

Business Standard

Realty market in B'lore on recovery

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RAGHUVIR BADRINATH
& DEBASIS MOHAPATRA
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The real estate market in this city is definitely reviving in the aftermath of recession.

Companies and sector experts feel with sound growth in residential demand and increasing signs of rentals in commercial space, the market is inching towards the pre-recession level.

"Markets have stabilised and shown signs of tangible improvement in the last two quarters. However, it will take some time to reach the peak level of 2007," said J D Sharma, MD, Sobha Developers.

They are among the large publicly-held realtors here, with a land bank of close to 3,000 acres. The company was under a leverage of 1.9 times and has managed to bring this

down to 0.8 times. It expects to further reduce this to 0.5 by the end of FY2011.

Cash flow and realisation per sq ft have also improved for most companies, indicating a momentum towards the 2007 level. "Average realisation for us per sq ft was around ₹4,000 in the last quarter and slowly inching towards the Rs 4,500 of 2007," Sharma added.

After a two-fold rise in net profit to ₹34 crore in the first quarter, it is also raising enforcement capacity to match rising demand. "Our present execution capacity of 6.5 million sq ft (a year) is likely to expand to 8 million sq ft by 2013," Sharma said. The company had raised pay by 10-15 per cent in April, with the improved outlook.

Another city-based publicly held developer, Puravankara Projects, echoed the sentiment. "Our cash flow has improved



on the back of sound sales volume and average realisation per sq ft has increased in the last two quarters," said Jack-bastian Nazareth, chief operating officer.

With improved demand, the company launched 1.8 million sq ft during the first quar-

ter of this financial year, he added.

In addition to the current launches, these two publicly listed companies have also substantially reduced debt, with leverage ratios under control. While Sobha had a debt book of ₹1,400 crore, with a

leverage of 0.8 times, Pura-vankara has a debt to equity ratio of 0.5, with a debt book of ₹800 crore.

"We are comfortable with the current debt level and any variation will depend on the demand of funds for upcoming projects," said Nazareth of Puravankara.

The management of both companies also said they were not looking at raising funds on the back of an improved cash flow situation.

A recent report of Jones Lang LaSalle Meghraj, the real estate consultancy, said demand had improved in recent times. While the first wave of absorption in residential space was led by NCR-Delhi, Mumbai and Pune during July-December of 2009, the second wave of demand was led by Bangalore, Pune and NCR-Delhi during January-May of 2010, the report said.