
Machinery & Capital Goods: (Korea – India Cooperation in Machinery Industry)

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Indian Capital Goods Sector:

Indian CG Market

- Overall production = \$35 billion (2018 -19)
- No. of jobs = 1.4 million (Direct) & 7 million (Indirect)
- CG sector = 1.9% of India's GDP
- Electrical & power plant equipment sector dominates with ~ 69% of the production output.

Heavy reliance on imports

- Capital Goods Imports = \$26 billion (2018 -19)
- 4th largest import category after crude oil, electronics, and gold.
- Major imports: China (32%), Germany (10.95%), Japan (10.75%), USA (4.44%), South Korea, Italy, Singapore, Netherlands, and Belgium.

Sector with sub-par growth

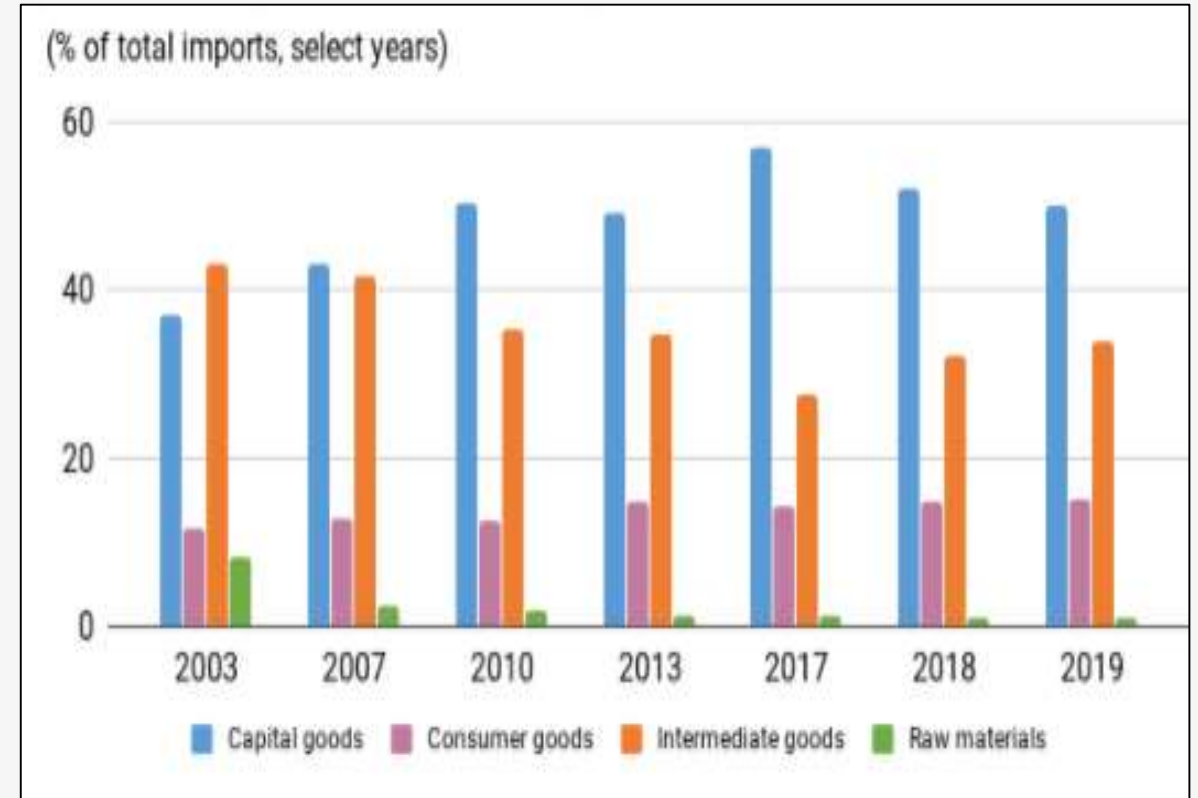
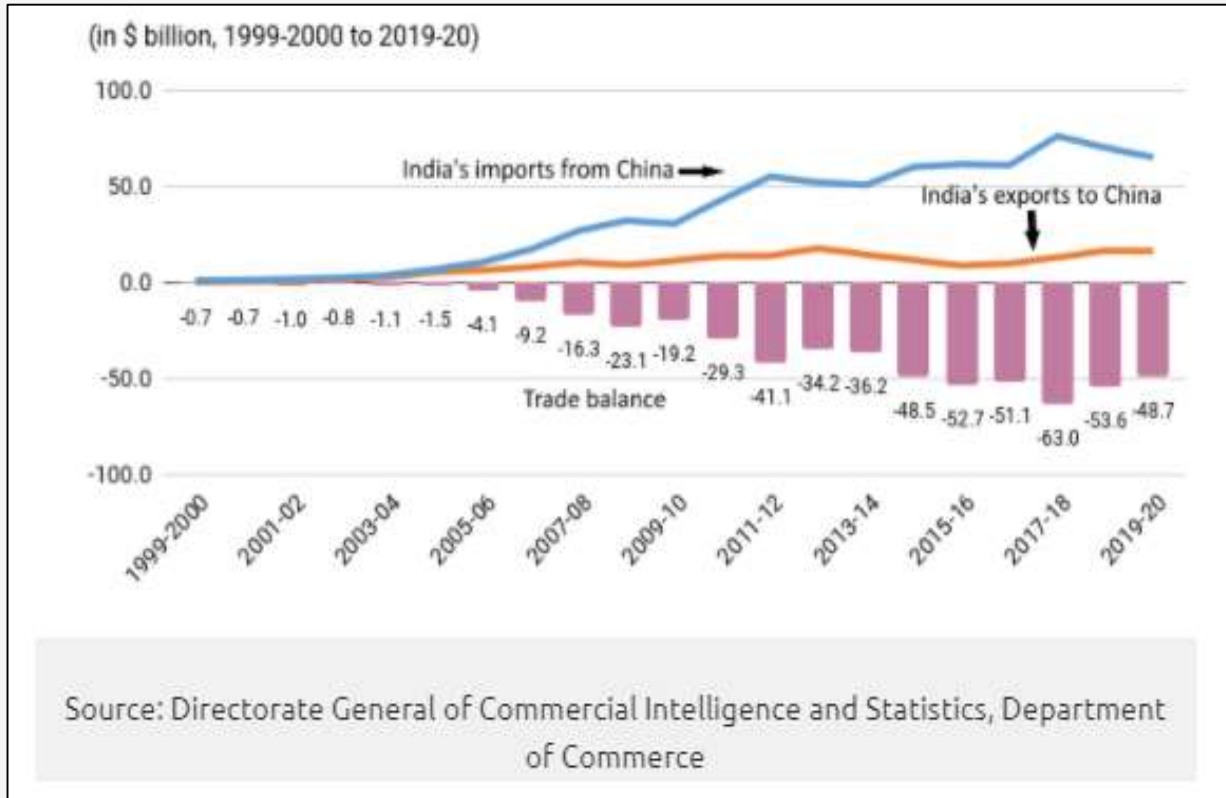
- During 2010 -2015, CG sector grew at 2% compared to GDP growth of 7%
- During the same period imports increased at a rate of 9.8%

Huge growth potential

- Targeted to reach US \$100 B by 2022



India – China Trade Imbalance



CG Sector has consistently contributed to the trade imbalance



Domestic Production Growth Drivers – Trends, Policy & Environment

Geo-political trends

- Trade & Tariff discussions have been a key consideration in Supply chain strategies in recent years

Prolonged effects of the on-going Pandemic

- Global Manufacturers are keenly looking for diversification of their supply chain & India stands to gain

Government Initiatives

- Make In India Program
- Atma Nirbar Bharat (Self- Reliant India)
- Focus on Infrastructure (Roads, Power & Transmission, Urbanization) Development

Environmental considerations

- Air and Water quality preservation will drive Capital spend

Capital Goods Industry poised for higher growth

Scope for Korea – India Cooperation in CG Sector

- No. of Korean companies which set up operations in China (post year 2000) = 23492
(Export-Import Bank of Korea data)
- No. of Korean companies/factories operating in Vietnam = 7000
- Number of Korean companies in India = ~700
- Over 100 small & medium scale Korean companies shifted their base to India in 2019-20 from China.

S.No	Name of the Country	Amount of Foreign Direct Investment Inflows		%age with Inflows
		(In Rs crore)	(In US\$ million)	
1.	Mauritius	795,941.10	142,710.44	30.36
2.	Singapore	609,561.54	97,669.64	20.78
3.	Netherland	208,321.91	33,852.04	7.20
4.	Japan	196,105.07	33,499.21	7.13
5.	U.S.A	176,222.24	29,779.40	6.34
6.	United Kingdom	150,411.05	28,210.85	6.00
7.	Germany	68,944.34	12,196.01	2.59
8.	Cyprus	57,993.48	10,748.39	2.29
9.	France	50,510.98	8,539.31	1.82
10.	Cayman Islands	49,847.82	7,535.86	1.60
11.	UAE	41,702.73	6,990.60	1.49
12.	Switzerland	27,240.87	4,842.38	1.03
13.	South Korea	27,824.14	4,478.14	0.95

Korea – India collaboration has a huge scope and this is an opportune time.

Source: https://dipp.gov.in/sites/default/files/FDI_Factsheet_March20_28May_2020.pdf

Some Considerations In Indian Context

- Large population of MSME (Micro, Small & Medium Enterprises)
 - Generates 45% of the manufacturing sector Output
 - Medium scale enterprise is one with revenues under \$1.5M approx.
 - Ability to engage in large capital spend outlay limited
 - Ability to have adequate trained and highly skilled employees limited
 - May need help in selection of the technology that fits their ability and need well.
- Borrowing rates in S. Korea are in the region of 3% vs in India at 9%
- More focus on Total cost of ownership – uptime, maintenance, spares cost & availability

Creative financial packaging besides production in India will significantly help in generating higher demand

Summary

- Capital Goods Sector growth in India has traditionally lagged the GDP growth by a huge margin (2% versus 7%)
- CG sector in India has been heavily dependent on imports (40% of overall CG market)
- China has a major share (~32%) of these imports
- Initiatives by Government of India, impact of Trade differences and COVID-19 pandemic provide a ripe opportunity for increased domestic production.
- Korean companies (~700) are present in India but there is a big scope for more collaboration.

Thank you

