

81st Survey of Projects Investment in India

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The 81st Survey of Projects Investment in India points to two major developments in the third quarter of the fiscal 2020-21 (Q3/FY21). First, the continued increase in projex commitments by the private sector and second, contraction in new capital expenditure proposals in the government sector, especially by the state government-owned agencies.

Fresh projex (project expenditure) announced increased by 10.29 percent in the third quarter (October-December 2020) of FY21 on Q-o-Q basis. Such investments had increased by a whopping 118.35 percent in the preceding quarter. In all, 2,085 new projects entailing a total investment of Rs 2,76,482.7 crore were announced in Q3/FY21 as against 2,326 projects worth Rs 2,50,697.5 crore announced in Q2/FY21.

In recent years, the traction of the country's projex cycles was managed mostly by the government-led capital expenditure programmes, and the private sector played only a supporting role due to slump in consumer demand and funds constraint.

For an economy to benefit from increased fresh projex announcement, the rate of execution should also increase alongside. The small increase in the project implementation ratio from 37.53 percent in September 2020 to 37.86 percent in December 2020 points to some pickup in project execution pace in the third quarter.

Another indicator of projects moving from planning stage to under-execution stage is increase in awarding of project contracts. While the total project contracts awarded during April-June 2020 (Q1/FY21) stood at Rs 46,283.21 crore, it jumped by around 120 percent to Rs 1,01,704.2 crore in the second quarter (Q2/FY21). The trend continued in Q3/FY21 too. In the third quarter, 1,237 new project contracts entailing a total value of Rs 1,29,388.84 crore were awarded between October 2020 and December 2020, indicating an increase of 27 percent on Q-o-Q basis. These figures will improve further as information on contracts awarded comes with some time lag.

Increase in Private Projex

During the October-December 2020 period, the private sector announced 711 new projects entailing a total investment of Rs 1,36,946.3 crore, indicating a rise of 36.51 percent over the preceding quarter. This is noteworthy because the 36.51 percent growth came on top of 102.52 percent growth recorded in Q2/FY21. The jump in fresh projex increased the share of the private sector in total fresh projex from 40.0 percent in Q2/FY21 to 49.5 percent in Q3/FY21.

On the other hand, the government-sponsored projex plans declined in Q3. New project investment intentions declined by 7.21 percent in terms of projex and 19.32 percent in terms of projects on Q-o-Q basis. Within this segment, the fall was steeper at the state government level. After recording 175.13 percent increase in fresh investment intentions in Q2/FY21, the segment registered a steep fall of 24.5 percent in Q3/FY21. The fall in revenues has been cited as one of the main reasons which forced state-controlled agencies to prune their investment intentions at least for the time being. As against 1,230 new projects worth Rs 95,445.48 crore announced in Q2/FY21, 993 projects worth Rs 72,060.99 crore were announced in Q3/FY21.

Fresh Projex in Q2 & Q3 of FY21						
Ownership	Jul-Sept 2020		Oct-Dec 2020		Increase (%)	
	Projects	Rs Crore	Projects	Rs Crore	Q1/Q2	Q2/Q3
Government	1,703	1,50,378	1,374	1,39,536	130.36	-7.21
Central Govt.	473	54,932	381	67,475	79.60	22.83
State Govt.	1,230	95,445	993	72,061	175.13	-24.50
Private	623	1,00,320	711	1,36,946	102.52	36.51
Private (Indian)	596	87,485	684	1,28,580	162.98	46.97
Foreign	27	12,835	27	8,366	-21.10	-34.81
Total	2,326	2,50,697	2,085	2,76,483	118.35	10.29

Fresh projex increased by 22.83 percent in the Central government segment despite fall in the number of new projects. During Q3/FY21, 381 new projects worth Rs 67,475.45 crore were announced by the Central government-controlled companies and agencies. In Q2/FY21, the Central government units had announced 473 projects with an investment commitment of Rs 54,932.34 crore. The increased projex announcements by Central PSUs and NHAH helped the sector in posting positive growth in Q3/FY21.

Manufacturing Projex gained momentum

After recording a robust 48.27 percent growth in Q2/FY21, the Manufacturing sector saw announcement of fresh projex more than double in Q3/FY21. As against 329 new projects worth Rs 39,806.47 crore announced in Q2/FY21, 484 new projects worth Rs 80,481.42 crore were announced in Q3/FY21. As a result, the share of Manufacturing in the total fresh projex increased from 15.9 percent in Q2/FY21 to 29.1 percent in Q3/FY21.

Within the Manufacturing sector, Drugs & Pharma, Metals, Electronics and Automobiles sectors attracted sizeable new proposals to set up new capacities or expand the existing ones.

The Rs 20,000 crore steel expansion project of JSW was the largest project announced in the Manufacturing sector in Q3/FY21. The company intends to expand its Dolvi plant capacity further by four million tpa. The company's ongoing steel expansion at Dolvi was expected to

be completed by March 2021. The company has also proposed to set up a mega integrated steel unit in Odisha.

Fresh Projex in Q2 & Q3 of FY21						
Sectors	Jul-Sept 2020		Oct-Dec 2020		Increase (%)	
	Projects	Rs Crore	Projects	Rs Crore	Q1/Q2	Q2/Q3
Manufacturing	329	39,806	484	80,481	48.27	102.18
Mining	36	22,663	37	22,917	134.17	1.12
Electricity	86	14,198	50	9,203	43.40	-35.18
Services & Utilites	1,835	1,35,989	1,483	1,51,283	104.95	11.25
Irrigation	40	38,041	31	12,598	1770.65	-66.88
All Sectors	2,326	2,50,697	2,085	2,76,483	118.35	10.29

The Basic Metals sector comprising ferrous and non-ferrous metals attracted 38 new projects worth Rs 32,642.15 crore. The sector failed to attract much fresh investment in the first two quarters of the fiscal FY21. Apart from the JSW project, the Rs 5,000 crore zinc smelter of Hindustan Zinc in Gujarat; the Rs 1,400 crore sponge iron project of Godavari Power & Ispat in Bastar, Chhattisgarh and the Rs 1,200 crore steel mill project of MS Agarwal Foundries were the mega projects announced in this sector.

In response to the Production Linked Incentive (PLI) scheme of the Central government, the Drugs and Pharma sector saw announcement of 196 new projects entailing a total investment of Rs 11,527.21 crore. In the preceding quarter, 101 new projects worth Rs 4,179 crore were announced. A majority of these projects are located in Andhra Pradesh, Gujarat and Telangana.

Fresh investment intentions in the Cement sector remained at Q2/FY21 level and saw 10 new projects worth Rs 2,803.67 crore. Of these, projects of Shiva Cement and NU Vista were of mega size. Both the projects will come up in Odisha.

In the Machinery sector, three mega projects were announced. The Rs 5,000 crore mobile phone components project of Tata Electronics planned at Krishnagiri in Tamil Nadu was the largest among 36 projects the sector attracted in Q3/FY21. The other mega projects were, Rs 1,001 crore air- conditioner project of Voltas, Rs 1,099.8 crore mobile handset project of Pegatron Technology and Rs 1,000 crore LED television project of Abaj Electronics.

The Automobiles sector, which is going through a slump since last two years, saw two mega projects in the Electric Vehicle segment. Ola Cabs plans to set up Rs 2,400 crore electric scooters plant at Krishnagiri in Tamil Nadu, and Kinetic Green Energy has firmed up plans to set up Rs 1,750 crore electric Golf Carts project in Andhra Pradesh. Among the existing players, Maruti Suzuki and Bajaj Auto have announced capacity expansion projects.

The Mining sector had seen 134 percent increase in fresh projex in Q2/FY21. Most of those projects were in the Coal sector and proposed by the subsidiaries of Coal India. However, in Q3/FY21, other segments of the mining industry like Oil exploration and Mineral ores also attracted a couple of mega projects.

Apart from the Rs 2,560 crore Durgapur Open Cast Mining project of Northern Coalfields, Rs 4,323.30 crore oil exploration project of Oil India in Assam, Rs 6,650 crore iron ore benefaction project of Essar Minmet India in Odisha and Rs 2,433 crore iron ore project of JSW Steel in Odisha were announced in Q3/FY21.

Despite a couple of new mega thermal power projects, the Electricity sector saw fresh investment declining by 35.18 percent on Q-o-Q basis in Q3/FY21. Of the 50 new projects worth Rs 9,203.41 crore announced in this sector, only two were of mega size.

The Gujarat State Electricity Corporation has expressed its intention to take up 800 MW Unit-7 of Ukai power project at a capital cost of Rs 5,113 crore and the Andhra Pradesh Power Generation intends to expand its Lower Sileru Hydro project at a cost of Rs 1,098.12 crore.

In the non-conventional power segment, the Manipur Renewable Energy Development Agency, NHPC and the Gujarat State Electricity Corporation announced new Solar Photovoltaic power projects.

Pruning of fresh capital expenditure plans by funds-constrained, state government-owned agencies slowed down the recent growth seen in projects investment in the Infrastructure sector. As a result, the sector which had registered a whopping increase of 105 percent in new projex in Q2/FY21 saw such investment increasing by just 11.25 percent in Q3/FY21.

Among broad sub-sectors in this segment, the Roadways, Water, Sewage and Effluent Treatment and Software Parks sectors saw an increase in fresh projex on Q-o-Q basis.

Around 376 new road projects worth Rs 66,224.17 crore were announced in Q3/FY21. The preceding quarter had seen announcement of 284 new road projects worth Rs 28,716 crore. NHAI was once again the torchbearer in this sector. In all, the national highways builder announced 83 new projects entailing a total investment of Rs 37,670.55 crore and accounted for around 43 percent of the total fresh investment emanated in this sector in Q3/FY21.

In the Tourism sector, Sri Hanuman Janmabhoomi Teertha Kshetra Trust's Rs 1,200 crore, 215 ft high Hanuman statue was the largest project announced. The statue will be set up in Ballari district of Karnataka.

The Municipal Corporation of Greater Mumbai's (MCGM) Rs 1,600 crore desalination plant, Rs 1,647 crore industrial effluent pipeline project of Gujarat Water Infrastructure, Rs 1,500 crore water supply scheme of the Public Health Engg Dept of Rajasthan and Rs 1,360 crore Sivaganga Water Supply Scheme project of the Tamil Nadu Water Supply and Drainage Board were some of the mega projects announced in the water supply and effluent treatment sectors. In all, 182 new projects with an aggregate investment of Rs 18,186.56 crore were announced in these two critical sectors in Q3/FY21.

Four mega Software Park projects announced in Q3 saw the total investment planned in this sector increasing by 183.9 percent in Q3/FY21. Some of the large projects proposed in this sector are Rs 7,500 crore IT Park of K Raheja in Maharashtra, Rs 1,500 crore IT park of GG Metropolis again in Maharashtra, Rs 1,000 crore Goel Ganga Enterprises Park coming up in Maharashtra and Rs 1,200 crore IT park planned in Bengaluru, Karnataka, by Siemens Healthineers.

The Irrigation sector, where state investment dominates, had seen healthy fresh project commitment of Rs 38,041.06 crore in Q2/FY21. Such investment declined drastically in Q3/FY21. The total cost (Rs 10,044.5 crore) of three mega irrigation projects taken up for development by the Irrigation & CAD Department of Andhra Pradesh accounted for nearly 80 percent of the fresh project planned in this sector in Q3/FY21.

Maharashtra on Top

The memorandums of understanding (MoUs) signed by the Maharashtra government with 15 national and international companies in November 2020 helped the state in topping the fresh project table in Q3/FY21. The MoUs inked were for setting up mega Data Centres, Steel projects, Industrial Parks in the state.

In the third quarter ended December 2020, the state attracted 215 new projects worth Rs 54,713.66 crore and accounted for nearly one-fifth of the fresh project emanated in Q3/FY21. The Rs 20,000 crore Dolvi steel project of JSW, Rs 7,500 crore IT park of K Raheja and, Rs 5,000 crore data centre project of Adani Enterprises were some of the mega projects attracted by the state in the third quarter of FY21.

Maharashtra was followed by Andhra Pradesh, which attracted Rs 29,783.63 crore in the form of 108 new projects. Bulk of the fresh investment were in the form of new irrigation projects. The five irrigation projects taken up by the state accounted for around one-third of the total fresh project attracted by the state in Q3/FY21.

Gujarat (266 projects worth Rs 26,530.08 crore) and Tamil Nadu (156 projects worth Rs. 24,124.38 crore) followed next with shares of 9.60 percent and 8.73 percent in the total fresh projex proposed in Q3/FY21.

Top 10 States		
State	Projects	Rs.crore
Maharashtra	215	54,714
Andhra Pradesh	108	29,784
Gujarat	266	26,530
Tamil Nadu	156	24,124
Odisha	109	20,217
Uttar Pradesh	124	15,981
Karnataka	200	14,038
Telangana	145	12,961
Punjab	59	10,661
Chhattisgarh	34	10,228
Rajasthan	58	9,707
All India	2,085	2,76,483

Top 10 New Projects: Q3/FY21		
Promoter	Project	Rs.crore State
JSW Steel Ltd.	Steel (Dolvi) Project - Expansion	20,000 Maharashtra
K Raheja Corpn.	IT Park (TTC Industrial Area)	7,500 Maharashtra
Government of India, MoRTH	Ring Road (Prayagraj) Project	7,000 Uttar Pradesh
Essar Minmet India Ltd.	Iron Ore Beneficiation & Pelletisation	6,650 Odisha
Gujarat State Electricity Corpn. Ltd.	Ukai Coal Based Power Project [Unit-7]	5,113 Gujarat
Hindustan Zinc Ltd.	Zinc Smelter (Dowwada) Project	5,000 Gujarat
Adani Enterprises Ltd.	Data Centre (Maharashtra)	5,000 Maharashtra
Tata Electronics Ltd.	Mobile Phone Components (Hosur) Project	5,000 Tamil Nadu
Irrigation & CAD Department, AP	Babu Jagajevan Ram Sujala Sravanthi Canal	4,235 Andhra Pradesh
Irrigation & CAD Department, AP	Gandikota-Paidipalem Lift Irrigation	4,040 Andhra Pradesh

Prognosis

In recent years, the projex cycle of the country is largely propelled by government capital expenditure. Hence, the fall in state-promoted investment in Q3/FY21 is not a good sign. We hope this will be a short-term phenomenon. The increase in project tendering by state government agencies in Q3/FY21 supports our belief.

The increase registered in fresh projex by the Private sector in Q2/FY21 and Q3/FY21 indicates willingness of private promoters to undertake new capacity building activities especially in the critical areas like Drugs & Pharma, Electronics, Data Centres, IT Parks, etc. in near future.

While, the Central government has rolled out a number of stimuli in the past nine months to encourage new investment, private investors, especially foreign companies are looking for more support in the form of policy reforms. The mega capital expenditure plans announced in the Union Budget 2021-22, especially in the Infrastructure, Healthcare and Construction sectors is a welcome move from the Central government to revive the sagging morale of project promoters especially in the MSME sector.

With interest rates expected to remain low in near future and COVID-19 vaccination to gain traction in Q4/FY21, Projects Today expects projex activities to return to normalcy by the first quarter of FY22.

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