**Sectoral Overview**

1. **Snapshot of the Sector: Infrastructure Construction Sector**
   1. **Key Metrics**
2. **Growth:** As per CSO February 2018 estimates, Construction sector is estimated to show a growth of 4.3 percent in 2017-18 as compared to growth of 1.3 percent in 2016-17.

Key indicators of construction sector, production of cement and consumption of finished steel registered growth rates of 2.7 percent and 5.2 percent, respectively, during April-December 2017-18 as compared to 2.8 percent and 3.6 percent respectively during April-December 2016-17.

1. **Employment:** Economic Survey 2017-18 projected that construction and real estate sector will create over 15 million jobs over the next 5 years despite signs of stress in the segment in the last few quarters.

The sector employed over 40 million workforce in 2013 and as per projections, it is slated to employ over 52 million workforce by 2017 and 67 million workforce by 2022.

* 1. **Key Players:**
  + Hindustan Construction Co. Ltd.
  + Larsen & Toubro Ltd.
  + Gammon India Ltd.
  + Shapoorji Pallonj & Co. Pvt. Ltd.
  + Simplex Infrastructure Ltd.
  + ITD Cementation India Ltd.
  + JMC Projects India Ltd.
  + Punj Lloyd Ltd.
  + Unity Infraprojects Ltd.
  + Ashoka Buildcon Ltd.
  + Patel Engineering Ltd.
  + IRB Infrastructure Developers Ltd.
  + IL&FS Transportation Network Ltd.
  + Afcons Infrastructure Ltd.
  + NCC Ltd.
  + Ramky Infrastructure Ltd.
  + Soma Enterprises Ltd.
  + IVRCL Ltd.
  + PNC Infratech Ltd.
  + URC Constructions Pvt. Ltd.
  + Tata Realty & Infrastructure Ltd.
  + B G Shirke Construction Technologies Ltd.
  1. **Investment (trends + opportunities)**

Infrastructure spending gets Rs 6 lakh crore booster: In his Budget Speech, Finance Minister announced infrastructure outlay in 2018-19 to the tune of Rs 6 lakh crore both from budgetary and extra-budgetary expenditure. This is a 21% jump over the estimated expenditure of Rs 4.94 lakh crore in 2017-18.

Finance Minister estimated that investment in excess of Rs.50 lakh crore is needed to increase growth of GDP and connect the nation with a network of roads, airports, railways, ports and inland waterways.

This Budget also emphasised the maintenance of track infrastructure and renewal of over 3,600 kilometres of tracks this year. It expects to take up 600 major railway stations for redevelopment. Government also allocated Rs 11,000 crore for Mumbai rail network and Rs 17,000 crore for the Bengaluru metro and 150 km of additional suburban railway networks to be set up in Bengaluru of Rs 17,000 crore

As per NITI Aayog, the revised projection for investment in infrastructure that include electricity, renewable energy, roads & bridges, telecommunications, railways, mass rapid transit system, irrigation (including watershed), water supply & sanitation, ports (including inland waterways), airports, storage and oil & gas pipelines sectors, in the period 2012-17 is Rs. 38,22,822 crore at current prices, out of which the share of private investment is projected to be about 34% amounting to Rs. 12,81,223 crore at current prices.

**d) Key Government Initiatives for the sector**

* Bharatmala project: To develop 35,000 KM under phase 1 with an outlay of Rs 5.35 lakh crore
* NHAI looks to build 1,100-km highways in March to meet FY18 target: NHAI will strive to construct 1,100 km of highways in March 2018 to achieve its target of building 3,500 km in the ongoing fiscal. As far as target for awards of 10,000 km for the fiscal is concerned, NHAI had awarded projects for a length of nearly 2,700 km, costing Rs 43,000 crore till January.
* NHAI will also award 4,000 km projects in the next three weeks. With this, the total length of projects bid out could scale 8,000 km this fiscal — lower than the target of 10,000 km NHAI had set for itself for the year but higher than the 4,335 km awarded in the last financial year. In the last 5 years, NHAI has awarded an average of 2,860 km per year, according to a PIB note.
* NHAI will consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT).
* Out of 100 Smart Cities, 99 cities have been selected, with an outlay of Rs 2.04 lakh crore. Projects worth Rs.2350 crore have been completed and works of Rs.20,852 crore are under progress.
* Rs 14.34 lakh crore to be spent for rural infrastructure. Pushing rural infrastructure in the new financial year, Union Budget allocated Rs. 19,000 crore for development of roads in rural and backward area under Pradhan Mantri Gram Sadak Yojana (PMGSY).
* Railway capex has been pegged at Rs 1.48 lakh crore, up from Rs 1.31 lakh crore last year. Work on Eastern and Western dedicated Freight Corridors is in full swing. Adequate number of rolling stock – 12000 wagons, 5160 coaches and approximately 700 locomotives are being procured during 2018-19.
* 51 lakh houses have been constructed as affordable houses in rural and further 50 lakh houses in urban areas. 1 cr houses to be built under Pradhan Mantri Awas Yojana in rural areas

**e. Future Outlook:**

India Ratings and Research have maintained a stable outlook on the construction sector for the financial year 2018-19 on accelerated revenue growth due to increased spending by the Centre. According to rating agency, a further improvement in the rating can be expected during the next fiscal as companies continue to record higher EBITDA (earnings before interest, tax, depreciation and amortisation) and generate free cash flow.

Giving a sector view, India Ratings noted that order inflows may continue to improve in the next fiscal driven by higher orders from the transportation segment, led by an increase in engineering, procurement and construction contracts for roads as well as urban infrastructure projects.

**Infra to propel employment:** The government has earmarked Rs 5.97 lakh crore for infrastructure that would aid economic growth and create employment opportunities. Also, 99 cities under the Smart Cities mission will have an outlay of over Rs 2 lakh crore; it will create employment opportunities across sectors.

For creating livelihood and infrastructure in rural areas, Rs 14.34 lakh crore has been allocated. This expenditure is also anticipated to create job opportunities in rural areas.

1. **Source**

Construction Federation of India (CFI)