

GERA'S IGNITE

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FROM THE HOUSE OF GERA

OUTDO



“ Our real estate journey started 46 years ago.

Over the decades, the industry, customer needs, product, specifications, amenities, laws etc. have all changed. The one constant has been our commitment to earning the trust of our customers, employees, contractors, vendors, partners, consultants and all stakeholders.

As we reflected on our delivery of the past, the continuous improvement was captured in one word, OUTDO.

To us, OUTDO is an ongoing quest to do better each time. OUTDO is a spirit of competition against yourself. You vs. You. When the competitor is in the mirror and you work to do better against that person.

We hope you see value in the information contained in this document.

We look forward to your feedback on this, our latest endeavour to OUTDO in keeping you abreast of what's happening at Gera. ”

Rohit Gera
Managing Director

★ 2017 ★
Happy New Year

UNDERSTANDING HOW RERA HAS IMPACTED THE REALITY OF REALTY

The Real Estate Regulatory (& Development) Act (RERA) is by far the most far-reaching and profound change driver for the real estate sector since the Urban Land Ceiling Act came into force in 1976. RERA will force changes in the industry across all parameters:

- Construction quality (5-year defect liability period is mandatory)
- Construction delivery (penalties for delays in delivery)
- Discipline in marketing promises

The greatest impact however will be on the financing and capital structure for the business in the future. The single most expensive item of the stock in trade for a developer is land. Lack of access to capital and an increasing hunger for a greater return by landlords led to the introduction of the Joint Development model. A model so brilliant, that in good markets and boom times, a person with ₹1 crore could block a land parcel worth ₹20 crores by paying the landlord a deposit. He could then do pre-launch sales to secure additional funds from prospective customers and use the funds to pay the balance deposit to the land owner, secure approvals and then embark upon a 100 crore topline project. The industry shifted to collecting up to 85% in some cases on completion of the structure (RCC) of the project giving cash to the developer to take on the next few projects.

All this is about to change with the advent of RERA.

- Developers cannot sell before all approvals are in place. With the tremendous increase in approval costs, huge sums of money are required before any customer advances can be collected.
- The fact that large projects will be broken up into phases, each being considered as a separate project means all approvals including the TDR for that phase needs to be procured upfront against increasing capital requirements.
- 70% of sale proceeds are to be placed in a designated account and can only be drawn in proportion to the progress of the

project. This again slows down cash flows and negatively affects project IRR further.

- The risk of delays and costs of compensation to be considered will lead to performing contractors being able to command a premium on their rates again pushing up costs for the developers. The risk of title-related liability further adds to the risk and the cost for the developer.
- Increasingly under-capitalised developers will find it hard to punch above their weight.
- The shakeout in the Industry will be good for the consumer in the long run but for transferring all the risk he bears today, he will end up paying a substantial premium.
- The Urban Land Ceiling Act (known as ULCER) never achieved its objective.

The Government seems to be resolute in implementing RERA. The biggest challenges in this will be how current ongoing projects will be treated. Real Estate continues to be a huge source of Income and a big contributor to the GDP of the states. Unless a pragmatic approach is taken to get from its current state to its future state, capital constraints and consumer activism can create chaos and turmoil for the industry.

One thing though is for sure, these challenging times provide tremendous opportunity to the well capitalised, fiscally prudent developer.

“
RERA: A CUSTOMER-
CENTRIC MOVE
”

GERA RANKS AMONGST THE TOP 5 REAL ESTATE COMPANIES IN THE COUNTRY WITH A CREDIT RATING LISTING OF A+

There are numerous evaluation metrics in the market. But, none more important than a company's 'CREDIT RATING' to review the risks of investment in the company.

An assessment of the credit rating becomes critical to ascertain the quantum of risk involved while investing money in a particular company.

Some of the evaluation criteria used to arrive at the credit rating are listed alongside:

- The quantum of free cash flow that is available consistently over a period of time
- Whether the cash in hand is sufficient to cover both, the principal as well as the interest
- Receivables over construction coverage
- How the business is likely to perform given the market condition
- Internal & External risk of the company
- Track record of whether having defaulted in past or not
- Quantum of Short Term Debt and Long Term Debt

The rating grades range from AAA+ which is the highest to a D, which is the lowest. In Real Estate, some of the major credit rating companies are A) CARE – (Credit Analysis & Research Limited); B) CRISIL - (Credit Rating Information Services of India Limited); C) ICRA – (Investment Information and Credit Rating Agency).

The rating grades straddle across both, public listed as well as private listed companies. In Real Estate, the highest rating obtained is an AA+ by Oberoi

Realty Ltd. followed by Tata Housing and Hiranandani Builders with a AA.

To provide a relevant contextual frame of reference, **Gera Developments Pvt. Ltd. is the ‘HIGHEST non-listed real estate brand’ with an A+ rating.** Some of the other ‘public listed real estate brands’ in the A+ listing include, Sunteck Realty Limited, Prestige Estates Projects Limited, Kolte-Patil Developers Limited, Mahindra Lifespace Developers Limited and Indiabulls Real Estate Limited.

Some of the other Real Estate brands at a notch lower with an ‘A’ rating include DLF Limited, Salarpuria Properties Pvt. Ltd., Brigade Enterprises Limited, Peninsula Land Limited and Lodha Developers Limited. Other real estate brands that straddle the ‘A-’ rating include Mangalore SEZ Limited, Bengal Ambuja Housing Development Limited, Ashiana Housing Development Limited, Starlight Systems Private Limited, Devbhumi Realtors Private Limited and Mangalam Build Developers Limited.



OUR LONG-STANDING SERIES OF FIRSTS MOVES THE CREDIT RATING PENDULUM IN OUR FAVOUR.

- The foremost is the long and **impressive track record** of the promoters in the Real Estate space.
- The reputation and heft of the **Advisory Board comprising some of the most eminent names** in the industry such as Deepak Parekh, Ganesh Natarajan and Farhad Forbes.
- The comfortable capital structure with flexibility due to low financial leverage and limited repayment obligations.
- All project executions largely depend on internal accruals vis-à-vis being dependent on customer advances which is mostly dependent on the market sentiment.
- **Strong sales momentum vis-à-vis the construction schedule** coupled with high collection efficiency providing considerable revenue visibility.
- An **exceptionally strong brand presence** in a specific segment with the availability of a sizeable land bank for future developments.
- One of the best track records in the industry in **servicing its debt before time.**

In the Rating World, there is nothing more critical than its rating being consistent vis-à-vis a YOY growth in terms of the Debt that it can service. Some very clear contributing criterion that have put Gera Developments in an extremely sound situation are its low leverage of debt coupled with planning mostly on long term debt, maintaining a consistently healthy Debt Equity Ratio, generation of adequate cash flows to service debt on time and a consistent track record in reducing the borrowing cost.

EVERY GOAL ACHIEVED IS A GOAL REDEFINED. GRIND. SHINE. REDO. OUTDO

WE BREAK BENCHMARKS TO CREATE OPPORTUNITIES

Cohesive teamwork collectively produces results. And a PIT-STOP strategy, wherein the racing car goes in for a wet-tyre swap to beat the weather conditions, is a perfect metaphor for it. All the teams, under best performing circumstances have less than 10 seconds for the same. This is the immediate recollection of how ‘MOMENTUM’ gained real meaning for a team. And this is the story of the passion, commitment and the go-getter attitude of a team who would stop at nothing but winning. And, well then they were ready to race all over again.

Putting this in context to Real Estate, we know fully well that Residential Projects have higher traction from an Off-Take perspective in comparison to Commercial Projects. The customer

base is several times higher even though the supply and options are also larger. While traction has slowed, more often than not given the right mix of product differentiation and overall value, residential projects in Pune have a higher sellout ratio. So, it’s nothing short of ‘Fantastic’ to describe the performance from a team who has simply OUTDONE a performance to making it look so simple.

Gera’s IMPERIUM RISE which consists of 613 units that offers Office spaces, Shops, Showrooms and Restaurant spaces in what is being hailed as the most ‘VANTAGE’ position to do business. The result, well, over 100 Cr in bookings with 250 units sold, during the pre-construction phase. The team had



truly lived up to the corporate philosophy of OUTDO. Gera’s IMPERIUM RISE is now set to be officially launched during the last quarter of 2016-2017. It has accomplished a solid foundation of sales exceeding the cost of constructing the project rendering the project cash positive at commencement of construction and the team is confident that it would set-up yet another example of their performance by ensuring booking of

another 100 units within the last quarter of 2016-2017. The next pit stop will be into the next fiscal and then racing off to the finish line. At the end of every lap, the engines growled at the realisation of having beat the previous best lap time. So much for the will to OUTDO on every single lap. LET’S LEAVE SUCCESS BEHIND - STAY HUNGRY flashed the billboard at the Site Sales Office.

Customer Testimonials

Hi I bought in GERA PARK VIEW project in Kharadi Pune. This review is solely based on my buying experience in this project. I have dealt with 4 builders so far in my life. And I closely follow market news about new launches and facilities / amenities offered by other builders. The difference is very simple “GERA delivers what it commits and he commits what he delivers”. My experience with other builders is that they commit a lot but when it comes to delivering that, it is far away from their commitments. In fact commitment word itself has no meaning with many of other builders. GERA has created TRUST in the minds of customers. The quality of project is very good They have used good fittings and quality fixtures. The finish of project is very good and delivery was before committed time. The complete building with all amenities were ready before giving possession. The staff is very co-operative with customers. The issues get resolved faster with GERA team.

- Jaykumar Motwani
Gera’s ParkView, Kharadi

We are the proud residents of Gera's Song Of Joy in Kharadi, The building is centrally located with all modern facilities. We are happy to have invested in this project. We had initial issues with the construction quality but Gera true to their promise sorted it out for us. Having other properties in Kharadi, the kids and us feel "at home" only at Song Of Joy. Love the place and have no regrets buying a unit there.

- Akaanksha Pande
Gera’s Song Of Joy, Kharadi

I bought what I would term as my dream house in 2010 and even though I was out of the country most of the years after purchasing it, the times I spent there were nothing short of heaven. Waking up to the chirping of the birds in tranquil surroundings and enjoying the expanse that comes with the entire package was bliss. Apart from the picket fence and the roof type facade as you approach your unit, it is the space and openness within the house which also really depicts the villa affect.

Unfortunately circumstances forced me to dispose of it and I can say it with all sincerity "it was with a heavy heart".

For those who yearn for open spaces and have the opportunity to do so - the Sky Villas are absolutely great to start, spacious homes away from pokey places.

- Cedric D’Souza
Gera’s Sky Villas, Kharadi



OUTDO

GERA ADVANTAGE APP



Tracking Safety On Site

Gera's Working Procedure for Safety

Safety on site is of paramount importance at Gera and there is a Safety Program Development in operational process at any construction site at Gera Developments. This also mandates that all necessary documentation and enforcement of safety rules such as the Safety SOPM for compliance/maintenance at site are adhered to. The GERA SOPM on Safety is handed over to the contractor and a declaration is taken from the contractor that he has read and understood the terms and conditions of engagement.

At Gera, we have used technology to track and monitor safety on site by creating our own mobile app

where site safety is being followed and tracked with photographs.

Most importantly, that there is clear onus on the responsibility of the contractor if there are to be any form of mishaps that accrue on site that endanger anybody's life in any manner. There is an activity wise safety plan that details out almost 30 different types of construction activities, the associated hazards, risks and safety/preventive action plans. In the case of a fire or personal mishap or an earthquake, there is an emergency response team in place.



Daily Tool Box Talk Meeting with workers



Monthly Safety Meeting with workers



Use of required PPE by workers



Height Work Training to workers, conducted at site (Statistically falls from heights' accounts for the highest percentage of accidents that happen at construction sites).



Safety nets and barricading so that edges from which people could fall are provided with double guard rails or other suitable edge protection.



Mock drill for fire-fighting training conducted for workers at site.



Use of proper safety harnesses and running cables when working on top of a roof.

Safety at any construction site at any Gera project is being continually monitored by the safety officer who inspects whether there are any occurrences of what is frequently referred to as an (unsafe act or unsafe conditions) incorrect or insecure work going on, if there is no barricading. If a person is not wearing the required safety gear or the right protective equipment such as the helmet or safety harness or the safety shoes, hand gloves or the protective goggles, ear plugs. (PPE- Personal Protective Equipment), this comes under the unsafe act.

The site safety engineer will take a photograph and the Quality Engineer will raise a NC (Non Compliance) stating that these are the specific areas that need immediate attention and rectification on the GERA ADVANTAGE mobile app.

Once the work that needs attention to is done, the vendor takes a photograph of the rectification done and uploads it indicating that the NC is closed. The Project In-Charge will then examine the NC. This is how a comprehensive management of how safety is being tracked on site.

Some of the measures taken to ensure that the safety levels are stringently maintained are:

- Routine site visit to check unsafe act and unsafe conditions as well as adherence of desired safety measures at all sites
- Safety Non Compliances (NCs) issued to concerned contractors on safety lapses and compliances watched thereto
- On noticing repeated violations of safety practices at sites, concerned contractors are penalised for the same
- Induction Training and Tool Box Talks with workers at all sites
- Monthly Safety Meeting with site staff/contractors and with workers at all sites

The contractor is made aware of the safety NCs that have been raised. And it is in his interest that the NCs are resolved as quickly as possible and that there are no repeat offences of the same or similar nature. Once the contractor updates that he has addressed the NC, this then goes to the Safety In-Charge at Site. Post satisfactory inspection, the NC is closed by the Safety Officer

at site. If even after the raising of the NC by the Safety/Quality Engineer, the problem is not addressed, the contractor is penalised. This measure is taken to ensure that lapses are kept at the minimum and that any NCs are attended to in the quickest possible time.

The GERA ADVANTAGE App clearly takes the user through the following stages of usage:

- Being able to select the 'Root Cause'
- Whether the checklist was implemented or not
- Whether the problem and the NC raised is due to negligence Or whether the vendor has ignored the problem or not supervised for eg. the allowance of bad material
- The severity of the problem is ascertained and graded under various sub categories such as exposed wires if the board is open, then this falls under functional severity

Customer Testimonial

Gera Developments is a pioneer in developing ChildCentric™ Homes in Pune. In Kharadi, 'Gera's Emerald City' and 'Gera's Song of Joy' are a few examples that reflects their focus towards moulding and grooming young children and highlights their sensitivity towards the overall development of the child. There are various disciplines of dance, sports, music, computers, academics etc. that they have engaged their customers with and I have been a part of some of their programs. We participate like one large extended family.

My son feels good to be remembered and included in these community developments programs, even after many years of having taken possession of my home.

- Amit Upadhyay

Gera's Emerald City, Kharadi

Children take responsibility for where they want to be

Gera Developments' ChildCentric™ Homes, is an award-winning concept and an innovative solution that has created a paradigm shift in the residential real estate industry and has established a benchmark in the product+services model. Gera has entered into an exclusive association with Shankar Mahadevan for Music, Shiamak Davar for Dance, Viswanathan Anand for Chess, Mahesh Bhupathi for Tennis, Anil Kumble for Cricket, Lillite Dubey for Dramatics and Dale Carnegie for Personality Development.



Snippets from the 'Unleash the Star in You' program organised by Gera's ChildCentric™ Homes for their young community, in association with Dale Carnegie Training India

Gera Developments' ChildCentric™ Homes recently conducted one of the first customised training programs aimed exclusively at the children in its community where the focus was the child's understanding of his or her ambitions through "Unleash the Star in You". Dale Carnegie one of the world's dominant personality development brands tied up with Gera Developments and its ChildCentric™ Homes to ensure effective skill, attitudinal and behavioural training to the children.

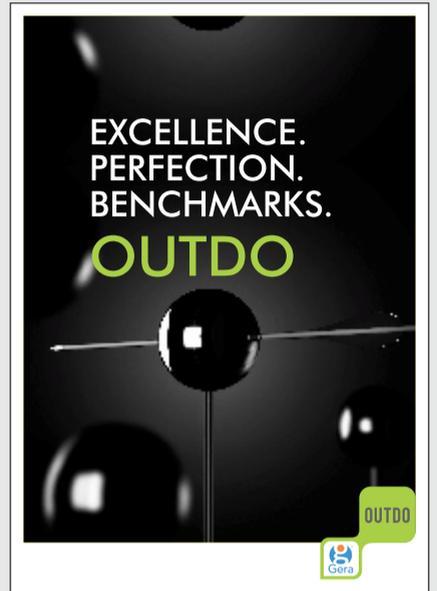


OUR CORPORATE PHILOSOPHY

At Gera, we believe in OUTDO - our philosophy of striving to have every next act of doing better than the previous one by competing with one's self over and over again and continually bettering standards.

We believe our corporate philosophy works not only for oneself in crossing personal boundaries but also for one's team as collective might in achieving our goals, in one's organisation to raising the bar to delivering more every single time and for each and every single one of us as a business, for each of our stake holders and for society as well.

OUTDO is a dare. It is a push to deliberate further, to work harder, to give another try and then to do it over again and again. OUTDO leaves no room for excuses, but plenty for opportunity.



An OUTDO culture is all enveloping at Gera

An organisation's environment is defined by the culture it drives. Our pursuit is to build an organisation that challenges everyone involved to OUTDO. As a result, various programs have been created at various levels to various constituencies. 'Coffee with Leaders' a session with our MD and Core Team Members to align new members to the vision and philosophy of the organisation. 'Happy Meter' is the official HR-connect Program, where HR reaches out to employees to

Creating an environment that places us on the path to being on the 'Great Place to Work' List

understand their perspective on the organisation, department, managers and challenges that are hindering their productivity or environment.

In order to touch upon the softer angle of recognising and rewarding we launched Gera **Transformers**, **Gera Champions** for competencies

displayed, **Gera Spirit** for team performance, **Gera Catalysts** for employee recognition, **Best Buddy** who provides unconditional support to new joinees, **Best People Manager** for the best leadership & direction to the team.

Our first-ever extension of benefits

program was to include our extended family members through **Wear Your Pride (WYP)**. In addition we have also introduced 'Service Stars', a recognition program for our off-roll employees including the service team and office boys of various departments.

This is our walk to transform and create benchmarks to scale up practices in the real estate sector and we are sure each of us will continue to support and contribute in this journey

UNRAVELLING THE EAST AND WEST AS TWO ENDS OF THE PUNE MARKET

Kharadi (East Pune)

Over the past 8 quarters (Nov' 14 to Nov' 16 or 2 years), construction activity in Kharadi has gone up from 7047 residential units being built Nov' 14 to 9039 units in Nov' 16 which translates to a compounded growth rate of 13.26% p.a. in construction pace. In the same period, prices have appreciated from ₹5660 psf in Nov' 14 to ₹6129 psf in Nov' 16 which translates to a compounded growth rate of 4.06% p.a. When the growth rate of construction (13.26% p.a.) is significantly

more than growth rate in prices (4.06% p.a.), it points to optimism amongst developers about the future potential of the micro-market. The high construction pace also keeps the prices rational and the benign growth rate (in prices) also indicates that Kharadi is an end user market with more and more people preferring to live here rather than speculating in it. Speculation tends to rapidly increase prices with little or no underlying construction activity.

Baner (West Pune)

In Baner, construction activity has gone down from 4162 units being built in Nov' 14 to 3676 units in Nov' 16 which translates to a reduction in construction pace of -6.02% p.a. In the same period unsold stock has also gone up from 981 units in Nov' 14 to 1169 units in Nov' 16 (an increase of 9.16% p.a.) Prices have appreciated from ₹7898 psf in Nov' 14 to ₹7513 psf in Aug' 16

which translates to a negative growth rate of -2.47% in line with the increase in unsold stock. This points to a developed & mature micro-market where over time construction activity goes down (no additional units can be built because of paucity of land and prices are high compared to the Pune average (in Jun' 16 average prices across all projects in Pune were ₹4984 psf).

Bavdhan (West Pune)

This pattern (seen in Kharadi) is even more pronounced in Bavdhan where residential units being built have gone up sharply from 8349 units in Oct' 14 to 12903 units in Oct' 16 - a very high growth rate in construction activity of 24.32% p.a. In the same period, prices have gone up marginally from ₹5747 psf in Aug' 14 to ₹5954 psf - a growth rate of only 1.79% p.a. Clearly, in the same vein as Kharadi, this market is growing rapidly.

Customer Testimonial

I have bought this twin bungalow in the year 2008 when I shifted to Pune. It's an amazing property which has been aesthetically done up. Construction quality is great barring few instances here n there which we find in each n every project.

We have been staying here for last 8 years and very happy. I rate this as the best Project that, by far, I have seen in Pune!

Congratulations to Team Gera! Wish you come up with an even better project soon!

- **Siddharth Kumar**
Gera's Greensville, Kharadi

THE NEW PARADIGM OF REAL ESTATE: CHANGES NOW ARE MORE THAN LAST 60 YEARS COMBINED

There are many times when one can look at the past and predict the future but every so often this is just not possible.

There was a time not so long ago, when delays on account of approvals or litigation was rewarded by increase in prices thereby compensating handsomely for any delays. There was a time when the voice of the customer was completely non-existent, a time when customers felt too helpless to go to court against the developer. There was a time when social media did not exist.

There was a time when there was virtually no regulation or legislation to govern the real estate sector. There was a time when the judiciary was not actively acting against developers. There was a time when the segment most associated with black money and underhand deals was real estate.



Today's government is in the mode of increasing supply through increased FSI and reducing the time for project approvals. The government has come up with a law to protect the home buyers. For the first time the judiciary is punishing errant developers. Consumers have become ever more aware of their rights and are willing to fight and even turn militant to get their rightful dues from developers. In yet another move the government has sought to purge the system of all the large

currency notes (legitimate and not).

These changes are unprecedented in an industry where a large part of the construction is done by labour carrying materials on their heads.

These changes are going to require developers to change in virtually all aspects of their business.



With today's customer willing to fight for his right or at the very least willing to speak up on social media for his rights, developers need to

ensure that only the promises that can be kept are the ones to be made. This newly awakened customer is only strengthened by the provisions of the Real Estate Regulation (and Development) Act RERA.

RERA requires developers to open approvals before commencing sales. Any changes that the developer wishes to make requires the approval of more than 60% of the people who have purchased apartments in the project. All this is going to require a change in the mindset where mistakes cannot be easily undone. Developers, generally used to following a herd mentality are going to need to get used to looking at data and research before launching of projects as the industry will



start to heavily punish mistakes.

There was a time when capital was not a constraint for the business. ₹1 Cr. could secure a property worth ₹20 Cr. by way of a part deposit payment for a joint development. The second crore would be paid from customer pre-sales as would the approval costs. This would lead to the launch of a 100 Cr. project.

75% of the money would routinely be collected with construction of 30% of the building.

RERA now only permits sales to begin after all approvals and also to draw out 30% of the sales proceeds on receipt and the balance can only be drawn in proportion to the percentage of the work completed on site.



This will require recapitalisation of many developers. Fiscal discipline and planning will be essential.

Developers are required to provide a 5-year defect liability period. This too requires a quantum leap in construction quality else the costs of repair will further erode profit margins for developers.

The overall impact of all these changes will only be known in time but one thing is sure that the real estate industry will never be the same again.

These present times will probably go down in history as the time when the real estate industry completely and totally changed in many ways.

Many generations of developers have built their real estate business on the basis of scarcity of land and approvals.

The recent move by the government to rid the industry of black money will require a number of developers to change their entire business models.

Customer Testimonials

Houses are provided by builders but who care to deliver happy homes!

We have this lovely experience with Gera. Beside materialistic things, the thought process of the creative team of Gera has helped us inculcate good values and creativity in our kids. Exclusive workshops have widened the horizons of learning and the horizons of looking forward to many more.

My daughter declared her dream in the last workshop "DALE CARNEGIE" which was a very pleasant and satisfactory surprise to me. When asked what she dreams of? Her answer was, "I want to be happy forever!"

- Vina Arora

Gera's Emerald City, Kharadi



Gera's Emerald City @ Kharadi has been our first abode in Pune and we're lucky to have Gera Developments build it for us. My experience has been overwhelming so far, for the simple reason that they not only build apartments but also

build and invest in long-lasting relationships. This customer-centric approach practiced by its officials gives lot of confidence to buyers like me. To wrap it up, if in the future I have to scout for a new property, Gera would be my first choice yet again. Keep it up Gera team.

- Amit Singh

Gera's Emerald City at Kharadi



I am very much satisfied with Gera Developments, all interactions were very smooth without any dispute. What they promised is what they provided.

Gera also running lot of customer-engagement programs, they are really building long-term relationships with customers rather than just selling homes and then forgetting about it.

- Anoop Gupta

Gera's Emerald City, Kharadi

Looking forward to hearing from you at feedback.newsletter@gera.in

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