sukhanidhi
INVESTMENT ADVISORS
Equity Research & Advisory Services

INDIA'S INFRASTRUCTURE

SET FOR BOOM AS GOVERNMENT PUTS DEVELOPMENT IN THE FAST LANE

AUGUST- 2025

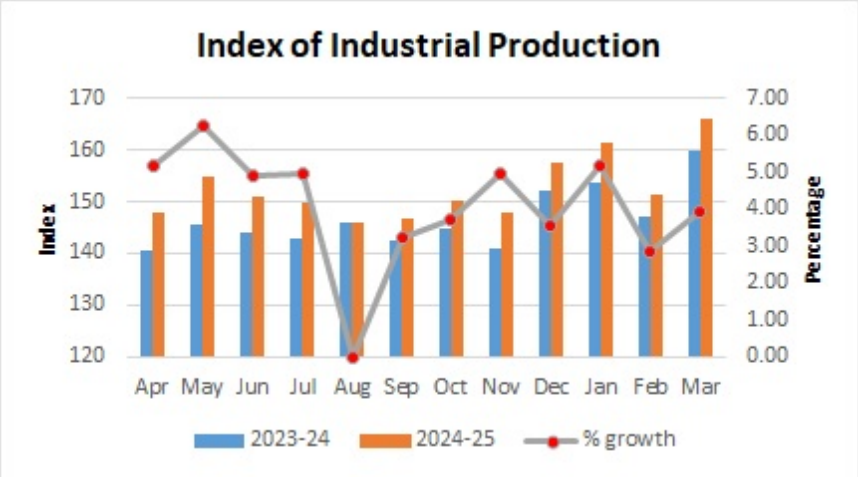
SEBI REGISTERED

Infrastructure is the backbone of economic development, enhancing connectivity, trade, and overall quality of life. India has made remarkable progress in infrastructure development over the past decade. It enjoys intense focus from the Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. In other words, infrastructure sector acts as a catalyst for India's economic growth as it drives the growth of the allied sectors like townships, housing, built-up infrastructure and construction development projects. Roads, Electricity, telecommunications, railroads, irrigation, water supply and sanitation, ports, airports, warehousing facilities, and oil and gas pipelines are the main components of the infrastructure sector. In order to become a $5 trillion economy by 2028, infrastructure development is the need of the hour. The Government has launched the National Infrastructure Pipeline (NIP) combined with other initiatives such as 'Make in India' and the production-linked incentives (PLI) scheme to augment the growth of infrastructure sector. While these sectors still remain the key focus, the Government has also started to focus on other sectors as India's environment and demographics are evolving. There is a need for enhanced and improved delivery across the whole infrastructure range, from housing to water and sanitation services to digital and transportation demands, which will assure economic growth, increase quality of life and boost sectoral competitiveness.

INDEX OF INDUSTRIAL PRODUCTION

The Index of Industrial Production (IIP) is a crucial indicator for the infrastructure sector. The index highlights the performance of essential industries such as manufacturing, mining, and electricity, which have a direct impact on infrastructure development. By monitoring production volumes in these industries, the IIP offers valuable insights into the health and expansion potential of the infrastructure sector. The IIP is used by government agencies, including the Ministry of Finance and the Reserve Bank of India, for policy formulation related to infrastructure development.

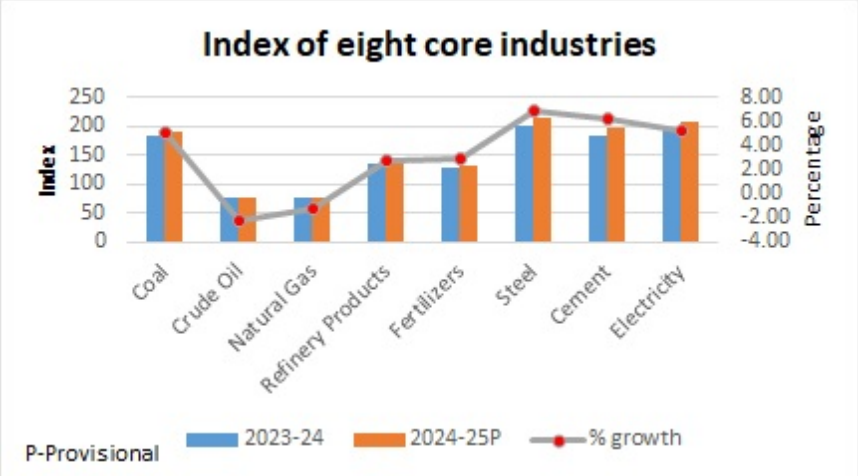
India's industrial growth measured in IIP picked up to 3.0% in March 2025 from 2.7% in the previous month with growth in manufacturing and electricity generation. Industrial growth was 5.5% in March 2024. The Quick Estimates of IIP stood at 164.8 in March 2025 against 160.0 in March 2024. In April-March 2024-25 period, the IIP grew 4.0%, down from 5.9% recorded in the year-ago period. Within the index, Manufacturing output advanced 3.0% in March against 2.8% in the previous month, while electricity generation grew 6.3% from 3.6% in February. Mining activity rose just at 0.4% from 1.6% a month ago.



PERFORMANCE OF INFRASTRUCTURE OUTPUT

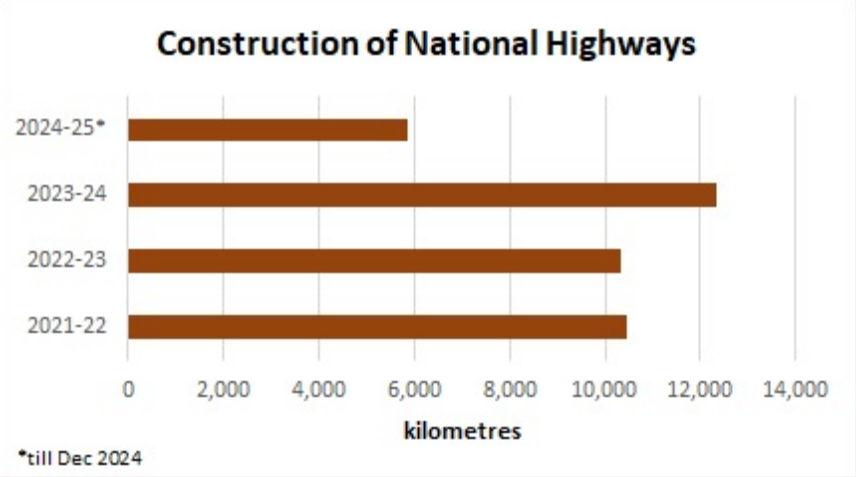
The Index of Eight Core Industries (ICI) offers an initial overview of the production trends within key infrastructure-related sectors. The eight core industries directly contribute to construction and manufacturing activities, which are essential for infrastructure development. The ICI includes sectors such as coal, crude oil, natural gas, and electricity, which are essential for energy generation and supply -key components of infrastructure development. By monitoring the growth trends in these core sectors, the ICI provides valuable insights into the advancements and challenges facing infrastructure development in the country.

The ICI measures the combined & individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27% of the weight of items included in the IIP. The growth rate of ICI during April to March, 2024-25 was 4.5% (provisional) as compared to the corresponding period of last year. During April to March, 2024-25, Coal production increased by 5.1%, Petroleum Refinery production increased by 2.8%, Fertilizer production increased by 2.9%, Steel production increased by 6.9%, Cement production increased by 6.3% & Electricity generation increased by 5.2%, while Crude Oil production declined by 2.2% and Natural Gas production declined by 1.2%.



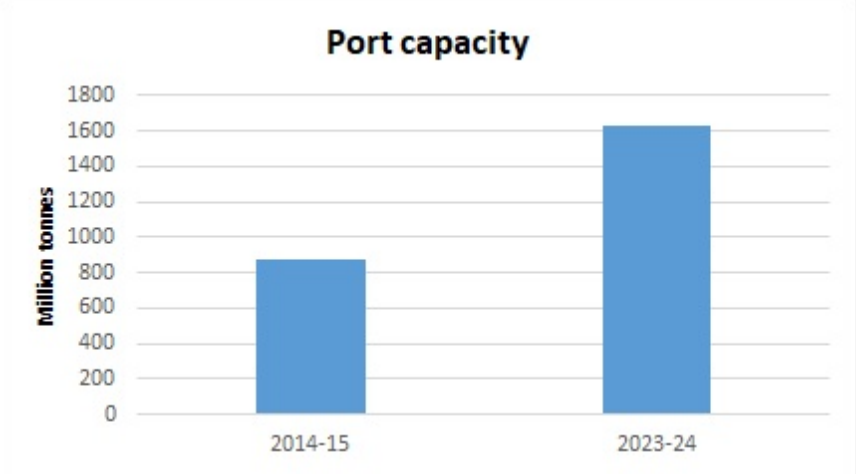
SOME OF THE MAIN COMPONENTS OF THE INFRASTRUCTURE SECTOR

Road network: India has one of the largest road networks in the world. It ranks second globally in terms of total road length, following the United States. The road network supports movement of around 60% of freight traffic in the country and nearly 87% of the total India's passenger traffic. The Indian Road network comprises of National Highways, Expressways, State Highways, Major District Roads, Other District Roads and Village Roads. To get the country in fast forward mode, development of National Highways has been key focus area, however state highways, district and rural roads continue to be large part of overall road network. Only 5,853 kilometres (km) of highways were laid until December 2024 in the fiscal year 2024-25 (FY25), resulting in a daily construction of 21.28 km, a drop of 37% year-on-year. The figures were not surprising as efforts are on to focus more on quality owing to the increase in number of road accidents & complaints over road engineering & construction quality.

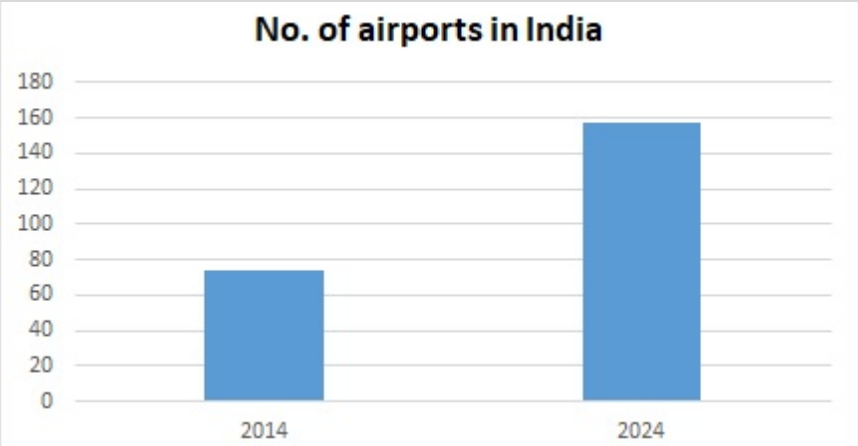


With an aim to improve safety measures, the National Highway Authority of India (NHAI) has started a performance-based rating system for private contractors engaged in building and maintaining national highways. Under this system, contractors scoring less than 70 out of 100 will be declared 'non-performers' and will be ineligible to secure new national highway projects until they improve their score. The Government of India has undertaken several initiatives to enhance and strengthen the National Highways network through flagship programmes such as the Bharatmala Pariyojana which includes the subsumed National Highway Development Project (NHDP), the Special Accelerated Road Development Programme for the North-East Region (SARDP-NE), and many more ongoing projects.

Port & shipping: The maritime sector is a crucial part of a nation's infrastructure, particularly for countries with extensive coastlines. The maritime sector in India comprises of Ports, Shipping, Shipbuilding, Ship repair & Inland Water Transport Systems. Efficient port infrastructure is vital for the smooth flow of raw materials & finished products, supporting various industries. In India, there are total 12 government owned major ports & around 217 minor & intermediate ports. Indian Shipping Industry has over the years played a crucial role in the maritime sector of India's economy. Around 95% of the country's trade by volume & 70% by value is moved through Maritime Transport. Cargo handling capacity has increased from 800.5 million tones per annum in 2014 to 1,630 million tones per annum in 2024. Vis-a-vis 2014, this is an 87% improvement. Turn Around Time(TRT) of major Ports has reduced from around 94 hours in FY-2013-14 to only around 48.06 hours in FY 2023-24. Tourist footfall in 2022-23 for ocean cruise has risen to 3.08 lakh & for light house has risen to 12.3 lakh compared to the year 2014-15.



Aviation ecosystem: India's aviation sector is experiencing a meteoric rise, fueled by soaring demand and the government's unwavering commitment to its growth through supportive policies. This dynamic shift has propelled India to the forefront of the global aviation ecosystem, becoming the third-largest domestic aviation market in the world. The number of operational airports in India in 2014 were 74. By September 2024, the number had increased to 157. By reviving existing airstrips and airports, Ude Desh ka Aam Naagrik (UDAN), launched in 2016, aims to bring essential air travel access to previously isolated communities and boost regional economic development. With a ten-year operational plan, UDAN intends to ensure equitable access to air travel for all Indians. As of December 31, 2024, 147.53 lakh passengers have availed of the benefits of the scheme, more than 2.93 lakh flights have operated under the UDAN scheme so far. 619 Regional Connectivity Scheme (RCS) routes have so far commenced operations connecting 88 airports including 13 heliports & 2 water aerodromes. The aviation sector's growth necessitates the development of airport infrastructure, which in turn boosts the construction industry and creates jobs.

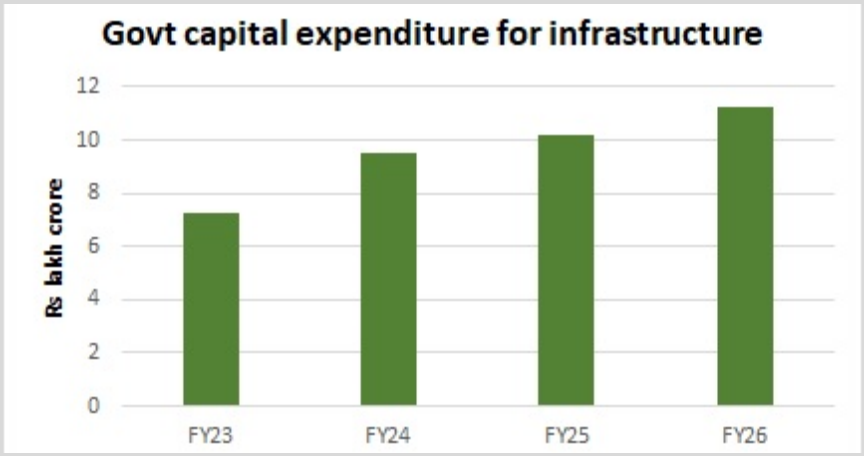


Railways: Railways are a crucial part of a nation's infrastructure, as they facilitate the efficient & cost-effective transportation of both passengers & freight, especially for long distances & bulk commodities. Indian Railways has achieved a remarkable expansion of 31,180 km from 2014 to 2024, with an average commissioning rate of 8.54 km per day for new lines, gauge conversions, & doubling sections. Presently 651 surveys of new line, gauge conversion, & doubling having a total length of 49,983 km have been taken up on Indian Railways under PM Gati Shakti National Master Plan (NMP) for the development of multimodal connectivity infrastructure to various Economic Zones. As of April 1, 2024, across Indian Railways, 488 Railway Infrastructure projects (187 new line, 40 gauge conversion and 261 doubling) of total length 44,488 km, costing around Rs 7.44 lakh crore are in the planning/approval/construction stage, out of which, 12,045 km length has been commissioned & expenditure of around Rs 2.92 lakh crore has been incurred up to March 2024.

Power infrastructure: Power is among the most critical components of infrastructure, crucial for the economic growth & welfare of nations. The existence & development of adequate power infrastructure is essential for sustained growth of the Indian economy. India's growing renewables base (500 GW target by 2030) & a revival in expanding thermal capacity are fueling the demand for a reliable transmission & distribution infrastructure. India added an impressive 86,433 MVA of transformation capacity in 2024-25, which was 22.2% higher than the 70,728 MVA added in 2023-24. As of March 2025, the AC transformation capacity was around 1,304 GVA for voltage levels between 220 kV and 765 kV, witnessing a compound annual growth rate (CAGR) of 5.82% from 2018-19. In AC transmission systems, 765 kV is the highest voltage level at which a transmission line operates. The government has initiated the flagship programmer Revamped Distribution Sector Scheme to strengthen electricity access, improve power quality & upgrade transmission grid infrastructure.

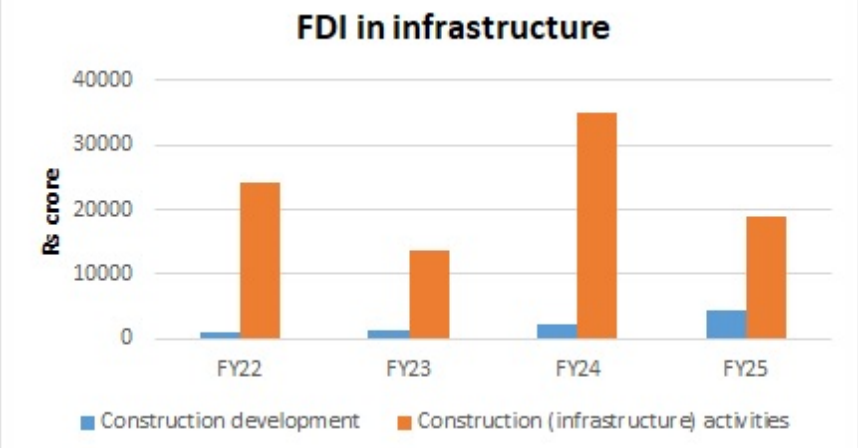
POSITIVES FOR THE SECTOR

Increase in capital investment outlay for infrastructure: Reinforcing the government's commitment to infrastructure-driven growth, the Union Budget 2025 has allocated Rs 11.21 lakh crore towards capital expenditure (capex) for FY26, which would be 3.1% of Gross Domestic Product (GDP). The marks a 0.9% increase from FY25 capex allocation. In Budget 2024, Finance Minister Nirmala Sitharaman had allocated Rs 11.11 lakh crore for capex, maintaining the same level as the interim budget presented in February. This accounted for 3.4% of GDP. The FY25 revised capex was reduced to Rs 10.18 lakh crore during the Union Budget 2025-26. The revised estimate for FY24 placed capex at Rs 9.50 lakh crore, lower than the previous estimate of Rs 10 lakh crore. The revised FY23 capex stood at Rs 7.28 lakh crore.



Copper prices likely to come down in coming time: Copper is mainly used in sectors like building and construction, infrastructure, consumer durables, electricals, telecommunications, etc. It is also increasingly used in other sectors like e-mobility (primarily electric vehicles, metros, etc.), renewable energy, and engineering goods. Higher copper prices directly translate to increased costs for materials used in buildings, power grids, and other infrastructure projects, potentially impacting project budgets and timelines. Increased material costs may lead to delays in project execution as developers try to manage expenses or seek alternative, potentially less efficient, solutions. Copper prices had increased from $8490 per metric tons in 2023 to $9142 per metric tons in 2024, a growth of 7.68%. however, there are expectations that the copper prices will come to nearly $8200 per metric tons in 2025 & $8000 per metric tons in 2026. This is likely to support infrastructure projects as their material cost will come down.

FDI in infrastructure: Infrastructure sector is one of the largest receivers of Foreign Direct Investment (FDI) inflows to India. Government has permitted 100% FDI under the automatic across various infrastructure sectors. Construction Development sector (Townships, housing, built-up infrastructure and construction-development projects) & Construction (infrastructure) activities sector continued around 4% & 5%, respectively, in total FDI inflows in the country. There was significant growth in FDI in construction development sector, which was more than double to Rs 4,503 crore in FY25, as compared to Rs 2,113 crore in FY24. Previously, it was Rs 1,196 crore in FY23 & Rs 932 crore in FY22. However, Construction (infrastructure) activities FDI inflows showed some volatility with Rs 18,962 crore in FY25, which was 45.94% lower compared to Rs 35,076 crore in FY24. Previously, it was Rs 13,588 crore in FY23 and Rs 24,178 crore in FY22. The Indian government actively encourages FDI in infrastructure through policy reforms, streamlining approval processes & improving the ease of doing business.



NEGATIVES FOR THE SECTOR

Project execution risk: Delays in project executions resulting in cost overruns has been one of the major hurdles for private participation especially in the road sector. The delay in project execution, increases the project cost which in turn impacts the investment returns of the private developer or the investor. Thus, this impairs the ability and the willingness of the private investor to participate in infrastructure development in India. Numerous factors can cause delay in projects execution and completion such as: changing governments, challenges in land acquisition, forest and environmental clearances, project financing, procurement of raw materials, shifting utilities, excessive local stakeholders' management etc. Union Minister for Road, Transport and Highways Nitin Gadkari said as many as 637 projects, including those under the Bharatmala Pariyojana Scheme, have faced delays primarily due to factors like land acquisition issues and financial difficulties faced by contractors. Besides force majeure events, scarcity of construction materials etc. have also caused delays in the projects.

Financing challenges: Infrastructure projects require long term financing and in the case of private developers, the financing requirement is largely catered by banks and NBFCs. However, owing to its long-term working capital cycle and risks of project uncertainties, banks have limited appetite for providing credit to infrastructure projects. Infrastructure projects are complex in nature and involve large capital outlays and significant gestations periods. Hence, they are susceptible to various risks such as – project specific risk (delays, cost overruns etc), macroeconomic risks (exchange rate fluctuations, inflation, interest rate risks etc), political or regulatory risks (cancellation of permits, changes in regulatory measures etc), etc. which can increase the Non-Performing Assets (NPAs) and have a cascading effect on the banks balance sheets.

Lack of technology awareness: Even though the government of India is giving significance to cutting-edge technologies like Building Information Modeling (BIM), Geographic Information System (GIS), Drones, Artificial Intelligence, etc. in its major construction projects, people at the grassroots level who have to implement these technologies in project execution are not aware of such technologies. They still prefer traditional method of building that takes a lot of time and increases cost of the project. For example, BIM has gained a lot of attraction in India as it breaks down the silos in construction lifecycle still there are very few projects where BIM is being implemented. Many countries are now using level 4 of BIM whereas India is still at level 1in executing the technology that too in very few projects.

GOVERNMENT INITIATIVES & RECENT DEVELOPMENTS

25,000 km of highway to be widened to 4 lanes for Rs 10 lakh crore: The government has said that a total of 25,000 km of two-lane highways in the country will be converted into four lanes for Rs 10 lakh crore, and it will help reduce accidents on the roads significantly. It also said that 16,000 km of national highways will also be converted into six lanes for Rs 6 lakh crore. It also said that the Modi government has given the highest priority to the development of highways in Jammu and Kashmir, northeastern states and hilly states like Himachal Pradesh and Uttarakhand. It said road construction works worth Rs 2 lakh crore are underway in J&K, where 105 tunnels are being constructed for ease of travel. It said that the government is also constructing a tunnel at Zojila, which would be the longest in Asia and to be located in a sub-zero temperature zone.

Centre gives nod to implement Pradhan Mantri Gram Sadak Yojana phase four: The government has approved the proposal of the Department of Rural Development for 'Implementation of the Pradhan Mantri Gram Sadak Yojana - IV (PMGSY-IV) during FY 2024-25 to 2028-29'. Total outlay of this scheme is Rs 70,125 crore (Central Share of Rs 49,087.50 crore and Sate Share of Rs 21,037.50 crore). Under this scheme, 25,000 unconnected habitations of population size over 500 in plains, over 250 in NE & Hill Sates/UTs, special category areas (Tribal Schedule V, Aspirational Districts/Blocks, Desert areas) and over 100 in LWE affected districts, as per Census 2011 will be covered. Under this scheme 62,500 Km of all-weather roads will be provided to unconnected habitations. Construction of required bridges along the alignment of the all-weather road will also be provided.

Cabinet approves three multitracking projects across Indian Railways: The Cabinet Committee on Economic Affairs has approved three projects of Ministry of Railways with total cost of around Rs 7,927 crore. The projects are Jalgaon - Manmad 4th line (160 km), Bhusawal - Khandwa 3rd & 4th line (131 km) and Prayagraj (Iradatganj) - Manikpur 3rd Line (84 km). The proposed multi-tracking projects will ease operations and reduce congestion, providing the much-required infrastructural development on the busiest sections between Mumbai and Prayagraj. The projects are result of PM-Gati Shakti National Master Plan for multi-modal connectivity which have been possible through integrated planning and will provide seamless connectivity for movement of people, goods and services. The Three projects covering seven Districts in three States i.e., Maharashtra, Madhya Pradesh and Uttar Pradesh will increase the existing network of Indian Railways by about 639 Kms.

India introduces 8 national high-speed road corridors, with investment of Rs 50,655 crore: Aiming to enhance logistics efficiency, reduce congestion, and improve connectivity nationwide, India took a significant leap by introducing 8 national high-speed road corridors spanning 936 km. With an investment of Rs 50,655 crore, these corridors are set to revolutionise connectivity and boost economic growth across India. These corridors will not only streamline transportation but also spur economic growth, making them a critical step forward in connecting India like never before.

PROJECT BRIEFS:

6-Lane Agra - Gwalior National High-Speed Corridor: The 88-km high-speed corridor will be developed on Build-Qperate-Transfer (BOT) mode as a fully access-controlled 6-lane corridor at a total capital cost of Rs. 4,613 Crore. The project will supplement the existing 4-lane National Highway to increase the traffic capacity by more than 2 times in the Agra - Gwalior section of the North South Corridor (Srinagar - Kanyakumari).

4-Lane Kharagpur - Moregram National High-Speed Corridor: The 231-km 4-lane access-controlled high-speed corridor between Kharagpur and Moregram will be developed in Hybrid Annuity Mode (HAM) at a total capital cost of Rs. 10,247 Crore. The new corridor will supplement the existing 2-lane National Highway to increase the traffic capacity by about 5 times between Kharagpur and Moregram.

6-Lane Tharad - Deesa - Mehsana - Ahmedabad National High-Speed Corridor: The 214-km 6-Lane High-Speed Corridor will be developed in Build - Operate - Transfer (BOT) mode at a total capital cost of Rs. 10,534 Crore. The Tharad - Ahmedabad corridor will provide connectivity between two key National Corridors in the state of Gujarat, viz., Amritsar - Jamnagar Corridor and Delhi - Mumbai Expressway, thereby providing seamless connectivity for the freight vehicles originating from industrial regions of Punjab, Haryana, and Rajasthan to the major ports in Maharashtra (JNPT, Mumbai and newly-sanctioned Vadhavan port).

4-lane Ayodhya Ring Road: The 68-km 4-lane access-controlled Ayodhya Ring Road will be developed in Hybrid Annuity Mode (HAM) at a total capital cost of Rs. 3,935 Crore. The Ring Road will reduce congestion on National Highways passing through the city, viz., NH 27 (East West Corridor), NH 227 A, NH 227B. NH 330, NH 330A, and NH 135A, thereby enabling fast movement of pilgrims visiting the Rama Mandir.

4-Lane Section between Pathalgaon and Gumla of Raipur-Ranchi National Highspeed Corridor: The 137-krn 4-lane access-controlled Pathalgaon - Gumla section of Raipur - Ranchi Corridor will be developed in Hybrid Annuity Mode (HAM) at a total capital cost of Rs 4,473 crore to complete the whole corridor. It will enhance connectivity between mining areas in Gilma, Lohardaga, Raigarh, Korba and Dhanbad and industrial and manufacturing zones located in Raipur, Durg, Korba, Bilaspur, Bokaro, and Dhanbad.

6-Lane Kanpur Ring Road: The 47-km 6-Lane Access-Controlled section of Kanpur Ring Road will be developed in Engineering, Procurement and Construction Mode (EPC) at a total capital cast of Rs 3,298 crore. This section will complete the 6-lane National Highway Ring around Kanpur. The Ring Road will enable segregation of long-distance traffic on the key National Highways, viz., NH 19 - Golden Quadrilateral, NH 27 - East West Corridor, NH 34 and upcoming Lucknow - Kanpur Expressway and Ganga Expressway from the city-bound traffic, thereby improving logistics efficiency for freight travelling between Uttar Pradesh, Delhi, Bihar, Jharkhand and West Bengal.

OUTLOOK

The Indian infrastructure sector is experiencing significant growth, driven by increased public and private investment, as well as government initiatives like PM Gati Shakti. This growth is likely to continue in the coming time as the government placed infrastructure development at the center stage of its fiscal and public policy agenda. The government has increased its capital expenditure for FY26. The Union Budget 2025 has allocated Rs 11.21 lakh crore towards capex for FY26, which would be 3.1% of GDP. Also, investments in urban infrastructure are likely to continue rising in the medium term, led by increasing urbanization, government schemes such as AMRUT, and construction and expansion of metro rail networks in major Indian cities. Also, foreign investment in the construction development sector is rising at an impressive pace, which is likely to significantly contribute to the growth of the country's infrastructure sector.

The government is prioritizing the improvement of road quality, and enhancing port connectivity through efficient infrastructure. Also, focus on boosting regional and isolated communities through aviation, facilitating cost effective rail transportation, and upgrading the electricity transmission grid, these efforts are set to bolster the nation's infrastructure development, ultimately driving economic growth. As India is focusing more on building better infrastructure it is crucial for the country to remove roadblocks hindering the growth of the sector. The country needs to focus on skill development, technological awareness, better data standards, and policy frameworks that can help the nation in achieving its various ambitious projects designed for the New India.

EQUITY HELPLINE!

sukhanidhi
INVESTMENT ADVISORS
Equity Research & Advisory Services

HAVE QUESTIONS ABOUT INVESTING IN STOCKS (SHARES) ?

CALL US
1800 889 0255

CONTACT INFORMATION

+91 8310770674

www.sukhanidhi.in

info@sukhanidhi.in

TOLL FREE: 1800 889 0255

https://sukhanidhi.in/industry-anaylsis/

SEBI REGISTERED