India's Capex Story Shows Revival Signs

November 24, 2025 l Economics

Investment is a critical driver of economic growth and development. Increased investments help augment the economy's productive capacities and spur higher economic activity. It creates positive spillovers, such as increased employment, higher incomes, stronger demand, higher productivity, and greater overall economic competitiveness. A continued push for investment generates strong multiplier effects, not only supporting immediate economic activity but also boosting the economy's long-term growth potential. Over the past few years, increased government-led investment has led to a growing share of investment in India's gross domestic product. India's investment-to-GDP ratio has averaged 30.3% over the last four years, as against the pre-pandemic average of 28.6% (FY16-19). However, this ratio has moderated marginally to around 29.9% in FY25, as the election-related restrictions weighed on the investment scenario in the first half of last year. This trend is likely to reverse in the current fiscal year, as evidenced by signs of a capex revival.

Our report aims to provide a comprehensive assessment of the overall investment landscape in the economy. It provides an in-depth analysis of public and private capex trends and the outlook. We have also analysed trends in financing sources. Our analysis indicates that public sector investment has remained upbeat so far this fiscal year, with capex by the Centre and major states (aggregate capex of top 19 states) registering strong double-digit growth in H1 FY26.

Aggregate capex of Indian corporations (1,899 listed non-financial companies) grew 11% to Rs 9.4 trillion in FY25. An assessment of order books for a representative sample of capital goods companies points towards a favourable capex outlook, which could create positive spill-overs for the broader capex cycle in the economy.

Furthermore, we have analysed trends in new investment announcements and completions reported by CMIE to gauge the investment climate in the economy. The uptick seen in investment announcements and completions during H1 FY26 signals improving investment sentiment.

Public Sector Capex Remains Upbeat so far in FY26

Capex by Central Government

The Centre's capital expenditure surged by 40% (y-o-y) during H1 FY26. A deeper evaluation of the Centre's capex reveals that the share of capex allocated to the Department of Food and Public Distribution rose to 8.6% in H1 FY26, the highest in recent years. So far, Rs 500 billion have been disbursed towards the Department of Food and Public Distribution, marking a notable increase over last year's disbursement of Rs 39 billion. Even after adjusting the capital outlay of the Centre for this disbursement towards the Department of Food and Public Distribution, the overall trend in the Centre's capex remained encouraging, recording double-digit growth of 29% (y-o-y) in H1 FY26. Among other components, roads and railways remained the top two areas of capex, with outlays for these rising by 21.7% and 5.6%, respectively, on a year-on-year basis during H1 FY26.

Exhibit 1: Quarterly Trends in Central Government Capex

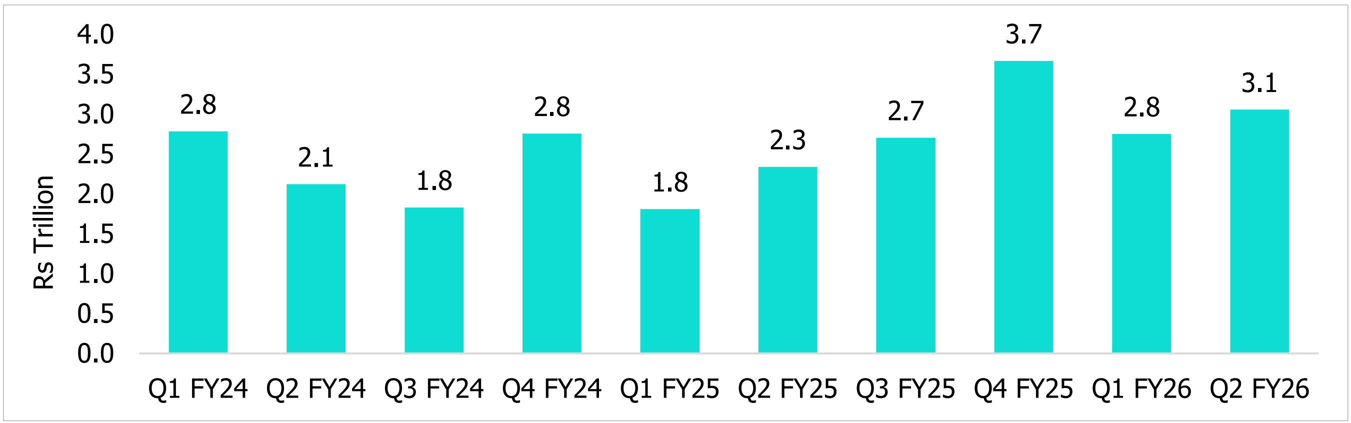
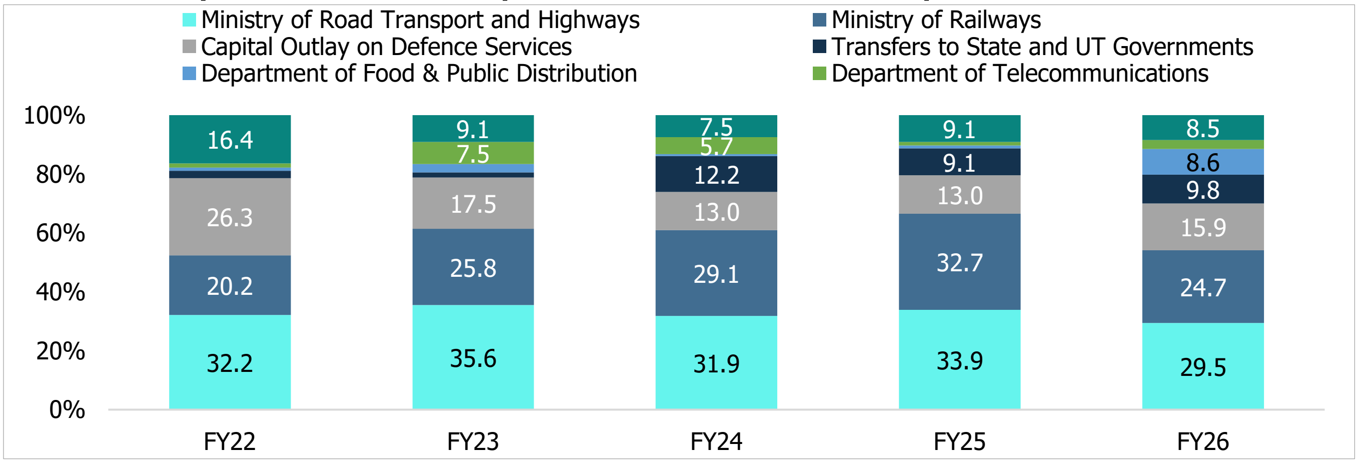


Exhibit 2: Composition of Centre's Capex in H1 - % Share in Total Capex



Source: CMIE, CareEdge

Capex by State Governments

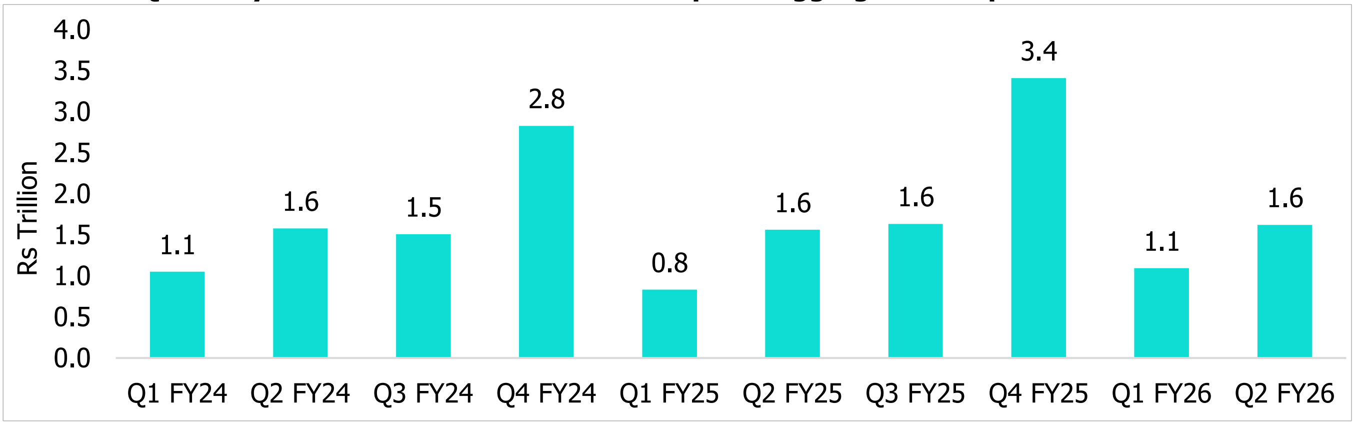
State capital expenditure (for a sample of the top 19 states) remained robust, rising by 13% (y-o-y) in H1 FY26. States like Maharashtra, Madhya Pradesh, and Gujarat have recorded strong capex growth in H1 FY26, following healthy growth in FY25. Notably, states such as Telangana, Andhra Pradesh and Haryana registered strong capex growth in H1 FY26, after weak capex performance in the previous year. In Uttar Pradesh, while the absolute capex remains high, H1 FY26 saw a contraction on the back of meagre 3% growth in FY25. Similarly, capex contracted year-on-year in Odisha, West Bengal, and Jharkhand in H1 FY26, following a weak capex trend in FY25. (Refer to Table 1)

Overall, in FY25, aggregate state capex for our sample states expanded by 7% (y-o-y) to Rs 7.4 trillion, a moderation from the 26% growth recorded in the previous year. The deceleration in FY25 was primarily driven by a contraction in capital outlays during H1 FY25, when election-related restrictions dampened capex allocations. Across our sample states, capex declined by 9% (y-o-y) in H1 FY25 but rebounded strongly in H2 FY25, recording 16% growth. The uptick in aggregate state capex has broadly been maintained in H1 FY26.

To support state-level capital spending, the Centre has maintained the allocation for the 50-year interest-free loans under the Scheme for Special Assistance to States for Capital Expenditure at Rs 1.5 trillion in the Union Budget for

FY26. In H1 FY26, the centre has already disbursed Rs 500 billion under this scheme and has approved another Rs 700 billion of the Rs 1.5 trillion allocated.

Exhibit 3: Quarterly Trends in State Government Capex – Aggregate of Top 19 States



Source: CEIC, CareEdge; Note: Data based on a sample of the top 19 states

Table 1: State-wise Capex – Top 19 States

	Rs Billion				Growth (Y-o-Y)	
	FY24 (A)	FY25 (A)	H1 FY25	H1 FY26	FY25	H1 FY26
Uttar Pradesh	1,091	1,125	354	262	3%	-26%
Maharashtra	724	827	199	264	14%	33%
Madhya Pradesh	601	716	275	329	19%	20%
Gujarat	565	655	217	290	16%	34%
Karnataka	519	605	124	164	17%	32%
Tamil Nadu	395	461	163	130	17%	-20%
Odisha	439	460	152	143	5%	-6%
Bihar	351	383	133	219	9%	65%
Telangana	443	362	99	222	-18%	124%
Rajasthan	308	344	162	121	12%	-25%
Assam	207	264	79	102	28%	29%
West Bengal	285	217	109	60	-24%	-45%
Chhattisgarh	162	213	62	35	31%	-44%
Andhra Pradesh	236	192	46	117	-19%	154%
Jharkhand	206	184	65	65	-11%	-0.2%
Kerala	131	146	61	74	11%	21%
Uttarakhand	110	112	32	37	2%	16%
Haryana	150	105	37	66	-30%	78%
Punjab	49	70	28	18	43%	-36%
Total	**6,972**	**7,441**	**2,397**	**2,718**	**7%**	**13%**

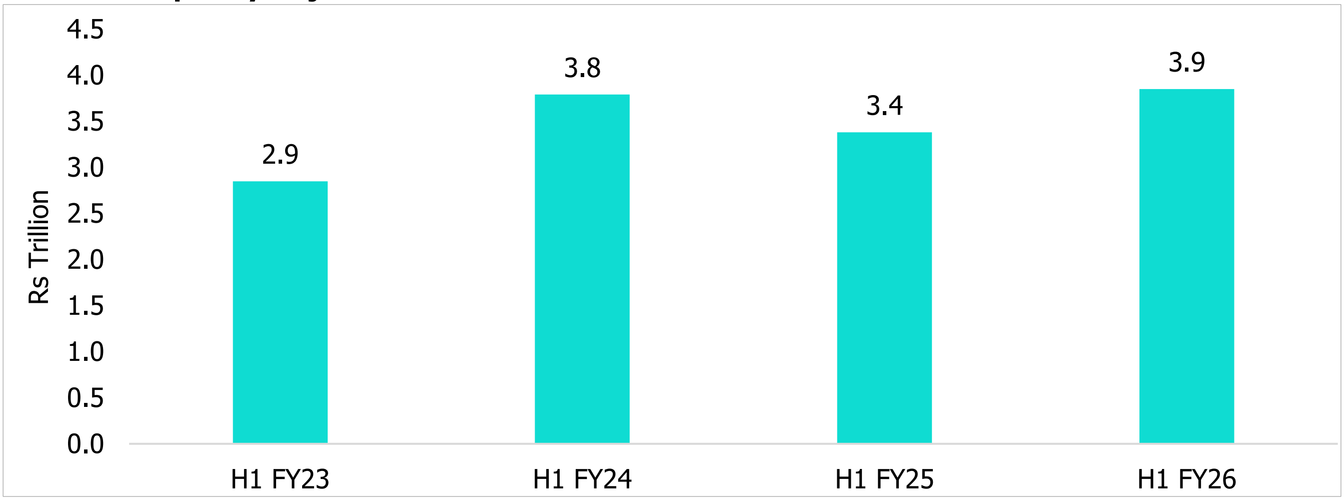
Source: CEIC, CareEdge; Note: Data based on a sample of the top 19 states

Capex by Major Central Public Sector Enterprises

The Central Public Sector Enterprises (CPSEs) at an aggregate level have recorded a 13.9% (y-o-y) increase in capex during H1 FY26, reaching Rs 3.85 trillion—approximately 49% of the annual budgeted target. High H1 FY26 capex growth is primarily attributable to a low base, as spending in the first half of the previous fiscal year was subdued, with only about 41% of the annual capex deployed during that period. Given the healthy momentum in H1, CPSEs should meet, or plausibly even marginally exceed, their capex targets for FY26.

Capital expenditure by CPSEs in FY25 stood at Rs 8.07 trillion, marginally exceeding the revised target of Rs 7.87 trillion. This performance was broadly in line with FY24 capex of Rs 8.05 trillion, and higher than the Rs 6.48 trillion achieved in FY23.

Exhibit 4: Capex by Major CPSEs – H1

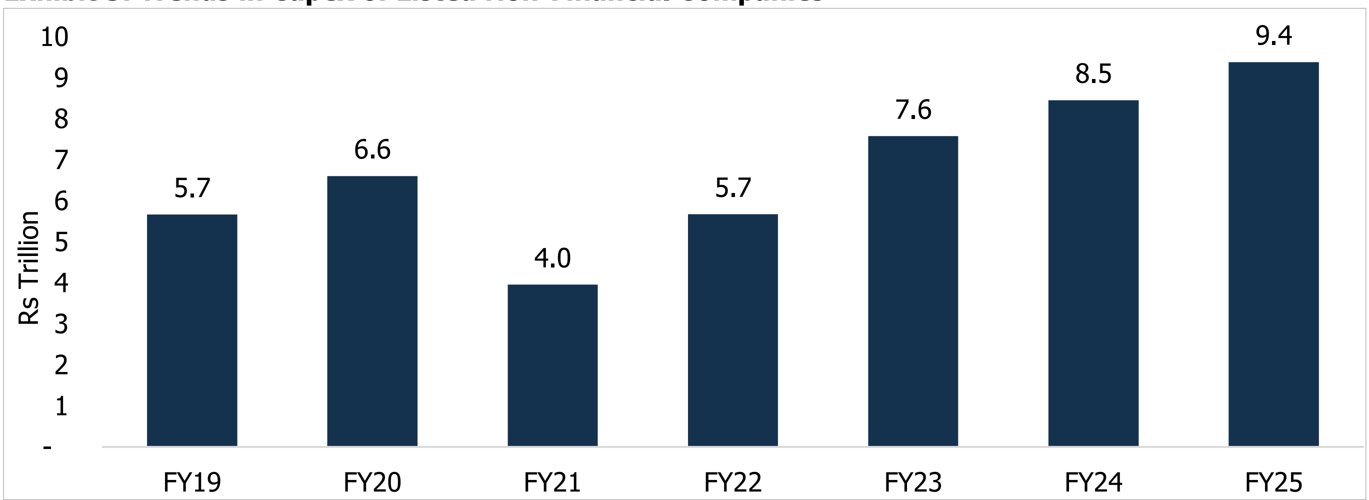


Source: Department of Public Enterprises, CareEdge

Capex by Indian Corporations Picked Up in FY25

To assess the domestic capex trends of Indian corporations, we evaluated the annual financial statements of 1,899 listed non-financial companies. Since we have seen an upward trend in India's outward FDI, in this edition of our capex report, we have made the necessary adjustments for outward investments and acquisitions by top domestic firms. The aggregate capex of non-financial companies in our sample stood at Rs 9.4 trillion in FY25, up 11% from the previous year.

Exhibit 5: Trends in Capex of Listed Non-Financial Companies



Source: Ace Equity, CareEdge, based on the analysis of 1,899 non-financial companies
Note: Formula used for capex calculation is (Gross Block + CWIP - Goodwill) of the current year – (Gross Block + CWIP - Goodwill) of the previous year. Our capex computations incorporate necessary adjustments for outward investments and acquisitions by top domestic firms. Capex data for telecom companies excludes the proceeds towards spectrum auctions

The top six sectors in which India Inc's capex was concentrated were oil & gas (19% share in the aggregate capex), followed by power (15%), telecom (10%), automobile & ancillaries (9%), iron & steel (7%) and non-ferrous metals (5.5%). Of these major capex contributors, strong capex growth (y-o-y) was witnessed in sectors such as power (72.6%), automobile & ancillaries (24.7%) and non-ferrous metals (53.2%) (Refer to Table 2). Looking ahead, based on our projections for a limited sample of companies, capex in the oil & gas and steel sectors is likely to rise by 3% and 7% respectively, in FY26. However, capex in the aluminium sector is projected to decline by around 10% in FY26.

Table 2: Capex in Major Sectors

	Capex Rs Billion		% Share in Aggregate Capex		Growth (Y-o-Y %)	
	FY24	FY25	FY24	FY25	FY24	FY25
Oil & Gas	1,945	1,781	23.0	19.0	54.7	-8.5
Power	829	1,431	9.8	15.3	-0.6	72.6
Telecom	1,118	935	13.2	10.0	29.4	-16.3
Automobile & Ancillaries	651	812	7.7	8.7	5.1	24.7
Iron & Steel	654	658	7.7	7.0	-3.0	0.6
Non-Ferrous Metals	338	517	4.0	5.5	-11.4	53.2
Pharmaceuticals & Drugs	291	418	3.4	4.5	9.3	43.5
Chemicals	395	340	4.7	3.6	13.2	-14.1
Diversified	175	263	2.1	2.8	-38.1	50.2
Mining	193	239	2.3	2.5	-30.1	24.1

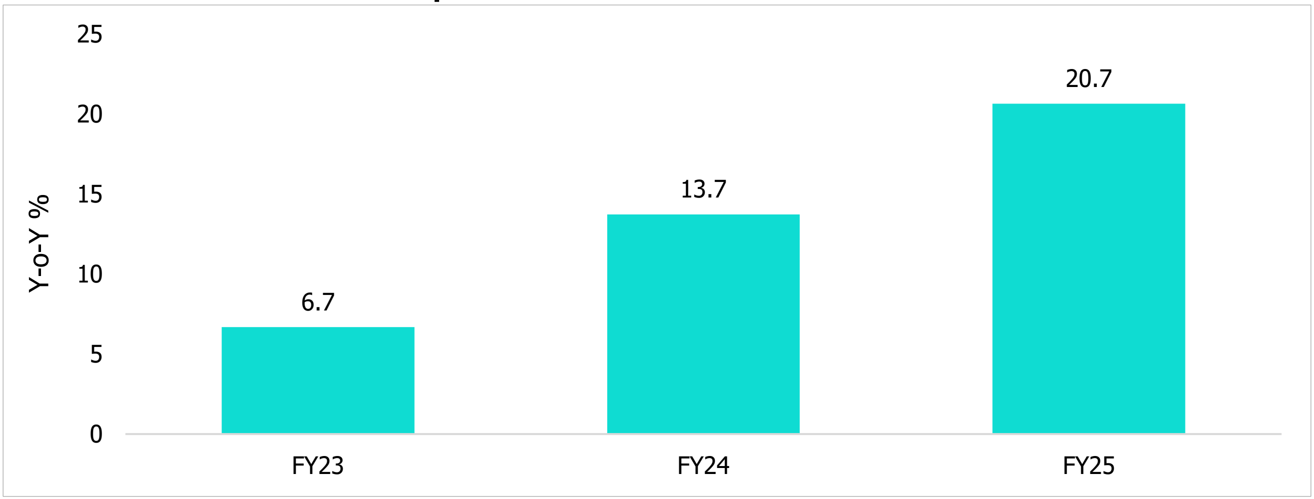
Source: Ace Equity, CareEdge, based on the analysis of 1,899 non-financial companies

Order Book of Capital Goods Sector Shows Improvement

The capital goods sector is crucial for the overall growth of the economy. Investments in capital goods sectors create a multiplier effect, stimulating growth not just within the sector itself but also across the broader economy. Order books of the capital goods sector are a key indicator of future capital expenditure by both the public and private sectors.

A review of order books across a representative group of capital goods companies shows a sharp rise of 20.7% in FY25, building on 13.7% growth in the previous year. This acceleration is well above the five-year CAGR growth of 4.8% seen during FY19-24. In addition, for a smaller sample of firms, order books increased a further 7% in the first half of FY26 compared with end-FY25 levels.

Exhibit 6: Order Books of the Capital Goods Sector



Source: Annual Reports of a representative sample of companies and their information available with stock exchanges, CareEdge estimates

Capex Push in the Power Sector

The power generation sector, including both listed and unlisted companies, is estimated to add substantial capacity in FY26, fuelling a significant rise in capital expenditure. We estimate capex for the power generation sector, for both listed and unlisted companies, to grow at a CAGR of 8% over FY26 to FY28. Within the power generation sector, capex in the renewable sector (including storage) is expected to grow at a CAGR of 13% over FY26 to FY28. We expect renewable energy capacity, including storage, to increase from 28 GW in FY25 to 41 GW in FY26 and reach 53 GW by FY28. This projected expansion in the renewable energy sector, led by solar, is expected to support continued capital expenditure within the industry. Increased capex in the power generation sector bodes well for the economy's future growth potential.

H1 FY26 Sees Higher Investment Announcements and Completions Year-on-Year

New investment announcements (CMIE Data) totalled Rs 15.1 trillion in H1 FY26, 15% higher than the corresponding period of the previous year (Refer to Exhibit 7). Following the trend seen in earlier periods, investment announcements were mainly led by the private sector, accounting for 88% of the total. While investment announcements indicate the investment intentions of business enterprises, it is important to note that not all such announcements necessarily translate into actual investments.

Investment completions (CMIE Data) stood at Rs 4.1 trillion during H1 FY26, up from a year ago. (Refer to Exhibit 8). Higher investment completions during the June quarter boosted the overall investment completions for the year so far. The government sector has remained at the forefront, accounting for 63% of total investment completions during H1 FY26.

Exhibit 7: Trends in Investment Projects Announced by Ownership – H1

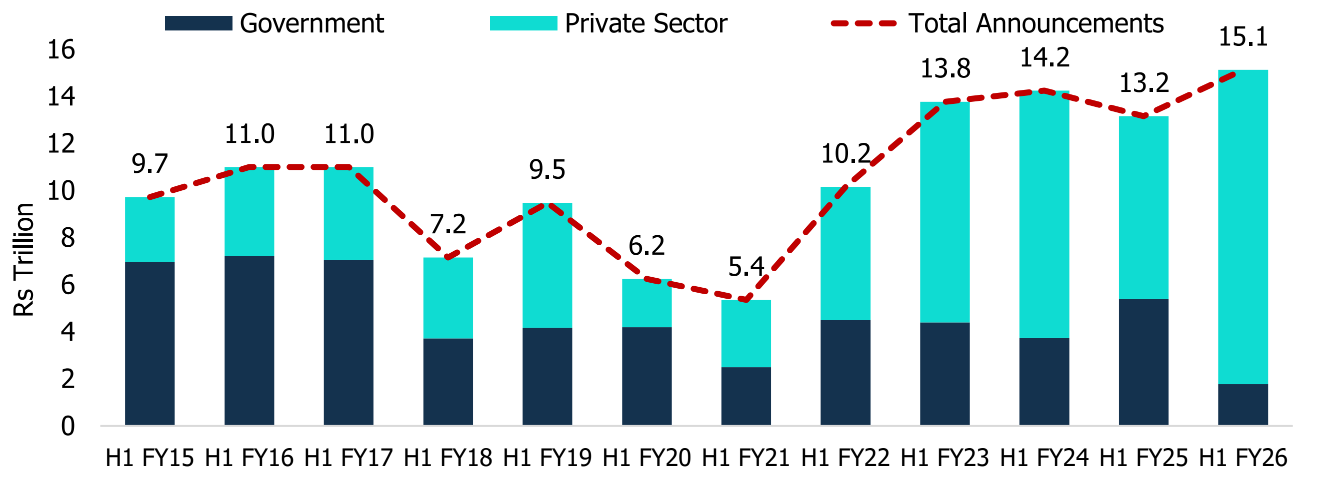
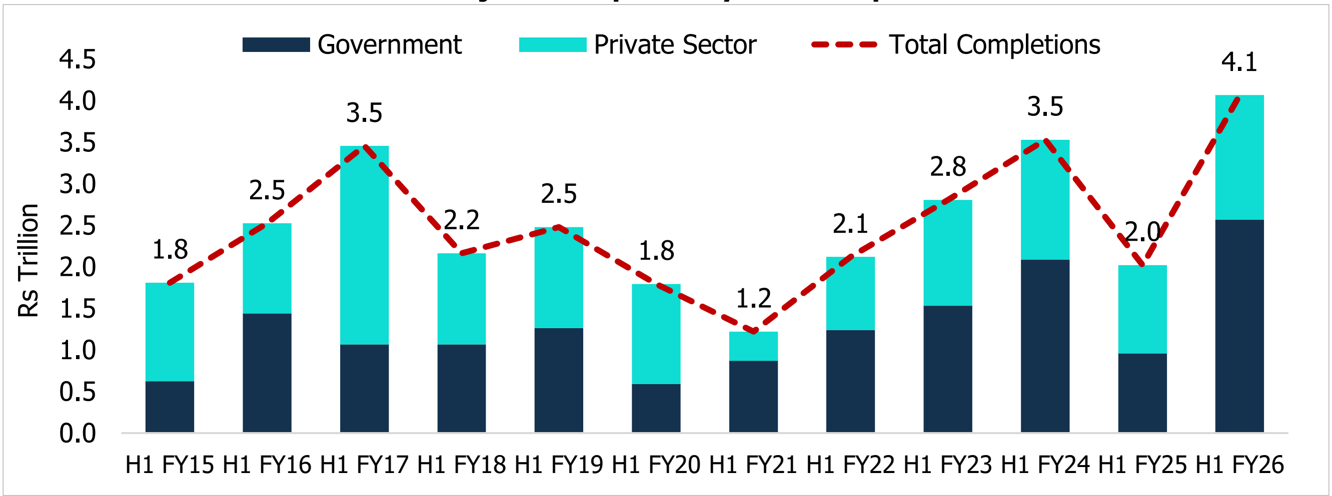


Exhibit 8: Trends in Investment Projects Completed by Ownership – H1



Source: CMIE Economic Outlook, CareEdge; Note: Data extracted on 14th November 2025; Capex estimates based on CMIE and Ace Equity are not strictly comparable due to differences in sector classifications. Further, Ace Equity reflects a sample of listed non-financial companies, whereas CMIE captures capex across all entities, including government and private (domestic and foreign) firms

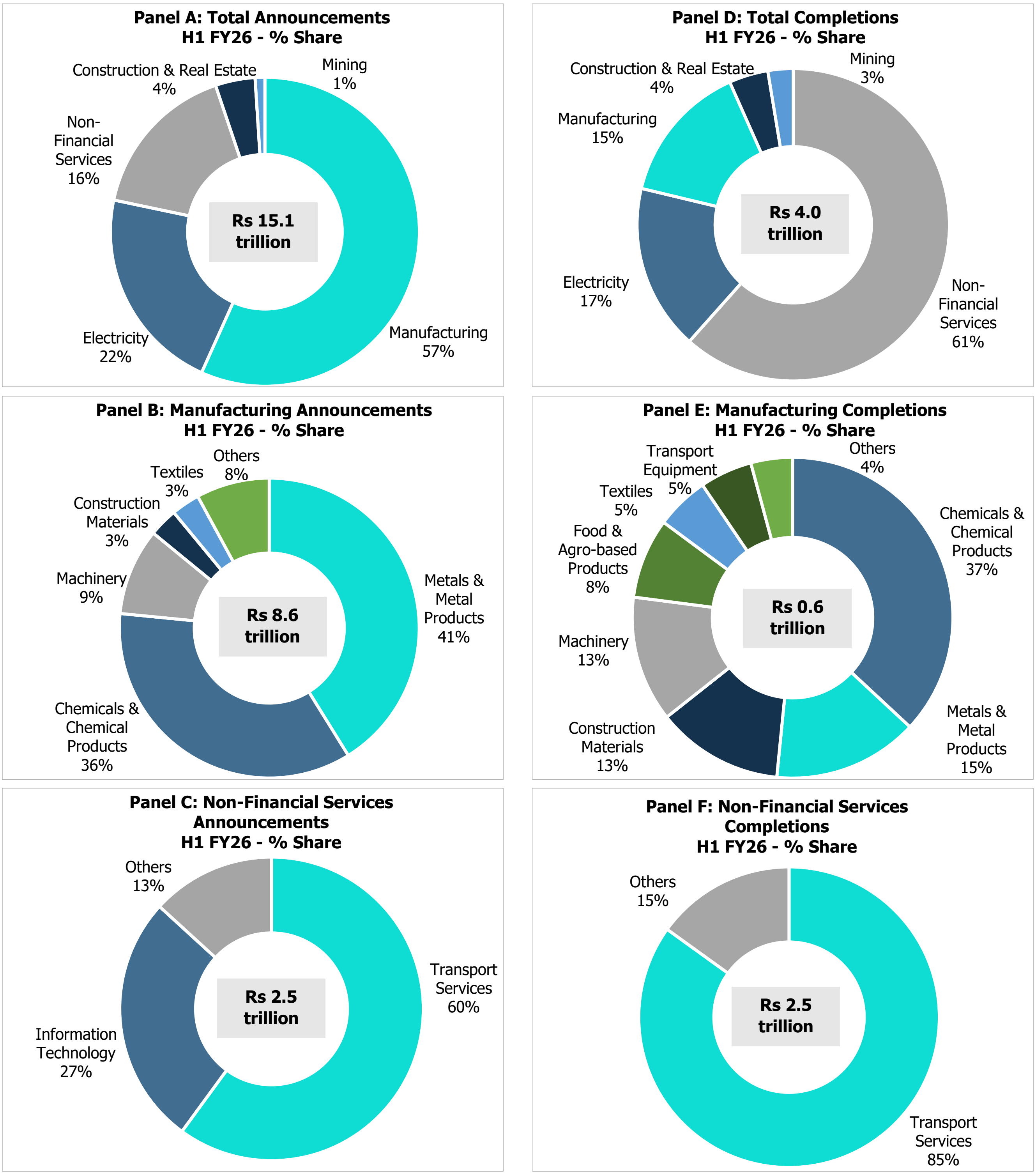
Manufacturing Sector Steers Investment Announcements, Non-Financial Services Drive Completions

A large share of total investment announcements during H1 FY26 was concentrated in the manufacturing sector, accounting for 57% (Refer to Exhibit 9: Panel A). The manufacturing sector investment announcements were led by metals and metal products (41% share in total manufacturing), followed by chemicals and chemical products (36%) (Refer to Exhibit 9: Panel B). In addition to the manufacturing sector, the electricity and non-financial services sectors also saw investment announcements, accounting for 22% and 16% of total announcements, respectively. Investment announcements within the non-financial services sector were mainly led by the transport sector (including transport infrastructure services), with a share of 60%, followed by information technology (mainly Data centres), with a share of 27% (Refer to Exhibit 9: Panel C).

The investment completions during H1 FY26 were led by the non-financial services, accounting for 61% of the total completions (Refer to Exhibit 9: Panel D). Within this category, transport services accounted for the majority of project completions mainly led by roads and railways. (Refer to Exhibit 9: Panel F).

Exhibit 9: Investment Projects Announced & Completed – Detailed Composition

Investment Projects Announced | Investment Projects Completed



Source: CMIE Economic Outlook, CareEdge; Note: Data extracted on 15th November 2025; Transport services include transport logistic services and road/railway/air/shipping transport & allied services. Non-financial services include (1) Transport (2) Information Technology (3) Hotels & Tourism (4) Wholesale & Retail Trading (5) Communication and (6) Miscellaneous Services; Manufacturing sector comprises of (1) Chemicals (2) Construction Materials (3) Machinery (4) Metals (5) Food & Agro Products (6) Textiles (7) Transport Equipment (8) Consumer Goods and (9) Miscellaneous Manufacturing. Capex estimates based on CMIE and Ace Equity are not strictly comparable due to differences in sector classifications. Further, Ace Equity reflects a sample of listed non-financial companies, whereas CMIE captures capex across all entities, including government and private (domestic and foreign) firms

Maharashtra Steers the Most Investment Announcements & Completions

In line with the trend seen in FY25, Maharashtra continued to lead new investment announcements and investment completions in the first half of the current fiscal year. In H1 FY26, Maharashtra's new investment announcements were largely driven by the private sector, accounting for 92% of the total, whereas project completions were led by the government, accounting for 58%. Among other states, investment announcements during H1 FY26 were driven by Andhra Pradesh and Odisha, which together accounted for 31.6% of the total. In terms of investment completions, other states such as Uttar Pradesh, Gujarat, and Bihar were at the forefront, accounting for close to 24% of total completions.

Table 3: State-Wise Investment Projects Announced

	FY25			H1 FY26	
	Rs Billion	% Share		Rs Billion	% Share
Total	**47,600**	**100.0**	**Total**	**15,128**	**100.0**
Maharashtra	7,843	16.5	Maharashtra	2,961	19.6
Andhra Pradesh	6,690	14.1	Andhra Pradesh	2,765	18.3
Madhya Pradesh	5,590	11.7	Odisha	2,014	13.3
Odisha	4,706	9.9	Rajasthan	1,121	7.4
Rajasthan	3,816	8.0	Chhattisgarh	840	5.6
Karnataka	3,285	6.9	Tamil Nadu	832	5.5
Gujarat	3,006	6.3	Madhya Pradesh	730	4.8
Chhattisgarh	1,923	4.0	Telangana	549	3.6
Uttar Pradesh	1,805	3.8	Uttar Pradesh	531	3.5
Telangana	1,645	3.5	Haryana	527	3.5

Source: CMIE States of India, CareEdge; Note: Data extracted on 16th November 2025

Table 4: State-Wise Investment Projects Completed

	FY25			H1 FY26	
	Rs Billion	% Share		Rs Billion	% Share
Total	**6,155**	**100.0**	**Total**	**4,078**	**100.0**
Maharashtra	1,457	23.7	Maharashtra	581	14.2
Uttar Pradesh	662	10.8	Uttar Pradesh	385	9.4
Gujarat	528	8.6	Gujarat	334	8.2
Rajasthan	479	7.8	Bihar	256	6.3
Tamil Nadu	366	5.9	Tamil Nadu	237	5.8
Bihar	358	5.8	Karnataka	236	5.8
Madhya Pradesh	273	4.4	Rajasthan	219	5.4
Karnataka	265	4.3	Andhra Pradesh	181	4.4
Jharkhand	258	4.2	Himachal Pradesh	164	4.0
Andhra Pradesh	218	3.5	Jharkhand	149	3.7

Source: CMIE States of India, CareEdge; Note: Data extracted on 16th November 2025

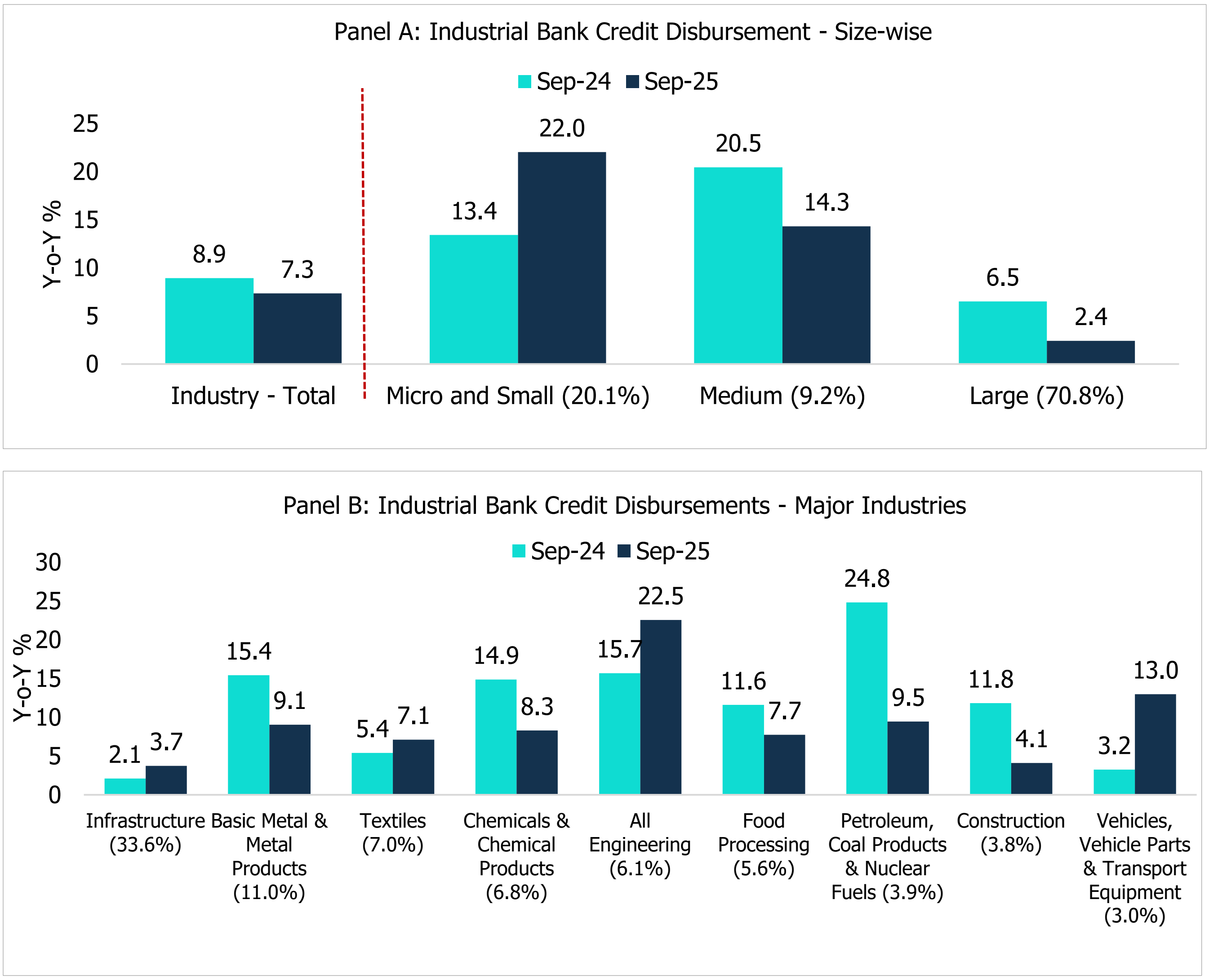
Sources of Financing

A. Bank Credit Offtake

Bank credit offtake in the industrial sector moderated to 7.3% as of September 25, compared with 8.9% a year ago. More importantly, bank credit offtake by large industries (which accounted for close to 71% of total industrial bank credit) was lower at 2.4% as of September 25, compared with 6.5% growth last year. Overall, while credit expansion weakened for large and medium enterprises, micro and small enterprises witnessed a strong acceleration in bank credit growth during the period under review (Refer to Exhibit 10: Panel A).

Among major industries, credit growth to infrastructure (accounting for a 34% share in industrial credit) picked up to 3.7% as of September 25, though it remains subdued. Credit to construction (4% share) slowed sharply to 4.1% from 11.8% a year ago. This overall softness was partly offset by a strong pickup in credit to the engineering sector (6% share), where growth accelerated to 22.5% as of September 25 from 15.7% a year ago (Refer to Exhibit 10: Panel B).

Exhibit 10: Overview of Industrial Bank Credit Growth

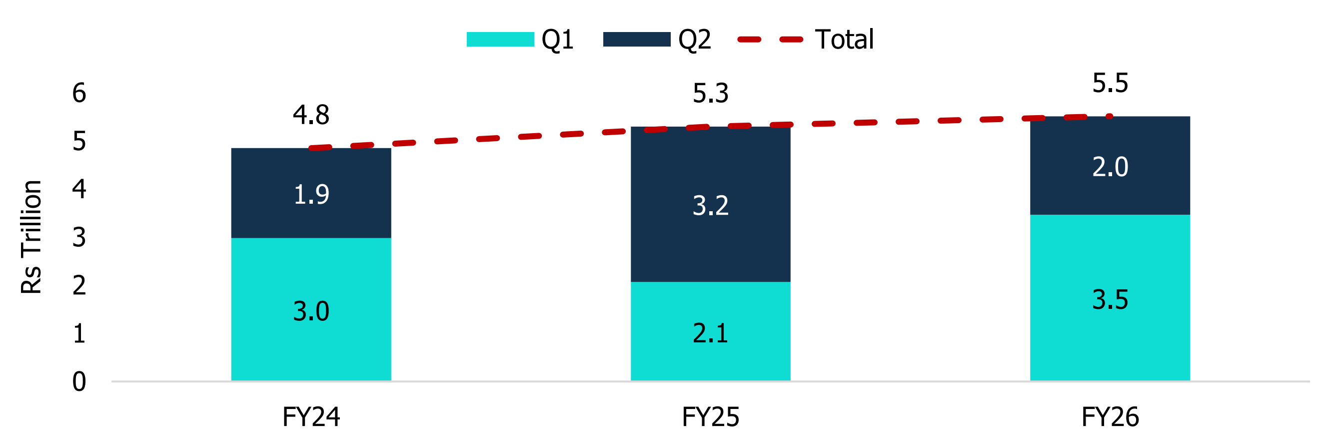


Source: RBI, CareEdge; Note: Figures in brackets represent percentage share in total industrial bank credit as of end-FY25

B. Corporate Bond Issuances

In the first half of the current fiscal year, corporate bond issuances totalled Rs 5.5 trillion, a 4% increase over the same period last year (Refer to Exhibit 11). Much of the bond issuance was front-loaded in the first quarter, totalling Rs 3.5 trillion. Thereafter, the corporate bond issuances moderated to Rs 2 trillion in Q2, weighed by elevated global economic uncertainties and higher yields. Looking ahead, as corporate capex prospects improve, corporate bond issuance is likely to rebound in the second half of the fiscal year.

Exhibit 11: Corporate Bond Issues – H1

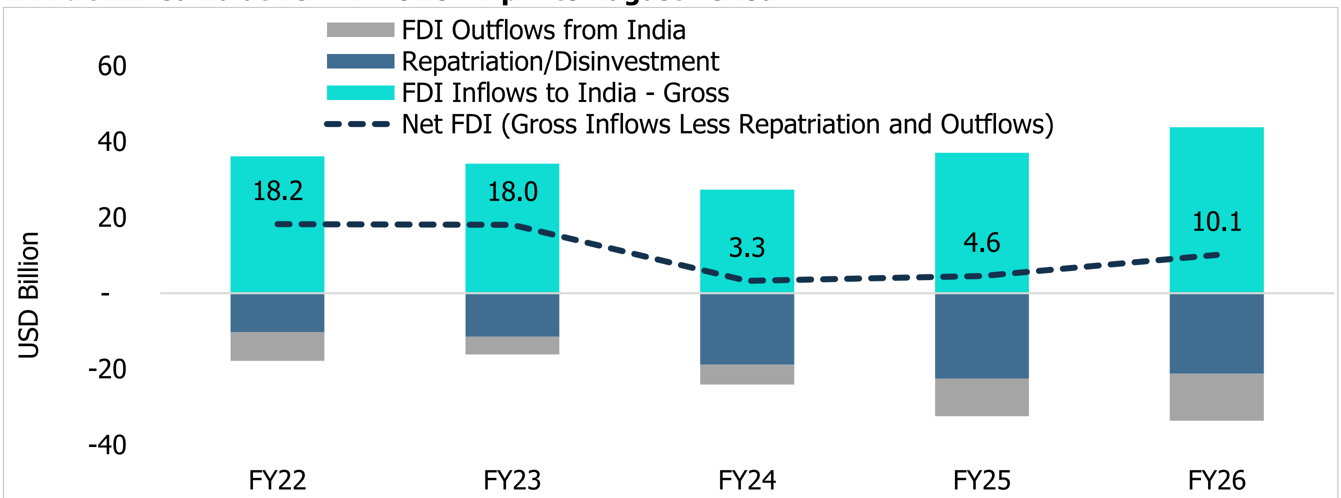


Source: Prime Database; Note: Data includes public issues and private placement; Data extracted on 17th November 2025

C. External Sources

In terms of external financing, net FDI (gross inflows less repatriation and outflows) more than doubled to USD 10 billion during April to August FY26 compared to the year-ago period. This improvement in FDI flows was aided by higher gross FDI inflows (up by 18% y-o-y), while repatriation/disinvestment remained largely close to last year's levels. On the other hand, India's outward FDI surged by 26% (y-o-y), rising to USD 12.4 billion in April to August FY26. This is the highest outward FDI seen in recent years during H1 (Refer to Exhibit 12). While India's gross FDI inflows are likely to stay encouraging, net FDI inflows are expected to be weighed down by elevated repatriation and higher outflows in FY26.

Exhibit 12: Cumulative FDI Flows – April to August Period



Source: CMIE and CareEdge

Among the other sources of external financing, the registrations for external commercial borrowing (ECB) and foreign currency convertible bonds (FCCBs) moderated to USD 15.7 billion during April-August FY26. This is 23.7% lower compared to the same period last year. An evaluation of ECB registrations showed that nearly 29% of registrations during this period were for corporate infrastructure. Furthermore, the share of ECB registrations for the corporate service sector rose to 9.4% during April-August FY26 from 4.4% in the same period last year.

Exhibit 13: External Commercial Borrowings (ECBs) and Foreign Currency Convertible Bonds (FCCBs) Registrations – April to August Period

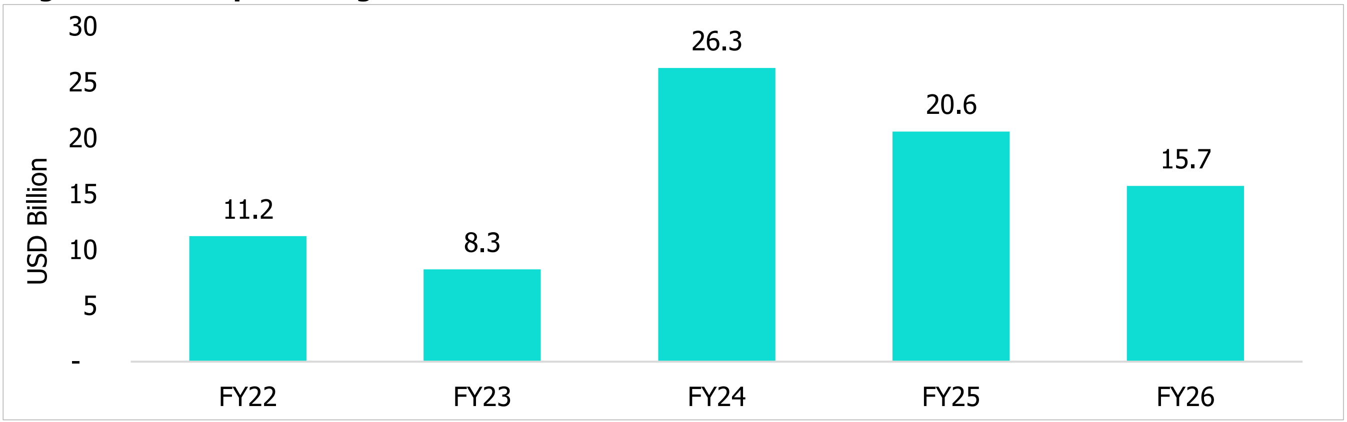
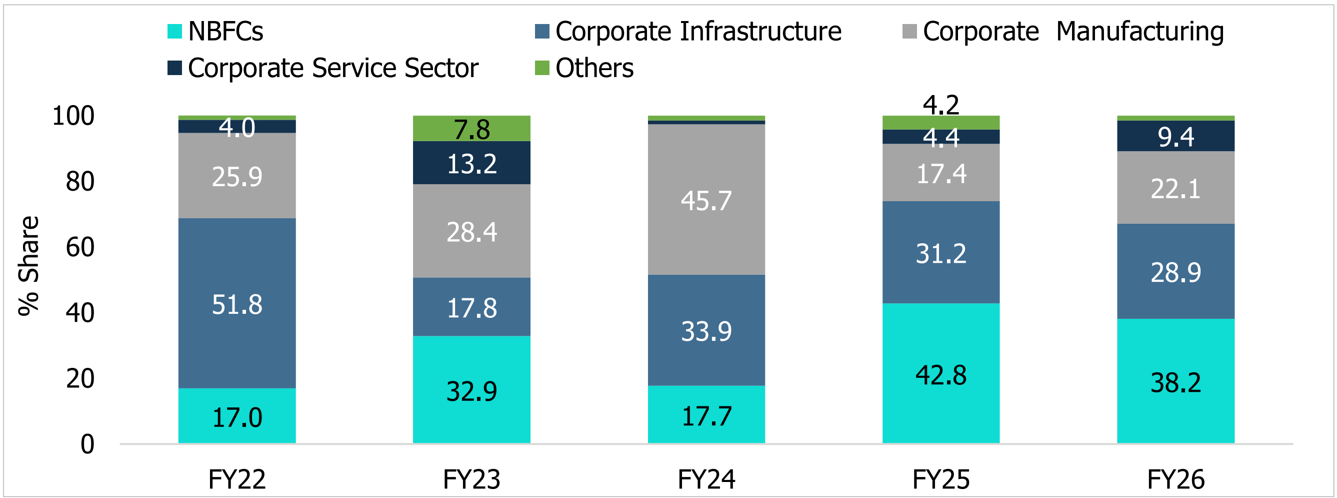


Exhibit 14: External Commercial Borrowings – Registrations by Borrower Category (% Share during April to August Period)



Source: CMIE and CareEdge

Conclusion

The capex landscape in the fiscal year so far reflects signs of optimism. Centre's capex remains healthy, mainly led by the roads and railway sector. Aggregate state government capex has also picked up, led mainly by Maharashtra, Madhya Pradesh, and Gujarat. CPSEs have also shown healthy momentum in capex in H1 and should meet, or plausibly even marginally exceed, their FY26 capex target.

Moreover, there are signs of a revival in capex among Indian corporations. Sectors such as oil & gas, power, telecom, automobiles & ancillaries have seen healthy capex in FY25. Furthermore, the order books data for a representative sample of capital goods, a key gauge of future capital expenditure, suggest a favourable outlook for capex. However, CMIE data shows that investment project completions have so far been led by the government sector, even as the private sector shows increasing intent to invest (as reflected in announced investment projects). Sources of financing data show an improvement in bank credit, but it remains muted for large industries. Growth in corporate bond issuances has moderated in Q2 following front-loading in the previous quarter. As for external financing, gross FDI inflows into the country have picked up.

Overall, while the capex outlook appears optimistic, we remain cautious about the challenges arising from an uneven domestic demand recovery, elevated external economic uncertainties and global trade policy headwinds. Excess capacity in China and the consequent flooding of other markets, such as India, also remains concerning. Amid a volatile global economic environment, a durable, broad-based domestic demand recovery remains critical to sustaining this investment momentum.

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