India Inc to double capex to $850 bn in 5 yrs: S&P report

Power & transmission, airline companies to lead investment drive

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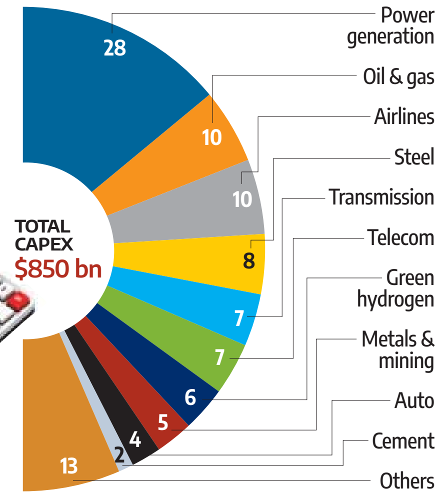
Corporate India is embarking on an ambitious investment drive, with capital expenditure (capex) expected to double to $850 billion over the next five years, according to a report by S&P Global Ratings. Indian power & transmission, airlines, and green hydrogen sectors would spearhead the spending, the report said.

Driven by strong balance sheets, robust operating cash flows, and favourable government policy, Indian companies are aiming to scale up operations in what could be a defining expansion phase. The top-100 listed companies, with a combined revenue of $1 trillion and $150 billion in Ebitda (earnings before interest, taxes, depreciation, and amortisation) in 2024-25 (FY25), were expected to fund most of the investment internally, keeping leverage in check, the report said. Unlisted renewable energy and airline companies with large capex plans were also taken into consideration by the firm to prepare the report.

"Companies are investing to capture growth, supported by macro tailwinds and deeper domestic funding markets," S&P analysts wrote, adding: "Execution will be key to avoiding balance sheet slippage."

Spending plans

Expected share of capex sector-wise till 2030 (%)



Sources: Crisil Intelligence, S&P Global Ratings

The power & transmission sector would account for roughly $300 billion in new investment — more than a third of the total projected capex. Renewable energy projects and grid infrastructure are expected to dominate the agenda as India pursues its 500 Gw (gigawatt) renewable capacity target by 2030. NTPC Ltd, Tata Power, and Power Grid Corp are set to lead the charge. The Adani group has already announced $20 billion annual capex in the next five years while the Tata group is planning to invest $120 billion, mainly in airlines, semiconductors and electronic sectors.

Debt levels in the power sector are likely to rise — NTPC and Tata Power could see debt-to-Ebitda ratios increase by about 1x — S&P said the credit profiles of major players remained within tolerable limits.

Airlines were another major investment engine, the report said. Indian carriers led by IndiGo and Air India are set to spend $75 billion to $100 billion on new aircraft, tripling fleet size by 2035. Much of this would be lease-financed, helping limit the pressure on balance sheets. Indigo was seen absorbing the expansion with relative ease while Air India and SpiceJet might face more strain, the report added.

Traditional sectors like steel, cement, oil & gas, and auto are projected to contribute $250 billion in cumulative capex. Steel and cement alone were ramping up capacity by 25 million tonnes (mt) and 35 per cent, respectively, though their investment would be more gradual and reliant on internal accruals, the report said.

Emerging sectors such as green hydrogen, semiconductors, and battery plants were poised to attract $50 billion-$100 billion in investment, led by giants like the Adani group and Tata Electronics. However, funding needs for these high-capex sectors would likely require more external debt.

Airports might see investments rise to $35 billion, particularly if greenfield projects and privatisation efforts proceeded as planned.