India Inc biggies set to invest $800 billion in a decade

S&P report also flags execution risk, and borrowing heavily for tech with unproven commercial payoff, such as green H_2

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Indian conglomerates — including prominent names such as Reliance Industries, and the Adani, Tata, and JSW groups — are gearing up for an investment of $800 billion over the next decade, nearly trebling their spending compared to the previous 10 years, according to a report from S&P Global Ratings. Roughly 40 per cent of this projected outlay is expected to go towards emerging industries, including green hydrogen, clean energy, semiconductors, and electric vehicles (EVs).

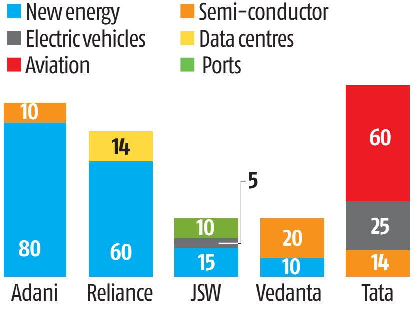
While the potential for transformation is substantial, these investments come with significant risks, cautions the ratings agency, noting that these companies face both execution risks and the possibility of accumulating debt on technologies yet to prove their commercial viability. Green hydrogen, a key focus area, exemplifies the challenge, as it requires considerable upfront capital with uncertain returns.

The report highlights that as debt levels rise, conglomerates will need to reinforce their core business operations to maintain stable credit profiles. Any failure to meet performance expectations during this critical investment phase could jeopardise credit metrics. Notably, the Vedanta, Tata, Adani, Reliance, and JSW groups alone are set to channel around $350 billion into these forward-looking sectors over the coming decade, S&P Global's credit analyst Neel Gopalakrishnan points out. On the other hand, conglomerates like the Birla, Mahindra, Hinduja, Hero, ITC, Bajaj, and Murugappa groups are expected to focus more on consolidating their established businesses, with an emphasis on expanding scale and boosting profitability. These groups have a record of conservative growth, the report underlines.

ILLUSTRATION: BINAY SINHA

SPENDING SCHEDULE

Investment plans of business houses for 2024-2034 ($ billion)



Source: S&P Global Ratings

PLAUSIBLE GROWTH, AND LEVERAGE OVER NEXT DECADE

	Current net debt/ Ebitda(x) as of FY24	Current debt ($ bn) as of FY24	Likely Ebitda CAGR over next decade* (%)	Additional debt over coming decade (%)**
Tata group	1.6	29	6	50
Adani group	3.95	26	10	50-60
JSW group	3.2	13	6	60
Reliance group	1.6	30	6	40

*Our estimates. Total net debt based on expected Ebidta in 10 years less current net debt"Note: Ebitda: Earnings before interest, taxes, depreciation, and amortization; CAGR: Compound annualgrowth rate"
** As proportion of new business revenue, excluding green hydrogen

Sources: Company reports, S&P Global Ratings