

WEBINAR WITH EX-CM, OPPOSITION LEADER SHRI DEVENDRA FADNAVIS TO HANDOVER THE PETITION OF MMR ACTION COMMITTEE ON JUNE 9, 2020

Shri Shailesh Puranik welcomed all the Members

Shri Shailesh Puranik mentioned that we all are suffering through this tough situation of COVID and the lockdown, because of which the developers are facing the Economic crisis and it's very difficult to survive. The lockdown also announced at the time when the real estate industry was already going through the bad situation from past 4 years.

He further mentioned that we were in hope that we will be taken into consideration but unfortunately, we haven't been heard and there was no response to our requests.

In this online agitation almost 14-15 Associations of Developers have come together and formed this MMR Action Committee but still we were not been attended. The only hope we could see in this time is our Ex-CM, Shri Devendra Fadnavis ji. Whenever we have approached to him, we have been well heard and actions were taken from time to time. He understands the economy very well and we hope he will support us.

Shri Ajay Ashar, Chairman MMR Action Committee

Shri Ajay Ashar said that we are honoured to have you in this very very very special and very very very different webinar. Very special because you are amongst us and different because the future of lakhs of people of India dependent on you. He mentioned that we have unbound faith in your ability. We respect the great human being that you are, said Shri Ashar.

Shri Ashar mentioned further that my friends, members of the associations, and my fellow developers' brothers have put up responsibility on me to put up our case before you and plead before you. Our survival, our revival and our future. The formation of this MMR Action committee is the result of the past 4-5 years' pain, anguish, stress, sleepless nights developed in the large number of developers.

We have taken de-monetization, RERA, GST, IBC, Surveys, Searches, everything in our stride and fought well. There are still lot of rooms to improve the ease of business, which is actually only on paper. The fighter in us is very resilient in nature, said Shri Ashar. We have survived the COVID decease till now but don't know how we will be able to survive in the second decease, that is financial meltdown, the economy decease. You are the only doctor who will take our case to the Hon'ble Finance Minister and Hon'ble Prime Minister.

The person can fight any situation but can't fight with the financial situation, it's the question of our existence. We need to understand, what is the financial pressure, from where it is coming and why only Government is our savior and no other savior. We have experienced ups and downs in the businesses, 2008 crisis has impacted all over the world but in India it just entered and moved out and not affected us in large. But this situation is very peculiar.

Presentation given by Shri Ashar on The Financial Scenario of the Real Estate.

Understanding the Repo rate and its movements - RBI has reduced the REPO rate from 6.5% in January 2019 to 4% in May 2019. It means RBI clearly able to understand our pain and is acting accordingly. We would have get the reliefs from the Banks in this situation.

- Repo Rate Reduction V/s. Change in MCLR

- Cost of borrowing for Developers – from Banks – 13%, From HFC/NBFCs -16%, on an average is between 5% to 8% across banks for loans to developers over and above the MCLR and not mentioning the Repo Rate. There is sufficient margin in Repo Rate and MCLR
- Cost of Fund of Bank/HFC/NBFC V/s. cost of Lending to Developer was explained by Shri Ashar.
- Key questions (1) Why is ROE borrowing cost at average of 15%, one of the highest in the world, when it is a loan against security? It is secured on the properties we are hypothecating. (2) Banks have cheaper lending rates. Why do banks not lend directly to developers? No bank is giving money to us, we have to go to HFCs and NBFCs to take the money. You have seen the difference in the rate of interest when we go to the HFCs and NBFCs, if bank gives us directly it will help us more. (3) Banks have NIM @ 8% in portfolio while 3% in NBFC lending. Why are they giving these margins to NBFCs?

It is very difficult to understand, it is lack of confidence, lack of directives and in this situation how we can run our businesses in this problem. In current scenario looking at the financial situations, what are the reaction of the bankers, they are only safeguarding their own interest. There is good margin, they are completely secured.

He also mentioned about News about Bankers, Government Officers oppose interest SOP under moratorium. Why it is being opposed.

Shri Ashar mentioned that there are people in this Webinar have not able to pay their interest in last 6 months, how they are going to pay it. This is the fear between us.

All the Developers who are present here everyone has now got into financial tangles. There is no way out. Why we face this system that we have to do landing on more rate. There is continuous pressure on us. Today the margin is 25% ROE and, the world over ROE of Financial Institutions are in single digit. So, our question is why we should not be given restructuring? why no passing of interest rate benefit to us by the banks etc., if we don't get this relief we will be nowhere. All the persons in the webinar are new here, all the small developers of MMR Regions who have small projects who can not survive in this situation. We don't have deep pockets, we don't have ability to sustain and we are open about it, nothing hiding this fact.

When the 20 Lakhs Crore package was announced, there was no such committee was formed but when we learnt about only one thing which is extension of 6 months by RERA, nothing else relief was extended to us then we formed this committee in 48 hours. We are not able to survive if no relief is granted to us.

There is fear that whether the Government does not require such small businesses, whether it wants listed big companies? We understand that whatever is happening is the cleaning of the industry and we are happy and embraced all the changes. Our only plea is please listening to us. Shri Ashar made humble appeal to take care of the developers.

Shri Nayan A. Shah, President CREDAI-MCHI quoted 'Death by starvation and Death by lack of Attention'. I would like to justify that USA economy has 21 Trillion Dollars, real estate contribution is 12%, 2.40 trillion dollars is the size of the real estate economy in USA. In UK it is 350 billion dollars in China it is 1.06 trillion dollars, in India about 120 billion dollars. In next 5-7 years our economy will go from 2.5 to 5 trillion dollars and, real estate will contribute 10%. So, our size will become 5-600 billion dollars.

Shri Shah further mentioned that the point is will this become a reality or not? In last 3 years, three things are happened, which have made our industry, completely regulated RERA, the fungible FSI regime came which completely regulated the entire approval process and there after the Development Control Planning Regulation announced recently, which put pressure on so much unethical and other kind of developers that the entire industry is cleaned today. What is left is a stock of thousands of hardworking developers who are compliant, and law abiding and have very healthy organization with them today. Over the last 3 years 100s of representations are made to the PMO, RBI Governor, Finance Minister, Ministry of Urban Development and Poverty alleviation, Civil Aviation Ministry, MoEF, but they are got to the deaf ears. They are completely aware of our problems, but we are not able to get their attention.

Very recently the 20-lakh crore package was announced, apart from that the government also announced 8 to 10 lakhs crore package to double the farmer income, 3 lakhs crore package for the MSME to give them loans. So, all this pumping of the money has not resulted in any revival of the economy because it will take time, the money to come in, get invested, factories to come, product to come, profits to be earned and then the economy will be revived. But unlike that, the business model of the real estate industry is completely different.

When a Bank or Finance company giving home loan to the flat purchaser that money directly goes into the project to the construction of the project. when a Bank of FIs give loan to the developer, he is giving the loan to the developer that land has already paid by the developer. He brings in the margin of the 20-30% whatever the requirement of the bank and then this money goes into the escrow account of RERA and from there it goes directly goes into the project. So, the money given to the flat purchaser or to a developer, directly results investment in economy. This business model is not there, in any other industry like Farmer, MSME, Steel, Auto Mobile etc. Business model of real estate financing is very safe model. Developer may lose the money but the bank will not loose the money. Because the money is directly going into the project and once the project is completed, even if the rates are reduced the developer will use the money. The bank will get the money back.

We want that the real estate economy should survive and the real estate economy should be the revival of the Indian economy. In the petition we are trying to give you that is something of non-fiscal incentives as well as fiscal incentives. None of the fiscal incentives are from the developers. E.g. home loan rate 5% or the construction finance at a single digit, or GST has alternate option ITC credit and such other reliefs we are asking for. And also, to give relief to the purchasers so that home loan and the cost he pays gives him an accelerated deduction in terms of principle and interest repayment, these are the things that we are asking with the Central Government.

Shri Nayan Shah further mentioned about the issues with the Ministry of Defence, with the Ministry of Civil Aviation, with the Ministry of Environment and Forest and others. The maximum cost we are asking in our Petition, if you put whole country together, may not be even 50000 crores to the government. But these 50000 crores will immediately boost 15 lakhs crores of Housing projects that are registered in India, under RERA in different states. These 15 lakhs crores are employing 6 crore peoples. More than 70-80% people are left back home. We as developer, not feeling excited to call those workers back as we don't have money to start the projects.

He further mentioned that Sir, there is nobody better than in our country, who understands finance, regulation. You have seen our compliance today, every developer has been absolutely compliant as far as RERA concerned. I would request to please take up our call as where a meeting with the RBI

Governor is there, present when we meet the finance minister, when you present with the PMO's office, then only they will realise that such a leader is sitting in front of us. You can tell them that whether it is sufficient or not and get the right package for us. Please save us from Death by Starvation and Death by lack of Attention.

Shri Shailesh Puranik mentioned that our pain is real and that's why we are talking passionately. We want from government is ideal environment. We want government to work as catalyst, so we can progress and can help in nation building.

Shri Deepak Goradia, President-elect of CREDAI-MCHI

Shri Deepak Goradia mentioned that as already mentioned by Shri Nayanji and Shri Ajayji, since 2012 i.e. from 8 years we are suffering from slow down, multiple issues are there. 2018 ILFS crisis, which lead liquidity crisis because of which the construction work is being delayed. And this sudden situation of COVID pandemic is also impacted to this industry and liquidity has resulted in unsold inventory, projects are stalled and we are not aware when the industry will revive, the work will start, when the material production will start, when we will get that material, migrated workers who had left to their villages when they will come back. Minimum 3-6 months will take to normalize the situation. Workers will start coming back after Diwali i.e. after October, November then we can start our industry.

In today's situation, if we want to start our work this industry may take 12 months to revive and the demand will be boosted once the customer gets confidence as there may be salary cut or loss of jobs are happened, so customer will take 6-8 months to revive. The real estate industry generates 4 time multiplier in economy being the second largest industry in employment, supporting 250 Allied industries. So, whatever the reserve bank announcement done on 22nd March and 22nd May regarding infuse liquidity in banking system, extended moratorium for first 3 months then extended further 3 months with reduction in Repo rate etc. But on reality the impact expected on ground level is not happened, and whatever reliefs extended till now we are not benefited at ground level.

Shri Goradia further mentioned that to revive and survive of the real estate industry our prayer to RBI is only to allow onetime restructuring of loans should be standard for special mentioned account and nonperforming accounts. Also, moratorium of EMI payment upto to extend till March 2021. It has been allowed for 6 months', we want March 2021. The additional facilities from the banks, such as the loan repayment linked with the construction, so this facility we can get through onetime restructuring and it will help the timely completion of the project and revive the struggling business. Banks, NBFCs, HFCs, mutual funding institutions to extend these facilities to support. Second point is to allow additional 25% loan with Guaranteed Emergency Credit Line (GECL). That 25% working capital will finance additionally to the projects. So the customers of under construction projects, because of COVID there will be delay in completion of project and the customers finance requirement will increase, so for that we require addition 25% funding to complete the project on time. These are our 2 humble request to RBI and we want you to please put forward the same to the government so that the developers all across India, in Mumbai-MMR and all over India will give positive signal and we will get relief in the issues.

Shri Deepak Mehta, President, CREDAI-MCHI Kalyan Dombivali Unit

He informed that there are total 197 member developers in CREDAI-MCHI Kalyan Dombivali Unit. In this area 500 - 600 projects are under construction and most of them are Affordable Housing

Projects. The developers can fulfil the dream of Hon'ble Prime Minister Shri Narendra Modi i.e. 'Home for All', but only thing that we have to get some benefits from Government. All are facing problem because of COVID. Economy of our country also came down. To review the economy kindly reduce home loan interest from 7% to 5%. It will be beneficial for customer and it will help to increase the demand. This will boost the economy and get fulfil the dream of our Prime Minister. Hence requesting you to kindly push our Petition to Central Government and reduce the home loan interest rate to 5%. Our new generation is very much afraid to enter in the Real Estate Business.

Shri Gautam Thacker, Karjat & Neral Region

He said that, Shri Devendra Fadnavisji informed last month in his webinar to all developers that he will take developers representation to Central and State Government, and now he is completing his promise by taking our Petition to Central Government.

While reducing Repo Rate, RBI given instruction to share the benefit of Repo Rate. But there are still 1.4% minimum difference between Repo Rate of RBI and banks. If we convert this on home loan rate, then the difference is 20%. The buyers are paying 20% cost extra to purchase their dream house. It effects on their livelihood.

Finance cost plays a very vital role Cost of construction, how do we sale homes in low cost, as we are getting finance in the rate of 15% - 18%.

These two points are very important hence requesting to take this issue with Central.

Shri Ramesh Shah, President, Navi Mumbai Builders and Association

He informed that their Association has 182 developer members. We all developers stop construction work because of Corona, all works are gone to their native place. RERA has given extension for 6 months but because of monsoon construction work will slowdown as well as allied industry who supplies us construction material was closed. It will take time to smother the supply chain and kick start the construction. Hence requested to extend the RERA possession period at lease for 1 year.

Shri Abhishek Sharma, President, Navi Mumbai Youth Association

He informed in his Association consist of 125 developers members under the age of 40. Homes for All scheme lunched under the PMAY scheme in divided into 4 income slots from maximum family income from 6 lakhs to maximum income of 18 lakhs. He requested that the government should consider by raising the maximum income up to 36 lakhs. Also said, if increase the percentage of subsidy across all slabs then it will directly benefit the purchaser by increasing purchasing power and increase demand and overall growth. PMAY is the powerful weapon be generating demand and currently 1.2 crores people have been already benefited from the PMAY scheme.

Shri Kiran Bagad, President, CREDAI-MCHI Raigad Unit

He informed that in his Association more 200 developers are member. Many home buyers have benefited with PMAY Scheme. He suggested it will be more beneficial if Government make some changes in Credit Link Subsidy Scheme. Period of this scheme should increase and the clause up to

purchase of 45 lakhs worth flat cost should be taken off. This scheme will be for every 1st home purchaser. Please consider your point positively.

Shri Bandish Ajmera, Hon. Secretary, CREDAI-MCHI

He raised the point of GST and said that in the present situation the real estate industry is facing worst time, but since it has high inventory cost. The cost of the indirect tax is approximately 15% and is one of the main factors of high inventory cost. The Government has taken the initiative by reducing the GST from 12% to 5% but had made a small mistake by disallowing the input credit to the developers.

Second point is that the sales of the flat reduced considerably in the last many years. In view of the above the government should allow the input credit which is to be observed on account of the unsold inventory after OC should be allowed for the liability from the liability of the text within our same project or within the company or the firm.

The third point is to reduce the cost to make it affordable to the customer, government has to start once again the setup of input credit against the liability. This will enhance the sector as well as it will make affordable to the customer. It will be beneficial for both developer and the customer.

Shri Vijay Lakhani, President, CREDAI-MCHI Navi Mumbai

He mentioned that, the government has given the benefits of loan repayment in two ways, one interest paid under section 24, it restricted to 2 Lakhs rupees. Second is principal amount rebate under Section 18 C and restricted to 1.5 lakh rupees. Both benefits given are very less compared to a loan and interest rebate. He requested to the Hon'ble Finance Minister to withdraw the cap of Rs. 2 lakhs and Rs. 1.5 lakh. So that it will help the developer and home buyers. With the following ways:

- (1) It will boost sale of flats.
- (2) It will give more benefits to house buyers in income tax which will tempt them to invest in flats.
- (3) If sale increase then will kick-start construction activity
- (4) It will help related industry like is steel, cement, hardware, sentry items, contactors, interior designers, labourers and workers.
- (5) It will increase GST collection of the State and Central, ultimately it will have to help government.

Our Members have explained all over problems faced by Real Estate Industry. And you are well aware of the gravity of our problems and we are very much sure about your great support.

Shri Ashit Shah, President, CREDAI-MCHI Mira Virar Unit

He said in his unit they have got 150 members. All developers are really appreciated for you to take this petition to the highest level with your foresight and with your Dynamism.

He requested to increase the SWAMHI Fund from twenty-five thousand crores to one lakh crores. So, the mid income housing projects will get the maximum benefit. The developer fraternity have confident that you are very helpful and solve the problems of Mira Bhyander and help us to survive this trouble time by getting the best from the central government.

Shri Ajay Ashar, President, CREDAI-MCHI Thane submitted petition to Shri Devendra Fadnavisji and request him to sign. And requested him to do the needful.

Address by Shri Devendra Fadnavis

He thanked all panelist and developers present in this webinar. He said that we all are going through this challenging time. In the leadership of Hon'ble Prime Minister Shri Narendra Modi Central Government announced some measures to boost the economy.

He further said that he has aware of the problems of developers community, he understand their questions and started thinking on them. Measurers received from Central Government for developers is RERA extension for 9 months also all statutory permission got extension of 9 months. Banks got the liquidity on large scale but the question how this liquidity enters in Real Estate business. There is interference of Central and State Government in the Real Estate Sector. There are many demands from State Government side. Many of developers are capable to resolve the issues from State Government. That will help to get various facilities and use liquidity in a better way. He will try to raise the issue in front of State Government along with that represent and submit the petition to Central Government.

Bifurcate demands in 4 sectors

- (1) To realise the stress from balance sheet
- (2) To provide liquidity in affordable rates
- (3) RERA and GST tweaking on Ease of Doing business
- (4) Measurers to increase the demand

The demand of one-time restructuring of Assets is to be approved to reduce the stress. Many finance institutions invested money in the Real Estate Industry. If not release the stress of Assets all this investment may come into problem. Hence this demand is very logical and he will request Government to indicate banks for one time restructuring.

To provide liquidity, RBI reduced the repo rate but not implemented by other financial institutions. This completely wrong. It will not fulfil the intention of Central Government and RBI. So, all financial institution should pass on the repo rate cut to all their consumers. He also said that he will definitely follow up this point.

RERA has given extension for 9 months, developers demand is to increase further. The provision has given in the notification to extend further (but not automatically).

Issue of GST Input Tax Credit is very important, and Central Government understood this issue very well and it is already flagged before GST Council. This decision on this issue is expecting very soon.

With regards to GST on rehab component, the Committee has been formed under the leadership of Shri Nitinbhai Patel, this Committee is working on this issue. So, let's hope that we will get the positive result.

To increase the demand, the Government has increased the package of CLSS scheme by seventy thousand crores. Our demand is to increase capacity of home buyer. Specifically, in Mumbai Affordable category is about 1 crore.

He further said that he already discussed some Issues with Central Government and they are very much positive with the issues of passing on repo rate and one time structuring. This issue will push again in front of Government.

Shri Narendra Modi always takes new decisions for improvement of our economy. His goal is 5 trillion dollar economy of our country and he knows that it is not possible with handful of few peoples. But people across the board have to participate and the Government has to respond to their needs. Hence Central Government has announced huge package. Some issues are still balance. But Shri Modi want to review those sectors who generates more employments. Government has given seventy or seventy five crores to HFCs and NBFCs for their lending. Because of that their risk has been covered and they can lend to Real Estate Sector. So, we can put our efforts to resolve this issue. In this package Government has taken path breaking steps for MSME. This shows Government is behind small business.

Shri Devendra Fadnavis assure all developers that he will forward the petition to Central Government. He has spoken to Smt. Nirmal Sitaramji, Hon'ble Finance Minister and inform her about this petition. Real Estate Industry is second largest employment generating industry, thus the Central Government will positively support the industry. And the developers will fulfil the dream of Shri Narendra Modi i.e. 'HOMES FOR ALL'.

Shri Harish Jain, BDA

He explained that BDA is basically representing Redevelopers. 3 issues of redevelopment have listed in this petition please taken up that issues.

Vote of Thanks by Shri Jayesh Shah, Special project, CREDAI-MCHI

He thanked Shri Devendra Fadnavisji for taking our time and addressing our issues. Also thanked to all the members of Real Estate Associations.