

ASSOCHAM

INVESTMENT

METER

WEST BENGAL
THE INVESTMENT DESTINATION

2009

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WEST BENGAL: THE INVESTMENT DESTINATION

Among the 21 Indian states as a favourable investment destination, West Bengal occupied prime position at 4th place in the previous calendar year (Jan-Dec 2007), however, it witness a major shift to 13th position in the current financial year (2008-09), according to a paper brought out by ASSOCHAM.

Expression of investment plans by India Inc., West Bengal has registered a **dip by 63 per cent** during January-December 2008 as compared to the corresponding period of the last year (2007). During the 12 month period in 2007, the state witness robust investment announcements by India Inc. worth Rs. 2, 43,489 crore, however, investment plans recorded a major hold back for the same period in 2008, with the state attracting Rs. 90,095 crore only.

The effects of economic slowdown, credit crunch along with the Singur saga spelled troubles for the region to attract investments as infrastructure developments got delayed, perhaps making considerable shift in the states' ranking order.

To maintain the flow of investment in the states ASSOCHAM which has been significantly contributing in the development of the state, has decided to hold a mea event on '*West Bengal- The Investment Destination*' on February 7th 2009 in Kolkata with a view to enthuse and attract more investors", said Mr. Venugopal Dhoot, Chairman of the Conference and immediate past President of the Chamber. Mr. Dhoot, chairman of the Videocon group and ASSOCHAM President Mr. Sajjan Jindal (Vice Chairman & MD of JSW Steel Ltd) are one of the biggest investors in the state.

Introduction

Data Source

The report prepared is based on the data tracked from various investments announcements planned by the Indian companies, in the domestic market in print and electronic media.

Time period

The data analyzed for the report include the time period January -December 2007-08 and 2008-09 respectively.

Methodology

The corporate houses that have expressed investment plans for a particular region have indicated a spread of 3-5 years for their plans to fructify.

Ranks have been assigned, based on the descending order of the amount of investment planned for the state. Comparative analysis has been drawn for the same time period of two different years.

India Inc. investment announcements are planned (not realized), hence industrialists express to invest a large sum of amount in particular sector across 2-3 states, but they do not disclose the ratio of the sum in each state. Thus, to avoid the problem of double counting, ARB, divide the capex amount in equal ratio among the number of states where investment is planned.

Corporate investments in West Bengal (Jan-Dec 2008 over Jan-Dec 2007)

The year 2007, the Indian economy boom as Indian industrialist expressed to invest across various sectors and states with the purpose to modernize, expand and set-up new plants. However, the preceding year (2008), started with moderate downfall in terms of the capex planned by the business leaders.

Investment plans by the corporate sector is driven by expectations about the future. Projects are undertaken in those regions where India Inc. foresees returns. In light of this the year 2008 started with turbulence in the global financial markets leading to credit crunch and shaking investors' confidence, becoming a cause of concern for the corporate India. Further, the Singur Saga which started in May 2008, got international recognition, tampering the investor friendly image of the state, with India Inc. shying away to plan invests in the region.

During January-December 2008, India Inc. expressed to invest Rs. 90,095 crore in West Bengal, registering a sharp dip by 63 per cent as compared to the corresponding period of the last year (2007), with robust investment announcements worth Rs. 2, 43,489 crore.

(Planned Capex in Rs crore)		Growth rate (in %)
Jan-Dec 2007	Jan-Dec 2008	
2,43,489	90,095	-63.00

Source: Assocham Investment Meter.

Major sectors attracting investments announcements

(Jan-Dec 2008 over Jan-Dec 2007)

West Bengal's rich mineral, diverse geographical spread and manufacturing activities attracted Indian corporate leaders towards the state to utilize the resources and expand their businesses.

During both the calendar years (2007 & 2008), **steel** topped the charts with maximum capex announced for the sector in the region. In 2007, steel sector in West Bengal witness a whooping amount worth Rs. 85,200 crore by major domestic players, however, in 2008 with the down turn the sector lost its lustre as it could attract announcements totaled to Rs. 23,300 crore only, registering de-growth of 72.6 per cent.

In 2007, the real estate sector witness second highest investment announcements totaling Rs. 52,929 crore. However, **in 2008**, real estate was replaced by **manufacturing sector** that attracted capex planned worth Rs. 20,000 crore.

Oil and gas managed to be the third most favourable investment attracting sector in both 2007 and 2008. In terms of investments planned for the sector, it registered sharp dip of 77 pr cent from Rs. 42,750 crore in 2007 to Rs. 20,000 crore in 2008.

The fourth highest investment attracting sector **in 2007** was the **power sector** with energized investors to announce amount worth Rs. 26,067 crore for harnessing generation capacity. However, **in 2008**, it was the **consumer durables sector** that witness total investments announcements worth Rs. 6,000 crore by the private players.

Top Five Sectors attracting investments for the period Jan-December 2007			Top Five Sectors attracting investments for the period Jan-December 2008		
Sno.	Sector	Capex (in Rs. crore)	Sno.	Sectors	Capex (Rs. crore)
1	Steel	85,200	1	Steel	23,300
2	Real Estate	52,929	2	Manufacturing	20,000
3	Oil & Gas	42,750	3	Oil & Gas	20,000
4	Power	26,067	4	Consumer Durables	6,000
5	Retail	3,000	5	Hospitality	4,150

Source: Assocham Investment Meter.

In 2007, the **retail** was 5th highest capex attracting sector with Rs. 3,000 crore. However, in 2008, it was replaced by the **hospitality sector** to tap the diverse geographical landscape, in the region attracting investors with capex announcement of Rs. 4,150 crore.

*Top Indian Corporate Houses expressing investment plan:
(Jan-Dec2008 over Jan-Dec 2007)*

In 2007....

JSW steel made the largest investment decision of Rs. 35,000 crore for setting up the 10-million tonnes per annum (mtpa) integrated steel plant at Salboni near Kharagpur.

DLF ranked second with Rs. 33,000 crore investment announcements for developing a township at Dankuni, West Bengal within next ten to twelve years.

Indian Oil Corporation ranked third with investment plans amounting to Rs. 29,750 crore for the purpose of capacity expansion and quality upgradation in the Haldia, West Bengal over next five years.

Consumer Durables Major, the Videocon Group had come up with an investment decision of Rs. 15,000 crore and ranked fourth, for setting up a steel and power plant project in Asansol-Durgapur area in Burdhan District, West Bengal which would generate employment for 10,000 people.

Reliance Industries ranks fifth as it plans to infuse Rs. 13,000 crore for gas distribution projects with an aim to supply 20 million standard cubic meters of natural gas a day from its finds in Krishna-Godavari and Mahanadi-North Eastern Coast basin.

Top 10 Indian companies planning to invest during the period Jan-December 2007			Top 10 Indian companies planning to invest during the period Jan-December 2008		
Sno.	Company Name	Capex (Rs. crore)	Sno.	Company Name	Capex (Rs. crore)
1	JSW Steel	35,000	1	Cals Refineries	20,000
2	DLF Group	33,000	2	Vedanta Group	20,000
3	IOC	29,750	3	Shyam Group	9,900
4	SAIL	20,000	4	Bhushan Steel	8,800
5	Abhijeet Group	18,333	5	Videocon group	6,000
6	Videocon Industries Ltd.	15,000	6	Emaar MGF	3,750
7	Reliance Industries Ltd.	13,000	7	Shyam Steel	3,000
8	RPG Group	12,000	8	L&T	2,500
9	Rourkela Steel Ltd	10,000	9	Ramsarup Group	2,200
10	Merlin Group	10,000	10	Century Textile and Industries Ltd	2,100

Source: Assocham Investment Meter

In 2008....

Cals refineries and Vedanta Group made the largest capital expenditure announcement worth Rs. 20,000 crore each. While the former plans to set up 20 million tonne per anum capacity refinery project in Haldia and Nayachar district, the latter announced its plan to set up aluminum manufacturing capacity project in the Burdwan district.

Shyam Group expressed to invest Rs. 9,900 crore, followed by Bushan Steel that announced to invest Rs. 8,800 crore, to set up new plants in the region. Videocon Group with an announcement worth Rs. 6,000 crore expressed to set up two knowledge parks in Kalyani and Siligiri districts of West Bengal. The announcement made by the company is expected to generate 600 direct employment opportunities. Emaar MGF announced capex worth Rs. 4,150 crore with plans to foray into hospitality business by the next two years.

Conclusion

West Bengal holds a prime position in the Indian economy with third largest state domestic product (Rs. 2, 06,881 crore, 2006), fourth most populated state and with diversity ranging in mineral resources, soil and climate contributing in the overall growth of the country.

Due to its vast mineral resources, availability of cheap skilled as well as non-skilled manpower, national and inter-national connectivity, large consumer market growing at fast pace, West Bengal was placed among the five top most favourable investment destinations until last year. However, global and domestic hurdles have pushed the state in the lower ranking order.

The sectors like Steel, Real Estates, Oil and gas, Retail, Power and Hospitality have huge scope to pull investments in the State in next five years.

ASSOCHAM have always contributed in the development of the state by organizing events, conferences and exhibitions in the region to enlighten about the facilities and investment friendly climate that the state offers with full support from the state government. In future too, the focus on developments in the state shall always be considered by the apex chamber.

ASSOCHAM Research Bureau

ASSOCHAM Research Bureau (ARB) is the research division of Associated Chambers of Commerce and Industry of India. The Research Bureau undertakes studies on various economic issues, policy matters, financial markets, international trade, social development, sector wise performance and monitoring global economy dynamics.

The main banners of the Bureau are:

ASSOCHAM Eco Pulse (AEP) studies are based on the data provided by various institutions like Reserve Bank of India, World Bank, IMF, WTO, CSO, Finance Ministry, Commerce Ministry, CMIE etc.

ASSOCHAM Business Barometer (ABB) are based on the surveys conducted by the Research Team to take note of the opinion of leading CEOs, MDs, CFOs, economists and experts in various fields.

ASSOCHAM Investment Meter (AIM) keeps the track of the investment announcements by Indian industrialists in different sectors and across various states and cities.

ASSOCHAM Placement Pattern (APP) is based on the sample data that is tracked on a daily basis for the vacancies posted by companies via job portals and advertisements in the national and regional dailies, journals and newspaper. Data is tracked for 60 cities and 30 sectors that are offering job opportunities in India.

THE KNOWLEDGE CHAMBER

Evolution of Value Creator ASSOCHAM initiated its endeavour of value creation for Indian industry in 1920. It has witnessed upswings as well as upheaval of Indian Economy and contributed significantly by playing a catalytic role in shaping up the Trade, Commerce and Industrial environment of the country. ASSOCHAM derives its strength from the following Promoter Chambers: Bombay Chamber of Commerce and Industry, Mumbai; Cochin Chamber of Commerce and Industry, Cochin; Indian Merchant's Chamber, Mumbai; The Madras Chamber of Commerce and Industry, Chennai; PHD Chamber of Commerce and Industry, New Delhi.

VISION

Empower Indian enterprise by inculcating knowledge that will be the catalyst of growth in the barrier less technology driven global market and help them upscale, align and emerge as formidable player in respective business segment

MISSION

As representative organ of Corporate India, ASSOCHAM articulates the genuine, legitimate needs and interests of its members. Its mission is to impact the policy and legislative environment so as to foster balanced economic industrial and social development. We believe education, health, agriculture and environment to be the critical success factors.

GOALS

To ensure that the voice and concerns of ASSOCHAM are taken note of by policy makers and legislators. To be proactive on policy initiatives that are in consonance with our mission. To strengthen the network of relationships of national and international levels/forums. To develop learning organization, sensitive to the development needs and concerns of its members. To broad-base membership. Knowledge sets the pace for growth by exceeding the expectation, and blends the wisdom of the old with the needs of the present.