

# ASSOCHAM

# INVESTMENT

# METER

**“India Inc.’s capex plans soar to a huge USD 174 billion in Q4”**

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The Associated Chambers of Commerce and Industry of India

Brushing aside the concerns of slowdown in the industrial growth, capital expenditure announcements by the India Inc. soared by 66 per cent during Jan-Mar 2008 to a whopping USD 174 billion as compared to USD 105 billion lined up in Oct-Dec 2007, revealed the readings on ASSOCHAM Investment Meter.

With the investment climate for infrastructure industries improving, the Corporate India has continued to bet big on the infrastructure sector. A capital outlay of more than USD 109 billion was announced during Q4 of fiscal 2008, on top of the USD 85 billion in third quarter of the same fiscal.

“The huge investments flowing into the infrastructure sector indicate that the economy is getting into the mode of absorbing even more investments in a far more efficient way”, stated Mr. Venugopal N Dhoot, ASSOCHAM President.

As per the AIM Study on “Investment Announcements”, while steel has continued to lead the list of sectors attracting highest planned investment for the second quarter in a row following the third quarter, its magnitude has fallen by 28 per cent.

Steel with investment announcements worth USD 22.30 billion accounted for nearly 13 per cent of the total capex planned in Q4 of 2007-08, as against almost USD 31 billion in Q3 of the same year. The sector attracted almost a third of the investments proclaimed across the sectors in Oct-Dec 2007. However, few of the announcements made in Q4 could be an overlap of previous months.

The companies in Oil & Gas sector too divulged their expansion plans of USD 22.20 billion. The investments in the sector saw a leap of almost 40 per cent in the

fourth quarter of the financial year 2008 over the third quarter of the same financial year.

Real estate and retail have emerged as lucrative investment avenues. The real estate sector witnessed investment announcements of over USD 18 billion in the last quarter of 2007-08 which included development of housing projects and hotels among others. The sector experienced the maximum absolute jump of about USD 12 billion in Q4 as compared to Q3 of FY2008.

The retail sector players plan to pump in USD 10 billion, as stated by the companies during Jan-Mar 2008. Most of the outlay was earmarked for expansion activities in the form of malls or standalone outlets. The sector did not witness any major player creating an investment corpus for foraying into the retailing business.

According to the study, investment announcements in the real estate sector formed 11 per cent of the total capex plans of the industry. Retail too claimed nearly 6 per cent of the total investment expenditure planned by the India Inc over the quarter ending March 2008.

The investments in infrastructure constituted almost 63 per cent of the total planned capital investments announced during the fourth quarter. The industries included in infrastructure sector were telecom, real estate, ports & shipping and aviation apart from the six core infrastructure industries.

Owing to the advent of commercial viability of large scale investments in the power sector, it has been attracting investments from private sector as well. A total capital outlay of USD 20 billion was declared during the quarter ending

March 2008, after an allocation of close to USD 16 billion having been made in Q3.

As the telecom continues to grow at a swift pace, only the existing players disclosed the investment plans of USD 18.30 billion for strengthening of network and other expansion activities. The sector is expected to witness a deluge of investments in the coming months with the foray of new players. The amount may be more than USD 25 billion including the new players' funds allocation.

Investments planned by the capital goods and engineering industries remained almost unaltered in the last quarter of 2007-08 on sequential basis (Q4 over Q3). It was about USD 1.2 billion and USD 1.1 billion in fourth quarter and third quarter respectively. "Stagnancy in investments in capital goods and engineering sector is not a favourable sign", warned ASSOCHAM Chief.

The attention being received by the education sector has not been limited to the government via increased budgetary allocation. The private sector is also recognizing it as a high priority area with mixed motives of skill development and profiteering from the emerging business opportunities.

The corporate India together with the existing educational institutes committed USD 667 million towards higher education. Though the amount represents a more than five fold increase over the previous quarter, the country needs to deploy much more resources to ensure reaping of demographic dividend.

Fresh investments planned in the cement sector were only about USD 1.5 billion in Q4 of FY2008. The pervious three months of the same financial year recorded planned capital infusion to the tune of USD 4.8 billion.

The ASSOCHAM Investment Meter’s readings of other sectors indicated a planned investment of USD 6 billion in Ports & Shipping, USD 5 billion in Metals (other than Steel), USD 4.5 billion in Hospitality, USD 4.5 billion in Auto and USD 3 billion in IT & ITES.

“Though there seemed to be no sign of postponement or shelving of investment plans in the last quarter of the preceding financial year, high domestic interest rates coupled with drying up of global liquidity may dampen the investment outlook in months to come”, remarked Mr. Dhoot.

**Sector Wise Investment Announcements**

| Sector                                | Investment Announcements<br>(In USD Billion) |               | Percentage Change |
|---------------------------------------|--|---------------|-------------------|
|                                       | Q4 (2007-08)                                 | Q3 (2007-08)  |                   |
| Steel                                 | 22.31  | 30.93         | -27.87            |
| Oil & gas                             | 22.20  | 15.71         | 41.31             |
| Power                                 | 20.22  | 13.54         | 49.34             |
| Real Estate                           | 18.38  | 6.21          | 195.97            |
| Telecom                               | 18.32  | 8.27          | 121.52            |
| Cement                                | 1.45   | 4.80          | -69.79            |
| Capital Goods and Engineering         | 1.22   | 1.09          | 11.93             |
| Education                             | 0.67   | 0.10          | 570.00            |
| Other Sectors                         | 69.07  | 24.18         | 185.65            |
| <b>Total Investment Announcements</b> | <b>173.84</b>                                | <b>104.83</b> | <b>65.83</b>      |

Source: Company announcements for January- March '08