PROPERTIES

FINANCIAL PERFORMANCE ANALYSIS

- 2006-2011

Raazia Khatoon Galaria

A PROJECT REPORT ON FINANCIAL
MANAGEMENT

FINANCIAL PERFORAMNCE ANALYSIS
OF
GODREJ PROPERTIES LIMITED

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IN PARTIAL FULFILLMENT OF
BACHELOR OF BUSINESS ADMINISTRATION (HONOURS)

ASANSOL ENGINEERING COLLEGE
(2009-2012)

BONAFIDE CERTIFICATE

This is to certify that Ms. Raazia Khatoon Galaria of ASANSOL ENGINEERING COLLEGE has successfully completed the project work titled "FINANCIAL PERFORMANCE ANALYSIS OF GODREJ PROPERTIES LIMITED" in partial fulfillment of requirement for the award of BACHELOR OF BUSINESS ADMINISTRATION (HONOURS) prescribed by the WEST BENGAL UNIVERSITY OF TECHNOLOGY.

This project is the record of authentic work carried out by her during the sixth semester**.**

(Mr. Suryaprakash Das)

Project Guide

Date:
Place:

DECLARATION

I, Ms. Raazia Khatoon Galaria, hereby declare that this project is the record of authentic work carried out by me during the even semester 2011–2012 and has not been submitted to any other University or Institute towards the award of any degree.

(Raazia Khatoon Galaria)

ACKNOWLEDGEMENT

A project is a golden opportunity for learning and self development. I consider myself very lucky and honored to have so many wonderful people lead me through in completion of this project.

My grateful thanks to Mr. Suryaprakash Das (lecturer in finance, Asansol Engineering College) who in spite of being extraordinarily busy with his duties, took time out to hear, guide and keep me on the correct path. I do not know where I would have been without him. I shall forever cherish my association with him for exuberant encouragement, perennial approachability, absolute freedom of thought and action I have enjoyed during the course of the project. A humble 'Thank you' Sir.

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My father, Md. Rafique Galaria whose patience I have probably tested to the limit. He was always so involved in the entire process, shared his knowledge, and encouraged me to think. Thank you.

Last but not the least there were so many who shared valuable information that helped in the successful completion of this project.

Raazia Khatoon Galaria

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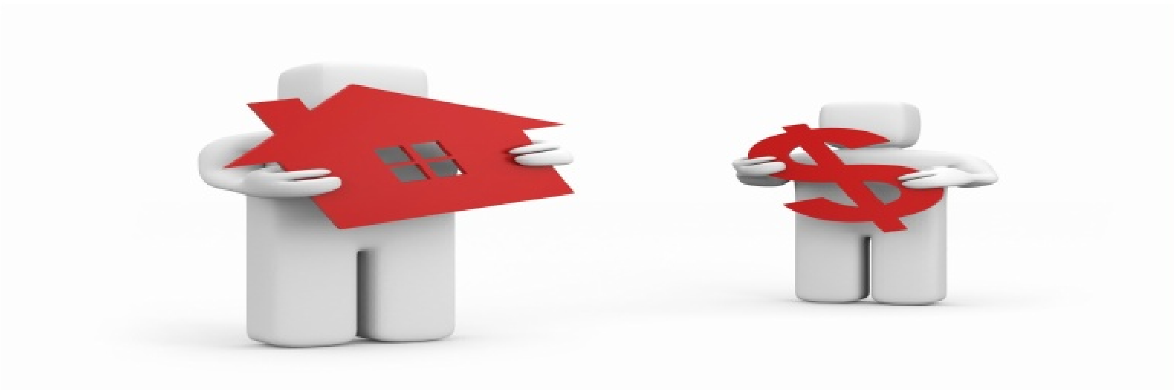
REAL ESTATE



Real estate is "Property consisting of land and the buildings on it, along with its natural resources such as crops, minerals, or water; immovable property of this nature; an interest vested in this; (also) an item of real property; (more generally) buildings or housing in general. Also: the business of real estate; the profession of buying, selling, or renting land, buildings, or housing."

It is a legal term used in jurisdictions such as the United States, United Kingdom, Canada, and Australia.

Real estate as "real property" in the U.K.

In British usage, "real property", often shortened to just "property", generally refers to land and fixtures, while the term "real estate" is used mostly in the context of probate law, and means all interests in land held by a deceased person at death, excluding interests in money arising under a trust for sale of or charged on land. As one main object of "probate" is to "prove" title to the real estate interests in the property held by a deceased person at the time of death, and the earliest recorded use the word in this capacity is 1463, it is reasonable to assume this tradition dates back to the death of the first owner of the 'allodial land'

Real estate in Mexico and Central America

Real estate business in Mexico, Canada, Guam, and Central America operates differently than in the United States Some similarities include legal formalities (with professionals such as real estate agents generally employed to assist the buyer); taxes need to be paid (but typically less than those in U.S.); legal paperwork will ensure title; and a neutral party such as a title company will handle documentation and money to make the smooth exchange between the parties. Increasingly, U.S. title companies are doing work for U.S. buyers in Mexico and Central America.
Prices are often much cheaper than most areas of the U.S., but in many locations, prices of houses and lots are as expensive as the U.S., one example being Mexico City. U.S. banks have begun to give home loans for properties in Mexico, but, so far, not for other Latin American countries.
One important difference from the United States is that each country has rules regarding where foreigners can buy. For example, in Mexico, foreigners cannot buy land or homes within 50 km (31 mi) of the coast or 100 km (62 mi) from a border unless they hold title in a Mexican Corporation or a *Fideicomiso* (a Mexican trust).In Honduras, however, they may buy beach front property directly in their name. There are different rules regarding certain types of property: *ejidal land* — communally held

farm property — can be sold only after a lengthy entitlement process, but that does not prevent them from being offered for sale.
Real estate agents in Costa Rica do not need a license to operate, but the transfer of property requires a lawyer. In Mexico, real estate agents do not need a license to operate, but the transfer of property requires a notary public.

Real estate in Thailand and South East Asian Countries

In Thailand it is not possible for a foreigner to own land but property can be purchased then Land acquired under a 30 year lease option; Until recently it was considered by most legal advisors that the ownership of land by a foreigner through a Thai Limited Company was acceptable, although the Law clearly states that foreigners cannot own land in Thailand. The Government has now made clear that such ownership may be illegal. The legitimacy of such ownership depends on the status of the Thai Shareholders who must be shown to be active and financially participating shareholders.

Philippines

In the Philippines, one of the growing businesses in the country is real estate development. Aside from the development and rising of tall buildings and establishment in the metropolitan area, nearby provinces are now on the stage of land development with its continuous expansion in the nearby provinces such as Laguna, Cavite, Rizal, Bulacan, Pampanga and Batangas.

Business sector

With the development of private property ownership, real estate has become a major area of business, commonly referred to as commercial real estate. Purchasing real estate requires a significant investment, and each parcel of land has unique characteristics, so the real estate industry has evolved into several distinct fields. Specialists are often called on to valuate real estate and facilitate transactions. Some kinds of real estate businesses include:

Appraisal: Professional valuation services
Brokerages: A mediator who charges a fee to facilitate a real estate transaction between the two parties.
Development: Improving land for use by adding or replacing buildings
Net leasing
Property management: Managing a property for its owner(s)
Real estate marketing: Managing the sales side of the property business
Real estate investing: Managing the investment of real estate
Relocation services: Relocating people or business to a different country
Corporate Real Estate: Managing the real estate held by a corporation to support its core business—unlike managing the real estate held by an investor to generate income
Within each field, a business may specialize in a particular type of real estate, such as residential, commercial, or industrial property. In addition, almost all construction business effectively has a connection to real estate. Professional university-level education in real estate is primarily focused at the graduate level. Focus in towards the commercial real estate sector, primarily real estate development or investment rather than residential real estate sales conducted by a REALTOR.

"Internet real estate" is a term coined by the internet investment community relating to ownership of domain names and the similarities between high quality internet domain names and real-world, prime real estate.

Residential real estate

The legal arrangement for the right to occupy a dwelling in some countries is known as the housing tenure. Types of housing tenure include owner occupancy, Tenancy, housing cooperative, condominiums (individually parceled properties in a single building), public housing, squatting, and cohousing. The occupants of a residence constitute a household.

Residences can be classified by, if, and how they are connected to neighboring residences and land. Different types of housing tenure can be used for the same physical type. For example, connected residents might be owned by a single entity and leased out, or owned separately with an agreement covering the relationship between units and common areas and concerns.

Major categories in North America and Europe

Apartment - An individual unit in a multi-unit building. The boundaries of the apartment are generally defined by a perimeter of locked or lockable doors. Often seen in multi-story apartment buildings.

Multi-family house - Often seen in multi-story detached buildings, where each floor is a separate apartment or unit.

Terraced house (a.k.a. *townhouse* or *rowhouse*) - A number of single or multi-unit buildings in a continuous row with shared walls and no intervening space.

Condominium - Building or complex, similar to apartments, owned by individuals. Common grounds and common areas within the complex are owned and shared jointly. There are *townhouse* or *rowhouse* style condominiums as well.

Cooperative (a.k.a. "co-op) - A type of multiple ownership in which the residents of a multi-unit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific apartment or unit.

Semi-detached dwellings

Duplex - Two units with one shared wall.

Single-family detached home

Portable dwellings

Mobile homes - Potentially a full-time residence which can be (might not in practice be) movable on wheels.

Houseboats - A floating home

Tents - Usually very temporary, with roof and walls consisting only of fabric-like material.

The size of an apartment or house can be described in square feet or meters. In the United States, this includes the area of "living space", excluding the garage and other non-living spaces. The "square meters" figure of a house in Europe may report the total area of the walls enclosing the home, thus including any attached garage and non-living spaces, which makes it important to inquire what kind of surface definition has been used.

It can be described more roughly by the number of rooms. A ***studio apartment*** has a single bedroom with no living room (possibly a separate kitchen). A one-bedroom apartment has a living or dining room separate from the bedroom. Two bedroom, three bedroom, and larger units are common. (A bedroom is defined as a room with a closet for clothes storage.)

Major categories in India and the Asian Subcontinent

Housing Societies (CGHS)
Condominiums
Builder flats
Chawls
Havelis
Lal Dora - Where people carry out commercial and residential activities both.

The size is measured in Gaz (square yards), Quila, Marla, Beegha.

Mortgages in real estate

In recent years, many economists have recognized that the lack of effective real estate laws can be a significant barrier to investment in many developing countries. In most societies, rich and poor, a significant fraction of the total wealth is in the form of land and buildings.

In most advanced economies, the main source of capital used by individuals and small companies to purchase and improve land and buildings is mortgage loans (or other instruments). These are loans for which the real property itself constitutes collateral. Banks are willing to make such loans at favorable rates in large part because, if the borrower does not make payments, the lender can foreclose by filing a court action which allows them to take back the property and sell it to get their money back. For investors, profitability can be enhanced by using an off plan or pre-construction strategy to purchase at a lower price which is often the case in the pre-construction phase of development.

But in many developing countries there is no effective means by which a lender could foreclose, so the mortgage loan industry, as such, either does not exist at all or is only available to members of privileged social classes.

Real Estate Sector - The India Story

Current Scenario of the Real Estate Market in India

Commercial real estate sector is in boom in India. In the last fifteen years, post liberalization of the economy, Indian real estate business has taken an upturn and is expected to grow from the current USD 14 billion to a USD 102 billion in the next 10 years. This growth can be attributed to favorable demographics, increasing purchasing power, existence of customer friendly banks & housing finance companies, professionalism in real estate and favorable reforms initiated by the government to attract global investors

Characteristics of the Real Estate Market in India

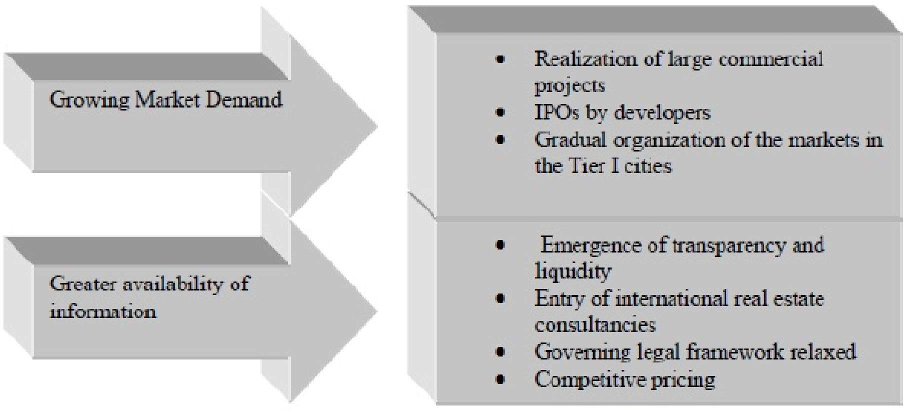


Fig. 1: Cause-Effect scenario leading to emergence of organized real estate market in India

The property market in India has traditionally been unorganized and fragmented. However, the recent past has seen a consolidation of positions in the market as developers are stretching their capacities to the maximum in order to meet the growing market demand, which in turn has encouraged large projects with sourced financing. The IPOs by large real estate developers like Sobha, Raheja and DLF have led to organization of the market in the Tier I cities, but the Tier II and Tier III cities still demonstrate the traits of an unorganized market. Whilst the Indian real estate market still lacks transparency and liquidity compared to more mature real estate markets, the increasing requirements of multi national occupiers, as well as the influx of international property consultancies has led to the introduction of greater availability of market information, both in published and private form pushing the sector to an organized market form.

Driving Forces

Stated below are the reasons that have led to the real estate boom in the country:

- Booming economy; accelerated GDP to 8% p.a.
- India's emergence as an attractive off shoring destination and availability of pool of highly skilled technicians and engineers ; Development of large captive units of major players include GE, Prudential, HSBC, Bank of America, Standard Chartered and American Express.
- Rise in disposable income and growing middle class, increasing the demand for quality residential real estate and real estate as an investment option.
- Entry of professional players equipped with expertise in real estate development.
- Relaxation of legal rulings and processes by the governing bodies encouraging investments in real estate.
- Improvement in infrastructure facilities.

Categorization

The demand for new office space in India has grown from an estimated 3.9 million sq. ft in 1998 to over 16 million sq. ft in 2004-05. 70% of the demand for office space in India is driven by over 7,000 Indian IT and ITES firms and 15% by financial service providers and the pharmaceutical sector. In 2005 alone, IT/ITES sector absorbed a total of approx 30 million sq. ft and is estimated to generate a demand of 150 million sq. ft. of space across major cities by 2010. This data clearly demonstrates the growth of the real estate sector in the country.

With reference to the availability of infrastructure facilities, following cities are currently attracting MNCs/corporate/real estate developers:

Tier I cities, Mumbai (Commercial hub), Delhi (Political hub) and Bangalore (Technological hub):

- Preferred option for many new market entrants
- Command the highest international profiles and significant proportion of FDI
- Offer qualified labor pool and the best infrastructure facilities
- Exhibit development of sub-urban commercial real estate
- Yield of 9.5 – 10%

Tier II cities, notably Hyderabad, Chennai, Chandigarh, Kochi, Mangalore, Mysore, Thiruvananthapuram, Goa, Bhubaneshwar, Ahmedabad and Pune

- Yield of 10.5-11.5%
- Offer competitive business environments, human resources availability, telecommunications connectivity, quality of urban infrastructure,
- Attract high value IT, ITES and biotech corporate houses

Tier III cities, like Cuttack and Jaipur

- Low liquidity and still highly unorganized.

Special Economic Zones:

- 28 operational SEZs in the country, including those converted from Export Processing Zones (EPZ) to SEZ
- Development of SEZs in various segments such as multi-product, Information Technology, Bio-technology, Gems and Jewellery, Textiles and technology intensive industries
- Attract both developers and corporate houses (refer table for a list of corporate that have shown interest in development of SEZs)

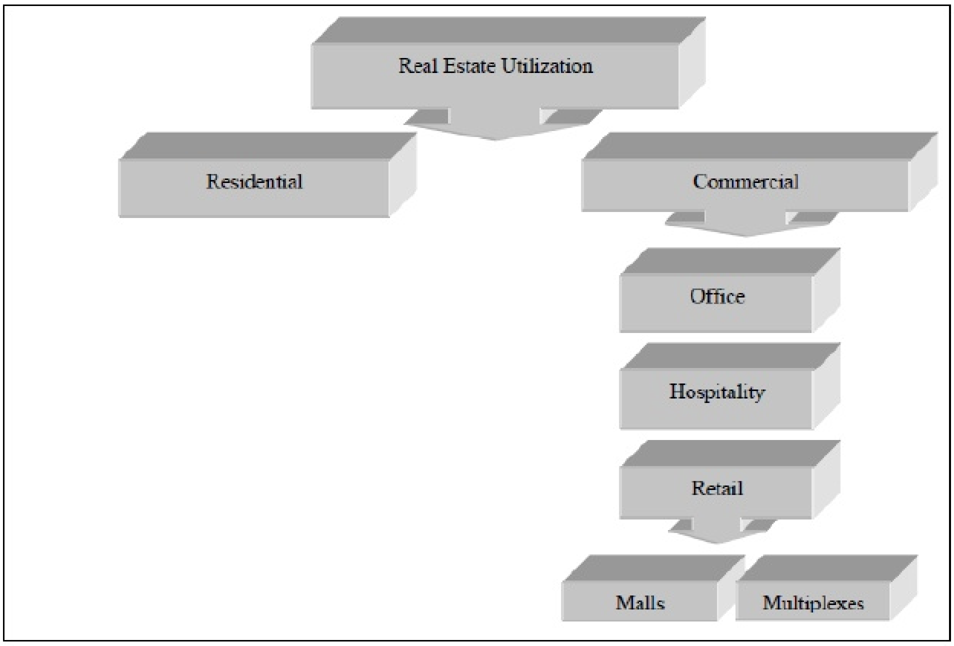
Corporate	Location
Reliance Industries	Gurgaon, Mumbai/Navi Mumbai
Adani Group	Mundra
TCG Refineries	Haldia
Suzlon	Coimbatore, Udipi, Vadodara
Hindalco	Sambalpur
Genpact	Bhubaneshwar, Jaipur, Bhopal
Vedanta	Orissa

Corporate interested in development of SEZs in India and the location of interest

Table 1: Corporate houses and their location interest for development of SEZs

Apart for the corporate clientele, the SEZs also attract a number of real estate developers, including DLF, Ansals, Omaxe, Parsvnath, Shipra Estate to name a few.

As per utilization, the real estate space can be classified as follows:



Real estate utilization

Fig. 2: Classification Of Real Estate space

Listed below are the characteristics of each category:

Office Space

- Backed by strong infrastructure
- Promoted by increasing demand from IT industry
- Shift of focus from the traditional CBDs towards secondary centers owing sharply higher land prices in the city centers.

Retail Space

- Growth of 25- 30% expected in the organized retail sector (malls and multiplexes) leading to an increased demand in real estate
- Affected by government policies for foreign retailers
- Pronounced in the Tier I, Tier II and Tier III cities.

Hospitality Space

Criteria	*Statistics*
Annual growth rate of the industry	8%
Number of foreign tourists in 2005	*4000000*
Total number of five star rooms (2005)	*96000*
Total number of five star rooms needed by 2010	*150000*

Growing demand of real estate in the hospitality industry

Table 2: Hospitality statistics

- Increasing demand of lodging in commercial cities such as Bangalore, Mumbai, Delhi etc. from business travelers.
- Established brands in this sector include Asian Hotels, Indian Hotels, ITC, Le Meridien etc are in expansion mode with many new players such as Accor Group, Marriot, Choice, IHG Group

Residential Real Estate

- Development triggered by:
  - Low per capita housing stock
  - Rising disposable income
  - Easy availability of finance
- Currently growing at 30-35% per annum
- Driven by retail investors who view real estate as an attractive investment option as compared to mutual funds and stocks
- Geographically widespread with townships being built in both the metros and the tier II and III cities

Real Estate Investment Banking

Real Estate Investment Banking is an approach to real estate financing – providing the client a host of services including the structuring of real estate projects, legal advice, operative management of real estate projects and support in marketing properties. The banking focus in Real Estate Investment Banking is on structured financing products and structuring of entire portfolios. Extending on similar lines is the importance of syndication that forms the base line of larger-sized transactions.

Real estate investment banking focuses on the following target market as prospective client base:

Real Estate Consultants

The increase in transparency and liquidity in the real estate market in India is attracting international real estate consultants to India. These consultants offer end to end solutions for their clients' real estate needs. These services include strategic consulting to developers, investors, advisors and lenders seeking assistance with existing assets, potential acquisitions, new development projects and properties slated for disposition, feasibility

studies, concept testing, business planning exercises, investment advice, market research and analysis, demand forecasting, financial modeling and project structuring exercises, portfolio optimization and re-engineering strategies, expansion and occupancy, location and entry, brokerage services, legal documentation review, valuations etc.
Real estate consultants also ensure that the financing needs of the client are well taken care of by liaising with banking/non banking institutions and providing them with investment and structured finance solutions including securitization and sale & leasebacks, structured finance facilitating equity/debt into development projects on behalf of private and government sector clients, structuring development financing, public - private - partnerships, joint ventures, portfolio transactions and privatization exercises. The recent players in the Indian market are Jones Lang Lasalle, Colliers, CBRichard Ellis, Frank Knight and Trammell Crow Meghraj.

Developers and Construction Companies

With the opening up of the real estate sector in the country, the construction houses are scaling up the commercial and residential constructions. An increasing number of developers are offering IPOs for fund raising. AIM too is a sought after solution to meet the fund requirements for these developers.

Group	Route/Market
Parsvanath	IPO
Sobha	IPO
Pyramid Saimira	IPO
DLF Universal	IPO
K Raheja Corp	AIM
Unitech	AIM
Hiranandani Construction	AIM

Fund raising options by developers

Table 3: Fund raising options by developers

Domestic Corporate Houses

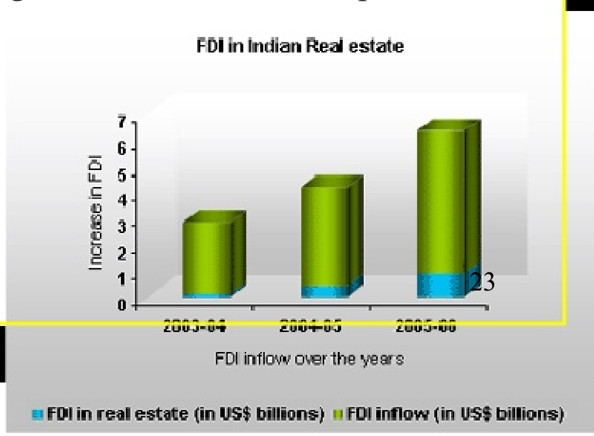
As the land prices in the Tier I cities have always moved upward, land was regarded as a safe investment which, regardless of how it was used, would produce capital gains far above the inflation rate. It was thus common for companies in the manufacturing and service industries to acquire real estate even though they themselves were completely unrelated to property rental or real estate investment, seeking collateral value and tax benefits from depreciated assets, and expecting unrealized gains to absorb business risk. Acquisition of real estate as an asset was further encouraged as part of a diversification strategy in the investment portfolio of these corporate houses..

As these real estate possessions are classified as fixed assets held for the company's own business purposes, it becomes feasible recent moves to increase real estate liquidity often involve the conversion of corporate real estate into commercial use. The corporate houses in India are also demonstrating a shift from ownership to leasing. With the advent of MNCs into the country, a growing number of companies no longer see real estate ownership as an absolute necessity.

From the perspective of companies who want to sell off assets, securitization schemes provide a greater diversity of alternatives to liquidate real estate. This has been greatly encouraged by corporate restructuring and a return to focusing on core competencies. Thus, there seems an opportunity to tap the corporate houses who have a large corpus of real estate and are willing to trade this asset for want liquidity.

FDIs/FIIs

Post liberalization, the investment opportunities in real estate for the FDIs and FIIs have greatly opened up. Foreign investors can now purchase commercial development projects (under construction) over 50,000 sq m (540,000 sq ft), or plotted residential developments with a minimum size of 10 hectares. Foreign investors may purchase an equity stake in an unlisted



real estate company and thereby partner in its growth plans across asset classes and cities. Listed real estate companies also offer good liquid investment opportunities routed into designated special purpose vehicles that hold the asset(s) being developed, thereby reducing risk. These investors look for innovative financial products to suit their investing needs.

Financial Institutions – Real Estate Mutual Funds

Major financial institutions such as ICICI, HDFC, IL&FS and Kotak Mahindra have all launched real estate funds, either as joint ventures or sole investors. Most institutional funds operate on a pan-Indian basis, and are increasingly
looking at opportunities in Tier III cities, in order to gain "first mover advantage".

Private Equity/Venture Capital Funds

As per the Securities and Exchange Board of India (SEBI), Foreign Venture Capital Investors (FVCIs) may invest in real estate assets, within the framework of SEBI. This has paved the way for capital infusion into the market and a significant weight of foreign capital is now chasing Indian real estate. Indirect real estate investments are made into a pooled investment fund; such funds are usually created in partnership with domestic developers or financial institutions. Such VC firms, partnered with developers form a potential client base, keen to invest in the real estate sector.

Real Estate and Financing Trends in India

Securitization and CMBS

From the perspective of companies who want to sell off assets, securitization schemes provide a greater diversity of alternatives to liquidate real estate. Securitization is primarily used by the corporate houses to convert the corporate real estate to commercial real estate.

Realty Funds/ Realty Mutual Funds in India

Initiated by SEBI, the REMFs true potential would be tapped only after the setting up of REITs, as they infuse confidence among investors by serving as custodians of title deeds. (REITs pool various real estate assets, including warehouses, buildings, industrial estates and parks, malls, commercial and residential premises and get listed on the stock exchange to enable investors to buy and sell. They afford an opportunity to diversify the portfolio within that limited sense as well. However, SEBI has not allowed the creation of REITs in India as yet, though REITs are well established in the more mature real estate markets.) Currently the REMFs in the Indian market are targeted at the HNIS and corporate investors.

Risks involved in the Real Estate Investment Market

Liquidity risk

The real estate investment market is still in its infant stage. The time required for liquidity of real estate property can vary depending on the quality and location of the property.

Regulatory risks

In terms of property ownership, permission from the Reserve Bank of India is required for foreign investors. For capital repatriation, investors need to apply for approval from the RBI, and foreign direct investment is limited to a limited set of opportunities (e.g. townships). The REMFs work within the SEBI framework. Being a developing and growing sector, the rules, regulations and legalities demonstrate frequent changes, making it seem as a cumbersome investment option to the investors.

Property market transparency risk

The Indian property market has low transparency when compared to the more mature and developed real estate markets. Although market transparency has improved, reliable and consistent information on the Indian property market is still not easily available. There are also more professional due diligence and valuation institutions needed. This holds true even for the Tier I cities.

Macroeconomic risks

Interest rates, inflation and exchange rate risks are amongst the important macroeconomic indicators and have shown decreased volatility. The provision of facilities, is in many regions, still inadequate (education, transport infrastructure). These risk factors are not likely to disappear in the near future, impeding the development of the real estate sector.

Ownership and Land Title Issues

Lack of information and low transparency in the real estate segment in India, coupled with the age old property related issues discourages the investment of the large players in the semi urban and rural areas thus slacking an overall growth of the real estate sector.

Conclusion

The Indian real estate sector promises to be a lucrative destination for foreign investors into the country. The Indian realty sector, if channelized properly, could catapult the growth of several other sectors in India through its backward and forward linkages. However, there are potential constraints for domestic as well as foreign investments in India. Absence of a single regulator to monitor business practices prevailing in Indian real estate market is perceived to be a risk factor by investors. The SEZ guidelines which are issued by the Commerce Ministry are constantly modified, creating uncertainty. Since the liberalization of FDI norms, significant foreign investments have flown into real estate; but availability of suitable exit options for such investments is still constrained.

Maturity of the real estate markets will lead to infusion of foreign investment and adoption of international best practices by real estate players. Developers will get more organized, and become more transparent to avail opportunities emerging in the market. With the Indian securities market regulator SEBI allowing real estate mutual funds (REMFs) in India, equity investors will have an exit option available to them. All these factors will contribute in making the Indian real estate market more organized and structured, thus providing better investment opportunities.

SUCCESS! Real Estate

GODREJ GROUP

Established in 1897, the Godrej group has grown in India from the days of the charkha to nights at the call centres. Our founder, Ardeshir Godrej, lawyer-turned-locksmith, was a persistent inventor and a strong visionary who could see the spark in the future. His inventions, manufactured by his brother Pirojsha Godrej, were the foundation of today's Godrej empire. One of India's most trusted brands, Godrej enjoys the patronage and trust of over 400 million Indians every single day. Our customers mean the world to us. We are happy only when we see a delighted customer smile.

With 7 major companies with interests in real estate, FMCG, industrial engineering, appliances, furniture, security and agri care - to name a few - our turnover crosses 3.2 billion dollars. Though Godrej is a renowned Indian brand, 20% of the business is done overseas. Our presence in more than 60 countries ensures that our customers are at home with Godrej no matter where they go. With brands you can believe in, service excellence that you can count on and the promise of brighter living for every customer, Godrej knows what makes India tick today.

Today, we're at a point in Godrej's history when our amazing past is meeting up with its spectacular future head on. Godrej is learning and relishing being young again.

GODREJ PROPERTIES

Godrej Properties brings the Godrej Group philosophy of innovation and excellence to the real estate industry. The company aspires to be among India's top 3 real estate companies while continuing to be the most trusted name in the industry. GPL has completed several landmark projects and is currently developing significant projects in ten cities across India. Throughout its operations, GPL aims to deliver superior value to all stakeholders through extraordinary and imaginative spaces created out of deep customer focus and insight. GPL has received several recognitions of its processes and performance which include receiving the 'Best Business Practices' award for the year 2009 and 'Corporate Governance of the Year, 2008' award from Accommodation Times. GPL was also ranked #1 in the construction and real estate industry in 'India's Best Companies To Work For, 2009' survey, conducted by 'The Economic Times' and 'Great Place To Work Institute'.

- Established in 1990
- India's first ISO certified real estate developer
- Projects in 10 cities across India
- Successfully raised US$100 million through an IPO in January 2010
- Upcoming development of 82 million square feet
- Prime locations, good value, excellent construction and efficient support
- Collaboration with outstanding associates

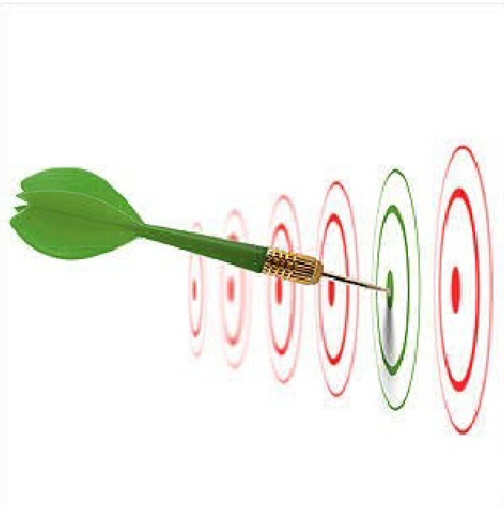
GODREJ PROPERTIES LIMITED

COMPANY PROFILE

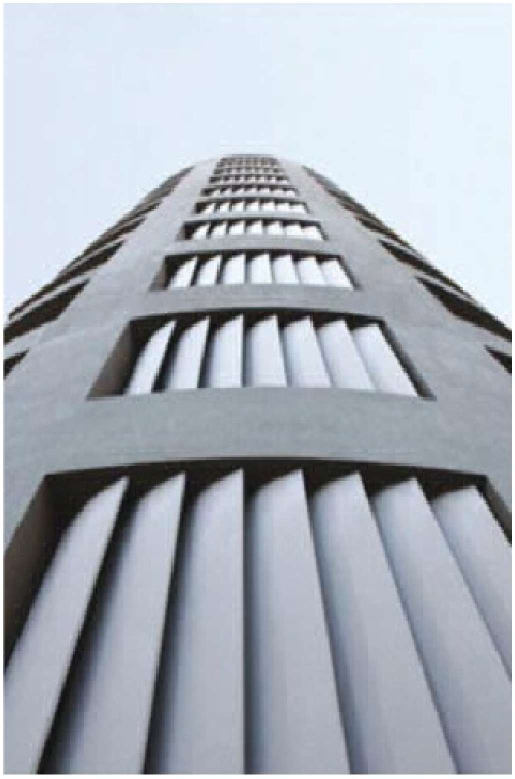
Godrej Properties brings the Godrej Group philosophy of innovation and excellence to the real estate industry. The company is currently developing landmark projects in 12 cities across India. Established in 1990, Godrej Properties Limited is the first real estate company to have ISO certification. With projects that span across the country, the company's upcoming development covers 74 million square feet. To create landmark structures, Godrej Properties collaborates with outstanding associates and reputed names. The company aims to deliver superior value to all stakeholders through extraordinary and imaginative spaces created out of deep customer focus and insight.

VISION

We aspire to be among the nation's top 3 real estate companies, while continuing to be the most trusted name in the industry. We shall deliver superior value to all stakeholders through extraordinary and imaginative spaces created out of deep customer focus and insight.



VALUE PROPOSITION



Established Brand Name and Group Association

As an established brand, Godrej Properties is trusted by customers, business partners and financial communities. The company effectively leverages combined Godrej Group resources and has structured systems for HR, T&D, Finance, Planning and Marketing

Corporate Governance

Godrej Properties ensures transparency in all internal and external processes along with strong conformity to norms.

Professional Management

Godrej Properties is led by experienced leadership and highly qualified cross-functional teams. Strong processes e.g. Concerto (execution), SAP, Performance Review etc are followed. There is a strong focus and high emphasis on employee training & development at all levels.

Quality

Highest quality standards are followed for project execution, materials and services. Godrej Properties collaborates only with the best-in-class associates.

Design

While focusing on customer requirements and incorporating them in design, Godrej Properties ensures unique and innovative designs for all projects.

Project Management

Godrej Properties' constant focus is on core competencies in project management. The company creates scalability and an ideal combination of expertise by associating with the best in respective fields.

ACCOLADES

- Godrej Properties has been voted amongst 'Most Trusted Names' and 'India's Best Marketed Company, 2011' in the Real Estate sector by 4Ps-ICMR survey.

- Planet Godrej received 'Mumbai - 7 Star Rating' by Crisil. This is the highest rating awarded to a project based on several stringent project specific parameters like construction quality, legal quality, financial quality and innovativeness.

- Godrej Properties was awarded the 'Best Business Practices, 2009 & 2010' award by Accommodation Times.

- Planet Godrej won the 'Brihanmumbai Mahanagarpalika & Tree Authority Udyan, 2010' award for the best podium garden.

- Planet Godrej (Tower 1 to 4) declared as the winner in the "Best Residential Project in Western India" category at the CNBC AWAAZ CRISIL CREDAI Real Estate Awards 09.

- Godrej Properties was ranked No.1 in the construction and real estate industry in 'India's Best Companies To Work For, 2009' survey, conducted by 'The Economic Times' and 'Great Place To Work Institute'

- Godrej Properties was awarded 'Corporate Governance of the Year, 2008' by Accommodation Times.

- Godrej Properties featured among the top ten construction companies in India for four consecutive years 2006, 2007, 2008 & 2009 according to a study conducted by 'Construction World'

- Planet Godrej was awarded 'Project of the Year - Mumbai' for the year 2007 by the Accommodation Times

- Planet Godrej was also awarded the 'Pinnacle Award, 2006' by ZEE Business for being the best upcoming real estate project in India

<u>BUSINESS STRATEGY</u>

Fig. 3: Business Strategy of GPL

Outsourced Support Functions

- Concentrates on core management competency
- Lean structure
- Easier scale-up of operations
- Tie-up with the best in class associates

Superior Execution

- Engaging experienced project management consultants
- Strong processes
- Employing innovations like CCPM to achieve shorter execution cycles

Iconic Buildings

- Emphasis on designing landmark buildings
- Working with world-renowned architects

Leveraging Brand & Group Association

- Customers, J V partners & financial communities
- Access to group resources, systems & structured group-wide processes

Diversified Portfolio

- Presence across 10 cities in India
- Mix of residential, commercial & township developments

CORPORATE GOVERNANCE

The corporate governance framework of our organization is based on an effective independent board and separation of the board's supervisory role from the executive management team. The Board has twelve directors, out of which six are independent directors with distinguished careers in government, academia, and business. In recognition of GPL's strong corporate governance practices, Accommodation Times presented Godrej Properties with the 'Corporate Governance of the Year' award for the year 2008.

GREEN INITIATIVES

Building Sustainability

The Godrej Group has been associated with sustainable development for decades. Before sustainability and green building concepts became industry buzzwords, Godrej had built a reputation for its commitment to environmental causes.

In 2004, when the CII Godrej Green Business Center was inaugurated, it was the single highest LEED platinum-rated building in the world. CII-Sohrabji Godrej Green Business Centre has expertise in offering advisory services to the industry in the areas of green buildings, energy efficiency, water management, environment management, renewable energy, green business incubation and climate change activities. The centre sensitizes key stakeholders to embrace green practices and facilitates market transformation, paving the way for India to become one of the global leaders in green businesses by 2015.

Godrej's responsible stewardship of the vast mangrove holdings it owns in Vikhroli has been unanimously praised. The vast expanse of mangroves serves as a critical lung to the city.

Godrej Properties Ltd. views its upcoming development, Godrej Garden City, which is one of only two projects in India and sixteen worldwide to be chosen by The Clinton Foundation to partner with them in the goal of achieving climate positive development.

Key Events and Milestones

Year	***Key Events, Milestones and Achievements***
1989	Godrej Industries Limited (erstwhile Godrej Soaps Limited) forays into the real estate business
1991	Signed MoU for our first project in Thane – Godrej Edenwoods
1994	Completion of first residential building, Cypress (part of Godrej Edenwoods in Thane)
1996	Awarded the ISO 9002: 1994 certification of Bureau of Veritas Quality International
1997	Completion of first commercial project at Bandra, Mumbai - MGSM
1999	Launch of first project in Pune - Godrej Millennium

2004 Godrej Woodsman Estate launched in Bangalore

2005 Executed agreement for the first project in Kolkata - Godrej Waterside

2006 Tied up with Rallis India Limited for first project in Hyderabad

2006 Planet Godrej received the Pinnacle Award by Zee for the best upcoming real estate project in India

2006 Planet Godrej received the ZEE Business Pinnacle Award for Best upcoming project

2007 Acquired 26.7 acres of land at B. T. Road, Kolkata. Ranked among the top 10 construction companies in India by Construction World

2008 Expansion into several cities across India including Ahmedabad, Chandigarh, Kochi and Chennai.

2008 Ranked one of India's Top 10 Builders by Construction World

2009 Implemented SAP across all projects

2009 Received award for Corporate Governance of the Year, 2008 From Accommodation Times

2009 Ranked 1st in the Construction & Real Estate category in India's Best Companies to Work For 2009 awarded by The Great Place to Work® Institute, India, in partnership with The Economic Times.

2009 Tied up with the Clinton Climate Initiative for our Godrej Garden City project in Ahmedabad.

2009 Executed memorandum of understanding with Godrej Industries Limited to develop one of our Forthcoming Projects in Vikhroli, Mumbai

2009 Ranked one of India's Top 10 Builders by the Construction World Architect & Builder Awards, 2009.

OBJECTIVE OF THE STUDY

The major objective of this study is to know about financial strengths and weakness of GODREJ PROPERTIES LIMITED through FINANCIAL RATIO ANALYSIS.

AIM

- To evaluate the performance of the company by using ratios as a yardstick to measure the efficiency of the company.
- To understand the liquidity, profitability and efficiency positions of the company during the study period.
- To evaluate and analyze various facts of the financial performance of the company.
- To make comparisons between the ratios during different periods.

OBJECTIVES

1. To study the present financial system at GODREJ PROPERTIES LIMITED.

2. To determine the Profitability, Liquidity Ratios.

3. To analyze the capital structure of the company with the help of Leverage ratio.

4. To offer appropriate suggestions for the better performance of the organization.

DATABASE

BALANCE SHEET OF PAST 5 YEARS:

Table 4: Balance Sheet of Godrej Properties ------------------- **in Rs. Cr.** -------------------

	Mar'11	**Mar'10**	**Mar'09**	**Mar'08**	**Mar'07**
	12mths	12mths	12mths	12mths	12mths
Sources Of Funds					
Total Share Capital	69.85	69.85	60.42	60.42	6.44
Equity Share Capital	69.85	69.85	60.42	60.42	6.44
Share Application Money	0.00	0.00	0.00	0.00	0.00
Preference Share Capital	0.00	0.00	0.00	0.00	0.00
Reserves	815.19	745.57	237.79	181.73	52.06
Revaluation Reserves	0.00	0.00	0.00	0.00	0.00
Networth	**885.04**	**815.42**	**298.21**	**242.15**	**58.50**
Secured Loans	418.89	128.47	256.69	98.58	17.39
Unsecured Loans	397.07	326.43	190.36	152.98	113.71
Total Debt	**815.96**	**454.90**	**447.05**	**251.56**	**131.10**
Total Liabilities	**1,701.00**	**1,270.32**	**745.26**	**493.71**	**189.60**
Application Of Funds					
Gross Block	21.58	16.55	7.50	5.41	4.44
Less Accum. Depreciation	9.19	6.04	3.73	2.74	2.03
Net Block	**12.39**	**10.51**	**3.77**	**2.67**	**2.41**
Capital Work in Progress	1.38	0.00	3.25	0.21	0.21
Investments	**78.88**	**247.77**	**55.72**	**55.69**	**8.36**
Inventories	192.43	143.59	52.50	11.56	78.79
Sundry Debtors	200.18	137.71	114.02	405.71	219.79
Cash and Bank Balance	12.63	18.44	10.94	2.09	9.36
Total Current Assets	405.24	299.74	177.46	419.36	307.94
Loans and Advances	1,362.30	821.69	589.16	491.55	103.92
Fixed Deposits	128.33	53.91	3.79	4.31	4.01
Total CA, Loans & Advances	1,895.87	1,175.34	770.41	915.22	415.87
Deffered Credit	0.00	0.00	0.00	0.00	0.00

Current Liabilities	240.44	126.86	68.29	439.89	236.66
Provisions	47.08	36.43	19.62	40.19	0.59
Total CL & Provisions	287.52	163.29	87.91	480.08	237.25
Net Current Assets	**1,608.35**	**1,012.05**	**682.50**	**435.14**	**178.62**
Miscellaneous Expenses	0.00	0.00	0.00	0.00	0.00
Total Assets	**1,701.00**	**1,270.33**	**745.24**	**493.71**	**189.60**
Contingent Liabilities	5.15	3.01	13.24	2.86	2.58
Book Value (Rs)	126.71	116.74	49.36	40.08	90.78

PROFIT & LOSS ACCOUNT OF PAST 5 YEARS:

Table 5: Profit & Loss account of Godrej Properties **------------------- in Rs. Cr. -------------------**

	Mar '11	**Mar '10**	**Mar '09**	**Mar '08**	**Mar '07**
	12 mths	12 mths	12 mths	12 mths	12 mths
Income					
Sales Turnover	294.61	142.11	145.17	227.44	137.22
Excise Duty	0.00	0.00	0.00	0.00	0.00
Net Sales	294.61	142.11	145.17	227.44	137.22
Other Income	149.16	214.91	91.40	23.22	8.34
Stock Adjustments	0.00	0.00	0.00	0.00	0.00
Total Income	**443.77**	**357.02**	**236.57**	**250.66**	**145.56**
Expenditure					
Raw Materials	0.00	0.00	0.00	0.00	0.00
Power & Fuel Cost	0.00	0.00	0.00	0.00	0.00
Employee Cost	7.20	10.69	3.75	9.80	6.95
Other Manufacturing Expenses	216.47	103.85	64.45	89.39	77.01
Selling and Admin Expenses	4.32	5.95	2.68	8.96	2.98
Miscellaneous Expenses	10.66	8.20	7.29	0.05	0.02
Preoperative Exp Capitalised	-12.10	0.00	0.00	0.00	0.00
Total Expenses	226.55	128.69	78.17	108.20	86.96
Operating Profit	**68.06**	**13.42**	**67.00**	**119.24**	**50.26**
PBDIT	217.22	228.33	158.40	142.46	58.60
Interest	58.12	67.13	51.30	26.29	11.81
PBDT	159.10	161.20	107.10	116.17	46.79
Depreciation	3.54	2.45	1.07	0.85	0.69
Other Written Off	0.00	0.00	0.00	0.00	0.00
Profit Before Tax	155.56	158.75	106.03	115.32	46.10
Extra-ordinary items	-0.08	-0.21	-1.01	-13.44	-0.01

PBT (Post Extra-ord Items)	155.48	158.54	105.02	101.88	46.09
Tax	49.32	36.90	31.30	39.43	4.65
Reported Net Profit	**106.24**	**121.84**	**74.74**	**75.89**	**41.45**
Total Value Addition	226.56	128.69	78.17	108.20	86.97
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Equity Dividend	31.43	27.94	15.11	24.61	27.00
Corporate Dividend Tax	5.10	4.64	2.57	4.18	3.79
Per share data (annualised)					
Shares in issue (lakhs)	698.50	698.50	604.20	604.20	64.45
Earning Per Share (Rs)	**15.21**	**17.44**	**12.37**	**12.56**	**64.32**
Equity Dividend (%)	45.00	40.00	25.00	100.00	418.95
Book Value (Rs)	126.71	116.74	49.36	40.08	90.78

METHODOLOGY

RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of study how research is done systematically. This research on liquidity analysis may be referred to as **exploratory research** in which problems and findings are generated from the calculations. When some deduction is made from data then a problem is located regarding the same and reasons for the same are also searched for. In the end suggestions and recommendations are made to make research meaningful and worthy to improvise on the same.

DATA COLLECTION

The information is collected through **secondary sources** during the project. That information was utilized for calculating performance evaluation and based on that, interpretations were made.

Sources of secondary data:

1. Most of the calculations are made on the financial statements of the company provided statements.

2. Referring standard texts and referred books collected some of the information regarding theoretical aspects.

LIMITATIONS

Although full efforts have been made to complete the study on ratio analysis of GODREJ PROPERTIES LIMITED, so that the study could present a true and comprehensive picture, inspite of all the care efforts there are some limitations such as:

- Financial resources are limited.
- The time of research was not that much sufficient that could be regarded as opportunity to analyze liquidity of such organization.
- As data taken is secondary, so it cannot be said to give constant conclusions, as it's not revised to present situation.

ANALYSIS OF FINANCIAL STATEMENTS

The traditional financial statements that comprise of the balance sheet and profit and loss account do not give enough information related to financial operations of the company. These financial statements prepared as per the statutory requirement of law need to be

analysed in order to evaluate the past performance of the company and the future prospects.
There are many tools of financial statement analysis like:

- Ratio Analysis
- Dupont Analysis
- Trend Analysis
- Commonsize statements
- Comparative Analysis

The most widely used tool is **Ratio Analysis.** And the tool of my research too is **Ratio Analysis**

RATIO ANALYSIS

It is the most widely used tool since it compares risk and return relationships of firms from various aspects. Ratio analysis is the method or process by which the relationship of items or group of items in the financial statements are computed, determined and presented. It is an attempt to derive quantitative measures or guides concerning the financial health and profitability of a business enterprise. It can be used both in trend and static analysis. There are several ratios at the disposal of an analyst but the group of ratios he would prefer depends on the purpose and objectives of analysis.

OBJECTIVES OF RATIO ANALYSIS

Ratios are worked out to analyse the following aspects of an enterprise:

A. Solvency:
1. Long term
2. Short term
3. Immediate

B. Profitability
C. Operational Efficiency

D. Credit standing
E. Effective utilization of resources
F. Investment Analysis

*USES OF ACCOUNTING **RATIOS***

Accounting Ratios are effective tools for analysis and interpretation of financial statements. If properly used and applied, accounting ratios are capable of providing very useful information on company's financial position, profitability and stability. They are the indicators of managerial and operational efficiency.

Some uses of ratios are summarized below:

- It simplifies the comprehension of financial statements. Ratios tell the whole story of changes in the financial condition of the business **.** ***(simplifies financial statements)***

- They provide data for inter firm comparison. They highlight the factors associated with successful and unsuccessful firms. They also reveal strong and weak firms, overvalued and undervalued firms**.** ***(facilitates inter firm comparison)***

- Ratio analysis makes it possible to compare different divisions of the firm. The ratios are helpful in deciding about their efficiency or otherwise in the past and likely performance in the future ***.(makes intra-firm comparison possible)***

- It helps in planning and forecasting. Over a period of time a firm or industry develops certain norms that may indicate future success or failure. If relationship changes in firm's data over different time periods, the ratios may provide clues on trends and future problems**.** ***(helps in planning)***

- Ratios avoid distortions that may result from the study of absolute data or figures.

- Ratios analyze the financial health, operating efficiency and future prospects by inter relating the various financial data found in the financial statements.

- Ratios are invaluable guides to management. They assist the management to discharge their functions of planning, forecasting, etc. efficiently.

- Ratios study the past and relate the findings to the present. Thus, useful inferences are drawn which are used to project the future.

- Ratios are increasingly used in trend analysis.

- Ratios being measures of efficiency can be used to control efficiency and profitability of a business entity.

- Ratios play a very important role in security and credit analysis.

- Ratios assist investors in making sound investment decisions and also the shareholders in evaluating the share performance.

- Ratios are yardsticks, increasingly used by bankers and financial institutions, in evaluating the credit standing of their borrowers and customers.

Functional Classification:

The ratios may be grouped in accordance with the purposes they serve of different users of accounting information. On this basis, ratios are classified as follows:

LIQUIDITY RATIOS

These ratios analyze short term and immediate financial position of a business organization and indicate the ability of the firm to meet its short term commitments(current liabilities)out of its short term resources(current assets).They are also known as ***Solvency Ratios***.

LEVERAGE RATIOS

These ratios measure the relationship between proprietor's funds and borrowed funds. They indicate the degree of debt financing in a firm.

ACTIVITY RATIOS

These ratios are designed to indicate the effectiveness of the firm in utilizing its funds, its degree of efficiency, and its standards of performance. Hence they are also known as ***Efficiency and Performance ratios.***

PROFITABILITY RATIOS

These ratios are intended to reflect the overall efficiency of the organization, its ability to earn a reasonable return on capital employed or

CLASSIFICATION FROM USER'S VIEWPOINT

Ratio may be classified from the viewpoint of users of accounting information. Thus, we can have the following group of ratios:

From shareholder's point of view

Shareholders, in general, expect a reasonable return on their capital and capital appreciation and safety of their investments.

Eg. EPS, Return on proprietor's funds etc.

From short term creditors point of view

Short term creditors of a company want to know if the company can meet its short term obligations. Hence, creditors are very important with regards to liquidity.

Eg. Current and liquid ratios, Defensive interval ratio

From long term creditors and management point of view

Leverage ratios give fruitful information to long term creditors. Long term creditors include debenture holders, vendors of fixed assets and term lending institutions. These creditors are primarily interested in the company's long term solvency position.

PRECAUTIONS TO CONSIDER WHILE CALCULATING RATIOS

Ratio analysis is rightly considered as an invaluable tool of analysis. However, one has to exercise considerable degree of caution while analyzing the financial statements with the help of ratios.
The precautions are as listed:

- It is essential to ensure that the person who uses the ratios understand the terminology and the component figures employed for compiling.
- The ratios to be compared should be capable of being compared. In other words, the data found in financial statements have to be horizontally consistent over a period of a time.
- Compilation of ratios has to be done speedily. They have to be worked out and supplied to the different users in time for further action.
- Ratios have to be presented in an appropriate manner. It is a usual practice to set out the major ratios first followed by less important ratios and then finish with the least important ones. A complete record of ratios is essential.

Limitations of Ratio Analysis

Ratios like statistics have an air of precision and finality about them which may be misleading.
It is, therefore, important for us to know the limitations of Ratio Analysis.

COMPARATIVE STUDY REQUIRED

Ratios are useful in judging the efficiency of the business only when they are compared with the past results of the business or with the results of a similar business. However, such a comparison only provides a glimpse of the past performance and forecasts for future may not prove correct since several other factors like market conditions, management policies, etc. may affect the future operations.

LIMITATIONS OF FINANCIAL STATEMENTS

Ratios are based only on the information which has been recorded in the financial statements. Financial statements suffer from a no. of limitations; the ratios derived therefore, are also subject to those limitations. For eg. Non financial changes though are important for the business but are not revealed by the financial statements. If the management of the company changes, it may have ultimately adverse effects on the future profitability of the company but this cannot be judged by having a glance at the financial statements of the company.

RATIOS ALONE ARE NOT ADEQUATE

Ratios are only indicators, they cannot be taken as final regarding good or bad financial position of business. Other things also must be considered. For eg. A high current ratio does not necessarily mean that the concern has a good liquid position in case current assets mostly comprise of outdated stock. It has been correctly observed, "Ratios must be used for what they are- financial tools". Too often they are looked upon as ends in themselves rather than as a means to an end. The value of a ratio should not be regarded as good or bad inter se. It may be an indication that a firm is weak or strong in a particular area but it must never be taken as proof. Ratio may be linked to railroads. They tell the analyst- Stop, look and listen!

WINDOW DRESSING

The term window dressing means manipulation of accounts in a way as to conceal vital facts and present the financial statements in a way to show a better position than what it actually is. On account of such a situation, presence of particular ratio may not be a definite indicator of good or bad management. For eg. A high stock turnover ratio is generally considered to be an indication of operational efficiency of the business but this might have been achieved by unwarranted price reductions or failure to maintain proper stock of goods.

PROBLEMS OF PRICE LEVEL CHANGES

Financial analysis on accounting ratios will give misleading results, if the effect of changes in price level is not taken into account. For example, two companies set up in different years, having plant and machinery of different ages, cannot be compared on the basis of traditional accounting statements. This is because the depreciation charged on plant and machinery in case of old company would be at much lower figure as compared to the company which has been set up recently. The financial statements of the companies should, therefore, be adjusted keeping in view the price level changes if a meaningful comparison is to be made. The techniques of current purchasing power and current cost accounting are quite helpful in this respect.

NO FIXED STANDARDS

No fixed standards can be laid down for ideal ratios. For eg. Current ratio is generally considered to be ideal if current assets are twice current liabilities. However, in case of those concerns which have adequate arrangements with their bankers for providing funds when they require, it may be perfectly ideal if current assets are equal to or slightly more than current liabilities.

RATIOS ARE COMPOSITE OF MANY FIGURES

Ratios are a composite of many different figures. Some cover a time period, others are at an instant of time while still others are only averages. It has been said that ' a man who has his head in the oven and his feet in the icebox is on the average, comfortable!' Many of the figures used in the ratio analysis are no more meaningful than the average temperature on the room in which the man sits. A balance sheet figure shows the balance of the account at one moment of one day. It certainly may not be representative of typical balance during the year.

Differences in accounting policies with reference to stock valuation, depreciation, etc render ratios useless. Besides there are no standard definitions for certain terms like operating profit, current assets etc.

Without further investigations, ratios may not serve the purpose. For eg. A high current ratio is considered desirable, but if inventories (one of the elements of current assets), consist mostly of dead and obsolete stock a company may not be able to meet its current obligations.

Ratios are often calculated as rough estimates and are often calculated with the figures as on a particular date. Therefore, they are not accurate and precise. For eg. Solvency ratios, worked out for a firm engaged in seasonal business, whose accounting year ends at a time when the sales are high, may appear quite favorable.

It may therefore be concluded that ratio analysis, if done mechanically, is not only misleading but also dangerous. It is indeed a double edged sword which requires a great deal of understanding and sensitivity of the management process rather than the mechanical financial skill.

STEPS IN RATIO ANALYSIS

- The first task of the financial analysis is to select the information relevant to the decision under consideration from the statements and calculate appropriate ratios.

- Compare the calculated ratios with the ratios of the same firm relating to the past or with the industry ratios. It facilitates in assessing success or failure of the firm.

- Third step is interpretation, drawing of inferences and report writing conclusions after comparison in the shape of report or recommended courses of action.

FINDINGS AND ANALYSIS

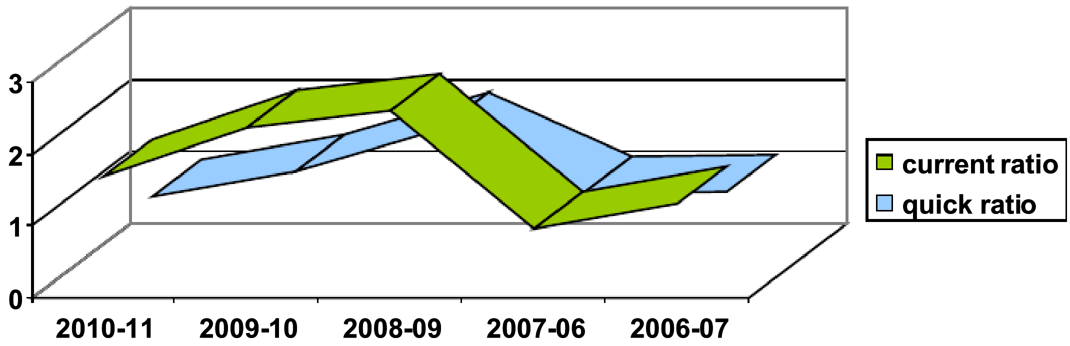
LIQUIDITY RATIO

1. CURRENT RATIO = $\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$

2. QUICK RATIO = $\frac{\text{LIQUID ASSETS}}{\text{LIQUID LIABILITIES}}$

YEAR	2010-11	2009-10	2008-09	2007-06	2006-07
CURRENT ASSETS	405.24	299.74	177.46	419.36	307.94
CURRENT LIABILITIES	240.44	126.86	68.29	439.89	236.66
CURRENT RATIO	**1.68**	**2.36**	**2.60**	**0.95**	**1.30**
INVENTORIE S	192.43	143.59	52.50	11.56	78.79
LIQUID ASSETS	212.81	156,15	124.96	407.8	229.15
QUICK RATIO	**0.88**	**1.23**	**1.83**	**0.93**	**0.97**

Table 6: calculation of liquidity ratios



Graph 1: graphical representation of liquidity ratios

~~INTERPRETATION~~

Liquidity ratios are determined to judge the short term liquidity position of the company, that is, how quickly a company can meet its short term obligations.

So, from the above table we can see that, in the year 2006-07 and 2007-06, current ratio of the company is not reaching the standard norm i.e. 2:1, so we may say that liquidity position of the company is not so good. But, as we see that quick ratio is almost the standard i.e. 1:1 in those 2 years, the overall short term liquidity of the firm is good and the short term debt repayment capacity is satisfactory. The reason for the non satisfactory current ratio in the above 2 years is due to huge part of current assets locked in inventories which lowers the current ratio.

Now, in 2008-09 and 2009-10, both current ratio and quick ratio is above the standard, so in both these years, the company has a high liquidity and short term creditors may feel very secure about the debt repayment capacity of the firm.

Again, in 2010-11, we see that both current ratio and quick ratio has dipped a little but it is not a cause of much concern as it is very much near to the standard ratio.

Therefore, we conclude that the short term solvency position of the firm is good and the company can meet its short term obligations easily.

PROFITABILITY RATIO:

1. GROSS PROFIT RATIO = $\frac{\text{(GROSS PROFIT)}}{\text{SALES}}$ X 100

2. NET PROFIT RATIO = $\frac{\text{(NET PROFIT BEFORE TAX)}}{\text{SALES}}$ X 100

3. OPERATING PROFIT RATIO = (OPERATING PROFIT) X 100

SALES

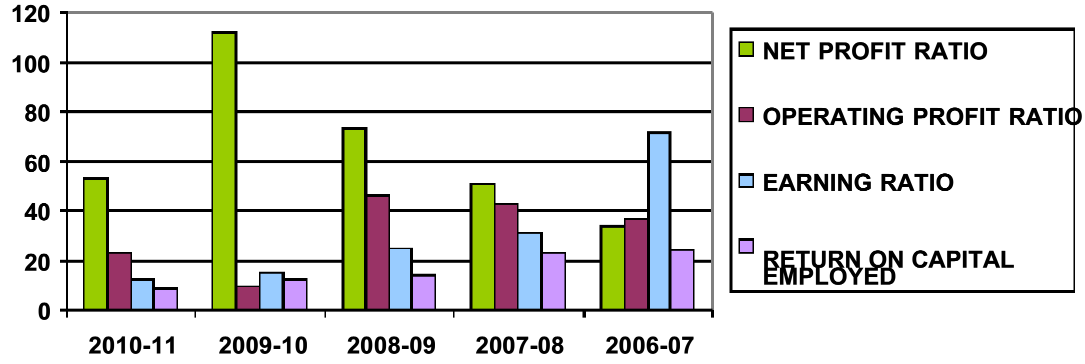
4. EARNING RATIO/ RETURN ON EQUITY = (NET PROFIT AFTER TAX) X 100 / NET WORTH

5. RETURN ON CAPITAL EMPLOYED = (NET PROFIT BEFORE TAX) X 100 / CAPITAL EMPLOYED

Table 7: Calculation of profitability ratios

YEAR	2010-11	2009-10	2008-09	2007-08	2006-07
SALES	294.61	142.11	145.17	227.44	137.22
GROSS PROFIT	70.94	27.57	76.97	128.25	53.26
GROSS PROFIT RATIO (IN %)	**24.08**	**19.31**	**53.02**	**56.39**	**38.81**
OPERATING PROFIT	68.06	13.42	67.00	119.24	50.26
OPERATING PROFIT RATIO (IN %)	**23.10**	**9.44**	**46.15**	**52.43**	**36.63**
NET PROFIT BEFORE TAX	155.56	158.75	106.03	115.32	46.10
NET PROFIT RATIO (IN %)	**52.80**	**111.71**	**73.04**	**50.70**	**33.60**
NET PROFIT AFTER TAX	106.24	121.84	74.74	75.89	41.45
NET WORTH	885.04	815.42	298.21	242.15	58.50
EARNING RATIO	**12.00**	**14.94**	**25.06**	**31.34**	**70.85**
CAPITAL EMPLOYED	1,701.00	1,270.32	745.26	493.71	189.60
RETURN ON CAPITAL EMPLOYED (IN %)	**9.14**	**12.50**	**14.23**	**23.36**	**24.31**

Graph 2:graphical representation of profitability ratios



INTERPRETATION

Profitability ratios are computed for the purpose of assessing the profitability position of the firm.

From the above data, the gross profit of the company reveals an overall good position. The efficiency of the management is very good with respect to earning profit before meeting indirect expenses. The lesser gross profit ratio in 2009-10 is due to lesser sales and more manufacturing expenses incurred as compared to previous 3 years. But still, it is satisfactory as compared to the standard norm of 20% to 30%.

Year 2008-09 and 2007-08 shows a very high gross profit ratio as the sales amount has increased a lot with a very less increase in expenses.

In the years 2010-11, 2008-09, 2007-08, we see that operating efficiency of the company is very high, resulting in high net profit ratio. Only in the year 2009-10, the operating profit ratio and the net profit ratio shows a contradiction. This may be due to the huge ‘other income’ received during that year leading to high net profit ratio and a low operating efficiency leading to low operating ratio.

Overall, the net profit ratio reveals that the company has a high profitability position after meeting all direct and indirect expenses and a very efficient management team with proper utilization of resources leading to high revenue.

As far as earning ratio and return on capital employed is concerned, it is constantly decreasing, the shareholders may get dissatisfied with this situation and may sell their shares. The decreasing ratios may be due to huge amount of interest paid to fixed interest bearers. The management has to be efficient and increase internal funding to satisfy shareholders and reduce the amount of interest paid.

CAPITAL STRUCTURE / LEVERAGE RATIO

1. DEBT RATIO = $\dfrac{\text{TOTAL DEBT}}{\text{TOTAL DEBT+NET WORTH}}$

2. DEBT EQUITY RATIO = $\dfrac{\text{TOTAL DEBT}}{\text{NET WORTH}}$

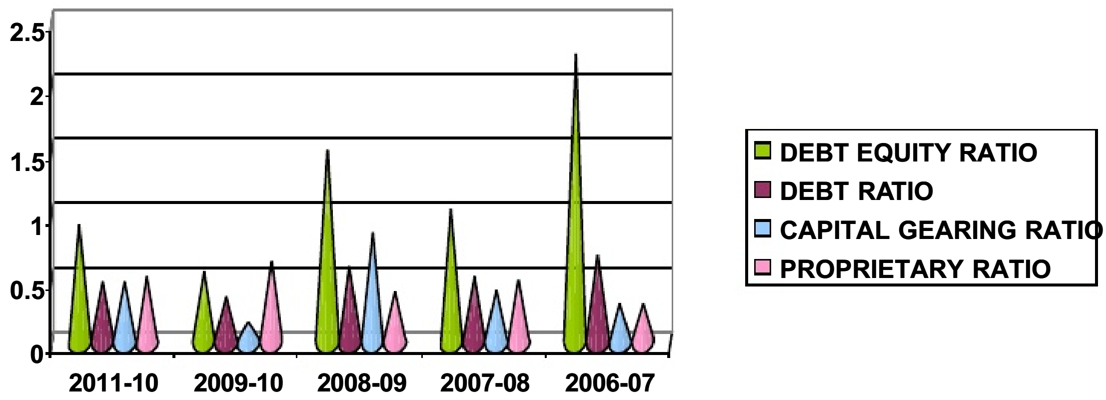
3. CAPITAL GEARING RATIO = $\dfrac{\text{FIXED INTEREST BEARING CAPITAL}}{\text{EQUITY SHARE CAPITAL+RESERVES AND SURPLUS}}$

4. PROPRIETARY RATIO = $\dfrac{\text{NET WORTH}}{\text{TOTAL ASSETS}}$

Table 8: calculation of leverage ratios

YEAR	2010-11	2009-10	2008-09	2007-08	2006-07
TOTAL DEBT	815.96	454.90	447.05	251.56	131.10
NET WORTH	885.04	815.42	298.21	242.15	58.50
DEBT EQUITY RATIO	**0.92**	**0.56**	**1.50**	**1.04**	**2.24**
DEBT RATIO	**0.48**	**0.36**	**0.60**	**0.51**	**0.69**
CAPITAL GEARING RATIO	**0.47**	**0.16**	**0.86**	**0.41**	**0.30**
TOTAL ASSETS	1,701.00	1,270.33	745.24	493.71	189.60
PROPRIETARY RATIO	**0.52**	**0.64**	**0.40**	**0.49**	**0.31**

Graph 3:graphical representation of leverage ratios



INTERPRETATION

Leverage ratios are used to analyze the relationship between the financial stability of the firm and the composition of its capital structure. They are used to measure the financial risk and operating risk involved in the activities of the firm.

From the above table of leverage ratios, we see that the debt equity ratio and debt ratio in 2006-07 is very high which is a very risky position because of the interest burden of the loan fund in capital structure. But, loan fund is comparatively cheaper due to tax benefits, so, the standard norm of debt equity ratio is 1:1 which helps to have benefits of both loan and internal funding.

The company has gradually decreased its loan fund and in the last year it was just around the standard norm which shows moderate risk and satisfied shareholders.

In the year 2009-10, the company reduced its debt part to approx. 50% which means it could have realized benefit by increasing debt. So, in 2010-11, the company increased it. The management of the company has taken a good decision.

The capital gearing ratio of the firm shows that it is a low geared firm. Year 2009-10 bears a very low risk as compared to 2008-09 which bears a moderate risk. The company follows a conservative approach. The disadvantage of this is that it cannot avail the benefits of trading on equity. Only in the year 2008-09, we see moderate ratio where the risk is not too high and to some extent benefits of trading on equity can be availed of.

Proprietary ratio reveals that more of debt part is used to acquire total assets. This situation is unfavorable for the firm due to high risk, unstable solvency and financial position. Outside investors may not be secured with low proprietary ratio.

ACTIVITY RATIOS:

1. INVENTORY TURNOVER RATIO = $\frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE INVENTORY}}$

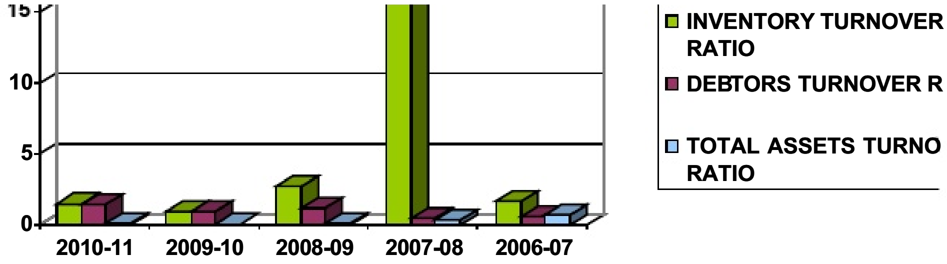
2. DEBTORS TURNOVER RATIO = $\frac{\text{CREDIT SALES}}{\text{AVERAGE RECEIVABLES}}$

3. TOTAL ASSETS TURNOVER RATIO = $\frac{\text{SALES}}{\text{TOTAL ASSETS}}$

Table 9: calculation of activity ratios

YEAR	2010-11	2009-10	2008-09	2007-08	2006-07
COST OF GOODS SOLD	223.67	114.54	68.2	99.19	83.96
INVENTORIES	192.43	143.59	52.50	11.56	78.79
INVENTORY TURNOVER RATIO	**1.16**	**0.80**	**1.30**	**8.58**	**1.07**
SALES	294.61	142.11	145.17	227.44	137.22
DEBTORS	200.18	137.71	114.02	405.71	219.79
DEBTORS TURNOVER RATIO	**1.47**	**1.03**	**1.27**	**0.56**	**0.62**
TOTAL ASSETS	1,701.00	1,270.33	745.24	493.71	189.60
TOTAL ASSETS TURNOVER RATIO	**0.17**	**0.11**	**0.19**	**0.46**	**0.72**

Graph 4: graphical representation of activity ratios



NO. OF EQUITY SHARES

2. DIVIDEND PAYOUT RATIO = $\frac{\text{DIVIDEND PER SHARE}}{\text{EARNING PER SHARE}}$

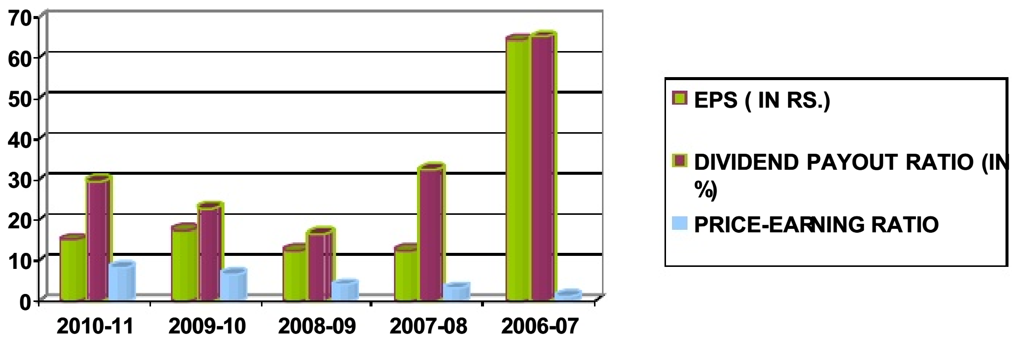
3. PRICE - EARNING RATIO = $\frac{\text{MARKET VALUE PER SHARE}}{\text{EARNING PER SHARE}}$

(PAT = PROFIT AFTER TAX)

Table 10: calculation of investment ratios

YEAR	2010-11	2009-10	2008-09	2007-08	2006-07
PAT (IN CRORES)	106.24	121.84	74.74	75.89	41.45
PREFERENCE DIVIDEND	00000				
NO. OF SHARES (IN LAKHS)	698.50	698.50	604.20	604.20	64.45
EPS	**15.21**	**17.44**	**12.37**	**12.56**	**64.32**
EQUITY DIVIDEND (IN CRORES)	31.43	27.94	15.11	24.61	27
DIVIDEND PER SHARE	4.5	4	2.5	4.07	41.89
DIVIDEND PAYOUT RATIO (IN %)	**29.59**	**22.94**	**16.55**	**32.40**	**65.13**
MARKET VALUE PER SHARE	126.71	116.74	49.36	40.08	90.78
PRICE EARNING RATIO	**8.33**	**6.69**	**3.99**	**3.19**	**1.41**

Graph 5:graphical representation of investment ratios



INTERPRETATION

Investment ratios supply some sort of information regarding share price, price earning, dividend per share, earning per share which is very important for the investors. On the basis of that they take their investment decision.

In the year 2006-07, we see in the above table that the earning per share is very high as number of shares is very less as compared to other years. After that, in the year 2007-08 and 2008-09, number of shares increased leading to lesser earning per share.

In 2010-11, the earning per share has decreased as compared to 2009-10 as we see that profit after tax has decreased from 2009-10 to 2010-11.

Now, it is seen that dividend payout ratio is very high in 2006-07 but it has gradually decreased. The company gave more dividends to equity shareholders in 2006-07 but after that it started to retain more earnings for internal growth.

As the book value of the share increased, the price earning ratio also increased. This means that shareholders will be benefited a lot leading to high reputation of the firm and highly competent management.

No doubt, Godrej Properties Limited is a highly reputed company.

CONCLUSION

From the above analysis, the summary of the financial performance of GODREJ PROPERTIES LIMITED can be given as follows:

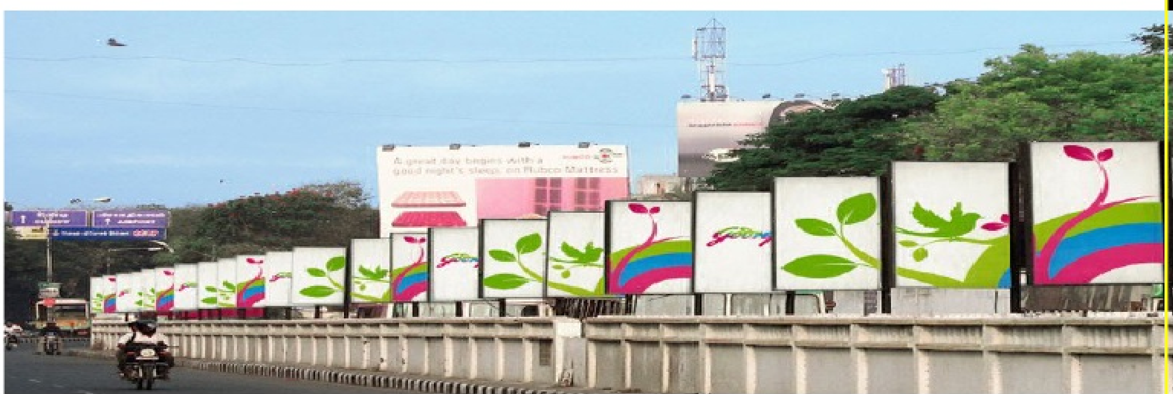
The company has a high short term liquidity and the short term creditors may feel very secure about the debt repayment capacity of the firm. The ratios are complying with the standard norm of the industry.

The overall gross profit and net profit of the company is very high showing a very efficient management. But, the earning ratio and return on capital employed shows an alarming situation as it is constantly decreasing. The management has to take effective steps immediately to control it as it may lead to dissatisfied shareholders.

In the initial years, the company had a very high loan fund in capital structure which was very risky, so it gradually increased its internal finance to reach the standard norm where the risk is not too high and benefits of trading on equity can b availed to some extent the proprietary ratio shows unfavorable position as external finance is used to acquire assets, which is very risky.

The inventory turnover ratio reveals very effective inventory management and proper control over operating cycle. But, the receivables management effectiveness has to increase further as the debtors turnover ratio shows a weak collection policy. Managerial incompetency is also shown in total assets turnover ratio. The company has to proper utilize its assets to increase sales.

The investment ratios show that the company retains most part of the earnings for its growth and declares a moderate dividend. The shareholders are satisfied as the price earning ratio is constantly increasing year by year with increase in book value of shares.



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