

This is how the industry reacted to RBI's 50bps rate cut

The Reserve Bank of India (RBI) on Tuesday reduced repo rate or the the rate at which the central bank lends to banks by 50 basis points to 6.75%

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NEW DELHI: The Reserve Bank of India (RBI) on Tuesday reduced repo rate or the the rate at which the central bank lends to banks by 50 basis points to 6.75%, while keeping the Cash Reserve Ratio (CRR) or the share of deposits which banks must park with the RBI unchanged at 4% in its fourth bi-monthly Monetary Policy Statement for 2015-16.

The apex bank had earlier reduced Repo rate by 75 basis since January. This is how the real estate industry participants reacted to the development:

Surendra Hiranandani, CMD, House of Hiranandani

The repo rate cut by 50 bps is definitely laudable and we are happy that the Reserve Bank has recognized the need to give a positive signal to encourage investments. This will infuse liquidity in the system and impact sentiments positively thereby providing a boost to the sector ahead of the festive season. We hope that commercial banks follow suit by reducing interest rates so that the benefits can be enjoyed by the end user.

Anita Arjundas, Managing Director, Mahindra Lifespaces

We welcome the Repo Rate cut announced by the RBI. We expect it will improve overall consumer sentiment, while providing impetus to drive demand. The RBI's proposal to reduce risk weightage for individual loans in low cost housing is also a step in the right direction as it will help reduce total cost of ownership in this segment, which is key to its growth.

Shailesh Puranik, MD, Puranik Builders

We welcome Reserve Bank of India's repo rate cut by 50 basis points today to 6.75 per cent. It is certainly a festival gift by the RBI Governor Raghuram Rajan to the real estate market. The cut in repo rate is expected to revive market sentiment ahead of the festival and trigger some momentum to the market. We expect the RBI to direct the commercial banks to extend benefits of the rate cut to the lenders without any delay. The RBI has cut the key repo rate thrice this year, but the benefits for the broader economy has remain limited because commercial banks have not made any change in their lending rates. Festivals assume a tremendous significance in India and the occasions which are one of the most preferred days for buying new articles or investing in gold and property for Indian families. This festive season will begin with Navratri soon followed by Dusshara and Diwali. With the rate cut, we are expecting a change in market sentiments benefiting the large number of home buyers and various stakeholders of the real estate. Real estate prices are presently steady and we feel many home-buyers will take advantage of the prevailing favourable circumstances to acquire properties of their choice. With the Indian economy also in the midst of a turnaround, we at Puranik Builders are very optimistic that this year's festival sales will definitely boost market sentiments in the realty sector, especially in the home-buyer's segment".

Srinivasan Gopalan, CEO, Ozone Group

This is a great move by RBI which will hopefully dilute the negative sentiments. We are certain that this decision will give a boost to the realty sector and mortgages as they are a significant portion of sales. It will help the current government come closer to its agenda of 'Housing For All'.

Rohit Poddar, Managing Director, Poddar Developers

This is a welcome and overdue move - however it will not be effective unless the banks pass on the reduction in repo rate to the home loan customer and also to the developer in the case of affordable housing. Both these rates have not come down in conjunction with the reduction in repo rates and there is still a large gap between the same. The large gap should not be used by banks to manage their NPA's - defaulting promoters should be brought to book - and instead the reduction should be passed on to where is it actually intended and required.

Kamal Khetan, CMD, Sunteck Realty

We welcome the Central Bank's policy move of reducing the Repo Rate by 50 basis points; the Governor deserves a pat on his back. At the outset, this rate cut will lead to a long and sustained improvement of the market sentiments through higher consumer spending and easy availability of loans to both consumer as well corporate. This is great news for the real estate sector as the rate cut would also lead to a significant reduction in home loan rates thereby reducing EMIs of home buyers. Corporate would benefit as interest outgo on existing loans would reduce and also enable them to raise equity. The prospects of Government divestment would also gather pace. The green signal to raising of Rupee Debt overseas is a game-changer and can create an alternate source of funding for Indian companies.

Prashant Tiwari, Chairman, Prateek Group

Reduction in the repo rate by RBI was an awaited move. The results of this rate cut will be reaped by home-buyers in the form of reduced home-loan interest rates. The realty sector will get a much needed boost that it was looking for and overall market outlook will also improve. The huge rate cut has come as a surprise and has infused positive vibes in the realty market. Once the rates are transmitted to borrowers, the market sentiments will certainly improve. Along with the reduction in repo rate, RBI could have also considered the cut in CRR as it would have improved the liquidity with banks which would have allowed banks to increase the supply of loan-able money leading to improved sentiment in the Real Estate sector.

Sanjay Rastogi, Director, Saviour Builders

Led by our expectations, reduction in interest rates is a welcome move by RBI. The revision in rates is very much favorable for real estate sector and will boost the demand for properties. Real estate, being a rate sensitive sector on large extent, will gain from the reduction in repo rates. The rate cut holds a great significance as the banks will now incise their interest rates on loans and the benefit will be passed to borrowers at last."

Aman Nagar, Director, Paras Buildtech

The assessment to cut repo rate in current scenario is really a very welcoming move at this crucial moment,when the real estate market is largely impacted by slow market movement, due to low demand. We hail RBI Governor's highly positive move taken at the onset of festive season will definitely help the overall market to gain momentum. The festive mood always induces property purchase, as religious sentiments remain high during this period which is considered to be a very auspicious time for property purchase. so now we can expect robust demand for houses and easy financing for real estate sector."

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