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Requirement and Need**

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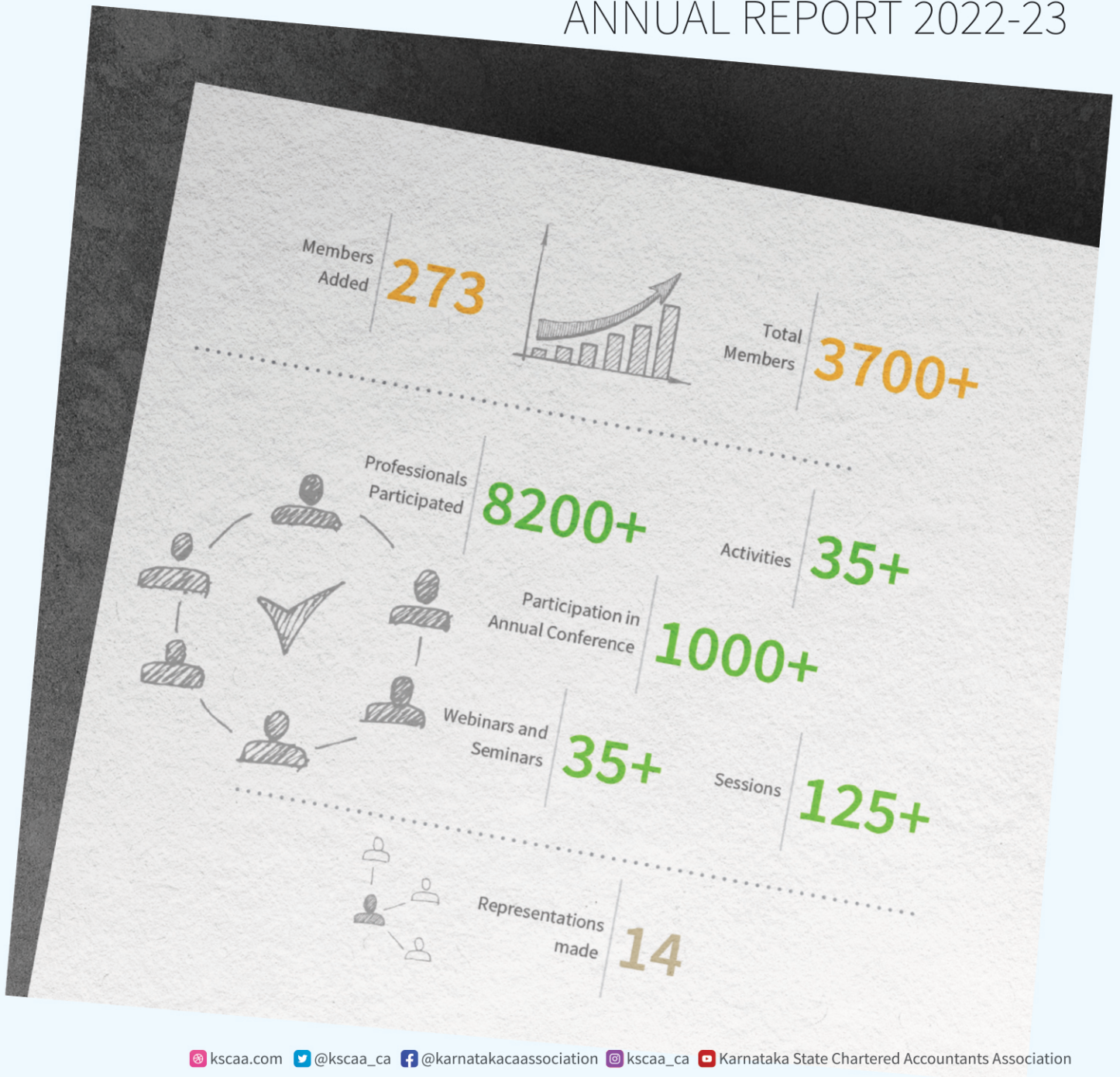
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NEWS BULLETIN

Karnataka State Chartered Accountants Association (R)



ANNUAL REPORT 2022-23



GRADING / RATING OF PROJECTS AND PROMOTERS UNDER RERA, 2016 REQUIREMENT AND NEED



CA. Vinay Thyagaraj

One of the objectives of The Real Estate (Regulation and Development) Act, 2016, is to protect the interest of home buyers, increase investments in the sector. The Act mandates the establishment of a real estate regulatory authority (RERA) in every state for the regulation and promotion of the real estate sector. The RERA drives for efficient and transparent sale of plots, apartments, buildings and other projects. It is mandated to safeguard the interest of buyers and to establish an adjudicating mechanism for speedy dispute redressal. Also, an appellate tribunal would be set up to hear appeals from the decisions, directions, or orders of itself and the adjudicating officer and for related matters.

One of the functions of the RERA Authority with respect to promotion of real estate sector as per envisaged under section 32(f) of the Act reads as follows -

measures to encourage grading of projects on various parameters of development including grading of promoters;

Real estate is an industry with a wide range of distinctions based on regional and economic dynamics, which often complicates the home buyers on what basis they have to choose, prioritize and invest.

Real estate grading or rating provides a state/city/region-specific assessment of the quality of real estate projects based on defined criteria and benchmarks. Thus, it helps home buyers to identify and make informed decisions. Grading or rating of projects addresses two major needs in the real estate sector – enhanced transparency and specific benchmarking of projects.

Advantages to developers -

1. Elevates the positive points of the project when compared to other projects in the same locality and in a way strengthens promoter corporate branding.
2. Helps in raising finance from banks, financial institutions or investors
3. Helps in knowing the potential pricing and increase or decrease based on the grade or rating

4. The grading system will incentivize developers to maintain their standards and deliver projects on time as promised.
5. Promoters with higher grades will have a competitive edge in the real estate market, thereby promoting healthy competition and encouraging other promoters to improve their practices.
6. Aims at improving the overall efficiency, effectiveness, customer satisfaction in order to get better grading or rating

Advantages to buyers

1. Helps in decision making through comparison of various projects in a specific locality or city
2. Availability of data while comparison based on various parameters, It will provide them with an authentic and standardized measure to assess the quality and reliability of their chosen projects.
3. Availability of progressive information on the project with RERA authorities. RERA will collect the information and documents submitted by promoters for registration of their project, quarterly updates, audit certificates, professional certifications and analyze them based on the set parameters.

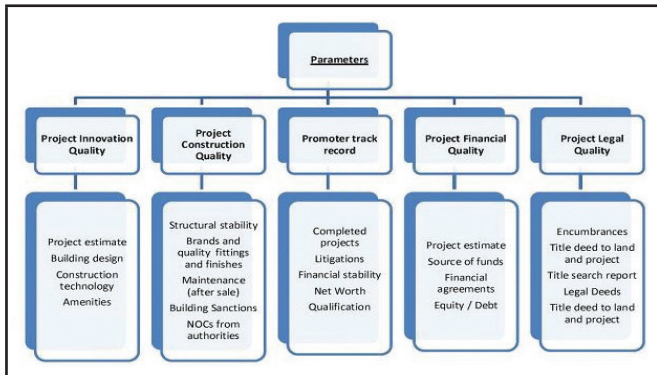
Other advantages

1. One more tool for the Lenders or investors while extending the financial support
2. Project specific grading or rating gives deep insight rather entity level grading
3. Grading or rating will be assigned and the project would be under surveillance throughout its tenure.
4. Grading of real estate projects and promoters shall be based on past track record and present performance.
5. The grading system will not only enhance consumer confidence but also promote fair practices and boost the overall credibility of the real estate sector

In this direction UP RERA has prepared and published the concept note in year 2020, MahaRERA has prepared a consultation paper on framework for Grading of real estate project and invited the suggestions, comments and inputs from the stakeholders before 15th July 2023 (https://maharera.maharashtra.gov.in/sites/default/files/Orders_and_circulars/109.pdf)

Under the new grading system, real estate projects will be evaluated based on various parameters such as construction quality, adherence to timelines, financial stability, legal compliance, and customer satisfaction. Similarly, developers will be assessed on factors such as track record, financial strength, delivery capabilities, and customer service.

The grading may be done on a scale of one to five stars, with five stars indicating the highest level of excellence and reliability. It is important for home buyers to know that grading / rating is not a guarantee that there will be no problem. Home buyers should do their own assessment at their level and consult the professionals before investment



Some of the Specific parameters based on the information filed by the promoter's time to time

1. Compliance with Quarterly Updates Reports (QPR) uploads
2. Timely upload of Annual Audit of accounts of the project
3. RERA Designated bank account compliance
4. Timely obtaining of completion certificate/ occupancy certificate
5. Delivery as per end date specified in RERA registration
6. End date extension sought, if any
7. Handing over to association and transfer of corpus funds

8. Number of Complaints by the Allottees
9. Allottees and Association satisfaction
10. Adherence to the orders passed by Authority or Adjudicating officer
11. Movement in booking / sale of unit's quarter on quarter
12. Any other details

Conclusion – the progressive / performance-based grading of projects and promoters will not only reinstate the faith of all stake holders (esp., homebuyers) but also make the system proactive and consumer-friendly. It benefits both the projects and the promoters, as the grading will build a positive perception in the real estate sector, which is the need of the hour.

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KSCAA REPRESENTATIONS

1. Representation on challenges faced in registering Firms
2. Representation on challenges faced in obtaining a Packing Registration from the Department of Legal Metrology.
3. Problems faced by the CAs doing Co-operative Audit with regard to implementation of Model Financial Statements.
4. Challenges faced in obtaining registration under the Karnataka Tax on Professions, Trades, Callings and Employments Act, 1976

For full text of above representations,
please visit : www.kscaa.com

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