



# Cross-sectoral trends and outlook

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**National Infrastructure Pipeline - Surge in investments structurally positive for multiple sectors**

**SEPTEMBER 2022**





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*The Government launched the National Infrastructure plan (NIP) with a vision to becoming a USD 5 trillion economy in the next 5 years. This will need USD 1.5-1.8 trn of infrastructure investment over five years, which is almost 2-3x of the current spend.*

*NIP will boost the capex spend by 2-4x for most of the sectors that are primarily impacted. Ancillary sectors are also likely to have a positive impact.*



From FY13 till FY19, the infrastructure investment was averaging around 5.6% of the nominal GDP. However, to achieve the Government's vision of a USD 5 trillion economy by FY2027, would need infrastructure spend ~6-6.5% of the GDP. This translates into USD 1.5-1.8 trn of infrastructure investment in the next five years, which is almost 2-3x of the current spend.



The Government's focus on climate change and enhancing the quality of life is visible with 60% of planned investment earmarked for transport, energy and housing sectors.



To improve diversification of funds and boost private capex, the Government's share of capex is expected to be lower at 40-45% under NIP, compared to usual levels of 70%. Private funding through alternative sources, banks and infrastructure NBFCs etc. would be contributing the rest of the NIP funding requirements (55-60%)



ICRA has a Stable outlook on sectors primarily impacted by NIP implementation (roads, construction, renewable energy, etc.), factoring potential benefits as investments pick up (nearly 2-4x growth in capex for over 5 to 6 years)



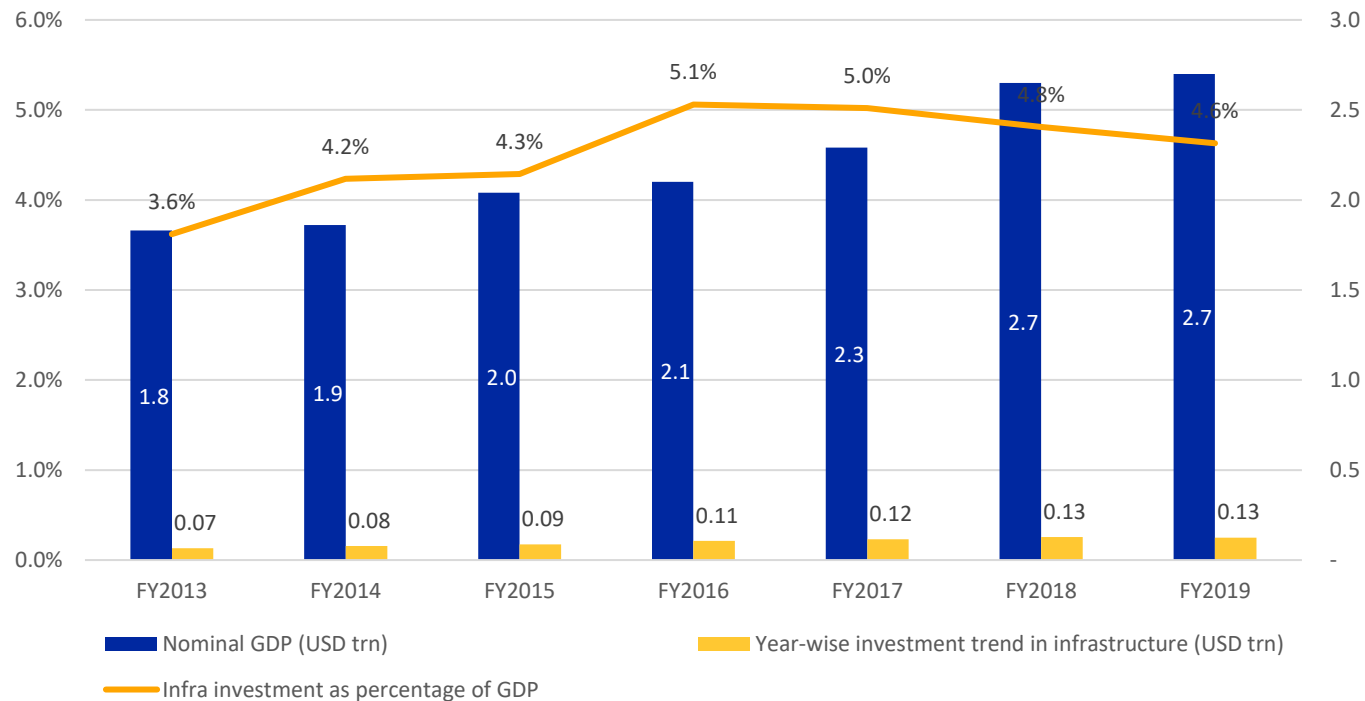
Ancillary sectors (cement, steel, banks and NBFCs) will benefit too. ICRA has a stable outlook on these sectors. Steel and cement benefit from a pick-up in infrastructure investment. Banks and NBFCs will see a pick-up in credit growth from infrastructure (15-25%), in tandem with implementation of projects under the NIP



However, close monitoring of the NIP progress to deliver the projects within the timeline will be the key for successful NIP implementation. The private sector capex is yet to pick up meaningfully, carrying risks for delays in some largescale projects

# Infrastructure investment to increase to 6-6.5% in comparison to GDP to reach USD 5 trn economy goal

Exhibit: Ratio of year-wise investment in infrastructure to GDP



- From FY13 till FY19, the infrastructure investment averaged at ~4.6% of the nominal GDP
- It is estimated that India would need to spend 6-6.5% of GDP on infrastructure to realise the vision of a USD 5 trillion economy by FY2027
- This translates into an absolute investment of USD 1.5-1.8 trn for the next 5 years

Source: Department of Economic affairs (Report of the Task Force), World bank, PIB, India Investment Grid website, Industry, ICRA Research

NIP Commercial Infrastructure



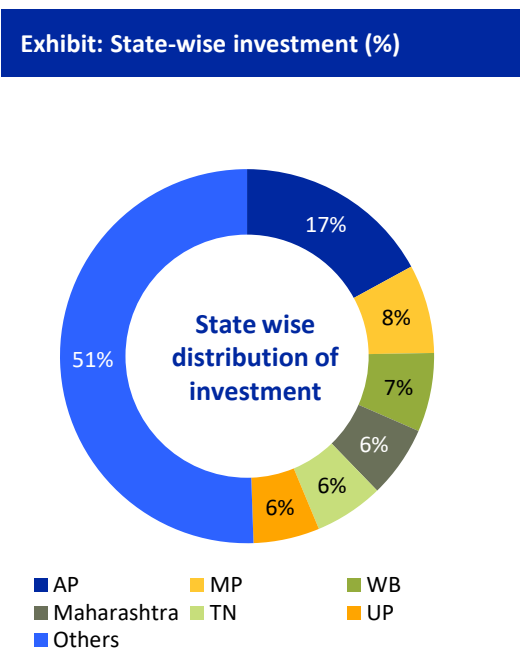
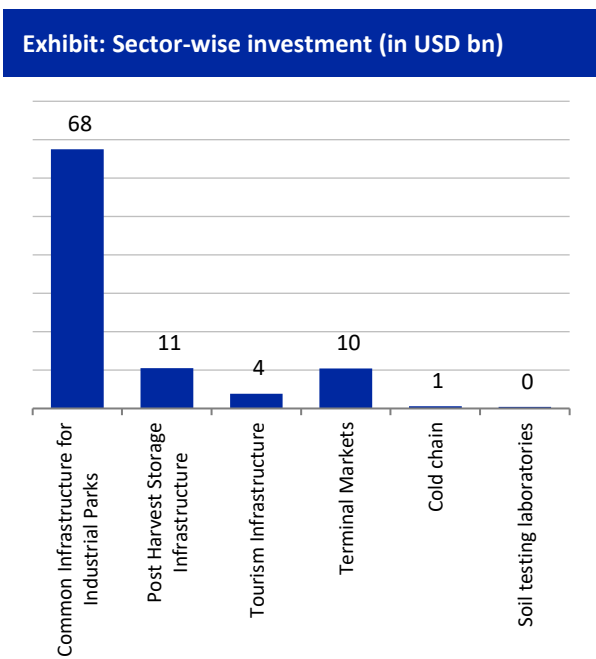
Number of projects

More than 600



Investment needed

USD 0.08 trn



- DMIC Shendra Bidkin Industrial Area, Dholera Activation Area DSIR - Common Effluent Treatment Plant are some of the major projects under common infrastructure for industrial parks



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