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A Comparative Study of Profitability Performance of Selected Real estate Companies in Gujarat after Real Estate Regulation 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.

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)

Methodology

The Comparative study is analytical in nature where Strengths and weakness of Selected Real Estate Companies are considered to understand the effect of RERA 2016. The Study is based on the profitability performance of selected Real Estate companies after RERA came into the effect.

Implication

The study will help to understand the working of real estate companies after the RERA Act 2016 is implemented. Hence it will provide insights for researchers in future.

Objective of the study

- To examine the Gross profit ratio after selected real estate companies after RERA, 2016.
- To examine the Net Profit ratio after selected real estate companies after RERA, 2016.
- To examine the Return on assets ratio after selected real estate companies after RERA, 2016.
- To examine the Return on capital employed ratio after selected real estate companies after RERA, 2016.
- To examine the earning per share ratio after selected real estate companies after RERA, 2016.

Hypotheses

The hypotheses of the study framed following

1. H_{01} = There is no significant difference in gross profit ratio of selected real estate companies after RERA, 2016.
2. H_{02} = There is no significant difference in net profit ratio of selected real estate companies after RERA, 2016.
3. H_{03} = There is no significant difference in return on assets ratio of selected real estate companies after RERA, 2016.
4. H_{04} = There is no significant difference in return on capital employed ratio of selected real estate companies after RERA, 2016.
5. H_{05} = There is no significant difference in earning per share ratio of selected real estate companies 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 5 Years from 2016-17 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 covering profitability ratios and also ANOVA use for hypothesis testing.

Data analysis and Interpretations

Profitability Ratio Analysis:

Gross Profit Ratio

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

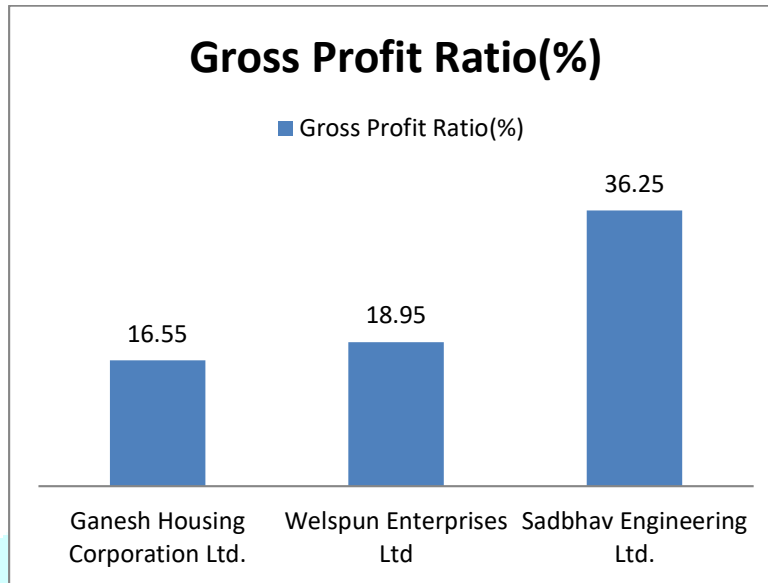
Table No.1

Company name	Years					
	%					
	2017	2018	2019	2020	2021	Mean
Ganesh Housing Corporation Ltd.	52.98	40.6	29.48	-18.32	-21.99	16.55
Welspun Enterprises Ltd	23.3	18.26	14.93	17.78	20.49	18.95
Sadbhav Engineering Ltd.	29.93	32.06	33.31	43.51	42.44	36.25

(Annual reports)

Gross Profit Ratio (%)

Chart No.1



Gross Profit Ratio Mean (%)

Interpretation: Sadbhav Engineering Ltd.average gross profit ratio is 36.25 % is highest gross profit ratio compare to Ganesh Housing Corporation Ltd and Welspun Enterprises Ltd.

Net Profit Ratio:

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

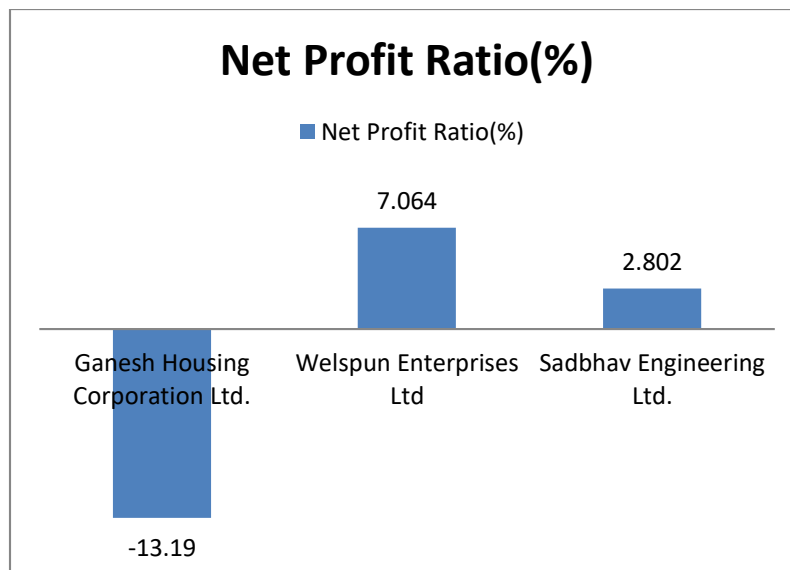
Table No.2

Company name	Years					
	%					
	2017	2018	2019	2020	2021	Mean
Ganesh Housing Corporation Ltd.	18.57	10.15	10.16	-43.49	-61.34	-13.19
Welspun Enterprises Ltd	2.28	6.77	7.9	9.39	8.98	7.06
Sadbhav Engineering Ltd.	-3.81	-2.29	-1.03	31.72	-10.58	2.80

(Annual reports)

Net Profit Ratio (%)

Chart No.2



Net Profit Ratio Mean (%)

Interpretation: Welspun Enterprises Ltd average net profit ratio is 7.06 % is highest net profit ratio compare to Ganesh Housing Corporation Ltd and Sadbhav Engineering Ltd.

Return on Assets (ROA):

$$\text{Return on Total Assets} = \frac{\text{Net Profit before Interest and Tax}}{\text{Total Assets}} * 100$$

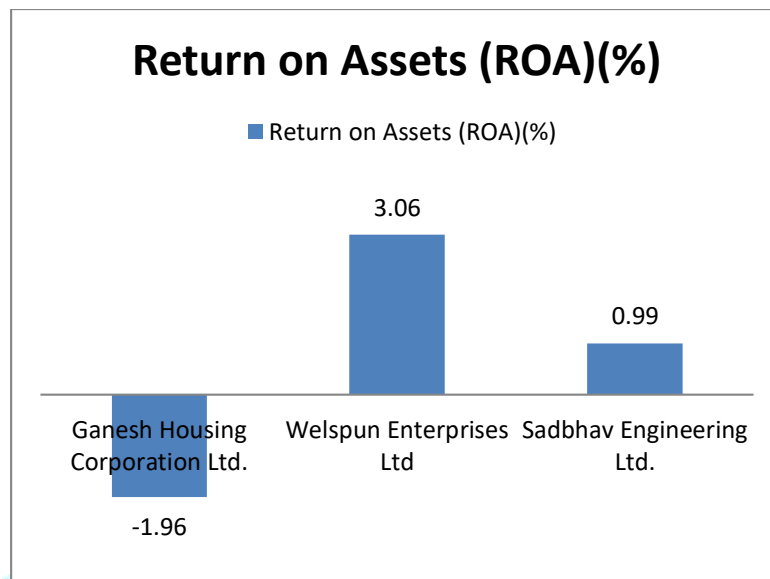
Table No.3

Company name	Years					
	%					
	2017	2018	2019	2020	2021	Mean
Ganesh Housing Corporation Ltd.	3.96	2.76	1.52	-8.72	-9.3	-1.96
Welspun Enterprises Ltd	0.3	3.15	4.37	4.77	2.69	3.06
Sadbhav Engineering Ltd.	-0.39	-0.02	0.13	6.45	-1.24	0.99

(Annual reports)

Return on Assets Ratio (%)

Chart No.3



Return on Assets Ratio Mean (%)

Interpretation: Welspun Enterprises Ltd average return on assets ratio is 3.06 % is highest return on assets ratio compare to Ganesh Housing Corporation Ltd and Sadbhav Engineering Ltd.

Return on Capital Employed (ROCE):

$$\text{Capital Employed Ratio} = \frac{\text{Net profit before interest and tax}}{\text{Capital employed}} * 100$$

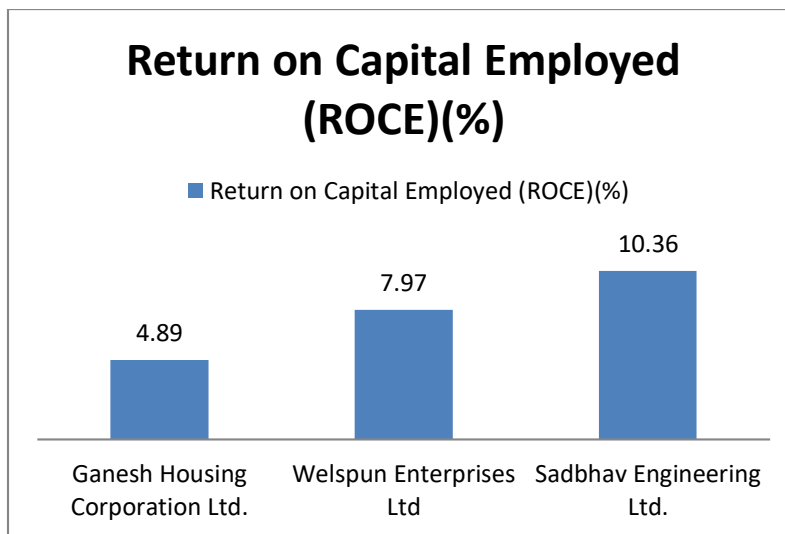
Table No.4

Company name	Years					
	%					
	2017	2018	2019	2020	2021	Mean
Ganesh Housing Corporation Ltd.	15.01	13.52	5.63	-4.93	-4.78	4.89
Welspun Enterprises Ltd	0.35	3.88	13.48	14.29	7.87	7.97
Sadbhav Engineering Ltd.	9.18	10.88	10.69	12.34	8.69	10.36

(Annual reports)

Return on Capital Employed Ratio

Chart No.4



Return on Capital Employed Ratio Mean (%)

Interpretation: Sadbhav Engineering Ltd average return on capital employed ratio is 10.36 % is highest return on capital employed ratio compare to Ganesh Housing Corporation Ltd and Welspun Enterprises Ltd.

Earnings per Share (EPS):

$$\text{Earning Per Share} = \frac{\text{Profit Available to Equity Share holders}}{\text{No. of Equity Share Holders}}$$

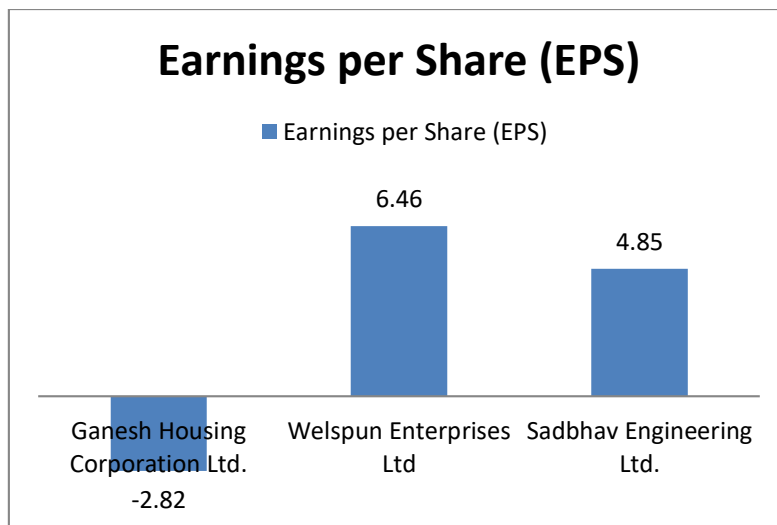
Table No.5

Company name	Years					
	₹					
	2017	2018	2019	2020	2021	Mean
Ganesh Housing Corporation Ltd.	15.93	10.36	5.4	-24.39	-21.38	-2.82
Welspun Enterprises Ltd	0.29	4.71	8.58	10.04	8.67	6.46
Sadbhav Engineering Ltd.	-3.15	-6.64	-3.15	46.21	-9.03	4.85

(Annual reports)

Earning Per Share Ratio (₹)

Chart No.5



Earnings per Share Ratio Mean (₹)

Interpretation: Welspun Enterprises Ltd average earning per share ratio is 6.46 (₹) is highest compare to Sadbhav Engineering Ltd and Ganesh Housing Corporation Ltd.

HYPOTHESIS TESTING

ANOVA

Gross Profit Ratio

Table No.6

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	1155.134	2	577.567	1.394403	0.285423	3.885294
Within Groups	4970.446	12	414.2038			
Total	6125.58	14				

Interpretation

H₀ = There is no any significant difference in gross profit ratio of selected real estate companies in Gujarat.

H₁ = There is significant difference in gross profit ratio of selected real estate companies in Gujarat.

F cal 1.39 < F tab 3.89, P value > 0.05

Thus, null hypothesis is accepted, it is not seen any difference showing in gross profit ratio of selected real estate companies in Gujarat.

Net Profit Ratio

Table No.7

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	1140.222	2	570.111	1.057785	0.377483	3.885294
Within Groups	6467.601	12	538.9668			
Total	7607.823	14				

Interpretation

H_0 = There is no any significant difference in net profit ratio of selected real estate companies in Gujarat.

H_1 = There is significant difference net profit ratio of selected real estate companies in Gujarat.

F cal 1.06 < F tab 3.89, P value > 0.05

Thus, null hypothesis is accepted, it is not seen the any difference showing in net profit ratio of selected real estate companies in Gujarat.

Return on Assets

Table No.8

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	63.43401	2	31.71701	1.731124	0.2185	3.885294
Within Groups	219.8596	12	18.32163			
Total	283.2936	14				

Interpretation

H_0 = There is no any significant difference in return on assets ratio of selected real estate companies in Gujarat.

H_1 = There is significant difference return on assets ratio of selected real estate companies in Gujarat.

F cal 1.73 < F tab 3.89, P value > 0.05

Thus, null hypothesis is accepted, it is not seen the any difference showing in return on assets ratio of selected real estate companies in Gujarat.

Return on Capital Employed Ratio

Table No.9

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	75.10356	2	37.55178	0.864973	0.445733	3.885294
Within Groups	520.966	12	43.41384			
Total	596.0696	14				

Interpretation

H_0 = There is no any significant difference in return on capital employed ratio of real estate companies in Gujarat.

H_1 = There is significant difference in return on capital employed ratio of real estate companies in Gujarat.

F cal $0.86 < F$ tab 3.89 , P value > 0.05

Thus, null hypothesis is accepted, it is not seen the any difference showing in return on capital employed ratio of selected real estate companies in Gujarat.

Earning Per Share Ratio

Table No.10

Source of Variation	SS	Df	MS	F cal	P-value	F tab
Between Groups	245.5601	2	122.7801	0.40597	0.675146	3.885294
Within Groups	3629.232	12	302.436			
Total	3874.792	14				

Interpretation

H_0 = There is no any significant difference in earning per share of selected real estate companies in Gujarat.

H_1 = There is significant difference in earning per share of selected real estate companies in Gujarat.

F cal $0.40 < F$ tab 3.89 , P value > 0.05

Thus, null hypothesis is accepted, it is seen the difference showing in earning per share ratio of selected real estate companies in Gujarat.

Findings Recommendations & Conclusions

Findings:

- Gross profit ratio of selected real estate companies in Gujarat not showing the significant difference and Sadbhav Engineering Ltd average gross profit ratio is 36.25 % is highest gross profit ratio compare to Ganesh Housing Corporation Ltd and Welspun Enterprises Ltd.
- Net profit ratio of selected real estate companies in Gujarat not showing the any significant difference and Welspun Enterprises Ltd average net profit ratio is 7.06 % is highest net profit ratio compare to Ganesh Housing Corporation Ltd and Sadbhav Engineering Ltd.
- Return on assets ratio of selected real estate companies in Gujarat not showing the any significant difference and Welspun Enterprises Ltd average return on assets ratio is 3.06 % is highest return on assets ratio compare to Ganesh Housing Corporation Ltd and Sadbhav Engineering Ltd.
- Return on capital employed ratio of selected real estate companies in Gujarat not showing the any significant difference and Sadbhav Engineering Ltd average return on capital employed ratio is 10.36 % is highest return on capital employed ratio compare to Ganesh Housing Corporation Ltd and Welspun Enterprises Ltd.
- Earning per share ratio of selected real estate companies in Gujarat showing the significant difference and Welspun Enterprises Ltd average earning per share ratio is 6.46 (₹) is highest compare to Sadbhav Engineering Ltd and Ganesh Housing Corporation 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 retail companies in India maintain the transparency and accountability. Redefining retail spaces technology & applications through just browsing, making it personal, smart shopping, social roles. FDI in the retail sector is likely to boost investment, usher in business enterprise, and modernize the retail sector.

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