

# Foreign funds in construction slump to \$99m in FY17

## Sector received \$769m from overseas investors in FY15

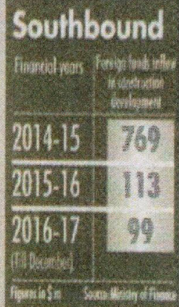
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**C**LOUDS of uncertainty hovering over the shaky housing sector refuses to blow over as foreign fund flow in the construction business shrunk dramatically in the last fiscal.

After the initial surge, foreign fund flow to the construction sector, which includes housing and real estate, is on rapid decline. The sector received only \$99 million from overseas investors in FY17 (till December) as against \$769 million in FY15.

Interestingly, construction is one of the key sectors apart from automobile, services and pharma among others, which has consistently remained attractive for foreign investors fetching equity investment.

"These investments largely flow towards the real estate segment. Over the last two years the real estate sector has wit-



nessed a decline in demand, as well as new projects launched, hence the investments in the sector has declined," said Binaifer F Jehani, director at research and rating firm CRISIL.

Turn to P10

# Foreign fund flow fell to \$99m in FY 17

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According to the finance ministry, foreign fund flow into the construction sector plummeted from \$769 million in FY15 to \$113 million in FY16. In the fiscal year FY 17 (till December), the inflow further dried up to \$99 million.

A Mumbai-based real estate expert, however, pointed out that these figures may not have captured funds coming through private equity and other routes like foreign institutional investment (FII).

"In the last 2-3 years, private equity funds have come to the country in a big way. It has also come in the real estate. Traditionally, foreign funds have

come to the sector mostly in the form of private equity. So, the figures given by the finance ministry may not be capturing those coming through private equity," said Ajay Jain, executive director, investment banking and real estate group at Centrum Capital.

While private equity players like Blackstone and KKR may be bullish on real estate, particularly after policy measures to boost affordable housing, the real estate sector continues to be in bad shape.

Sector players don't see a turnaround in the short run and hence have a 16-18 months time horizon.

There is high possibility of developers being reined

in with the coming of Real Estate Regulation Act (Rera), but it is likely to take time.

There is huge buzz around affordable housing, but lenders are still skeptical and reluctant to take exposure.

"The government is very persuasive about affordable housing, but banks are not lending for the projects. The reason is most of these projects are on the outskirts with limited infrastructure such as transport, electricity, hospital education etc. As a result selling the units is a challenge and lenders are not funding," Centrum's Jain said.

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