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# COUNTRY REPORT INDIA

**2014 - 2015**

**PREPARED BY**

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**CONSTRUCTION INDUSTRY DEVELOPMENT COUNCIL**

**INDIA**



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**INDIAN CONSTRUCTION INDUSTRY**

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## CONTENTS

1.		Preamble
2.		Executive Summary
3.		Economic Overview
	3.1	Main Macroeconomic Indicators
	3.2	Economy 2014
4.		Comparison of budgetary allocation 11 <sup>th</sup> (2007-12) & 12 <sup>th</sup> Five Year Plan (2012-17)
5.		Union Budget 2014-2015
6.		Administration and Regulation of Construction Industry
	6.1	Structure and Role of Construction Administration
7.		Construction Opportunity and Activity

### Annexures:

A1	Average Construction Material Prices as on 2014
A2	Classification of Contractors
A3	Projected Investment as Percentage of GDP

## **1. PREAMBLE**

Construction Industry Development Council (CIDC) has been jointly established by the Planning Commission, Government of India and the Indian Construction Industry. Since its inception in 1996, CIDC has initiated several activities for the benefit of construction industry. A notable few are:

- *Advice the Government on policy formulation related to construction industry.*
- *Standardization of construction contracts and procedures.*
- *Training manpower at skilled worker level and construction management level.*
- *Grading of construction entities*
- *Devise mechanisms for workers' welfare.*
- *Help evolve policies for financing.*
- *Dispute Resolution in Construction Contracts.*
- *Establishing construction equipment bank.*
- *Computation & publishing Construction Cost Indices*
- *Interaction and networking with international organizations to promote emerging technologies and best practices.*

## **2. EXECUTIVE SUMMARY**

This report presents the overview of the Indian Economy & the Indian Construction Industry. Macro economic parameters pertaining to the Indian Economy & the Construction Industry are also presented. Long term agenda for the Indian Construction Industry is highlighted through the 11<sup>th</sup> & 12<sup>th</sup> Five Year Plans. Further short term policy issues related to Construction Industry are highlighted through the Union Budgets. This report also highlights the administration & regulation of the Indian Construction Industry one of the fastest growing construction industry internationally. Key areas of construction opportunity are discussed

### 3. Economic Overview

India started the fiscal year 2014-15 on a buoyant, but the main concern is the sustainability of the current market rally, which will finally be guided by the fundamentals of our economy that is yet to get back on track.

India faces major challenges. Some of them are - implementation of structural reforms like GST, DTC, further relaxation in FDI norms, government's stand on retrospective tax and passing of insurance bill.

#### GDP Growth



India's economic growth remained below 5 percent mark second year in a row at 4.7 percent in 2013-14, but the industry is hopeful of a rebound with a stable government

- ❖ India's fourth quarter growth stood at 4.6 percent. Decline in manufacturing and mining output eclipsed the overall growth during the entire fiscal year. As per government data, the economic growth remained below 5 percent for two consecutive years after a gap of almost 25 years.
- ❖ The country's economy, or gross domestic product (GDP), had expanded at 4.5 percent in 2012-13, the slowest pace in the previous decade.

#### Inflation

- ❖ Subdued prices of vegetables, cereals and dairy products pushed down retail inflation to a three-month low of 8.28 percent in May. Retail inflation, measured on consumer price index (CPI), was 8.59 percent in April.
- ❖ In February 2014, retail inflation was at 8.03 percent, followed by consecutive rise in March (8.31 percent) and April.
- ❖ As per the data released by government, food inflation also fell slightly to 9.56 percent in May against 9.66 percent in April.

#### Foreign Direct Investment

- ❖ Foreign Direct Investment into India grew 8 percent year-on-year to USD 24.3 billion in 2013-14. Foreign investment inflows more than doubled to USD 3.53 billion in March this year from USD 1.52 in the same month last year.
- ❖ The highest FDI came in services (USD 2.22 billion), followed by automobiles (USD 1.51 billion), telecommunications (USD 1.3 billion), pharmaceuticals (USD 1.27 billion) and construction development (USD 1.22 billion) in 2013-14.

- ❖ Singapore led the FDI inflows into India with USD 5.98 billion, followed by Mauritius (USD 4.85 billion), the UK (USD 3.21 billion) and the Netherlands (USD 2.27 billion).

### **Foreign Institutional Investment**

- ❖ The net investments by FIIs into Indian equity markets since the beginning of 2014 have crossed USD 5 billion over Rs 30,000 crore), while the same for debt markets also stands near USD 5 billion (about Rs 29,000 crore)- taking the total to close to Rs 60,000 crore.
- ❖ This includes net investments of about Rs 1,500 crore so far in April. This is despite a net outflow of about Rs 7,000 crore from debt markets, as equity markets have seen a net inflow of over Rs 8,500 crore this month till April 25, the latest trading session.
- ❖ They invested Rs 20,077 crore in Indian stocks in March, compared with Rs 1,404 crore in February and Rs 714 crore in January.
- ❖ The strong inflows in the recent months have taken the cumulative net investments of FIIs into India to close to USD 197 billion, while their investments in rupee terms is a bit away from Rs 10 lakh crore level.

### **Trade**

- ❖ India's exports grew by 3.98 percent to USD 312.35 billion in FY 2013-14 while imports dipped by 8.11 percent during the period.
- ❖ Imports declined to USD 450.94 billion, narrowing the trade deficit to USD 138.59 billion in the last fiscal.
- ❖ The household sector is the main contributor to the domestic savings, but the public sector is also expected to contribute positively to savings reflecting a significant turnaround compared with past experience. The projected current account deficit could easily be higher because of the likely continuance of high oil prices but even so, it should remain sustainable given the likely availability of foreign inflows.
- ❖ The strategy for achieving faster growth with greater inclusiveness involves several interrelated components. These are: (i) a continuation of the policies of economic reform which have created a buoyant and competitive private sector capable of benefiting from the opportunities provided by greater integration with the world, (ii) a revival in agricultural growth which is the most important single factor affecting rural prosperity, (iii) improved access to essential services in health and education (including skill development) especially for the poor, which is essential to ensure inclusiveness and also to support rapid growth, (iv) a special thrust on infrastructure development which is a critical area for accelerating growth, (v) environmental sustainability which is becoming increasingly important, (vi)

special attention to the needs of disadvantaged groups, and (vii) good governance at all levels, Central, state, and local.

- ❖ As in most market economies, the dominant impulse for growth will come from the private sector. India is fortunate in having a strong private sector capability ranging from agriculture, which is entirely dependent on private farmers, most of whom have modest land holdings, through small and medium entrepreneurs in industry and services to larger domestic corporate entities, many of which benefit from FDI to varying degrees. The Eleventh Plan must ensure a policy environment that is supportive of this vibrant and globalized private sector which has an important contribution to make in India's future development.
- ❖ Emphasizing the importance of the private sector is not to downplay the role of the government. On the contrary, apart from the usual role of government in providing a stable macroeconomic policy, the Eleventh Plan envisages a very large role for public policy in a number of sectors.

**Size of Indian Household by Profile (Millions)**

<b>Class</b>	<b>2010-11</b>	<b>2006-07</b>	<b>2001-02</b>	<b>1995-96</b>
<b>Effluent</b>	7.4	5.2	2.6	1.2
<b>Middle Class</b>	86.0	75.5	46.4	32.5
<b>Aspiring</b>	89.4	81.7	74.4	54.1

### 3.1 Main Macroeconomic Indicators

**Table 1: Key Macroeconomic Indicators: 2003-14**

*(Percent)*

Year	Real GDP Growth (factor cost)	Real GDP Growth (market prices)	GFD/GDP (Centre)	CAB/GDP	Non-oil CAB/GDP	WPI Inflation	CPI Inflation	REER Index @	Real Policy Rate #
2003-04	8.0	7.9	4.3	2.3	5.0	5.5	3.9	96.8	-0.4
2004-05	7.1	7.9	3.9	-0.3	2.8	6.5	3.8	99.9	-0.6
2005-06	9.5	9.3	4.0	-1.2	2.7	4.4	4.4	102.7	1.7
2006-07	9.6	9.3	3.3	-1.0	3.0	6.6	6.7	101.0	3.1
2007-08	9.3	9.8	2.5	-1.3	2.9	4.7	6.2	108.6	2.2
2008-09	6.7	3.9	6.0	-2.3	3.1	8.1	9.1	97.8	0.9
2009-10	8.6	8.5	6.5	-2.8	1.5	3.8	12.2	95.3	1.5
2010-11	8.9	10.3	4.8	-2.7	1.1	9.6	10.5	103.5	2.0
2011-12	6.7	6.6	5.7	-4.2	1.1	8.9	8.4	100.7	1.0
2012-13	4.5	4.7	4.9	-4.7	1.1	7.4	10.4	96.3	1.9
2013-14	4.9	4.6	4.6	-2.3	&				

Note:

@: 36-currency real effective exchange rate index (2004-5=100).

#: Nominal effective policy rate less 12-month moving average of non-manufactured products WPI inflation.

**Table 6: Savings and Investment**

*(Percent to GDP)*

Item	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1 Household sector	23.1	23.6	23.5	23.2	22.4	23.6	25.2	23.1	22.8	21.9
a. Financial saving	11.0	10.1	11.9	11.3	11.6	10.1	12.0	9.9	7.0	7.1
Financial assets	13.7	13.8	15.8	17.8	15.5	12.9	15.3	13.9	10.6	10.8
of which: Bank deposits	5.5	5.4	7.2	10.0	7.8	7.4	6.1	7.0	5.9	5.9
Financial liabilities	2.5	3.7	5.0	6.6	3.8	2.9	3.1	3.6	3.1	3.2
b. Saving in physical assets	12.1	13.4	11.7	11.9	10.8	13.5	13.2	13.2	15.8	14.8
2 Private corporate sector	4.6	6.6	7.5	7.9	9.4	7.4	8.4	8.0	7.3	7.1
3 Public sector	1.3	2.3	2.4	3.6	5.0	1.0	0.2	2.6	1.2	1.2
of which: Government administration and quasi government bodies	-3.3	-2.3	-2.1	-1.0	0.5	-2.8	-3.1	-0.5	-2.0	-1.9
4 Total domestic savings (1+2+3)	29.0	32.4	33.4	34.6	36.8	32.0	33.7	33.7	31.3	30.1
5 Gross capital formation	26.1	32.5	34.3	35.9	38.0	35.5	36.3	36.5	36.4	34.7
a. Public sector	6.6	7.4	7.9	8.3	8.9	9.4	9.2	8.4	7.7	8.1
b. Private corporate sector	6.5	10.3	13.6	14.5	17.3	11.3	12.1	12.8	10.1	9.2
c. Household sector	12.1	13.4	11.7	11.9	10.8	13.5	13.2	13.2	15.8	14.8
d. Valuables	0.9	1.3	1.1	1.2	1.1	1.3	1.8	2.1	2.7	2.6
6 Gross fixed capital formation	24.5	28.7	30.3	31.3	32.9	32.3	31.7	30.9	31.8	30.4
7 Change in stocks	0.7	2.5	2.8	3.4	4.0	1.9	2.8	3.5	1.9	1.7
8 Errors & omissions	0.7	0.4	0.4	0.2	0.1	-1.2	0.2	0.0	-0.9	0.1
9 Total investment (5+8 = 6+7+8+5d)	26.8	32.8	34.7	35.7	38.1	34.3	36.5	36.5	35.5	34.8
Memo:										
10 Saving-Investment Balance, net (4-9)	2.2	-0.4	-1.2	-1.1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.7
a. Household financial savings, net	11.0	10.1	11.9	11.3	11.6	10.1	12.0	9.9	7.0	7.1
b. Private corporate sector, net	-1.9	-3.8	-6.1	-6.6	-7.9	-3.9	-3.8	-4.8	-2.8	-2.1
c. Public sector, net	-5.3	-5.1	-5.5	-4.7	-3.9	-8.5	-9.0	-5.8	-6.5	-6.9
11 Household financial savings (net) available for private corporate sector (10a + 10c)	5.7	5.0	6.3	6.5	7.8	1.7	3.0	4.1	0.5	0.2

Source: Central Statistical Organization; Reserve Bank of India.

**Table 7: Industrial Growth***(Percent)*

Year	Index of Industrial Production		Annual Survey of Industries @			GDP at constant prices	
	Manufacturing	General	Output	Net Value Added	Gross Value Added	Manufacturing	Industry #
2000-01	5.4	4.9	-0.1	-10.3	-8.4	7.3	6.0
2001-02	2.9	2.8	2.0	-1.3	0.9	2.3	2.6
2002-03	6.0	5.8	14.4	16.3	13.9	6.9	7.2
2003-04	7.4	7.0	7.8	11.5	9.5	6.3	7.3
2004-05	13.2	11.7	22.3	20.6	17.7	7.4	9.8
2005-06	10.3	8.6	11.4	17.2	15.0	10.1	9.7
2006-07	15.0	12.9	19.4	20.1	19.4	14.3	12.2
2007-08	18.4	15.5	10.0	16.1	14.6	10.3	9.7
2008-09	2.5	2.5	11.1	3.2	4.2	4.3	4.4
2009-10	4.8	5.3	11.6	9.7	11.5	11.3	9.2
2010-11	9.0	8.2	18.5	12.6	12.0	8.9	7.6
2011-12	3.0	2.9	15.3	10.7	10.4	7.4	7.8
2012-13	1.2	1.0	n.a	n.a	n.a	1.1	1.0
<b>Averages</b>							
1980s	7.4	7.6	8.1	7.3	7.9	6.2	5.8
1990s	6.5	6.3	7.3	6.8	6.9	5.8	5.7
2000s	8.6	7.7	11.0	10.3	9.8	8.0	7.8
2003-08	12.8	11.1	14.2	17.1	15.2	9.7	9.7
2008-12	4.8	4.7	14.1	9.1	9.5	8.0	7.2

@: Growth rates are based on ASI data deflated by WPI-Manufactured Products index.

#: including construction.

Source: Central Statistical Organization.

**Economic Indicators (%) – India 2014-15**

Selected Economic Indicators (%) - India	2014		2015	
	ADO 2014	Update	ADO 2014	Update
GDP Growth	5.5	5.5	6.0	6.3
Inflation	6.0	5.7	5.8	5.5
Current Account Balance (share of GDP)	-2.5	-2.3	-2.8	-2.5

Source: ADB estimates.

## India - Macro-economic Summary : 1999-00 to 2013-14 (on 2nd August, 2014)

Indicators	1999-2K	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (RE)	2013-14 (Adv.E)
<b>India's Real GDP Growth Rates (Factor Cost)</b>	8.00	4.15	5.39	3.88	7.97	7.05	9.48	9.57	9.32	6.72	8.59	8.91	6.69	4.47	4.74
Agriculture growth (%)	2.67	-0.01	6.01	-6.60	9.05	0.18	5.14	4.16	5.80	0.09	0.81	8.60	5.02	1.42	4.71
Industry growth (%)	5.96	6.03	2.61	7.21	7.32	9.81	9.72	12.17	9.67	4.44	9.16	7.55	7.81	0.96	0.35
Services growth (%)	12.05	5.07	6.61	6.74	7.89	8.28	10.91	10.06	10.27	9.98	10.50	9.67	6.57	6.96	6.78
<b>By Demand (%YoY)</b>															
Consumption	7.2	3.0	5.3	2.3	5.4	1.9	8.7	7.7	9.4	7.7	8.4	8.2	8.9	5.2	4.7
Private Consumption	6.1	3.4	6.0	2.9	5.9	1.7	8.6	8.5	9.4	7.2	7.4	8.7	9.3	5.0	4.8
Public Consumption	13.2	0.9	2.3	-0.4	2.6	3.4	8.9	3.8	9.6	10.4	13.9	5.8	6.9	6.2	3.8
<b>Gross Fixed Capital Formation</b>	11.2	0.0	7.4	6.8	13.6	20.7	16.2	13.8	16.2	3.5	7.7	11.0	12.3	0.8	-0.1
<b>Consumption, Investments, Savings (%GDP)</b>															
Consumption	79.4	78.5	78.9	77.2	75.0	70.1	69.2	68.0	67.2	68.6	69.1	67.5	68.5	68.8	68.9
Capital Formation	25.3	23.8	22.3	24.6	26.9	32.82	34.65	35.66	38.11	34.30	36.30	36.5	36.4	34.7	31.4
Gross Domestic Savings	24.2	23.2	22.6	25.4	28.7	32.41	33.44	34.60	36.82	32.02	33.69	33.68	31.35	30.09	30.5
<b>Money Supply</b>	16.0	16.1	16.0	16.1	13.0	14.0	15.9	20.0	22.1	20.5	19.2	16.2	15.8	13.4	17.0
Bank Credit growth	15.3	23.2	15.3	23.7	15.3	30.9	37.0	28.1	22.3	17.5	16.9	21.5	17.0	14.1	15.0
Deposit growth	14.6	17.0	14.6	16.1	17.5	13.0	24.0	23.8	22.4	19.9	17.2	15.9	13.5	14.2	13.5
<b>Fiscal Indicators (% GDP)</b>															
Centre's Fiscal Deficit			-6.0	-5.7	-4.3	-3.9	-4.0	-3.3	-2.5	-6.0	-6.5	-4.8	-5.7	-4.9	-4.5
State Fiscal Deficit			-3.6	-3.5	-3.9	-3.4	-2.5	-2.1	-1.4	-2.3	-2.9	-2.1	-2.4	-2.3	-2.2
Combined Deficit (Centre+State)			-9.6	-9.2	-8.2	-7.2	-6.5	-5.4	-4.0	-8.3	-9.4	-6.9	-8.1	-7.2	-6.7
<b>Inflation - WPI (Average)</b>	3.3	7.1	3.6	3.4	5.5	6.5	3.7	6.5	4.8	8.0	3.6	9.6	8.8	7.5	5.9
<b>CPI (Average)</b>	3.4	3.7	4.3	4.1	3.8	3.9	4.2	6.8	6.2	9.1	12.3	10.5	8.4	10.2	9.5
Exports (US\$bn)	37.5	45.5	44.7	53.8	66.3	85.2	105.2	128.9	166.2	189.0	182.4	250.5	309.8	306.6	318.6
% YoY	9.5	21.1	-1.76	20.36	23.23	28.51	23.47	22.53	28.94	13.72	-3.49	37.34	23.67	-1.03	3.91
Imports (US\$bn)	55.4	57.9	56.3	64.5	80.0	118.9	157.1	190.7	257.6	308.5	300.6	381.1	499.5	502.2	466.2
%YoY	16.5	4.6	-2.76	14.56	24.03	48.63	32.13	21.39	35.08	19.76	-2.56	26.78	31.07	0.54	-7.17
Trade deficit (US\$bn)	-17.8	-12.5	-11.6	-10.7	-13.7	-33.7	-51.9	-61.8	-91.5	-119.5	-118.2	-130.6	-189.8	-195.7	-147.6
Invisibles (US\$bn)	13.7	9.8	15.0	17.0	27.8	31.2	42.0	52.2	75.7	91.6	80.0	84.6	111.6	107.5	115.2
<b>Current Account Deficit (US\$bn)</b>	-4.1	-2.7	3.4	6.3	14.1	-2.5	-9.9	-9.6	-15.7	-27.9	-38.2	-45.9	-78.2	-88.2	-32.4
% to GDP	-0.9	-0.6	0.7	1.2	2.3	-0.3	-1.2	-1.0	-1.3	-2.3	-2.8	-2.7	-4.2	-4.7	-1.7
<b>Capital Account (US\$bn)</b>	9.5	8.8	8.6	10.8	16.7	28.0	25.5	45.2	106.6	7.4	51.6	62.0	67.8	89.3	48.8
% GDP	2.0	1.9	1.7	2.1	2.7	3.9	3.1	4.8	8.6	0.6	3.8	3.6	3.6	4.8	2.6
<b>Forex Assets (exc. gold)(US\$bn)</b>	35.1	39.6	51.0	100.6	131.2	137.2	177.3	275.6	254.6	283.5	297.3	296.7	296.6	295.7	303.6
<b>External Debt (US\$bn)</b>	98.3	101.3	98.8	104.9	112.7	134.0	139.1	172.4	224.4	224.5	260.9	317.9	360.8	404.9	426.0
<b>Short Term Debt</b>	3.9	3.6	2.7	4.7	4.4	17.7	19.5	28.1	45.7	43.3	52.3	65.0	78.2	96.7	92.7
<b>Exchange Rate US\$/Rs. -avg.</b>	45.9	45.7	47.7	48.4	45.9	45.0	44.3	45.2	40.2	46.0	47.4	45.6	48.1	54.0	60.4

Source: CSO Release 30th May 2014, RBI, EAC to PM, Ministry of Finance; 31st May, 2014  
Database: FIC, 1st August, 2014

Page 1 of 325

**Broad Macro-Economic Parameters - Previous Plans and  
Targets for Twelfth Plan**

		IXth Plan	Xth Plan	XI th Plan	XII th Plan	
					9.0	9.5
1	Investment Rate (Gross Capital Formation adjusted for errors and omissions)	24.6	31.8	36.4	38.7	41.4
2	Fixed Investment <i>of which</i>	23.2	28.4	30.9	33.5	35.5
	Household Sector	9.9	11.7	11.6	12.0	12.0
	Private Corporate Sector	6.6	9.6	11.0	12.4	13.5
	Public Sector	6.6	7.1	8.3	9.1	10.0
3	Savings Rate <i>of which</i>	23.7	31.7	34.0	36.2	38.9
	Household Sector	20.5	23.2	23.2	24.0	24.5
	Private Corporate Sector	4.0	6.4	8.2	8.5	9.2
	Public Savings <i>of which</i>	-0.8	2.0	2.5	3.7	5.2
	Govt. Admin.	-4.9	-2.6	-1.3	-0.5	0.8
	Public Enterprises	4.0	4.6	3.8	4.0	4.5
4	Current Account Balance <i>of which</i>	-0.6	0.0	-2.4	-2.5	-2.5
	Trade Balance	-2.6	-2.5	-5.0	-4.5	-4.5
	Capital Account Balance	2.1	3.5	3.8	5.0	5.0
5	WPI Inflation Rate	4.9	5.0	6.0	4.5-5.0	5.0-5.5

## 3.2 Economy in 2014

India is currently one of the world's most attractive investment destinations. With the opening up of foreign direct investment (FDI) in several sectors, the country is an eye-catching destination for overseas investors. The relaxation of norms by the government has also created a vast opportunity for foreign players, who are competing for a greater role in the Indian market. Sectors projected to do well in the coming years include automotive, technology, life sciences and consumer products.

India made its entry into the club of the top 15 ultra-high-net-worth households (more than US\$ 100 million in private financial wealth) in 2013 obtaining the 13th rank with 284 such households. Further, there has been marked improvement in the hiring scenario in the country, Index for May 2014 showed a 14 per cent increase in hiring activity when compared to May 2013. Furthermore, the US\$ 1.2 trillion investment that the government has planned for the infrastructure sector in the 12th Five-Year Plan is set to help in further improving the export performance of Indian companies and the Indian growth story, which will consequently improve the overall Indian economy.

### Market size

India holds a 6.4 percent share of global gross domestic product (GDP) on purchasing power parity (PPP) basis and presently is the third biggest economy in the world in terms of PPP, according to a World Bank report.

The industrial sector in India looks positive as industrial production grew at a 13-month high rate of 3.4 per cent in April 2014, driven mainly by electricity generation and manufacturing, as indicated by the Index of Industrial Production (IIP).

The trade and external sector showed improvement as exports posted double-digit growth in May, 2014, as shipments of key commodities registered strong increases.

**India is all set to become the world's third largest economy by the year 2030.**

### Key Developments

Indian equities markets have seen foreign institutional investors (FII) net inflow of US\$ 2.3 billion in May 2014, taking the total to US\$ 7.8 billion so far in 2014. India is still the most loved market in this region. Some of major developments and investments in the recent past are as follows:

- ❖ Overseas investors have invested around US\$ 20.4 billion in the Indian market in the first half of 2014, mainly on hopes of a stable and reform-oriented government at the Centre.
- ❖ FIIs have helped in pushing up the benchmark BSE sensex by over 20 per cent in the first six months of the year.
- ❖ Six qualified institutional placements (QIPs) launched in India during April-June 2014 raised Rs12,151 crore (US\$ 2.01 billion) compared with Rs 1,222 crore (US\$ 201.9 million) in the same quarter in 2013
- ❖ Venture capital (VC) investments in India surged during the first half of 2014, reflecting optimism about India's entrepreneurial ecosystem. Investments in early stage companies and startups grew nearly 40 per cent as compared with the same period in 2013.
- ❖ Private equity (PE) firm SAIF Partners plans to make up to eight investments in FY 15 across different sectors, in an effort to significantly ramp up its investment pace in India and plan for more exits through the public market.

- ❖ Sovereign wealth funds (SWFs) and overseas pension funds plan to invest in India, three sovereign funds from West Asia have invested over US\$ 5 billion in the past eight months.

### **Government Initiatives**

The Government of India has taken several initiatives to improve the Indian economy, which has been responsible for a number of positive outcomes.

- India's foreign exchange reserves rose by US\$ 857 million for the week ending on June 27, 2014, to touch US\$ 315.78 billion, while foreign currency assets rose by US\$ 851 million to reach US\$ 288.81 billion.
- The Ministry of Development of North Eastern Region (DoNER) has sanctioned seven new projects worth Rs 87.88 crore (US\$ 14.52 million) in FY 15, which include projects for road construction, irrigation scheme and renewal of electric installations.
- In order to better the ways of doing business, the Government of India has extended the validity period of an industrial licence to three years from two years, with a provision for further extension by two years.

### **Road Ahead**

- ❖ The total value of India's listed companies is expected to cross the US\$ 1.5 trillion mark within the next 12 months as India enters the top 10 club of countries by market capitalisation.
- ❖ India could become the world's seventh biggest nation in terms of private wealth, with a 150 per cent increase in total, from US\$ 2 trillion in 2013 to US\$ 5 trillion by 2018, as per a recent study by the Boston Consulting Group (BCG).

Government of India's initiatives for improving trade and infrastructure can go a long way in improving the country's overall economy and make it a force to reckon with in the global economic scenario.

**References:** *Press Information Bureau (PIB), Media Reports, Department of Industrial Policy and Promotion (DIPP), Securities and Exchange Board of India (SEBI)*

### **Global Prospects**

Our 2014 India attractiveness survey finds that India remains one of the top global destinations for foreign investment. The main drivers are its solid domestic market, an educated workforce and competitive labour.

India accounts for more than 20% of total capital allocated for the developing world. The infrastructure, consumer products, industrials, technology, media and telecom (TMT), and life-sciences sectors are set to drive India's growth over the next two years.

Investors are considering India for both their services and manufacturing supply chain. With the services sector forming the backbone of India's economy, the Indian Government is placing more weight on strengthening the country's manufacturing ecosystem.

## **Key features of India's attractiveness**

India was the fourth-largest recipient of FDI in terms of projects started in 2012, and in terms of value, it accounted for 5.5% of global FDI.

Increased interest from the Middle East and Southeast Asia

Investors across the world recognize India's FDI potential. Between 2007 and 2012, the US invested the most in India, with 30.2% of projects, followed by Japan with 10.4%.

Seven of the top 10 investors in India during 2007-12 were from Western Europe, led by the UK and followed by Germany and France. India's pool of business partners is growing, with a striking 123.3% rise in the number of projects from the Middle East in 2012, mostly in financial services. Southeast Asian countries are also expanding their investment in the country, with projects mainly originating from Singapore, Malaysia and Thailand.

Top FDI destinations

Actual FDI performance show that metropolitan cities, such as Mumbai, Bengaluru, the National Capital Region (NCR), Chennai and Pune, remain key attractions.

Forty-three percent of respondents could not think of any city other than the main metropolitan areas. Among those who responded, Ahmedabad was the preferred choice in emerging cities, followed by Jaipur, Chandigarh, Coimbatore and Surat.

India's global market appeal lies in

Competitive labour costs,

Lucrative domestic market,

Skilled workforce.

Strong management and business education system

Improving telecommunications infrastructure.

burgeoning middle class

growing domestic consumption levels

In order to realize its FDI potential, India needs to improve its operating environment and develop infrastructure. Other priorities should include boosting production, improving the taxation system, easing FDI regulations and increasing

### **Sectoral Growth Projections**

**Source: Central Statistical Organisation (CSO) - 31/05/2014**

**GDP at Factor Cost, Constant and Current Prices, Constant and Current Market Prices with Per Capita Value (in Rs. Crore)**

Financial Year	GDP at Constant 2004-05 Prices	GDP at Constant 2004-05 Prices per Capita	GDP at Factor Cost Current Prices	GDP at Factor Cost per Capita	GDP at Current Market Prices	GDP at Current Market Prices per Capita	Final Consumption Expenditure at Current Prices - India	Final Consumption Expenditure at Current Prices - Private	Gross Capital Formation at Current Prices	Gross Fixed Capital Formation at Current Prices	GDP at Constant 2004-05 Market Prices	GDP at Constant 2004-05 Market Prices per Capita
2000-01	2,348,481	2,305	2,000,743	1,963	2,177,413	2,137	1,680,061	1,406,661	528,299	495,196	2,559,711	2,512
2001-02	2,474,962	2,380	2,175,260	2,092	2,355,845	2,265	1,822,861	1,531,672	571,146	590,240	2,683,190	2,580
2002-03	2,570,935	2,435	2,343,864	2,220	2,536,327	2,402	1,921,867	1,620,293	627,743	601,120	2,785,258	2,638
2003-04	2,775,749	2,589	2,625,819	2,450	2,841,503	2,651	2,096,088	1,771,305	762,416	697,478	3,004,190	2,802
2004-05	2,971,464	2,729	2,971,464	2,729	3,242,209	2,977	2,272,026	1,917,508	1,064,041	931,028	3,242,209	2,977
2005-06	3,253,073	2,941	3,390,503	3,066	3,693,369	3,339	2,554,321	2,152,702	1,279,754	1,120,292	3,543,244	3,204
2006-07	3,564,364	3,177	3,953,276	3,523	4,294,706	3,828	2,920,144	2,476,667	1,531,433	1,343,774	3,871,489	3,451
2007-08	3,896,636	3,424	4,582,086	4,026	4,987,090	4,382	3,353,748	2,840,727	1,900,762	1,641,673	4,250,947	3,735
2008-09	4,158,676	3,604	5,303,567	4,596	5,630,063	4,879	3,864,617	3,249,284	1,931,380	1,821,099	4,416,350	3,827
2009-10	4,516,071	3,860	6,108,903	5,221	6,477,827	5,537	4,478,717	3,707,566	2,363,132	2,055,772	4,790,847	4,095
2010-11	4,918,533	4,163	7,248,860	6,112	7,784,115	6,563	5,250,459	4,360,323	2,841,457	2,407,069	5,282,386	4,454
2011-12	5,247,530	4,366	8,391,691	6,981	9,009,722	7,496	6,167,791	5,141,896	3,200,633	2,861,062	5,633,050	4,686
2012-13	5,482,111	4,505	9,388,876	7,715	10,113,281	8,310	6,961,191	5,772,059	3,521,399	3,071,543	5,899,847	4,848
2013-14 (P)	5,741,791	4,657	10,472,807	8,494	11,355,073	9,209	7,826,378	6,485,037		3,211,114	6,195,842	5,025

Source : Central Statistical Organisation (CSO) - 31/05/2014

**GDP at Constant, Current & Market Prices with value of Consumption Expenditure etc. (in Rs. Crore)**

Financial Year	GDP at Constant 2004-05 Prices	GDP at Factor Cost Current Prices	GDP at Constant 2004-05 Market Prices	GDP at Current Market Prices	Final Consumption Expenditure at Constant 2004-05 Prices - India	Final Consumption Expenditure at Constant 2004-05 Prices - Private	Final Consumption Expenditure at Constant 2004-05 Prices - Government	At Constant 2004-2005 Prices: Gross Capital Formation (India)	At Constant 2004-2005 Prices: Gross Fixed Capital Formation (India)
2000-01	2,348,481	2,000,743	2,559,711	2,177,413	1,903,928	1,579,201	324,727	630,056	591,610
2001-02	2,474,962	2,175,260	2,683,190	2,355,845	2,005,578	1,673,209	332,369	658,827	682,143
2002-03	2,570,935	2,343,864	2,785,258	2,536,327	2,052,991	1,721,238	331,753	708,637	679,170
2003-04	2,775,749	2,625,819	3,004,190	2,841,503	2,164,189	1,823,227	340,962	819,925	750,940
2004-05	2,971,464	2,971,464	3,242,209	3,242,209	2,272,026	1,917,508	354,518	1,064,041	931,028
2005-06	3,253,073	3,390,503	3,543,244	3,693,369	2,469,316	2,083,309	386,007	1,236,927	1,081,792
2006-07	3,564,364	3,953,276	3,871,489	4,294,706	2,660,471	2,259,892	400,579	1,402,369	1,231,265
2007-08	3,896,636	4,582,086	4,250,947	4,987,090	2,910,316	2,471,397	438,919	1,656,892	1,430,764
2008-09	4,158,676	5,303,567	4,416,350	5,630,063	3,134,069	2,649,610	484,459	1,570,333	1,480,943
2009-10	4,516,071	6,108,903	4,790,847	6,477,827	3,397,005	2,845,303	551,702	1,841,262	1,594,475
2010-11	4,918,533	7,248,860	5,282,386	7,784,115	3,673,232	3,092,373	583,544	2,100,497	1,769,792
2011-12	5,247,530	8,391,691	5,633,050	9,009,722	3,969,459	3,378,506	623,574	2,183,259	1,986,645
2012-13	5,482,111	9,388,876	5,899,847	10,113,281	4,125,959	3,547,584	662,032	2,297,807	2,002,047
2013-14 (P)	5,741,791	10,472,807	6,195,842	11,355,073		3,719,568	687,388		1,999,938

Source : Central Statistical Organisation (CSO)

**Table 1: Projected Investment in Infrastructure during the Twelfth Five Year Plan**

Year	Base Year FY12	FY13	FY14	FY15	FY16	FY17	Total 12th Plan
GDP at FY07 Prices (Rs. Crs.)	6,314,265	6,882,549	7,501,978	8,177,156	8,913,100	9,715,280	41,190,063
Infrastructure Investment as % of GDP	8.37%	9.00%	9.50%	9.90%	10.30%	10.70%	9.95%
Infrastructure Investment (Rs. Crs. in FY07 prices)	528,316	619,429	712,688	809,538	918,049	1,039,535	4,099,239
Infrastructure Investment (Rs. Crs. in current prices)	721,781	888,572	1,073,470	1,280,315	1,524,526	1,812,581	6,579,463

Source: Mid-Term Appraisal Eleventh Five Year Plan, Planning Commission, GOI; WPI inflation used to convert to current prices; FY12 inflation based on PMEAC projection

**Table 2: Savings and Infrastructure Investment Needs**

(as % of GDP)

	FY10	FY13	FY14	FY15	FY16	FY17
Infra Investment	7.5	9.0	9.5	9.9	10.3	10.7
Gross Domestic Savings	33.7	37.8	40.6	42.9	45.5	48.2
o/w financial savings	22.0	24.8	27.2	29.1	31.1	33.4
Incremental Infra Investment	0.3	0.6	0.5	0.4	0.4	0.4
Incremental Financial Savings	2.8		2.4	1.9	2.0	2.3
Infra Investment as % of Financial Savings	34%	36%	35%	34%	33%	32%
% share of incremental infra in incremental financial savings			21%	21%	20%	17%

Source: Mid-Term Appraisal Eleventh Five Year Plan, Reports submitted by Sub-Groups on Household Savings, Private Sector Corporate Savings & Public Sector Savings for 9% p.a. real growth and 5% p.a. inflation scenario

#### 4. Comparison of budgetary allocation 11<sup>th</sup> (2007-12) & 12<sup>th</sup> Five Year Plan (2012-17)

For the 12<sup>th</sup> five-year plan (for the period 2013-2018) it is proposed to enhance the investment in infrastructure two folds. The estimate of additional investment for the 12<sup>th</sup> Plan period is given as follows: -

##### Project Investment in Infrastructure during Eleventh & Twelfth Five Year Plan

Major sectors	11th Plan (in Rs crores)		12th Plan (in Rs crores)		Increase over 11th Plan (in %)
	Realisation	% share	Projection	% share	
Agriculture and water resources	1,16,554	7.3	2,84,030	7.96	143.69
Rural Development and Panchayatiraj	3,97,524	25.01	6,73,034	18.86	69.31
Scientific departments	58,690	3.69	1,42,167	3.98	142.23
Transport and energy	2,04,076	12.84	4,48,736	12.57	119.89
Education	1,77,538	11.17	4,53,728	12.71	155.57
Health and child development	1,12,646	7.09	4,08,521	11.45	262.66
Urban Development	63,465	3.99	1,64,078	4.60	158.53
Others	4,58,849	28.87	9,94,333	27.86	116.70
Total Plan allocation	15,89,342	100.00	35,68,626	100.00	124.53

## 5. Key Features of Union Budget 2014-2015

### THE CURRENT ECONOMIC SITUATION AND THE CHALLENGES

Decisive vote for change represents the desire of the people to grow, free themselves from the curse of poverty and use the opportunity provided by the society. Country in no mood to suffer unemployment, inadequate basic amenities, lack of infrastructure and apathetic governance.

- Challenging situation due to Sub five per cent growth and double digit inflation.
- Continued slow-down in many emerging economies a threat to sustained global recovery.
- Recovery seen with the growth rate of world economy projected at 3.6 per cent in 2014 vis-à-vis in 2013.
- First budget of this NDA government to lay down a broad policy indicator of the direction in which we wish to take this country.
- Steps announced are only the beginning of the journey towards a sustained growth of 7-8 per cent or above within the next 3-4 years along with macro-economic stabilization.
- Need to revive growth in manufacturing and infrastructure sectors.
- The government is committed to achieve this target. Road map for fiscal consolidation outlines fiscal deficit of 3.6 % for 2015-16 and 3 % for 2016-17.
- Inflation has remain at elevated level with gradual moderation in WPI recently.
- Bold steps required to enhance economic activities and spur growth in the economy.

## 6. Administration and Regulation of Construction Industry

### Administrative Initiatives

- Sovereign right of the Government to undertake retrospective legislation to be exercised with extreme caution and judiciousness keeping in mind the impact of each such measure on the economy and the overall investment climate.
- A stable and predictable taxation regime which will be investor friendly and spur growth.

- Legislative and administrative changes to sort out pending tax demands of more than 4 lakh crore under dispute and litigation.
- Resident tax payers enabled to obtain on advance ruling in respect of their income-tax liability above a defined threshold.
- Measures for strengthening the Authority for Advance Rulings.

## **ECONOMIC INITIATIVES**

### **Foreign Direct Investment (FDI)**

- Government to promote FDI selectively in sectors.
- The composite cap of foreign investment to be raised to 49 per cent with full Indian management and control through the FIPB route.
- The composite cap in the insurance sector to be increased up to 49 per cent from 26 per cent with full Indian management and control through the FIPB route.
- Requirement of the built up area and capital conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities.
- The manufacturing units to be allowed to sell its products through retail including E-commerce platforms.
- **Bank Capitalization**
  - Requirement to infuse `2,40,000 crore as equity by 2018 in our banks to be in line with Basel-III norms
  - Capital of banks to be raised by increasing the shareholding of the people in a phased manner.
- **PSU Capital Expenditure**
  - PSUs will invest through capital investment a total sum of ` 2,47,941 crores in the current financial year.

## SMART CITIES

- A sum of ` 7060 crore is provided in the current fiscal for the project of developing “one hundred Smart Cities’

### Real Estate

- Incentives for Real Estate Investment Trusts (REITS). Complete pass through for the purpose of taxation.
- A modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS).
- These two instruments to attract long term finance from foreign and domestic sources including the NRIs.

### Irrigation

- 1000 crore provided for “Pradhan Mantri Krishi Sinchayee Yojna” for assured irrigation.

## EDUCATION

### School Education

- Government would strive to provide toilets and drinking water in all the girls school in first phase. An amount of ` 28635 crore is being funded for Sarv Shiksha Abhiyan(SSA) and ` 4966 crore for Rashtriya madhyamic Shiksha Abhiyan (RMSA).
- A School Assessment Programme is being initiated at a cost of ` 30 crore.
- 500 crore provided for “Pandit Madan Mohan Malviya New Teachers Training Programme” to infuse new training tools and motivate teachers.
- 100 crore provided for setting up virtual classrooms as Communication Linked
- Interface for Cultivating Knowledge (CLICK) and online courses.

### ➤ Higher Education

- Jai Prakash Narayan National Centre for Excellence in Humanities to be set up in MP.
- 500 crore provided for setting up 5 more IITs in the Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala.

➤ 5 IIMs in the States of HP, Punjab, Bihar, Odisha and Rajasthan.

➤ Simplification of norms to facilitate education loans for higher studies.

### **Information Technology**

➤ Pan India programme “Digital India” to with an outlay of ` 500 crore to be launched.

➤ Programme for promoting “Good Governance” to be launched .A sum of ` 100 crore provided.

### **Information and Broadcasting**

➤ 100 crore allocated for 600 new and existing Community Radio Stations.

➤ Film & Television Institute, Pune and Satyajit Ray Film & Television Institute, Kolkata are proposed to be accorded status of Institutes of national importance and a “National Centre for Excellence in Animation, Gaming and Special Effects to be set up.

➤ 100 crore is provided for Kisan TV, to disseminate real time information to the farmers on issues such as new farming techniques, water conservation, organic farming etc.

### **Urban Development**

➤ Vision of the Government is that 500 urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs

➤ Present corpus of Pooled Municipal Debt Obligation Facility facility to be enlarged to 50,000 Crore from ` 5000 crore.

➤ 100 crore provided for Metro Projects in Lucknow and Ahmedabad.

### **Housing**

➤ Extended additional tax incentive on home loans shall be provided to encourage people, especially the young, to own houses.

➤ Mission on Low Cost Affordable Housing anchored in the National Housing Bank to be set up.

➤ A sum of ` 4000 crores for NHB from the priority sector lending shortfall with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/ LIG segment is provided

➤ Slum development to be included in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector to contribute more.

## **INDUSTRY**

- Central Government Departments and Ministries to integrate their services with the e-Biz -a single window IT platform- for services on priority by 31 December this year.
- 100 crore provided for setting up a National Industrial Corridor Authority.
- Amritsar Kolkata Industrial master planning to be completed expeditiously.
- Master planning of 3 new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed.
- Perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters.
  
- Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization will be accelerated.
  
- Proposed to establish an Export promotion Mission to bring all stakeholders under one umbrella.
  
- Apprenticeship Act to be suitably amended to make it more responsive to industry and youth.

### **Micro Small and Medium Enterprises (MSME) Sector**

- ❖ Skill India to be launched to skill the youth with an emphasis on employability and entrepreneur skills.
- ❖ Committee to examine the financial architecture for MSME Sector, remove bottlenecks and create new rules and structures to be set up and give concrete suggestions in three months.
- ❖ Fund of Funds with a corpus of ` .10,000 crore for providing equity through venture capital funds, quasi equity, soft loans and other risk capital specially to encourage new startups by youth to be set up.
- ❖ Corpus of ` 200 crore to be set up to establish Technology Centre Network.
- ❖ Definition of MSME to be reviewed to provide for a higher capital ceiling.
- ❖ Programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery to be put in place.
- ❖ Entrepreneur friendly legal bankruptcy framework will be developed for SMEs to enable easy exit.

- ❖ A nationwide “District level Incubation and Accelerator Programme” to be taken up for incubation of new ideas and necessary support for accelerating entrepreneurship.

## **INFRASTRUCTURE**

- ❖ An institution to provide support to mainstreaming PPPs called 4PIndia to be set up with a corpus of ` 500 crores.

### **Shipping**

- ❖ 11635 crore will be allocated for the development of Outer Harbour Project in Tuticorin for phase I.
- ❖ SEZs will be developed in Kandla and JNPT.
- ❖ Comprehensive policy to be announced to promote Indian ship building industry.

### **Inland Navigation**

- ❖ Project on Ganges called “Jal Marg Vikas’ to be developed between Allahabad and Haldia.

### **New Airports**

- ❖ Scheme for development of new airports in Tier I and Tier II Cities to be launched. Roads sector
- ❖ Sector needs huge amount of investment along with debottlenecking from maze of clearances.
- ❖ An investment of an amount of ` 37,880 crores in NHAI and State Roads is proposed which includes ` 3000 crores for the North East.
- ❖ Target of NH construction of 8500 km will be achieved in current financial year.
- ❖ Work on select expressways in parallel to the development of the Industrial Corridors will be initiated. For project preparation NHAI shall set aside a sum of ` 500 crore.

### **Energy**

- ❖ 100 crore is allocated for a new scheme “Ultra-Modern Super Critical Coal Based Thermal Power Technology.”
- ❖ Comprehensive measures for enhancing domestic coal production are being put in place.
- ❖ Adequate quantity of coal will be provided to power plants which are already commissioned or would be commissioned by March 2015.
- ❖ An exercise to rationalize coal linkages to optimize transport of coal and reduce cost of power is underway.

## **New & Renewable Energy**

- ❖ 500 crores provided for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh.
- ❖ 400 crores provided for a scheme for solar power driven agricultural pump sets and water pumping stations.
- ❖ 100 crore provided for the development of 1 MW Solar Parks on the banks of canals.
- ❖ A Green Energy Corridor Project is being implemented to facilitate evacuation of renewable energy across the country.

## **Petroleum & Natural Gas**

- ❖ Production and exploitation of Coal Bed Methane reserves will be accelerated.
- ❖ Possibility of using modern technology to revive old or closed wells to be explored.
- ❖ Usage of PNG to be rapidly scaled up in a Mission mode.
- ❖ Proposal to develop pipelines using appropriate PPP models.

## **Mining**

- ❖ Changes, if necessary, in the MMDR Act, 1957 to be introduced to encourage investment in mining sector and promote sustainable mining practices.

## **FINANCIAL SECTOR**

### **Capital Market**

- ❖ Ongoing process of consultations with all the stakeholders on the enactment of the Indian Financial Code and reports of the Financial Sector Legislative Reforms Commission (FSLRC) to be completed.
- ❖ Government in close consultation with the RBI to put in place a modern monetary policy framework.
- ❖ Following measures will be taken to energize Capital markets:
- ❖ Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector.
- ❖ Introduce one single operating demat account
- ❖ Uniform tax treatment for pension fund and mutual fund linked retirement plan

## **BANKING AND INSURANCE SECTOR**

### **Banking**

- ❖ Time bound programme as Financial Inclusion Mission to be launched on 15 August this year with focus on the weaker sections of the society.
- ❖ Banks to be encouraged to extend long term loans to infrastructure sector with flexible structuring.
- ❖ Banks to be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL).
- ❖ RBI to create a framework for licensing small banks and other differentiated banks.
- ❖ Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force.
- ❖ Six new Debt Recovery Tribunals to be set up.
- ❖ For venture capital in the MSME sector, a ` 10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity , quasi equity, soft loans and other risk capital for start-up companies with suitable tax incentives to participating private funds to be established.

### **Insurance Sector**

- ❖ The pending insurance laws (amendment) Bill to be immediately brought for consideration of the Parliament.
- ❖ The regulatory gap under the Prize Chits and Money Circulation Scheme (Banking) Act, 1978 will be bridged.

### **BUDGET ESTIMATES**

- ❖ Mandate to be fulfilled without compromising fiscal consolidation.
- ❖ Non-plan Expenditure of ` 12,19,892 crore with additional provision for fertilizersubsidy and Capital expenditure for Armed forces.
- ❖ 5,75,000 crore Plan expenditure - increase of 26.9 per cent over actuals of 2013-14.
- ❖ Plan increase targeted towards Agriculture, capacity creation in Health and Education,Rural Roads and National Highways Infrastructure, Railways network expansion, clean energy initiatives, development of water resources and river conservation plans.
- ❖ Total expenditure of ` .17,94,892 crore estimated.
- ❖ Gross Tax receipts of ` 13,64,524 crore estimated. ☐ Net to centre of ` 9,77,258 crore estimated.
- ❖ Fiscal deficit of 4.1% of GDP and Revenue deficit of 2.9% estimated.

- ❖ New Statement to separately show plan allocation made for North Eastern Region. Allocation of ` 53,706 crore for North East Regions.
- ❖ Allocation of ` 50,548 crore under SCSP and ` 32,387 under TSP.
- ❖ Allocation for women at ` 98,030 crore and for children at ` 81,075 crore. TAX

#### **Central Government Ministries**

- ✓ **Ministry of Commerce**
- ✓ Ministry of Finance
- ✓ Ministry of Urban Affairs and Employment
- ✓ **Ministry of Industries**
- ✓ Ministry of Home Affairs

#### **Central Government Departments**

- ✓ Cabinet Committee on Foreign Investment
- ✓ Secretariat of Industrial Assistance
- ✓ Foreign Investment Promotion Board
- ✓ MRTP Commission
- ✓ Registrar of Companies
- ✓ Central Excise and Customs Department

#### **State Government**

- ✓ Revenue Department
- ✓ Urban Development Authorities
- ✓ Sales Tax
- ✓ Town and Country Planning

#### **Autonomous Statutory Bodies**

- ✓ Reserve Bank of India
- ✓ Security and Exchange Board of India
- ✓ Municipal Committee

## 7. CONSTRUCTION OPPORTUNITY & ACTIVITY

significantly.

Table 1: Estimated Construction Opportunity during XII<sup>th</sup> Plan Period

	Investment (Rs. crore)			Share (%)			Construction Intensity <sup>a</sup> (% of Total Cost)	Construction Opportunity (Rs. crore)		
	X <sup>th</sup> Plan	XI <sup>th</sup> Plan	XII <sup>th</sup> Plan#	X <sup>th</sup> Plan	XI <sup>th</sup> Plan	XII <sup>th</sup> Plan		X <sup>th</sup> Plan	XI <sup>th</sup> Plan	XII <sup>th</sup> Plan
Electricity	340,237	658,630	1,314,320	38%	32%	32%	40%	1,36,095	2,63,452	5,25,728
Roads & Bridges	127,107	278,658	556,072	14%	14%	14%	65%	82,620	1,81,128	3,61,447
Railways (incl. MRTS)	102,091	200,802	400,708	11%	10%	10%	75%	76,568	1,50,602	3,00,531
Irrigation	106,743	246,234	491,369	12%	12%	12%	75%	80,057	1,84,676	3,68,527
Water Supply	60,108	111,689	222,879	7%	5%	5%	60%	36,065	67,013	1,33,728
Ports	22,997	40,647	81,113	3%	2%	2%	70%	16,098	28,453	56,779
Airports	6,893	36,138	72,115	1%	2%	2%	30%	2,068	10,841	21,634
<b>Total</b>	<b>766,176</b>	<b>1,572,798</b>	<b>3,138,575</b>	<b>85%</b>	<b>77%</b>	<b>77%</b>		<b>429,570</b>	<b>886,164</b>	<b>1,768,373</b>

# Assuming similar allocation among sectors during the XI<sup>th</sup> Five-Year Plan

@ Based on past estimates

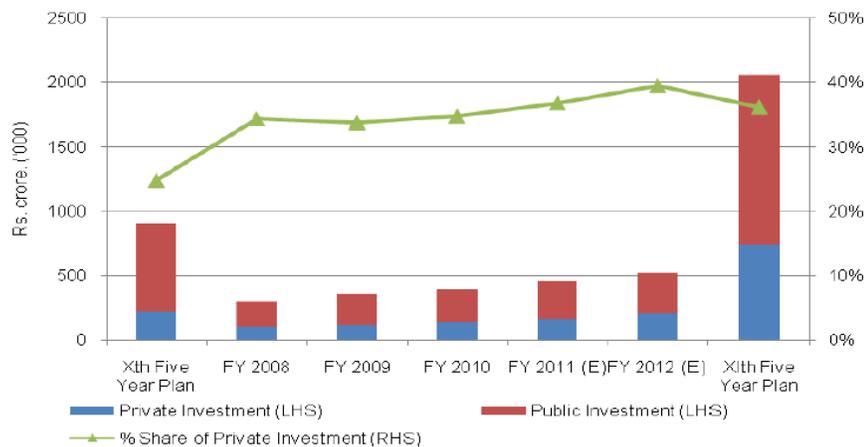
Source: Planning Commission, GoI

Table 2: Details of PPP Projects by Sector

	Projects in Pipeline		Project under Implementation	
	No. of Projects	Project Cost (Rs. crore)	No. of Projects	Project Cost (Rs. crore)
Roads	167	115,822	133	102,775
Ports	47	35,902	50	62,058
Airports	7	4,120	3	19,277
Railways	53	90,312	5	5,217
Power	34	62,032	15	29,448
Urban Infrastructure	65	45,708	69	18,690
Other	31	22,534	17	3,575
<b>Total</b>	<b>404</b>	<b>376,430</b>	<b>292</b>	<b>241,040</b>

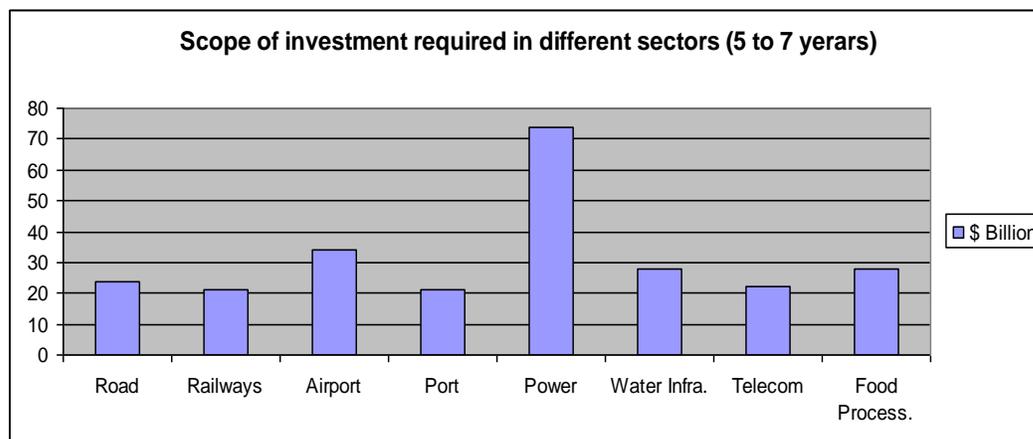
Source: Planning Commission, GoI

Chart 1: Trend in Infrastructure Investments



Source: Planning Commission, GoI

The scope of investment as envisaged by the Investment Commission in..... is given in the following figure:-



#### **FDI Infrastructure Equity Ceiling**

Real Estate townships)	100%
Roads	100%
Power	100%
Airlines	74%
Airports	74%
Banks (Private)	74%
Mining	74%
Telecom	74%
Defence	49%
Insurance	49%

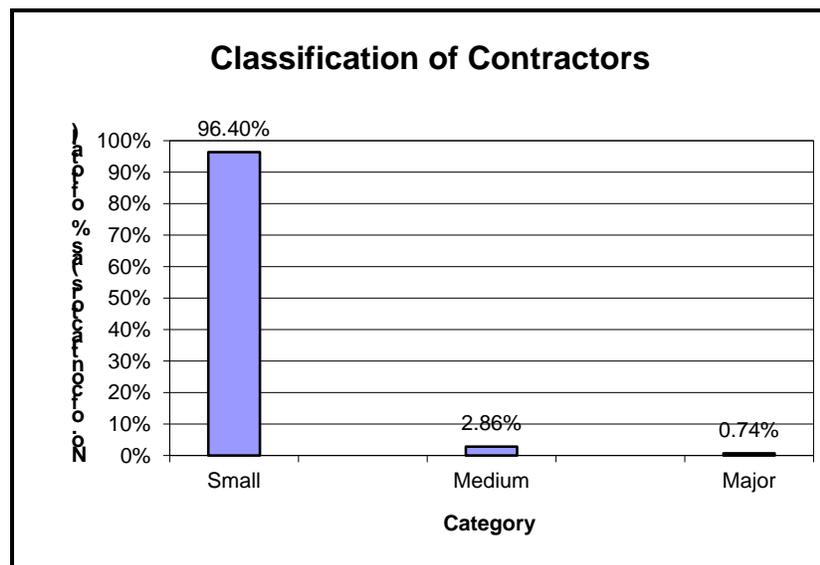
## Average Construction Material Prices as on 2014

Delhi Item Rate as on 13 October 2014			
S. No.	Item	Unit	Rate
1.	Cement – OPC	Tonne	6300
2.	Reinforcement Steel TMT – 12 mm dia	MT	35400
3.	Burnt Clay Bricks (9" x 4.5" x 3")	Each	5.2
4.	Sand (coarse – local)	cum	1200
5.	Stone aggregates (20 mm normal size)	Cum	1175
6.	Kiln Seasoning of Timber	Cft	750
7.	Petrol	Ltr	67.86
8.	Lubricant – Grease	Ltr	250
9.	Paint – Synthetic Enamel White	Ltr	220
10.	Bitumen Grade 60/70 Bulk	MT	40885
11.	Daily wages of Labour		
12.	Unskilled	Per day	311
13.	Semi – Skilled	Per day	343
14.	Skilled	Per day	377
15.	Sr. Engineer (Civil)	Per day	700
16.	Jr. Engineer (Civil)	Per day	377

**CLASSIFICATION OF CONTRACTORS**

Table below gives the categorization of contractors by the size of men they employ:-

S.N	No. of people employed by the agency	No. of Agency /contractors	%age	Category
1	1 to 200 persons	27,000	96.4%	Small
2	200 to 500 persons	800	2.86%	Medium
3	500 persons and above	200	0.74%	Major



### Safety Record of Indian Construction Industry

Year	Accident frequency rate (accidents / million man- hours worked)
1998	0.08
1999	0.10
2000	0.10
2005	0.10
2008	0.09
2009	0.01
2010	0.01
2011	0.01

**Appendix – III**

**Projected Investment as Percentage of GDP**

(Rs crore at 2006–07 price)								
Years	Base year (2006–07 of Tenth Plan) (BE/RE)	2007–08	2008–09	2009–10	2010–11	2011–12	Total Eleventh Plan	
GDP	4145810	4518933	4925637	5368944	5852149	6378843	27044506	
Public Investment	175388	192107	227327	273543	332355	411226	1436559	
Private Investment	49858	78166	94252	115724	146762	184687	619591	
<b>Total investment</b>	<b>225246</b>	<b>270273</b>	<b>321579</b>	<b>389266</b>	<b>479117</b>	<b>595913</b>	<b>2056150</b>	
			<b>Investment as Percentage of GDP</b>					
Public	4.23	4.25	4.62	5.09	5.68	6.45	5.31	
Private	1.20	1.73	1.91	2.16	2.51	2.89	2.29	
<b>Total</b>	<b>5.43</b>	<b>5.98</b>	<b>6.53</b>	<b>7.25</b>	<b>8.19</b>	<b>9.34</b>	<b>7.60</b>	
<i>Source: CSO for 2006–07, and computations of the Planning Commission.</i>								

**Projected Investment in Infrastructure during the Twelfth Five Year Plan**

Year	Base Year FY12	FY13	FY14	FY15	FY16	FY17	Total 12th Plan
GDP at FY07 Prices (Rs. Crs.)	6,314,265	6,882,549	7,501,978	8,177,156	8,913,100	9,715,280	41,190,063
Infrastructure Investment as % of GDP	8.37%	9.00%	9.50%	9.90%	10.30%	10.70%	9.95%
Infrastructure Investment (Rs. Crs. in FY07 prices)	528,316	619,429	712,688	809,538	918,049	1,039,535	4,099,239
Infrastructure Investment (Rs. Crs. in current prices)	721,781	888,572	1,073,470	1,280,315	1,524,526	1,812,581	6,579,463

*Source: Mid-Term Appraisal Eleventh Five Year Plan, Planning Commission, GOI; WPI inflation used to convert to current prices; FY12 inflation based on PMEAC projection*

# INDIA

2014 - 2015

**Member Country of**



20th AsiaConstruct Conference

Meeting Construction Industry  
Resources Requirements

13-14 November, 2014  
Hotel ICON, HONG KONG

## THEME PAPER

## **INITIATIVE TAKEN FOR**

### **“MEETING OF CONSTRUCTION INDUSTRY RESOURCES REQUIREMENTS”**

The development of recommendations took in cognizance the issues listed above, needing address and encompassed existing impediments/limitations and relevant mitigation measures, having recognized that, the Construction Industry has a great contribution potential to the overall National Economy, having displayed consistent growth trend of around 8% during last plan period. These include the macro recommendations, which require policy intervention at Central and State Governments level, action by stakeholders, and certain implementation models at gross root level, which may be elicited as examples for detailing a blue print for action.

- i) Review of present procedures of procurement of projects & services including dispute resolution mechanisms, and quality issues and evolve measures for improvement, particularly in view of the increasing privatization in infrastructure sector. The Steering Committee recommends following:-

- a. The Contract Conditions being used by various Project Authorities in the Country, **whether in Public or Private Sector**, should be harmonized. The recommendations issued by the **Ministry of Statistics and Programme Implementation in this regard, must be implemented fully** by all Project Owners in the Country. This would require Government's intervention to convert guidelines of MOSPI into specific directions for all Public Agencies/ Undertakings/Organizations. The recommended guidelines on contract conditions & also the model works manual are hosted on the web site [www.cidc.in](http://www.cidc.in).
- b. For the Public Private Partnership models, the Model Concession Agreement developed by the Planning Commission for the Road & Highway Sector, could be used as a base model and modifications could be made to cater to other sub-sectors, as well.
- c. Necessary provisions in the procurement system, be made to ensure that standard quality certification (third party) systems are adhered to.

Some system giving incentives for timely completion and good performance by concerned construction agencies be suitably introduced. A system may also be developed and promoted to facilitate small and medium construction companies to share services and available plants and machinery at equipment banks. In fact similar systems have already been introduced in several highway construction projects of Maharashtra State Road Development Corporation.

- d. The emphasis must be laid on Institutional Arbitration system, instead of Ad-hoc system, as is being followed presently. The arbitration should be in line with Indian Arbitration and Conciliation Act 1996.
- e. To minimize “disputes” leading to time and cost overruns proper project planning process should be encouraged and DPRs may be completed before technical sanction.
- f. Suitable institutional modifications be introduced for risk mitigations. New insurance products should be developed.

- ii) A National Plan for **training and certification of Construction personnel** at all levels should be developed and implemented.

The plan should include initiating a system of ‘Graded Certification’ depending upon levels of proficiency achieved. To meet shortage of available trained manpower in certain urgently needed trades short terms courses may be introduced where ITI courses are of long duration.

It is further recommended that some kind of Permanent Identification number be granted to the workers, and a nation wide scheme of granting e-cards be launched for effective availability of the benefits.

The construction sites could be designated as the learning centers & introduction of mandatory Internship for the students of engineering programs both at Diploma and Degree level be made.

- iii) Well defined and harmonized institutional financing systems be evolved to

build the capacity of Construction Industry.

- iv) A comprehensive Draft **Construction Law** should be developed and **the Construction Law for India** be enacted through wider consultations.
- v) Present system of **asset management should be reviewed** at local/ state/ central government levels and strengthened. A policy frame work **ensuring mandatory provision for maintenance of assets supported by adequate budgetary allocations and trained manpower be set-up.**
- vi) A National strategy and policy framework focused particularly on **productivity enhancement** and **cost reduction** be developed to match with envisaged work load and delivery targets of various sectors and for sustainable development and growth of construction industry.

Induction of new technologies, construction systems and energy efficient materials (preferably based on waste recycling) should be adequately emphasized in the development of national strategy for enhancing productivity and efficiency and reducing cost of construction works. For rural roads sector, there appears to be strong need for developing and introducing use of “marginal materials” to enhance cost effectiveness of works.

It is therefore proposed, that a National Construction Research & Development fund be created & an authority be constituted under the auspices of a nodal ministry to administer this provision. As an initial seed support a sum of Rs. 100 crores be allocated to persue these objectives

- vii) An appropriate **Management Information System** should be developed and implemented at National, Provincial and Local levels for construction industry. An Institution be nominated as the repository of National Data Base for Construction Industry.
- viii) Systems & Institutions should be developed for **expansion of network for project export and attracting more foreign investment**. Interactions with Indian Missions abroad , should be intensified, through evolution of an Institutional mechanism.
- ix) A mechanism for **registration of professional engineers** need to be established for which a **nodal agency need to be identified**. Intake in academic institutions be regulated to mitigate declining trend in the availability of civil engineers
- x) **Taxation & Regulatory Systems should be revamped**. Sectoral classification and definition of Construction Industry should be established, as for taxation purposes construction “is treated as “Industry” as well as “Service” The Steering Committee recommends that construction be treated as Industry and the existing definitional anomalies, where for certain sub-sectors of construction sector, service taxes have been introduced, be removed.
- xi) **Institutional Arrangements be made to identify, prevent and mitigate the effects of Natural Disasters**. New programs should be taken as per guidelines and programs announced by National Disaster Management

Authority. The Steering Committee recommends that following actions should be taken up on priority.

- a) To develop the Human Resources in Disaster Mitigation and disaster resistant construction technologies and
  - b) Retrofitting Clinics and Disaster Identification Centres be set up in all major settlements and districts falling in disaster prone regions
- xii) An Institutional mechanism need to be developed for continuous evaluation of various economic parameters such as Construction Cost Indices and impact of policies of other sectors having impact on cost of construction works.
- xiii) A National Plan need to be developed for upgrading the prowesses of Engineering Consultants and advisors, and should be implemented.
- xiv) Adherence of standards should be ensured through relevant regulatory provisions.
- xv) A national plan to be evolved and implemented for entrepreneur development in Construction Industry for raising the capability levels.
- xvi) A conceptual plan to identify a nodal organization to implement and monitor above should be formalized and implemented upon.
- xvii) A national plan for insuring adherence to the Environment Protection Act (2006) be developed and Energy Efficiency issues be addressed in conformity to the Energy Conservation Act of 2001.

# 20<sup>TH</sup> ASIA CONSTRUCT

## MEETING CONSTRUCTION INDUSTRY RESOURCE REQUIREMENTS

Presented by-  
Mr. Deepak Mazumdar, Addl. Director



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(A body established by the Planning Commission & Construction Industry)  
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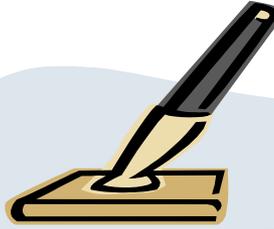
## REQUIREMENTS OF THE CONSTRUCTION INDUSTRY

- Construction is the vehicle for the growth of civilization. It helps build **structures that sustain a nation' s economy**. In our country' s National plans, Construction constitutes 40 to 50% of the **capital expenditure** on projects in various sectors such as Energy, Transport, Irrigation, Social sector, Communications, Defense, Rural and Urban Infrastructure and so on. It is highly **employment intensive**.
- India' s construction industry today faces enormous **challenges** posed by the massive sizes of the country' s **plans**, the need for **project exports** to countries which do not welcome the second best, a growing **domestic consciousness** about quality, speed and efficiency and the new economic policies of the government, viz., **liberalization** and **globalization** which have started throwing open a good deal of construction activity to the private sector, thus ushering in unprecedented **international competition within the country**.
- Overall growth of domestic construction industry has been over 10 percent, and is bound to show an upward trend owing to the need to develop the infrastructure to support the overall industrial development.



## THE AGENDA FOR THE ACHIEVEMENT OF RESOURCE REQUIREMENTS

- Reduction of Centrally Sponsored Schemes
- Expansions of project-based support to states
- Support to states contingent upon agreed programme of reforms
- Preference to the completion of existing projects than to new ones
- Plan funds to be given for critical repairs and maintenance activities
- Privatisation/closure of non-strategic PSUs in a time bound manner
- Reduction in subsidies in a time bound manner
- Selected fiscal targets to be achieved
- Tax reforms and implementation of VAT in a time bound



## MEETING CONSTRUCTION INDUSTRY RESOURCES REQUIREMENTS

- ✓ CIDC: Introduction
- ✓ HRD initiatives & Training
- ✓ Grading of Construction Entities
- ✓ IQAC
- ✓ Political, Legal & Social Framework
- ✓ Economic Overview
- ✓ Construction Industry Sub Sectors
- ✓ 12<sup>th</sup> Five Year Plan- Charts & Tables
- ✓ Promotion of Foreign Investment
- ✓ PPP Landscape in India



# CONSTRUCTION INDUSTRY DEVELOPMENT COUNCIL: INTRODUCTION

- The Planning Commission, Government of India jointly with the Indian construction industry has set up Construction Industry Development Council (CIDC) to take up activities for the development of the Indian construction industry.
- The Council provides the impetus and the organizational infrastructure to raise quality levels across the industry. This helps to secure wider appreciation of the interests of construction business by the government, industry and peer groups in society.
- CIDC is a change agent to accelerate a process of self-reform that should enable the industry to answer the challenges of the future.
- Clarity of purpose and intent forms CIDC's mandate. Since its inception in 1996, the Council has taken several initiatives for the development of the industry.



## GOALS AND OBJECTIVES

- Advice the Government on policy formulation related to construction industry.
- Standardization of construction contracts and procedures.
- Training manpower at skilled worker level and construction management level.
- Grading of construction entities
- Devise mechanisms for workers' welfare.
- Help evolve policies for financing.
- Help the industry move from the current state of rule-bound, lowest-price-based contracting to a more quality-conscious, time-bound & technology-driven one.
- Dispute Resolution in Construction Contracts.
- Interaction and networking with international organisations to promote emerging technologies and best practices.



- Accelerate growth rate of GDP from 8% to 10% and then maintain at 10% in the 12th Plan in order to double per capita income by 2016-17
- Increase agricultural GDP growth rate to 4% per year to ensure a broader spread of benefits
- Create 70 million new work opportunities.
- Reduce educated unemployment to below 5%.
- Raise real wage rate of unskilled workers by 20 percent.
- Increase infrastructure / Houses
- Increase energy efficiency by 20 percentage points by 2016-17
- Treat all urban waste water by cleaning river waters  
Increase energy efficiency by 20% points by 2016-17



# CIDC: HRD INITIATIVES & TRAINING

- In order to improve the work performance of construction industry and to generate value added employment opportunities, CIDC had initiated a country wide Human Resource Development initiative focused on developing a formidable work force to fructify various Infrastructure Development Projects in the Nation and also abroad.
- Over the last 18 years CIDC has made substantial achievements in the area of HRD especially for construction workers, Artisans and Supervisory cadre personnel. The program is now spread over 19 states and supported extensively by various State Governments.
- Over 4,00,000 personnel trained, tested and certified by CIDC for their skills.



# CONTD..

CIDC has been organizing trainings for all level of construction professionals starting from;

- ✓ Workers program in 48 disciplines
- ✓ Supervisor level programs for 10+2 pass outs
- ✓ Diploma engineering program in 3 disciplines
- ✓ Executive development programs (EDP) for senior experienced professionals





## CONTD..

- CIDC with its broad based initiatives towards all- inclusion growth of Indian Construction Industry is in the process of creating its **“CORPORATE OFFICE”** by the name of **‘Vishwakarma Pratham’** .
- Corporate Office is also one of its training center, where trainees got trained & helping CIDC to build its own Corporate office.





## POLITICAL, SOCIAL & LEGAL FRAMEWORK

- Secular Constitution.
- Stable Democratic environment since 1947.
- Broad consensus on Economic policy across party lines.
- Independent multi-tier judicial system.
- Judicial systems in sync with international practices.
- Preferred language of domestic business & international interactions is English.



# ECONOMIC OVERVIEW

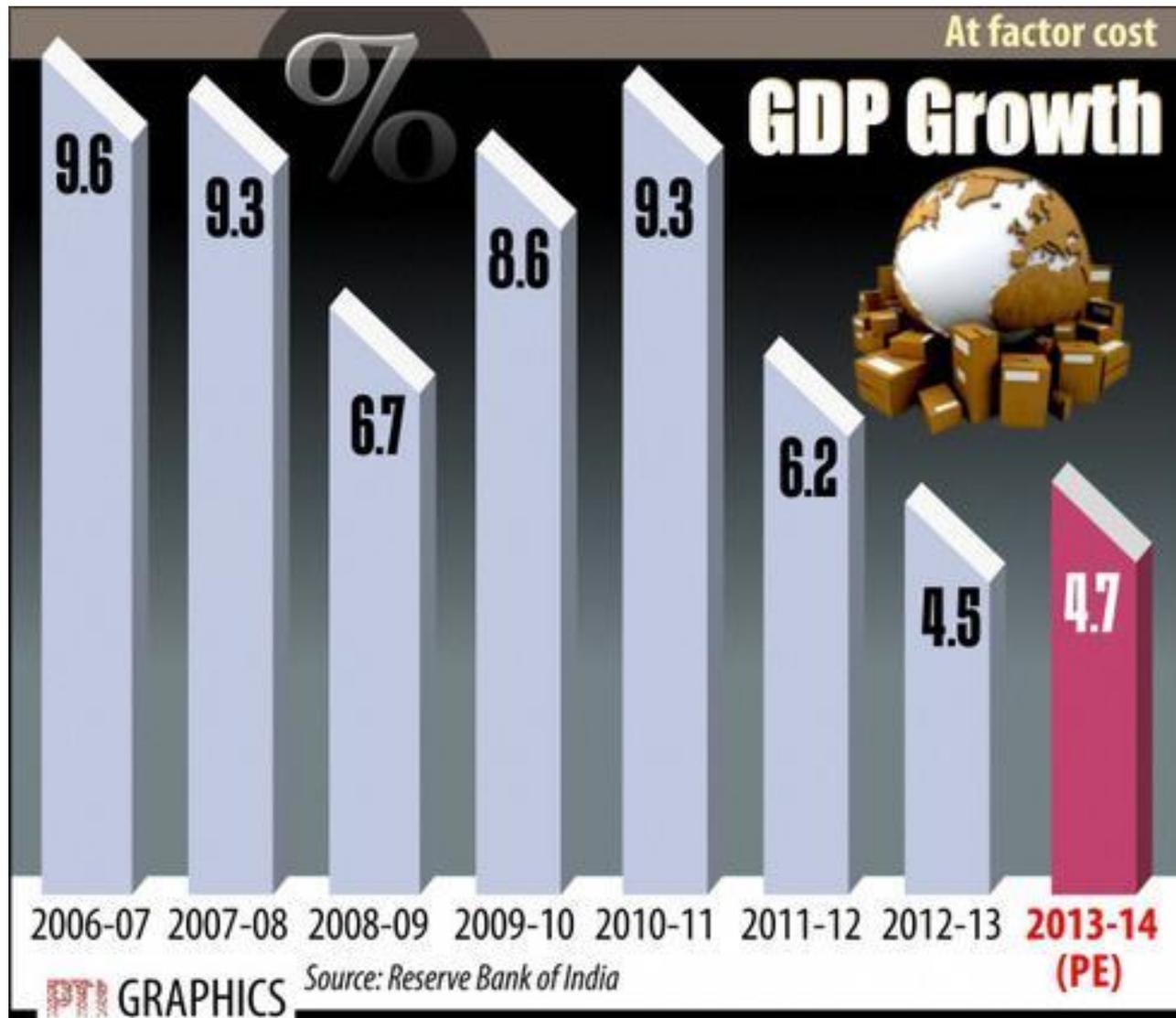
- India is the 2<sup>nd</sup> fastest growing economy.
- GDP Growth is 4.7% in 2014.
- The opportunities unfolding in India is as a result of reforms enacted from early 1990s as well as a result of India's increasing competitiveness and confidence.
- Positive outlook to international investments and trade policies.
- Fiscal incentives from Central Government and States support in physical and social infrastructure development.
- Very large pool of educated, trained and skilled manpower.
- Rapidly developing R&D, infrastructure, technical and marketing services.





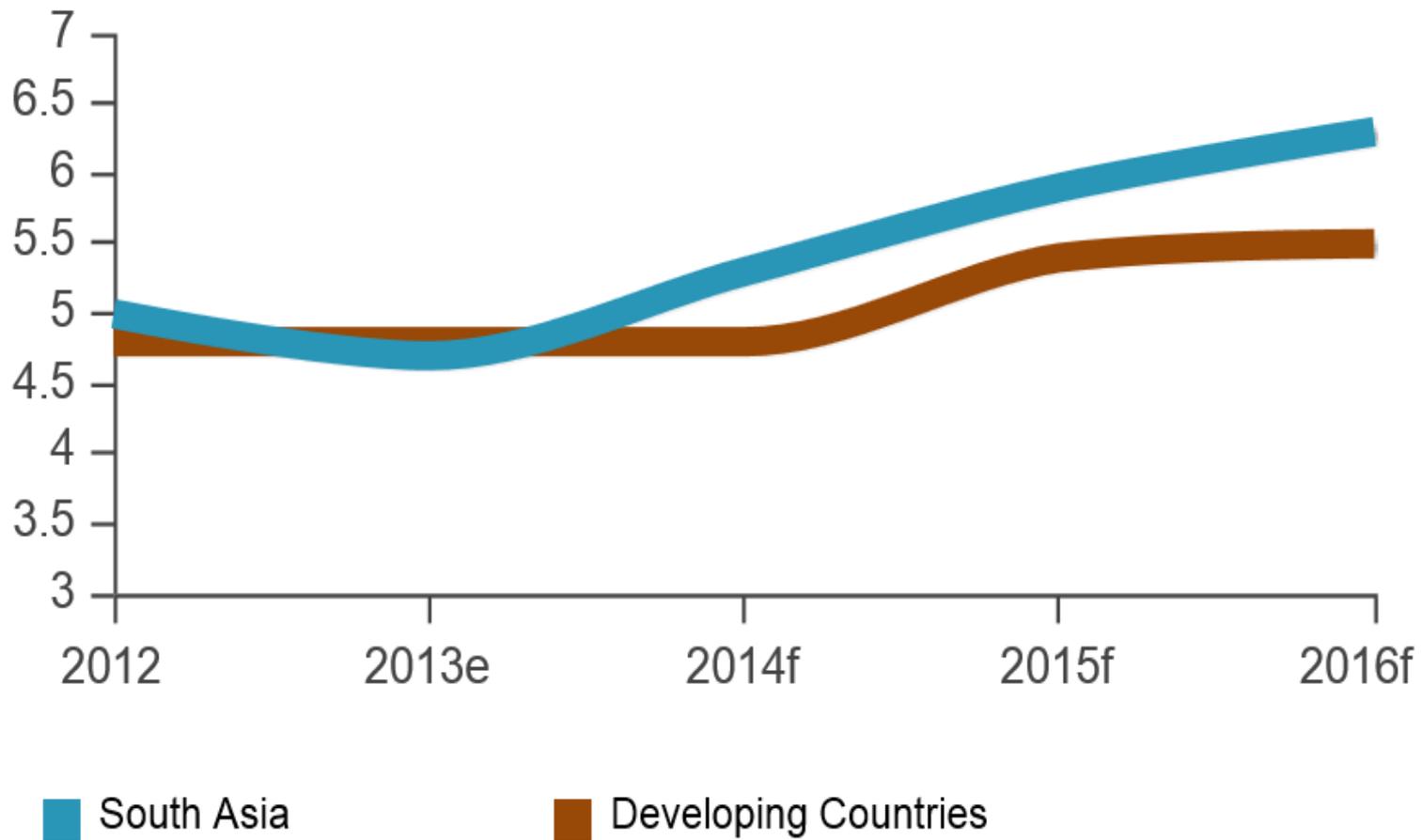
## CONTD..

- Agricultural self-sufficiency, rich mineral base and abundance of other natural resources.
- Large, diversified and geographically well distributed manufacturing capability.
- Diversified infrastructure facilities available and under development.
- Sound banking system with a network of 70,000 branches.
- Vibrant capital market comprising 23 stock exchanges with over 10,000 listed companies.
- Large coastline with easy access to South Asian markets.
- 3<sup>rd</sup> largest investor base in the world.
- GDP per capita
  - \$1,499 (nominal: 148th; 2013)
  - \$5,410 (PPP: 123th; 2013) (Source: World Bank)





## GDP % growth, annual



Source: World Bank



# KEY ECONOMIC INDICATORS

## SEPTEMBER, 2014

Table - 1  
Growth Rate of GDP at Factor Cost (at 2004-05 prices) (in %)

Industry	2007-08	2008-09	2009-10	2010-11 <sup>^</sup>	2011-12 <sup>@</sup>	2012-13 *	2013-14 (PE)
I. Agriculture	5.8	0.1	0.8	8.6	5.0	1.4	4.7
II. Industry	9.7	4.4	9.2	7.6	7.8	1.0	0.4
Mining & quarrying	3.7	2.1	5.9	6.5	0.1	-2.2	-1.4
Manufacturing	10.3	4.3	11.3	8.9	7.4	1.1	-0.7
Electricity, gas & water supply	8.3	4.6	6.2	5.3	8.4	2.3	5.9
Construction	10.8	5.3	6.7	5.7	10.8	1.1	1.6
III. Services	10.3	10.0	10.5	9.7	5.6	7.0	6.8
GDP at factor cost	9.3	6.7	8.6	8.9	6.7	4.5	4.7

*\*: First revised estimate, @: Second revised estimate, ^: Third revised estimate, PE: Provisional estimate.*

Source: Central Statistics Office.

Table - 2  
Sectoral Share in GDP at Constant (2004-05) Prices (in %)

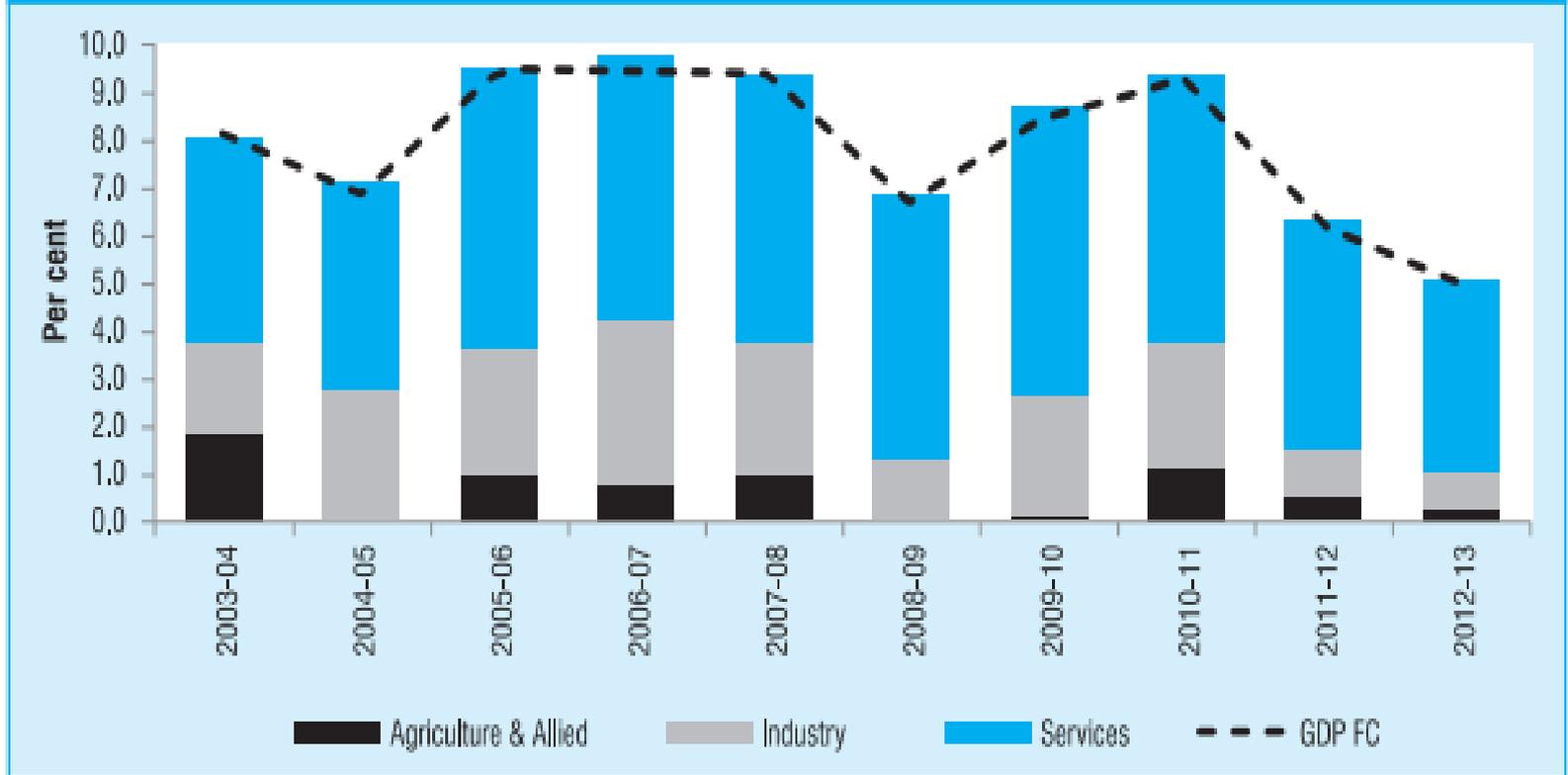
Industry	2007-08	2008-09	2009-10	2010-11 <sup>^</sup>	2011-12 <sup>@</sup>	2012-13 *	2013-14(PE)
I. Agriculture	16.8	15.8	14.6	14.6	14.4	13.9	13.9
II. Industry	28.7	28.1	28.3	27.9	28.2	27.3	26.1
Mining & quarrying	2.5	2.4	2.3	2.2	2.1	2.0	1.9
Manufacturing	16.1	15.8	16.2	16.2	16.3	15.8	14.9
Electricity, gas & water supply	2.0	2.0	2.0	1.9	1.9	1.9	1.9
Construction	8.1	8.0	7.8	7.6	7.9	7.7	7.4
III. Services	54.4	56.1	57.1	57.5	57.4	58.8	59.9
GDP at factor cost	100	100	100	100	100	100	100

*\*: First revised estimate, @: Second revised estimate, ^: Third revised estimate, PE: Provisional estimate.*

Source: Central Statistics Office.



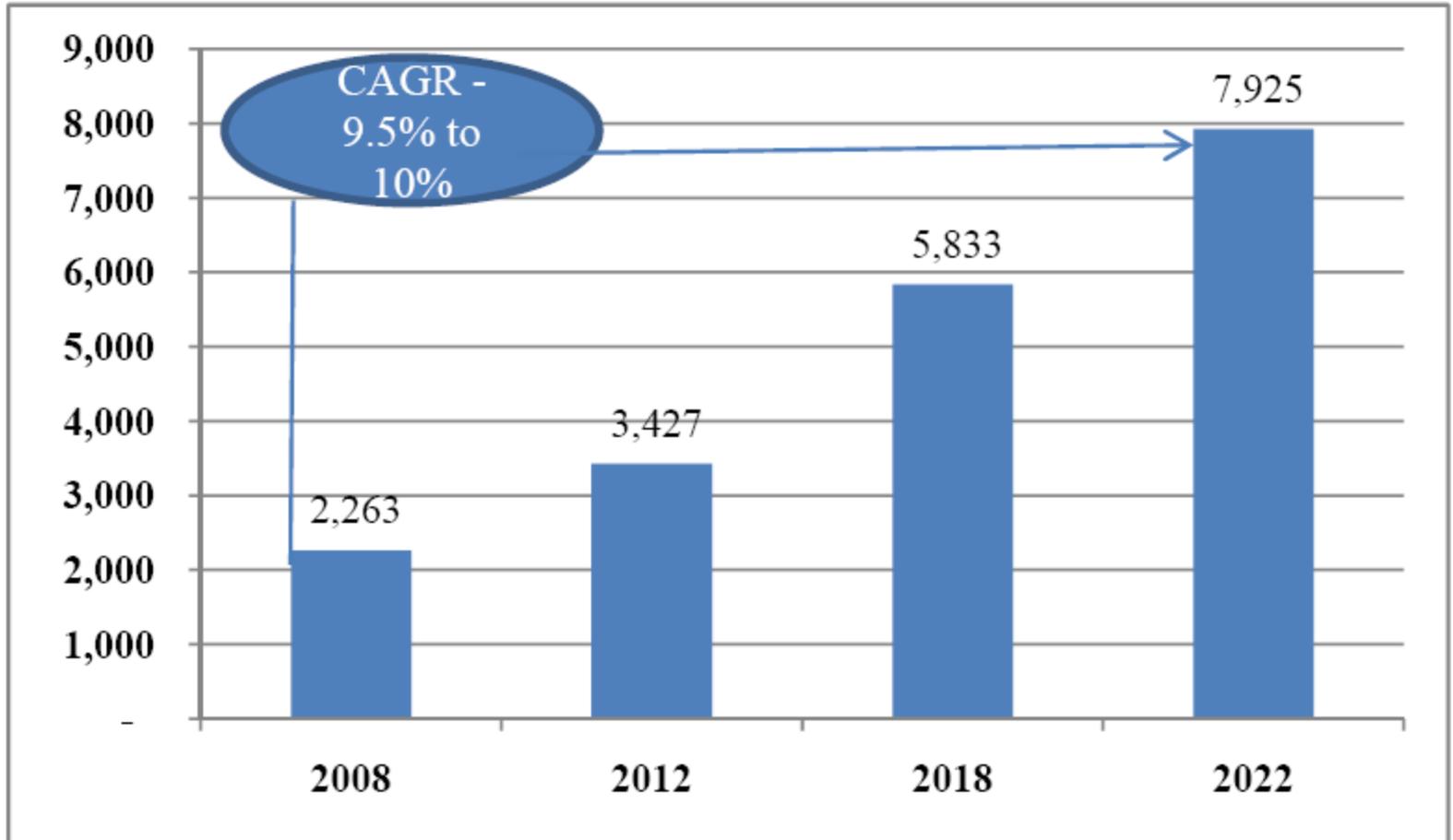
**Figure 1.1: GDP growth and point contribution of different sectors**



**Note :** Data for 2012-13 is as per Advance Estimates released by CSO.



*Figure 22: Projected Real GDP of Construction sector (Rs. billion)*



*Source: IMA CS analysis*



*Table 10: Share of economic activity estimated in the Infrastructure segment*

<b>Sector in Infrastructure</b>	<b>% of economic activity</b>
<b>Electricity</b>	32.4%
<b>Road and Bridges</b>	15.3%
<b>Telecommunication</b>	12.6%
<b>Railways (including MRTS)</b>	12.7%
<b>Irrigation</b>	12.3%
<b>Water Supply and Sanitation</b>	7.0%
<b>Ports</b>	4.3%
<b>Airports</b>	1.5%
<b>Others</b>	1.9%

*Source: Planning Commission's Tenth and Eleventh Five Year Plan and IMaCS analysis*



*Table 11: Projected human resource requirement between 2008 and 2022 (in '000s)*

	2008	2012	2018	2022	Incremental
<b>Infrastructure</b>	25,177	33,868	48,280	58,289	33,111
<b>Real Estate</b>	10,790	14,515	20,692	24,981	14,191
<b>Total</b>	35,968	48,383	68,972	83,270	47,302

*Source: IMaCS analysis*

*Table 12: Incremental human resource requirement – education-wise (in '000s) between 2008 and 2022*

	Ph.D/ Research/ Design	Engineers	Diploma	ITI and other vocationally trained	Other graduates	CA/ MBA/ etc.	10th standard and below/ dropouts
<b>Infrastructure and Real Estate</b>	473	946	946	5,953	473	473	38,038
<b>Incremental human resource requirement</b>				47,302			

*Source: IMaCS analysis*



*Table 13: Incremental human resource requirement across the workforce (including skilled workforce) between 2008 and 2022 (in '000s)*

<b>Profile of people</b>	<b>Incremental Requirement</b>
<b>Project Managers and Engineers</b>	473
<b>Supervisors</b>	473
<b>Foremen</b>	946
<b>Crane operators</b>	7
<b>Electricians</b>	473
<b>Welders</b>	473

<sup>15</sup> *Note on Methodology of Estimation of Incremental Requirement:* The a incremental human resource requirement has been calculated based on a) the investments in the Eleventh Plan Period and projected investments into various sectors, b) the amount of man-days required for completion of projects in sectors such as Road, Rail, Power, etc. for a specific investment size, and c) estimates on productivity increase. The GDP growth and size of construction and real estate services have been projected based on econometric modelling.



*Human Resource and Skill Requirements in Building, Construction Industry and Real Estate Services*

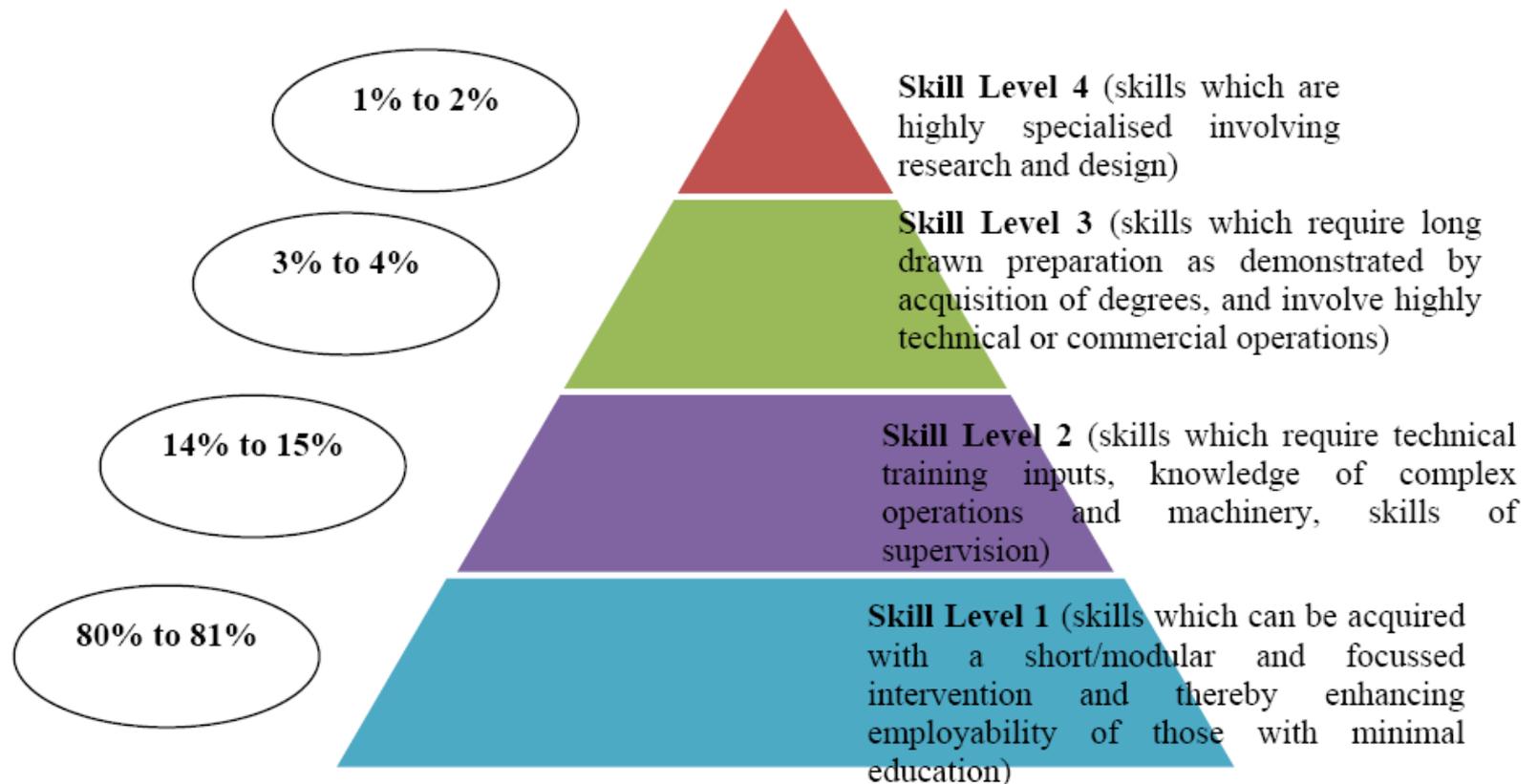
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<b>Profile of people</b>	<b>Incremental Requirement</b>
<b>Bar Benders</b>	1,419
<b>Masons<sup>16</sup> (see footnote)</b>	1,419
<b>Plumbers</b>	1,183
<b>Carpenters</b>	1,892
<b>Surveyors</b>	47
<b>Others (including Quality, Glazing workers, painters, equipment operators)</b>	459
<b>Minimally Educated</b>	38,038
<b>Total</b>	47,302

*Source: IMaCS analysis*



*Figure 23: Skill Pyramid for the Construction industry*



*Source: Primary Research and IMAcS analysis*



*Table 14: Major segments where persons would be employed in Construction (in '000s) till 2022 – total and incremental human resource requirement*

<b>Activity</b>	<b>Total Requirement in 2022</b>	<b>Incremental requirement between 2008 and 2022</b>
<b>Real Estate - Housing and Buildings</b>	24,981	14,191
<b>Electricity</b>	19,717	11,201
<b>Road and Bridges</b>	8,947	5,082
<b>Railways (including MRTS)</b>	7,745	4,400
<b>Irrigation</b>	10,681	6,068
<b>Water Supply and Sanitation</b>	6,061	3,443
<b>Ports</b>	2,551	1,449
<b>Airports</b>	889	505
<b>Others</b>	1,698	964
<b>Total</b>	<b>83,270</b>	<b>47,302</b>

*Source: Primary Research and IMaCS analysis*



# CONSTRUCTION INDUSTRY: SUB-SECTORS

- Housing, SEZs, Township development
- Surface Transportation Systems  
(Roads/Highways/Maritime Transport/Railways)
- Power Generation & distribution
- Aviation Structures
- Core Sector/Mining
- Irrigation and Water Management
- Defense Construction
- Oil and Petrochemicals
- Utilities
- Maintenance of Assets
- Rural Constructions





# COMPARISON OF BUDGETARY ALLOCATION 11<sup>TH</sup> (2007-12) & 12<sup>TH</sup> FIVE YEAR PLAN (2012-17)

Major sectors	11th Plan (Rs in Millions)		12th Plan (Rs in Millions)		Increase over 11th Plan (in %)
	Realisation	% share	Projection	% share	
Agriculture and water resources	11,65,540	7.3	28,40,300	7.96	143.69
Rural Development and Panchayatiraj	39,75,240	25.01	67,30,340	18.86	69.31
Scientific departments	5,86,900	3.69	14,21,670	3.98	142.23
Transport and energy	20,40,760	12.84	44,87,360	12.57	119.89
Education	17,75,380	11.17	45,37,280	12.71	155.57
Health and child development	11,26,460	7.09	40,85,210	11.45	262.66
Urban Development	6,34,650	3.99	16,40,780	4.60	158.53
Others	45,88,490	28.87	99,43,330	27.86	116.70
<b>Total Plan allocation</b>	<b>158,93,420</b>	<b>100.00</b>	<b>356,86,260</b>	<b>100.00</b>	<b>124.53</b>



## The budgetary allocation under the 12h Five Year Plan is 125 per cent more than that of the 11th Five Year

Major sectors	11th Plan (Rs in Millions)		12th Plan (Rs in Millions)		Increase over 11th Plan (in %)
	Realisation	% share	Projection	% share	
Agriculture and water resources	11,65,540	7.3	28,40,300	7.96	143.69
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Education	17,75,380	11.17	45,37,280	12.71	155.57
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Others	45,88,490	28.87	99,43,330	27.86	116.70
Total Plan allocation	158,93,420	100.00	356,86,270	100.00	124.53



The new plan proposes to spend Rs.56,31,692 in Millions. Private sector will Contribute Rs.27,13,853 (in Millions) of the proposed amount.

### Electricity (Rs in Millions)

	11 <sup>th</sup> Plan	12 <sup>th</sup> Plan
Total	69,01,930	150,16,660
Centre	19,52,000	44,07,960
States	18,46,960	44,07,960
Private	131,02,970	71,38,270

### Renewable energy (Rs in Millions)

	11 <sup>th</sup> Plan	12 <sup>th</sup> Plan
Total	8,92,240	31,85,730
Centre	96,340	3,30,030
States	10,180	53,720
Private	7,85,720	28,01,980



## Roads and bridges (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	45,31,210	96,94,060
<b>Centre</b>	19,46,780	36,35,290
<b>States</b>	16,59,030	27,44,330
<b>Private</b>	9,25,400	33,14,450

## Telecommunications (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	38,49,620	94,38,990
<b>Centre</b>	8,63,750	72,11,100
<b>Private</b>	29,85,860	87,17,890

## Railways (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	20,12,370	52,17,990
<b>Centre</b>	19,21,470	41,92,210
<b>Private</b>	90,900	10,25,780



## Mass Rapid Transit System (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	12,07,740	25,49,520
<b>Centre</b>	4,60,030	8,90,150
<b>States</b>	7,46,070	15,05,820
<b>Private</b>	1,640	63,550

## Irrigation (including watershed) (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	4,16,690	12,41,580
<b>Centre</b>	2,14,690	3,97,000
<b>State</b>	1,47,860	3,19,010
<b>Private</b>	54,140	5,25,570

## Water supply and sanitation (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	12,07,740	25,49,520
<b>Centre</b>	4,60,030	8,90,150
<b>States</b>	7,46,070	15,05,820
<b>Private</b>	1,640	63,550



## Oil and gas pipeline (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	6,25,340	14,89,330
<b>Centre</b>	3,51,790	7,15,940
<b>States</b>	40,700	59,690
<b>Private</b>	2,32,840	7,13,700

## Ports (Rs in Millions)

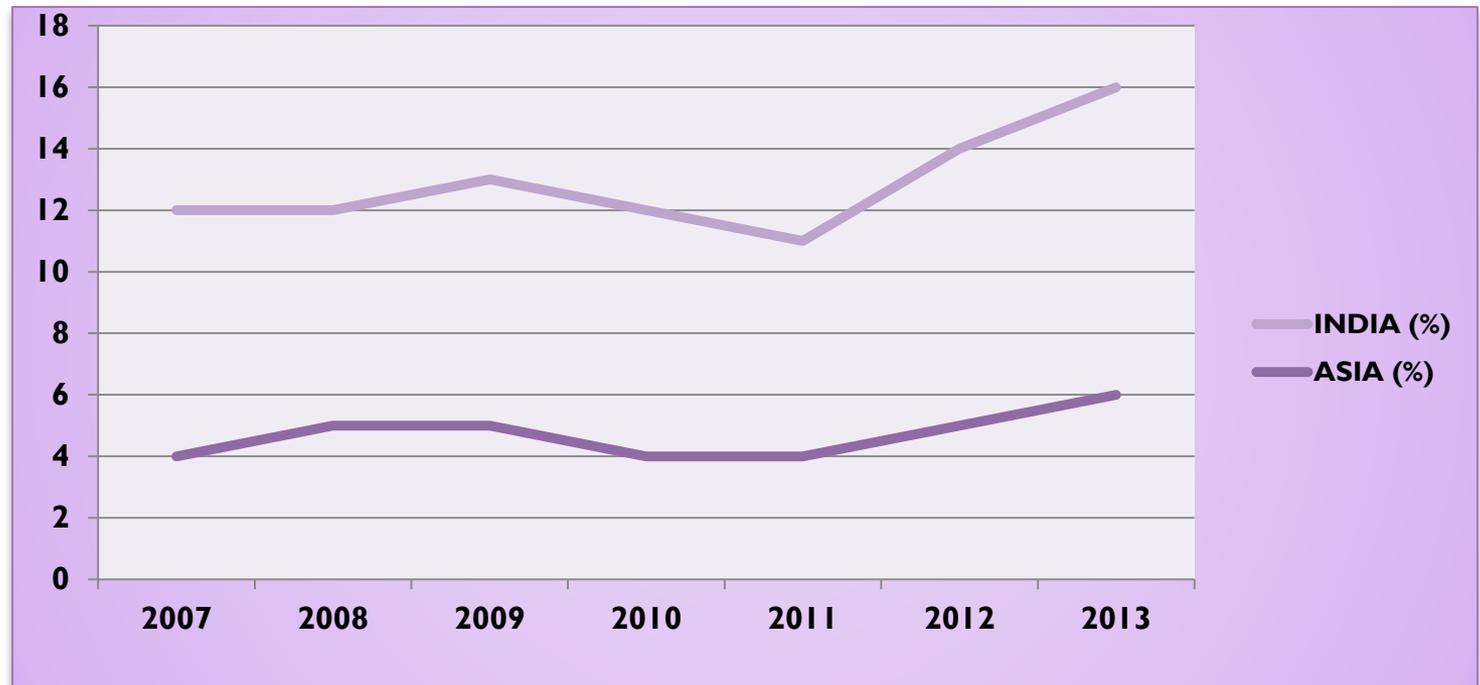
	11th Plan	12th Plan
<b>Total</b>	4,45,360	19,77,810
<b>Centre</b>	54,800	2,06,700
<b>State</b>	27,590	5,630
<b>Private</b>	3,62,980	17,15,480

## Airports (Rs in Millions)

	11th Plan	12th Plan
<b>Total</b>	3,63,110	8,77,140
<b>Centre</b>	1,18,730	1,50,410
<b>State</b>	10,300	24,490
<b>Private</b>	2,34,080	7,02,240



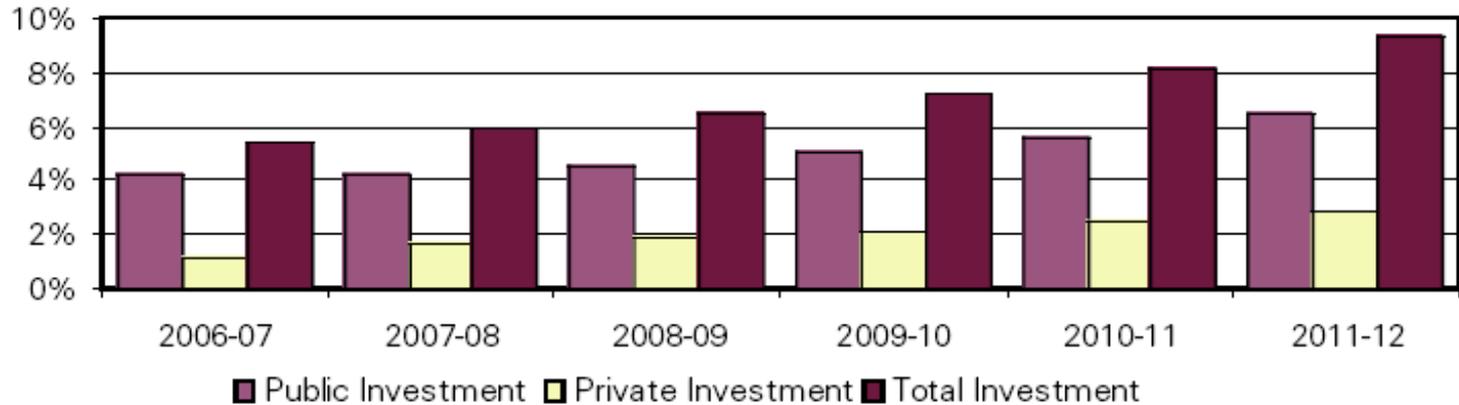
## India' s Construction Growth relative to Asia



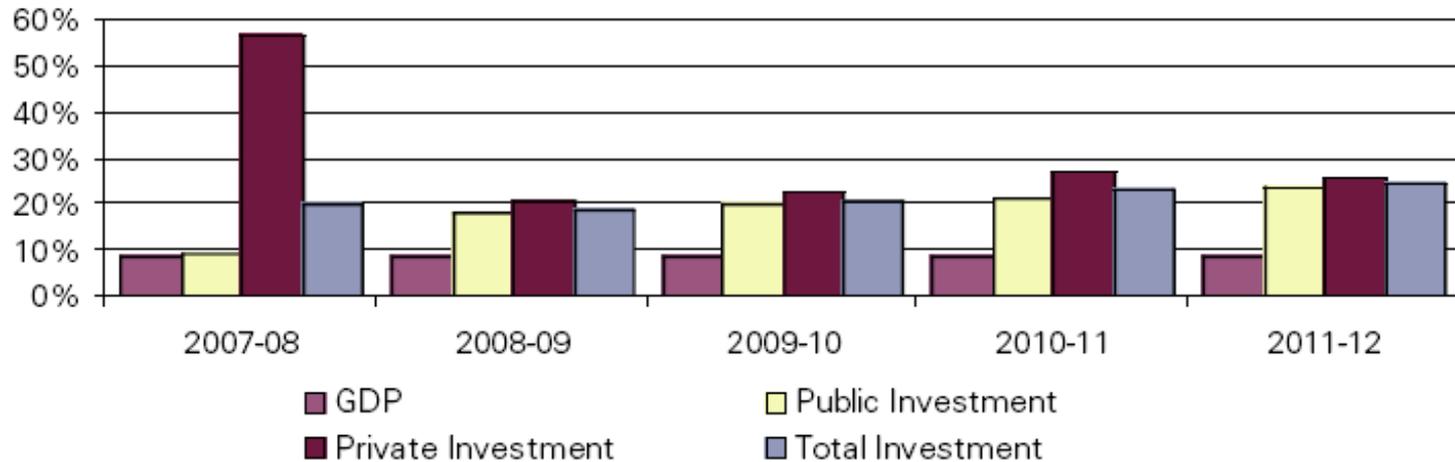
Source: Economic Survey



## Investments as a Percentage of GDP



## Investment Growth Rates



Source: CSO for estimates for 2006-07 and computations of the Planning Commission



## Construction Sector: Contribution to GDP

Year	GDP(at current Prices) (new series) (Rs in Millions)	( GDP: Construction (at current prices) (new series) (Rs in Millions)	Percentage Contribution of G DP by Const. Sector to Total GDP
12005	287,77,010	21,28,070	7.4
2006	328,23,850	26,41,730	8.0
2007	377,93,850	31,91,800	8.4
2008	432,08,920	37,62,660	8.7
2009	49,33,1830	43,70,170	8.9

### Construction Components Involved in creation of Physical Infrastructure

	Construction Intensity (%)		Construction Intensity (%)
Building	76.0	Mineral Plant	18.0
Roads	63.0	Medium Industry	20.0
Bridges	65.0	Transmission	22.0
Dams, etc.	75.0	Urban Infrastructure	66.0
Power	38.0	Maintenance	81.0
Railways	78.0		

Source: 12<sup>th</sup> Five Year Plan



## Structure of Global GDP (in current US \$ Trillion)

	2000	2011	2016	2020	2025
World GDP	32.2	68.7	90.5	110.5	140.5
Advanced Economies	25.7 (79.7%)	44.4 (64.6%)	53.3 (58.9%)	61.1 (55.3%)	71.7 (51.1%)
Developing and Emerging	6.5 (20.3%)	24.3 (35.4%)	37.2 (41.1%)	49.4 (44.7%)	68.8 (48.9%)
<i>of which</i>					
Developing Asia	2.3 (7.3%)	10.5 (15.2%)	17.4 (19.3%)	26.6 (24.1%)	40.7 (28.9%)
of which India	0.5 (1.5%)	1.9 (2.8%)	3.6 (4.0%)	5.8 (5.2%)	10.0 (7.1%)
Sub-Saharan Africa	0.3 (1.0%)	1.2 (1.8%)	1.7 (1.9%)	2.5 (2.2%)	3.9 (2.8%)
West Asia and North Africa	0.8 (2.5%)	2.8 (4.0%)	3.8 (4.2%)	5.0 (4.5%)	7.1 (5.0%)
Latin America and Caribbean	2.1 (6.6%)	5.5 (8.0%)	7.4 (8.2%)	9.7 (8.8%)	13.3 (9.5%)

*[Figures in parentheses denotes share of world GDP]*

*Source: The World Economic Outlook database of the International Monetary Fund. This data up to 2010 in most cases (up to 2009 and earlier in a few) is actual data. Thereafter the figures up to 2016 are projections by the IMF. The projections for India and other countries beyond 2016 have been made internally in the DPPP Division of the Planning Commission.*

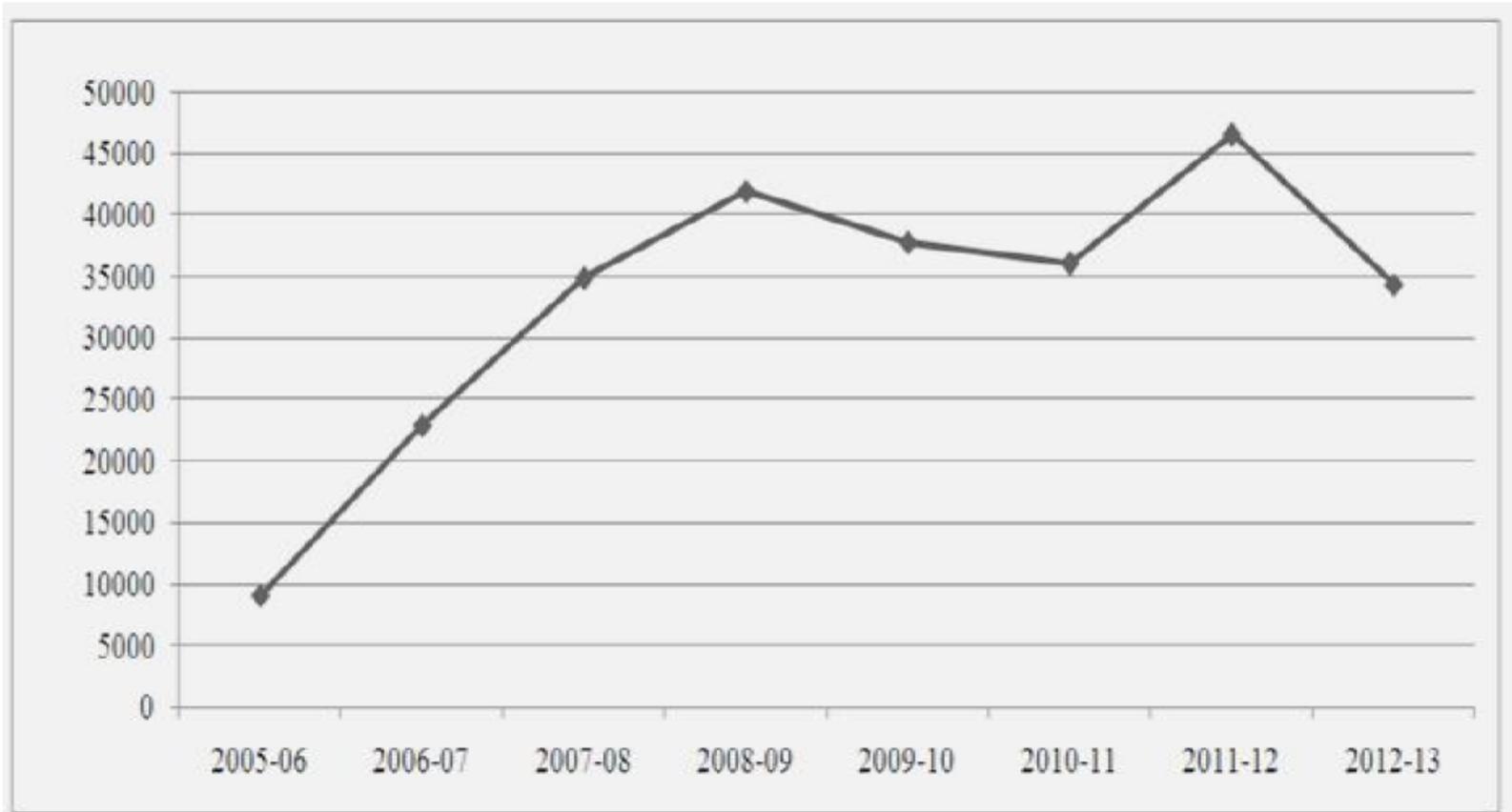


# PROMOTION OF FOREIGN INVESTMENT

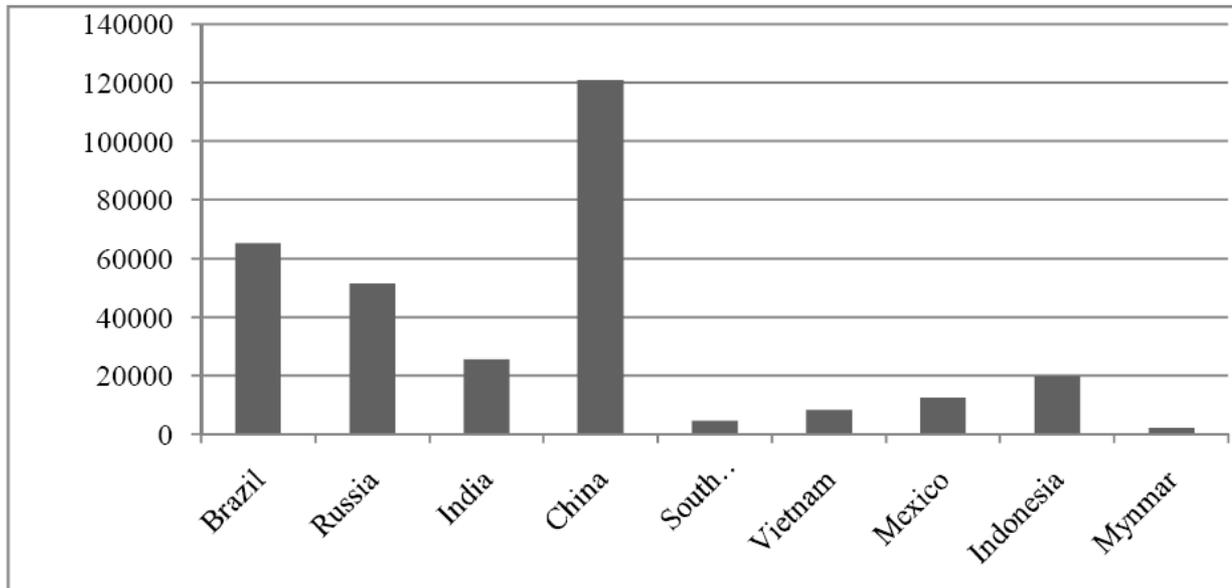
- 100% FDI allowed in most infrastructure projects, through the 'Automatic' route.
- Repatriation of 100% profits from investments allowed in most cases.
- India has been ranked at the fourth place in global foreign direct investments in 2014.
- India attracted FDI equity inflows of US\$ 34,298 million in April 2012 to 2013.
- The cumulative amount of FDI equity inflows from April 2000 to January 2014 stood at US\$ 212,031. million.
- Foreign investment, liberalized across the board, excluding certain restricted or prohibited industries.



## Trends in Inward FDI (in USD Millions)

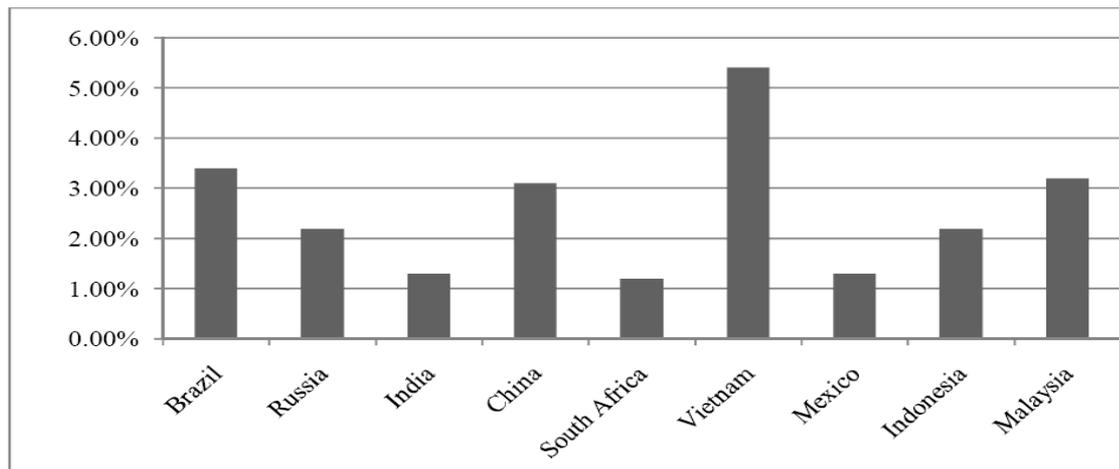


*Source:* Reserve Bank of India Database



Source: UNCTAD Database

**Fig. 2:** FDI inflows in Developing Economies 2012

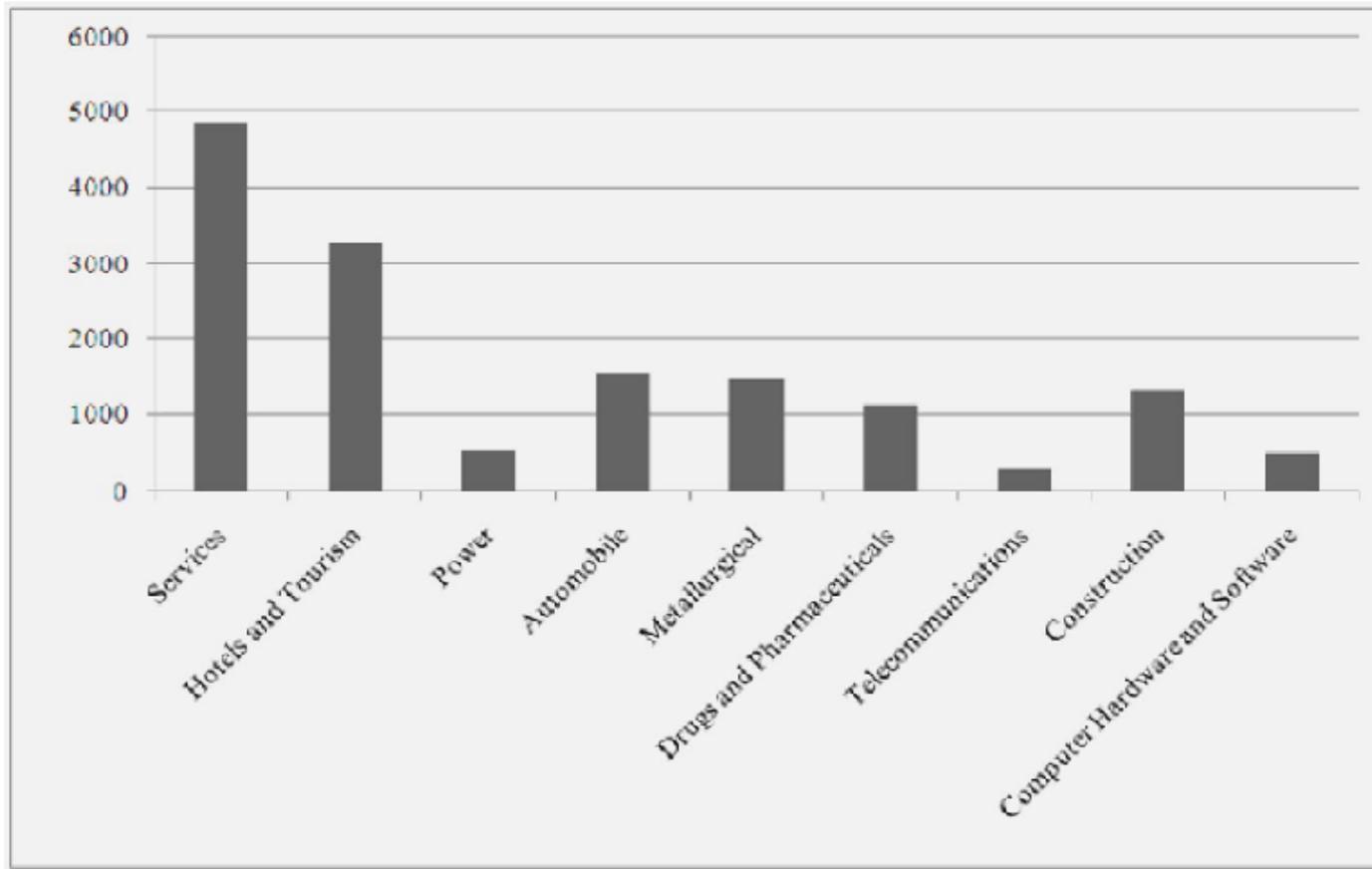


Source: World Bank Database

**Fig. 3:** FDI as a % of GDP in 2012.



## Sectors attracting highest FDI inflows in 2012-13 (in USD millions)



*Source:* Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India



# FDI INFRASTRUCTURE EQUITY CEILING

Real Estate townships)	100%
Roads	100%
Power	100%
Airlines	74%
Airports	74%
Banks (Private)	74%
Mining	74%
Telecom	74%
Defence	49%
Insurance	49%



# PPP LANDSCAPE IN INDIA

- The **economy of India** is fourth largest economy in the world the by purchasing power parity (PPP).
- Well established processes for private sector participation.
- Provision of viability gap funding.
- Enabling fiscal environment.
- Promotion of foreign investment.



## New Technologies

- Several new technologies developed to impart a unique set of benefits.
- The Housing Authority in India adopted prefabrication design that attempted to standardize the size and shape of walls & fast Construction .

## Open Prefab Systems & Small Building Components

- Open prefab systems based on an appropriate production level and small, easily to handle elements with rationalised production methods have attracted the attention of housing experts as an important option for arresting the rapidly rising escalation in the costs of material and labour.
- Building Centers in different regions of India have been instrumental propagating several of these prefab systems at the grass-root level



## New Initiatives

- ❖ A stable and predictable taxation regime which will be investor friendly and spur growth.
- ❖ Promotion of FDI selectively in sectors.
- ❖ The composite cap of foreign investment to be raised to 49 per cent with full Indian management and control through the FIPB route.
- ❖ The manufacturing units to be allowed to sell its products through retail including E-commerce platforms
- ❖ Developing one hundred Smart Cities.
- ❖ Incentives for Real Estate Investment Trusts (REITS). Modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS). These two instruments to attract long term finance from foreign and domestic sources including the NRIs
- ❖ Simplification of norms to facilitate education loans for higher studies.
- ❖ Pan India programme “Digital India” launched.



## Cont.....

- ❖ “National Centre for Excellence in Animation, Gaming and Special Effects to be set up.
- ❖ urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs.
- ❖ Metro Projects in various Indian cities.
- ❖ Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization will be accelerated.
- ❖ Comprehensive policy to promote Indian ship building industry.
- ❖ Development of new airports in Tier I and Tier II Cities launched.
- ❖ Work on select expressways in parallel to the development of the Industrial Corridors will be initiated.
- ❖ Ultra-Modern Super Critical Coal Based Thermal Power Technology is introduced.

Thank  
you



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