

SectorVector

Reading the topical trends

August 2023

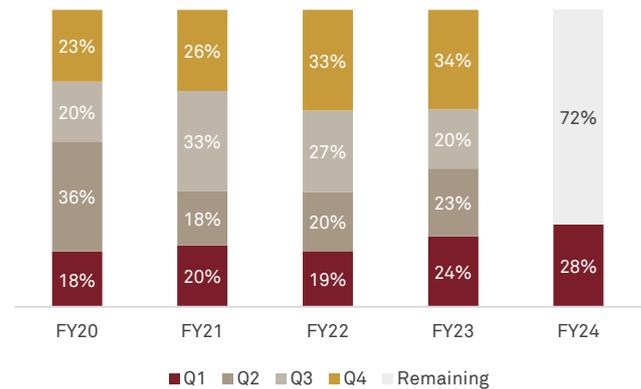
Capex crank-up

28% of the budgetary outlay for infra expended in the first quarter itself, led by roads and railways

Setting a tone for sustained infrastructure growth this fiscal, the central government has front-loaded capital expenditure (capex). It has not only ramped up its outlay, but also picked up the pace of allocation. It has expended 28% of the total budgetary outlay in the first quarter itself, the highest utilisation in percentage terms for the first quarter in the past five fiscals.

The spend has been led by the Ministry of Road Transport and Highways (MoRTH) and the Ministry of Railways (MoR). Notably, the two ministries had collectively accounted for 41.6% of the government's total capex over fiscals 2020 to 2022. Over fiscals 2023 and 2024, this figure rose to ~50%. The increase is reflective of a compelling shift in the government's focus towards the roads and railways sectors.

Capex utilisation



Source: CGA, CRISIL MI&A Research

Timely and efficient capex deployment by the government shows its proactive stance towards sustained infrastructure growth. Capex has grown at a staggering 30% CAGR over fiscals 2020 to 2023. Furthermore, the budgeted allocation (gross budgetary support) for this fiscal is up 37% from the last, at ~Rs 10 lakh crore.

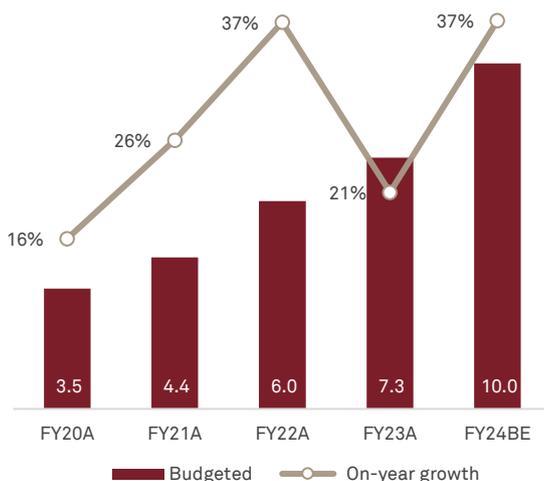
Over fiscals 2020 to 2023, we have seen a healthy average achievement ratio of ~98% in terms of capex over gross budgetary support for the fiscal.

Between fiscals 2020 and 2022, 18-20% of the overall budget allocation was observed to have been utilised within the first quarter itself. Last fiscal, this figure reached the 24% mark. This fiscal, major capex — ~50% of the total budgeted capex — was allocated towards the roads and railways sectors, as illustrated in the chart below. This signifies the government's aggressive stance towards the development of transportation infrastructure. Transportation directly impacts major sectors such as power, telecom, oil and gas, mining and real estate; thus, thriving roads and railways sectors would positively impact the above sectors as well.

Other major sectors with high capex allocation are defence, public asset management, and telecom.

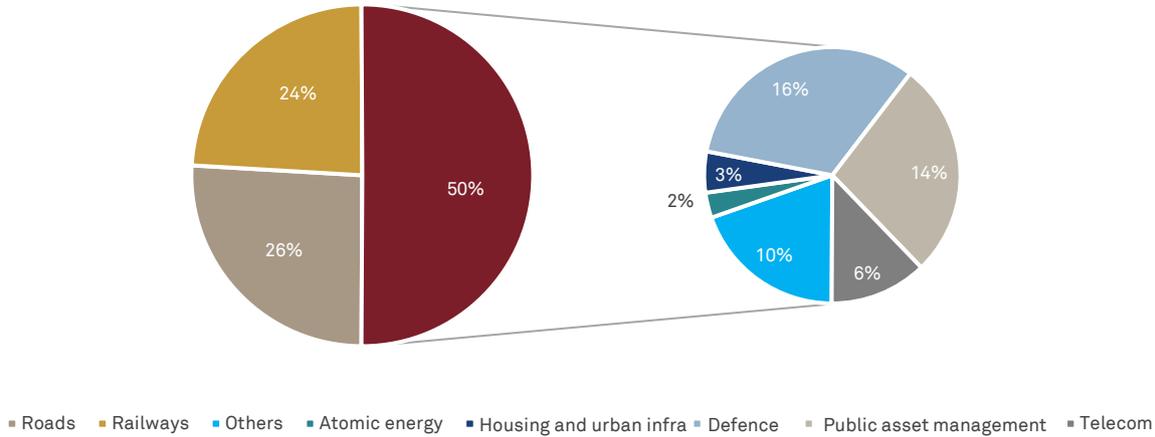
Capex - gross budgetary support

(Rs lakh crore)



Source: Controller General of Accounts (CGA), CRISIL MI&A Research

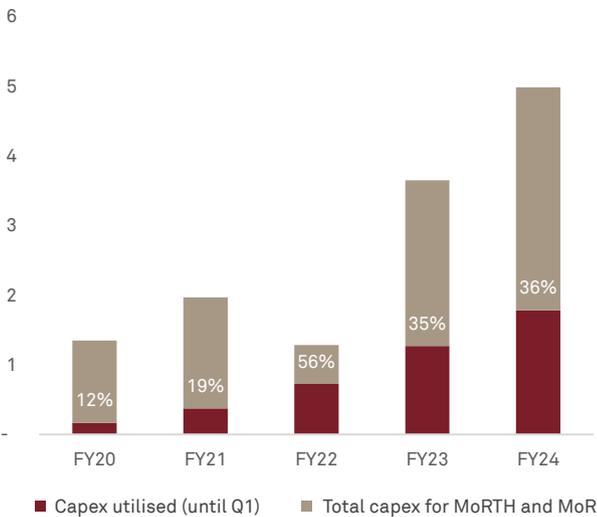
Sector-wise budgeted capex split in FY24



Source: CGA, CRISIL MI&A Research

Roads and railways account for the bulk of government expenditure. MoRTH and MoR saw capex utilisation jump to 36% in the first quarter this fiscal from 12% in the first quarter of fiscal 2020.

Capex for MoRTH and MoR:
% utilisation vs. budgeted

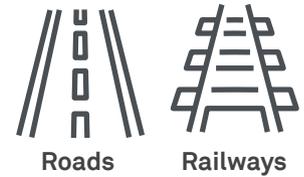


Source: CGA, CRISIL MI&A Research

CRISIL MI&A Research observed early utilisation of the budget in the past three years, in addition to an increase in the gross budgetary support for MoRTH and MoR, at a 30% CAGR.

The achievement ratio of MoRTH and MoR in the past three fiscals was 96% and 100%, respectively. Both the ministries are expected to post similar achievement ratios in the current fiscal as well.

Key highlights of fiscal 2024



| | Roads | Railways |
|---|-------|----------|
| Budgeted capex (Rs lakh crore) | 2.58 | 2.40 |
| Capex utilised in the first quarter | 38% | 33% |
| % capex allocation of infrastructure budget | 26% | 24% |
| Average capex utilisation ratio in the past 5 years | 96% | 100% |

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