

Builders welcome funds, seek more

Measures not enough to encourage buyers, argue real estate players

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Real estate players welcomed the measures announced by Finance Minister Nirmala Sitharaman on Saturday to boost the sector reeling from several setbacks but said these would help only in the short term and more was needed to encourage homebuyers.

Sitharaman said a fund with a corpus of ₹10,000 crore would be set up to revive stalled and delayed projects. Private and public investors such as Life Insurance Corporation of India, banks, sovereign funds, and development finance insti-

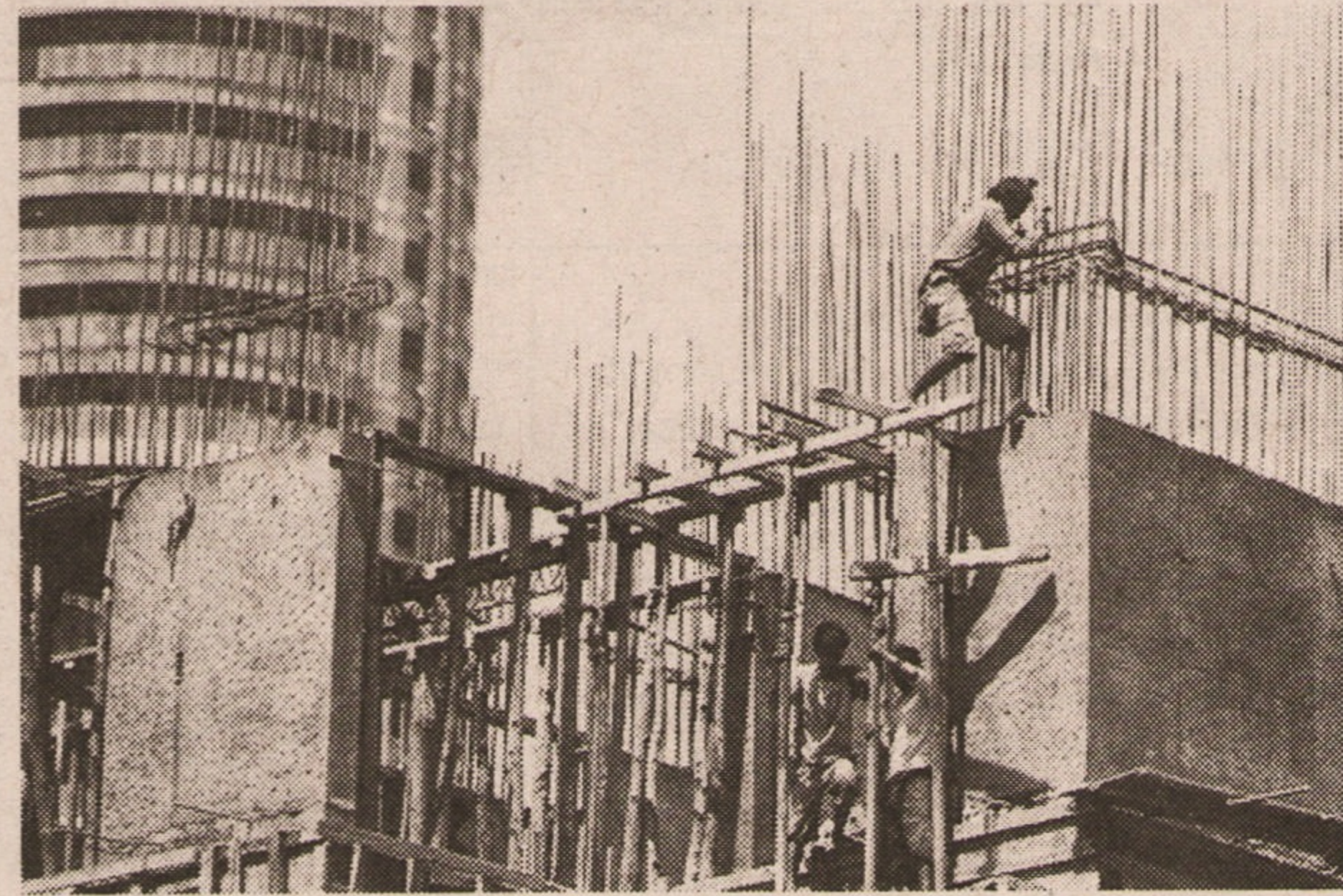
tutions would also contribute an equal amount to the fund that would be managed by professionals from the housing and banking sectors.

This would help finish 350,000 units in the affordable segment that are 60 per cent complete but stuck due to a funds crunch.



The corpus will, however, not be utilised to finish projects that have been sent to the National Company Law Tribunal (NCLT) or have been declared as non-performing assets (NPA).

Some developers such as Signature Global, Omaxe, Mahagun Group, and ABA Corp welcomed the measures but not everyone was



happy. Some said these may not be enough to get the sector out of the rut.

“The criteria for availing the proposed fund beat ground reality,” said Manoj Gaur, managing director, Gaur Group. “Projects stuck because of the funds crunch have been left out.”

Gaur, who is also chairman of the affordable housing committee, Confederation of Real Estate Developers Association

of India, said, “Projects that are 60 per cent complete may not find it too difficult to get funding despite defaulting on loan repayment.”

He added that since most large projects were already in the NCLT or had been declared NPA, the scheme did not really address the problem.

Sector players also pointed to some other problems.

“These moves are welcome,

but the government could have done more in terms of liquidity and restructuring of loans. Interest rates should have been cut and the rate of the goods and services tax should have been brought down at all levels,” said J C Sharma, vice-chairman, Sobha. Anuj Puri, chairman, Anarock Property Consultants, said excluding projects that were in the NCLT or had been declared NPA left many homebuyers out.

According to Anarock’s estimates, the number of stalled or delayed projects in top markets such as Delhi, Gurugram, Pune and Mumbai would be close to 600,000. The total number of stalled and delayed projects could be 1.3 million.

FM Sitharaman made a few other announcements. To bring in more capital, the external commercial borrowing norms will be relaxed for affordable home developers after consultation with the Reserve Bank of India. Government employees

will also get loans at cheaper rates to build houses.

Industry players, however, said similar measures were needed for private sector employees, who were the bigger consumer base.

“The fund is for projects in the affordable and mid-segment housing only. Homebuyers in the luxury segment have to wait longer,” said Anarock’s Puri, adding: “There is no clarity on the price of mid-segment homes to be included. Nevertheless, this special window of funds will give many developers an opportunity to complete their stalled projects”, said Puri.

Shishir Bajjal, chairman and managing director, Knight Frank India, said, “These do not address issues of low sales and demand.”

Niranjan Hiranandani, president, National Real Estate Development Council, said leaving out projects under the NCLT or NPA, will not solve issues in key growth regions.

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