



Building Industry: Doing Business in India



India today – Facts & figures

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- Major economy in South Asia
- 2nd most populated country in the world
- GDP stands over US \$2 trillion
- Building industry accounts for 8% of GDP
- 2nd largest employer and contributor to the economy (after agriculture)
- Huge housing shortage
- 35 million skilled workers in the sector
- Young population quickly urbanising
- Make in India: FDI facilitation



India today – Population

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India's population is expanding quickly and its consumer class is growing accordingly

Today

- 5% of tot population
- 50 million

By 2020

- Expected to quadruple
- 200 million

By 2030

- Expected to more than duplicate again
- 475 million people

Middle class → Spending power → Demand for mid-high quality housing
→ Desire and consumption of foreign goods and materials



India today - GDP

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Among the **BRIC economic community** of emerging markets, India is showing a steep and constant growth level of its GDP

With 2016 nominal **GDP of US \$2.29 trillion**, India is second only to China

Country	GDP 2017 Estimate (US \$ billion)	GDP 2018 Estimate (US \$ billion)	GDP 2019 Estimate (US \$ billion)	GDP 2020 Estimate (US \$ billion)
Brazil	1,556.44	1,608.74	1,667.46	1,749.35
Russia	1,267.55	1,335.36	1,447.13	1,530.61
India	2,487.94	2,724.76	3,006.95	3,315.36
China	12,263.43	13,338.23	14,605.29	16,144.04

With a GDP expected growth rate around **6-7% a year**, Indian economy is one of the most promising ones the world over, as well as the reason why **South Asia is the fastest-growing region of all**



Building Industry – Residential Construction

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With a **value projection of US \$563.4 billion** by 2020, the huge potential of Construction sector in India is largely **due to residential needs**

As the population is growing in the hundreds of thousands, it is no surprise that **residential segment is the largest contributor to the Indian Building Industry** (30.6% of the total market value)

Tenure	Total Urban Housing Shortage
Self-Owned	11,681,728
Rented	6,993,189

Projected Housing Units Needed by 2022	
Source: RNCOS	34.1 million
Source: KPMG	110 million



Building Industry – Residential Construction

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India is a **dual-faced market**, as such there will be **2 major trends** in Building Industry, each one with their own characteristics

Affordable Housing	Luxury Housing
<p>Housing for All by 2022 and Smart Cities Mission initiatives</p> <p>This government-backed plan is set to build 2.5 million homes a year to accommodate low income families</p> <p>In 2013, WorldBank granted a US \$100 million agreement for access to finance for home ownership as part of a massive deficit-alleviating operations</p>	<p>Following the birth and increase of middle-upper incomes class, luxury is considered as:</p> <p>The fastest growing segment in residential housing</p> <p>In 2008-2012, 25,570 luxury units were launched in 7 cities (estimated value of US \$30 billion)</p>



Building Industry – Retail and commercial construction

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As the main driver of construction in the country, **growth in population and urbanisation** involves the need for expanding the number of facilities, as **cities grow bigger and professional hubs are improved and developed**

As foreign investors are attracted, new projects flourish and rapidly take shape:

- **Indian Fund Management Pvt. Ltd:** office development (US \$740+ million)
- **DLF:** Gurgaon hub office development (US \$134 million and 186,000 sqm)
- **Apple Inc.:** non-US technology hub (US \$25 million and 4,000+ workplaces)
- **ThyssenKrupp:** Pune manufacturing plant (US \$50.5 million)
- **Amazon:** non-US largest delivery centre (269,000 sqm and 13,500 workplaces)
- **Indian shopping space:** 38%+ of the worldwide total (1.5 million sqm)

All of these projects are open marketplaces for foreign Building Materials companies



Building Industry – Industrial Construction

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As India's **manufacture output accounts for 1.6% of the world's total**, it is relatively easy to find incentives for **attracting FDIs**

Special Economic Zones (SEZ): manufacturing districts where foreign companies find convenient conditions for setting up their facilities



Tata Steel SEZ is set to develop and provide space to foreign firms to come and expand their business to India

The birth and expansion of industrial parks also allow:

- To convert **previously rural areas**
- To contribute to the **growth of the working middle class**
- To **feed demand**, as a consequence



Interior Finishing and Materials

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Building Industry brings along an **increasing demand for Interior products** accordingly

Be it in **affordable housing** or in **premium luxury projects**, Interior Finishing and Materials market currently:

- Is worth **US \$4.2 billion** on its own
- Has a **CAGR between 15 and 20%**
- Is related to **design and luxury market by over 10%** of its total value

While **previously dominated by domestic** manufacturers, the market is now opening to **import products**

The growing taste for premium products and the desire for imports correspond to the **increase of the Indian consuming class** and their disposable incomes



Interior Finishing and Materials – Leading segments

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Ceramic Tiles

India is the **3rd market** in the world for ceramics (estimated **US \$8.63 billion**)

- **Vitrified tiles** (50%)
- **Floor tiles** (23%)
- **Wall tiles** (20%)
- **Industrial tiles** (7%)



Doors & Windows

As manufacturing technology progresses, **durability and ease of maintenance** make newer products more appealing

International players team up with local partners to gain a share of this **US \$2.1 billion market**

Furniture

As home of the **14th largest market**, Indian furniture sector is currently worth **US \$30 billion**, with an expected **CAGR of 26%**

This is largely due to **residential developments** and import products are always at the forefront of import figures



Doing business in India, business insights



Doing business in India – Ease of doing business

World Bank/IFC 2016 Doing Business ranks India 130th – 4 positions up since 2015

Index of Economic Freedom score: 56.2/59, but the ease of doing business in India is steadily increasing **(+2.93% since 2015)**

Recent milestones

- **2011** Online **VAT registration**
- **2015** Starting a **business made easier** by reduced registration fees; **e-Tourist Visa**
- **2016** Elimination of **minimum capital and certificate requirements** (Mumbai and Delhi)

Ratings Institution	Rating	Outlook
Moody's	Baa3	Positive
Fitch	BBB-	Stable
S&P	BBB-	Stable

Doing business in India – Business statistics

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FDI is a major **non-debt financial resource** for the economic development of India

In FY 2015-2016, India received **US \$40 billion in FDI**, attracted by investment privileges such as **tax exemptions on foreign capitals** being brought in

Country FDI Equity Inflows (FY 2015-2016)	Value
Singapore	\$13.69 billion
Mauritius	\$8.35 billion
United States	\$4.19 billion
The Netherlands	\$2.64 billion
Japan	\$2.61 billion

Compared to FY 2014-2015 (US \$30.93), **FDI figure increased by 29%**



Doing business in India – Business statistics

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Import World Bank/IFC Statistics

Indicator	Time (hours)	Cost (US \$)
Import: Border Compliance	311	\$556
Import: Document Compliance	67	\$139

Export World Bank/IFC Statistics

Indicator	Time (hours)	Cost (US \$)
Export: Border Compliance	88	\$368
Export: Document Compliance	61	\$104



Doing business in India – Cultural insights for business

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Doing business in India – Cultural insights for business

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As for most Eastern cultures, Indian system of relationships is based on **mutual trust** and **honour**

Applied to the **business environment**, this means that potential Indian partners are likely to **choose personal relationship over deals**, regardless of how lucrative they can be

Comfort Zone

Indians **are truly interested** in the people they deal with. **Hospitality** is a key trait of the local culture.

Reputation First

Being a society built upon honour, the importance of **“the face”** is crucial. As for other Asian cultures, shame is fiercely avoided.

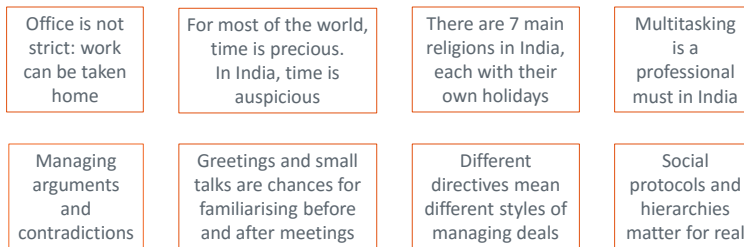
Formalities

On the other hand, Indian business culture always strives to **show respect**, like making sure to address people with their **formal titles**.

Doing business in India – Cultural insights for business

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In India time, tasks and deals flow differently



Do you want to be part of the new engine of global construction?

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India by 2030

- Population will reach **1.6 billion**, over **475 million people in the consumer class**
- **Urban population** is expected to double from 320 million to **nearly 590 million**
- India will replace Japan as **the 3rd largest construction market** in the world
- GDP will grow from US \$2,2 trillion to **US \$11,16 trillion in 2030**

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ACETECH DELHI 15th – 18th December 2016, Delhi, India

WORLDBUILD INDIA 20th – 22nd April 2017, Mumbai, India