

West Business Review



Expanding Connectivity

Western states of India are well supported by their logistical and aviation facilities. Mitali Saha explores

In the past, the exemplary growth of western India has continually attracted investors and businessmen here. Those with a viable idea and a predisposition for perseverance have never turned back from cities like Ahmedabad and Mumbai empty-handed. Add to this the spectacular prospects in Goa with respect to aviation and logistics facilities.

Magnificent Maharashtra

Over the years, Maharashtra has continually upgraded its regulatory policies and infrastructure to retain the environment for growth in the state. Maharashtra has three international and five domestic airports. New airports are also planned at Yavatmal, Nanded, Latur, Osmanabad, Baramati, Kolhapur, Ratnagiri and Sindhudurg. Similarly, to reduce air traffic congestion at Mumbai's international airport, a supplementary airport will be developed at Navi Mumbai costing an estimated US\$ 2.1 billion. The state is expected to have another airport at Kolhapur by February 2012. According to Centre for Monitoring Indian Economy Pvt Ltd (CMIE), Maharashtra received investment in air transport to the tune of US\$ 5,314.9 million in March 2010. For further logistical advantage, the Maharashtra Government is developing the Ozar airport near Nashik as a back up to the Mumbai airport. The project is set to cost the state government Rs. 30 crore and the Hindustan Aeronautics Ltd an amount of Rs. 10 crore. The state also has two major and 53 minor ports. JNPT is India's largest and among the world's top 30 container ports. The state is checking the viability of several port



and power projects to aid the industry.

Enterprising Gujarat

To support the export growth of the state, there is tremendous focus from the Gujarat government on logistics. This is evident in the states high number of ports. Gujarat already has 42 ports on a coastline of about 1,600 kms. The Gujarat government is taking decisive strides in enhancing the state's infrastructure. Gujarat boasts of 13 domestic airports, the highest in any state as well as an international airport at Ahmedabad, touted as India's eighth-busiest airport. Additionally, an international airport is planned at Fedra in Dholera, which is situated about 130 kms away from Ahmedabad. Gujarat has seen investments in airports soar at around US\$ 1,773.8 million, as reported by CMIE.

To increase trade connectivity and ease state administration, it is also taking measures such as developing the Ahmedabad Metro Rail link with Gandhinagar. Besides this, the Gujarat government also introduced the 'Pragatipath Yojana' in 2005, to develop nine high-speed corridors and widen highways to improve connectivity between rural and urban areas.

Opportune Goa

With a similar view to encourage growth, the Goa government has decided to take a fresh look at aviation and logistics in the state. In the state's 2010-11 budget, the Goa government announced a plan to develop infrastructure in the public private partnership (PPP) mode, comprising projects such as the maintenance and development of roads, a sea link connecting Panaji and Vasco and building small ports.

Being a tourist destination, Goa sees tremendous travel traffic into and from the city. With a view to boost global travel further, the Airports Authority of India has mulled an international airport renovation project at Dabolim, at a cost of US\$ 108.7 million.

In fact, the state government is also considering an international airport project at Mopa, expected to cost US\$ 326.1 million. There is also talk of a civilian airport at Mopa. Higher connectivity in Goa will enable increased tourism and appreciation in real estate and infrastructure facilities.

Given such developments, the future looks much brighter than before for those looking to conduct business in the western region of India.

Constructing An Organic Growth Path

Sintex entered the plastics business in 1975 with 'Sintex' brand of water tanks as its sole product. Today, the product category is synonymous of the brand Sintex and commands a market share of more than 50% in water tanks. A major chunk of its business today comes from the building products and custom moulding business which contributes 90% of its revenues out of sales of Rs. 4,475 crore as on March 2011. In the last five years, the company has grown at a CAGR of over 30% and has set a vision of US\$ 2 billion by FY13-14. Sintex has achieved a top-line of US\$ 1 billion in FY10-11.

Today, the company has emerged as a leader in low-cost housing under monolithic construction and prefabricated building systems, categorised as building products segment. Building products is driven by low-cost housing in urban and semi-urban areas as well as prefabricated building systems mainly for rural and remote areas. As a contractor, Sintex executes low cost housing projects across India under monolithic construction with 60% savings in construction time and cost savings of 5 to 12% depending on various projects as compared to brick and mortar technology. The business is set for strong growth in the next couple of years.

In pre-fabricated structures, Sintex commands 60% market share. These structures include constructions aimed at rural and semi-rural infrastructure and help build army shelters, telecom shelters, cold-chain warehouses, and the like.

A History of Corporate Success

Adi Godrej, Chairman, Godrej Group explains various aspects of infrastructure and real estate sector in western India to **Juhi Shrivastava**

Western India is much better developed than other parts of the country. In terms of infrastructure, over the last century and even during the British era, the western region was far more developed than other parts of the country. Mumbai is the preeminent financial center for the last 30 to 40 years. All these factors has led to a higher per capita income and higher rate of development in the west.

western region have done reasonably well since per capital income is good, leading to high demand for housing and commercial space.



Prospect for Further Development

Real estate development in the west has been good but it could be much better. There is a huge prospect for infrastructure and real estate development in western India, but policies need to be up-to-date and development-oriented. Few important policies need to be changed, particularly in the west. The regulatory approval should be given fast. Too many approvals should not be required. The FSI is very low here. With certain exceptions it can go up to 4. Higher FSI will improve the efficiency as fewer infrastructures would be required. Urban development can improve with higher FSI. Thus, there is tremendous opportunity for improvement in these fields.

Real estate demand, especially residential demand for middle and low income groups, is vast. Government policies should be framed to see that the demand can be met with more than adequate supply so that it is met at a reasonable price. Property and real estate developers should make their profits from volume and not price. For all this, government regulations involving quick approvals and adequate FSI need to be attended.

Major Infrastructure and Real Estates Projects in Maharashtra

| Project Name | Promoter | Cost (₹. Crore) | Commissioning Date |
|--|--|-----------------|--------------------|
| Multi-Modal Corridor (Virar-Airport) | Mumbai Metropolitan Region Devp. Authority | 12,000.0 | 31-Dec-14 |
| Charlton-Bandra-Mankhurd Metro Rail Project - Phase II | Mumbai Metropolitan Region Devp. Authority | 12,000.0 | 31-Dec-14 |
| Mumbai Trans Harbour Link Project | Maharashtra State Road Devp. Corp. | 7,600.0 | 31-Dec-18 |
| International Airport (Pune) Project | Maharashtra Airport Devp. Co. | 7,500.0 | NA |
| Mumbai Airport Project - Modernisation | Mumbai International Airports Pvt. | 7,000.0 | NA |
| IV Container & Marine Chemical Terminal Project | Jawaharlal Nehru Port Trust | 7,000.0 | 31-Dec-15 |
| Housing (Virar) Project | HIDIL | 6,500.0 | 31-Dec-15 |
| Multi-Product SEZ (Sinner) Project | Maharashtra Industrial Devp. Corp. | 5,264.0 | NA |
| Worli-Nariman | Maharashtra State Road | 5,100.0 | 30-Jun-14 |

Source: Projects Today.com

Major Infrastructure and Real Estates Projects in Gujarat

| Project Name | Promoter | Cost (₹. Crore) | Commissioning Date |
|---|---|-----------------|--------------------|
| Multi-Product SEZ (Valsad) | Gujarat Vittal Innovation City | 15,000.0 | |
| Ahmedabad - Gandhinagar Metro Rail | Metro Link Express | 10,000.0 | |
| Residential Township (Ahmedabad) | Godrej Properties | 7,000.0 | |
| Road Upgradation (Krishangarh-Udaipur -Ahmedabad) | National Highways Authority of India | 5,700.0 | |
| Western Region Grid Strengthening Scheme II | Power Grid Corp. of India | 4,800.0 | 30-Jun-11 |
| Multi Product SEZ (Anjar) Economic Zone (Bharuch) | Indian Infrastructure Corp. & Power SEZ | 4,500.0 | |
| Mundra Ultra Mega Power Transmission | Power Grid Corp. of India | 4,100.0 | 31-Oct-12 |
| Positra Port | Gujarat Positra Port Infrastructure | 3,335.0 | |