

OUT OF THE BOX

A man in a dark suit and tie is captured in a dynamic pose, running out of a rectangular box. The box is positioned between the large letters 'B' and 'X' of the word 'BOX'. The man is leaning forward, with one leg extended behind him and arms pumping, suggesting movement and escape. The background of the entire graphic is a solid light green.

The revenue of the companies in the overall construction space grew about 15% in 2010-11. CHD Developers grew revenues 233%.

(Source: Capital Market)

Document milestones

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CHD Developers extensively outperformed its industry average owing to a differentiated business model.

This model proved that however challenging the circumstances might be, there is always a way to profits – attractively and sustainably – from India's real estate sector.





MOST COMPANIES IN INDIA'S REAL ESTATE SECTOR INVEST LARGE SUMS IN A LAND BANK THAT IS PROGRESSIVELY DEVELOPED ACROSS THE YEARS. IN A NUMBER OF CASES, THIS INVESTMENT IS FUNDED THROUGH DEBT AND WORKING CAPITAL, STRETCHING VIABILITY.

CHD is different.

We created a land bank-independent business model through the following initiatives: We grew our business through the joint venture model where the alliance partner provided land, and CHD provided construction capability; we invested in FSI-approved (non-agricultural) land instead.

A relatively smaller balance sheet and adequate liquidity made it possible to accelerate project completion, deliver properties faster and generate adequate resources for re-investment, accelerating the virtuous cycle.

C How CHD is different CONTRARIAN

A land bank-independent business model

The result of this strategy

10%

Return on capital employed
(average) in 2010-11, higher
than the industry average



CHD is respected for its customer service. All documentation was taken care of by them without hassle. Their representatives are always ready to address queries with a quick response."

Mr. Manoj, owner of an apartment at Avenue 71, Gurgaon

SCALABLE

How CHD is different

A solid and liquid business

MOST REAL ESTATE DEVELOPERS BORROW FUNDS TO MANAGE DAY-TO-DAY OPERATIONS, WHICH, IN A RISING INTEREST RATE ENVIRONMENT, THREATENS PROFITABILITY.

CHD preferred to do something different.

We commenced site development followed by project marketing resulting in enhanced credibility. We created projects for the middle and upper-middle sections of society. We addressed actual users. We sustained timely project implementation through the enlistment of credible contractors.

A combination of these initiatives served as an incentive for buyers to pay installments on schedule (92% receipts on schedule), resulting in adequate customer-funded working capital that sustained project progress.

This translated into low dependence on debt, healthy liquidity and attractive margins.



The result of this strategy

< 1

Debt-equity ratio as
on March 31, 2011



"CHD's business model is different from most real estate companies. While others try and sell their plots around a concept, CHD markets projects based on reality. Not even a single apartment is sold without corresponding field work. The result is that I have not seen any real estate company embarking on the concurrent construction of 18 towers!"

Mr. Vivek Arora, owner of a flat at Avenue 71, Gurgaon

FOCUSED

How CHD is different

A customer-centric earning model

MOST PROPERTY DEVELOPERS FLOOD THEIR CHANNEL PARTNERS WITH APARTMENT INVENTORY. IN SOME CASES, THE URGENCY TO TRANSFORM INVENTORY INTO SALE IS ACCOMPANIED BY DISCOUNTS THAT AFFECT THE BRAND AND REVENUES.

CHD walked the road less travelled.

We reversed a conventional product push with consumer pull through the following initiative: Selection of locations proximate to commercial hubs positioned on national highways/sector roads leading to quicker offtake at relatively higher realisations.

Besides phase-wise marketing, the allocation of small inventory lots across multiple channel partners and elimination of discounts combined to create a distinctive brand around CHD properties.

This recall translated into an increase in revenue per sq. ft. – a 151.85% increase over the last three years.



The watermark we achieved was

Rs. **400** per sq. ft

Price appreciation in the first three hours of opening the bookings for our Avenue 71 project in which CHD sold 300 apartments



"All CHD projects have one thing in common – excellent location. I did not think twice before buying a plot of land at CHD City, Karnal. It is located advantageously on National Highway-1 and within the vicinity of the commercial area."

Mr. Gaurav Makhija



REALTY PLAYERS FOCUS ON COST CUTTING TO PROTECT THEMSELVES FROM INFLATION. IN SOME CASES, COST CUTTING AFFECTS PROJECT QUALITY.

CHD emerged with a differentiated response.

We eliminated wastages. We partnered with architects (international and domestic) to customise international designs with the local terrain; our plans (exteriors and interiors) maximised the use of standard products; we procured inputs that optimised building dimensions.

Besides, we partnered with service providers (telecom, entertainment, among others) and invested in solar-based heating and energy-efficient lighting to optimise our overheads.

The result was that our project pricing was either at par or lower than peer properties in the vicinity, while our profitability was higher.