

PLAIN FACTS



# Capex proposals down to multi-year low in Q1

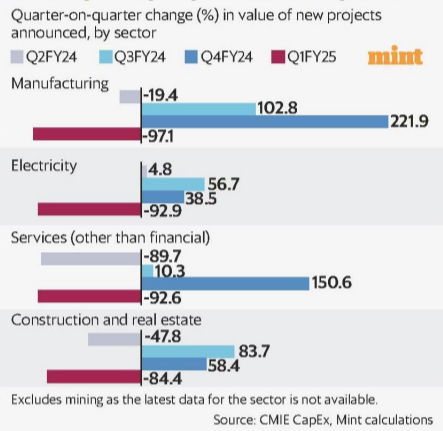
BY MANJUL PAUL

Capital investment announcements in the first quarter of this fiscal year were at a multi-year low, in a continuation of the lull from the previous fiscal. Economists attribute this largely to the prolonged, seven-phase general elections. Much of government activity halts and companies pause plans when the model code of conduct kicks in ahead of elections. Companies announced only ₹59,931 crore worth of new projects nationwide in the quarter, the lowest in over a decade, and down 92% year-on-year, showed the latest provisional data from the Centre for Monitoring Indian Economy (CMIE). But private companies led new investments—worth ₹35,206 crore against ₹24,725 crore of the government sector—in the June quarter, too. Private investments, though, totalled below ₹1 trillion for the first time since the June quarter of 2020, which had been hit by the covid-led national lockdown. In 2023-24, capital expenditure announcements had declined by 31% to ₹27.1 trillion. Among sectors, new investments were down across the board. Manufacturing, which had seen the highest sequential jump in the preceding two quarters, took the biggest hit, dropping from over ₹7 trillion in the March quarter to ₹20,568 crore. Amid this cautious mood, other sectors, including electricity, construction and real estate, and services experienced sequential declines of 84-93%. Latest data for the mining sector was not available.

## Project announcements dropped to a multi-year low in the first quarter of FY25



## New investments down across sectors after a pick-up in previous two quarters



## 'Green' Shoots

WHILE NEW investment figures were dismally low in the June quarter, historical data shows that a weaker investment mood is typical of the first quarter of a fiscal year, especially in Lok Sabha election years. But among election years, too, this is the first time since the June quarter of 2004 that overall new announcements fell below the ₹1-trillion mark. "While the new project announcements typically see a seasonal dip in Q1 (April-June) vis-à-vis Q4 (January-March), the new numbers are particularly low, partly owing to the general elections as well as a very high number seen in January-March 2024 (₹12.4 trillion)," said Aditi Nayar, chief economist at Iera Ltd. She further said that these figures are subject to upward revisions, and should be interpreted with caution. Meanwhile, project-wise investment data throws some enlightening focus on the country's growing sustainable energy grid. The renewable energy sector led the top five announcements in the June quarter. Two central government solar power projects for Solar Energy Corp. of India and NHPCLtd, each worth ₹7,800 crore, were announced in the quarter. Two other private proposals in Rajasthan, one for a wind power plant project and another related to a solar power plant, worth ₹2,412 crore and ₹4,500 crore, respectively, were among the biggest ones.

## Project completion rate was also weak, even lower than the lockdown quarters



## Eyes on Budget

EARLIER THIS year, a higher allocation has been made to capital expenditure in the provisional budget for the ongoing fiscal year. Estimates showed that capital expenditure will increase to 3.4% of the projected nominal GDP in FY25 from 3.2% of GDP in 2023-24. However, project completions in the June quarter have begun at a snail's pace, figures indicate. The value of projects completed during the quarter was about ₹33,581 crore, compared with ₹35,513 crore in the same quarter of the pandemic year 2020. The costliest completed projects in the June quarter were Shree Cement Ltd's integrated cement project (₹2,500 crore) and a solar power project in Madhya Pradesh by Agar Solar Park (₹2,275 crore). As India moves past the election period, the coming quarters will be crucial in determining whether the investment slowdown is a temporary blip or a signal of economic challenges ahead. The post-election budget due this month could try to restore investor confidence.

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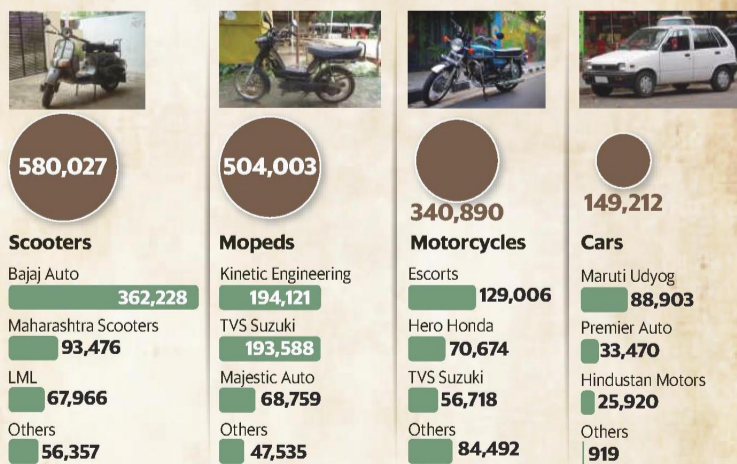
## DATA REWIND

Data Rewind is an occasional Plain Facts feature that brings you interesting statistics and charts from yesteryear.

In the late 1980s, India's automobile industry was primarily led by domestic players such as Maruti, Bajaj and Hindustan Motors. While Maruti Udyog (now Maruti Suzuki) led the car segment, Bajaj Auto was the leader in scooters. Among two-wheelers, scooters were the most popular, followed by mopeds and motorcycles. Escorts and Hero Honda were the biggest sellers of motorcycles. Kinetic Engineering was the biggest seller of mopeds, followed by TVS Suzuki and Majestic Auto.

### Which vehicle was India driving in the 1980s?

Sales in different categories of vehicles in India in 1987-88



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Compiled by Shuja Asrar

Source: Association of Indian Automobile Manufacturers (via CMIE)