

Capex tops India Inc's 2023 to-do list

Firms plan to go on a hiring spree; flag rising rates, weak demand as major concerns

BS REPORTERS
Mumbai/Chennai/Kolkata, 1 January

Indian companies are planning to increase investments in the new year to expand capacity, acquire companies, and go on a hiring spree, a survey of top executives showed. They, however, cited rising costs, weak consumer demand, and increasing interest rates as major concerns for 2023 which may impact their plans.

An overwhelming 97 per cent of the 35 CEOs polled across industries by Business Standard said their companies would invest in expanding capacity in CY23 as their current capacity usage is near peak levels. Almost 88.6 per cent of the CEOs said they plan to hire more this year to man operations.

Among large conglomerates, according to reports, the Tata group has plans to invest \$90 billion in the next five years, including \$10 billion in renewable energy. The Adani group plans to invest \$100 billion by 2030 across its various verticals, led by green energy, while Reliance Industries looks to bet \$10 billion on renewable energy alone in the next three years.

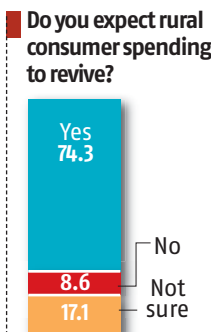
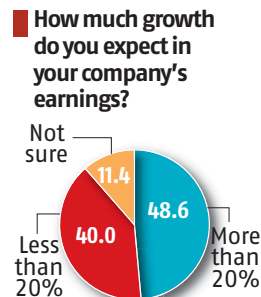
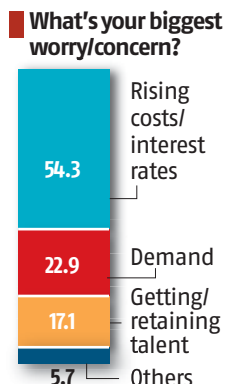
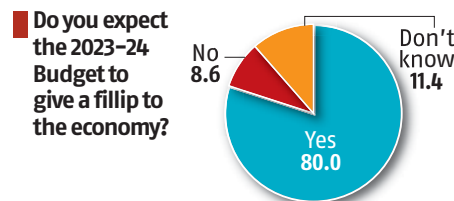
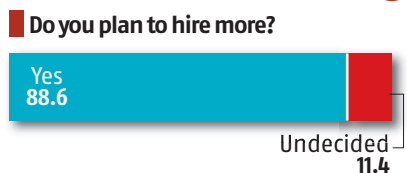
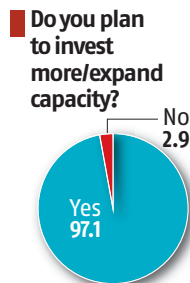
Expanding capacity via mergers and acquisitions of rivals by conglomerates would increase this year, according to bankers. Among other companies, Renew Power is planning to put in ₹35,000 crore as fresh capex, while the Vedanta group is looking to set up a semiconductor plant in Gujarat in partnership with Taiwan-based technology giant Foxconn for \$20 billion. Almost 80 per cent of the CEOs said the forthcoming Union Budget — the last full-year Budget by the Narendra Modi government before the 2024 General Elections — would play an important role in giving a boost to the economy.

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ILLUSTRATION: AJAY MOHANTY

NEW YEAR OUTLOOK HERE'S WHAT CEOs EXPECT IN 2023



Source: BS CEO Survey (sample size: 35 CEOs) Compiled by BS Research Bureau

Tata stays top biz group; Adani shines brightest

KRISHNA KANT
Mumbai, 1 January

The Tata group remained India's top business group in terms of market capitalisation (m-cap) in 2022 but Adani group companies were among the biggest gainers on the bourses for the second consecutive year. Tata companies ended CY22 with a combined group m-cap of ₹21.2 trillion, down 9.4 per cent year-on-year (YoY) from ₹23.4 trillion at the end of December 2021.

The Adani group overtook Mukesh Ambani's firms to become the country's second-biggest business house in terms of m-cap. Its m-cap more than doubled to ₹19.66 trillion on Friday, up from ₹9.62 trillion at the end of December 2021. In comparison, the Mukesh Ambani-led group's market value was up 6.9 per cent YoY to ₹17.54 trillion, from ₹16.4 trillion a year ago.

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THE LEADERBOARD

Market performance of top family-owned biz groups in CY22

Group/group led by	Flagship company	Group m-cap (₹ trn)	% chg YoY
Tata	TCS	21.19	-9.4
Adani	Adani Ent	19.66	104.3
Mukesh Ambani	RIL	17.54	6.9
Bajaj	Bajaj Finance	8.35	-2.6
Bharti	Bharti Airtel	5.17	13.3

Note: The combined m-cap of all listed group companies as on Dec 30, 2022 Source: Capitaline; compiled by BS Research Bureau

Rising interest rates, product prices may impact investments: CEOs

“Rationalisation of taxation, state-of-the-art infrastructure, and enhanced incomes in the agriculture sector will ensure full recovery of the Indian economy,” said the CEO of an infrastructure firm.

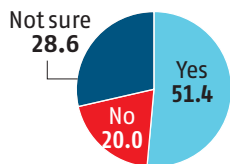
India’s GDP grew 6.3 per cent in the September quarter of 2022, slowing down from 13.5 per cent in the previous quarter. In early December, the Reserve Bank of India marginally reduced its growth forecast for the fiscal year ending March 31, 2023, to 6.8 per cent from 7 per cent.

“While global markets seem to be weak in the wake of the Russia-Ukraine war and other geopolitical issues, the Indian market is a bright spot, with economic growth pegged at 6.9 per cent for FY23. In that sense, the Indian economy remains remarkably resilient, which stands out versus previous downturns,” said the CEO of a large capital goods firm. As many as 65.7 per cent of the 35 CEOs polled expect foreign direct investments in India to rise in 2023.

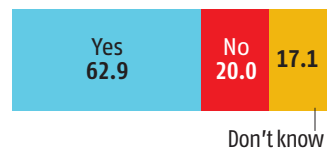
CEOs’ POINT OF VIEW

Here’s their expectations from 2023 (in %)

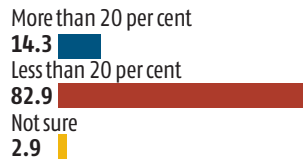
Do you expect the RBI to increase rates further?



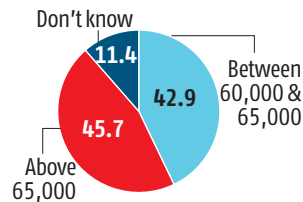
Do you think the govt/RBI has done enough to curb inflation?



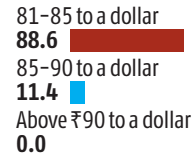
How much increment can your employees expect?



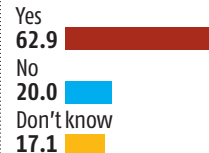
Where do you see the Sensex by year-end?



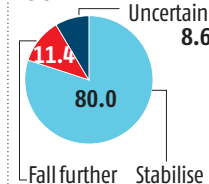
...And, where do you see ₹ at?



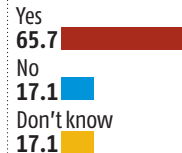
Do you expect stock markets to rise further by Dec?



Do you expect ₹ to stabilise or fall further by year end?



Do you expect FDI to grow amid weak economic conditions in the West?



Source: BS CEO Survey (Sample size:35 CEOs) Compiled by BS Research Bureau

According to the top executives, rising interest rates and commodity/product prices are a big concern, and may impact their investments. “Inflationary pressure needs to ease and interest rates need to come down for private investments to increase even more,” another CEO said, even as a little more than half of the CEOs polled expected the RBI to increase rates further in the new year and 62.9 per cent of them said the RBI/government has

done enough to curb inflation.

The chief executive of a food products company said the dramatic rise in input costs has been unprecedented. “The operating environment has been extremely challenging with inflationary pressure resulting in a sharp drop in consumption across the board in 2022,” the CEO said.

On the Indian currency’s performance versus the dollar, 80 per cent of

them expect the rupee to stabilise this year. A majority of the CEOs see the rupee stabilising between 81 and 85 to a dollar.

They expect the stock markets to remain buoyant in the new year, too, with 62.9 per cent of them saying the BSE Sensex will rise further. As many as 43 per cent of the CEOs expect the Sensex to range between 61,000 and 65,000, while 45.7 per cent expect it to breach 65,000.

The chief executives are keeping a tight leash on costs as 82.9 per cent of them are not going for salary increments of more than 20 per cent in 2023. At the same time, 40 per cent of them expect their company’s earnings growth to be below 20 per cent this year; a larger 48.6 per cent are projecting it to grow by more than 20 per cent.

“India is still a bright spot amid the gloomy economic forecasts for the

world. Concerns about Covid coming back remain. The biggest lessons learnt is how India managed Covid and ensured GDP growth rates were not hampered severely,” said a CEO.

(Dev Chatterjee with Ishita Ayan Dutt, Viveat Susan Pinto, Shally Seth Mohile, Shine Jacob, Abhishek Kumar, Abhijit Lele, Sohini Das, Shivani Shinde, Sundar Sethuraman, and Sharleen D’Souza)