

Corporate Investment: Growth in 2010-11 and Prospects for 2011-12*

The article captures capital expenditure (investment in fixed assets) intentions of the companies in private and joint business sector in order to assess broadly the likely short-term changes in business sentiments. The estimation of capital investment during a year is based on time phasing details of the investment intentions indicated by the companies while raising funds from banks/FIs, ECBs and domestic equity. The cost of projects which were sanctioned institutional assistance during 2010-11 aggregated to ₹4,60,303 crore which is only marginally higher than ₹4,55,968 crore envisaged in 2009-10¹. The investment plan was led primarily by high value projects (projects having cost more than ₹1,000 crore each) envisaged in power, metal & metal products and telecom sectors. The envisaged investment of 87 high value projects, aggregated to as much as ₹3,60,655 crore (78.4 per cent). Spatial pattern of projects proposed during 2010-11 revealed that Chhattisgarh was the most preferred state that captured 14.9 per cent of total investment intentions followed by Andhra Pradesh, Gujarat and Karnataka.

Based on the phasing details of investment intentions made during various years, the sum of total capital expenditure, including through ECB and domestic equity issuance, after avoiding duplication, that might have been incurred in 2010-11 worked out to be ₹3,82,641 crore (sanctioned assistance by Banks/FIs: ₹3,48,863 crore, ECB/FCCB: ₹31,841 crore and domestic equity issuance: ₹1,937 crore). Further, the capital expenditure already planned to be spent in 2011-12 aggregated to ₹2,74,919 crore. Thus, for matching aggregate capex of 2010-11 in 2011-12, a minimum capital expenditure of around ₹1,07,722 crore need to show up from new investment

intentions of 2011-12 by the private corporate sector, which going by the assessment on date does not appear to be feasible. In all likelihood, capital expenditures in 2011-12 are likely to be lower than the previous year.

1. Introduction

A capital expenditure (or capex) is incurred when a business entity either buys fixed assets or adds value to an existing fixed asset with a useful life that extends beyond an accounting year. Capital expenditure, be it for modernisation and expansion of productive capacity of an existing business or for the development of a new business, is vital for economic development and to remain competitive in a business environment. It is also evident that economic growth is strongly correlated with investment intensity, especially in emerging economies. The Indian economy has been witnessing a long and strong investment cycle in the recent years that is contributing significantly to increase in its economic growth.

This article captures capital investment intentions of the companies in private and joint business sector in order to assess broadly the likely short-term changes in business sentiment. The phasing details indicated by the companies while raising funds were analysed in order to capture the capital expenditure that would have been made during 2010-11. Capital expenditure envisaged from pipeline projects are also estimated for the year 2011-12. Further, the analysis dwells on the prospects that bring out the minimum value of the capital expenditure that would have to show up in the current year 2011-12 in order to match the investment level so assessed for 2010-11, other things remaining the same.

The article is organised in 6 sections. Section 2 presents the methodology, scope, coverage and the limitations. Section 3 reviews the investment intentions of corporates for the year 2010-11. It covers

* Prepared in the Corporate Studies Division of the Department of Statistics and Information Management. The previous study titled 'Corporate Investment: Growth in 2009-10 and Prospects for 2010-11' was published in the August 2010 issue of the Bulletin.

¹ According to the previous publication in the August 2010 issue of the Bulletin, the cost of projects which were sanctioned institutional assistance during 2009-10, was ₹5,56,011 crore. However, on account of cancellation of 42 projects during the current year, the cost of projects in 2009-10 has been revised to ₹4,55,968 crore.

all projects where funds have been raised through banks/FIs/capital markets/external commercial borrowings (ECBs). However, analysis at disaggregated levels according to size-class, industrial sector, location/state and purpose has been made only for those projects that were covered by institutional assistance. Section 4 reviews envisaged capital expenditure of corporate sector during 2010-11. Section 5 assesses the envisaged investment for the year 2010-11 while outlook for investment for the year 2011-12 is presented in Section 6.

2. The Approach – Methodology, Coverage and Limitations

Though banks/FIs constitute the conventional source for raising funds for large-sized capital expenditure, companies are also increasingly raising funds through several other avenues such as domestic capital markets, external commercial borrowings (ECBs)/foreign currency convertible bonds (FCCBs), private placement of debt, bonds/debentures and ADRs/GDRs.

The estimation of capital investment made in this study is largely based on projects in the private corporate sector that were financially assisted by banks/FIs². Such data were obtained from banks/FIs which prepare project reports before sanctioning financial assistance to companies. The data collected includes various components such as total envisaged capital expenditure, its phasing details together with information on industry, purpose and location of project. The study *inter alia* covered many under-construction projects.

Capital spending envisaged by the companies that raised ECBs (including FCCBs) or equity capital to partly finance their large capital outlays were also captured and aggregated in this study. The details as reported in Form 83 submitted to the Reserve Bank by companies raising funds through ECBs were analysed for this purpose. The details captured are, among

² All public sector banks (including IDBI Bank) and major private and foreign banks, Infrastructure Development Finance Company (IDFC), IFCI, Life Insurance Corporation (LIC), Power Finance Corporation (PFC), Infrastructure Leasing & Financial Services Limited (ILFSL) and EXIM Bank.

others, purpose of the loan and the drawal schedule, which was considered as indicative of time phasing of utilisation of the funds raised through ECBs. Only those companies that indicated their primary purpose of raising ECBs as capital expenditure were selected for the study. Similarly, the information on envisaged capital spending and corresponding phasing details, as indicated in prospectus of the companies issuing equity capital in domestic capital market and available with SEBI was gathered to capture investment plans of such companies. Care was taken to include a project only once, if the project is sourced from various sources to avoid duplication.

However, the investment intentions of companies raising funds exclusively through private placements or debenture/bond issues or through ADR/GDRs could not be captured due to inadequacy of information on the end-use and the spending pattern over the years³.

The methodology followed is broadly in line with that proposed by Dr. C. Rangarajan in his article titled 'Forecasting Capital Expenditure in the Corporate Sector' published in the December 13, 1970 issue of the 'Economic and Political Weekly'. As suggested therein, the envisaged phasing details of total project cost as mentioned in the project proposals by companies should indicate the likely level of capital expenditure (capex) in the years of their implementation.

The validity of the assessment of corporate investment in the various years of implementation heavily rests upon the assumption that companies would adhere to the expenditure patterns outlined in the initial proposals. It may also be noted that estimates of corporate investment presented in this article are *ex ante* and differ in scope and methodology from the

³ As per the available information, non-financial companies in private corporate sector raised funds amounting to ₹46,866 crore in 2010-11 (₹90,853 crore in 2009-10) through private placement. However, neither the proportion nor the implementation schedule of these funds allocated for capital expenditure purposes are available. Similarly, the details of end-use and expenditure pattern over years of implementation are not available for the companies (excluding banks and financial institutions) that raised funds through ADRs/GDRs to the tune of ₹9,248 crore in 2010-11 (₹15,124 crore in 2009-10).

ex-post estimates of corporate fixed investment available in National Accounts Statistics (NAS)⁴.

3. New Projects Planned during 2010-11

The present study captures investment intentions of 796 projects, each with project cost of ₹10 crore and above, sanctioned assistance by banks/FIs in 2010-11 amounting to ₹4,60,303 crore. In addition, it captures investment intentions of ₹31,648 crore proposed by 302 companies contracting ECBs (inclusive of FCCBs) and ₹2,094 crore intended by 30 companies issuing domestic equity capital during 2010-11. All together, the new investment intentions of 1,128 projects covered in 2010-11 aggregated ₹4,94,045 crore spread over 2008-09 to 2016-17.

3.1 Projects Funded/Assisted by Banks/Financial Institutions

The aggregate investment intentions of the 796 projects which were sanctioned assistance by Banks/FIs during 2010-11 amounted to ₹4,60,303 crore. This envisaged expenditure was marginally higher than ₹4,55,968 crore envisaged from 754 projects during 2009-10⁵.

The phasing details of the fresh sanctions in 2010-11 showed that 27.4 per cent of the total proposed spending amounting to ₹1,26,222 crore was planned to be incurred in 2010-11, while another 28.1 per cent (₹1,29,424 crore) was to be incurred in the following

year 2011-12. An amount of ₹1,67,088 crore was proposed to be spent subsequently during 2012-17. It may be noted that around 8.2 per cent of total project cost envisaged by these projects was already spent in previous years (*i.e.*, 2008-09 to 2009-10) (Table 1). Further details regarding these projects are given below.

3.1.1 Industrial Pattern of Projects

Table 2 shows the industry-wise pattern of institutionally assisted projects in 2010-11. At ₹2,57,164 crore, the total investment in infrastructure sector represented more than half of the cost of all projects, reflecting prominence of this sector. Investment in this sector in recent years was largely led by high value projects in power and telecom industries.

The share of power sector projects in the total cost of all projects sanctioned assistance in 2010-11 rose to 47.4 per cent (Chart 2). The investment intentions in telecom projects witnessed a decline with a share of 5.8 per cent in total project cost in 2010-11 as against a share of 19.2 per cent in 2009-10. A decline was also seen in the investment intentions in construction sector, with its share declining to 2.8 per cent from 10.3 per cent in the previous year. Intended investments in metals and metal products industries remained high with its share in total project expenditures increasing to 20.6 per cent. The share of each of the remaining industry groups was less than 4 per cent in the total project cost. The maximum number

Table 1: Phased Capital Expenditure of Projects Sanctioned in 2009-10 and 2010-11

												(₹crore)
Capital Expenditure in the Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Capital Expenditure of Projects	1	2	3	4	5	6	7	8	9	10	11	12
Sanctioned in 2009-10					Number of Projects: 754							
	11	216	44,791	1,49,413	1,28,223	85,261	36,474	8,195	3,384	–	–	4,55,968
	–	(0.0)	(9.8)	(32.8)	(28.1)	(18.7)	(8.0)	(1.8)	(0.7)	–	–	(100.0)
Sanctioned in 2010-11					Number of Projects: 796							
	–	–	314	37,255	1,26,222	1,29,424	97,927	57,131	11,043	118	869	4,60,303
	–	–	(0.1)	(8.1)	(27.4)	(28.1)	(21.3)	(12.4)	(2.4)	(0.0)	(0.2)	(100.0)

– Nil/Negligible; Figures in brackets denote percentage shares in the total.

⁴ See also the technical note attached to 'Growth of Corporate Investment: An attempt at projection for 1999-2000' published in the Monsoon 1999 issue of the Reserve Bank of India Occasional Papers for details.

⁵ Envisaged expenditure on projects sanctioned in 2009-10 has been revised on the basis of cancellation/modification of projects announced earlier.

Table 2: Industry-wise Distribution of Institutionally Assisted Projects: 2009-10 and 2010-11

Industry	2009-10			2010-11		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (₹ crore)	Per cent Share		Amount (₹ crore)	Per cent Share
	1	2	3	4	5	6
1. Infrastructure	107	2,30,426	50.6	144	2,57,164	55.9
i) Power	80	1,35,578	29.7	118	2,18,064	47.4
ii) Telecom	8	87,540	19.2	4	26,597	5.8
iii) Ports & Airports	2	1,171	0.3	2	5,741	1.2
iv) Roads, Storage & Water Management	2	3,518	0.8	4	692	0.2
v) SEZ, Industrial, Biotech and IT Parks	15	2,619	0.6	16	6,070	1.3
2. Mining & Quarrying	10	14,009	3.1	2	1,121	0.2
3. Textiles	79	9,239	2.0	83	11,626	2.5
4. Petroleum Products	2	5,376	1.2	3	9,679	2.1
5. Chemicals, Pesticides	28	3,399	0.7	29	5,036	1.1
6. Cement	31	15,155	3.3	17	12,285	2.7
7. Metal & Metal Products	139	83,718	18.4	131	94,995	20.6
8. Electrical Equipment	16	794	0.2	25	7,477	1.6
9. Transport Equipment	25	5,285	1.2	33	3,182	0.7
10. Construction	22	47,097	10.3	24	13,010	2.8
11. Hotels & Restaurants	60	12,723	2.8	72	15,600	3.4
12. Transport Services	22	5,594	1.2	17	4,106	0.9
13. Others*	213	23,153	5.1	216	2,50,22	5.4
Total	754	4,55,968	100.0	796	4,60,303	100.0

* Comprise industries each with a share of less than 1 per cent in total cost of projects in 2009-10 and 2010-11.

of projects sanctioned assistance in 2010-11 belonged to infrastructure at 144 followed by metal and metal products at 131 and textiles at 83.

3.1.2 Size-wise Pattern of Projects

The projects were divided into six exclusive classes according to their cost (or size). The size-wise distribution of the projects sanctioned assistance

during 2010-11 revealed the dominance of high value projects. The projects with envisaged investment of more than ₹1,000 crore each numbered only 87 but their share in the total project cost was around 78.4 per cent. The share of very high value projects (having cost more than ₹10,000 crore each) declined from 34.8 per cent in 2009-10, to 27.0 per cent in 2010-11 (Table 3).

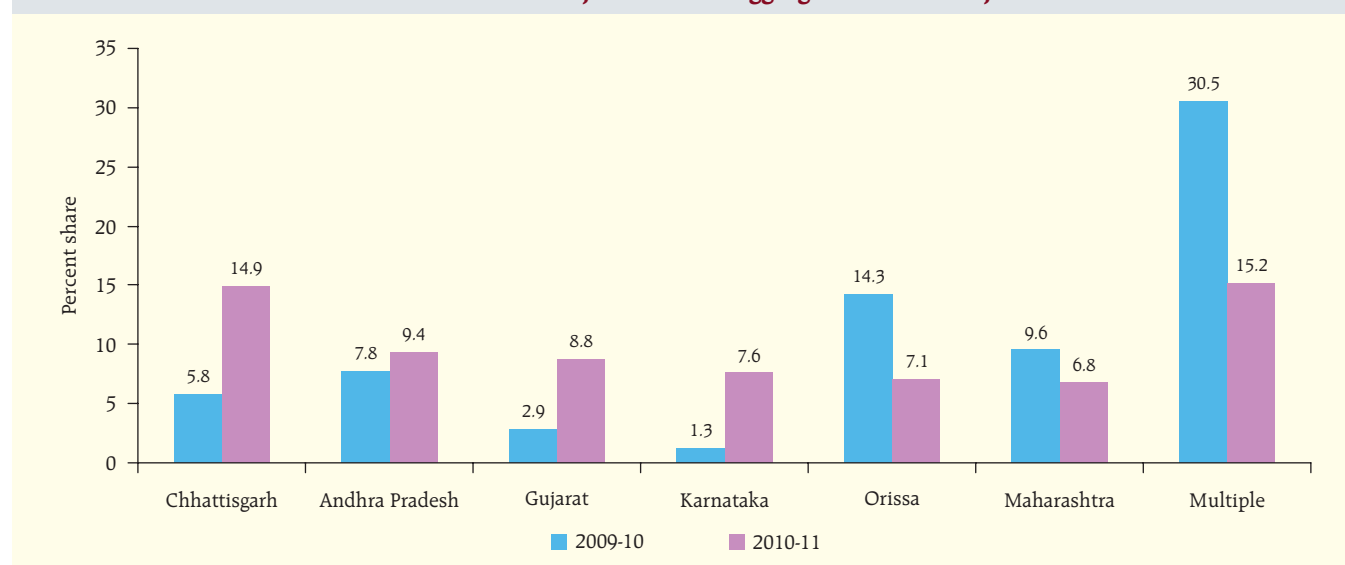
Chart 1: Share of Major States in Aggregate Cost of Projects

Table 3: Size-wise Distribution of Institutionally Assisted Projects and their Envisaged Cost in 2009-10 and 2010-11

Size of Projects	2009-10			2010-11		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (₹ crore)	Per cent Share		Amount (₹ crore)	Per cent Share
	1	2	3	4	5	6
Less than ₹100 crore	444	15,805	3.5	457	18,396	4.0
₹100 crore to ₹500 crore	199	47,060	10.3	205	45,944	10.0
₹500 crore to ₹1,000 crore	43	30,212	6.6	47	35,308	7.7
₹1,000 crore to ₹5,000 crore	43	92,288	20.2	61	1,27,501	27.7
₹5,000 crore to ₹10,000 crore	16	1,11,949	24.6	17	1,08,892	23.7
₹10,000 crore & above	9	1,58,654	34.8	9	1,24,262	27.0
Total	754	4,55,968	100.0	796	4,60,303	100.0

3.1.3 State-wise Pattern of Projects

Spatial distribution of high value projects tends to change considerably from year to year. Location of a project depends on many factors like the nature of the project, market size, growth prospects, availability of skilled labour, suppliers, adequate infrastructure, etc. Andhra Pradesh, Gujarat, Karnataka, Uttar Pradesh, Chhattisgarh and Jharkhand remained preferred destinations for industrial projects as reflected in the increasing share of project expenditure intentions in these States (Table 4, Chart 1). Orissa, which attracted the highest investment last year, had a lower share in the total envisaged projects in 2010-11. Chhattisgarh became most preferred State in 2010-11, with total

proposed investment commitments reaching ₹68,647 crore from 35 projects representing 14.9 per cent of total project cost.

The share of multi-state projects declined from 30.5 per cent in 2009-10 to 15.2 per cent in 2010-11. This was mainly on account of many telecom projects spread in several states, which faced revision/cancellation in 2010-11.

3.1.4 Purpose-wise pattern of projects

The purpose of investment intentions has been classified into four groups as new, expansion/modernisation, diversification and others. While close to 70 per cent of aggregate investment intentions were

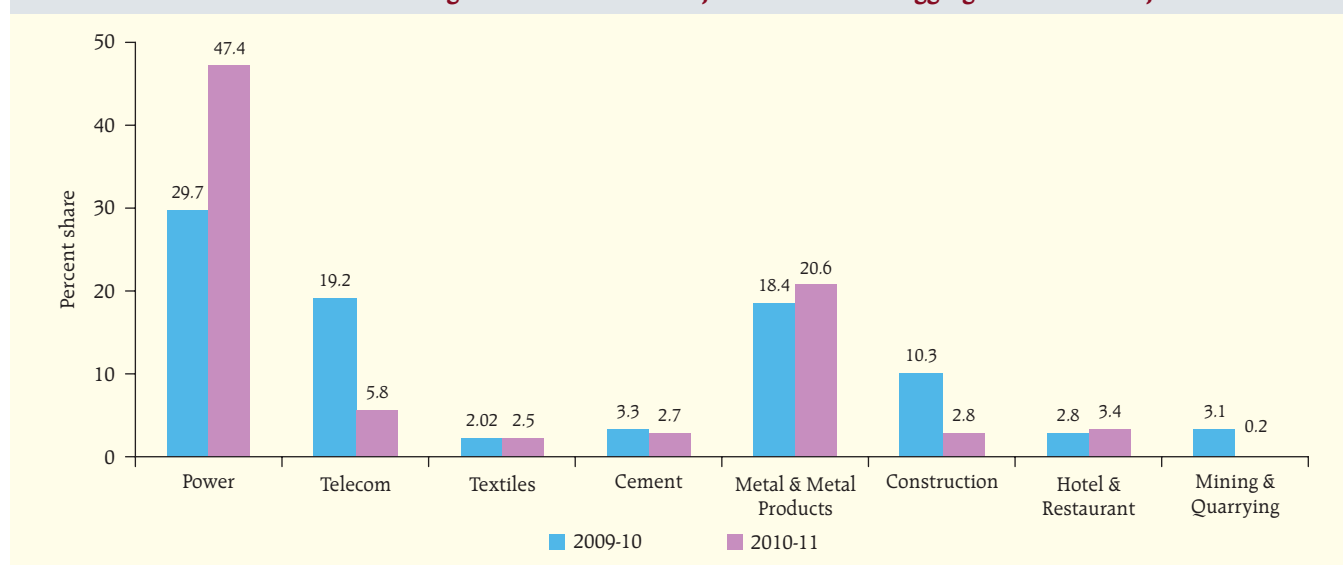
Chart 2: Share of Envisaged Investment in Major Industries in Aggregate Cost of Projects

Table 4: State-wise Distribution of Institutionally Assisted Projects and their Envisaged Cost During 2009-10 and 2010-11

State	2009-10			2010-11		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (₹ crore)	Per cent Share		Amount (₹ crore)	Per cent Share
	1	2	3	4	5	6
Andhra Pradesh	74	35,543	7.8	70	43,352	9.4
Arunachal Pradesh	3	13,396	2.9	1	778	0.2
Chhattisgarh	25	26,426	5.8	35	68,647	14.9
Delhi	12	6,960	1.5	11	3,001	0.7
Gujarat	69	13,009	2.9	78	40,538	8.8
Haryana	29	10,777	2.4	40	3,574	0.8
Jharkhand	11	11,173	2.5	13	26,212	5.7
Karnataka	44	6,110	1.3	47	34,912	7.6
Madhya Pradesh	26	21,328	4.7	25	19,716	4.3
Maharashtra	123	43,905	9.6	80	31,340	6.8
Orissa	27	65,256	14.3	30	32,756	7.1
Punjab	23	1,762	0.4	41	13,945	3.0
Rajasthan	25	12,030	2.6	32	2,992	0.7
Tamil Nadu	67	22,699	5.0	101	25,059	5.4
Uttar Pradesh	28	1,544	0.3	36	17,630	3.8
West Bengal	33	10,488	2.3	35	15,716	3.4
Multiple [#]	47	1,39,012	30.5	57	69,839	15.2
Others*	88	14,550	3.2	64	10,296	2.2
Total	754	4,55,968	100.0	796	4,60,303	100.0

Comprise projects spread over several states.

* Comprise states/union territories, each with share of less than 1 per cent in aggregate cost of projects in 2009-10 and 2010-11.

into new projects, 28 per cent of proposed investments were for the purpose of expansion/modernisation (Table 5). The share of new projects in total cost of projects was broadly in line with that observed a year ago.

3.2 Projects Funded through ECB/FCCB

Based on the information on ECBs as available in Form 83 and ECB2 Returns submitted to the Reserve Bank, amount of loan contracted for capex purposes and its corresponding drawal schedule were obtained,

which broadly represent a company's total investment intentions and capital expenditure over the phasing schedule, respectively. The aggregate capital expenditure in any given year was then derived as total of drawal amounts in that given year from the loan amounts contracted in various years up to and including the reference year. In cases, where the company approached Banks/FIs for assistance and contracted ECBs to part-finance the same project during the reference period, care was taken to avoid double-counting of the same project sourced from both the sources.

Table 5: Purpose-wise Distribution of Institutionally Assisted Projects and their Envisaged Cost During 2009-10 and 2010-11

Purpose	2009-10			2010-11		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (₹ crore)	Per cent Share		Amount (₹ crore)	Per cent Share
	1	2	3	4	5	6
New	485	3,06,421	67.2	517	3,20,538	69.6
Expansion & Modernisation	239	1,03,967	22.8	259	1,30,965	28.5
Diversification	11	5,144	1.1	7	6,914	1.5
Others	19	40,437	8.9	13	1,886	0.4
Total	754	4,55,968	100.0	796	4,60,303	100.0

The aggregate funds raised through ECB exceeded ₹1,00,000 crore in all the years since 2006-07 except in 2008-09 when the flow of ECB declined. The study culled out investment intentions of 302 private sector companies, which were not covered under institutionally assisted projects. These companies were found to have mobilised loans worth ₹31,648 crore in 2010-11 for the purpose of capex.

3.3 Projects funded through IPO/FPOs/Rights Issues

During 2010-11, 63 non-government non-financial private limited companies raised ₹19,236 crore through public/rights issues. Excluding 33 companies that also approached banks/FIs or contracted ECBs for part-financing, the total issue size added up to ₹3,508 crore for remaining 30 companies with reported capex plans aggregating to ₹2,094 crore spread over four years.

4. Envisaged Capital Expenditure during 2010-11

4.1 Envisaged Capital Expenditures of Companies Sanctioned Assistance by Banks/FIs

From the time-phasing details that reflect the investment intentions over the implementation period

of the projects, the capital expenditure in a given year was estimated. In other words, the likely investment of private corporate sector in a given year may be broadly gauged by suitably aggregating expenditure intended by the companies that were sanctioned assistance in various years. Accordingly, the envisaged spending of the corporate on projects which were sanctioned assistance by banks/FIs either in years prior to 2010-11 (but had planned spending in 2010-11) or in the year 2010-11 were combined to arrive at the total capital expenditure estimate in 2010-11.

To the extent possible, revisions/cancellations of the projects sanctioned earlier and details thereof were incorporated. In case where a company approached more than one institution for project funding, care was taken to include it only once. The data consolidated on these lines, are presented in Table 6. When horizontally read, it shows the capital expenditure that was expected to take place in various years on the projects that were sanctioned assistance in a particular year. Vertically read, it gives the capital expenditure that would be incurred in a year on projects to which assistance had been given either in that year or in previous years.

It is evident from Table 6 that capital expenditure of ₹2,22,641 crore would have been made during 2010-

Table 6: Phasing of Capital Expenditure of Projects Sanctioned Assistance by Commercial Banks/FIs

(₹crore)											
Capital Expenditure in the Year	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Year of Sanction	1	2	3	4	5	6	7	8	9	10	11
Upto March 2000	13,986	9,659	4,292	2,222	555	336					
2000-01	14,145	10,367	3,830	1,335	717						
2001-02	8,384	6,386	1,990	1,318	115	24					
2002-03	680	5,763	5,429	1,708	574	573					
2003-04	547	8,285	26,309	23,286	5,429	2,586	300				
2004-05			5,815	36,709	33,193	11,810	5,143	1,248	72		
2005-06				9,858	41,279	43,903	23,707	8,501	2,263	1,787	
2006-07				2,172	14,857	94,588	94,155	49,613	14,813	3,208	1,951
2007-08					508	11,348	59,320	72,305	41,124	32,574	7,839
2008-09						81	26,351	1,02,930	86,351	56,849	36,620
2009-10						11	216	44,791	1,49,413	1,28,223	85,261
2010-11								314	37,255	1,26,222	1,29,424
Grand Total#	37,742	40,459	47,665	78,608	97,227	1,65,260	2,09,192	2,79,702	3,31,291	3,48,863	2,61,095
Percentage change	-28.3	7.2	17.8	64.9	23.7	70.0	26.6	33.7	18.4	5.3	*

* Per cent change for 2011-12 is not worked out as capex from proposals that are likely to be sanctioned in 2011-12 is not available.

The estimates are *ex ante*, incorporating only the envisaged investment, and thus are different from those actually realised/utilised.

11 on the projects sanctioned prior to 2010-11. The fresh projects sanctioned during 2010-11 envisaged capital expenditure of ₹1,26,222 crore in 2010-11. As such, the total capital expenditure that would have been incurred during 2010-11 aggregated ₹3,48,863 crore, respectively (Grand total under col. 10). When compared with the corresponding data for the year 2009-10 (Grand total under col. 9), it shows that the capital expenditure of the private corporate sector was likely to have risen by 5.3 per cent in 2010-11, which is lower than 18.4 per cent growth observed during 2009-10.

4.2 Envisaged Capital Expenditure on Projects Funded through ECB (including FCCBs)

Based on available information on drawals schedule, capital expenditure which would have been incurred in 2010-11 by the companies contracting ECBs during any year between 2005-06 and 2010-11 worked out to be ₹31,841 crore (Table 7). The data also revealed that envisaged capital expenditure in 2011-12 of the companies that contracted ECBs upto 2010-11 stood at ₹13,130 crore.

4.3 Envisaged Capital Expenditure of Companies Raising Funds from IPOs/FPOs/Rights Issues

Based on the data compiled from companies that reported capex plans through IPOs/FPOs/rights issues, ₹1,219 crore in 2010-11 and ₹638 crore in 2011-12 are intended to be spent on capex (Table 8). Additionally, capex spending of ₹718 crore and ₹56 crore in 2010-11 and 2011-12, respectively, was envisaged by the companies, which came out with rights/public issues prior to 2010-11. On combining, the total investment

intentions of such companies amounted to ₹1,937 crore in 2010-11 and ₹694 crore in 2011-12.

5. Assessment of Investment in 2010-11

GDP growth in 2010-11 at 8.5 per cent was higher as compared to that of 8.0 per cent in 2009-10, with agricultural sector emerging as the key driver. Index of Industrial Production (IIP), with 2004-05 as base, also exhibited marginal acceleration in growth in 2010-11 for both manufacturing and capital goods sector. The corporate investment intention, however, exhibited some deceleration. While the sales growth of non-financial private corporate sector remained strong, they faced pressure due to high input prices and rising interest rates in 2010-11. Thus, the profits grew at lower rates and the margin contracted.

Projects sanctioned assistance by banks/FIs during 2009-10 saw some cancellation/modification during 2010-11. Based on the revised figure of ₹4,55,968 crore in 2009-10, projects that came up for fresh sanction by banks/FIs in 2010-11 envisaged marginally higher expenditure at ₹4,60,303 crore to be spent over coming years upto 2016-17. However, the investment intentions saw some deceleration in the second half of the year, especially during Q3 of 2010-11.

Information on phasing details of projects sanctioned assistance by banks/FIs revealed that the envisaged capital expenditure during 2010-11 from projects sanctioned in 2010-11 and earlier years amounted to ₹3,48,863 crore. This reflects a lower growth of 5.3 per cent as compared to that of 18.4 per cent in 2009-10. In addition to the investment intentions of companies approaching banks/FIs, the

Table 7: Phasing of ECB/FCCBs Contracted by Companies (Un-assisted by Banks/Fis)

Loans Contracted in	No of cos.	Total Loan Contracted	Envisaged Drawal Schedule of Capital Expenditure (₹ crore)								
			2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	1	2	3	4	5	6	7	8	9	10	11
2003-04	203	5,197	3,817	754	176	101	290				
2004-05	353	24,646		17,887	4,493	1,430	665	10	38		
2005-06	365	28,499			17,347	9,332	856	1,003	160	3	
2006-07	480	51,331				34,999	9,532	4,431	739	19	
2007-08	302	33,068					25,932	14,304	927		
2008-09	272	31,215						21,958	12,107	129	
2009-10	255	32,396							14,833	14,261	2,205
2010-11	302	31,648								17,429	10,925
Total	2,532	2,38,000	3,817	18,641	22,016	45,862	37,275	41,706	28,864	31,841	13,130

Table 8: Phasing of Capital Expenditure from Issuing Equity

(₹ crore)							
Equity issued during	Capex Envisaged	Upto 2007-08	Implementation Schedule				
			2008-09	2009-10	2010-11	2011-12	2012-13
	1	2	3	4	5	6	7
2006-07	15,089	11,247	3,675	167			
2007-08	5,361	3,623	1,404	334			
2008-09	934	252	621	56	5		
2009-10	1,768	26	133	840	713	56	
2010-11	2,094	–	–	140	1,219	638	97
Total	25,246	15,148	5,833	1,537	1,937	694	97

capital formation plans of companies that raised resources through ECBs or domestic equity issuances indicated that the envisaged capital expenditure of such companies in 2010-11 amounted to ₹31,841 crore and ₹1,937 crore, respectively.

Avoiding duplication, the sum of capital expenditure of all companies covered in the study, that might have been incurred in 2010-11 worked out to be a substantial ₹3,82,641 crore, of which ₹1,44,870 crore was envisaged by 1,128 new projects added in the database in 2010-11 itself. This represents about 5.8 per cent growth in envisaged capital expenditure in 2010-11 over capital expenditure in 2009-10.

6. Outlook of Investment for 2011-12

Outlook for demand continues to be a significant factor driving investment intentions. The Reserve Bank of India, in its first quarter of review Annual Monetary Policy Statement, placed the baseline projection of real GDP growth to moderate in 2011-12 at around 8 per cent. There is a possibility of some softening in the industrial sector growth due to continued input price pressure and escalating cost of capital. IIP (with base 2004-05) showed signs of deceleration in the first three

months of 2011-12, more strongly in the capital goods sector. This raises some concerns regarding the investment demand in 2011-12. Recent developments point to some negative sentiments in investment demand.

The envisaged capital expenditure in 2011-12 would be the summation of pipeline investment intentions of the projects, which were intended prior to 2011-12 and the new capital spending proposals expected to come up in the year 2011-12. The capital expenditure already planned to be spent in 2011-12 aggregated to ₹2,74,919 crore and if companies do not deviate from the investment decisions and adhere to their investment plan, this pipeline investment is expected to provide the momentum of investment in 2011-12. Thus, if the aggregate capex in 2011-12 were to match the capex envisaged in 2010-11 (₹3,82,641 crore), the minimum capital expenditure of around ₹1,07,722 crore needs to show up from the new investment intentions of 2011-12 by the private corporate sector. Going by the assessment on date, capital expenditure of the above order does not appear to be feasible. In all likelihood, capital expenditures in 2011-12 are likely to be lower than the previous year.