

DISSECTING INDIA'S PRIVATE SECTOR CAPEX SPENDS

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

MARCH 2025



1 Macro trends in capital formation in India



2 Key segments and sectors driving overall capex



3 Break-down of aggregate capex into asset classes



4 Key enablers for revival in corporate capex



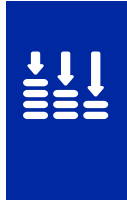


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Private capex was muted in FY2024 after having witnessed a healthy post-pandemic recovery in FY2022 and FY2023.

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.

No sizeable recovery in private capex has been witnessed in 11M FY2025.



- **Gross Fixed Capital Formation (GFCF)**, encompassing the gross addition to fixed assets and intangibles, **constitutes approximately 30% of India's nominal GDP**, making it the second largest component of the same. Over FY2015-FY2024, GFCF (at current prices) has grown at a compound annual growth rate (CAGR) of 10%. As per the Second Advance Estimate for FY2025, growth in GFCF is expected to ease to 7% in FY2025 from 9% in FY2024.
- **More than 40% of GFCF is attributed to the household sector**, which includes private individual capital expenditure (capex; primarily towards real estate) as well as partnership and proprietorship firms operating in the unorganised segment. The **private sector**, comprising joint stock companies (corporates), both listed and unlisted, has accounted for an average of **35% of the GFCF** over the past decade.
- The **share of private capex** in the total GFCF has declined over the years, reaching a **decadal low of 33% in FY2024**, due to stagnant private capex in FY2024 compared to FY2023.
- **The capex by listed entities (excluding PSUs) stood at Rs. 5.0 trillion in FY2024, accounting for 16% of total private capex** and 5% of total domestic capex (GFCF). Over FY2015-FY2021, the share of listed entities has declined, with their capex growing at a 10-year CAGR of 6%, compared to 9% growth in overall private capex, and 10% in overall capex. However, **capex by listed entities (excluding PSUs) had increased by 28% in FY2023 and 12% in FY2024**, leading to a slight uptick in their share of the total capex pie.
- **Deleveraged corporate balance sheets, improving ratio of cash flow from operations vis-à-vis capex** together with the recent rate cut by the Reserve Bank of India (RBI) augur well for a possible revival in private capex. However, uncertainties related to global trade tariffs and hence global trade flows could delay the anticipated pick-up.



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