

Big guns firing on the capex front

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Is private capex picking up? In the Interim Budget speech on Thursday, Union Finance Minister Nirmala Sitharaman said “private investments are happening at scale”.

The big-ticket investments are from the big guns of industry — from Mukesh Ambani, Gautam Adani, Sajjan Jindal, and Lakshmi Mittal to the Tata group. Some of these announcements are for the medium term, some are imminent. But according to some industry players, private capex revival is not a broad trend, as yet.

According to Rajashree Murkute, senior director, CareEdge, private capex in India has been muted in FY24 as compared to central and state-led capex. However, Murkute expects this to change in FY25.

Rising sectors

Energy transition is gaining traction and major investments are being pledged.

Reliance Industries intends to invest up to \$10 billion in building an energy ecosystem.

Adani Group will sink \$100 billion over the next decade to achieve an energy transition. Of the \$100 billion, 70 per cent is for clean energy.

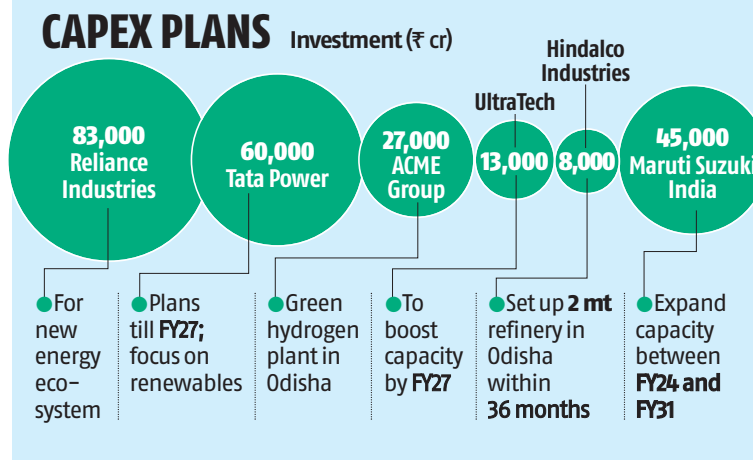
The group is building three giga factories with plans to develop solar panels of 10 Gw (gigawatt), wind turbines also of 10 Gw, and hydrogen electrolyser of 5 Gw. The group is also expanding its renewables portfolio to 45 Gw.

In a December statement, Tata Power shared plans for a capex of ₹60,000 crore by FY27; 45 per cent of this would be deployed in the renewables sector.

Pumped storage hydropower projects with a capacity of 11.98 Gw have been granted environment-related clearances by a committee of the Ministry of Environment, Forest and Climate Change (MoEFCC). This is the largest tranche of new-tech energy storage projects to be approved in one go in the country.



ILLUSTRATION: BINAY SINHA



The investment for eight projects is ₹81,981 crore, spread across five states.

In power transmission, during April-December 2023, 35 projects connecting green energy projects/zones with the national grid were offered under the bidding route. The size of projects totalled about ₹60,000 crore. While state-owned Power Grid Corporation led the pack on the winners' list, private players such as Sterlite Power, Tata Power, and Adani Energy Solutions bagged sizable projects.

In its Q3 results, Adani Energy Solutions said it had an under-construction transmission pipeline worth ₹17,000 crore.

“Green hydrogen” and “battery chemicals” are buzzwords now.

Gurugram-based ACME Group is setting up a ₹27,000 crore green-hydrogen plant in Odisha. It has signed an offtake term sheet for supplying green ammonia from its project in Odisha to IHI Corporation, a Japanese integrated company. ACME is also investing ₹5,000 crore to build a green hydrogen facility in Oman.

In the pharma space, Sun Pharmaceuticals' organic capex is expected to remain \$200-250 million annually, according to a CRISIL ratings rationale of January.

Cashing in on infra boom

The steel space is seeing a lot of action with top producers — Tata Steel, JSW Steel, AM/NS India, and Jindal Steel &

Power — in a major investment phase.

According to ICRA Senior Vice-President Jayanta Roy, a fresh capacity of around 11 million tonnes per annum (mtpa) is expected to come onstream this financial year.

In base metals, a planned capex of ₹8,000 crore to set up a 2 million-tonne greenfield alumina refinery in Odisha is under way at Hindalco Industries and will be completed in 36 months, starting November. Vedanta plans to spend \$1.7 billion as capex in FY24.

Demand driving auto

The auto industry is on the cusp of major growth and companies are committing themselves to large-scale investment plans.

Maruti Suzuki India (MSIL) plans to spend about ₹1.25 trillion on capex between FY24 and FY31, the company had said in October 2023.

Tata Motors doesn't share its capex split. But P B Balaji, Group chief financial officer, Tata Motors, said: “Investment made so far this year is around 2.3 billion pounds for Jaguar Land Rover (JLR) and around ₹6,000 crore for the passenger vehicle (PV), commercial vehicle (CV) and electric vehicle (EV) businesses of Tata Motors.”

Capex on ground

Some of the capex has started flowing in. Some companies have disclosed the capex during 9MFY24. JSW Steel's was ₹13,249 crore during this period; consolidated capex for FY24 has been estimated at ₹18,000 crore. This is part of the capacity expansion to 37 mt in India.

Tata Steel's consolidated capex during 9MFY24 stood at ₹13,357 crore. Expenditure is primarily on the 5 mt expansion at Kalinganagar, Odisha, and relining a blast furnace at its Netherlands unit.

UltraTech spent ₹6,922 crore in the nine-month period till December 2023 (up to ₹13,000 crore till FY27).

Reliance Industries' capex for the quarter ended December 31, 2023, was ₹30,102 crore with investment in the pan-Indian 5G rollout, expansion in retail infrastructure, and the new energy business.