

THE RISE AND RISE OF ADANI'S REALTY PLAY

Adani Properties is fast becoming a key mover and shaker in India's booming real estate market

Madhurima Nandy
madhurima.n@htlive.com
BENGALURU

"Mumbai is my second home," billionaire business man Gautam Adani said in a statement, a day after the much-awaited Dharavi redevelopment survey began on 18 March. "Dharavi is not just a business model. I feel proud and privileged to have the opportunity to lead the redevelopment of Dharavi. Of all the work our group does, Dharavi is closest to my heart," Adani further added.

In November 2022, Adani Properties Pvt. Ltd won the mandate to execute the redevelopment of Dharavi, one of the world's largest slum clusters that sprawls over 600 acres in the heart of Mumbai, with a bid of ₹5,069 crore.

The revamp involves the daunting task of resettling an estimated million people. The ongoing survey, based on which home eligibility for the slum dwellers will be decided, is critical for the project's future, and for that, the support of Dharavikars is key. Gautam Adani, the chairman of the ports-to-power conglomerate Adani Group, was seeking that support through his statement.

If successfully executed, the project will give Adani Properties access to prime land in the heart of Mumbai, which property consultants said is equivalent to developing over 150 real estate projects. And it would establish the company as a key mover and shaker in India's booming real estate market.

Adani Group's realty play is fairly new—just 14 years old. Until 2013, the real estate business was part of Adani Enterprises Ltd, Adani Group's flagship company. Then it came to be housed under Adani Properties, which is held by the promoters and operates under the brand name Adani Realty.

Over the last four years, the brand has started scaling up faster, coinciding with the housing boom and consolidation in the market. Apart from the Mumbai Metropolitan Region (MMR), today, it has real estate projects in Pune, Ahmedabad and Delhi-national capital region (NCR). The project portfolio totals 200 million sq. ft, of which around 23 million sq. ft is developed, a person familiar with the company's plans informed. He didn't want to be identified. Over 40 million sq. ft is under development and around 130 million sq. ft is earmarked for potential future development.

Separately, Adani Group firms are also acquiring land for its fairly new data centre business, and has undertaken commercial development on land parcels around the airports it owns.

"The projects they have acquired, the ability to take large bets and their keenness for special projects differentiate them from other developers. In the coming years, the company has the potential to become the largest developer in the country," said Pankaj Kapoor, founder and managing director of Liases Foras Real Estate & Research.

In 2022-23, Adani Properties generated revenue of ₹4,948 crore, according to data sourced from Tofler. In that year's pecking order, the company came fourth after DLF and DLF Cyber City Developers Ltd (₹11,114 crore), Macrotech Developers (₹9,470 crore) and the Prestige Group (₹8,315 crore).

While the company is ambitious and has the financial muscle, the real test would be in execution and delivery of these projects, several people *Mint* spoke to said.

HOUSING-LED

In 2010, in Ahmedabad, Gautam Adani's hometown, the group launched a 600-acre mixed-use development township project, Shantigram. This was the starting point of Adani's real estate journey. The project quickly became the city's biggest real estate development back then with an estimated ₹5,000 crore invested.

Since then, the group has launched residential, office, retail and social club projects across the cities it operates in.

"The company has a healthy pipeline of project launches," said the person familiar with the company, quoted above. "Future launches may include serviced apartments, branded residences, hotels, high-street retail and built-to-suit commercial buildings. The company may do plotted development given the growing demand for second homes," he added.

The ongoing housing sales boom has led to large developers crossing higher sales peaks every year. The top four developers—DLF Ltd, Prestige Group, Godrej Properties Ltd and Macrotech Developers Ltd—have been fast gaining market share and are expected to cross a new sales milestone of ₹14,000 crore each in 2023-24. Adani Realty also sees the current mar-



File photo of Dharavi, Asia's biggest slum, in Mumbai. The redevelopment of the slum involves the daunting task of resettling an estimated million people.

MINT

ket as a big opportunity to strengthen its residential business, particularly large developments. Adani Realty's launch pipeline, for instance, includes an 800 acre township in MMR. On execution, the company is looking to reduce the time cycle between project planning and launch to capitalize on the sales momentum.

"There is a clear shift in homebuyers' trust towards large, branded developers. What sets Adani Realty apart from other corporate developers is their ability to take on large scale and complicated projects," said Anuj Puri, chairman of Anarock Group, a property advisory.

THE MUMBAI CHAPTER

Every developer wants a larger share of Mumbai, which accounts for over 40% of home sales among the top cities. It is here Adani has fast gained scale, picking up complex projects.

While in other markets, the company has largely developed greenfield projects, in Mumbai, where clean land is a rarity, it

Dharavi is Adani's biggest real estate challenge yet. Slum redevelopment is risky, tardy and often messy because of policy paralysis, political interference and litigation.

has taken on distressed ones. For instance, in 2021, Adani Realty acquired developer Radius Estates' stake in a luxury residential project, 'Ten BKC', in Bandra east, through the National Company Law Tribunal (NCLT). Radius went into insolvency. Adani is currently developing the project with DB Realty Ltd.

Adani evaluates a wide format of associations like joint ventures, joint developments and land purchase for higher scalability. "The company evaluates and partners with projects that it thinks it can turn around," said the person quoted above. In recent years, Adani has also taken over slum redevelopment projects from Housing Development and Infrastructure Ltd (HDIL), via NCLT, including the Bharat Nagar slum project in Bandra, and partnered with developers who were stuck with high-value projects.

"The residential market has witnessed significant consolidation and the availability of stressed real estate portfolios of banks and asset reconstruction companies, has provided significant opportunity for developers who have strong balance sheets," said Piyush Gupta, MD, capital markets & investment services, Colliers India. The company is a property advisory. Nonetheless, while acquiring stressed projects in Mumbai is a key route to gain scale, there is a flipside. Projects can take much longer—

both to acquire them and execute.

Stressed projects, though, are not the only ones Adani is after. In February, Adani Realty outbid L&T Realty Ltd to emerge as the highest bidder for the redevelopment of a 24-acre sea-facing plot in Mumbai's Bandra Reclamation area, a real estate hotspot. The proposed project has a gross development value of ₹30,000 crore, with a potential development area of over 4 million sq. ft.

The bids were invited by the Maharashtra State Road Development Corporation (MSRDC), a public limited company owned by the government of Maharashtra. It is expected to announce a final decision after the Lok Sabha elections, said a person familiar with the development. He didn't want to be identified.

Dharavi and Bandra—two of the largest real estate projects in Mumbai—would give Adani a significant foothold in India's most expensive property market. The two projects underline the company's financial strength as well. For the Bandra project bids, for instance, the bidder's net worth criteria was stringent—₹15,000 crore as on 31 March 2023. This kept many developers out of the race.

In a close fight, Adani was named highest bidder because it offered a higher percentage of revenue share, at 23.15%, compared to L&T's 18%, a MSRDC spokesperson had said after the bidding process closed.

"In a city like Mumbai, it is a developer's dream to secure a large, clean land parcel like this. Developers struggle to get small but high-value society redevelopment projects in Bandra. This project gives Adani a unique opportunity and can potentially determine residential pricing of the area in the future," said a Mumbai-based developer who didn't wish to be named.

Meanwhile, the Adani Group also operates the Mumbai airport and is building the Navi Mumbai International Airport.

ALITMUS TEST?

"Shantigram (a township built by Adani) in the middle of Ahmedabad is an amazing urban oasis. Now that Adani is developing Dharavi in Mumbai, we are hopeful for a similar beautiful township," RPG Group chairman Harsh Goenka said in a tweet on 7 December last year.

Hopes aside, Dharavi is Adani's biggest real estate challenge yet.

Slum redevelopment is risky, tardy and often messy because of policy paralysis, political interference, litigations and liquidity issues. Opposition parties have already staged protests against Adani winning the Dharavi project. Large township

MINT SHORT STORY

WHAT

Adani Group's real estate business is fairly new—just 14 years old. Over the last four years, the business has scaled fast, coinciding with India's housing boom.

AND

Dharavi and Bandra—two of the largest redevelopment projects in Mumbai—would give Adani a significant foothold in India's most expensive property market.

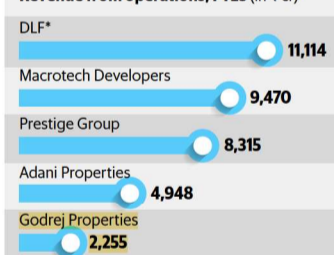
BUT

While the conglomerate is ambitious and has the financial muscle to implement complex projects, the real test would be in execution and delivery, industry experts said.

THE PECKING ORDER

DLF is India's largest real estate company today

Revenue from operations, FY23 (in ₹ cr)



*DLF includes DLF residential and DLF Cyber City Developers Ltd (commercial)

Source: Mint research and Tofler

Key people: Adani Realty



SATISH KUMAR/MINT

ity, near the Indira Gandhi International Airport in New Delhi.

The Adani Group operates airports in Mumbai, Ahmedabad, Lucknow, Mangaluru, Jaipur, Guwahati and Thiruvananthapuram. The Navi Mumbai airport, which is expected to be operational by March 2025, alone has 200 acres of commercial development potential.

"These land parcels will include integrated retail, hotels, airline offices, food and beverage outlets among other things that are permitted," said Arun Bansal, CEO of AAHL. "Our ambition is to make unique developments, with different concepts for different city airports. We have appointed a CEO specifically for these city-side developments," he added.

AAHL, in February, appointed Amit Grover as CEO-city side development, airport business. Grover worked with India's largest developer DLF for nearly two decades before joining AAHL.

Karan Adani, managing director of Adani Ports and Special Economic Zone Ltd, recently said that nearly half of the ₹60,000 crore, to be invested in expanding the seven existing airports over the next decade, will be earmarked for city-side developments.

Yet another new revenue stream in real estate is data centres. AdaniConneX, a joint venture with global data centre provider EdgeConneX Inc., is developing hyper-scale data centres across cities.

The Adani Group, therefore, has its hands full for the next decade or so. The headwinds, though, could be in terms of the property market slowing down because of an economic shock or a liquidity crisis in the market. There is probably a lesson to learn from the Evergrande crisis in China. The developer expanded aggressively, borrowing more than \$300 billion. But in 2021, many of its projects halted because of overdue payments.

"A lot would depend on how the property market plays out, going forward, but in the current situation, there is huge scope for good developers to grow," Gulam Zia, executive director at Knight Frank India, a property advisory firm, said. "Given its infrastructure expertise and ability to raise capital, Adani is in an enviable position as a real estate developer," he added.

Adani Realty, on its part, thinks of itself as a large company in a mature sector but with the soul of a startup. It wants to be adaptive and agile to embrace change, one of the executives quoted above said.

Adani Realty did not respond to clarifications sought by *Mint* on the company's strategy and portfolio.

the company in-charge of the Dharavi project, said that it would provide 350 sq. ft flats, 17% bigger than regular slum rehab projects, to eligible dwellers. But like people familiar with the developments mentioned earlier, execution will be the key.

DRPPL is a joint venture between the Maharashtra government and Adani Properties; the latter holds 80% stake.

"Dharavi is a starting point. Once implemented, it can showcase how slums in cities can be eradicated and affordable housing can be provided," said Hafeez Contractor, an architect who has been onboarded for the project.

SOUL OF A STARTUP

Outside the core real estate business, Adani Airport Holdings Ltd (AAHL), the airport subsidiary of Adani Group, has around 600 acres among its seven existing airports and the upcoming Navi Mumbai International Airport. These land parcels, embracing the airports, will be developed into 'city-side developments'. In other words, these developments would kick off new revenue streams for the group. The concept is similar to that of GMR's Aeroc-