

“If the State has let me down, I cannot let down my customers,” Navin Raheja president Naredco and chairman Raheja group, makes some candid revelations in this exclusive chat with Namrata Kohli. He talks about why he decided to give possession in one of his Dwarka expressway housing projects, how the future of Indian real estate industry is online rather than offline and vouches for ‘Made in India’ rather than overseas brands.”



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President Naredco and
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Q. The market is in a stalemate with no transactions happening. How do you interpret the situation and what do you attribute it to?

A. Speculators are certainly out of the market. The genuine buyer is also not able to come forward because of lack of confidence. Majority of the projects haven't been ready on time leading to delay in delivery. This has further discouraged the buyer from investing in real estate. The end user has also become wary about buying property and does not want to take any chances.

If you move through Noida and Gurgaon, you see a lot of half finished projects. Real estate is largely a sentiment driven industry and currently there is neither cash flow nor confidence. There has been limited positive news in the economy for many years – no new manufacturing, reduced factory output efficiency and add to that our complex governance systems. The real estate is overtly regulated industry. I strongly feel the authorities should do away with over governance which continues to exist. There are interventions from various departments and agencies. Often their own requirements are conflicting – the service tax department says one thing and the housing ministry another. The current government has good intentions and is working hard but deciphering the same into actions and implementation is taking more time than expected.

Q. You have been accused of giving possession in your Dwarka Expressway project Atharva when the basic infrastructure was not in place such as water, sewerage, electricity. What do you have to say?

A. I want to answer one by one as I know I have been at the receiving end of a lot of flak and have been silent till now. It is actually not my duty to provide for water, sewerage and electricity – clearly it's that of authorities- but what happens when they fail you. I feel I just cannot let my customers down. I somehow feel it's my moral responsibility and I am answerable to the people, who have invested their wealth in my projects.

Let me take you back to year 2012 when the work was almost complete by the contractors in Raheja Atharva project. However the infrastructure and main roads were not in place. We wrote letters to customers to take their view, on whether we should get occupancy certificate and give possession- we simply wanted to take their opinion. As you know, the completion certificate and occupation certificate are not incumbent on external infrastructure sanctioned on the basis of existing situation.

At that time, majority said they were not comfortable because of lack of infrastructure. Less than 5% gave a reply in affirmative. We decided for next two years to hold on, and for this had to pay heavily to contractors for two years- which costed us dearly. By the year 2014 we were looking at cost escalations, coupled with escalation charges to contractors and possible compensation claims by some customers for delay in possession. It was a double whammy for us. This was the time we took a conscious decision to give possession and provide as much support as we could. The power is supplied by way of a generator of capacity of 25 kWh. We charge our customer standard Rs 9 Rs per unit, as charged by electricity board there, but because of lot of power outages we have to supply through the generator incurring the additional expense as well.

Our STP (sewage treatment plant) is of adequate capacity of 560 KD and is enough to run with 100% occupancy even though currently it is only 10% occupancy. Huda has not laid water lines in the area – because of that piped water supply was not available. We are bringing water through tankers from Huda water to our own complex. Here we have installed a water treatment plant. This also was not a statutory requirement but again we took it on us a moral responsibility.

Since social infrastructure is not there, we are doing everything we can to make their life comfortable. For instance the company has also placed 24*7 chauffer driven service for medicines, grocery pick up and drop to schools and markets.

Q. You have many projects on Dwarka expressway. In retrospect do you think it was a bad decision to have invested there?

A. I am quite certain that Dwarka expressway was not a wrong investment decision. It is true that the authorities have failed us in providing road, electricity and water and sewerage lines. The major hurdle was land acquisition, which was marred by court orders and stay orders. The Courts have now cleared it and we want authorities to move fast at least now- they should work overtime to finish the work before a new problem crops up. But we can only hope!

Q. Let us shift our focus to the use of international brands in Indian real estate. There has been an explosion of brands in Indian real estate – the likes of Armani, Versace etc. You too are using some of these in your projects. What value do they bring which our indigenous products and talent pool does not?

A. Don't they say what's in a name? There is nothing other than a psychological connect. Now since I am speaking up my mind, let me be frank. They are good but unaffordable. We need lot of good things in India but do we really need all these brands from outside who outsource manufacturing from India and China, multiply profit margin by several hundred percent and sell it back to us. Can't we do it locally? The only difference lies in the name or brand image. My personal view is that instead of going for manufactured branding, we should go for top-of-the-line design consulting from overseas experts but even that with in-house execution.

Q. What do you think of the trend of selling property online? Have people taken to real estate in the virtual space?

A. It is unbelievable but we had some 400 online bookings last year. The future is in online transactions. We feel the demand is for mid end property segment and NRIs are the biggest customers.