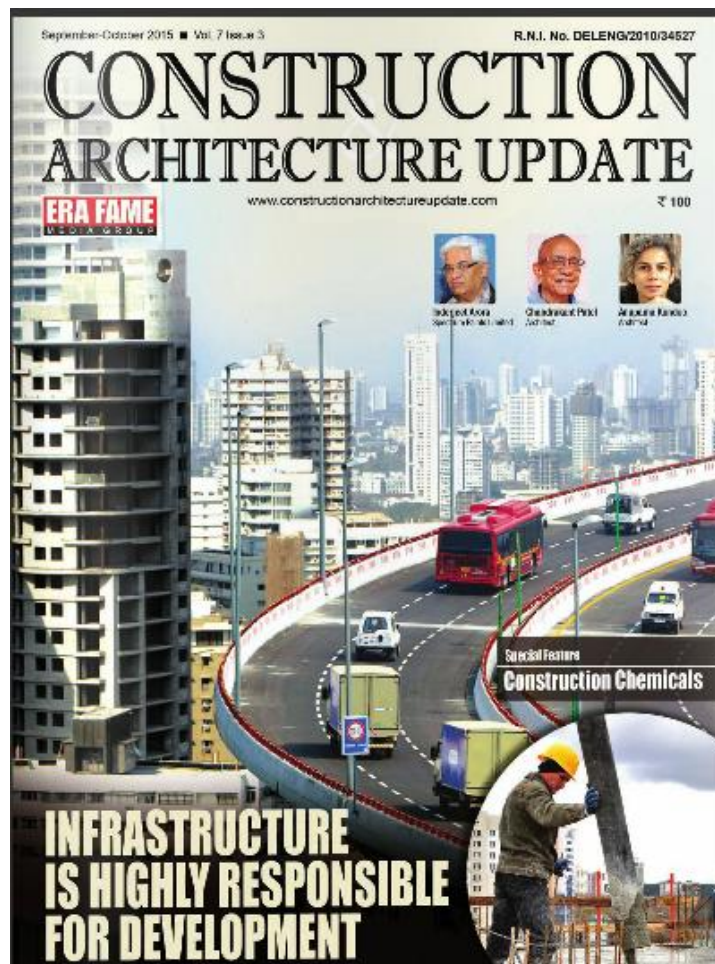


Expat Coverage

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INFRASTRUCTURE IS HIGHLY RESPONSIBLE FOR DEVELOPMENT



A key driver of the economy, infrastructure is highly responsible for propelling India's overall development. The industry enjoys intense focus from the top officials of the Government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. This sector includes power, bridges, dams, roads and urban infrastructure development.

Market Size

The Indian power sector has an investment potential of US\$ 200 bn in the next 4-5 years, providing revenue support in form of power generation, distribution, transmission and ancillary services, according to M. Pravin Kumar, Union minister of coal, power and renewable energy. The total approximate earnings of Indian Railways on originating routes during April 1, 2014 to December 31, 2014 were Rs. 14,470.13 crore (US\$ 16.42 billion) compared to US\$ 8,656.82 crore (US\$ 10.27 billion) during the same period last year, registering an increase of 13.57 per cent. The total assets made up of infrastructure

during Oct 2014 - Dec 2014 were Rs. 77,315.53 crore (US\$ 12.4 billion) compared to Rs. 66,776.26 crore (US\$ 10.26 billion) during the same period last year, registering an increase of 12.29 per cent. Moreover, the number of road and airport tenders awarded through tender bids in India exceeded 7.38 per cent year-over-year from April to October 2014 as a result of the MoU Government's efforts to make port development a major priority. Foreign direct investment (FDI) received in infrastructure development sector from April 2009 to August 2014 stood at US\$ 2,428.29 billion, according to the Government of India's Policy and Promotion (DPI).



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RECENT DEVELOPMENTS

India is witnessing significant interest from international investors in the infrastructure space. Many Spanish companies are keen on collaborating with India on infrastructure, high speed trains, renewable energy and developing smart cities

● The government has unveiled plans to invest US\$ 127 billion in its domestic rail network over the next five years, heralding Prime Minister Narendra Modi's aggressive approach to building infrastructure needed to unlock India's economic growth. Over the next five, India will increase investment by about a half to US\$ 16.35 billion including funds raised by market borrowing.



● Indian Capital Finance Ltd and Refinance Capital Ltd have invested \$1,200 crore (US\$ 31.15 million) in Alliance group, a real estate company. The consortium of institutions has invested in the holding company of Alliance group, Alliance Infrastructure Projects Pvt. Ltd.

● Andhra Pradesh-based regional airline Air Costa will add eight aircrafts before 2016 to its existing four aircrafts. The airline, which reported an operating profit in the month of December, 2014 for the first time, said that it will be a panacea player by the end of 2015.



● Union government-owned Kolkata Port Trust has signed an agreement with the West Bengal government to set up a new port at Dagar Island in South 24 Parganas district through a joint venture 100 percent on the trust. The Dagar Island port is estimated to cost Rs. 11,900 crore (US\$ 1.93 billion) and will be the first port to be built by the Union government in 34 years.



● Larsen and Toubro Ltd (L&T) has announced that its building and fixtures business under L&T Construction has secured orders worth Rs. 2,311 crore (US\$ 405.27 million) in December 2014. In a statement, the firm said that these orders were from both the domestic and international markets.



● Private equity funds and non-banking financial companies have found a niche within Gurgaon. Over the past 35 months, New Gurgaon, which is an area between Manesar and old Gurgaon, has seen investments in real estate projects by several private equity funds. Singapore sovereign wealth fund GIC recently put in Rs. 150 crore (US\$ 24.12 million) in a joint venture with real firm VILCO group to develop two projects in this area of Gurgaon.



India and the US have signed a memorandum of understanding (MoU) in order to establish Infrastructure Collaboration Platform. The document showcases the relationship between both the Governments which intend to facilitate US industry participation in Indian infrastructure projects to improve the bilateral commercial relationship and benefit both the Participants' economies. The MoU's scope envisages efforts in the areas of Urban Development, Commerce and Industry, Railways, Road Transport and Highways, Micro Small and Medium Enterprises, Power, New & Renewable Energy, Information and Broadcasting, Communications & Information Technology, Water Resources, River Development and Ganga Rejuvenation.

Government Initiatives

The Indian Government is taking every possible initiative to boost the infrastructure sector. Some of the steps taken in the recent past are being discussed here below. The Reserve Bank of India (RBI) has notified 100 per cent foreign direct investment (FDI) under automatic route in the construction-development sector. The new limit is effective 2 December 2014. RBI has notified a notification on its website. Recently, the Government has reduced rates for FDI in the construction sector by reducing minimum build-up cost as well as capital requirement and liberalized the exit route. The Cabinet has also approved the proposal to amend the FDI policy.



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Road Ahead

India's port sector is poised to mark great progress in the years to come. It is forecasted that by the end of 2017 port traffic will exceed to 600 million TEU for India's major ports and 85.25 MT for its minor ports. Along with that, Indian aviation market is expected to become the third largest across the globe by 2010, according to industry estimates. The sector is projected to handle 300 million domestic and 85 million international passengers with projected investment to the tune of US\$ 120 billion. Indian Aviation Industry total capacity accounts for 15 per cent of the gross domestic product (GDP). It has been instrumental in the overall economic development of the country. Given the huge gap between potential and current air travel generation in India, the prospects and possibilities of growth of Indian aviation market are immense. Source: Air India Group / Association, <http://www.airindia.com/infrastructure-section/india.aspx>



Indian real estate market is one of the most internationally recognised sectors and after agriculture, this sector has generated the highest amount of employment. By 2020, the Indian real estate market is predicted to see USD 180 billion. Such statistics clearly reflect the future of real estate sector in India. Experts views on Real Estate Sector

REAL ESTATE

Santosh Shetty
CMD, Expat Group



Government's latest initiatives like smart cities and housing for all, is focusing to improve quality of living along with advancement in amenities and services offered.

These initiatives have opened several possibilities for the real estate sector, especially for projects in the outskirts. However, the focus should also be on the buyers who are unable to invest in real estate due to high prices. The government is aiming for the developers to reduce prices in order to make the real estate sector more affordable, but the prime hurdle is the high cost of borrowing and increase in the price of construction. The delays in getting approvals and time restraints, leads to unnecessary setback. This situation makes it difficult for the developer to help the end users and make the segment more customer centric. Thus, leaving the buyers with high realty prices and delays in project delivery. Few reforms are required like the reintroduction of teaser loan, rate cuts, etc. Teaser loan has fixed low rate of interest in the starting years and later charge related to market rates, this will be beneficial for the buyer.

In order to increase the flow of foreign capital in the sector, the existing FDI guidelines for investment and development in the real estate industry need to be reviewed.

Most real estate developers in India are pressing for a single window clearance system for the realty sector. The single window clearance mechanism is crucial for the timely completion and brings in more transparency in the realty market. The budget this year had a few initiatives taken by the government to better the real estate market but still hasn't created an impact when compared to the benefits announced for the infrastructure industry. However the real estate developers will witness a higher demand for properties on the long run if the property tax rates are reduced.

With regard to the taxation policies, there should be a reduction in the interest rates on home loans which will have a positive impact on the housing sector. The real estate industry expects more from the Government in the upcoming years that will help the sector to thrive.

M. Arun Kumar
Founder & Managing Director,
Casa Grande Pvt Ltd.



"It is time the realty sector gets some exclusive attention from govt n policy makers.

There is an urgent need to bring out a single window clearance system for all building approvals and service connections at the national level which are to be implemented by states along with rationalization of the various taxes levied on real estate to make housing and real estate in general more affordable. Another pressing need is for land reform, permitting greater floor space index and to encourage land pooling to bring down land costs to increase affordability.

Policies also need to be changed to promote affordable housing in a meaningful manner by providing meaningful tax incentives to private developers and a minimum of a 50% subvention on interest rates on home loans for home buyers in the affordable category or lower income group. This will go a long way in actually achieving housing for all over the next decade."

Haresh Kishore
Director, KG Builders



Sagar Setia
Director,
Monza Townships Pvt Ltd



Recognising the contribution of the real estate sector to India's economic growth, the government is providing the right stimulus to this sector through favourable policies.

The Jawaharlal Nehru National Urban Renewal Mission, the focus on affordable homes for all by 2022 and now the announcement of 100 Smart Cities have boosted the overall market by attracting huge investments in building infrastructure. The real estate sector deserves special attention, considering its contribution of 4.53% to the GDP and a phenomenal growth rate of 30%.

The government should relax the norms to put real estate reforms on the fast track. While land titles, title insurance and industry status still pose a challenge, shortage of labour, rising manpower and material costs and a tardy project approval process are some of the major concerns we expect the government to address. The expected cut in interest rates will boost the demand for real estate and the reforms initiated by the government will create an environment for growth. The Real Estate (Development and Regulation) Bill holds a lot of promise. Once implemented, it will bring more transparency and make it easier for developers to raise capital from banks and other financial institutions.

Rahul Akkara
AVP Brand, JSW Cement



Having served for more than 15 years with various organizations and with the qualification of B.COM from Narsee Monjee College of Commerce and Economics, Bombay and MBA in Marketing and Business Strategies from Narsee Monjee Institute of Management Studies, Bombay brings a wealth of experience and knowledge to the position.

Prior to this appointment, he has worked at Spykar Jeans, Nizo Tiles, Pidlite Industries Ltd, GO-chesse and Sanyam Silk Mills Ltd before joining JSW Cement. Rahul is well-known for his visionary leadership in the field of Marketing. 16 years of Proven Track record of creating and rolling out successful brands across categories, one of the very few people in the Marketing space to have worked across categories ranging from Textiles, Dairy, Consumer Durables, FMCG.

Nayan Shah
Managing Director,
Neptune Group



"The Govt. has the opportunity to simplify the policies to give a clarity to the the Real Estate Sector.

Different Govt. and Municipality authorities play a role in during the life cycle of a project. If the Govt. can start a single window for all approvals to meet the large demand of housing in India particularly in a city like Mumbai it will give a ease to the sector. Secondly need a clear direction from the Govt. on land acquisition, taxation and procedure for funding through Banking, FI, FDI and NBFCs for large or small projects, which will encourage more players to enter in the sector.

For affordable housing sector in particular we expect Govt. to keep exclusive provisions to implement necessary amenities like water, road, electricity, and transport services etc. with utmost importance to meet the vision of our Honourable Prime Minister "Housing For All" implied for the most needy segment of India."

India's real estate market is expected to reach US\$ 180 billion by 2020 from US\$ 93.8 billion in 2014.

Emergence of nuclear families, rapid urbanisation and rising household income are likely to remain the key drivers for growth in all spheres of real estate, including residential, commercial and retail. Real estate is currently the fourth-largest sector in the country in terms of Foreign Direct Investment (FDI) inflows. Total FDI in the construction development sector during April 2000-May 2015 stood at around US\$ 24.07 billion. The Government of India has been supportive to the real estate sector. In August 2015, the Union Cabinet approved 100 Smart City Projects in India. The Government has also raised FDI limits for townships and settlements development projects to 100 per cent. Real estate projects within the Special Economic Zone (SEZ) are also permitted 100 per cent FDI.

Harjith .D. Bubber
M.D. & C.E.O, Rivali Park,
CCI Projects



Sundeep Jagasia
Managing Director,
Shree Krishna Group



The real estate industry which was facing a huge crises of policy paralysis coupled with corruption at unrealistic levels in the past was very hopeful for a relief with the new government.

However though there seems to be a move towards solving the above issues, the process of bringing in changes is extremely slow and is not yet felt on the ground.

There is desperate need to change the process and bring in a more transparent systems for approvals which the government has accepted in various circulars issued by them in pursuing the task of "Ease to Business" policy which is urgently required as India lags far behind compared to other nations.

Though the government is taking positive steps for moving in that direction, there is resistance from forces who do not want the system to be streamlined and therefore, trying to scuttle the new policies thus making the implementation of the reforms very slow.