Real estate firms raise over ₹1 lakh cr in last 20 months

FINANCIALLY SOUND. Boom in housing sector, steady cash flows put them at lower risk

Janaki Krishnan
Mumbai

On a spending spree, real estate companies in India have raised over ₹1 lakh crore over the last 19-20 months with 92 per cent of it through debt issuances and there is over ₹28,000 crore in forthcoming issuances, as boom in the housing sector and steady cash flows have placed them at a lower credit risk.

In 2023 and 2024 year to date, real estate and civil construction companies have raised ₹95,975 crore in debt, of which, ₹61,600 crore was raised last year and ₹34,375 crore this year, according to data provided to *businessline* by Prime Database. In contrast, fund raising through equity issuances have been paltry though they have risen significantly in the current year. While 2023 saw just ₹124 crore raised in equity, in 2024, there have been ₹8,772 crore worth equity issuances so far, including initial public offers.

Another ₹28,350 crore worth of issuances are in the pipeline, which have been already announced, the data showed. Of this, ₹16,635 crore will be raised through debt, ₹9,695 crore through QIPs and the remaining via IPOs.

STURDY RESULTS. The real estate sector saw an average revenue growth of 13 per cent in the June quarter, while net profit rose 54 per cent

BETTER CASH FLOWS

Sales by listed real estate companies have risen 15-20 per cent post pandemic, boosting their cash flows and more predictable.

"Generally in case of residential sales, developers receive payment on milestone basis. This has improved their cash flows," said Vijay Agrawal, Managing Director, Investment Banking, Equirus. Pointing out that projects are seeing sales of 25-50 per cent as soon as they are launched, he added, "This provides for predictable cash flows for developers and helped real estate companies to raise debt to fund their constructions."

The certainty and predictability of cash flows ensures borrowing at lower costs. Companies with credit ratings of 'A' and above are able to place their debt securities at better rates.

While the data shows that 2024 is seeing more equity issuances by developers compared to last year, there is a higher propensity for debt as it is cheaper. "Generally real estate investors look for higher teens returns and debt is available at 10 to 12 per cent. In view of this, we are witnessing lower equity issuances due to lower debt cost," said Agarwal.

Apart from construction funding, a good portion of the funds raised is being used for land acquisition to set up more projects and to keep the launch momentum going. In the first half of 2024 there were 54 land deals for over 1000 acres, while 2023 saw close to 100 land deals covering over 2,700 acres, according to data by real estate consultant Anarock.

The larger, listed players are also acquiring projects or even land from smaller unlisted players and developing them on their own or jointly.

The real estate sector saw an average revenue growth of 15 per cent in the March quarter and 13 per cent in the June quarter, while net profit rose 37 per cent and 54 per cent respectively, indicating their strong fundamentals.