

Outward FDI Investment by India

Overview

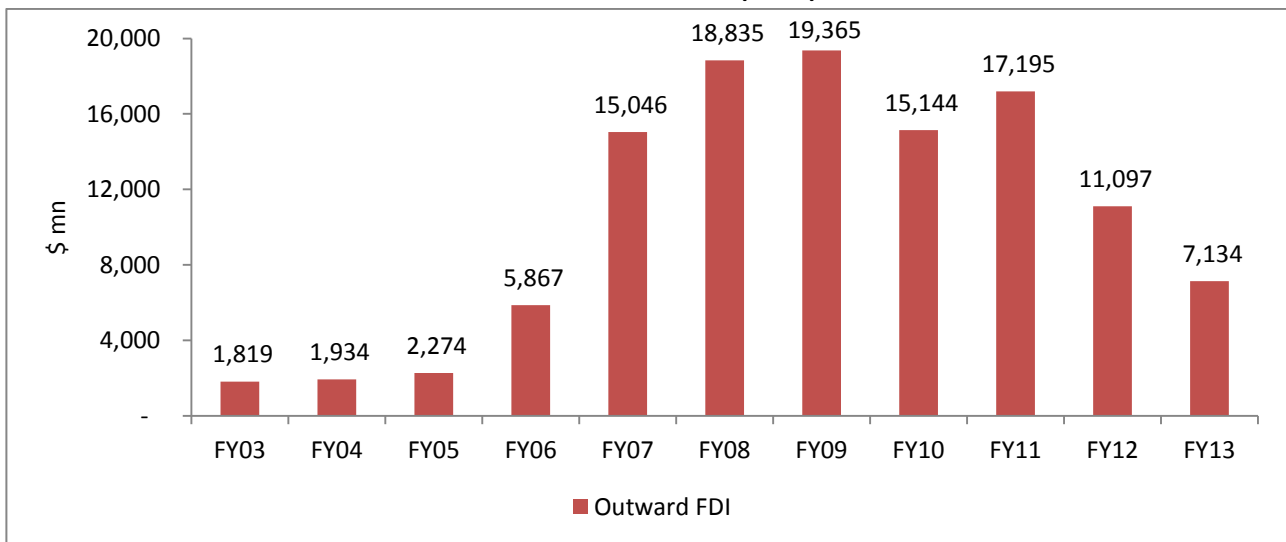
Investments abroad encourage economic co-operation between India and the host countries. They result in transfer of technology and skills, sharing research & development, access to the global market, employment generation and utilization raw materials available in India and other countries. Thus, integration of the Indian economy with the rest of the world is achieved through overseas investment.

Long seen as attractive destinations by foreign capital, India and Indian companies are increasingly looking at expanding their global footprint by investing overseas.

This Report analyses various aspects of foreign direct investment (FDI) made by India abroad. It also provides break up of various activities in which investments were made and which countries attracted these investments.

Outward Investment since FY03

Chart 1: Outward FDI (\$ mn)



Source: RBI

After moderate FDI investment between FY03 and FY04, FDI investments started gradually increasing owing to the relaxations in overseas investment policy post 2004. FDI investment by India picked up significantly in FY07 and peaked in FY09 with investment of \$ 19,365 million abroad.

The gradual increase in outward investments also coincided with the time of financial crisis which first hit in 2007. Also, the overall foreign exchange reserve position provided comfort to progressive relaxation of the capital controls and simplification of the procedures for outbound investments from India. The year FY08 also witnessed appreciation of the currency with average exchange rate at Rs 40.24/\$.

The trend in India's outward FDI was moderately affected in FY10; a rebound was seen in FY11. However, past two years witnessed a decline in these investments from \$ 17,195 million in FY11 to \$ 11,097 million in FY12 to \$ 7,134 million in FY13.

Outward Investment in FY14 so far (April – January) (includes all guarantees given and not just those invoked as in the chart above).

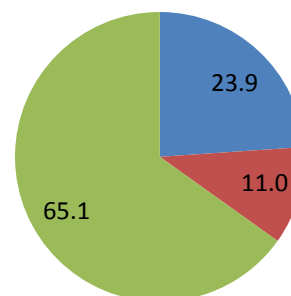
FDI investment is divided into three categories; equity, loans and guarantee issued. Most of the investments are made in the form of guarantee issued followed by equity and lastly in the form of loans. In terms of flow of dollars out of the country equity and debt would be relevant as a very small proportion of guarantees are invoked which necessitate the flow of dollars. Therefore, the outward investment would be around \$ 10.2 bn so far.

Share in Outward FDI

Table 1: Break up of FDI Investment by India

	\$ million	Share in total (%)
Equity	7,007	23.9
Loans	3,208	11.0
Guarantee issued	19,079	65.1
Total investments	29,294	100.0

Source: RBI



■ Equity ■ Loan ■ Guarantee Issued

Total FDI investment made by India between April–January FY14 stood at \$ 29,294 million. Out of the total investment, \$ 19,079 million were guarantee issued, which accounted for 65.1%. Investment in equity and loans stood at \$ 7,007 million and \$ 3,208 million with a share of 23.9% and 11% respectively.

Sector wise Investment in FY14 (April – January)

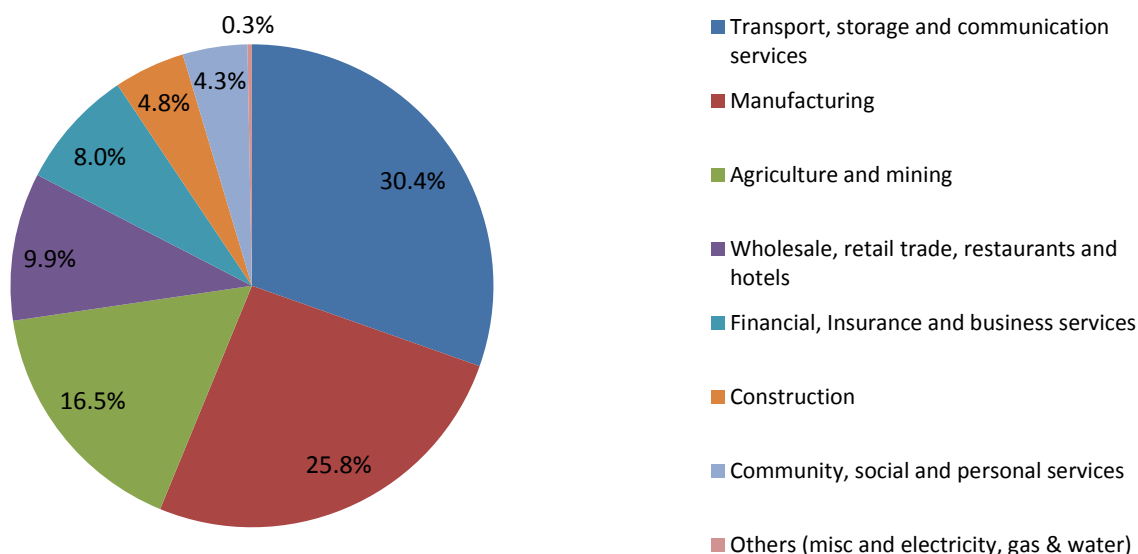
Table 2: Sectoral Distribution of FDI by India

Sector (\$ million)	Equity	Loans	Guarantee Issued	Total
Transport, storage and communication services	327	919	7,659	8,906
Manufacturing	1,512	954	5,094	7,560
Agriculture and mining	3,439	186	1,200	4,826
Wholesale, retail trade, restaurants and hotels	396	221	2,286	2,903
Financial, Insurance and business services	552	709	1,091	2,351
Construction	89	63	1,242	1,394
Community, social and personal services	668	148	452	1,268
Miscellaneous	6	3	47	56
Electricity, gas and water	18	5	9	32
Total	7,007	3,208	19,079	29,294

Source: RBI

- Investment of \$ 8,906 million was made towards Transport, storage & communication services while \$ 7,560 million were invested in activities pertaining to manufacturing.
- Investment made towards agriculture and mining stood at \$ 4,826 million. This is significant as it does indicate that companies are looking outside India to leverage opportunity.
- Activities such as wholesale, retail trade, restaurant and hotels (\$ 2,903 mn), financial, insurance and business services (\$ 2,351 mn), construction (\$ 1,394 mn) and community, social and personal services (\$ 1,298 mn) witnessed investment between \$ 1,000 million - \$ 3,000 million.
- Significantly lower investments were made in electricity, gas and water and miscellaneous activities.

Sectoral Break - up



- Transport, storage & communication services account for 30.4% of the total investments made abroad, while manufacturing activities have a share of 25.8%
- Agriculture and mining activities have a share of 16.5%
- Lower investments are made towards wholesale, retail trade, restaurant and hotels (9.9%), financial, insurance and business services (8%), construction (4.8%) and community, social and personal services (4.3%)

Country wise Investment in FY14 (April – January FY14)

The table below provides details of the top 15 countries (based on share in total) where FDI investments are made by India. The appendix however provides details of all the countries where investments are made.

- Netherlands and Singapore attract most of the investments from India, with a share of 28.8% and 15.2% in total investments respectively.
- British Virgin Islands and Mauritius have a share of 10.3% and 7.0% with an investment of \$ 3,687 million and \$ 3,029 million made in these countries respectively.

- United States of America accounts for 7% of investments amounting to \$ 2,052 million.
- UAE (4.9%), United Kingdom (4.6%) and Switzerland (3.4%) account for less than 5% of investments made.
- India makes lesser investments in countries such as Azerbaijan (2.8%), Cayman Island (1.8%), Hong Kong (1.1%), Cyprus (0.9%), Saudi Arabia (0.9%), Belgium (0.6%) and Oman (0.4%)

Table 3: Country wise FDI Investment by India (\$ million)

Countries	Equity	Loans	Guarantee issued	Total	Share in total (%)
Netherlands	144	1,029	7,254	8,427	28.8
Singapore	566	486	3,402	4,454	15.2
British Virgin Islands	3,101	113	474	3,687	12.6
Mauritius	518	563	1,948	3,029	10.3
United States of America	527	372	1,153	2,052	7.0
United Arab Emirates	97	116	1,233	1,446	4.9
United Kingdom	198	155	1,003	1,356	4.6
Switzerland	240	130	624	994	3.4
Azerbaijan	814	0	0	814	2.8
Cayman Island	83	8	433	523	1.8
Hong Kong	14	19	275	309	1.1
Cyprus	78	16	181	275	0.9
Saudi Arabia	0	0	269	269	0.9
Belgium	6	18	155	180	0.6
Oman	5	0	116	121	0.4
Total	7,007	3,208	19,079	29,294	100.0

Source: RBI

Concluding Remarks

- Most of the investments made abroad are in the form of guarantees issued. Ultimately a very small proportion would be invoked. Hence, the equity and debt components would be relevant from the point of view of outward flow of dollars.
- FY07-FY11 period has been buoyant times for such investment, but there has been a slowdown since then. it decline in FY12 and FY13 and there has been a recovery in FY14.
- Based on sectoral break up, highest investments are made in transport, storage & communication services followed manufacturing activities and agriculture and mining.
- Netherlands and Singapore are the countries which attracts a large amount of investments from India.

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Appendix: Country wise FDI Investment by India (\$ million) (above \$ 25 mn)

Country	Equity	Loan	Guarantee Issued	Total
Netherlands	144	1,029	7,254	8,427
Singapore	566	486	3,402	4,454
British Virgin Islands	3,101	113	474	3,687
Mauritius	518	563	1,948	3,029
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Azerbaijan	814	0	0	814
Cayman Island	83	8	433	523
Hong Kong	14	19	275	309
Cyprus	78	16	181	275
Saudi Arabia	0	0	269	269
Belgium	6	18	155	180
Oman	5	0	116	121
Tunisia	0	0	104	104
Ireland	21	10	72	103
Germany	36	14	40	90
Spain	7	10	63	80
South Korea	74	1	0	75
China	19	14	30	63
Panama	22	5	28	56
Thailand	34	20	1	55
Indonesia	33	6	9	48
Yemen	6	0	42	48
Isle of Man	10	0	35	45
Australia	18	10	16	44
Sri lanka	18	15	8	41
Canada	11	6	18	35
Japan	25	9	0	34
Brazil	23	6	5	34
Italy	17	7	8	32
Russia	31	0	1	32
France	2	3	23	28
Libya	27	0	0	27
Egypt	26	0	0	26
Total	7,007	3,208	19,079	29,294