

AFFORDABLE HOUSING

**Affordable/mid
Housing Market**

**Robust- Affordable
Realty Market**

Homekraft

Opportunity

Initial Challenges



**"HIGH TURNOVER
WITH LOWER
MARGINS"**

Affordable Housing
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CREDAI
AFFORDABLE HOUSING COMMITTEE PRESENTS



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Chairman, CREDAI - National
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1) What made you decide to enter the Affordable/Mid Housing Market?

The demand for affordable housing is very robust in India with over 1 crore units required in the 7 metros and over 4 crore units required in Tier 2/Tier 3 cities. This is the next big opportunity which any good developer should avail of, but the mantra should be “high turnover with lower margins”, running this like a factory, like a manufacturing unit.

2) What should be the approach towards building affordable housing in India?

As I have already stated, the approach should be “high turnover with lower margins” and should operate more like a manufacturing unit where in cost cutting by improving efficiency is a must. Also the product must not just be defined by reduction in size. That of course, is a requirement, but it should also be kept in mind that the number of rooms required in each dwelling unit should be a minimum of 2 habitable rooms, no matter what size you are doing. This because typically an Indian family requires one room for the parents, one for the children and a room where you can have a temporary bed to sleep on for any guest who is visiting. This is the approach towards affordable housing.

3) Whether NCR Region (your home pitch) has a robust-affordable realty market as well?

The NCR is defined as doing 50 % of the total real estate of the country and, it is certainly our home pitch. This 50 % of demand of the country which is in the NCR has the entire pyramid of demand right from the top to the very bottom. It is so robust that I think for the next decade, there is no dearth of work, if you work efficiently, honestly and more importantly with a deep sense of commitment.

4) Why this new venture by named “Homekraft” as already ATS Infrastructure has established Brand name?

Our main brand ATS defines larger format homes and we

did not want to confuse the brand with the smaller format homes. So therefore the name “Homekraft”. And Homekraft, because we feel that we have mastered the craft of making homes. Therefore, we offer a product in the affordable housing segment which, because of our rich experience in residential delivery will bring the best even in a smaller sized home, in a complex with the touch & feel of a rich lifestyle.

5) Considering the huge demand for Affordable Housing what makes ATS well-positioned to capitalise on this opportunity?

ATS is well positioned to capitalise this opportunity because we have done a major part of the demand pyramid and therefore we know exactly the pulse of the homebuyer, the pulse of his family and what they need in an affordable home. They just don't need an affordable budget, rather they need a home which works for them where their children and their family lives for one decade atleast and their children pass out of school from that location so that they don't have to change their home again and again. That is why we are well positioned to capitalise this opportunity of affordable housing. Knowing the pulse of the buyers expectations in various segments is the key and we understand that well.

6) What are some of the initial challenges you might have faced while foraying into this new venture?

Of course, the initial challenges we faced were pricing, because people expect pricing to be lower for affordable homes but pricing is governed by land cost and specifications of the product. But having said that, our first offer to the market was very well taken because people have now understood in this geography that when we make an offering of a home, then the infrastructure and the quality of life that we will eventually provide require a certain amount of financial input. Our pricing is certainly slightly higher than the market. But we have overcome the challenge of price wars!

7) What is reason behind appointing banking veteran Mr. Prasoon Chauhan as a CEO of this new venture?



We feel that bankers would be a good bet to head any operation as they have seen business from the lending side of the table and if they are on our side of the table, they know what is going on in the mind of the lender and they can get the best out of that. Additionally, the approach is to focus on compliances, professional team management, delegation and of course understanding that debt is to be taken very intelligently. I think our choice of having Praseon head this vertical was very well thought about and it has been a very good decision I must say.

8) Do you have any plans to expand with this new venture across different locations in the country? If YES WHICH?

We will definitely expand to other parts of the country. But we are prevalent in the northern part of the country. Once we have established our new brand in the North, we will expand to other geographies because we have to set up teams at every geography. We cannot have a centralised system of running this vertical. It is a process which will take some time but rest assured, it is on the planning board to expand to different locations.

9) Who you feel are your tough competitors in NCR region operating under Affordable Housing?

I think everybody is a competitor in any region. So we respect that and it motivates us to work better.

10) Do you think having an in-house construction arm of ATS is additional – big advantage while entering into this new venture particularly when margins in affordable housing are minimal?

Having an in house construction arm is a game changer because you are not at the mercy of a contractor. You cannot be blackmailed into paying money more than what has been decided, or paying money before agreed timelines. Nobody can disrupt the flow of construction. In-house construction is a huge advantage to any real estate company though it takes time to set up a team to do it. Your margins of course may not improve drastically because of this, but definitely your quality of product will

improve quite a lot.

11) How you look at the “Infrastructure Status” given to Affordable Housing segment by the central government?

Infrastructure status given to affordable housing is well thought off and well-meaning but unfortunately the RBI has not given any directions to banks or other institutions to lend cheaper money to developers doing affordable housing and this really has not given a thrust to the government's efforts to give an infrastructure status to affordable housing. Once this happens and we are able to raise capital at sub 10 % for construction, then of course you will see a huge activity in this segment.

12) What are some of the initiatives or steps you'd like to see the government taking so as to promote Affordable Housing?

There have been few initiatives and government has come up with section 80(IB) 10. With regard to smaller locations, there are limitations on achieving high FSI as there the horizontal development is preferred to vertical. There is a clause of achieving a minimum of 80% and 90 % FSI in Tier 2 and Tier 1 cities respectively. If this clause is done away especially for smaller locations, where no minimum FSI is required to be achieved, there will be a boost to horizontal development, because in smaller Tier 3/Tier 4 towns, people prefer to live in low rise development.

13) Any other addition

To give a boost to affordable housing, the banks need to be told to lend cheaper money to Industry. Funding land buying is not permitted to banks, and if government permits that, it will encourage developers to do affordable housing. From the consumers' side, of course, the Pradhan Mantri Awas Yojana is doing a lot, to encourage people to buy homes today as that does rationalise the cost of a home loan. Improved income tax incentives from what already exist given to the buyer will also go a long way into encouraging the consumer to leverage and buy that house.



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