

LIQUIDITY CRUNCH

# Property developers struggling to deliver apartments on time

Tepid sales in the past three years have dried cash flow, forcing developers to go slow, causing project delays

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BENGALURU

In May, two resident associations in Gurgaon said that 700 out of 2,200 apartments in realty firm Unitech Ltd's two projects—Uniworld Garden 2 and Unitech Residences—were delivered to buyers over the last year-and-a-half. The reason, they said, was intervention and monitoring by top government officials and the local District Grievances Redressal Committee. Unitech, which was to give possession of 900 flats in Uniworld Garden 2 and another 1,320 in Unitech Residences by the end of 2011, had told buyers around that time that it was unable to complete construction because of liquidity issues. Work had begun in 2009. The resident associations, representing these two projects, then took up the matter with various government authorities, putting pressure on the developer to restart construction and start delivering the homes. A total of 700 apartments have been delivered so far and work is

going on in the remaining 1,500 apartments. In the National Capital Region (NCR), India's largest property market, several property developers have either delayed or stalled their projects in Gurgaon and Noida because of land acquisition issues, a liquidity crunch and a prolonged slowdown in sales. "To be fair, apart from the government's help, Unitech expressed the intent to deliver these projects and from our side, we made sure that customers didn't delay in making payments in the last year, so that the entire money could go towards construction," said Vikram Bishnoi, president, Residences Apartments Buyers Association, who had bought an apartment in Unitech Residences. Often, customers hold back making payments when they see the project has slowed down, or when there is no visible sign of construction, which puts the final brakes on a project. In this case, Bishnoi said they ensured customers kept making their payments. A Unitech spokesperson said

that there are measures and initiatives that have been jointly taken along with the customers, that have helped it deliver the units. "We are thankful to the customers' group who have supported and collaborated with Unitech towards delivery. And, we are working cohesively to ensure that the balance units are also delivered in due course of time," she said. Unitech's example highlights a growing problem in real estate business in India. As sales turned tepid over the last three years, cash flow, which breathes life into projects, dried up, prompting developers to slow down construction, resulting in widespread delays. From a delay of 6-12 months a few years back, projects today are late by more than 2-3 years; in some cases it could be more. It may take some time for property sales to pick up, but it will take far longer for homes to actually be handed over to buyers, experts say. "There would be a two-year delay for projects that were

launched in 2009-2010. About 70% of these projects are delayed owing to land-related issues and court cases that they got entangled in and the remaining would be because of financial difficulties faced by developers," said Nishant Mukul, director, technical, at Noida-based Amrapali Group. The developer's project Amrapali Heartbeat City in Noida, for example, has stalled over a land acquisition row, and Mukul said that the matter is with the Supreme Court. Around 159 million sq. ft of projects in NCR, that were expected to be delivered in 2014, are two years behind schedule and an additional 164 million sq. ft delayed between 12-24 months, according to data by Liases Foras Real Estate Rating and Research Pvt. Ltd. "This is going to be a long-drawn battle and buyers need to be prepared for it. Builders who have huge inventories, and no cash to continue construction are also finding it tough to raise funds from financial institutions. In worst cases, there will be distress sales and in others, consumer activism and litigations will follow," said Pankaj Kapoor, managing director, Liases Foras. In Mumbai and Bengaluru, where procuring project approvals has been a challenge but not as mired in legal issues as in NCR, larger developers have put systems in place to stay on schedule.

Mumbai-based Lodha Group, India's largest developer in terms of sales, has delivered about 6,200 homes to buyers across its projects in 2015-16. "Project timelines may have extended because projects have got bigger, more complex and are dependent today on external factors such as supply chain, approvals and labour," said Abhishek Lodha, managing director, Lodha Group. Lodha Group, which delivered 6,200 homes last year, plans to increase the number by 10-12% this year. "About 15-20% of our units may be beyond schedule, but we have shown that it is possible to deliver at this scale, if you build a system around it. We are better than where we were two years back but we are still working towards it," Lodha said. Godrej Properties Ltd, which has 20 million sq. ft of construction going on, delivered a total of 6 million sq. ft of residential and commercial space last year. "Delays in approval lead to a substantial increase in the cost of construction apart from causing delays in handover to customers," said Pirojsha Godrej, managing director and chief executive, Godrej Properties. Property analysts say that the worst is over in the realty sector and sales are bound to pick up from here on, as prices stabilise and demand inches back. Tata Housing Development Co. Ltd delivered 3,000 homes last financial year. The developer plans to hand over another 5,000 homes this year, across price segments. "With growing labour shortage and increasing input and commodity costs, developers will need to bring in newer technologies not only to save cost and time but also to improve the quality of construction," said a Tata Housing spokesperson.

## Coal India Q4 profit misses estimates

By Rajesh Kumar Singh & Siddharth Philip  
NEW DELHI/MUMBAI

Coal India Ltd, the world's biggest producer of the fuel, missed analysts' estimates for fourth-quarter profit as oversupply of the fuel and lower international prices trimmed earnings. Net income for the three months ended 31 March rose to ₹4,250 crore from ₹4,240 crore a year earlier, the state-run firm said in a stock exchange filing on Sunday. The profit lagged a mean estimate of ₹4,550 crore from 22 analysts compiled by Bloomberg. Coal deliveries during the period rose 7.8% to 145.2 million tonnes. A drop in sales per tonne to ₹1,429.5 from ₹1,542 a year ago ate into the miner's earnings, offsetting growth in deliveries. A glut caused by its record output last year and a fall in global prices also proved a drag on profit. Sales in the quarter were flat at ₹20,760 crore, as against ₹20,770 crore a year ago, the firm said. Power producers are struggling to use all their capacity, as cash-strapped regional distribution companies curtail purchases. Coal India is counting on demand from power utilities following government measures to turn around indebted discoms. Coal India produced a record 165.2 million tonnes of coal in the quarter. In April, however, it cut output and deliveries for the first time in 15 months, as inventories piled up. In a separate statement, the firm said it will raise prices about 6.29% from 30 May. **BLOOMBERG**



**INSURANCE INDIA SUMMIT 2016**

DATE: 19<sup>th</sup> - 20<sup>th</sup> MAY, 2016  
VENUE: THE LALIT, MUMBAI



**Girish Kulkarni**, Star Union Dia ichi Life Insurance Company Ltd delivers Keynote



**Shailendra Dwiwedi**, Quest Conferences



**Vighnesh Shahane**, IDBI Federal Life Insurance  
**Anuj Mathur**, Canara Hsbc Obc Life Insurance  
**Girish Kulkarni**, Star Union Dia - Ichi Life Insurance  
**Sandeep Ghosh**, Bharti AXA Life Insurance  
**Vikrant Chowdhary**, SAP India  
**Mohan Jayaraman**, Experian India



**RS Nayak**, Star Health Insurance  
**Ashish Mehrotra**, Max Bupa Health Insurance



**SV Ramanan**, CAMSREP,  
**K Sanath Kumar**, National Insurance Co Ltd.  
**Swaraj Krishnan**, Magma HDI General Insurance  
**Eswar Natarajan**, Kotak General Insurance



**Soumya Biswas**, Quest Conferences

The 2-day exclusive international summit on Insurance just concluded at the Lalit Hotel in Mumbai. The conference was organized by the Quest Conferences a division of Quest ontheFrontier. The summit saw a gathering of 250 + senior professionals and key decision makers from the top Insurance companies, solution providers, technology companies, IT companies, Analytics companies, data companies across India, Bangladesh, Iran, Afghanistan, Bhutan and Nepal. The overall theme of the summit was “Leveraging and implementing the best practices in Insurance for commercial success and delivering world class services to customers” The Summit featured a number of Industry expert speakers, corporate honchos, and other distinguished guests. It focussed on relevant Sessions and discussions on implementing the best practices in Insurance, CEO sessions in Life, General and Health insurance, product development and product innovation, role of marketing, role of technology, channels of distribution, risk and fraud mitigation to name a few. The Summit witnessed, multiple Panel discussions and presentations covering the entire ecosystem of the Insurance industry covering both the days. Few highlights are :

The Welcome note was delivered by **Mr Girish Butaney, ED, at SAS Institute (India) Pvt Ltd.** This was followed by a Special Keynote session by **Mr Girish Kulkarni, MD & CEO, Star Union Dai-ichi Life Insurance Company Limited**, focusing on overview and insights on Life Insurance Industry as a whole. The high powered and much awaited panel discussion was the “CEO Panel on Life Insurance”; and it included following panel members – **Mr Anuj Mathur, CEO, Canara HSBC OBC Life Insurance, Mr Girish Kulkarni, MD and CEO, Star Union Dia ichi Life Insurance, Mr Sandeep Ghosh, MD and CEO, Bharti AXA Life Insurance, Mr Vighnesh Shahane, MD, IDBI Federal Life Insurance and Vikrant Chowdhary, Head, BFSI and Telecom, SAP India.** The Panel was moderated by **Mr Mohan Jayaraman, MD, Experian India.** The CEO panel was aptly followed by a very informative and exciting industry focussed presentation by **Mr Kenneth Koh, Director, Customer Intelligence Practice, SAS Institute APAC.** The Panel Session on Product Development and Product Innovation in Insurance and was moderated by **Mr Aditya Narayan, Industry Director, Insurance, SAP India.** The panel members were **Mr Sasi kumar Adidamu, Chief Technical Officer, Bajaj**

**Allianz General Insurance, Mr Punnet Sahni, Head, Products, SBI General Insurance, Mr Ganesh Iyer, Head, Underwriting and Claims, Kotak Mahindra Life Insurance and Mr Milan Naik, Country Head, Marketing, Liberty Videocon General Insurance. Mr Aftab Syed, Regional Director, West, ASPECT,** delivered a crisp presentation on technology solutions for the Insurance market. Channels of distribution in Insurance was addressed in the Panel discussion on “Channels of Distribution”, with panel members **Mr TA Ramalingam, Chief Distribution Officer, Bajaj Allianz General Insurance, Mr Vikas Seth, Chief Distribution Officer, Birla Sun Life Insurance and Mr Sharad Mathur, SVP & National Head - Agency, Digital and Alternate Channels, SBI General Insurance.** The panel was moderated by **Mr Sandip Hardikar, Chief Commercial Officer, Talentedge.** **Mr Mohan Chandrasekaran, Founder and CEO, adStringO,** delivered a session on Data compression. “CEO Panel discussion on General Insurance”, which was graced by **Mr K Sanath Kumar, Chairman and MD, National Insurance Co Ltd, Mr Swaraj Krishnan, MD, Magma HDI General Insurance and Mr Eswar Natarajan, COO, Kotak General Insurance.** The Panel was moderated by **Mr SV Ramanan, CEO, CAMSREP.** Marketing is of immense importance for Insurance companies , Role of Marketing in Insurance a high octane session which saw imminent experts like **Ms Anika Agarwal, Chief Marketing Officer, Max Bupa Health Insurance, Mr Shalabh Saxena, Director, Marketing and Customer Relation, Canara HSBC OBC Life Insurance and Mr Kenneth Koh, Director, Customer Intelligence Practice, SAS Institute APAC** as the panel members and was moderated by **Mr Milan Naik, Country Head, Marketing, Liberty Videocon General Insurance. Ms Anika Agarwal,** expressed that at Max Bupa they believe in being health partners to their customers and converse with them in their life moments, rather than having a transactional relationship. Day 2 of the Summit, was started with **Mr Eswar Natarajan, Chief Operating Officer, Kotak General Insurance,** who delivered the Special Welcome Address for the Day with insights on General Insurance Industry. A dedicated CXO Panel on Health Insurance bought together, industry captains **Mr Ashish Mehrotra, Managing Director and Chief Executive Officer, Max Bupa Health Insurance and Mr RS Nayak, Vice President , Star Health Insurance** graced the panel, which was moderated by **Mr Shailendra Tanwar, Head, Marketing, ASPECT . Mr Ashish Mehrotra,** expressed and spoke that the strategy of Max Bupa is to provide comprehensive and customizable oriented offerings for each customer segment and provide exemplary service to their customers and that Max Bupa operates with a “customer centric ” mindset . A precise and enriching Session by **Radhakrishnan B, Associate Director, Risk & Fraud Management Practice, SAS Institute India Pvt Ltd** on Risk and Fraud mitigation and best practices in the Industry. In a first in the industry, exclusive interviews of Key Partners were carried out, where they shared their experience of the Summit alongside interviews of certain Key Speakers as well sharing their feedback and experience.

ANALYTICS PARTNER	TECHNOLOGY PARTNER	INNOVATION PARTNER	DATA PARTNER	EdTech PARTNER
 				
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