Building on the trust his family name commands, Pirojsha Godrej, executive chairman, Godrej Properties, has done brisk business and successfully expanded operations to a dozen Indian cities.
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REALTY CHECK

Having established a strong brand pan-India, Pirojsha Godrej, executive chairman, and Mohit Malhotra, MD & CEO, Godrej Properties, are giving competitors a serious run for their money.

BY MITALI KURDEKAR

There is a lot that this dynamic duo has in common. While their similar working styles in terms of their analytical thinking and attention to detail are common knowledge by now, there is one quality that the man at the helm of affairs at Godrej Properties are best known for — and that is, modesty beyond compare. However, even their unique blend of tenacity cannot camouflage their sense of pride born of several achievements. In fact, Pirojsha Godrej, executive chairman, and Mohit Malhotra, MD & CEO, Godrej Properties, are both operating wide grin when I met them at the company’s Mumbai headquarters, the iconic Godrej One premises. And rightfully so.

After all, the pair has managed to achieve what most are only dreaming of in these trying times for Indian real estate. The numbers are proof enough of this fact. The company has reported becoming India’s largest publicly listed developer by booking value over the past two years. Their FY18-19 results showed a 10% YoY growth in value of sales bookings, with their total booking value reported at Rs 1,225 crore. Similarly, even as other developers are battling with unsold inventory, in the first three quarters of FY19, Godrej Properties residential sales were reported to be higher than in any other period. Additionally, in the same time frame, the company has launched three projects with success, these are spread out across geographies — Hosur, Indore, and Bengaluru. As a result of these factors, the company’s share price too has soared.

“The company has obviously come a long way,” says Godrej. “When one considers most parameters — top line, bottom line, value of real estate sold, size of development portfolio — the company is more than 100 times the size it was when I joined in 2004. I am especially proud of the overall scale-up of the company. We weren’t really amongst the leading real estate developers in the country at the time. We today are certainly in that company. That’s been an achievement that the team and all are very proud of.”

Malhotra shares this opinion, stating that, although the company came into existence in 1998, it took around more or less like a start-up for the first 15-20 years. Post the IPO, there was a major change which started to emerge, and I would say that the real transformation happened when Pirojsha took charge in 2011-12. That’s when we really shifted gears, and if you look at the last five years, we have added close to 40 projects,” he states, reminiscing that when he joined in 2010, the company was averaging one new launch per year. From then on, they have made a conscious and consistent effort to increase that number to five, then eight, until finally touching this year’s impressive figure.

SPREADING ITS WINGS

The changing dynamics of the sector have obviously been a contributing factor to growth. As a matter of fact, the massive quantum that is being currently witnessed does not imply only bad news, at least not for an organisation like Godrej Properties, instead it is actually helping create a lot of opportunities for them.

“The current weakness in market conditions is a great opportunity for us to add new projects to our portfolio. A lot of our new projects are actually partnerships with other developers. The process of consolidation is happening pretty rapidly in the sector, and it’s not that we aren’t in any way immune to market conditions. Having said that, the current
market conditions do present us with an opportunity to grow rapidly, because when markets are weak like this, when customers are worried about developers defaulting on their obligations, there does tend to be a preference to work with only the stronger developers. Hence, for leading developers such as us, sales have been pretty strong. During the last financial year, our sales would have increased by over 150% over the previous financial year. However, if our sales volumes, and, especially, prices, would be even better, once market conditions improve," V公元前 Goswami.

In the meantime, the company is embracing this opportunity that it has been presented with, by building new residential projects, by looking to partner with other developers that are looking for such associations. Goswami is of the opinion that having a land bank in possession is the right choice in the industry, even though it is costly. Most companies that have big land banks, he argues, tend to have very high returns on equity and capital employed, and often get into a liquidity crisis in difficult times. Instead, he notes that these companies have to think of being able to attract a large number of land owners or other developers to these kinds of partnership structures, a tactic that they intend to continue employing. In fact, Goswami admits that their role now is to do their best to capture as much of the market as they can in this time. And the pace of project launches is the recent past is proof that they are following through on that mission, quite successfully.

Interestingly, these projects are not limited by their nature. Over the years, the company has undertaken all kinds of projects, from luxury to mid-market, stand-alone to township, and more importantly, has expanded to reach 14 states in India. These include Mumbai, Pune, Nilagiri and Ahmedabad, in the West; Kolkata in the East; NCR and Chandigarh, in North; as well as Bengaluru, Hyderabad, Chennai, Kochi and Mangalore in the South. Overall, Godrej Properties has presently developed projects spanning approximately 651 million sq. ft. While there have been a few commercial ventures, all of which were well received, the focus has clearly been on the residential real estate segment, which also happens to be Godrej Properties' forte.

HOME ADVANTAGE

The company clearly prefers residential over commercial projects, mainly because they follow an asset-light strategy, and

The image shows a building with text: "The Trees, Godrej Properties' flagship project in Vikhroli, Mumbai, will be a mixed-use development."
Sustainability of design and construction materials is a major factor in the creation of all projects.

Residential is a self-liquidating asset. On commercial projects too, they have a clear strategy, to only build those if the location demands it. For instance, while they want to build another commercial structure in Indore – Gargi, they have a long-term real estate plan in place to ensure they don't face a real estate crisis. And this is not just strengthening their
Although they have taken up only a few commercial ventures, those have been successes — such ashing MCC in Mumbai.

**WE HAVE BEEN THE MOST AGGRESSIVE IN THE MARKET IN TERMS OF ADDING MORE PROJECTS TO OUR KITTY.**

MOHIT MALHOTRA

balance sheet but also their brand image among customers. It is a combination of multiple factors. First, we have been the most aggressive in the market in terms of adding more projects to our kitty, and that's clearly one of our strengths. The second thing is the actual product development and design. Again, that's a unique strength which we have developed as an organization," informs Malhotra, elaborating on how they conduct a large-scale consumer study before commencing a project, thereby noting consumers' pain points in order to be able to design a product suited to the consumers' preferences. He feels that this is in stark contrast to how the industry generally operates, and hence, has become their principal advantage.

"We have been doing a lot of work on improving the quality of the product we are offering to try to differentiate ourselves from a design perspective as well as from a service offering perspective. It goes without saying that we’re working very hard to improve the capabilities of the organization at various levels, but certainly, that the market conditions actually present us with a big opportunity and the combination of our strategy of not buying land, but doing more asset-light partnerships for land, being present in all the major real estate geographies in the country, and really focused on building a strong team, is

paying dividends," finalizes Godrej.

It is no wonder then that their flagship project — The Trees — in Vikhroli, Mumbai, has registered a phenomenal response since it was launched in 2015. The Trees is a mixed-use development, consisting of a residential aspect, a commercial district, and a Taj-branded hotel, which is being created in conjunction with Taj Hotels Resorts. The hotel is meant to house 150 rooms and suites, besides dining, entertainment, and conferencing amenities. Another extremely successful project has been Godrej Golf Links, a 100-acre township situated in the NCR region. The project is being constructed in phases, and 50% of the development has already been sold in less than a year.

Yet another plus is their real estate private equity business, Godrej Fund Management, which gives them the opportunity to grow, both as a direct private equity business and also to raise institutional capital to co-invest with Godrej Properties.

**UNDER THE GREEN CANOPY**

A point of focused attention has been Godrej Properties’ emphasis on sustainable design. This is, of course, very much in keeping with the Godrej Group’s vision of “Green & Green.” In fact, environmental sustainability has been a major driver for the company, much before it became a catchphrase across the country. The company was rated the second-best developer in Asia and the fifth-best globally in the Global Real Estate Sustainability Benchmark Report 2016. Right from the choice of materials used to the design of their buildings, the sustainability angle is factored in during the preliminary stage itself. As a rule, upcoming Godrej Properties’ buildings are third-party certified green structures, with their headquarters boasting a LEED Platinum ranking.

They also engage pre-qualified vendors, in order to encourage this movement. Moreover, the company is exploring technologies that can cut construction time by 50% and applying them based on the project in question. For example, they are setting up their first precast factory at the Godrej Golf Links site.
and have plans to replicate the model at other locations.

On the question they plan to tackle for the future, Godrej offers, “There is no one silver bullet. Of course, we benefit from our strong brand. We’ve done a good job establishing ourselves in each of the key geographies from a real-estate market perspective. As a result, we’re now amongst the top three developers by volume of real-estate sold in all of the top four real estate markets – Mumbai, NCR, Bengaluru and Pune. That’s a position that other developers tend not to have as they are more concentrated in a single-market.”

As a result, the developer now wants to channel its resources to consolidate its position in these four regions. Around 80% of projects will continue to be a result of the joint venture model. Regardless of their chosen business model, the conditions seem to be favouring them, with customers who are increasingly supporting them.

In fact, Godrej acknowledges that NERA too is proving to be a big win. “While there’s created a lot of disruption and uncertainty in the short term, the benefits arising from it in the longer term, however, are very strong. One of the big problems plaguing the sector has been that of certain companies not being able to live up to their customer commitments or perform in the right way, resulting in the whole sector getting painted with that brush. Therefore, I think what NERA particularly does, and to a lesser extent GDT, is that it really cleans up the sector and eases governance norms, thus giving consumers greater confidence in the sector. And what that will do over the longer term is also bring back strong demand to the sector,” he suggests about the transition.

MOVING ON TO GREATNESS

Speaking of transitions, it has been a year now since Godrej took over the chairmanship of the company and Maheshw assumed his current role. Godrej points out that he welcomes the transfer of responsibilities. As CEO for five years before taking on the chairmanship, he feels that he was able to really understand the business in depth. “I enjoyed that period, but frankly I believe Mahesh will be much stronger in doing this phase of growth as CEO than I would have been. It also allows me the opportunity to step back and really think about some of the long-term issues facing us and really partner with Mahesh in getting our aspirations right and doing our best to then achieve them.”

“When you’re making a transition like this, you wonder how it’s going to feel and how it’s going to work out, but I can quite confidently say that both for the business and for me personally, it has been a very fortuitous change,” adds Godrej.

What has not been unplanned though is the steady growth that the company has witnessed to get to where it is today. Maheshw makes it sound simple, when he says, “You have to only listen to the market, following that, our teams are empowered enough to indulge in quick decision-making. This is because, unlike some other companies that have one centre of command, we have a decentralised way of operating.”

And they seem to be taking all the right decisions to propel themselves forward. As Godrej sums up, “There aren’t too many companies in the world that have the opportunity of being a leader in a leading industry in a leading country. It’s up to us to now execute well. Again, given the industry dynamics and the competitive positioning we have, we are very excited for what’s in store. We’re not looking to do 100 new things, instead remain focused on residential real estate in India. It presents a massive opportunity and our goal will be to do what we’re currently doing, but at a much higher scale and with much better efficiencies.”