

BloombergLaw.com

[Click here to request a free trial.](#)

**THE FIRST AND ONLY REAL-TIME RESEARCH SYSTEM
FOR THE 21ST CENTURY LEGAL PRACTICE.**

The all-in-one legal research platform that integrates legal content with proprietary news and business intelligence from the world leader in data and information services.

Sobha Developers Plans \$107 Million Delhi Home Project as 'Prices Firm'

By Jay Shankar - Aug 20, 2010 6:58 AM GMT+0530

[Sobha Developers Ltd.](#), the best performing stock on the Bombay Stock Exchange Realty Index this year, plans to start a 5 billion rupee (\$107 million) project in a New Delhi suburb to build luxury homes as the economy expands.

"We are entering the golden era in real estate now," J.C. Sharma, managing director of the [company](#) said in an interview. "Residential houses are showing signs of robust recovery. The growth phase has started now."

The project, located in Gurgaon, on the outskirts of New Delhi, is spread across 150 acres (61 hectares) and will start by March, Sharma said.

The government's focus on building roads, ports and airports, a growing middle class and a rise in factory output are leading to higher economic growth and stoking demand for homes, Sharma said. India's economy has grown an average 8.5 percent every year during the past five years, doubling per-capita incomes in the period.

India has 274 million people belonging to the so-called middle class, with the ability to spend between \$2 and \$20 a day, according to the [Asian Development Bank](#).

Industrial output, which rose at the slowest pace in 13 months in June, may have recovered in July as manufacturing growth accelerated, according to the Purchasing Managers' Index, released by HSBC Holdings Plc and Markit Economics. The index rose to 57.6 from 57.3 in June.

The fear of job losses after the global financial crisis caused property prices to plunge in India in 2008 and early 2009 stock-broker [K.R. Choksey](#) Shares & Securities Pvt. said in a report in July. Economic growth has revived customer confidence and fueled demand for homes.

Tough Market

Sobha, based in the south Indian city of Bangalore, may find it tough to break into the market in the north with entrenched competitors such as [DLF Ltd.](#), the country's biggest developer, and Unitech Ltd., the second biggest, said [Nivati Jhaveri](#), an analyst at K.R. Choksey in Mumbai.

"The move is going to be a tough one for Sobha," she said. "It will be difficult for them to penetrate a market already dominated by Unitech and DLF. In Gurgaon, there are unsold units now compared with the beginning of this year."

Sobha is building 21 residential projects totaling 8.5 million square feet (789,675 square meters) and another 4.2 million square feet of developments for companies such as [Dell Inc.](#), Hewlett-Packard Co., Bosch Ltd. and Infosys Technologies Ltd., Sharma said.

These so-called contractual projects accounted for 30 percent of the company's sales of 11 billion rupees last year, Sharma said.

The company is also building 165 [villas](#) for 30 million rupees to 60 million rupees in Bangalore, Sharma said.

"Almost two-thirds of the project is sold out."

Building material prices have gone up and prices are showing a "firm trend," Sharma said. "We hope to capitalize on that."