Private sector capex zooms 42% in Q2

But project completions slightly lower than in March quarter

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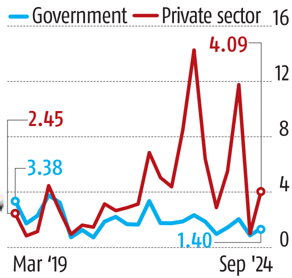
Mumbai, 10 October

Private sector companies announced the setting up of factories and other new projects worth ₹4.1 trillion in the three months ended September, a 42 per cent rise from the year-ago period, according to data from project tracker Centre for Monitoring Indian Economy (CMIE).

Coupled with government announcements of roads, railways, and similar new projects worth ₹1.4 trillion, the total value of project announcements for the quarter reached ₹5.49 trillion. This comes after a lacklustre June quarter amid elections and the declaration of results that saw less than half of this value.

LOOKING UP

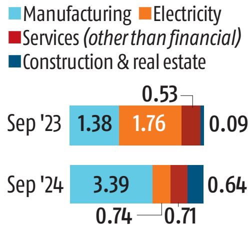
Value of new project announcements (in ₹ trillion)



Source: CMIE

MANUFACTURING LEADS

Value of new project announcements (In ₹ trn)



Note: Mining and irrigation sectors are not included as the values are too small

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Project completions, however, were slightly lower than in the previous quarter. The private sector and the government together completed ₹0.8 trillion worth of projects in the September quarter, compared to ₹1.9 trillion in the same period last year.

Sectoral data shows manufacturing as the biggest contributor, with new project announcements worth ₹3.39 trillion in the September quarter.

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Internal accruals, equity capital drive growth

This is more than double the ₹1.4 trillion seen in the same period last year. There has been an increase in the value of services, excluding financial services, as well as construction and real estate projects taken up in the latest quarter. However, electricity projects have seen a decline.

Sectors, such as renewable energy, metals, industrials, and newer segments like artificial intelligence, are likely to see increased investments as the long-term capital expenditure cycle unfolds, according to Deven Choksey, managing director at DRChoksey.

"Most of the money is coming through internal generation and fundraising through equity," he said.

The easy availability of equity capital is acting as a tailwind for expansion plans, but a large portion of incremental capex is also driven by government initiatives like PLI scheme and increased government expenditure in the recent past, which has spilled over into orders for the private sector, according to independent market analyst Anand Tandon. Without these drivers, the inherent demand for large-scale capacity expansion is not necessarily in evidence yet, Tandon said.

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