

India Inc sees investment boom, lines up capex plans

Synopsis

93 per cent of business leaders surveyed say strong post-Covid growth, manufacturing sops, emerging opportunities and low interest rates to boost investments.



Nearly half the respondents see a strong recovery in their sectors and high-capacity utilisations, prerequisites for investment recovery.

An overwhelming 93 per cent of CEOs, business leaders, and startup entrepreneurs polled in an ET survey said India is on the cusp of an investment boom, helped by strong post-pandemic economic growth, government incentives for manufacturing, emerging business opportunities and low interest rates.

A higher 94 per cent aim to put their money where their mouth is and undertake capital expenditure over the three years starting 2022. More than three-fourths of the respondents see revenue growth of more than 10 per cent in FY23, confirming expectations of a strong recovery. Nearly half the respondents see a strong recovery in their sectors and high-capacity utilisations, prerequisites for

investment recovery.

"All signals are pointing towards recovery and a good growth phase in the Indian economy," said Saugata Gupta, managing director and [CEO](#), Marico.

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The poll includes responses from 56 CEOs across the manufacturing, services, and infrastructure sectors. The Omicron variant remains the biggest threat to the economic recovery, they said.

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The survey's findings confirm a rising consensus that, due to a confluence of factors, India's economy could see a strong investment-led recovery in the years ahead.

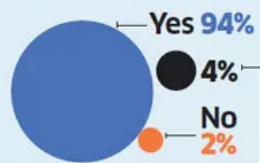
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Pursuit Of Growth

1 Do you think a big investment cycle is about to start in India?



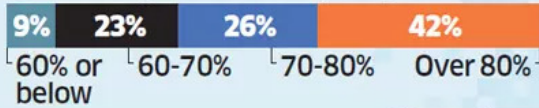
2 Is your company lining up any capital expenditure during 2022 to 2025?



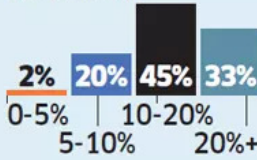
Will watch how the pandemic and demand unfolds

Total responses = 56

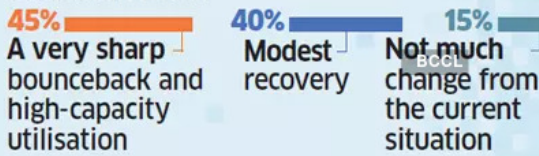
3 What is your current capacity utilisation?



4 What is your sales/revenue projection for the next fiscal?



5 In your sector/industry do you see a quick demand recovery & higher capacity utilisation soon?



The Reserve Bank of India (RBI) envisages the economy growing 9.5 per cent in the current fiscal year while the finance ministry has forecast a 7 per cent average annual growth through to the end of the decade.

Capacity Utilisation Improves

India's investment rate has declined to just over 27 per cent of GDP from 34.3 per cent in FY12 as the savings rate dipped and capacity utilisations dropped.

Many companies now seem to be at the near-80 per cent capacity utilisation threshold when investments start to happen. About 42 per cent reported capacity utilisation in excess of 80 per cent while another 26 per cent were in the 70-80 per cent range.

"Robust capex spending by the government has boosted the domestic demand for base metals," said Vedanta Group CEO Sunil Duggal. "We have lined up comprehensive capex plans across our businesses to meet this expected spurt in demand."

Infrastructure and transport; technology, IT, telecom; manufacturing, including defence electronics and chips; and pharma and healthcare were singled out as the four most important sectors that will lead the investment recovery.

"It (pharmaceuticals industry) is at an inflection point right now with significant opportunities knocking on its door in terms of innovation and R&D," said Satish Reddy, chairman, Dr Reddy's Laboratories.

Companies have retired debt and are in a good financial position to ramp up capacity. About 53 per cent of the respondents said they had retired debt while 40 per cent said they will fund investments only through internal accruals, indicating balance sheet strength.

"On the back of strong financial performance and robust balance sheets, I believe most sectors will be entering an asset-creation phase, which in turn will enable a virtuous cycle of employment generation, leading to enhanced consumption,"

said Abhay Soi, chairman and managing director, Max Healthcare.

Many respondents see emerging business opportunities as a strong peg for revival in investments, ranking it fourth highest on the factors that would trigger capex.

"Indian consumers are getting increasingly discerning and looking for more high-quality solutions; this will be a major growth lever especially for the D2C sector. This, in turn, will attract sizable investments as well," said Vivek Gupta, cofounder, Licious.

Government support and policies are seen helping revival and 71 per cent of respondents voted for a continuation of the fiscal stimulus to support growth and investments.

"Various policy initiatives undertaken by the government and the stimulus provided to the industry will further fuel the investment and manufacturing cycle in the country," said Sujeet Kumar, cofounder, Udaan.

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