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2023

WHAT'S TO COME

CW looks back at 2022 – the year that was – and at what lies ahead for the construction sector in 2023.

All eyes are on the construction sector. Between 2023 and 2026, the construction industry is expected to register an average annual growth of 6.2 per cent, supported by the investments under the 'Pradhan Mantri Gati Shakti Master Plan'. The industry's output will be supported by an investment of ₹111 trillion under the National Infrastructure Pipeline (NIP), between FY2020 and FY2025 (April 2019 to March 2025), as a report by ResearchAndMarkets.com states.

As we bid goodbye to 2022 and welcome 2023, CW looks at the achievements and digs deep into what lies ahead for the sector.



The Year 2023 for Real

The year 2022 proved to be a phenomenal one for the real estate sector, particularly residential real estate. Some industry experts also consider this year a push-ahead one, wherein the market moved further ahead from the distress seen in 2020 and the revival seen in 2021.

"Interestingly," Vivek Rathi, Director Research, Knight Frank India, shares, "both housing and commercial segments performed well on sales volume and price

fronts. In case of housing, sales in the mid and higher ticket size segments outperformed other segments. In case of office segment, flexibility in lease arrangements became a key feature and benefitted the co-working segment by a significant measure." He adds that on the industrial and warehousing front, there has been increased space demand momentum as the China plus one strategy added to the production linked investment (PLI) scheme tailwinds, which benefitted the warehouse sector. "In case of capital flows into the Indian real estate sector, global linkage of investors translated into moderation in investment flows."

Going by the current momentum in housing sales and that of the first three quarters this year, Anuj Puri, Chairman, ANAROCK Group, says, "The year 2022 will likely breach the previous peak of 2014 with all-time high sales across the top seven cities. Latest ANAROCK data projects total sales in the top seven cities to exceed 360,000 units in 2022. In 2014, the top seven cities saw 343,000 units sold." He adds, "The January-September period of 2022 saw housing sales and new launches surpass the

full-year readings of 2019 with approximately 273,000 units sold in nine months in 2022 and new launches at 265,000 units." Besides residential, commercial real estate is also gaining momentum with employees returning to offices.

Citing his expectations in the year 2023 and upcoming opportunities, Puri says, "The current sales momentum in the housing sector is likely to continue in the first quarter as well while new launches may remain under control. While so far, the impact of RBI rate hikes has been minimal but if these rates rise further, it may impact sales."

Sharing his expectations on which segments would take off in the year 2023, Rathi says, "Expect the housing and warehousing sector to further their growth scale, as underlying factors on desire and purchase ability of respective consumer groups remain strong."

"Major risks for the residential sector include high inflation and the interest rate hike. As long as these are under check, the demand will continue to remain strong. As for the commercial sector, recession, if any (as anticipated in US), could play a dampener especially if it permeates down to India as there could be layoffs," concludes Puri.



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Affordable developments

Evidently, there has been massive demand in the affordable housing segment, and the Central Government has been lending its support through the Credit Linked Subsidy Scheme and PM Awas Yojana.

Vimalendra Singh, Chief Sales & Service Officer, Mahindra Lifespaces, says, "Private players have come in to fill the demand-supply gap." However, he highlights the challenges faced. "The cost of construction has gone up and the sales value of affordable housing is lower." As we move into the new year, he hopes, "some of these inflationary pressures come down and stabilise so that there is predictability in the segment." As a developer, Mahindra Lifespaces is also exploring technologies in construction and sales to bring down cost, thereby making it affordable. Sharing his expectations from the sector in the year 2023, Singh says, "We have a strong affordable segment, under the name Happinest, and this business segment will continue with our ongoing affordable housing projects in Chennai, Mumbai and Pune. The last year has been good to us and to the sector as a whole."



Fuelling the aviation sector

India has laid plans way beyond 2023 for the aviation sector. With

airports witnessing a huge expansion in the past eight years, the government is now focusing on adding 80 more airports in the next four to five years, which will take the total number of airports in the country to 220. What's more, an in-principal approval for establishing 21 greenfield airports has been granted. Even more, the

Regional Connectivity Scheme-UDAN (Uday Desh ka Aam Nagrik) has targeted to develop 35 airports, helipads and water aerodromes for this fiscal.

Sharing his perspective on the aviation market, Hari Marar, Managing Director and CEO, Bangalore International Airport (BIAL), shares, "The aviation market has witnessed a robust demand in the last six months, and this has impacted the passenger volumes at BLR Airport positively. Air travel had taken a significant hit due to the pandemic, but it is recovering now, and we have observed growth in recent months. We are optimistic that this upward trend will continue over the next few quarters. BLR Airport is reporting good numbers due to its connectivity and being a preferred transfer hub." Adding on the launch of the Bengaluru Terminal 2 (T2), he shares, "With the launch of T2, we have expanded our capacity to cater to additional 25 million passengers every year – this is apart from the 35 million passengers per year capacity in Terminal 1. What makes T2 more special is not just its scale and size, but also the fact that it's inspired by Bengaluru city. Built as a terminal in a garden, T2 reflects all that Bengaluru stands for – a green, modern, innovative, sustainable, and culturally rich city."

Certainly, here is an example from recent times that other upcoming projects in this segment would want to draw inspiration from.



Long route for roads

The path to the smooth drive in India is achieved at the Central, state and city levels.

Speaking of National Highways Authority of India's (NHAI) achievements this year, the authority has created world records in the

construction of bituminous roads and rigid pavement. RK Pandey, Member-Projects, NHAI, shares, "We have maintained the uptrend, be it construction, monitoring, or awarding contracts. NHAI has awarded 5,960 km this year, up from 4,898 km in 2021, and constructed 4,332 km, which is up from 4,241 km in 2021. And in the year 2023, we hope to keep up with this pace." He says that NHAI is focusing on encouraging pre-construction activities and this is reflected in the number of cases that we have given within the appointed dates. "Last year, within the appointed dates, we had given 1,223 km. Till date, we have given the appointed date in 3,372 cases. So, we are going to surpass whatever we did last year." Pandey also emphasises on asset monetisation as crucial. "In TOT and InvITs, we have done a lot of work and both have been successful last year. This year, we have set a bigger target." Conciliation is also important. Last year, NHAI settled around 61 disputes. With 20 cases settled this year, about 70 cases are in various stages of settlements.

At the contractor end, Ashoka Buildcon has been building sustainable roads, and the company enjoys an equal mix of central and state and ULB level projects. Satish Parakh, Managing Director, Ashoka Buildcon, and President, International Road Federation India, shares his views: "We have been a little slow in targets and awards in 2022. But going forward, we see a great pick up in Q3 and Q4. Undoubtedly, 2023-24 is going to be a year of infrastructure, especially for the highways and railways." However, he adds that while Central Government projects are running well; state government and urban local bodies projects are facing cashflow issues. He says,

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"The MSME Act ensures that any MSME medium and small-scale entrepreneur gets their payment in 45 days. But in the case of payments for road contractors, there are no regulations for when the payment is delayed or it goes into dispute. There is a need to revive this ecosystem. In the last five years, 600 companies have been wiped off and majority of them suffered due to cash flow issues." He concludes, being part of an international federation, we cannot make a country-specific agenda. But as a company and as an NHBF member, we can raise our voices. Internationally, payments are absolutely disciplined and guaranteed. In India, NHAI maintains discipline in payments, and such discipline should be maintained across bodies.

With a focus on sustainability and safety, Parakh adds, "A lot of CO₂ emissions are generated from construction materials like quarrying and mining. And, we are trying to market a technology where recycling, reusing and replacement can be done with sustainable instead of natural materials. We are trying to align this with the global goal to reduce carbon emissions. Despite the costs, CO₂ emission going down while developing is critical." He further points, "the road sector is the most unsafe in the world – 150,000 deaths every year and 450,000 injuries on the highways. Our target is to reduce this by 50 per cent and bring in technology, awareness, education, and enforcement. We are developing an app where our drivers can be rated, their behaviour can be monitored, and their learning skills can be improved. This rating can be used for reducing accidents, and also to bring down their insurance premiums. It is in discussions with insurance

companies, regulatory authorities and with the ministry."



Tracking metro-rail and railways

The ministers, both in the metro-rail as well as the railways, have been able to look at things differently and bring about a change, says **Sunil Shrivastava, Managing Director, BARSYL**. He points at the Gati Shakti plan as a breakthrough. "Important projects will get monitored at a single location and bulk of that investment is from the railways." There have been mega announcements in the Railways. Station development is a big opportunity. With four stations announced now, 40-45 stations have been identified in stages, which will be announced in the new year. He adds, "For the smaller players as well, there are projects worth ₹2-3 billion each."

Specific to the metro-rail sector, Shrivastava adds, "Quite a lot of the metros will be commissioned now, and the big invisible opportunity will come in from the O&M. Opportunities in asset condition monitoring will pick up gradually. Older metros are reaching 10-12 years, and will require maintenance. Some of them would adopt latest technologies like AI to monitor their asset."

Addressing the question of opportunities, **Olivier Loison, Managing Director, Alstom India**, says, "The future of India's rail-based networks will require modern digital technologies, electrification, and automation to drive greater freight volume and enhance passenger experience. While the government has earmarked funds for development of infrastructure, the quantum of the ask means that it will require strong PPPs to achieve this vision. Recognising this fact, the government is looking to invite

greater private sector participation for the development of urban transport systems, mainline railways, and modern rolling stock for these networks. This represents a tremendous opportunity for Alstom to deepen its long-standing engagement with India." He adds, "We are looking forward to bringing our world-class technology and help deliver it for Indian needs. We are also looking forward to partnering with the Indian Railways and help upgrade the skills of its staff. Alstom is committed to the 'Aatmanirbhar Bharat' initiative."



Cities are smartening up!

For smart cities, the year 2022 has largely been a year of completion.

Vikash Chandra, Team Leader, Smart Cities Mission MOHUA, shares, "Largely, work has commenced across all projects of the Smart Cities Mission. The surge in the completion of the projects has been the highlight of this year – around 4,500 projects worth around ₹910 billion have been completed. And as of date, projects worth ₹900 billion are at various levels of execution." There are projects for safety, environment, and economy, which previously were not focussed on by the ULBs. With this mission, for the first time, 100 smart cities are developing projects such as Integrated Command and Control Centres, renewable energy projects, and Incubation Centres. Chandra adds, "We have met the March 2022 deadline for the work order for all the projects. As of date, the coming nine months will be all about the completion of these projects."

As is evident, the industry is set to welcome New Year 2023 with optimism and enthusiasm.

- SHRIYAL SETHUMADHAVAN | CW