

Brick by bigger brick



By promoting a strategic mix of integrated townships, innovative and affordable homes and theme-based premium housing, Tata Housing has managed to record remarkable growth in the volatile real estate sector. Managing director and chief executive **Brodin Banerjee** talks to *Arushi Agrawal* about the company's thinking, its technological innovations and its emphasis on ethics.

The real estate sector has inherent reputation challenges. What are the difficulties faced by honest operators in such an environment?

For Tata Housing there is a downside and an upside. The downside is that certain projects do not come to us and there are areas where approvals get delayed, leading to setbacks. Strong and fair regulation in the real estate industry is required to create a level playing field for all stakeholders and I think that is in the making.

The upside for Tata Housing is that we are being recognised for our values, for not cutting corners and for delivering quality products.

This evokes trust. In fact, we can probably charge a premium thanks to our credentials.

I feel that ethical organisations need to create a path for others to follow. We are working with government and industry bodies to provide a way in which fair business can be done in an industry perceived as unfair and opaque.

Tata Housing has been exploring public-private partnerships (PPPs) in developing new projects.

How do you see this evolving?

In the last few years we have signed PPPs with state governments in Karnataka and Gujarat [in India] and in the Maldives; we are also hoping to sign one in Sri Lanka. PPPs are an attractive business model. You get access to large tracts of land with clear title deeds and you can create townships and affordable housing. This will help bridge the widening gap between demand and supply and will encourage private investment in housing projects. For affordable housing to succeed, this model will be the most critical factor.

Could you tell us about Tata Housing's global forays?

Tata Housing ventured into the overseas market with a project in Maldives, where we plan to develop about 1 million sq ft, at a cost of ₹8.5-9 billion, in a PPP model involving the Maldives government. While 80 per cent of the apartments will be handed over to the government, the balance will be sold in the open market by Apex Realty, a special purpose vehicle created for this foray. Additionally, the government will provide about 150,000 sq ft of commercial space and an exclusive island (Lhossalafushi) on Faadipolhu Atoll to develop premium luxury villas measuring 20,000 sq ft each.

Tata Housing wants to set up multiple housing projects in at least two countries in South Asia (including Sri Lanka) and in Kenya and Nigeria in Africa. The company has earmarked ₹30 billion (\$651 million) for its project this fiscal, which will

include the Maldives and Sri Lanka forays. This could increase in 2012-13 once the Africa blueprint is in place. The key is to globalise profitably without compromising on values or the national interest.

Your projects range from high-priced to affordable homes. What are the dynamics of the latter segment and your plans in it?

Tata Housing started to look at affordable housing in early 2008, before the downturn. We launched Shubh Griha [price range ₹0.5-1 million] in 2008, followed by New Haven [₹1.2-3.5 million]. Affordable housing suddenly became a buzzword but, unfortunately, as the market improved several developers converted their affordable housing projects into premium offerings.

Tata Housing is one of the few serious players in this segment, and we have set up a subsidiary, Smart Value Homes, to manage the business. One of the biggest challenges here is that margins per unit are not high; break-even and nominal profits are possible only on big projects with a standardised product mix.

Another challenge is that large tracts of land with clear title deeds are not available within city limits. In bigger cities like Mumbai, Delhi and Bengaluru we have to go to extended suburbs, which may have roads but no sewage facilities, electricity or drinking water connections. Putting such infrastructure in place is a major cost. Also, steel and cement prices have gone up substantially and there is a huge labour shortage in India. All of this puts enormous cost and delivery pressures on projects.

That said, there is considerable demand for low-cost housing; entering this segment has been a challenge and a learning experience. Currently, we have two projects with 7,000-8,000 homes under construction and this year we will launch another 10,000 homes. Going forward, Shubh Griha and New Haven will account for 40-50 per cent of our revenues. ▶▶



In India, Tata Housing projects range from high-priced Aquila Heights (top) to low-cost Shubh Griha (below)



What are the technological innovations you are looking at?

In India nearly 95 per cent of housing projects use conventional technology and unskilled labour. With increasing labour shortage and higher input prices, developers need to look at newer forms of technology.

Tata Housing uses technologies like Mivan Formwork, an aluminium structure that results in high-quality construction and the speedy completion of projects. This is an efficient and cost-effective technology for mass housing projects. We are also looking at ways by which we can build forms off site — in more factory-like conditions and controlled environments — and then transport them to the construction site.

Tata Housing has recently signed an agreement with the Mumbai Metropolitan Region Development

Authority (MMRDA). What is this about?

We have entered into a tripartite agreement with MMRDA and Eco Homes to develop a strategically located 25-acre plot in Kalyan [a suburb of Mumbai]. We are targeting revenues of about ₹20 billion, spread over 4-5 years, on an investment of about ₹11 billion.

Could you elaborate on the company’s ‘sustainable and integrated green townships’ and ‘theme-based development’?

We have pioneered energy-efficient and environmentally-sustainable buildings and townships. Our integrated townships cater to the work-live-and-play requirements of our customers and their families, and to different economic segments at that. Our theme-based development strategy has helped not only to differentiate our projects but also provide an enjoyable environment for living.

There has been talk of a slowdown in the realty market. How is Tata Housing managing in this situation?

The company has been growing at nearly 100 per cent annually since 2007 and we hope to achieve the same kind of growth this year too. We have a number of strategies in place. We have tried to balance our growth aspirations with a prudent approach towards buying land, by trying out different financial arrangements with landowners.

Housing constitutes 70-75 per cent of the real estate industry and Tata Housing’s presence is largely in this segment. Our projects include both premium and affordable offerings, so if one slows down the other will de-risk us.

How do you see Tata Housing evolving over the next five years?

We hope to be among the top three real estate companies in India. In terms of size, we are targeting at least \$1 billion in revenues by 2015. We would also like to see ourselves as one of the most admired and respected real estate brands across different consumer segments. □