

New projects hit ₹12.3 trn in March qtr on large orders

Analysts say slowing growth globally may limit future investments

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Large investment plans in some sectors might have driven a record surge in new projects in the March quarter of financial year 2022-23 (Q4FY23). The value of new projects soared in the three months ended March 31 to ₹12.3 trillion, or more than the previous two quarters combined, according to data from capital expenditure (capex) numbers from project tracker Centre for Monitoring Indian Economy (CMIE).

New projects rose 42.6 per cent year-on-year (YoY) from ₹8.64 trillion in Q4FY22 and 78 per cent over the Q3 figure of

₹6.9 trillion.

Much of this might have been driven by large orders placed in certain sectors, even as overall private sector capital expenditure plans continued to reflect a more cautious outlook amid slowing economic growth, said analysts. New projects could include government road projects as well as companies setting up factories, or otherwise enhancing capacity to provide goods or services. The latter is said to have driven the surge.

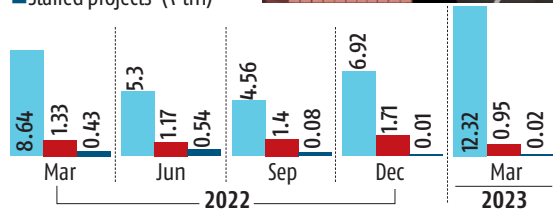
Bank of Baroda's Chief Economist Madan Sabnavis said the Q4 figure had bettered the previous record of over ₹10 trillion in 2009, thanks to a ₹7.5-trillion order in the transport sector.

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CAPEX BOOST

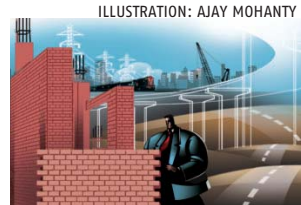
Value of new projects rose sharply in March 2023 quarter

■ New projects
■ Completed projects
■ Stalled projects (₹ trn)



Note: Quarterly numbers; latest data as of Apr 5, 2023

Source: CMIE



Hindalco nearly halves 5-year overseas capex plan to \$4.5 bn

Hindalco Industries has recalibrated its growth capital expenditure to \$4.5 billion to be spent in the next five years from \$8 billion announced a year ago. This likely marks the first such decision by a major Indian firm in foreign capex. ▶

last four days and the big event of RBI policy outcome on Thursday. After a long period, midcaps have shown momentum and hence action could be seen in the broader markets,” said Siddhartha Khemka, head of retail research at MOSL Financial Services.

Air India...

Air India announced a \$100 billion order for airplanes during the quarter.

“This is an all-time high aided by the transport sector,” he said.

Some of the other sectors that saw large investments were engineering; automobile and ancillary companies related to the growth in the electric vehicle segment; and cement, according to Deepak Jasani, head of retail research at HDFC Securities.

“Capex from (the) private sector is still not very aggressive...but is better than what it was maybe two-three quarters back,” he said.

Companies typically invest in setting up new production capacity when existing facilities are not able to keep up with demand. At present, a quarter of capacity remains unutilised though there was an improvement in capacity utilisation levels in Q2, according to the Reserve Bank of India’s (RBI’s) Order Books, Inventories and Capacity Utilisation Survey (OBICUS).

“The aggregate level capacity utilisation (CU) for the manufacturing sector improved to 74.0 per cent in Q2 from 72.4 per cent in the previous quarter. The seasonally adjusted CU for Q2 also increased by 20 basis points (bps) to 74.5 per cent from its level in the previous quarter... New orders received by manufacturing companies during Q2 were close to their level in the previous quarters but they were substantially higher than that in the corresponding quarter a year ago,” said the survey, which is released with a lag.

Around ₹95,000 crore worth of projects were completed in March. This was 28

per cent lower than the previous year, and 44 per cent lower sequentially, showed CMIE data. Stalled project numbers were largely unchanged.

A repeat of the Q4 numbers might be difficult because of slowing growth. The World Bank recently revised the gross domestic product (GDP) growth estimate for FY24 to 6.3 per cent from 6.6 per cent earlier. Slowing growth would naturally impact businesses and their expansion plans, pointed out Sabnavis.

Milk...

“There is no constraint on milk supply in the country... There is adequate inventory of skimmed milk powder. But in the case of dairy products, especially fats, butter, and ghee, the stocks are lower than the previous year,” he added.

The government will intervene to import dairy products like butter and ghee, if required, after assessing the stock position of milk in the southern states, where the flushing (peak production) season has started now, Singh asserted.

The shortage will be less in North India where the lean season has been deferred with temperatures cooling down due to untimely rainfall in the last 20 days, he added.

According to Singh, the country’s milk output remained stagnant due to the impact of lumpy skin disease that killed 189,000 cattle last year and post-pandemic rebound in milk demand.

“The impact of lumpy skin disease on cattle can be felt to the extent that total milk production is somewhat stagnant. Normally, milk production has been growing at 6 per cent annually. However, this year, it will be either stagnant or grow at 1-2 per cent,” said Singh. Since the government takes into account the milk production data of the co-operative sector and not the entire private and unorganised sector, “we assume it will be stagnant”, observed Singh.

