

4. The Competition

The Indian industry's capabilities¹

India has developed a broad domestic heavy electrical industry which supplies at least 85 per cent of procurement. Indian manufacturers have obtained licenses from most of the world's major companies in the sector. ABB, GEC-Alsthom and Siemens have a long and firmly established manufacturing presence in India, and GE has moved in strongly in recent years. GE Canada has an arrangement with BHEL to build large Francis turbines.

Nuclear, thermal and hydroelectric generators, turbines, switchyards, coal and ash handling equipment, electro-static precipitators etc. are all made in India, and in fact many items are exported. Indian engineering groups have considerable experience in turnkey projects, from site selection and system design to erection, commissioning and manpower training, and are now exporting this expertise throughout Asia and Africa. In general, however, Indian electrical products tend to be "standard"; equipment of higher ratings, and incorporating the latest technology, is often not available locally. Delivery times, too, may be inadequate — up to 18 months.

¹ The following discussion of India's industrial capabilities and import requirements, and the selection of HS Code lines of prime interest, is based on a series of U.S.-commissioned studies in 1993, carried in the U.S. National Trade Data Bank. The trade figures have, however, been updated to 1995 for the present paper, using Indian government sources.

Box 4.1:

Indian giants in the power industry

India's first 500 MW thermal station, commissioned in 1984 at Trombay (near Bombay), was built for Tata Electric, a private utility, by Tata Consulting Engineers, who claimed at the time to have engineered 35% of India's installed thermal capacity. Bharat Heavy Electricals Limited (BHEL) made and supplied the generating equipment, with the import of drums, mills, and control systems through a partnership with Combustion Engineering (USA).

BHEL is a state-owned company. It has dominated the Indian market for standard boilers and turbines, where it is said to enjoy a 25% price advantage over imports. It can produce 7,000 MW of power generating equipment annually, and has supplied two-thirds of India's installed plant. It has built thermal equipment to 500 MW, hydro equipment to 165 MW and combined-cycle gas turbines to 200 MW, and is now developing 1000 MW thermal and 250 MW hydro sets.

As private power entrepreneurs begin to outweigh traditional customers among the SEBs and the NTPC, India's big manufacturers fear their orders will drop, because of the innovative financing that foreign competitors can offer. BHEL and Tata are reported to be forming a consortium with Larsen and Toubro Ltd., Engineering India Ltd. and the Industrial Credit and Investment Corporation of India (ICICI), to go after turnkey contracts, equipment supply, construction and consultancy work on IPPs — starting with the "fast track" projects. With ICICI's financial backing, the consortium expects to offer stiff competition to foreign suppliers.

