



**Dear Investor,**

### **"FUNDING TO BUILDERS"**

We are giving below the detailed report appeared in Economic Times dated 06/12/2008.

- Banks told to assess builders' fund needs.
- INDIA'S troubled realty firms may soon be thrown a lifeline, with the Reserve Bank of India indicating that banks consider providing support to large real estate companies.
- Recently, the regulator wrote to select banks telling them to assess the financial support given to builders and to finalise a workable solution, a senior banker said. The realty sector has been one of the worst hit after RBI raised interest rates last year to combat rising inflation.
- The tightening of interest rates, coupled with the economic slowdown, has resulted in a slump in home sales and commercial property development. Earlier, realty firms had raised money from the capital markets and through private equity, but since the start of the downturn, their funding sources have been choked.

Many banks have been reluctant to lend to this sector, given the risks involved. However, considering the knock-on impact that a slump in the real estate industry has on allied sectors, such as cement and steel, the government is worried.

Early last month, RBI collected data from various banks relating to their funded and non-funded exposure to various real estate firms. This was followed by letters to lead banks of select real estate companies. Although RBI has not told banks explicitly to provide support to real estate companies, it has asked them to revisit the status of some of the projects.

In a letter to some banks, RBI has said that "the assessment should comprehensively bring out the financial vulnerability of the company and suggest possible ways to address this issue." Justifying its stance, RBI has said the exercise is aimed at understanding the status of major real estate companies through the medium of lead banks.

RBI has requested banks to assess a company's financials and discuss with the firm's officials its current and prospective position. The regulator has said that the assessment should cover the real estate company's indebtedness, exposure and commitments that are due.

- **REAL SUPPORT:**



- ▶ Banks told to assess financial support given to builders and to finalise a workable solution
- ▶ Assessment to cover cos' indebtedness, exposure and commitments that are due
- ▶ Banks to assess cos' project funding requirements and how they can be met
- ▶ Almost all large realty cos are included in the RBI list, such as DLF, Unitech, Sobha, Omaxe, Parsvnath and HDIL

**BANK CREDIT TO REAL ESTATE SECTOR (Rs Cr)**
**53,897**
**FEBRUARY 15, '08**
**61,045**
**MAY 23, '08**
**68,196**
**AUGUST 29, '08**


TRI PARNIA

- **BANKS BEGIN TALKS WITH REAL ESTATE COMPANIES**

MORE importantly, RBI has told banks to assess the real estate companies project funding requirements and how they can be met.

A senior banker said that almost all large real estate companies are included in the RBI list. These include DLF, Unitech, Sobha, Omaxe, Parsvnath Developers and Housing Development and Infrastructure among others. This is the first time that the central bank has directly written to banks telling them to assess loans given to specific companies which is facing a liquidity problem. A number of banks have already begun discussions with real estate companies mentioned in RBI's letter. Lenders are now in the process of submitting the report to RBI.

According to bankers, RBI's move follows regular complaints from real estate companies that demand for homes have been sluggish due to the high interest rates charged by banks. Their grouse is that there is resistance among banks to finance the realty sector.

Recently, RBI had taken measures aimed at encouraging banks to disburse loans in this sector at lower rate. RBI reduced standard provisioning for real estate loans from 2% to 0.40%, bringing them on par with other sectors such as cement, steel and pharma.

However, bankers say that even as they have reduced interest rate on home loans in the last fortnight, they have not witnessed any demand. They strongly feel demand for home loans

will pick up only after real estate companies slash prices. "A buyer's first consideration will be the price of the property and then only will he look at interest rates," a banker said.

### ● **FINANCE SECRETARY ASKS BANKS TO CUT LENDING RATE**

JUST a day before the government and RBI get set to independently announce a fiscal stimulus package and monetary measures, finance secretary Arun Ramanathan has told banks to lower lending rates, reports Sangita Mehta. The message was conveyed to the chiefs of select banks based in New Delhi and Kolkata on Thursday at a meeting in the capital, bankers said. A banker said that during the meeting, lenders told officials that there has been a steep fall in demand for loans even after banks slashed their prime lending rates. They feel lower lending rates alone will not help boost demand. Rather, manufacturing companies and real estate firms would do well to bring down prices. Banks said they should be allowed to restructure performing assets of real estate companies without classifying them as bad loans. Currently, when a loan is extended to the real estate sector, capital market and in the personal loans segment and then restructured, banks have to classify it as bad loan.

### ● **ABUNDANT LIQUIDITY WITH BANKS :**

Liquidity was once again abundant, as banks parked more than Rs 35,000 crore with the Reserve Bank of India (RBI), while not a single bank borrowing a rupee from it. After hovering under the 6%-mark for most of the session, overnight call rates ended slightly higher than the Thursday's close."

### **IMPORTANT NOTE FOR YOU:**

The above report gives indication that Indian Banks have huge surplus ready cash on hand and Indian builders are running for fund.

Since they don't have funds, they are willing to reduce the price and raise money to complete the project and meet other financial commitments.

However, if the banks start giving them more money, their need to go for distress sale may reduce.

### ***NOW, ITS RIGHT TIME TO BUY FLATS IN DISTRESS SALE.***

Though RBI has asked banks to give money to builders, you know how Nationalized Banks work in India. It will not happen fast but some day they will get big money from banks.

Let us give serious thought to acquire flats now.

Thanks & Regards,

**Mideast Properties Pvt. Ltd.**

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