

Infrastructure Sector in India



[INDIAN INFRASTRUCTURE SECTOR IN INDIA INDUSTRY REPORT \(SIZE: 748.37 KB\) \(MARCH, 2020\)](#)

Introduction

Infrastructure sector is a key driver for the Indian economy. The sector is highly responsible for propelling India's overall development and enjoys intense focus from Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country.

Infrastructure sector includes power, bridges, dams, roads and urban infrastructure development. India was ranked 44th out of 167 countries in World Bank's Logistics Performance Index (LPI) 2018. India is ranked second in the 2019 Agility Emerging Markets Logistics Index.

Market Size

Foreign Direct Investment (FDI) received in Construction Development sector (townships, housing, built up infrastructure and construction development projects) from April 2000 to December 2019 stood at US\$ 25.37 billion, according to the Department for Promotion of Industry and Internal Trade (DPIIT). The logistics sector in India is growing at a CAGR of 10.5 per cent annually and is expected to reach US\$ 215 billion in 2020.

Investments

India has a requirement of investment worth Rs 50 trillion (US\$ 777.73 billion) in infrastructure by 2022 to have sustainable development in the country. India is witnessing significant interest from international investors

in the infrastructure space. Some key investments in the sector are listed below.

- Large investment in infrastructure have provided momentum to overall PE/VC investments into India which touched an all-time high where infrastructure recorded US\$ 14.5 billion during 2019.
- The largest deal was Abu Dhabi Investment Authority, Public Sector Pension Investment Board and National Investment and Infrastructure Fund investment of US\$ 1.1 billion in GVK Airport Holdings Ltd.
- During April 2019-January 2020, the cumulative growth of the eight core industries is 0.6 per cent.
- As on 31 March, 26.02 million households have got electricity connections under the Saubhagya Scheme.
- In June 2018, the Asian Infrastructure Investment Bank (AIIB) has announced US\$ 200 million investment into the National Investment & Infrastructure Fund (NIIF).
- Indian infrastructure sector witnessed 91 M&A deals worth US\$ 5.4 billion in 2017

Government Initiatives

The Government of India is expected to invest highly in the infrastructure sector, mainly highways, renewable energy and urban transport.

The Government of India is taking every possible initiative to boost the infrastructure sector. Announcements in Union Budget 2019-20:

- India plans to spend US\$ 1.4 trillion on infrastructure in the next five years.
- NHAI will be able to generate revenue of Rs one lakh crore (US\$ 14.31 billion) from toll and wayside amenities over the next five years.
- In the Union Budget 2020-21, the Government of India has given a massive push to the infrastructure sector by allocating Rs 1,69,637 crore (US\$ 24.27 billion) for the transport infrastructure.
- As per Union Budget 2020-2021, Metro rail network has touched 657 KM and Ministry of Railways have been allocated Rs 72,216 crore (US\$ 10.33 billion).
- Communication sector allocated Rs 38,637.46 crore (US\$ 5.36 billion) to development of post and telecommunications departments.
- The Indian Railways received allocation under Union Budget 2020-21 at Rs 72,216 crore (US\$ 10.33 billion).

- Rs 3,899.9 crore (US\$ 540.53 billion) to increase capacity of Green Energy Corridor Project along with wind and solar power projects.
- Allocation of Rs 8,350.00 crore (US\$ 1.16 billion) to boost telecom infrastructure.
- Water supply to be provided to all households in 500 cities.
- Allocation of Rs 888.00 crore (US\$ 110.88 million) for the upgradation of state government medical colleges (PG seats) at the district hospitals and Rs 1,361.00 crore (US\$ 188.63 million) for government medical colleges (UG seats) and government health institutions.

Achievements

Following are the achievements of the government in the past four years:

- Metro rail network has touched 657 Km.
- The largest PE investment witnessed was the Canadian asset management firm Brookfield's US\$ 1.9 billion acquisition of Pipeline Infrastructure India in first quarter of 2019.
- The total national highways length increased to 122,434 kms in FY18 from 92,851 kms in FY14.
- India's rank jumped to 24 in 2018 from 137 in 2014 on World Bank's Ease of doing business - "Getting Electricity" ranking.
- Energy deficit reduced to 0.7 per cent in FY18 from 4.2 per cent in FY14.
- Number of airports has increased to 102 in 2018.

Road Ahead

India's national highway network is expected to cover 50,000 kilometres by 2019. National highway construction in India has increased by 20 per cent year-on-year in 2017-18.

The government has suggested the investment of Rs 5,000,000 crore (US\$ 750 billion) for railways infrastructure between 2018-2030.

India and Japan have joined hands for infrastructure development in India's north-eastern states and are also setting up an India-Japan Coordination Forum for Development of North East to undertake strategic infrastructure projects in the northeast.

Note: Conversion rate used as on January 2020, Re 1 = US\$ 0.01402