

REPO RATE CUT BY 25 BPS

Auto, realty companies expect sales rebound

Reduction in borrowing costs will act as a tailwind for discretionary demand

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The Reserve Bank of India's (RBI) decision to cut the repo rate by 25 basis points to 6 per cent has brought cheer to real estate and automotive industries, as reduction in borrowing costs will act as a tailwind for the sectors which have seen moderation in demand in recent months.

The real estate industry expects the move to revive subdued market sentiment amid moderating housing demand. As such, thanks to the rate cut, the industry is likely to attract first-time homebuyers with more affordable EMIs, as well benefit developers with improved liquidity conditions and smoother execution, causing improved cash flows. This would encourage them to launch more projects in the coming quarters to meet anticipated demand.

The timing of the rate cut is "critical", felt Samantak Das, chief economist and head of research and REIS, India, JLL.

The market was showing signs of fatigue after a record-breaking 2024, with sales in the first quarter of calendar 2025 declining by 12-15 per cent year-on-year (Y-o-Y). The average housing prices have also risen in Q1CY2025 — between 10 and 34 per cent in the top seven cities, Anarock said. From ₹7,550 per sq feet in Q1CY2024, average prices collectively went up to ₹8,835 per sq ft in Q1CY2025.

Anarock Chairman Anuj Puri, highlighted that home loan borrowers may not see such "meaningful or immediate" interest rate relief as the banks are yet to transmit the reduced rates. "Banks have not transmitted earlier MPC rate cuts to borrowers because of higher funding costs, pressure on net interest margins, higher non-performing assets, and a cautious lending climate," Puri said.

Developers feel that reduction in borrowing costs is likely to enhance the affordability metrics for homebuyers.

Sanjay Dutt, MD and CEO of Tata Realty and Infrastructure, said that this would happen particularly in the mid-premium segment, where interest rate sensitivity is most pronounced. Fence-sitters may take the plunge as a result of improving affordability, Venkatesh Gopalakrishnan, director group promoter's office, MD - Shapoorji Pallonji Real Estate said.

Additionally, the RBI's proposed securitisation of stressed assets through a mar-



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GETTING A FILLIP

- It will attract first-time homebuyers with more affordable EMIs
- Average housing prices have also risen between 10 and 34% in Q1CY2025
- RBI proposed securitisation of stressed assets in addition to the asset restructuring company route
- Electric two-wheeler players feel the spark among first-time buyers in rural and semi-urban markets
- Commercial vehicle segment may also see a boost with fleet operators
- Consumer durables industry feels demand for cooling appliances has gone up in summer after the rate cut

ket-based mechanism, in addition to the Asset Restructuring Company (ARC) route, may impact the sector.

"Reduction in borrowing costs coupled with an alternate resolution mechanism for stressed assets is likely to benefit real estate stakeholders in the near-mid-term. This is expected to provide significant relief to cash-strapped developers," said Vimal Nadar, head of research at Colliers India.

Automobile retail sales are estimated to grow by a modest 1-3 per cent in 2025-26. The rate cut thus spells good news by not only reducing borrowing costs for the buyer, but also by easing interest burden on deals that are grappling with rising inventory costs amid sluggish demand.

"The rate cut is always good news. It will help both retail and wholesale volumes. Even a small cut improves sentiment and makes EMIs more attractive, giving consumers another reason to buy. At the dealership level, where paid-up stock is rising, this will help ease the interest burden," Federation of Automobile Dealers Associations (FADA) said.

Shailesh Chandra, president of the Society of Indian Automobile Manufacturers (SIAM) and managing director of Tata Passenger Vehicles and

Tata Passenger Electric Mobility, felt that reduction of rates will increase accessibility by reducing financing costs and thereby creating a positive sentiment across the market.

Similarly, electric two-wheeler players felt that the move would improve consumer sentiment among first-time buyers and cost-conscious segments in rural and semi-urban markets.

Claiming that she expects a gradual uptick in demand particularly at the entry level, Madhumita Agrawal, founder & CEO of Oben Electric said, "For a category like electric two-wheelers, where the initial investment can be a consideration, easier access to credit could tip the scales in favour of adoption."

The consumer durable industry feels that while demand for cooling appliances has gone up in the summer, the repo rate cut by the RBI will add to the positive sentiment.

"The rate cut is expected to lower loan EMIs, particularly home loans, putting more disposable income in the hands of consumers. It is expected to boost the sale of cooling appliances in particular, given the harsh heat levels in the country," Kamal Nandi, business head and executive vice-president at Godrej Appliances.