

Interview



Economic Review For The First Half Of 2016-2017

“We bring value engineering to every project in every city”

Vineet Kashyap

Managing Director, B.L. Kashyap and Sons



B.L. Kashyap and Sons Ltd (BLK) is a listed construction company which builds hospitals, hotels, industries, metros, commercial spaces, residential buildings, and airports etc. You can find out more details on www.blkashyap.com. Some of the more recent projects of BLK are: Shangri-La Bangalore, Embassy Golf Links, Manyata Tech Park, New Flip Kart Office, VR Bengaluru, Phoenix Mall, Bangalore, Prestige Golfshire, Bhartiya City, Four Season Residences, Select City & DLF Promenade Mall, New Delhi, JW Marriott Aero-city, AIIMS Patna, Raipur, IIT Delhi, Supernova, Hines, Taj Jodhpur, Oberoi Shimla etc. With over 1,000 engineers and professionals and the total company strength of over 10,000 workers across India, BLK has the bandwidth to service across cities and sectors. At BLK, the management believes that the heart of any building is value engineering and we bring that to every project in every city.

What are the key risks and challenges faced by the construction industry in India in general and your company in particular?

As far as the industry in general is concerned, the key risks and challenges in my view are:

- (1) Shortage of talented and experienced engineering staff along with quality of new graduates.
- (2) Shortage of skilled and unskilled labour.
- (3) High cost of funding due to non-recognition of the construction sector as an industry, slow arbitration processes and impact on the real estate space post demonetization are the key risks and challenges faced by the construction industry in India.

BLK, as a company, in addition to what I

have mentioned, is facing issues like high finance cost and outstanding payments.

How has demonetization affected your operations and by when do you think the operations will be normalised for your company?

I feel it is a revolutionary step taken by the Government of India, although companies across industries have been affected adversely. In the short term, we are facing problem of payment of wages to labour due to scarcity of funds. We believe that the steps taken by the government and the company to provide adequate assistance to the labour to understand the use of non-cash methods of payments will help in reducing the queues outside the banks, but it will take 3-5 months' time for easing out the process. One of the key challenges we are facing is getting support from the banks for opening new accounts of workers. In the long term, this will reduce the difference between small, unorganized construction companies and construction companies in the organized sector and small real estate operations from the larger ones.

How has the Real Estate Bill affected your company so far? How do you think the bill will impact the construction industry in long term?

The Real Estate Bill directly does not affect BLK, as we are at the service side of the real estate industry. We believe in the long run it will benefit the real estate industry and also help construction companies. The construction industry will have a positive impact after this change and certainly believe that construction companies having the ability to deliver quality and timely work would not have shortage of work. Payment to construction companies would now be assured due to escrow accounts

opened by the clients and projects will not get delayed due to shortage of funds.

What steps are being taken to reduce the cost of capital for your company?

BLK has been cautiously monitoring its working capital cycle and closely working to reduce cost of capital, weighing various steps including selling our non-current investments/assets which will reduce our borrowing substantially. Further, the construction industry through various forums is trying to get the status of 'Industry', which will also help in reducing the cost of capital.

Do you see demand revival from the residential sector or commercial sector? What is your general view on real estate sector in terms of consumer demand in 2017?

The year 2017 is going to see renewed interest in commercial sector and eventually uncompleted residential projects will be "supported" by way of last mile funding. The Real Estate bill, once it is implemented by the states, should strengthen both the buyer's interest as well as that of real estate developers. Transparency should bring buyer's interest in the residential sector, especially the middle-income group. The secondary sales will take a hit but we do feel primary market buyers of sub-income 'one crore level' in 'A' cities should see some improvement. The demand for residential sector would be subdued for at least a year or so, but in various 'A' cities we are looking at increased demand for commercial spaces. We also see an increase in the flow of enquiries from the commercial segment.

Which part of India do you see maximum traction in the coming year?

We should see maximum traction in Bangalore, Chennai, Hyderabad and surrounding regions.