

INDIAN CAPITAL GOODS INDUSTRY

**Positive outlook for the industry
fuelled by continued investments in
end-user sectors**

February 2025





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Positive Outlook assigned on capital goods industry, driven by expectations of near-term median OPBDITA growth for the sample of over 15%. This is likely to be driven by consistent capex in the end-user industries. ICRA takes note of the elevated Government capex budgetary allocations for FY2026 and healthy demand prospects in the power sector (especially in renewable power generation along with the transmission and distribution space).



- **Industry overview:** Capital goods is a highly heterogenous sector and is driven by capex in various end-user industries. This has been a cyclical sector in the past. Heavy electrical equipment and process plant equipment are the largest sub-segments within the capital goods industry with a total market size of approximately Rs. 3 lakh crore.



- **Key demand drivers:** Key end-user industries include power, real estate, railways and metros, infrastructure, metals and mining, cement, auto, oil & gas, data centres, manufacturing, which are driving the demand for capital goods. The Government of India's (GoI's) budgetary allocation for capex has been enhanced to Rs. 11.2 lakh crore for FY2026, from the revised estimates (RE) of Rs. 10.2 lakh crore for FY2025.



- **Power sector remains a key growth driver:** Capex in some of the end-user industries like cement and metals is plateauing, although it remains high. The power sector is likely to drive the incremental order inflow for the capital goods industry, with plans of sizeable renewable capacity addition and transmission and distribution infrastructure required for the same. Moreover, the FY2026 Union Budget highlighted setting up of nuclear power capacities, which is also a positive for the capital goods industry.



- **Positive outlook assigned on the sector:** ICRA expects that the order book of the industry is positioned for a robust growth, which is expected to drive strong profit generation. ICRA expects the median OPBDITA growth for the sample set to exceed 15% and thus has assigned a Positive outlook on the sector.

1 Overview of the capital goods industry



2 Key demand drivers and capex trends in end-user industries



3 Trend in order inflows and financial performance



4 Power generation and transmission – A key driver for order intake



5 Trend in prices of key commodities



6 Annexures





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