



# ELECTRICAL MACHINERY

## SUMMARY

The Indian electrical equipment industry comprises of two broad segments –<sup>1</sup>  
Generation equipment (boilers, turbines, generators)  
Transmission & Distribution (T&D) and allied equipment like transformers, cables, transmission lines, etc

Electrical equipment market production is estimated to touch USD 100 Bn by 2022.<sup>2</sup>  
The sector contributes about 8% to the manufacturing sector in terms of value, and 1.5% to overall GDP.<sup>2</sup>  
The sector is projected to provide employment, both directly and indirectly, to 3.5 Mn people by 2022.<sup>2</sup>

## REASONS TO INVEST

Indian Electrical Equipment Industry Mission Plan (2012-22), aims to make India as a preferred destination for production of electrical equipment. It also aims to achieve an output of USD 100 Bn by balancing the trade deficit in the sector.<sup>3</sup>

By 2022, domestic demand for generation equipment is expected to be reach USD 25-30 Bn. For Transmission & Distribution sector, it is estimated to reach USD 70-75 Bn.<sup>4</sup>

Market-oriented reforms, such as the target of 'Power for All' plans to add 93 GW by 2022 is expected to generate huge demand for power transmission & distribution equipment.<sup>4</sup>

Incentives for capacity addition in power generation will further increase the demand for electrical machinery.<sup>4</sup>

Indian manufacturers are becoming more competitive in terms of product designs, manufacturing and testing facilities.

Capacity creation in sectors such as infrastructure, power, mining, oil and gas, refinery, steel, automotive and consumer durables are driving demand in the engineering sector.<sup>5</sup>

Rapid increase in infrastructure investments and industrial production will fuel further growth.

The Government plans to establish Electrical Equipment industry clusters, along with building strong support infrastructure.<sup>6</sup>

## STATISTICS

The Total FDI Equity Inflows in the Electrical Equipment sector stood at USD 8.5 Bn from April 2000 till December 2019.<sup>7</sup>

By 2022, the installed power capacity in India is expected to reach 350 gigawatts (GW) from 243 GW in 2014.<sup>8</sup>

The heavy industry sub-sector provides direct employment to 0.5 mn people, indirect employment to 1 mn, and over 5 mn across the entire value chain.<sup>8</sup>

## FDI POLICY

100% FDI is allowed under the automatic route in the electrical machinery sector, subject to all applicable regulations and laws.<sup>9</sup>

The cumulative FDI equity inflow in the Electrical Equipment industry is USD 9,819.30 mn during the period April 2000 to September 2020. This constitutes 1.96% of the total FDI inflow received across sectors.<sup>13</sup>

## SECTOR POLICY

### DE-LICENSING<sup>10</sup>

The electrical machinery industry has been de-licensed, along with 100% FDI allowed in this sector. This has facilitated the entry of major global players into the electrical machinery industry in India.

### VISION 2022 FOR THE INDIAN ELECTRIC MACHINERY EQUIPMENT INDUSTRY<sup>11</sup>

To make India a preferred country for the production of electrical equipment. It also aims to achieve a production target of USD 100 Bn by balancing the trade deficit.

Areas of focus include:

- Technology and R&D
- Lowering of customs duties on a range of equipment
- Setting up of the Electrical Equipment Skill Development Council (EESDC)
- Establishment of electrical equipment industry clusters
- Enhancement of product-testing infrastructure in the country
- Provide credit support to economically less-developed export markets.

## FINANCIAL SUPPORT

### STATE INCENTIVES

Apart from the above, each state in India offers additional incentives for industrial projects. Incentives are in areas like subsidized land cost, relaxation in stamp duty, exemption on the sale/lease of land, patent subsidy, power tariff incentives, a concessional rate of interest on loans, investment subsidies/tax incentives, backward areas subsidies, special incentive packages for mega projects, etc.

## **EXPORT INCENTIVES**

Various incentives are provided under Export Promotion Capital Goods scheme, Duty Remission scheme, Focus Product scheme, Special Focus Product scheme, Focus Market scheme.

## **SKILL DEVELOPMENT**

Steps taken for Skill Development, such as setting up of Electrical Equipment Skill Development Council (EESDC), would help to bridge the skill gap required for critical manufacturing. It has a clear objective to enhance exports.<sup>12</sup>

## **AREA-BASED INCENTIVES**

The government approved 15 SEZs for the engineering sector, and electrical machinery is a part of the sector. Further, development of Delhi –Mumbai Industrial sector is expected to provide a big boost to the engineering sector.<sup>12</sup>

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## **INVESTMENT OPPORTUNITIES**

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Generation Equipment: Boilers, Turbines, Generators

Transmission Equipment: Transformers

Distribution Equipment: Switch Gears, Controls

Others: Electrical Motors, Wires and Cables

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## **FOREIGN INVESTORS**

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MHI (Japan)

Hitachi (Japan)

Babcock (UK)

Alstom (France)

Toshiba (Japan)

Ansaldo (Italy)

Colfax Corporation (USA)

Schneider Electric (France)

Legrand (France)

GE (USA)

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