The construction industry in India has seen sustained demand from the industrial and real estate sector. Since 2009-10 and 2013-14, equipment market is valued at Rs 105,500 crore ($16 billion). It is roughly estimated that 40-45 per cent of steel; 85 per cent of paint; 65-70 per cent of glass and significant portions of the output from automotive, mining and excavation equipment industries are used in the construction industry.

Growth of construction industry and its share in total output:

The construction sector in India is the second largest contributor to the GDP. The contribution of this sector to GDP was envisaged at around 7.5 per cent between 2009-10 and 2013-14, but with the shift of National Income Accounting to gross value added (GVA) based measures, its share increased to an average of 8.6 per cent during the last four fiscals ended 2014-15.

During 2015, construction industry grew by 2-3 per cent and hit volumes of 48,000 units. By 2018, the industry is expected to hit volumes of 74,000 units.

Construction Industry is an important sector with its contribution of 10 per cent to India’s GDP.

In India, the sector accounts for second highest inflow of FDI after the services sector and employs more than 35 million people.

Reasons to Invest in Indian Construction Industry

- In the 12th Plan, it is estimated that Indian infrastructure industry requires an investment of $1 trillion during 2012-17 in order to take economic growth to double digit on a sustained basis. Around 40 per cent of these investments are projected to come from private players. Now, 45 per cent of this infrastructure investment will be channelled into construction activity and 20 per cent set to modernise the construction industry.
- The Indian government has undertaken a number of measures to ease access to funding for the sector.
- The construction industry in India has seen sustained demand from the industrial and real estate sector.
- An estimated $650 billion will be required for urban infrastructure over the next 20 years.
- 100 per cent FDI through the automatic route is permitted in townships, housing, built-up infrastructure and development of construction projects.

Construction is the second most attractive sector of India after services for foreign direct investors with 10 per cent share in cumulative FDI during the last 15 fiscal years ended March 2015.

The Way Forward

Forecasts for the market size of construction industry for the 12th Plan period indicate that the aggregate output of the industry during the period 2012-13 to 2016-17 is likely to be Rs 52.31 lakh crore ($793 billion) increasing from Rs 7.67 lakh crore ($116 billion) in 2012-13 to Rs 13.59 lakh crore ($206 billion) in 2016-17. As the growth of construction industry is very much linked to the growth of infrastructure and building industry, emphasis of the govt. on both in the 12th Plan is expected to drive the growth of the construction in the days ahead.

The ‘Make in India’ initiative by the Prime Minister Narendra Modi aims to increase production and export from the Indian manufacturing sector by inviting more foreign investors to produce from India. Construction is selected as one of the 25 sectors included in the initiative and therefore, the growth of this sector is inevitable in the years to come.