

Macro outlook

“When Henry Ford made cheap, reliable cars, people said ‘Nah, what’s wrong with a horse?’ That was a huge bet he made, and it worked.”

- Elon Musk

Mumbai’s mega makeover

2025: you are flying into Mumbai from Copenhagen, Antwerp or Boston. You may well land into one of the four terminals at the newly constructed Navi Mumbai International airport, spread over 2,800 acres. You will then have the choice to either drive on India’s longest bridge, the 22 km long Trans Harbor Link connecting central Mumbai to the mainland, or to board a swanky new metro bringing you to one of the many corporate offices in BKC in no time. As you navigate your way through the city’s leading business district, you may not even realise that only 30 years ago, the entire area was an empty marshland. In the evening you may stop by a brand-new world-class convention centre that recently hosted the most ostentatious wedding the world has ever seen. Or you may take the newly commissioned 29 km eight-lane coastal road and tunnel, to have sundowners on Marine Drive.

Mumbai is often known as the Maximum City for its many superlatives and unique characteristics. Mumbai comprised seven disjointed islands until 1845 when the British undertook an ambitious project to connect them, forming an integrated city that was 435 km² in size. Today, the megapolis sprawls across 6,328 km² making it larger than Palestine, Brunei or any of the world’s 40 smallest countries.

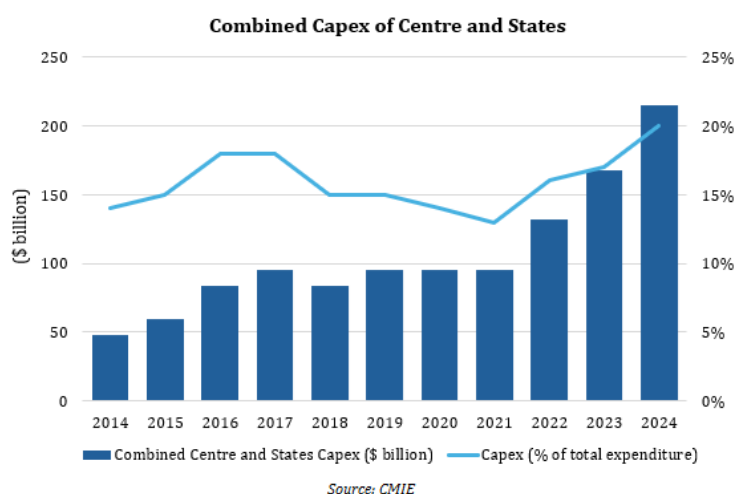
Today, the Maximum City is undergoing the biggest facelift in two centuries, thanks to massive government spends, bolstered by private sector contributions. Once the 360 km metro network is completed, it will rival New York’s 394 km long subway system. The Adani Group, who is building the Navi Mumbai International airport, is also building an adjacent ‘aero city’ replete with residential and commercial hubs. This will be accompanied by a bullet train from Mumbai to Ahmedabad cutting the transit time from eight hours to three.

Projects announced or underway range from the functional to the outlandish. Funds were recently allocated to build the world’s tallest statue in the middle of Mumbai harbor. The proposed statue, almost the height of the Empire State building, will be of Shivaji, a great warrior who fought the British but also famously undertook a building spree of reservoirs, dams and canals that permanently changed the economic fortunes of the city.

Transformation that mirrors India’s progress

Massive infrastructure investments are not restricted to Mumbai alone. Overall, India has built more infrastructure over the past decade than in the previous 70 years. Many projects reflect basic infrastructure such as roads, airports, ports and power plants. Remarkably, 42% of the country’s installed power capacity now comes from renewable sources, primarily solar. Overall, government-led capital investments have risen from \$50 billion in 2014 to \$215 billion in 2024, setting the stage for continued economic and social progress.

Some of the new infrastructure projects are also visionary in nature and reflect elevated ambition levels. As an example, the government is currently implementing the BharatNet project, the world’s largest telecom project ever undertaken. Once fully completed, this project will deliver 100 Mbps broadband to 625,000 villages covering more than 600 million people. Combined with private initiatives such as the \$60 billion Reliance Jio project, it is little wonder that mobile phone usage has gone from 300 million to 800 million in the past 10 years.



Once again, outlandish infrastructure projects remain a part of the national buildout, presumably intended to please voters or generate local pride. As an example, the world's tallest statue, the Statue of Unity was completed in 2018. Towering at 182m, the statue is one of Vallabhai Patel, a freedom fighter who was also known for his austere lifestyle. His bust though, reflects a certain extravagance given that the poor Statue of Liberty's flame barely reaches his waist.

There would likely have been many critics and dissenters at the times when various monuments were built around the world – ranging from the pyramids to the majestic structures in Athens and Rome, and elsewhere. Similarly, the \$215 million spent on the Ayodhya Ram Mandir has evoked both awe but also shock, notably for its dramatic aggrandization and reinterpretation of “Hindu-ness” which now showcases grandeur and ostentation more than previous associations with simplicity and austerity. Importantly, the temple complex has been accompanied by a \$10 billion upgradation of the city including a new airport, train lines and expressways. While the scale of investment and ostentation has been heavily criticized, the fact remains that tourism has been propelled from a pre-Covid level of 15 million people to 63 million in 2023, more than Mecca and the Vatican combined!

No stopping now

It has been well documented that government capital expenditure spends tend to create a snowball effect, spurring economic growth. When combined with the private sector showing its animal spirits, a virtuous cycle of investment and consumption can result, spurring employment, wealth creation and progress. It has been estimated that every rupee spent on capex yields a return of 1.45x in the immediate year, and 2.14x annually by the third year. But can India sustain its burgeoning capex spend? All economic indicators suggest so. Interest payments as a percentage of total expenditure have been stable for a long time and forex reserves have hit a record high at \$657 billion.

A quarter of a century ago, Singapore positioned itself as a preferred hub in South Asia by deliberately building overcapacity when moving its airport to Changi, along with increased capex in basic infrastructure like water recycling and desalination plants. Similarly, with the vision of supercharging its trading prowess, Dubai went all guns blazing by building one of the world's largest ports and one of the world's largest airports. They didn't stop there and have continued on a construction spree with projects ranging from the Burj Khalifa, the tallest building in the world, to the sail shaped Burj Al-Arab Hotel that has hosted Roger Federer and Andre Agassi to a tennis match on its helipad 300 metres above the ground.

Today, India's ambition is to build multiple 'Dubais' or 'Singapores'. Mumbai is on top of the list. Gujarat's GIFT City, which launched in 2019 with the aim of becoming the new epicenter of Global Finance and IT, already manages \$33 billion in AUM. Dholera Smart City, a 114 sq. km greenfield project in desert land in Gujarat, is nearing completion of its first 500-acre phase with roads, drainage systems, and electricity networks already in place, and an international airport becoming operational in 2026. Amaravati, a brand new capital for the state of Andhra Pradesh, is being built on 33,000 acres of converted farmland, and has a vision to be an environmentally sustainable city spanning 217 sq. km and home to 15 million people in the years to come.

Investments that influence the mood

“Rome ne fut pas faite toute en un jour”
- Li Proverbe au Vilain, published around 1190

The genesis of the proverb, “Rome wasn't built in a day”, was a collection of French poems published around 1190 A.D. At the time, medieval societies across Europe had strong classist boundaries and norms of social behaviour were expected to be rigorously followed. The noble classes and the wealthy bourgeoisie were starting to build beautiful churches and palaces thereby spurring the Renaissance. However, poems and adages such as the above became necessary to calm down the peasants who had to suffer through the construction or worse yet, see their farmlands usurped as a result.

For any resident of Mumbai who has suffered through long years of construction and associated traffic snarls, air and noise pollution, proverbs such as the above have been virtually our only solace. Now, with the end in sight and numerous projects already commissioned or within sight, even the common man is beginning to smile and bask in the convenience and economic stimulus being witnessed. One hopes that if '50 Dubais' are indeed built around India, a similar reaction of exhilaration will emerge from various quarters of the country in the years to come.