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# To launch 11 million square feet in FY12: Sobha Developers

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In an interview with CNBC-TV18, JC Sharma, MD, [Sobha Developers](#) said real estate industry is interest sensitive. He believes that this continuous hike by RBI is impacting the growth of the industry.

He maintains company's guidance to launch 11 million square feet in FY12.

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*Below is the transcript of his interview with CNBC-TV18's Latha Venkatesh and Gautam Broker. Also watch the accompanying video.*

**Q: Your first take on the policy, it's a 25 bps with a rather hawkish statement. Do you think real estate demand is going to be seriously hurt, given that EMIs for the common man are going to go up?**

A: Real estate industry definitely is interest sensitive. We do believe that this continuous hike is impacting the growth of the industry. If look at the macro environment, you are seeing good salary increase, good corporate profits. We should be the direct beneficiary of this all around growth we are seeing.

At the same time, you also notice that the Reserve Bank of India has hiked rate five-six times, which means the EMIs have gone up. Despite this all-round growth you are seeing, the volume growth is not coming, so, every increase impacts. So far we feel comfortable, but if it keeps increasing like this, it may impact.

**Q: The average interest rate was about 10.75% at this point in time. We spoke to Chanda Kochhar and she was clear that she is passing on the rate hike and EMIs are going up. So, perhaps 11% is what will be the new norm by a very big lender like ICICI. At a certain point in time, it really starts to bite. It didn't bite when it went from**

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**8.5-8.75% or 8.5-9%, but from 10.75-11%, it might bite a bit more. Do you therefore think that the demand can go substantially lower at this juncture with the Reserve Bank now threatening even more rate hikes? Therefore, do you think there will be a fall in real**

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### estate prices, in house prices offered by people like you in Bangalore?

A: The banks now could say comfortably that they will pass on and it will be accepted by the market. But for real estate developer to say that their costs have increased they can pass on, it's difficult. At the ground level, I do not see any reason that the prices are likely to come down. I am not talking about specific market or a specific developer scenario here.

What we are looking at is whether you are in a position to sustain those kinds of prices ongoing basis. It doesn't look likely. As far as we are concerned, Bangalore market is concerned, we are not reducing the rate. We hope to still improve our volumes and maintain our margins.

**Q: In Q4, we have seen your average realisations largely being held up at about Rs 4,100 a square feet. Would you expect that to hold, you see no decline despite all the monetary tightening that's going on?**

A: You are right. We hope that our average realisation should increase and we should do better than what we have done in the last quarter on volume front.

**Q: Your guidance was to launch 11 million square feet in FY12, do you stick with that?**

A: I will stick with that. This month will be a month of maximum number of product launches.

**Q: You had already reduced your debt by about Rs 191 crore, but you still have Rs 1,200 crore of debt. What will be the interest outgo and are you looking therefore at any debt redemptions?**

A: We will continue to reduce our overall borrowing. But as far as interest cost hike is concerned, it is inevitable. Whatever increase the banking system will inject to the developers and to the other borrowers, we will have to bear that cost.

Tags: Sobha Developers, JC Sharma

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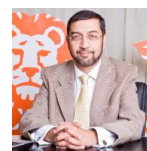


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