

2014

Great expectations

With national elections a few months away, India's construction sector players will be looking forward to the new incumbent government to deliver reforms that will ensure speedier project implementation. Presenting an industry view of what is required on the road ahead.



We see our profile being raised further in 2014 in line with development requirements and expectations.

— **VP Baligar**,
Chairman and Managing Director Housing and Urban
Development Corp. Ltd.



people who are on the move – those that provide them with a better quality of life. A major initiative taken early last year was the announcement of the \$100 billion Delhi Mumbai Industrial Corridor which envisages the construction of 7 new industrial cities across 6 states. The 1483 km long Indo-Japanese project is also intended to triple the country's manufacturing output, double employment potential and quadruple export from the region. Such is the import of this development with a 2019 deadline that state governments falling in the route have already begun work on areas like land acquisition. The Corridor will throw up mammoth business opportunities as the year progresses for infrastructure builders, construction firms, IT solutions companies, suppliers of building material like cement and steel, EPC players, engineers, architects, designers and real estate players. Naturally, therefore, with early bird projects being set up, and realising the tremendous economic spin offs from residential and commercial real estate, real estate players have made a beeline for the zone to acquire large parcels of land. Work on two cities Dholera in Gujarat and Shendra Bidkin in Maharashtra have already started. Meanwhile parallel to the development, preparatory work has begun on the Chennai Bengaluru Industrial Corridor, another addition to India's manufacturing ambitions.

Amitabh Kant, CEO and Managing Director, Delhi Mumbai Industrial Corridor Development Corporation, says, "The DMIC follows an integrated approach to development and the prospects are enormous."

Adds **Vinayak Deshpande, Managing Director, Tata Projects**: "The DMIC is a huge area of business opportunity and as a company we would like to participate in the developments there."



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— **Amitabh Kant**,
Managing Director, Delhi Mumbai Industrial Corridor
Development Corporation,

The infrastructure segment where MEP requirements are significant continues to be a big area of focus for building engineering design firms. "The sluggish growth of the construction industry in the last two years does not reflect the true story of the potential that lies in this sector. With the projected urbanisation rate and an ever expanding middle class, this sector can grow at a significantly higher rate if a right environment is provided in terms of interest rates, land acquisition process, ease of approvals from government bodies



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— **Ashish Rakheja**,
Regional Managing Director - Building Engineering, AECOM.

and availability of skilled manpower. We are eyeing opportunities there and are concentrating on promoting Integrated Design Process, Fire Engineering and Building simulation duly interwoven in the fabric of sustainability. This will help in optimising use of resources, cost and lead to a superior product," says **Ashish Rakheja, Regional Managing Director - Building Engineering, AECOM**.

To add to the proposed industrial agglomerations, plans have also been envisaged for the construction of 70 Smart Cities across the length and breadth of the country, each invested with a host of features like intelligent transport, e-services and carbon neutral status to

raise the quality of life. This is being done under the aegis of the Jawaharlal Nehru National Urban Renewal Mission. Already a host of tech majors like CISCO, IBM, Siemens, including small startups have begun eyeing business prospects. There has even been some movement, albeit on a smaller scale with sunrise developments being announced like Kerala's Internet City or Sabeer Bhatia's Nano City or the Wave City project at Ghaziabad near the national capital where a 4500 acre township – complete with residential,



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— **Karuna Gopal**,
President, Foundation for Futuristic Cities

commercial, shopping malls, schools, transport systems, public safety systems; education and health care – is coming up with smart systems support from IBM.

Some ground work has begun on these proposed developments but it is early days to expect them to leap up a year after they were announced. Smart Cities cannot sprout overnight. Most well planned cities around the world took a decade or two to evolve into their current avatars. The proposed cities are gearing up for the long journey fraught with challenges like absence of legal framework for their development, land acquisition issues, land pooling, associated regulatory hassles. Moreover, creating completely new greenfield cities

requires very detailed planning: there is a need to create digital city maps, obtain environmental clearances, engage with various stakeholders all of which are tardy procedures that need patience and meticulous due diligence.

Karuna Gopal, President, Foundation for Futuristic Cities, believes it is early days for the developments and prefers to view the smart cities intent as a great opportunity to accelerate urban transformation in India. "Right now it is easy to be sunny and optimistic about the smart city business in India. Apart from the government's proposals, even the political manifestoes of parties fighting elections this year have a clear focus on building infrastructure like smart cities."

REAL ESTATE

Real estate, which occupies a significant size of the construction sector pie, has had to face the brunt of the economic slowdown – inflation, high interest rates, lending curbs, tight liquidity and rising cost of construction materials – and consequently a reduction in business volumes through 2013. Factors like lack of professionalism, greater degree of fragmentation in the market, shortage of qualified professionals and a partial paralysis on the policy front have led to investments coming down in the sector.

Currently close to around \$2 billion is parked with private equity firms to be deployed in real estate but funds have tended to be selective and have shown a marked preference for projects with strong fundamentals. The year gone by saw some movement in the sector in terms of reforms like the long pending Real Estate Regulation Bill 2013 or the publication of the draft guidelines on SEBI (REITs) Regulation 2013, corrective measures like the Reserve Bank of India directives to banks to call off the dubious 80:20 and 75:25 schemes



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— **Sachin Sandhir**,
MD, RICS South Asia



A stable government and stable policies will improve real estate sector confidence

— **MR Jaishankar**,
Chairman & Managing Director, Brigade Enterprises Limited,



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Managing Director, Tata Projects



owing to the attendant risks. These have the potential to bring both transparency and investments to the sector.

Geographical distance sometimes offers perspective; it often serves to erase cynicism. It is easy therefore to understand why **Anuj Puri, Chairman and Country Head, Jones Lang LaSalle Meghraj**, who was in Davos for the annual World Economic Forum jamboree could see "change happening" in India from the cool of his Alpine observatory. Explaining the inevitability of the slowdown, the real estate guru, has likened India to a rampaging bulldozer headed in the wrong direction and alludes to the difficulties, and long time, it takes to bring it to a halt and to put it back on the right track. "There is no better and more effective brake for the real estate sector than an economic slowdown. This year, we are once again on the path of economic revival and a new awareness now prevails on our real estate market," he observes.

Sachin Sandhir, MD, RICS South Asia adds a different angle, "The growth momentum may not like what it was during the 2006-2008 boom period. There are economic indicators which suggest that market is poised for growth in the second half of the year. I foresee a cautious optimism of a healthy market recovery on the part of buyers since existing conditions favour a long term investment horizon."

MR Jaishankar, Chairman & Managing Director, Brigade Enterprises Limited, feels the outlook for the real estate sector will be largely positive. In his wish list are "a stable government and stable policies to improve real estate sector confidence, increased focus and fillip from the government to urban infrastructure and urban cities renewal, telecom infrastructure to be created soon to support the growth of IT companies, FDI in real estate, completion of commercial real estate and hotel projects to help improve forex reserves and containment of corruption in a big way to allow

the industry to flourish and foreign investments to improve."

According to a study by Assocham, the IT sector, which occupies a majority of real estate commercial space, will be among the key job creators in 2014 in India due to recovery in the US economy. It was the only area that witnessed significant momentum



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Chairman and Country Head, Jones Lang LaSalle Meghraj

in 2013 and is expected to do well this year. **Dr Rajeev Papneja, Chief Operations Officer ESDS Software Solution Pvt. Ltd.** which is a key player in the data centre space, says, "As far as any reforms by the Indian government is concerned, I feel it is too early to speculate. Our outlook for 2014 is very positive and we foresee strong growth this year."

CONCLUSION

One thing is certain. Progress would be measured on the basis of the outcome of the general election: a decisive verdict and a decisive national leadership could help the push for growth in all the key sectors immediately. A fractured verdict could lead to the continuity of the uncertain cycle witnessed in India's development in recent times. On the nature of the verdict will hinge whether the path ahead for the construction sector remains rosy like apples, or is strewn with thorns. Life is not quite like apples — and onions, whether costly or not, invariably lead to tears being shed. ♦



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— **Dr Rajeev Papneja**,
COO, ESDS Software Solution Pvt. Ltd