

## Why FM pulled up India Inc over spending slowdown

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projects announced by companies can be a barometer of corporate intent and the overall business environment. Rajani Sinha, chief economist at CareEdge, noted that in FY21 and FY22, the government had a share of 66% and 58%, respectively, in projects completed, but this had fallen to 45% in QIFY23.

In terms of value, project announcements by the government in the manufacturing segment more than doubled in FY22, while it approximately tripled in the case of private players, albeit on a low base.

But a global slowdown and volatile commodity prices threw a spanner on the recovery in early FY23.

Manufacturing projects worth ₹2 trillion were announced in the June quarter, down 53% sequentially, pulled down mainly by private firms (down 57%). Government project announcements in manufacturing rose 9%.

Data for the ongoing Sep-

tember quarter will be available in the CMIE database on 1 October.

"Volume of investment depends upon the economic climate, particularly the expectation of profitability," said M. Govinda Rao, chief economic adviser, Brickwork Ratings. "Companies invest only when they expect profits. Although the Indian economy is in a recovery mode and investments are showing an upward trend, the international climate is far from being comfortable, interest rates are on the rise, and supply-side bottlenecks continue."

A CareEdge study of 600 non-finance firms corroborated our findings on the dominance of a few companies and sectors in capex projects. The study showed that while capex grew 22% in FY22, the top two sectors—oil and gas and power—contributed more

than 50% to the total investment.

"Currently, the capex among private players is skewed, with a few sectors and a few big players contributing to the chunk of the investment," Sinha said. "The small and mid-sized players are hesitant in the midst of all the

global and domestic economic uncertainties."

The finance minister gave thrust to the production-linked incentive scheme (PLI), which the government

expects will help trigger growth. With improving capacity utilization levels, there is a likelihood of increased participation from the other private players, but right now, India Inc.'s animal spirits are concentrated at the top of the league.

Sitharaman made her remarks at the Mindmine Summit 2022.

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