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Renewed business confidence prompts top realtors aim higher sales, acquisitions

Synopsis
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Top real estate developers expect to double their sales over the next 3-4 years driven by robust demand, increasing affordability and industry consolidation, CLSA said in a report on India's property industry.

Improved revenue and collections should boost cash flows, helping these companies further reduce debt.

"The top 10 listed developers have lowered their net debt by nearly 27% in FY21, despite lower collections (declined nearly 16% in FY21), mainly due to cost control," CLSA said. "Led by strong sales in FY20-21, most residential developers are targeting strong cash flow generation over the next few years and expect to lower debt levels."

According to CLSA, overall industry sales declined 34% in 2020-21 across top 7 cities. However, sales of top 10 listed developers increased 8% during the year.

CLSA said **Lodha Group**, **DLF** NSE -0.19 %, **Godrej Properties** NSE -1.06 %, **Sunteck Realty** NSE -0.79 % and **Prestige Estates** NSE 0.46 % are among the developers aiming to double their revenue in the next 3-4 years.

With renewed business confidence, realty developers are also seeking to ramp up new project acquisitions.

"We have entered into four new joint development projects in the last few months and are seeing a lot of interest from land owners and other developers to partner with us in our growth journey," said Abhishek Lodha, MD, Lodha Group. "We believe that housing is at the start of a multi-year bull run that will see growth in prices and volumes."

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"Consolidation across the industry has already provided us with 3 new project acquisitions at **Vasai**, Vasind and **Borivali** in Mumbai Metropolitan Region (**MMR**)," said Kamal Khetan, CMD, Sunteck Realty. "Going forward, we expect to leverage our brand, sound financials and management expertise to continue to grow."

The ongoing consolidation in the real estate sector has accelerated due to the outbreak of Covid19 pandemic. Large established and listed realty developers have gained more market share in terms of sales and liquidity as homebuyers are relying more on developers' execution track record and sound financial position to take the project to conclusion.

Experts say that all trends point toward an upcycle.

"One needs to think from both the demand and supply perspective to understand the cycle. The differential between borrowing costs (home loan rate) and rental costs is at decadal lows. This, combined with reduction of stamp duty by a few state governments, has made owning a house attractive," said Abhishek Murarka, Head of Community, Multipie, an investment community start-up. "At the same time, supplies are witnessing consolidation in favour of larger developers..., making the outlook for Tier I developers favourable."

According to industry experts, better demand prospects, strong balance sheets and adequate liquidity are likely to enable larger developers to garner a bigger share of the seemingly fragmented but rapidly consolidating market.