

NAVIGATING UNCERTAINTY: BUSINESS STRATEGIES IN THE INDIAN REAL ESTATE SECTOR AMID THE PANDEMIC

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Abstract

Companies follow generic plans to survive and grow whereas they adopt specific strategies to fit with the environment. The unprecedented pandemic arising out of the uncertain macro-economic environment and had an adverse impact on the real estate sector. This study delves into the unique strategies adopted by four leading companies to match environmental dynamism. This case study is based on secondary data. The information of the paper is primarily supported by the annual report of the company, the interview of the management, their presentation in investor meets. The strategy adopted by DLF was conservative and short-term focused, in contrast to the aggressive and long-term focused strategy of Godrej Properties. Oberoi Realty almost maintained status quo in its business operations, whereas Prestige Estates adopted an innovative strategy of generating cash by selling stake in many subsidiaries using which it purchased properties and projects at discounted prices. Even while operating in the same macro environment setup, a company's successful strategy may not be appropriate for all business models. Each business entity is distinct since they each have a separate set of strengths and weaknesses. This paper

aims to argue that the strategy is business-specific. Any effective business strategy of a company, though, might be modified and tailored to fit into another company with due care.

Keywords: Strategy, Real Estate Sector, Pandemic

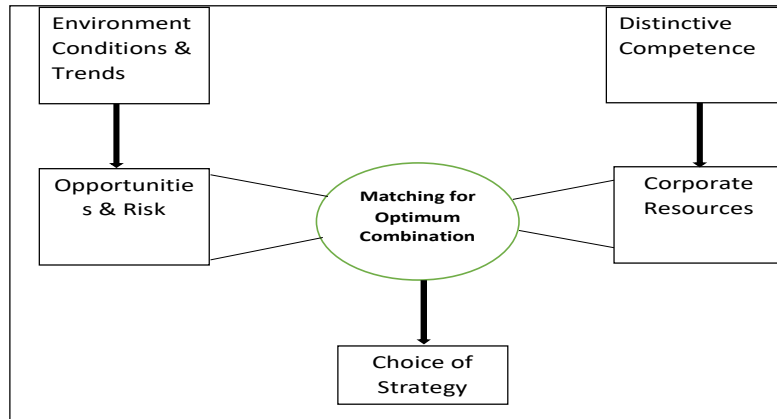
1. Introduction

The business strategy originates and is influenced by competitive thinking (Ghemawat, 2002). Sometimes, the businesses have to struggle for their survival or have to ensure sustenance for the future. The unique measure adopted by companies to combat such challenging situations can also be equated to business strategy. It is important for companies to take appropriate steps during crisis that will turn the adverse situation into opportunity (Hasan et al., 2020). The occurrence of Covid-19 has not only shaken the world and the businesses but also created an uncertain time then. The way the pandemic has still been unfolding itself is something which is unprecedented and unique compared to previous crises because it is different in respect of its impact and scope (Linton et al., 2020).

The resultant pandemic that gained prominence from the first quarter of 2020 brought all activities down to the knees. With the announcement of lockdown on March 23, 2020, the entire Indian economy was brought to a halt to an unprecedented level. The environment in which the businesses operate took a hostile look because of the crisis caused by Covid-19 (Ahmed, 2020). This led to turmoil in the business world as evident from the severe effect on business activities. During such situation of crisis, it is vital for businesses to

ensure that they not only re-invent themselves by adjusting their strategies and operations to meet the present but are well-equipped and prepared to face the difficult days that are anticipated in the future (Mele & Russo-Spena, 2020; Brown & Blackmon, 2005). To combat such crisis, building organizational resilience is the solution which is considered to be the process of overcoming the hiccups arising from the environment. It is about creating capabilities that helps to capitalize on the opportunities that the environment provides. In such a situation, appropriate building of corporate resilience is necessary so that the crisis can be fought with resistance by using competitive business strategies (Coutu, 2002; Lengnick-Hall et al., 2011). By the term resilience, we understand the capacity of an organization to respond appropriately to disruptions in the environment (Hamel & Valikangas, 2003). Andrew (1980) has developed a simple model for corporate strategy formulation [Diagram-1]. For developing this resilience in the face of environmental challenges, firms have to use their dynamic capabilities in order to address to dynamic environment (Teece et al., 1997). Each business entity has some specific features utilizing which it generates distinctive competence. The diagram below shows that a business depends a lot on the macro- setting and internal environment. The environment offers opportunities but also poses challenges to the business. The companies formulate strategy based on their resource and strength keeping in mind the opportunities and threats to them.

Figure-1: Corporate Strategy Formulation



[Adopted: Andrew (1980). The Concept of Corporate Strategy]

Covid-19 which is the key environmental development considered in this research has been referred to as the ‘black swan’ thereby pointing to an unpredictable and surprising event that severely changed the business environment to such an extent that it holds the potential to cause business failures. The sudden shock that mankind has been experiencing has disrupted businesses and compelled them to think afresh and decide about innovative ways to survive the crisis (Carnevale & Hatak, 2020; Seetharaman, 2020; Sharma et al., 2020). In such a situation, all the leading sectors of the economy (in terms of contribution to the GDP) experienced their activities coming to a standstill with severe Covid protocols in place towards the beginning of the crisis. At such a juncture, the concept of strategic change became important. The sudden shock highlighted the issue of environmental dynamism which has been bothering businesses since the fourth industrial revolution (Miles & Snow, 1978). The businesses were traumatized by the severity of the damage caused by the turbulent business environment. It is true that the business world went through extremely difficult circumstances

since the time Covid has been in the news but the businesses re-adjusted and re-positioned themselves by adapting to the changed circumstances that caused havoc to their forecasts of income and cash flow. This adjustment to change is the mantra for business survival and this is how businesses survive (Villajos & Sotoca, 2018).

The way businesses have renovated themselves to keep them alive reminds us of the Dynamic Capability theory given by Teece, Pisano and Shuen (1997). The theory discusses about the ability of companies to re-invent their capabilities and thereby reconfigure their internal and external competencies so as to fit into the changed circumstances. In fact, without this consistency, it is not possible to remain sustainable (Brown & Blackmon, 2005). The corporate world faced the challenge to remain strategically fit which is basic to the development of a sustainable organization (Rahman & Rahman, 2019). The resource-based theory which gives an insight into how performance of a firm is contingent not only upon the availability but also how capable is a firm to use these resources (Penrose, 1959). However, several researchers opined that the capability to use the firms' resources acts as a competitive advantage and also risk mitigation tool (Hasan et al., 2020; Saleem et al., 2020). Even if we do not consider an abnormal event like the pandemic, there is still no doubt that in the twenty-first century, the dynamism and volatility of the business environment has increased manifold due to which the need for strategic adaptation and change has gained tremendous importance (D'Souza & Williams, 2000) and more so because of the positive relationship between a firms' strategic positioning and its sustainable performance (Banker et al., 2014).

It is well-known that during such periods of crisis, the role of entrepreneurs and their orientation become matter of key importance as they have tremendous influence on business performance (Amin et al., 2016; Alegre & Chiva, 2013; Glaub et al., 2014). This proved relevant for all businesses especially the real estate sector in India and others that were severely hurt due to the disruption in construction activities, sudden loss of jobs and a feeling of fear and apprehension gripping the entire nation. The advent of pandemic created a fear that it would cause severe effect across different sectors including the real estate (D'Lima, 2020, Del Giudice et al., 2020). Boshoff et al. (2020) in the study on the real estate business anticipated the sudden spurt in the number of lawsuits because of the inability to perform the agreements as per various contracts. Thus, there was a serious concern about the future of the sector that was ravaged severely after the blitzkrieg of the pandemic.

The present paper focuses on the real estate sector that faced the situation very boldly despite odds unfolding over time. The basic reason behind choosing the real estate sector is the key impact that it makes towards the growth of the Indian economy as evident from policy reports. The contribution is not only in terms of its contribution to the GDP (presently 7% which is expected to go up to 30% by 2030), employment generation (as the second largest employer) but also the quantum of FDI that it attracts (second in terms of rank) and the huge number of industries that are closely dependent on this sector. The leaping growth in the market size of this capital-intensive industry is evident from the estimated growth rate which is 20% per annum (<https://pib.gov.in/newsite/PrintRelease.aspx?relid=199821>). There are limited studies that looked into the implications of the corona virus spread on the real estate sector in India and the strategies taken by the players to

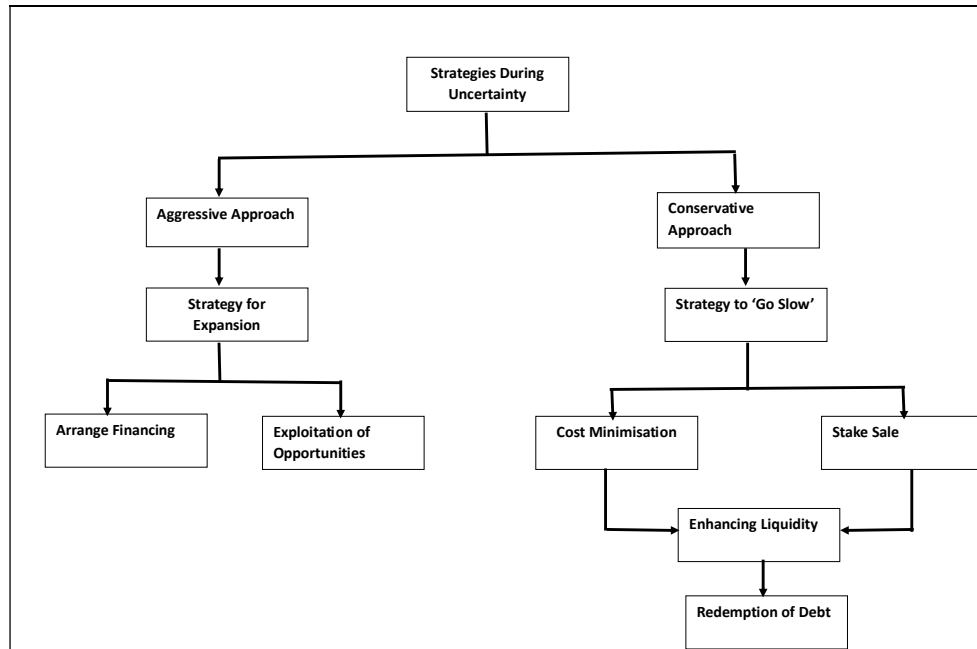
compete during this difficult time (Tanrivermis, 2020; Uchehara, 2020). Bhoj et al. (2020) in their analysis of the Indian real estate industry opined that the business would be severely hurt as the industry had just started its recovery journey following the sudden demonetization exercise and the implementation of Goods and Services Tax Act. The unprecedented pain inflicted by the pandemic due to the stoppage and slowdown in construction activities would slow down the recovery of the sector.

II. Conceptual Framework

Sharma (2020) et al. opines that managing uncertainties requires strategies that assist companies to reduce risk or to cope with uncertain events. Covin (1991) found strategy may exert influence on the competitive tactics and business practices of a company. Smart & Vertinsky (1984) observed that some organisations tend to react defensively whereas some organisations develop abilities to cope with the crisis aggressively. They further divided the strategies in two dimensions: (a) Entrepreneurial and (b) Adaptive. The entrepreneurial strategies could assume tactical decisions in the short term and strategic decisions in the long term. On the other hand, Adaptive Strategies assumes firefighting like decisions in the short term whereas planning in the long-term decisions. Based on their samples, Covin (1991) concluded that firms with entrepreneurial strategy tend to outperform in organisational growth. However, he also cited some studies which mentioned that conservative strategies could also be highly successful. Tomita (2020) developed a framework of business strategy based on corporate philosophy and could found the evidence in its favour. Hambrick & Mason (1984) in their seminal work observed that strategic choices are particularly predicted by traits of top management.

Based on the above literature, a conceptual framework has been demonstrated in Diagram-1. In this paper, two types of strategies (a) conservative strategy and (b) entrepreneurial strategy have been considered.

Figure 2



Source: Authors' Construct

The conservative approach is followed by several companies. They adopt 'wait & watch' policy. In other words, these companies assume cautionary approach during this period of uncertainty. The management of these companies seek to take proactive decisions at the time of predictable business environment. For the purpose, these companies do not even operate at normal level due to slackness of demand and postpone all the plans for expansion in the future. Thus, the company could curtail cost and ensure liquidity. This way these companies tends to minimize risk. Some of these companies also sell a part of their stake or noncore business to accumulate liquidity to

get shielded from the contractual obligation e.g. payment of instalment during the uncertain times. Some of such companies also redeem their debt prematurely.

On the other hand, the aggressive strategy seeks to expand the present operation and its business. These company seeks to exploit the hesitation and dilemma of its competitors due to the uncertainties. Such companies seek to exploit opportunities by grabbing productive assets at a bargain price. The company also arrange for finance to fill the growth engine. Normally, due lack of demand of finance during uncertain period, the finance cost remains reasonable.

III. Data & Methodology

The present study is a case-based study. The study is based on secondary data and primary data. The interviews of the top management, annual report has been considered. The paper also considered data from Capitaline database and moneycontrol.com.

Primarily, the paper discussed seven real estate companies. Based on the theoretical framework, four different kind of business strategies has been considered at the time of uncertainty (1) Wait & watch Policy (2) Remaining Bullish for the future (3) Managing Risk (4) Accumulating Liquidity. The financial characteristics and business philosophy of the four real estate companies has been considered and analyses how those companies have adjusted their business strategy to combat uncertainty.

IV. Analysis & Findings

There was immediate impact of pandemic on three counts: Firstly, thousands of migrant workers went back from the job sites to their native places hampering the construction operation. Secondly, with the offices shut and business activities down to their knees, sudden loss of employment, decline in income and uncertainty about future income had a bearing on the purchasing decisions of the customers of long-term assets with postponement of purchases that had become so common. The real estate sector is no exception and it also experienced a sudden slump in sales. The extent of severity can be gauged from the different reports that have been published from time to time. As per the India Ratings Report, residential demand declined by 40% in the first half of FY 21 which is close to the decline in sales by 30% as reported by KPMG for the period 2019 to 2021. The report by Anarock Property Consultants mentioned about a decline by sixty percent from almost sixty thousand residential units in 2020 to around twenty-four thousand in the seven major Indian cities. Thirdly, many companies started the practice of work from home for their employees leading to reduction of demand of office space. The outright sales and lease rental of office space has been declined sharply. A survey report by Cushman & Wakefield mentioned that there was a fall in the leased office space by one-half to thirty-five lakh square feet. Thus, the impact on the real estate sector was extremely severe.

Effect of pandemic on real-estate companies

The discussion above makes it obvious that the real estate sector as a whole suffered a setback due to COVID 19 pandemic. A report published in the Economic Times on April 10, 2020 reported that an estimated loss of more

than rupees one lakh crore had already been inflicted upon the sector, though with varying levels on different real estate companies. The sales declined at various levels and the consequent reduction in profit is not in the same proportion.

Table-I: Effect on selected real estate players due to Covid-19

Company	2019		2021		Change in Sales	Change in Profit
	Sales (₹ cr.)	Profit (₹ cr.)	Sales (₹ cr.)	Profit (₹ cr.)		
Sobha Ltd.	3442	282	2110	66	-39%	-76%
Kolte-Patil Developers	866	75	692	-6	-20%	-108%
Anant Raj	350	43	250	13	-29%	-70%
Indiabulls Realty	4944	504	1521	4	-69%	-99%
DLF	8366	1319	5414	1094	-35%	-17%
Godrej Properties	2817	253	765	-189	-73%	-175%
Oberoi Realty	2582	817	2053	739	-20%	-10%

Source: moneycontrol.com

It is observed from Table-I that the sales of all companies in the real estate sector is affected during the pandemic. The sales growth ranges from -20% p.a. to -73% p.a. and the profit growth ranges from -10% to -173%. Thus, it is understood that the pandemic has affected the sales and resulting net profit in different proportions. The company had to manage its performances on both turnover and profitability.

In case of most of the companies, the profit has reduced at an accelerated rate in relation to its reduction in sales. In fact, due to the carrying cost of huge capital work-in-progress and unsold inventory, the operating leverage of real

estate companies is generally high. As a result, the decline in profit of most of the companies in this sector is higher in relation to its decline in sales. The de-growth in profit of DLF and Oberoi Realty is less severe compared to the sales. In this context, it makes sense to look into the strategies adopted by DLF and Oberoi Realty to tame the adverse effect to the extent possible. Further, the Godrej Property also adopted a very proactive approach to overcome the pandemic blues which is not being reflected in the book of accounts of the current year. In the following section, the strategies adopted by the selected real estate companies to overcome the adverse effect of pandemic are discussed.

Strategies of selected Real Estate players

The strategies adopted by the companies to combat pandemic blues are company specific. Based on their own strengths and weaknesses and also with their business principle, each company determines its own strategy. As soon as a strategy is implemented or can be implemented by all companies within an industry for better functioning, the strategy turns out to be a norm. The sudden onset of Covid-19 proved all assumptions of business managers wrong. The unprecedented environment came as a jolt to the entire world, especially the business community due to the sudden implementation of several restrictions which slowed down or stopped the wheels of business operations. In such a scenario, the innovative response was the key that decided the fate of organizations (Jimenez-Jimenez, 2011). In the case of the real estate sector in the country, the key players responded variedly as a reaction to the sudden crisis that hit the economy and the industry. Strategic prospecting was ensured by the competitors to ensure that the alignment between the environment, capabilities and performance continued (Miles &

Snow, 1978) which was necessary for dealing with the short-term blow and prosper in the long-term

In the following section, the strategy adopted by DLF, Godrej Properties and Oberoi Realty, the three leading players are discussed.

DLF: Wait & Watch Policy: Slowing Down Operation in the Short term

DLF is a commercial real estate developer that has been in the operation of developing residential, commercial, hospitality and real estate complexes since 1946. The key sources of its income include sale of commercial and residential property, collection of lease rentals from properties and joint venture business. The company is characterized by high liquidity. As on 31st March, the cash equivalent of DLF stood at Rs.2410 cr.

DLF assessed the shock imposed by the pandemic as the immediate future of real estate business did not look as rosy as the pre-covid period. The demand for residential units was subdued. The inventory remained unsold for well above the average period. The tenants faced difficulty in paying lease rentals. In this context, the management of DLF decided to wait and watch for the scenario of sector to be clearer and predictable. As a result of this understanding, the management decided to slow down the pace of the operation. The idea behind approach was to curtail the cost to the extent possible during the difficult time. The real estate sector, in general and DLF, in particular had two types of fixed charges viz. the cost of carrying huge inventory including capital work-in-progress and the contractual obligation arising out of debt.

In line with the strategy of reducing cost, DLF adopted several measures. Firstly, the company did not launch any new project during the first two

quarters of 2020-21. As the company slowed down the pace of the construction operation, the overheads got reduced by 35% as per the financial statement of the company. Further, the piling up of inventory in the background of sleek demand was avoided. Secondly, the company focused on monetizing the existing the inventory. The company also aimed at finishing the unfinished construction work and delivering them to customers and ensuring the inflow of liquid fund. With reduced overhead cost and net inflow of fund, the company had enough liquidity. In this context, the company could repay substantial amount of debt prematurely to reduce a large chunk of finance cost. DLF also adopted measures keeping in view the future. The company emphasized on the joint venture (JV) business because of two reasons. The JV business shares the risk of uncertain future and secondly, a JV takes some time to take-off to start its operation. From the lease rental point of view, DLF adopted a pragmatic approach. Many of the tenants could not pay their lease rentals during this period. Instead of moving for litigation and termination of lease contract for the loss- making retailers and small business, DLF offered waiver of rent during lockdown period and reduction of rental for rest of the year. Thus, the small business could survive and could honour the lease rental contracts. Furthermore, to survive the challenges posed by the pandemic, DLF focused on reducing the cash outflow on the one hand (by reducing debt) and increasing cash inflow (by selling-off inventories) on the other. This shift resulted in more cash generation even during the pandemic period. The figures have been presented with the help of numbers as given in the table-II below.

DLF: Impact of the strategy

To combat the uncertainty arising out of the pandemic, DLF has adopted conservative strategy. They decided to scale down the level of operation. As a result, the sales during the period have come down by 35% to Rs. 5750 cr. The operating expenses have come down proportionately. The company focussed on completing the unfinished projects and selling existing inventory showing a 23 % decrease in capital work in progress. With the existing liquidity position and reducing the level of working capital, the company redeemed debt substantially by 62%. With this measure, the company reduced the interest cost by around 60%. All these measures of DLF helped it to contain the loss by a manageable 17%.

TABLE-II: DLF: Effect of Covid-19 and its counter strategies

Particular	2019 (₹ cr.)	2021 (₹ cr.)	Change	Comment
Sales	8366	5414	-35%	Fall in Sales
Operating Exp.	6225	3971	-36%	In line
Debt	17222	6563	-62%	Repaid
Interest	2062	853	-59%	Reduced
CWIP	6322	4856	-23%	Monetisation of Inventory
Net Profit	1319	1094	-17%	Fall in Profit

Source: moneycontrol.com

Godrej Properties: Bullish for Future

The strategy of Godrej Property at the time of uncertainty is in sharp contrast with that of DLF. Due to sudden fall in demand, many small players in the sectors were shaken. Many of these players faced severe liquidity crunch in the backdrop of poor cash inflow due to decline in sales. These companies

were not in a position to carry on construction operation at the full scale. On the other hand, the operations of big realtors, also affected by lackluster demand, waited for the economic picture of the sector to be clearer and predictable. In this context, Godrej Properties adopted the policy to remain aggressive. The company wanted to fill up the vacuum created by small and big developers. It prepared itself for the future. Further, it may be noted that, though the demand in the sector was subdued during the period, it was not insignificant. The plan of Godrej was to be proactive when other players were cautious. To implement its aggressive strategy, Godrej Properties follow different courses of action which can be divided into three segments --- (a) operational strategy (b) marketing plan and (c) arrangement of fund.

The company planned to continue its construction activities to the extent possible, even if the sales remains subdued during the period. As the level of sale was poor and the operational activities were at full swing, the company needed funds to finance its projects. To attain its goal in the period of pandemic the company adopted several measures. Godrej Properties launched a scheme, "Hope has a Plan", for their residential units lying in the stock. The scheme offered a 10% down payment for getting a residential unit of Godrej brand registered in his name. The rest 90% would be paid in installments which would start after taking possession. This was a unique offer from Godrej. The company guarded itself against any adverse impact that could be foreseen in the scheme. The offer clause of the scheme provided that the cancellation of confirmed booking would amount to forfeiture of the down payment. Further, the company escalated the price to offset its increased finance cost. The scheme 'Hope has a Plan' contributed a mammoth share of 80% of the total sales during this period.

During the period of lockdown and subsequent period restrictions, the physical visit to the site was difficult. In this context, the company opted for digital marketing and digital sale. As the local people preferred to visit the construction site physically for taking a purchasing decision, so the domestic demand was not up to the mark. The company, therefore, focused on the NRI market in the foreign countries as not only NRIs were more familiar with digital transactions but also, they were not in a position to visit the site anyway. In this context, the idea of demonstrating various properties virtually to the customers especially to NRIs yielded results. In fact, NRIs contributed 50% of the total sales during this period. The NRI market never looked so lucrative earlier. As a result of its positive move, the company enjoyed an uptick in its confirmed order book. In fact, Godrej Properties clock edits all-time high booking of residential units worth Rs. 6750 cr. However, things were not very easy to implement at the ground level. The scheme like ‘Hope has a Plan’ required huge financial investment. To finance its projects, the company looked at the liquidity position and fresh borrowings. As on 31st March 2019, the company had over rupees five thousand crores of cash or cash equivalent assets which was enough to carry on with its construction activities. The company issued fresh non-convertible debentures worth around thousand crores to ensure liquidity to finance its aggressive strategy.

Godrej Property: Impact of the strategy

In the following table some pertinent figures are presented to demonstrate the impact of the strategy of the company. The company registered record booking during the 2020-21 but that was not reflected in the books of accounts. This was due to accounting policy of the company. Godrej Properties did not consider even the confirmed booking as sale. They

considered a transaction as sale only when most of the money of the booking was received. In the case of sale under the scheme ‘Hope has a plan’, the company formulated a 10-90 plan. The scheme was a great success but the confirmed booking with 10% receipts was not considered as sale. Again, the scheme which was basically a deferred payment scheme had a detrimental effect in the collection period with a huge jump from 21 days to 114 days. The company showed a negative growth of 73% of its sales. The company also issued NCDs afresh due to which the debt level escalated by 28%. Though, the company continued with its construction operations, sale was lackluster, due to which the capital working progress (CWIP) rise by almost 130%. In the background of poor sales and due to the incremental finance cost and cost of carrying CWIP, the net profit showed a whopping degrowth of 175%. However, due to advance received out of record booking of residential units during this period, the cash and cash equivalent balances rose by over hundred percent.

Table-III: Godrej Properties: Effect of Covid-19 and its counter strategies

Particulars	2019 (₹ cr.)	2021 (₹ cr.)	Change	Comment
Sales	2817	765*	-73%	All time high booking not reflected
Net Profit	253	-189	-175%	Due to Lower Sales
Debt	3561	4542	28%	₹1000 cr. NCD
CWIP	100	229	129%	Delivery is slower than development
Collection Period	21	114	443%	Deferment of Dues
Cash+	5259	10600	102%	Flat booking amount added

Source: moneycontrol.com

Oberoi Realty: Managing Risk in the Context of Business as Usual

The company serves the premium category in the real estate sector and enjoys the highest operating profit margin (over 49%) demonstrating its competitive strength. Based on its position in the sector, the company re-framed its strategy. Though the demand scenario was not same as pre-pandemic period, the functioning was similar to that of pre-pandemic period. In other words, Oberoi Realty adopted the hybrid mode which was in sharp contrast to the strategies adopted by DLF and Godrej Properties. On the one hand, the company tried to reduce finance cost, whereas, on the other hand, it went for normal construction business with popular self-promotion measures. The measures undertaken by the company can be divided into three sections: (a) risk management (b) liquidity management and (c) sales promotion.

The outlook of the future was not very certain. The company intended to manage its risk at low level. In this context, the company decided to repay the non-convertible debentures (NCD) prematurely. As a result, the company needed to shoulder the contractual burden of paying interest and principal which was a load when inflow of fund was not satisfactory and also unpredictable. Oberoi Realty prepaid around Rs. 100 cr. NCD, twenty-one months ahead of the schedule payment. However, the company assumed fresh debt later on at a lower finance cost when the operation was almost at full swing. As a part of its survival strategy, the company also liquidated its long-term investment. It is observed from the books of accounts that one-third of the long-term investment was sold. The amount arising out of the sale of investments served twin purposes. Firstly, it helped the company to redeem the NCDs as stated above. Secondly, this course of action served as a cushion

for managing the possible liquidity crunch that existed during the period of uncertainty.

The Oberoi Realty also adopted several sales promotion measures to augment sales in these difficult times. The company launched the liberal deferred payment scheme for the first time wherein the customer had to pay 25% amount as down payment for booking a residential flat and on possession, the remaining 75% would be required to be paid in five equal instalments at zero percent rate of interest. To safeguard its interest in such a scheme, the company finally granted this scheme only to the bank-approved customers. As the company noticed a decline in the demand for office space, in contrast to a rise in the demand for spacious residential units, the company proactively decided to focus on the segments where the market demand was. The Maharashtra government waived off 100% of registration fees for real estate sale during the crisis period. As Oberoi Realty mainly operates in Mumbai and within the state of Maharashtra, their customers and the company were a major beneficiary of the development.

Oberoi Realty: Impact of strategy:

Oberoi Realty assessed the impact of the pandemic and never considered it as a long-term phenomenon. Further, the management was confident about their ability to maintain the customers' preference. In this context, Oberoi Realty decided to carry on business as usual to the extent possible. From TABLE-IV, it is observed that the sales volume declined by 20% during the period of study. Considering the period of complete lockdown and restrictions at different levels, the decline of the sales may not be considered severe. The cost-cutting measures were fruitful to an extent and operating expenses declined more than proportionate decline in sales. As the company

decided to continue with its normal construction activities despite subdued sales, the capital work in progress rose by a whopping fourteen times. The average collection period from tenants and customers increased by 53% as the company offered relaxation. However, the average collection period was still better than the industry average. From TABLE-IV, it is observed that the sales volume declined by 20% during the period of study. The company arranged its fund requirement for construction activities and acquisition in the absence of normal cash inflows out of sales during usual period by selling a third of its long-term investment for Rs. 1628 cr. It is important to note that, by implementing its strategy successfully, Oberoi Realty managed to contain the decline in net profit by a mere 10%.

TABLE-IV: Oberoi Realty: Effect of Covid-19 and its counter strategies

Particulars	2019 (₹ cr.)	2021 (₹ cr.)	Change	Comment
Sales	2582	2053	-20%	Manageable impact
Operating expenses	1427	1052	-26%	Almost in line with sales
Net Profit	817	739	-10%	Minor impact
Debt	1586	1534	-3%	No fresh debt
CWIP	126	1980	1471%	Construction
Collection Period	15	23	53%	Better than industry

Source: moneycontrol.com

Prestige Estates: Accumulating Liquidity

Prestige Estates is in the business of real estate activities consisting of development, construction of properties and sale of properties, leasing of offices and retail properties. The company is mainly active in South and

Western Indian states. The company earns revenues through three segments - sale of residential properties (76%), property rentals (15%) and services (9%). Contrary to the performance of other three companies stated earlier, Prestige Estates made a handsome profit. In this context, the strategy adopted by the company is relevant to discuss. With a gloomy macro-environment, the demand for real estate properties got scaled down. The company focused on maintaining liquidity to avoid missing out on the emerging opportunity and also to reduce fixed charges (cost), wherever possible. As a part of its strategy, during the pandemic, the company identified a pricing disparity between different classes of real estate properties. The big-ticket real estate market was characterised by institutional players and price was based on inter-play of market demand and supply. But, during the pandemic and uncertainty all around, only a few institutional buyers were active. Therefore, the pricing would be inclined towards cost and the bargaining process especially for the new or upcoming properties. On the other hand, the existing properties were priced at a discount on market price. Further pricing of retail units did not decline unlike commercial places. Prestige estate intended to exploit this asymmetry in pricing. Prestige sold its holdings of constructed and unfinished inventory and bought projects with ascertainable marketability and price.

To implement the idea, the company instead of waiting for retail sales to pick up, the company searched for value unlocking of its finished and under-construction inventories. It put a lot of importance on persistent searching of properties and buyers. Finally, the company signed a deal with Blackstone Group for sale of five completed office projects and 85% stake in nine shopping malls. This deal was a game changer for the company. Moreover,

the company sold its investment property worth over rupees six thousand crores to strengthen its liquidity position. As a result, the company ensured enough liquidity to manage the adverse impact of pandemic on its financials in the immediate and near future. With adequate liquidity, the company went into expansion mode as evident from its venturing into three big projects. Firstly, the company was engaged in organic initiative by building the largest hotel and convention centre in India near Delhi under JV partnership agreement. The construction of such a big project required enough gestation period to run at the full capacity. Secondly, the company added two luxury hotels - Sheraton and Conrad at attractive prices. The company also bought Forum Sujana Mall at Hyderabad from its joint venture partner. Further, the company focussed on Tier-II cities as demand of retail space was rising. The company used this passive quiet period of demand to develop for the future. As the long-term story of the real estate sector was intact, the company was sure to make great business in future.

Apart from continuing its construction activities, Prestige Estates took another very important step with the help of its liquidity. The company redeemed 62% of its debt to reduce substantial amount of finance cost. The debt equity ratio declined from 1.46 to 0.54. The company was also able to hedge its risk during the period of uncertainty.

TABLE-V: Prestige Estates: Effect of Covid-19 and its counter strategies

Particulars	2020 (₹ cr.)	2021 (₹ cr.)	Change	Comment
Sales	8125	7264	-10%	Minor Impact
Net Profit	403	1456	261%	Jump in Profit
Other income	161	1707	960%	Stake Sale
Debt	9272	3611	-61%	Debt Reduced
CWIP	2143	2740	27%	Construction: Usual
Cash+	712	2401	237%	Liquidity Enhanced

Source: moneycontrol.com

Prestige Estate: Impact on Strategy:

The impact of the strategy on the selective financials has been summarized in TABLE-V. The sale of the company declined by 10% around Rs. 7250 cr for the financial year ended 2021. However, surprisingly, the profit figure jumped by a whopping 261% to Rs. 1453 cr. which was mainly due to profits that arose from the stake sale of several real estate projects. With the fund raised out of the monetization of several real estate projects, the company redeemed its debt by a substantial 61% to over Rs. 3600 cr. The cash and cash equivalent assets increased by 237% with the help of which the company focused on a mega project involving construction of a large hotel and developing real estates and building residential units in tier-II cities as per the rising market demand. The sale was not up to the mark demonstrating increase in capital working progress by 27% during the FY 2020-21.

V. Conclusion

The four real estate companies might have adopted business strategies according to personal traits of top management of the companies as observed by Hambrick & Mason (1984) in influential work.

Miles & Snow (1986) in their seminal work found four types of decision makers: (a) Defender--- operates in narrow domain (b) Prospector – first mover in the environment (c) Analyser--- analysis the competitors' action and acts accordingly and (d) Reactor --- acts only when forced by the environment. However, in this study, prospector may be considered as entrepreneurial whereas Defender, Analyzer and Reactor business strategy as conservative or adaptive as mentioned earlier.

In this study, Godrej Properties Limited (GPL) might be considered as Prospector. The company observed that the competitors were at a loss during the uncertain time crested by pandemic. So, has GPL aggressively marketed their product during and tried to capture the lion's share of the real estate market. Even if the demand scenario in the industry was feeble, GPL found the opportunity in the absence proactive competitors. Oberoi Realty might be considered as the analyzer. They were analyzing the uncertain situation tried to find the clue out of it. During the period of study, the company did not borrow any fresh debt rather it reduced investment to ensure liquidity during uncertain period. The focus of the management of Oberoi Realty was managing risk during the period of uncertainty. DLF Ltd. and Prestige Estate may be considered as the Reactors. DLF slowed down operation and adopted a cautionary approach. The company curtailed overhead, reduced debt and monetized existing inventory. On the other hand, to manage uncertainty, Prestige Estate during this period sold business stake and reduced debt. The

priority of both DLF and Prestige Estate was not to go aggressive during this period.

The paper discusses the business strategies of real estate sector in India during uncertain times. In other words, the study deals with strategy during uncertain times arising out of Covid 19 pandemic. Thus the study further looked into the strategies adopted by different companies in the real estate sector to combat the adverse effect of the pandemic. In this paper, four companies were considered to study the strategy adopted by the companies. It is observed that the companies followed the Andrew's Strategic Framework (1980). DLF decided to adopt conservative strategy and to 'go slow' until the future became predictable. The company scaled down the level of operation and it restricted its construction activities, reduced the finance cost by prepayment of loan, thus allowing the company to reduce its cost and lessen the impact of lower sales on profit. Contrary to the short-term outlook of the DLF, Godrej Properties adopted a long-term outlook. During the pandemic when sales were subdued, Godrej intended to adopt aggressive strategy. They continued with their construction activities in full swing. In commensurate with the over strategy, the company resorted to aggressive marketing approach as well. Further, the company arranged fresh funds to finance all their activities. Oberoi Realty assessed the situation arising out of pandemic but was neither as aggressive as Godrej Properties nor as subdued as DLF. They decided to run business as usual without disturbing the pace of construction activities with the confidence to enjoy leading market share. The strategy followed by Prestige Estates was in line with the declining sales during this period. Thus, the company made one-time gains by making stake sale in some of its subsidiary companies. The strategy should be evaluated to

look beyond the short-term outcome (Rumelt, 1998). It may be concluded that all the leading companies in the real estate sector were responsive towards the situation arising out of pandemic. Some companies focused on short-term, whereas few realigned their activities to take advantage of the crisis and focused on long term. It is observed that they were more or less successful in their approach. However, the impact levels were varied and their relative success dependent upon their immediate adjustment to the environmental dynamism to handle the crisis. Successful strategy of a company may not fit for all types of companies even in same macro environment set up. In fact, each business entity is unique as characterised by different sets of strengths and weakness. This paper intends to opine that the strategy is company specific. However, any successful strategy of a company could be modified and customized to fit into another.

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