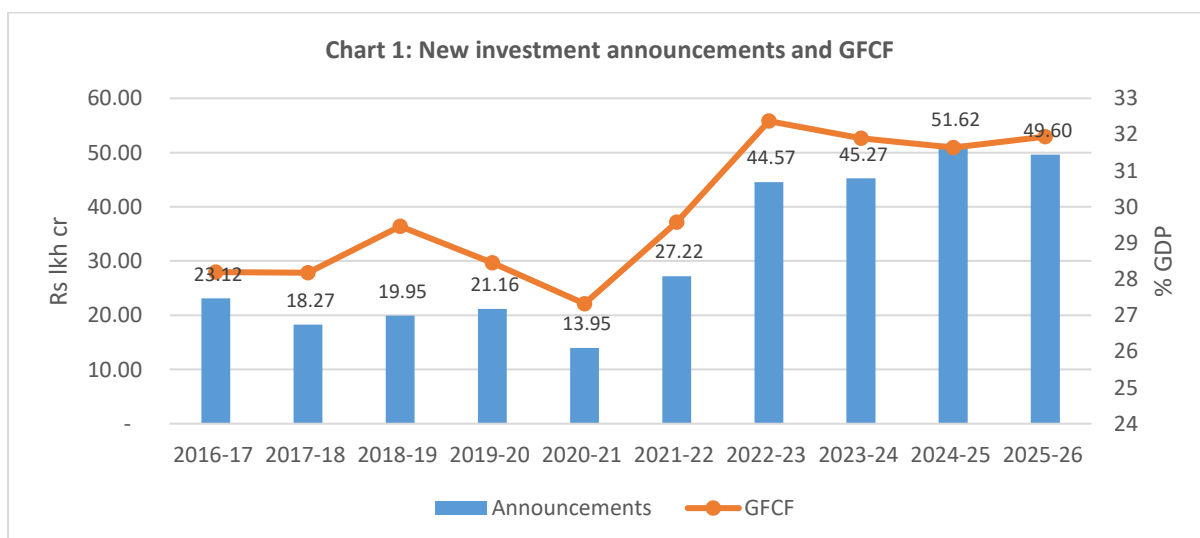


Investment scenario in India post Covid

There has been renewed push being given to investment post covid to accelerate growth. The period has been fairly turbulent even after 2021-22 with there being two major wars fought one of which may be coming close to an end. Further, there was a major disruption caused by the imposition of tariffs last year by the government of USA which also added to uncertainty. Given the fact that Indian economy is primarily dominated by domestic demand, there was some bit of insulation. However, inflation has been varied in the last 4 years prompting differential approaches by the MPC which first raised the repo rate before lowering it last year. At the same time there has been an uptick in funds raised in both the IPO and debt market which is encouraging. In this environment the investment pattern in the economy is interesting to examine.

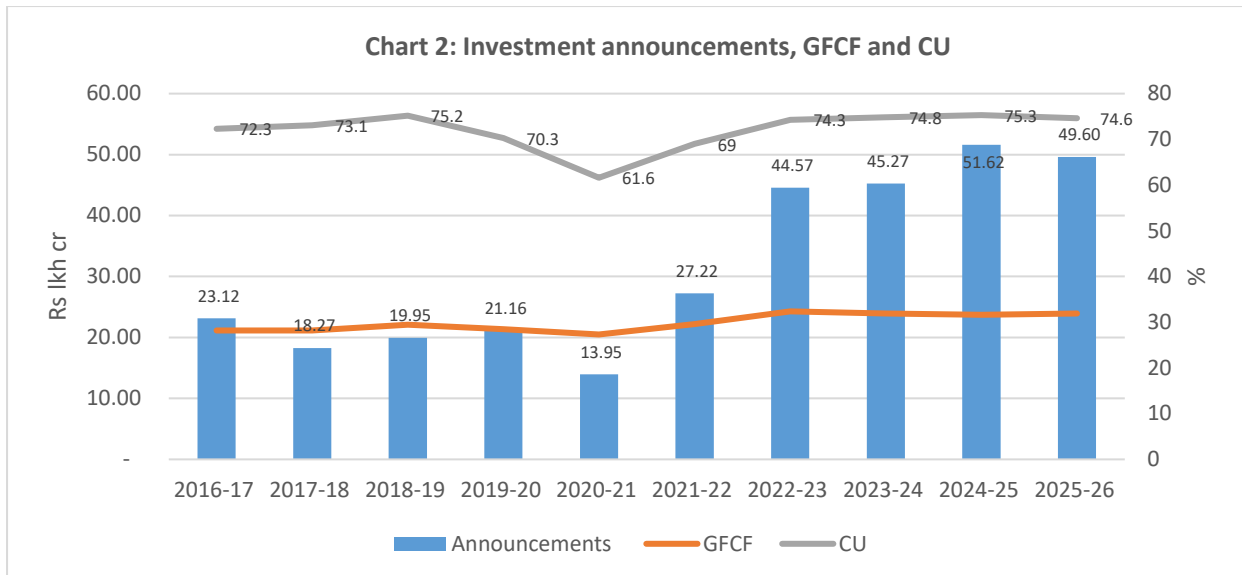
Investment is dependent on various factors on both the demand and supply sides. On the demand side, the capacity utilization rate is important because as long as there is excess capacity the decision to invest will be determined by conjectures on future demand. Demand has been varied across sectors with the consumer goods segment being relatively less vibrant against capital goods where there was frontend spending on infrastructure by the government and private sector. On the supply side, cost of capital is also important as companies normally leverage to add to capital and the interest rate becomes important. In parallel, there has been a lot of effort put in at the policy level to ease the doing business environment.

There are two aspects of investment that can be captured by various data sets. The first is the gross fixed capital formation rate (GFCF) which includes construction and investment in plant and machinery and the second is new investment announcements by companies as collated by CMIE. The chart below provides the trend in both these variables over the last 10 years. The GFCF rates are as per 2011-12 base till 2021-22 after which the 2022-23 base year data is used. The new investment announcements are in monetary terms. There is a strong correlation between the two series which also comes out in the graph.



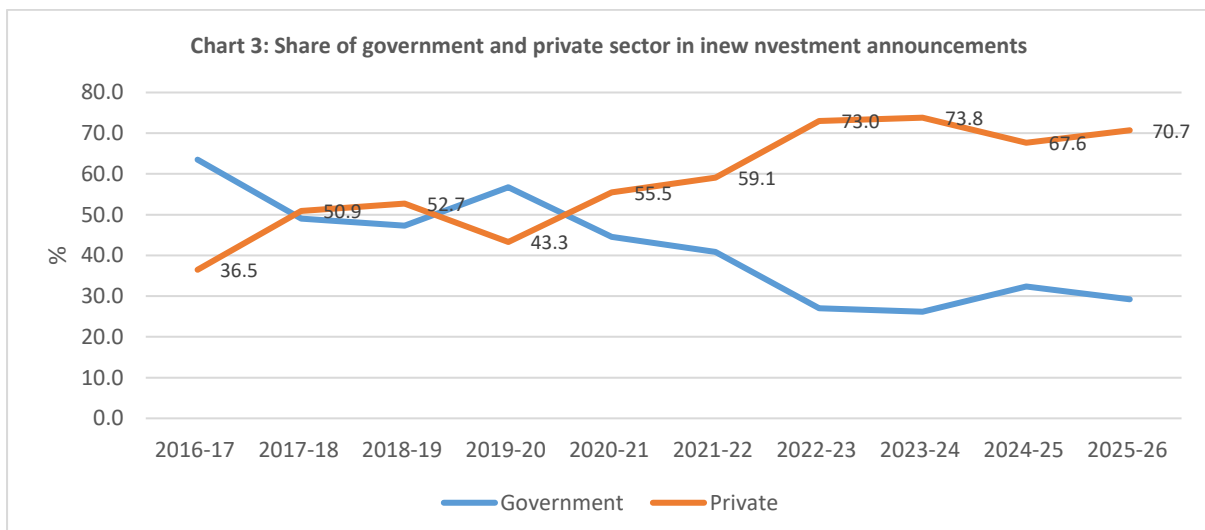
Source: NSO and CMIE

The chart below maps the new investment announcements with the GFCF rates as well as capacity utilization rates of manufacturing sector as presented by RBI. It can be seen that the investment intentions have been showing traction as capacity utilization levels rose post covid and stabilized in the region of 74-75% (though announcements include all sectors while capacity utilization is of only manufacturing companies).



Source: NSO, CMIE and RBI

Now, there has been a view that the private sector has a long way to go in investing and this can be analyzed by looking at the share of the government and private sector in total investment announcements over the last 10 years. As can be seen in Chart 3 below, there are interesting findings. Until covid, the share of the government in total announcements tended to be higher and averaged 54.2% for the 4 years just before covid. Post covid however, the private sector has had the dominant share of 71.3% between 2022-23 to 2025-26. Therefore, there are signs of private sector intentions being in the right direction. In this context, the direction of investment can be looked at next.



Source: CMIE

Table 1 below gives the shares of various sectors in cumulative total new investment announcements between FY23 and FY26. This would be a better indicator than a single year. There are interesting observations here.

Table 1: New investment announcements FY23-FY26 Rs crore

Sector	Total (FY23-FY26) Rs cr	Share %
Electricity	50,85,421	26.6
Transport services	43,56,254	22.8
Chemicals	27,99,429	14.7
Metals	17,30,695	9.1
IT	11,19,024	5.9
Machinery	11,00,735	5.8
Construction and real estate	10,43,522	5.5
Auto sector	4,66,193	2.4
Construction material	2,22,303	1.2
Food based	1,37,460	0.7
Textiles	1,16,973	0.6
Mining	1,03,159	0.5
Consumer goods	97,951	0.5
Hotels and tourism	92,760	0.5
Irrigation	60,559	0.3
Trading	47,831	0.3
Communication services	2,671	0.0
Others	5,22,726	2.7
All	1,91,05,667	100.0

For the 4 years, the total amount of new investment announcements were for around Rs 191 lakh crore which is around Rs 48 lakh crore on an average annual basis. The two dominant sectors which accounted for almost 50% of the total planned investments are electricity and transport services. This is significant as there is a thrust to power generation given the growing requirement which is in both conventional and renewable spaces. In case of transport services, this includes both the plans of the aviation and railway sectors which are on an expansion mode. Two of the airlines had announced plans to purchase new aircrafts which has added to these numbers. Chemicals and metals follow next with a share of around 24%. This gets linked more to infrastructure activity as well as machinery and construction material.

The interesting part is the investment planned in the IT space. With a lot of focus on AI and data centres, there has been progressively higher outlays in these areas. The share is nearly 6% of total. Now, in the consumer segment, it is only automobiles which have witnessed a share of 2.4% coming 8th in the pecking order followed by food based at 10th with share of 0.7%. Textiles and consumer goods come next with shares of 0.6% and 0.5%. Hence, while the shares are low, there are still investment plans for these sectors.

Hotels and trading have shares of 0.5% and 0.3% which are rising businesses in the last few years. There has been a change in the consumer mindset where there is higher spending on services (which also comes out in the GDP data) relative to goods which includes both tourism as well as ecommerce. The investment required here is lower than that in the heavy industries like power or metals and hence have a lower share in relative terms.

Table 2 below provides information on how these announcements have been made in the first 75 days of the year i.e. up to June 15th. The pattern appears to be similar with electricity and IT dominating

and accounting for 85% of total proposed investment. Within the IT space, data centres and AI technology are the main headings for investment.

Table 2: New investment announcements: April-June 15 2026 Rs cr

Industry	Announcements Rs crore	Shares %
Conventional electricity	6,83,200	50.5
ITES	4,77,727	35.3
Steel	52,781	3.9
Other electronics	28,276	2.1
Aluminium & aluminium products	22,056	1.6
Renewable electricity	19,317	1.4
Cement	7,244	0.5
Inorganic chemicals	7,003	0.5
Passenger vehicles	5,922	0.4
Tyres & tubes	5,200	0.4
Others	43,400	3.2
Total	13,52,124	100.0

Concluding remarks

Therefore, the investment environment does appear to be encouraging based on the trends seen in the last four years which persists even during the present financial year. It is natural that there would be certain sectors that will be investing more given the overall demand conditions. Power and IT will however continue to be the dominant industries in the near future as the world turns more to technology areas which will be dominating the economic landscape. Within IT the push given to digital infrastructure as well as data centres will present many opportunities to potential investors. The same holds for renewables which will continue to see traction.

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com