



The Affordable Housing Finance Summit 2017  
15th September, Hotel Hilton, Mumbai

**KEY FINDINGS AND TAKEAWAYS**

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# Genesis and Progress of the Summit

*For any emerging economy, development of the housing sector has its own challenges. The biggest of these challenges is access to finance. In a developing economy like India, low income groups continue to remain particularly underserved.*

*With housing for this group becoming an area of particular focus for the government, there is undoubtedly a lot of scope for affordable housing finance players in years to come.*

*We felt the need to bring together all the stakeholders of the industry to deliberate on various issues concerning the housing finance industry so that the vision of 'housing for all' can be realized in a sustainable manner.*

*The Affordable Housing Finance Summit, 2017, was organised by Vinod Kothari Consultants P Ltd., sponsored by Fullerton India Home Finance Co. Ltd., supported by International Union for Housing Finance (IUFHF), and JLL India as Knowledge Partners. The event was last held in the year 2013; the spontaneous response of the participants and speakers indicated the relevance of the topic, the serious attention to the issue of affordable housing finance is getting from all stakeholders, and, of course, the illustrious guests of honour and the panellists. Not just the numbers, the varied sectors from which the participants came – banks, housing finance companies, investment banks, equity investors, real estate funds, mutual funds, etc. made the Summit significant, relevant and timely.*

# The Welcome Address

*The participants were addressed by **Mr. Vishes Kothari, Consultant, Vinod Kothari Consultants**, laying down the theme of the conference, which is all about housing, a basic need. In terms of Government policies, housing, and therefore, housing finance, had become the critical need, most particularly in terms of the ambitious target set by PMAY.*



# Keynote Address by Mr. R V Verma

- ❖ The Summit began with a Keynote address by Mr R V Verma, former CMD of National Housing Bank. Mr Verma touched upon a wide range of issues concerning the theme of the Summit – from the growth of the housing finance industry to the increasing penetration, to need for market-based salutations rather than subsidies to promote housing, the need for long-term capital, the issues facing housing construction, etc.
- ❖ The number of HFCs in the country which remained flat for several years has recently risen to an impressive number close to 90. The **CAGR** of housing finance was estimated to be in the range of 20%, and at that pace, the penetration level by 2022 will be over 15%.
- ❖ Mr. Verma also highlighted the current competition in the market and the challenges in terms of channelising more long-term funds and boost to securitisation in the sector.
- ❖ He focused on the **growth** parameters of the industry, standing at 18-19% in the last 5 years while gross NPA remained at sub 1%, suggesting positive scenario as against global industry figures.
- ❖ He further shed some light on the effective credit information **infrastructure** that exists in the market, and the financial sector infrastructure that is in place and still evolving.
- ❖ While HFCs have been well-regulated, it was so far striking that the housing development itself was completely unregulated. In that light, the enactment of **RERA** was a major positive development.
- ❖ The origination quality standards are prove to be the **USP** of the mortgage sector in India.
- ❖ The HFCs in the country have been lending at variable interest rates; they need to move to a fixed rate lending scenario, which is a practice world-over, particularly when it comes to the affordable housing sector. For this, they will need to create **long-term sources of funding**.
- ❖ The **PMAY** provides a very significant incentive to affordable housing by providing a credit at the rate of 6.5% for a home borrower. However, HFCs will have to learn to move away from government subsidies, which are eventually a burden on the tax payer, to market-based subsidies. One of the most intuitive way to link the cost of home finance with the rate of inflation in property prices; if the home owner is able to get funding at a rate lower than the appreciation in property prices, he is actually a net gainer. The PMAY is expected to reconcile the interest of all the stakeholders and bring about a net positive change in the state of housing sector in India.
- ❖ Mr Verma said affordable **housing finance cannot exist without affordable housing**. To make housing affordable, the cost pilferages and overruns that happen due to clearances in construction have to go away. **Single window clearance** for affordable housing projects should be policy objective.

**Mr. R V Verma,**  
Former CMD, NHB



# Session 1: Overview of affordable housing finance markets

- ❖ Session 1 dealt with the state of affordable housing in India, Role of NHB, policies governing incentives, with particular focus on low-income housing in India.
- ❖ The session was moderated by Mr. Ravindra Rao.
- ❖ Mr. Shubhankar Mitra started with the discussion on the state of affordable housing in India and key developments in the sector in the past few years.
- ❖ Mr. Nilesh Srivastava furthered the discussion and spoke about various policy initiatives in the country comparing them with those existing outside India. He gave the audience a brief on the state of micro mortgage lending in countries other than India.
- ❖ Mr. AP Saxena shed a detailed light on the Role of NHB in the Indian Housing Sector and gave us an insight on current and upcoming policy initiatives for the market players.
- ❖ Mr. Santosh Nair, as a representative of a mainstream financier spoke from an angle of risks or rewards associated with operating in the industry . He also discussed on various policy initiatives in the sector.
- ❖ To add a splash of colour of low-income housing and low-income housing finance, Mr. Vikram Jain added further on what the regulators and the Government is expected to do. He further, gave us a brief on the current state of low-income housing. He highlighted the dearth of an effective low-income housing and/or finance in India.
- ❖ Mr. Rao, being the moderator of the session, requested the panelists to identify their wish list , mentioning things they expect from the regulatory body and the industry as a whole. To this, several interesting answers were tabled by the speakers.

**Mr. R V Verma**, Former CMD, NHB

**Mr. Ravindra Rao**, CEO, Grihashakti Fullerton India Home Finance Company Ltd

**Mr. Subhankar Mitra**, Local Director - Strategic Consulting, JLL India

**Mr. Nilesh Shrivastava**,  
Manager - Financial Institutions Portfolio, IFC South Asia

**Mr. AP Saxena**  
GM, NHB

**Mr. Santosh Nair**,  
Chief Business Officer, DHFL

**Mr. Vikram Jain**,  
Director, FSG

# Special address on RERA by the Guest of Honour

- ❖ We were fortunate enough to have the kind presence of Mr. Gautam Chatterjee as the Guest of Honour for the day.
- ❖ Mr. Chatterjee addressed the audience, embarking on the journey of Real Estate and its regulation in India.
- ❖ He presented a detailed picture of what, how and when the MahaRERA took its shape and its current operational structure.
- ❖ In its few initial months, MahaRERA was successful enough to have received 13,323 applications by 15<sup>th</sup> September, 2017, of which 13,150 are duly registered.
- ❖ Stressing on the need for Information Technology, he was keen to incorporate the same not only the internal working mechanism of MahaRERA, but to extend the technology driven framework for the use of the stakeholders externally.
- ❖ He also shared with the audience, his experiences in the past few months of implementation of the Real Estate Regulation Act. Adding on, he shared the challenges associated with the Act and how we are expecting to cope up with the same.
- ❖ The address further enthused the audience towards the theme of the event and made them understand the connections between the housing industry and the real estate sector in India.

**Mr. Gautam Chatterjee,**  
Chairman, Maharashtra  
Real Estate Regulatory  
Authority (MahaRERA)



# Session 2: Affordable Housing: Regulatory and Tax Framework

- ❖ Session 2 dealt with Regulatory and Tax issues revolving around affordable housing and Indian housing sector as a whole.
- ❖ The session was moderated by Mr. Vinod Kothari.
- ❖ Mr. Shubhranshu Pani and Ms. Divya Malcolm discussed on RERA from the perspective of housing sector and how effective the Act is expected to be in the regulatory and compliance context. The Act is expected to bring about a financial discipline in the real estate sector and the housing sector as well.
- ❖ Goods and Services Tax (GST) implications on affordable housing finance on aspects such as fees, charges or interest was discussed by Mr. Amitabh Khemka at length.
- ❖ Mr. Vinod Kothari initiated to deliberate on the Insolvency and Bankruptcy Code and how it is impacting a specific section of the housing sector, which is the home buyers. To add, the challenges with respect to IBC and RERA were also discussed by the speakers.
- ❖ He also discussed with other panelists, the impact of SARFAESI on the housing sector and its extension to finance and LAP transactions.
- ❖ Mr. Kothari also discussed various tax incentives for home buyers, available under the direct tax regime in India.

**Mr. Gautam Chatterjee**, Chairman,  
Maharashtra RERA

**Mr. Shubhranshu Pani**, Regional  
Director - Strategic Consulting, JLL  
India

**Ms. Divya Malcolm**,  
Principal Associate, Kochhar & Co

**Mr. Amitabh Khemka**  
COO, Sthir Advisors LLP

**Mr. Vinod Kothari**, Director, Vinod  
Kothari Consultants P Ltd

# Session 3: Financing for affordable housing finance

- ❖ Session 3 dealt with financing for affordable housing finance.
- ❖ The session was moderated by Mr. Prosenjit Gupta.
- ❖ Mr. Gupta gave the audience a brief on the existing types of financing that exist on the housing finance market.
- ❖ Options such as NHB refinance, infra bonds issued by banks, masala bonds were all discussed at length by Mr. AP Saxena and other speakers on the panel.
- ❖ Mr. Manish Jaiswal spoke on refinance as an option for new housing finance companies, sources of long-term finance for affordable housing finance lenders.
- ❖ Mr. Rastogi discussed the state of financing and emerging scenarios outside India.
- ❖ Mr. Getamber Anand shed a bright light on his experience as an investor and the housing projects he has handled so forth. Speaking of Private Equity as an option in the sector and the current scenarios of demand/supply in the industry, he took the deliberations to an interesting level.

**Mr. Manish Jaiswal,**  
MD, Magma Housing Finance

**Mr. Prosenjit Gupta,**  
Additional Senior GM – Treasury,  
HDFC Ltd.

**Mr. Shantanu Rastogi**  
MD, General Atlantic Pvt Ltd

**Mr. Getamber Anand,**  
CMD, ATS Infrastructure Ltd

**Mr. AP Saxena,**  
GM, NHB

# Special Session on Climate Bonds and Green Bonds Framework

- ❖ A special session on climate bonds and green bonds was taken by Mr. Sandeep Bhattacharya.
- ❖ He gave an astounding presentation on Green Bonds Initiative and Low Carbon Buildings.
- ❖ Climate bonds is a recent phenomenon in the Indian Financial Sector as a distinctive means of investment.
- ❖ He presented detailed facts and figures pertaining to growth in the market worldwide, in terms of issuances and diversity of portfolio.
- ❖ The audience was further educated on the Climate Bonds Standard & Certification Scheme.
- ❖ The process of certification of climate bonds is quite extensive, ranging from identification, verification to annual reporting mechanism.
- ❖ Mr. Bhattacharya also highlighted it for the audience to know the low-carbon buildings criteria which was launched in the year 2014.
- ❖ The criteria varies depending on the type of asset and data of emissions available.
- ❖ The session proved to be highly educative, vital and interesting for all the attendees.

**Mr. Sandeep Bhattacharya,**  
India Projects Manager  
Climate Bonds Initiative

# Session 4: Alternative Financing Solutions

- ❖ Session 4 dealt with Alternative Financing Solutions.
- ❖ The session was moderated by Ms. Bekxy Kuriakose.
- ❖ Ms. Bekxy started the session by sharing her insights on alternative finance solution in the context of affordable housing finance and her views on housing finance as an asset class.
- ❖ Discussion on covered bonds was initiated by Mr. Ajit Velonie, who inter alia also discussed the scenario of covered bonds internationally and how fast it is moving.
- ❖ Mr. Kalpesh Gada deliberated on the present structure of partial guarantee products in India, relevance of such products in the market and how they be leveraged rather more effectively.
- ❖ Ms. Remika Agarwal as a representative of IFMR gave her insights on innovative and upcoming capital market solutions for housing finance companies and the ways and means of non-traditional sources of funding in the sector.
- ❖ Mr. Shrikant Shrivastava deliberated on IMGIC's mortgage guarantee product, its attributes and the advantages it holds in terms of cost reduction and capital relief.
- ❖ Securitisation as an alternative financing solution was also discussed by Mr. Sunil Jain and other speakers on the panel.

**Mr. Sunil Jain,**  
CFO, India Shelter Finance  
Corporation Ltd

**Ms. Bekxy Kuriakose,**  
Head-Fixed Income, Principal Pnb  
Asset Management Company Pvt.  
Ltd.

**Mr. Ajit Velonie,**  
Director, CRISIL

**Mr. Kalpesh Gada**  
Consultant - Structured Finance

**Ms. Remika Agarwal**  
Head Structured Finance at IFMR  
Capital

**Mr. Shrikant Shrivastava,**  
Chief Risk Officer, IMGIC

# Key Takeaways

- ❖ Housing Finance Industry and Housing Industry as a whole is still in its stage of development in the Indian economy.
- ❖ As rightly highlighted by MR. R V Verma, a holistic integration of all the stakeholders of the industry is the key to long-term and sustainable growth.
- ❖ The affordable housing sector has come a long way and is expected to embark on even a longer journey.
- ❖ New asset classes have emerged and innovative means of funding, both long-term and short-term which could ultimately prove to be a win-win for both customers and service providers, is the need of the hour.
- ❖ RERA on the other hand is an opportunity that none should miss and leverage the positives it has introduced in the nation.
- ❖ Housing for all by 2022 is not just a slogan of the Government, it is indeed a dream of every last Indian, which needs an accomplishment by inputs and execution by all.
- ❖ Partnership of the regulators and other stakeholders is of utmost importance to reconcile the industry interests.
- ❖ Newer instruments such as climate bonds and covered bonds may as well help in achieving the benchmarks set at the regulatory and investor level.
- ❖ Newer regimes like the Insolvency and Bankruptcy Code, are still in their stage of initial implementation, and if leveraged effectively, may prove to be a boon for all.
- ❖ Obviously, the challenges are numerous, however, the way the industry has evolved, also comparing with international scenarios, it is expected to groom more and benefit everyone in the years to come.

# Contact the Organisers

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