

UNION BUDGET 2014-15 Analysis – Real Estate Sector

I. Industry Scenario:

Real estate sector plays an important role in the Indian economy, contributing around 6-7% to the GDP of India and it also one of the highest employment generating sectors. The real estate in India is highly fragmented, capital intensive in nature and is yet to receive an industry status. The sector has close linkages with the economy and therefore is highly cyclical in nature. Indian real estate sector has been on a roller coaster ride since 2005 along with the government's policy to allow foreign direct investment and has been riding through many highs and lows since then. However, the demand for the real estate sector was lethargic post global economic slowdown in 2008.

II. Previous Budget Policies:

Key policies announced during the union budget for 2013-14 were allocating funds to rural housing schemes and urban housing schemes to boost fund availability, providing additional interest deductions to first home buyers to boost new home sales, developments of the industrial corridor between Delhi-Mumbai and develop 7 new cities and 2 smart industrial plans which will provide impetus to real estate development in the long term. However, none of the policies have had an impact on short term issues like lack of demand and clarity on approval clearances, etc.

III. Expectations from Budget 2014-15:

Key Challenges faced by Indian real estate sector in the current scenario are lack of clear land titles, absence of industry status, lack of adequate source of finance, approvals and procedural difficulties, higher interest costs, rising material and manpower costs due to inflation.

Favourable policy developments expected in the union budget 2014-15 which will help in have access cheaper funds, faster clearances of approvals, revamp demand in the industry etc. are as follows:

- ✚ Infrastructure status to be accorded in Real Estate / Housing Sector which would help to raise funds at lower interest rates.

- ✚ Incentives for low cost housing and township projects in form of increased credit availability, Interest Subvention and Tax rebate.
- ✚ Procedures for introduction of real estate regulatory bills to bring transparency in the sector.
- ✚ Increasing exemption limit of principal repayment limit to Rs.3 lakhs and separating it from other 80c exemptions.
- ✚ Increasing exemption on interest on home loan u/s 24 of Income tax act
- ✚ Guidelines on real estate investment trusts which would help to meet the funding requirement of the industry.

IV. Union Budget 2014-15 Proposals and Impact:

Budget Proposals	Impact on the Industry
<ul style="list-style-type: none"> ✓ Incentives for Real Estate Investment Trusts (REITS) Complete pass through for the purpose of taxation. ✓ Introducing Infrastructure Investment Trusts for infrastructure projects similar to REITS 	<p>Very positive</p> <p>Both the instruments will attract long term finance from foreign and domestic sources for real estate sector.</p>
<ul style="list-style-type: none"> ✓ Provided Rs.7060 crore to develop 100 smart cities, ✓ Allocate for National Housing Bank (NHB) increased to Rs.8000 crore for rural housing scheme ✓ Allocation of Rs.4000 Crore thru National Housing Bank (NHB) for cheaper credit to Low cost affordable housing ✓ Requirement of the built up area and capital conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities. 	<p>Positive</p> <p>Although the funds allocated may not be very significant compare to actual want of funds to develop new smart cities, however this shows government endeavour to create new cities to fulfil the requirement of urban economic growth.</p> <p>Similarly, allocation to NHB and for Low cost housing and reducing the FDI norm for development of cities also state that government is not only planning the development for big cities and supporting big real estate player, it is thinking for small towns and small real estate players as well</p>



✓ Increasing Basic Exemption limit to 2.5 lakhs, 80C Exemption limit to 1.5 lakh, interest deduction u/s 24 to 2 lakhs	Very Positive Increase in disposable income and direct benefits on interest on housing loan augurs well for real estate industry
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About XMPUS:

- ✚ XMPUS is a Financial Advisory firm specializing in Credit Risk Assessment.
- ✚ Set up on July 25, 2013, by first generation entrepreneurs having over 20 year experience in finance industry, including 13 years of Credit Rating Industry.
- ✚ Set up with an Aim :
 - ✓ To act as Internal Credit Risk Assessment desk for the corporates
 - ✓ To achieve deserving long term sustainable Credit Rating for the corporates
 - ✓ To channelize company resources in a profitable and efficient way
 - ✓ To help the management streamline operations with a view to improve financials

About Partners:

Mr. Mahendra Patil, FRM -

- ✚ Co-founder of XMPUS Financial services has a Master’s Degree in Commerce and M.M.S. (MBA) from Jamnalal Bajaj Institute of Management Studies. Besides, he is a Certified Financial Risk Manager (FRM) and has completed CFA-II (USA).
- ✚ He has overall experience of about 12 years in various fields, of which 7 years is in Credit Rating Industry.
- ✚ He has worked on 500+ rating assignments from various industries ranging from Power, Steel, Shipping, Shipbuilding, Ports, Logistics, Real Estate, Roads, Power Transmission Structures, Retail, Tyres, etc.
- ✚ Prior to starting XMPUS, Mahendra Patil was a part of CARE’s Internal Rating Committee.



Mr. Umeshpratap Singh, FRM, CFA –

- ✚ Co-founder of XMPUS Financial Services is an Engineering Graduate and M.M.S. (MBA) from Jamnalal Bajaj Institute of Management Studies. Besides, he is a Chartered Financial Analyst (USA) and Certified Financial Risk Manager.
- ✚ He has an Overall Experience of about 8 years in various fields, of which 6 years' experience is in Credit Rating Industry. He has worked on 500+ rating assignments from various industries ranging from infrastructure, construction, real estate, textile, hotel, Gems & Jewellery etc. He acted as one of the Rating Heads in CARE and handled a team of 20 analysts.
- ✚ Prior to starting XMPUS, he had collected valuable experience of over two years in corporate finance field with one of the largest corporate groups in India.

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