CONSTRUCTION FEDERATION OF INDIA

NEWSLETTER

CONSTRUCTION INFRASTRUCTURE UPDATES

THURSDAY, FEBRUARY 13, 2025

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Roadmap for Encouraging Investment in The Indian Infrastructure Sector
PTI,
February 13, 2025

The Union Budget 2025-26, unveiled by the Hon'ble Finance Minister, embodies a clear and ambitious vision, recognizing the pivotal role of investment in the economy as a key driver for national advancement. In alignment with this vision, the government has escalated the capital expenditure allocation for the infrastructure sector to an impressive Rs 11.21 lakh crore, marking a significant increase from previous years.

Reflecting on the past, the Economic Survey of the preceding year underscored the government's dominant investment in infrastructure, which substantially exceeds private sector contributions, with the latter accounting for less than one-third of the government's investment. This disparity is primarily due to investors' preference for conventional borrowing to meet substantial funding requirements. The latest Economic Survey has identified an imbalance in the bond market, where high-credit-rated bonds (AAA and AA) constitute over 85 percent of total issuances, leaving lower-rated entities reliant on conventional lending sources.

However, the feasibility of obtaining finance under standard lending conditions is challenging, and high-interest rates further complicate financing efforts. The proposal to enable the National Bank for Financing Infrastructure and Development (NaBFID) to establish a Partial Credit Enhancement Facility (PCEF) for corporate bonds is expected to bolster infrastructure project financing. The successful implementation of such a PCEF would require support from the Reserve Bank of India.

The previous National Monetisation Pipeline aimed to monetize INR 6 lakh crores assets by March 2025. Building on this, the current budget introduces an ambitious Asset Monetization Plan (AMP), targeting the monetization of Rs 10 lakh crore. With the expansion of public infrastructure in recent years, the government could consider monetizing key highways, mining, power, and metro assets to generate capital for new projects over a 5-year timeline under the new AMP. This strategic initiative is anticipated to provide the necessary funding to support viability gap funding and foster a conducive environment for private sector participation and investment, thereby catalysing further development and modernization of India's infrastructure.

To bridge the significant gap and promote Public-Private Partnerships (PPPs), the government has directed infrastructure-related ministries to develop a 3-year pipeline of project suitable for PPP implementation. States are also encouraged to prepare PPP proposals and seek support from the India Infrastructure Project Development Fund. The establishment of an Urban Challenge Fund of INR 1 lakh crore, which will finance up to 25 per cent of the cost of bankable projects (including PPP projects), is expected to attract Rs 4 lakh crore of investments for the transformation of cities into dynamic growth hubs, enhancing infrastructure and urban living conditions. The initiative to overhaul existing Bilateral Investment Treaties will help create an investor-friendly environment and enhance private sector participation.

In an effort to attract foreign capital, the government has extended the investment timelines for sovereign wealth funds and pension funds in infrastructure projects by an additional 5 years for future tax exemptions.

The budget continues to build on the theme of inclusive economic development and improved connectivity with the UDAN - Regional Connectivity Scheme, which aims to revolutionize air travel by adding 120 new destinations and targeting 4 crore passengers over the next decade. The Purvodaya vision is further advanced, with plans for new and expanded airports in Bihar to enhance connectivity in the eastern region.

On the maritime front, the budget recognizes the need for a robust supply chain system and dedicated transportation vessels. It introduces a revamped Shipbuilding Financial Assistance Policy and a Shipbreaking Credit Note Policy to support ship recyclers. The establishment of the Maritime Development Fund with Rs 25,000 crore is a strategic move to encourage private sector participation and expand India's maritime ecosystem. To further establish the International Financial Services Center (IFSC) as a premier global destination for ship leasing activities, the Government of India has introduced a series of tax incentives specifically designed for ship leasing units operating within the IFSC. These incentives include a complete tax exemption on the sale of shares and dividends for ship leasing units, a benefit that was previously exclusive to aircraft leasing units situated in the IFSC.

In addition, the government has extended the sunset clause for the commencement of operations in the IFSC to 31st March 2030, ensuring that entities in the maritime sector can avail themselves of various tax concessions for an extended period. This strategic move is aimed at bolstering India's position in the international maritime industry, fostering domestic engagement in coastal shipping, and supporting the nation's self-reliant initiative, Atmanirbhar Bharat.

Moreover, the recent expansion of the tonnage tax regime to encompass Inland Vessels as qualifying ships is a testament to the government's commitment to revitalizing the coastal shipping sector. This expansion is anticipated to provide a significant boost to the industry, aligning with the broader vision of enhancing India's maritime infrastructure and services.

Furthermore, the launch of a National Framework for Global Capability Centres, coupled with efforts to promote tourism with support from states and the private sector, is expected to boost the nation's GDP and drive job creation, with a focus on equipping the youth with necessary skills. The budget proposals collectively embody the 'India First' ethos, aiming to attract private sector investment, accelerate growth, and create a skilled workforce, thereby steering the nation towards a prosperous and self-reliant future.

It is evident from various policy announcements and tax incentives that the central government's commitment to infrastructure development is poised to continue unabated beyond the sunset of the National Infrastructure Pipeline in March 2025. In fact, the next 5 years are expected to see an even more vigorous role in this sector. Stakeholders must actively engage with these opportunities, leverage the supportive policy environment, and contribute to building a resilient, sustainable, and inclusive infrastructure that will propel India towards achieving its vision of Viksit Bharat @2047.

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Karnataka: Bengaluru-Dharwad Vande Bharat Expansion To Belagavi Likely Soon

Swarajya,
February 13, 2025

The Bengaluru-Dharwad Vande Bharat train service in Karnataka may soon be extended to Belagavi.

Union Food and Consumer Affairs Minister Pralhad Joshi has said that Railway Minister Ashwini Vaishnaw has given a positive response to his request for extending the Bengaluru-Dharwad Vande Bharat train service to Belagavi.

Joshi, accompanied by Belagavi BJP MP Jagdish Shettar, met Railway Minister Vaishnaw in New Delhi and urged him to extend the premium Vande Bharat train to Belagavi, citing public demand.

"A few days ago, a meeting was held in Hubballi with the General Manager of the South Western Zone of Railways and other senior officials to discuss the pros and cons. As a result of our continuous efforts, the Union Railway Minister has paid attention to this issue and responded positively. He has given a positive response to extend the Vande Bharat train, which is currently running between Bengaluru and Dharwad, to Belgaum soon," Joshi posted on X, Deccan Herald reported.

"The timing of this Vande Bharat train will be fixed as soon as possible. We thank Union Railway Minister Shri Ashwini Vaishnaw for responding to our demand and agreeing to extend the Vande Bharat train to Belgaum," Joshi said.

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One Year Of PM Surya Ghar Yojana: How India's Ambitious Rooftop Solar Plan Is Progressing

PTI,
February 13, 2025

Amid India's push for wider adoption of rooftop solar energy, the PM Surya Ghar: Muft Bijli Yojana is set to completes its first year on Thursday (13 February).

Announced by Prime Minister Narendra Modi on 13 February 2024, the scheme aims to provide free electricity to households by subsidizing solar panel installations.

With an ambitious goal of covering one crore households by 2027, the program has seen notable progress.

What Has Been Achieved So Far?

According to official data, 8.46 lakh households have installed rooftop solar systems under the scheme as of 27 January 2025. The rate of installations has increased tenfold, now averaging 70,000 per month.

This growth suggests that awareness and adoption are steadily rising.

A key driver of this expansion has been the subsidy structure, which covers up to 40 per cent of installation costs.

So far, the government has disbursed Rs 4,308.66 crore in subsidies to 5.54 lakh residential consumers, with an average subsidy of Rs 77,800 per household.

In practical terms, this has helped many middle-class and lower-income families reduce their energy expenses.

Where Is Adoption the Strongest?

States with high solar potential—such as Rajasthan, Gujarat, and Madhya Pradesh—are among the leaders in rooftop solar adoption.

Meanwhile, urban areas with high electricity tariffs have also shown interest in the scheme, as homeowners look for ways to reduce power bills.

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For many beneficiaries, the savings have been significant. Government estimates indicate that 45 per cent of households using the scheme now receive zero electricity bills, depending on their consumption and solar power generation.

Financial and Environmental Impact

Beyond individual savings, the scheme has broader economic and environmental implications.

By promoting decentralised solar power, the initiative is expected to save the government Rs 75,000 crore annually in electricity costs.

From an environmental perspective, the transition to solar energy under this scheme will help lower carbon emissions, supporting India's commitment to reducing its carbon footprint.

Model Solar Villages: Expanding Renewable Energy to Rural India

A unique feature of the initiative is the Model Solar Village program, which seeks to establish one solar-powered village per district. The government has allocated ₹800 crore, with ₹1 crore granted to the village in each district that achieves the highest distributed renewable energy capacity.

To qualify, a village must have a minimum population of 5,000 (or 2,000 in special category states) and demonstrate its solar adoption levels over a six-month evaluation period. If implemented effectively, this could serve as a model for rural energy self-reliance.

What Are The Targets Ahead?

Looking ahead, the government has set an aggressive timeline:

- 10 lakh installations by March 2025
- 20 lakh by October 2025
- 40 lakh by March 2026
- 1 crore by March 2027

To meet these targets, installations would need to scale up significantly.

In its first year, the PM Surya Ghar Yojana has made measurable progress in promoting solar energy for households.

While the initiative has helped many consumers reduce their electricity costs, further improvements in implementation efficiency, financing accessibility, and public awareness will be crucial for meeting its long-term goals.

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Nuclear Energy: NTPC In Talks With Foreign Firms For Technology Collaboration

Swarajya,
February 13, 2025

State-run NTPC is actively seeking technology partners, both domestically and internationally, as it looks to expand into the nuclear energy sector.

According to a report by The Economic Times, NTPC is in discussions with several global players, including Electricité de France (EDF), Korea Hydro & Nuclear Power, Rosatom Corporation, and U.S.-based firms GE Vernova Inc. and Holtec International Corp., for potential technology collaborations. Citing unnamed sources, the report suggests that while negotiations are ongoing, it may take several months before any agreements are finalized.

Holtec has confirmed that it is in the "early stages of discussions" with NTPC and expects to supply at least 200 small modular reactors (SMRs) to India by 2047. EDF has also acknowledged talks with NTPC regarding SMR and other reactor technologies.

To advance its nuclear energy ambitions, NTPC has formed Anushakti Vidhyut Nigam Ltd. (ASHVINI), a joint venture with the Nuclear Power Corporation of India Ltd. (NPCIL), to commission Pressurized Heavy Water Reactor (PHWR) nuclear projects.

The company has also recently signed a Supplementary joint venture agreement with NPCIL for the transfer of the 2,800 MW Mahi Banswara Rajasthan Atomic Power Project to ASHVINI. The project, with an estimated cost of Rs 51,000 crore, is expected to commence by the end of FY25 and take approximately eight years to complete.

Additionally, NTPC has incorporated NTPC Parmanu Urja Nigam Limited on January 7, 2025, as a wholly owned subsidiary to drive its nuclear energy initiatives forward.

The company is also conducting site studies at multiple locations, having already secured approvals for four sites in Madhya Pradesh.

Currently, NTPC has an installed power generation capacity of 76.5 GW, with 29.5 GW— including 9.6 GW of renewable capacity—under construction. It aims to achieve 60 GW of renewable energy capacity by 2032.

Beyond power generation, NTPC is diversifying into emerging sectors such as e-mobility, battery storage, pumped hydro storage, waste-to-energy, and green hydrogen solutions, while also participating in bids for power distribution in Union Territories.

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India, South Korea Join Forces To Strengthen Logistics Infrastructure Under PM GatiShakti

The Hindu,
February 13, 2025

In a significant move aimed at bolstering logistics and infrastructure development, the Department for Promotion of Industry and Internal Trade (DPIIT) has entered into a Memorandum of Understanding (MoU) with the Korea Transport Institute (KoTI) of the Republic of Korea (RoK).

The agreement was formalised on Monday (10 February) at the Sejong National Research Complex, South Korea, reported ANI.

The MoU was signed by Youngchan Kim, President of KoTI, and Amit Kumar, India's Ambassador to the Republic of Korea, signifying a new era of bilateral cooperation in the logistics sector.

This partnership is expected to leverage KoTI's expertise to support India's ambitious infrastructure development initiatives.

According to the Ministry of Commerce and Industry, the collaboration will facilitate joint working meetings to ensure effective implementation.

Additionally, it will establish a comprehensive mechanism for knowledge exchange and institutional cooperation between DPIIT's Logistics Division and KoTI.

Highlighting the significance of this partnership, the ministry stated, "This will help in the development of infrastructure and logistics master plans under the aegis of the prestigious programme - PM GatiShakti National Master Plan."

The PM GatiShakti initiative, a flagship programme of the Indian government, aims to create a seamless, integrated, and technology-driven multimodal transport network.

Key benefits of this collaboration include the creation of a research-driven programme that will enhance expertise in logistics, master planning, technology adoption, and innovation.

The initiative will also foster cross-learning, particularly in areas such as GIS data-based technology, infrastructure development, and smart logistics solutions.

Furthermore, the MoU will help showcase India's achievements under the PM GatiShakti programme on a global platform, positioning the country as a leader in logistics modernisation.

The ministry remarked, "This will mark a significant step towards strengthening bilateral ties and fostering innovation in the field of logistics and infrastructure development."

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Cube Highways Secures Rs.8.6B IFC Funding for Expansion

Time of India,
February 13, 2025

Cube Highways Trust has raised Rs 8.6 billion ($103 million) from the International Finance Corporation (IFC) through long-term non-convertible debentures (NCDs) at a 7.67% coupon rate. The issuance includes an anchor investment of Rs 2.58 billion ($31 million) with a tenor of nearly 18 years.

The funds will be utilized for road development projects and future acquisitions. This investment is part of Cube InvIT's larger Rs 48.98 billion ($587 million) debt plan, which supports its capital expenditures and tranche 2 road assets. In June 2024, the trust acquired six hybrid annuity model (HAM) projects for Rs 22.48 billion ($269 million). The remaining capital will be directed towards the acquisition of NAM Highway, expected to be finalized this quarter.

The financing underscores Cube Highways' strategic expansion in India's road sector, strengthening its position in infrastructure investment and asset acquisition.

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