

Quant

Thematic

Capex Growth Slows Across Most Sectors in FY26

Our analysis of sector-wise gross fixed assets (GFA) suggests that fixed asset growth has slowed across most sectors in FY26, after strong additions in previous years. Automobiles & ancillaries, hotels & tourism and machinery saw a sharp slowdown, while metals, textiles and consumer goods reported negative growth. However, construction materials and automobiles continued to record healthy growth despite the moderation. On the other hand, electricity generation and transmission & distribution saw improvement, supported by ongoing investments in power infrastructure and renewable energy. Chemicals and food & agro-based products also continued to see positive growth, but at a slower pace. Going ahead, government schemes and planned capacity expansions could support fresh investments across sectors.

Automobiles & Ancillaries – Investment Momentum Remains Positive: Fixed asset growth moderated from 35.4% in FY25 to 11.3% in FY26, following exceptionally strong expansion in FY25. Uneven vehicle demand during the year may also have influenced investment decisions, although growth remained in double digits.

Chemicals – Investment Growth Moderates Further: Fixed asset growth slowed from 8.2% in FY25 to 4.4% in FY26, although the sector continued to record positive growth. Global overcapacity, particularly in China, coupled with pricing pressure and subdued export demand in certain chemical categories, may have prompted manufacturers to slow down fresh capacity additions.

Consumer Goods – Investment Growth Turns Negative: Growth declined from 5.8% in FY25 to -2.7% in FY26, following moderate expansion in previous years. Within consumer durables, weaker demand for cooling appliances due to price hikes and an early monsoon may have affected fresh capacity expansion, although the broader sector's contraction cannot be attributed to this factor alone.

Construction Materials – Investment Growth Moderates but Remains Healthy: Capex growth moderated from 19.6% in FY25 to 9.2% in FY26, following strong capacity additions in earlier years. War-related disruptions also impacted operations in Morbi, a major ceramic tiles manufacturing hub, affecting the broader tiles industry and weighing on fresh investments.

Electricity Generation – Gradual Recovery in Investment Growth: Fixed asset growth increased from 6.9% in FY25 to 7.9% in FY26, alongside strong renewable energy capacity additions, particularly solar and wind projects.

Electricity Transmission & Distribution – Investment Growth Shows Improvement: GFA growth improved from 1.5% in FY25 to 3.9% in FY26, alongside ongoing investments in smart metering and grid upgrades. However, DISCOM financial constraints and project execution delays remain challenges.

Food & Agro-based Products – Investment Growth Continues to Moderate: Fixed asset growth slowed from 3.8% in FY25 to 2.1% in FY26, continuing the moderation seen over the past few years. Delays in subsidy disbursements may have affected fresh investments in food processing and storage infrastructure. Government support continues through PM Kisan SAMPADA Yojana, with 1,735 projects approved and 1,256 completed as of June 2026. The remaining projects could support further investment in food processing and storage facilities.

Hotels & Tourism – Investment Growth Moderates Sharply: Growth slowed sharply from 27.3% in FY25 to 4.1% in FY26, following strong investments in the previous two years. Despite continued hotel expansion, the industry's growing shift towards asset-light models, where operators manage properties owned by third parties rather than investing in new properties themselves, may have contributed to slower fixed asset growth.

Metals – Sharp Contraction in Fixed Asset Growth: Fixed asset growth declined sharply from 4.8% in FY25 to -10.8% in FY26, largely driven by a contraction in the non-ferrous metals and metal products segment (excluding aluminium and copper). Declining availability of domestic mineral resources, coupled with scrap shortages, further weighed on investment activity in the sector.

Machinery – Investment Growth Slows Sharply: Fixed asset growth moderated from 21.0% in FY25 to 4.5% in FY26, partly reflecting a high base and potentially the timing of capacity additions. However, underlying industry activity remained healthy, with machine-tool production growing approximately 13% during FY26.

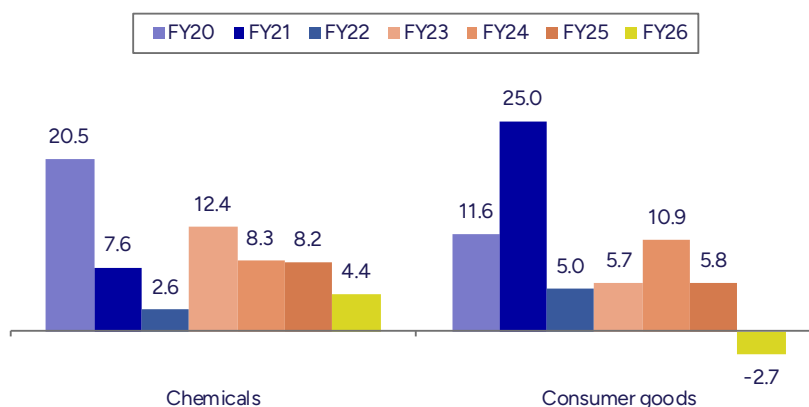
Textiles – Investment Growth Turns Negative: Capex contracted 9.1% in FY26, a sharp reversal from the 7.9% growth in FY25 and the first decline after two years of expansion. The decline in capex also reflects weaker investor sentiment amid US tariff-related uncertainties, export-order disruptions and weaker margins, which may have led export-oriented textile manufacturers to delay fresh capacity expansion. The seven approved PM MITRA textile parks and approximately Rs 12,823 crore of investment commitments under Round III of the textile PLI scheme could support future manufacturing capacity additions.

Exhibit 1: Fixed asset growth moderates across most sectors in FY26, with metals, textiles and consumer goods witnessing a contraction

Growth in fixed assets (% YoY)	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Automobiles & ancillaries	13.7	9.8	-2.4	11.0	10.0	35.4	11.3
Chemicals	20.5	7.6	2.6	12.4	8.3	8.2	4.4
Construction Materials	8.1	4.0	17.9	14.9	12.3	19.6	9.2
Consumer Goods	11.6	86.3	5.0	5.7	10.9	5.8	-2.7
Electricity Generation	18.5	10.8	34.0	3.5	10.2	6.9	7.9
Electricity T&D	9.1	8.9	6.6	2.3	1.2	1.5	3.9
Food & Agro based	19.7	5.5	8.3	10.9	5.7	3.8	2.1
Hotels & tourism	13.3	13.3	21.1	9.9	33.8	27.3	4.1
Machinery	2.5	4.2	19.8	6.1	17.2	21.0	4.5
Metals	6.7	5.7	-1.8	5.8	6.2	4.8	-10.8
Textiles	5.7	-8.1	5.0	-1.0	6.6	7.9	-9.1

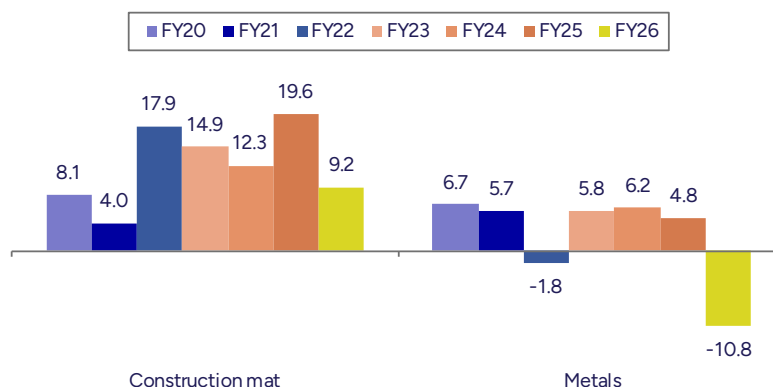
Source: Company, PL

Exhibit 2: FA growth moderates in chemicals, while consumer goods witnesses a contraction in FY26



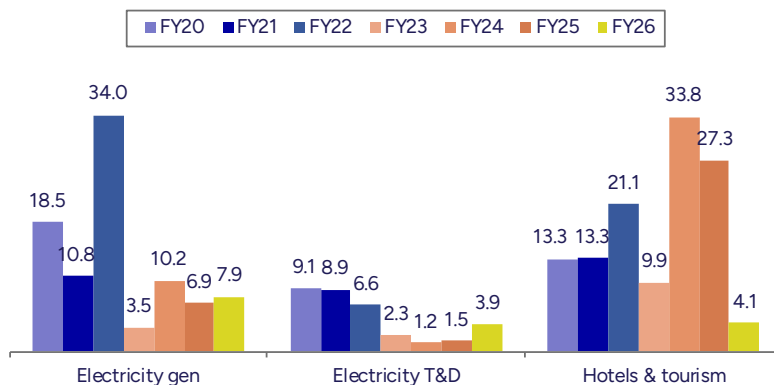
Source: Company, PL

Exhibit 3: Construction materials maintain healthy asset growth, while metals records a sharp contraction



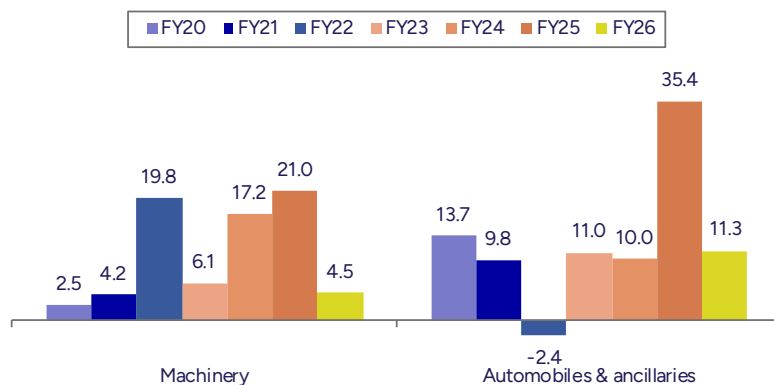
Source: Company, PL

Exhibit 4: FA growth improves in electricity generation & T&D, but hotels & tourism sees a sharp moderation



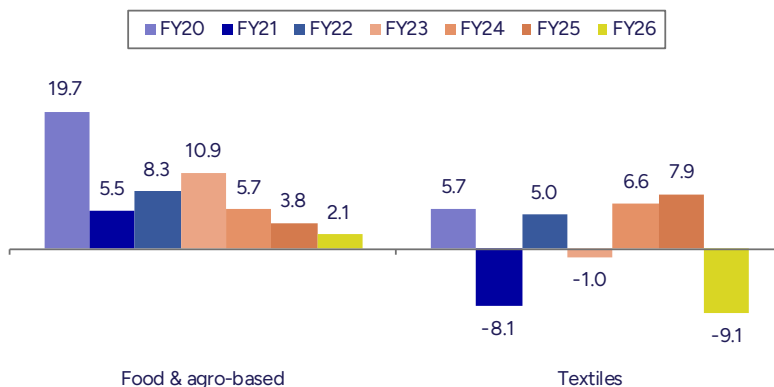
Source: Company, PL

Exhibit 5: FA growth slows sharply in machinery and automobiles & ancillaries following FY25 additions



Source: Company, PL

Exhibit 6: FA growth moderates in food & agro-based industries, while textiles witnesses a fall



Source: Company, PL

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