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RESTRUCTURE LOANS!

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Developers want their loans restructured, which they say will help tackle the liquidity crunch that the sector has been struggling with for quite some time now

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The Covid-19 pandemic has affected the economy world over. India is no exception and, here, the real estate is one of the worst affected sectors. Revival of the real estate sector is very important.

The sector is not only the second largest employer after the agriculture sector, it can kick-start economic activities as it supports more than 200 ancillary industries.

The worst-affected segment of the sector is residential, where units set to be delivered in the next two years have had their timelines derailed.

At present 4.66 lakh units under construction were up for delivery in 2020 itself, in 7 cities – NCR Delhi, Mumbai MMR, Bengaluru, Pune, Hyderabad, Chennai, and Kolkata. Out of this, around 1.01 lakh units are from the NCR Delhi alone.

Similarly, around 4.12 lakh units are supposed to be delivered in 2021 across the country. **Anuj Puri,** chairman of Anarock Property Consultants, said, "Homebuyers must adjust to new realities. Nearly 4.66 lakh units were to be delivered in 2020 and another 4.12 lakh in 2021. The maximum numbers (in both years) of these are in the NCR (nearly 2.40 lakh units). This region is set to see more project delays over and above the backlog of over 2 lakh units already delayed in the region from before."

Most state RERAs have already given a 6-month extension to developers on previously committed timelines. However, the wait of homebuyers could run into several additional months even for well-funded projects, and by as much as 2 years for others.

Apart from the lockdown and restrictions in place due to the pandemic, developers face huge problems of funding to continue work, with scores of buyers having stopped payment even in projects running on time.

Recently, Credai and Naredco took up the issue of developers not getting fresh loans or even top-ups which are hurting work on project sites.

Right now, due to the moratorium period, loans are not being declared as non-performing assets (NPAs) by banks. But, once the moratorium is up in August, banks will be forced to declare loans as NPAs, as the real estate companies would find it nearly impossible to pay instalments and continue work on project sites.

RK Arora, president of Naredco (UP), says developers would have enough liquidity to service their loans only after projects are complete and flats are offered for possession, when homebuyers would pay up the remaining amount.

"The government has restructured loans for the MSMEs and we want a similar consideration for the real estate, too. Liquidity is a big concern and a halt in activities during the lockdown affected cash flow," **Manoj Gaur,** MD of Gaurs Group and chairman of the Affordable Housing Committee of Credai (National), said.

Done earlier too: Such demand or need is not happening for the first time. In 2008, the RBI allowed banks to restructure loans and around Rs 40,000 crore debt was restructured across all sectors, which included the real estate too. It proved beneficial for the sector, as infusion of funds helped developers in completing projects and the win the confidence of buyers leading to the revival of the sector.

Developers and realty experts are positive as, over the past few years, the present government has taken numerous steps to address issues faced by the sector. "We feel that if the decision is taken now, it will help in reviving the sector and creating assets and will aid the sector in becoming a $1 trillion sector by 2025," **Ashok Gupta,** CMD of Ajnara India Ltd, said.

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