

Land acquisition bill: Impact on most listed real estate developers not likely to be material

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The Union Cabinet yesterday approved the National Land Acquisition and Rehabilitation and Resettlement (R&R) bill and its introduction in Parliament during the current monsoon session. The bill aims to safeguard the interest of farmers and those who have lost livelihood as a result of the land acquisition, whilst facilitating land acquisition for industrialisation, infrastructure and urbanisation. However, we believe that the impact of this bill on the Listed Real Estate sector will not be material because:

- The bill predominantly affects land acquisitions where private companies acquire land from farmers and the size of the land parcel is larger than 50 acres in urban areas and 100 acres in rural area. Most real estate developers, focussing on Tier 1 cities do not acquire land parcels larger than 50-100 acres, unless it is meant to build an SEZ on such a land previously being used for irrigation. Also, most acquisitions being carried out by real estate developers include land being previously owned by corporates or private individuals rather than farmers.
- The bill is only proposing a model framework devised by the Central Govt leaving it to the state regulators to decide how land acquisition transactions will be dealt with in their states.
- The bill applies R&R conditions of 4x market price for rural and 2x market price for urban land 'retrospectively' only if the acquired land is currently under dispute with the farmers.

Conclusion: Consequently, the bill will impact developers retrospectively only if their land bank includes a large land parcel (more than 50-100 acres in size) which was previously used for agricultural purposes, is intended to be used for 'public purpose', was acquired from farmers through the government and is currently under dispute around ownership with the farmers. Moreover, the scope of the bill should be in line with the local state regulation before it can be applied. We will seek further clarifications from listed developers which own large land banks and hence could see an impact of this bill on their land acquisitions retrospectively.

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