

SWARNABHOOMI DEVELOPERS

TEAM SWARNA BHOOMI DEVELOPERS LTD.

SIBM PUNE,

INDIA

ATUL GUNALE

BULBUL NEGI

KAASHIKA BHALLA

NANDKUMAR KADAM

PRANAV PATHAK

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Real Estate market in India

The population of India is growing at the rate of 1.65% annually. The residential construction has been growing at 14% and should contribute around 13-14% of GDP. But this sector today contributes only 2% of the GDP vis-à-vis 3% in Russia and 6% in Brazil. there are two key reasons for poor productivity performance of the sector. The first is the artificial scarcity of land created by various distortions in the land market. The second is the lack of standards for building materials and the poor enforcement of these standards.

These factors create a situation where competition in housing construction is not based on construction costs, but instead its based on securing access to land and managing material costs. As a result players are profitable despite the inefficient and unproductive construction practices.

The industry suffers from a lack of price based competition. As a result players are complacent and don't feel motivated enough to cut construction costs or improve productivity. This has resulted in poor operational efficiency.

Industry segmentation

We have divided the industry into three key segments: Multi-family homes,

Single-family homes (Brick), and Single-family homes (Mud):

- Multi-family homes (MFH): This segment is composed of all apartment buildings located in urban areas. After accounting for quality differences across formats, we find that the segment constitutes approximately 16 per cent of total output. Output has grown by around 5 per cent since 1996, fuelled mainly by a rapid increase in demand for urban real estate.
- Single-family housing built using modern materials (SFH-Brick): This segment is composed almost entirely of single-plot individual houses built using brick and mortar or other modern construction materials (e.g., wood) by owner-builders, as there are virtually no large scale, commercially built, SFH-Brick developments. The SFH-Brick segment constitutes approximately 49 per cent of total dwellings and 72 per cent of total output (after accounting for quality differences) and is concentrated in urban areas.
- Single-family housing built using traditional materials (SFH-Mud): This represents the “transition” segment of the Indian housing construction sector (see Volume I, Chapter 4: Synthesis of Sector Findings for details on the definition of transition segments). It includes individual houses built either partially or entirely with traditional materials such as mud, cardboard, straw, tin sheets and stones. In urban areas, the SFH-Mud segment includes slums and other temporary tenements. Although its share of total output is declining, the SFH-

Mud segment still constitutes approximately 43 per cent of the total housing 7 units produced (12 per cent of total output, after accounting for quality differences) and 55 per cent of hours employed in housing construction.

The Current Scenario

The housing industry is highly important because it directly addresses one of the basic needs of society – shelter.

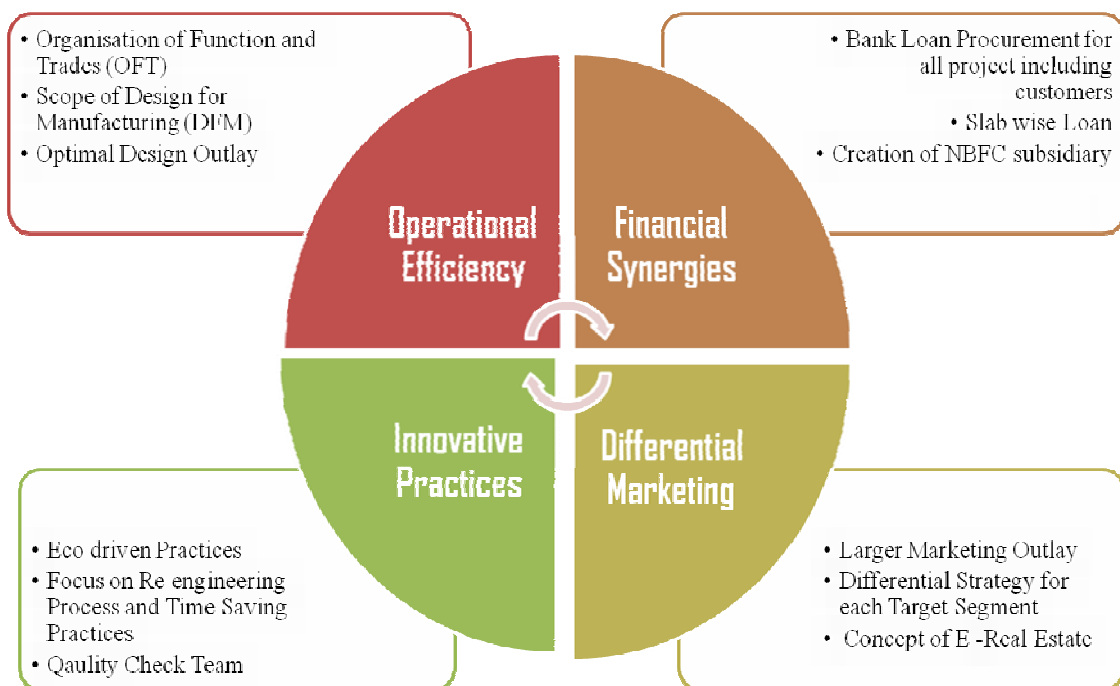
Improvements in productivity and output in the housing sector, i.e., lower prices and wider availability of affordable housing will therefore have a direct impact on the living standards of most Indians.

Most Indian developers focus most of their efforts on land procurement, clearing red tape and “push” selling, paying little attention to building design and putting minimal pressure on contractors to reduce costs.

Swarnabhoomi Developers Ltd.

The main aim of our company is to provide low cost mass scale housing within 3 months and capitalize on all the opportunities that the other companies pass off.

Our Model for Low Cost Construction



THE ACTUAL PLAN

10 4-Storeys Building Project – 12.5 Acre Plot – 5 lac square feet

Each building complex having an option of a 1BHK flat of area 504 sq.ft.

2 BHK flat of area 850 sq.ft.

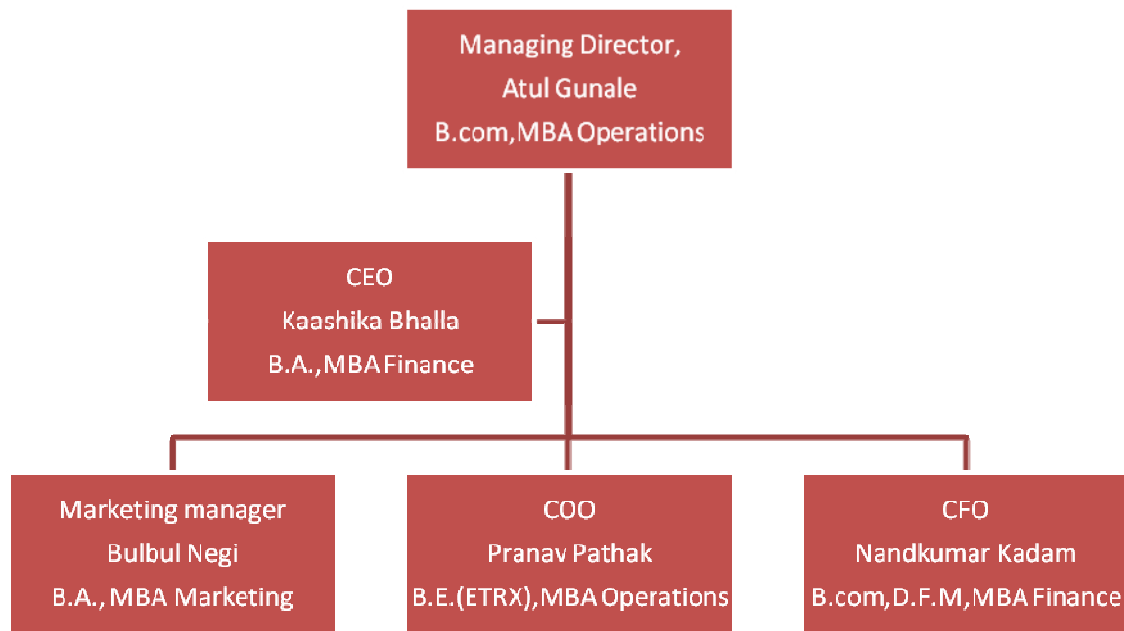
3 BHK flat of area 1206sq.ft.

48 Flats in the Building and total 480 Flats with three options available

Around 30 Commercial Plots with a Floor Space of 35000 sq.feet

The Construction Company has a department which focuses on Land Acquisitions and is separate from the Construction Activity and has its separate legal department.

The Organization Structure



Financials:

Cost of Land		\$ 400000/acre		
Therefore Cost/sq.ft.		\$12.50/sq.feet		
Cost of building Infrastructure		\$2/sq.feet		
Cost of legal and civic permissions		\$1.75/sq.feet		
Cost of Construction		\$ 14 /sq.feet		
Rain water harvesting		\$0.5/sq.feet		
Solar Panel		\$0.5/sq.feet		
Marketing Cost		\$0.5/sq.feet		
Administrative Cost		\$0.5/sq.feet		
TOTAL COST PER SQ.FT.		\$32.25/sq.feet.		
Flat Area in sq.ft.	Cost in \$	Margin	Tax	Selling Price (\$)
504	15246	25%	-	19575
1206	36481.5	25%	30%	56911.5

SWARNABHOOMI DEVELOPERS

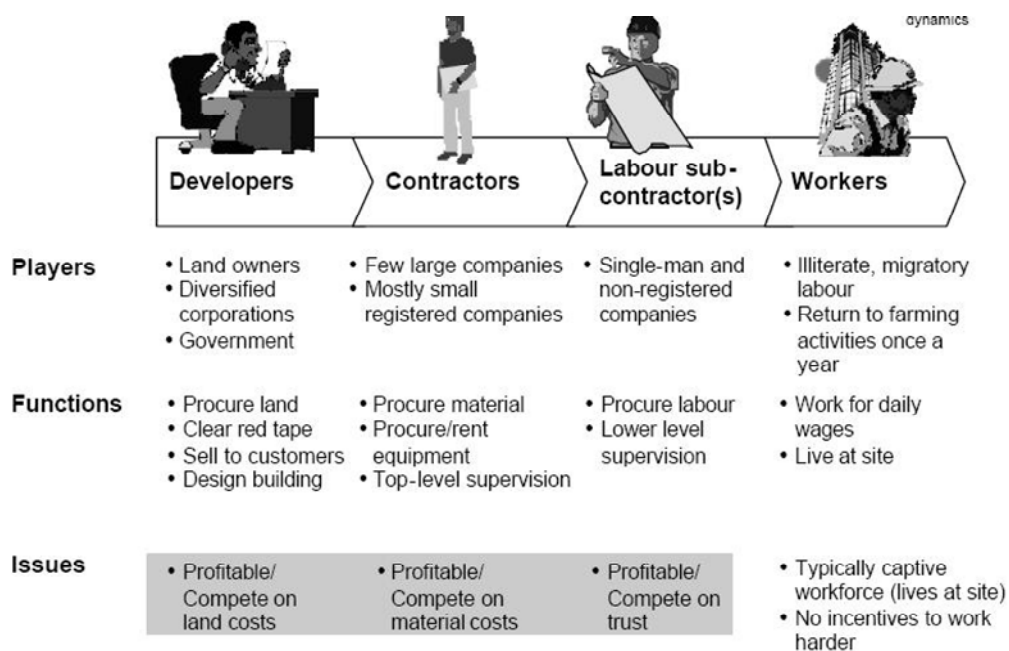
ROI if around 30% can be expected out of this venture

The initial capital for the venture can be funded by the Venture Capitalists or can be raised through debt

The total value of the project would be **\$ 18858058.5**

Annexures

Current Practices across industry



Construction Industry Value Chain and our area of Scope

