

C&C CONSTRUCTIONS

Infra Will Lead The Way

With the government having increased its spend in infrastructure development, companies operating in this sector can certainly stop worrying about the economic downturn



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India's infrastructure development focus has accelerated manifold. The country's gross domestic product (GDP) has grown from USD 400 billion a decade ago to nearly USD 1 trillion. Corresponding increases in manufacturing, disposable incomes and personal consumption have put tremendous strain on the country's already inadequate infrastructure. Demand for power, transport and urban infrastructure facilities have increased substantially without much change in supply.

India's infrastructure spending accounts for just 4 per cent of its GDP. This figure is dramatically lower than the average in other developing and developed countries. The central government has recognised this gap in infrastructure spend and has also identified that infrastructure development cannot be possible without private sector participation. As a result, policies have been changed and steps taken to attract private investment. In the past couple of years there already have been successful examples of delivered infrastructure projects in ports, roads, airports, power and railways with the private sector's majority ownership.

The central government's XIth Five Year Plan has already earmarked increased capex plans across various

divisions in the infrastructure space. The road sector is expected to witness strong growth in this plan with about USD 57 billion invested, up 60 per cent from the earlier plan. Indian Railways is expected to invest around USD 50 billion (up 70 per cent) on capacity expansion and the development of a dedicated freight corridor which will cover vast expanses across India. With a number of private airports soon to be operational, investment in airport

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As such, construction contractors, equipment suppliers, lenders, consul-

ants as well as owners of infrastructure assets are well positioned to benefit. Given the increasing demand for high value and intricate projects, established and large construction contractors are likely to be flooded with business and are expected to take market share away from smaller contractors. Owing to the shortage of infrastructure supply and consequently an inclusive effort on part of the central as well as state governments to work along with the private sector operators to improve the situation, opportunities in the infrastructure space are expected to be abundant.

In the construction space, there are certain elements that must always be taken into account for a quicker growth rate. For instance, it is always better for a company to own critical equipment rather than rent it. Apart from ensuring availability of critical equipment at crucial times, ownership of equipment facilitates quick mobilisation of equipment when required and a substantial reduction in variable costs incurred towards hiring. This ownership model has played a pivotal role in our company's success in Afghanistan. Emphasis should be paid to sourcing raw materials close to the operating sites in order to minimise freight time and cost.