

INTERVIEW

“Service tax is a dampener for realty”

Sobha Developers Ltd’s managing director JC Sharma discusses the impact of service tax on the realty sector and his company’s roadmap, with *Moneylife’s* Pallabika Ganguly

(ML): What would be the impact of service tax charges on the real-estate industry?

JC Sharma (JS): The prices of properties are likely to go up by more than 3%. The service tax on under-construction properties and on leased land development will impact the actual users. This is a bit of a dampener for the realty industry. For a few weeks, there will be tentativeness in the market but it will again go back to normal.

ML: How do you see the realty market performance over the past 12 months as we near the end of FY09-10?

JS: The realty market has seen both sides of the coin—boom and bust. In the last couple of quarters, we have clearly seen confidence coming back, both from customers and developers. We foresee that despite the

service tax and increase in input costs due to the excise

duty hike, the realty segment will move smoothly.

ML: How much is your total area under construction at present?

JS: Currently, we are developing around nine million square feet (sq ft). We will be developing another eight million sq ft over the next financial year. We are planning to hand over residential projects of about four to five million sq ft over the next 12-15 months. For the next financial year, we have plans to sell three million sq ft.

ML: During the third quarter to end-December, Sobha Developers posted a 444% higher net profit to Rs40.80 crore on revenues of Rs310.20 crore. How did you achieve these figures?

JS: From the last quarter, the realty market started showing signs of revival. A combination of quality products and marketing strategies helped us to achieve our target. The growth can be attributed to revival in economic growth, improved job scenario—especially in the IT, auto and textile sectors—coupled with competitive interest rates offered by various banks. ■

