Challenges and Opportunities for a Construction Company

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India today is growing at a rapid pace. The demand for infrastructure is tremendous. With the population being one of the largest in the world, the need for roads, highways and other infrastructure facilities is big. New cities and rural towns are dramatically changing into an urban landscape. This transformation is fuelling growth and providing a launch pad of an opportunity for a construction company.

In the last fifteen years the flow of funding due to globalization has also made available the funds required for kick starting these activities. With foreign direct investment gradually increasing, the investors have been able to spot the domestic demand that exists and therefore have been constantly diverting funds to India.

Today the government works on a variety of models to outsource its construction activities. A popular model is the build operate transfer model. Wherein the construction company takes on the expenses of developing a project, then charges toll from the end users for a set period and then hands over the project back to the government. This model is easy on the governmentsâ€™ pockets and is also profitable for the construction company. Moreover the projects under this model are completed much faster as revenues only start once wok has been completed. As the construction company has a vested interest and has to earn revenue from the consumers they maintain quality and a speedy flow of work on site. One of the drawbacks is that most companies have to take loans and borrowing from banks and other institutions. The recent rise in interest rates has made borrowing quite expensive. The interest on these loans cuts a substantial dent in the companyâ€™s pocket and they have to plan carefully on the project feasibility before taking on a B.O.T model.

Even though challenges exist, the sheer volume of available work makes the construction industry a lucrative one. Public infrastructure being the main driving force there are secondary driving forces such as housing. The flow of foreign direct investment and globalization has given a rise to job opportunities throughout the country. With many multi nationals setting up shop here and major corporations outsourcing their IT work to India, the demand for housing this workforce is great. This has led to a rapid growthin the housing sectors. With developers moving fast to pick up prime land, the race for developing quality homes is exciting.

This further increases demand for quality construction company where their services are required for developing group housings, townships, villas etc. With large projects on the offer they offer a good volume to the building company. Most of the private projects operate on a slab system of payment. Certain payment slabs are pre decided. Then as a particular slab is reached, a running bill is submitted and subsequently upon checking a payment is released. This is a good and effective way for making payments as it promotes transparency and quality, as work is checked on periodic stages for quality. Moreover it also ensures speedy progress. In most cases there may also be a project management company, which check the work on the developers behalf and then signs off the bills.

Overall the construction industry in India is a success story, with cost effective labor and big demand the industry is posed to keep growing for many years to come.

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