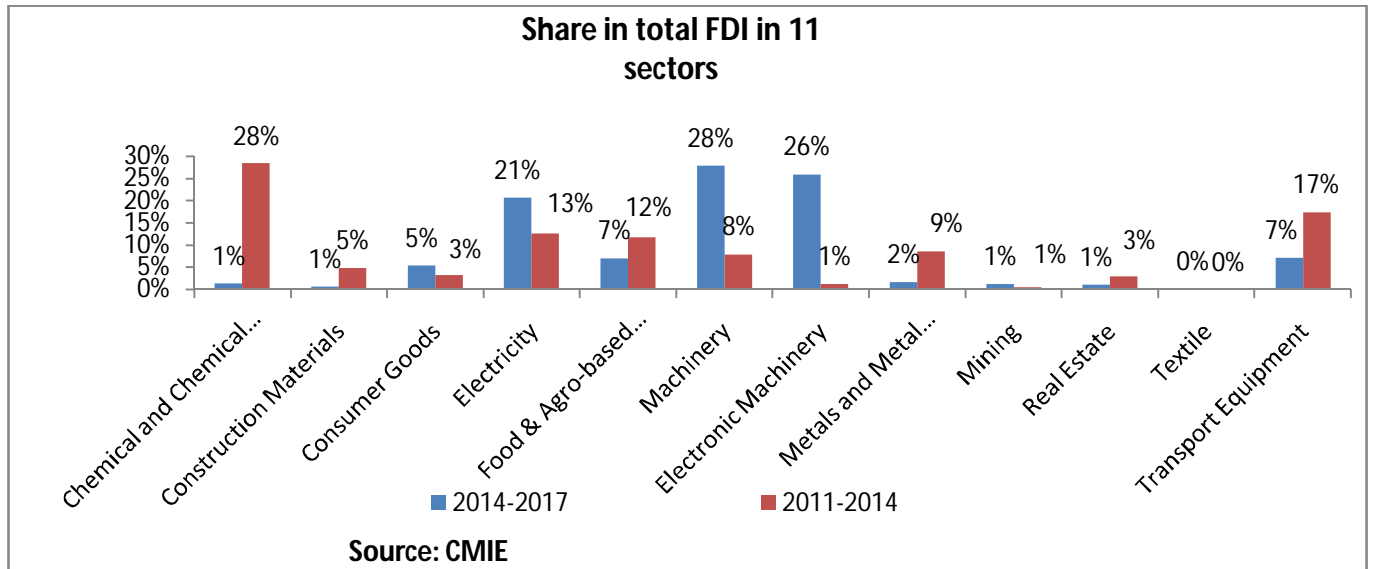
During April 2014-March 2017, cumulative FDI in the identified 11 industrial sectors grew 68% to Rs 1.15 lakh crore from the preceding three years. The growth in FDI was largely led by increase in investment in machinery (especially electronic machinery), mining, consumer goods, power and food products.

FDI in new projects in 11 industrial sectors (in Rs. Crore)			
Sectors	FY14-FY17	FY11-FY14	Growth (in %)
Chemical and Chemical Products	2163	19803.81	-89%
Construction Materials	1011.78	3395.55	-70%
Consumer Goods	8391.4	2317.59	262%
Electricity	32174.55	8836.4	264%
Food & Agro-based Products	10970.1	8249.61	33%
Machinery	43353.36	5513.13	686%
Among which (Electronics)	40381	860	4595%
Metals and Metal Products Industry	2691.48	6032.75	-55%
Mining	1900	445	327%
Real Estate	1715	2118	-19%
Textile	200	0	NA
Transport Equipment	11074.4	12152.12	-9%
Total	115645.1	68863.96	68%
Source: CMIE			

Share of Sectors in FDI

During April 2011-March 2014, 45% of total FDI into new projects went to chemicals and transport equipment sectors alone. However, during April 2014-March 2017, these two sectors accounted for only 8% of total FDI. Clearly, the preference of foreign investors has shifted to electronic machinery and power sector. These two sectors accounted for 47% of FDI during April 2014-March 2017 compared to only 14% in the preceding three years.

Specifically, the share of power sector in total FDI has risen from 13% to 21% during this period. Data released by Government of India shows that more than 50% of foreign direct investment in the power sector has gone into renewable energy projects such as wind and solar power. Government of India has set an ambitious target of increasing the renewable energy capacity in the country to 175 gigawatt by 2022 from the present installed capacity of 57 gigawatt. The government has taken various progressive steps to attract private and foreign investment in the renewable energy sector in recent years.



Foreign direct investment has declined in the construction materials and metal products sectors during 2014-2017 compared to the preceding three years. During 2011-2014, chemical and chemical products accounted for 28% of total FDI in the 11 industrial sectors. The comparable share has fallen to 1% in the following three years. However, foreign investment in chemicals sector varies from year to year according to market conditions and various other factors. The huge share of FDI in this sector during 2011-14 is led by lumpy investment in polymer and organic chemicals segment.

The share of transport equipment in total FDI declined from 17% to 7% during the period largely because of fall in investment in the automobile ancillary sectors such as storage batteries, tyres, engine, gears etc. Foreign investment in vehicle manufacturing, however, remained steady during the period.

Consumer goods sector has attracted 5% of total FDI during April 2014-March 2017 compared to 3% in the preceding three years. FDI in this sector has grown 3.6 times during this period because of increase in investment in the domestic appliance and cosmetics & toiletries segments.

Investment from China

A notable trend in FDI in recent years has been the increasing investment from Chinese companies. Chinese companies have invested Rs 9,933 crore across various sectors during the 16 year period of April 2000 - December 2016. Of this, almost 78% of investment came after 2014.

