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Corporate investment in H1-FY22

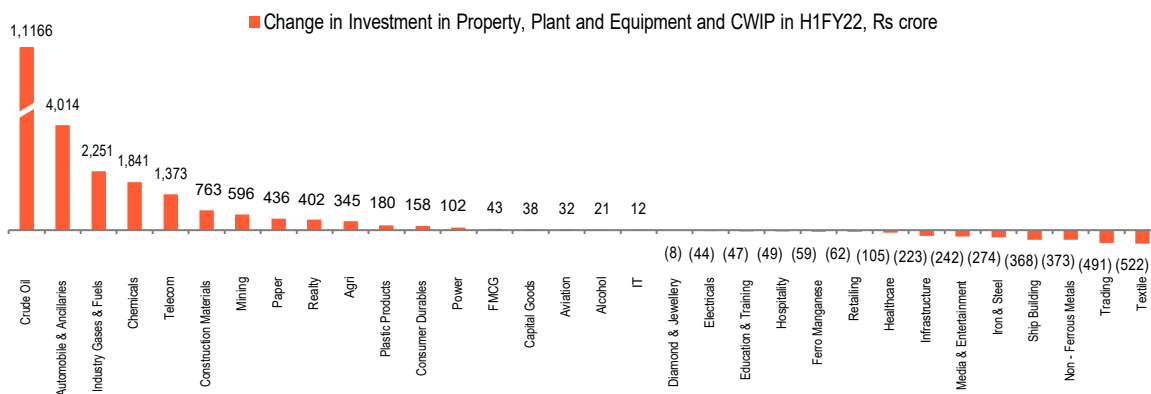
Since FY20 gross fixed capital formation component of India’s GDP has been modest and showed a declining trend from 29.5% in FY19 to 26.6% in FY21. In FY21, it declined by 8.3% in current prices. In H1FY22, GFCF had improved to 27.8% and for the year is expected to be 28.3% as per NSO estimates. The covid induced lockdown that led to significant economic disruption in the economy has been responsible to a large extent for this volatile nature of investment in the economy.

The foregoing study analyzes the trends in corporate investment in capital defined as change in outstanding gross fixed assets which includes property, Plant and Equipment and capital work in progress for a set of 2,241 companies (excluding financial sector). The period looked at is September 2021 over March 2021 which will give an idea of investment taking place in different sectors of the economy during the first half of the year. Data has been taken from the published balance sheets of companies for half year ending September 2021.

Some interesting results:

- In the first 6-months of FY22, net investment in gross fixed assets of the sample companies has increased by Rs 20,058 crore over March. 522 companies had increased the size of their gross fixed assets by Rs 39,419 crore while 812 had reduction of Rs 19,361 crore. The balance 907 companies witnessed no change in gross fixed assets.
- Out of 33 industries, 18 industries have shown positive accretion of investment in assets with aggregate increase of around Rs 24,000 crore. But within these industries only 7 sectors had investment of above Rs 500 crore each.
- Sector wise, crude oil, automobile and industrial gases and fuels comprise the major share in capital formation.
- Other industries where there was noteworthy investment are chemicals, telecom, construction and mining.
- For sectors such as logistics, textiles, iron and steel, media and entertainment and infrastructure sectors, capital accumulation has fallen in the first 6-months of H1FY22.

Fig 1. Pattern of fixed investments sector wise:



Source: Ace Equity, Bank of Baroda Research

How have MSMEs performed?

- We have categorized the companies with respect to their turnover (in FY21) and have seen how investments have been in the past 6 months. Notably, only large enterprise's accretion to fixed capital have been significant, around Rs 21,605 crore.
- Within large industries, the top 10 had investments of Rs 24,786 crore, which is above the total net investments made these sample companies. There were another 35 companies which had investments of above Rs 100 crore each.
- However, MSMEs have underperformed. This sector is still bearing the brunt of Covid induced stress. For medium enterprises, the accretion to fixed capital have fallen the most by Rs 1,159 crore. *Within this group, sharp decline has been noticed in sectors such as logistics, trading and real estate sectors, as they are mainly contact driven services.*
- Even for small enterprises, out of 526 companies which we have evaluated, 396 companies have either shown no accretion or falling capital formation in H1FY22, with most *notable decline seen in aviation, hospitality, education and media and entertainment sectors.*

Table 1. Large Industries have made the maximum investment in fixed assets

	No: of companies	Net investment H1FY22, Rs crore
Micro	364	-111
Small	526	-277
Medium	577	-1159
Large	774	21,605

Source: Ace Equity, Bank of Baroda Research

Conclusion:

- Increase in net investment of 2,241 companies in H1FY22 has been Rs 20,058 crore.
- Out of 33 industries, 18 industries have shown positive accretion of fixed capital.
- For sectors such as logistics, textiles, iron and steel, media and entertainment and infrastructure sectors, capital accumulation has fallen in the 6-months of H1FY22.
- MSMEs have performed badly, especially the contact intensive services.
- Only large enterprises with higher turnover stood out and that too only for sectors such as crude oil, auto and ancillaries and iron and steel.

Appendix:**Table 2. Sector wise investment pattern in fixed assets**

(Rs crore)	No: of companies	Net Sales, FY21	GFA March 2021	GFA as on Sept 2021	Capital Accretion
Crude Oil	19	1165433	477260	488426	11,166
Automobile & Ancillaries	128	196249	66712	70726	4,014
Inds. Gases & Fuels	12	63063	50679	52930	2,251
Chemicals	159	138379	62505	64347	1,841
Telecom	21	73145	70676	72050	1,373
Construction Materials	64	67955	55940	56702	763
Mining	8	20179	22257	22854	596
Paper	41	16000	18829	19265	436
Realty	110	38532	7968	8370	402
Agri	106	66797	32984	33329	345
Plastic Products	79	32460	15680	15860	180
Consumer Durables	28	34644	4481	4639	158
Power	24	186807	533966	534068	102
FMCG	113	129940	42030	42073	43
Capital Goods	174	103210	24728	24766	38
Aviation	6	42712	10968	11000	32
Alcohol	9	41671	3761	3781	21
IT	128	43046	5241	5253	12
Gas Transmission	1	1	1	1	0
Photographic Product	4	66	21	21	0
Diamond & Jewellery	16	10542	442	435	-8
Electricals	27	10442	2492	2448	-44
Education & Training	11	272	280	233	-47
Hospitality	48	3366	7000	6950	-49
Ferro Manganese	7	3898	1678	1620	-59
Retailing	20	44398	18612	18550	-62
Healthcare	151	163578	69378	69274	-105
Infrastructure	79	78819	11050	10827	-223
Media & Entertainment	60	20657	5520	5278	-242
Iron & Steel	85	262114	255478	255204	-274
Ship Building	4	8163	3127	2759	-368
Non - Ferrous Metals	28	60805	45039	44665	-373
Trading	212	93512	2635	2144	-491
Textile	223	77002	46992	46470	-522
Logistics	36	26591	29575	28725	-850

Source: Ace Equity, Bank of Baroda Research

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