

# STATECON 2019

*HOUSING FOR ALL - Agility in the changing landscape*

14<sup>TH</sup> & 15<sup>TH</sup> NOVEMBER 2019



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## STATECON 2019

CREDAI Karnataka organized the 8th State Conference, 'CREDAI STATECON 2019' for the Real Estate Developer Fraternity on 14th & 15th of November 2019.

This Conference was attended by CREDAI Members & Developers of Karnataka, along with Engineers, Architects, representatives of financial institutions and key decision makers of the Government.

Neighboring State Chapter Members and Developers & CREDAI National Senior Members & Office Bearers were also a part of this Mega event. Around 500+ Developers / Builders from the Fraternity were present during the event.

Under CREDAI – Karnataka, we have Ten City Associations:

CREDAI **Bengaluru**

CREDAI **Belagavi**

CREDAI **Bidar**

CREDAI **Hubbali-Dharwad**

CREDAI **Kalburgi**

CREDAI **Karwar**

CREDAI **Mangaluru**

CREDAI **Mysuru**

CREDAI **Udupi**

CREDAI **Vijayapura**

STATECON 2019







## Dr. C. N. Ashwath Narayan

*Hon'ble Deputy Chief Minister  
Government of Karnataka*

While addressing the CREDAI State members during CREDAI STATECON 2019 inauguration Dr. C N Ashwath Narayan, Hon'ble Deputy Chief Minister, Government of Karnataka said it is important to address the challenges faced by the real estate sector for the development in the city.

The realty sector has been facing a lot of hurdles of late in terms of delayed approvals, delay in facilitation that is creating a lot of inconvenience. To help the developers overcome such challenges, the state government will extend its complete support required by the real estate sector. Our Prime Minister Narendra Modi insists on 'ease of doing business' which has also been taken as priority in the state. Also, to avoid these challenges, the state government is coming up with new changes to ensure that Karnataka is the best place to do business.

As a relief to the developers, he said "post approval for the NOCs will be brought in and housing projects of large size should be brought under high powered committee which will address the concerns of the developers.







## Mr. Jagadish Shettar

*Hon'ble Minister of Large & Medium Scale Industries  
Government of Karnataka*

Mr. Jagadish Shettar, Minister of Large and Medium scale industries rose to the dais to share his perspective of the real estate industry.

“A rich industry with poor compliance of government officials who rather favor the parties that work under the table. Geographically, the State is riddled with slums. Even smaller towns in the state have slums and it's all because the Government doesn't encourage developers who work by the book.”

“I've already told the authorities to relax the rules for approvals so that developers can build houses in slum areas and give houses to the underprivileged”

PM Narendra Modi insists that India should be a country that other nations look to when they wish to set up a business in foreign land, to this Mr. Shettar added “This can only be achieved if the officials and political leaders help developers who are abiding the rules.”

Praising CREDAI for its help in the industry, Mr. Jagadish Shettar requested the association to discourage developers who do not complete the construction as promised and to save our lakes and nalas that were being dried up to make room for large projects.

Mr. Shettar enlightened the audience saying “Today everyone is aware that the real estate industry is contributing greatly to the Nation in terms of growth and employment. That's why the Government is pumping in Rs. 25,000 Crore for its revival. And as an Industry Minister I am planning to bring in subsidies for the industries which are developing Tier 2 and Tier 3 cities. There's a lot of scope in cities like Hubli, Dharwad, Davangere, Gulbarga, Mysore, etc and that's why we want a lot of developments to take place there”

Ending his speech, Minister of Large & Medium Scale Industries of Karnataka said “I want a cooperative movement to be implemented in Karnataka. It already started in Khanapur which is really impressive. This needs to be implemented all over the State.”





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## Mr. A. Balakrishna Hegde

Mentor, CREDAI Karnataka

### Presentation on Ease of Doing Business!

Mr. Balakrishna Hegde, Mentor, CREDAI Karnataka appealed the government on the challenges faced by the developers in the state. He pointed out the administrative hurdles the real estate sector is facing.

In making Karnataka achieve a high rate of ease of doing business, he laid out his suggestions to the Ministers. Most of which were on the basis of administrative time lapses and cost reductions.

#### Pointers:

#### 1. Ease of doing business – Administrative simplification

- Abolish all NOCs for plan sanction
- Infrastructure planning to be based on 20 to 30 years plan, not on individual sites
- Incorporate Fire NOC and Environmental Requirements in Bylaw
- Withdraw extra 5% relinquishment for layout sanction by STRR & other LPAs – same to be part of the 45% for roads, CAs and parks as before
- Introduce uniform zonal regulations for all cities in Andhra Pradesh, Telangana, Chhattisgarh etc.
- Ensure RERA registration in 30 days as per statute
- Discontinue provisional sanction and final sanction for layouts. RERA protects buyers' interest completely
- Outdated 1904 village map irrelevant in master plan areas
- Insisting for bandidaris, kaludaris and non-existent dry nalas in the Master Plan area is unreasonable and archive, when well planned road network is in place
- Provide for change of course of minor nalas within the plot outside building

footprint, without insisting on buffer

- Determine buffer for nalas and lakes scientifically (for only the existing ones only) based on nala width and lake size
  - All land in master plan area are deemed converted as per Sec 95. Implementation awaited – with this, Sec 79(a) and (b) becomes redundant in Master Plan areas.
  - Cut down time loss due to duplication of processes during development plan and building plan sanction
  - Plan sanction in BBMP is both online and offline
  - Decentralize decision in BWSSB and BESCO. Most decisions go to Chairman.
- #### 2. Ease of doing business – Economy //Revenue Booster
- Reduce stamp duty substantially up to September 2020 to exhaust unsold inventory
  - Allow substantial concession on plan sanction fees etc. for affordable housing
  - Introduce strict timeline of 15 days for plan sanction to speed up revenue generation.
  - Reduce stamp duty on affordable housing to 1% as in Telangana et al
  - Introduce stamp duty and fee cap at Rs. 15 lakhs on JDA and GPA as prevailing during Hon'ble CM's previous tenure
  - Introduce uniform fee for Khata across the state



Mr. Nagaraj Reddy - Vice President of CREDAI – National, supported the initiative "Ease of Doing Business", he spoke on the topic and was looking forward to make Karnataka the #1 state in India in the "Ease of Doing Business" space.

## Panellists



**Mr. T. M. Vijay Bhaskar, IAS**  
Chief Secretary of Karnataka.



**Dr. E. V. Ramana Reddy, IAS**  
Additional Chief Secretary  
Urban Development Department, Karnataka.



**Mr. M. R. Kamble, IAS**  
Chairman RERA Karnataka.



**Dr. Ramprasad Manohar, IAS**  
Chairman of Rajiv Gandhi  
Infrastructure and Housing Limited. (RGIHL)



**Moderator:**  
**Mr. Irfan Razack**  
Past Chairman of National CREDAI.

## SESSION #1

Ease of Doing Business – Housing for all in Karnataka

On the topic of Ease of Doing Business in Karnataka, Former Chairman of CREDAI National, Irfan Razack began the session with a demand to push for timely approvals within the Government. A critical factor that would reduce delays and costs which otherwise hurts the industry dearly. He emphasized that the Government does not meet the timelines of approvals and due to this companies fail to deliver projects on time that eventually hurt the sector economically.

Opening up the panel for discussion, he highlighted pain points within the industry stating that purchasing of land is the most cumbersome in the State complaining “The Land Revenue Act is very archaic and different compared to other states. The Revenue maps have not been updated since 1904” “In states like Andhra Pradesh and Tamil Nadu one can buy land whether it is agricultural or non-agricultural. But not in Karnataka, here non-agriculturists cannot buy agricultural land”

“In a city that like Bengaluru, which is ever expanding, agricultural land is an inevitable asset for expansion and growth but the whole process of getting the land, converting it and seeing to it that farmer hands over the land and title takes a minimum of 6 months”

Another issue Mr. Razack brought out was about the Comprehensive Development Plan (CDP). Even when the land is under CDP, developers are still asked to convert the land. While the law states that lands under CDP are deemed converted, he questioned as to why are they still asked to convert it.

Lastly, a critical grievance that was causing a long-standing problem was fixing of guidance value. Without fixing guidance value, properties cannot be registered. He added to this point saying “The Guidance Value policy itself is flawed. The policy must calculate value of the area around the land and not consider the building present. If there’s a Prestige property, the value is much

higher than a mid-income property. In respect to this, the department calculates valuation of the area when the property was first built up. But after 3 to 4 years the value will increase yet the department calculates as when the property was built”

Chief Secretary of the Government of Karnataka, Mr. T. M. Vijay Bhaskar said “The Government fully supports the real estate industry. It’s the 2nd biggest employer after agriculture and we encourage it to grow further”

Further quoted Mr. Razack “As Mr. Razack encourages everyone to follow the rules, I implore the same. Sometimes the rules are unreasonable, but the Government is in favour of the sector to flourish. We want Karnataka to be a state that supports easy to do business.”

Mr. Bhaskar put forward that it is time for real estate companies to focus on more affordable housing projects...



The Government of India has also announced many incentives for affordable housing and building homes for the entirety of Karnataka shouldn't rest in the hands of the Government alone. Private firms with the financial backing should come forward and implement budget home projects.

"So, while the Government is trying to introduce more schemes that help the home buyer, construction companies should look to build more affordable housing. With affordable I mean houses below 10 lakhs"

In response to the pain points raised by Mr. Irfan Razack, he shared positive words stating the Government has recognized the trouble in purchasing land and has established a cabinet sub-committee to look into the Karnataka's Land Revenue Act and Land Reforms Act and make amendments that can help the buyer.

Mr. Vijay Bhaskar also mentioned that moving most of the approval process online will help the Ease of Doing Business initiative.

Dr E. V. Ramana Reddy, IAS, Additional Chief Secretary Urban Development Department, Govt. of Karnataka offered more assistance in easing the real estate business saying "We are expanding the horizon of E-Governance to take up more activities. Now more activities will be online under the Sakala Act with deadlines that rise penalties for any delays. Documents are also going to be digitally signed and these certificates will be available on the Digilocker app"

The Urban Development Department are working on multiple projects that promote E-Governance, such as making Transferrable Development Rights (TDR) tradeable online. This will offer transparency to all parties on the TDRs. Another important project is creating a smoother automatic approval system of building plans, as long as the plan conforms to zoning regulations.

By moving most tasks and approvals online, Dr. E.V. Ramana Reddy believes it can bring about a huge change in the dragging bureaucratic approval processes.

Closing his statement, Dr Reddy said that "Aside from the issues I addressed there are still a lot of issues on my plate and in the next one or two weeks I will address this to the Government and clear as much as possible"

On the basis of TDR, Mr. Razack was happy to see it come on an online trade platform but

was more stressed at the policy change of the TDR. As the new TDR is issued at guideline value, this valuation is hurting dozens of developers. Many developers are investing but due to the policy change, they are not able to get their TDRs.

Mr. Irfan Razack, Chairman and Managing Director of Prestige Group grieved cited an example, resting in the hands of the Real Estate Regulatory and Authority (RERA) that RERA Registration in Karnataka is another dawdling procedure. While in Maharashtra it takes as good as 5 working days for one to get their number from the day they register.

Real Estate Regulatory and Authority, Karnataka, Chairman, retired IAS officer, M. R.Kamblesaid that RERA Registration is not difficult. "All the guidelines and document-checklist are available on the website and anyone can get it done online. The main documents that one has to submit are the Khata, Encumbrance certificate of 12 years, building sanction plans and financials of the company. But nevertheless, I will ensure to simplify the platform to make it easier for even a layman"

Mr. Kamble assured that the market is not down, since taking office 6 months ago, 500 projects have been registered and 500 more are in the pipeline. Mr. Kamble gave suggestions to expand outside Bengaluru.

While private firms were voicing their hurdles, one organization is doing wonders in the real estate industry is Rajiv Gandhi Rural Housing Corporation Ltd(RGRHCL) led by IAS officer Mr. Ramprasad Manohar, Chairman of RGRHCL who are offering homes at 5 lakhs. When asked how, he says "We tender it out. The cost averagely comes to 1600 to 1800 per sq. ft. We don't pay for land, so we don't run into cost overheads".

Mr. Manohar pointed out saying "While parking spaces are offered between 2.5to 4 lakh rupees, we are offering roof top homes at 5 lakhs. That is what we call affordable housing. Our schemes offer many benefits that convenience the buyer more than regular government schemes"

The panel discussion brought about positive discussions to overcome the challenges faced by an industry which is one of the highest contributor to the GDP of the nation.





## SESSION #2

Future of Real Estate investment & finance in Karnataka

With new implementations in the industry there are times where developers struggle with difficulties in financing. Mr. J.C. Sharma, Former President, CREDAI Bengaluru, brings upon banking professionals to give their views on the sector's financial position and what we must and must not do.

Mr. Abhijit Majumder, CGM, LHO, SBI Bengaluru, affirmed that Bengaluru was one of the fastest growing economy with high migration of people into the Capital offering a potential boom in the industry. With that being said, he praised the business in the market as being one of the cleanest markets to do business.

Turning to Mr. K. P. Aggarwal, Regional Head – HDFC, when asked how the spending of developers and consumers looked like, said "With consumers earning higher incomes and marginally stagnant property prices, the affordability index largely increases, inevitably increasing the spending in the real estate market"

After the ILFS crisis, lenders are now hesitant to lend money worrying that major project delays will hamper their ability to payback.

Ms. Nidhi Jain from ICICI Bank clarified that funding in the housing sector was ICICI's forte. With home loans contributing to 50% in their retail segment coupled with an 18% growth year on year.

Offering a solution to a major concerns of financing projects, she continued saying "financial institutes should look to offer more debt to developers for financial closure without depending on revenue from customers"

But in a market that has large scale potential for growth, with demand rising high, will Banks be able to offer funding to match the supply? Mr. Mithun, PNB, HFC says "At this current stage, banks are happy to meet the demand but face threats with poor financially disciplined companies, who don't plan of their pricing and equity properly, especially from Tier 2 and Tier 3 cities.

"Majority of builders don't take the time to chart out the plan of a project from the ground up to selling the last apartment.

Inadequate preparation is lead cause of projects getting stuck" said Mayank Saksena, Managing Director of Anarock Group. He emphasized that "Builders should build spaces of what a customer would want. Building for the people is what will help sales that can aid in financial closure"

Poor planning among construction companies has proven to be an underlying problem, Mr. Agarwal continues to reiterate that customers are only focused on getting their loans but overlook the time period and when the time for repayment comes, projects are not even completed to even be sold.

He also seconded Ms. Nidhi's point that micro markets operate differently and must be treated differently. Before launching a project it's very important to get the fundamentals and financials correct.

The Panel later brought the attention to why there are high rates of interest in debt financing for developers. There is huge gap between interest rates for customers and developers. Mr. Abhijit Majumder answered saying "Interest rates are going down and RBI has been cutting rates consistently to keep inflation within control. The Government has urged banks to pass on the benefit to the borrowers that are the builders and customers."

"The real estate industry needs to emulate other industries and look to add value through innovation. A market can't expect growth by using age-old methods and policies" said Mr. Mayank Saksena.

The Panel concluded with points addressing the development of Tier 2 and Tier 3 cities, adding value through innovation to benefit the customer and better financial planning of projects.

The future of investments in the real estate market looks bright but borrowers must ensure safe coverage of their risk through comprehensive planning and structure of their projects that will avoid delays and cost overruns.



# SESSION #3

Marketing Tools

## Panellists



**Mr. Pankaj Kapoor**

MD

LiasForas



**Mr. Suresh Rangarajan .K**

Co-founder

Colive



**Moderator:**

**Mr. K. Sriram**

Jt. Secretary CREDAI National

Mr. Pankaj Kapoor shared his thoughts on how the industry has changed from the early 21st century. From holding inventory to holding customers, there's been a huge paradigm shift from the way builders sell and it's constantly changing.

LiasForas is India's independent real estate research company that collects data across 60 cities. They've accrued data from 11,000 Developers and nearly 20,000 projects and analyse the sector to understand the behaviour of builders towards price, demand and supply.

Presenting his data, he says "From 2014 to 2019, sales has grown by 42%". Barring the rumours that the sector is in a slump "The industry hasn't slowed down. Sales has gone up. The slowdown is mostly within the credit and financing space"

"Tier 1 cities have shown 28% and tier 2 cities have shown 112% growth"

Mr. Kapoor gives more insight on Bengaluru's unsold inventory, he pinpoints the numbers that depicts that Bengaluru sales was at its highest in 2013, close to 33,000 units with only 13 months of inventory. "But the sales haven't grown in proportion since the new launches that

came in 2016"

Adding on, "Any market should maintain 8 to 12 months of inventory and if the months reduce then your customers are reducing their advance and hence creating an unsustainable market. This also correlates to the sales velocity. A 1% sales velocity indicates it will take almost 100 months to sell a project. This means that you will have to borrow more and thereby risking the margins"

Concluding his statement, Mr. Kapoor said "LiasForas is dedicated towards producing knowledge about the functioning of land and housing markets in India. We study spatial and economic transformations of urban regions - specifically how the flow of finance capital affects land market behavior, urban growth patterns, housing production and consumption."

Data is a crucial tool that companies use to make their projections and plan where to develop projects. While there are noises spreading about the slump of the market, the data offered by LiasForas can put those rumours to rest.

Up next, Mr. Suresh Rangarajan, Co-founder of Colive.

Colive is a technology start up that offers shared accommodations that suit urban living. These are fully managed rental homes opened to singles, professionals, and live-in partners.

He rightly speaks about the current trends in this millennial generation saying "The buying age has shifted from 27 to 35 years. Currently there are 20 lakh people staying in PG accommodation in Bangalore alone. In Bangalore the average yield is 2.5 to 3%. The present generation don't want difficult land owners or illegal buildings".

Making a troubling statement that a lot of 30x40 sites that can comfortably accommodate 4 people are congested with 20-30 people and we blame the government for poor infrastructure. When actually we need to unite and ensure there are not illegal constructions does not happen within our neighbourhoods.

"A lot of challenges in the city are real estate and infrastructure related; Traffic, water tankers, potholes, parking issues, infrastructure and power issues." And therefore, beckons question "How do we eradicate these problems?"

*Continued...*



Mr. Suresh says that arresting illegal developments and targeting a different age demographic from 27 to 35 can aid to curb these problems”

Market trends show that it's important to have access over ownership. Millenias can't afford ownership of homes and hence opt for convenient schemes that give them the benefit of a house without entirely paying for one.

“Right now, I see that we won't be geared for the demand that will arise in the next 3 years. About 3 crore people will be looking for accommodation and I doubt our infrastructure or even paying guest services can match the demand. What we can do is

approach the buy-to-let category more extensively. The core demographic of this are young professionals, luxury professionals and live-in couples. These sets of target groups focus a lot on style, service and safety standards and these are features we need to offer, safety especially.”

Portraying the stats of Colive he says “74% are men and 26% are women. The ratio has improved over the last year because the mindset of women moving into ladies only accommodation is gradually shifting. 88% of colivers are less than 31 years of age.”

“We work with large MNCs like Amazon, Google, Samsung and we're building a great community with it. MNCs generally look for

good housing whenever they look for foreign expansion and can shy away if the location doesn't offer that. Studies show that 27% lower productivity among Indian employees in India primarily because poor infrastructure, after office challenges are contributing factors.”

Closing his statement saying “35 year olds will take up homes only if they can get good rental returns, understand that you need tailor make your services to the right audience and create products that are buy-to-let.”







## Mr. Jitu Virwani

Chairman & Managing Director  
Embassy Group



Statecon CREDAI 2019 witnessed heavyweights of the real estate industry come together and in unison vent out the troubles prolonging in their sector.

From prestigious names like Mr. Irfan Razack, Managing Director of Prestige to top ranking officials that are key to the revival of the industry, CREDAI Statecon 2019 was no short of thought leaders and gamechangers.

One such individual, Mr. Jitu Virwani, CMD of Embassy Group was asked to share his tips of the trade that he gathered through an experience in building a revolution.

“In my experience it’s important to be upfront and transparent to customers who you can go to be with you for a long time. Communicate with them and you’ll be able to build a strong relationship”.

Mr. Virwani empathized with the real estate holders, “I know everyone is going through turbulence. All of us are facing financial problems but I’ve been told that in 10 months of time things will get better, liquidity will improve”.

“In this day and age, technology is becoming the telling difference and we need to empower young minds. Times have changed now. I remember my 25-year-old son who came up with an idea that generated a huge cash flow for us. If we empower the future, we can entrust it.”

Mr. Jitu Virwani mentioned that dropping bad investments is an important practice even if they have to incur losses and advised to never make a fix return deal in any market at all. “Our industry is volatile, anything can happen. Land titles can become defective or zoning regulations can change and hence try to avoid structured deals. Whenever you buy land cheap, it’s better to sell equity to those lands and capitalize on the profits.”

Embassy who have been in the business for more than 20 years have not more than 500 employees. The company outsources a lot of their activities. “We keep a lean staff and outsource most of our project management activities because in a crisis it’s easier to off load a consultant than it is to fire one of our employees” he said.

“Many of my peers come to me talk about what my competitors are doing but I truly believe that if we stick to our core business and then it brings more value than replicating the market.”

The Embassy Chief spoke about building relationships to fund managers. “People thought that giving 50% stake to Black Stone but I saw it as an added value by building more credibility, shaping corporate governance and a lot of novel ideas in structuring deals that go beyond the past practices.”

Ending his speech he gave one final piece of

advice “This might work for some you but when the going gets tough, sell something and keep some strong liquid funds.”

During a Q&A session Mr. Virwani was asked What are the top 3 qualities to become Jitu Virwani?

He remarked “Smile more often.”

“Whenever someone asks me how I am I respond saying I’m always happy. It’s how you look at life. Failure should be looked as a beginning of your success. Our ability to change a challenge to an advantage has been of our strong traits. And lastly, I think it’s important to share your wealth with the people around you.”

Can you tell us more about how your kids are in the business?

“I have trained my son, Karan and Aditya about the business. I had them shadow me for 2 years and today Karan is managing WeWork India and Aditya is CEO of the group. My father empowered me and it taught me to make quick decisions and not get nervous and I’m inculcating the same with them.”

Any last few words of encouragement to youngsters who are hesitant to get into the business?

“If you want to get rich, real estate is the place to be.”





# SESSION #4

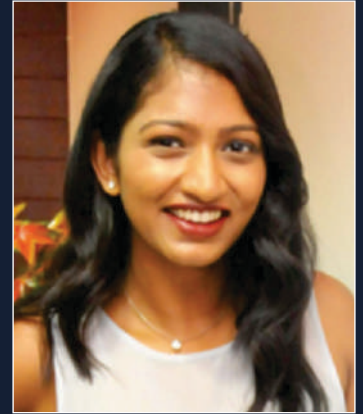
CYW CREDAI Karnataka Session on Start-ups



**Mr. Supreeth Vimala Suresh**  
Karnataka Coordinator



**Mr. Abhishek Bhatewara**  
South India Coordinator



**Ms. Zonu Reddy**  
Bengaluru Coordinator

## Companies attended



FalconBrick



CRE Matrix



Home Capital



Dus Minute



Prop Story



ECOSTP



- 1. Channel Partners are contributing significant portion of sales
  - a. In Delhi ACH almost 100%
  - b. In Bangalore too with many developers CP contribution is over 50%
- 2. Ratio to raw as markets mature - e.g. USA, Dubai, London etc.
- 3. Crucial to have a strong Messages or Human involvement
- 4. A Platform - Convenience & open up lot of possibilities for much higher return
- 5. Rationality
- 6. Visibility into
- 7. Data driven



# SESSION #5

Motivational Talk - "From Frustration to Fulfillment" by Swami Sukhabodhananda





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# STATECON 2019

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*Thank You*

**Mr. Anil Nayak**

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