Mid-income segment seeing traction; luxury to see price pressures, says KPDL group CEO Gopal Sarda

By: Rishi Ranjan Kala | July 15, 2020 3:01 AM

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As real estate sector attempts to return to normalcy under the shadow of the Covid-19 pandemic, Kolte Patil Developers' (KPDL) group CEO Gopal Sarda tells Rishi Ranjan Kala in an interview that mid-income segment (Rs 35-85 lakh) in residential segment is seeing demand revival. However, luxury and super luxury space would witness price pressures. Expressing optimism, Sarda feels recovery would start from December 2020 onwards.
Edited excerpts:

What has been the impact of the pandemic and lockdown on Kolte Patil?
Like everyone else, the whole cycle of our sales, approvals, construction and collections got impacted, however the blow was softened given our strong balance sheet, brand, digital and marketing platform scale up, and management of onsite workers.

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How are you managing operations, since lifting of the lockdown?
We resumed construction activities at Pune and Bengaluru with 40% of workforce from the second week of May. We are focused on gradually scaling up in line with economic and lockdown developments and we expect to reach optimum levels in 6-9 months. Even if KPDL achieves 55-60% of last year's collections, it can sustain its operations comfortably. We are aiming to reach around 80% of last year's performance by the end of this financial year.

What are your views on reducing housing prices as suggested by commerce minister Piyush Goyal?
We respect everyone's views including the government and industry. However, most of our projects are in affordable and mid-income segment, where margins are 20-25%. Further, given our strong brand and balance sheet, we do not foresee substantial price cuts there. We expect the same from most of the other regional peers. Luxury segment (Rs 5 crore plus) and super luxury segment (Rs 10 crore plus), where developers are facing liquidity crunch, will see substantial price pressure.

How do you see performance of residential, especially affordable housing going forward?
We believe residential housing demand will see green shoots around Diwali and expect healthy recovery around December 2020 onwards. Within residential real estate, like we said earlier, we expect demand for affordable to mid-income segment (Rs 35-85 lakh) to revive the fastest.

KPDL said it sees Covid-19 as a deferment of demand and that its offerings in affordable and MIG segments continue to find strong interest. What has been the performance of these segments during April-June?
Though in the second half of March, sales were impacted, April onwards every month sales are progressively improving and we have reached 60% of our quarterly run rate. Post-lockdown, we promptly revamped the overall ecosystem, scaling up digital sales and marketing to ensure secure, dedicated virtual collaboration and communication with customers.Segments of up to Rs 85 lakh for projects like Life Republic, or others under the MIG portfolio in the Rs 35-85 lakh range, have seen a decent traction. Also, there is increased demand that is coming in from the NRI market and it has almost doubled.

KPDL had put in place a business continuity & risk management plan to cut the pandemic's impact on employees, customers, business associates and shareholders. Could you shed some light on its finer points? How has it performed?
The lockdown was seen to be imminent since early March; our plan focused on sales, construction, balance sheet and human capital. Employees had already started practising 'social distancing' and we had implemented 'work from home' from March. Till date all salaries have been paid in full and on time; and there has been no salary cuts. In fact, our promoters have voluntarily taken 50% salary cuts. We managed food and shelter requirements of thousands of labourers and their families, which helped us to resume construction once lockdown rules eased up.

Covid-19 aggravated the liquidity crisis in real estate and many firm are raising or planning to raise capital. Your plans?
While liquidity remained a challenge during FY20, we reduced net debt by Rs 83 crore. Net debt to equity stood at 0.35x in FY20 down from 0.47x in FY19. Further, we have undrawn lines of bank debt of Rs 110 crore and cash/cash equivalents of around Rs 98 crore. We have an enabling resolution to the tune of Rs 500 crore approved by the Board, however, don't plan to raise capital under current market conditions. We have two platforms in works with leading PE institutes with a combined size of Rs 1,200 crore which we can use for future business development.