

WEBINAR on AFFORDABLE HOUSING FOR LOW INCOME GROUPS: TRANSCRIPT

Video 1 : <https://www.youtube.com/watch?v=3iZiIZFe0d0>

Mr. Bikram Sen : This webinar is focused on residential projects directed at the middle income and low income households in India. On the panel I am joined by Mr. Deo Shankar Tripathi. Mr. Tripathi is the Chief Executive Officer of Aadhar Home Finance Limited, which is the joint venture between DHFL and ICO Washington. Aadhar Home Finance Limited buys charter is mandated to focus exclusively on the low income groups or the low income families in India, to which it provides home finance or mortgage finance. Together, we will handle the presentation. This presentation will be followed by a question and answer session. All participants can use the controls on your screen to send us questions even when the presentation is on. With a hope that we have an informative, interesting and a very lively discussion, I am now handing over the mic to Mr. Tripathi to start the presentation.

Mr. Deo Shankar Tripathi – Thank you Mr. Bikram Sen. Good evening and welcome to the webinar.

We all know there is a huge shortage of houses in India. Why does it exists? Mainly because, in Indian context, the penetration of housing GDP is hardly 9%, while in most of the emerging economies in Asia itself it is from 17 to 30%. In India, the working population is quite young. They have lot of aspiration to get their house at the early age. At the same time, the lifestyles are changing. They want to go to the luxury houses, nuclear families are one of the contributing factors and much more important is the influx of migrant population, skilled and unskilled both in cities for the hope of getting an employment and that huge population which is coming to cities that is creating acute housing shortage which creates more and more slums in the cities. In fact, the housing supply itself is insufficient and whatever supply we have in cities, it is exorbitantly very high which many people can't afford. And, even the builder, if they want to reduce the cost, the cost of land is too high and it is difficult for them. If you see the housing supply was there but the mismatch exists between these because the people to whom for the houses were built are not those the people who need the houses. That is the reason, the number of slums are day by day increasing. The number of slums are 33,510, the highest being in Maharashtra, followed by Andhra, West Bengal, Gujarat, Tamil Nadu and so forth. The number of household in India itself is more than 88 lakhs. The main reason is that the urban population which has grown to 31% now is set to grow to about 40% by 2030 and 50% by 2050. Under these circumstances, there has to be a problem of housing in the country.

Now, coming to the point that there is a huge shortage in India which is clearly reflected by their technical group which was engaged by the ministry of housing and urban and poverty alleviation. They came out with a report that from part 2012 to 2017, in cities itself, in the urban sector itself 18.78 million shortages of units is there. Largely, 96% of these units is from EWS and LIG, 56% from EWS and 40% in LIG, and about 4% in MIG. The concentration is again in top 10 states is 75%, starting from UP, Maharashtra, Tamil Nadu, AP and so and so forth. Now if you come to that, there is an insufficient supply of affordable housing units, which results the massive congestion and slums in the cities.

Everybody has got shelter. The concept of shelter has to change to the concept of habitation. And unless we have a habitation, the things will not improve and people will not have the bare basic minimum amenities to live at. The KPMG carried out an study that the shortage which was ascertain by the group for 2012–17 is all set to increase by 2.6 crores to 2.9 crores by 2022. It means that the present shortage of about 1.9 crores is going to be 4.4 crores by 2022.

That clearly shows the massive shortage in the country and again the 75% shortage will remain in UP, MP, Tamil Nadu and Andhra, West Bengal, Delhi, Gujarat, Karnataka and so and so forth. But by 2020, the composition is likely to change because the efforts the government is putting for EWS and LIG, they may change the composition. Then EWS which is now at 56% will come down 40%, LIG which is now at 40% may come down to 30% and MIG which is at present at 4% may go to 20%, and HIG at 10% by 2022.

What is the market opportunity for the lenders and builders? If you sort which I have just now speaking to you, simply multiply the cost of dwelling units, roughly about 54 lakhs crores are required for construction of these houses which are required up to 2022. And, there is a lending opportunity for 46 lakhs crores for all segments which will be high for the EWS because they do not have so much of money to contribute. There has to be loan amount requirement will be 90% of their dwelling units. In LIG, it may go to 80% -90%, and HIG and LIG, it may slightly, again, come down. That is why, 46 lakhs crores is going to be the lending requirements. There is a huge opportunity for builders, for the state government housing body, then for the individual people to put in money in this segment to create India with houses to everyone with minimum basic amenities.

Coming to the affordable housing definition, everyone can interpret the affordable housing in different way. Actually, the affordable housing is for every segment is differing. Whatever the median income for a particular segment is there, below that median income, affordability is defined for that person to buy a house. Reserve Bank of India, few months back, has come out with affordable housing definition to clearly focus for the lending institution and for providing the ways other assistance to the builders. That is why they said that in metros, if the cost of dwelling units is 65 and loan amount requirement is 50 lakhs or below, it is affordable. In other cities, 50 lakhs rupees is the cost of dwelling units and the loan amounts will be 40 lakhs and below. For the purpose of priority sector lending for the commercial banks, they have a different definition because RBI wants that there should be more focus on LIG and MIG houses. Therefore, they have mentioned that 28 lakhs in metropolitan cities and 20 lakhs rupees in other centres, loan amount will be treated as a priority sector landing. If you populate in terms of the incomes, roughly about in other centres, people who are getting 16.5 lakhs and below income they will be qualifying for the affordable housing, may be 10 lakh to 16.5 rupees. And in metropolitan centres, roughly about 20.6 lakhs and below or you can say 15 lakhs, 20 lakhs rupees they can get. And for the purpose of priority sector, it is around 8 lakhs and 11 lakhs rupees. The annual income has to be there, it is just we worked out on the basis of the interest rate prevailing and all that. But RBI is only giving the ticket size of the loan and the cost of the dwelling units for the purpose of affordable housing schemes.

The government has recently announced the housing policy for 2022, The National Housing Mission and they have clearly defined EWS and LIG. They have increased the income level of EWS and LIG to see that the people can get into better house, may be 1 BHK or 2 BHK. For EWS, the income level is below 3 lakhs rupees. For LIG, the income level is 6 lakhs and below. And, dwelling units cost they

mentioned it should not exceed 25 lakhs rupees because in that only they can take the loan. The government has also mentioned carpet area but they are not rigid. They have shared the carpet area has to be minimum 323 sq. Ft in case of EWS and 323 to 646 in case of LIG. For MIG, it is taken as 600 to 1200, the Government has not defined but many organisations have already defined it. The carpet area exceeds, like in some cities the cost of dwelling units is less, the person/beneficiary can go for higher carpet area. The government or RBI, they are not worried about that. They have not put any higher ceiling for that. Income criteria I have seen and on the basis of Income criteria, an EWS person can take the loan of about, you can say, 8 – 10 lakhs Rupees and a house of 13 lakhs Rupees, and LIG can take a house of 25 or 26 lakhs Rupees. He can clearly take from 9.7 lakhs rupees to 25 lakhs Rupees. Therefore, a wide coverage is available for people to get in a good house.

The Government, to improve the supply side, has also taken a lot many initiatives in this mission. They have clearly told that 35% of dwelling units, if are of EWS category and the carpet area is less than 30 sq. Metre. in a particular builder project, that particular project will be deemed as a EWS and the builder will be eligible for the capital subsidy because the government has two subsidies. One for demand side subsidy and one for supply side subsidy. The builder can get 1.5 lakhs subsidy of dwelling units and but of course in that case, the government will decide how the allotment and all will be done. So, it's a good opportunity for builders to focus on the mass EWS houses.

For the purpose of raising resources by builders, the affordable housing projects FDI has also allowed 100% and the 100% FDI has got a simple definition which has not been changed, where the 40% FAR are the FSI and the floor area has to be less than 140 sq. Metre. Now it is giving a lot of flexibility to the builder to create the affordable housing segment and take the money through FDI route. But in this case, 25% of FAR FSI, for affordable housing has to be there, where the house area should not be more than 60 sq. metres. We will clearly see that government wants that if you make a big project; you earmark something for EWS, LIG, MIG and rest you can make for commercial exploitation. That's why they are not worried about the selling .

Video 2: <https://www.youtube.com/watch?v=JraHuVIHZ24>

This is very important pyramid which I am trying to show you. If you see that where Aadhar is focussing and where Arthveda is going to focus in a very aggressive way or already focussing in that. This is very important that economically weaker section where the huge shortage exists. These are the mass housing segments and this mass housing segment, the annual income is Arthveda says 2.5 lakhs and less. Government has already seen 3 lakhs and below and affordable price will be 8 lakhs and less. So you see, this is not possible without the government support.

That's why government had given supply size subsidy to 1.5 lakhs to per builder if they are making 35% EWS houses in the project. So on the demand side they have made subsidy interest rate wise. These projects are itself not viable, here lot of government will construct the project and builder can also if they are creating large size of project they can make money in that and by 2022 as around 56% required but in EWS it is by 2022 to 4e%, but low income segment you see it is most profitable segment is going to be there where less than annual income is 6.6 lakhs as per our government and 6.5 lakhs Arthveda had taken and cast of dwelling communities is less than 21 lakhs. Here at present

very few established private players are there but many players are likely to come because this sector is going to have high sales velocity number one. Second point is the low cost of construction.

Third point is, if you take that there is a fast turnover. Number four is most importantly, they will mostly make G3+G4 houses and Aadhar and Arthveda is going to be focussed here. Asha fund is going to be here because it will be very profitable but if small time builder, big builder, corporates and all coming in the segment and then come to middle segment. Why this segment is important? Because as growing young population which is working and they all in business, they are mostly falling in this segment and they want to have a house in the earlier stage. Here the annual income will be less than 20 lakhs rupees or you can say 12-15 lakhs. Mostly an affordable housing will be less than 65 lakhs rupees in the metros and 50 lakhs in other cities. Very attractive here Arthveda is going to focus on Star funds. This segment many housing finance companies also focussing and demand for this segment is going to be roughly about 20% by 2022. Today it may be less because young population is going to work with the growth in their economy. They are mostly going to buy houses in this and then higher segment is there. Their market is already saturated. Many builders have realized that this the market where they have to move and they may have few projects here but more projects they have to move in the other segment.

If you take the comprehension based on annual household income from Arthveda point of view, they are going to provide assistance, so they could be in mass housing segment where 2.5 lakhs and below income is there where MUPA, RBI and other affordable housing definitions are there, mostly they are going to focus from 2.5 lakhs to 6.5 lakhs Rs income and in the middle class where 6.5 lakh Rs income is there. I have told you that this low income group and middle income are going to be major driver for Arthveda fund brand where they are going to focus. Coming to other segment that outcome of the past government intervention what happened? It is not that government has realised now. Government has been working for past couple of years so Jawaharlal Nehru Urban Mission, Rajiv Nivara yojana.

Affordable housing project lot of initiative were taken by government in last 6-7 years. But they could not yield great results because those were mostly focusing from estate housing board are their affiliated body and all that. Desired results could not be made rather you can say it was simply drop in the ocean. Therefore, this time government realised how this can be really made an achievable mission. Otherwise every time they will keep it a mission and it will be never achieved. That's why government has tried to focus in a different way by addressing supply side and demand size. The supply side I will tell you, the supply side has push and pull factor. The push factor is that from last 4-5 years the market is slightly going down in housing markets the luxurious segment market is best saturated where investors where there the builders realized that why not we should go where huge markets exists. This has been the push factor for business to go once and secondly most of the builders have aggregated land at the periphery of city and smaller cities and find a opportunity fast turn over and large number of bookings they get at day 1 because market exists there, lenders are there to provide the loan. Earlier lenders were also not there.

In last 15-20 years lenders have also become active. In the Affordable houses segment many lenders have come. The builder has got pull and push factor because the people who really need their house is in need of EWS/LIG. But houses have to be from a commutable distance from the workplaces. Like in Mumbai, Delhi it takes 50-60 kms because transport facilities are aggressively improving and in other cities like Bangalore, 25-30 km from city centre and other cities it may be 10-12 kms. That is very commutable distance and therefore builder are going to concentrate. What government has thought, government for giving the 1.5 lakhs Rs subsidy to the private, public partnerships arrangement to the private builder and to government will sum development scheme. While 1 lakh Rs subsidy government has given but central government has made a condition proceeding to that if

state governments are not going to actually follow then this mission will not be completed. So what government has done they said that you have to provide deemed non-agricultural estates if that particular land falls in your master plan. You see in many big districts and metros, the master plan is there for a particular area but is still further non-agricultural land conversion for the housing you have to go and go there to push .

Central government has made it very clear, he have to say any land falling in master plan it will be deemed NA status that is big big boom for builder number one . And number two they even said that you have to prepare and amend your master plan year marking land for affordable housing segment. Either you do joining or you go simultaneously with the big project and with the project and deemed building permission and layout approval you have to give properly and additional FAR, FSI and TDR should be relaxed so that density for slum development and low cast housing if required should be done. And what is going to improve, it is going to improve the supplier plan, project life cycle, reduction in land requirements and so many things are going to be beneficial for the builders and there are 2 key programs for LIG/EWS one namely credit link subsidiary fund address demand site and another affordable housing segment, subsidy above 1.5 lakhs and other initiative for public, private sector. You will find that there are lot of enables government has tried to create.

Now coming to demand side government has said very clearly that 6.5% interest subsidies for 15 years have to be given by government for loan amount of 6 lakhs Rs for EWS and LIG. For corporate areas they have fixed but corporate area can be relaxed also. If loan requirement goes beyond 6 lakh Rs then lender can give loan to EWS, LIG beyond 6 lakh but subsidy admissibility will be up to 6 lakh Rs. This improves affordability of EWS, LIG people to repay the loan and to get higher loan. You can simply say that earlier if somebody was able to get 10 lakh Rs loan in EWS today he can get 13 lakh Rs because of the affordability and because of interest link subsidies. In LIG from 20 lakh to increase in 23 lakhs Rs, which is clearly benefiting for EWS, LIG people to take the house with proper basic amenities of their choice. Coming to supply side intervention the affordable housing mission will only be achieved if private sector people come in big big way and the trend is seen in last two years, the people are coming. In affordable housing segment 35% dwelling unit are EWS, then project can be called as affordable housing project. This is very big boon for builder as here 1.5 lakh subsidies per EWS house will be given to builder that reduces the cast for house of the buyer and builder will also get incentive 1.5 lakhs substantial amount the builder will get.

Previous affordable housing scheme could not get success but revised affordable housing project will get success because lot many enables has been created and state government has been mandated to change their system of approval and quick approval so that builder will have shortest time of construction and all this factors will benefit to builder because state government has to come forward to do it. Coming to the lending side, lot of challenges are there because if you see today EWS and LIG segments are mostly working on our necessity. 75 % out of 96% shortage is from the segment they are not having document proof of income or dealing with cash, or they may not be having bankable account and if they have, it is not operative. This is the bigger challenge; their irregular source of income is there. Same earning member if falls sick then how earning will come continuously and high volume of necessarily financially balanced because no ticket size have blown the amount increases the cast of operations of lending organisations. Good quality housing projects will not be approved because mostly people will bank the plot in the smaller area and constructing in most of states like UP, MP, Jharkhand, and Chhattisgarh. But now as many good builders are coming the good flats are also unlikely to be available. Land title availability was in ZEN area because land digitisation not takes place in the country.

Video 3: <https://www.youtube.com/watch?v=L7pzgr7fMO4>

Come in the way of lenders to get a proper security. All these, in high operational cost these will create a problem. Moreover, the many new HFC's which are engaged in this their cost of funding is also high. They can't lend at a very affordable interest rate to the borrower. For a solution in that, I tell you the active participation of private players, government and the public private partnership will create supply side more improved. The lenders have to create mass awareness and government has asked to create mass awareness among the people because the users are there they are looking to have their dream fulfilled and this is a percentage for both HFC's and bank because it is not a small segment when I talk about forty six lakhs crore rupees lending of merchandise in next about 7-8 years and the use of opportunity of lending from four lakhs - fifteen lakhs rupees is alone about 15 lakhs crore in affordable housing to the ease of LIG and to the MIG to all HFC's all banks they have got huge opportunity the only thing that this market is untapped when now the NSV is already given licence to about 60 HFC's and more are in pipeline and there are large no of banks are there government NSV has created a trade guarantee scheme so that they can provide guarantee for the small loans to cover the risk of the lender that is one thing credit links of the sebi has created the affordability of the people regarding financial literacy aadhar is well equipped we create lot of awareness among the people to know how they can get the house, how documents they are required. We have some branded programs which my branches are organizing in different areas to bring more and more awareness the banks are also allowed to raise affordable housing bond HFC's are not allowed.

If they issue the interest this bond for the market this 8-9% the cost of fund will come down but NSV the housing finance company are yet to get this power from NSV to raise money from the price they are bound but the finance from NSV is available in limited base which needs to be broad based to reduce the cost of funding for the smaller HFCs which are engaged in a big way in this segment. How aadhar is positioned I just talked to you and told you that I just told you that assessment of repaying capacity cash flow of the people engaged in pharma segment is the key area. Aadhar has created inability has created enablers is a trained state officers to go the borrowers side see how they work how what hard cash flow they get they may be plumbers , they may be fruit vendor, taxi- wallahs, vegetable vendors and what not. There are large no of about 75% people of 96% is a EWS/LIG they are engaged in self business and NRI sector. We have developed capacity by way of going and personal discussion we do it and then we provide them loan. Aadhar was established actually in 2011. It was a joint venture between IFC and DHFL. DHFL is the main promoter.

DHFL actually, I was just tell you how I told you in the pyramid you saw the EWS/LIG, MIG and HIG, DHFL is from LIG to HIG, aadhar is from EWS to LIG. We as a group and we have another compatible venture available in entire south. We all 3 companies we reach in the every space of the housing mkt as and it the DHFL has got 75% customers whose annual whose monthly income is less than \$500 or 30000 rupees. 23% customers are self-employed which are all set to rise to alone 40-50% customers through our pharma segment product. The monthly household income whom we cater is 5k – 25k rupees. You can understand when husband is working as a labourer and his wife working as a maid they can also think of having a 1bk house maybe a little far away from the city centre that way the aadhar is properly focused in 9 states through its 9 states and has planned to reach 13 states the entire you see except in south the aadhar will be available by end of this year in entire country

because the south which is the best side, focus is the group company which does the same fashion which aadhar is doing and presently 63 branches are there which are all set to go 105 and through 105 branches we are going to cover 400 location we operate on Howerness Spoke Model. If one branch is there nearby around 50-60 km towns we cover. The government has announced there are 4061 towns are there and we want to reach as much towns as possible. Our ticket size which was max 12 lac Rs for lending but we maintained 6.5 average lended ticket size and now we have improved ticket size to 20 lacs rupees because the LIG definition is changed but we wish to maintain our lending average ticket size for the loan at 7.5 lakh rupees that clearly shows that we are going to focus predominantly on the EWS LIG where Arthveda is going to help us in a big way.

Now I would like to hand over to Mr. Bikram Sen to discuss with you and further our objectives

Bikram Sen :

Thank you Tripathiji for addressing a complex issues of government policies and government subsidies which government is hoping will generate affordability and demand I will try and take up the supply side of the housing loan cum housing for loan cum households but before that I would like to tell everyone that all the complex issues which have been addressed by Tripathyji if any participant needs more information and more clarification feel free to contact us by telephone or on email we are also on social media, we are on twitter, we are on linkedin.

Let me give the supply side and unlike the presentation which Tripathy has done mine is a very simple one as you would normally expect from a fund managers perspective where we are investing in residential projects for middle and own income households my presentation will focus on the problems the risks and the rewards. The biggest take away from this is that over 50 years of effort by the central government and the state government has not been able to keep the supply of stock of units of residential units for all sectors but definitely for middle, low income and EWS supply has not kept up with demand and we cannot leave it anymore to only the state & central governments. The private sector has to step in. The moment the private sector starts thinking about providing equity financing for creation of stock for low income households or for EWS households a host of problems come about. The slide in front of you gives 4 of these main problems, main risks.

This is a crystallization of 30yrs of doing business in this sector by the DHFL group and it begins with all the problems of finding land, the lengthy approval processes in each of the micro markets, the low margins and the higher risks in non-metro areas all of these risks can be which are the main risks then other minor risks these main risks can be managed, eliminated or mitigated by a single strategy and the strategy is very simple to invest equity for low income housing in small projects. The moment the size of the investment or the size of the project comes down most of these four risks go away and this is the crystallization and the learning that DHFL group has acquired over 29 years of doing business and which Arthveda has acquired after having successfully run 2 funds and now in the market for raising 2 more funds. Small investments, less risks, faster returns and better returns that is the simple message. A little bit of what Arthveda will keep the traded markets vertical on the right outside the scope of this discussion on the real estate side, we have managed 2 funds we are in the markets to raise 2 more funds star fund 2 is a 1500r fund which is being raise outside of India, Asha fund is a 2000 crore fund which is currently going to be raised only in India.

The investments that Arthveda manages for creating stock or investing in stock for low income or middle income households these are done in conjunction with DHFL and done in conjunction with aadhar together. The housing finance part of this grp are lending 350mn \$ every month across 500 locations. So Arthveda rides piggy back on this very vast and very knowledgeable field force across India. We do it in a synergistic manner. Arthveda's funds provide the equity for the projects which are addressing the middle income and low income households, DHFL & aadhar and DHFL & vysya provide construction finance and home finance and to the families who are going to book their units in the projects where Arthveda has invested so complete financial closure happens within the group. This is where numbers will start because fund management investments deals with numbers. This is typically the economics of a housing project. Whatever be the segment, the portion of land costs and approval cost will differ segment to segment, but this is how it looks. Now all the entire green part that is realized margin cost of construction, other costs - there is enough funding available from the banking sector there is enough funding available from the NBFC sector there is enough funding available from housing-finance sector. When it comes to land costs and approval cost the RBI prohibits banks as well as.

Video 4: <https://www.youtube.com/watch?v=LFXdu13RUrM>

And that is pace where ArthVeda funds are active. All funds are in that place Arthveda is the only fund which is in that space for low income households.

if you take a look at the next slide, the space where Arthveda funds invest are also the highest risk part of any project. once the land entitled this are taken care of once all the approval have come, once the construction has started and few flats have been booked the bulk of the risks are over. It doesn't mean the risks are all over .the risk will all over once the project is completed and sold, but the highest risk is where land has yet to be acquired, title has to be cleared, approval has to be received before building can start, and initial working capital has to be provided. That is where the highest risks are there and therefore that is where the highest returns also will be there.

This is a series of the slide which gives one by one all the risks:

Legal risk

Regulatory risk

Delay in approvals

Developer's risk

And on the right hand side the green boxes tells you how to manages all these risks

I won't go into the detail of it, it will be too detailed.

Cost-overrun risk,

Project Delay risk

Market risk i.e

(Slow sales velocity slow sales realization)

All of this risk in this small town in this micro market are managed by Arthveda. in conjunction with field force of DHFL and Aadhar.

This is unique combination which is not available to other fund management companies and therefore this base is probably exclusively for Arthveda.

The third slide on the risks low investment with realisable margin fast reaction realisation of returns.

This completes the enumeration of all the risks.

Now let me go to the sample investment that Arthveda would make.

This is a sample project it's on the outskirts of the metro , it's a mixed used project the land has been purchased outside the plot area is 3.2 acres, FSI/FAR is 1.00. The loading is 20%. Saleable area is 1,67,100 sq. ft, 18,7% of this 1,67,100 is for commercial, 46 % is for 1BHK and 47 % is for 2BHK. You get Sq.ft. of each of them on the bottom pi-chart . On the right hand side you get the areas for of each of this that is 1BHK, 2BHK and Commercial then you have base rates

And therefore the interesting part is the bottom right side of this pi chart which gives entire break of this costs

Cost of construction is 63%

Marketing admin cost etc

Land cost

Approval cost

Please note this would be completely different if this was the project in the island city of mumbai where the cost of land would be somewhere around 70% and cost of construction would be way down to about 10 or 15 % of the total project cost. We are talking here projects in the outskirts we are talking about projects which going to deliver units to the lower income unit households.

This is the project's revenue and cost. on the top left hand chart you have all the sales revenues from the 2 BHK, 1 BHK, the commercial, the parking unit, amenities and etc.

On the right hand side on top pi chart you have all the costs and the bottom is given you a graphical breakdown of how the profitability comes.

So on 35.22 crores of the revenues the profitability is 8.2 crores

This is a much better picturisation of how all the cost and profits moves through the life of the project. And as you can see the cost of construction keeps going up .it becomes very small it keeps going up and the cost of land is more or less constant. the other cost is rising and the profit is rising along with the revenues.

Arthveda is firmly of the belief that while the real estate investments will give you the highest returns,they also gives you the highest risks, but of all real estate investment and investment in residential properties are the best and safest of all the investment of the residential properties. residential properties targeted to Middle income and low income are the safest , of all Residential

properties are targeted to MIG and LIG, Small investment in small part of small town of india are the safest. you achieved tremendous safety without giving of returns and this is how Arthveda select where to invest . There is the whole process that we use and along with my sister companies like Aadhar and DHFL, we narrow down and decide the locations where we would invest.

These are the location where Arthveda is running investment or going to invest through its ASHA funds . Initially it is in south, west and north .very difficult for us at this moment may be next year we will start investing eastern parts of india.

More or less that's from my side. the presentation is over .

It's a passion for us it also to take real estate investments to organised equity fashion to the low and middle income and EWS segment of our society it also happens to be extremely profitable so that you can manage the risks . We are in a position to manage the risk with the help of our sister company DHFL and Aadhar.

I will now handover the microphone to Miss Tanvi to care of all the questions and answers

Q&A

Hello good afternoon, I would like to thank Mr. Tripathi and Mr. sen for that presentation

we will now start with question and answer session .please use the controls shown on your screens to send us your questions. we have already received quite a few

So we will start answering them

The 1st one is sent by Mr. Devesh Chandra Shrivastav

Q. What should be the role of the private sector developers towards affordable housing? and what should be role of the private equity firms towards affordable housing ?

Mr. Sen : Ok, this is Bikram Sen , I will try and answer the 1st question. It's very clear that we can't leave it to the state government and central government together to create supply. Private builders have to step in with private equity. As far as we are concern we are here to provide the equity financing for the purchase of land and financing all the entire poor process and the initial working capital and that's why we are here for and we are launching funds specifically targeted towards investing in housing projects for middle income and low income. so we are there here with the financing on the equity side and our sister companies are there for construction finance and on housing finance .So any builder who wishes to have to build or to create housing or to have project

anywhere from 2 lacs sq.ft. and 6 lacs sq.ft. whether it is low income or middle income please get in touch with us .

There is enough profitability for us to get our financial returns and there is more than enough for the buildup. Organised equity for this kind of residential projects as far as I know at the moment there are very very few funds who are willing to do it. Arthveda is one of them we have track report this is what we do for living on daily basis

The next question is by Kirti MG.

Q. What should be the role of the private developers in India towards affordable housing?

Ans.

Mr. Sen : Ok, this is once again on supply side so I will be very happy to take this question on , what should be the role of the private developers is very simple they should develop as far as I concern we are here to provide them the complete financing package.

Arthveda funds will provide the equity our sister companies Aadhar and DHFL will provide the construction finance and the home finance.

Every developer wishes who has decent project in hand and looking for financing, you will get all 3 financing if you come to Arthveda, So please bring your development skills, your local knowledge etc. and come to us with project we will handle everything for you.

The next question is come from Samana India Advisor

Q . How does the current and proposed regulatory environment help the affordable housing?

Ans.

The Current and the proposed regulatory environment has been made conducive to affordable housing segment because , when I was giving presentation I told that simple government has really clearly mandated to the state government , they are going to create enablers for affordable housing whether deemed the approval of the land cc .Approval of building plan all those things they have and as well as they have very clearly stated that when

Video 5: <https://www.youtube.com/watch?v=orGq748o790>

As well as they have very clearly said that whenever builder will be making big project 35% has to be earmarked for EWS, where the allotment and the pricing has to be hired by the state government. The regulatory system which has been put forth in the housing for all these scheme is very conducive and I am sure going forward a lot of further improvement will come if there will be any challenges found in any of this state. Most of these states are government have been made one of the partner in the schemes to see that the country develops it to jointly together and to make it success.

The next question is from Naseem Khan

Q. How does he deal with the uncertainty of asset, asset learning, risk pertaining to different regulation that may exist in different cities ?

Ans.

Mr. Sen : OK! Mr. Khan this is very very tough question for funds sitting in Mumbai or Delhi or Bangalore to address. Sitting in one location it's very difficult to know the exact regulation, local condition, local pricing in small towns. I am very fortunate that (a) when i was the CEO of the DHFL home finance, I travelled to all of these small towns because we were opening branches over there and we were turning the focus of the DHFL to lower and middle income in tier 2, tier 3. So, I bring that kind of knowledge with me. More importantly, on daily basis, between DHFL and Aadhar, we have got more than 500 lending location across India. Which have branches, central processing unit, service centre etc. and field force more than 4000 people.

Each branch of DHFL has its panel advocate, each branch of DHFL has its civil engineer. They are the people who lend on a daily basis across the length and breadth of India, especially in the tier 2 tier 3 slag. As i mentioned in my presentation the group company is together, lend approximately \$350 million every month. So this is assessment of the risk of title, technical, local rules and regulation. What is the pricing and at what price you something sale? What is the no go area? What is the hot area? Which builder to avoid? Which builder not to avoid, is all with us already.

And Arthveda has access to all of that and that is why it is possible for Arthveda to sit here in Mumbai, and those are people around out in the road and out in those locations where we are investing. They don't go alone. They go with the staff of the branches of DHFL and Aadhar and therefore we are able to avoid all the mistakes that any fund management company would do, which would not have access to all this field force across India in tier 2, tier 3 cities across India, almost 500 locations across India. And therefore, we are able to do this kind of investment strategy in small projects and for low income households, and it is difficult for any other fund management company to do this. I hope that answers your question Mr. Khan

Mr. Devesh Chandra Shrivastav asks

Q. Accessing funds is difficult for the people in the unorganised segments . What are the some of the steps that micro finance Institutions are putting in place to solve the problem?

Ans.

Mr. Tripathi : Devesh I fully agree with you. This has been the problem and it is still a problem. Gradually things are evolving. Many housing finance company have already come and this is space. I told even in my presentation that Aadhar has articulated a very nice scheme which is meant for the informal segment only. Where the credit officer or the branch manager goes to the unorganised person, skilled or unskilled, whatever he may be, he sits with him.

He understands and how he can makes earning and then we give him loan. To cover our risk, we have access to the credit guaranty fund scheme of NHB, which government India has already introduce about few years back. Where our loans are guaranteed up to 85 % of the exposure. The one side I try to, say, take the help of guaranty fund and other side we have evolved a scheme credit paid officer. As regard you have mentioned the microfinance institution, actually microfinance institution - they give loan from 50,000 Rs to 3 lac Rs. The requirements are this EWS and LIG ranging from 3 lac to 10 lac and 15 lac Rs. It has to be mix of both microfinance institution and the housing finance company who have recommended this space.

Many banks are not doing informal segment. But they are also trying to develop this stability in fact the world bank national housing bank and the government of India is now more focusing to create enormous ability to how to provide finances to organised sector people because they are the main housing requirement . If we are not able to provide this finance the supply said will do with good combination with lender and supply side and we required mass propaganda from government also .At Aadhar we created huge financial related program to branches and provide finance to this segment. This is going to be purely personal discussion based cash flow and this is really commercially viable social inclusion segment .

Mr. Sen : I would like to add something what Tripathi has said , let us all make it sound easy this is difficult , this is extremely labour intensive. Tthis is for 1 crores of disbursement Tripathi's company will do may be 10 files . Or for 100 crores of investment Arthveda will do 10 investments , this is micro investment .This is difficult. It is labour intensive . This is not easy to do. Anything which gets into retailing , whether it's retailing of the credits like Tripathi's company Aadhar does or retailing of investment like my company does - retailing is tough. Retailing of real estate segment is even tougher because the risks are the same and amount of work and labour to lend safely is same and the sizes are small but unless we get to it , unless we do it , no one else can do it. It is upto us to step up because we have been doing this now from 29 years .So it is not easy ,it is difficult , it is extremely operationally tough , expensive and labour intensive.

Q. Mr. Vijay Sampat ask the question to Mr. Sen that did the success in Star Fund make Arthveda venture into the affordable housing ?

Ans.

Mr. Sen : The original plan was to start with middle income then to scale it up which is happening now and then to go down into low income which is happening now and next year god willing , we will move into EWS. These are the two foundation middle / low income of real estate business of Arthveda. We are expert at it , we are specialist at it . We have got the benefits of huge field force ,we have got benefit of 29 years of lending to them, we are in the unique position to do this .and we are able to do this . For the moment Arthveda is not focusing on city centre or metropolitan real estate projects . So it is our expertise it is our own competency .it is our passion and we are able to do it.

The next question is by Mr. Rupesh Kamani

Q. As the margin in affordable housing segment is lower vis a vis there will be traditional projects / the ability of the developers to manage the cost along with project timeline is paramount. Keeping this perspective what kind of developers profile you will be using in the system equity funding ? Are there minimum thresholds defined which need to be fulfilled ?

Ans.

Mr. Sen : Developer profile is very important because the paramount risk here is risk of your developer or partner that is for Arthveda , for the funds that Arthveda manages which will be invest in this project. We are again very fortunate here, both DHFL and Aadhar together, have got some 300 + developers as their borrowers of the construction finance. And they have got about 150 developers who are repeat borrowers. Repeat borrowers means that both the lenders and developer who is the borrower of construction finance are comfortable with each other have gone round one circle, one cycle , they knows how we work we know their strong points and weak points and there for developer due diligence becomes easy for us.

The primary thing the developer should have track, report should be able to manage local bureaucracy, to get his building permission should be able to manage the construction process and should be able to market and sale the unit projects. These are the 4 things which are critical And if i am working, Arthveda isworking with the developer who is been a repeat borrower of DHFL and Aadhar then i also know that his ethics are also ok by at large. Of Course one goes to the normal process or going to civil etc. roc. all of that is fine. That's the process we do to as much information as possible of the developer if i am dealing with the developer already borrower of DHFL. DHFL would have done all this anyways so beyond that, one has to go down to the field , with the help of the branch network find out the local reputation , find out his strategy for developing quality products in time, how satisfied are its customer and also one has to look at his financial position, his financial solidity to each investment is in the special purpose vehicle to sort of reinforce the investment for many other problem that developer may have in other projects one still doesn't want to deal with weak people. So there is process which we goes through and will always begins in any location with talking to the developers who are already borrowers within the group company and that's where we start from

Mr. Tripathi: Just to add what Bikram sir has said I have mentioned that affordable housing has the less margin. I have different way, different view - if you see affordable housing project if you do- the turnover is very fast .If you get approval in a months' time and 12-18 months you deliver you are out of the project cost of construction mostly is G+3 G+4 where the cost of constant comparison to big tower also less .So there for affordable housing project which we were seemingly earlier seen as a loss making proposition seeing by the builders as a highly profitable making propostion because waiting time is very less , and the day you start the opening of the booking ,50 % of the project is sold out . You see our outskirts are Pune Indore, Bhopal even in Mumbai outskirts , the project get booked in no time therefore affordable housing project where Mr Bikram has told that builder has the ability to manage the construction -this is going to be fast turnover game and therefore is a volume game and therefor properties there. If you are thinking of holding like in the project the builder was thinking the appreciation will happen to the property that is not there , here the builder has to see what profit margin is going get from each project by bulk supply , by sale of the project not by the holding the project . There i one issue and the learning of DHFL enables to invest in right project because we have the branches from the large city areas , and we have learning of which

builder is good and which is not good like that we have learning that's why Arthveda just not go solo at any place they already have learning for that .

Because of time constraint that was the last question. Thank you all of you for attending the webinar. Thank you Mr. Tripathi and Mr Bikram Sen.