

A new beginning

DB Realty is looking to move out of the shadows of its chequered past by launching four new real estate projects in the next one year

Shubhra Tandon

MUMBAI-based real estate firm DB Realty, whose promoters were embroiled in the alleged scam over allocation of 2G spectrum to telecom firms, is looking to move out of the shadows of a chequered past and launch new projects.

DB Realty's management says the company plans to launch projects with a total saleable area of six million sq. ft in the next one year. These should fetch its revenues of around ₹20,000 crore over the next four to six years.

DB Realty's ambitious plans for the future are contingent upon securing some key, necessary approvals from the Maharashtra government for its upcoming projects in Mumbai, which have been long pending. On December 31, the real estate firm said that it expected to get necessary clearances for three of its projects—slated to come up in upscale locations of Marine Lines, Mahalaxmi, and Bandra (west)—shortly, subsequent to a high court ruling in its favour.

DB Realty, listed in 2010. But a year after that, one of the group's firms Swan Telecom, along with its promoters Shahid Balwa and Vinod Goenka were dragged into the 2G controversy as it was alleged that then telecom minister A. Raja had illegally helped Swan Telecom bag 2G licences. Balwa and Goenka were even arrested and later released on bail.

The DB Group had a joint venture with Abu Dhabi-based Etisalat to offer telephony services in India, but with the Supreme Court cancelling its telecom licences in 2012, the latter exited India.

A change in Mumbai's Development Control Rules also led to

many projects being held up. Vipul Bansal, DB Realty's, CEO says, however, all issues regarding approvals have been resolved."

According to a senior executive of a large property consulting firm, the controversy surrounding the 2G scam casted a "big dent on the company's image," in the minds of buyers and investors. He declined to be identified. "As the promoters were not around, decision making got prolonged and there was a complete vacuum for almost two years," this consultant said.

Insisting that customer confidence in the company is intact, Bansal stated that none of the company's customers have cancelled bookings. "During this pe-

riod, our customers have only enhanced their holdings in terms of value of their apartments. At a one-on-one level, we have very good equations with our customers, many of whom have in-

DB Realty's ambitious plans for the future are contingent upon securing some key, necessary approvals from the Maharashtra government for its upcoming projects in Mumbai



CEMENTING GROWTH

| | (₹ crore) | | | | | |
|--|-----------|-------|-----------|-------|--------|-------|
| | '11-12 | % chg | '12-13 | % chg | '13-14 | % chg |
| Year (Consolidated) | | | | | | |
| Net Sales | 591 | -53 | 341 | -42 | 314 | -8 |
| Net profit after Mino Inter & Share of P & L | 86 | -71 | 3.3 | -96 | 11.5 | 248 |
| Year (Standalone) | | | | | | |
| Net Sales | 49 | -82.5 | 34 | -31 | -1.3 | NA |
| Other Income | 78 | -2.5 | 19 | -76 | 21 | 10.5 |
| Net Profit/(Loss) | 63 | -75 | 30.2 lakh | -100 | -41 | NA |

vested in more than one of our projects," Bansal said.

Analysts state that though DB Realty may have managed to cross some regulatory hurdles, the time taken for it to do so has also seen the market for premium residential real estate shrink.

"There is a serious dearth of customers and developers who have recently launched projects already offering discounts and freebies to attract them," a senior executive with a second property consulting firm said, and added that real estate firms that don't have a good track record may find it difficult to attract customers.

But Bansal insists that DB Realty's project have been consistently doing well. "In fact, in the last quarter of 2014 we obtained occupation certificates for three projects. Customers are looking for delivery and quality and we see no negative feedback from them during our interactions."

N.M. Gattu, DB Realty's CFO, says the firm has already managed to sell around 50% each in two projects, DB Crown in Prabhadevi and DB Orchid Heights in Mahalaxmi. "Once we reach a typical floor height, the project will generate automatic cash flows," Gattu said.

Also, the alleged involvement of DB Realty's promoters in the 2G scam doesn't seem to have affected DB Realty's capability to raise bank debt yet. Gattu stated that banks have sanctioned ₹300 crore of loans for the DB Crown project, out of which the company has already drawn ₹260 crore for construction purposes. DB Realty's consolidated net debt stands at around ₹800 crore at present.

With regulatory hurdles out of the way, DB Realty would need to accelerate sales in its upcoming and existing projects to stay afloat. But with a final verdict on the 2G case still pending, any adverse judgment with respect to DB Realty's promoters may impact consumer and investor sentiment on the company, especially since Goenka and Balwa continue to function as chairman and vice chairman of the company, along with being joint MDs.