

**PRAXIS**

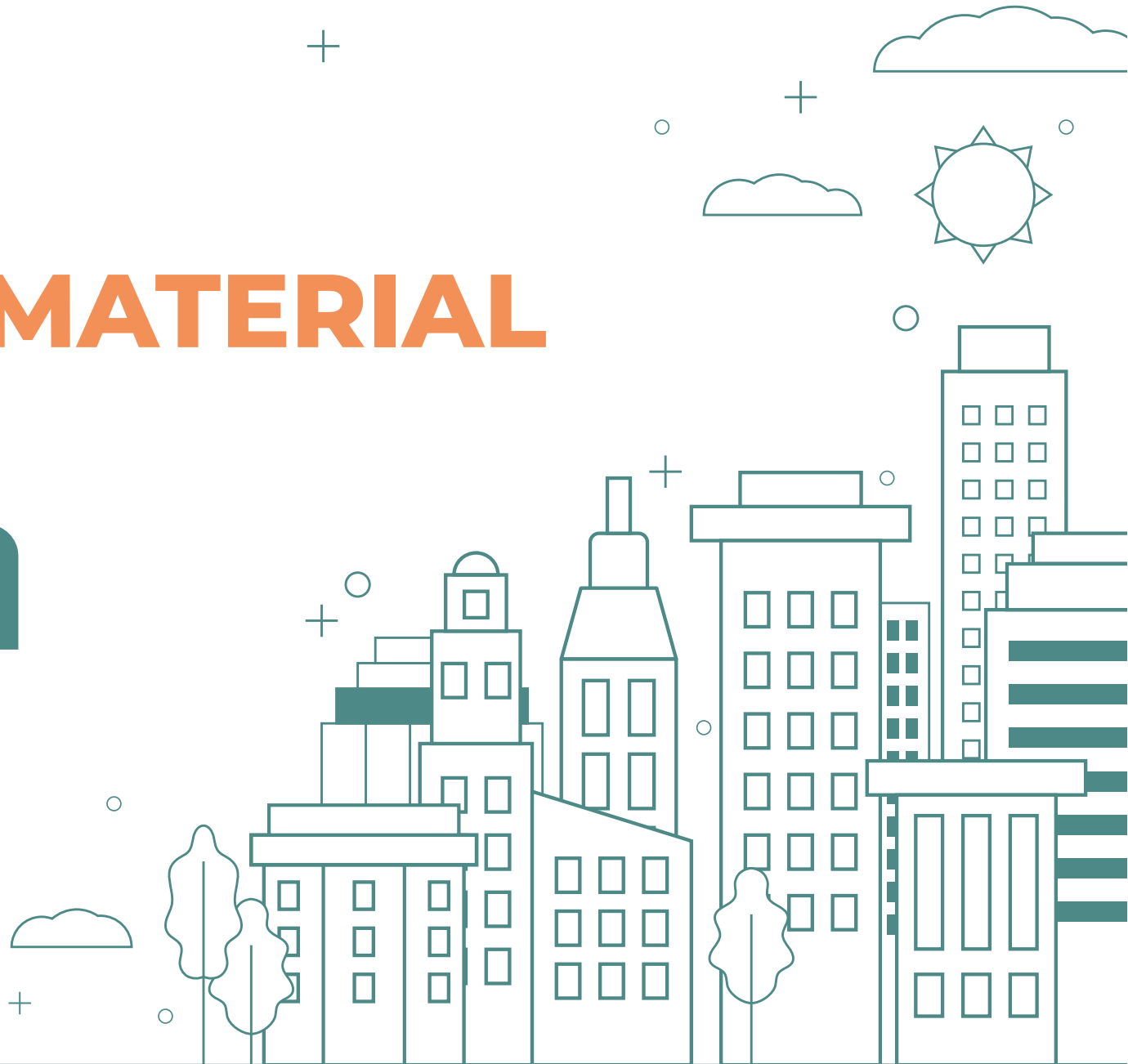
GLOBAL ALLIANCE

# MODERN BUILDING MATERIAL MARKET

Outlook for the modern building  
material market in India

Report

December 2022



Industrial Goods and Services

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# Foreword



Modern building materials are new, innovative materials designed to deliver differentiated functional attributes. This report captures the modern building material categories such as paints, lights, pipes, wood products, construction chemicals, sanitaryware, flooring material & HVAC. The building material market in India, as of FY21, stood at ~US\$ 225B, out of which, the market for modern building materials was ~US\$ 85B. The building material market in India is expected to grow at a CAGR of ~9% until FY27, while the modern building material market is expected to witness a growth of ~11% (CAGR) until FY27.

In this report, we have discussed the present market scenario, the key stakeholders in the B2B sales channels as well as the procurement process for the selected material categories. Further, we have also projected the growth of the market up to FY27 for these categories. We have highlighted the major tailwinds and headwinds that affect the modern building

material market in India; rapid urbanization, industrial development, and the emergence of market aggregators being the key growth drivers for the market. We have identified key pain points faced by the market and potential solutions to address these pain points. As far as technological disruptions are concerned, this report sheds light on the emergence of market aggregators (B2B e-commerce platforms) and how they streamline the supply chains across the market, offering benefits to both the buyers and the suppliers. In terms of the future of the market, government initiatives, adoption of sustainable alternative materials, and higher penetration of B2B e-marketplaces are expected to boost the prospects of this market as we move forward.

The market is rapidly evolving, and some of the scenarios presented here may have slight variations. This report reflects our perspectives as of October 2022. Contact us for the latest updates. We, at Praxis, look forward to continuing the discussion with our friends across sectors and exchanging notes as the situation evolves.



**Madhur Singhal**  
Managing Partner & CEO



**Aryaman Tandon**  
Managing Partner & Co-Founder

# Executive Summary

Topic	Summary of findings
<b>Overview of modern building material market</b>	<ul style="list-style-type: none"><li>• Overall building material market landscape includes traditional building materials (such as mud, straw, clay, timber, etc.) and modern building materials (such as paints &amp; coatings, wood products, concrete, HVAC, etc.)</li><li>• We have broadly categorized modern building materials into eight categories including paints &amp; coatings, flooring &amp; ceiling material, pipes, and sanitary ware</li><li>• Distributor or Wholesaler is the key stakeholder across B2B value chain for modern building material market; only in case of large manufacturers, manufacturer is the key stakeholder</li><li>• Major part of procurement demand for the modern building materials emanating from CAPEX and O&amp;M requirements for projects is fulfilled by the Distributor or Wholesaler</li></ul>
<b>Demand outlook</b>	<ul style="list-style-type: none"><li>• Modern building material market stands at US\$ 85B in CY21, accounting for ~40% of the overall Indian building material market</li><li>• Modern building material market is expected to grow at a CAGR of ~11% between CY21 &amp; CY27; ~48% of the market is organized</li><li>• Wood products, construction &amp; industrial chemicals and flooring &amp; ceiling material account for ~55% of the modern building material market in India</li><li>• Rapid urbanization, industrial development, emergence of market aggregators, and government initiatives are the major tailwinds for the market</li></ul>

Topic	Summary of findings
<b>Supply landscape</b>	<ul style="list-style-type: none"> <li>• Asian Paints, Finolex, P&amp;G, and Havells are some of the key players in the modern building material market in India</li> <li>• Supplier ecosystem in the market is governed by a preference for collecting advance payments and a credit period of ~30–45 days extended by suppliers</li> <li>• Among the key purchase criteria, price is the most important criteria across material categories, followed by the delivery timelines</li> <li>• Expansion of vendor base, creation of Business Continuity Plan (BCP) and adoption of technology can address pain points faced by modern building material market</li> <li>• Recent investments in this market in India indicate a focus on product development, technology adoption and expansion in capacity &amp; user base</li> </ul>
<b>Technological disruptions</b>	<ul style="list-style-type: none"> <li>• Market aggregators are disrupting the existing B2B channel by streamlining the supply chains and offering financing solutions to enterprises</li> <li>• B2B e-marketplaces offer benefits to both buyers and sellers; tools such as tracking services, inventory support systems streamline the process</li> <li>• Moglix, infra.market &amp; Industrybuying are some of the key B2B marketplaces in India causing disruption in the modern building material supply chain</li> </ul>
<b>Future outlook</b>	<ul style="list-style-type: none"> <li>• Government push for affordable housing, investment in infrastructure and better connectivity for the movement of goods &amp; services will boost the modern building material market in India</li> <li>• Adoption of sustainable material alternatives such as long-lasting, recycled or upcycled material and natural insulation to gather pace going forward</li> <li>• Value added services, quality control, improved user experience and ecosystem integration would lead to higher penetration of B2B e-marketplaces</li> <li>• Innovation in building material, automation in manufacturing, online procurement and utilization of AI &amp; analytics are expected to be the leading trends in the market moving forward</li> </ul>

# Agenda

Overview of Indian

## **modern building material market**



Overview of modern building material market

# Overall building material market landscape - traditional and modern building materials

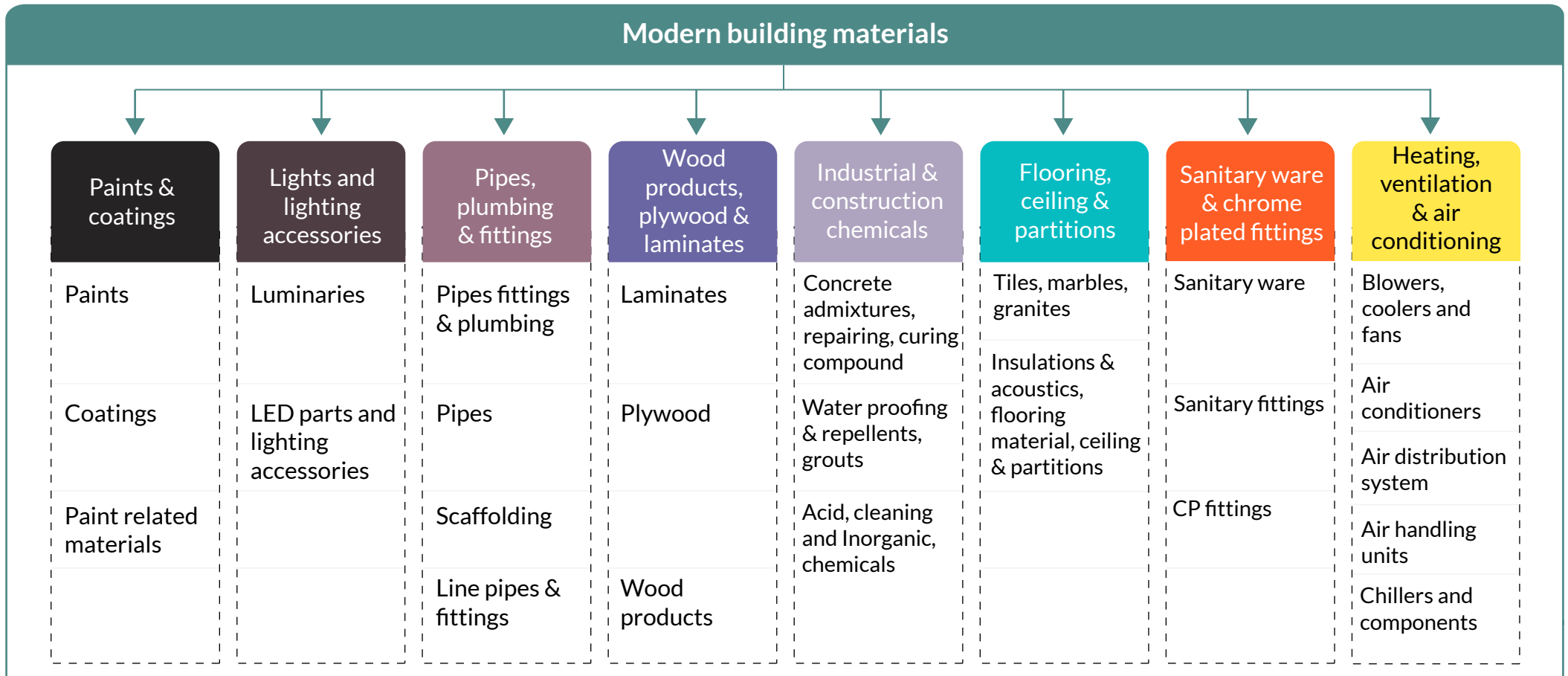


Note(s): 1. Concrete including RMC, cementitious products, concrete blocks, etc. 2. Aggregates including sand, gravel, fly ash, and other coarse substances

Source(s): Secondary research, Praxis analysis

## Overview of modern building material market

We have broadly categorized modern building materials into eight categories including paints & coatings, flooring & ceiling, pipes, and sanitary ware



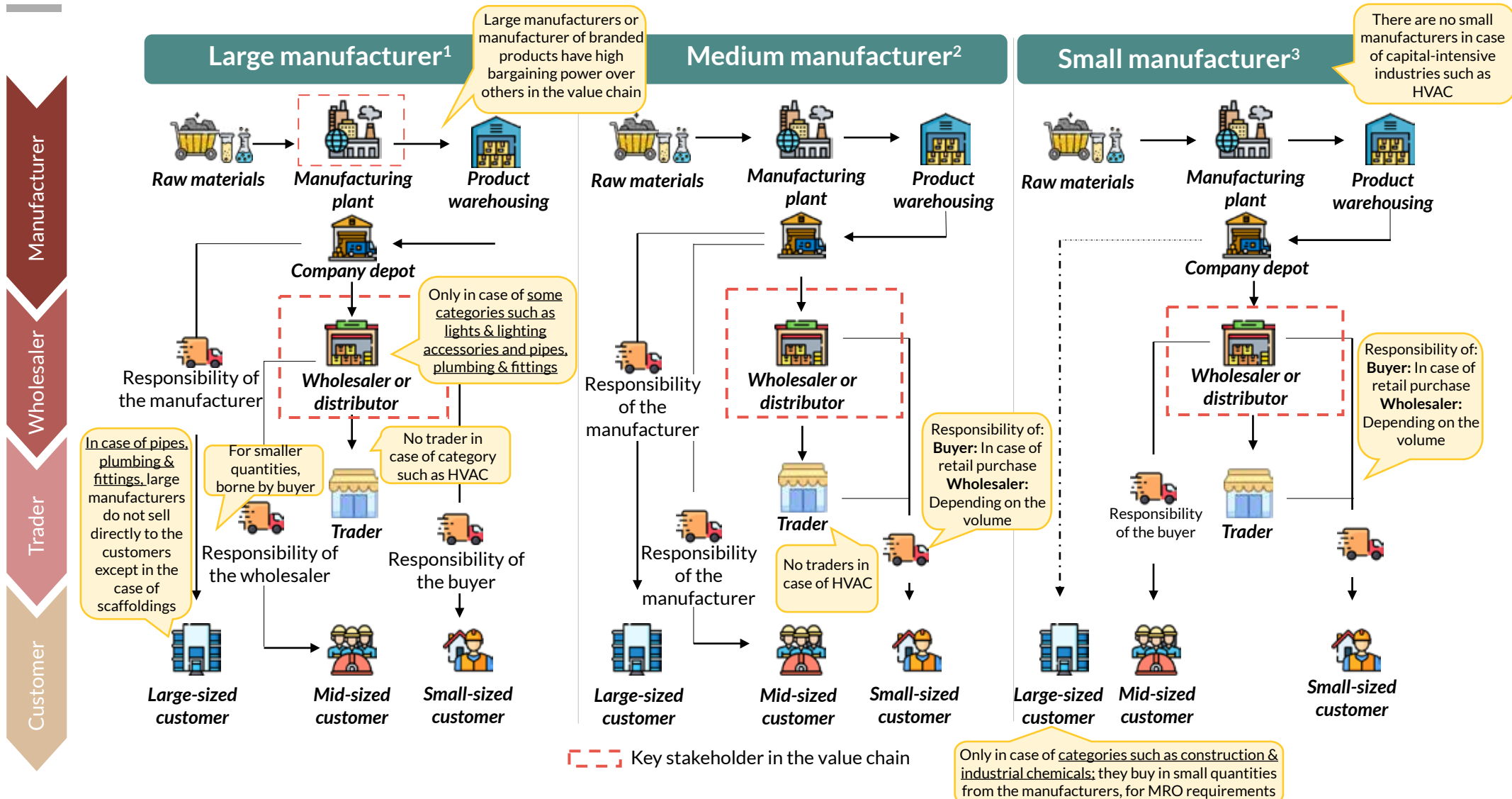
## Material segments not considered

Modern building material	Aggregates and bulk material (sand, gravel, fly ash, and other coarse substances)	Traditional building material	Mud	Lead
	Concrete (RMC, cementitious products, concrete blocks)		Clay	Slate
	Metal (steel, aluminum, iron), glass, electrical wires and switches		Clay	Timber etc*.

Note(s): \* includes cement, stones, stucco  
Source(s): Praxis analysis

Overview of modern building material market

# Distributor or Wholesaler is the key stakeholder across B2B value chain for modern building material market; manufacturer is the key stakeholder in case of large manufacturers

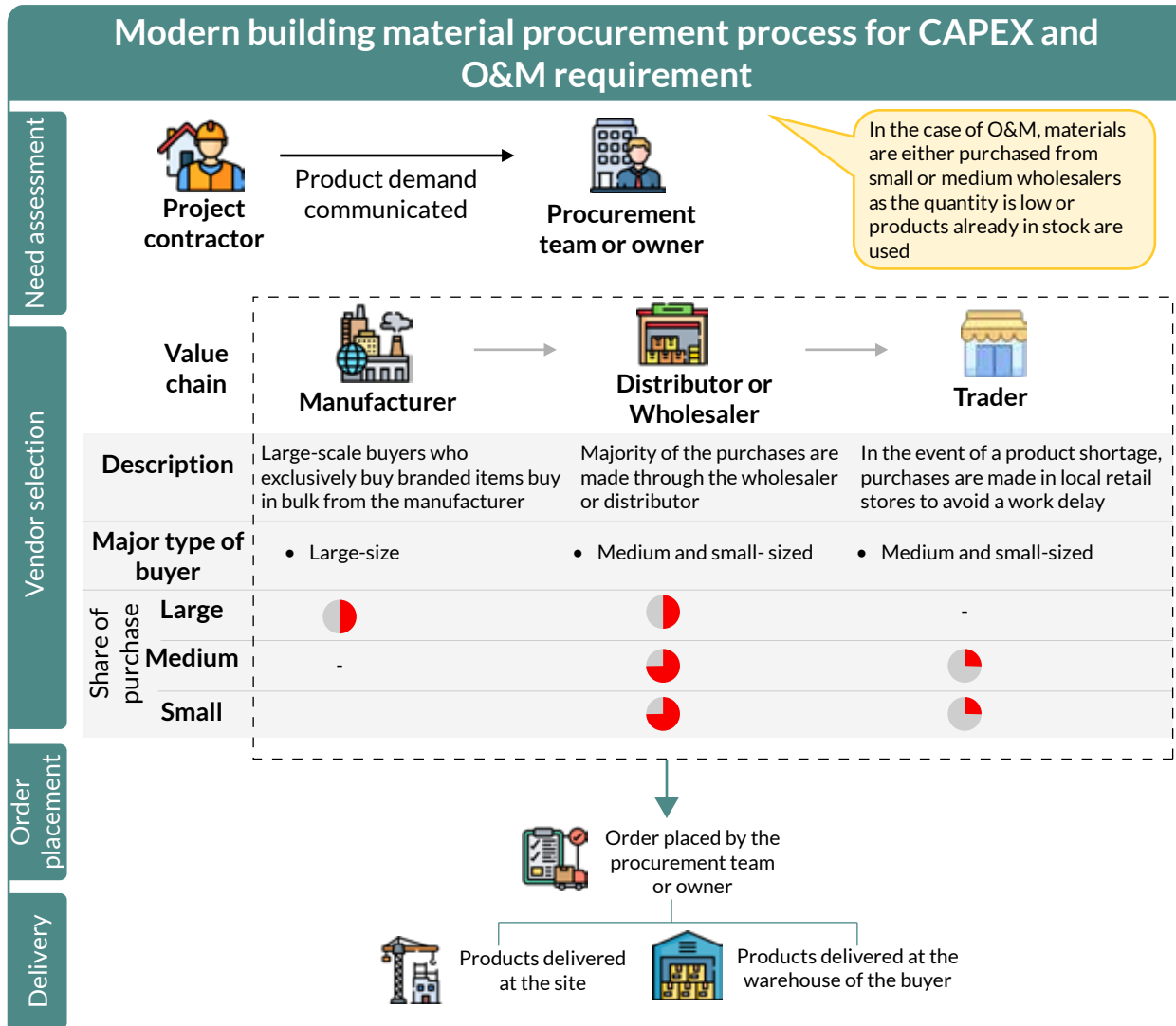


Note(s): As per RBI guidelines 1. T/o > INR 250 Cr, 2. T/o from INR 50 Cr to < INR 250 Cr, 3. T/o up to INR 50 Cr  
 Source(s): Primary discussions, Praxis analysis



Overview of modern building material market

# Major part of procurement demand for the modern building materials emanating from CAPEX and O&M requirements for projects is fulfilled by Wholesaler or Distributor



## Process

- Requirements at a project or plant site are drawn by the buyer for CAPEX and MRO requirements
- The procurement team (in case of large and medium-size buyers) or owner (small-sized buyers) prepares a requirement plan and reaches out to various suppliers
- The product specification and requirements are shared with the approved or fixed list of vendors
- Quotes are shared by the vendors with several terms such as prices, delivery terms, payment terms, quality, etc.
- In case of raw materials, if a new brand is available then a sample is demanded
- The buyer awards the deal based on the RFP or Bidding protocols (*usually some extra percentage is ordered to reduce the risk of delay in case of defect*)
- In case of HVAC, technical designs need to be negotiated with the supplier
- The supplier delivers the product periodically based on the SLAs
- The supplier is paid as per the terms

Contractor as well the end-buyer play a critical role in product and brand selection

In some categories such as plywood & laminates, lights & lighting accessories; small EPC players prefer making cash payments to avoid payment of GST



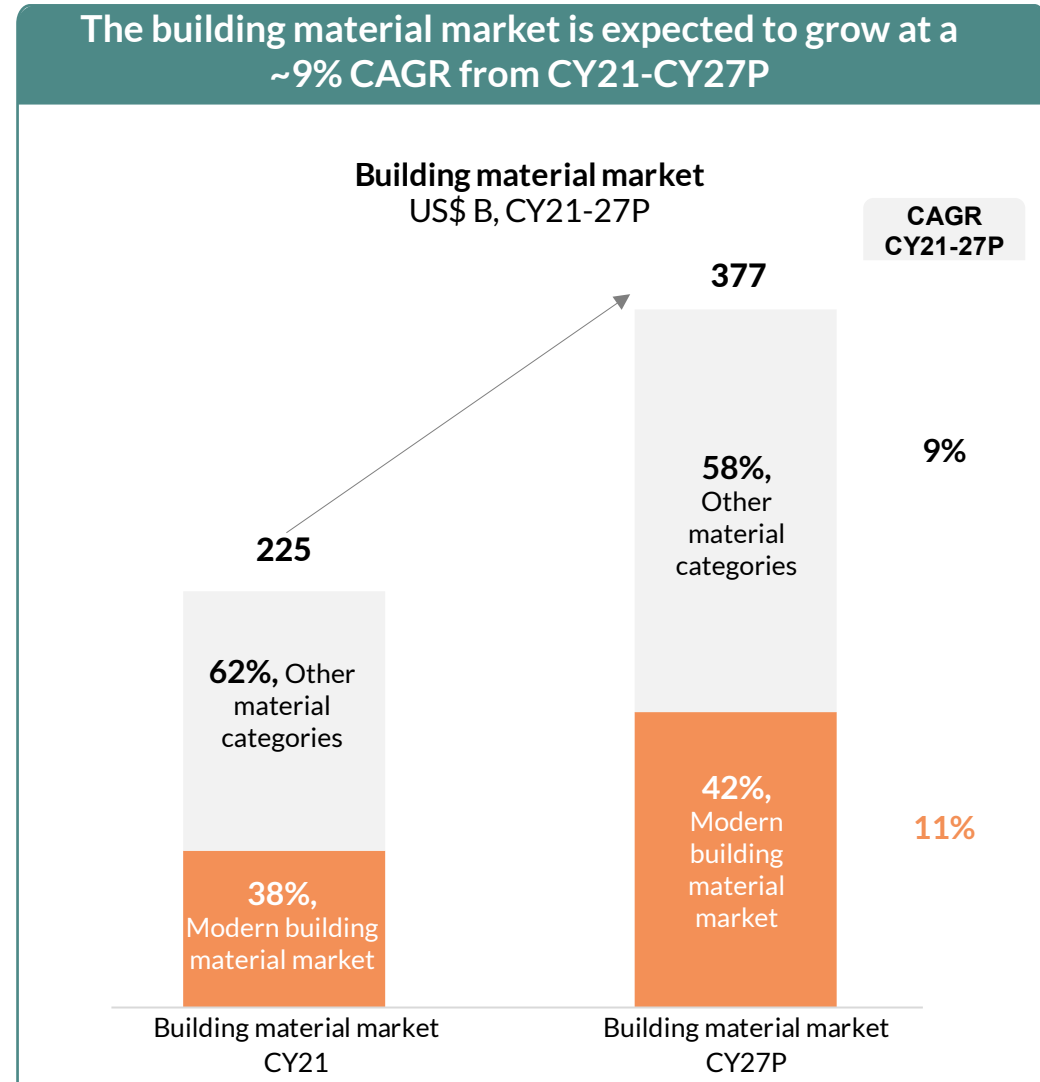
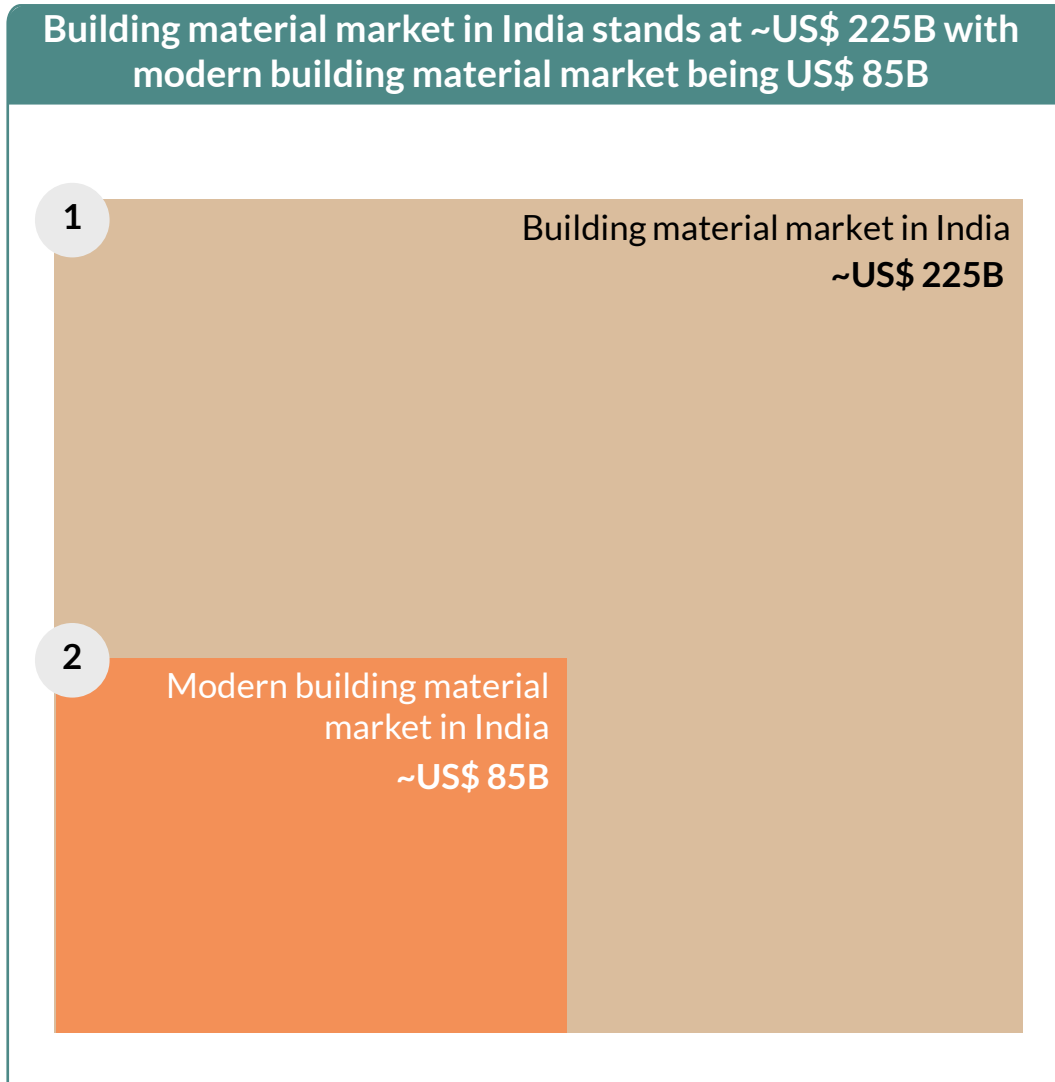
# Agenda

## Demand outlook



Demand outlook

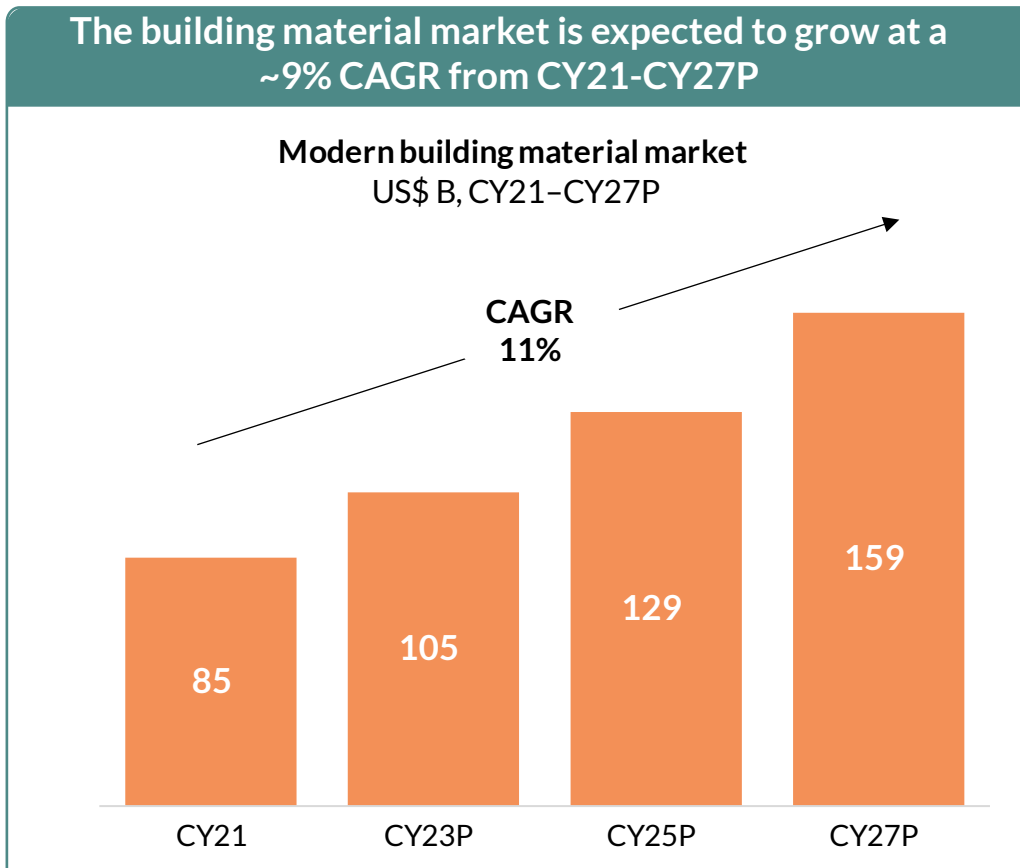
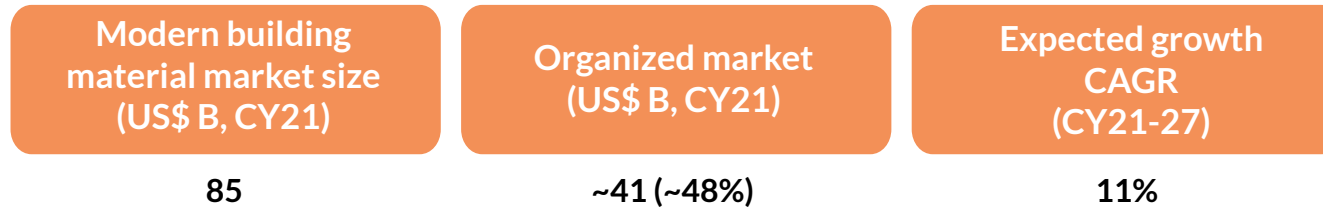
# Modern building material market stands at US\$ 85B in CY21, accounting for ~40% of the overall Indian building material market



Source(s): Expert discussions, Secondary reports, Praxis analysis

## Demand outlook

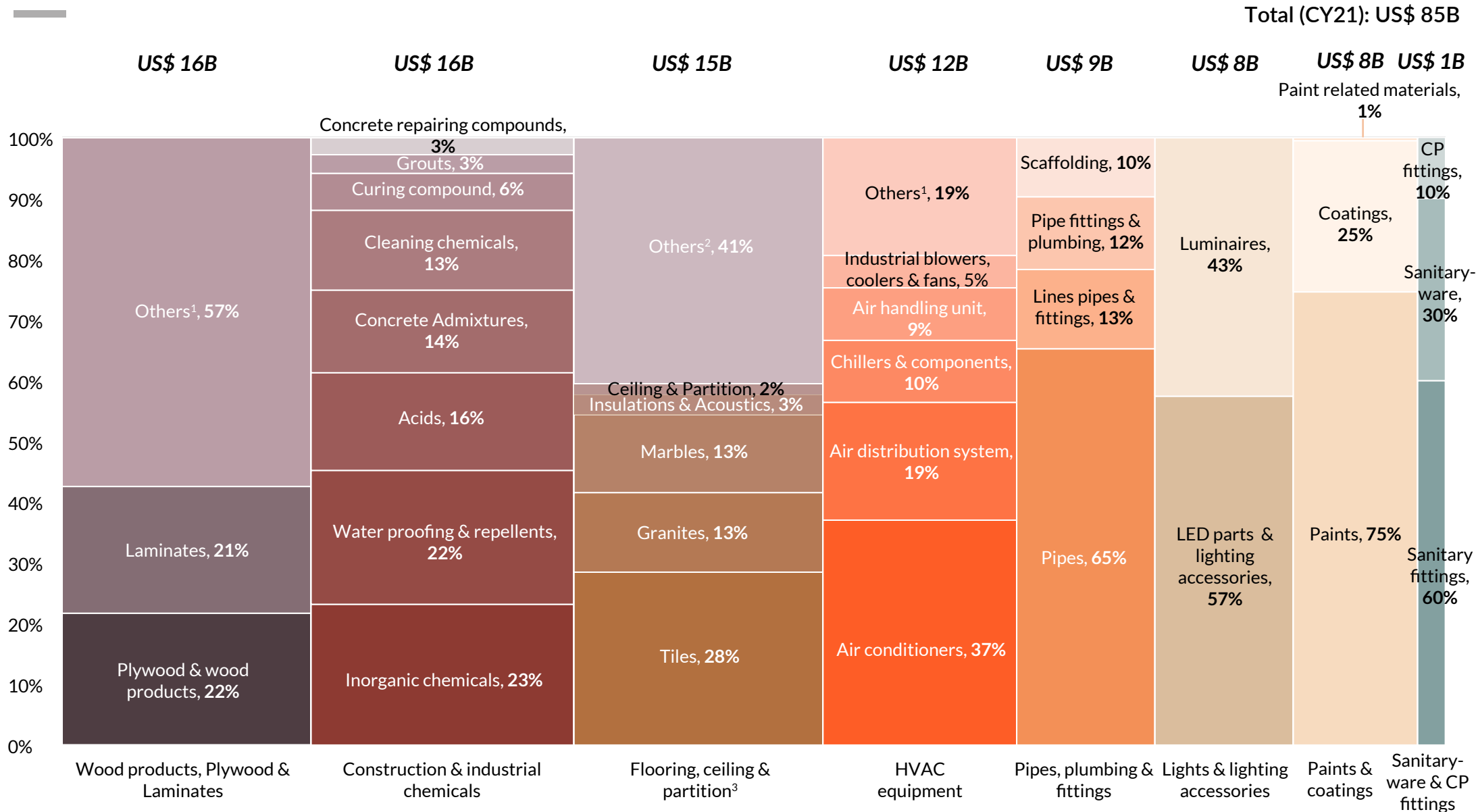
# Modern building material market is expected to grow at a CAGR of ~11% between CY21 & CY27; ~48% of the market is organized



Key categories	Products with highest demand
Wood products, plywood, and laminates	Paper laminates, plywood and panel sheets
Construction & industrial chemicals	Waterproofing material, admixtures, quick setting cement, concrete curing compounds, tile grouts, ammonia, sulphates, hydrochloric acid, cleaning chemicals
Flooring, ceiling and partitions	Ceramic tiles, black granite, white spotted marbles, white cement sheets, thermal insulation
HVAC	Cabinet and extension fans, SAC, VAV, dampers, pre-insulation ducts
Pipes, plumbing, and fittings	PVC pipes, wooden scaffolding, elbows, equitable Ts
Lights and lighting accessories	Tubes, lamps, and streetlights
Paints and coatings	Decorative paints, industrial coatings
Sanitaryware and CP fittings	Wash basins, and mix heaters

Demand outlook

# Wood products, construction & industrial chemicals and flooring & ceiling material account for ~55% of the modern building material market in India



Note(s): 1. Others include Veener, MDF, etc., 2. Others include seamless flooring, PVC, terrazzo, flooring materials etc, 3. Others include furnaces, boilers, heat recovery systems, etc.

Source(s): Expert discussion, Primary conversations, Secondary reports, Praxis analysis

## Demand outlook

# Major tailwinds for the industry - rapid urbanization, industrial development, emergence of market aggregators, and government initiatives



## Urbanization

- Indian urban population is expected to reach ~607M in CY30 from 493M in CY21 and ~40% of the total population is expected to live in urban areas
- This implies that India would require ~25M housing units in urban areas by CY30, which would result into the need for modern building materials



## Government initiatives

- Programs such as the Smart City Mission (which aims to improve the quality of life in 100 cities) are projected to increase the quality of life through modernization and technology-based urban planning
- Investment allocations under National Infrastructure Pipeline, wherein India has an investment budget of US\$ 1.3T on infrastructure, out of which around 16% is on urban infrastructure



## Emergence of market aggregators

- The emergence of various app-based and online private & public aggregators such as Moglix, industrybuying, Government e-Marketplace, etc. is expected to be instrumental in addressing the disruptions in the building material supply chains



## Industrial development

- Several large-scale infrastructure development projects are in progress in the country such as plans for 14 SEZs, six new ports, and three mega ports
- In October 2021, the government announced a master plan for multi-modal connectivity to develop the infrastructure for lowering logistics costs



## High raw materials price

- Unprecedented increase in materials costs since the pandemic (for example, the cost of key materials such as cement and steel have risen over ~20% over the past year), supply-chain disruptions, and an increasingly tight labor market



## Delay in project timelines

- The completion of any construction demands multiple clearances from various designated authorities (taking at least 4-12 weeks) and a delay in obtaining these clearances may lead to a delay in execution of the projects



## Logistics issues

- For certain material categories such as construction chemicals, most of the manufacturing happens in Gujarat due to vicinity to port and raw materials, while the maximum demand comes from southern and eastern regions. This increases the logistics cost and the overall production cost



## Unavailability of raw materials and tech tools

- Unavailability of certain raw materials in industries such as wood products and plywood, and construction chemicals raises overall production cost
- Shortage of quality enhancement tools, and testing labs, etc. in categories such as HVAC impacts product quality

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# Supply landscape



Supply landscape

# Asian Paints, Finolex, P&G, and Havells are some of the key players in the modern building material market in India

## Wood products, plywood, and laminates



## Construction and industrial chemicals



## Flooring, ceiling and partitions



## HVAC



## Pipes, plumbing and fittings



## Lighting and lighting accessories



## Paints and coatings



## Sanitaryware and CP fittings





## Supply landscape

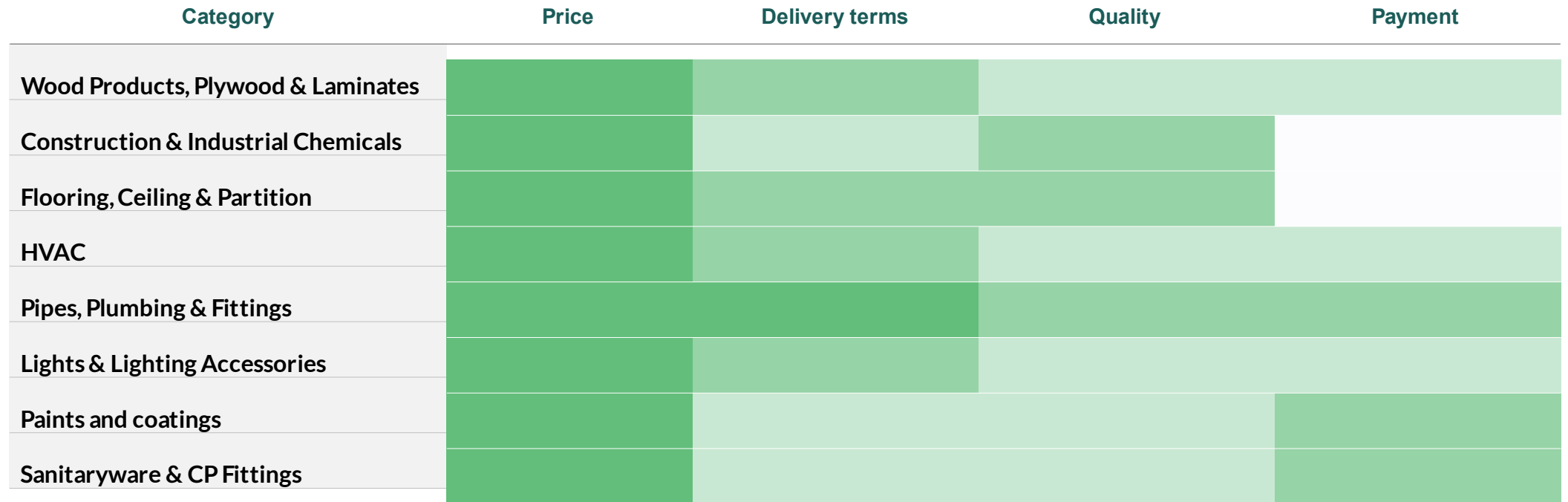
# Supplier ecosystem in the market is governed by a preference for collecting advance payments and a credit period of ~30–45 days extended by suppliers

Parameters		Wood products, Plywood & Laminates	Construction & Industrial chemicals	Flooring, ceiling & partition	HVAC equipment	Pipes, plumbing & fittings	Lights & lighting accessories	Paints & coatings	Sanitaryware & CP fittings
Payment terms		<ul style="list-style-type: none"> <li>Advance taken from a new customer</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from both old &amp; new customer (% differs)</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from both old &amp; new customer (% differs)</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from a new customer</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from a new customer</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from a new customer</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from a new customer</li> </ul>	<ul style="list-style-type: none"> <li>Advance taken from a new customer</li> </ul>
Financing support availed		<ul style="list-style-type: none"> <li>Bank OD</li> <li>LC<sup>1</sup> from customers to ensure timely receipt</li> </ul>	<ul style="list-style-type: none"> <li>Loan from banks</li> </ul>	<ul style="list-style-type: none"> <li>Loans or bank OD</li> </ul>	<ul style="list-style-type: none"> <li>Loans or bank OD</li> <li>LC<sup>1</sup> from customers to ensure timely receipt</li> </ul>	<ul style="list-style-type: none"> <li>Loans or Bank OD</li> <li>Channel financing</li> </ul>	<ul style="list-style-type: none"> <li>Loans or Bank OD</li> <li>Channel financing</li> </ul>	<ul style="list-style-type: none"> <li>Bank OD</li> </ul>	<ul style="list-style-type: none"> <li>Bank OD</li> <li>LC<sup>1</sup> from customers to ensure timely receipt</li> </ul>
Delivery terms (depending upon type of product & availability)	Manufacturer	<ul style="list-style-type: none"> <li>7-10 days</li> </ul>	<ul style="list-style-type: none"> <li>3-7 days</li> </ul>	<ul style="list-style-type: none"> <li>2-7 days</li> </ul>	<ul style="list-style-type: none"> <li>2-45 days</li> </ul>	<ul style="list-style-type: none"> <li>3-20 days</li> </ul>	<ul style="list-style-type: none"> <li>2-30 days</li> </ul>	<ul style="list-style-type: none"> <li>2-10 days</li> </ul>	<ul style="list-style-type: none"> <li>7-10 days</li> </ul>
	Wholesaler	<ul style="list-style-type: none"> <li>0-2 days</li> </ul>	<ul style="list-style-type: none"> <li>2-3 days</li> </ul>	<ul style="list-style-type: none"> <li>2-7 days</li> </ul>	<ul style="list-style-type: none"> <li>2-7 days</li> </ul>	<ul style="list-style-type: none"> <li>2-3 days</li> </ul>	<ul style="list-style-type: none"> <li>2-30 days</li> </ul>	<ul style="list-style-type: none"> <li>1-3 days</li> </ul>	<ul style="list-style-type: none"> <li>2-3 days</li> </ul>
Seasonality in business		<ul style="list-style-type: none"> <li>Demand is low during rainy season as construction activity slows down &amp; high during festivals</li> </ul>	<ul style="list-style-type: none"> <li>Demand is low during rainy season as construction activity slows down</li> </ul>	<ul style="list-style-type: none"> <li>Demand is low during rainy season as construction activity slows down</li> </ul>	<ul style="list-style-type: none"> <li>High demand during summers</li> </ul>	<ul style="list-style-type: none"> <li>Demand is low during rainy season as construction activity slows down</li> </ul>	<ul style="list-style-type: none"> <li>Demand is low during rainy season as construction activity slows down &amp; high during festivals</li> </ul>	<ul style="list-style-type: none"> <li>Low demand during rainy season as the humidity affects the painting and coating procedure</li> </ul>	<ul style="list-style-type: none"> <li>Demand is low during rainy season as construction activity slows down &amp; high during festivals</li> </ul>
Advertising spend (% of revenue)	Manufacturer	<ul style="list-style-type: none"> <li>~5%</li> </ul>	<ul style="list-style-type: none"> <li>~2-3%</li> </ul>	<ul style="list-style-type: none"> <li>~2%*</li> </ul>	<ul style="list-style-type: none"> <li>~1-2%</li> </ul>	<ul style="list-style-type: none"> <li>~3-5%*</li> </ul>	<ul style="list-style-type: none"> <li>~2-4%</li> </ul>	<ul style="list-style-type: none"> <li>~3-5%*</li> </ul>	<ul style="list-style-type: none"> <li>~3-5%*</li> </ul>
	Wholesaler	<ul style="list-style-type: none"> <li>~1-2%</li> </ul>	<ul style="list-style-type: none"> <li>Not much advertising spend</li> </ul>	<ul style="list-style-type: none"> <li>~5-6%*</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Not much advertising spend</li> </ul>	<ul style="list-style-type: none"> <li>~1-2%</li> </ul>	<ul style="list-style-type: none"> <li>&lt;1%*</li> </ul>	<ul style="list-style-type: none"> <li>Not much advertising spend</li> </ul>
Credit period offered (depending upon business relations)	Manufacturer	<ul style="list-style-type: none"> <li>15-30 days</li> </ul>	<ul style="list-style-type: none"> <li>15-90 days</li> </ul>	<ul style="list-style-type: none"> <li>30-90 days</li> </ul>	<ul style="list-style-type: none"> <li>30-60 days</li> </ul>	<ul style="list-style-type: none"> <li>30-60 days</li> </ul>	<ul style="list-style-type: none"> <li>45-30 days</li> </ul>	<ul style="list-style-type: none"> <li>15-30 days</li> </ul>	<ul style="list-style-type: none"> <li>15 days</li> </ul>
	Wholesaler	<ul style="list-style-type: none"> <li>20-30 days</li> </ul>	<ul style="list-style-type: none"> <li>15-60 days</li> </ul>	<ul style="list-style-type: none"> <li>15-40 days</li> </ul>	<ul style="list-style-type: none"> <li>~30 days</li> </ul>	<ul style="list-style-type: none"> <li>20-30 days</li> </ul>	<ul style="list-style-type: none"> <li>30-60 days</li> </ul>	<ul style="list-style-type: none"> <li>20-30 days</li> </ul>	<ul style="list-style-type: none"> <li>20-30 days</li> </ul>

Note(s) : 1. LC - Letter of credit, \*% of total cost  
Source(s): Primary conversations, Praxis analysis

Supply landscape

# Key purchase criteria: Price is the most important purchasing criteria across material categories, followed by the delivery timelines



“ For us, the most important is the quality of the product because we lease out our buildings to the big IT companies and if we don't use good quality then our maintenance cost will increase

- Buyer, Delhi NCR

”

“ Housing societies want quality and delivery at the same time. The bigger builders buy only top brands and thus don't have to worry about after-sales service. Procurement is done in advance too. Pricing evaluation is done intensely for them to make better markups, and they have little flexibility in choosing brands. Some insist only on the top 2-3 brands

Procurement manager, Mumbai

”

“ Price is the major KPC. Since we purchase quality products, we are not concerned about the quality. The RFQ is only for the purpose of price, delivery, and payment terms

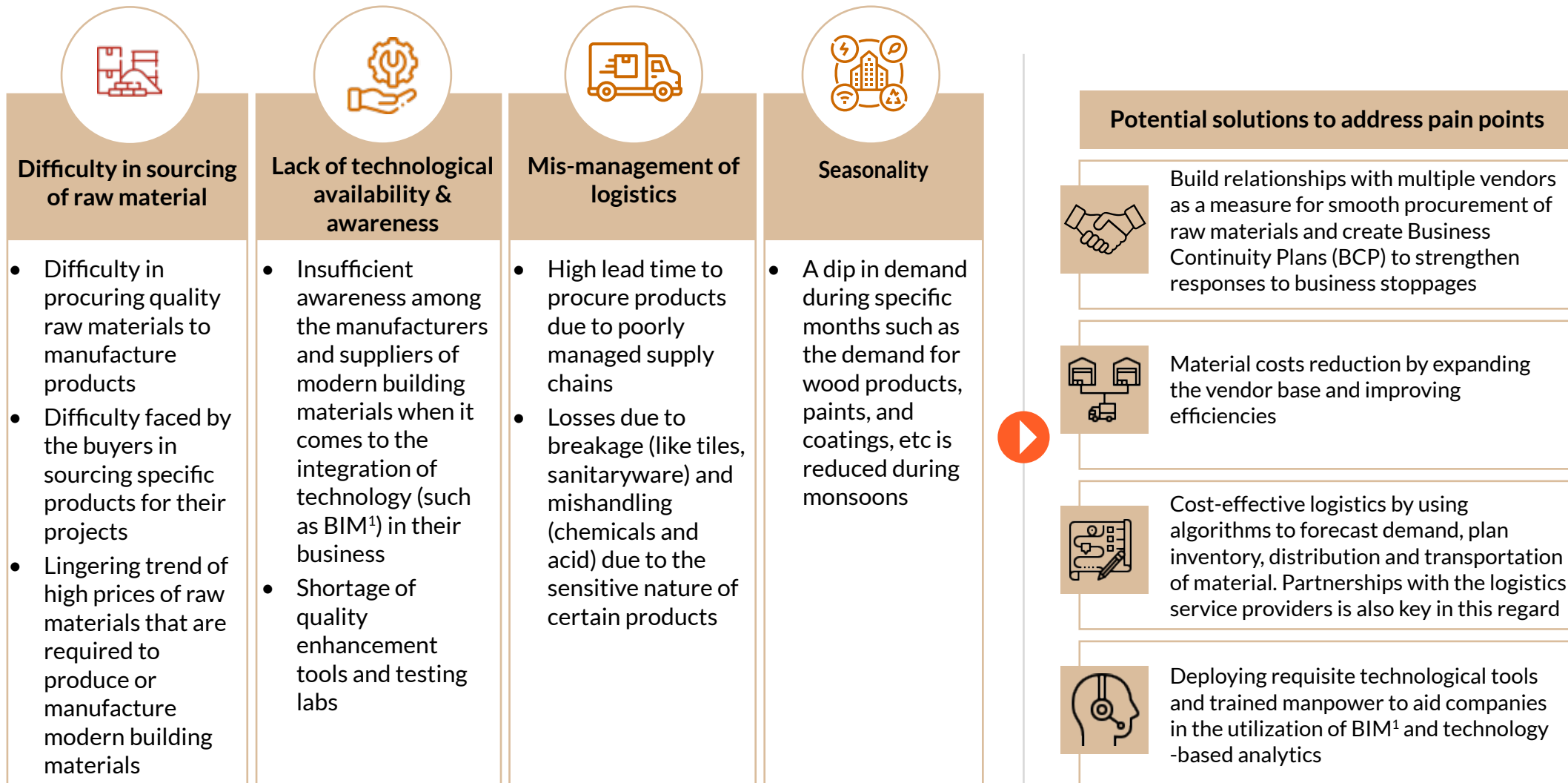
- Procurement manager, Bangalore

”



## Supply landscape

# Expansion of vendor base, creation of Business Continuity Plan (BCP) & adoption of technology can address pain points faced by the modern building material market











Note(s): 1. Building Information Modelling

Source(s): Primary conversations, Secondary research, Company annual reports, Praxis analysis

## Supply landscape

# Companies have raised funds to focus on product development, technology adoption, and scaling up capacity & user base

### Recent PE/VC deals

Company	About the company	Leading investor	Amount (2022, US\$)	Funding round	Key objectives of the target companies
	Premium tiles maker		66M	Private equity round	<ul style="list-style-type: none"> <li>Expand its capacity in tiles and sanitaryware and expand sanitaryware division into the faucets sector</li> <li>Improve logistics and customer service</li> </ul>
	Entire supply chain manager of a construction contractor		10M	Seed round	<ul style="list-style-type: none"> <li>Scale up the user base, digitise the supply chain, bring in product innovation, and expand the team</li> </ul>
	B2B manufacturing and supply chain enablement platform		515K	Pre -seed round	<ul style="list-style-type: none"> <li>Scale the team across manufacturing clusters in India and invest in products and technology</li> </ul>
	Sustainable construction materials manufacturer		976K	Seed round	<ul style="list-style-type: none"> <li>A sustainable building &amp; construction materials start-up that captures and converts waste plastic into high-grade, lightweight bricks that are 15% cheaper and 45% lighter than the industry standard</li> </ul>

Agenda

# Technological disruptions



## Technological disruptions

# Market aggregators are disrupting the existing B2B channel by streamlining the supply chains and offering financing solutions to enterprises

### Market aggregation

Since ~52% of the market is unorganized, the rise of B2B e - marketplaces also aids the **aggregation of the unorganized supply chain** and improves the trade margins by reducing the number of stakeholders involved



### Inclusion of SMEs

The presence of market aggregators allows smaller and medium size enterprises to cater to a **wider market base by providing access to a number of potential customers**



### Financing solutions

Market aggregators such as Moglix provide financing solutions to its vendors, through its supply chain financing solution called Credlix. Thus, addressing the **working capital problems for suppliers and enterprises** in the market



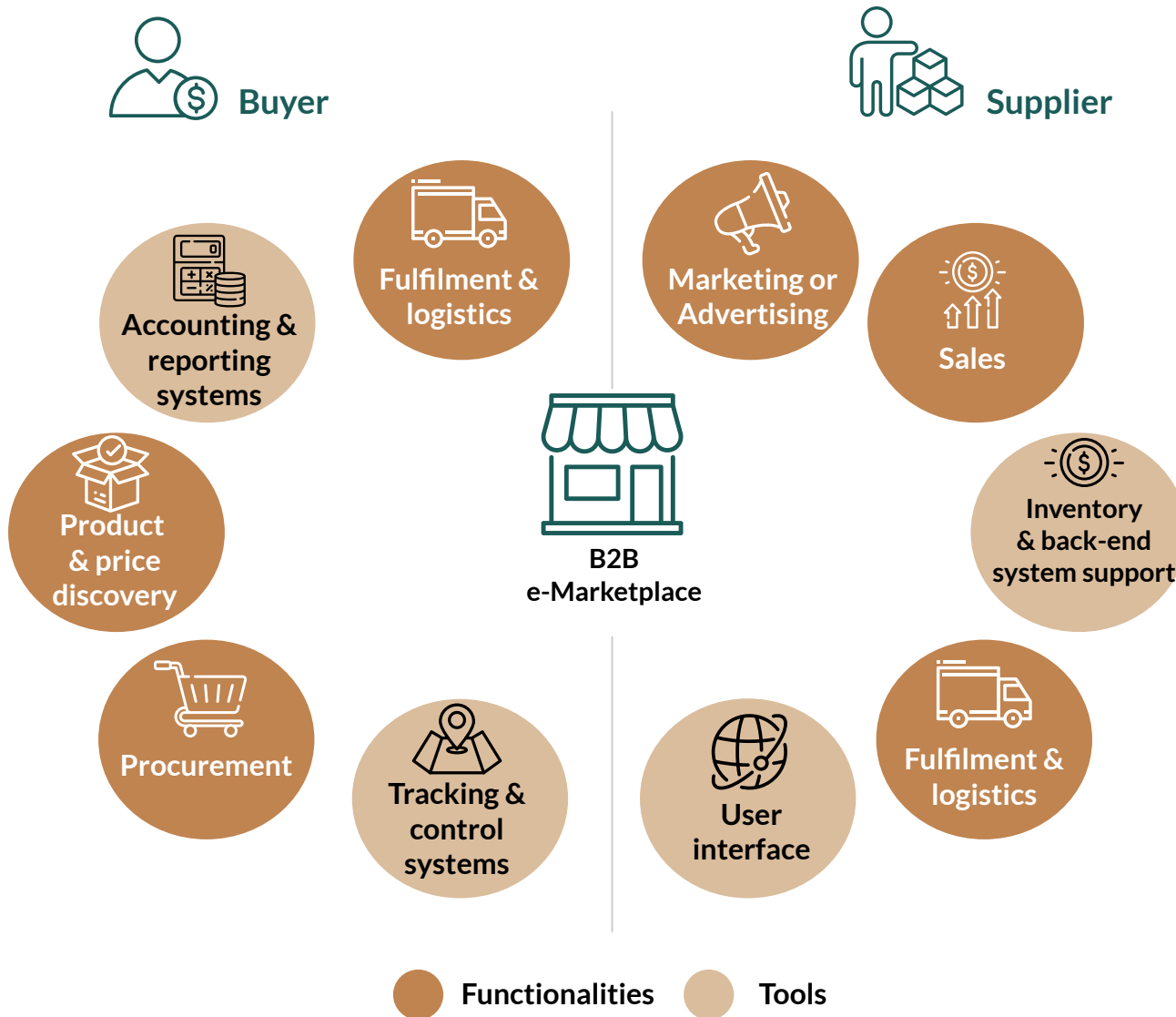
### End - to - end, one stop solution

Market aggregators provide end-to-end transaction fulfillment along with authenticity and security to the listed suppliers. It **offers quality products at reasonable prices and reliable delivery schedules**, coupled with necessary standard credit terms



Technological disruptions

# B2B e-marketplaces offer benefits to both buyers and sellers; tools such as tracking services, inventory support systems streamline the process



- Key features of a B2B e-marketplace**
- **Better product & price discovery:** Contains details about prices, specifications, and features of products and allows buyers to compare products and make smart decisions
  - **Purchase data:** Includes customer's purchase history, shopping or wish lists, and other preferences, which help suppliers to improve customer experience
  - **Financing:** Apart from working capital support for suppliers and financing support for buyers, marketplaces also offer tax management and insurance services to them
  - **Payment options:** Provide payment options that include multiple forms of payment, and open purchase orders
  - **Logistics:** Provide high-quality logistic services such as negotiated shipping rates and tracking capabilities that most vendors cannot match on their own
  - **Returns and refunds:** Process returns and refunds promptly, as a result of the robust fulfillment, payment, and logistics system

## Technological disruptions

# Moglix, Infra.market & Industrybuying are some of the key B2B marketplaces in India causing disruption in the modern building material supply chain

Parameters	<b>moglix</b>	<b>INFRA.MARKET</b>	<b>industrybuying</b>	
<b>Founded</b>	2015	2016	2013	
<b>About the company</b>	<ul style="list-style-type: none"> <li>B2B procurement platform of industrial supplies</li> </ul>	<ul style="list-style-type: none"> <li>Wholesaler for infrastructure or construction materials</li> </ul>	<ul style="list-style-type: none"> <li>B2B marketplace and enterprise marketplace with a catalogue of over 1.5 Lac SKUs from brands</li> </ul>	
<b>Type of customers</b>	<ul style="list-style-type: none"> <li>Retailers or dealers or corporates</li> </ul>	<ul style="list-style-type: none"> <li>Infrastructure or construction companies and retailers</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing companies and retailers</li> </ul>	
<b>Value added services</b>	<ul style="list-style-type: none"> <li>Financing support is provided under the brand name Credlix</li> <li>Supply chain financing</li> <li>Logistics support</li> </ul>	<ul style="list-style-type: none"> <li>Financing support is provided</li> <li>Logistics cost is the responsibility of the suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Logistics support</li> </ul>	
<b>Presence</b>	Construction & Industrial Chemicals	✓	✓	✗
	Wood Products, Plywood & Laminates	✗	✓	✗
	Flooring, Ceiling & Partition	✗	✓	✓
	HVAC	✓	✗	✓
	Pipes, Plumbing & Fittings	✓	✗	✓
	Lights & Lighting Accessories	✓	✗	✓
	Paints and coatings	✓	✓	✓
	Sanitaryware & CP Fittings	✓	✓	✓



Agenda

**Future outlook**



## Future outlook

# Government push for affordable housing, investment in infrastructure and better connectivity for the movement of goods & services will boost the modern building material market in India



### Budgetary allocation

- For the FY23, a budgetary allocation of ~US\$ 6B has been made towards affordable housing with a target to build 80 lakh houses for identified beneficiaries under Pradhan Mantri Awas Yojana



### Formulation of high-level committees

- Proposal to formulate a high-level committee of planners, economists, and institutions to provide recommendations on urban sector policies, planning, governance, capacity building, and implementation
- Earmarked US\$ 32M each to create 5 Centers of Excellence to provide certified training in urban planning
- Assistance in fostering real estate development across tier 2 & 3 cities in India



### Digitalization and integration

- Pradhan Mantri Gati Shakti plan will serve as a digital platform that shall bring together 16 ministries to seamlessly integrate different modes of transport (roads, railways, airports etc.) to improve logistic efficiency, reduce costs, and ensure seamless multi-modal connectivity for the movement of goods and services.



### Streamlining of government processes

- The central government will collaborate with state governments to reduce time for approvals to promote affordable housing



### Smart cities mission

- The mission aims to develop cities that provide core infrastructure, clean and sustainable environment, and better quality of life to their citizens through the application of smart solutions
- Modern and sustainable building material are to be utilized to improve the quality of life in cities and catch up with other developed cities in the world
- Out of the 100 cities selected in the beginning, 80 have seen implementation of transformational projects, and multiple projects are in progress in the rest



### Investment in infrastructure

- National Infrastructure Pipeline (NIP) is the Government of India's roadmap to make India a 5 trillion-dollar economy by FY25 by spending ~US\$ 1.3T on infrastructure projects
- These projects would be related to airports, ports, etc. which would push the demand for building and construction material

## Future outlook

# Adoption of sustainable material alternatives such as long-lasting, recycled or upcycled material and natural insulation to gather pace going forward

## Sustainable alternatives

### Recycled and upcycled material

- Construction and demolition produces large amounts of waste that can be reused
- Material like windows, doors, or flooring that are salvaged from demolition can be used in new construction
- For example, Zerund, a start up, manufactures lightweight bricks using waste material like plastic and fly ash



### Long lasting material

- Long-lasting materials are more sustainable because they reduce the need for repair and replacement
- For example, asphalt roof shingles are more prone to breaking but composite shingles (made from recycled rubber and plastics) are more durable



### Smart glass

- Smart glass is a window treatment that can be switched between transparent and translucent; this makes glass acts as a solar collector in winter, and a heat deflector in summer



### Natural insulation

- Many types of insulations contain materials that are resource and carbon intensive, including plastics and chemicals
- Utilization of hemp and cork alternatives are sustainable and green replacements of the same



## Future outlook

# Innovation in building material, automation in manufacturing, online procurement and utilization of AI & analytics to be the leading trends in the market



- **Innovation in building & construction material:** Usage of super-performing building materials and techniques in terms of energy-saving efficiency of the material, cost efficiency, application feasibility, availability, vernacular characteristics, life span, etc. These innovations include PPR pipes<sup>1</sup>, floatable concrete, precast construction, among others



- **Adoption of environmentally friendly substitutes:** There is rising awareness towards adoption of environment-friendly and sustainable substitutes for building materials. Players are also collaborating to curb carbon emissions in the market. For example, a construction industry coalition, led by Xynteo, aims to rapidly accelerate the decarbonization of the built environment in India



- **Digitization and automation in manufacturing:** Digitized services ecosystem has helped the firms to optimize the production lifecycle resulting in predictable manufacturing outcomes. These technologies include digital tile printing, and automatic RMC mixers among others



- **Online procurement & aggregation:** New age players are focusing on app or online-based procurement and demand aggregation, where these players collaborate with ecosystem of onboarded suppliers for best pricing and faster delivery. Moglix, infra.market, industrybuying, Government e-Marketplace (GeM), along with upcoming platforms like L&T SuFin are the prominent players in this space











- **AI and analytics:** Technologies such as Building Information Modeling (BIM) support the continuous and immediate availability of project design scope, schedule, and cost information that is of high quality, reliable, integrated, and fully coordinated. These technologies allow to construct a building virtually, and in detail, which aids the market to build better structures



- **Safety infrastructure:** A variety of new technologies are helping to improve safety and health conditions on building & construction worksites. Advanced versions of traditional gear, including headsets, safety classes, and clothing, are now being made even safer, with the help of improved designs and materials

## Future outlook

# Value added services, quality control, improved user experience and ecosystem integration would lead to higher penetration of B2B e-marketplaces

	<b>Value added services</b>	<ul style="list-style-type: none"> <li>• B2B e-marketplaces are extending value added services such as logistics support to facilitate order fulfilment and financing solutions to buyers &amp; suppliers such as channel financing, working capital facilities and equipment financing</li> </ul>
	<b>Quality control</b>	<ul style="list-style-type: none"> <li>• Suppliers should be onboarded after checking and ascertaining their authenticity and quality</li> <li>• This would enhance reliability and trust for the platform among the buyers</li> </ul>
	<b>User experience (UX)</b>	<ul style="list-style-type: none"> <li>• Important to develop aesthetic and easy-to-use UX to retain customers</li> <li>• The whole conversion process from browsing to finally purchasing needs to be seamless and efficient</li> </ul>
	<b>B2B marketing</b>	<ul style="list-style-type: none"> <li>• Along with information-backed marketing campaigns, buyers value the ability to compare goods and services side by side from competing suppliers</li> <li>• This would improve a platform's look and feel as well as stickiness</li> </ul>
	<b>Data – based insights</b>	<ul style="list-style-type: none"> <li>• As most B2B purchases are planned and justified before being approved, platforms may provide relevant data to the sellers or suppliers to provide deeper insights on the buyer preferences</li> </ul>
	<b>Payment services</b>	<ul style="list-style-type: none"> <li>• To optimize the payment process, third party sellers need to be supported by a seamless and secure transaction process</li> </ul>
	<b>Integration</b>	<ul style="list-style-type: none"> <li>• Being able to easily integrate with multiple software solutions improves the marketability and customer retention of an online platform</li> </ul>
	<b>Platform visibility</b>	<ul style="list-style-type: none"> <li>• The platforms need to invest time and money into SEO* to ensure their visibility</li> <li>• Also, they need to have a presence in B2B publications, at industry events, and across social media</li> </ul>

## Industrial Goods & Services Team



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## How we help our clients

### Strategy & Transformation

Growth strategy, Go-to-Market strategy, International strategy

### Growth & Scale up

New market entry, Micro-market assessment, Offering design and validation

### Cost & Performance Excellence

Operational and Process excellence, Unit economics improvement

### Customer & Loyalty Experience

NPS improvement, Customer experience, Retention management

### Enablement & Implementation

MVP/Pilot Implementation, New business incubation

### Investment Advisory

Commercial due diligence, Target scan, Post-deal value creation

### Brand & Marketing

Perception analysis and diagnostics, New channels & sources identification

### Organization Productivity

Organization role span design, KPI cascading

# Connect with us

We will be happy to share perspectives



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