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How Institutional Capital Is Reshaping Indian Real Estate

From Promoter-Led Growth to Structured Capital Discipline

Alternative Finance Models

A Workshop by ICAI, Hyderabad on

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Agenda

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01 Clarity - What changed in real estate funding

02 Structure - How capital is layered today

03 Efficiency - How investors filter opportunities

04 Impact - What this means for markets & developers

05 Role of a CA - The trust architecture of institutional capital

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Capital does not avoid risk. Capital avoids opacity.

Institutional capital deploys when it sees:

- Governance
- Cash flow visibility
- Control rights
- Exit clarity
- Monitoring discipline

The Structural Shift in Capital Behavior

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Earlier Era	**Institutional Era**
Relationship-driven funding	Structure-driven funding
Promoter credibility	Reporting credibility
Lump-sum disbursement	Milestone-based deployment
Upside-focused underwriting	Downside-protected underwriting
Periodic review	Continuous monitoring
Exit optional	Exit engineered upfront

Upside is discussed last. Downside is discussed first.

Regulation Forced Discipline

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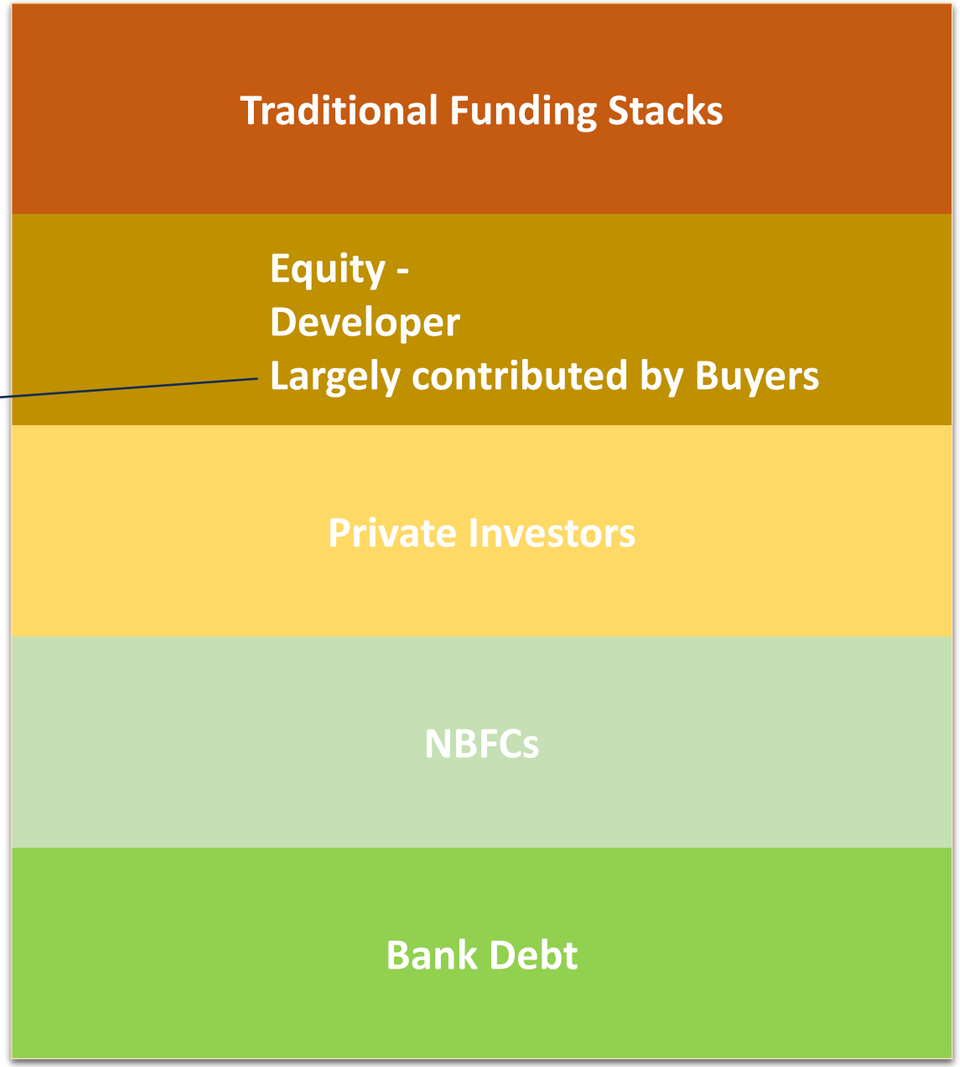
Regulation / Event	What Changed for Funding
RERA	Escrow discipline, transparency, consolidation
IBC	Creditor rights strengthened
GST	Formalization of cash flows
REIT regulations	Exit visibility

The Modern Capital Stack



Developer Equity

Rise of Alternate Capital (AIFs/Structured Capital)

Banks / NBFC Debt

Buyers / Customer Advances

Bank Capital: Lowest Cost, Highest Entry Barrier

Low risk • Late entry • Strong control

- **Fund post approvals**
- **Prefer visible sales velocity**
- **Construction linked disbursement**
- **Tight documentation & security**
- **Tight monitoring**

Cheapest money. Hardest to access.

NBFC Capital: Speed with Structure

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Speed • Structure • Higher yield

- **Faster decision making**
- **Bridge between equity and banks**
- **Structured protections**
- **Strong covenants & monitoring**
- **Costlier than banks, but, flexible**

More flexible than banks. More expensive than banks.

AIF Universe

Category I	Venture capital, SME, social venture funds	Social Investing
Category II	Private Equity, Debt Funds, without specific incentives	Private - PE / Debt (Dominant)
Category III	Hedge funds with Short-term gains focus	Equity (trading / hedge)

How AIF Capital Thinks

Structured • Return driven • Governance heavy

- **Early or mid-stage entry**
- **Structured return expectation**
- **Customized instruments (debt / equity / mezz)**
- **Cash flow oversight**
- **Milestone-based deployment**
- **Control - Active monitoring & board rights**
- **Defined exit path**

Return is structured. Risk is monitored.

Land as Capital: The JDA Substitution Model

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Land becomes capital

- **Landowner contributes land**
- **Developer brings execution & capital**
- **Revenue / area shared**
- **Reduces upfront cash burden**
- **Increases accounting & reporting discipline**

Land substitutes cash, but not accountability.

Why Structured Capital Outcompeted Informal Funding

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Structured capital won because it offered:

- Risk sharing
- Defined monitoring
- Engineered exits
- Governance discipline
- Better alignment of incentives

Structure reduced uncertainty.

Lifecycle of Institutional Capital

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Entry

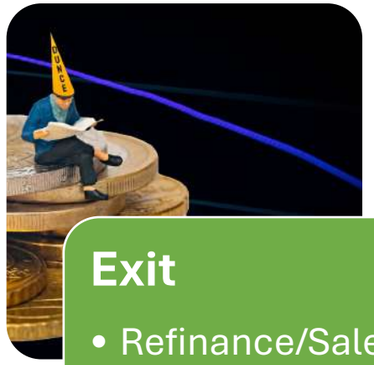
- Underwriting
- Structuring

Deploy

- Milestone Funding
- Escrow Discipline

Monitor

- MIS
- Variance Control



Exit

- Refinance/Sale
- IRR Delivery

Capital is structured across the entire lifecycle, not just at entry.

Where Real Estate Projects Actually Break

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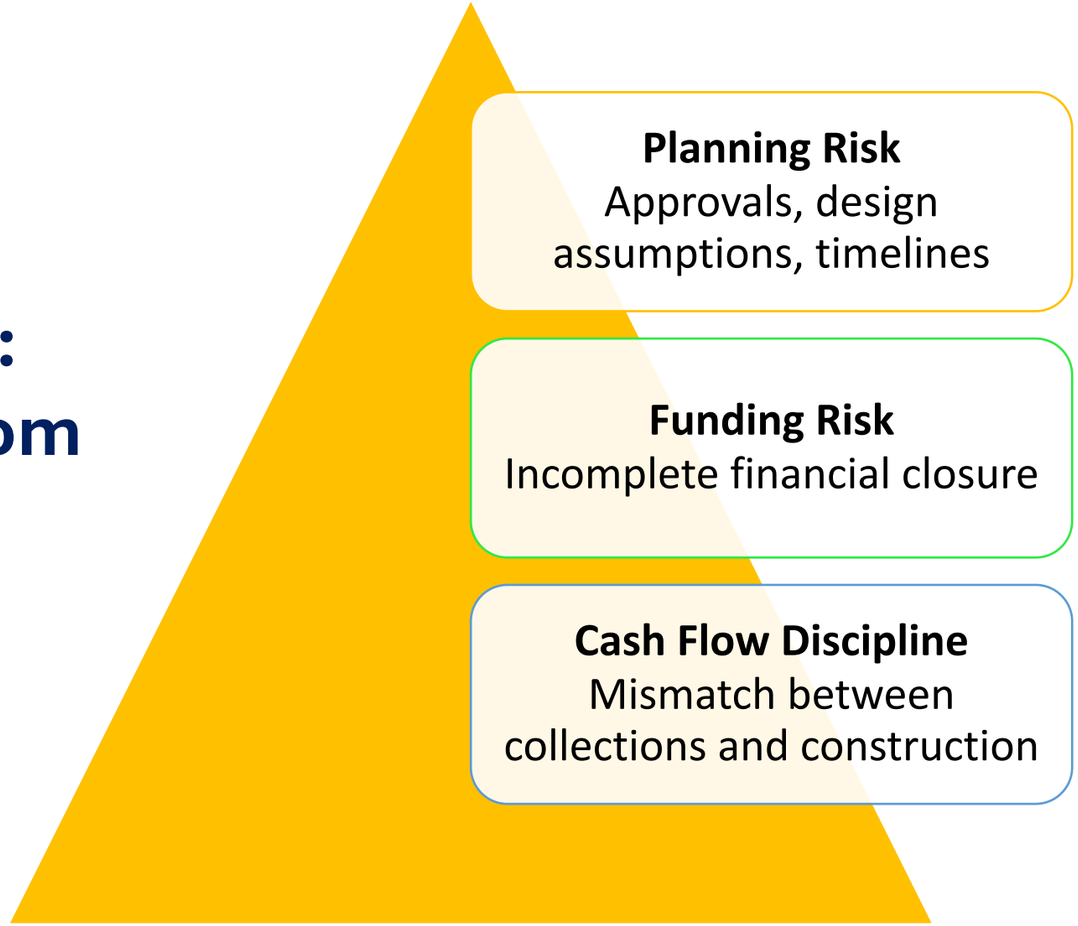
The Completion Risk Triangle:
Most project stress comes from



In real estate, the biggest risk is completion risk.

Capital Monitoring: Investment Does Not End at Funding

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After capital is deployed, investors track:

- Utilisation of funds
- Construction progress
- Sales / leasing velocity
- Cash flow movement
- Covenant compliance

Institutional capital is monitored capital.

Indian Real Estate: Capital Demand Across Asset Classes

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01 Residential –

- Largest demand driver. ~₹6+ lakh crore annual sales across top cities.
- Sales-led funding model.

02 Commercial / Office –

- Institutional ownership increasing. ~57 msf annual absorption in recent years.
- Long-term capital required.

03 Retail –

- Consumption-led real estate
- ~90+ msf Grade-A mall stock in India

04 Warehousing & Logistics –

- Fastest growing asset class.
- ~40+ mn sq ft annual leasing driven by e-commerce and supply chain expansion.

05 Hospitality & Mixed Use –

- Higher execution risk. High capex, long gestation
- Increasing structured capital participation.

Sources: *JLL India, Knight Frank India, CBRE India, ANAROCK, NASSCOM, Telangana Govt reports.*

Residential Demand Requires Funding Muscle

- **India residential market size ~ USD 438 bn in 2026 (projected growth to ~USD 702 bn by 2031)**
- **Housing launches ~293,000 units in 2025 across top cities (despite slight drop)**
- **Strong transaction value > ₹6 lakh crore+ in 2025 (sales value sharpened by premium segments)**

Commercial Expansion Needs Long-Term Capital

- **Large Upcoming Supply**
- **Institutional Ownership Rising**
- **Exit Markets Developing**
- **India office real estate market ~ USD 85 billion in 2026 (projected ~USD 135 billion by 2031)**
- **Alternative estimate: commercial real estate ~ USD 40.7 billion in 2024, expected ~USD 106 billion by 2029**
- **Office absorption strong: ~57 million sq ft net absorption in 2025 YTD**

Sources: *Mordor Intelligence, JLL India, Savills India, ResearchAndMarkets.com*

Hyderabad: A Market Built for Institutional Capital

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India Needs Disciplined Capital at Scale

Western Corridor – Hyderabad's Institutional Real Estate Hub

Residential Strength

~80,000+
Homes Sold Annually

West Hyderabad
Drives Demand

Office Market Scale

~12–13 msf
Annual Absorption

~140+ msf
Grade-A Office Stock

- India's Top 3 Office Leasing Markets

Emerging Growth Drivers

Life Sciences Hub
(Genome Valley)

Data Centres
& Cloud

GCC & IT
Expansion

Capital flows where Confidence and Credibility exist

Sources: *JLL India, Knight Frank India, CBRE India, ANAROCK, NASSCOM, Telangana Govt reports.*

Why Global Capital Chooses Hyderabad

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Institutional Demand Base

- Strong IT / GCC presence with global occupiers
- Office absorption consistently among India's top markets; ***As per JLL India Office Market Report - Hyderabad ranked among India's top 3 office leasing markets***

Policy & Execution Discipline

- Faster approvals compared to most Indian cities
- Several large developments delivered on schedule

Institutional Track Record

- Global funds hold large Grade-A office portfolios
- Continued capital deployment in commercial and mixed-use assets

Institutional capital prefers markets where execution risk is lower.

Sources: *JLL India, Knight Frank India, CBRE India, ANAROCK, NASSCOM, Telangana Govt reports.*

Capital Depth in Indian Real Estate

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- ~₹11 lakh crore commitments in AIFs alone
- Real estate share is roughly about ₹2.5 lakh crore
- Close to ₹1.0 lakh crore out of ~ ₹2.5 lakh crore deployed so far
- **Significant capital still waiting to be deployed**

Capital supply is deep.
Deployment requires confidence.

CAs are the Trust Architect in Institutional Capital

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- **Governance assurance**
- **Fund flow validation**
- **Escrow monitoring**
- **RERA Utilization Certification**
- **Covenant Monitoring**
- **Drawdown conditions**
- **Reliable MIS & reporting**
- **Exit calculations**

Institutional capital runs on verified information.

Why the Next Cheque Depends on You

Investors release capital when:

- **Reporting is Reliable**
- **Fund utilization is verified**
- **Deviations are Explained**
- **Governance is Visible**

Capital follows credibility.

How a Modern Deal Gets Built

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Promoter		**Contributes land / approvals**
Investor		**Brings Capital**
Lender		**Brings Construction Finance**
Customer		**Brings Validation**
Escrow		**Controls Discipline**

The Mantra...

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First secure completion.

Then chase the upside.

Capital Will Flow Where Confidence Lives

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The future of real estate funding is not about more money.

It is about better structures.

Developers who adapt will scale.

Professionals who understand capital will lead.

The opportunity for CAs is not participation.

It is leadership.

THE OPPORTUNITY

India needs **disciplined capital** at scale

Capital Available	Projects Ready	Discipline Required	Growth Ahead
~₹11 Lakh Cr AIFs	Across Residential & Commercial	Governance • Reporting • Execution	India's Real Estate Decade

Capital flows where **Confidence** and **Credibility** exist