Realtors dub budget 2010-11 as insufficient for the sector

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Mumbai: Even as shares of major realty firms rallied on the BSE boosted by Pranab Mukherjee's 'consumer friendly' budget, city-based realty players expressed their disappointment by calling it 'negative' for the sector.

The increase in excise duty on cement and clinker from the current 8-10% coupled with the hike in fuel prices is likely to pinch consumers indirectly as the cost of construction will go up.

"The cost of construction is certainly going to rise as excise duty on cement and clinker has been hiked to 10%. Even though it is a partial roll-back, this will hit property developers as also buyers," leading real estate developer Rustomjee's chairman, Boman Irani, told PTI here.

Irani, however, said that he was not expecting any significant rise in property prices. He also said that the sector expected the Government to further reduce service tax on the purchase of land, home sales and fresh constructions. However, the service tax has been maintained at 10%.

Last year, the tax was reduced to 10% from 12.5% due to the (economic) slowdown that led to falling revenues. Another leading real estate firm, Hiranadani Developers, also dubbed the budget as insufficient.

"The budget is insufficient, incomplete and impractical. Except the finance minister's proposal to extend the 1% interest till March next on loans for houses upto Rs20 lakh, no other benefit has been given to boost affordable housing," Hiranadani Group's managing director, Niranjan Hiranandani, said.

He also said that the sector had sought cheaper capital and faster project clearances which has not been given any importance in the budget.

Similarly, real estate and retail advisory firm, Beyond Square Feet, said the Budget was highly disappointing as the Government had completely forgotten the retail sector, which is a key driver of the economy as well as the real estate sector.

"The finance minister has forgotten the retail sector completely even though it contributes more than 12% to the GDP. The Minister also forgot the promises made about the FDI for the retail sector. This will surely affect the realty sector as developers would not be keen on mall projects," the firm's chief Mall Mechanic, Susil Dungarwal, said.

Meanwhile, according to Sahara Prime City's CEO, Sushanto Roy, "the budget proves the Government’s pragmatic approach instead of a populist one. Though there are not too many big bang reform-centric announcements, but what has come as a relief to the markets is the absence of major negatives, barring the hike in MAT, increase in excise duties and increase in the levy of oil prices."

Despite higher social spending, the Government did not overshoot its FY-10 fiscal deficit target of 6.8% by too much, he said.

"I expect the realty and infrastructure sectors to gain from this budget. The infrastructure sector shall get benefited from higher Government allocation and from the proposal of a deduction of Rs 20,000 towards investment in infra bonds. The realty sector would also benefit from continued focus on strengthening existing affordable housing schemes and extension of tax exemption period for real estate projects from the existing 4-5-years," he said.