RBI's repo rate remains unchanged : Quotes from Experts

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The Reserve Bank of India (RBI) on February 6 kept the repo rate unchanged at 5.15%. Below are some reactions by industry experts regarding the same.

Mr. Kaushal Agarwal, Chairman, The Guardians Real Estate Advisory

"The announcement is on expected lines, keeping in mind the inflation and the key policy rate reduction of 135 basis points, that was announced across last year. The banks should, now, be pushed to pass on the benefits of the previous rate cuts that were announced by RBI. The same is imperative to bring down the borrowing cost for the home buyer and provide impetus to demand generation across the category. After a budget that was perceived to be neutral, the revival of credit growth needs to be the government's top priority, as it will play a significant role in demonstrating a resurgence of growth in economic activity."

Mr. Anuj Puri, Chairman – ANAROCK Property Consultants

As expected, RBI has kept the repo rates unchanged at 5.15% while maintaining an accommodative stance. Though a rate cut would have been welcomed by the real estate sector as a sentiment-boosting factor, a meagre change in repo rates would have done little to significantly boost consumer sentiments. As such, previous rate cuts did prompt some banks to lower their interest rates in the recent past - but that had no significant impact on residential real estate sales.

However, in a major relief to the real estate sector and further complementing many of the previous initiatives by the government in 2019, RBI has decided to extend the restructuring of project loans by a year. Loans for projects that have been delayed for reasons beyond the control of their promoters have been extended by another one year without downgrading the asset classification. This aligns with the treatment accorded to other project loans for the non-infrastructure sector.

This is a big move and will bring the much-needed relief to the cash-starved real estate sector - and to both developers and the HFCs from the liquidity perspective. It will help ease out the time for maintaining and managing cash flows for cash-strapped developers and help them to completing several stuck projects. That said, it will not address the other main issue prevailing in the real estate sector – that of continuing low demand.

Mr Amit Jain- MD, Arkade Developers

"Contrary to industry expectations, this is the 2nd time repo rates are unchanged. The belief is that credit take off will resume, which is why policies are holding this firm, however this has not happened. Our economy is currently at a point where much can and needs to be done to instill confidence in the buyer, and create a scenario where it will boost investments in the business.Furthermore, the RBI is apprehensive that further rate cuts of 25 bps will put the industry in

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the 4% plus range and the barrier of 5% would be broken. Overall what it is showing approach of just wait and watch, rather than deciding and acting out for a remedy".

Dr Niranjan Hiranandani, President – Assocham & NAREDCO

"Holding on repo rate twice indicates growth on backburner, eyes on inflation targets", says Dr Niranjan Hiranandani, President – Assocham & NAREDCO. He says that, "After fiscally lackluster economic budget, the RBI's accommodative stance by unchanged repo rate at 5.15% is a jolt to the economic growth momentum. Fiscally prudent approach to keep inflationary target in control even with liquidity lying surplus in the economy has added woes to the burgeoning liquidity crisis prevailing deep in to the economy. Reduction in repo rate would have surely helped demand uptick across the industries and brought in some relief to the end users with transmitting rate cut benefits down the line. We expect fiscally stimulating measures to enhance credit supply in the economic ecosystem to address dire need of liquidity crisis and bridge the widening trust deficit.

Also, RBI's decision to grant extension of date of commencement of commercial operations for project loans for commercial real estate would complement the government's initiatives for the real estate sector. The positive output performance of core sectors and thrust to retail loans for specific sectors like auto, residential real estate, and MSME's will certainly uplift the confidence and push the demand –consumption economics."

Mr. Anshuman Magazine, Chairman & CEO - India, South East Asia, Middle East & Africa at CBRE

"The RBI decided to keep the repo rate unchanged at 5.15% and continue with its accommodative stance for as long as necessary to revive economic growth while ensuring that inflation remains within the target. The decision could be attributed to green shoots of economic recovery in the form of improved index of industrial production and core sector performance. While the recent budget laid the long-term plan for the economy, the decision to not raise the repo rate in the face of growing inflation is an indication that the RBI is looking at the bigger picture of economic growth. This coupled with measures that were announced for real estate, MSMEs and HFCs are steps that will assist the government and central bank in invoking investor confidence in the economy."

Mr. Sanjay Dutt, MD & CEO, Tata Realty and Infrastructure Limited

"We are glad to see that the government is taking corrective measures to revive the economy, and in particular, short term relief to the real estate sector is welcome. While the repo rate has remain unchanged at 5.15 percent, it is great that the RBI is maintaining its accommodative stance to

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combat the slowing GDP growth and inflation. RBI announcement with regard to one year extension of Date of Commencement of Commercial Operations (DCCO) of project loans for commercial real estate is a positive step. Developers not being penalized for delays for reasons beyond the control of promoter is welcomed.

The ailing residential housing sector also receives some support, the government has tried to boost consumer home loans by allowing banks to deduct the equivalent of incremental credit disbursed by them as retail loans from their Net Demand and Time Liabilities (NDTL) for maintenance of cash reserve ratio. This will also help lift the homebuyer sentiment, kick-starting the demand cycle for housing. We look forward to government's continued support to the RE sector and also address some of the long standing requirements of the sector like granting of the industry status and single-window clearance mechanism, one time rollover would make significant difference."

Mr. Rajan Bandelkar - President, NAREDCO West

"The accommodative stance of the RBI in the wake of the inflationary trend has simply aggravated the woes of the realty sector, which is grappling with liquidity. It is yet another shocker after a disappointing Budget, which will have a rippling effect on the sector unless the RBI takes up concrete moves to stem housing demand by the supply of cheaper loans and taper inflation. The RBI had no other way than to extend some relief to the realty sector by allowing not to downgrade realty loans for genuine delays and granting additional time for repayment. While it will give a window to manage scarce finances for a certain period, it will not completely ease the sector's financial stress. Earlier, the repo rate reductions did not translate effectively into the banking system. Now, the RBI must look into this issue for boosting housing demand."

Mr. Khetsi Barot, Director, The Guardians Real Estate Advisory

"Commercial Real Estate needs support on the liquidity front to ensure smooth sailing across the year of 2020. With the RBI maintaining a status-quo, much more is expected from the government to ensure liquidity to this category. Ensuring banks allow commercial property developers additional time to meet repayment obligations, without downgrading the asset class, in case a project gets delayed for reasons beyond their control. The industry has been demanding a single-window clearance, till such time that the same is not put into effect, allowing commercial projects an extension of at least a year for the date of commencement and availing of the project loans should be looked at. Announcing exemption of rent from, any one of the owned commercial office of 500-1000 sqft. or GST rebate on such a property could go a long way in luring investors and helping fuel demand."

Mr. Jaxay Shah, Chairman, CREDAI National

"The Policy announcement by RBI is thoughtful and encouraging as it will further boost the credit flow to the stressed residential realty sector. RBI's decision to permit extension of date for commercial projects stuck for reasons beyond control of the developers under institutional debt will be instrumental in bringing much needed relief to developers. This is also significant in downgrading the assets by a year."

Mr. Surendra Hiranandani, Chairman and Managing Director, House of Hiranandani

We welcome the RBI's initiative through which it has attempted to augment liquidity to some extent and also has provided a respite to the commercial real estate. The additional liquidity will help in boosting demand in the market in core sectors of real estate and automobile. The move shall also help in completion of stalled projects in the sector and result in increased buyer confidence. However, we were hopeful of an announcement that would directly induce the home buyers to buy homes with a reduced rate of interest. Being an interest sensitive sector, the RBI's decision to not lower interest rates has come as a disappointment to the real estate industry. The urgency to take direct measures for consumers to revive growth in the residential real estate was the need of the hour in the present scenario as it would have persuaded potential customers to firm up their decision to buy their dream home. With RBI maintaining status quo on policy rate front, it is also important to focus on improving the transmission of the past rate cuts as the repo rate is still very near the historical low. We had certain expectations from the government from the recent budget which have not been fulfilled which includes our demand for Industry status, single window clearance and reinstatement of Input Tax Credit in GST amongst others. Real estate sector is one of the few sectors which have the potential to kick start a sluggish economy. Going forward, we hope that the government looks into some of the key concerns raised by the industry and addresses the same soon with necessary steps to create housing demand across segments.

Source: Magicbricks Bureau

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