

₹25,000-crore realty fund not enough: Icra

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The government's Rs 25,000-crore fund to complete about 1,500 stalled affordable and mid-income housing projects is not adequate, credit rating agency Icra said today.

India Rating and Research said that with stalled projects coming on stream, the demand-supply imbalance is likely to worsen. If overall housing demand does not witness a recovery, pricing pressure in the sector is likely to be exacerbated, it added.

The government on Wednesday approved a Rs 25,000-crore fund to help complete over 1,500 stalled housing projects, including ones that have been declared NPAs or admitted for insolvency proceedings, as it looks to boost growth by steering consumption in real estate and associated sectors. The move is likely to help 4.58 lakh housing units across the country.

"While the revisions in eligibility criteria appreciably

expand the project coverage under the fund, especially given the large number of stressed projects which have been referred to NCLT or classified as NPA already, our initial concerns on the adequacy of the fund, the efficacy and timeliness of implementation, and demand risks for the unsold inventory associated with these projects, remain," said Mr Shubham Jain, senior vice-president and group head at Icra.

As per Icra estimates, around Rs 35,000-45,000 crore would be required to fund the completion of the revised quantum of 4.58 lakh eligible dwelling units.

"Thus, even the enhanced fund size of around Rs 25,000 crore may be insufficient to cover construction cost for all the eligible houses," Mr Jain said.

Meanwhile, real estate developers and consultants welcomed the move and said the government's decision to include NPA projects and facing insolvency proceedings is a positive move.