*Corporate Investment: Growth in 2007-08 and Prospects for 2008-09**

This article presents the envisaged fixed capital investment of private corporate sector in 2007-08, aggregate as well as at different disaggregated levels, primarily based on companies covered by institutional assistance till the year 2007-08. An attempt is also made to capture the planned capital expenditure of companies raising funds from other sources, such as, external commercial borrowings, domestic capital markets. The total capital spending envisaged for the year 2007-08 was higher at Rs. 2,45,107 crore, which though indicates a moderation in annual growth over a high base, still reflects sustained strong capital expenditure. Infrastructure projects, in particular, the power projects continue to dominate the scene for two consecutive years in a row. The total cost of projects sanctioned institutional assistance in 2007-08 at Rs.2,84,371 crore was to a great extent due to the rise in number of large projects from 88 to 98, each with project cost exceeding Rs.500 crore, and aggregating as much as Rs. 2,07,037 crore. Gujarat continued to hold first rank with the proposed investment of Rs. 62,442 crore from 100 projects contributing 22.0 per cent of total investment intentions followed distantly by Maharashtra, Orissa and Andhra Pradesh. Robust growth of capital goods production, increase in import of capital goods, high capacity utilisation, healthy level of profitability witnessed by corporate sector on top of strong balance sheets in past few years and high economic growth in 2007-08 signal continued momentum in fixed capital investment. The turnaround in corporate investment, which began in 2002-03 and maintained healthy position thereafter, is expected to be sustained in 2008-09.

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1. Introduction

Investment is vital to the growth of an economy. Investment is needed for modernisation and expansion of productive capacity to keep pace not only with technological developments taking place but also to remain competitive in a business environment. Fresh investment is also essential for sustaining economic growth. In order to assess broadly the growth of fixed investment of private corporate sector in a year ahead, the article makes an attempt to capture capital expenditure of the private and joint sector companies. Though banks/FIs constitute the conventional source of investment funds for large size capital expenditure, post liberalisation, companies are also increasingly raising funds through several other avenues such as domestic capital markets, external commercial borrowings including foreign currency convertible bonds, private placement of debt, bonds/ debentures and ADRs/GDRs.

This article analyses the investment intentions of the private corporate sector during the year 2007-08 and makes an assessment of the investment prospects for 2008-09. The analysis brings out minimum investment that would have to take place, other things remaining the same, if investment in the following year is to show a rise over the previous year's level.

The rest of the article is organised as follows. Section 2 presents the methodology, scope and coverage, and the limitations. Section 3 reviews the information on investment intentions for the year 2007-08. The results are presented separately for projects raising funds from banks/FIs, capital markets and ECBs. Additionally, detail analysis is presented with respect to several disaggregated levels such as size-class, industrial sector, location/state, purpose for the projects covered by institutional assistance. Finally, Section 4 makes an assessment of envisaged investment for the year 2007-08 and presents investment prospects for the year 2008-09.

2. The Approach - Methodology, Scope and Coverage

The estimation of growth in capital investment made in this study is largely based on projects in the private corporate sector that were assisted by banks/FIs[1]. The project reports available with banks/ FIs provide information on proposed investment and its phasing details as well as industry, purpose and location of projects.

Investment plans were also aggregated for the companies which have raised equity capital or contracted ECBs to finance their large capital outlays. The Form 83 submitted to RBI by companies contracting ECBs contains information on, among others, the purpose and the drawal schedule which may be considered as indicative of phasing details of utilization of funds. Only those companies which contracted ECBs for the primary purpose of capital expenditure are covered in the study. Similarly, the information on envisaged capital spending and

[1] Industrial Development Bank of India, ICICI Bank, Infrastructure Development Finance Company, Life Insurance Corporation, Power Finance Corporation, Infrastructure Leasing & Financial Services Limited, EXIM Bank and major public, private and foreign banks.

corresponding phasing details were culled out from the prospectus available with SEBI by the companies issuing equity capital in domestic capital market. However, the capital spending envisaged by the companies raising funds through private placements, debenture/bond issues or through ADR/GDRs could not be ascertained due to inadequacy of information on their end use and expenditure patterns over the years[2].

The methodology followed is in the line with that proposed by Dr. C. Rangarajan in an article titled "Forecasting Capital Expenditure in the Corporate Sector" published in the December 13, 1970 issue of the 'Economic and Political Weekly'. The envisaged phasing details of investment funds raised/contracted by companies would provide indication about the likely level of investment in different years.

The validity of the assessment of likely corporate investment heavily rests upon the assumption that companies adhere to the expenditure patterns outlined in the initial proposals. Also, estimates of corporate investment presented in this article are *ex ante* and differ in scope and methodology from the *ex post* estimates of corporate fixed investment available in National Accounts Statistics (NAS)[3].

[2] As per the available information it appears that private corporate sector (non-financial companies) raised funds amounting to Rs. 41,371 crore through private placement in the year 2007-08 but the proportion of this fund allocated to capital expenditure and the phasing details of its' use are not available. Also, funds raised through ADRs/GDRs amounted to Rs. 26,556 crore in 2007-08 but further details on ownership, end use and expenditure pattern over years are not available.

[3] 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.

3. Envisaged Investment in the year 2007-08

The present study captures 910 projects[4] sanctioned assistance by banks/ FIs in 2007-08 with an aggregated envisaged project cost of Rs.2,84,371 crore. In addition, the study covers proposed investment of 302 companies contracting ECBs (inclusive of FCCBs) in 2007-08 aggregating to Rs. 33,068 crore and proposed investment of 88 non-financial companies aggregating to Rs. 5,361 crore issuing domestic equity capital during 2007-08. All together, the total investment proposals in 2007-08 collectively worked out to be Rs. 3,22,800 crore spread over 2005-06 to 2012-13.

3.1. Envisaged Capital Expenditure of Companies Sanctioned Assistance by Banks/FIs

In this section, the analysis on the projects sanctioned assistance by the banks/FIs is carried out combining the information on projects (a) that have been sanctioned assistance prior to 2007-08 but have envisaged capital expenditure lined up in subsequent years, and (b) that have been sanctioned fresh financial assistance in 2007-08. The corporate investment is then estimated for the year 2007-08 by suitably aggregating data on the time phasing of envisaged capital expenditures over the individual years. In cases where a company approached more than one

[4] Projects mostly with total cost of more than Rs.10 crore. The projects based on Build, Operate, Own and Transfer (BOOT) were also included for assessing the capital spending of private corporate sector.

institution for project assistance, care was taken to include it only once. To the extent possible, revisions in the phasing of projects sanctioned earlier were also incorporated. The data consolidated on these lines, are presented in Table 1. When horizontally read, it shows the capital expenditure that is expected to be incurred in various years on projects for which assistance was provided in a given year. Vertically read, it gives the capital expenditure that would be incurred in a year on projects to which assistance had been given in that year and in previous years.

It can be seen from Table 1 that capital expenditure of Rs.1,25,248 crore was expected to have been incurred during 2007-08 in respect of projects sanctioned up to 2006-07. The fresh sanctions during 2007-08 were found to have already spent Rs.508 crore in 2005-06 and Rs.12,972 crore in 2006-07 and envisaged capital expenditure of another Rs. 74,014 crore in 2007-08. Considering this, the total capital expenditure that could have been incurred during 2005-06, 2006-07 and 2007-08 works out to Rs.97,273 crore, Rs.1,68,010 crore and Rs.1,99,262 crore, respectively. (col.10, 11 and 12, Table 1).

The amount of proposed investment in the year 2007-08 at Rs.1,99,262 crore was higher than the envisaged investment of Rs.1,68,010 crore a year ago. As a result, the capital expenditure planned by the private corporate sector in 2007-08 is likely to have risen by 18.6 per cent on top of a rise of 72.7 per cent in 2006-07 and 23.7 per cent in 2005-06.

Table 1 : Phasing of Capital Expenditure of Projects Sanctioned Assistance by Commercial Banks/ Term Lending Institutions

(Rs crore)

Capital expenditure in the Year → Year of sanction ↓	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Upto March 1997	42,470	16,191	5,956	2,576	2,391	1,622	1,193	463	176	136		
1997-98	21,359	19,122	10,111	3,833	1,148	889	703	566	195	101		
1998-99	6,415	23,321	18,622	10,248	3,340	1,545	1,701	725	184	99		
1999-00	256	8,286	11,971	11,640	7,107	5,603	695	468				
2000-01	32	36	4,085	17,054	14,145	10,367	3,830	1,335	717			
2001-02		62	266	6,604	8,384	6,386	1,990	1,318	115	24		
2002-03		5	30	96	680	5,763	5,429	1,708	574	573		
2003-04			1,313	517	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
2005-06								9,858	41,279	43,903	23,707	8,501
2006-07								2,172	14,903	95,806	96,098	51,693
2007-08									508	12,972	74,014	86,908
Total upto 2007-08	70,532	67,023	52,355	52,568	37,742	40,459	47,665	78,608	97,273	1,68,010	1,99,262	1,48,350
Grand Total #	**70,724**	**67,131**	**52,435**	**52,668**	**37,742**	**40,459**	**47,665**	**78,608**	**97,273**	**1,68,010**	**1,99,262**	**1,48,350**
Percentage change	**0.0**	**-5.1**	**-21.9**	**0.4**	**-28.3**	**7.2**	**17.8**	**64.9**	**23.7**	**72.7**	**18.6**	

'# : (a) Includes assistance provided by the IDBI under Technical Development Fund (TDF) and Bills Rediscounting Scheme (BRS).
(b) The estimates are *ex ante*, incorporating only the envisaged investment, thus are different from those actually realized/utilized.

Table 2 : Phased Capital Expenditure of Projects Sanctioned in 2006-07 and 2007-08

(Rs crore)

Capital expenditure in the Year → Capital expenditure of projects ↓	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Number of projects 1054								
Sanctioned in 2006-07	17,075 (6.1)	95,806 (33.8)	96,098 (33.9)	51,693 (18.2)	15,111 (5.3)	4,887 (1.7)	2,770 (1.0)	– –	2,83,440 (100.0)
	Number of projects 910								
Sanctioned in 2007-08	508 (0.2)	12,972 (4.6)	74,014 (26.0)	86,908 (30.6)	54,143 (19.0)	41,460 (14.6)	9,700 (3.4)	4,666 (1.6)	2,84,371 (100.0)

- : Nil / Negligible.
Note: Figures in brackets denote percentage shares in the total.

3.1.1 Projects Sanctioned During 2007-08

The 910 projects covered under institutional assistance in 2007-08 had aggregate cost of Rs.2,84,371 crore. This envisaged spending, spread over eight year period spanning from 2005-06 to 2012-13 was higher by Rs. 931 crore as compared to Rs.2,83,440 crore envisaged from the 1054 projects covered in 2006-07 (Table 2). The phasing details of the fresh sanctions in 2007-08 showed that 26.0 per cent of the total proposed spending amounting to Rs.74,014 crore was planned to be incurred in 2007-08 itself and slightly bigger amount representing another 30.6 per cent (Rs.86,908 crore) in the following year *i.e.* 2008-09. Around 4.8 per cent of total project cost envisaged by these companies was already spent in previous two years (*i.e.* 2005-06 and 2006-07).

3.1.2 Industrial Pattern of Projects

The industry-wise pattern of projects sanctioned assistance in 2007-08 is presented in Table 3. Reflecting heavy investment envisaged in infrastructure,

Chart 1: Share of Major Industries in Aggregate Project cost

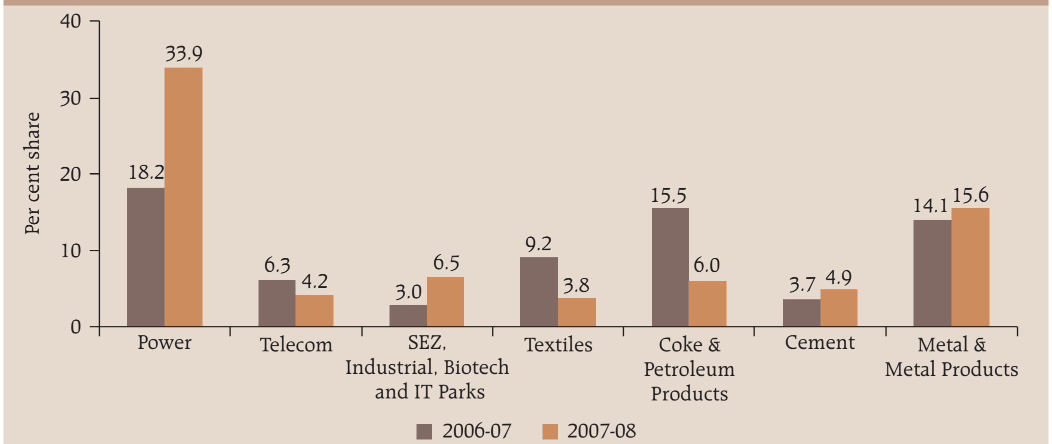

Table 3 : Industry-wise Distribution of Projects and their Cost in 2006-07 and 2007-08

Industry	2006-07			2007-08		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (Rs. crore)	Per cent Share		Amount (Rs. crore)	Per cent Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Infrastructure	125	1,01,744	35.9	142	1,33,719	47.0
i) Power	64	51,451	18.2	71	96,363	33.9
ii) Telecom	9	17,950	6.3	9	11,896	4.2
iii) Ports & Airports	7	10,745	3.8	6	1,993	0.7
iv) Roads, Storage & Water Management	8	13,083	4.6	4	4,924	1.7
v) SEZ, Industrial, Biotech and IT Parks	37	8,515	3.0	52	18,543	6.5
2. Sugar	33	8,867	3.1	16	3,009	1.0
3. Textiles	258	25,933	9.2	120	10,711	3.8
4. Paper & Paper Products	24	2,915	1.0	18	2,176	0.8
5. Coke & Petroleum Products	11	44,083	15.5	5	17,199	6.0
6. Chemicals & Petrochemicals	35	4,136	1.5	27	2,696	0.9
7. Pharmaceuticals & Drugs	33	1,686	0.6	39	5,173	1.8
8. Cement	27	10,567	3.7	26	13,956	4.9
9. Metal & Metal Products	130	39,876	14.1	128	44,468	15.6
10. Electrical & Non-Electrical Machinery	20	4,486	1.6	31	1,362	0.5
11. Transport Equipments	29	5,174	1.8	38	8,136	2.9
12. Construction	34	9,277	3.3	39	9,003	3.2
13. Hotels & Restaurants	74	11,122	3.9	54	9,318	3.3
14. Transport Services	17	1,561	0.5	18	3,598	1.3
15. Hospitals	21	1,378	0.5	28	3,037	1.1
16. Others*	183	10,635	3.8	181	16,810	5.9
Total	**1054**	**2,83,440**	**100.0**	**910**	**2,84,371**	**100.0**

* Comprise industries each with a share of less than 1 per cent in total cost of projects in 2006-07 and 2007-08.

the infrastructure group accounted for about half of the total cost of projects, amounting to Rs.1,33,719 crore. Nearly 72 per cent of this huge investment proposed on infrastructure was in 71 power projects (Rs. 96,363 crore) followed by 52 IT parks and SEZ projects (Rs.18,543 crore), 9 telecom projects (Rs.11,896 crore), 4 roads, storage and water management projects (Rs. 4,924 crore) and 6 ports and airports projects (Rs.1,993 crore).

Other industry groups having substantial share in total project cost in 2007-08 were metal & metal products (15.6 per cent), coke and petroleum products (6.0 per cent), cement (4.9 per cent), textiles (3.8 per cent) and construction (3.2 per cent). Among service industries, projects in hotel industry accounted for 3.3 per cent share followed by transport services (1.3 per cent). Each of remaining industry groups had share lower than 2 per cent of total project costs in 2007-08. The maximum number of projects sanctioned assistance in 2007-08 belongs to infrastructure at 142 followed closely by 128 metal & metal products and 120 textiles projects.

3.1.3 Size-wise Pattern of Projects

The size-wise distribution of the projects sanctioned assistance during 2007-08 showed a rise in number of large projects (Table 4). The number of projects in top size class, each costing Rs. 500 crore or more, rose from 88 in 2006-07 to 98 in 2007-08 accounting for more than two-thirds of the total project cost. Though the

Table 4: Size-wise Distribution of Projects and their Envisaged Cost in 2006-07 and 2007-08

Size of projects	2006-07			2007-08		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (Rs. crore)	Per cent Share		Amount (Rs. crore)	Per cent Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Less than Rs.10 crore	48	285	0.1	24	143	-
Rs. 10 crore to Rs. 50 crore*	475	12,064	4.3	383	10,135	3.6
Rs.50 crore to Rs.100 crore*	191	13,790	4.9	154	11,102	3.9
Rs.100 crore to Rs.200 crore*	131	18,808	6.6	128	17,913	6.3
Rs. 200 crore to Rs.500 crore*	121	37,137	13.1	123	38,041	13.4
Rs. 500 crore & above	88	2,01,356	71.0	98	2,07,037	72.8
Total	**1054**	**2,83,440**	**100.0**	**910**	**2,84,371**	**100.0**

- : Nil / Negligible. * : Size classes are exclusive of upper limits.

total expenditure envisaged from these large sized projects was more than the level at little over rupees two lakh crore as that planned last year by 88 big projects, the average size of these projects in 2007-08 declined slightly to Rs.2,113 crore from Rs.2,288 crore in 2006-07. The size-wise distribution remained more or less similar in respect of capital expenditure. Total envisaged cost of 910 projects at 2,84,371 crore in 2007-08 was marginally higher than the total envisaged cost of Rs. 2,83,440 crore from 1054 projects in 2006-07.

3.1.4 State-wise Pattern of Projects

The state-wise pattern of proposed investment revealed by the 910 projects sanctioned in 2007-08 as well as 1054 projects sanctioned in 2006-07 is presented in Table 5. There are wide variations in this pattern from year to year as location of few large projects change the pattern considerably. Gujarat with 100 projects having proposed investment aggregating to Rs.62,442 crore retained first place, though the state experienced a decline in proposed investment which stood at Rs. 73,170 crore (from 86 projects)

Chart 2: Share of Major States in Aggregate Project Cost

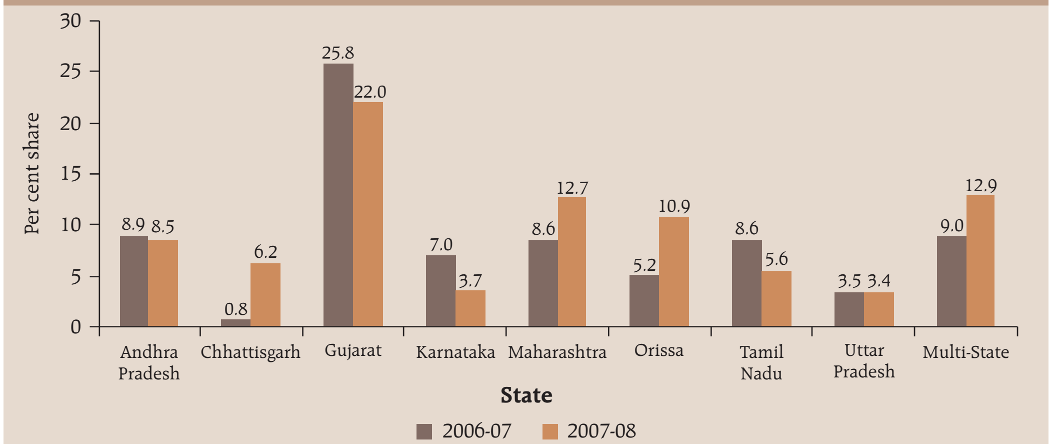

Table 5: State-wise Distribution of Projects and their Envisaged Cost during 2006-07 and 2007-08

State	2006-07			2007-08		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (Rs. crore)	Per cent Share		Amount (Rs. crore)	Per cent Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Andhra Pradesh	105	25,173	8.9	92	24,242	8.5
Chhattisgarh	13	2,365	0.8	12	17,671	6.2
Delhi	19	6,359	2.2	19	3,263	1.2
Gujarat	86	73,170	25.8	100	62,442	22.0
Haryana	42	3,897	1.4	30	2,799	1.0
Himachal Pradesh	30	2,644	0.9	23	3,656	1.3
Jharkhand	13	7,174	2.5	16	6,854	2.4
Karnataka	91	19,930	7.0	65	10,573	3.7
Madhya Pradesh	23	4,878	1.7	19	6,295	2.2
Maharashtra	142	24,330	8.6	149	36,202	12.7
Orissa	23	14,806	5.2	23	30,913	10.9
Punjab	48	5,902	2.1	31	2,021	0.7
Rajasthan	38	9,806	3.5	23	2,843	1.0
Sikkim	3	9,418	3.3	1	110	0.0
Tamil Nadu	157	24,299	8.6	95	16,039	5.6
Uttar Pradesh	60	9,836	3.5	42	9,805	3.5
Uttarakhand	31	5,633	2.0	27	1,721	0.6
West Bengal	37	3,404	1.2	42	6,015	2.1
Multi-State	46	25,428	9.0	67	36,698	12.9
Others*	47	4,988	1.8	34	4,209	1.5
Total	**1054**	**2,83,440**	**100.0**	**910**	**2,84,371**	**100.0**

* Comprise states/ union territories, each with share of less than 1 per cent in aggregate cost of projects in 2006-07 and 2007-08.

a year ago. The share of Gujarat in total costs of projects planned in 2007-08 at 22.0 per cent was also lower than 25.8 per cent observed in 2006-07. However, Gujarat's share was substantially higher than any of the remaining states. Maharashtra which ranked second had a share of 12.7 per cent. Orissa secured third rank with 10.9 per cent share followed by Andhra Pradesh (8.5 per cent), Chhattisgarh (6.2 per cent), Tamil Nadu (5.6 per cent), Karnataka (3.7 per cent), Uttar Pradesh (3.5 per cent) and each of the other states sharing less than 3.0 per cent.

3.1.5 Purpose-wise Pattern of Projects

The new assisted projects covered in 2007-08 declined in terms of its number to 508 from 566 a year ago, so is the case of projects for all other purposes, *viz.*, expansion & modernization, diversification, and others. The share of new projects at 65.7 per cent of total envisaged spending in the year remained at almost same level as observed in 2006-07. Another 368 projects proposed in 2007-08 for the purpose of expansion and modernization, accounted for 33.3 per cent of total envisaged project cost as against corresponding 415 projects with a share of 27.5 per cent during 2006-07.

3.2 Envisaged Capital Expenditure of Companies Raising Funds From ECBs

Based on the information on ECBs as available in Form 83 submitted to RBI, amount of loan contracted and its drawal

Table 6: Purpose-wise Distribution of Projects and their Envisaged Cost during 2006-07 and 2007-08

Purpose	2006-07			2007-08		
	Number of Projects	Project Cost		Number of Projects	Project Cost	
		Amount (Rs. crore)	Per cent Share		Amount (Rs. crore)	Per cent Share
(1)	(2)	(3)	(4)	(5)	(6)	(7)
New	566	1,88,534	66.5	508	1,86,934	65.7
Expansion & Modernisation	415	77,956	27.5	368	94,700	33.3
Diversification	32	6,481	2.3	7	580	0.2
Others	41	10,469	3.7	27	2,157	0.8
Total	**1054**	**2,83,440**	**100.0**	**910**	**2,84,371**	**100.0**

schedule can be taken to broadly represent company's envisaged capital expenditure and corresponding phasing schedule, respectively. The planned capital expenditure in a reference year is then derived as the sum total of loan drawal amounts in each year from the loans contracted in years up to and including the reference year. In such cases, where the company approached banks/FIs for assistance and also contracted ECBs to part finance its capital expenditure during the reference period, the care has been taken to avoid double counting of the same company present in both the sources.

It is noteworthy that ECBs (including FCCBs) funding has assumed greater role in recent years possibly as a result of policy orientation. During 2007-08, ECBs loans amounting to around Rs. 33,068 crore were contracted by 302 companies in private corporate sector to be spent on fixed capital vis-à-vis around Rs. 51,331 crore in 2006-07, Rs. 28,499 crore in 2005-06, Rs.24,646 crore in 2004-05 and only Rs.5,197 crore in 2003-04.

Capital expenditure which was expected to be spent in 2007-08 flowing from the companies contracting ECBs since 2003-04 works out to be around Rs. 37,274 crore, of which, a major part of Rs. 25,932 crore was from loans contracted in 2007-08 itself. The corresponding figure for the year 2006-07 was higher at Rs. 45,862 crore. Based on available information, envisaged capital expenditure in 2008-09 from these ECBs contracted till 2007-08 stand at Rs.19,748 crore.

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

During 2007-08, a total of Rs. 48,185 crore issue size was covered under the public/right issues brought about by 104 non-financial companies belonging to private corporate sector. Excluding 16 companies that had also approached banks/FIs or contracted ECBs, the issue size works out to be Rs. 44,411 crore in 2007-08, of which Rs. 4,354 crore was envisaged for capex. However, the total investment plans of these 88 companies amounted to Rs. 5,361 crore, of which Rs.2,885 was envisaged to be spent in 2007-08 as capital expenditure. In addition, spending of Rs.5,686 crore in 2007-08 was envisaged by the companies which came out with rights/public issues in 2006-07. Thus, total amount of funds envisaged towards capital expenditure in 2007-08 from the public/rights issues of 2006-07 and 2007-08 works out to be Rs.8,571 crore. Based on available information, envisaged capital expenditure in 2008-09 from these public/right issues of last two years stand at Rs.5,075 crore.

4. Assessment and Prospects

4.1 Assessment of 2007-08

The economic activity witnessed mild deceleration in second-half of 2007-08. Moderation was also noticeable in the key economic parameters such as industrial production, private corporate sector performance. But overall, the economy performed well and continued to maintain high and robust growth, a phase that was observed for past many years. The growth in real Gross Domestic Product (GDP) in 2007-08 was quite high at 9.0 per cent on top of 9.6 per cent recorded in 2005-06 and over 7.0 per cent observed in previous three consecutive years. The index of industrial production also decelerated but registered decent growth of 8.1 per cent in 2007-08, with manufacturing sector growing by 8.6 per cent. The profitability of private corporate sector, despite deceleration, stood reasonably high in 2007-08. The gross fixed investment in 2007-08 maintained the momentum observed over previous three years in response to high business optimism and substantial rise in profits. With robust economic growth and persistent exports volume, demand factors were strong and capacity utilization rates rose to meet the rising demand. The production of capital goods grew by decent 16.5 per cent in 2007-08, albeit at a slower rate.

The growth in envisaged capital expenditure that was steadily moving up since 2002-03 and peaked in 2004-05 and 2006-07, slowed down in 2007-08. However, the total envisaged cost of projects sanctioned assistance by banks/FIs in 2007-08 at the level of Rs. 2,84,371 crore surpassed marginally the previous high of Rs.2,83,440 crore in 2006-07. Also, despite moderation, the investment sentiments and business confidence continued to be quite strong. The information on intended phasing details of projects sanctioned assistance by banks/FIs in 2007-08 and prior years reveals that the envisaged capital expenditure in 2007-08 amounted to Rs.1,99,262 crore, indicating 18.6 per cent rise over that of the previous year. This rise in investment intentions was observed at the back of substantially higher levels observed in past few years.

Avoiding multiple counting, and considering companies that have raised resources through ECBs and domestic equity issuances, the capital expenditure envisaged for 2007-08 by such companies amounted to Rs.37,274 crore and Rs.8,571 crore, respectively. Summing the capital expenditure intentions of companies from all the sources considered in the study, investment in 2007-08 thus works out to be substantial Rs.2,45,107 crore of which Rs.1,02,831 crore is from the resources raised in 2007-08 itself, viz., projects sanctioned assistance by banks/FIs (Rs.74,014 crore), ECBs (Rs.25,932 crore) and rights/public issues (Rs.2,885 crore).

4.2 Prospects for 2008-09

The real GDP grew at a substantially high rate in 2007-08, on top of robust economic growth in recent years. The Reserve Bank of India, in its first quarter review of the annual policy statement has projected real GDP growth for 2008-09 to around 8.0 per cent. Notwithstanding recent slowdown in overall business activities, corporate sector managed to maintain quite decent profitability level in 2007-08 and against the backdrop of upbeat performance in recent years, the corporate sector appears to have the capacity to invest. Downside risks arise from the likely impact of high and rising international oil prices, increasing cost of external capital, hardening of interest rates abroad and input and wage cost pressures in some industries. With prospects of decelerating pace in growth of domestic and global economy, environment for the fixed investment due to its cyclical nature could become less conducive. Though on balance, the risks to the outlook for fixed investment growth has somewhat tilted to the downside, the domestic demand is still resilient and supporting the overall economic growth, driving corporates to continue their expansion plans at the back of rising capacity constraints.

The capital investment intention for 2008-09 based on companies having institutional assistance up to 2007-08 aggregated to Rs.1,48,350 crore (as against Rs. 1,25,248 crore envisaged for the year 2007-08). The proposed investment aggregates to Rs.1,73,173 crore in 2008-09 if the capital spending envisaged by companies raising funds from sources other than banks/FIs was also added to this (namely, Rs.19,748 crore contracted through ECBs and Rs. 5,075 crore raised from public/rights issues). To work out the aggregate capital expenditure in 2008-09, we must add to this the fresh capital expenditure to be incurred in 2008-09. Therefore, if the aggregate capital expenditure in 2008-09 were to surpass the level intended for the year 2007-08 (i.e. Rs.2,45,107 crore envisaged collectively by companies approaching banks/FIs or issuing domestic equity capital or contracting ECBs), the fresh envisaged capital expenditure in 2008-09 must be above Rs.71,934 crore. Incidentally, the capital expenditure envisaged by the fresh projects in the private corporate sector has been above Rs. 1,00,000 crore in each of the last two years. Though there could be a slight shift from accommodative to neutral financing conditions which may affect the fundamentals that drive business investment, corporates' incentives to invest are likely to remain strong in 2008-09, namely high domestic demand and high capacity utilisation rates amidst improved profitability of last few years. As business confidence continues to remain strong, such an amount of fresh investment by private corporate sector is expected in 2008-09. Thus, the private corporate investment in 2008-09 is likely to increase, although it may grow at a slower pace.