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REAL ESTATE THE CLUB

We are focussed on mid-segment and affordable housing: Amit Goenka, NiFCO

By Yash Ved - 18 December, 2017 | 7:11 pm 62 0

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Nisus Finance Services Company Private Limited (NiFCO), one of India's leading diversified financial services companies, specializes in real estate services focussing on mid-income and affordable housing in key urban locations including turning around stressed opportunities. The company is all set to launch their NBFC with a corpus of INR 100 crore very soon.

Yash Ved of **NewsBarons** provides with the highlights of an interaction with **Amit Goenka, MD & CEO of Nisus Finance Services,** who informed 'Between our domestic and offshore funds put together, we will have about INR 750 crore of capital to deploy next year'.

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NB: What is the current scenario of real estate?

Amit: Real estate in India is seeing a consolidation phase and re-alignment of product offerings. The focus has come back sharply on end consumer demand, efficiency, commitment, quality and delivery with the sector is becoming highly corporatized with strong organization, systems and integrated ecosystems. The sector is witnessing again a surge of growth on the back of strong affordable housing demand buoyed by attractive financing schemes and ticket sizes besides re-emergence of office, retail, industrial and hospitality developments. The smaller players are rolling up to the larger players; becoming partners in providing localized capabilities and assets. Development companies themselves are becoming integrators plugging in local partners, marketing and channel partners and other stakeholders to create a comprehensive delivery platform with a more engaging consumer experience.

This means that smaller players are getting out of main stream play or experiencing extraordinary pain in maintaining their organizations. Bigger players are ramping up very rapidly, margins are getting normalized, products are being standardized and the sole mantra is efficiency and governance. In this shake out and re-cast scenario, we are seeing emergence of stressed/distressed opportunities.

NB: Explain your business strategy?

Amit: Our current strategy is singularly focused on mid-income and affordable housing in key urban locations including turning around stressed opportunities as a win-win for all stakeholders.
We are uniquely poised to optimize on the mid-market play and led the creation of the last mile finance offering. Our strategy of a fully risk mitigated product for our investors and a partnership approach with developers, smartly addresses the immediate and short term challenges for the mid-market player.

There are several projects that have been stuck at the last mile, having received all or almost all approvals. They have gone ahead and done a bulk of the construction and effected serious sales in these projects so far. With consolidating and sales velocity slowing for non-corporate brands, internal accruals are precarious in completing these projects quickly. With RERA and shift in consumer preferences, it is imperative to quickly finish these projects, realize the profits and meet commitments. Our strategy is to uniquely back such projects of mid-market players, in key urban locations, which meet end customer requirements. With our capital, such projects end up as winners, by accelerating their completion and handover and thereby accelerating their balance sales and past receivables.

NB: Do you see more demand coming in for Mid-income housing projects?

Amit: Undoubtedly, the demand has precipitated to the mid and lower mid-income housing projects pan India. The interest subvention scheme under PMAY is further fuelling this demand. Luxury and second home segments are plagued with complete lack of off-take with investors largely withdrawing from the RE cap appreciation story in housing. Demand today is almost all end customer based, backed by cheap home loans in micro markets that have a well-developed socio-commercial ecosystem supported by public infrastructure. Hence PBD and SBD areas are clocking in the highest sales velocities in most cities. Tier 2/3 demand in this space, especially in industrial locations has also done well.

NB: What is your take on RERA and GST?

Amit: Demonetisation, RERA and GST have caused tectonic and a paradigm shift in the entire industry model. These are significantly positive steps which have brought transparency, governance and consumer centricity back into play. Buyers have gained unprecedented access to information and rights while bringing non-negotiable accountability and liability on the developer. Investors are also very bullish in this new environment since:

1. There is uniform and periodic disclosure of information to investors, consumers and regulators like which prevents any attempt at gaming/ manipulations
2. There is no leakage, cross subsidization or misappropriation of sales receivables, investor capital and project funds which ensures financial health, speed and quality of the project
3. The system is neutral to all buyers, investors and consumers across the country. The scope for tax evasion, cash sales, differential products and prices, deliberates delays, misreporting and other malpractices has started to become zero.

4. Buyers are more aware of their rights, have increased their role and legal systems geared to tackle a bad developer are being made available to the common man. This makes the work of the investor much simpler and worry free.

NB: You have recently exited from Midcity Heights Project? What was the reason for exiting this project?

Amit: We have strategically backed advanced projects largely needing bridge capital. Our capital helps accelerate completion and sales. This allows our capital to come back faster and churn it quickly for our investors. Value accretion was achieved in our investment having helped mature the MidCity project, reach its potential in obtaining the balance of approvals, meeting the commitments to various stakeholders on timelines and generating strong internal accruals from sales and past collections. The receivables were very large, sales velocity very healthy and enough surplus cash was being generated to give us an exit. Beyond this point, the investment staying out would be suboptimal for both parties.

NB: What are your fund raising plans?

Amit: We continue to supplement our domestic fund raise with new commitments taking the final close to about INR 250 crore. Thereafter, we will be focusing more on distressed opportunities and inventory backed financing in our second fund. We are also in the process of setting up our offshore pool that will co-play with the domestic fund for a total corpus of about USD 75 million. Hence both domestic and offshore put together we should have about INR 750 crore of capital to deploy next year. The NBFC, which aims to start with a corpus of about INR 100 crore, will supplement the fund apart from products like LAP, receivables factoring, term loans, fund based guarantees etc.

NB: What is your growth target for FY18?

Amit: While we have committed about INR 75 crore so far this fiscal, we are hoping to close FY 2018 with INR 150 crore of new investments. We are also aiming to commence operations of our NBFC this fiscal year which can supplement our AUM with differentiated product offerings. This fiscal year is our inflection point for a steep growth in our AUM, backed by larger capital pool, sharp and proven strategy, middle of the market product offering and expansion in overall market coverage.

NB: How much investment will you be deploying going ahead?

Amit: Since we are targeting fresh funds of about INR 850 crore, we are hoping to deploy this capital in about 2.5 years at the rate of INR 300-350 crore per year.

NB: What is your AUM?

Amit: We measure AUM by deployed capital which post the recent exists stands at about INR 110 crore.