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Developers beat slowdown with strong books

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The real estate sector may be undergoing a slowdown — with demonetisation and the new RERA law prolonging the situation — but a few builders have remained unscathed.

Godrej Properties, Oberoi Realty and Sobha posted healthy profits in the March quarter of 2016-17. The results are significant as home sales halved in Mumbai and Noida in the March 2017 quarter as compared to the corresponding period of the previous year, according to PropEquity, a property focused data analytics firm.

Godrej Properties, real estate arm of Godrej Group, posted a net profit of ₹63 crore in Q4 of FY17, against a loss of ₹12 crore in the corresponding quarter of FY16. Total revenue went up 21 per cent.

Another Mumbai-based developer, Oberoi Realty, witnessed a 50 per cent jump in its net profit to ₹102 crore in Q4 of FY17. The company's income went up 25.8 per cent to ₹290 crore. Its Ebitda (earnings before interest, tax, depreciation,



and amortisation) margin for the quarter stood at 52.3 per cent.

Bengaluru-based Sobha's net profit jumped 68.2 per cent to ₹46.6 crore and revenue 6.2 per cent to ₹600 crore, beating analysts' estimates.

"Good brands are certainly selling. Buyers are willing to buy in projects where timely delivery, quality construction and transparent pricing are promised," said Adidev Chattopadhyay, research analyst at Emkay Global.

Besides its launch in Greater Noida Phase-II where it did sales booking worth ₹78 crore in the

March quarter, Godrej Properties has attained revenue recognition in the second phase of its flagship project, The Trees, in Vikroli in Mumbai much ahead of schedule, boosting its profitability, the firm's chairman, Pirojsha Godrej told analysts.

The firm has sold 1,000 apartments across its projects in Greater Noida, Hinjewadi (Pune), and Mumbai since March. "The brand resonates well with customers. Besides, we also design the project well and understand what customers want," said Mohit Malhotra, managing director.

LOOKING UP

- Godrej Properties, Oberoi Realty, and Sobha posted healthy profits in the fourth quarter of FY17
- These results were significant as home sales halved in markets like Mumbai and Noida in the March 2017 quarter as compared to the previous year, said an analytics company

In a recent report, Chattopadhyay of Emkay said higher-than-expected bookings at Oberoi Exquisite, Goregaon, led Oberoi Realty to beat on revenue and profitability fronts in its quarterly earnings. The company's sales bookings were up 29 per cent on quarterly basis as its Worli and Borivali projects did decent sales, he said.

"While the overall market slowdown may continue to temporarily impact Oberoi Realty's volumes over the next two quarters, we expect a pickup in volume from the second half of FY18 onwards. Oberoi Realty's

low debt levels, strong brand name and execution track record should help it sail through challenging times," Chattopadhyay said.

In Sobha's case, higher-than-expected contracting revenue of ₹240 crore and higher volumes from the Gurgaon project helped the company post higher revenue and net profit, he said.

RERA impact

Godrej Properties thinks the Real Estate (Regulation and Development) Act (RERA) and a surge in joint venture proposals will help the company grow substantially in the coming quarters, said Malhotra.

Godrej typically develops property in partnership with land or property owners, thereby saving on land costs, which sometimes form 60 to 70 per cent of project costs in cities such as Mumbai. Malhotra said there has been a surge of 25 to 30 per cent in joint development proposals in the last three months. "There is a big business development opportunity. If you look at the number of projects which are coming in, it will help us grow substantially," he said.

