

Investment scenario in H1-FY24

A question often raised is whether or not investment has picked up in the current year. Looking purely at the financing side the picture is uncertain; as bond issuances or borrowings from banks by large corporates appear to be restrained. Bank credit growth to large industry was just 6.1% on y-o-y basis while aggregate credit growth was 20% as of September. All other sectors had registered higher growth in credit. In case of bond market 84% of the total funds of Rs 4.12 lakh crore raised for the first 7 months were by finance companies.

Data on investment intentions based on announcements is also not very encouraging as there is no broad based picture revealed. 83% of such announcements came from transport, power and chemicals with transport having share of 57%.

One way to look at progress in investment is to examine what India Inc. has done this year. The balance sheets of companies for the period ending September 2023 provides some clues. The sum of gross fixed assets and capital work in progress are summed and compared over time. September 2023 is compared over March 2023 to reckon growth rate which is compared with the same for 2022. At another level the growth rate over September 2022 is reckoned which is the year-on-year concept.

Some of the takeaways are the following:

1. Growth in stock of fixed assets for a sample of 1420 companies was higher at 3.6% over March compared with 2.1% in the six month period March-September 2022. Hence while the growth rate is higher than last year, the stock has grown at a relatively subdued rate.
2. On a year on year basis growth was 7.9% for year ending September 2023.

Table 1: industries whose fixed assets grew faster than sample average

	No Cos	Mar 2022	Sep 2022	March 2023	Sep 2023	Gwth over March 22	Gwth 23 over March	Y-O-Y Sept/Sept
		Rs crore				%		
Crude Oil	15	6,69,151	6,91,304	7,21,120	7,88,612	3.3	9.4	14.1
Iron & Steel	48	2,68,822	2,69,529	2,77,249	2,93,441	0.3	5.8	8.9
Construction Materials	43	1,01,721	1,04,310	1,07,271	1,14,261	2.5	6.5	9.5
Chemicals	112	85,488	92,331	96,193	1,01,024	8.0	5.0	9.4
Capital Goods	97	22,879	23,004	24,256	24,988	0.5	3.0	8.6
Infrastructure	24	14,270	14,881	17,101	17,607	4.3	3.0	18.3
Retailing	20	12,419	13,330	14,767	15,857	7.3	7.4	19.0
Media, Enter	30	8,486	8,539	15,081	14,903	0.6	-1.2	74.5
Finance	174	8,202	8,927	13,100	13,810	8.8	5.4	54.7
Consumer Durables	24	7,078	7,768	8,236	8,653	9.7	5.1	11.4
Diamond & Jewellery	15	1,274	1,295	1,411	1,626	1.7	15.2	25.5
Business Services	13	722	766	834	939	6.1	12.6	22.6
Total	1,420	29,17,098	29,79,341	31,02,711	32,13,999	2.1	3.6	7.9

Source: BoB Economic research

- The industries above were the ones which registered growth in fixed assets that was higher than the sample average. As can be seen here, the sectors included are mainly in the infra space with some services like media and retailing picking up post the covid induced lockdown. Consumer durables did register a higher than average growth though as can be seen the growth over March was lower in 2023 compared with 2022 which had witnessed higher growth due to the investments made to meet pent up demand which has weakened over time. Diamonds and jewelry has witnessed sharp growth in fixed assets which can be corroborated with the high growth in production witnessed due to robust demand conditions.
- The industries in Table 2 below witnessed growth lower than the sample average in September 2023. However, in terms of growth over March, which represents activity in the financial year so far, there was a recovery over last year. These industries include FMCG, hospitality, and logistics among others, which were affected by the lockdowns in 2020 and 2021 and have been witnessing stable recovery. Growth in fixed assets as can be seen has however been subdued during this period.

Table 2: Industries where growth in fixed assets lower than average but higher than 2022

	No Cos	Mar 2022	Sep 2022	March 2023	Sep 2023	Gwth over March 22	Gwth over March 23	y-o-y Sept/Sept
		Rs crore				%		
FMCG	64	1,02,565	1,03,781	1,06,193	1,10,499	1.2	4.1	6.5
Hospitality	23	11,378	11,117	11,776	11,952	-2.3	1.5	7.5
Electricals	15	5,153	5,174	5,322	5,507	0.4	3.5	6.5
Paper	16	10,547	10,538	10,133	10,328	-0.1	1.9	-2.0
Logistics	24	29,166	27,492	27,504	27,704	-5.7	0.7	0.8
Non - Ferrous Metals	11	70,795	72,918	74,388	76,781	3.0	3.2	5.3
Total	1,420	29,17,098	29,79,341	31,02,711	32,13,999	2.1	3.6	7.9

Source: BoB Economic research

- The table below gives information on sectors which have witnessed lower than sample average growth on y-o-y basis as well as lower growth in the current financial year on TYTD basis. Important among them are the one sin infra like power, telecom, auto and banks. Healthcare and textiles along with realty have been laggards.

Table 3: Industries where growth in fixed assets was lagging

	No Cos	Mar 2022	Sep 2022	March 2023	Sep 2023	Gwth over March 22	Gwth 23 over March	y-o-y Sept/Sept
		Rs crore				%		
Power	18	5,79,797	5,29,995	5,61,922	5,56,733	-8.6	-0.9	5.0
Telecom	10	3,26,091	3,82,966	3,87,523	3,86,763	17.4	-0.2	1.0
Bank	35	1,55,108	1,61,085	1,65,843	1,69,698	3.9	2.3	5.3
Automobile & Ancillaries	83	1,18,943	1,24,260	1,29,933	1,33,010	4.5	2.4	7.0
Healthcare	75	73,788	75,328	77,292	77,569	2.1	0.4	3.0
IT	79	65,038	63,597	63,981	61,887	-2.2	-3.3	-2.7
Textile	84	26,493	27,744	28,465	28,571	4.7	0.4	3.0
Agri	38	20,085	21,323	21,811	22,271	6.2	2.1	4.4
Realty	49	7,384	7,471	8,147	7,884	1.2	-3.2	5.5
Plastic Products	34	6,366	6,545	6,908	7,064	2.8	2.3	7.9
Trading	85	2,659	2,800	2,811	2,864	5.3	1.9	2.3
Total	1,420	29,17,098	29,79,341	31,02,711	32,13,999	2.1	3.6	7.9

Source: BoB Economic research

It can hence be concluded that investment activity is not yet broad-based. It is in limited pockets. In terms of overall share, around 43% of the industries by size of fixed assets performed better than the average. 5 major sectors however continue to trail which includes power and telecom.

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