

MONTHLY NEWS LETTER

REAL ESTATE

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Monorail project to cover Trans-Yamuna

In order to provide public transport service in all parts of the Trans-Yamuna area, the city government has decided to chalk out a plan to extend the Monorail services in congested localities.

The government has given its in-principal approval for commissioning of a Monorail route connecting Shastri Park to Trilokpuri. The Chief Minister, Sheila Dikshit, said this at an inauguration function of a community centre in the Ghonda area of north-east Delhi today. Speaking at the function, the Chief Minister said that the new small taxis being developed by certain manufacturers would be first introduced in the Trans-Yamuna area to facilitate availability of public transport in localities situated around narrow lanes and bazaars as it is not possible and even feasible to extend the Delhi Metro services at the doorstep of each and every citizen. Low-floor buses can also not be plied in these localities.

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Satellite imagery of Gurgaon by March-end

The Gurgaon administration has claimed that the project of preparing satellite imageries of entire Gurgaon district will be completed by the end of March this year. Following this, the land record will be assimilated with the imagery. This was disclosed by deputy commissioner PC Meena during a meeting with representatives of JAFRA and RWAs in CCA School, Sector 4, on Friday.

He said the satellite imagery of land was being carried out and after its completion, the same would be uploaded on the website. The 'nishandehi' (demarcation) has been done. Then it can be compared with the actual revenue record.

"At present, post 1960 revenue record was being taken. About 70% of the imagery work has already been completed. This will help identify green patches and land that has been encroached upon. People will be able to know the ownership of land, sale-purchase, acquisition etc from the images taken by the satellite," he said.

Outlook for real estate firms bleak as debt piles up

A small pick-up in sales and a few deals apart, the third quarter does not offer any respite for a dozen listed real estate companies, sitting on an accumulated debt of over R50,000 crore. However, experts remain optimistic on innovative fiscal management measures from the likes of DLF and Unitech when they announce their Q3 results early next month. The two real state giants account for 60% of the combined debt pile-up of the listed real estate firms. According to analysts, the combined debt of the firms has swelled by over 7% on a y-o-y basis — from around R48,000 crore to close to R51,000 crore. In comparison, their revenues have grown 3%. Analysts are divided on the debt position of these companies since sales have seen a marginal pick-up in Q3 against the earlier two quarters. According to Anuj Puri, chairman and country head at Jones Lang LaSalle, the quarter has been more active this year with sale of non-core assets by some realty firms, sales of land banks at discounted valuations, block sale deals at heavy discounts and softer repayment terms for debts, among others, offering hopes of a better show. However, the debt of these firms have grown by R2,000 crore in each of the previous quarters. Therefore, Q3 may not be too different, says Amit Goenka, national director — capital transactions, Knight Frank India. "Though some positive initiatives happened in Q3, the total leverage facing the sector is unprecedented, which may not ease the fiscal position of companies as per their expectations. As of September 2011, the total debt overhang is pegged at about R1.25 lakh crore," Goenka said. Echoing similar sentiments, Samir Jasuja of Prop Equity said: "Going forward, RBI has hinted of rate reduction. However, banks are wary of new loan disbursements. Therefore, debt remains a hurdle for the growth of real estate firms."

Prop Equity is a real estate data, intelligence and analytics firm. Advisory agencies like Edelweiss have already stated that the top 11 real estate companies have recorded a dip of 22.7% (y-o-y) in their profit, while their revenues grew only 3.1%

in the second quarter(July-September2011) because of the continued pressure of rising input and interest costs, and Q3maynot be any better.

India's small and medium enterprises welcome 100% FDI in single-brand retail

Welcoming the government's decision to allow 100 per cent foreign direct investment in single-brand retail, India's small and medium enterprises (SMEs) say the mandatory 30 percent sourcing from micro and small industries will help them achieve higher growth. A Confederation of Indian Industry (CII) survey found that the SME industry, by and large, supported 100 per cent FDI in single-brand retail. "The government's decision of mandatory sourcing of a minimum of 30 per cent from Indian micro and small industry will help SMEs to achieve higher growth in sales, size of the industry, capacity addition, increased orders, qualitative improvements and branding of the products, technology upgradation, employment etc," said the survey on the impact of FDI in retail on SMEs. According to the survey, mandatory sourcing will provide for expansion of the scales of production facilitating domestic value addition in manufacturing, thereby creating a multiplier effect on employment, technology upgradation and income generation, demand and further investment. The SMEs are also bullish about 51 per cent FDI in multi-brand retail and expect its earlier and speedier implementation would lead to the growth of organised retail. "India's growing retail boom is a success story. Fifty-one percent FDI in multi-brand retail and its early implementation would give a major boost to the all round growth of organized retail in the country having substantial positive impact on the growth of SMEs," said Chandrajit Banerjee, director general, CII. The CII survey was based on a large sample size covering different categories of SMEs according to sales turnover. This included companies with a turnover of Rs.25 lakh to Rs.1 crore, between Rs.1 crore to Rs.5 crore, Rs.5 crore to 25 crore and those having turnover between Rs.25 crore and 100 crore and above, from different regions of the country. Asked how the SME industry considered the entry of MNC (multinational corporation) retailers, over 66 per cent of the respondents said it was an opportunity. Around 21 percent of them perceived it as a threat. About 12.5 per cent of respondents said the decision would have little or no impact on their businesses. Over 98 per cent of the respondents said opening of the FDI in retail will augment growth of sales of their products. Of them, around 21 percent foresaw the growth of sales to escalate more than 20 per cent while 31 per cent expected the impact in the range of 10-20 percent. Around 48 per cent of the respondents said the decision would have a positive impact whereas 35 per cent expected no change in the employment scenario.

Funding woes to continue for the real estate sector: Care Ratings report

Funding woes for the real estate sector is likely to continue, due to dwindling alternate sources of funding and delays in project implementation, said a report released by Care Ratings "The credit outlook for the industry remains negative until the cash flows are streamlined." the report said. The sector has been ridden with problems like slowing demand which is on dual grounds of rising EMI on rising interest rates and high level of inflation and the problem of delay in project

implementation is also not helping.

The construction costs have also gone up as the prices of raw material like steel bars and cement has increased by over 20% between July 2010 and November 2011. "The factors which can tame the issues of the sector and bring in cash flow stability would come primarily from 2 sources; increase in the affordability of the buyers and deleveraging of the land banks and sale of non-core assets" the report suggests. It is likely that flow of credit to the sector may not increase anytime soon, even as cost of funding through other routes like private equity and NBFC or non banking finance company loans is unaffordable for the developers. The ability of the developers to manage the funding shortfall by way of stable cash flows and maintain adequate liquidity would determine the credit quality going ahead.

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