



A Comparative Study of Financial Performance of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after Real Estate Regulation And Development Act, 2016

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Abstract

Real estate sector in India is witnessing a huge uprising in current period as it has become as one of the essential contributor in the growth of the Indian economy. The RERA Act 2016 helps to protect home buyers right as well as promote investment in real estate sector.

The real estate investment trust is alternate financing to improve the liquidity in the real estate sector and easy funding mechanisms available for mid-tier developers with credibility in the market. Government disruptors to increasing the revenue for governments and funding through REITs could help facilitate other key real estate policy implementations. Small investors also disruptors through as real estate capital intensive, REITs allow investment at lower ticket size thereby available for the masses, transparent investment climate with oversight from professionally trained management also easy entry and exit in the real estate sectors. Exist opportunity for institutional investors like developers and financial institutions for alternate financing mechanisms also REITs would play a great role in attracting large institutional long-term investors such as pensions and insurance funds. (KPMG, Disruptions in real estate in India , 2019)

Introduction

The real estate sector involves various sub sectors like housing, retail, hospitality, commercial, warehousing & logistics contributes 6 – 7% of the country's GDP. Real estate sector is second largest employment provider after agriculture. (KPMG, 2019)

The Government of India pushes towards affordable housing, urban infrastructure, sustainable building, and smart cities. Government targets completing 10 million affordable houses under PMAY by 2022. (FICCI, 2018).

Objective of the study

- To examine the Gross profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
- To examine the Net Profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
- To examine the Current ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
- To examine the Quick ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
- To examine the Debt equity ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
- To examine the Interest coverage ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.

Hypotheses

The hypotheses of the study framed following

1. H_{01} = There is no significant difference in gross profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
2. H_{02} = There is no significant difference in net profit ratio of selected Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
3. H_{03} = There is no significant difference in Current ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
4. H_{04} = There is no significant difference in Quick ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
5. H_{05} = There is no significant difference in Debt equity ratio Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA, 2016.
6. H_{06} = There is no significant difference in Interest Coverage ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd after RERA,2016.

Research Methodology

Research Design

Exploratory Research Design was adopted for the present study in view of the listed objectives of the study exploratory research is one which largely of research work lays emphasis on analysis and interpretation of the existing and available information on data.

Source of data

The Study heavily relies is based on secondary data. The Secondary data comprised of the annual reports of Selected real estate companies for the period of 4 Years from 2017-18 to 2020-21. Various other reports like the company magazines ,bulletins have also been used. Relevant Websites have also been used.

Tools for data analysis

The data collected for the study was analyzed using financial tools and statistical tools. The financial tools of the analysis include ratio analysis and also ANOVA use for hypothesis testing.

Data analysis and Interpretations**Profitability Ratio Analysis:****Gross Profit Ratio**

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales}} * 100$$

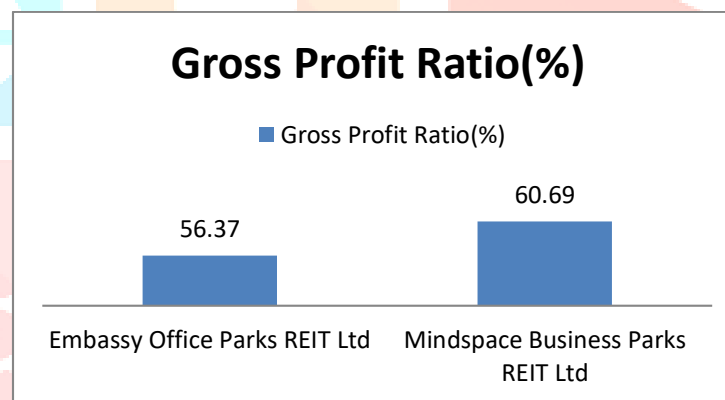
Table No.1

Company name	Years				
	%				
	2018	2019	2020	2021	Mean
Embassy Office Parks REIT Ltd	76.98	0	72.38	76.11	56.37
Mindspace Business Parks REIT Ltd	81.14	88.11	0	73.52	60.69

(Annual reports)

Gross Profit Ratio (%)

Chart No.1

**Gross Profit Ratio Mean (%)**

Interpretation: Mindspace Business Parks REIT Ltd average gross profit ratio is 60.69% is highest gross profit ratio compare to Embassy Office Parks REIT Ltd.

Net Profit Ratio:

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} * 100$$

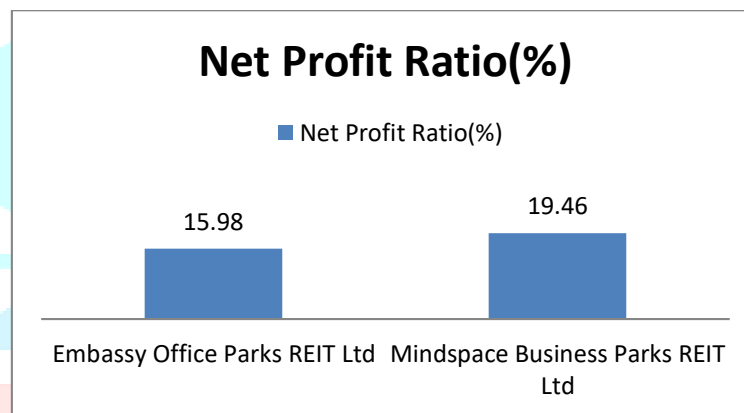
Table No.2

Company name	Years				
	%				
	2018	2019	2020	2021	Mean
Embassy Office Parks REIT Ltd	9.98	0	29.58	24.37	15.98
Mindspace Business Parks REIT Ltd	12.74	36	0	29.08	19.46

(Annual reports)

Net Profit Ratio (%)

Chart No.2

Net Profit Ratio Mean (%)

Interpretation: Mindspace Business Parks REIT Ltd average net profit ratio is 19.46% is highest net profit ratio compare to Embassy Office Parks REIT Ltd.

Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

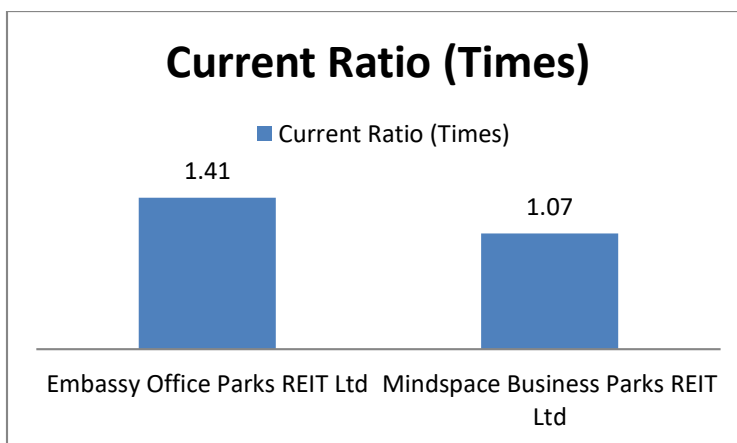
Table No.3

Company name	Years				
	Times				
	2018	2019	2020	2021	Mean
Embassy Office Parks REIT Ltd	1.04	2.19	1.44	0.95	1.41
Mindspace Business Parks REIT Ltd	1.92	1.95	0	0.42	1.07

(Annual reports)

Current Ratio (Times)

Chart No.3



Current Ratio Mean (Times)

Interpretation: Embassy Office Parks REIT Ltd average current ratio is 1.41 times is highest current ratio compare to Mindspace Business Parks REIT Ltd.

Quick Ratio:

$$\text{Quick Ratio} = \frac{\text{Liquid assets}}{\text{Current liabilities}}$$

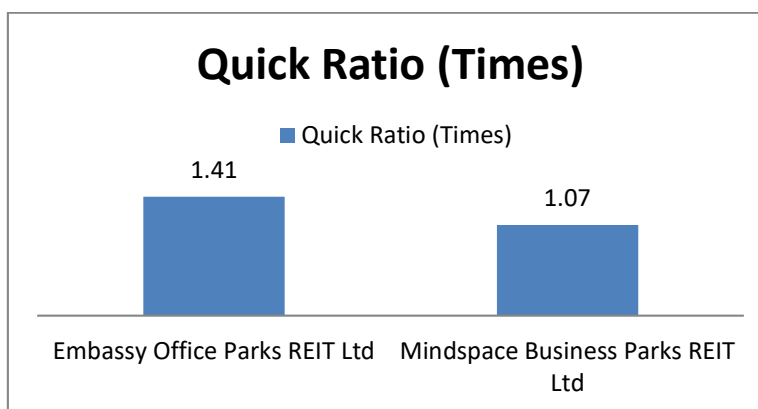
Table No.4

Company name	Years				
	%				
	2018	2019	2020	2021	Mean
Embassy Office Parks REIT Ltd	1.04	2.19	1.44	0.95	1.41
Mindspace Business Parks REIT Ltd	1.92	1.95	0	0.42	1.07

(Annual reports)

Quick Ratio

Chart No.4



Quick Ratio Mean (%)

Interpretation: Embassy Office Parks REIT Ltd average Quick ratio is 1.41 times is highest Quick ratio compare to Mindspace Business Parks REIT Ltd.

Debt Equity Ratio:

$$\text{Debt – Equity Ratio} = \frac{\text{Total Long Term Debts}}{\text{Shareholders Funds}}$$

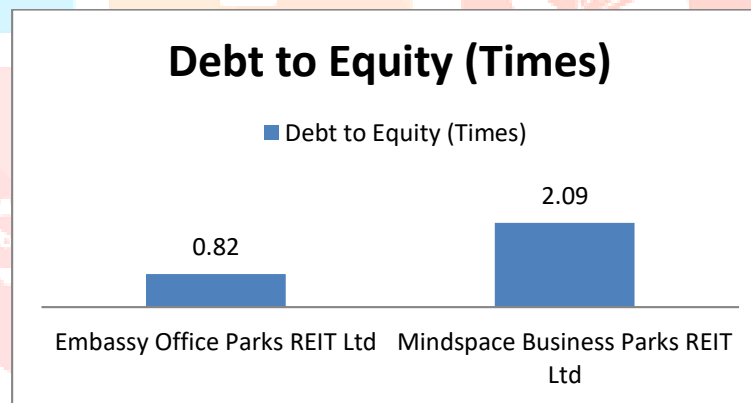
Table No.5

Company name	Years				
	Times				
	2018	2019	2020	2021	Mean
Embassy Office Parks REIT Ltd	2.33	0.31	0.25	0.39	0.82
Mindspace Business Parks REIT Ltd	4.61	3.53	0	0.22	2.09

(Annual reports)

Debt Equity Ratio (Times)

Chart No.5



Debt Equity Ratio (Times)

Interpretation: Embassy Office Parks REIT Ltd average debt equity ratio is 1.41 times is highest debt equity ratio compare to Mindspace Business Parks REIT Ltd.

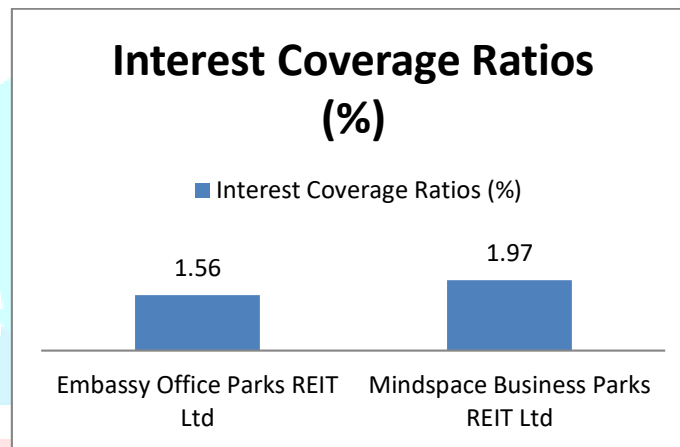
Interest Coverage Ratio:

$$\text{Interest coverage ratio} = \frac{\text{EBIT}}{\text{Interest expence}}$$

Table No.6

Company name	Years				
	%				
	2018	2019	2020	2021	Mean
Embassy Office Parks REIT Ltd	1.45	0	2.78	2.01	1.56
Mindspace Business Parks REIT Ltd	1.75	2.33	0	3.81	1.97

Chart No.6



Interpretation: Mindspace Business Parks REIT Ltd average Interest Coverage ratio is 1.97% is highest Interest Coverage ratio compare to Embassy Office Parks REIT Ltd.

HYPOTHESIS TESTING

ANOVA

Gross Profit Ratio

Table No.7

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	37.41125	1	37.41125	0.024224	0.881420303	5.987378
Within Groups	9266.28055	6	1544.38			
Total	9303.6918	7				

Interpretation

H_0 = There is no any significant difference in gross profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

H_1 = There is significant difference in gross profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

F cal 0.024 < F tab 5.99, P value > 0.05

Thus, null hypothesis is accepted, it is not seen any difference showing in gross profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

Net Profit Ratio

Table No.8

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	24.1165125	1	24.11651	0.108253	0.753323322	5.987378
Within Groups	1336.678375	6	222.7797			
Total	1360.794888	7				

Interpretation

H_0 = There is no any significant difference in net profit ratio of selected Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

H_1 = There is significant difference net profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

F cal 0.11 < F tab 5.99, P value > 0.05

Thus, null hypothesis is accepted, it is not seen the any difference showing in net profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

Current Ratio

Table No.9

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	0.2211125	1	0.221113	0.329857	0.586615	5.987378
Within Groups	4.021975	6	0.670329			
Total	4.2430875	7				

Interpretation

H_0 = There is no any significant difference in current ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd..

H_1 = There is significant difference current ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

F cal 0.32 < F tab 5.99, P value > 0.05

Thus, null hypothesis is accepted, it is not seen the any difference showing in current ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

Quick Ratio

Table No.10

<i>Source of Variation</i>	<i>SS</i>	<i>Df</i>	<i>MS</i>	<i>F cal</i>	<i>P-value</i>	<i>F tab</i>
Between Groups	0.2211125	1	0.221113	0.329857	0.586615	5.987378
Within Groups	4.021975	6	0.670329			
Total	4.2430875	7				

Interpretation

H_0 = There is no any significant difference in Quick ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd..

H_1 = There is significant difference in Quick ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd..

F cal 0.33 < F tab 5.99, P value > 0.05

Thus, null hypothesis is accepted, it is not seen the any difference showing in Quick ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd..

Debt Equity Ratio

Table No.11

<i>Source of Variation</i>	<i>SS</i>	<i>Df</i>	<i>MS</i>	<i>F cal</i>	<i>P-value</i>	<i>F tab</i>
Between Groups	3.2258	1	3.2258	1.000817	0.355735	5.987378
Within Groups	19.339	6	3.223167			
Total	22.5648	7				

Interpretation

H_0 = There is no any significant difference in Debt Equity Ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

H_1 = There is significant difference in Debt Equity Ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

F cal 1.00 < F tab 5.99, P value > 0.05

Thus, null hypothesis is accepted, it is seen the difference showing in Debt Equity ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

Interest Coverage Ratio

Table No.12

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	0.3403125	1	0.340313	0.176311	0.689183	5.987378
Within Groups	11.581075	6	1.930179			
Total	11.9213875	7				

Interpretation

H_0 = There is no any significant difference in Interest Coverage Ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

H_1 = There is significant difference in Interest Coverage Ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

F cal 0.18 < F tab 5.99, P value > 0.05

Thus, null hypothesis is accepted, it is seen the difference showing in Interest Coverage ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd.

Findings Recommendations & Conclusions

Findings:

- Gross profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd not showing the significant difference and Mindspace Business Parks REIT Ltd average gross profit ratio is 60.69% is highest gross profit ratio compare to Embassy Office Parks REIT Ltd.
- Net profit ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd not showing the any significant difference and Mindspace Business Parks REIT Ltd average net profit ratio is 19.46% is highest net profit ratio compare to Embassy Office Parks REIT Ltd.
- Current ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd not showing the any significant difference and Embassy Office Parks REIT Ltd average current ratio is 1.41 times is highest current ratio compare to Mindspace Business Parks REIT Ltd.
- Quick ratio Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd not showing the any significant difference and Embassy Office Parks REIT Ltd average current ratio is 1.41 times is highest current ratio compare to Mindspace Business Parks REIT Ltd.
- Debt Equity ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd showing the significant difference Embassy Office Parks REIT Ltd average debt equity ratio is 1.41 times is highest debt equity ratio compare to Mindspace Business Parks REIT Ltd.
- Interest Coverage ratio of Embassy Office Parks REIT Ltd and Mindspace Business Parks REIT Ltd showing the significant difference and Mindspace Business Parks REIT Ltd average Interest Coverage ratio is 1.97% is highest Interest Coverage ratio compare to Embassy Office Parks REIT Ltd.

Recommendations:

- ✓ They should provide faster services to their walking customers so that they should be more loyal.
- ✓ Reduce irrelevant cost achieve the objective of high profitability.
- ✓ Technologies various tools are use for efficient service providing to the customers.
- ✓ To focus core area to build up the goodwill for profit maximization.

Conclusion:

At the end of this case study it can be conclude Real estate companies maintain the transparency and accountability after the RERA, 2016. Real estate sector is second largest employer provider after agriculture. Organized player are more growing after the RERA, 2016 because unorganized player left in the market.

References

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<https://www.moneycontrol.com>

KPMG. (2019). *Disruption in real estate in India*.

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