

## Residential, Commercial Projects

Industry Code (as per CMIE Prowess): 0101060102000000'

June 2022

**Overall Industry Risk Score: 10/20 | Marginally Unfavourable**

Sample Size: 3 Companies

Median Rating Value of sample size: AA-

### Individual Parameters Contributing to the Score

Demand & Supply Balance  **8/20**

Moderate Over Supply

Covid related lockdown impacted footfalls and closure of loss making stores lead to underutilized capacities in the FY 2020 and first half of FY 2021. The office leasing has jumped two-fold to 11.55 million square feet on a y-o-y basis due to better demand from corporates and co-working spaces for the quarter ended March 2022. As per IBEF data, the office/ commercial market in the top eight cities recorded transactions of 40 million square feet (msf) in year 2021 as compared to 22.2 million square feet in the year 2020. It is expected to deliver 46 million square feet in year 2022. Foreign investments in the commercial real estate sector were at US\$ 10.3 billion from April 2017- December 2021. Demand supply dynamics vary across regions. The pace of recovery is likely to increase gradually due to revival and unlocking of the economy.

Extent of Competition  **8/20**

Fragmented Industry

Highly fragmented and theme agnostic sector. Besides large pan India players even mid sized players have demonstrated the ability to attract investments from reputed private equity investors. Brick and Mortar stores facing competition from online portals. Demand destruction due to lockdowns & lower discretionary spending and shift to online purchasing has made it difficult for offline sector.

## Regulatory Risk 12/20

Predictable Regulatory environment

Regulations fairly predictable for commercial complexes. Certain National Green Tribunal (NGT) related regulations pertaining to land use pose certain uncertainty. Emergence of Real Estate Investment Trusts (REIT) to add to financial flexibility of the players.

## Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Covid lockdown had disrupted the supply chain. Various Government initiatives, infusion of capital from FDI & Government, ease in availability of labour and material has resolved the supply chain issues but the industry growth will be gradual.