



## REAL ESTATE

### *Mumbai: 20% reservation for LIG housing on cards*

India Equity Research | Real Estate

As per media reports, Maharashtra state government has issued a notification for a mandatory 20% reservation for low-income group (LIG) to Maharashtra Housing and Area Development Authority (MHADA) in greenfield residential projects (excluding SRS/redevelopment) in the state exceeding 2,000 sq m or half-an-acre. Developers will hand over LIG units to MHADA at cost of construction though it is not clear whether developers will receive incentive FSI in lieu of the LIG units constructed. We understand that suggestions/objections to the notification will be invited from affected parties following which a formal amendment will be made to the MRTP Act. In the event that incentive FSI is granted to developers, we expect this notification to be neutral while absence of the same may significantly reduce the saleable area in projects, impacting NAVs of developers.

#### Event: 20% reservation for LIG housing proposed

According to media articles, Maharashtra government has decided to make a mandatory 20% reservation for LIG in greenfield residential projects on plots exceeding 2,000 sq m. This is currently a proposal. A notification has been issued inviting suggestions and objections. It is expected that appropriate amendments to the Maharashtra Regional Town Planning (MRTP) Act will be made after considering suggestions and objections.

While we are yet to see details of the notification, media articles indicate that projects on plot sizes exceeding 2,000 sq mt will have to provide 20% space for LIG housing. The developer will have to handover houses admeasuring 27 sq m to 45 sq m (270-450 sft) to MHADA at cost of construction which will then sell it through a lottery system. The developer is likely to get an incentive FSI in lieu of the space handed over to MHADA.

The Maharashtra government had earlier attempted to introduce this provision, which was, however, struck down by courts, citing lack of provision for compensation to developers and that suggestions and objections were not invited. The news articles also quote government officials stating that the decision will be applicable only to greenfield projects and not for redevelopment or SRA schemes.

#### Impact: Neutral if developers get incentive FSI

We believe that developers might be offered incentive FSI in lieu of the space handed over to MHADA as the LIG housing component may significantly reduce the saleable area in projects, impacting NAVs. However, any adverse ruling in this regard is a clear negative for Mumbai based developers. Additionally, the proposed LIG housing scheme may be difficult to implement in case of relatively smaller plots.

**Aashiesh Agarwal, CFA**  
 +91 22 4063 5491  
 Aashiesh.agarwal@edelcap.com

**Adhidev Chattopadhyay**  
 +91 22 6623 3358  
 Adhidev.chattopadhyay@edelcap.com

January 03, 2012

**Edelweiss Securities Limited**, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.  
Board: (91-22) 4009 4400, Email: [research@edelcap.com](mailto:research@edelcap.com)

Vikas Khemani	Head Institutional Equities	<a href="mailto:vikas.khemani@edelcap.com">vikas.khemani@edelcap.com</a>	+91 22 2286 4206
Nischal Maheshwari	Co-Head Institutional Equities & Head Research	<a href="mailto:nischal.maheshwari@edelcap.com">nischal.maheshwari@edelcap.com</a>	+91 22 6623 3411

## Access the entire repository of Edelweiss Research on [www.edelresearch.com](http://www.edelresearch.com)

This document has been prepared by Edelweiss Securities Limited (Edelweiss). Edelweiss, its holding company and associate companies are a full service, integrated investment banking, portfolio management and brokerage group. Our research analysts and sales persons provide important input into our investment banking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Edelweiss or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, group companies, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Edelweiss and affiliates/ group companies to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Edelweiss reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Edelweiss is under no obligation to update or keep the information current. Nevertheless, Edelweiss is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Edelweiss nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Edelweiss Securities Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst holding in the stock: no.

For recipients in the United States: This report was prepared by Edelweiss Securities, which is not a FINRA member nor a broker-dealer registered with the SEC. US persons receiving this research and wishing to effect any transactions in any security discussed in the report should contact an SEC-registered broker-dealer. In order to conduct business with Institutional Investors based in the U.S., Edelweiss Securities has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Copyright 2009 Edelweiss Research (Edelweiss Securities Ltd). All rights reserved