

## Real Estate

# Gets a heavy lift-up

Infrastructure status to affordable housing and sops for developers and buyers

The proposals in the Union Budget 2017-18 are set to revolutionize the growth of infrastructure in the country. The provisions have emphasized on housing and infrastructure development.

Affordable housing will now be given infrastructure status, enabling these projects to avail the associated benefits. Pradhanmantri Gram Awas Yojna funding will be increased to Rs 23000 crore from Rs 15000 crore. The budget proposals also included building one crore houses by the calendar year 2019 for those living in kachaa houses.

The scheme of profit-linked income tax exemption for promoters of affordable housing scheme has been modified to make it more attractive. Instead of built-up area of 30 and 60 sq. mt, carpet area of 30 and 60sq.mt will be counted. Also, the 30 sq.mt ceiling will apply only in case of municipal limits of the four metropolitan cities, while for the rest of the country including pe-



### Long-term capital gains after two years

ripheral areas of metros, the limit of 60 sq.mt will apply. To be eligible, the scheme was to be completed in three years after commencement. Now the period has been extended to five years.

At present, after getting completion certificates, houses that are unoccupied are subjected to tax on notional rental income. For

### Aiming high

#### Union Budget 2017-18 estimates under Pradhan Mantri Awas Yojna

	BUDGET ESTIMATES		VAR.%
	2016-17	2017-18	
Total	20075	29043	44.67
Rural	15000	23000	53.33
Urban	5075	6043	19.07

Figures in Rs cr. Source: Union Budget 2017-18

builders, constructed buildings are stock-in-trade. The budget has proposed to apply this rule only after one year of the end of the year in which the completion certificate is received so that developers get some breathing time for liquidating their inventory.

The holding period for considering gain from immovable property to be long term is three years now. This is proposed to be reduced to two years. Also, the base year for indexation is proposed to be shifted from 1 April 1981 to 1 April 2001 for all classes of assets including immovable property. This move will significantly reduce the capital gain tax liability while encouraging mobility of assets. The government plans to extend the basket of financial instruments in which the capital gains can be invested without payment of tax. The liability to pay capital gain tax on the joint development agreement signed for development of property will arise in the year the project is completed.

The National Housing Bank will refinance individual housing loans of about Rs 20000 crore in the fiscal ending March 2018. Thanks to the surplus liquidity created by demonetization, banks have already started reducing their lending rates, including those for housing.

The allocation of funds to the Ministry of Housing and Urban Poverty Alleviation has also been significantly revised in the budget. The revised estimates issued by the Union Budget 2016-17 was Rs 5285 crore. This has been increased to Rs 6406 crore, marking an uptick of 21% from the current fiscal.

**Stocks to Watch :** DLF, Godrej Properties, HDIL, Oberoi Realty, HDFC, LIC Housing Fin.

### Outlook

The number of houses being built for the poor, under the Pradhan Mantri Awas Yojana, in rural areas is being increased by 33%. Increased infrastructure spending and ensuring good connectivity between city centers and the peripheries will prop up sentiments.

The only disappointing factor is the ceiling under Section 80C of the Income Tax Act, 1961, was not touched. However, this was so as the individual income tax rates on the lowest slab have been halved to 5%.

Meanwhile, some positive aspects of the current environment also need to be highlighted. The Seventh Pay Commission rollout has the potential to underpin the residential market in semi urban and, to a certain extent, urban areas as well.

### Breathing space

The scheme of profit-linked income tax exemption for promoters of affordable housing scheme has been modified to make it more attractive

COMPANY	MCAP (Rs cr)	CMP (Rs)	NET WORTH (Rs cr)	TTM P/E	DEBT/ EQUITY	HOLDING(%)		CHG IN MCAP (%) OVER	
						PROMOTOR	FI	1 MONTH	1 YEAR
DLF	25609.23	143.55	26443.69	33.53	0.98	74.95	17.58	20.48	53.59
NBCC	16533.00	275.55	1552.91	52.49	0.00	75.00	4.20	8.29	49.61
Oberoi Realty	11343.32	334.20	5540.75	33.16	0.12	72.54	25.40	8.02	41.57
Godrej Propert.	8083.36	373.60	1837.95	49.85	1.51	74.91	10.48	16.48	39.85
Prestige Estates	6290.63	167.75	4208.42	26.88	1.44	70.00	24.72	-1.32	-4.98
Phoenix Mills	5268.56	344.20	2102.51	40.93	2.09	62.86	30.46	-8.36	20.11
Indbull.RealEst.	3921.02	79.75	4188.23	10.43	0.78	47.73	18.86	1.83	65.55
Omaxe	3100.16	169.50	2290.32	27.88	0.57	74.99	13.36	6.14	26.12
Delta Corp	2972.90	128.35	889.15	32.77	0.32	40.78	10.83	9.16	86.22
HDIL	2836.22	65.35	11369.08	12.49	0.27	37.79	43.07	5.49	-1.47
<b>Others</b>	<b>28800.59</b>		<b>47062.32</b>	<b>96.31</b>	<b>0.85</b>	<b>46.14</b>		<b>11.58</b>	<b>7.58</b>
<b>Total</b>	<b>114758.99</b>		<b>107485.33</b>	<b>37.63</b>	<b>0.82</b>	<b>53.46</b>		<b>10.26</b>	<b>29.53</b>

CMP: Current Market price as on 03 February 2017. TTM ended September 2016. Change in TTM net sales and PAT is over net sales and PAT ended September 2015. Promotor holding as on 31 December. Debt Equity as of March 2016.

Source: Capitaline Databases