



# BUILDING INFRASTRUCTURE BOTH SUSTAINABLY AND EFFICIENTLY IS KEY TO ENSURING GROWTH



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**How is your sector facing in this lockdown, the reviving measures taken to rebuild economy, Rebuild India?**

Although there were signs of a significant revival in the real estate sector in the first quarter of 2021, the momentum was temporarily halted during the second wave of COVID-19 due to partial lockdowns and restrictions. The recent lockdown has, once again, given rise to trends and policies that were previously considered short-term remedies.

As working from home (WFH) becomes the norm, homebuyers are opting for spacious and well-equipped projects with dedicated home offices including 24-hour uninterrupted power

and smart home capabilities. Larger homes and luxury properties continue to see greater demand during the current lockdown.

There is an increasing shift in focus towards health, quality of life, and accessibility. Gated communities provide a solution to a number of urbanization challenges, especially during periods of limited mobility. There is a growing demand for projects with premium facilities including club houses, fitness centres, swimming pools, playgrounds and sports facilities, as well as on-site supermarkets and pharmacies for added convenience and comfort.

Over the past year, the RBI's decision to keep interest rates at historic lows have subsequently reduced home loan rates. This has incentivised some homebuyers to take advantage of the market opportunity. Coupled with discounts in stamp duty in some states, this has led to increased sales and launches in the first quarter of 2021.

The digital transformation of the real estate sector has allowed it to quickly recover from lockdowns and other restrictions. Developers can connect with homebuyers and investors via online modes of communication. The digitization of property searches and sales processes will bolster the sector until restrictions are eased.

**What recovery measures are taken by government for rebuilding your sector so far? The government's recently announced National Infrastructure Pipeline of around INR100 trillion. How could it be prioritised for pending and ongoing construction, infrastructure and related projects?**

The real estate sector is a significant contributor to India's growth and is its second largest employing sector. By 2025, the sector is expected to account for 13percent of India's economy. The sector requires demand-generating recovery measures and timely execution of reforms that will curtail the slowdown in economic growth.

India's National Infrastructure Pipelines seeks to improve the living quality of its citizens. The massive economic growth of India over the past 3 decades has transformed millions of households into strong consumers. Investing in infrastructure is required to maintain this growth.

The supportive stance of the government should continue throughout 2021. The further



rationalisation of GST for under-construction projects coupled with tax benefits will be a welcome stimulus. The low interest rates and ease of liquidity will bolster the entire sector, especially in light of the Housing For All initiative.

Affordable housing initiatives are a positive step for the recovery of the real estate sector. The availability of affordable housing is critical to the real estate sector's revival. Affordable housing projects can incentivise potential homebuyers and widen the market opportunity.

The government's decision to provide funds for stalled real estate projects is a positive step to revive the market and consolidate the policy reforms of the previous years. These emergency funds should be implemented at the earliest to relieve the real estate sector, which has been struggling with the completion of projects due to an acute liquidity crunch. This move will not only help developers but also homebuyers who are awaiting completion of their homes.

**Do to this it can soak up relatively greater levels of employment? Despite an impressive economic recovery over the last quarter, share with us about challenges faced by the sectors, in the present times including yours?**

Being the second largest employer in India, it is imperative to safeguard the interests of the real estate workforce, especially in light of the second wave. Developers have learned from the events of last year's lockdown and created a contingency plan to effectively address pandemics. This includes employee health and safety monitoring, crisis management training, absenteeism,

remote working infrastructure, and travel restrictions.

Fortunately, over 85% of migrant labourers have not returned to their homes during the current lockdown. This is due to greater preparation, more measured restrictions for the real estate sector which have allowed construction activities to continue, and the availability of the vaccine.

Employee safety is the top priority for the real estate sector during this time. Developers are adopting more efficient ways to prevent workplace contamination and calm employee anxiety. Along with enforcing safety measures and ensuring availability of essentials, developers are introducing changes in project site operations to reduce overcrowding, such as facilitating remote work or shift work where applicable.

**In 2019-20, the States spent a combined 2.9% of GDP on capex while the Centre spent 1.65%. How does this help or impact your business?**

Capital spending plans have resumed after almost a year of uncertainty. This is due to a rebound in the economy and the availability of subsidised loans. However, more capex spending is required at the onset of the recovery. Real estate presently contributes about 6% to the India's GDP. The sector is expected to reach a market size of \$1 trillion by 2030 and contribute 13% to the country's GDP by 2025.

**The budgeted capital outlay for 2020-21 is Rs 5.7**



**lakh crore and 12 major States have to cut capex by Rs 2.7 lakh crore in FY 21. What kind of impact will it have on your business?**

The most important thing is to get maximum people vaccinated. Once the confidence come back into the system (in both the businesses and consumers) the sentiment will turn positive and this will in turn positively effect the real estate sector. I'm also hopeful that once the situation eases there will be some form of stimulus announced.

**There are projects facing a funding challenge from banks. According to RBI, bad loans have rose to estimate to 20-year high by March 2021. Is this an alarming signal for new or pending projects when the banks shy away from funding new projects?**

Until the onset of the COVID-19 pandemic, the real estate sector in India was emerging from a prolonged slowdown and on the threshold of renewed growth. In order to regain its momentum, the sector requires access to alternative sources of funds and aid from the government.

The government has allotted emergency funding for stalled projects in previous budget proposals. It is crucial to implement these emergency funds immediately and provide liquidity to developers in order to complete their projects. The emergency funds would mitigate the near-term effects of the downturn and allow high-priority operations to continue. It will also boost consumer sentiments and ensure projects are delivered in timely manner.

**What are the future plans to manage and maintain healthy profitability to rebuild India towards stable and sustainable growth?**

The magnitude of the real estate sector's impact on the economy means that building infrastructure both sustainably and efficiently is key to ensuring growth. As consumers shift their focus towards health and

wellness, the demand for buildings that enhance quality of life will only increase. This will lead to innovations in sustainable design and materials.

Increasingly, developers are utilising eco-friendly materials and integrating natural sources of energy into the architectural design such as rainwater harvesting, waste management and solar power. Energy modelling tools can optimise a building's architecture and layout, so efficiency is integrated into the design. This improves operational efficiency of the buildings and promotes conservation of natural resources. Drone footage of construction sites, combined with advanced analysis and design methodologies, will allow the efficient construction of buildings with minimal environmental impact and high quality of life for its residents.

**Globally large EPC player's manage projects in different corners of the world with production hubs strategically located in several continents. Nationally how have EPC contractors expanded their roles and adopted the roles of project consultants?**

As construction technology and processes evolve, EPC contractors become integral parts of highly-specialised turnkey projects such as integrated townships, commercial hubs, and urban transportation. EPC contractors can lend expertise to integrate new technology and sustainability to projects.

**What proactive role policymakers need to play to achieve their ambitious infrastructure plans and activities for big-budget turnkey projects? How will EPC contractors benefit from them?**

The real estate sector's recovery in 2021 will be driven by supporting developer



operations and boosting investor sentiment. Policymakers will play a massive role in this recovery process.

As we emerge from the COVID-19 pandemic, the real estate sector is in dire need of liquidity and supportive measures to aid its revival. This is an opportune time to grant infrastructure status to the entire sector and reinvigorate the sector to new heights.

GST and the re-introduction of the Input Tax Credit (ITC) is another area that requires crucial reforms. Bringing back the ITC during the construction phase would be a positive step for the commercial real estate segment, especially as it is one of the fastest growing segments in India. This would help commercial developers who retain assets and rely on leasing or rentals for income. Currently, developers must pay GST on input materials during construction as well as on rental income. This effectively creates a dual tax levy.

There is rapidly growing interest in commercial real estate investments with the introduction of REITs and other similar fractional ownership mechanisms. The sector would benefit tremendously if the benefits provided to REITs would also be extended to fractional ownership. This would encourage more people to invest and provide more access to funds. ■

