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PRIVATE CORPORATE INVESTMENT IN GUJARAT:
THE PICTURE FOR 1980
AND FORECAST FOR 1981

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PRIVATE CORPORATE INVESTMENT IN GUJARAT

THE PICTURE FOR 1980 AND FORECAST FOR 1981.

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In this paper, an attempt is made to forecast the growth in private corporate investment in Gujarat in 1981. The term 'Corporate Investment' covers gross capital expenditures of all companies in the private and joint sectors. The study also provides a picture of the level and composition of corporate investment in Gujarat in 1980.

FORECASTING TECHNIQUE

The methodology used in this paper to forecast corporate investment in Gujarat is similar to the one adopted by us to forecast corporate investment for the economy as a whole.¹ In developed countries, it is a common practice to forecast investment through the use of anticipatory data. Such anticipatory data are collected primarily through surveys of investment intentions. In this paper, the data available with the term lending institutions on the phasing of capital expenditures of project sanctioned by them are used for the purpose of forecasting. The details of the technique followed have been explained in some of the earlier writings. When a company approaches the term lending institutions for obtaining

financial assistance, it is required to submit to the lending institution not only the total cost of the project but also the capital expenditures (project as well as normal) to be incurred by the company in the various years. These information form part of the cash flow statements attached to the proposal. By aggregating the information available on the phasing of capital expenditures of projects sanctioned in all the previous years, it should be possible to forecast capital expenditure for any year. The scope of the study is strictly restricted to the enterprises which have taken assistance from the term lending institutions. Nevertheless, since most of the companies come to the financial institutions for assistance this estimate can be regarded as a reliable reflection of the behaviour of the corporate sector. While the all India study took into account all the projects sanctioned by the national level term lending institutions, in the present study only those projects located in Gujarat which have been approved by these institutions have been included. It is felt that an analysis of the capital expenditure pattern of these projects should provide a reasonably reliable picture of the level and composition of corporate investment in Gujarat. There are obviously a number of limitations to this model of forecasting. These have been analysed at great length in the earlier writings relating to the all India forecast on corporate investment.

In order to get a complete picture of investment made by private sector and joint sector companies, it is not enough to look at the proposals approved by the all India term lending institutions alone. Particularly in a state like Gujarat a large number of private limited companies obtain assistance from the state level term lending institutions and banks. We have therefore supplemented the data available on the phasing of capital expenditures of projects approved by the all India term lending institutions with the data available on the projects approved by the state level institutions. For this purpose we have looked at the total cost of projects refinanced by IDBI in a given year. This appeared to be a simpler way of finding out the total cost of projects sanctioned by the state level term lending institutions than going to each of the state level institutions and obtaining the data. However, one difficulty in this context must be noted. Since most of the projects approved by the state level institutions are comparatively of a small size, it is easier to get the total cost of a project than its phasing over time. We have therefore allocated the total cost of a project between the year of sanction and the following year by looking at the data of completion of the project. In Table 1 we have provided data on the capital expenditures to be incurred in 1980, 1981 and 1982 on all the projects in Gujarat approved and sanctioned in 1978, 1979 and 1980 by the all India

term lending institutions. In Table 2, the total cost of projects refinanced by IDBI in 1978, 1979 and 1980 are given.

PICTURE FOR 1980

Before we make a forecast for 1981, it is desirable to take a brief look at what our data show regarding 1980. From Table 1 it can be seen that the total capital expenditures that would have been incurred in 1980 would amount to approximately to Rs.175 crores. Of this Rs.16 crores come out of projects sanctioned in 1978, Rs.117 crores out of projects sanctioned in 1979 and Rs.42 crores out of those sanctioned in 1980. Further, from Table 2 it can be seen that in 1980 the capital expenditures on projects refinanced by IDBI would be Rs.44 crores. Of this Rs.17.3 crores would come out of projects refinanced in 1979 and Rs.27.0 crores out of projects refinanced in 1980. Thus taking the projects approved by the term lending institutions at the all India level and at the state level the total capital expenditures that would have been incurred in 1980 in Gujarat by the private corporate sector would amount to Rs.219 crores.

The all India study indicated that the total capital expenditures for the country in 1980 based on the projects sanctioned by the all India term lending institutions would amount to Rs.1400 crores. The present study indicates that capital expenditures in Gujarat would amount to 14 per cent of the total. This must be considered a satisfactory record.

We have provided in Table 3 the industrywise distribution of capital expenditures for 1980 in Gujarat. Chemicals and Petrochemicals projects including Fertilizers have the largest share in the total capital expenditures. They account for 52 per cent of the total. 'Textiles' comes next with 33 per cent of the total capital expenditures. It may be noted that bulk of the expenditures under textiles are being made out of projects sanctioned under the soft loan scheme.

We have provided in Tables 4 and 5 the total cost and the phasing of capital expenditures of projects in Gujarat sanctioned by all India term lending institutions in 1979 and 1980. These Tables provide valuable information regarding where new investment is being made. The total number of projects sanctioned in 1979 by the all India term lending institutions were 29. The total cost of these projects amounted to Rs.241 crores. But out of this, one large fertilizer project accounted for Rs.175 crores. In 1980 the total number of projects approved came to 46 but the total cost amounted only to Rs.107 crores. Of this, Rs.80 crores are to be spent in Textiles. 'Metals and Metal Products' have shown for the first time some noticeable investment. Thus while the bulk of the new investment in 1979 was accounted for by Chemicals, Petro-chemicals and Fertilizers, in 1980 nearly 75 per cent of the total was accounted for by Textiles. The analysis

of projects approved in both years indicates that engineering industries have played a very limited role in the total industrial structures.

FORECAST FOR 1981

What do Tables 1 and 2 taken together tell us about Corporate investment in Gujarat in 1981 ? Based on the projects sanctioned until the end of 1980, the total expenditure in 1981 will be Rs. 179 crores. This will be composed of Rs. 160 crores to come out of projects sanctioned by the all India lending institutions and the balance by the state level institutions. To this we must add also the expenditures that will come out of projects to be sanctioned in 1981 itself. In 1980 the total capital expenditures incurred in that year out of projects sanctioned in that very year came to Rs. 69 crores. Thus even on a conserving basis, one can expect the corporate investment in 1981 in Gujarat to be around Rs. 236 crores which will mean a rise of 5 per cent over the level in 1980. If on the other hand the new projects to be initiated in 1981 reach a level achieved in some of the previous years, the rise in corporate investment can be as high as 13 per cent. We do not have yet adequate information on the number and cost of projects which will be initiated and approved in 1981. In fact, unless advanced action is taken to initiate a fairly large number of medium size projects in 1981, the picture for 1982 may not be all that bright.

NOTES

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¹ For the forecast at all India level for recent years see :

- C. Rangarajan "Corporate Investment in 1979: A Forecast"
Economic and Political Weekly, March 10, 1979.
- "Corporate Investment in 1980: A Forecast"
Economic and Political Weekly, February, 1980.
- "Corporate Investment in 1981: A Forecast"
Economic and Political Weekly, February 28, 1981.

TABLE 1

PHASING OF CAPITAL EXPENDITURE OF PROJECTS SANCTIONED
BY ALL INDIA TERM LENDING INSTITUTIONS IN GUJARAT.

(Rs. in lakhs)

Year of sanction	Expenditure to be incurred in			
	1979	1980	1981	1982
1978	3401.65	1629.90	530.00	446.00
1979	2028.19	11697.00	10516.50	204.50
1980	677.00	4169.87	4876.08	1341.50
TOTAL		17496.77	15922.58	1992.00

TABLE 2

PHASING OF CAPITAL EXPENDITURES OF PROJECTS
IN GUJARAT REFINANCED BY IDBI.

(Rs. in lakhs)

Year of Refinance	Expenditure to be incurred in		
	1979	1980	1981
1979	1190	1728	
1980		2700	1885
TOTAL		<u>4428</u>	<u>1885</u>

TABLE 3

INDUSTRYWISE CAPITAL EXPENDITURE IN GUJARAT FOR 1980

		(Rs. in lakhs)
Sr.No.	Industry	1980
1.	Chemicals & Petrochemicals (including Fertilizers)	11323.00 (51.5)
2.	Electrical	343 (1.6)
3.	Engineering	980 (4.4)
4.	Minerals & Metals	551 (2.5)
5.	Paper	376 (1.7)
6.	Textiles	7259 (33.0)
7.	Cement	182 (0.8)
8.	Miscellaneous	991 (4.5)
TOTAL		22005

Note: Figures in bracket are percentages of total.

TABLE 4
INDUSTRYWISE TOTAL CAPITAL COST AND PHASING OF CAPITAL EXPENDITURE ON PROJECTS IN GUJARAT SANCTIONED BY
ICICI, IDBI AND IFCI DURING 1979.

Industry	(Rs. in lakhs)							Completion The The The Four or more years			
	Total project cost	1978	1979	1980	1981	1982 and onwards	Number of projects				
Chemicals & Petro-chemicals	2299 (9.55)	-	138	612	838	711	3	-	-	2	1
Fertilizer & Pesticides	17500 (72.68)	-	-	8750	8750	-	1	-	-	1	-
Machinery Manufacture	455 (1.89)	-	22	433	-	-	1	-	-	1	-
Metals & Metals Products	12.50 (0.054)	-	12.50	-	-	-	1	1	-	-	-
Paper & Paper Products	105.0 (0.44)	-	51	54	-	-	1	-	-	1	-
Textile	3708.19 (15.39)	90	1449.19	1630.0	494	45	22	8	6	7	1
TOTAL	24079.69	90	1672.19	11479	10082	756	29	9	8	10	2

TABLE 5

INDUSTRYWISE TOTAL CAPITAL COST AND PHASING OF CAPITAL EXPENDITURES ON PROJECTS IN GUJARAT
 SANCTIONED BY ICICI, IDBI AND IFCI DURING THE YEAR 1980.

S. No.	Industry	Total project cost	Y E A R S				1982 and onwards	Number of projects	Completion expected in	
			1979	1980	1981	1982 and onwards			the same year	the next year after
.	Chemicals & Petro-chemicals	625	268	172	185	-	3	1	2	-
		(5.84)								
.	Metals & Metal Products	1237	-	60	877	300	5	2	1	2
		(11.55)								
.	Textile	7957.96	349	3402.37	3243.37	963	33	11	12	10
		(74.33)								
.	Paper & Paper Products	510.00	-	272	238	-	1	-	1	-
		(4.76)								
.	Miscellaneous	376.0	-	175	201	-	2	-	-	2
		(3.52)								
	TOTAL	10705.95	617	4081.37	4744.58	1263	44	14	16	14