

Indian Construction Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

India's Construction Market is expected to register a CAGR greater than 10% during the forecast period (2022-2027). As COVID-19 expanded across the country in April 2020, the face of the Indian construction industry, which was already battling with inadequate management and a lack of tracking of its labor force, lost its central grip completely, bringing the industry to a halt. COVID-19 wreaked havoc on the value chain at all levels and scales.

Key Highlights

The availability of construction materials and price inflation became important concerns. Cost overruns, severe delays, and even project cancellations resulted from the lack of timely implementation owing to lockdowns.

The cancellation and postponement of projects had a direct impact on MSMEs, with many being forced to close their doors or reduce their operations. This was a big worry because most construction companies and design studios are small and focus on a specific type of building.

Despite the impact of COVID-19 limitations and lockdowns on construction activity, India saw a fresh supply of 45 million sq ft in the year 2020, with 36 million sq ft coming from tier I cities and 8.9 million sq ft coming from tier II and III cities.

As per statistics, in 2021, the 3PL and e-commerce sectors, which accounted for 62 percent of total absorption in 2020, continued to drive warehouse demand, followed by the manufacturing sector, which accounted for 14 percent. In 2021, Delhi-NCR had the largest absorption among India's main cities, at 18 percent, followed by Pune at 15 percent. Absorption rates were 14 percent and 11 percent in Mumbai and Bangalore, respectively, with 20 percent in tier II and tier III cities.

In 2021, investments in the industrial and logistics sector exceeded USD 1.5 billion, making it the second-highest recipient of such funds after the office sector. This type of asset has stayed popular because it has a high growth rate and gives consistent returns.

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The commercial real estate sub-sector is positioned for development as people return to workplaces and businesses adapt to hybrid working arrangements. As more companies send their workers back to work, there is a gradual rise in the need for commercial office space.

India Construction Market Trends

Infrastructure projects drives the market

As part of the Sagarmala Program, more than 610 projects with a total cost of USD 10.5 billion will be carried out between 2015 and 2035. These projects will focus on modernizing and building new ports, improving port connectivity, boosting port-linked industrialization, and building up coastal communities.

Bharatmala Pariyojana is a new highway umbrella program that focuses on improving the efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps with effective interventions such as the development of Economic Corridors, Inter Corridors and Feeder Routes, National Corridor Efficiency Improvement, Border and International Connectivity Roads, Coastal and Port Connectivity Roads, and Green-field expressways.

In 2022-2023, the PM Gati Shakti Master Plan for Expressways will be implemented, allowing for faster transit. The National Highway network would be expanded by 25,000 kilometers in 2022-2023, at a cost of INR 20,000 crore (USD 2417670).

In 2022, India's road sector experienced enormous growth as additional stretches of national highways were constructed, as well as the approval and completion of several projects and fundraises, making it a better year than the previous one. An integrated multi-modal national network of transportation and logistics, connectivity with isolated and difficult terrains; and decongestion of key sites on the road network.

The government approved the development of 21 greenfield airports in the country in January 2022. The country's largest airport will be built in Uttar Pradesh's Gautam Buddha Nagar area. The Ministry of Civil Aviation intends to build 21 additional airports across India in the next few years.

In the next four to five years, the Airports Authority of India (AAI) plans to create new airports as well as expand and upgrade many existing airports at a cost of USD 338 billion. This comprises the expansion and alteration of existing terminals, the construction of new terminals, the expansion or strengthening of existing runways, technical blocks, aprons, and the control towers of the Airport Navigation Services. In addition, by 2025, three PPP (Public-Private Partnership) airports in Delhi, Bengaluru, and Hyderabad will have invested INR 30,000 crore in expansion plans.

Rise in demand for Luxury Homes

According to a report from the industry, the residential segment is likely to have more quarterly sales in 2022 than it did before COVID-19. With its strong growth, it could even catch up to quarterly sales before demonetization in the second half of 2022.

Given the boost that a luxury dwelling has received in the broader perspective of work-life choices, owning a home is no longer a matter of investing preference, but a necessity. Buyers seek a lifestyle that seamlessly incorporates the work-from-home concept while maintaining the opulence and amenities of luxury living.

In 2022, these patterns are projected to continue. In global cities such as Mumbai, Bangalore, and elsewhere, a new class of ultra-rich people is on a luxury home-purchasing binge. Large-scale residences have emerged as a favored choice in residential township developments and will continue to drive real estate expansion in the years ahead.

The real estate sector is expected to have a big year in the coming year, thanks to robust demand, changing trends, and new growing markets driving growth. Non-metropolitan cities have rising real estate markets that are expected to lead the industry's growth in the future. Even though there are more people looking for homes, luxury homes in Mumbai are likely to be in high

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demand, and property prices are likely to stay the same.

After the pandemic, the luxury home market picked up speed. Buyers were happy with all types of home purchases, and prices went down in recent quarters, making real estate an attractive investment, especially in the high-end market.

A January 2022 survey of the real estate industry found that 89 percent of people who wanted to buy real estate chose luxury houses like city apartments, city bungalows, and vacation homes, while the other 11 percent wanted premium commercial real estate.

The most popular budget range for a luxury city apartment or villa was USD 13-34 million, with 69 percent of respondents choosing this range. Around 21% like to buy in this range, with the remaining 10% preferring to buy in the USD 35 million range.

India Construction Market Competitor Analysis

The Indian construction market is highly competitive, owing to the presence of major local and international players. However, the market holds opportunities for small and medium players due to increasing government investments in the sector. The Indian construction market presents opportunities for growth during the forecast period, which is expected to further drive market competition. Large players are competing with each other for a large share of the Indian construction market. This makes it hard to see any consolidation in the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

Table of Contents:

1 INTRODUCTION

1.1 Study Assumptions

1.2 Scope of the Study

2 RESEARCH METHODOLOGY

2.1 Analysis Methodology

2.2 Research Phases

3 EXECUTIVE SUMMARY

4 MARKET INSIGHTS

4.1 Current Economic and Construction Market Scenario

4.2 Technological Innovations in the Construction Sector

4.3 Insights into Supply Chain/Value Chain Analysis

4.4 Impact of Government Regulations and Initiatives on the Industry

4.5 Review and Commentary on the Extent of Government Infrastructure Development Schemes

4.6 Comparison of Key Industry Metrics of India with Other Countries

4.7 Comparison of Construction Cost Metrics of India with Other Countries

4.8 Impact of COVID-19 on the Market

5 MARKET DYNAMICS

5.1 Drivers

5.2 Restraints

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5.3 Opportunities

5.4 Porter's Five Forces Analysis

5.4.1 Bargaining Power of Suppliers

5.4.2 Bargaining Power of Consumers/Buyers

5.4.3 Threat of New Entrants

5.4.4 Threat of Substitute Products

5.4.5 Intensity of Competitive Rivalry

6 MARKET SEGMENTATION

6.1 By Sector

6.1.1 Commercial Construction

6.1.2 Residential Construction

6.1.3 Industrial Construction

6.1.4 Infrastructure (Transportation) Construction

6.1.5 Energy and Utilities Construction

7 COMPETITIVE LANDSCAPE

7.1 Market Concentration Overview

7.2 Company Profiles

7.2.1 L&T

7.2.2 Megha Engineering & Infrastructures Limited

7.2.3 Shapoorji Pallonji Co. Pvt. Ltd

7.2.4 Tata Projects

7.2.5 KEC International Limited

7.2.6 Afcons Infrastructure Ltd

7.2.7 Dilip Buildcon Limited

7.2.8 Hindustan Construction Co. Ltd

7.2.9 NCC Limited

7.2.10 Lodha Group*

8 MARKET OPPORTUNITIES AND FUTURE TRENDS

9 MAJOR INFRASTRUCTURE DEVELOPMENT PROJECTS (PROJECT DESCRIPTION, VALUE, LOCATION, SECTOR, CONTRACTORS)

9.1 Existing Infrastructure

9.2 Ongoing Projects

9.3 Upcoming Projects

10 APPENDIX

11 DISCLAIMER

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