



# REAL ESTATE

September 2009

## The focus of this presentation is to discuss...

- ❖ **Market Overview**
- ❖ Policy
- ❖ Key Trends and Drivers
- ❖ Key Players
- ❖ Key Opportunities

## Market overview: Real estate

- The Indian real estate industry is expected to touch US\$ 50 billion by 2010.
- Real estate accounts for approximately five per cent of the GDP and this share is expected to increase to six per cent in the next five years.
- Growth has been driven primarily by the IT/ITeS sector with an increase in the demand for office space, growing presence of foreign businesses in India, the global strides of Indian corporates and a rapidly increasing consumer class.
- The real estate sector is in its early growth stage and can be segmented into residential, commercial, retail and hospitality asset classes

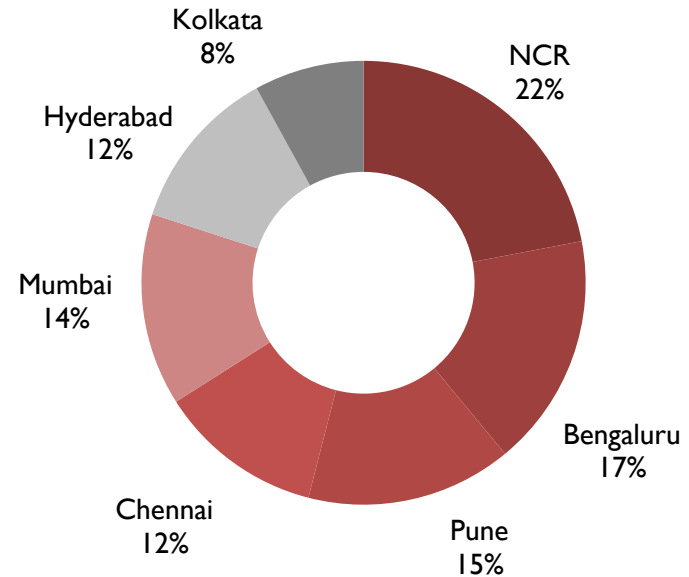
Sources: Damac set to invest \$5 bn, accessed 14 September 2009, via Factiva

Industry news, <http://www.workosaur.com/real-estate-industry-overview/>, accessed 14 September 2009

# Commercial office space

Growth drivers	<ul style="list-style-type: none"> <li>The IT/ITeS sector registered an 18 per cent growth in 2008–2009</li> <li>Significant growth in FDI</li> </ul>
Market structure	<ul style="list-style-type: none"> <li>Dominated by a few large national developers with a pan-India presence.</li> <li>Regional players are expanding to achieve an all-India presence.</li> <li>Shift in the type of operations from sale model to lease and maintenance model.</li> </ul>
Segmentation	<ul style="list-style-type: none"> <li>Commercial space can be classified broadly into grade A and B.</li> <li>Business activity shifting from Central Business District (CBD) to Special Business District (SBD) and from tier I to tier II and III.</li> </ul>
Outlook	<ul style="list-style-type: none"> <li>Commercial market expected to grow at a Compound Annual Growth Rate (CAGR) of 20 per cent to 22 per cent over the next five years.</li> <li>IT/ITeS sector expected to require 150 million Sq. ft. of commercial office space by 2010.</li> </ul>

Office space addition in 2009–2011 (183 million Sq ft)



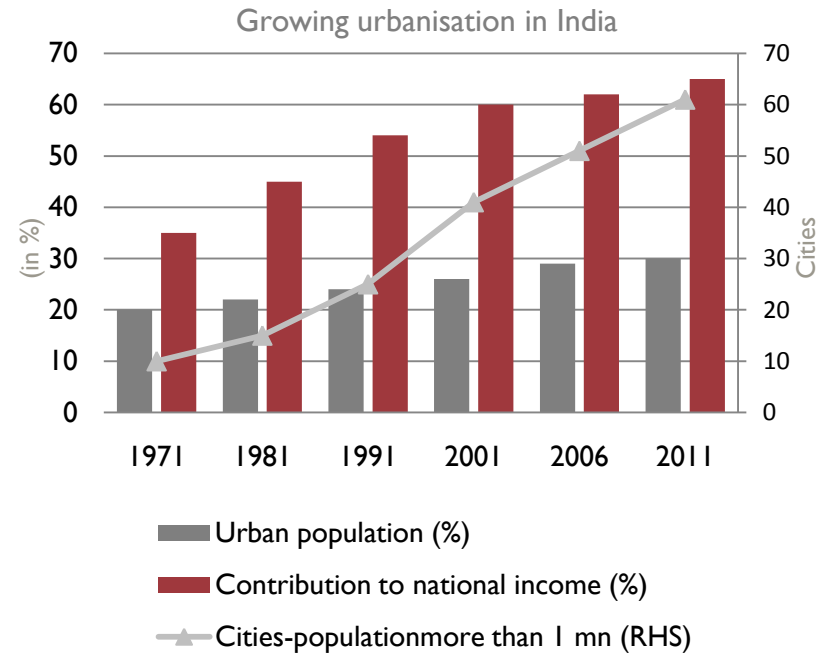
Source: Industry sources

Sources: IT/ITeS Industry opinion, CRISIL research, accessed 14 September 2009

Industry news, <http://www.workosaur.com/real-estate-industry-overview/>, accessed 14 September 2009

# Residential space

Growth drivers	<ul style="list-style-type: none"> <li>• Rapid urbanisation: Urban population expected to touch 590 million by 2030.</li> <li>• Decreasing household size: Average increase in number of nuclear families estimated to be over 300 million (middle class population).</li> <li>• Number of rich household growing at CAGR of 21 per cent.</li> <li>• Increasing working age population (almost 64 per cent in 16-64 age group).</li> <li>• Increasing income levels: per capita GDP increased by 66 per cent in last five years.</li> </ul>
Market structure	<ul style="list-style-type: none"> <li>• Highly fragmented and disorganised</li> <li>• Regional players are expanding to achieve a pan- India presence.</li> </ul>
Segmentation	<ul style="list-style-type: none"> <li>• Broad categories include low cost/ mid market/ premium housing</li> <li>• Luxury segment growing annually at 25 to 30 per cent.</li> </ul>
Outlook	<ul style="list-style-type: none"> <li>• Current shortage close to 19.4 million units, predominantly in middle and low income group.</li> <li>• Expected to grow at a CAGR of 18 to 19 per cent up to 2010.</li> <li>• Mortgage finance is expected to increase penetration into the urban housing finance sector.</li> </ul>

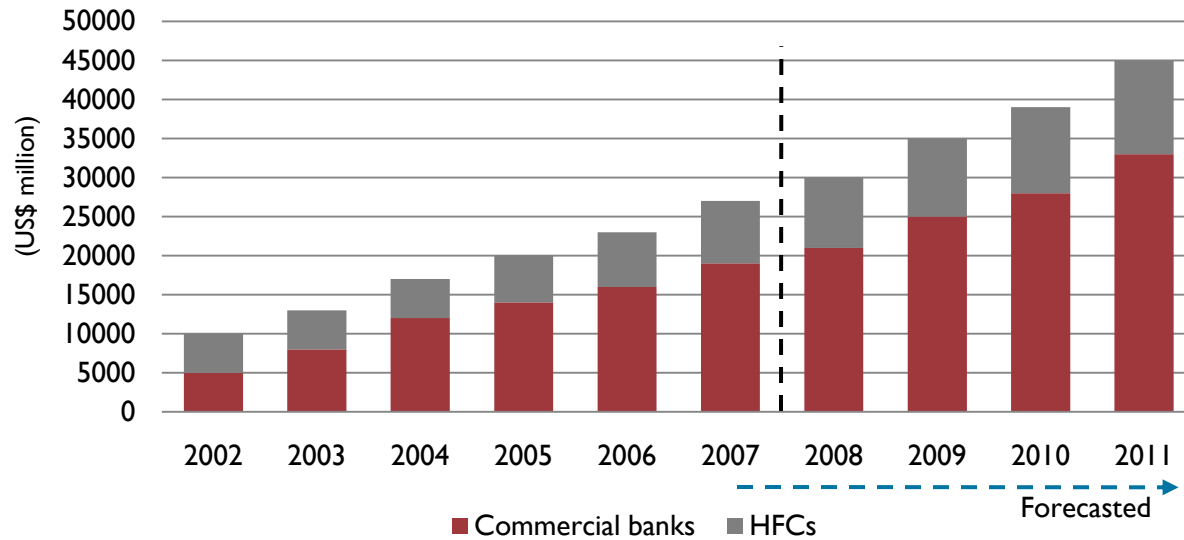


Source: , National Institute of Urban Affairs, UNDP, Ernst & Young analysis

Source: "Real Estate Sector Investments: Assessment & Outlook", 2009, ASSOCHAM

# Residential space

Annual home loan disbursement from formal sector

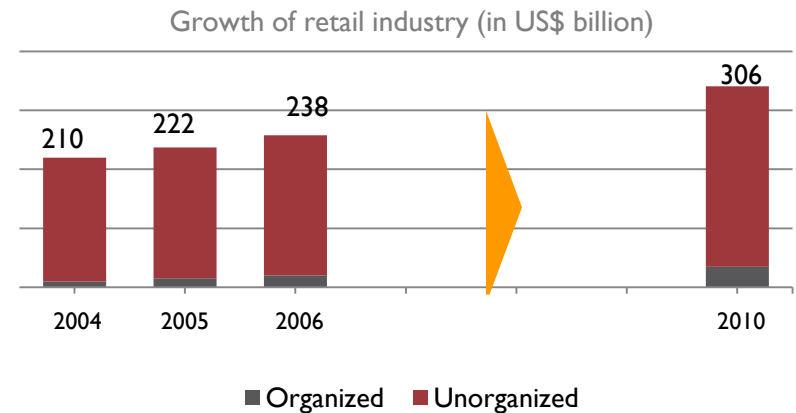


Source: Report of the Eleventh Five Year Plan (2007-2012), Working Group on Urban Housing

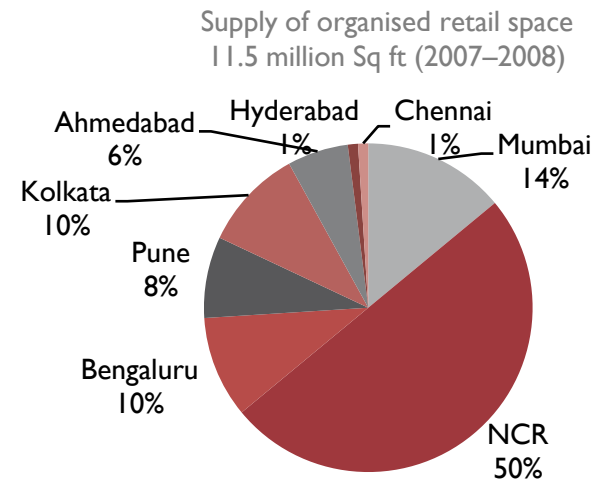
# Retail space

<b>Growth drivers</b>	<ul style="list-style-type: none"> <li>• Rising consumerism with doubling of disposable income</li> <li>• Growth in organised retailing</li> <li>• Entry of international retailers</li> </ul>
<b>Market structure</b>	<ul style="list-style-type: none"> <li>• Dominated by unorganised retail</li> <li>• Large corporate houses entering the organised retail sector</li> <li>• International retail brands are tying up with Indian partners.</li> </ul>
<b>Segmentation</b>	<ul style="list-style-type: none"> <li>• Contribution of organised retail to the retail industry grew from two per cent in 2003 to four to five per cent in 2007.</li> <li>• International retailers are present through the franchisee route.</li> </ul>
<b>Outlook</b>	<ul style="list-style-type: none"> <li>• Government is exploring the possibility of a relaxation in FDI norms.</li> <li>• Organised retail expected to grow at a CAGR of 19 per cent over the next five years</li> <li>• Share of organised retail in terms of sales expected to reach 5.6 per cent by 2010.</li> <li>• By 2010, 220 million sq.ft. of new retail space will be required.</li> <li>• Number of malls in India is expected to increase from 105 in 2006 to 600 in 2010.</li> </ul>

Sources: Retail sector report, Industry opinion, March 2009, CRIS INFAC Deutsche bank report predicts 600 new malls, accessed 14 September 2009, via Dow Jones Factiva Industry news, <http://www.workosaur.com/real-estate-industry-overview/>, accessed 14 September 2009



Sources: Edelweiss, Ernst & Young Research

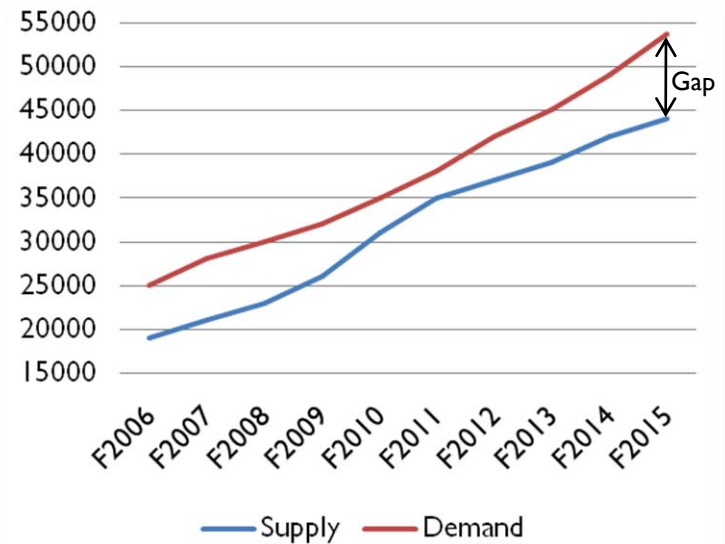


Source: India real estate - shifting gears, Ernst & Young 2008

# Hospitality space

Growth drivers	<ul style="list-style-type: none"> <li>• More than 5.3 million international visitors and 563 million domestic tourist visits in 2008</li> <li>• Low cost airlines</li> <li>• India acquiring recognition as a medical tourism destination</li> <li>• International events such as Commonwealth Games expected to drive growth</li> <li>• Emergence of India as a MICE (Meetings, Incentives, Conventions and Exhibitions) destination.</li> </ul>
Market structure	<ul style="list-style-type: none"> <li>• Entry of several corporate houses such as Reliance</li> <li>• Existing hotel operators are scaling up their operations</li> <li>• Developers are tying up with major international chains</li> <li>• Developers have set up RE funds to finance their ventures</li> <li>• Hospitality players are diversifying into budget hotels and service apartments.</li> </ul>
Segmentation	<ul style="list-style-type: none"> <li>• Classification on the basis of star rating – one-star to five-star deluxe.</li> <li>• Number of approved hotel rooms: 1,10,000 (including approved projects), 30 per cent of these are in the five-star segment.</li> </ul>
Outlook	<ul style="list-style-type: none"> <li>• Indian tourism industry expected to grow at an average rate of 8.8 per cent till 2013.</li> <li>• High potential for budget hotels</li> <li>• Service apartments, hospitals, wellness spas gaining popularity.</li> <li>• International hotel chains have big expansion plans for India</li> </ul>

Demand-supply gap in the premium hotel segment



^ Data pertains to delhi, mumbai, bangaluru, chennai, kolkata, hyderabad, ahmedabad and pune; demand assumed to grow at 8.8% pa and supply at 6% beyond F2011

Source: CRIS INFAC

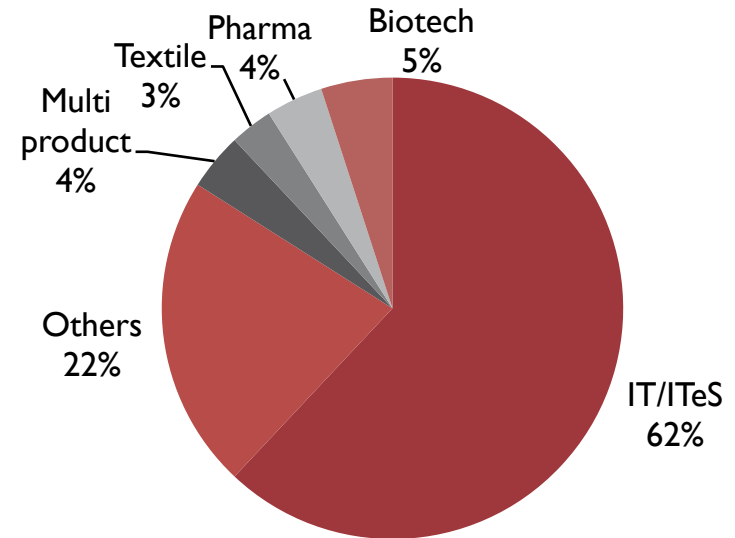
Sources: Tourism Statistics at a glance, 2008, Department of Tourism (DOT); India report, The Voyage, January 2009, World Travel and Trade Council (WTTTC) estimates

## Special Economic Zones (SEZs)

- Under the new SEZ Policy, formal approvals have been granted to 578 SEZ proposals.
- As of June 2009, there are 322 notified SEZs and 146 have received in-principal approval.
- Policy allows usage of as high as 50 per cent of the area as non-processing zone, offering immense potential for residential and supporting infrastructure.

Source: SEZ India website, www.sezindia.nic.in, accessed 20 September 2009

Industry wise classification of formally approved SEZ's



Source: SEZ India website, www.sezindia.nic.in, accessed 20 September 2009

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## Key regulations for FDI in real estate in India

Guidelines for FDI in real estate in India		
Conditions for development	Conditions for investment	Miscellaneous conditions
<ul style="list-style-type: none"> <li>• Minimum 10 Ha to be developed for serviced housing plots.</li> <li>• For construction-development projects, minimum built-up area of 50,000 sq.mt. prescribed.</li> <li>• In case of a combination project, any one of the above two conditions should suffice.</li> <li>• At least 50 per cent of the project to be developed within five years from the date of statutory clearances.</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum capitalisation of US\$ 10 million for wholly-owned subsidiaries and US\$ five million for joint ventures with Indian partners</li> <li>• Infusion of funds within six months of commencement of business.</li> <li>• Original investment cannot be repatriated before a period of three years from completion of minimum capitalisation.</li> <li>• Investor may be permitted to exit earlier with prior government approval.</li> </ul>	<ul style="list-style-type: none"> <li>• Investor not permitted to sell undeveloped plots.</li> <li>• Project to conform to norms and standards laid down by respective state authorities.</li> <li>• Investor responsible for obtaining all necessary approvals as prescribed under applicable rules/ bye-laws/regulations of the state</li> <li>• Concerned authority to monitor compliance of above conditions by developer.</li> </ul>

# FDI experience in Indian real estate

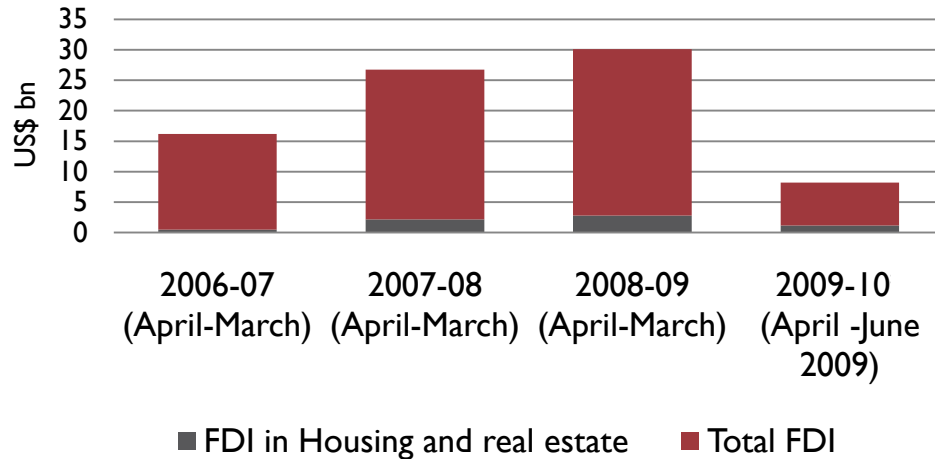
## Key highlights

- Total FDI inflows in the real estate sector were recorded at US\$ 27.3 billion in 2008–2009 and US\$ 7 billion in the first three months of FY2009.
- Approximately US\$ 1.2 billion FDI committed for real estate projects between April and June 2009
- FDI in the real estate sector expected to witness a US\$ 21 billion increase in the next 10 years.
- Majority of the direct investment is from West Asia with overall commitment of US\$ 9.7 billion from Dubai-based developers.
- Further, investors from US and Europe have shown keen interest with the launch of several real estate funds.

Sources: Fact sheet on FDI in India, DIPP, [www.dipp.nic.in/fdi\\_statistics/](http://www.dipp.nic.in/fdi_statistics/), accessed 14 September 2009 Industry news, <http://propertybytes.indiaproperty.com/>, accessed 14 September 2009

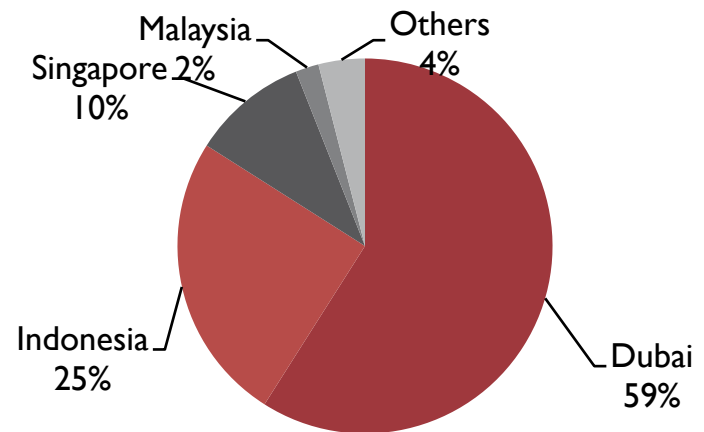
# FDI experience in Indian real estate

Real estate share in FDI



Source: Fact sheet on FDI in India, DIPP, [www.dipp.nic.in/fdi\\_statistics/](http://www.dipp.nic.in/fdi_statistics/), accessed 14 September 2009

Major countries investing in real estate



Source: Industry Sources

# Regulatory interventions

## Regulatory and policy interventions

### Rationalisation of processes:

- Rationalisation of the regulations in governance affecting real estate
- For example, improved land records, rationalising stamp duty across states, simplifying urban development guidelines, etc.

### Social Infrastructure:

- Focus from both public and private sector
- Different models for foreign investment being evaluated

### Government incentives:

- SEZ Act 2006 provides major tax benefits, tax relief and single window clearance and approval

### Urban Infrastructure Development:

- Focus on urban infrastructure
- Urban Reform schemes
  - JNNURM
  - City Challenge Fund
  - Mega Cities Fund

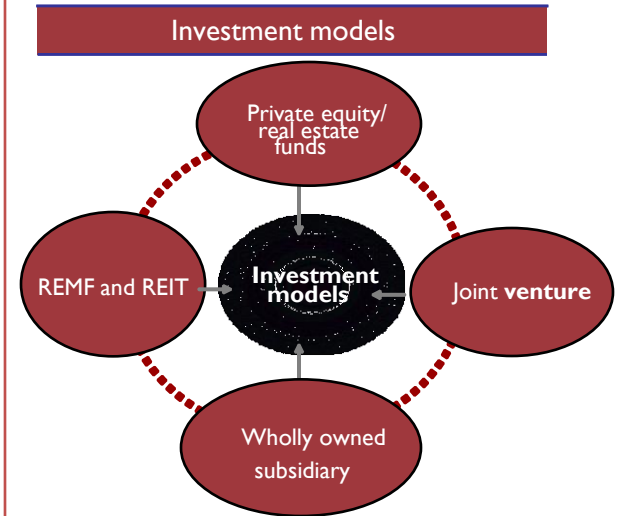
## Budget analysis

Union Budget 2009: impact of real estate		
Policy impact	Direct tax impact	Indirect tax impact
<ul style="list-style-type: none"> <li>• FDI up to 100 per cent allowed in industrial parks under the automatic route subject to specified conditions.</li> <li>• Budgetary allocation to the Jawaharlal Nehru National Urban Renewal (JNNURM) Mission aimed at developing urban infrastructure increased by 87 per cent from INR 68 billion to INR 128.87 billion</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in tax burden due to increase in threshold limits on individual tax slabs</li> <li>• No change in corporate income tax rates and surcharge.</li> <li>• Method of computation of profits eligible for tax holiday in case of SEZ undertakings streamlined.</li> <li>• Deduction for developing and building housing projects will not be available to undertakings which execute the housing project as a works contract.</li> <li>• Extension of the tax holiday sunset clause in case of STP/ EHTP undertakings and 100 per cent EOUs by one year</li> </ul>	<ul style="list-style-type: none"> <li>• Peak rate of basic customs duty remains unchanged.</li> <li>• Excise Duty rate of 4 per cent on several items increased to 8 per cent.</li> <li>• In case of excise duty, definition of “inputs” will exclude cement, angles, channels and other items used for construction of factory sheds, building or laying of foundations or making structures for support of capital goods.</li> <li>• No change in service tax rate</li> <li>• Three new taxable services included in the service tax net</li> </ul>

Source: EY India Budget 2009

# Business and investment models for FDI

Business models	Investment models
<ul style="list-style-type: none"> <li>• <b>Large scale direct entry:</b> Independent approach for undertaking real estate projects.</li> <li>• <b>Establishment of umbrella joint venture:</b> Foreign developer/investor enters into a joint venture with a local partner to execute projects.</li> <li>• <b>Multiple joint ventures:</b> Joint ventures with different local partners on project-to-project basis.</li> <li>• <b>Investment through creation of capital fund:</b> Funding the ventures of local developers.</li> </ul>	<p><b>Private equity/real estate funds:</b></p> <ul style="list-style-type: none"> <li>• The investor picks up equity stake in unlisted real estate firms and collaborates in business plans.</li> <li>• Lowers the transaction costs and provides an easier exit route.</li> <li>• Joint venture:</li> <li>• Long-term partnerships or project-specific ventures</li> <li>• Mitigates the risk of entering a new market</li> </ul> <p><b>Wholly-owned subsidiary:</b></p> <ul style="list-style-type: none"> <li>• A relatively less preferred arrangement; few overseas developers are developing projects on a stand-alone basis.</li> </ul> <p><b>Public-Private Partnership:</b></p> <ul style="list-style-type: none"> <li>• Government takes a proactive role and collaborates with foreign developers</li> </ul>



Source: Ernst & Young analysis

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# Indian economy: Overview

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## Focus on infrastructure development

India has a well developed road and rail network. Large investments are underway in the areas of:

- Highway development
- Air-connectivity (domestic and international)
- Upgradation of ports with their privatisation
- Power sector

4

## Increased foreign investment

- India's policy on foreign investment has been gradually relaxed with sectors such as construction, telecom and banking being fully/partially opened up for FDI. Another route of foreign participation is through portfolio investment.
- Foreign direct investment (FDI) inflows were recorded at US\$ 27.3 billion in 2008-2009, US\$ 7 billion in the first three months of FY2009.

Sources: Fact sheet on FDI in India, Department of Industrial policy & promotion (DIPP), www.dipp.nic.in, accessed 14 September 2009

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## Accelerated yet stable reforms process

- Broad consensus on importance of reforms
- Reforms momentum continued despite changing leadership especially in areas of FDI and infrastructure

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## Robust economic fundamentals

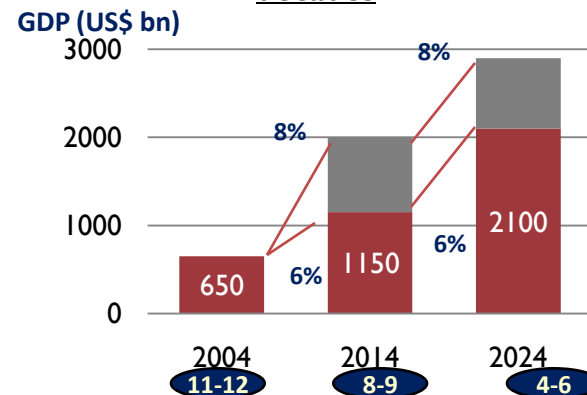
- Fourth-largest economy in the world in terms of PPP
- GDP growth rate of 6.7 per cent in 2008-2009
- Forex reserves at US\$ 272 billion in June 2009
- Services sector accounts for more than 50 per cent of the Gross Domestic Product (GDP), while manufacturing sector's average growth was 2.4 per cent.

3

## Fast improving socio-economic profile

- Per capita GDP has increased by 66 per cent in the past five years
- Favourable demographics with more than 60 per cent of population estimated to be in the working age group (15-60) till 2050.
- Growing lifestyle spend with increased expenditure on consumer durables and dining out.

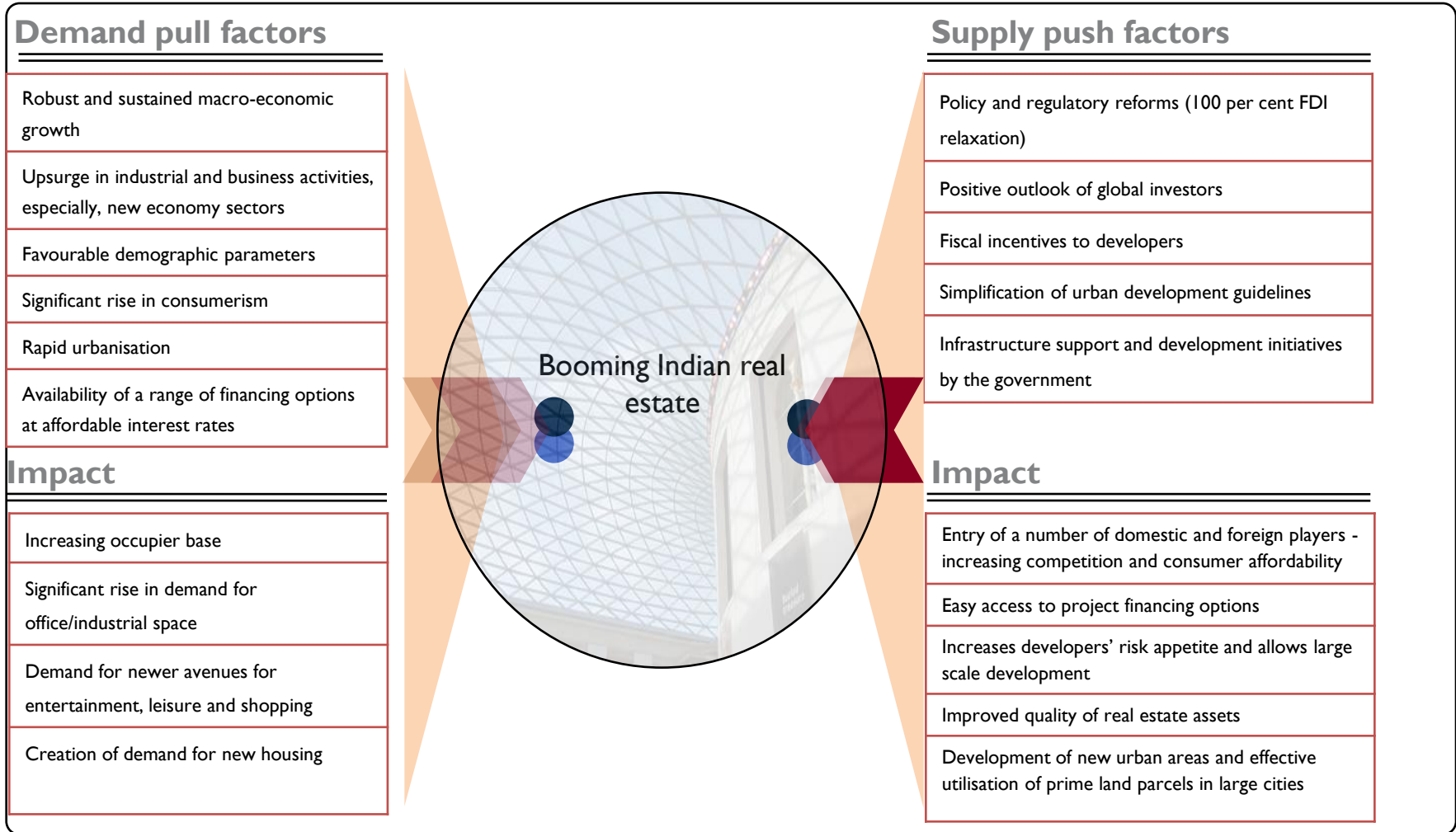
### India's projected GDP over the next two decades



Sources: Ernst & Young analysis and CII

Source: "Handbook of Statistics on Indian Economy 2008-09", Reserve bank of India website, www.rbi.org.in, accessed 20 September 2009

# Demand pull and supply push factors



## Market trends and outlook

Parameters	Characteristics/ trends	Outlook
Growth rate	High growth of around 40 to 45 per cent per annum over FY 2005–2008	Expected to maintain the same growth in the medium term (five to seven years)
Structure	<ul style="list-style-type: none"> <li>• Highly unorganised sector</li> <li>• Entry of numerous new players</li> </ul>	<ul style="list-style-type: none"> <li>• Phase of consolidation expected in five to seven years</li> <li>• Entry of large number of international players</li> <li>• Preference towards strategic development alliances</li> </ul>
Market concentration	<ul style="list-style-type: none"> <li>• Highly concentrated in the top six to eight cities in the country</li> <li>• High concentration leading to significant property price rises in these cities</li> </ul>	<ul style="list-style-type: none"> <li>• Growth to be driven primarily by tier-II and tier-III cities in the near future, across segments</li> <li>• Emergence of at least 10 to 15 new cities as growth centres</li> <li>• Increased development of planned cities</li> </ul>
Competition	High competition with four to six key national players and numerous regional players.	Shift in competition towards product focus/ differentiation
Extent of regulations	<ul style="list-style-type: none"> <li>• Moderate - No functional regulatory body</li> <li>• Region/location-specific building laws</li> <li>• 100 per cent FDI is allowed under the automatic route</li> </ul>	<ul style="list-style-type: none"> <li>• Stringent regulations expected to be introduced in line with international norms</li> <li>• Reforms in local development guidelines</li> </ul>

Source: IDFC SSKI India research - sector report, via ISI Emerging Markets, accessed 14 September 2009

## Market trends and outlook

Parameters	Characteristics/ trends	Outlook
Financing	<ul style="list-style-type: none"> <li>• CAGR of 16 per cent in home loan disbursements between 2004-05 and 2007-08</li> <li>• Loan tenures have increased: 150 months (2001) to 177 months (2008-2009) due to declining age of borrowers</li> </ul>	<ul style="list-style-type: none"> <li>• Larger mortgage penetration</li> <li>• Introduction of globally accepted instruments/ modes such as REITs.</li> </ul>
Branding penetration	<ul style="list-style-type: none"> <li>• Low-commoditised market in most regions</li> <li>• Brand-consciousness growing in Tier-I cities</li> </ul>	<ul style="list-style-type: none"> <li>• Strong focus on brand development</li> <li>• Developers to have multiple brands focussed on specific product segments.</li> </ul>
Product focus	<ul style="list-style-type: none"> <li>• Market-driven product supply</li> <li>• Developers undertaking activities across asset classes with not much differentiation between product classes</li> <li>• More focus on catering to the premium-end consumer</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced focus on need-driven product supply</li> <li>• Emergence of firms with niche asset class focus</li> </ul>
Ownership	<ul style="list-style-type: none"> <li>• Developers prefer to exit through sale to end consumer</li> <li>• Only few large developers prefer to hold properties; most developers prefer to sell.</li> </ul>	<ul style="list-style-type: none"> <li>• Developers are expected to start holding properties on a long-term lease basis.</li> </ul>

Sources: Retail finance - Housing, published July 2009, CRISINFAC;  
 Housing finance - opinion of the industry, published March 2009, CRISINFAC

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## Select foreign investors

ASCENDAS, Singapore	EMAAR, Dubai	Salim Group, Indonesia
<ul style="list-style-type: none"> <li>• Present in India since 1997</li> <li>• Established a wholly -owned subsidiary, Ascendas India Private Limited</li> <li>• Operating five IT parks across Bengaluru, Hyderabad and Chennai</li> <li>• Developing International Tech Parks in Pune (ITPP) and Nagpur (ITPN) and CyberVale, an IT park within Mahindra World City in Chennai</li> <li>• Invested US\$ 270 million in its flagship project, International Tech Park (ITPB), Bengaluru</li> <li>• Ascendas Advantage India Development Fund for US\$ 325 million launched in 2007.</li> <li>• Ascendas India IT Fund for US\$ 520 million launched in 2005</li> </ul>	<ul style="list-style-type: none"> <li>• Present in India since 2005</li> <li>• Developing integrated township at Mohali, spread over 3,000 acres</li> <li>• Plans to develop integrated townships, commercial offices, IT parks, SEZs and hotels</li> <li>• Planning to venture into the healthcare and education sectors</li> <li>• Joint venture with MGF Development Limited, India</li> <li>• EmaarMGF has a JV with Accor Hotels (France) and Premier Travel Inn (UK)</li> <li>• Capital outlay of US\$ 4 billion for group projects in real estate in India</li> </ul>	<ul style="list-style-type: none"> <li>• Present in India since 2004</li> <li>• Developing a township at Howrah over 450 acres</li> <li>• Plans to construct expressways and bridges, a multi-product SEZ in Haldia and a Chemicals SEZ in East Midnapore, and health and knowledge cities.</li> <li>• Joint venture with Unitech and Universal Success</li> </ul>

## Select domestic players

Unitech	DLF	Ansal Properties
<ul style="list-style-type: none"> <li>• Operating in various asset classes in residential, commercial and retail segments</li> <li>• Specialises in planning residential, commercial, SEZ development, retail and hospitality, integrated townships</li> <li>• Intends to launch 40 projects covering 30 million Sq. ft in FY 2010</li> <li>• Major presence in the National Capital Region and other areas such as Kolkata, Chennai and Hyderabad.</li> </ul>	<ul style="list-style-type: none"> <li>• Largest real estate developer in India</li> <li>• Developed Asia's largest private township, DLF City at Gurgaon, Haryana, spread over 3,000 acres.</li> <li>• Present across all asset classes: residential, commercial and retail</li> <li>• Developed more than 220 million Sq.ft. of built up area (BUA)</li> <li>• Specialises in planning hotels, infrastructure and SEZs</li> <li>• DLF has deferred its plans for commercial and retail developments and is focussing primarily on affordable housing</li> <li>• Pan-India footprint, major presence in Gurgaon and Kolkata.</li> </ul>	<ul style="list-style-type: none"> <li>• Operates primarily in residential and commercial asset classes</li> <li>• Developed over 2,850 acres in Gurgaon and Delhi.</li> <li>• Developing integrated townships, malls, hotels IT parks and SEZs.</li> <li>• Plan to construct 157.6 million Sq.ft. of BUA</li> <li>• Pan-India footprint with major presence in 16 North-Indian cities across four states.</li> </ul>

## Select domestic players

K. Raheja Corporation	Sobha Developers	Parsvnath Developers
<ul style="list-style-type: none"> <li>• Present in commercial, retail and residential asset classes</li> <li>• Developed over five million Sq. ft. of BUA</li> <li>• Developing 15 self-contained townships and 10 hotels</li> <li>• Planning to construct 13.2 million Sq.ft. of BUA</li> <li>• Major presence in Mumbai with operations in Bengaluru, Ahmedabad, Goa, Pune and Hyderabad.</li> </ul>	<ul style="list-style-type: none"> <li>• Asset classes include residential, commercial, development of plots and contractual projects.</li> <li>• Developed 12.46 million Sq. ft. of residential and commercial in house projects and 18.3 million Sq. ft. of contractual projects</li> <li>• Planning residential and retail projects</li> <li>• 15.1 million Sq. Ft. is under construction in various projects</li> <li>• Major concentration in Bengaluru with presence in other areas such as Cochin, Chennai and Pune.</li> </ul>	<ul style="list-style-type: none"> <li>• Presence in residential, retail and commercial asset classes</li> <li>• Developable area of over 200 million Sq. ft.</li> <li>• Plans to develop IT Parks and 12 SEZs across the country</li> <li>• Presently having 81 million Sq.ft. of area under construction, of which 43.62 million Sq. ft. is already sold</li> <li>• Major presence in National Capital Region</li> <li>• Increasing pan-India footprint — active in over 46 cities across 17 states.</li> </ul>

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## Missing asset classes and formats

Logistics and warehousing	Healthcare infrastructure	Education infrastructure	Low-cost housing
<ul style="list-style-type: none"> <li>• Booming trade, both international and domestic</li> <li>• A number of MNCs establishing Indian operations</li> <li>• Agricultural logistics require creation of cold chain infrastructure</li> <li>• Logistics required for large infrastructure and engineering projects</li> <li>• Consolidation of warehousing, if uniform tax regime is applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Healthcare industry expected to grow at a CAGR of 12 per cent over the next five years.</li> <li>• The industry was valued at US\$ 38.8 billion in 2008</li> <li>• Healthcare BPO is a growing segment</li> <li>• Medical infrastructure expanding, with one million beds to be added by 2012</li> <li>• Medical tourism growth driven by low cost and high quality services.</li> </ul>	<ul style="list-style-type: none"> <li>• Huge market with untapped potential and low competition</li> <li>• Need for development of more world-class educational institutions</li> <li>• Driven by knowledge-based industries, large demand for qualified engineers</li> <li>• Research laboratories adding value to global outsourcing</li> <li>• Growing interest of leading global educational institutions in setting up institutions in India.</li> </ul>	<ul style="list-style-type: none"> <li>• Over 70 per cent of the total population lives in rural areas.</li> <li>• Housing shortage expected to increase to 26.53 million units by 2012 and requires an investment of US\$ 877 million.</li> <li>• Shift from rented to owned house</li> <li>• Easy access to finance</li> <li>• Growing demand for housing among nuclear families</li> </ul>

Sources: Healthcare industry: opinion, August 2009, CRISINFAC  
 India real estate - shifting gears, Ernst & Young 2008

# Logistics and warehousing

	Rationale for investment	Outlook	Opportunities
Logistics and warehousing	<ul style="list-style-type: none"> <li>Logistics framework needs to be developed as per international norms.</li> <li>Extensive but not so well-maintained transport network, ICDs, CFSs and warehouses.</li> <li>Physical infrastructure needs to be upgraded to catalyse country's trade growth and ensure optimal utilisation of resources (logistics costs are 13 per cent of GDP).</li> <li>Government initiatives to boost trade is showing results and hence the need for logistics solutions.</li> <li>Logistics market is currently estimated at US\$ 105 billion and is expected to reach US\$ 125 billion by 2010, indicating a growth of 16 to 17 per cent.</li> </ul>	<ul style="list-style-type: none"> <li>Relatively small manufacturing base, but growing</li> <li>Greater acceptability towards outsourcing logistics activities to capable third-party operators, providing immense potential for growth in logistics solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Booming trade – domestic and international</li> <li>As more MNCs establish their operations in India, the need for good quality warehousing, distribution and sourcing centres is expected to rise.</li> <li>VAT, if uniformly implemented, is expected to change warehousing and distribution fundamentals and is expected to consolidate warehousing needs.</li> <li>Agriculture logistics – proper cold chain management.</li> <li>Logistics for large infrastructure and engineering projects .</li> </ul>

Source: "A revolution in the making: Third Party Logistic Outsourcing", United News of India, 28 August 2009, via Dow Jones Factiva

## Healthcare infrastructure

	Rationale for investment	Outlook	Opportunities
Healthcare infrastructure	<ul style="list-style-type: none"> <li>Healthcare delivery market expected to grow at a CAGR of 12 per cent over the next five years.</li> <li>The total investment needed to reach the optimum target of 1.85 beds per thousand population is US\$ 77.9 billion, out of which US\$ 69.7 billion is expected to come from the private sector.</li> <li>An estimated one million beds would be added by 2012 taking the total beds available in the country to over two million.</li> <li>Revenues currently generated by private hospitals (all-inclusive) are US\$ 15.51 billion.</li> <li>Medical tourism is estimated to emerge as a US\$ 2,000 million market by 2012.</li> </ul>	<ul style="list-style-type: none"> <li>Rapidly changing market with growing demand for quality healthcare infrastructure.</li> <li>The sector is expected to witness foreign equity participation, joint ventures, alliances and tie-ups among healthcare institutions resulting in transfer of technology, skills and practices.</li> </ul>	<ul style="list-style-type: none"> <li>Medicity</li> <li>Hospotel</li> <li>Elderly homes</li> <li>Medical office buildings</li> </ul>

Source: Healthcare industry: opinion, August 2009, CRISINFAC

## Low-cost housing

	Rationale for investment
Low-cost housing	<ul style="list-style-type: none"> <li>• Rural population of over 70 per cent</li> <li>• Huge market potential</li> <li>• Housing shortage expected to increase to 26.53 million units by 2012 and requires investment of US\$ 877 million.</li> <li>• Shift from rented to owned house</li> <li>• Easy access to financing</li> <li>• Nuclear families</li> <li>• Government initiatives such as 'Housing to all', public-private partnership (PPP) joint ventures and exemptions in Floor Space Index (FSI). Under this model, the state offers land and private developers bring in capital as well as efficiency.</li> </ul>

Source: India real estate - shifting gears, Ernst & Young 2008, pg 77

### Case study: SP Shukhobrishti

- India's largest mass housing project, SP Shukhobrishti, is being developed by real estate major, Shapoorji Pallonji; the project will comprise two enclaves - 'Spandan' and 'Sparsh'. It will be located in action Area-III in the new town of Kolkata.
- The US\$ 366 million project will comprise 765 four-storied apartments and 100 fourteen-storied apartments. Of the total 20,000 dwelling units to be spread over an area of 150 acres, 19.99 acres will be allotted to lower and middle-class income groups. The complex is scheduled to be built in phases and expected to be completed by early 2011.
- The township will also have facilities such as two primary schools, health centre, shopping arcade, provision stores, community centres, children's play area, amphitheatre and two clubs.

## Unlocking of land assets

National Commission recommendations for formation or re-organisation of institutions	Private sector also plans to utilise its land banks	Real estate development by Delhi Metro Rail Corporation
<ul style="list-style-type: none"> <li>• Public sector units assessing their land holdings for commercial exploitation</li> <li>• Public sector is estimated to have more than 45,000 Ha of under-utilised land</li> <li>• VSNL – 300 Ha</li> <li>• IDPL – 1000 Ha</li> <li>• LIC – 400 Ha</li> <li>• HIL – 20 Ha</li> <li>• National Textile Corporation–280 Ha</li> <li>• Indian Railways – 43,000 Ha</li> </ul>	<ul style="list-style-type: none"> <li>• Private sector units assessing their land holdings to utilise them commercially.</li> <li>• Industrial houses are developing excess land adjacent to industrial sites.</li> <li>• Major private groups include Mukand, IVRCL, Kilburn Engineering, Unichem, Indo Rama, Raymonds and Alembic Glass.</li> </ul>	<ul style="list-style-type: none"> <li>• Adopted a PPP model</li> <li>• It leases out the land and a private developer develops retail and commercial offices.</li> <li>• Earned US\$ 66 million from real estate as compared to US\$ 25 million from traffic operations.</li> <li>• Real estate contribution increased from six per cent to 25 per cent for funding future expansion of network.</li> </ul>

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