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THE LENS

Nov 28, 2026



Machinery • Industrials

India’s 11,000 Cr. Construction-Equipment Push

Why the Real Battle Is Components, Technology and Supply-Chain Security—not Assembly

India's rapid infrastructure expansion continues to rely on imported technology and components for construction equipment. According to ICEMA, despite 98% of construction equipment sold domestically being manufactured in India, the industry's import dependency stood at approximately ₹34,500 crore in FY25.



Despite domestic manufacturing, critical components such as hydraulic systems, engines and electronic controls remain import-dependent. To address this, the Union Cabinet has approved an ₹11,000 crore scheme offering sales-linked incentives to equipment and component manufacturers and supporting a dedicated testing facility.

The announcement is significant as India's construction-equipment market is projected to grow from approximately ₹97,500 crore in FY2024-25 to ₹2.28 lakh crore by FY2029-30. However, the policy's success will depend not merely on increasing domestic assembly but on developing critical components, engineering expertise, testing capabilities and global distribution networks that currently remain concentrated outside India. Strengthening these capabilities could reduce import dependency and enhance India's global manufacturing competitiveness.

What's Happening?

On November 25, 2026, the Union Cabinet approved the ₹11,000 crore construction and infrastructure equipment, or CIE, manufacturing scheme. It will be implemented by the Ministry of Heavy Industries and will run for eight years beginning in FY2026-27.

The first two years—FY2026-27 and FY2027-28—will serve as a gestation period during which approved companies can establish or expand manufacturing facilities. Sales-linked incentives will then be distributed for five years from FY2028-29 to FY2032-33. The final year, FY2033-34, will be used to settle incentives relating to incremental sales achieved in FY2032-33

The scheme contains two principal components:

- Sales-linked incentives ranging from 13% to 8% of the incremental sales value of eligible equipment and components.
- A viability-gap-funding grant of up to ₹375 crore for establishing a dedicated construction-equipment testing facility.

The programme will cover both original equipment manufacturers and componentsuppliers. Major equipment categories are expected to include tunnel-boring machines,off-highway trucks, excavators, cranes, loaders, piling rigs and drilling machines. Eligiblecomponent categories include engines, transmission systems, hydraulic systems,undercarriages and drive systems. These are not randomly selected product categories.
They represent areas in which India faces either substantial import dependence, inadequate domestic scale or a technological gap compared with established global manufacturers.

The government expects the scheme to attract approximately ₹21,000 crore of investment, facilitate import substitution worth around ₹22,500 crore and help increase equipment exports to nearly four times their current level.

A Large Market Growing at an Ambitious Rate

India already has the world's third-largest construction and infrastructure equipment market after China and the United States. Its FY2024-25 market size was estimated at approximately ₹97,500 crore. The government expects this to increase to ₹2,28,100 crore by FY2029-30. This would mean that the industry becomes approximately 2.34 times larger within five years.

To achieve that projection, the market would have to grow at a compound annual rate of approximately 18.5%. That is an ambitious expectation for any capital-goods industry, especially one affected by government project execution, commodity prices, interest rates and construction cycles.

The demand opportunity is nevertheless considerable. The FY2026-27 Union Budget allocated ₹12.22 lakh crore for central capital expenditure and ₹17.15 lakh crore ofeffective capital expenditure after including grants for the creation of capital assets.

Meanwhile, the central government was monitoring 1,853 infrastructure projects worth ₹37.56 lakh crore as of September 2026. Transport and logistics accounted for 1,320 projects valued at approximately ₹20.07 lakh crore, while roads, railways, power, coal, urban infrastructure and water projects constituted much of the remaining pipeline. Only around 47% of the total revised project cost had been spent, suggesting that a large amount of equipment-intensive construction activity still remained.

A joint CII–BCG assessment separately expects capital expenditure across mining- and construction-equipment-linked sectors to rise from approximately ₹5.5 lakh crore in 2025 to between ₹9 lakh crore and ₹10 lakh crore by 2030. It also observes that India's level of construction mechanisation remains considerably below global averages.

This distinction became visible in FY2025-26. Total construction-equipment sales declined by approximately 2% to 136,995 units, while domestic demand fell nearly 7% because of slower project execution and transition-related disruptions. Exports, on the other hand, increased by 32%.

Therefore, the ₹2.28 lakh crore projection will require not only large budget allocations but also faster implementation of roads, railways, ports, mines and urban projects.

The Hidden Import Problem

The most revealing figure in the construction-equipment industry is not the number of imported finished machines. It is the value of imported components used inside machines that are assembled domestically.

A Ministry of Heavy Industries response in Parliament estimated the industry's FY2024- 25 import dependency at ₹34,500 crore. Of this:

- Fully built equipment imports accounted for approximately ₹4,250 crore.
- Imported components and aggregates used in domestic manufacturing accounted for approximately ₹30,250 crore.

Consequently, almost 88% of the industry's measured import dependency came from components and aggregates rather than finished machines. The total import dependency was equal to approximately 35% of the industry's ₹97,500 crore market size.

This explains how two apparently contradictory statements can both be true: 98% of equipment sold domestically can be produced in India, while the domestic industry still depends heavily on imported content.

ICEMA reported that 140,191 units were sold during FY2024-25, including domestic sales of 126,961 units and exports of 13,230 units. Approximately 98% of machines sold domestically were produced within India. But that statistic measures where the final machine was manufactured—not necessarily where its most valuable components, intellectual property or engineering systems originated.

A hydraulic excavator, for example, may be assembled in India using a locally fabricated body and cabin. However, its hydraulic pumps, control valves, sensors, drive motors or electronic control unit could still be imported. The final machine appears in production statistics as domestically manufactured, even though a considerable proportion of its value may originate outside India. This is why the scheme's inclusion of component manufacturers is more important than the headline support for large equipment producers.

Why Tunnel-Boring Machines Have Become Strategically Important

Tunnel-boring machines, or TBMs, illustrate why construction equipment is no longer simply a commercial manufacturing issue.

These machines are required for metro systems, underground railways, water tunnels, hydropower projects and high-altitude roads. A large TBM is effectively a moving industrial plant containing cutting systems, conveyors, hydraulic machinery, navigation technology, segment erectors and automation systems.

In October 2026, China announced export controls covering specified tunnel-boring machines, their key components and related technologies. The controls took effect on November 18 and require exporters to obtain licences. Covered components include cutterheads, screw conveyors, segment erectors and main-drive systems.

An export control does not necessarily mean that all shipments will stop. However, licensing requirements can create delays, uncertainty and strategic vulnerability for timesensitive infrastructure projects.

A delayed consumer-goods shipment may reduce retail sales. A delayed tunnel-boring machine can slow an entire metro or railway project, increase contractor costs and postpone the public benefits expected from the infrastructure.

This is why domestic TBM capacity matters even if annual unit volumes are relatively small. Strategic importance is determined by the disruption caused when equipment is unavailable, not simply by the number of machines sold.



Understanding the Incentive Mathematics

Of the ₹11,000 crore outlay, up to ₹375 crore is reserved for the testing facility, leaving a theoretical maximum of ₹10,625 crore for incentives and related programme requirements.

Incentive rates will decline from 13% to 8% over five years:

- At an incentive rate of 13%, ₹10,625 crore could support approximately ₹81,700 crore of eligible incremental sales.
- At an incentive rate of 8%, it could support approximately ₹1.33 lakh crore of incremental sales.
- At the midpoint rate of 10.5%, it would correspond to approximately ₹1.01 lakh crore of incremental sales.

These are illustrative calculations, not government forecasts. Actual sales will depend on eligibility, investment thresholds, company participation and disbursement.

Declining incentives encourage early capacity building and commercial viability. However, companies may maximise subsidised production without developing sustainable technological capabilities.

Clear domestic value-addition guidelines are essential to reward genuine local manufacturing and supplier development rather than the mere assembly of imported components.

Why the Testing Facility Matters

The ₹375 crore testing grant represents only around 3.4% of the scheme's total outlay, but it could generate benefits far beyond its financial size. Construction equipment must undergo extensive testing for structural durability, braking, emissions, stability, noise, vibration, operator safety and performance under different environmental conditions. Export markets may also require specific certifications.

If domestic companies must send equipment or components abroad for advanced testing, development becomes more expensive and time-consuming. Smaller manufacturers may be unable to afford repeated testing, limiting their ability to sell to major OEMs or export markets. A dedicated facility could allow Indian companies to test complete machines and critical components closer to their factories. It could also provide common infrastructure for MSMEs that cannot establish individual testing centres.

The facility will be most valuable if its certifications are recognised internationally. A laboratory that meets only domestic requirements may improve local compliance, but one whose results are accepted in major export markets can reduce duplicate testing and shorten the time needed to commercialise new products.

Testing infrastructure also supports innovation. Companies can develop components more confidently when they can rapidly test prototypes, identify failures and redesign products before full-scale production.

The Export Opportunity

India's construction-equipment exports increased by 10% in FY2024-25 and another 32% in FY2025-26, even as domestic sales weakened. This demonstrates that the industry is developing a second growth engine outside India.

Indian plants can potentially serve Africa, West Asia, Southeast Asia and Latin America, where customers require durable machines at prices below those offered by premium European, Japanese and American manufacturers.

India's advantages include an established engineering base, lower manufacturing costs, experience with demanding operating conditions and the presence of major international OEMs. The country can also offer machines designed for smaller contractors and pricesensitive markets.

The CII–BCG assessment estimated that Indian mining and construction-equipment exports reached approximately $4.9 billion in 2025—almost three times their level a decade earlier. However, overall localisation remains around 50%, with major gaps in hydraulic systems, electronic controls and undercarriages.

This creates an important distinction. Exporting a domestically assembled machine improves factory utilisation and employment, but the economic benefit is smaller if a large part of its value consists of imported components.

Deep localisation would allow India to retain more value from every exported machine. It could also help Indian component manufacturers become direct suppliers to global equipment factories—not merely suppliers to Indian assembly plants.

What's Next?

The next important development will be the publication of detailed scheme guidelines. The government must define eligibility thresholds, base-year sales, minimum investment requirements, domestic-value-addition calculations and the treatment of imported subcomponents. It must also decide how incentives will be allocated if total eligible claims exceed the available budget.

The structure of the testing facility will be equally important. Questions remain regarding its location, operating model, testing capacity, fee structure and whether international certification bodies will recognise its reports. During the two-year gestation period, investors should watch for factory-expansion announcements, joint ventures, technology partnerships and supplier agreements. But these announcements should be evaluated carefully. A memorandum of understanding is less meaningful than completed capacity, certified products and confirmed customer orders.

The scheme's first major economic impact may come not from higher equipment sales, but from increased investment in factories, machining, foundries, engineering centres and testing capabilities. Meaningful incentive disbursements will begin only from FY2028-29.

Conclusion

India's ₹11,000 crore construction-equipment scheme addresses a weakness hidden behind impressive production statistic. The country produces almost all the construction equipment sold in its domestic market, but it continues to import ₹30,250 crore of components and aggregates. Almost 88% of its measured import dependency lies inside domestically manufactured machines rather than in fully imported equipment.

This makes the scheme fundamentally different from a simple attempt to replace imported excavators or cranes. Its real objective should be to build domestic capabilities in hydraulics, engines, transmissions, drive systems, electronics, testing and advanced engineering.

The growth opportunity is substantial. India's equipment market is expected to increase from ₹97,500 crore to ₹2.28 lakh crore by FY2030, infrastructure-linked capital expenditure could approach ₹9–10 lakh crore annually, and exports are already expanding faster than domestic sales. However, the policy should ultimately be judged by three outcomes: the percentage of domestic value inside each machine, India's ability to manufacture strategically important equipment without external disruption, and the competitiveness of Indian products after incentives disappear.

If the scheme merely encourages additional assembly, India may sell more machines while continuing to import their most valuable parts. If it succeeds in developing components, engineering capability and internationally recognised testing infrastructure, the country could move from being the world's third-largest construction-equipment market to becoming a major global manufacturing and export base.



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