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2019-2020

PRESIDENT
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IMMEDIATE PAST PRESIDENT
Mayur Shah

PRESIDENT-ELECT
Deepak Goradia

VICE PRESIDENTS
Boman Irani
Harish Patel
Nainesh Shah
Domnic Romell

ADDL. VICE PRESIDENT
Sukhraj Nahar

HON. SECRETARY
Bandish Ajmera

TREASURER
Mukesh Patel

SPECIAL PROJECTS
Parag Munot
Sandeep Raheja
Jayesh Shah
Sanjay Chhabria
Rasesh Kanakia

HON. JT. SECRETARIES
Navin Makhija
Sandeep Runwal
Shailesh G. Puranik
Dhaval Ajmera
Pratik Patel

JT. TREASURERS
Nayan Bheda
Munish Doshi

CO-ORDINATORS
Tejas Vyas
Shailesh Sanghvi
Pritam Chivukula

COMMITTEE MEMBERS
Jagdish Ahuja
Jitendra Jain
Deepak Gundecha

INVITEE MEMBERS
Praful Shah
Raajesh Prajapati
Sachin Mirani
Nikunj Sanghavi
Rajeev Jain
Shyamal Mody
Digant Parekh
Rushank Shah
Samyag Shah
Jayesh C. Shah
Sunny Bijlani
Sahil Parikh
Naman Shah
Suhail Khandwani
Ricardo Romell
Harshul Savla

PAST PRESIDENTS
Dharmesh Jain
Vyomesh Shah
Paras Gundecha
Pravin Doshi
Mohan Deshmukh
Mofatraj Munot
Rajnikant Ajmera
Late G. L. Raheja
Late Lalit Gandhi
Late Babubhai Majethia

CREDAI-MCHI UNITS
PRESIDENT, THANE UNIT
Ajay Ashar

PRESIDENT, KALYAN DOMBIVLI
Deepak Mehta

PRESIDENT, MIRA VIRAR CITY
Ashit Shah

PRESIDENT, RAIGAD
Kiran Bagad

PRESIDENT, NAVI MUMBAI UNIT
Prakash Baviskar

CREDAI - MCHI

Ref. No. MCHI/PRES/19-20/306 **April 16, 2020**

To,
Shri Devendra Fadnavis
Leader of Opposition
Maharashtra Legislative Assembly
Government of Maharashtra

Sub: **<u>Effect of COVID-19 on Real Estate in Maharashtra and Support for Revival</u>**

Ref: **<u>Natural Calamity due to N-COVID-19 and Present Lockdown in the Country.</u>**

Respected Sir,

The COVID-19 Pandemic is going to cause an unprecedented impact on the real estate business especially the residential real estate segment that has already been reeling from the adverse impact of the prevailing liquidity crunch, huge unsold inventory, weak affordability and subdued demand conditions.

Even after this lockdown is lifted, it shall take a minimum of 3 to 4 months for production houses to arrange resources, labour, materials and start production of raw materials required to carry on the construction of real estate projects. Further, most of the site laborers have migrated back and will return gradually after the monsoon is over. Hence, the Real Estate sector will take a minimum of six months to nine months to come back to normalcy. Also with the current uncertainty on the demand side, we foresee at least 9 months for customers to start looking to buy real estate.

In the current situation, Government of India has appointed the Economic Response Task Force under the dynamic leadership of our **<u>Union Finance Minister Smt. Nirmala Sitharaman ji</u>** to combat the impact of COVID-19 Pandemic on India's real estate business.

The RBI vide its communique dated March 27, 2020 and vide its circular No.DOR.No.BP.BC.47/21.04.048/2019-20 March 27, 2020 announced the following relief measures:

- Three months moratorium on term loans granted by all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all India Financial institutions, and NBFC's (including housing finance companies) ("lending institutions") i.e., moratorium of three months on payment of all instalments falling due between 1st March 2020 and 31st May 2020. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

- Further, in respect of working capital facilities sanctioned in the form of cash credit/overdraft ("CC/OD"), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1,2020 upto May 31,2020 ("deferment'). The accumulated accrued interest shall be recovered immediately after the completion of this period.

CREDAI - MCHI
Maker Bhavan II, 4th Floor, 18, V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.
Tel: 42121421, Fax: 4212 1411/407 Email: secretariat@mchi.net Website: www.mchi.net

We appreciate the measures and initiatives undertaken by the government to support our industry but the lack of its effective implementation at the ground level is the reason for the hardships faced by us.

We hereby request you to represent our views and case to **the Union Finance Minister, Smt Nirmala Sitharaman ji**. Please find below our suggestions for the short-term and long-term measures for your consideration to mitigate the impact of pandemic COVID-19 on India's real estate industry:-

Urgent Measures (to be announced immediately)

1) **To allow individual buyer/company/corporate to adjust interest/principal paid on any real estate purchase bought and registered (residential/commercial) between 01/04/2020 to 31/03/2021 as a deductible tax expense without any cap for the next 10 years.**

   Present limit for deduction of interest against "Rental income" under section 24(b) is Rs. 200,000 for self-occupied property. Considering the objective of section 24(b) to allow the interest deduction on self-occupied property, the cap of allowable interest expense deduction should be done away with.

   The ceiling of deduction for principal repayment of housing loan is Rs. 200,000. Further, the above deduction is clubbed with other tax saving instruments, which makes it insignificant. The deduction under section 80C should be allowed to the individuals in respect of the cost of their first self-occupied house property upto the acquisition cost. The said deduction could be spread over a period of 10 years.

   Both the above measures will assist tremendously to fulfill the vision of the government of '**Housing for All by 2022**'.

2) **To allow one time restructuring of loans or allow moratorium on EMI payments at least up to March 2021**

   One-time restructuring of loans is required as it will not only help the struggling business' operations by giving them a new lifeline but would also help them raise necessary funds/finances in view of an improved balance sheet, which would eventually contribute to keeping the foundation pillar of the economy strong and growing.

   Alternatively, EMIs on all term loans should be deferred upto March 2021. This would ensure that collections from the customers are utilized towards meeting the project construction requirements. In lieu of the additional moratorium, an extended period should be added in the remaining maturity period of the loans. Such moratorium should be applicable to all the Banks/NBFCs/MFIs/HFCs to enhance the coverage and penetration of the benefit.

3) **Reduction of housing loan interest to 5.0% per annum**

   Home loan to be charged concessional interest rate of 5.0% per annum by offering subsidy to the home purchaser, alternatively allow deduction of entire interest and principal repayment on housing loan without any limit for self-occupied house and one rented property (**similar to the stimulus announced by US Government in March 2020 for real estate homebuyers**)

4) **To allow sale of units using Subvention schemes where Pre-EMI Interest on home loan is borne by Developer**

   All loans sanctioned and disbursed between 01 June 2020 and 31 March 2021 should be allowed to be granted by banks/HFCs under subvention scheme at the option of the Developer.

5) To exempt rental income from taxes for next 10 years as it encourages Investors to buy units (**Poland is allowing losses in 2020 to be offset against previous year profits**)

6) To allow banks to have flexibility like available to Private Equity funds and NBFCs i.e.
   A) Convert some loan to equity or stock.
   B) To charge lower interest initially and higher interest once project receives OC with ensuring that the banks achieves it IRR agreed at the time of sanction

7) **Increase sanctioned limits of term loans automatically by 25% with a provision of 3 years repayment period for the incremental finance availed**

   Real Estate business is a very capital-intensive business and a large portion of the capital requirements are funded through Banks / Financial Institutions to construct and run the operations. The abrupt closure of business has a cascading impact wherein not only the Developer, but all other related stakeholders face the probability of Banks Loans going under default due to prolonged closure. Thus, the overall working capital cycle has been adversely impacted and hence, in order to sustain the business and the employment of the individuals as stated above during these unprecedented and testing times, the working capital requirement of the businesses should be automatically increased by 25% at the banks' / financial institutions' MCLR rates and no new application should be required to be filed for this purpose.

8) **To modify Non-Performing Asset recognition norms by increasing the period to 180 days from present 90 days**

   It is suggested that no NPAs should be declared by the Banks and Financial Institutions from April 2020 to September 2020 as the industry is facing huge challenges in meeting the debt obligations. In essence, it is suggested that no immediate reporting of default like SMA 0/1/2/3, NPA provisioning, RBI default norms should be done till September 2020. This will prevent all the businesses from facing adverse actions from rating agencies and resultantly from going bankrupt.

9) **To allow additional allocation of funds for enhancement of fund corpus for Government sponsored SWAMIH Fund (managed by SBICAPS) and widen its coverage by including units having value more than Rs. 2 crores**

   The scope of SWAMIH Fund shall be enhanced to cover all residential and commercial projects so that all customers can be benefitted by getting delivery of their homes and offices. Alternatively, a separate fund can be set up for targeting projects not covered by its scope. In Metro cities like Mumbai, lot of stuck projects have ticket sizes of more than Rs. 2 Cr. Further, the current IRR expectation of 15% per annum is too high in this crisis situation and the same should be reduced to 9% per annum. In addition, there needs to be additional Flexibility in terms of structuring investments to enable funding to partnership firms / proprietorship which at present is not available due to NCD structure.

10) To grant tax rebates to commercial asset owners i.e. offices, malls, multiplex, hotels, etc (**similar to Singapore**)

11) **GST to be levied on non-affordable housing units at the rate of 5% WITH Input Tax Credit, which is presently not extended**

    Lack of Input Tax Credit (ITC) is causing double taxation on real estate. Hence, availing ITC should be reintroduced on real estate transactions as was allowed earlier. Further, the rates for GST for commercial and retail projects to be brought at par with residential projects. **(similar to Norway reducing VAT rates)**

    At the current GST rate structure, the increased tax burden on the Developer and resultantly the cost pass-on to the Consumer is very high. It is pertinent to highlight that if the above measures relating to GST are not implemented, it would lead to a high dip in the expected GST collections from the real estate sector in FY 2020-21.

Sir, as you are aware that the real estate business is at the cusp of collapse and any delay in announcing relief measures will imminently result in the collapse of the real estate business which is the 2nd largest employer in India after agriculture. The sector creates tremendous opportunities for the skilled and unskilled workforce. Further revival of this business will lead to the revival of growth for the entire country. According to a recent research report from FICCI, It is the third most impactful industry in India in terms of its effects on other industries, as it directly impacts over 250 ancillary industries such as cement, steel, transport, construction, paint, brick, building materials, and consumer durables.

In this regard, we with great expectation request you to kindly represent our case for immediate and urgent intervention by the Finance Ministry on our demand. We also request you to help us with the RBI to achieve some of the above measures which are suggested by us.

Thanking you,

Yours Sincerely,
For CREDAI-MCHI

Nayan A. Shah	**Bandish Ajmera**
President	Hon. Secretary