

# 'Real estate to be one of the fastest growing sectors in India'

At a time when residential real estate is facing a steady decline in sales, Godrej Properties (GPL) has turned an outlier, recording healthy sales and earnings growth. Using the strength of its balance sheet, it has also become a leading consolidator. **PIROJSHA GODREJ**, chairman of the company, spoke to Raghavendra Kamath and Abhineet Kumar on the company's future plans. Edited Excerpts:

**GPL added 13 million sq ft in new projects last quarter. How has been the progress in this quarter?**

We have not announced anything yet. But, a lot of discussions are underway. The second half should also see the kind of traction we got in the first half in terms of business development. Markets are in a poor state, which creates a lot of pull for other developers wanting to do joint ventures (JVs) with us. We are targeting four top cities — Mumbai, NCR, Bangalore and Pune. Cumulatively, the four cities account for 50 per cent of volumes of real estate being sold in the country and two-third of its value. It is a big opportunity to expand. Each of these markets has micro markets. The opportunity is to enter these markets as quickly as possible.

**DLF has tweaked its strategy, saying it will sell only after completing the projects.**

**What is your take?**

That's not our plan. Pre-sales are a big advantage for us. We believe in funding the development from cash flows that we generate from sales to customers. If you end up funding the entire development from your balance sheet, then margins will be better but your ability to grow will be limited. Each company will have its own strategy, but we have no plan to shift our model.

**How has the Real Estate Regulatory Agency (RERA) impacted your business?**

RERA will have a bearing on the JVs in real estate as it prohibits pre-launches without project approvals.

For most developers, the model earlier was to buy land and immediately sell their project to some investors and then they went for approvals to launch a project in the market. With RERA they cannot do that. So how would they buy the land? Cost of capital is exorbitant for many of these developers. So, in the first stage, there will be consolidation where only a few players would be able to take part in the industry. And, later in second stage, it will lead to acceleration in JVs as there is not much capital available to buy the land. This will help us.

**Has your strategy of doing business also seen some tweaking after regulatory changes in RERA and GST?**

We were actually following most of things before RERA, but we have tweaked a few things now. For instance, RERA mandates certain kind of payment plan for customers. You can't collect more than a



certain sum. All projects are in line with the guidelines. Broadly, the strategy of the firm and what we intended has not changed at all.

We think we are in a good and attractive niche. The idea is to focus on scale and efficiencies. In RERA, the benefit is it will improve consumer confidence. That will in turn lead to better end-user demand. The other thing RERA does is that, it will also hasten the consolidation which is already under way. It has very strict penalties and will hasten consolidation. But, it will be an opportunity for what we have been doing, to do it with better scale and efficiency.

**Last month, Ambit report talked about bankruptcy cases bringing a lot of land parcels to auction and eventually bringing down land prices?**

Obviously, everybody has their own views. But what is less understood is that demand factors drive real estate. When a country does well, urbanisation happens. There is no reason that demand

side will not do well. Ambit came out with a report that real estate prices will come down 50 per cent after demonetisation.

We thought it would not happen. And it didn't happen. Our view is that we are extremely optimistic.

**What gives you this optimism?**

We believe India will be the largest growing country in the world in the next 10 years. We think there is every chance that real estate will be one of the fastest growing sectors in that. We are positioned as a company within the sector to benefit from that growth. People become pessimistic when the sector goes through a down cycle and too optimistic when it goes through an up cycle. It is a cyclical business. But the structural direction it is taking is a positive one.

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