

# Govt's Rs 25,000cr realty booster inadequate to revive stalled projects: ICRA

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New Delhi, Nov 7 () The government's Rs 25,000-crore fund to complete about 1,500 stalled affordable and mid-income housing projects is not adequate, credit rating agency ICRA said on Thursday.

India Rating and Research said that with stalled projects coming on stream, the demand-supply imbalance is likely to worsen. If overall housing demand does not witness a recovery, pricing pressure in the sector is likely to be exacerbated, it added.

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The government on Wednesday approved a Rs 25,000-crore fund to help complete over 1,500 stalled housing projects, including ones that have been declared NPAs or admitted for insolvency proceedings, as it looks to boost growth by steering consumption in real estate and associated sectors. The move is likely to help 4.58 lakh housing units across the country.

"While the revisions in eligibility criteria appreciably expand the project coverage under the fund, especially given the large number of stressed projects which have been referred to NCLT or classified as NPA already, our initial concerns on the adequacy of the fund, the efficacy and timeliness of implementation, and demand risks for the unsold inventory associated with these projects, remain," said Shubham Jain, Senior Vice President and Group Head at ICRA.

As per ICRA estimates, around Rs 35,000-45,000 crore would be required to fund the completion of the revised quantum of 4.58 lakh eligible dwelling units.

"Thus, even the enhanced fund size of around Rs. 25,000 crore may be insufficient to cover construction cost for all the eligible houses," Jain said.

Meanwhile, real estate developers and consultants welcomed the move and said the government's decision to include those projects which have been declared non-performing assets (NPA) and facing insolvency proceedings is a positive move.

JLL India CEO and Country Head Ramesh Nair said this is an extremely positive move and is likely to become a game changer as it now includes projects, which are NPA or are under NCLT, a major pain point that was left unaddressed in the last announcement.

Nair said the decision has come at an opportune moment when the residential market is tackling the headwinds from the trickle down impact of the series of reforms and economic slowdown. "While it will boost consumer sentiment and enhance confidence, it will act as a strong catalyst in pushing the sales velocity," it added.

Salarpuria Sattva group MD Bijay Agarwal MD, said, "The extension of fund to mid-income projects is reassuring step forward. Faster implementation of the funds will only enhance the sector further."

Sankey Prasad, CMD, Colliers International India said this is definitely the need of the hour, especially to bring back the confidence of both developers and end buyers.

M Murali, CMD, Shriram Properties, said the alternative investment fund (AIF) will definitely help to bring back the homebuyers' confidence.

"The release of substantial amount of funds in these stuck and stalled projects is going to boost many related industries such as iron, steel, cement etc., as well. This coupled with the earlier measures announced will help contribute towards a positive growth and reinstate the confidence in the economy," Birla Estates CEO K T Jithendran said.

Anshuman Magazine, Chairman and CEO - India, South East Asia, Middle East and Africa at CBRE had said the move will go a long way in building confidence in the real estate sector not only from the end user perspective but also from an investors' perspective.

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Dhruv Agarwala, Group CEO of Elara Technologies, that owns PropTiger.com and Housing.com, was of the opinion that the decision will be a "big relief" not only for consumers whose delivery is stalled but also for the builders who were desperate to raise funds to complete their projects.

"This will also encourage prospective buyers who have delayed the buying decision," said Agarwala.

Knight Frank CMD Shishir Bajjal said the inclusion of projects under NPAs and NCLT into the gamut of eligible projects, albeit net positive projects, into the special window funding is a welcome decision.

"The extension of this benefit to mid income beyond the affordable housing segment is a critical step forward. We welcome these changes and feel that this will help create greater momentum in stock movement," Bajjal added.

Raheja Developers Nayan Raheja welcomed the move saying this will provide relief to homebuyers as well as developers and boost housing demand.

Investor Clinic founder Honey Katiyal said: "The vicious cycle of delayed and stuck projects has been one of the major causes behind the low market sentiments. We expect the announcement to bring some relief to home buyers and rebuild trust in the sector".

Eros group director Avneesh Sood said the fund is expected not only to support the real estate sector but also generate commercial return for its investors. MJH MR MR