



INDIA'S PROJECT EXPORTS

REMARKABLE DYNAMICS AND TREMENDOUS POTENTIALITY

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India's Project Exports: Remarkable Dynamics and Tremendous Potentiality

1. Introduction

Project Exports is not only a vital source of foreign exchange for the country but also a reflection of a nation's technological prowess and industrial capability. India has been actively involved in project exports.

Project exports comprises of overseas projects¹ contracted in Civil Construction Projects; Turnkey Projects including engineering, procurement and construction (from concept to commissioning) and essentially includes civil work/construction and all supplies specific to these turnkey projects; Process and Engineering Consultancy services; and Project Construction Items (excluding steel and cement) Construction Engineering Products (Fittings & Fixtures/ Materials), Construction Equipments & Accessories, Other Project Goods.

Project Exports at a Glance (USD Million)

Year	2013-14	2014-15	2015-16	2016-17	2017-18 (Apr - May)
Value of Project Exports	4436.19	5493.04	5014.9	8146.7	801.53
Growth Rate (%)	-	23.82%	-8.70%	62.45%	-

Source: Compiled by PHD Research Bureau; Project Export Promotion Council of India

The volume of project exports witnessed a remarkable and unprecedented jump from USD 5.01 billion in 2015-16 to USD 8.15 billion in 2016-17. In terms of percentage growth, Project Exports showed a significant growth of 62.44% in 2016-17 as compared to 2015-16.

An important aspect of Indian project exports is that it is concentrated in certain pockets of the world and there is need to increase its geographical spread. Despite this, Indian project exporters have executed a variety of projects in diverse sectors.

¹ Project Exports Promotion Council of India, Ministry of Commerce and Industry, Government of India



The main markets for the Indian process and construction engineering contractors and consultants are Asia, SAARC, Middle East, Africa, Russia, CIS, Europe, and Latin America. Most of the projects preferred by the Indian companies have been those funded by the multilateral funding agencies, i.e. World Bank, Asian Development Bank, African Development Bank among others.

The projects secured by Indian companies covered a range of works related to all kinds of civil engineering and industrial activities, such as dams, hydroelectric and thermal power plants, industrial plants, utility buildings, large scale oil and natural gas pipelines, petrochemical refineries and complexes, motorways, tunnels and bridges, seaports and airports, large-scale housing projects, high-rise and prestige buildings, hotels and tourist resorts etc.

Various Project Export Categories by India at a glance

Project Export Category	Development Sectors	Sub-sectors
Construction Engineering Projects	Agriculture & Natural Resources	Fisheries, Industrial crops & Agro Industries, Irrigation and rural development
	Energy	Electric, Natural Gas and Oil, Thermal and others
	Social Infrastructure	Education, Health & Population, Urban Development & Housing, Water Supply & Sanitation
	Transport & Communication	Roads & road Transport, Ports and Shipping, Railways
	Environment	
	Industry	
	Multi-sector	
	Consultancy	
Turnkey/ Engineering Projects	Metals & Minerals	
	Food & Agro Processing	
	Energy	
	Industry-Chemicals/Petrochemicals-fuels, fertilizers, drugs/pharmaceuticals etc.	
	Textiles	
	Transport & Telecommunications	



	Miscellaneous
	Consultancy

2. Issues and Challenges

Project exports from India have displayed a satisfactory performance, in terms of cost effectiveness, application of technical expertise and timely delivery of quality products and services. However, due to some longstanding issues the area faces major challenges in touching its true potential.

- **Competition from China:** Middle East has been the primary market for Indian project exports, with a share of 75 - 85% to the total project exports basket. However, in the recent years, the demand has fallen due to falling oil prices, security issues and civil unrest in the Middle East. Therefore, India has to shift towards the second-best prospects like South Asian Association for Regional Cooperation (SAARC) and Cambodia, Laos, Myanmar and Vietnam (CLMV) regions.

However, incentives for exports to South Asian Association for Regional Cooperation (SAARC) under Merchandize Export from India Scheme (MEIS) are zero. This scheme needs to be revised for project exports and co-ordinated support from different government departments could be provided to counter the Chinese competition in these markets.

- **Stringent Non-Tariff Barriers:** Various non-tariff barriers such as high visa fees and non-issuance of multi-entry visa for longer periods to project implementation and commissioning professionals have been the major impediments in areas like EU, Africa among others. Unlike export of commodities, project exports have a longer execution and realization period. Therefore, it is imperative to have multi-entry visa for personnel employed by Indian project exporters.
- **Convolutd procedural and documentation factors:** Engineering procurement and construction (EPC) contractors undertake turnkey jobs, and project exports are a combination of goods and services. Therefore, analyzing the projects in executing turnkey contracts is generally not



possible since the value of the contract is on a lump sum basis. Hence, under project exports, there is a need to consider giving incentives based on both supply of goods and services.

3. Growth prospects and opportunities

Project Exports from India holds tremendous potential on the back of highly effective and efficient technological capabilities and human capital. Indian expertise in petrochemicals, water, power, cement, paper, transport, agro-industries, civil and construction works and management offers a big opportunity in terms of project exports, especially in regions like Africa and Middle East.

Further, the West and Central Asian markets offer immense scope for projects exports including execution and management of civil and construction related works. These regions include countries like Malaysia, Thailand, Indonesia, Afghanistan, Armenia, Azerbaijan and Bahrain. India should also eye for Multilateral funded projects such as UN, World Bank, ADB among others in countries like Vietnam, Laos, Cambodia, and African region among others.

4. Conclusions and Suggestions

- It is highly imperative to streamline the operational guidelines for project exports in various countries. For example, Africa issues multi entry visas, but it is only for 3 months. Given the huge potential for Indian project exports in Africa, we need to consider the possibility of including award of visa for workmen and officials of Indian contractor executing the projects on priority basis in the agreement for Lines of Credit signed with foreign governments.
- Since it is not always possible to segregate products and services in an Engineering Procurement and Construction contract, it is very difficult for a project exporter to claim Services Export from India Scheme (SEIS) benefits and they often relinquish the incentives instead of investing time and resources in the process of claim. Project exports being a separate category by itself, separate scheme needs to be devised for it.



- In this highly globalized world, it is essential that prospects of project exports should also be considered while negotiating Free trade agreements and Regional Trading agreements with other countries and such negotiations should also help in greater ease in movement of natural persons to execute India's projects abroad.
- There is need to enhance project exports to African region through rupee trade. African countries offer abundant natural resources, viz. oil, gas, coal, minerals and agro products like pulses, which are greatly required by India. During 2015-16, 37 contracts amounting to INR 66.1 billion covering 17 countries in Africa were secured by Indian exporters.

In turn, they have huge requirement for infrastructure projects viz. road, railways, port development, power, mass housing and hospitals. Payment in terms of rupee should be focused upon through designated Indian Banks and further export benefits should be garnered to Indian companies for undertaking such project exports.

- There is a need to prioritize and finance strategic infrastructure projects that provide visibility and long-term sustainability for financing and projects that provide positive externality for Indian business and encourage other countries to set-up some multimodal projects that would integrate and develop the entire region. There is a need to leverage Indian assistance and also co-finance infrastructure projects in developing and under-developed countries with other international funding agencies.
- In case project exports are declared by the company in the shipping bill, then the bill is considered as "free shipping bill" in the absence of specific HS code and the export is not qualified for any incentives. A code needs to be given for punching before filing a shipping bill which would enable the system to identify that this particular shipment is being made for project exports. Once this facility is available to project exporters, they would be encouraged to use more Indian goods in overseas projects as the incentives would be available.



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B: State profiles

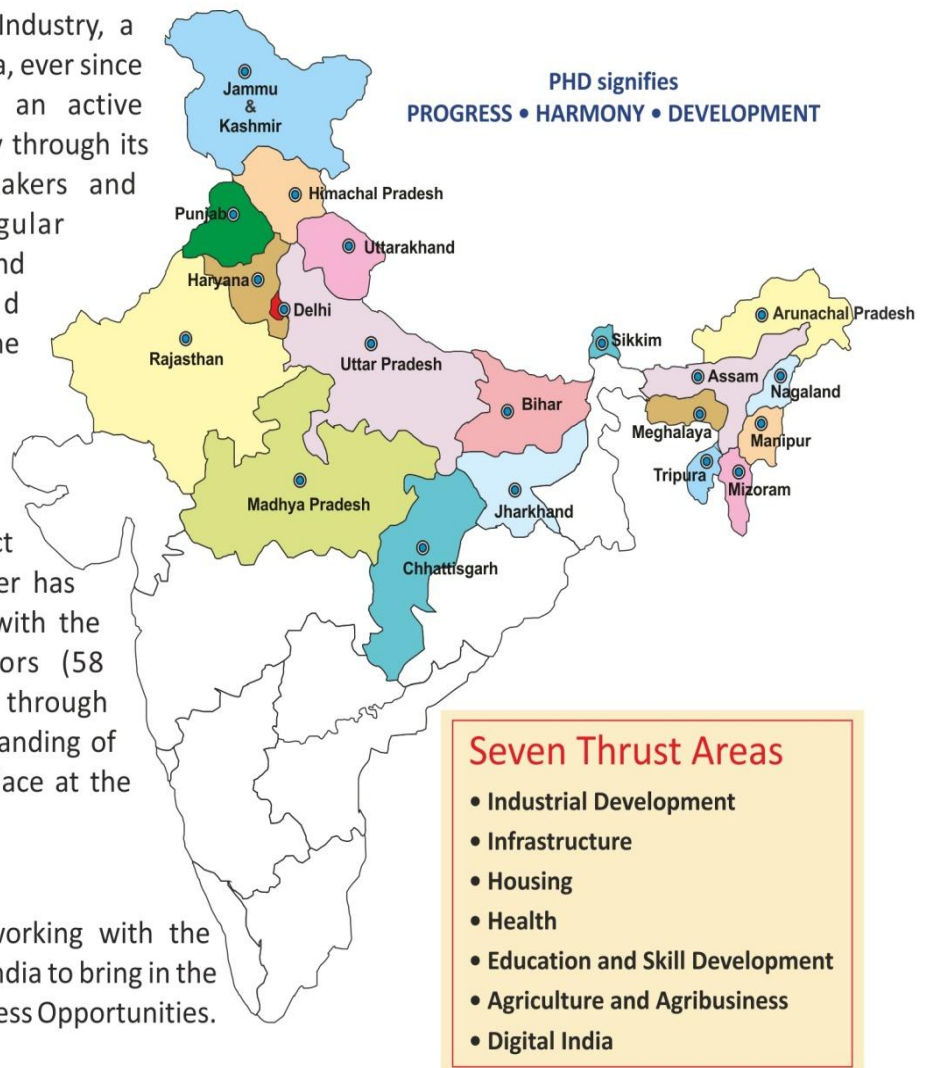
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