

Realty, auto companies cheer MPC decision

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Real estate and automotive companies welcomed the Reserve Bank of India's (RBI's) Monetary Policy Committee's (MPC's) decision to keep the repo rate unchanged on Thursday.

Executives at top firms said the MPC's decision showed that inflation had peaked and this would help corporates raise funds.

Rajiv Agarwal, operating partner (Infrastructure) at Essar, and managing director of Essar Ports, said the RBI's move was anticipated by the market.

"This gives hope, especially for the infrastructure industry. With improved confidence and industry sentiment, there is a sense of optimism towards business outlook and demand growth. The commitment of RBI to constantly monitor the inflation dynamics without impacting the growth rate is reassuring for the industry," he said.

CEOs of real estate firms heaved a sigh of relief. Venkatesh Gopalkrishnan, CEO of Shapoorji Pallonji Real Estate, said the RBI's decision would provide stability to home loans and keep EMIs unchanged.

Given the potential adverse impact of a hike in repo rate and its ripple effect on both

Industry welcomes RBI's stance

Industry bodies such as Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI), and the Associated Chambers of Commerce and Industry of India (ASSOCHAM) have welcomed the Reserve Bank of India (RBI)'s move to pause the hike in the benchmark policy rate. "We strongly welcome the RBI's move to decouple from the global tightening cycle and pause interest rate hike, which is in line with what CII had been advocating for long now," said Sanjiv Bajaj, President, CII. "We agree with the

Central Bank's observation that the lagged impact of the past rate hikes should be allowed to percolate into the system, and not stifle demand by further rate hikes," he added. "The move is a welcome given the evolving macro-economic and financial markets scenario. The renewed phase of turbulence that central banks are grappling with globally given developments in the banking sector, geopolitics and slowdown in growth & trade flows warranted a prudent response..," said Subhrakant Panda, President, FICCI.

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housing demand and supply, realty experts applauded the move.

"This move would provide a further boost for the affordable and mid income housing segments, in particular. Coupled with the central government also hiking its outlay for the PMAY program during this year's Budget, we expect the demand for affordable housing to grow in the upcoming quarters," said Boman Irani, president-elect, CREDAI National.

Shishir Bajjal, chairman and managing director of Knight Frank India, said the sector

had weathered multiple interest rate increases in home loans supported by the strong desire for home ownership. "Therefore, a pause in any further rise in the lending rates should support the existing growth momentum in the housing sector," Bajjal said.

"We also expect the demand for luxury and premium housing to remain unaffected. Despite the positive impact of this decision, the RBI governor has signalled that this move may only provide temporary relief and may be necessary to combat the inflationary growth in the country," Gopalkrishnan said.

He added that he hoped that interest rates would remain in single digits.

Sales in the affordable segment (units priced below ₹40 lakh) dipped between 2019 and 2022 and further in the first quarter of 2023, said Anuj Puri, chairman of Anarock.

However, the housing market is now starting at major headwinds like layoffs and rising property prices, which will pose a challenge in the short term. The respite from unchanged interest rates is therefore welcome, Puri said.

Vimal Nadar, head of research at Colliers India, said: "While challenges in geopolitics and the resultant downside risks to growth prevail, the next few months will be critical and will define the course for 2023. It is a positive sign that the headline inflation is moderating. However, it continues to remain above RBI's target and thus remains monitorable," he said. Dhruv Agarwala, group CEO of Housing.com, Makaan.com and PropTiger.com, said if the RBI had hiked rates again, lending rates would have reached a record high and that may have impacted buyers' sentiment.

"By hitting pause in a surprise move, the banking regulator has signalled it is willing to support growth even as it tackles concerns over inflation," Agarwala said.

