

Mahindras to build affordable houses in Maharashtra, TN

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MEETING THE HOUSING DEMAND

Mahindras to build affordable houses in Maharashtra, TN

Rival Tata Housing welcomes the entry of credible players in the segment

RAGHAVENDRA KAMATH
Mumbai, 27 April

The Rs. 80,000-crore Mahindra Group is to foray into affordable housing this year to tap demand for such homes.

Currently, Mahindra Lifespaces, its property development arm and known for its World City projects in Chennai and Jaipur, is finalising land parcels in Maharashtra and Tamil Nadu. "We have got a go-ahead from the management and appointed architects. We are in the process of getting the land within the company by next month," said Anita Arjundas, managing director and chief executive officer.

Each project will have 1,000 to 2,000 units spread over 10 acres. A home is to be priced between Rs. 7 lakh and Rs. 15 lakh.

When the company launches such a project, it would join the ranks of Tata Housing, Usha Martin Group and Jerry Rao's Value and Budget Housing Corporation, all of which have launched similarly priced ones.

"It (Mahindra's entry into affordable housing) is good. I have always maintained that more credible players should enter the market, as demand is good. There is a continuous shortfall in the space. More numbers of private players are always welcome," said Brotin Banerjee, managing director, Tata Housing Development Company. They've launched low-cost housing under a 'Shubh Gruha' brand, at Bhoisar and Vasind, 80 km from this city.

Adds Pranay Vakil, chairman of global property consultant Knight Frank, "Many companies have realised this is the need of the hour. They are willing to live with the low margins and large volumes. A lot of the corporates backing these developers have also created large employee housing. They think if they have done it for themselves, they can also do it for others."

Currently, Mahindra Lifespaces sells houses in the price bracket of Rs. 50 lakh to Rs. 1 crore, in



Mahindra Lifespaces is known for its World City projects in Chennai (pictured) and Jaipur. BS PHOTO

markets other than Mumbai. It is also looking at launching projects in Hyderabad, Pune and Ghatkopar in this city over 2012-13, and is awaiting approvals and acquiring land for the second stage of its Chennai project. Currently, it is developing four million sq ft of properties.

"If you have good location, the pricing is right and people see the project on the ground, then buyers get confidence to buy," Arjundas said.

In Nagpur, where the company released 20 per cent of the stock in the fourth quarter, it sold half of this in 45 days, she said. "We would like to build three years of inventory in the next 18 months," Arjundas added.

The MD said the company had not seen any slowing in property sales. It did sell less in 2011-

12, compared to the previous year (Rs. 590 crore, compared to Rs. 700 crore), but this was due to delay in getting approvals. "We were awaiting approvals in many projects. Otherwise, we are sold out in Mumbai, Pune and the NCR (National Capital Region, in and around Delhi)," she said.

Arjundas said the company would use a combination of debt and a joint development model to keep investment light. The debt to equity ratio is 0.56; debt is Rs. 600 crore on a consolidated basis. "We do not want to inflate our books, which we are not comfortable with," she said.

The company announced results today and saw an increase of five per cent in its profit after tax at Rs. 32 crore in the fourth quarter of 2011-12, as against Rs. 30.5 crore in the corresponding quarter of 2010-11.