

Shapoorji banks on residential housing

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The Shapoorji Pallonji (SP) Group, which is 154 years old, is banking on its real estate arm for growth, even as some larger companies in its tent are struggling with debt and the residential property market itself is going through a prolonged slowdown.

Shapoorji Pallonji Real Estate (SP Real Estate) is looking to launch about 10 new projects and new phases in existing projects across the country under its different brands in the next four months.

This probably is a little smaller than the to-do list of Godrej Properties, which is launching 13-14 new projects or new phases of projects in the remainder of the current financial year.

Shapoorji's new launches are coming up mostly in Mumbai, Pune, Kolkata, and Mohali. The launches are

SP REAL ESTATE FULL HOUSE

- Shapoorji Pallonji Group (SP Group) is looking to launch 10 new projects and new phases in existing projects
- Launches through SP Real Estate, and joint ventures Joyville and SD Corp
- It has a pipeline of 88 million square feet of development in the next couple of years.
- Top line from real estate expected to rise from ₹4,000 cr to ₹6,000 cr in a few years
- New launches coming up in Mumbai, Pune, Kolkata, and Mohali



in premium, luxury, and mid-income projects.

Apart from its main brand SP Real Estate (in ₹1-2 crore), it has a mid-income housing brand called Joyville (which operates in the ₹35 lakh-1 crore segment), and a joint venture (JV)

called SD Corp, which is into redevelopment with the Dilip Thacker Group.

Joyville is a JV between Shapoorji, Actis, the Asian Development Bank, and the International Finance Corporation.

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All together, the group will develop 88 million square (sq.) feet (ft) in the next couple of years. In comparison, it is 175 million sq. ft for Godrej Properties. But like Godrej, the SP Group is going light on assets in its projects. About half its upcoming projects are in JVs, joint developments, and development management contracts, where it earns a fee for its brand, marketing, and construction.

"Even in a slow market, we are growing reasonably well. Demand (for residential properties) will pick up. We will release our inventories in a phased manner as demand picks up," said Venkatesh Gopalakrishnan, chief executive at SP Real Estate.

SP Real Estate is looking to grow its top line to around ₹6,000 crore in the next couple of years, from the target of ₹4,000 crore in the current financial year, Gopalakrishnan said, adding it would make the company one of the top five developers by sales.

So, what is giving the company to launch a slew of projects? Good sales in its recent launches, he said. For instance, in the Thane project, it sold 600 units of the 750 in nine months from the time it launched in March this year.

In its Gurugram project under the Joyville brand, it sold more than 745 units of the 1,100 apartments it released early this year. However, Gopalakrishnan said not every project was a run-away success.

"Larger ticket sizes are going slow. Wherever markets are slow, we don't charge premium, but be reasonable on pricing and focus on delivering on time," he added. Gopalakrishnan said home loan disbursements were curtailed (as some companies stopped operations), and lack of credit supply would contribute to the tepid residential market for the next couple of quarters.

He also said though SP Real Estate was small, compared to the size of the group, margins in real estate were far better than the group's mainstay, which is construction.

"At 30 per cent earnings before interest, taxation, depreciation, and amortisation, a top line of ₹5,000 crore will significantly contribute to the group," he said.

Recently, the group and Khurshed Yazdi Daruvala, the promoters of Sterling and Wilson Solar, have sought more time from the company's

board to repay loans worth ₹2,341 crore, citing unforeseen circumstances, including a liquidity crisis. Shapoorji has sold a quarter of its holding in software company Tata Consultancy Services and is reportedly looking to sell its stake in Eureka Forbes or Forbes & Co.

On November 29, rating firm ICRA downgraded the ratings of Shapoorji Pallonji and Company. Kekoo Colah, executive director at Shapoorji Pallonji and Company, said though the margins in real estate had compressed over the earlier years, that was how mature markets should move.

