



CONSTRUCTION

SUMMARY

Infrastructure plays a huge role in propelling other industries and India's overall development. The government, therefore, focuses on the development of infrastructure and construction services through focused policies such as open FDI norms, large budget allocation to the infrastructure sector, smart cities mission, etc. ¹

Investment of about INR 2 lakh cr has been proposed by 99 cities under the Smart City initiative. ²

The government's flagship mission Pradhan Mantri Awas Yojana (Urban) – PMAY (U) launched in June 2015 aims to provide housing for all in urban areas by the year 2022. ¹³

Department for Promotion of Industry and Internal Trade, Cement production increased by 2.8per cent in October 2020 over October 2019. ³⁸

REASONS TO INVEST

Construction industry in India will remain buoyant due to increased demand from real estate and infrastructure projects.

Indian Real Estate sector expected to reach a market size of USD 1 Tn by 2030. It's contribution to the country's GDP is expected to be approximately 13% by 2025. ⁴

The share of urban population is expected to be 50% of the total population by 2050. ⁵

Explore more about infrastructure availability in Construction sector >

RECENT ANNOUNCEMENTS

1st January 2020: Hon'ble PM Shri Narendra Modi laid the foundation stone of Light House Projects (LHPs) under Global Housing Technology Challenge-India (GHTC-India) at six sites across six States.

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18th December 2020: Asian Development Bank (ADB) and the Government of India today signed a \$4.21 million project readiness financing (PRF) facility for the preparation of infrastructure development projects to improve urban amenities and develop tourism infrastructure in the northeastern state of Tripura.

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17th December 2020: Hon'ble PM Shri Narendra Modi signed MoU for Supply of Equipment & Improvement of Garbage/Solid Waste Disposal Ground at Lamchori Area for Barishal City Corporation during the India-Bangladesh Virtual Summit.

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16th December 2020: PM Narendra Modi laid the foundation stone of several development projects in Kutch, Gujarat.

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14th December 2020: Norwegian Institute of Bioeconomy Research signs MOU with cGanga (think-tank of NMCG) for development of sludge management framework in India.

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2nd December 2020: Lucknow has become the 9th city in the country to have raised municipal bonds, which has been incentivized by the Ministry of Housing and Urban Affairs, Government of India under the mission AMRUT (Atal Mission for Rejuvenation and Urban Transformation).

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25th November 2020: Shiva Cement, the Odisha-based cement company, and a subsidiary of JSW Cement will make an investment of over Rs 1,500 crore in new clinker project.

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STATISTICS

The Gross Value Added (GVA at Current Prices) by the Construction Sector in India is estimated to be about USD 192 Bn in 2019-20 as compared to USD 183.5 Bn in 2018-19. ⁶

Investments valued at USD 965.5 Mn will be required by the infrastructure sector by 2040. ⁷

GROWTH DRIVERS

In the Virtual Global Investor Roundtable, the Hon'ble Prime Minister expressed that India has an ambitious plan to invest \$ 1.5 tn under the National Infrastructure Pipeline.

FDI POLICY

100% FDI through the automatic route is permitted in the following construction (development) projects:⁸

- Development of townships
- Construction of residential/commercial premises
- Construction of roads or bridges
- Construction of hotels, resorts
- Construction of hospitals, educational institutions
- Construction of recreational facilities
- Construction of city and regional level infrastructure

FDI Limit for real estate projects within Special Economic Zones (SEZs) raised to 100%.

FDI limit for industrial parks under the automatic entry route is 100%.⁹

The cumulative FDI equity inflow in the Construction industry is USD 17.223 mn during the period April 2000 to September 2020. This constitutes 3.44% of the total FDI inflow received across sectors.³

[Read more about Foreign Direct Investment Policy in India >](#)

SECTOR POLICY

METRO NEO- The metro rail system being developed for mass transit corridors having a Peak Hour Peak Direction Traffic (PHPDT) upto 8000 with AW3 loading.³⁷

On 18th November 2020, under the Special Micro-Credit Facility Scheme more than 12 lakh loans were sanctioned and about 5.35 lakh loans disbursed.

A sum of Rs 18000 cr is being provided for PMAY- Urban. This will help ground 12 Lakh houses and complete 18 Lakh houses, create additional 78 Lakh jobs.³⁹

MOHUA launches Socio-Economic Profiling of PM SVANidhi beneficiaries. Under PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) INR 66.55 cr has been released till 30th September 2020.⁴²

PROJECTS

SMART CITIES MISSION

The objective of the Smart Cities Mission is to promote cities that provide core infrastructure and give a decent quality of life to its citizens, a clean and sustainable environment and application of 'Smart' solutions.¹⁰

As on 25th June 2020, the value of all completed projects is more than INR 27,000 cr, the value of tendered projects is over INR 1,66,000 cr and the value of work orders issued is about INR 1,25,000 cr.²¹

The core infrastructure elements in a smart city would include:¹¹

- Adequate water supply
- Assured electricity supply
- Sanitation, including solid waste management
- Efficient urban mobility and public transport
- Affordable housing, especially for the poor
- Robust IT connectivity and digitalization
- Good governance, especially e-Governance and citizen participation
- Sustainable environment
- Safety and security of citizens, particularly women, children and the elderly
- Health and education

Global Housing Technology Challenge-India (GHTC-I) aims to bring the most innovative construction technologies to India through a competitive platform. It aims to give a boost through the development of domestic technological research, and building platforms for knowledge sharing and networking across the sector.¹²

SWACHH BHARAT MISSION

The Swachh Bharat Mission (SBM) is a cleanliness campaign by the Government of India.¹⁴

The objectives of the SBM are:

- Elimination of open defecation
- Eradication of Manual Scavenging
- Modern and Scientific Municipal Solid Waste Management
- To effect behavioral change regarding healthy sanitation practices
- Generate awareness about sanitation and its linkage with public health
- Capacity augmentation for Urban Local Bodies (ULBs)
- Create an enabling environment for private sector participation in Capex (capital expenditure) and Opex (operation and maintenance).¹⁵

The SBM has been divided into two categories – Urban and Gramin (rural). The Ministry of Housing and Urban Affairs implements it in urban areas and the Ministry of Drinking Water and Sanitation implements it in rural areas. The above-mentioned ministries work with all other union ministries, state governments, local institutions, NGOs, faith organizations, media and other stakeholders to ensure the wide and proper implementation of the SBM.¹⁶

Rural sanitation coverage has increased from 38.7% in 2014 to 96.9% as of 5 December 2018.¹⁷ On the urban front, 3,574 cities have been declared defecation free, 5.4 mn plus individual toilets have been constructed, 464,250 community & public toilets have been constructed and 88.4 MW of waste has been converted to energy.¹⁸

In a big boost to the SBM (Gramin), the World Bank, in December 2015, approved a USD 1.5 Bn loan for the SBM Support Operation project. The World Bank is also providing parallel assistance of USD 25 Mn as technical assistance to build the capacity of select state governments in implementing community-led behavioural change programmes targeting social norms to help ensure widespread usage of toilets by rural households.¹⁹

HERITAGE CITY DEVELOPMENT AND AUGMENTATION YOJANA (HRIDAY)

The National Heritage City Development and Augmentation Yojana (HRIDAY) has been launched to preserve and revitalise the soul of Indian heritage cities to reflect the city's unique character by encouraging aesthetically appealing, accessible, informative and a secure environment. 12 cities have been identified to implement the program – Ajmer, Amaravati, Amritsar, Badami, Dwaraka, Gaya, Kancheepuram, Mathura, Puri, Varanasi, Velankanni and Warangal.²⁰

As of December 2018, 20 projects amounting to USD 20 Mn have been completed in Ajmer, Amaravati, Amritsar, Badami, Dwaraka, Puri and Varanasi.²² For more details, please refer to HRIDAY.

GST Regime Implications - Under the GST regime (revised), promoters are to pay 1% (without input tax credit) GST in case of affordable houses and 5% (without input tax credit) on construction of houses other than affordable houses.²³ Commercial properties will continue at the same GST rate of 12% with input tax credit.

GST is not applicable to completed and ready-to-move-in projects, as there are no indirect taxes applicable in the sale of such properties.

The Real Estate Regulation and Development Act (RERA), 2016, set up in November 2016, aims to reform the real estate sector in India by encouraging greater transparency, citizen centricity, accountability and financial discipline.²⁴ The act will also protect consumers by creating an online system for information sharing so that a mutual trust can develop between developers and buyers and to facilitate timely completion of projects.

PRADHAN MANTRI AWAS YOJANA (URBAN – HOUSING FOR ALL)

The Pradhan Mantra Awas Yojana (PMAY) aims to provide housing for all by 2022 and is being implemented from June 2015. PMAY provides central assistance to Urban Local Bodies (ULBs) and other implementing agencies through States/UTs for in-situ rehabilitation of existing slum dwellers using land as a resource with private participation; credit linked subsidy, affordable housing in partnership and subsidy for beneficiary-led individual house construction/enhancement.²⁵

The total investment (as of December 2018) involved in the PMAY (Urban) is USD 50 Bn.²⁶

Under the PMAY-G, an amount of INR 1351.11 cr has been released during the month of November 2020.⁴⁰

ATAL MISSION FOR REJUVENATION AND URBAN TRANSFORMATION (AMRUT)

The purpose of the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) is to:

- Ensure that every household has access to a tap with assured supply of water and a sewerage connection
- Increase the amenity value of cities by developing greenery and well maintained open spaces (e.g. parks)
- Reduce pollution by switching to public transport or constructing facilities for non-motorized transport

USD 858 Mn was the budget allocation in the Union Budget 2018-19 for the AMRUT scheme.²⁷

Many of the government schemes related to construction converge in their goals, although the path they choose may be different. There is a strong link between AMRUT and the Smart Cities mission – while AMRUT aims to achieve urban transformation using the project-based approach, the Smart Cities Mission follows an area-based strategy.²⁸

Under the Pradhan Mantri Gram Sadak Yojana (PMGSY), in October 2020, a total of 355 roads works of 2267km and 71 bridges works have been completed under various vertices of PMGSY.⁴⁰

FINANCIAL SUPPORT

KEY HIGHLIGHTS FROM UNION BUDGET 2020-21

Total allocation to the Ministry of Housing and Urban Development stands at INR 50,039 cr.²⁹

Total budget allocation towards major centrally sponsored schemes is as follows:³⁰

- Pradhan Mantri Awas Yojana (PMUY): INR 27,500 cr.
- Urban Rejuvenation Mission (AMRUT and Smart Cities Mission): INR 13,750 cr.
- Swachh Bharat Mission (Urban): INR 2,300 cr.
- Swachh Bharat Mission (Gramin): INR 9,994 cr.

CENTRAL SECTOR SCHEMES PROVIDING FINANCIAL ASSISTANCE

Atmanirbhar Bharat Schemes

Affordable Rental Housing Complexes (ARHCs): In order to cater to the housing needs for migrant workers which arose due to the COVID-19 pandemic, the Ministry of Housing & Urban Affairs has initiated the Affordable Rental Housing Complexes (ARHCs) scheme. It is a sub-scheme under Pradhan Mantri AWAS Yojana- Urban (PMAY-U) that will ensure a decent living environment to migrant workers in urban cities.³¹

PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi): To provide financial assistance to various street vendors hit by the COVID-19 pandemic, the Ministry of Housing & Urban Affairs has launched the PM SVANidhi scheme. The scheme will provide working capital to street vendors, incentivize regular repayments and reward digital transactions.³²

North Eastern Region Urban Development Programme (NERUDP): The central sector programme is being implemented by the Ministry of Urban Development (MoUD). Financial aid (70% of the cost) is being provided by the Asian Development Bank in the form of loan to the government for development of infrastructure in north eastern cities.^{33, 34}

Explore Government policies/schemes in Construction sector >

INVESTMENT OPPORTUNITIES

Construction development in residential, retail, commercial and hospitality sectors, development of townships

Construction of roads, bridges, hotels, resorts

Technologies and solutions for smart, sustainable and connected cities and integrated townships

Technologies for the promotion of low cost and affordable housing

Green building solutions

Sustainable and environmentally friendly building materials.

Training and skill development of construction sector workers

Urban water supply, urban sewerage and sewage treatment.

Explore projects to invest in Construction sector >

FOREIGN INVESTORS

Hines (USA)

Veolia (France)

Ascendas (Singapore)

Aqualyng (Norway)

The Trump Organization (USA)

Alstom (France)

GIZ (Germany)

AGENCIES

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2. Ministry of Drinking Water and Sanitation
3. Ministry of Housing and Urban Affairs
4. Ministry of Rural Development
5. National Building Construction Corporation (NBCC) Ltd.

KEY ACHIEVEMENTS

Hon'ble Minister Shri Hardeep Singh Puri launched three initiatives, namely, the Nurturing Neighborhoods Challenge focusing on shaping cities for young children and their families; the Data Maturity Assessment Framework to evaluate data ecosystems of cities; and an on-line training programme for City Data Officers (CDOs) of 100 Smart Cities.³⁵

In the last five years, construction sector, as a part of manufacturing contributed an average of 8 percent to the overall Gross Value Added (GVA).³⁶

During the month of October 2020, about 23.53 lakh households have been provided with tap water connection.⁴¹

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