

Govt has scope to increase capex in FY26: Icra

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The government has scope to increase the total capital expenditure (capex) by ₹80,000 crore to ₹1.2 trillion, thanks to the revenue buffer created by higher than expected surplus transfer from the Reserve Bank of India, rating agency Icra said on Tuesday.

“If the entire ₹80,000 crore goes for additional capex, it would push up the headline figure to nearly ₹12 trillion and take its growth to a healthy 14.2 per cent from the current 6.6 per cent,” the report said.

Capex for April 2025 surged 61 per cent year-on-year (Y-o-Y) to ₹1.6 trillion, according to the latest data by the Controller General of Accounts (CGA). This was 14.3 per cent of the FY26 Budget Estimates (BE) against 9.4 per cent of FY25 provisional estimates. Icra said this was well above the average monthly required rate of ₹90,000 crore.

“This implies that capex needs to grow by a mere 0.9 per cent in the remaining 11 months of this financial year to meet the FY26 BE of ₹11.2 trillion,” it added.

The report noted that the additional cushion on the receipts side on

account of the higher-than-budgeted RBI dividend transfer, provides comfort on the fiscal front amidst heightened global uncertainties. The dividend payout, Icra said, could provide room to push the capex above the target of ₹11.2 trillion in FY26.

“The fiscal deficit-to-GDP ratio can be contained at 4.4 per cent in FY26, while also accommodating a marginal fiscal slippage to the tune of ₹300-350 billion, given the larger base,” the report said.

The CGA data also showed miscellaneous capital receipts for April 2025 amounting to ₹214.1 billion, which is 46 per cent of the FY26 BE of

₹470 billion.

“This gives us confidence that the target for the financial year is unlikely to be missed. This provides some relief, given that a shortfall in miscellaneous capital receipts has been a recurring phenomenon,” the report said. The government’s revenue receipts increased by 21 per cent to ₹2.6 trillion (7.5 per cent of FY26 BE) in April 2025 compared to ₹2.1 trillion last year.

“Compression in revenue deficit and healthy non-debt capital inflows contained the fiscal deficit at ₹1.9 trillion in April 2025, despite the surge in capex,” Icra said.