

ASSOCHAM

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METER

Shifting Investment Destinations

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EXECUTIVE SUMMARY

- Expression of investment plans by corporate India has registered a dip by 75 per cent in the third quarter of the current financial year (2008-09) as compared to the corresponding period of the last year.
- The one-time BIMARU states have shed their old image to emerge as preferable destinations among the investors' circle.
- Only 4 states registered positive growth rate in the amount of investments planned by corporate India during Q3 FY 2008-09 over the same period of the previous fiscal, including, Rajasthan with 245 per cent, Bihar (100 per cent), Punjab (41.6 per cent) and UP (26.8 per cent).
- Even as the corporate investment plans registered major fall during the last three months, states like Rajasthan, Bihar, Uttar Pradesh and Madhya Pradesh have recorded maximum rise in their rankings.

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Introduction

The dark clouds of economic slowdown, credit crunch and declining demand have thwarted investment plans of corporate India as announcements plunged by 75 per cent in the third quarter of 2008-09 as compared to the same period in the previous year.

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 October-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 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.

The dark clouds of economic slowdown, credit crunch and declining demand have thwarted investment plans of corporate India and expression of investment plans has registered a dip by 75 per cent in the third quarter of the current financial year (2008-09) as compared to the corresponding period of the last year (2007-08), according to the ASSOCHAM study “**Shifting Investment Destinations**”.

GROWTH RATE IN INVESTMENT PLANS (Q3 FY'08 on Q3 FY'09)

While the Indian economy is grappling with world-wide recession and credit crunch, the one-time BIMARU states have shed their old image to emerge as preferable destinations among the investors' circle.

Out of the 21 states, AIM noted that only 4 states registered positive growth rate in the amount of investments planned by corporate India during the third quarter of 2008-09 over the same period of the previous fiscal. The state includes, Rajasthan with 245 per cent, Bihar (100 per cent), Punjab (41.6 per cent) and UP (26.8 per cent). However, the remaining 17 states witness de-growth in investment announcements during the period in the range of 47 per cent to 99 per cent.

One time BIMARU states of Rajasthan, Bihar & UP are getting attention from corporate India for investment purpose to utilize the untapped resources in the region.

While the Indian economy is grappling with world-wide recession and credit crunch, the one-time BIMARU states have shed their old image to emerge as preferable destinations among the investors' circle. Even as the corporate

investment plans registered major fall during the last three months, states like Rajasthan, Bihar, Uttar Pradesh and Madhya Pradesh have recorded maximum rise in their rankings on Assocham Investment Meter (AIM).

The Indian desert state, **Rajasthan**, have lured the investors to express their plans for undertaking projects in the region in the third quarter of the current fiscal with Rs.11, 102 crore as compared to Rs. 3,210 crore in the same period of the previous fiscal registering a maximum growth of 245 per cent.

Similarly, until third quarter of the previous fiscal, the infrastructure barred state of **Bihar** was unable to attract corporate investors in any sector. However, with the state government efforts in the development of the state, Indian industrialists are planning to tap the resources in education and IT/ITes sectors with corporates expressing to investment around Rs 304 crore in the region during the third quarter of the current fiscal.

The northern state of India, **Uttar Pradesh**, is attracting corporate investors mainly due to the planned NCR region of Noida & Ghaziabad that are near to the capital city of India, Delhi. In Q3 FY'09 India Inc. expressed to invest around Rs. 2,545 crore largely in the real estate sector, as compared to Rs. 1,892 crore in the ITes and real estate sector during the third quarter of the previous fiscal. The state witness a jump of 26.8 per cent in the investment announcements by the corporate sector during the period.

Apart from the above three states, **Punjab** also joined the league of the states registering positive growth (41.6 per cent) in investment announcements with Rs. 1,027 crore in Oct-Dec 2008-09 as compared to Rs. 725 crore in same period of the

previous fiscal. The prominent sector attracting corporate India for investment plans was real estate during the periods.

Top 4 states with growth in investments		Bottom 4 states with de-growth in investments	
State	Growth rate (in %) [Q3 FY'09 over Q3 FY'08]	State	Growth rate (in %) [Q3 FY'09 over Q3 FY'08]
Rajasthan	245.84	West Bengal	-98.97
Bihar	100.00	Jharkhand	-98.76
Punjab	41.66	Assam	-97.53
UP	26.85	Tamil Nadu	-95.56

Source: Assocham Investment Meter, Oct-Dec 2007-08 & 2008-09

The Indian states that were unable to attract corporate investors during Oct-Dec 2008-09 over the third quarter of the previous fiscal include West Bengal (98.9 per cent), Jharkhand (98.7 per cent), Assam (97.5 per cent), Tamil Nadu (95.5 per cent) and Maharashtra (91.9 per cent).

SHIFTS IN THE RANKING ORDER OF THE STATES

Investment plans by the corporate sector is driven by expectations about the future. Projects are undertaken in those states where India Inc. foresees returns. In light of this, the economic conditions during the previous year and the current year have seen a sea of changes. Credit crunch, delay in infrastructure developments, hurdles in legal procedures and political instability have effected investments across the states, further shifting their ranks in order of attracting investments from Q3 FY'08 to Q3 FY'09.

Even as the corporate investment plans registered major fall during the last three months, states like Rajasthan, Bihar, Uttar Pradesh and Madhya Pradesh have recorded maximum rise in their rankings on Assocham Investment Meter (AIM).

Top five investment attracting states

Top 5 states in Oct-Dec 2008-09			Top 5 states in Oct-Dec 2007-08		
State	Oct-Dec 2008-09	Share (in %)	State	Oct-Dec 2007-08	Share (%)
Rajasthan	11102	22.61	Maharashtra	69686	23.25
MP	6687	13.62	WB	60498	20.18
Orissa	6000	12.22	Orissa	52997	17.68
Maharashtra	5634	11.47	TN	23413	7.81
Karnataka	5355	10.91	Jharkhand	18783	6.27

Source: Company announcements, Oct-Dec 2007-08 & 2008-09

Among the states, in the third quarter of the current year **Rajasthan** occupied first rank as India Inc. expressed to invest Rs.11, 102 crore, contributing a share of 22.6 per cent in the total investments. Energy and food processing sectors have attracted the Indian industrialists for the region.

However, during the same period of the previous fiscal the state ranked at 13th position with investment plans of Rs. 3,210 crore, with a meager share of 2 per cent in the total investments. Hospitality and FMCG were the sectors that attracted investment plans during the period. The desert state of India registered nearly 245 per cent growth in investment announcements on q-o-q basis.

Madhya Pradesh, despite witnessing an improvement in the ranking order among the states from 6th position in Q3 FY'08 to 2nd place in Q3 FY'09, the amount planned for investment in the state have declined from Rs. 12,800 crore to Rs. 6,687 crore respectively, registering a de-growth of 48 per cent.

The state contributed a share of 13.6 per cent in the total investments during the third quarter of FY'09, with major sector being metals & mining as compared to a share of 4.3 per cent in total investments for the same quarter of the previous fiscal, with prominent sector being infrastructure.

The mineral rich state of **Orissa** has maintained its ranks on the AIM scale at 3rd position in both the fiscals. However, there has been a significant dip in the

amount of investment being planned for the state by the corporate sector from Rs. 52,997 crore, contributing a share of 18 per cent in Q3 FY'08 to Rs. 6,000 crore, with a share of 12.2 per cent in total investments during Q3 FY'09. The amount of investment expressed by India Inc for the state has registered a major decline of 88 per cent during the period.

In the third quarter of the current fiscal, infrastructure sector have been cited by the industrialist for investment in the region, however, during October-December 2007-08, the investment attracting prominent sectors were steel and real estate.

The third largest state of India, **Maharashtra**, has been the top investment destination for India Inc. with total announcement plans of Rs. 69,685 crore in Q3 FY'08. However, it slipped to 4th position in the third quarter of the current year with Rs. 5,634 crore, registering a negative growth of 91 per cent during the period.

Maharashtra alone contributed a share of 23 per cent in the total investments were by, with major plans of investments in real estate, steel and textiles during Oct-Dec 2007-08. In the same period of the current fiscal the state contributed a share of 11.4 per cent of the total investments, with top sectors being hospitality, real state and power.

The southern state of **Karnataka**, have witness a jump in the investment ranking order from 8th to 5th position during Oct-Dec 2007-08 to Oct-Dec 2008-09. In terms of the amount of investments announced for the state, a decline of 53 per cent has been registered from Rs. 11,595 crore (3.8 per cent share) to Rs. 5,355 crore (11 per cent share) respectively.

The state's contribution in the overall investments during the third quarter of FY'09 was 11 per cent, with prominent sector being infrastructure. However, in the same period of the previous fiscal, its share was 3.8 per cent in the total investments; with major investment attracting sectors were steel, real estate and textiles.

Among the next five states, during Q3 FY'09 Gujarat carved 6th place (Rs. 2,545 crore) from 10th position (Rs. 7,096 crore) in Q3 FY'08. UP occupied 7th rank (Rs. 2,400 crore) from 14th place (Rs. 1,892 crore), Andhra Pradesh at 8th rank (Rs. 1,925 crore) from 7th position (Rs. 12,063 crore), Haryana at 9th position during both the periods (to Rs. 1,167 crore from Rs. 8,891 crore) and Tamil Nadu slipped to 10th position (Rs. 1,040 crore) from a strong 4th position (Rs. 23,413 crore) respectively.

However, two Indian states that were strongly placed among the top 10 investment attracting states during Oct-Dec 2007-08, slipped among the league of low investment attracting states in Q3 FY'09. West Bengal with second position (Rs. 60,498 crore) in third quarter of 2007-08 dropped to 13th position (Rs. 625 crore) in the same period of the current fiscal. Along with, Jharkhand, that occupied 5th position (Rs. 18,783 crore) slipped to 15th place (232 crore) during the periods respectively.

Annexure**Growth rate (q-0-q)**

State	Growth Rate (in %)
Rajasthan	245.84
Bihar	100.00
Punjab	41.66
UP	26.85
MP	-47.76
Karnataka	-53.82
Delhi	-59.65
Gujarat	-64.13
Total	-75.27
Himachal Pradesh	-84.00
Aandhra Pradesh	-84.04
Haryana	-86.87
Orissa	-88.68
Maharashtra	-91.92
Tamil Nadu	-95.56
Assam	-97.53
Jharkhand	-98.76
West Bengal	-98.97

Source: Assocham Investment Meter, Oct-Dec 2007-08 & 2008-09.

Ranking in descending order of the amount of investment planned for the state by corporate India

State	Rank	
	Oct-Dec 2008-09	Oct-Dec 2007-08
Rajasthan	1	13
Madhya Pradesh	2	6
Orissa	3	3
Maharashtra	4	1
Karnataka	5	8
Gujarat	6	10
Uttar Pradesh	7	14
Andhra Pradesh	8	7
Haryana	9	9
Tamil Nadu	10	4
Punjab	11	17
Delhi	12	15
West Bengal	13	2
Bihar	14	21
Jharkhand	15	5
Himachal Pradesh	16	16
Assam	17	11
Chattisgarh	18	20
J&K	19	19
Kerala	20	18
Uttaranchal	21	12

Source: Assocham Investment Meter, Oct-Dec 2007-08 & 2008-09