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THE CASE OF INDIA'S OVERSEAS INVESTMENT: WHAT DRIVES INDIAN FIRMS TO GO ABROAD?

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Abstract: *The internationalisation patterns of multinational firms originating from the Asian economies have gained momentum in the recent past. The significant overseas acquisitions, merger and investment in green field projects from emerging nations like China and India have attracted academic interest. This study aims to analyse the trend of India's outward FDI both geographically and sector wise. The study examines various motives driving India's outward FDI in varied sectors based on the existing academic literature on the topic and recent statistics. The study suggests that manufacturing has been the key sector fuelling overseas investments for over a decade. The present trend suggest that the asset-seeking motive is largely driving Indian firms to invest in overseas manufacturing sector to promote long term strategic objective and to benefit from the lucrative pricing of the target firm.*

Keywords: *Internationalisation, Multinational firm, Asia, India, OFDI, FDI.*

1. INTRODUCTION

Internationalization is a process of increasing cross border international operations (Welch and Luostarinen 1988) which encourages the integration of the global economies through outward FDI (OFDI) and inward FDI (FDI). The OFDI from emerging economies have increased from 10 percent in 2000 to 40 percent in 2013 (UNCTAD 2014). Internationalisation of Asian firms has gained focus in the recent past (Hitt *et al.* 2006; Kumar and Singh 2008; Athreye and Kapur 2009; Bhasin and Paul 2016) on account of high OFDI from developing countries. India which ranks top on the chart as an attractive FDI destination is in limelight because of its ever growing overseas investments. Earlier the Indian firms had their global presence through exports but during the last decade several firms have globalised their operations with physical presence in foreign countries. Out of the top 100 MNCs from developing countries, 65 are from India and Mainland China with the potential to become global leaders (Boston

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Consulting Group 2006). Ever since liberalisation in 1991, the liberal OFDI policies have considerably fuelled internationalisation of Indian firms (Pradhan 2010) making India the second fastest growing economy in the world (Paul and Mas 2016). In 2014, the outward FDI stock as a share of annual GDP was 6.3 percent for India and 7 percent for China. The corresponding value for developing economy was 16 percent *vis-a-vis* 45.20 percent for developed economy (UNCTAD 2015). The two countries individual contributions are not quite huge but the fast paced outward orientation of both the inward looking economies attracts global attention.

The rest of the paper is organised as follows: The second section outlines the main Foreign Direct Investment theories and motivations. Third section reviews various studies that provide evidences on overseas investments by the Indian firms. Fourth section briefly sketches the recent trends of India's outward FDI and the fifth section concludes.

2. REVIEW OF FOREIGN DIRECT INVESTMENT THEORIES

There are several theories that explain the drivers of OFDI. Among the traditional ones are the eclectic theory of FDI by Dunning (2000) that explains the OLI (Ownership, location and internalization) framework as the rationale of overseas investment by the multinational enterprises (MNEs) both in developed and developing economies. OLI paradigm immensely contribute to the OFDI decisions by focusing on ownership to exploit monopoly powers over advantages, choice of location and the approach to safeguard monopolistic advantages from predators. The firm faces several disadvantages in the international market on the account of transaction cost, lack of local knowledge, cultural barriers, lack of distribution networks etc but still prefers to operate to leverage ownership advantages in terms of accessing natural resources, acceptance to the brand, intellectual property and certain other core competencies. Locational advantages arise on account of political, economic and social parameters. Political parameters include the country's judicial mechanism, political risk, labour laws and ease of doing business etc.

On the economic front size of the market, growth rate, infrastructure, competitive cost structures etc are important considerations whereas the firms benefit from the similarities in culture, conduction of business, social structure, etc on the social front. The firms operate in the foreign country either through marketing alliances, acquisitions or green field endeavour. The firms internalise to avoid high cost of external transactions provided the markets offer favourable regulatory power (Subramanian *et al.* 2010). Dunning (2000) further explains different motives for the firms to internationalise *i.e.*, market seeking, resource seeking, efficiency seeking and asset seeking. He suggested that market seeking and resource seeking motives are the most sought after by novice firms in the foreign market whereas veteran MNEs aligns more to efficiency seeking and asset seeking motives. He also suggests that firms seeks opportunity rather than threat to internationalise by acquiring strategic assets like latest technology, distribution network, brands and raw materials (Arthaye and Kapur 2009).

The Investment development paradigm (IDP) proposes that countries undergo five stages of economic development based on the inward and outward investment pattern which is sequentially based on Dunning OLI paradigm (Dunning and Narula 1998). Stage 1 and 2 draws resource seeking inward FDI whereas stage 3 witnesses decline in inward FDI but rise in OFDI due to certain level of acquired technological capabilities by the domestic firms to compete globally. The OFDI further accelerates in stage 4 and while catching up pace with inward FDI the net FDI almost nullifies in stage 5. The speedy economic development of the newly industrialised economies seems to have altered the unique IDP theory, for instance Korea that did not experience stage 1 and 2 rather directly ventured overseas by accumulating its own technological capabilities through preferential industrial policies by the country (Dunning 2006; Lee and Slater 2013).

Hymer theory assumes that MNE is a creator of market imperfections. Hymer argues that when the market imperfections and institutional factors prohibit firms from exporting goods or licensing the advantages they own to foreign entities, they resort to overseas investment to exploit their monopoly powers by creating two separate markets and eliminating competition (Dunning and Rugman 1985). Hymer's market imperfections arise out of scale economies, distribution networks, knowledge advantages, product diversification and credit advantages. The Hymer-Kindleberger-Caves industrial theory proposes that the outward investing monopolistic firms are both rent seeking and efficiency seeking (Teece 1985; Rugman 1980). Aliber proposed an alternative theory of FDI on the basis of the relative strength of various currencies. He proposed that the investing country takes advantage of the differences in market capitalisation by investing in countries with relatively weaker currencies (Nayak *et al.* 2014). The theory suggests that the firms' overseas investments facilitate asset holding in different currencies along with the advantage of structural and transactional imperfections in international capital and foreign exchange markets.

According to the Verner's location theory firms' overseas investments are driven by the choice to acquire low cost resources (Subramanian *et al.* 2010). Stevens and Lipsey (1992) suggest that the diminishing domestic investment opportunities forces firms to invest overseas which potentially decreases the domestic output. On the contrary, the study by Desai *et al.* (2005) argues that OFDI is capable of complementing domestic production when the home produced inputs are used to produce final products in the host country and accelerates country's growth.

The overseas investment in developed and developing nations is also linked to Regional Integration agreements (RIA) and is significant locational determinants of

FDI (Nayak, *et al.* 2014). Several developing nations from Asia and Africa are members of different RIAs resulting in overseas investment to exploit the intangible assets of firms more efficiently (Salike 2010; Jaumotte 2004).

There are several reasons that support the OFDI and internationalisation drive of the firms. Immediate geographic region with familiar regional market is cited as one of the key reason for South African overseas investment with neighbouring countries. Besides this the investment motives, home government policies, historical connections and taxation benefits also drives overseas investments. The efficiency seeking MNEs from the Republic of Korea are targeting East and South East Asia whereas China is targeting African countries with natural resources to invest in extractive industries. The liberal internationalisation policies of neighbouring Asian countries are attracting Singapore's overseas investments. The overseas investment by Indian manufacturing, pharmaceutical and IT firms are also driven by government's liberal policy initiatives (Pradhan 2004). Historical connections, such as diasporas also influence the location of investments, which is reflected by the India's outward FDI intensity with countries such as Kenya, Gabon, United Arab Emirates, UK and US. In 2014, Netherlands, Singapore and Mauritius attracted 26 percent, 14 percent and 12 percent overseas investment respectively by Indian firms on account of higher tax benefits. India's overseas investment in UK has gone up by 65 percent in 2015, the third largest investor in the country (World Investment Report 2014) owing to ownership advantages like identification of market opportunities and the distinct entrepreneurial talent that includes managerial efficiency of the Indian firms (Balasubramanyam and Forsans 2014; Pradhan 2004).

3. OVERSEAS INVESTMENTS BY INDIAN FIRMS-EVIDENCES FROM VARIOUS STUDIES

Globalisation is a two way process that integrates a country to another not only through FDI inflow but also through FDI outflow. Globalisation facilitates export from one nation to another which gradually translates in accessing the foreign market for overseas business operations and leverage the reduction in production and transaction cost along with certain ownership advantages. It has been a growth strategy of several firms to globalise and orientate themselves internationally (Paul and Gupta, 2013). The Indian economic liberalisation in the past two decades has significantly impacted the overseas investment with surge in cross border mergers, acquisitions and joint ventures especially in developed countries like US, UK, Canada etc. (Table 1).

Table 1
Cross-border Merger and Acquisition purchases by Indian Firms (2001-2014)

2001	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*
61	43	51	80	74	144	185	203	317	189	N/A	N/A	109	119

Source: Compiled from Balasubramanyam and Forsans 2014 and E and Y Transactions Annual Report, 2015

Outward FDI in a way help domestic firms to explore better global networks, markets, technology, skills, and resources and to promote the brand image. Indian overseas investments as per Dunning (2000) motivations aim at seeking resources, assets, market and efficiency. The resource seeking motivation has led Indian firms to recently acquired energy resources in Indonesia, Africa and Australia (Khan 2012). Oil and Natural Gas Corporation (ONGC), Gail and Suzlon have substantially invested abroad in acquiring oil related equity to access the essential raw materials for the firms' growth. Hindalco has acquired copper mines in Australia and Novelis Inc. in US to form the world's largest aluminium rolling company (Hattari *et al.* 2010)

The survey conducted by UNCTAD (2006) reports that the majority of MNEs from India and China invest abroad with the market seeking and technology seeking motive. The study by (Chakrabarti 2001) indicates that Indian firms seek large international markets to exploit the ownership of well established brands, marketing skills and overseas distribution network. Several Indian MNEs like Real Value housing, Essar communications acquired firms in Kenya and Africa respectively with the market seeking motives (Buckley 2015.) The Indian pharmaceutical firms are seeking new unregulated markets for their generic drugs and are willing to acquire facilities that already have regulatory clearance in regulated markets such as the USA and Western Europe. Technology and proximity to potential clients are the motives driving overseas investments by the Indian IT firms. There are instances when technology is considered to fetch good returns by acquiring brands and distribution networks like Lenovo's acquisition of IBM assets in the US and Tata Motors acquisition of Jaguar in UK. Market seeking investments by the Indian firms are also the result of growing foreign competition in the domestic market. The deregulation in the banking sector owing to the growing domestic and international competition has motivated the State Bank of India (SBI) to venture into Mauritius, Indonesia and Kenya. The hospitality industry (Tata Group of Hotels) and the education industry (National Institute for Information Technology) have ventured overseas seeking large markets (Hattari *et al.* 2010).

Efficiency seeking overseas investments drives Indian steel giants to exploit economies of scale and scope (Athreya and Kapur 2009) .Trade liberalisation has paved way for creating regional distribution networks and the IT firms like Tata Consultancy Services (TCS) and Infosys are heading for China to set up their global sourcing base. Tata Motors acquired Korea based Daewoo Heavy Vehicles in 2005 to streamline its regional distribution network with small and medium sized vehicles manufactured in India and heavy trucks in Korea (Kumar 2006).

Strategic asset seeking motivation is one of the prime motives of the emerging nations OFDI to catch up with the incumbent global leaders (Meyer 2015; Dunning and Lundan 2008; Sauvant *et al.* 2010 and Pradhan and Singh 2009). Strategic intent of the firm focuses on long term global strategy instead of short term strategic planning (Hamel and Prahalad 1989). The strategic assets seeking investment focuses on firms ownership advantages for long term domestic and overseas growth instead of exploiting its existing ownership advantage (Cui *et al.* 2014). Dunning (2000) believes that the asset seeking investment benefits the firm by fading the competitors' position in the market instead of strengthening its own. The MNEs from emerging countries acquire assets in developed nations to overcome the imbalance between firms existing and the required assets (Moon and Roehl 2001; Gupta and Ross 2001).The access to foreign market, knowledge and technology are driving acquisitions from emerging countries like India. The acquisition of Cambridge based biotechnology firm, Dowpharma by Dr. Reddy Laboratories Ltd and Phonix Global solutions by Tata Consultancy are driven strategic asset seeking motive of the Indian firms (Buckley 2015). Mergers and acquisitions (M and A) are considered to be more resourceful and economical source of technology than licensing agreements.

The entry of Indian firms in foreign market is primarily based on acquisitions especially in the developed economies like US and UK (Balasubramanyam and Forsans,2014; Forsans and Balasubramanyam, 2010; Rasiah *et al.* 2010). Pradhan (2010) also cited MandA as a strategic tool for Indian Pharmaceutical firms to face global competition and acquire product patent regime for product development. Over 2000-2009, 114 out of the total 139 acquisitions by the Indian pharmaceutical firms were in developed countries which strategically aims to acquire superior and advance technological asset to facilitate domestic exports and to access new market (Pradhan 2010). In 2014, Indian pharmaceutical companies materialised 17 outbound acquisition deals valuing $210 million in the pursuit of technology, manufacturing capabilities, brands and potential customer reach in US, Europe, Mexico, Yemen and Sri Lanka (EandY 2015). Cross–border acquisitions facilitate expansion of firms into new and related markets by leveraging their current capabilities (Rani *et al.* 2015). Several studies (De Beule 2010; Athreye and Kapur 2009; Pradhan ,2010;2011) acknowledge the strategic asset seeking motivation besides the firm- specific objectives as a driving force behind Indian firms acquiring overseas strategic assets such as technology and well-known brands. Hence compared to the market-seeking motivation in 1980's presently it is the asset seeking motivation driving the cross-border acquisitions (Kumar 2008; Balasubramnayam and Forshans 2014).

The study by Pradhan (2004) argues that the age (business experience) and size of the firms are important determinants of overseas investments. The in-house technological expertise especially in knowledge-intensive industries like pharmaceutical and electronics has propelled overseas investments. He further emphasised on the role for managerial skills as one of the important factor driving internationalisation. Balasubranamyam and Forsans (2014) suggests that India has a long history of entrepreneurship marked by its caste and community orientation and the Indian firms venturing overseas enjoy this unique ownership advantage termed as entrepreneurship which includes managerial efficiency, forecasting, risk taking and identification of new markets.

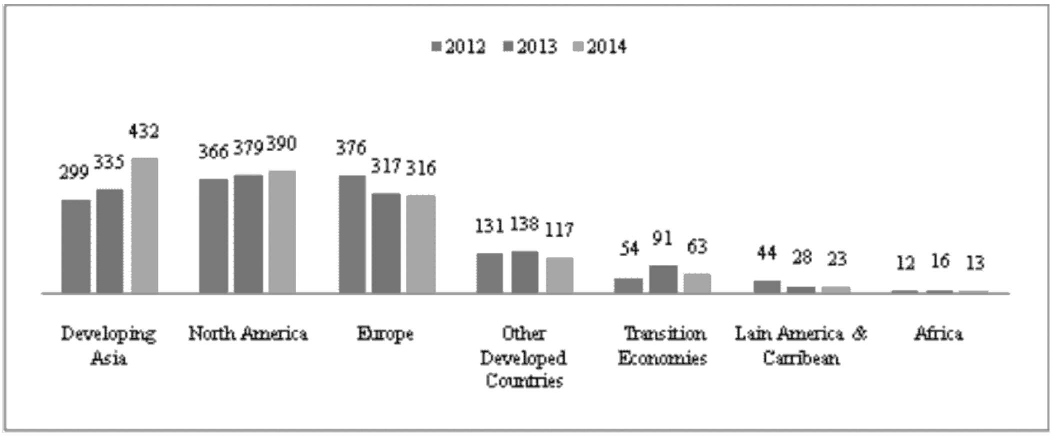

Figure 1: Regional FDI outflow (2012-2014)

Source: UNCTAD 2015

4. OUTWARD FDI BY THE INDIAN FIRMS-RECENT TREND

The OFDI by the developing Asian countries have substantially increased over the years (Figure 1). In 2014 the MNEs from developing Asian countries (Brazil, China, Hong Kong , India, the Republic of Korea, Malaysia, Mexico, Singapore, South Africa and Taiwan Province of China) together contributed 35 percent to the global FDI share from a mere 13 percent in 2007. The overseas investments which ranges across cross-border mergers and acquisitions to Greenfield projects have more than fifty percent of fund allocated towards equity financed new investment projects (UNCTAD 2015).

The total stock of India's OFDI increased manifolds from a meagre $514 million in 2000 to $9848 in 2014 apart from declines during the period of global financial crisis (Table 2). China is ahead of India in terms of outward investment but interestingly there is a significant difference in the composition of the investments.

In 2014, China ranked number one destination for capital investments with $75billion worth of FDI projects but along with it China also ranked third largest outward investor with $64 billion of capital investment in green field projects *vis-a-vis* $41 billion in 2011. The going abroad policy of China initiated in 2001-02 was the main force behind heightened outward FDI in several key sectors in search of resources and technology (FDI report 2015) According to Fraser (2015) the slowing Chinese economy is acting as an incentive for out bound investment to combat domestic over capacity whereas global recessionary issues are facilitating commercial bargains. US with California as the leading state is the top outward FDI destination for china with $9 billion capital investment in 2014 especially in five major sectors; real estate, paper printing and packaging, chemicals, hotels and tourism and software and IT services. (FDI report 2015).

Table 2
Stock of India and China's Outward FDI (US $ millions)

Foreign direct investment: outward flows and stock (2000-2014)		
Year	*China*	*India*
2000	915.78	514.45
2001	6885.40	1397.44
2002	2518.41	1678.04
2003	2854.65	1875.78
2004	5497.99	2175.37
2005	12261.17	2985.49
2006	21160.00	14284.99
2007	26510.00	17233.76
2008	55910.00	21142.47
2009	56530.00	16057.78
2010	68811.00	15947.43
2011	74654.00	12456.16
2012	87804.00	8485.70
2013	101000.00	1678.74
2014	116000.00	9848.44

Source: UNCAD (www.unctad.org/fdistatistics)

India is ranked 9th amongst the top 10 countries attracting highest FDI in 2014 (UNCTAD, 2015) but the latest statistics by FDI intelligence (2016) reports that India has replaced China as the top destination with $63 billion of FDI projects in 2015. The large inward FDI, portfolio investments, high returns on domestic savings along with the liberal outward FDI policies seems to steer Indian overseas investments across various sectors. The inward FDI has facilitated Indian firms to adopt latest technologies and capabilities to expand operations overseas by seeking ownership advantages through strategic acquisitions. (Van 2007; De Beule and Duanmu 2012). Unlike China that invests largely in primary sector, Indian firms invest across various sectors from pharmaceutical to steel, information technology, communication, services, manufacturing, energy, financial services etc. In China, largely the state owned firms and transnational companies engages in outward FDI whereas in India it is largely executed by big private sector conglomerates with diversified businesses like Tata's acquiring Jaguar and Corus steel in UK, AV Birla group acquiring copper mine in Australia and Reliance acquiring Shale gas asset in US.

The few recent Indian overseas investments include Tata Motors light commercial vehicles assembly operations in Tunisia with local partner ICAR SA. Tata has also ventured in Riyadh with Saudi Arabia-based Manahil International Company to open Gulf's largest automobile showroom and service facility. Wipro has acquired US-based SAIC's IT business. Religare Capital Markets entered a joint venture with Trinity Securities in Thailand and with FSG Capital in the Philippines to increase its investment banking services in Southeast Asia. It is also looking at the further growth prospects in Bangladesh, Vietnam, and Myanmar. The Essel Group has agreed to acquire 60 per cent participating interest in the portfolio of African oil and gas exploration projects owned by Simba Energy Inc, a Canadian publicly traded oil and Gas Company. Ranbaxy has ventured European market like Belgium, Italy, Romania and Spain(IBEF 2015).

Over the last two decades there has been surge in overseas MandA from 4 per cent in 1998 to 18 per cent in 2008 amounting to $121 billion (UNCTAD 2009). Ever since globalisation in 1991, acquisitions have been the most preferred mode of India's outward FDI growth (Dunning, 2009) with India being the second most acquisitive nation in 2010 with 24 percent cross border M and A transactions (Wagsty 2010). The globalisation has paved way for more opportunities, competitive pressures and the need for innovative marketable products apart from just market expansion (Paul and Gupta 2013). According to BCG report (2006) India and China, the prominent overseas acquirers among the emerging nations are motivated by the access to the market, intangible assets or natural resources (Pradhan 2008; Kaartemo 2007). During 2000-2009, India firms accounted for 1347 MandA amounting to $72 billion (Balasubramanyam and Forsans 2014) whereas recently during 2013-14 Indian firms recorded 221 MandA deals valuing $9 billion. Apart from two large size transactions in oil and gas sector in 2013, Indian firms are presently focusing more on improving domestic operational efficiencies against overseas acquisitions (E and Y 2015). There are several studies that suggest asset seeking and market seeking as the main motives of emerging economies to internationalise.

The study by (Pradhan 2010; UNCTAD 2006; Gammeltoft *et al.* 2010) suggests that the internationalisation of Indian Pharmaceutical firms through foreign asset acquisitions aims at accessing new markets, new products and latest technologies to overcome product development competencies. In 2014, Indian pharmaceutical companies materialised 17 outbound acquisition deals valuing $210 million in the pursuit of technology, manufacturing capabilities, brands and potential customer reach in US, Europe, Mexico, Yemen and Sri Lanka (EandY 2015). Indian firms are investing overseas since mid 1960's but the major change in terms of magnitude, geographical and sectoral composition surfaced post economic reforms in 1991. Over the years (2003 - 2012) the manufacturing sector seems to have attracted a large share of India's OFDI (Table 3). In 2001-02 India's most preferred overseas investment destinations in manufacturing were Europe, Commonwealth of Independent States (CIS) and North America with market seeking motive.

In 2011-12, manufacturing ranked among the top two preferred sector across the globe for Indian firms with maximum investment in Africa, Europe and Asia Pacific regions driven by strategic asset seeking investments. In 2014, US and UK were the top two preferred destinations by Indian firms followed by Germany, UAE and Australia. In 2001-02, Russia was the preferred OFDI destination for manufacturing

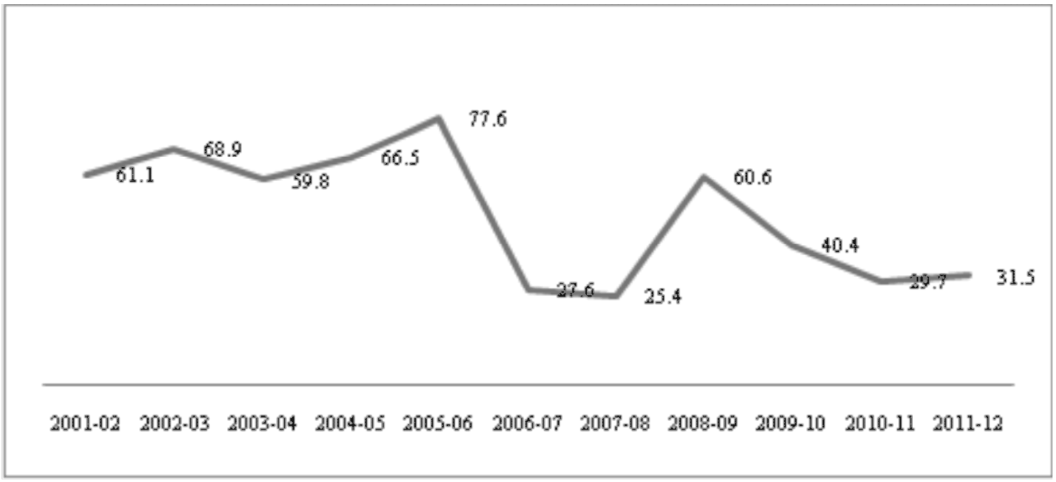

Figure 2: Share of Manufacturing Sector in India's ODI (2001-02 to 2011-12)

Source: Compiled from EXIM Bank Research 2015

of refined petroleum products ($408.15 million) and US for major investment in business service sector, *i.e.* IT and consultancy ($184.17 million). UK, Mauritius, Bermuda and Malta were also preferred destinations for manufacturing investments. In 2005-06 apart from the other overseas investments, Indian firms invested substantial $2760m in UK towards manufacturing of machines and equipments used by construction and mining industries, $131.1m in Sudan for manufacturing of refined petroleum products and $133.8mn and $169mn in Cyprus for manufacturing drugs and beverages respectively. (Exim Bank 2014). There have been evidences of sectoral preferences being changed in the past (Table 4). Over the years manufacturing has been the major sector of OFDI but of lately within the sector firms focus more on drugs, medicines, chemicals, machinery, iron and steel compared to fertilizers, pesticides and refined petroleum products which dominated the sectoral investment in the early 20's.

In 2001-02 manufacturing of food products, paper and paper products, transport and storage equipments accounted for 62 percent of OFDI. In 2005-06 manufacturing of machinery and equipment accounts for 63.3 percent share followed by manufacturing of pharmaceutical, chemicals etc. During 2001-11, OFDI in the manufacturing of chemicals and allied products accounted for 138.6 percent of aggregate growth with major destinations being Mauritius, UK, Netherlands and UAE. In 2011-12, manufacturing sector was again the most preferred sector seeking OFDI of $642.73 million in drugs, medicine, botanical and allied products whereas $865.1 billion in mining and extraction sector accounting for over 50 percent growth. The lack of domestic natural resources and rising industrial demand has accelerated overseas investment in this sector. The OFDI in manufacturing sector is a strategic move to create asset value or boost the firms' value by acquiring intellectual property

Table 3
India's ODI :Sector wise (US $millions)

Sectors	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*	*Total*
Manufacturing	935.5	1324.1	6062.6	3659.5	4691.4	9892	4969.4	4868.4	9720.4	48027
Financial and Business services	197.3	330.1	930.7	8467.6	9521.6	3513.9	3594.2	6410.7	6083.6	39736.4
Wholesale, Retail Trade, Restaurants and Hotels	157.8	162.7	363.8	521.1	1076.3	1079.6	933.7	1812.7	3519.6	9755.9
Transport, Storage and Communication	215.5	12.4	192.8	112	1238.7	306.8	373.6	721.2	4470.9	7673.4
Agriculture, Forestry and Fishing	21.2	40	53.5	217.5	557.8	543.8	936.3	1185.7	2767.1	6399
Construction	1.2	35.5	36.9	101.1	695	341.4	361.4	371	3362.2	5312.4
Community, Social and Personal Services	31.8	64	123.1	88.2	193.2	386.4	177.6	697.1	461.1	2296.1
Electricity, Gas and water	1	1.7	5.3	16.9	37.3	142.3	838.9	97	316.5	1458.9
Miscellaneous	2.8	0.7	26	52.8	435.6	121.6	118.8	239	161.6	1158.9
Total	1564.1	1971.2	7794.7	13236.7	18446.9	16327.8	12303.9	16402.8	30863	121818

Source: EXIM Bank Of India, Occasional Paper No. 165, May 2014.

rights and manufacturing facilities. Though the investment in manufacturing has seen ups and downs over the last decade but it accounts for significant investment overseas (Figure 2) and the Indian firms are actively looking for acquiring overseas companies. Withstanding the fact that the Indian firms still lack absolute technological capabilities unlike the developed countries but have undeniably achieved certain level of technological expertise in a number of knowledge based industries like pharmaceuticals, IT, communications and automobiles to compete with foreign players and venture out in international market through OFDI. The first generation entrepreneurs like Tata, Birla, and Reliance are venturing abroad to enhance the value of the business and to gain competency in the global market but at the same time also influencing young entrepreneurs to take calculated risk by venturing abroad.

The global crisis has presuming triggered correction in the asset prices hence Indian firms are aiming for strategic investment overseas to facilitate growth in terms of increasing quality, cost competitiveness and global competence. The internationalisation of firms with overseas investment in manufacturing sector is driven by asset-seeking motive to promote long term strategic objective and to benefit from the lucrative pricing of the target firm. They also aim to enhance technological expertise and access new markets and natural resources for their long term sustainability at both domestic and international levels. Apart from all the other motives the Indian government's liberal OFDI policy can't be underestimated in facilitating overseas expansion. To promote

Table 4
Sector wise Investment in Manufacturing Sector (2001-02 to 2011-12)

	2001-02	*2002-03*	*2003-04*	*2004-05*	*2005-06*	*2006-07*	*2007-08*	*2008-09*	*2009-10*	*2010-11*	*2011-12*
Total	1313	150.7	294.8	546.9	4364.7	1166.3	28169	61982	3954.8	3393.4	9720.4
Coke and Refine Petroleum Products	–	1.3	1.1	0	87.3	14.1	9.3	199.5	264.8	29.2	2179.4
Pharmaceutical and Botanical Products	4.8	4.1	60.4	70.9	743.1	222.4	451.9	403.5	305.9	713.1	1956
Electrical Equipments	3.8	3.2	13.8	12.9	15.7	99.5	750.3	729	302.6	189.5	1314
Other transport and Storage	14.1	17.1	33.5	45.2	167.8	32.8	122.6	67.6	228.6	84.8	1068.2
Equipments Chemical and Chemical Products	11.3	81.8	104.5	89.1	259.9	397.6	148.4	503.8	98.8	963.6	867.1
Basic metals	1.8	0.5	0.2	187.6	101.4	42.3	82.9	75.7	233.3	210.3	497.6
Other non-metallic minerals	0.1	3	1.5	10.9	39.6	38.6	80.8	102.1	72.8	165.7	439.8
Computer and Electronics Products	14.1	–	18.9	44.9	46.3	65.6	40.2	153.7	11.2	20	429.4
Motor vehicle , trailers etc	–	–	–	–	0.5	0.5	4.7	0.7	0.1	0.6	304.8
Textiles	–	6.1	3.9	3.8		4.7	6.7	10.7	0.5	52.6	163.4
Food Products	43.1	2	3	65.9	62.4	4.4	88.1	47.3	125.1	612.6	161.5
Machinery and Equipments	–	0.3		8	7.2	104.6	56.5	1548.2	1978	135.2	156.9
Fabricated metal products	3	3	8.1	0	32.1	72.4	664.7	2206.7	77.8	39.1	67.1
Wearing Apparel	0.2	–	0.1	0	–	–	–	0	0.2		53.9
Rubber and Plastic products	3.8	8.3	5.8	–	–	0.6	48.7	76.9	16.8	59.2	19.8
Leather and related products	0.7	0.9	1.3	0.7	0.4	0.2	7.9	0.2	8.8	0.1	19.6
Paper and Paper boards	30.4	19	13.8	0.1	0.1	8.8	0.1	15.1	16	21.1	7.8
Beverages	–	0.1	23.8	1.7	2763.8	42.4	202.5	37.3	168.7	65.7	5.7
Paper and Paper Products	0.1	0.1	1.3	4.7	5.4	5.3	25.4	9.3	23.8	3.6	0.8
Wood products	–	–	–	0.1	–	1.7	2.1	1	0.7	4.9	0.1
Manufacture of furniture	–	–	–	0.4	0.4			0.2	0.2	2	0
Other food products	–	–	–	–	31.2	7.9	23.1	4.1	20.3	15.1	0
Tobacco products	–	–	–	–	–	–	–	3.5		5.5	0
Others	–	–	–	–	–	–	–	–	–	–	7.3

Source: EXIM Bank Of India, Occasional Paper NO 165, May 2014.

overseas investments in mining, pharmaceutical, IT and oil sector the Ministry of External Affairs is aiming to set up direct sea and air link between India and Latin American regions. (EXIM Bank 2014).

5. CONCLUSIONS

The study analyses the motives that have promoted the growth of Indian overseas investments in the recent past. The findings suggest that manufacturing has been the key sector fuelling overseas investments for over a decade. The overseas investments of lately is largely driven by the asset-seeking motive of the big conglomerates to promote long term strategic objective and to benefit from the lucrative pricing of the target firm.

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