



India's Construction Sector

September 2026

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India Construction Sector Overview (1/2)

By 2031, the Indian construction market is projected to reach USD 1.10 trillion, fueled by urbanization, increased capital expenditure (capex), rising Foreign Direct Investment (FDI), and comprehensive government development program

- In 2026, the Indian construction market was valued at USD 0.79 tn and is projected to reach USD 1.10tn by 2031 at a 6.87% CAGR (2025-31).
- Construction contributed ~9.1% of India's GVA* in FY2026 and remains a major driver of employment and investment; India is also the world's 3rd-largest construction equipment market and is expected to rise further in global construction rankings by 2030.



Construction Market

Building Material Market

- In 2025, India's building materials market stood at USD 44.4bn, accounting for approximately 1 to 1.2% of nominal GDP, and is forecast to reach USD 64.5bn by 2034 at a 4.24% CAGR (2026-34).
- The sector's demand is witnessing a clear shift toward higher quality, sustainable, and technologically advanced materials, driving continued consolidation in favor of organized players.



The market is driven by i. urban population surpassing 555 million in 2026, ii. expanding residential and commercial construction demand; iii. government-led infrastructure modernization; growth in industrial projects; iv. adoption of labor-saving construction technologies; v. increased foreign direct investment (FDI); and vi. a stronger push towards sustainability, such as green buildings.



Growth Drivers

Government Initiatives

Notable initiatives include Bharat Audyogik Vikas Yojana (BHAVYA) for 100 plug-and-play industrial parks by FY2032; Jal Jeevan Mission 2.0 (December 2028); PM GatiShakti – 396 infrastructure projects worth INR 18.66 lakh crore (~ USD 194 billion) evaluated, with 198 under implementation; and Pradhan Mantri Awas Yojana–Urban 2.0 (PMAY-U 2.0) – 18.77 lakh units (1.87 million units) of urban houses sanctioned as of September 2026.



Source: Desk Research, Aranca Analysis

Note:

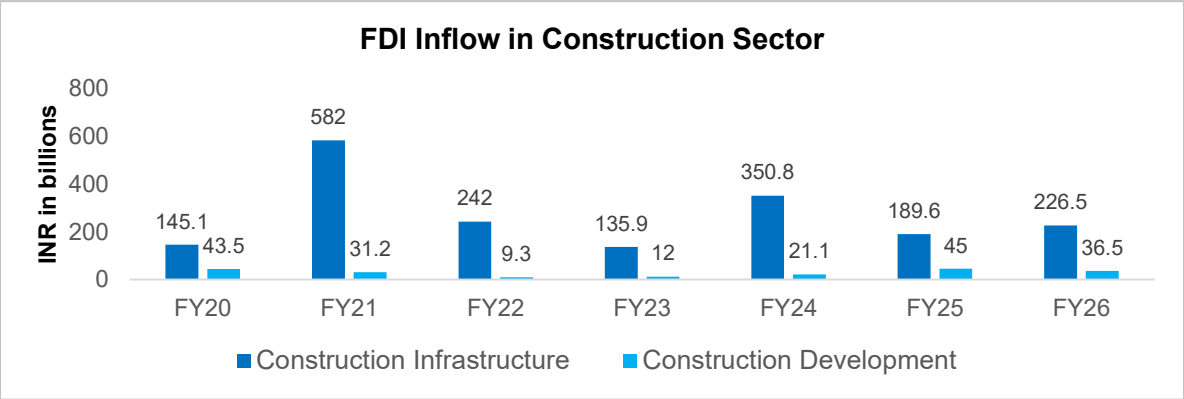
*GVA - Gross Value Added

India Construction Sector Overview (2/2)

Construction demand remains broad-based across India; however, value creation is increasingly concentrated in a handful of large state economies, with the top 10 states contributing nearly 78% of total Construction GSVA.

Foreign Direct Investment

- The government has liberalized FDI policies in the construction sector, allowing for 100% FDI under the automatic route in certain segments such as townships, housing, built-up infrastructure, and construction development projects.
- The share in total FDI Inflows in the country for construction infrastructure is 4.4% whereas for construction development is 0.71%.



Construction Development includes townships, housing, built-up infrastructure and construction-development projects

- FDI Inflow is expected to continue, supported by favorable government policies, growing infrastructure needs, and opportunities in the real estate market.
- However, challenges such as regulatory complexities, land acquisition issues, and market uncertainties may also impact the pace and scale of FDI inflows in the sector.

Geographical Disparity

- Construction activity is spread across a broad set of states, but the bulk of output is concentrated in a few large economies.
- The top three states, Uttar Pradesh, Tamil Nadu, and Maharashtra, together generated ₹9.84 lakh crore (~USD 103 billion) of Construction GSVA* in 2024-25, accounting for ~48% of the country-wide Construction GVA.
- The top 10 states together contribute ₹16.13 lakh crore (~USD 168 billion) of Construction GSVA and account for 77.6% of the total Construction GVA.

Rank	State	Construction GSVA* (INR in billions)
1	Uttar Pradesh	3,561
2	Tamil Nadu	3,486
3	Maharashtra	2,792
4	Karnataka	1,485
5	Bihar	1,334
6	Madhya Pradesh	1,295
7	Andhra Pradesh	1,214
8	West Bengal	1,122
9	Haryana	981
10	Telangana	856

FY2024–25

*GSVA: Gross State Value Added

Source: Desk Research, Aranca Analysis

India Residential Sector Overview

Premium homes above INR 8mn (~USD 83,300) comprised ~75% of launches, while NCR and Ahmedabad recorded strongest price growth at 13% and 12% YoY in Q2 2026, respectively, across eight major markets

❖ Indian Residential Market (Q2 2026) (Across 8 major markets****)

~118,800 Units

New Launches
(7% YoY***)

~98,200 Sales

Residential Sales
(-6% YoY***)

~6,21,500

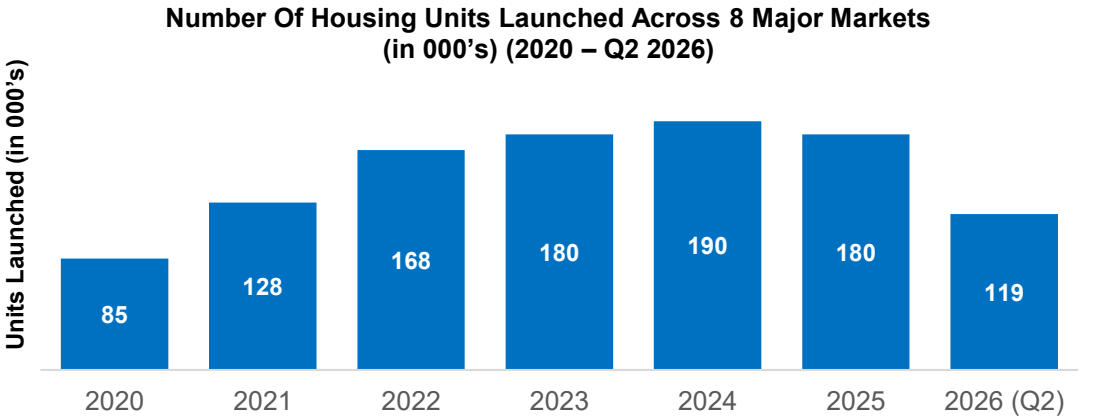
Available Inventory
(10% YoY***)

❖ Residential Property Prices (across 8 Major Markets)

City	Average Base Selling Price – Q2 2026 INR (USD**) / sqft	YoY (%)
Mumbai Metropolitan Region	17,780 (185.3)	4%
National Capital Region (NCR)	9,810 (102.2)	13%
Bengaluru	9,450 (98.5)	8%
Pune	8,300 (86.5)	5%
Chennai	8,090 (84.3)	4%
Hyderabad	7,250 (75.6)	6%
Kolkata	6,345 (66.1)	6%
Ahmedabad	5,295 (55.19)	12%

Note: *Exchange rate as of Sep 2026, USD 1 = INR 95.16.
****Across 8 Major Markets involve the cities mentioned in the above table

Source: Desk Research, Aranca Analysis

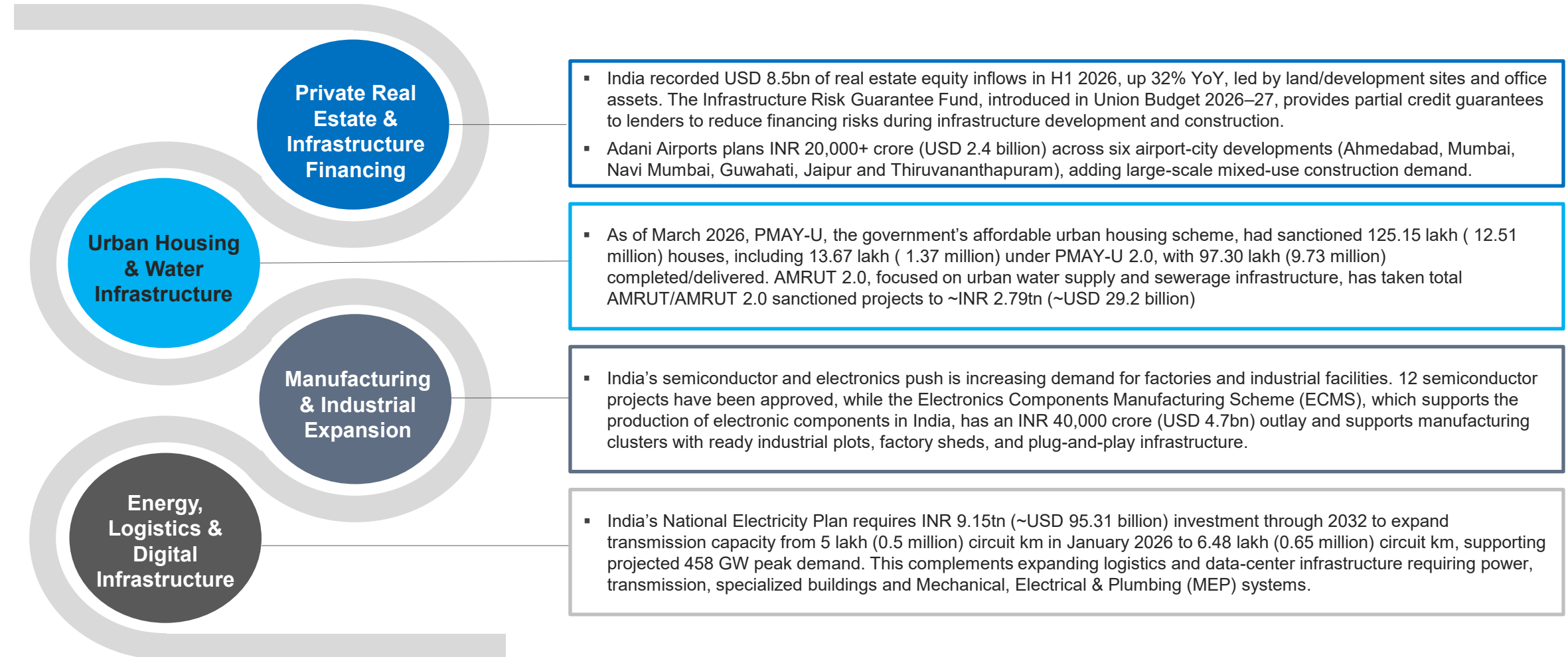


- **New Supply Growth:** In Q2 2026, new residential launches (newly introduced housing units offered for sale) across India's top 8 cities reached ~118,000 units, increasing 7% YoY (v/s 2025), with Mumbai, Bengaluru, Hyderabad, Pune and NCR contributing ~92% of total new supply.
- **Premium Housing Dominance:** Premium housing (higher-quality homes above the mainstream segment) remained the dominant segment, with homes priced above INR 8mn accounting for ~75% of new launches in Q2 2026, reflecting continued developer focus on higher-value residential projects.
- **Sales Moderation:** Housing sales moderated in Q2 2026 due to West Asia geopolitical uncertainty, weaker Non-Resident Indian (NRI) investment from the Middle East and AI uncertainty in the Information Technology and IT-ITeS** sector, while inventory increased as supply outpaced absorption.

Note: **IT-ITeS - Information Technology-enabled Services
***YoY – Year On Year change v/s 2025

Indian Construction Sector – Demand Drivers

India's infrastructure pipeline is broadening across real estate, housing, manufacturing, energy, logistics and digital assets, with policy support, capital inflows and industrial incentives strengthening construction demand and investment opportunities



Source: Desk Research, Aranca Analysis

Indian Construction Sector – Key Investments, Players & Outlook

Driven by a robust mix of public and private investment, India's construction sector is gaining momentum. This expansion is reinforced by established contractors, a steady post-pandemic recovery, a solid project pipeline, and surging infrastructure demand, presenting enduring growth prospects.



Key Investments

- India's construction market is being supported by Union public capex of INR 12.2 lakh crore (~USD 133bn) in FY 2026–27, up from INR 11.2 lakh crore in FY 2025–26, while private investment is gaining momentum, with corporate capex up 11% in FY26, private-sector capital investment up 11.9% YoY in Q1 FY27, and institutional real estate investment reaching a record USD 8.5bn in 2025 (+29% YoY), driven by offices, residential and industrial/logistics assets.



Key players

- India's construction market is served by a mix of large engineering contractors, real estate developers, and EPC firms.
- Some notable companies include Larsen & Toubro (L&T), Megha Engineering & Infrastructures (MEIL), Godrej Properties, Shapoorji Pallonji & Co. (SP), Tata Projects Ltd, Kalpataru Projects International, Afcons, Oberoi Realty and Lodha among others.



Market Outlook – Historic

- 2020:** Construction activity contracted sharply due to COVID-19 disruptions and nationwide lockdowns.
- 2021–2023:** Market growth resumed, supported by higher infrastructure spending, housing and urban development, and increased private-sector participation through Public-Private Partnership (PPP) projects.
- 2024–2025:** Growth remained strong, driven by continued infrastructure investment, residential and commercial development, and industrial construction activity.



Market Outlook –Forecast

- India's construction sector is forecast to grow 6–8% in FY2027, supported by a 4.2–4.4x order-book-to-billing ratio*, providing strong forward project visibility.
- The construction pipeline remains substantial, with 1,847 ongoing Central infrastructure projects worth INR 40.54tn (~USD 422 billion) of which Transport & Logistics accounts for 55% and Energy 26%, sustaining demand for roads, railways, power and related civil works.
- Future construction demand is broadening into industrial infrastructure, with 20 approved Industrial Smart Cities across 7 corridors and 13 states (Dholera (Gujarat), Shendra-Bidkin (Maharashtra), Greater Noida (Uttar Pradesh) and Vikram Udyogpuri (Madhya Pradesh)) with 16 still under development, creating demand for factories, logistics, utilities and supporting infrastructure.

Source: Desk Research, Aranca Analysis

Note:

- Order-book-to-billing ratio—i.e., construction companies hold confirmed orders equivalent to roughly 4.2–4.4 years of current annual revenue



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