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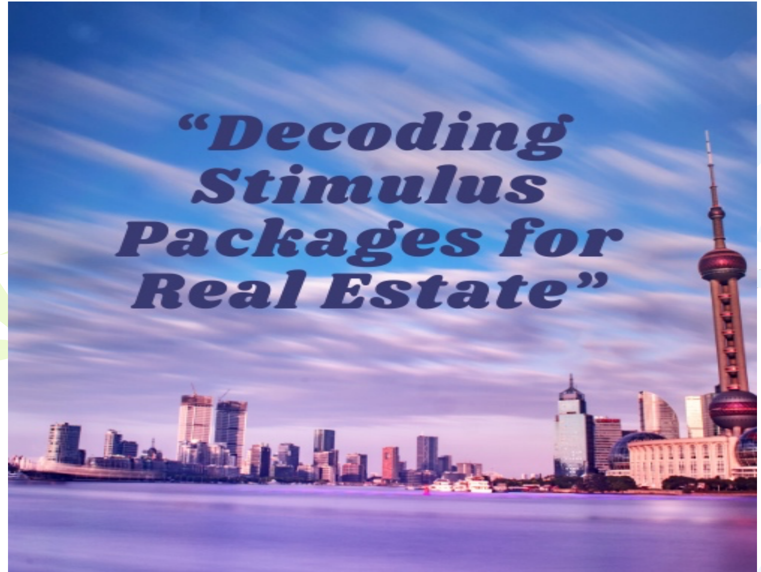
Infra & Real Estate



30 May 2020
Saturday

04:00 P.M.
to
05:30 P.M.

Pankaj Jain
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IRE CFO Services

Manoj Jain
Director Finance,
SAYA Group

Dr. SV Goyal
Whole Time Director & CEO ,
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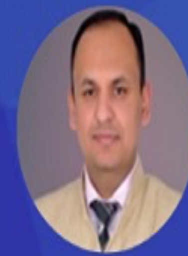
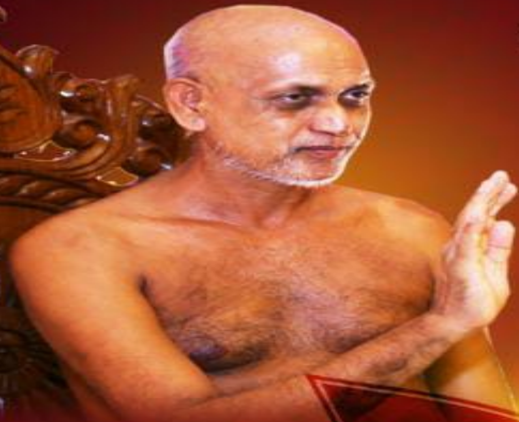
Promoter,
The Grande Group



CA. Naval Bajaj
Economic Think Tank,
BVSS

जैनम् जयतु शासनम् विश्वकल्याण कारकम्



श्री वाणी

प्रचार जिनागम का

वसु विचार

Do or Die
is the old fashion,
Do it before
die best.

Reimagining Real Estate Business

Mission Housing for All & $5 Trillion Economy

"Decoding Stimulus Packages for Real Estate"

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KEY Discussion Points

- Snapshot of Real Estate Sector in India
- Landscape of Series of Setbacks
- New Game Plan for Real Estate Developers amid Covid19
- Quick Bytes of Stimulus Packages for Real Estate
- Way Forward

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Snapshot of Real Estate in India

- Construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the economy.
- It is the second largest employer.
- Real estate sector in India is expected to reach a market size of US$ 1 trillion by 2030 from US$ 120 billion in 2017.
- According to DPIIT, construction is the fourth largest sector in terms of FDI inflows.
- Real Estate Investment Trust (REIT) platform would create an opportunity worth Rs 1.25 trillion (US$ 19.65 billion) in the Indian market over the years.

Source: IBEF

Landscape of Series of Setbacks

- Start of Slowdown early 2014
- Demonetization end of 2016
- RERA mid of 2017
- GST mid of 2017
- IBC 2017 and 2018

and Covid19 early 2020……….

New Game Plan for Real Estate Developers @Covid19

- Development of robust virtual system for clients connection through online mode, minimizing physical visits.
- Expected increase in demand for new workplace design including digital and health oriented work places such as touch free elevators, dedicated disinfectant zone and quarantine rooms.
- Cut in interest rates declared by the RBI has made real estate sector attractive, however, Burden lies on the developers to negotiate good deals on ready to move in options.
- With the increasing trend of work from home, it is forecasted that in the medium to long term, demand for smaller preconfigured space on flexible terms will be increased.

- Travel patterns are expected to shift towards drive-to-resort destinations and low-density areas with open spaces to avoid gatherings.
- Exploration of other markets for procurement of construction related materials such as steel, heavy machinery and other raw materials which are mostly dependent on Chinese imports.
- Reverse Migration of rural people
- Expected reduction in manpower from 10% to 20% primarily those employed in the housekeeping, merchandising and maintenance facilities.
- Consumer's sentiments are at an all time low with the fear of pay loss and job insecurities which would have detrimental impact on residential market.

Reliefs announced by RBI on 27.03.2020

- Moratorium of three months on all kinds of loans taken by individuals as well as by the companies.

- Reverse repo rate cut by 90 basis points to 4 per cent.

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Reliefs announced by RBI on 17.04.2020

- Allocation of Rs 10,000 crore to National Housing Bank
- Reverse repo rate cut by 25 bps from 4% to 3.75%.
- Extension of date of commencement of commercial operations (DCCO) by 1 year of project loans for commercial real estate projects.
- Extension of one year moratorium on NBFC loans to commercial real estate projects without having change in classification.
- A window of Rs 50,000 crore under TLTRO to provide incremental liquidity to NBFCs, MFIs which could be utilized for onward lending to the real estate sector.

Reliefs announced by RBI on 22.05.2020

- Loan moratorium extended to another 3 months from 1st June, 2020 to 31st August, 2020.
- Deferment of Interest on Working Capital by another 3 months till 31st August, 2020.
- Repo rate reduced by 40 bps to 4 percent.

Reliefs Announced by FM

⇒ After INR 20 Lacs crores (equal to 10% of GDP) package announcement by PM on 12.05.20, FM announced reliefs in 5 Trenches on 13, 14, 15, 16 and 17th May, 20

- 100 per cent credit guarantee cover to banks and NBFCs on principal and interest which can be availed till October 31, 2020
- Recapitalization up to INR 30000 crore for NBFCs, MFIs and HFCs
- Treatment of COVID-19 as an event of 'Force Majeure' under RERA.
- Extension of the registration and completion date suo moto by 6 months for all registered projects expiring on or after 25th March, 2020 without individual application.

New Scheme under PMAY for Migrant Labour/Urban Poor

- Converting government funded housing in the cities into Affordable Rental Housing Complexes (ARHC) under PPP mode through concessionaire;
- Incentivizing manufacturing units, industries, institutions, associations to develop Affordable Rental Housing Complexes (ARHC) on their private land and operate.

The government-funded housing in cities being converted to Affordable Rental Housing Complexes through the public-private partnership will give a much-required impetus to the revival of the real estate sector and other related industries.

Rs 70,000 crore boost to housing sector with CLSS extended up to March 2021

- It was operationalized from 2017 and was extended only up to 31st March 2020 but now is extended till March 2021.

This move is expected to boost demand for affordable housing among middle income group ranging between 6 lacs p.a. to 18 lacs p.a. which in turn will positively push demands for raw materials like cement, steel, transport and other construction materials. This will also help in job creation.

Changes in Insolvency & Bankruptcy Code

- The minimum threshold to initiate insolvency proceedings has been raised to Rs 1 crore as compared to the existing threshold of Rs 1 lakh.

- Suspension of fresh initiation of insolvency proceedings up to one year depending on the pandemic situation—increased from earlier six months

- Amending the insolvency law to exclude debt relating to Covid-19 from the definition of “default” under the code.

As a part of economic package, this move is not directly related to the Real estate sector but will provide relief to this sector as well. This will shield companies impacted by the outbreak of COVID 19.

Way Forward

- Credit squeeze and weak demand are the two main concerns facing the real estate sector. Real estate sector can capitalize on the government's credit guarantee for NBFCs/HFCs lending to real estate to deal with credit squeeze.
- Interest rates cut by the RBI has made real estate sector attractive. Developers can negotiate good deals on ready to move in options.
- Developers should prepare strategic action plan and align themselves to short term, medium term and long term goals.
- Ancillary industries of steel and cement etc. should increase their capacity to reduce dependency on imports from China.
- Shifting towards the new normal such as remote working, technological enhancement, digitalization, automation, mechanization and alternate strategies.

Thanks

Let us Explore Possibilities

IRECFO is team of diverse professionals having rich and strong multi-dimensional experience of Real Estate Business while working at Top Corporate Level positions with unique competency of taking Deep Dive into such complex matters having multi-level cascading long term impacts on Real Estate Business. We are providing End to End Customized solutions in RERA / IBC and Funding related matters with in depth analysis on business operations and are closely working with many leading developers, lenders and investors, on all sizes of Real Estate projects, to resolve such issues.