Realty firms may miss 2016-17 sales targets amid note ban woes

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Top real estate firms may fail to meet their sales guidance for 2016-17, clobbered by demonetization just as they were beginning to emerge from a prolonged slowdown.

After a lull of more than three years, October 2016 saw real estate sales pick up. However, the recovery was brief as the withdrawal of high-value currency notes on 8 November hit sales in the last two months of the year. Developers are now making last-ditch efforts to close sales in the March quarter.

In the April-December period, Bengaluru-based Prestige Estates Projects Ltd (PEPL) achieved about 52% of the sales it had targeted for the entire financial year, and managed only a fifth of the launches it had planned. The company had estimated around Rs3,500 crore of new sales in 2016-17.

In a post-earnings call, Prestige Group chairman and managing director Irfan Razack said annual sales guidance will be revised and will be lowered. Though sales picked up post January, it is unlikely the target will be reached.

"Absence of new launches and demonetization will lead to PEPL failing to achieve FY17 sales volume guidance," said a 14 February report by Emkay Global Financial Services Ltd. Another Bengaluru developer Sobha Ltd, whose full-year guidance for FY17 is 3.5 million sq. ft of bookings worth Rs2,000 crore is unlikely to be achieved, with only 68% of the value guidance being met till December, Emkay said in the report.

Developers termed November-December as a disruptive period following the government's shock decision to invalidate high-value banknotes, which crippled property sales and delayed buying decisions.

An executive at Pune-based Kolte-Patil Developers Ltd said the company will miss its sales guidance by around 15% and expects to clock around 2 million sq. ft of sales in 2016-17.

"We had the highest monthly sales in October, and if it wasn't for demonetization, we would easily achieve our 2.4 million sq. ft sales target. The note ban sent a shock wave through the industry and

Post January, real estate sales have picked up, but they are still below the September levels. INDRANIL BHOUMIK/MINT

we expected it will take a few months for normalcy to return. But it looks like things should be okay by March-end," said Gopal Sarda, group chief executive.

"Property developers will miss their sales guidance for this year due to demonetization and the overall sluggishness in the market. What is worrisome is that there is no clarity when sales will return to normalcy. They are depending on February-March for some recovery to happen," said Adhidev Chattopadhyay, an analyst at Emkay Global.

India's largest developer by market value DLF Ltd clocked net sales bookings of Rs760 crore in the nine months ended 31 December, compared to Rs2,015 crore in April-December, 2015. The realty firm did total net sales of around Rs3,150 crore in 2015-16, and even if sales recover in the March quarter, they will still not be able to match it. The DLF management said on an analysts' call that it will take three to four quarters for secondary sales to improve, and primary sales will follow later.

A January report by Liases Foras Real Estate Rating and Research Pvt. Ltd said sales across eight tier I cities dropped 15% to 66.1 million sq. ft in the December quarter compared to the year-ago period, with maximum decline noted in Chennai, Pune and Bengaluru.

For most developers, sales dropped significantly in November-December compared to the quarter before. Post January, sales have picked up, but it is still below the September levels.

Mumbai-based Lodha Developers Ltd booked around Rs900 crore of net sales in October, its best sales in 18 months. Though sales have fallen since then, the company said there was a clear pick-up mid-January onwards.