

ANAROCK

VALUES OVER VALUE

POLICY COVERAGE

Budget 2019-20: A Visionary Budget for Sustainable Economic Growth



Foreword

The maiden Union Budget of the present finance minister has set the tone for an over-ambitious but achievable economic road map for the country. It is in many ways an extension of the Interim Budget. However, in this edition we see the prescription for the grey areas with major pain points being diagnosed. It did not need to be a populist budget, but the government has judiciously evaluated the current economic situation to leverage some key areas without imposing much additional burden on the common man.

The vision of economic growth is based on a sound platform of inclusion, healthy environment, ease of conducting business and the well-being of the population. It also aims to project India as a fast-developing economy which welcomes the global investors to participate in the historic development.

All the initiatives and announcements made today are efforts directed towards the following:

Employment Creation

MSMEs are a crucial segment which needs to be nourished and helped to grow in a country where growth is led by the manufacturing and services sectors. They are also capable of providing employment that can shape the economy of the nation favorably. Today, there were several announcements that can propel this segment of the industry. Start-ups are helping build a new India. They have been successful in generating significant amount of investments from across the globe and are capable of creating massive employment opportunities in the future. The finance minister acknowledges their contribution and has extended exemption of capital gains arising from sale of residential house for investment in start-ups up to 31st March 2021. Training and development programs for them will be aired on government's television channels.

Self-Sustaining Rural Economy

Providing connectivity through roads in the rural areas is a big step to augment its economic development. Access to credit and proximity to the markets in the rural districts can very easily create a self-sustaining ecosystem. Better living conditions for these citizens with access to housing and necessities like toilets, cooking gas and electricity will help them to actively contribute to the growth.

Simplified Processes and Compliances

The initiatives for digitization and technology are not only aimed to ensure financial inclusion but also to ensure transparency and ease of doing business in the country. There are announcements for online loans and several other activities which were complex earlier. Faceless e-assessment of income tax is indeed a remarkable step to induce efficiency into any system.

Emphasis to switch to online transactions have paid their dividends and simplified several activities. Pre-filled income tax returns for individuals are yet another step to simplify the process for individuals.

Increasing Investor Participation

To ensure an all-inclusive and sound growth platform the government aims to include retail investors also and has amended several norms to facilitate the same. The NRI investment portfolio investment Scheme route has been merged with the Foreign Portfolio Investment route to enable NRIs to invest in capital markets.

In spite of all the above measures the real estate sector did not gather much of the attention as it had expected. However, not all is bad for the sector as there is a clear direction to provide an impetus to infrastructure as evident from the allocation of investments of over INR 100 lakh crore in the next five years.

The affordable housing segment (<INR 45 lakh) has been energized with major tax benefits with tax deductions up to INR 3.5 lakh in the income tax until March 31, 2020. This will help build the demand for the segment among the first home buyers. Also, the vision to provide Housing to All seems to be getting closer to fruition as we approach the 75th Independence Day. Nearly 1.95 crore houses are proposed to be provided to eligible beneficiaries under PMAY-Rural between FY20 to FY22. This is achievable due to the introduction of new technology which has successfully reduced the construction time from 314 days to 114 days.

Rental housing is going to get a makeover with a new and formalized policy. This will definitely help to solve a major issue faced by the migrant population in top cities which do not have access to proper housing. Often this shortage results in creation of slums and illegal settlements which puts additional pressure on the civic infrastructure.

Major focus on education and tourism will open up avenues for hospitality and student housing sectors. Apart from the direct impacts, improved connectivity and well-developed infrastructure is capable of unlocking the real estate potential of newer markets. This will help create new geographies in the future and thereby emerge as new destinations of commercial and residential developments.

The budget of 2019-20 has laid the blueprint for the future of India. It has outlined the vision to make India a US\$ 5 trillion economy by FY 2024-25, perhaps better than many advanced economies of the world today.

ANUJ PURI
Chairman
ANAROCK Group



Infrastructure



Infrastructure

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The increased thrust on multi-modal infrastructure development will not only improve the transport efficiency but also it bodes well for development of various real estate assets”



Announcements

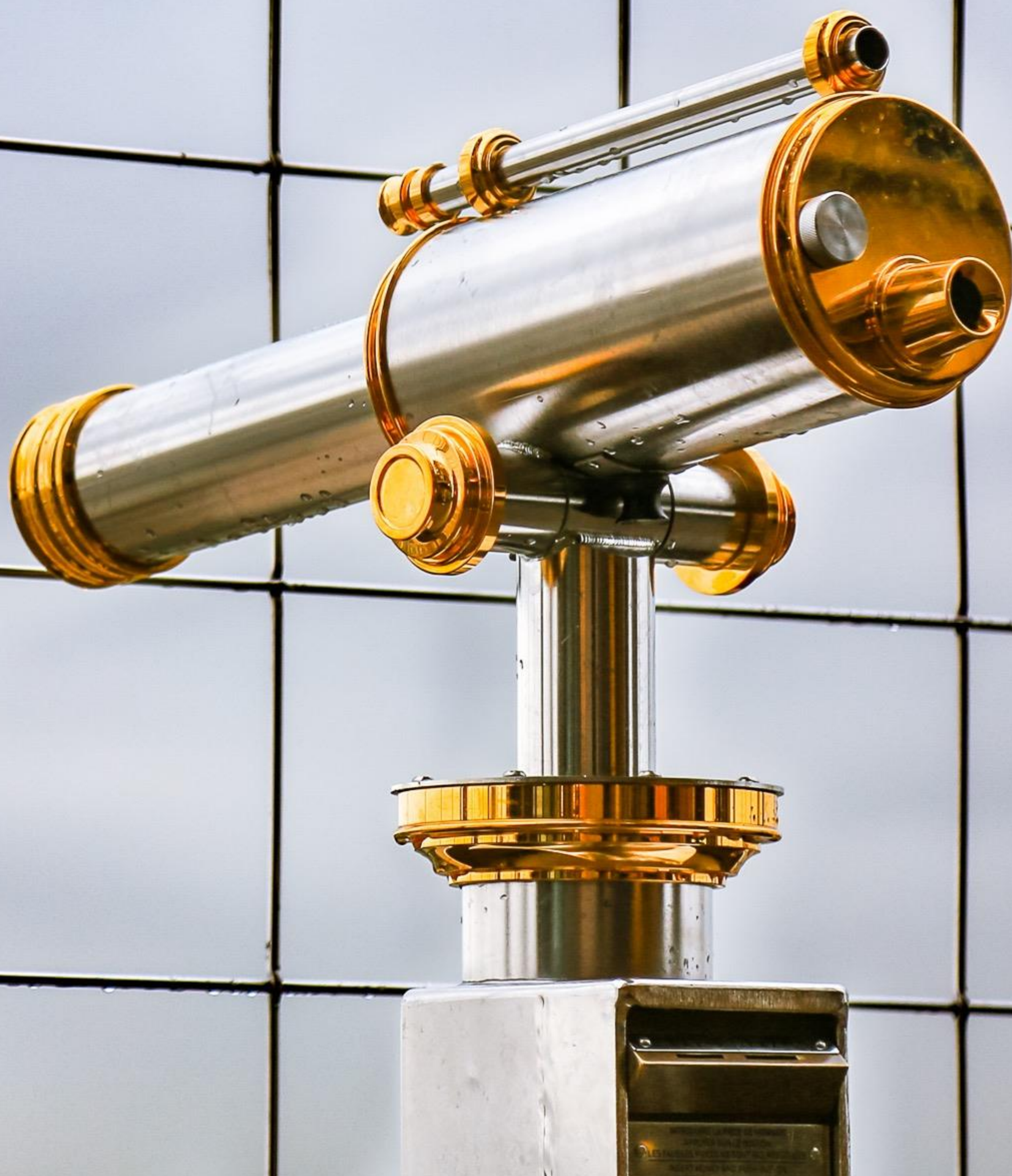
- 1. INR 100 lakh crore:** infrastructure investments over the next five years. Proposals to enhance the sources of capital:
 - Setting up of Credit Guarantee Enhancement Corporation
 - Deepening the market for long term bonds
 - Permitting investments made by FII/FPIs in debt securities issued by Infrastructure Debt Fund
- 2. INR 80,250 crore:** cost of upgrading 125,000 km of road length over the next five years under PMGSY-III.
- 3. Comprehensive restructuring of National Highway Programme** to ensure that the National Highway Grid of desirable length and capacity is created using financeable model.
- 4. INR 50 lakh crore:** railway infrastructure investment between 2018 – 2030. Proposal to utilize Public-Private Partnership (PPP) mode to expedite developments.
- 5. Enhance the metro railway initiatives by encouraging more PPP initiatives** and ensuring completion of sanctioned works, while **supporting Transit Oriented Development (TOD)** to ensure commercial activity around transit hubs.
- 6. Railway station modernization** plan on a large-scale.
- 7. Continued focus to utilize inland waterways** to reduce dependency on roads and rail as well as provide a cost-effective means of transport.



Implications

1. Continued focus on infrastructure ramp-up is a good indicator of an economy that has the potential to grow by leaps and bounds. Good infrastructure clears many bottle-necks, eases business and has a positive ripple effect on the economy.
2. Multi-modal infrastructure development including road, rail and metro leads ease of living conditions and spurs demand of various real estate assets including residential, commercial, retail and warehousing.
3. Railways are the most utilized rapid means of transport and modernization of railway stations will surely go a long-way in attracting investments and increasing passenger traffic.
4. The Government is devising new means to raise funds for infrastructure financing and is looking at systemic changes to address this gap and that too without burdening the tax payer and keeping a tab on the fiscal deficit.
5. Development of inland waterways will stimulate demand for warehousing & logistics.

Investments



Investments

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The improvement in Ease of Investments will generate higher interest from the global fraternity and increase their participation in the India Growth Story”



Announcements

1. **INR 1.05 lakh crore:** disinvestment planned for the financial year 2019-20
2. **Rationalize and streamline the existing Know Your Customer (KYC) norms** for FPIs to make it investor friendly.
3. Measures to **further make India FDI-friendly**
 - Opening up of FDI in aviation, media and insurance sectors.
 - 100% FDI permitted for insurance intermediaries
 - Local sourcing norms will be eased for FDI in Single Brand Retail sector.
4. Organizing an **annual Global Investors Meet** in India, to get all three sets of global players-top industrialists/corporate honchos, top pension/insurance/sovereign wealth funds and top digital technology/venture funds.
5. FPIs will be permitted to subscribe to listed debt securities issued by REITs and InvITs.
6. The Government would start raising a part of its **gross borrowing programme in external markets in external currencies.**
7. **Increase NRI participation in equities:** Merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route.
8. Consideration to **raise minimum public shareholding in listed companies** from 25% to 35%.



Implications

1. The Government is laser-focused to ease the process of investment so as to get access to capital from various parts of the world.
2. Opening up of FDI not only brings in much-needed capital but also the expertise which helps in overall developments of any sector.
3. Global investors meet is a great initiative which will give India access to various kinds of investors on a single platform. Also, this will be an appropriate stage to showcase India's capability and attractiveness to garner further investments.
4. The two-pronged approach of easing processes and bringing in investments from the institutional as well as the retail route will lead to an expansion of the investment options.

Banking & Financial Services



Banking & Financial Services

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The focus clearly seems to be on supporting the financially sound lenders and ensuring that the lending processes remain robust”



Announcements

- 1. Ease of loans to MSMEs:** providing of loans upto INR 1 crore within 59 minutes through a dedicated online portal.
- Measures to deepen the corporate bond market:
 - The Government to work with regulators (RBI/SEBI) to enable stock exchanges to allow AA rated bonds as collaterals.
 - User-friendliness of trading platforms for corporate bonds will be reviewed.
- 3. INR 70,000 crore:** capital provided to public sector banks to boost credit for a strong impetus to the economy.
- 4. Supporting financially sound NBFCs:** to purchase high-rated pooled assets of financially sound NBFCs, amounting to a total of INR 1 lakh crore during the current financial year, the Government will **provide one time six months' partial credit guarantee to Public Sector Banks for first loss of up to 10%.**
- To **allow NBFCs to raise funds in public issues**, the requirement of **creating a Debt Redemption Reserve (DRR)**, which is currently applicable for only public issues as private placements are exempt, **will be done away** with.
- The **RBI** to take over the **regulation of housing finance sector** from NHB.



Implications

- Quick and hassle-free loans to fuel MSMEs will help these business to survive and expand. MSMEs play an important role in the economic growth as well as job creation in our country.
- Supporting financially sound NBFCs will help this segment of lenders to sail through in these turbulent times. It is a welcome move for the real estate sector as well considering that it is highly dependent on NBFCs.
- RBI taking over as the regulatory authority will ensure that there's no conflict of interest and the sanctity of lending and other business practices is maintained.

Housing & Real Estate



Housing & Real Estate

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Promoting rental housing will help to bridge the shortage and also create an opportunity for residential REITs in the years to come”



Announcements

1. **Promote rental housing by finalizing a Model Tenancy Law** that clearly addresses the relationship between the Lessor and Lessee realistically and fairly.
2. In the second phase of **PMAY-G**, during 2019-20 to 2021-22, **1.95 crore houses** are proposed to be provided to the eligible beneficiaries.
3. Focus on **usage of technology to build affordable houses**: with the use of technology, the DBT platform and technology inputs, average number of days for completion of houses has reduced from 314 days in 2015-16 to 114 days in 2017-18.



Implications

1. A regulated rental housing market is important for the growth of real estate sector and also to address the ever-rising housing shortage in India. Moreover, if rental housing evolves significantly, we may witness formation of residential REITs in the years to come.
2. The incessant focus on PMAY to achieve the vision of Housing for All by 2022 is clearly visible in the targets set for the next 2 years. This will not only aid to address the issue of housing shortage but also create large-scale employment for skilled and unskilled labourers.
3. The usage of technology reduces the time to market by increasing the efficiency. The Government's focus on utilizing new-age technologies to develop affordable housing has shown some good results and will help in the overall growth of the real estate sector.



Taxation



Taxation

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Affordable housing gets a shot in the arm with an additional income tax deduction of INR 1.5 lakh on the interest”



Announcements

1. **Corporate tax rate of 25%** extended to companies who have reported **turnover up to INR 400 crore** (which covers 99.3% of the companies).
2. **INR 1.5 lakh:** additional income tax deduction on the interest paid on loans borrowed upto 31st March 2020 for purchase of an affordable house valued upto INR 45 Lakh.
3. **TDS of 2%** on **cash withdrawal exceeding INR 1 crore** in a year from a bank account.
4. Enhance **surcharge on individuals having taxable income from INR 2 crore to 5 crore and 5 crore and above** so that effective tax rates for these two categories will increase by around 3% and 7% respectively.
5. **Ease in returns filing:** interchangeability of PAN and Aadhar and pre-filing of income tax returns.
6. **Simplified GST processes:** simplified single monthly return. Taxpayer having annual turnover of less than INR 5 crore shall file quarterly return.



Implications

1. Corporate tax rate of 25% for companies having a reported turnover up to INR 400 crore brings in the much-needed relief to these businesses. We may now witness some additional investments coming in considering the reduction in taxes.
2. Affordable housing gets a shot in the arm with an additional income tax deduction of INR 1.5 lakh on the interest. We may see an increase in activity in this segment, which is already the most dominant one across the top cities of India.
3. TDS on cash withdrawal exceeding INR 1 crore in a year along with other initiatives focused on increasing digital payments will increase the transparency and accountability, and will ensure that unaccounted money does not creep into the system.
4. Simplified returns filing and GST processes ensures that the honest tax payers are not caught in the web of exhaustive mechanisms and continue to serve the nation in a positive manner.

Education



Education

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World-class education facilities leads to a rise in talent pool and will help to further attract global corporates to India”



Announcements

1. **INR 400 crore:** provision to develop “World Class Institutions”. The quantum is more than 3 times the revised estimates for the previous year.
2. **New National Education Policy:** to transform India’s higher education system to one of the best in the world.
3. **Study in India:** programme that will focus on bringing foreign students to study in India’s higher educational institutions.



Implications

1. Education is the base pillar of strengthening the economy and helps in creation of massive talent pool.
2. With focus on ‘Studying in India’ and development of world-class facilities, there might be a rise in student housing demand which has already surfaced as an alternative investment opportunity in India.



About ANAROCK

ANAROCK is India's leading independent real estate services company with a presence across India and the Middle East. The Chairman, Mr. Anuj Puri, is a highly respected industry veteran and India's most prominent real estate thought leader.

The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales. ANAROCK's services include Residential Broking and Technology, Retail, Investment Banking, Hospitality (via HVS ANAROCK), Land Services, Warehousing and Logistics, Investment Management, Research and Strategic Consulting.

The Company has a unique business model, which is an amalgamation of traditional product sales supported by a modern technology platform with automated analytical and reporting tools. This offers timely solutions to its clients, while delivering financially favourable and efficient results.

ANAROCK has a team of over 1800 certified and experienced real estate professionals who operate across all major Indian and GCC markets, and within a period of two years, has successfully completed over 300 exclusive project mandates. ANAROCK also manages over 80,000 established channel partners to ensure global business coverage.

Our assurance of consistent ethical dealing with clients and partners reflects our motto - Values Over Value.

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