PRESS RELEASE

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Listed corporates lead the capex spends, as unlisted entities lag behind: ICRA

- ***The share of private capital expenditure (capex) in the Gross Fixed Capital Formation (GFCF) has declined over the years, reaching a decadal low of 33% in FY2024***
- ***Slowdown in private capex has been mainly led by unlisted entities as listed corporates increased their capex spending by 28% in FY2023 and 12% in FY2024***

ICRA's recent industry analysis encompassing 4,500 listed entities and 8,000 unlisted entities reveals that the recent tepidness in private capex is attributable mainly to unlisted entities. After a sharp expansion of 23% in FY2023, private capex was flat in FY2024. Notwithstanding a moderation from 28% in FY2023 to 12% in FY2024, capex by listed entities continued to record a growth. This implies that capex of unlisted entities contracted in FY2024, dragging the overall capex.

Gross Fixed Capital Formation (GFCF), encompassing the gross addition to fixed assets and intangibles, constitutes around 30% of India's nominal GDP, making it the second largest component after private final consumption expenditure. Over FY2015 to FY2024, GFCF (at current prices) has grown at a compounded annual growth rate (CAGR) of 10%, however, this has been slowing down since FY2023. While the Government's strong capex push and household investments in real estate contributed favourably to the growth in GFCF in FY2024, private capex growth remained slow. This led to moderation in the GFCF growth to 9% in FY2024 from 20% in FY2023.

Commenting on the trends, **K Ravichandran, Executive Vice President & Chief Rating Officer, ICRA Limited,** said: *"Private capex was muted in FY2024 and 11M FY2025 after having witnessed a healthy post-pandemic recovery in FY2022 and FY2023. Weak domestic consumption, especially urban, muted export demand, and influx of cheap Chinese imports in some sectors, among other factors, restricted the capacity expansion plans of Indian corporates. Dissecting further, data reveal that this slowdown is being largely led by unlisted entities, as listed corporates continue to expend. This has led to an uptick in the latter's share in the total capex pie to 16% in FY2024 from 14% in FY2022."*

Listed entities[1] account for 16% of the total private sector (corporate) capex and 5% of the total domestic capex (GFCF). Between FY2015 to FY2021, the share of listed entities in the total capex had declined, with their capex growing at a 10-year CAGR of 6%, compared to 9% growth in private, 11% in public, and 10% in overall capex. However, capex by listed entities picked up from FY2022, growing by 28% in FY2023 and 12% in FY2024. Oil & gas, power, auto, iron & steel, and telecom, have been the top few sectors shouldering private sector investments.

The cash generation of corporates has consistently improved, post the Covid shock, with the ratio of cash flow from operations vis-à-vis capex increasing to 1.6 times in FY2024 from an average of 1.3 times from FY2014 to FY2020. This has also led to a steady reduction in gearing levels to 0.9 times in FY2024 from 1.1 times in FY2014.

[1] Excluding PSUs

Elaborating further on key enablers for revival in private capex in the near term, **K Ravichandran said:** **"**Deleveraged *corporate balance sheets, together with improving cash flows from operations, point towards favourable conditions for an upturn in the private capex cycle. The recent policy rate cut by the RBI and a high probability of a further rate cut in April 2025 would be an additional enabler. Further, the income- tax relief provided to individuals in the Union Budget for FY2026, augurs well for supporting domestic consumption demand. Also, the likely pick-up in capex spends in the thermal power sector is expected to contribute favourably to growth in overall capex. However, the uncertainties related to global trade tariffs and hence global trade flows could delay the anticipated pick-up".*

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