



# ECONOMIC RESEARCH



## Investment Trends-Q4FY22

[www.brickworkratings.com](http://www.brickworkratings.com)



# Buoyant new project announcements in the March Quarter reflect post-pandemic investment revival

April 2022

## Contacts

**Dr M Govinda Rao**  
Chief Economic Adviser

**Anita Shetty**  
Senior Research Analyst

**Investors & Media Contact**  
+91 95133 99706  
1-860-425-2742  
[investordesk@brickworkratings.com](mailto:investordesk@brickworkratings.com)  
[media@brickworkratings.com](mailto:media@brickworkratings.com)

## Both government and private investments surge; the former more than the later

As per the provisional data released by the CMIE, new industrial investment for the January–March 2022 quarter (Q4FY22) increased sharply to Rs 5.1 trillion. Growth in investments on a year-on-year (y-o-y) basis more than doubled, while on a quarter-on-quarter (Q-o-Q) basis, investments increased by 53.7%. Although, the number of new projects announced during Q4FY22 was 40% lower than in the previous quarter, the investment trend in new projects has shown a marked increase after showing steady deceleration since the onset of the pandemic.

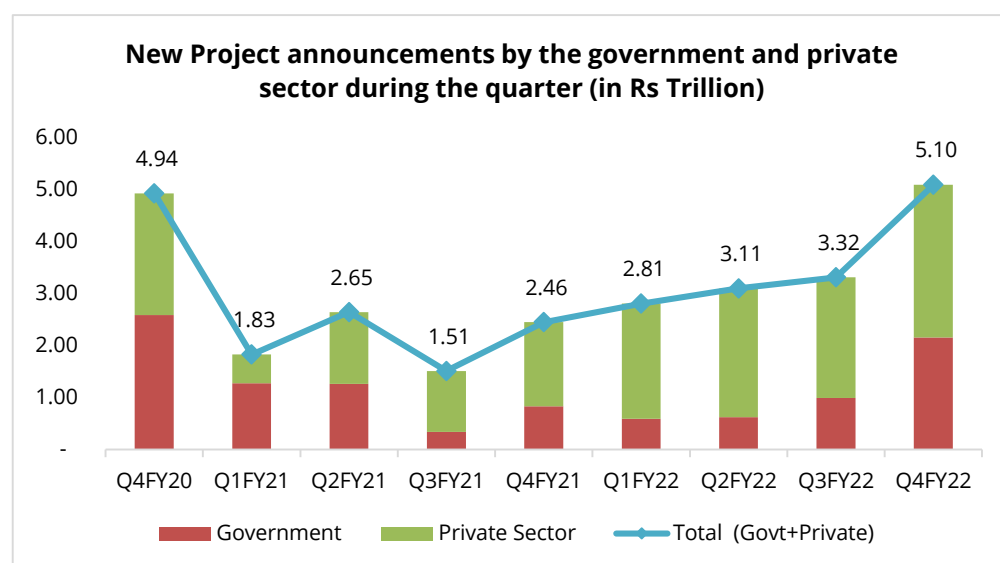
In light of the uncertainty surrounding the ongoing geopolitical concerns, in addition to Fed and other central banks in advanced economies increasing policy rates and draining out liquidity, the number of new projects announced by the private sector has remained low in Q4FY22 as compared to the previous quarter. Continued chip shortages, which impact a number of industries, have remained a major factor posing uncertainty since October 2021, and renewed supply constraints due to the war have further dampened sentiments.

Investment Trends: New projects announced during the quarter and year						
	Cost of the Projects			Number of projects		
	Amount (Rs tn)	Y-o-Y change (in %)	Q-o-Q change (in %)	Numbers	Y-o-Y change (in %)	Q-o-Q change (in %)
Q4FY20	4.9	12.6	-35.7	752	-22.6	26.0
Q1FY21	1.8	-0.3	-62.9	447	-24.2	-40.6
Q2FY21	2.6	-24.8	44.5	775	24.2	73.4
Q3FY21	1.5	-80.3	-42.8	449	-24.8	-42.1
Q4FY21	2.5	-50.3	62.1	783	4.1	74.4
Q1FY22	2.8	53.5	14.6	371	-17.0	-52.6
Q2FY22	3.1	17.3	10.4	471	-39.2	27.0
Q3FY22	3.3	119.0	6.8	564	25.6	19.7
Q4FY22	5.1	107.7	53.7	336	-57.1	-40.4
<b>FY21</b>	<b>8.5</b>	<b>-53.0</b>	-	<b>2454</b>	<b>-4.3</b>	-
<b>FY22</b>	<b>14.3</b>	<b>69.6</b>	-	<b>1742</b>	<b>-29.0</b>	-

Note: Data is provisional  
Source: CMIE, BWR Research

## States ramp up their capital expenditure

Efforts by both central and state governments to fast-track capital expenditures before the end of the fiscal year have resulted in sharp increases in the number of new Government projects. These projects are mainly in the infrastructure sector. There has been a sharp improvement in government spending in the last two quarters. More-than-budgeted tax revenue collections have also helped increase capital expenditures. As per the revised estimates for FY22, the revenue receipts are expected to increase by 16% to Rs 20.79 trillion as against the budget estimates of Rs 17.89 trillion.

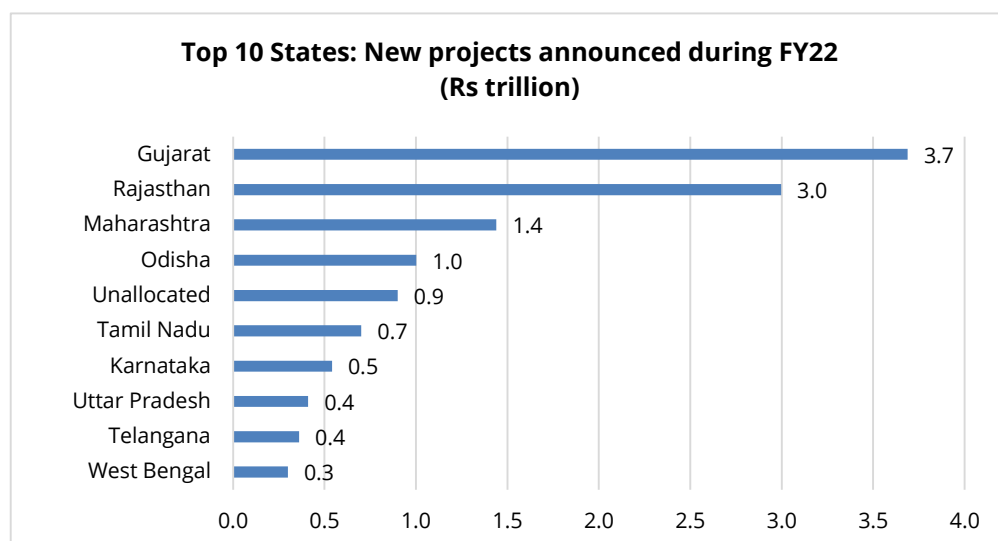


Note: Data is provisional

Source: CMIE, BWR Research

The front-loading of tax devolution to the states has helped states to fast-track their capital expenditures. Of the government's total new project announcements, nearly 20% have been announced by the states during Q4.

The central government had released the first advance instalment of tax devolution to states on 22 November 2021 and the second instalment on 20 January 2022, amounting to Rs 95,082 crore. In addition, states have received an additional amount of Rs 47,541 crore under tax devolution, over and above what has been budgeted to be released till January 2022. As per the latest available information, Rs 7,87,822 crore has been transferred to state governments as tax devolution by the central government up to February 2022.



Note: Data is provisional  
Source: CMIE, BWR Research

### Outlook on investment sentiments

After contracting by 53% y-o-y in FY21, the new projects announced by the industries increased by 70% in FY22. With the lifting of lockdown restrictions on economic activities, on the back of easing pandemic worries, there is renewed optimism about consumption revival. However, there is considerable uncertainty regarding the global demand and supply constraints due to the ongoing war between Russia and Ukraine. Private investments may remain subdued in the next quarter as the manufacturing sector is still not out of the pandemic. Supply challenges such as semiconductor shortages also continue. The sharp spike in commodity prices, with crude oil crossing USD100 per barrel since the last one month, also poses additional risks. However, due to the expectation of higher budgeted capital expenditure announced in the Union budget, government investments are likely to continue.

## ABOUT BRICKWORK RATINGS

Brickwork Ratings (BWR) is India's home-grown credit rating agency built with the superior analytical prowess of the industry's most experienced credit analysts, bankers and regulators. Established in 2007, BWR aims to provide reliable credit ratings by creating new standards for assessing risk and by offering accurate and transparent ratings. BWR provides investors and lenders timely and in-depth research across the structured finance, public finance, financial institutions, project finance and corporate sectors. BWR has employed over **339** working professionals including credit analysts and credit market professionals across 8 offices in India. Our experienced analysts have published over **13,142** ratings across asset classes. BWR is committed to providing the investment community with products and services needed to make informed investment decisions. BWR is a registered credit rating agency by Securities and Exchange Board of India (SEBI) and a recognised External Credit Assessment Agency (ECAI) by the Reserve Bank of India (RBI) to carry out credit ratings in India. BWR is promoted by Canara Bank, India's leading public sector bank. More information on Canara Bank is available for reference at [www.canarabank.com](http://www.canarabank.com)

BWR Rating Criteria are available at <https://www.brickworkratings.com/ratingscriteria.aspx>

Brickwork Ratings, a SEBI-registered credit rating agency, has also been accredited by the RBI, and it offers rating services for bank loan, NCD, commercial paper, bonds, securitised paper etc. BWR has Canara Bank, a nationalised bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence, with offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi, along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitised paper of over **₹ 18,98,067 Cr**. Additionally, fixed deposits and commercial papers, among others, worth over **₹ 83,555 Cr** have been rated.

## DISCLAIMER

Copyright ©2022 by Brickwork Ratings India Pvt Ltd., 3rd Floor, Raj Alkaa Park, 29/3 & 32/2, Bannerghatta Main Rd, Kalena Agrahara, Bengaluru, Karnataka 560076. Telephone: +91 80 4040 9940. Fax: +91 80 4040 9941. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings, Brickwork Ratings relies on factual information it receives from issuers and underwriters and from other sources Brickwork Ratings believes to be credible. Brickwork Ratings conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Brickwork Ratings' factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Brickwork Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Brickwork Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Brickwork Ratings and to the market in offering documents and other reports. In issuing its ratings Brickwork Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

THE INFORMATION IN THIS REPORT IS PROVIDED "AS IS" WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY KIND. A Brickwork Ratings rating is an opinion as to the creditworthiness of a security. This opinion is based on established criteria and methodologies that Brickwork Ratings is continuously evaluating and updating. Therefore, ratings are the collective work product of Brickwork Ratings and no individual, or group of individuals, is solely responsible for a rating. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Brickwork Ratings is not engaged in the offer or sale of any security. All Brickwork Ratings reports have shared authorship. Individuals identified in a Brickwork Ratings report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Brickwork Ratings rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time, for any reason in the sole discretion of Brickwork Ratings. Brickwork Ratings does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Neither Brickwork Ratings nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "BWR Reps") guarantee the accuracy, completeness or adequacy of the Report, and no BWR Reps shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of this publication. In no event shall any BWR Reps be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages. Brickwork Ratings receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities.