

The Engineering Sector in India

The engineering sector is the largest of the industrial sectors in India and can be broadly categorized into two parts, namely heavy engineering and light engineering. India's engineering industry accounts for 27% of the total factories in the industrial sector and represents 63% of the overall foreign collaborations. It has emerged as the largest contributor to the country's total merchandise exports.

India's engineering sector is divided into two major segments – heavy engineering and light engineering. The turnover of capital goods industry in India is expected to grow to Rs 8.05 lakh crore (US\$ 115.17 billion) by 2025.

Comparative advantage vis-a-vis peers in terms of manufacturing cost, market knowledge, technology and creativity has been the driving force behind engineering export from India. Engineering export reached US\$ 76.26 billion in FY20 and US\$ 2.31 billion in FY21 (till April 2020). Index of industrial production (IIP) for electrical equipment industry stood at 105.5 in FY20.

The Government has also announced to invest Rs 100 lakh crore (US\$ 1.5 trillion) in infrastructure over the next five years.

Companies engaged in the engineering sector are virtually on a roll. Capacity creation in sectors like infrastructure, power, mining, oil & gas, refinery, steel, automotive, and consumer durables have been driving the demand in the engineering sector. Separately, the approval of significant number of Special Economic Zones (SEZs) across the country and the development of the Delhi-Mumbai Industrial Corridor (DMIC) across seven states is expected to further bolster the engineering sector.

The Government has proposed granting of loans up to Rs 1 crore (US\$ 0.15 million) for MSMEs within 59 minutes through a committed online portal. Under the Interest Subvention Scheme for MSMEs, Rs 350 crore (US\$ 52.50 million) was allocated for FY20.

With 100 per cent Foreign Direct Investment (FDI) allowed through the automatic route and initiatives like Make in India, major international players have entered the Indian engineering sector due to significant growth opportunities available. FDI inflow in India's miscellaneous mechanical and engineering industries stood at around US\$ 3.64 billion during April 2000 to March 2020 according to the data released by Department for Promotion of Industry and Internal Trade (DPIIT).