

Estimating private investment to achieve 15% nominal GDP growth

India's GDP contracted for the first time in the last four decades by 7.3% in real terms during 2020-21 because of the disruption in economic activity amidst the COVID pandemic. The government expects the economy to recover in the current financial year by posting a growth of 11% in real terms and 15.4% in nominal terms. This growth target seems to be too ambitious to achieve given the lockdown across various states in response to the second wave of the pandemic.

Required rate of investment

In order to achieve this growth rate, India's public and private investment should also grow at a nominal rate of 15%, assuming that the share of investment in GDP remains constant at 27%. A back of the envelope calculation pegs this required investment at Rs. 61.7 lakh crore. This investment has to come from four sources, viz. the central government, central public sector undertakings, state governments and private companies. Based on the numbers presented in the Union Budget 2021-22, the central government and central public sector undertakings declared to contribute 9% each to this required investment. There are around 166 public sector enterprises, including Indian Railways, National Highway Authority of India, Coal India, BHEL and so on, which together planned to invest Rs. 5.8 lakh crore in the current financial year. Assuming that all the state governments and union territories will together invest Rs. 6.9 lakh crore, to maintain their share in total investment of 11% (as was the case last year), the private sector needs to invest Rs. 43 lakh crore or 19% of the estimated nominal GDP for the current year. It is relevant to note here that the share of private sector in total investment of the country has declined from 28% in 2012 to 19% in 2020-21, as public sector enterprises such as Indian Railways, NHAI and other government entities stepped up investment.

Planned private investments

Adani Group flagship renewable energy firm Adani Green Energy plans to invest Rs. 15,000 crore in the current financial year. Over the next two years, the French construction materials major Saint Gobain plans to invest Rs. 2500 crore for expansion of its operations. The three two-wheeler manufacturers, TVS Motor Company, Hero MotoCorp and Bajaj Auto, are planning to invest more than Rs. 2,000 crore on new production facilities, including for manufacturing of emerging electric vehicles. The country's diversified industrial group GHCL plans to invest Rs. 400 crore this year. Bosch Ltd, which is the automotive division of Bosch Group in India, plans to invest upto Rs. 200 crore in FY22. Air condition maker Blue Star plans to invest Rs. 250 crore on new manufacturing facility in Sri City, Andhra Pradesh. India's quick service restaurant brand McDonald eyes investment of Rs. 100 crore in the current year.

Apart from these firms, many other companies are also planning to make investment in the current financial year. It is expected that the government's production linked incentives for electronics, telecom, computer hardware, solar modules, medical devices and other sectors will also promote private investment. Apart from this, foreign direct investment into the country will also contribute to the total investment in the country. If India is able to bring to pandemic under control through increase in production and speedy rollout of vaccination, we can see further growth in investment in the current year.

Notifications

PIB

India-Australia collaboration in farm sector

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1723499>

Minister calls for adding more participants in GeM Portal

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1723398>

Opportunities for MSMEs in supplying Medical Oxygen

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1723435>

Operational guidelines for Production Linked Incentive Scheme of Pharmaceuticals sector

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1723447>

DGFT

Amendment in Export Policy of Amphotericin –B Injections

<https://content.dgft.gov.in/Website/dgftprod/3613f39f-06ef-4b0e-8aa6-47090c591cba/Noti%2007%20Eng.pdf>

Export of Red Sanders Wood

<https://content.dgft.gov.in/Website/dgftprod/b42a345d-3198-4336-922e-d87b3c5b75dc/Noti%2006%20Eng.pdf>

CBIC

Extension of exemption from IGST on imports of specified COVID-19 relief material

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-tarr2021/AdHoccs05-2021.pdf>

Amendment in Sea Cargo Manifest and Transshipment Regulations 2018

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt50-2021.pdf>

Tariff Notification for certain commodities

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2021/cs-nt2021/csnt49-2021.pdf>