

AFFORDABLE HOUSING

*Significant progress
made on Government's
affordable housing
objectives; sector eyes
further impetus to meet
ambitious targets and
timelines*

January, 2020

CONTENTS

Foreword	5
Overview of Affordable Housing in India	9
POLICY OVERVIEW	11
Pradhan Mantri Awas Yojana – Urban (PMAY-U)	11
Pradhan Mantri Awas Yojana (Gramin) (PMAY-G)	14
BUDGET	16
Allocation and Progress	
PAN-INDIA	19
Update on Progress	
ANALYSIS OF ICRA-RATED	32
Projects in the Affordable Segment	
OUTLOOK ON	36
Affordable Housing & Overall Residential Real Estate	



India is the second-most populous nation in the world and in this light the question of providing housing for all becomes pertinent. The PMAY mission is aimed at addressing the core issue of the housing shortage throughout the country in an organized and planned manner. In the recent past, measures like the government providing land and giving out subsidies and incentives along with involvement of the private sector have acted as the catalyst in narrowing down the existing gap between demand and supply. Moreover, improved technical solutions have made it possible to maintain the cost effectiveness of such projects without compromising on time, thereby resulting in financially viable projects.

Throughout the country, the sale of houses in the affordable category have witnessed considerable momentum and it has been reported that nearly 7.95 lakh housing units would be delivered in India's nine major property markets between October 2019 and December 2020. There are also reports of new launches in this segment and it was reported that out of an estimated 2.3 lakh new unit launches in the top 7 cities across the country in 2019, nearly 40 percent (92,000 units) were in the affordable housing segment.

However, a few points should be kept in mind if we are to meet our goal of housing for all by 2022. The affordable housing projects should have fully-developed physical infrastructure amenities like public transport, sewage treatment lines and water and power supplies in place. Also, the problem of land availability needs to be addressed and this can be done by making idle government land available. Also, the process of gaining clearances and approvals should be expedited to encourage private sector participation.

Mr. Sanjay Dutt
*Joint Chairman, FICCI Real Estate Committee &
MD & CEO, Tata Realty & Infrastructure Ltd*



The Indian real estate sector is of strategic economic importance to the Indian economy, as it is the second largest employment generator after agriculture and contributes about six per cent to India's GDP. This sector has witnessed transformative reforms in the past few years. The government has introduced several landmark policy initiatives like Pradhan Mantri Awas Yojana (PMAY)-Housing for All (Urban), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart Cities Mission, Infrastructure status for affordable housing, Real Estate (Regulation and Development) Act 2016 (RERA), Benami Transactions Act, Real Estate Investment Trust (REITs), Easing of FDI norms - all of which will energize and boost the sector and have positive impact in the long run.

The central government acknowledges the importance of housing issue in the country and has launched a massive campaign that promises to provide housing to all its citizens by the year 2022. The government estimates that there is a shortage of more than 18 million homes and is increasingly looking to the private sector to address the needs of low-income population. It is taking action at central, state, and local levels to try and overcome the myriad of obstacles faced by the affordable housing sector and create an enabling environment.

I am happy to share with you the study by FICCI and ICRA, highlights that the initiative is clearly addressing the core issue of the national housing shortage in a systematic manner. With the Government push for affordable housing through provision of land, subsidies and incentives, private sector participation in the lower-ticket-size segment has been ramping up at a considerable pace, resulting in some narrowing of the existing demand-supply gap.

I hope you will find this report useful.

Mr. Raj Menda

*Joint Chairman, FICCI Real Estate Committee &
Corporate Chairman, RMZ Corp*



Overview of Affordable Housing in India

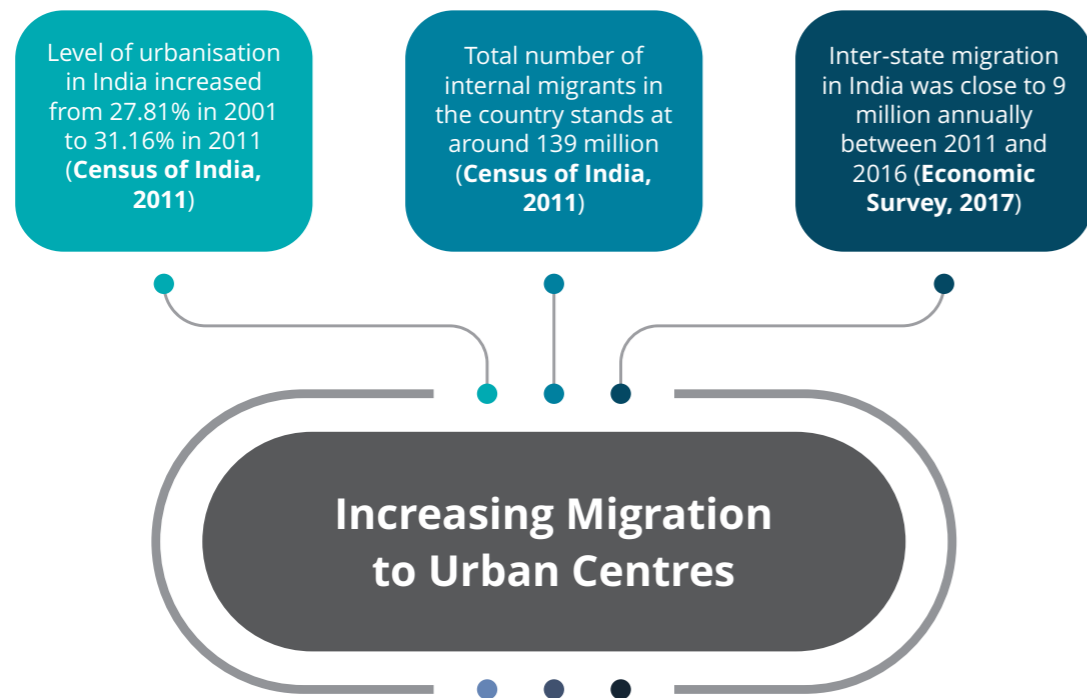
Over the past few decades, India has been witnessing increasing urbanisation and inward migration to cities, which has resulted in a significant change in the demographic profile of its urban centres. Consequently, housing demand has been concentrated primarily in the affordable segment, with ticket sizes of around Rs. 35-70 lakh being considered a sweet spot. Developments in the affordable housing space, on the other hand, have been few due to limited availability of low-cost land, increasing construction costs and low margin levels. Thus, a considerable demand-supply mismatch has been created in India's cities. In rural centres as well, the housing quality has been very poor, with the vast majority of the rural population living in kutchha¹ houses.

In recognition of these issues, the Government of India has undertaken several initiatives to promote the development of good quality affordable housing, with the stated goal of providing Housing for All by 2022. At the heart of these schemes is the Pradhan Mantri Awas Yojana (PMAY), a Government mission to encourage the development of affordable housing through various measures, including private partnership and provision of subsidies for beneficiary-led individual house construction. The mission also incorporates a focus on technical innovations through a technology sub-mission, which is expected to enable cost and time efficiencies, thereby making the construction of such spaces more financially viable.

Effective implementation of the overall scheme would not only address the housing shortage, but also provide much needed impetus to the Indian residential real estate sector, which, in turn, is a key contributor to the overall economic growth. However, for the initiatives to be successfully implemented in a timely manner, the overall ecosystem for project execution needs to be strengthened and access to credit facilities eased.

Mr. Shubham Jain
Group Head & Senior Vice President,
Corporate Ratings, ICRA Ltd.

¹Kutchha House: Houses made from mud, thatch, or other low-quality materials; Pucca House: Houses made with high quality materials throughout, including the floor, roof, and exterior walls.



POLICY OVERVIEW

Pradhan Mantri Awas Yojana – Urban (PMAY-U)

The PMAY was launched in June 2015, aimed at providing affordable housing to the urban poor, but in November 2016, a rural component was added.

PMAY-U: The PMAY-U, launched on June 25, 2015, aims at subsidising the construction of around 1 crore urban houses, by providing Central assistance to 1 crore eligible families (beneficiaries) over the period FY2015-22. The mission is being implemented through four verticals, as detailed below:

Supply-side intervention:

- ◆ **In-situ slum redevelopment (ISSR) with participation of private developers** - Provides pucca houses to eligible slum dwellers by redevelopment of existing slums on private/public land. Private partners are selected via an open bidding process, based on the lowest cost of construction per unit; extra FSI/TDR/FAR is provided to make the projects financially viable. A grant of Rs. 1 lakh per house is provided by the Central Government to the planning/ implementing authorities of the states/UTs.
- ◆ **Affordable housing in partnership with public and private sector** - Provides central assistance of Rs 1.5 lakh per EWS house in projects where at least 250 houses are being constructed and 35% of the houses are for the economically weaker section (EWS).

Demand-side intervention:

- ◆ **Affordable housing through credit-linked subsidy scheme (CLSS)** - Focuses on expanding institutional flow of credit by providing interest subsidy of 3-6.5%. Subsidy for a maximum tenure of 20 years is credited upfront to the beneficiary accounts, for new construction loans as well as enhancements.
- ◆ **Subsidy for individual-led house construction/ enhancements** - Provides Central assistance of Rs 1.5 lakh to eligible EWS families for construction of new houses or enhancement of existing houses. Beneficiaries living in slums, which are not being redeveloped, can be covered under this component if they have a kutchha/ semi-pucca house. *More than half of the PMAY-U beneficiaries have opted for this scheme.*

A beneficiary can take advantage under one component only. While the EWS beneficiaries are eligible for assistance under all four verticals, LIG and MIG categories are eligible only for the CLSS component.

Eligibility and categorisation are done through income and carpet-area based parameters, as given below:

Category of Eligible Families/ Beneficiaries	Annual Income (in Rs lakh)
Economically weaker section (EWS)	Up to 3
Low Income Group (LIG)	3-6
Mid-income Group- I (MIG I)	6-12
Mid-income Group-II (MIG II)	12-18

Category of family	Carpet Area (in sq. mt.)
Economically weaker section (EWS)	Up to 30
Low Income Group (LIG)	Up to 60
Mid-income Group- I (MIG I)	Up to 160
Mid-income Group-II (MIG II)	Up to 200

The PPP policies under the PMAY-U were added on September 21, 2017, with the Ministry of Housing and Urban Poverty Alleviation announcing six models to promote private investments in affordable housing:

Parameters	Government-land based housing	Cross-subsidised Housing	Annuity-based subsidised housing	Annuity plus grant-based subsidised housing	Direct Relationship Owner Housing	Direct Relationship Rental Housing
Land Provision	Public Authority	Public Authority	Public Authority	Public Authority	Public Authority	Public Authority
Bid Parameter	Lowest per-unit cost	Maximum number of affordable units on a given plot	Lowest annuity payment	Lowest annuity payment or upfront grant	Lowest per unit cost	Lowest rental
Designing and construction	Private Developer	Private Developer	Private Developer	Private Developer	Private Developer	Private Developer
Development Mix	Affordable Housing	Affordable & high-end housing/ commercial development	Affordable Housing	Affordable Housing	Affordable Housing	Affordable Housing
Offtake Responsibility	Public authority	Public authority	Public authority	Public authority	Private Developer	Private Developer
Recovery by Developer	Govt. pays lump sum amount on completion	Revenue generated from high-end housing	Govt. pays long term annuity on completion	Govt. pays upfront grant & annuity	Beneficiaries pay in lump-sum or EMI	Beneficiaries pay monthly rent
Maintenance of units	Beneficiaries	Beneficiaries	Private Developer	Private Developer	Private Developer	Private Developer

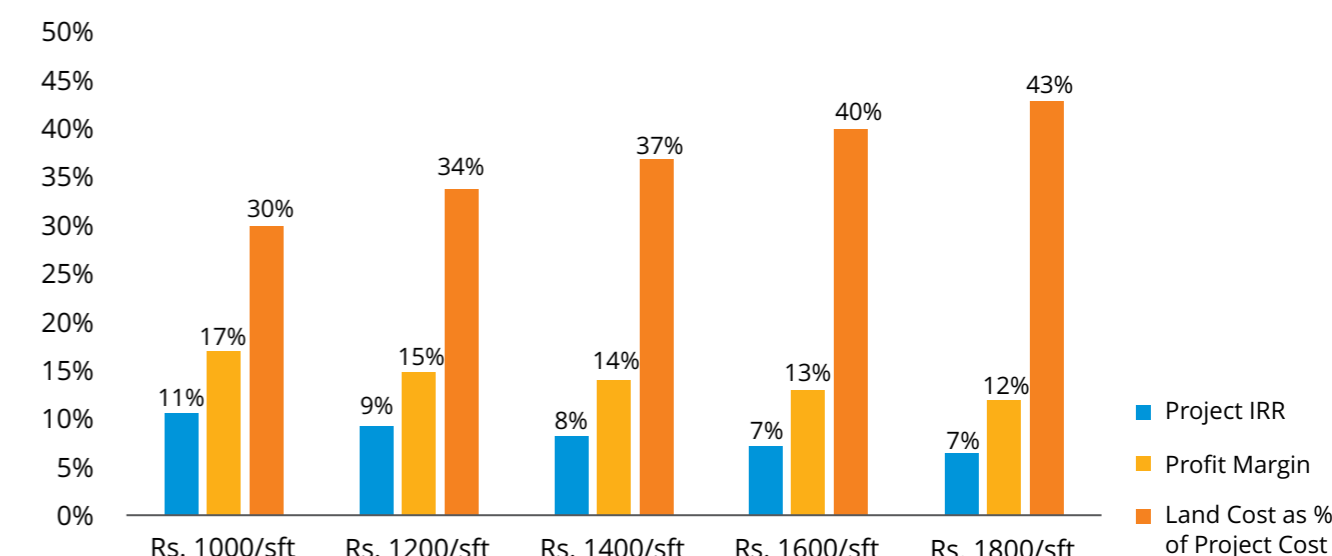
With the Government push for affordable housing through provision of land, subsidies and incentives, private sector participation in the lower-ticket-size segment has been ramping up at a considerable pace, resulting in some narrowing of the demand-supply gap.

The addition of the PPP policies, with land being provided by public authorities, was an important step, given that the availability of low-cost land has been a key challenge in the development of affordable housing units, particularly in urban areas. Demand has been outstripping supply in city-centric areas with a dire need for affordable housing, resulting in high land prices. In fact, depending on project location, land costs can vary anywhere between 20% to 60% of the total project cost. On the other hand, buyers of affordable housing are typically price-sensitive end-users, which results in low pricing flexibility and limited scope for margin expansion for the developer.

Illustration: Impact of increasing land cost on return metrics

Key Assumptions: Base Land cost of Rs. 1000/sft, Sale value of Rs. 4000/sft	
Saleable Area	1msf
Total Project Sale Value	Rs. 400 Crore
Total Project Construction Cost (excluding land and interest cost)	Rs. 220 Crore
Funding Pattern	
Debt - Equity Ratio	65:35
Deb - Construction Finance	Interest - 12.5%

Cost of Land



Note: Realisations have been increased in line with increase in land costs

As on date, large tracts of vacant land are available with the Central ministries, especially the Ministry of Defence, the Ministry of Railways, and the Ministry of Civil Aviation. Identification and strategically planned absorption of such unproductive land, with earmarking for affordable housing, would address the key need of the hour, pertaining to unlocking of land at appropriate locations. Land available with certain loss-making PSEs, such as HMT Bearings in Hyderabad, Hindustan Antibiotics in Pune, Heavy Engineering Corporation in Ranchi, Indian Drugs and Pharmaceuticals in Gurgaon, Tungabhadra Steel Products in Karnataka and HMT Watches in Nainital, has already been identified. NBCC has been appointed as the land management agency to auction the real estate assets of loss-making companies.

Policy Overview – Pradhan Mantri Awas Yojana – Gramin (PMAY-G)

PMAY-G: With the aim of addressing gaps in rural housing and providing Housing for All by 2022, the earlier Indira Awas Yojana (launched in 1996) was restructured into PMAY-G w.e.f. from April 1, 2016. The restructured mission has two phases:

- ◆ Phase I aimed at providing pukka houses to 1 crore households living in kutcha/dilapidated houses over the period FY2017-19
- ◆ Phase-II aims at providing coverage to 1.95 crore households over the period FY2020-22, with an immediate target of 60 lakh houses in FY2019-20

The mission functions through the provision of cash incentives for the development of pucca homes, and also ties in the requirement for each such house to have a cooking area, toilet, LPG connection, electricity connection and water supply through convergence with other relevant schemes like the Swachh Bharat Mission-Gramin (SBM-G), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), etc. Developed houses are required to have a minimum size of 25 sq. mt. and are to be constructed within 12 months of the sanction date.

Overview of Government Assistance Provided to Beneficiaries

Financial Assistance per Unit	Provision of unskilled labour	Support Services
Provision of Rs 1.2 lakh per unit in plains and Rs 1.3 lakh in hilly states, difficult areas and Integrated Action Plan districts.	Provision of 90-95 days unskilled labour wage under MGNREGA for construction of house	Development and provision of house design typologies
Cost is to be shared between Central & state governments in ratio of 60:40 for plain areas and 90: 10 for north-eastern and Himalayan states	Labour may be contributed by other workers in case beneficiary has exhausted his/her 100 days under the scheme	Training of masons
		Sourcing of construction material
		Facilitation of loans up to Rs 70,000 from banks

Beneficiaries are selected using housing deficiency and other social deprivation parameters in the Socio Economic and Caste Census, 2011 which is further verified by gram sabhas.

Policy Overview – Technology Sub-Mission

With construction costs and timelines being key concerns for developers of affordable housing units, the Government introduced a Technology Sub-Mission under the PMAY-U to facilitate the adoption of modern, innovative and green construction technologies and construction material for faster and improved quality of construction. Sixteen new technologies of formwork systems, panel systems, steel structural systems and pre-cast concrete construction systems have been earmarked for adoption. Use of the same is expected to lead to cost and time efficiencies, thereby making the construction of such spaces more financially viable.

Comparison of some construction methods

Characteristics	MIVAN System	Tunnel Form Technology	Conventional System
Brief Description	MIVAN system is an aluminium formwork construction, cast-in-situ concrete wall and floor slabs cast monolithic provides the structural system in one continuous pour	Tunnel form is a formwork system that allows the contractor to build monolithic walls and slabs in one operation on a daily cycle. Inverted L shaped structures are bolted together to get the tunnel frame	Structural frame of the building is from reinforced concrete and the walls are filled with bricks.
Illustration			
Speed of construction	Four days cycle per floor	One day's cycle per floor	Min. cycle of 21 days
Quality of surface finish	Excellent. Plastering is not required	Excellent. Plastering is not required	Plastering is required
Pre-planning of formwork system	Required	Required	Not required
Type of construction	Cast-in-situ Cellular construction	Cast-in-situ Cellular construction	Simple RCC framed construction
Wastage of formwork material	Very less	Very less	High
Accuracy in construction	Accurate construction	Accurate construction	Less than modern systems
Resistance to earthquake	Good resistance	Good resistance	Less than Modern Systems
Re-usage value of formwork	High	High	Low
Suitability for high rise construction	Very much suitable	Very much suitable	Not suitable
Initial investment in the system	High	High	Less
Economy in construction	Economical for mass housing	Economical for mass housing	Economical on small scale

BUDGET

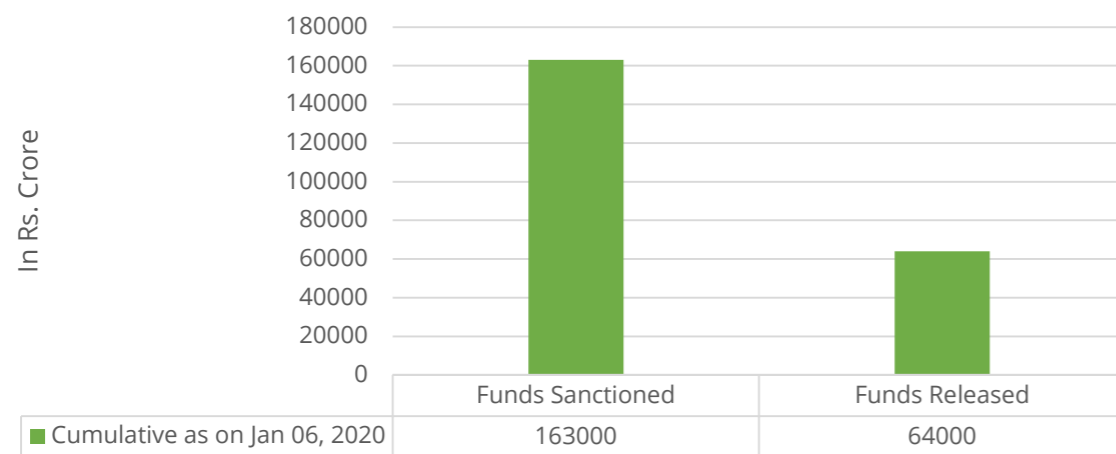
Allocation and Progress



Continuous impetus has been maintained on the affordable housing sector and PMAY initiatives by the Government over the past few years. Post the launch of the PMAY scheme in June, 2015, the Government further expanded the scheme by extending the credit-linked subsidy scheme (CLSS) to the Mid-Income Group in January, 2017. Currently, the CLSS provides an interest subsidy @6.5% for EWS and LIG for loan up to Rs 6 lakh; @4% for MIG-I for loan up to Rs 9 lakh and @3% for MIG-II for loan up to Rs 12 lakh. Additional loans beyond the amounts specified are to be availed at non-subsidised rates. In FY2018, the PPP policies were introduced under the PMAY-U, and infrastructure status was granted to the affordable housing sector. In FY2019, the GST rates, which were already low for affordable housing projects, were further reduced to 1%. In FY2020, an additional deduction of up to Rs. 1.5 lakh was permitted for interest paid on loans borrowed up to March 31, 2020 for purchase of an affordable house valued up to Rs. 45 lakh. The Government also created a Rs. 25,000-crore fund for the provision of last mile funding to stalled realty projects in the affordable housing and mid-income space.

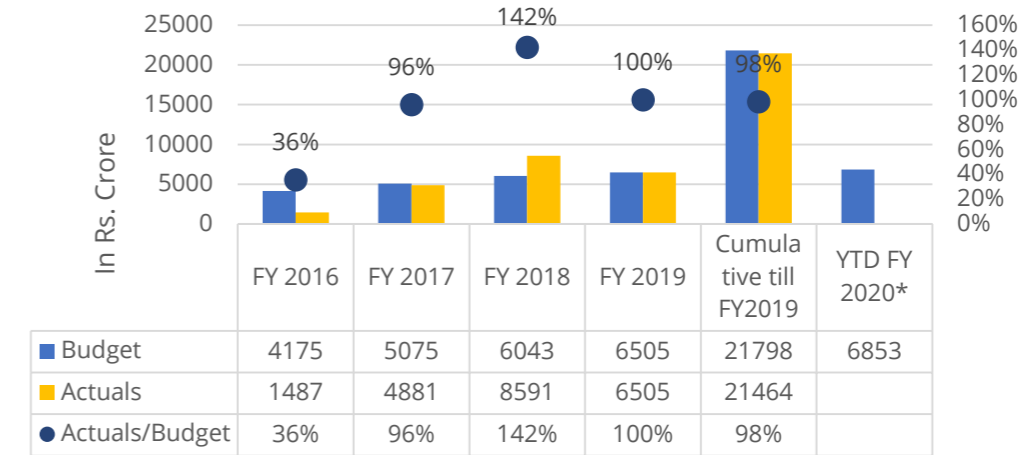
Budgetary allocations, however, have differed across the urban and rural (gramin) components of the scheme, with the urban component receiving low budgetary allocations and having a high dependence on extra-budgetary sources. For the gramin scheme, however, Central funding assistance has been sufficient.

PMAY-U: Sanctioned vs Released Funds



January, 2020

PMAY-U: Budgeted and Deployed Funds



As of January 2020, the total funds sanctioned by the Centre towards PMAY-U amounts to Rs. 1.63 lakh crore. However, only Rs. 0.64 lakh crore (39%) has been released so far, of which, only Rs. 0.28 lakh crore has been through budgetary allocations. The actual budgetary funds deployed have been close to the budgeted funds set aside on a cumulative basis, notwithstanding yearly fluctuations in the same, due to varying progress levels. The balance funding is to be met through non-budgetary sources. The Cabinet had approved the creation of the Rs. 60,000-crore National Urban Housing Fund to finance the same. In FY2019, funds to the tune of Rs. 25,000 crore were approved through such non-budgetary sources.

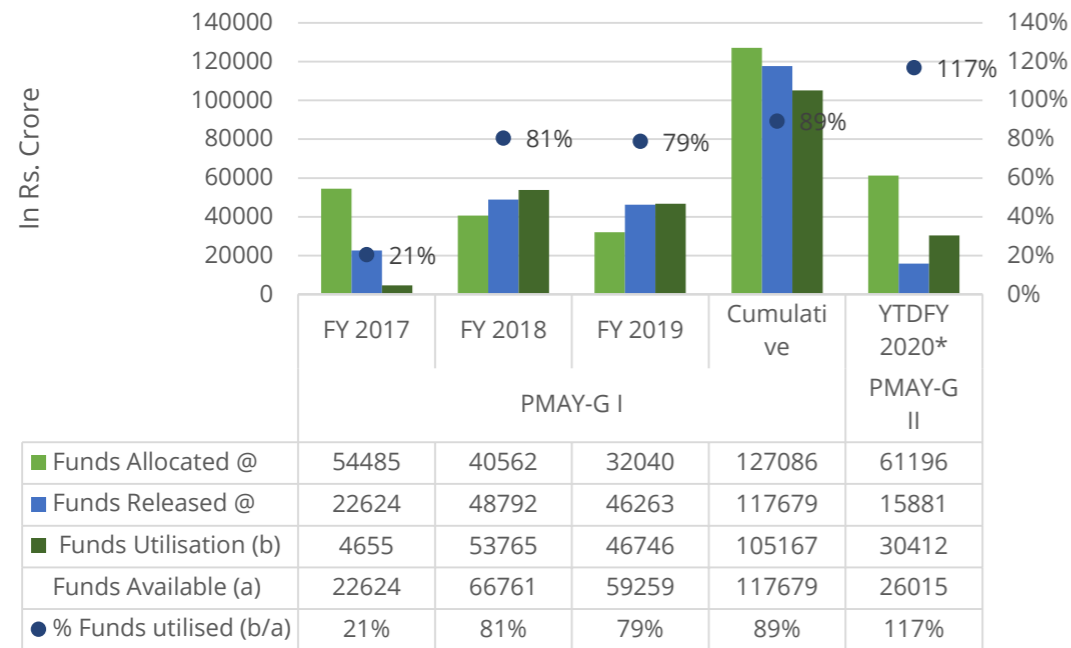
For Phase I of PMAY-G (FY2017-19), the total estimated total fund requirement stood at Rs. 1.3 lakh crore, of which Rs. 1.27 lakh crore (97%) was approved and Rs. 1.18 lakh crore (91%) was released. Approximately Rs. 0.82 lakh crore of Central assistance had been envisaged, of which Rs. 0.78 lakh crore (95%) was allocated and Rs. 0.72 lakh crore (88%) released. Of this, Rs. 0.58 lakh crore, corresponding to 81% of released central funds, was met from budgetary sources, with the balance being from extra-budgetary sources. Estimated state assistance stood at Rs. 0.48 crore, against which a higher amount of Rs. 0.49 lakh crore (102%) was allocated and Rs. 0.45 lakh crore (93%) was released.

For PMAY-G Phase II (FY2020-22), assuming a unit assistance of Rs. 1.3 lakh, the total fund requirement towards the scheme would be Rs. 2.5 lakh crore. Total allocation (including central and state assistance) of Rs. 0.61 lakh crore (24%) has been made till date, with the Centre:State sharing of 62:38. A budgetary provision of only Rs. 0.19 lakh crore has been made thus far, possibly since it is the first year for Phase-II of the PMAY-G scheme.

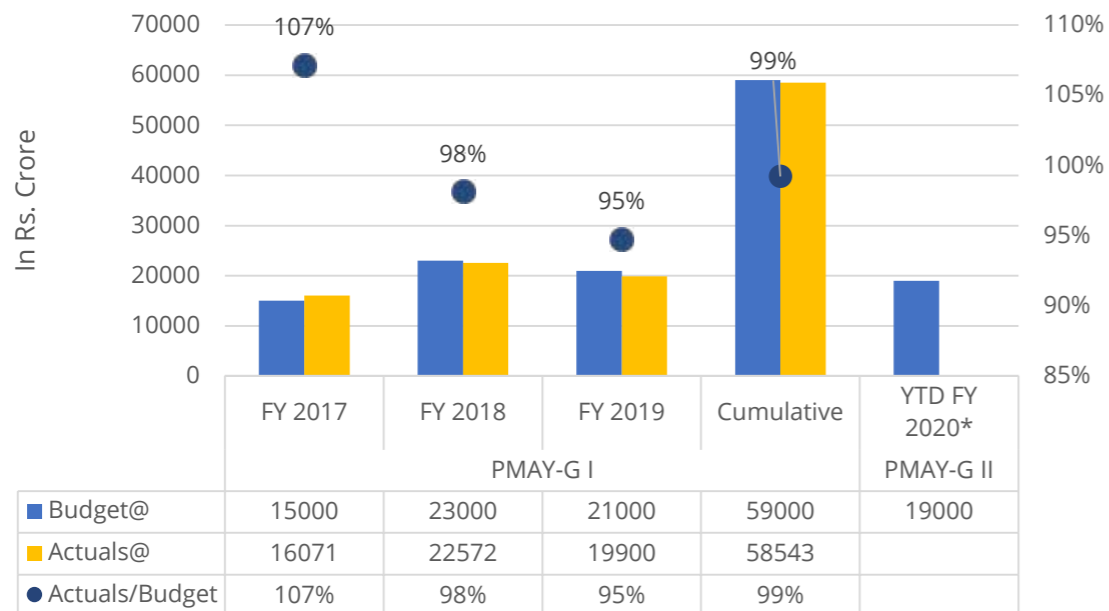
Note: FY2019 Actuals represent revised estimates; *YTD till Jan 10, 2020



PMAY-G: Allocated vs Released vs Utilised Funds



PMAY-G: Budgeted and Deployed Funds



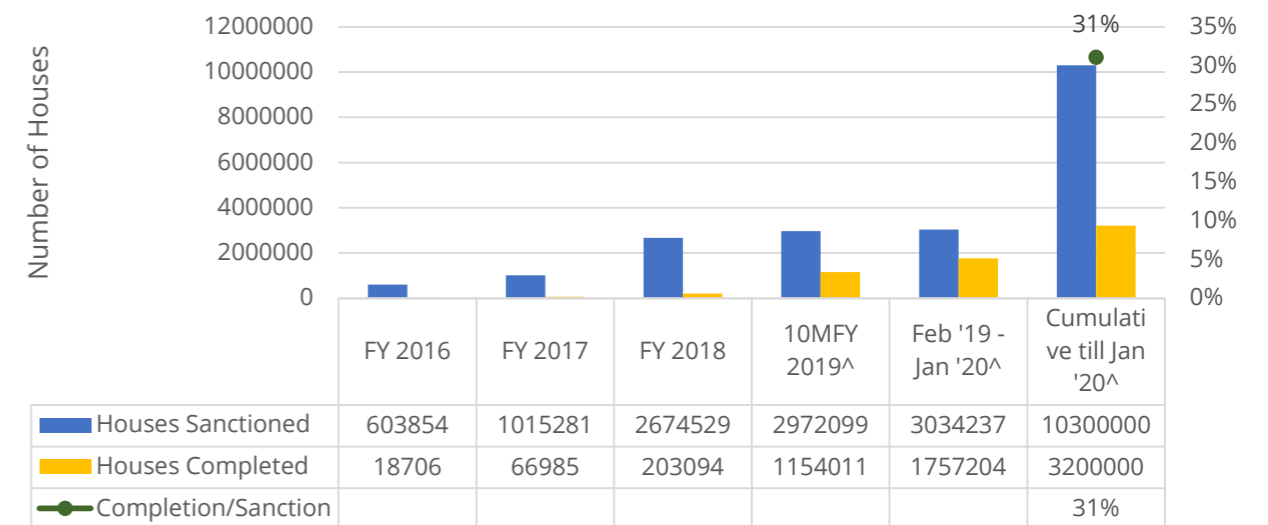
Note: Funds Allocated = sum of central assistance (through both budgetary + non-budgetary sources) and state assistance
*YTD as on Jan 06, 2020

PAN-INDIA Update on Progress

While the number of houses sanctioned under the scheme has been high, standing at around 1 crore under PMAY-U and around 1.4 crore under PMAY-G till January 2020, actual completions, particularly under PMAY-U, have been limited, standing at only 31% of the sanctioned houses. The progress of PMAY-G has been significantly better, with 88% of the sanctioned houses completed under Phase-I of the scheme.

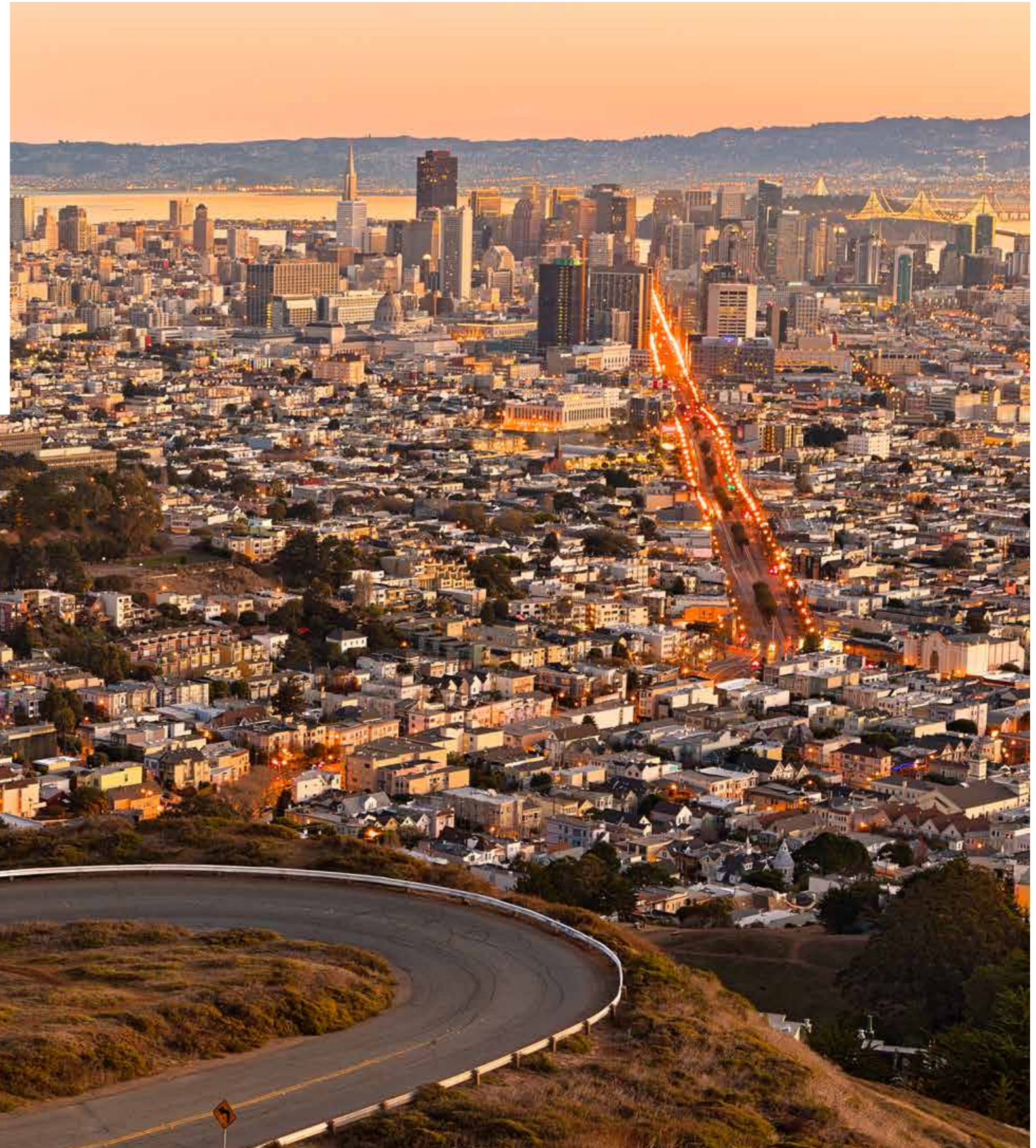
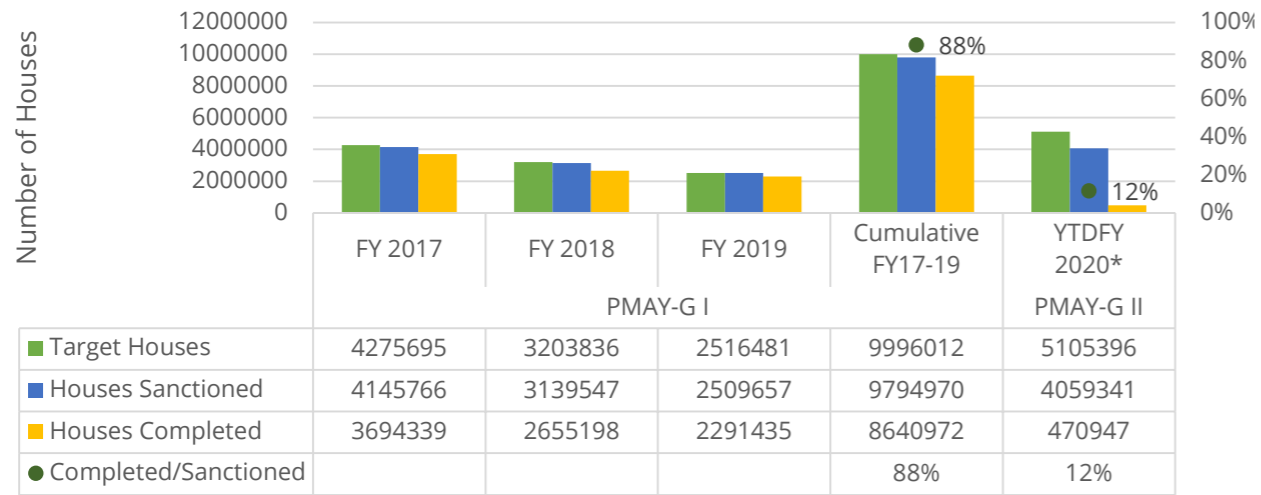
House completion velocity under the PMAY-U has been slower than initially envisaged, possibly on account of the low budgetary allocations and high reliance on non-budgetary funding sources for the scheme. Moreover, given that a considerable part of the affordable housing being developed in the urban segment is under PPP models, wherein the construction of the associated project phases and common infrastructure typically takes around two to three years, the recording of house completions has remained low during the initial years of such projects. For Phase-I of PMAY-G, on the other hand, Central funding assistance has been better and house-completion timelines shorter, given the use of the beneficiary-led completion approach. Sustaining the velocity in Phase-II will remain critical for achieving the stated target within the defined timeline.

National Level House Completions PMAY-U



^10MFY2019 corresponds to the period of April 2018 - Jan 2019; data for Jan is available till Jan 06, 2020
*YTD as on Jan 06, 2020

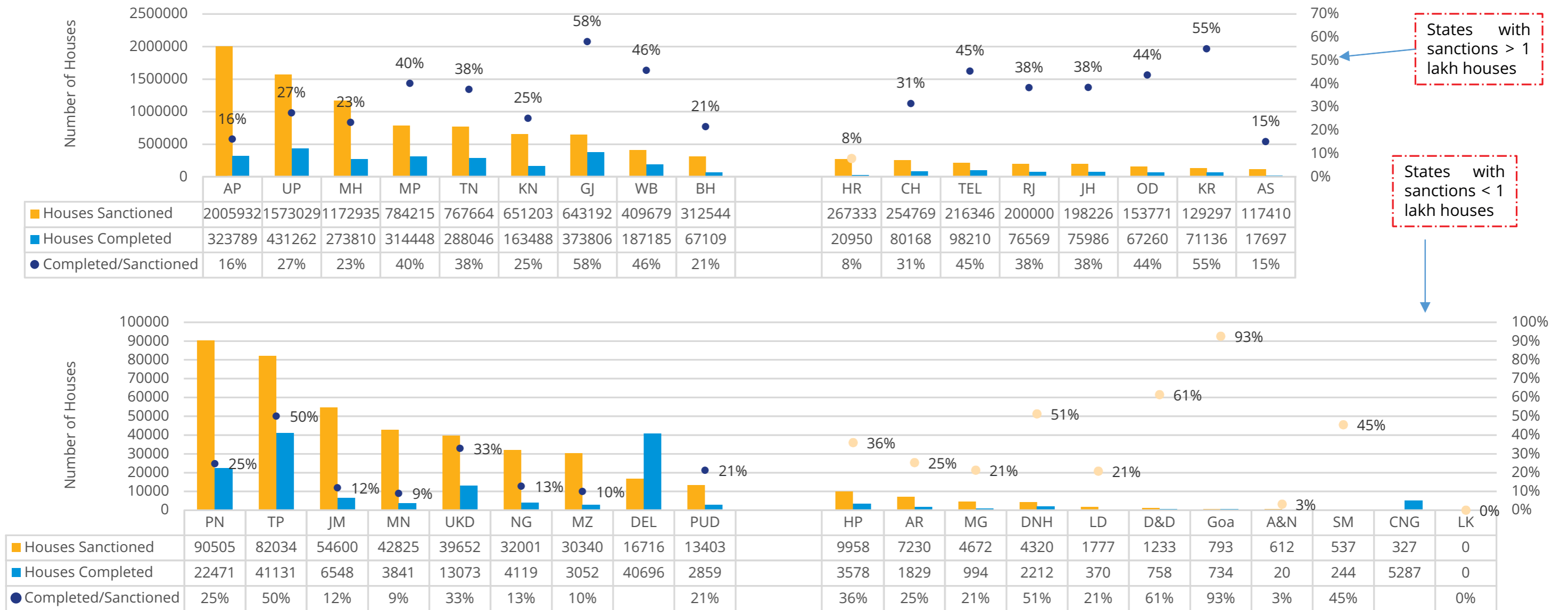
National Level House Completions PMAY-G



The progress has also varied from state to state with certain states achieving significantly higher house completions.

Under PMAY-U, Andhra Pradesh and Uttar Pradesh have fared particularly well, due to their proactiveness in establishing PPP practices, and their focus on streamlining execution and maintaining efficiency in timelines through various steps. These mainly include provision of a single-window clearance for building approvals and quick validation of applications.

PMAY-U: State Level Cumulative Houses Completed



Data as on Jan 06, 2020; Includes incomplete works of earlier JNNURM scheme (Jawaharlal Nehru National Urban Renewal Mission) taken up post 2014

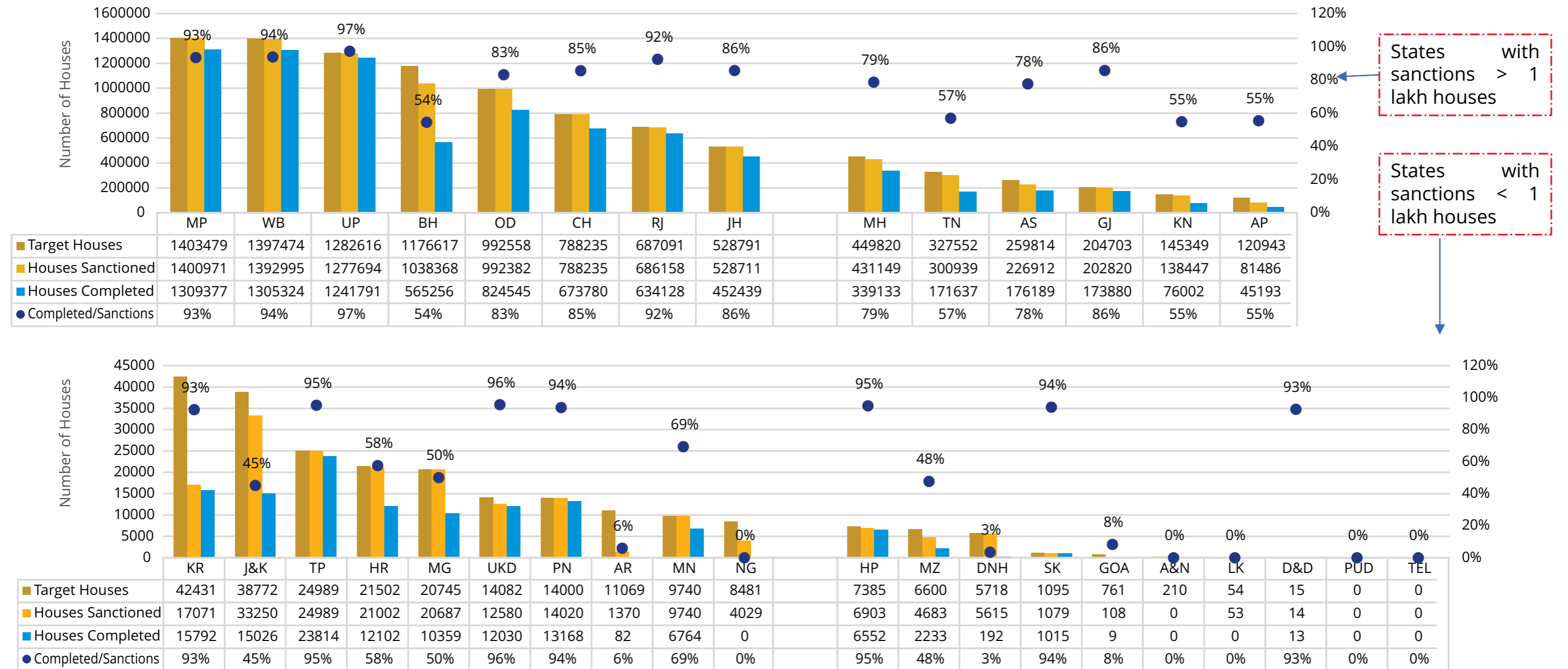
MP- Madhya Pradesh; WB-West Bengal; UP-Uttar Pradesh; BH-Bihar; OD-Odisha; CH-Chhattisgarh; RJ-Rajasthan; JH-Jharkhand; MH-Maharashtra; TN-Tamil Nadu; AS-Assam; GJ-Gujarat; KN-Karnataka; AP-Andhra Pradesh; KR-Kerala; JM-Jammu; TP-Tripura; MG-Meghalaya; HR-Haryana; UKD-Uttarakhand; PN-Punjab; AR-Arunachal Pradesh; MN-Manipur; NG-Nagaland; HP-Himachal Pradesh; DNH-Dadar & Nagar Haveli; MZ-Mizoram; SM-Sikkim; A&N-Andaman & Nicobar; D&D-Daman & Diu; LK-Lakshwadeep; PUD-Puducherry; TEL-Telangana; CNG-Chandigarh; DEL-Delhi; LD-Ladakh

(Source: MoHUA website)

Under the first phase of PMAY-G, the states of Madhya Pradesh, West Bengal and Uttar Pradesh recorded the highest number of house completions, supported by the state government's focus on

quick beneficiary selection, timely disbursement of funds to the beneficiary account and ensuring availability of manpower and material for construction.

PMAY-G Phase I: State Level Cumulative Houses Completed

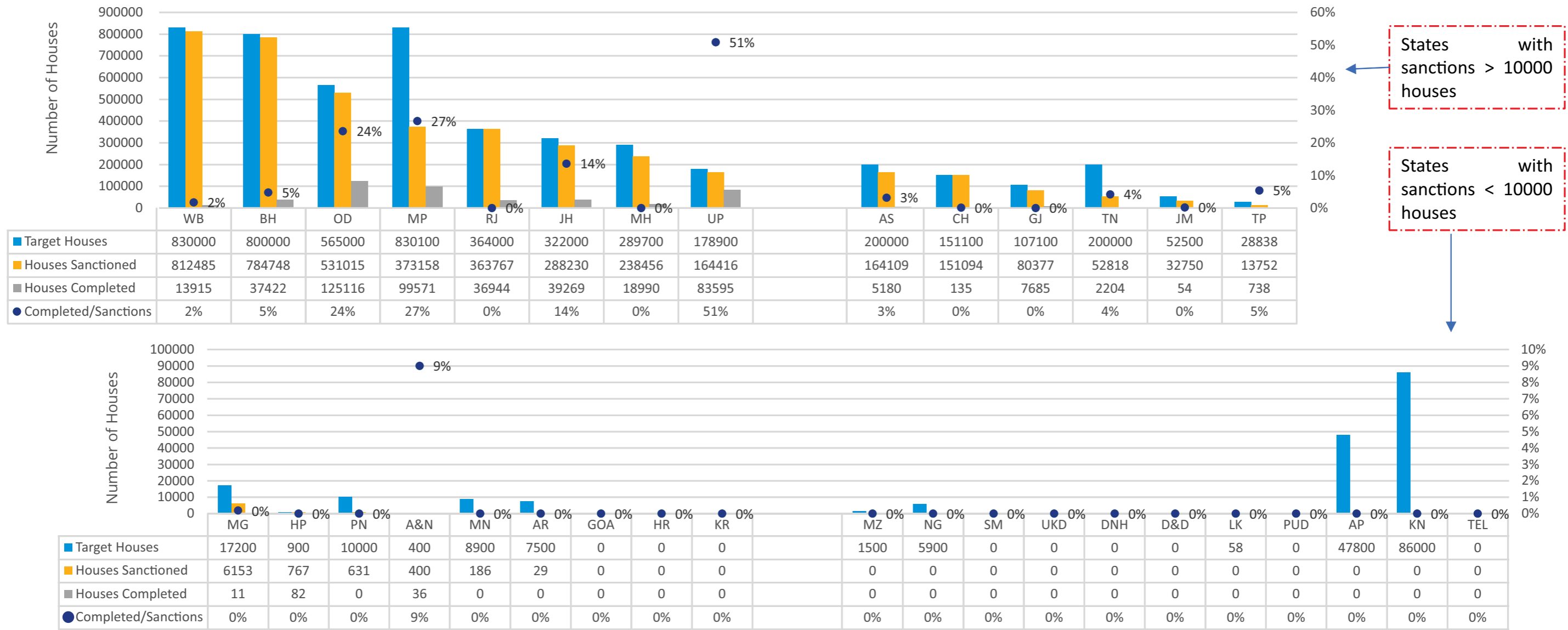


MP- Madhya Pradesh; WB-West Bengal; UP-Uttar Pradesh; BH-Bihar; OD-Odisha; CH-Chhattisgarh; RJ-Rajasthan; JH-Jharkhand; MH-Maharashtra; TN-Tamil Nadu; AS-Assam; GJ-Gujarat; KN-Karnataka; AP-Andhra Pradesh; KR-Kerala; J&K-Jammu & Kashmir; TP-Tripura; MG-Meghalaya; HR-Haryana; UKD-Uttarakhand; PN-Punjab; AR-Arunachal Pradesh; MN-Manipur; NG-Nagaland; HP-Himachal Pradesh; DNH-Dadar & Nagar Haveli; MZ-Mizoram; SM-Sikkim; A&N-Andaman & Nicobar; D&D-Daman & Diu; LK-Lakshwadeep; PUD-Puducherry; TEL-Telangana

(Source: PMAY-G website MIS data)

While the second phase of PMAY-G is still at a fairly nascent stage, certain states like Uttar Pradesh, Madhya Pradesh and Odisha are already reflecting a high house completion velocity relative to other states.

PMAY-G Phase II: State Level Cumulative Houses Completed



MP- Madhya Pradesh; WB-West Bengal; UP-Uttar Pradesh; BH-Bihar; OD-Odisha; CH-Chhattisgarh; RJ-Rajasthan; JH-Jharkhand; MH-Maharashtra; TN-Tamil Nadu; AS-Assam; GJ-Gujarat; KN-Karnataka; AP-Andhra Pradesh; KR-Kerala; J&K-Jammu & Kashmir; TP-Tripura; MG-Meghalaya; HR-Haryana; UKD-Uttarakhand; PN-Punjab; AR-Arunachal Pradesh; MN-Manipur; NG-Nagaland; HP-Himachal Pradesh; DNH-Dadar & Nagar Haveli; MZ-Mizoram; SM-Sikkim; A&N-Andaman & Nicobar; D&D-Daman & Diu; LK-Lakshwadeep; PUD-Puducherry; TEL-Telangana; LD-ladakh

(Source: PMAY-G website MIS data)

OVERVIEW OF KEY ICRA-RATED DEVELOPERS IN THE AFFORDABLE SEGMENT

Company	Ashiana Housing Limited	DS-Max Group	Tata Housing Development Co. Ltd	Janaadhar (I) Pvt. Ltd.	Mantra Group
Brief Profile	<ul style="list-style-type: none"> Incorporated in 1986 Kolkata by Mr. Om Prakash Gupta. Involved in real estate development since inception. Primarily present in the residential housing segment Is presently developing several projects, primarily residential housing projects, including senior living 	<ul style="list-style-type: none"> Incorporated in 2007 Promoted by Mr. K.V. Satish Involved in real-estate development with presence mainly in Bengaluru. Focuses on mid-segment and affordable category products 	<ul style="list-style-type: none"> Incorporated in 2007 by D Sudhakar Reddy and his associates Flagship entity of the DSR Group Involved in real estate development with presence mainly in Bengaluru 	<ul style="list-style-type: none"> Incorporated in 2007, promoted by Jana Urban Foundation (JUF) JUF holds 53% stake as on date, with the other major shareholders being Tree Line Asia Master Fund (Singapore) Private Limited with 13% share and Sterling Developers with 12% share Formed to implement affordable housing projects 	<ul style="list-style-type: none"> Promoted by the family of Late Mr. Puranchand Kishorilal Gupta Entered the real-estate business in 2006 Focuses on mid-segment and affordable category products
Geographical Presence	Jaipur, Bhiwadi, Jodhpur and Jamshedpur	Bengaluru	Bengaluru, Hyderabad and Chennai	Bengaluru and Ahmedabad	Pune and nearby regions
Area Constructed	16 projects; 22 msft of area	For DSM Group - more than 75 projects encompassing more than 7 msft over the past decade	~ 4.9 msft of area over the past 28 years	2 projects; ~0.81 msft	10 projects across around 1.9 msft of area over the last decade
Ongoing Projects	9 projects; 1.6 msft of area	For DSM Group - Around 20 projects; 3.4 msft of total saleable area	4 projects, with a total saleable area of ~2 msft	None at present	11 residential real-estate projects under development, spread over 4.7 msft of area, with each project being developed through a separate SPV
Pipeline Projects	NA	For DS-Max Properties Pvt Ltd - 5 upcoming projects of 1.9 msft under various stages of approval	6 projects in the next two fiscals with a total saleable area of 4.4 msft	Company is entering into an investment agreement with UK-based Reall for investment in upcoming affordable housing projects of the company	4-5 projects spread over more wthan 1 msft
Data available as on	June, 2019	May, 2019	January, 2019	December, 2019	July, 2019
ICRA Ratings Outstanding	[ICRA]A (Stable)	DS-Max Properties Private Limited: [ICRA]BBB+(Stable)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Stable)	[ICRA]BBB (Stable)*

*Holding company, Mantra Properties and Developers Pvt Ltd rated at [ICRA]BB+ (Stable)

Company	Mojika Real Estate and Developers (P) Ltd	Peninsula Land Ltd.	Tata Housing Development Co. Ltd	Sunteck Realty Ltd.	Xrbia Group
Brief Profile	<ul style="list-style-type: none"> Incorporated in 2006 Has completed several small-sized projects in Jaipur in the past Focuses on the affordable segment 	<ul style="list-style-type: none"> Incorporated on August 10, 1871; is a part of the Ashok PIRAMAL Group Engaged in real estate development with a portfolio comprising commercial, residential and retail developments, including PLL's 'Ashok' product line in the residential sector and 'Peninsula' in the commercial sector Has initiated the diversification outside of Mumbai in cities such as Pune, Nashik, Lonavala, Bangalore and Goa. 	<ul style="list-style-type: none"> Established in 1984; subsidiary of Tata Sons Private Limited (TSPL) which holds 99.93% stake Project portfolio comprises varied offerings catering to various income group segments spread across metros and tier-I cities Tata Housing Development Co. Ltd focuses on premium and luxury projects, while the low cost and affordable projects is undertaken by its wholly owned subsidiary, namely, Tata Value Homes Limited 	<ul style="list-style-type: none"> Incorporated in 2000 Is an MMR (Mumbai Metropolitan Region) focused real estate developer, with major development undertaken in BKC The company has presence across pricing segments from affordable housing to uber luxury developments 	<ul style="list-style-type: none"> Started real estate operations in the year 1995 Projects are spread across affordable housing, plotting schemes and mid-luxury residences Focuses on the affordable segment
Geographical Presence	Jaipur	Mumbai, Pune, Nashik, Lonavala, Bangalore and Goa	11 cities, current inventory is mostly in Mumbai, NCR and Bengaluru	MMR region, Nagpur, Goa and Jaipur	Pune and Mumbai Suburban region
Area Constructed	Deliveries of 6 projects spread over ~0.04 msft	Since 1997, has developed over 7.8 msft of real estate projects	On a standalone basis: ~ 3 msft of residential and commercial spaces	~2.2 msft area	Over 17 msft of saleable area
Ongoing Projects	4 residential projects at present in Jaipur, as well as and Homes in Sikar in Rajasthan, spread across 0.9 msft	Total launched area - 4.97 msft	NA	7 projects; ~2.0 msft	Over 10 msft of area is under various stages of development
Pipeline Projects	NA	NA	Intends to rationalize new project launches going forward	~28 msft	NA
Data available as on	March, 2019	June, 2019	December, 2019	November, 2019	March, 2018
ICRA Ratings Outstanding	[ICRA]BB (Stable)	[ICRA]C ISSUER NOT COOPERATING	[ICRA]AA (Stable)	[ICRA]A1+ (Withdrawn)	[ICRA]BBB+ (Stable) ISSUER NOT COOPERATING



ANALYSIS OF ICRA-RATED Projects in the Affordable Segment

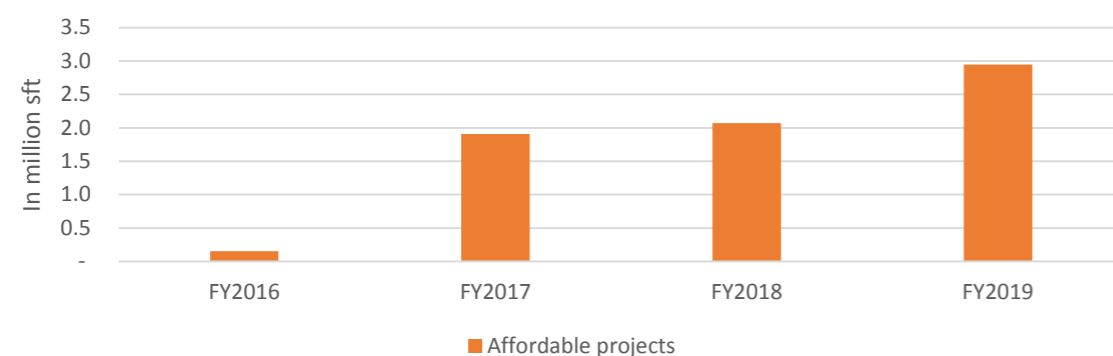
Since the launch of the PMAY scheme in June 2015, several Government initiatives have been taken to provide support and ensure higher private sector participation. This section analyses a sample of ICRA-rated affordable projects to study the consequently emerging trends among private developers in the affordable housing space.

Key features of sample set used:

- ◆ Projects using GST rates applicable for affordable housing considered
- ◆ Master set comprises 10 entities* and 39 projects
- ◆ Projects located across key cities of India
- ◆ Projects launched over the period FY 2016 to FY 2019

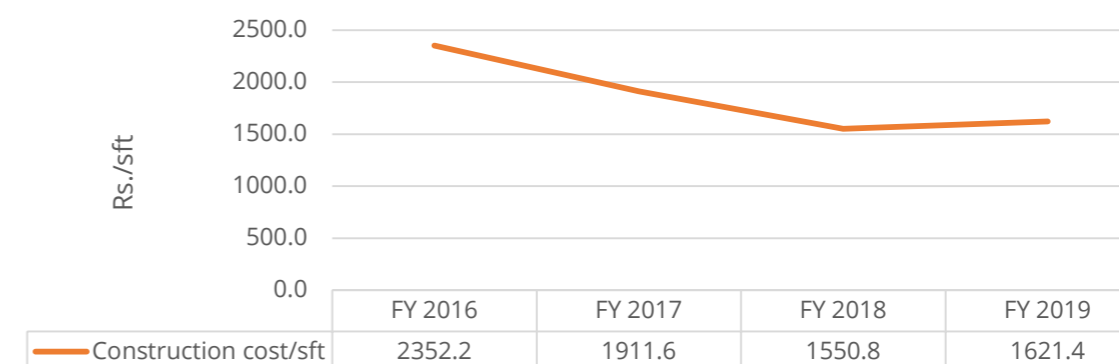
Key Findings:

Launches in affordable segment have witnessed a considerable increase



January, 2020

Project costs have moderated over time



There has been an increasing trend in unit launches in the affordable segment over the last three years across the sample set. This indicates rising private developer interest towards developing affordable housing, post Government initiatives undertaken over the years. Key initiatives supporting the same include:

- ◆ Introduction of PPP policies, together with provision of Government-held land, leading to higher involvement of private developers
- ◆ Introduction of CLSS scheme, providing financial assistance to the end-user
- ◆ Provision of further tax deductions against home loan interest payments

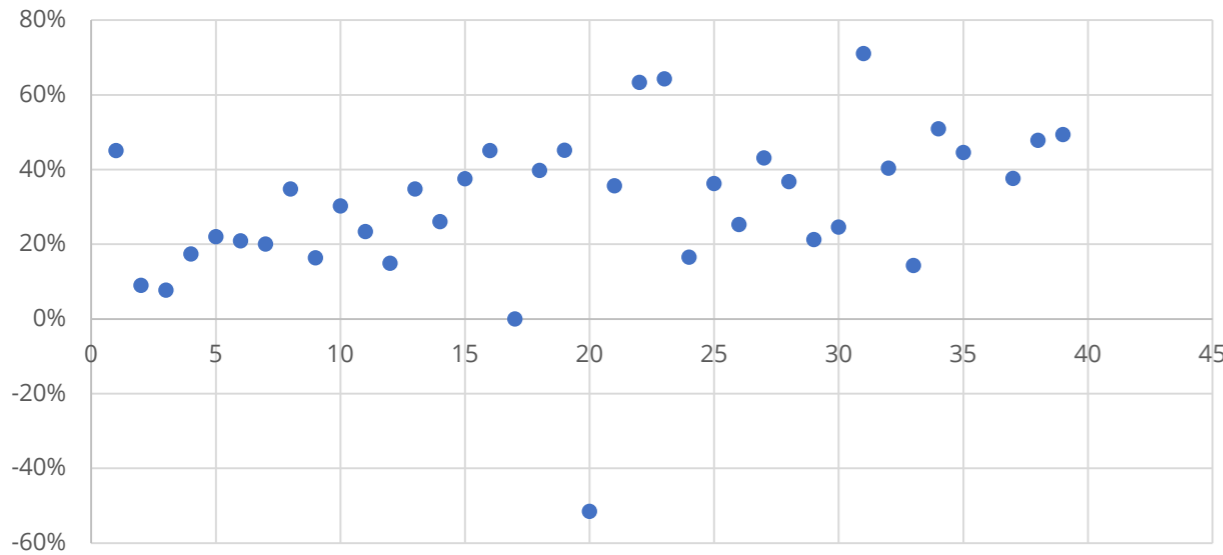
Project costs have moderated over the years with technical advances and availability of low-cost land. Key initiatives aiding cost reduction include:

- ◆ Push for adoption of efficient technology
- ◆ Introduction of PPP policies and freeing up of land held by the Government for development at subsidized rates
- ◆ Infrastructure status leasing to lower borrowing rates and tax concessions
- ◆ Increased flow of foreign and private capital
- ◆ Availability of low cost land from the Government/in peripheral areas

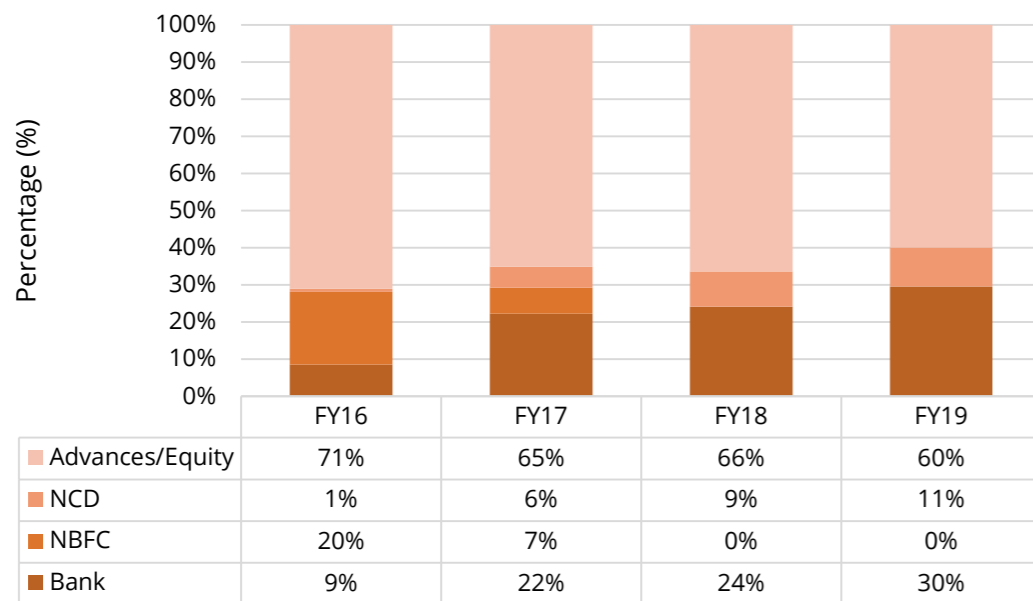
*Entities considered include Ashiana Housing Limited, DS-Max Group, DSR Infrastructure Pvt. Ltd., Janaadhar (I) Pvt. Ltd., Mantra Group, Mojika Real Estate and Developers (P) Ltd., Peninsula Land Ltd., Tata Housing Development Co. Ltd., Sunteck Realty Ltd., and Xrbia Group

Key Findings:

Profit margins vary across projects; developer ability to control costs is crucial



Customer advances and promoter funding remain main funding sources



Profit margins vary considerably across the sample set. While most projects make margins of 10-25%, some incur significant losses, highlighting the need for developer control on costs. Since the price for the units being constructed is largely range-bound, the developer ability to keep costs under check

without compromising on project quality is a crucial determinant of the overall project performance. This includes the ability to limit cost escalations arising out of operational inefficiencies or delay in project timelines.

Customer advances and/or promoter sources have remained the main sources of project funding, accounting for 60-70% of the budgeted funding mix over the past four years. The proportion of funding availed from the NBFCs has witnessed a considerable decline post the ongoing liquidity crisis in the sector. Consequently, bank funding has witnessed an increase, rising from 9% in FY2016 to 30% in FY2019. Funding in the form of NCDs has also witnessed an increase, with the same contributing to 11% of the budgeted funding mix in FY2019.





OUTLOOK ON Affordable Housing & Overall Residential Real Estate

While the pace of progress on the PMAY mission has been slower than initially envisaged, particularly in the urban segment, the initiative is clearly addressing the core issue of the national housing shortage in a systematic manner. With the Government push for affordable housing through provision of land, subsidies and incentives, private sector participation in the lower-ticket-size segment has been ramping up at a considerable pace, resulting in some narrowing of the existing demand-supply gap. Moreover, technical innovations have enabled cost and time efficiencies, thereby making the construction of such spaces more financially viable. Developers have thus been realigning strategies to meet market requirements and have been focusing on keeping average ticket sizes affordable. Sales in the sub-Rs. 50 lakh segment have, in fact, witnessed a considerable momentum, and given the above-mentioned Government incentives for development and offtake of affordable housing units, positive trends in both demand and supply for this segment are expected to continue going forward. A further impetus can be provided through the following measures:

- ◆ Release of idle Government land to address issue of land availability, especially near urban centers
- ◆ Development of social infrastructure and connectivity for peripheral land parcels
- ◆ Expedited clearance and approval process to further encourage private sector participation
- ◆ Eased availability of funding for project finance

Notwithstanding the expected traction in the affordable housing segment, the performance of the overall Indian residential real estate sector continues to be muted, owing to the prevailing liquidity crunch, high inventory overhang, weak affordability and subdued demand conditions. The residential realty segment has, in recent years, increasingly relied on the NBFCs and the HFCs to raise debt financing, owing to the risk perception attached with the segment by banks. However, with the prevailing liquidity squeeze, funding availability and cost for many real estate developers has been adversely impacted, causing credit stress for developers reliant on refinancing to support balance sheets heavy on slow-moving inventory or land assets. Consequently, the execution of ongoing projects and launch of new projects have also been negatively impacted, especially for smaller players who have been heavily dependent on such sources of financing, keeping the pipeline of fresh supply moderate. ICRA, however, notes that Government measures, such as the establishment of a Rs. 25,000-crore fund for stalled housing projects, may alleviate some of the execution/delivery-related issues going forward. Concerns on the overall stock levels, nonetheless, remain. A moderate level of new launches, combined with the existing inventory overhang and low sales traction, is expected to lead to overall inventory levels registering modest growth over the near-to-medium term, with the much-needed liquidation of the same being contingent on a wide-scale recovery in demand. Consequently, ICRA expects residential

January, 2020

real estate developers to maintain a cautious stance towards new project launches and land acquisition deals. With continuing weakness in the home-buyer sentiment, demand is expected to remain muted, particularly for projects which are under development and for units with high ticket sizes. Post the incessant delays witnessed in project deliveries, buyers have been expressing a strong preference for completed inventory, that too from recognised developers with an established track record of quality and timely delivery, resulting in increased market consolidation, with larger players garnering higher market share. Structural changes, including the implementation of the RERA, the GST and the IBC, as well as the earlier demonetisation drive, have further underpinned this consolidation. Thus, larger and reputed developers with a strong focus on right pricing and delivery are expected to continue to record healthy sales levels. Prices, however, are likely to move on a downtrend, driven not only by the continued focus of developers on keeping average ticket sizes affordable, but also by the high inventory overhang and overall sluggishness in demand.





About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialisation, and its emergence as one of the most rapidly growing global economies. A not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 250,000 companies. FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

Contact Us

Neerja Singh

Director
Infrastructure

T: +91 11 2348 7326
E: neerja.singh@ficci.com

Sachin Sharma

Senior Assistant Director
Real Estate, Urban Infrastructure & Smart Cities

M: +91 96431 58335
E: sachin.sharma@ficci.com

Shaily Agarwal

Senior Assistant Director
Real Estate, Urban Infrastructure & Smart Cities

M: +91 9911477779
E: shaily.agarwal@ficci.com



ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- ◆ Provide information and guidance to institutional and individual investors/creditors;
- ◆ Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- ◆ Assist the regulators in promoting transparency in the financial markets;
- ◆ Provide intermediaries with a tool to improve efficiency in the funds raising process

Contact Us

Shubham Jain

Group Head & Senior VP, Corporate Ratings
ICRA Ltd

T: 0124 4545306
E: shubhamj@icraindia.com

Mahi Agarwal

Assistant Vice President
Associate Head, Corporate Sector Ratings, ICRA Ltd

M: +91 9830069025
E: mahi.agarwal@icraindia.com

Ishan Luthra

Senior Analyst
ICRA Limited

M: +91 9007203303
E: ishan.luthra@icraindia.com

Contacts

Business Contacts

Mr. L. Shivakumar

E-mail: shivakumar@icraindia.com
Tel: +91 22 6114 3406 / +9198210 86490

Mr. Jayanta Chatterjee

E-mail: jayantac@icraindia.com
Tel: +91 80 4332 6401 / +91 98450 22459

Registered Office:

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi - 110 001
Tel: + 91 11 2335 7940-45

Corporate Office:

Building No. 8, 2nd Floor, Tower A, DLF Cyber City Phase II, Gurgaon- 122 002
Tel: +91 124 4545300

Ahmedabad

1809-1811, Shapath V, Opposite Karnavati Club S.G. Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/01

Bengaluru 1

'The Millenia', Tower- B, Unit No. 1004, 10th Floor, 1 & 2 Murphy Road, Bengaluru- 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber, 15-16, Trinity Circle, M.G. Road, Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre, 634, Anna Salai, Nandanam Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad 1

No. 7-1-58, 301, 3rd Floor, 'CONCOURSE', Above SBI-HPS Branch, Ameerpet, Hyderabad— 500 016
Tel: +91 40 4920 0200

Hyderabad 2

4A, 4th Floor, Shobhan, 6-3-927, A&B Somajiguda, Raj Bhavan Road, Hyderabad — 500082
Tel: +91 40 40676500

Kolkata

A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road, Kolkata -700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony, S. No. 210 CTS 3202 Range Hills Road, Shivajinagar, Pune - 411 020
Tel: +91 20 2556 1194

Email: info@icraindia.com
Helpdesk: 9354738909
Website: www.icra.in / www.icraresearch.in