

# INFRASTRUCTURE



August 2024

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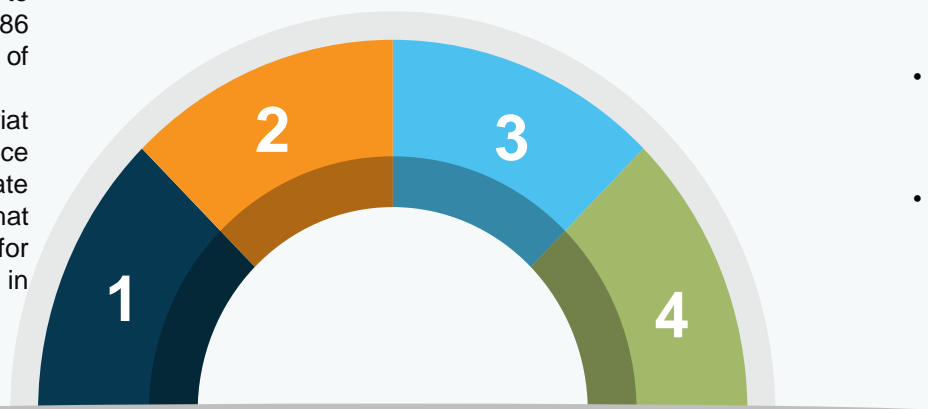
# Executive summary

## 2. INCREASING PRIVATE SECTOR INVOLVEMENT

- The Indian government has introduced various formats in order to attract private investments, especially in roads and highways, airports, industrial parks and higher education and skill development sectors.
- Private Equity-Venture Capital firms invested US\$ 3.5 billion (across 71 deals) in Indian companies in May 2023.

## 1. HIGH BUDGETARY ALLOCATION FOR INFRASTRUCTURE

- In Interim Budget 2024-25, capital investment outlay for infrastructure has been increased by 11.1% to Rs.11.11 lakh crore (US\$ 133.86 billion), which would be 3.4% of GDP.
- Infrastructure Finance Secretariat is established to enhance opportunities for private investment in infrastructure that will assist all stakeholders for more private investment in infrastructure.



Source: Media sources, DPIIT, Equirius Capital, EY, National Infrastructure Pipeline

## 3. IMPROVEMENT IN LOGISTICS

- India's logistics market is estimated to be US\$ 317.26 billion in 2024 and is expected to reach US\$ 484.43 billion by 2029, growing at a CAGR of 8.8%.
- The Ministry of Commerce and Industry, states that the logistics sector accounts for 5% of India's GDP and provides jobs for nearly 2.2 crore Indians.
- India road logistics industry will grow at 3-6% in FY25 as per ICRA.

## 4. RISING FOREIGN DIRECT INVESTMENT (FDI) IN THE SECTOR

- FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US\$ 26.61 billion and US\$ 33.91 billion, respectively, between April 2000-March 2024.
- FDI rules have been significantly liberalized in India and can provide foreign investors with options aligned with their business goals.
- External Affairs Minister Mr. S. Jaishankar, speaking in Tokyo after the Quadrilateral Security Dialogue (Quad) ministerial meeting, announced an investment target of Yen 5 trillion (US\$ 42 billion) between India and Japan by 2027.



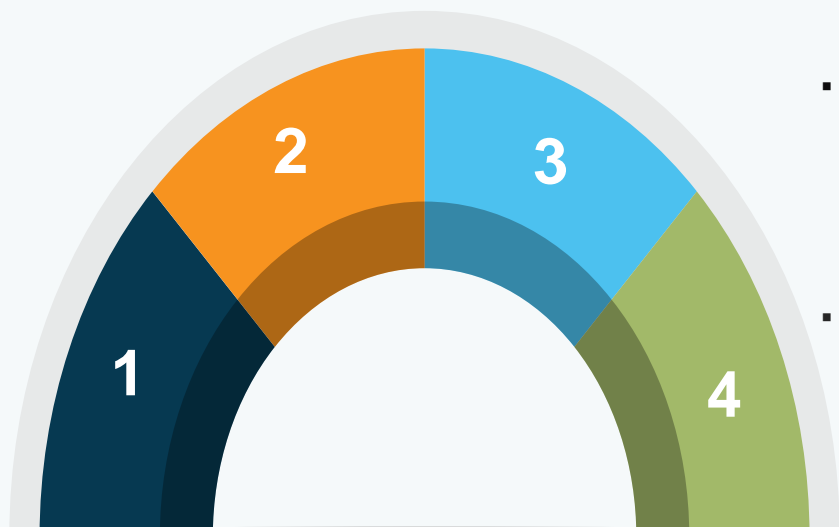
# Advantage India

## 2. ATTRACTIVE OPPORTUNITIES

- Development of infrastructure has a multiplier effect on demand and efficiency of transport and increases commercial and entrepreneurship opportunities.
- In March 2024, Prime Minister, Mr. Narendra Modi inaugurated multiple connectivity projects in Kolkata, totalling US\$ 1.8 billion.
- In March 2024, the Minister of Civil Aviation and Steel announced inaugurating 15 airport projects worth US\$ 12.1 billion by 2028.
- In June 2022, the Minister of Road Transport and Highways, opened 15 national highway projects worth Rs. 13,585 crore (US\$1.7 billion) in Patna and Hajip.
- As per a report of Morgan Stanley India's infrastructure investment to steadily increase from 5.3% of GDP in FY24 to 6.5% of GDP by FY29.

## 1. ROBUST DEMAND

- India intends to enhance its infrastructure to reach its 2025 economic growth target of US\$ 5 trillion.
- India's population growth and economic development require improved transport infrastructure, including investments in roads, railways, aviation, shipping and inland waterways.
- As per the Reserve Bank of India (RBI) in the past 4 years until March 2024, Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have amassed US\$ 15.60 billion (Rs. 1.3 lakh crore).
- According to a Cushman & Wakefield report, India's real estate market saw a surge in investments during the second quarter of 2024, attracting US\$ 2.77 billion.



## 3. POLICY SUPPORT

- Budget 2023-24 is complemented with a continuation of the 50-year interest-free loan to state governments for one more year to spur investment in infrastructure and to incentivize them for complementary policy actions, with a significantly enhanced outlay of Rs. 1.3 lakh crore (US\$ 16 billion).
- Under the National Infrastructure Pipeline (NIP), projects worth Rs. 108 trillion (US\$ 1.3 trillion) are currently at different stages of implementation
- In November 2022, National Investment and Infrastructure Fund (NIIF) is set up as a collaborative investment platform between the Government of India, global investors, multilateral development banks (MDB) and domestic financial institutions to facilitate investment across multiple sectors in India through an India Japan Fund.

## 4. INCREASING INVESTMENT

- In Interim Budget 2024-25, capital investment outlay for infrastructure has been increased by 11.1% to Rs.11.11 lakh crore (US\$ 133.86 billion), which would be 3.4 % of GDP.
- Under Budget 2023-24, Infrastructure Finance Secretariat is being established to enhance opportunities for private investment in infrastructure that will assist all stakeholders for more private investment in infrastructure, including railways, roads, urban infrastructure, and power.
- According to CRISIL's Infrastructure yearbook 2023, India will spend nearly Rs. 143 lakh crore (US\$ 1,727.05 billion) on infrastructure in seven fiscals through 2030, more than twice the near Rs. 67 lakh crore (US\$ 912.81 billion) spent in the previous seven years.

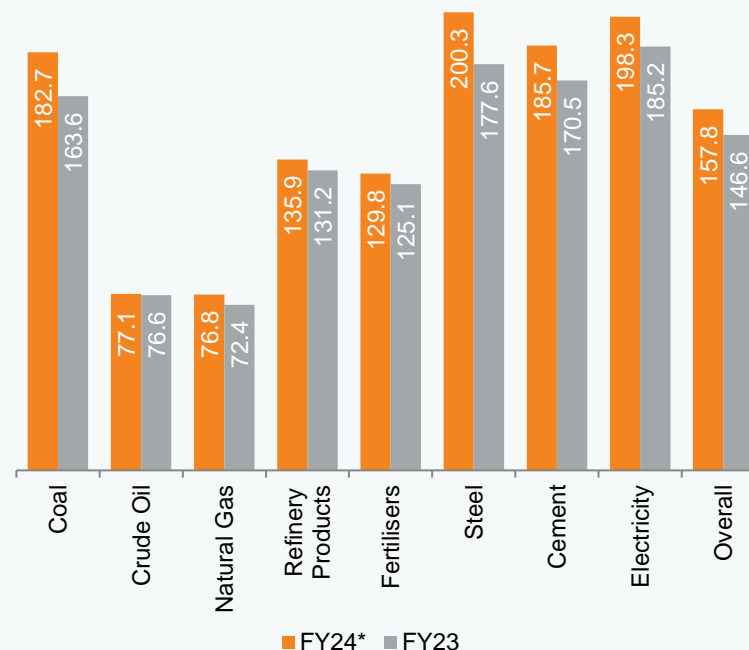
Source: Media Sources, DPIIT, Economic Survey 2023, News Articles



# Performance of eight core infrastructure industries

- The production of Coal, Electricity, Steel, Cement, Fertilizers, Refinery Products and Natural Gas increased in January 2024.
- The combined Index of Eight Core Industries (ICI) increased by 6.2% (provisional) YoY in April 2024 compared to April 2023.
- In April 2024, the overall index of eight core industries stood at 160.5\* driven by the production of coal, refinery products, fertilizers, steel, electricity and cement industries.
- The cumulative growth rate of ICI during FY24 stood at 7.6% (provisional) compared to last year's corresponding period.
- In February 2024, NTPC Limited and National Aluminium Company Limited (NALCO), a Navaratna company, inked a non-binding memorandum of understanding (MoU) to investigate ways to provide at least 1200 MW of continuous power supply around the clock to meet NALCO's needs for expanding the capacity of its smelter plant in Odisha.
- In August 2022, the Prime Minister of India inaugurated the nation's first second-generation (2G) ethanol project in Panipat, built at an estimated cost of over Rs. 900 crore (US\$ 108.7 million) by Indian Oil Corporation Ltd. (IOCL).

Index of eight core industries



**Note:** \* - Provisional (April-February 2023-24)

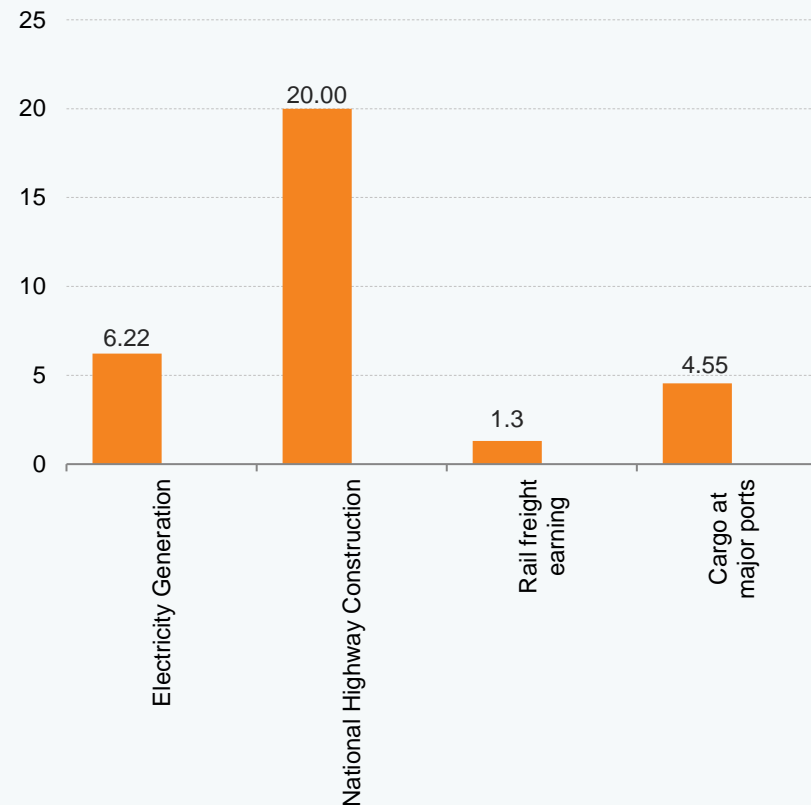
**Source:** Ministry of Commerce and Industry, NTPC Website, PIB, News Articles



# Growth in infrastructure related activities

- The 'Green Energy Project' is an initiative to make Indian Railways environment-friendly by focusing on renewable sources of energy.
- In April 2023, the network planning group (NPG) under the PM GatiShakti initiative approved four railway projects related to the doubling of lines between Aurangabad and Ankai in Maharashtra.
- In June 2024, Ministry of Housing & Urban Affairs has approved proposals worth Rs. 860.35 crore (US\$ 103.91 million) for West Bengal under SBM-U 2.0. During the first phase of SBM-U (2014-19) a total fund of Rs. 911.34 crore ( US\$ 130.34 million) was allocated to West Bengal which has been increased by 1.5 times to Rs. 1449.30 crore (US\$ 175.04 million) in SBM-U 2.0 (2021-26).
- In FY24, cement production increased by 9% driven by the government's push for infrastructure development and increased real estate activity.
- As of March 2022, the Ministry-wise progress of projects is as follows:
  - Ministry of Road Transport and Highways has completed 1,41,190 km of National Highways out of the set target of 2,00,000 km for 2024-25.
  - Department of Telecommunication has created the OFC (Optical Fibre Cable) network of 33,00,997 km against the set target of 50,00,000 km for 2024-25.
  - Ministry of Petroleum has completed the laying of a gas pipeline of 20,000 km out of 34,500 km targeted for the same period.
  - Ministry of Power has surpassed its target for laying the transmission network of 4,54,200 km.
- The goal for the production of electricity (including renewable energy) in 2023–2024 has been set at 1750 billion units (BU). i.e. an increase of roughly 7.2% over the 1624.158 BU that were actually generated in the preceding year (2022–2023). With a growth of roughly 8.87%, the generation in 2022–2023 was 1624.158 BU, compared to 1491.859 BU in 2021–2022.

**Growth in infrastructure-related activities in FY24 (in %)**



*Source: Economic Survey, Ministry of Railways, Indian Ports Association, Central Electricity Authority*

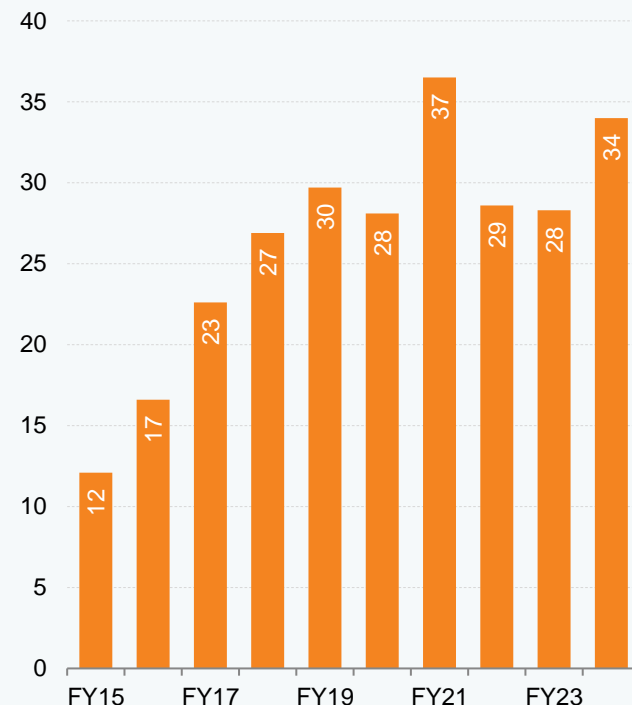


# Strong momentum in expansion of roadways

- India has about 63.73 lakh km of road network, which is the second largest in the world.
- At the start of the 2024-25 financial year, the Ministry had approximately 20,000 km of National Highways (NHs) planned construction. Additionally, there is a collection of projects in the DPR and tendering stages to enhance construction progress in the current and upcoming fiscal years.
- As per ICRA India is expected to maintain current road construction momentum, adding up to 13,000 kilometres in the 12 months through March 2025, an annual increase of 5-8%.
- National Highways play a very important role in the economic and social development of the country by enabling efficient movement of freight and passengers and improving access to the market. MoRTH and its implementing agencies have implemented multiple initiatives in the last 8 years to augment the capacity of the National Highway infrastructure in India.
- In the Interim Budget 2024-25, the government has decided to allocate Rs. 2.76 lakh crore (US\$ 33.4 billion) towards the Ministry of Roads for 2024-25.
- In FY24, the total length of National Highways in the country is 1,46,145 km.
- National Highways had increased from 91,287 km in 2013-14 to 1,46,145 km in 2023-24, and the pace of construction had improved from 12.1 km a day in 2014-15 to 28.3 km in FY23.
- In December 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways inaugurated and laid the foundation stone of 8 National Highway projects of 226 km length worth Rs. 1800 crore (US\$ 217.4 million) at Igatpuri, Nashik, Maharashtra.
- In October 2022, the Prime Minister of India laid the foundation of road and ropeway projects worth more than Rs. 3,400 crores (US\$ 410 million) in Mana, Uttarakhand.
- A network of 35 Multimodal Logistics Parks is planned to be developed as part of Bharatmala Pariyojana, with a total investment of about Rs. 46,000 crore (US\$ 5.5 billion), which once operational, shall be able to handle around 700 million metric tonnes of cargo. Of this, MMLPs at 15 prioritized locations will be developed with a total investment of about Rs. 22,000 Crore (US\$ 2.6 billion).
- Government is working towards the development of a national highway network of 2 lakh kms by 2025.

**Source:** Ministry of External Affairs, Economic Survey 2022, News Articles

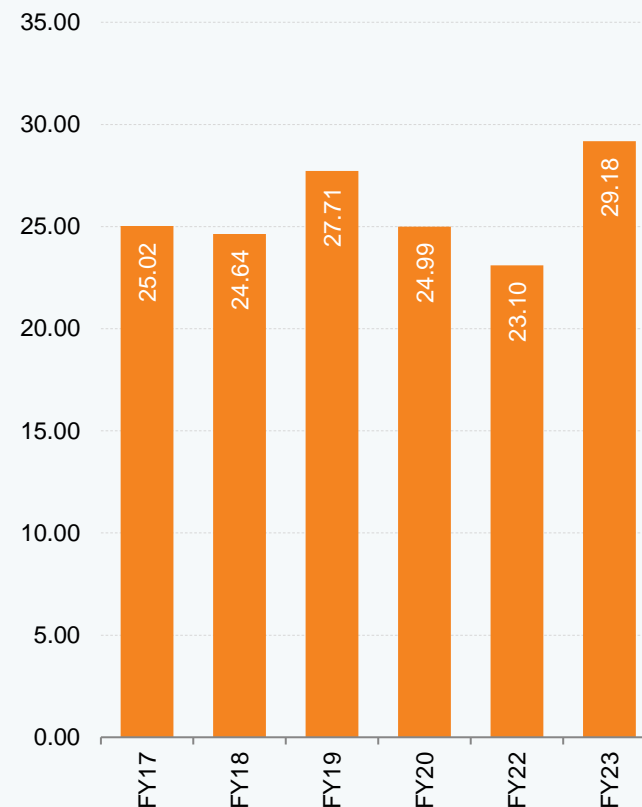
Road construction per day (kms)



# Strong revenue growth for Indian railways

- The Indian Railways expects to complete total revenue of Rs. 2,64,500 crore (US\$ 31.81 billion) by the end of 2023-24.
- As per the Interim Budget 2023-24, a capital outlay of Rs. 2.55 lakh crore (US\$ 30.72 billion) has been made for the Railways, an increased of 5.8% over the previous year.
- For 2023-24:
  - Total revenue from traffic is estimated to be Rs. 2,64,600 crore (US\$ 32.17 billion), an increase of 9% over the previous year.
  - During FY 2023-24, Total revenue of Indian Railways stands at US\$ 28.89 billion (Rs 2.40 lakh crore) as on 15<sup>th</sup> March. Last year on 15th March, total Revenue was US\$ 26.84 billion (Rs 2.23 lakh crore).
  - Freight revenue is estimated to be Rs. 1,79,500 crore (US\$ 21.82 billion), an increase of 9% over the previous year. The passenger revenue is estimated to be Rs. 70,000 crore (US\$ 8.51 billion), an increase of 9% over the previous year.
- For FY 2024-25, the government has allocated record CAPEX of Rs. 2,62,200 crore (US\$ 31.67 billion) for Railways.
- As per the preliminary data, Indian Railways has crossed an originating Freight loading of 1500 MT on 15th March 2024.
- During the month of June 2024, originating freight loading of 135.46MT has been achieved against loading of 123.06 MT in June 2023.
- Indian Railways installed 1000 MW of solar power plants and about 200 MW of wind plants in 2022-23. Out of this, about 204.82 MW (101.42 MW solar and 103.4MW wind power) of renewable power has already been set up.
- As of November 2022, 83% of the total Broad-Gauge network has been electrified. During 2022-23, electrification of 1,973 Route km (2,647 TKM) has been achieved, which is 41% higher as compared to the corresponding period of 2021-22.
- In addition, 1,161 & 296 km of electrification of double lines & sidings respectively have also been completed to date. Thus, a total of 4100 TKM have been electrified during 2022-23.

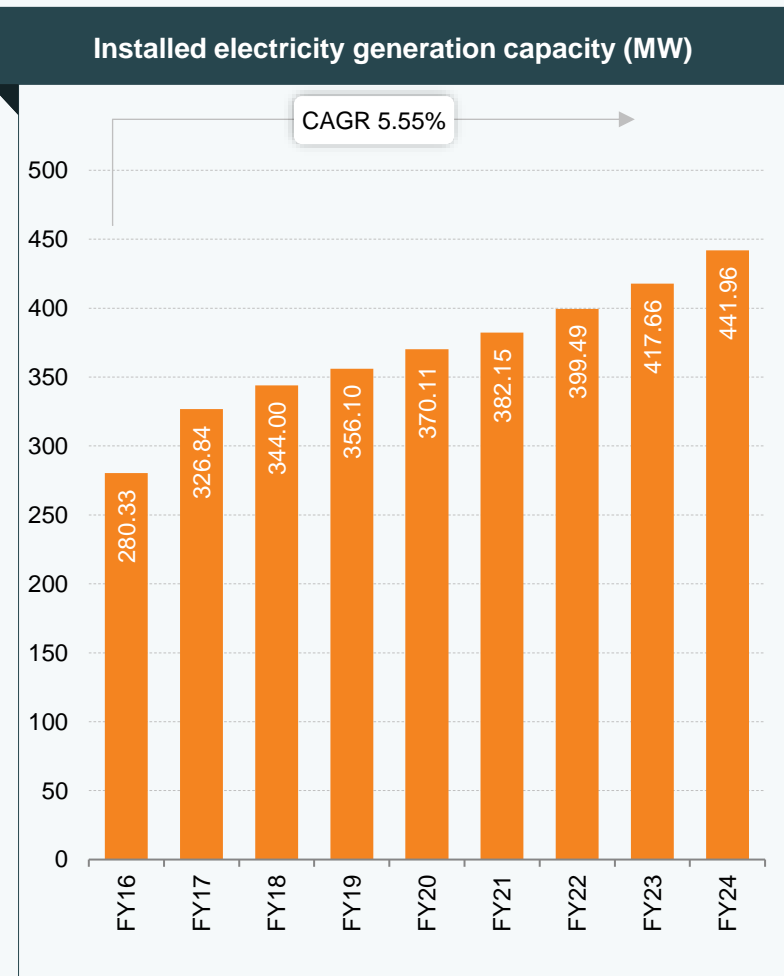
Gross revenue trends over the years (US\$ billion)



Source: Ministry of Railways, News Article, PIB, Make in India Portal

# Power generation capacity has increased at a healthy pace

- As on March 2024, India's total installed electricity generation capacity stood at 700 MW.
- As of March 2024, India's installed renewable energy capacity has increased to 190.57 Giga Watts (including large Hydro), which is about 43% of the country's total capacity.
- As of March 2024, the installed solar, wind and other renewable energy capacity stands at 143.64 GW.
- The cumulative FDI equity inflow in the Power sector is US\$ 18.28 billion during the period April 2000 to March 2024. This constitutes 2.69% of the total FDI inflow received across sectors.
- For 2023-24, the total budgetary allocation towards the Ministry of Power stood at Rs. 1,96,035 crore (US\$ 23.83 billion).
- In fiscal year 2022-23, India commissioned 10 thermal power units of an aggregate 7,010 MW capacity.
- Cumulatively 39 thermal power plants with a capacity of 27,550 MW are under construction and will likely take another four years to complete.
- India's power consumption grew by 13.31% on an annual basis to 127.39 billion units (BU) in September 2022 and 11.65% in H1 FY23.
- Thermal power plant load factor or capacity utilization will improve to 63% in FY24, fueled by strong demand growth along with subdued capacity addition in the sector.
- As part of the Interim Budget 2024-25, the allocation for solar power grid reached Rs. 8,500 crores (US\$ 1.02 billion) from the previous allocation of Rs. 4,970 crores (US\$ 598.80 million).
- In February 2024, as part of the Pradhan Mantri Suryodaya Yojana, the government announced of installing rooftop solar panels in 1 crore households to gain upto 300 units of free electricity each month.



**Note:** \* - As on January 2024, MW - Megawatt

**Source:** CEA (Central Electricity Authority), News Articles

# Key private players

1

Major projects: Meerut Budaun Six Lanes Expressway, Kaithal Rajasthan Four Laning project on NH 152/65, Mumbai-Pune BOT Project, Pune-Nashik BOT Project, Bharuch-Surat BOT Project, Thane-Bhiwandi by-pass 4 Lane Project, Thane Ghodbunder BOT Project, Ahmedabad-Baroda NH-8, 6 laning of Agra - Etawah bypass, Gandeva-Ena section of Vadodara-Mumbai 8 lane expressway



2

Major projects: Aroor to Thuravoor Thekku section of NH 66, Bundelkhand Expressway Project Belgaum to Sankeshwar bypass, Link Road NH-166 S to Mopa Airport, Memmadpur (Ambala) – Banur (IT City Chowk) –Kharar (Chandigarh) Corridor, Four laning of Arrah to Pararia section of NH-319, Four laning of Pararia to Mohania section of NH-319



3

Major projects: Ramban Banihal Road Project, J&K, Coastal Road Project, Mumbai, NH-34 - Bahrapore – Farakka Highway, West Bengal, NH-34 - Farakka - Raiganj Highway, West Bengal, Bandra-Worli Sea Link, Badarpur Elevated Highway Project, Delhi Faridabad Elevated Expressway, Breakwater construction for new port at Ennore, Chennai



4

Agra Lucknow Expressways—Uttar Pradesh, Outer Ring Road, Hyderabad Growth Corridor—Telangana, Nagpur Mumbai Express Way, Pune Metro Package 1 & 2, Nagpur Metro, Chennai Metro, Delhi Metro, 4 Lane Elevated Highway Project on NH-7 in Bangalore City



5

Major Projects: Medical College & Hospital at Golaghat, Assam, Commercial office space in Bengaluru, Data centres in Mumbai, Police reserve campus in Guwahati, Transmission lines in Gujarat, Delhi Metro Rail construction and design, Manufacturing facility in Haryana, Irrigation projects in Odisha



Source: Company websites and News Articles

# STRATEGIES ADOPTED



# Strategies adopted



**LARSEN & TOUBRO**

- Larsen & Toubro (L&T) to form L&T Green Energy Council, a think-tank comprising of eminent thought leaders, in a significant step towards building a global green energy business.
- In January 2023, Larsen & Toubro announced the signing of an MoU with the Norway-based H2Carrier (H2C) to cooperate towards developing floating green ammonia projects for industrial-scale applications with an aim to decarbonize the global economy.
- In January 2023, the Construction arm of Larsen & Toubro secured orders for its power transmission & distribution and buildings & factories businesses to establish a 112.5MW Solar Power Plant in West Bengal and to construct a 600-bed super speciality hospital at Mumbai, respectively.



- In August 2023, Bharat Heavy Electricals Ltd. (BHEL) and Greenstat Hydrogen India Pvt. Ltd. (GHIPL) signed an MoU for 'Potential Collaboration Opportunities in Green Hydrogen and Derivatives in the Hydrogen Value Chain'. This MoU will help in contributing towards the country's 'National Hydrogen Mission' aimed at making India 'AatmaNirbhar' in this area.
- In December 2022, BHEL formed a consortium with Titagarh Wagons and is among five entities which have bid for the mega Rs. 58,000 crore (US\$ 7 billion) contract to manufacture 200 Vande Bharat trains and maintaining them for the next 35 years.



- In December 2022, GMR Airports Limited and NIIF announce partnership to invest in three airports. NIIF to invest INR 6310 billion (US\$ 76.1 billion) in upcoming greenfield airport at Mopa, North Goa.
- In 2020, GMR Hyderabad International Airport Ltd (GHIAL) has signed a concession agreement to commission, operationalise and maintain the civilian enclave at the Bidar airport in North Karnataka.



- In November 2022, Adani Ports and Special Economic Zone Ltd (APSEZ), the largest transport utility in India, has entered into a definitive agreement for the acquisition of Oiltanking India GmbH's 49.38% equity stake in Indian Oiltanking Ltd (IOTL), which is one of India's largest developer and operator of liquid storage facilities.

*Source: Company websites, Media sources*







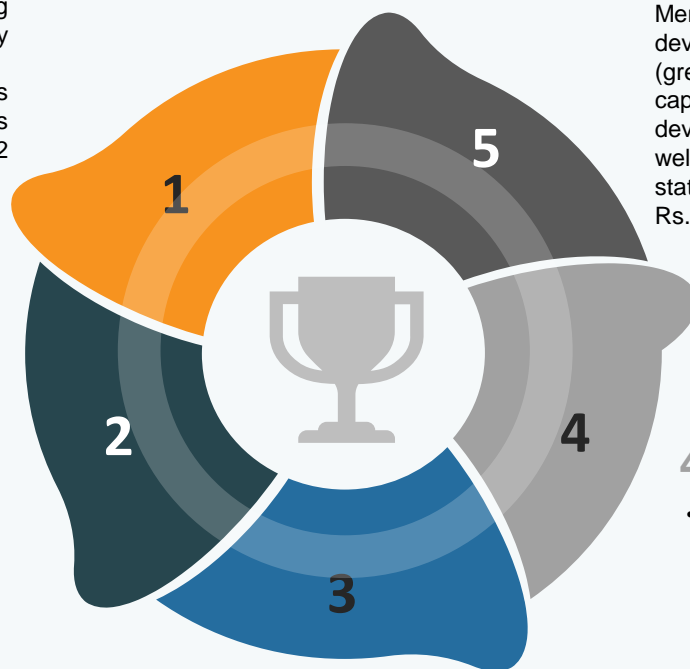
# Growth drivers for Infrastructure in India

## 1. Government initiatives

- The government launched the PM Gati Shakti National Master Plan (NMP) in 2021 which plans to allocate US\$ 1.3 trillion by cutting logistic costs, increase cargo handling capacity and minimize turnaround time.
- The National Infrastructure Pipeline (NIP) was introduced that looks at over 9,000 projects across 34 sectors with an outlay of US\$ 1.2 trillion between 2020-25.

## 2. Infrastructure needs

- According to World Bank, By 2036, 600 million people will be living in urban cities in India, representing ~40% of the population. This is likely to put additional pressure on the already stretched urban infrastructure and services of Indian cities – with more demand for clean drinking water, reliable power supply, efficient and safe road transport amongst others.



## 3. Housing development

- Under the PM Awas Yojana, the government has built around 3 crore houses out of which 75 lakh houses have already been delivered to the beneficiaries.
- The government plans to launch a loan subsidy scheme offering a subsidy between 3-6.5% for the lower income groups.

## 5. Public Private Partnerships (PPP)

- In January 2024, The government of Maharashtra and NTPC Green Energy Limited (NGEL) have inked a Memorandum of Understanding (MoU) for the development of green hydrogen and its derivatives (green ammonia, green methanol) with a maximum capacity of 1 MT annually. This includes the development of 2 GW of pumped storage projects as well as 5 GW of renewable energy projects in the state, either with or without storage. An investment of Rs. 80,000 crores (US\$ 9.64 billion) is possible.

## 4. International investment

- FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US\$ 26.61 billion and US\$ 33.91 billion, respectively, between April 2000-March 2024.
- FDI rules have been significantly liberalized in India and can provide foreign investors with options aligned with their business goals.

# Government initiatives driving growth in the sector

## 2. ROADS AND AIRPORT

- In the Interim Budget 2024-25, the government has decided to allocate Rs. 2.76 lakh crore (US\$ 33.4 billion) towards the Ministry of Roads for 2024-25.
- In March 2024, the Minister of Civil Aviation and Steel announced inaugurating 15 airport projects worth US\$ 12.1 billion by 2028.
- In India 158 Airports are operational and with construction of 84 airports over the last decade, India's aviation network is rapidly evolving and over 1.36 crore people have already travelled till March 13, 2024.

## 1. RAILWAYS AND METRO RAIL

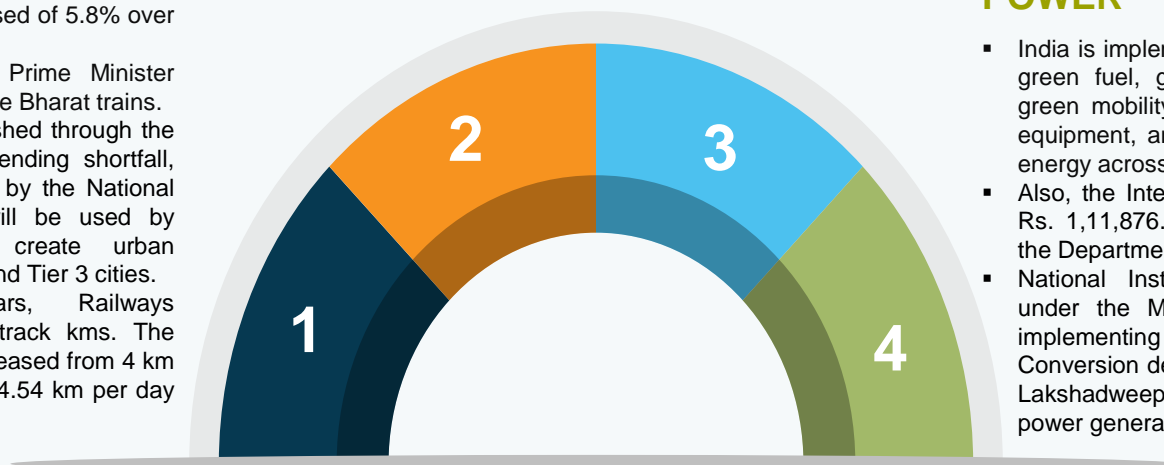
- As per the Interim Budget 2023-24, a capital outlay of Rs. 2.55 lakh crore (US\$ 30.72 billion) has been made for the Railways, an increased of 5.8% over the previous year.
- On March 12, 2024, Prime Minister flagged off 10 new Vande Bharat trains.
- An UIDF will be established through the use of priority sector lending shortfall, which will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.
- In past 10 years, Railways commissioned 31,180 track kms. The pace of track laying increased from 4 km per day in 2014-15 to 14.54 km per day in 2023-24.

## 3. CONSTRUCTION

- Under Interim Budget 2024-25, capital investment outlay for infrastructure has been increased by 11.1% to Rs.11.11 lakh crore (US\$ 133.86 billion), which would be 3.4 % of GDP.
- Any construction sector investment impacts 275 linked building materials, components and machinery industries, and the sector accounts for 8.2% of the economy.
- According to the ministry, as of January 2023, work orders had been issued for 7,804 Smart Cities Mission projects valued at Rs 1,81,322 crore (US\$ 21.9 billion). Of these, 67.22 % or 5,246 projects valued at Rs 98,796 crore are complete and 32.77 %, or 2,558 projects valued at Rs 82,526, are expected to be complete by June 2024.

## 4. TELECOM, ENERGY AND POWER

- India is implementing many programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors.
- Also, the Interim Budget 2024-25 allocated Rs. 1,11,876.6 crore (US\$ 13.5 billion) for the Department of Telecom.
- National Institute of Ocean Technology under the Ministry of Earth Sciences is implementing an Ocean Thermal Energy Conversion desalination plant at Kavaratti in Lakshadweep, powered by about 65 kW power generated from OTEC.



Source: Union Budget 2023-24, Media sources, Interim Budget 2024-25

# Affordable Housing

## Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart Cities Mission

- In Union Budget 2023-24, the Indian government allocated Rs.8,000 crore (US\$ 973 million) for Smart Cities Mission.
- As of December 2022, 64% of the smart city projects had been completed, with a total project worth of Rs.92,439 crore (US\$ 11 billion).



## Ministry of Housing and Urban Affairs

- In the Interim Budget 2024-25, the government announced Rs. 77,523.58 crore (US\$ 9.3 billion) to the Ministry of Housing and Urban Affairs.

## Tax benefit

- The government provided policy impetus to achieve the 'Housing for All by 2022' vision through various measures such as extension of tax relief for the affordable housing segment.
- As per Union Budget 2021, the government announced a tax proposal for an additional deduction of Rs. 1.5 lakh (US\$ 2.06 thousand) shall be available for loans taken up until March 31, 2022, for purchase of affordable house.

*Source: Union Budget 2023-24, Media sources, Interim Budget 2024-25*

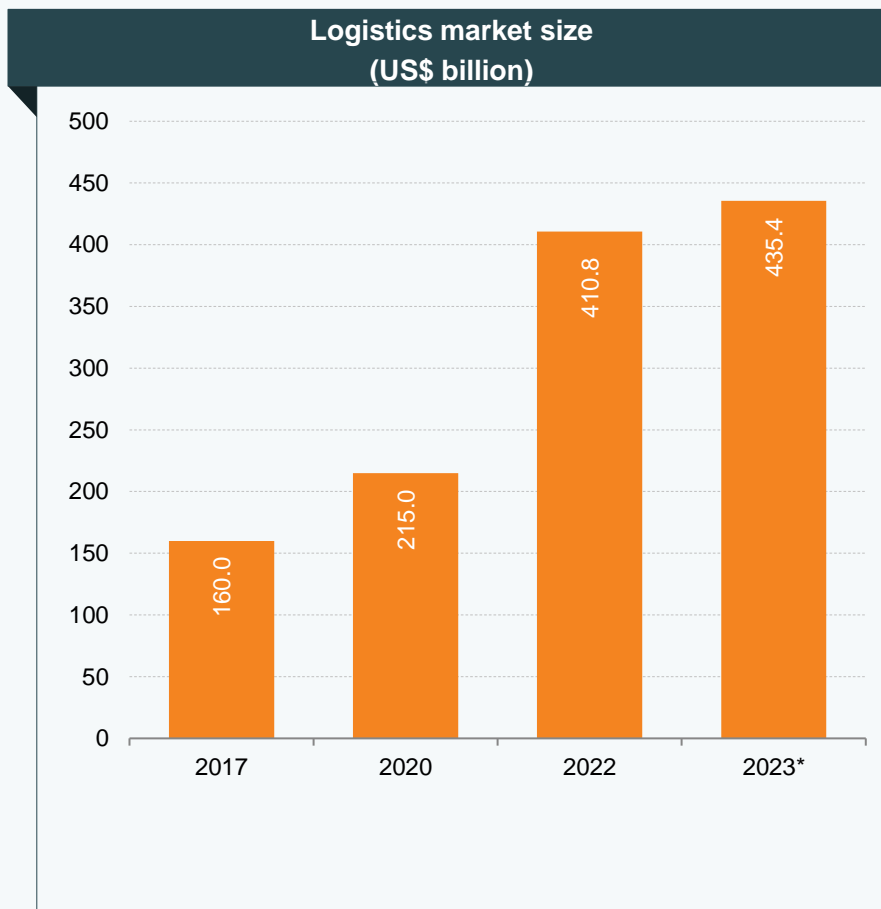
# Infrastructure development in northeast India

- Investing in infrastructure would generate employment and would play a major role in thwarting secessionist movements in the Northeast region.
- The total length of National Highways (NHs) constructed in North Eastern Region (NER) during the last ten years is 9,984 km with an expenditure of Rs.1,07,504 crore (US\$ 12.98 billion) while 265 nos. of NH projects are under implementation at a cost of Rs.1,18,894 crore (US\$ 14.36 billion) with total length of 5,055 km.
- In Budget 2023-24, there have been significant increases in the Ministry of Development of North Eastern Region (MDoNER) Scheme-wise outlays, that will increase the impact in infrastructure, social-development and livelihood sectors in the NER.
- Finance minister Nirmala Sitharaman's Budget for 2023-24 underlines sustained focus on the northeast for "inclusive development" as one of the seven priorities, which act as the 'Saptarishi' guiding the government "through the Amrit Kaal".
- Budget 2023-24 highlights:
  - For FY24, the budgetary allocation for the Ministry of Development of Northeastern Region stood at Rs. 5892 crore (US\$ 711 million).
  - Rs. 2,200 crore (US\$ 265.5 million) allocated for Prime Ministers Development Initiative for North-East (PMDevINE) Scheme.
  - Rs. 2491 crore (US\$ 300.6 million) was allocated to North East Special Infrastructure Development Scheme (NESIDS).
- In 2022, India's Finance Minister announced the execution of several rail, road and air connectivity projects worth Rs. 1,34,200 crore (US\$ 16.2 billion) in the northeast.
- 4,000 km of roads, 20 railway projects for 2,011 km and 15 air connectivity projects are being developed.
- National waterways on the Ganges, Brahmaputra and Barak rivers (National Waterways (NW)-1 on the Ganges, NW-2 on the Brahmaputra and NW-16 on Barak) are under development to provide better connectivity.
- As the cost of travel by water is the least when compared to air, road and rail networks, the riverine systems of India and Bangladesh can be leveraged for all types of transportation.
- Along the Brahmaputra River, the development of the entire area between Sadiya and Dhubri in Assam is ongoing for improved connectivity.
- Multimodal hub that includes a ship repairing port at Pandu, four tourist jetties, and 11 floating terminals on the Brahmaputra in Guwahati is under construction.
- North Eastern Region Power System Improvement Project (NERPSIP) is a major step towards economic development of the North Eastern Region through strengthening of Intra - State Transmission and Distribution systems.

Source: Union Budget 2023-24, Media sources

# Logistics and warehousing

- India's logistics market is estimated to reach US\$ 410.75 billion in 2022 and is expected to reach US\$ 556.97 billion by 2027, growing at a CAGR of 6.28%.
- India intends to raise its ranking in the Logistics Performance Index to 25 and bring down the logistics cost from 14% to 8% of GDP, leading to a reduction of approximately 40% by 2028.
- The logistics sector has attracted investments of Rs. 8,257 crore (US\$ 997.4 million) since the beginning of the year 2022.
- The growth of third-party logistics is the second-largest incentive causing the rise in demand for warehouses.
- The warehousing market in India is expected to grow to Rs. 2,243.79 billion (US\$ 27 trillion) by 2026, expanding at a CAGR of 10.90%, as per the Warehousing Market in India 2022 Report.
- Real estate PE investments registered an increase of 28% in Q1 FY23 as compared to Q1 FY22 driven by improved market sentiments, widespread vaccine coverage, and the lifting of lockdown restrictions helped this revival.
- In 2021, the Government's Bharatmala project focused on establishing 35 multimodal logistics parks throughout the country, with four proposed for development in Maharashtra under the Public-Private Partnership. Such a mix of logistics operations is expected to boost the logistics and warehouse operations in the country.
- In addition, with India's significant policy changes, the interest of foreign investors to increase their footprint in the country by way of investments in the warehousing and logistics sectors has witnessed an uptick.
- In 2021, the 3PL (third-party logistics) sector acquired the maximum warehousing space, succeeded by e-commerce. Due to increasing Foreign Direct Investments and relaxed policy reforms, the agriculture and manufacturing sectors will continue to increase 3PL warehousing demand.



\* : Provisional

Source: Economic Survey, KPMG Report, News Articles

# Airports infrastructure investment

## 1

### Metro airports

- Upgradation/ Modernisation of airports' infrastructure is undertaken by the Airports Authority of India (AAI) and other Airport Developers from time to time depending on the availability of land, commercial viability, socio-economic considerations, traffic demand/willingness of airlines to operate to/from such airports.
- In March 2024, the Minister of Civil Aviation and Steel announced inaugurating 15 airport projects worth US\$ 12.1 billion by 2028.
- In December 2022, AAI and other Airport Developers have targeted a capital outlay of approximately Rs. 98,000 crore (US\$ 11.8 billion) in the airport sector in the next five years for expansion and modification of existing terminals, new terminals and strengthening of runways, among other activities.
- Delhi, Bangalore, Hyderabad, Lucknow, Mangaluru, Guwahati and Ahmedabad airports have earmarked a capital expenditure of Rs.10,550 crore (US\$ 1.2 billion), Rs.13,552 crore (US\$ 1.6 billion), Rs. 6,288 crore (US\$ 759 million), Rs.1,383 crore (US\$ 167 million), Rs.567 crore (US\$ 68.4 million), Rs.1,232 crore (US\$ 148.7 million) and Rs.376 crore (US\$ 45.3 million), respectively for the period 2019-25.

## 2

### Non-metro airports

- The Budget 2023-24 allocated Rs. 3,113.36 crore (US\$ 375.7 million) to the union civil aviation ministry.
- Under Budget 2023-24, 50 additional airports, heliports, water aerodromes and advanced landing grounds will be revived for improving regional air connectivity.
- Civil Aviation Ministry's "Vision 2040" report states that there will be 190-200 functioning airports in India by 2040. Delhi and Mumbai will have three international airports each, while the top 31 Indian cities will have two operational airports each.
- In the last five years (2017-2022), UDAN has significantly increased the regional air connectivity in India with the number of operational airports increased to 141 as of August 2022.
- Under the UDAN scheme, 68 underserved/unserved destinations which include 58 Airports, 8 Heliports & 2 Water Aerodromes have been connected.
- 220 destinations (airports/heliports/water aerodromes) under UDAN are targeted to be completed by 2026 with 1000 routes to provide air connectivity to unconnected destinations in India.

Source: Media sources, PIB

# Metro rail and monorail infrastructure investment

## 1

### Metro rail

- India currently has the fifth-largest metro network in the world and will soon overtake advanced economies such as Japan and South Korea to become the third-largest network.
- Metro rail network reached 810 kms and is operational in 20 cities.
- Metro network of 980 kms and Regional Rapid Transit System (RRTS) is currently under construction in 27 cities.
- In February 2023, Bharat Earth Movers Limited (BEML) signed the MoU with DMRC-led SPV to construct the Bahrain Metro Rail Project Phase-1.
- In February 2023, Afcons Infrastructure commenced construction on the diaphragm wall (D-wall) for Kolkata Metro Line-6 (Orange Line)'s underground airport tunnel as a component of Package ANVS-RVNL-1682.
- In the last 10 years, 697 km have been added to Metro Rail Network across the country. In 2024, about 945 km of metro rail lines are operational in 21 cities and 919 km is under construction in 26 different cities.

## 2

### Monorail

- At almost 20 kms, Mumbai monorail is the third largest route in the world after China with 98 kms and Japan with 28 kms.
- In March 2019, Mumbai Metropolitan Region Development Authority (MMRDA) commissioned the operations of the second phase of the 19.54 km monorail project after it took over the operations and maintenance of the project.
- Japan International Co-operation Agency (JICA) assured technical assistance in urban monorail projects, intelligent transport systems, Regional Rapid Transit Systems, transit-oriented development for preparing master plan and detailed project reports for other urban infrastructure projects.

*Source: Media sources*



# Increasing investments in Indian infrastructure

- The National Infrastructure Pipeline (NIP) for 2019-2025 is a first-of-its-kind, whole-of-government exercise to provide world-class infrastructure to citizens, improving their quality of life.
- Infrastructure is the backbone of any country. Its development implies growth in all sectors of the economy, not to mention real estate, an indirect beneficiary of every headwind in infrastructure sector. The PM Awas Yojna and the extended credit-linked subsidy scheme address the affordability concern by provisioning increment in the PM Awas Yojna by 66% to 79,000 crores and extension of CLSS till 2027.
- FDI in construction development (townships, housing, built-up infrastructure and construction development projects) and construction (infrastructure) activity sectors stood at US\$ 26.61 billion and US\$ 33.91 billion, respectively, between April 2000-March 2024.
- In January 2023, the Construction arm of Larsen & Toubro secured orders for its power transmission & distribution and buildings & factories businesses to establish a 112.5MW Solar Power Plant in West Bengal and to construct a 600-bed super speciality hospital in Mumbai, respectively.
- In December 2022, BHEL formed a consortium with Titagarh Wagons and is among five entities which have bid for the mega Rs. 58,000 crore (US\$ 7 billion) contract to manufacture 200 Vande Bharat trains and maintain them for the next 35 years.
- In December 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways inaugurated and laid the foundation stone of 8 National Highway projects of 226 km length worth Rs. 1,800 crore (US\$ 217.4 million) at Igatpuri, Nashik, Maharashtra.
- In December 2022, Mr. Nitin Gadkari, Minister of Road Transport and Highways inaugurated 7 National Highway projects worth Rs. 2,444 crore (US\$ 295 million) with a total length of 204 km in Rewa, Madhya Pradesh.
- In November 2022, the Prime Minister of India laid the foundation stone of various road projects worth over Rs. 2200 crore (US\$ 2.6 billion), namely the Medak-Siddipet-Elkathurthy section of NH-765DG; Bodhan-Basar-Bhainsa section of NH-161BB; Sironcha to Mahadevpur Section of NH-353C in Telangana.
- In October 2022, National Highways Infra Trust (NHAI InvIT), the infrastructure investment trust sponsored by the National Highway Authority of India (NHAI) to support the Government of India's National Monetization Pipeline, raised a sum of Rs. 1,430 crore (US\$ 172.6 million) from domestic and international investors through the placement of its units, for part funding its acquisition of three additional road projects from NHAI.
- As many as 52 critical infrastructure gap projects identified by MoPSW for connecting maritime ports and IWTs (Inland Waterway Terminals) to be taken up under PM Gati Shakti National Master Plan. Currently, the DPR of a total of 56 projects (including 11 IWT projects) under this category with a total of 1215 km length are under the bidding stage for the feasibility assessment of these projects, which is being carried out by NHAI.

**Note:** FDI - Foreign Direct Investment

**Source:** DPIIT, Media sources, EY, PIB

# Key highlights of Interim Budget 2024-25

- The Central government has increased its capital expenditure (capex) allocation to US\$ 133.9 billion (Rs. 11.11 trillion) for the fiscal year beginning April 1, 2024, with a focus on advancing India's infrastructure, as part of a strategic move to stimulate economic growth. An increase of 11.1% from the previous year, the FY25 interim budget allots US\$ 133.9 billion (Rs. 11.11 trillion) for capital expenditures, or 3.4% of GDP.
- With a 37% increase in the current fiscal year, capital expenditures (capex) are on the rise, which bolsters ongoing infrastructure development and fits with Vision 2027 goals for India's economic growth to become a US\$ 5 trillion economy. In order to anticipate private sector investment and to address employment and consumption in rural India, the budget places a strong emphasis on the development of roads, shipping, and railways.
- India's ambitious plan calls for spending US\$ 1.723 trillion (approximately Rs. 143 trillion) on infrastructure between FY24 and FY30, with a particular emphasis on power, roads, and developing industries like renewable energy and electric vehicles.
- Prime Minister Mr. Narendra Modi emphasized that India is committed to attaining net-zero carbon emissions by 2070, and that the country's ambitious goal of 500 gigawatts (GW) of renewable capacity by 2030 should be met. In order to make this possible, he unveiled a plan to raise the proportion of gas in India's energy mix to 15% by 2030, which will involve spending roughly US\$ 67 billion over the course of the following five to six years.
- In Interim Budget 2024-25, capital investment outlay for infrastructure has been increased by 11.1% to Rs.11.11 lakh crore (US\$ 133.86 billion), which would be 3.4 % of GDP.
- The government has decided to allocate Rs. 2.76 lakh crore (US\$ 33.4 billion) towards the Ministry of Roads for 2024-25.
- A capital outlay of Rs. 2.55 lakh crore (US\$ 30.72 billion) has been made for the Railways, an increased of 5.8% over the previous year.
- The allocation for solar power grid reached Rs. 8,500 crores (US\$ 1.02 billion) from the previous allocation of Rs. 4,970 crores (US\$ 598.80 million).
- The Interim Budget 2024-25 allocated Rs. 1,11,876.6 crore (US\$ 13.5 billion) for the Department of Telecom.
- The government announced Rs. 77,523.58 crore (US\$ 9.3 billion) to the Ministry of Housing and Urban Affairs.
- Three significant economic railway corridor initiatives—energy, port connectivity, mineral and cement, and high traffic density—will be carried out by the railway industry. Additionally, in order to improve passenger safety, convenience, and comfort, forty thousand standard rail bogies will be converted to Vande Bharat standards.

*Source: Interim Budget 2024-25.*

# Key highlights of Interim Budget 2024-25

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- In the aviation sector, the number of airports has doubled to 149, and currently, 1.3 crore passengers are transported on 517 new routes. Indian airlines have taken the initiative to order more than a thousand new aircraft.
- As part of the PM Awas Yojana (Grameen), two crore more houses to be taken up in the next five years. Despite COVID challenges, the target of three crore houses under PM Awas Yojana (Grameen) will be achieved soon.

*Source: Interim Budget 2024-25.*

# Opportunities in Infrastructure

## Urban Indian real estate

- As a result of digitalisation and opportunities that tier II and III cities present for economic growth, the divide between metro and non-metros is blurring, moving to the new era of infrastructure growth.
- Commercial real estate properties have witnessed exponential growth in demand across Tier II & III cities as Information technology and Information technology-enabled services and banking financial services and insurance-focused organizations are increasingly decentralizing their operations to adapt to the new normal.
- The residential sector has witnessed good sales, and launches have also shown signs of an uptick during 2022, total sales in the top-7 cities were projected to exceed 360,000 units in 2022.



## National Infrastructure Pipeline

- Started with 6,835 projects, the NIP project count now stands at 9,142 covering 34 sub-sectors, as per news reports.
- Under the initiative, 2476 projects are under development phase with an estimated investment of US\$ 1.9 trillion. Nearly half of the under-development projects are in the transportation sector, and 3,906 in the roads and bridges sub-sector.

## Government initiatives


- National Highways had increased from 91,287 km in 2013-14 to 1,46,145 km in 2023-24, and the pace of construction had improved from 12.1 km a day in 2014-15 to 42.03 km in FY23.
- In November 2022, National Investment and Infrastructure Fund (NIIF) is set up as a collaborative investment platform between the Government of India, global investors, multilateral development banks (MDB) and domestic financial institutions to facilitate investment across multiple sectors in India through an India Japan Fund.
- In March 2024, The Minister of Road and Highways inaugurated 15 national highway projects worth Rs. 4,000 crores (US\$ 481.93 million) in Himachal Pradesh.
- In February 2024, The Minister of Road and Highways inaugurated and laid the foundation stone for 18 national highway projects worth Rs. 7,290 crores (US\$ 878.31 million) in Karnataka.
- In October 2021, the Dubai government and India signed a contract in October 2021 to build infrastructure in Jammu and Kashmir, including industrial parks, IT towers, multipurpose towers, logistics centres, medical colleges, and specialized hospitals.

Source: Media sources, Ministry of Finance, M-SIPS - Modified Special Incentive Package Scheme, EDF - Electronics Development Funds, PIB

# Key Industry Contacts



# Key industry contacts

Agency	Contact Information
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# Glossary

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- FY: Indian Financial Year (April to March) - So, FY11 implies April 2010 to March 2011
- FDI: Foreign Direct Investment
- CAGR: Compounded Annual Growth Rate
- GOI: Government of India
- R&D: Research and Development
- JV: Joint Venture
- SEZ: Special Economic Zone
- BOT: Build-Operate-Transfer
- IBEF: Indian Brand Equity Foundation
- NHAI: National Highways Authority of India
- PPP: Public-Private-Partnership
- Wherever applicable, numbers have been rounded off to the nearest whole number

# Exchange rates

**Exchange Rates (Fiscal Year)**

Year	Rs. Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49
2020-21	73.20
2021-22	74.42
2022-23	78.60
2023-24	82.80
2024-25**	83.42

**Exchange Rates (Calendar Year)**

Year	Rs. Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89
2020	74.18
2021	73.93
2022	79.82
2023	82.61
2024*	83.22

*Note: \*- Until June 2024, \*\*- April-June 2024*

*Source: Foreign Exchange Dealers' Association of India*

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