

LARGEST REALTY SCAM IN TELANGANA WORTH ₹15,000 CRORE

Major Cos Land in Soup Over Messy Title Deeds

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Bengaluru | Hyderabad: Major global and domestic companies in Hyderabad are jittery about the value of their real estate holding after the Telangana government initiated a series of legal cases questioning the legitimacy of the ownership of land holdings, both private and government auctioned.

The latest episode that triggered a fresh wave of panic among investors is the largest land scam in Telangana involving hundreds of acres valued at atleast ₹15,000 crore. After the opposition raised a hue and cry, the government was forced to announce termination of suspicious land registrations.

"It's time for the government to rethink and examine all the existing procedures and make clear titled land banks available for investors," said Veera Babu, Cushman & Wakefield's managing director. The latest land scam comes at a time Hyderabad's real estate market was beginning to look up after several years and for the first time after Telangana state was formed in June 2014.

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Cos in Land Trouble

Lanco: Bought 100 acres for over ₹427 crore in 2005

DLF: Pulled out of Raidurg after it bought 31 acres from the government which ended up in dispute

Tishman Speyer: Bought 400 acres at ₹1,686 crore in 2007

Mantri Developers: Seeking compensation for seeking to retrieve a significant portion of its land

Others Affected

Google, Microsoft, Tishman Speyer, Shapoorji Pallonji, DLF, Lanco, Puravankara, Sattva Salarpuria and My Home group



Investment Flow into Telangana may be Hit

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Hyderabad has been allotted to Telangana, forcing Andhra Pradesh to find a new capital. "This would certainly affect the investment flowing into the (Telangana) market in the short term. The land scam has dealt a blow to this upswing and will create uncertainties in the minds of investors and buyers/occupiers alike," said Shrinivas Rao, chief executive officer (Asia Pacific) of global property consultant Vestian Global Work Place Services.

Investors who were stung by messy land titles in Hyderabad include Google, Microsoft, Tishman Speyer, Shapoorji Pallonji, DLF, Lanco, Puravankara, Sattva Salarpuria and My Home group. Even procuring land from the government is no guarantee. "We are only acquiring land from government or corporate houses as they are clear titles," said Bijay Agarwal, MD, Salarpuria Sattva Group.

In the latest land scam, the accused colluded with land registration officials to corner hundreds of acres of contentious land parcels in Hyderabad's Miyapur and a few other localities. "Hyderabad is one of the worst property market in terms of land records. There are scores of dubious land titles in the city," said the owner of a local brokerage firm in Hyderabad.

Hyderabad real estate market was going through a revival in the past couple of years after the formation of Telangana. According to JLL India, Hyderabad has the third-lowest vacancy level among all metros at 9%, behind Bengaluru and Pune with 4% and 5% vacancy, respectively.

PS Prasad, former attorney of Shapoorji Pallonji group's Cyrus Investments, helped the group get certain title clearances out of thousands of acres of properties that the group bought from the Hyderabad Nizams in 1967. The Telangana government has now accused Prasad of the fresh round of land scams, raising questions about those deals.

In April 2014, weeks ahead of Telangana formation, Cyrus Investments announced revoking the power of attorney issued in favour of Prasad of Goldstone group, accusing him of fraudulently selling their land assets.

Telangana Rashtra Samithi's secretary general K Keshava Rao, whose family attained contentious land parcels from Prasad's business entities, last week announced pulling out of the deal after Opposition accused him of amassing government land.

The latest land scam is a major embarrassment with alleged links to key persons in the ruling party. The TRS government last week

issued an ordinance cancelling certain discretionary powers of officials of the land registration department.

TRS government's IT and industries minister KT Rama Rao, son of Chief Minister K Chandrababhan Naidu, said the government was willing to reach out to investors to address their apprehensions. "Land titles in Hyderabad have been an issue for a long time for a variety of reasons," Rao told ET, adding that "the government is bringing in certain reforms in a methodical fashion to spruce up the land records."

The Opposition Congress, Telugu Desam and BJP allege that government lands worth at least Rs 1 lakh crore in Hyderabad were encroached upon during the past three years of TRS rule and accused the government of facilitating offenders by not retrieving such land. "There is clear land available in Shamshabad and Rajendra Nagar. Government needs to make sure that the infrastructure is available.

There are many private builders looking to expand in Hyderabad," said Ram Chandnani, MD, transaction, CBRE.

Land stuck in tortuous litigation include those of Lanco, which bought 100 acres through a government auctioned global bidding for over Rs 427 crore in 2005. The company spent more than a decade in courts after Wakf Board claimed ownership of the government-auctioned land.

DLF had pulled out of Raidurg in Hyderabad after 31 acres it bought from the government ended up in dispute with a government agency claiming that the land falls under a heritage zone.

New York-based property developer Tishman Speyer, which bought 400 acres in early 2007 at Rs 1,686 crore through a government-organised auction, has sought the state government's nod to sharply scale down its project to only a fourth of the area.

Bengaluru-headquartered real estate firm Mantri Developers is seeking compensation from the state for seeking to retrieve a significant portion of its land, where it is building one of Hyderabad's largest mixed-use real estate projects at Jubilee Hills.

According to builders and consultants, the government need to be proactive in dealing with the issues and digitalise land records. Hyderabad is one of the top real estate market that the private equity investors and builders are targeting due to revival in the commercial and residential markets.



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