

# **ASSOCHAM INVESTMENT METER**

**“ Private Sector lines up USD 85 billion in the infrastructure”**

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## **Private Sector lines up USD 85 billion in the infrastructure**

Removing the infrastructure bottlenecks in the economy makes good business sense for the India Inc, according to the readings on the 'ASSOCHAM Investment Meter'.

Realizing there is a huge demand base for the infrastructure in the rapidly growing economy, the investments worth USD 85 billion (Rs. 3,41,308 crore) planned by the business houses in the sectors like core, physical and service infrastructure have made up for the maximum of 81 per cent of total planned investments during the third quarter of current financial.

According to the ASSOCHAM Investment Meter, the corporate India has announced the investments of around USD 104 billion (Rs. 4, 19,334) crore across 28 sectors, out of which the sectors categorized under infrastructure have occupied the maximum pie.

While steel with USD 31 billion remained the single major source of investment generation, the other industries attracting substantial capital expenditure included Oil (USD 16 billion), Power (USD 13 billion), Telecom (USD 8.2 billion), Real Estate (USD 6.2 billion), Cement (USD 4.8 billion), Shipping & Logistics (USD 2.8 billion), Ports ( USD 3 billion) and Aviation (USD 0.3 billion) .

“As the investment of USD 492 billion is required in the infrastructure space over the next five years, increasing contribution from India Inc. is a positive signal” said ASSOCHAM President Mr. Venugopal N.Dhoot.

With high domestic and export demand, huge capacity expansion is under way in the steel sector as the major producers announced the investment plans of

USD 31 billion (Rs. 1, 23, 700 crore) contributing a share of 36.5 per cent. Abhijeet Group is the major contributor USD 13 billion (Rs. 55,000 crore) in the sector as the amount by the group would be invested for building up steel plants in West Bengal, Jharkhand and Maharashtra.

The demand for oil & petroleum has led companies to provide a capex of USD 16 billion (Rs. 62, 850 crore) in the sector. The major contribution came from Essar Oil with a capital announcement of USD 6 billion (Rs. 24,000 crore) for tripling the capacity of its Vadinar refinery.

The third largest investments were announced in power generation sector as the surging demand for power by household and industry has fuelled the investments with the companies realizing the tremendous growth potential in the sector. Investments worth USD 13 billion (Rs. 54,144 crore) were announced in the sector. The major investment announcements in the sector were made by L & T worth USD 5 billion (Rs. 20,000 crore) for generating power. This was followed by Neyveli Lignite Corporation Ltd which intended to invest USD 4.3 billion (Rs. 17, 500 crore) for setting up mine and thermal power station in Perambul district in Tamil Nadu.

As the Indian telecom subscriber base grew to 264.8 million in November '07 there lies more growth potential in the telecom sector with spectrum allocation for 3G and 2G mobile services, WiMAX broadband, lower tariffs, mobile number portability and listing of infrastructure entities. During the study period the sector contributed USD 8.2 billion (Rs. 33, 080) crore in the total investment plans. The major contributors in the sector were Bharti Airtel and R-Com which announced their investment plan of USD 3.5 billion (Rs. 14, 000 crore) and USD 2 billion (Rs. 8, 000 crore) respectively, for expansion purpose across India.

### Infrastructure Sectors

Sno.	Sectors	Capex ( Rs. crore)	Share in total infrastructure investment ( in per cent)
1	Steel	1,23,700	36.5
2	Oil & Gas	62, 850	18.5
3	Power	54, 144	16
4	Telecommunication	33,080	10
5	Real Estate	24,848	7
6	Cement	19,200	6
7	Shipping & Logistic	11,536	3.5
8	Ports	10,750	3
9	Aviation	1,200	0.5

**Source: Company announcements for October- December '07**

Despite high interest rates dampening the short-term demand for houses, the real estate firms have maintained the investment momentum. In October-December '07, the total amount of investments announced in the sector was USD 6.2 billion (Rs.21,668 crore). The major contribution was made by Vipul Infrastructure developers Ltd. Amounting to USD 3.2 billion (Rs. 13,000 crore) for developing realty projects in Bhubhneswar and Hyderabad in the next five years.

Presently under the capacity crunch, the cement companies are making considerable investments to meet the growing demand. The investments considered for the sector amounted to USD 4.8 billion (Rs. 19,200 crore). ADAG has forayed into the cement sector with the intended investments of USD 2.5 billion (Rs. 10,000 crore) for setting up four cement plants of five million capacities each in Madhya Pradesh. Other cement companies with major

investment plans included are ACC (Rs. 4,000 crore), Shree Cement (Rs. 2, 500 crore), Shyam Group (USD 0.37 billion) and JSW Group (USD 0.3 billion).

Scarcity of bulk carriers and offshore supply vessel in the global market has forced several Indian companies for setting up large shipbuilding yards in the country at a total investment of USD 2.8 billion (Rs. 11,536 crore) during the study period. The main contributors in the sector were Mercator, L&T, Shipping Corporation of India, SKIL Infrastruction, Good Earth Maritime and Apeejay Shipping which jointly plan to invest USD 2.5 billion (Rs. 10,000 crore) and Essar Shipping & Logistic Ltd which announced its investment plan of USD 0.3 billion (Rs 1, 536 crore) in the sector for buying six new ships till 2012.

With the intense pressure on the Indian ports for upgradation, it requires massive investments in the sector for developing new facilities both by public and private players. The maximum amount was contributed by L & T (Rs.5, 550 crore) for building up new integrated airport passenger terminal at Chhatrapati Shivaji International Airport (Mumbai). In the shipping port segment the Reliance Industries is planning to convert the Rewas port from a minor into one of the leading ports in the country by announcing USD 1.3 billion (Rs. 5200 crore) investment in the sector.

As the number of air travelers increased by 38.5 per cent in 2006-07, demand for air services has surged with the expansion of businesses domestically and internationally, inducing investments up to USD 0.3 billion (Rs. 12,00 crore) in the aviation sector by Kingfisher Airlines for expansion and restructuring of its aviation arm.