Affordable and mid-segment housing to see traction post-COVID-19: Gopal Sarda, Kolte-Patil Developers

The company plans to focus on three key markets going ahead – Pune, Mumbai and Bengaluru.

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Post the coronavirus pandemic, real estate developers should focus on a mix of affordable and mid income segment housing to ensure sustained cashflows, as these are the categories that would bounce back first, Gopal Sarda, Group CEO, Kolte-Patil Developers Ltd told Moneycontrol.

The listed Pune-based realty firm has projects spread across Pune, Bengaluru and Mumbai.

"One thing is certain, job creation slowdown would have an impact on housing. It'll be wise to maintain a balanced portfolio of affordable and mid income segment housing priced up to Rs 85 lakh post COVID-19, as one is not sure which inventory would be the first to move. One should diversify one's portfolio to cash in on the demand prevalent at that point in time," he said.

The idea is to focus on projects that sell better so that cashflows are maintained. "Segments for which we hope to get good sales, those projects we will consider first. Aspirational and highly capital intensive projects can be taken up later," he said.

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The company hopes to utilise the digital platform to generate sales in the months to come. "At least some nominal amount can be raised through online engagement with customers. However, the government must seriously consider online registration. Without registrations real estate developers are unable to generate cashflows," he said.

Pune-based Kolte-Patil is perhaps the first real estate company to have entered into an agreement with a global real estate developer during the coronavirus pandemic. The company recently through its subsidiary Kolte-Patil I-Ven Townships (Pune) limited (KPIT) has entered into an agreement with Planet Smart City, a UK-based real estate developer for strategic land monetization of a portion of Sector R10 in its Pune township project Life Republic for Rs 91 crore.

"It took us almost eight months to finalise the deal. The COVID pandemic hit India during the last leg of the deal closure however both parties were confident of the prospects and we still went ahead. They have paid up 50 percent of the amount upfront and the rest is due in three to four months' time," Sarda told Moneycontrol.

This portion of land measuring around 5.42 acres in Sector R10 of Life Republic. It has a residential development potential of 7.6 lakh sq ft in terms of saleable area, the company had said. Under the agreement, the land parcel in Sector R10 will be jointly developed by KPIT and Planet Smart City in the profit sharing model, it said.

Elaborating on plans for this project, Sarda told Moneycontrol, that the company is hoping to get all permissions in place within the next three months once the lockdown opens. "We are confident of launching the project by September-October around Diwali," he said.

Life Republic is the company's flagship township project spread across around 400 acres in Pune. The company has already developed and delivered 4 mn sq ft and another 4 mn sq ft is currently under execution. It is currently home to 10,000 residents and and is expected to add another 10,000 residents within three years.

"Around 4 mn sq ft is under execution and would be delivered over a period of next three years. The total development potential of Life Republic is about 20 million sq ft," he said.

"There is no platform level understanding with them. R10 sector is spread across 11 acres and the total development potential is around 1.41 million sq ft. Of the 11 acres, this deal has consumed almost 5.5 acres or 7.6 lakh sq ft. They have come in as a part development partner and if tomorrow they want to escalate to a sector development, depending on our relationship at that point in time and the overall state of the economy, we are open to developing the entire 11 acre sector under the same SPV," he said.

"There are two objectives being met here – we are getting liquidity towards land monetisation and a global partner that brings with it discipline, global practices and governance to further strengthen the organisation," he said.

"This is a 10:90 deal wherein we are infusing 10 percent in the land and they are infusing a 90 percent and after a minor coupon the profit sharing arrangements are in the ratio of 50:50. Through this joint venture we are looking for technology and app-based communication with customers," Sarda said.

"This is their first foray into India and they have chosen us as a strategic partner for our strong brand name and expertise in affordable and mid segment housing. They want to build a smart city under affordable housing. They are currently doing smart affordable housing projects in Brazil and Italy," he shares.

The township has a product mix of residential, retail and commercial. There are 1 BHK and 2 BHK smart homes. The 1 BHK units are of sizes ranging from 575 sq ft to 625 sq ft and 2 BHK of 865 sq ft. The price range varies from Rs 32 lakh – 34 lakh for 1 BHK and Rs 48 lakh-52 lakh for 2 BHK units.

Post the lockdown and after receiving necessary permissions, the company hopes to start construction with a certain capacity.

"There are always ways by which you can meet the project timelines. This can be done by deploying additional labour, doubling the capacity and by utilising modern technology. Time is of the essence. We hope to complete the project within three years with a delay of maximum six months," he says.

The company plans to focus on three key markets going ahead. "We will focus on the three markets – Pune, Mumbai and Bengaluru for the next three years and may consider expansion to Hyderabad and NCR after that," he said.

In Mumbai, the company is currently redeveloping three societies, one each in Goregaon, Borivali and Dahisar. "We have all approvals in place but everything has come to a standstill because of the lockdown," he said.

The real estate firm is hoping to acquire more land in Bengaluru. "Those are part of ongoing business development initiatives. We have signed a couple of term sheets, let's see how things progress. We can look forward to a few launches in Bengaluru depending on financial closure in the fourth quarter of 2021," he said.

Also, the company may decide to change its land acquisition strategy going forward.

"We may decide not to pay outright for the land parcel but look at other investment models," he said.

As for debt, the company reduced its debt by 80 crore to 100 crore in March 2020. "We are looking at Rs 520 crore as debt outstanding and we have good sold receivables to the tune of Rs 1350 crore. We hope that the debt level will remain stable for the next one year," he said.