

Delhi NCR Region Weekly News Snapshot

Coverage 1

Realtors say no room for further price cuts

Media

Economic Times

Published

30.04.16

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Realtors say no room for further price cuts

By Ravi Teja Sharma , Kailash Babar, ET Bureau | 28 Apr, 2016, 05.19AM IST



Responding to RBI Governor's call, real estate developers and industry experts said there is very little wriggle room for any further price cut.

NEW DELHI | MUMBAI: Responding to Reserve Bank of India Governor Raghuram Rajan's call to builders to cut home prices to stimulate housing demand, [real estate developers](#) and industry experts said there is very little wriggle room for any further price cuts.

"Over 90% of the real estate supply in the country is now in a very affordable band and has already corrected. In some places prices have come down 25-30%. There is no further scope for any cuts," said [Geta](#)mber Anand,

national president of the Confederation of Real Estate Developers' Associations of India.

Any further cuts, Anand said, will spawn NPAs (non-performing assets) and result in non-delivery of projects by many developers.

The past two years have been among the worst for India's [housing market](#), with apartment sales slowing down and unsold apartment inventory levels reaching record highs. According to property research firm Liases Foras, the top eight cities had 1,124.9 million sq ft of unsold inventory at the end of December 2015, up 21% over that a year ago.

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Coverage 2

Realtors say no room for further price cuts

Media

Business Standard

Published

26.04.16

A day after Reserve Bank Of India governor [Raghuram Rajan](#) urged property developers to cut home prices, [real estate](#) developers have rejected the call, saying it is unviable for them to reduce prices.

Getamber Anand, managing director at Delhi based ATS Infrastructure and president of realtor body CREDAI, said 90 per cent of the home supply in the country has already shown price correction.

“If prices fall further, it will lead to NPAs and non delivery of projects,” Anand said.

Rajiv Talwar, chief executive at DLF, said home prices have already come down by 35 to 40 per cent.

“Public figures are only talking about prices in prime locations. Those prices are high because they are prized locations. All over, prices are between Rs 3000 to Rs 5000 a square feet and between Rs 5000 to Rs 8000 a square feet in good locations. Its bare minimum given cost of land and cost of construction.,” Talwar said.

He said all parties including developers, Reserve Bank of India and commercial banks have a role to play in boosting housing demand.

“Everybody is doing a blame game. But I feel developers need to offer low prices. [RBI](#) should keep rates low and banks should offer lower rates for two years to encourage people to buy homes,” said Talwar.

“Real estate has seen a eight year slump and everyone has to make efforts to lift the situation,” he said.

Added Amit Bhagat, CEO at ASK Property Investment Advsiors: “Developers are in a dilemma. If they reduce prices in an already launched project, they have to face cancellations from those who booked earlier. That is why they are not cutting rack rates but negotiate and reduce rates on individual basis,”

Bhagat said developers have already started cutting prices through schemes and offers.

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Coverage 3

5 triggers that are likely to impact market today

Media

Economic Times

Published

27.04.16

Niti Ayog vice-chairman Arvind Panagariya expects the [economy](#) to grow over 8 per cent this fiscal with the forecast of above-normal monsoon raising hopes of the agriculture sector's revival after two successive drought years. Also, some experts think that the [US Federal Reserve](#) is unlikely to raise [interest rates](#) until 2018. Taken together, that ought to put smile back in the market. Other than these, here's a list of five macro triggers that may impact the [market](#) today

Share buybacks by state-run companies on the cards: Big-ticket share buybacks by state-run companies, including [Coal India](#) and [ONGC](#) are on the cards to help the government meet its disinvestment target for the year. Cash-rich central public sector enterprises are expected to lead this drive to ensure that the Rs 56,500-crore target is met. At present, the government is looking at a 10% buyback in Nalco, which had cash and bank balances of Rs 4,627.98 crore at end of March 2015. [NMDC](#), [Bharat Heavy Electricals](#) and [NTPC](#) may also offer buybacks.

Better dollar-rupee rate for small businessmen on cards? Large clients with deeper [relationships](#) often get a better deal when they buy or sell foreign currencies than small businessmen. The Reserve Bank of India may be planning to tweak this age-old rule amid complaints from smaller companies and individuals that they have been overcharged. Bankers believe new rules for pricing of [forex](#) in the spot, forward and plain vanilla options may be on cards.

No scope for further cut in housing prices: Realtors' apex body CREDAI has said there is no scope for further reduction in housing prices as this would lead to rise in NPAs and non-delivery of [real estate](#) projects. RBI Governor Raghuram Rajan had asked real estate developers to reduce prices to encourage more [people](#) to buy properties. "About 90 per cent of the real estate stock in the country has already seen a correction of about 20-30 per cent. There is no scope for further rate cut. Any further cut will lead to NPAs and non-delivery of projects," CREDAI (National) President Getamber Anand said.

Bad loans a threat for India's credit profile, says Moody's: A significant and prolonged deterioration in asset quality of state-run banks is the main threat to India's sovereign credit profile, Moody's Investors Service has said, while also mentioning high government debt as a drag. The American rating agency has a positive outlook on India's Baa3 sovereign rating. **First quarter M&A activity at its highest since 2012:** Mergers and acquisitions (M&A) worth \$8.2 billion were closed in India during the first three months of 2016, according to MergerMarket, a global deal-tracking platform. The amount is the highest since 2012 and an increase of 5.2 per cent as compared to the same period last year. The construction sector was the most active in terms of deal-making and accounted for 43 per cent of the value of all the deals closed. **And in the [financial markets](#) yesterday Rupee up:** Snapping its three-session losing momentum, the [rupee](#) recouped by 10 paise to 66.52 on feg-end selling of US dollars by banks and exporters in view of weakness in American currency in the overseas market and a strong bounce back by domestic equities.

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Coverage 4

This is the lowest new apartments will cost, despite RBI's demand for further lowering of prices

Media

Business Insider

Published

28.04.16

On Monday, [RBI Governor Raghuram Rajan](#) had asked builders to cut home prices so that housing demand can be stimulated, to which the realtors has said that there is no scope for any further price cuts.

"Over 90% of the real estate supply in the country is now in a very affordable band and has already corrected. In some places prices have come down 25-30%. There is no further scope for any cuts," said Getamber Anand, national president of the Confederation of Real Estate Developers' Associations of India.

He added that any further cuts will produce NPAs (non-performing assets), which would mean that many developers would not be able to deliver their projects.

India's housing market has been through one of its worst times in the past two years, because of a fall in apartment sales, and an unexpected rise in unsold apartment inventory levels.

Talking of RBI, it has [cut rates by 1.5%](#) since January 2015, with the key policy rate being cut by 0.25% and brought down to 6.5%, the lowest in more than five years. This led Rajan to say that prices would be adjusted. "I am hopeful that as interest rates come down, there will be more credit and buying. And I am also hopeful that [prices adjust in a way](#) that encourages people to buy," Rajan had said on Monday in the YB Chavan Memorial Lecture in Mumbai.

Dharmesh Jain, president of developers' body MCHI-CREDAI, told ET that builders will be [more than happy](#) to rationalise prices and get more business, but a look at the economics of it including land cost, input cost and [taxes](#), leaves them with less scope. A few more reasons for no further fall in real estate prices are land cost, decided by the government, increasing labour costs and a massive shortage of skilled labour.

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Coverage 5

ATS Infrastructure
Ltd Story in Against
All

Odds

Media

NDTV Prime

Published

30.04.16



[Link of the Video shared](#)

Coverage 6

ATS Infrastructure
Ltd

-Property Bazaar

Media

NDTV Prime

Published

30.04.16

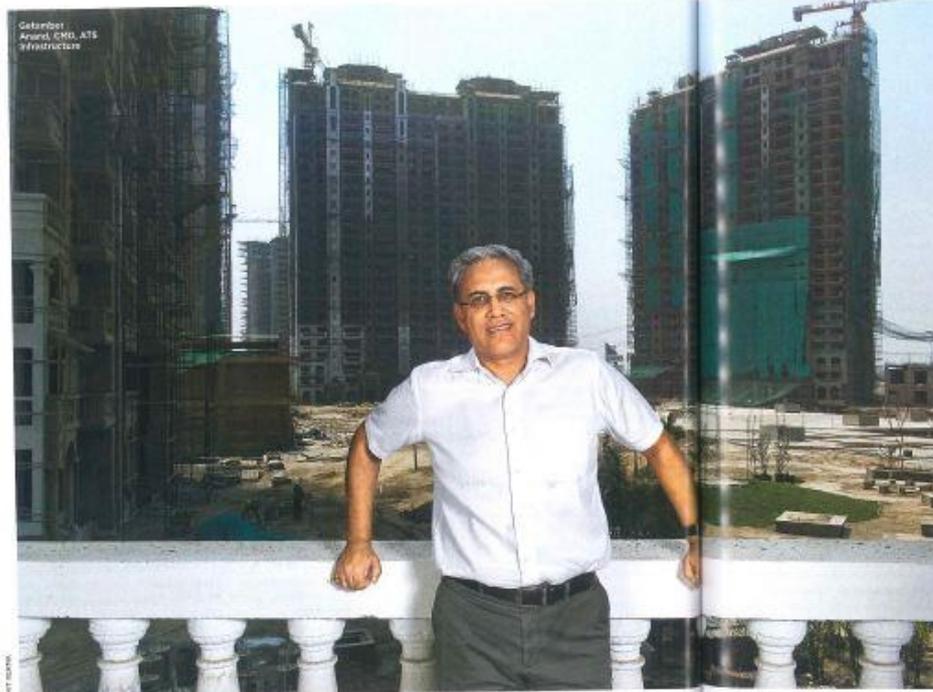


REAL ESTATE SPECIAL

Building on Trust

Despite the realty slowdown, Noida-based real estate developer ATS Infrastructure is expanding its business and credibility

BY SHUMPA PAUL



50 | FORBES INDIA | MAY 13, 2016

For Götamber Anand, an aeronautical engineer by training and a first-generation real estate developer, building storm drains and culverts in Sector 59 for Noida Authority—the government body authorised to develop infrastructure in the region—was a formative

experience in more ways than one. Apart from learning the trade, Anand also grasped the significance of seemingly simple approaches: Staying proactive, building goodwill and transparency with his staff, customers and suppliers all the time.

This was in 1989 and Anand, a 27-year-old at the time, is still grateful for those lessons. 7 years after all, helped him build his real estate company, ATS Infrastructure Ltd in the National Capital Region (NCR). More importantly, he is among the few players to have been able to withstand the pressures of dampened spirits and over-supply in the market. In fact, ATS is launching and selling new projects, even while maintaining its profitability. The company claims to have a total turnover of Rs 1,200 crore for 2015-16, with a projected turnover of Rs 2,500 crore for the current fiscal, and says its gross profit is at 20 percent of its turnover. The group has 22 projects—13 ongoing and nine completed—apart from more coming up in Mohali, Chandigarh, Dehradun and Ahmedabad.

What has worked for Anand is keeping the costs low and sticking to in-house construction. "A few companies have managed to buck the trend because of strong reputation, premium location for their projects, the negotiable price factor, and timely completion of projects," says Anshuman Magazine, chairman and managing director, CBRE South Asia Pvt Ltd, a property consultant. And ATS has been ticking all these boxes.

But Anand, chairman and managing director of ATS Infrastructure and president of the Confederation of Real Estate Developers' Associations of India (Credai), reiterates that it isn't mere strategy that has allowed ATS to stay afloat and even prosper during turbulent times. "We are nothing if not for our goodwill and credibility," says Anand, who looks more like an engineer than the CMD of a real estate company.

The foundation for the goodwill

he speaks of is the consistent on-time delivery of houses—for the most part—and this has been meticulously built over the years. When project delays do take place, they aren't glossed over but handled with sense and sensitivity. Often, Anand points out, support comes from customers themselves.

He cites the example of two projects, Heavenly Foothills in Dehradun and Golf Meadows near Chandigarh, which were delayed by over a year and a half. Another project in Noida called Paradise was also stuck for eight to nine months. Consumer angst inevitably followed. "I remember one home buyer, who had already bought a property in one of my completed projects in Noida, offering to speak to irate consumers and explaining that if there was a delay, it probably was a genuine one. I'll never forget that day," says Anand, who ensured that Paradise was duly paid and consumers were compensated. He also bought back the apartments of the more fidgety buyers, and paid them a higher rate than what they had paid. "I spent over Rs 50 crore through personal funds as well as through equity and debt. I took off some equity in the Chandigarh project and raised funds for it," says Anand.

This effort to maintain credibility has helped ATS build a loyal home buyer base of around 20,000. When an opportunity to invest in a new geography comes up, these customers are the first to be alerted through emails. Some of them upgrade an existing ATS property while others spread the news among their social and familial networks.

It helps that Anand works very closely with his team and tries to visit as many sites as possible in a day. This personal inspection and supervision has ensured that the company always runs a tight ship. "He [Anand] is a very hands-on leader and the best part of our organisation is that ownership has been created down the line. Every individual takes responsibility," says Vipul Maheshwari, chief financial

REAL ESTATE SPECIAL



office, ATS. This was reaffirmed by on-site employees who Forbes India met while surveying one of ATS's upcoming projects, ATS Pristine in Sector 150 on the Noida Expressway. "Every real estate project is a separate special purpose vehicle (SPV)," adds Anand. "It's not like the materials from one project can go to another. We do things very professionally here."

ATS also has its own in-house construction and post-delivery maintenance staff that handles everything from architectural drawings, plumbing and electrical work to the actual construction. By not outsourcing to external companies, ATS is able to maintain a competitive per-square-foot cost of between Rs 1,800 and Rs 2,250, which other developers overbook by at least Rs 500, claims Anand. The focus at ATS is, quite simply, construction. Every employee has to visit the construction site irrespective of job profile. "The biggest mistake that construction companies make is that they do construction out of Excel sheets," says Anand. With

backward integration, the profit margin of the contractor is also reduced and the money is ploughed back into the project. His philosophy is reflected in the composition of ATS's 8,000-plus staff strength: 1,500 are qualified engineers and technical staff, over 1,200 on-site supervisors and about 300 senior staff.

These employees, much like their customers, have proved loyal through tough times. In 2008-09, employees across the board opted to take a 30 percent cut in salaries. In 2014-15, those earning monthly salaries of over Rs 1 lakh gave up their increments so that the lower grade staff could benefit. During a particularly difficult phase, one senior staff member was ready to hand over his savings to him, another supervisor his land, Anand recalls. "This makes me want to do better for the entire ATS family," he says. "So when ever there is a downturn I tell the employees that we are not in the business of selling; we are in the business of making homes."

His words may sound odd in the context of the business he is in. The real estate market is murky in NCR,

and different from other parts of India. It is a market that is dependent on brokers, rarely do developers deal directly with the end buyer of the property. But ATS was one of the first companies to take a direct route to its customers. Initially, because of limited stock, ATS had to rely on direct selling and continues to do so in Noida, which is responsible for almost 70 percent of ATS's inventory in the NCR market.

When ATS entered the Gurgaon market in 2011, they had started selling through brokers. The results were muted. It now wants to completely exit the third-party arrangement and sell directly in Gurgaon, ATS, which claims to have projects that are worth a total of about Rs 30,000 crore, has already reduced its dependence on brokers there to 40 percent of sales.

ATS's aversion to brokers not only helps efficiency, it also adds to its credibility, especially since it creates a distance between the company and Delhi-NCR's peculiar propensity for trading flats like company stocks. Helped with low transaction costs and pushed by brokers, many flats are resold at least three or four times

before reaching the end user. "In NCR, a property is registered only upon completion of the construction or after 100 percent payment of its price. Hence properties can be bought and sold at any stage prior to complete payment," says Magazine.

Real estate fund managers often jest (only in part) that while people trade equity stocks on weekdays, rich Delhi residents trade properties on weekends. Brokers play intermediaries, taking money from one client with the promise of re-selling the property and providing an attractive exit. The lender will then offer the same apartment to another buyer, making a commission at each resell. Real estate companies encourage this as it creates an illusion of demand, thus allowing them to increase prices.

"Any builder who did not fall into this trap was well placed despite testing times," says Piyush Peddyak, chief operating officer, Shubhikama Advait (SBPL), a developer operating in Noida. "If you have your basics right and look at end users, construction and delivery even during this time, you can be sure of good results and sales. Consumer habits have changed. They will invest their hard-earned money only if they are confident that they will get their dream home." And ATS did just that. "We targeted the end user," Anand says. With the help of Credai, Anand urged real estate developers to circumvent the broker network and sell directly to home buyers.

Anand, in fact, believes that the trend of trading flats like stocks is flagging. And the reason for this is linked to the overall fall in the real estate market in India. According to a December 2015 Knight Frank report, NCR is the "worst" market in India—it will take over four years for the existing unsold inventory of 2,05,000 units (as of December 2015) to get sold.

This is a longer time frame than the average three years other cities will take to sell their inventories.

This has affected the launch of new projects, with the average number of units coming down from 66,000 in 2010 to 31,700 in 2015. It also led to a price correction, especially in the premium market in NCR, of 5 percent from Rs 17,125 per sq ft to Rs 16,372 between June and December 2015.

Those who are stuck with three or four flats with the intention of reselling them have not been able to find buyers, nor do they have the money to pay further installments to the developers. This has led to problems for the developers, who have had to start borrowing from private equity (PE) funds that were ready to lend at high interest rates. ATS too turned to PE funds while acquiring land. "You require money

The ASK real estate fund has been recommending the hands-on model followed by Anand to its investee companies. "There is a lot of learning that other real estate companies can take from ATS," says Anand Bhargava, managing director and CEO, ASK Property Investment Advisors. He is particularly referring to ATS's relationship-management with employees, customers and even suppliers.

But it may not be possible to learn much of ATS's approach, drawn as it is from its founder's early experience. It all goes back to his time working with Noida Authority in the 1980s. Today, sitting in his office in Noida's Sector 131, Anand talks about one incident that defined

HELPED WITH LOW TRANSACTION COSTS, MANY NCR FLATS ARE RESOLD MULTIPLE TIMES BEFORE REACHING THE END USER

while acquiring land and it is at an SPV level," says Maheshwari. In 2007, TLAPS became the first PE to invest in the company's Chandigarh project, pumping in Rs 145 crore. But ATS has been careful to not become over-leveraged, he says. "It's mostly structured debts. We give [housing] stocks to our investors and profits are shared during exit," says Maheshwari. ATS's debt to banks is approximately Rs 1,000 crore and PE debt is of around Rs 700 crore.

ATS has raised money most recently from ASK Group and Piramal Fund. Having borrowed from other companies like HDFC PMS, ICICI Prudential, Motilal Oswal and Milestone, the real estate developer has been able to provide them attractive returns. "ASK invested Rs 127 crore and we are going to give them an exit with L8s," says Maheshwari.

how he was going to do business. With limited funds at his disposal, Anand used to work on credit. One day, Anand, who was recovering from a broken leg, missed paying a supplier. That supplier confiscated his brother-in-law's blue Maruti 800, the car that Anand had been driving. At that point, Anand knew that he had two options: Go home and break the news to his sister and brother-in-law; or man up and convince the supplier to trust him, return the car-keys and wait for a slightly delayed payment. "I told the supplier that one day I will become big and I won't give him a single contract if he keeps the car with him," says Anand. The supplier, half-shocked and half-amused, handed over the keys to the young man standing in front of him with his leg in a cast. The harder option had proven more fruitful to Anand then, as it does now. ☺

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