

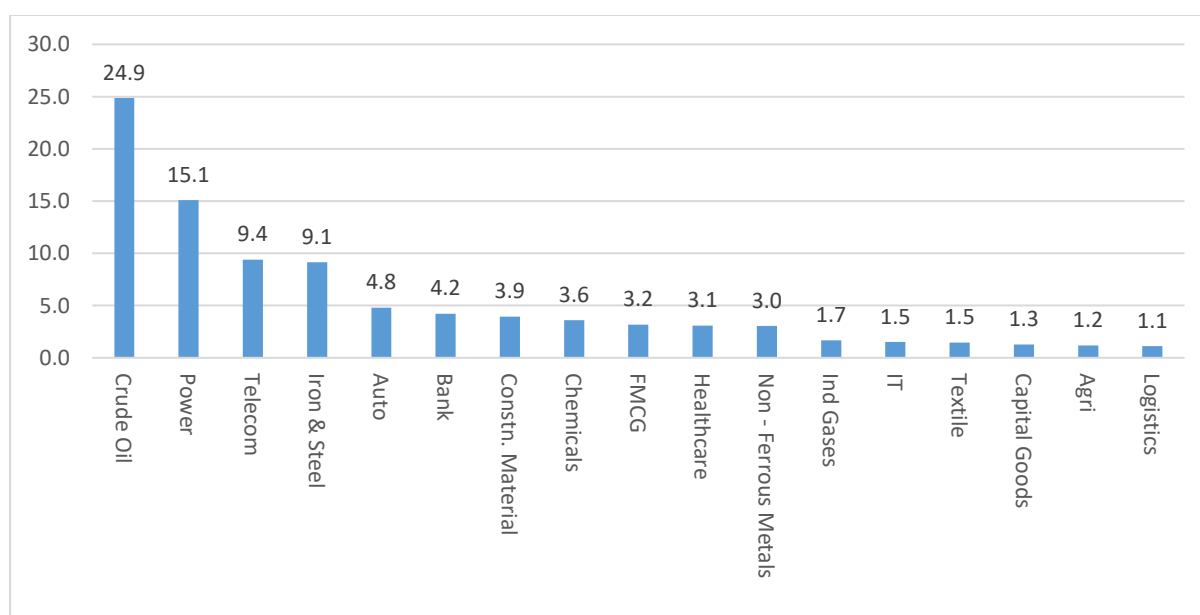
## Corporate Investment in FY24

A subject that merits debate is corporate investment. It is generally argued that the government has been doing the heavy lifting when it comes to investment, which is mainly in infrastructure. Companies base their investment decisions on a variety of factors such as spare capacity, demand, existing capacity utilization rates, and cost of capital, among others. When the PLI scheme was announced there was a lot of enthusiasm by industry participants in terms of application for the same. Further, the new investment announcements made by companies in the last few quarters have been impressive. These reflect a lot investment intentions. How far have these materialized?

One way of getting a hold on actual investment undertaken by companies is to look at their balance sheets and analyze trends in GFA, i.e. gross fixed assets (including capital work in progress) over the last three years. The study here looks at a sample of 4418 companies and analyzes the progress made in terms of growth in GFA. The last three years are considered here; and hence starts from FY22, which was also a biased year as covid was rampant and came in the way of economic activity due to the lockdowns.

GFA of the sample companies increased by 4.8% in FY24 which is lower than 7.6% witnessed in FY23. In absolute terms GFA of these companies increased from Rs 37.33 lakh crore in FY22 to Rs 40.17 lakh crore in FY23 to Rs 42.09 lakh crore in FY24. The companies are clubbed under 38 industry groups. Interestingly as of FY24, crude oil and power sectors accounted for 40% of total assets of the sample companies. The Chart below lists all industries with share of above 1% in total assets. These 17 industries accounted for 92% of total assets. As can be seen in the Chart, besides crude oil and power, telecom, iron and steel, auto and banks are the main drivers of investment in physical assets. This is followed by construction materials, chemicals, FMCG, healthcare and non-ferrous metals.

**Chart 1: Shares of sectors in total physical assets (GFA) in FY24**



Source: BoB Economic Research

Due to the peculiar nature of the last few years which overlap with the covid syndrome, the tables below group industries under 4 headings in terms of improvement in growth in assets in FY24.

**a) Industries which have witnessed higher growth in Assets in FY24.**

The industries in the table below have witnessed higher growth in GFA in FY24 relative to FY23 as well as higher growth than the sample average in FY24 which was 4.8%. The positive feature here is that investment is taking place in the capital goods segment as well as FMCG sector. Growth for the hospitality sector is also encouraging though a higher number would have been expected given the revival of pent-up demand in the last few years. But when data on investment announcements are looked at, there is a lot of interest for expansion here. Higher investment in mining can be linked to the coal sector which has also performed very well in terms of production growth in the last two years.

**Table 1: Growth in FY24 > 4.8% and higher than FY23 (%)**

Industry	FY23	FY24
Capital Goods	4.7	9.0
Diversified	13.1	17.4
FMCG	4.7	6.4
Automobile & Ancillaries	7.0	7.4
Plastic Products	1.6	7.6
Hospitality	3.7	5.3
Mining	16.6	20.8
Electricals	3.0	13.9
Insurance	8.1	9.1
Business Services	4.3	16.1
Ship Building	11.7	16.5
Diamond & Jewellery	1.6	23.7

**b) Industries which have maintained growth momentum of FY23**

The industries in the table below have been classified as those that have more or less maintained growth of FY23. Here the essential condition is that the growth in FY24 is close to 4.8% while the secondary condition is that growth in FY24 was lower or at a similar level as in FY23.

**Table 2: Growth in FY24 lower than FY23 but maintained at >4.8%**

Industry	FY23	FY24
Crude Oil	12.8	8.5
Iron & Steel	4.7	4.9
Bank	7.0	6.9
Construction Materials	13.4	8.9
Chemicals	9.6	5.9
Non - Ferrous Metals	6.1	4.7
Inds. Gases & Fuels	9.0	8.6
Gas Transmission	13.0	9.6
Retailing	20.8	16.8
Finance	50.0	19.0
Consumer Durables	9.3	8.4

**c) Industries affected by high base effect of FY23 and shown slowdown in FY24**

The industries in this group are those that have witnessed lower growth in FY24 which was also associated with a high base effect. Here telecom, media and realty have witnessed sharp decline in growth in assets.

**Table 3: Growth in FY24 negative or well below FY23 (%)**

Industry	FY23	FY24
Telecom	17.5	-1.2
Media & Entertainment	51.9	1.2
Realty	20.6	-9.0
Alcohol	10.2	4.1

**d) Industries that witnessed slowdown in growth in assets**

The sectors in Table 4 are those which have witnessed low growth in assets in both the years under consideration. These are the clear laggards where limited investment has taken place. In this set of industries, the continued decline in assets for the power sector is indicative of there being excess capacity with the generating firms which has obviated the need for fresh investment. This also falls in line with the observation that the thrust is more on renewable energy (which may have less representation in this sample). A similar trend is also seen for the IT sector where it appears that there is slower growth. In case of logistics, there is a recovery though it may be expected that there should be acceleration in future given the growth in the economy. The textiles and agriculture related sectors have witnessed slowdown in growth rate which may be attributed to lower demand conditions, especially on the exports side for the former.

**Table 4: Industry laggards in investment (%)**

Industry	FY23	FY24
Power	-2.6	-0.8
Healthcare	5.2	2.5
IT	-1.2	-5.9
Textile	6.7	3.1
Agri	5.4	3.7
Infrastructure	0.1	1.0
Paper	2.5	4.5
Logistics	-3.7	2.1
Trading	-1.0	2.8
Ferro Manganese	-0.4	1.0

In conclusion it may be said that with 4 infra industries dominating 60% of total assets of the sample, a low performance by telecom and power has slowed down overall growth in FY24. On the positive side, 23 of the 27 industries have witnessed higher or stable growth. More importantly this growth pattern is randomly distributed across sectors which is comforting as it is not confined to just the infra based industries.

**Appendix****GFA across sectors (Rs crore)**

Sector	Number	2022	2023	2024
Finance	656	11,099	16,643	19,798
Trading	346	4,747	4,698	4,830
Textile	332	55,695	59,432	61,269
Capital Goods	279	47,234	49,471	53,906
Chemicals	254	1,30,143	1,42,578	1,51,037
IT	248	68,362	67,545	63,563
Healthcare	238	1,20,699	1,26,916	1,30,071
FMCG	197	1,20,262	1,25,913	1,33,984
Automobile & parts	194	1,76,127	1,88,407	2,02,272
Realty	172	10,443	12,593	11,461
Agri	148	45,104	47,525	49,280
Iron & Steel	126	3,49,735	3,66,347	3,84,473
Plastic Products	123	21,825	22,165	23,852
Infrastructure	121	29,753	29,778	30,075
Media & Entertainment	109	12,540	19,050	19,284
Construction Materials	106	1,34,654	1,52,636	1,66,167
Hospitality	76	17,915	18,583	19,564
Logistics	66	47,473	45,695	46,655
Business Services	60	5,169	5,390	6,257
Electricals	55	8,822	9,084	10,347
Consumer Durables	53	13,618	14,891	16,137
Paper	50	21,144	21,671	22,641
Non - Ferrous Metals	48	1,15,319	1,22,386	1,28,129
Retailing	43	15,600	18,839	21,997
Diamond & Jewellery	42	2,528	2,569	3,179
Power	40	6,56,937	6,40,066	6,35,117
Banks	37	1,55,445	1,66,265	1,77,787
Telecom	32	3,40,028	3,99,658	3,94,817
Crude Oil	28	8,54,446	9,63,998	10,45,963
Alcohol	15	6,532	7,196	7,492
Diversified	15	29,073	32,891	38,619
Mining	13	8,820	10,281	12,420
Inds. Gases & Fuels	12	58,838	64,150	69,673
Ferro Manganese	8	1,440	1,435	1,449
Insurance	8	6,212	6,718	7,328
Gas Transmission	6	23,010	26,000	28,505
Ship Building	6	3,383	3,779	4,403
Others	56	3,717	4,137	5,108
<b>Total</b>	<b>4,418</b>	<b>37,33,889</b>	<b>40,17,377</b>	<b>42,08,911</b>

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