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Scaling heights

*Vasudevan:
customer-centric
approach*

Ozone is set to join the big league with its well-carved-out strategy

Ozone group is a big real estate player in the making. In a short span of time, the Bengaluru-based developer has been able to generate quite an encouraging response for itself in the market. The company has made big strides despite the market lately facing a challenging situation. Having started its journey in a humble manner in the early 1990s in Bangalore, executing small residential projects, Ozone now boasts a development pipeline of over 27 million sq ft (across nine projects, to be delivered in the next one year to six years) across Bengaluru, Chennai and Goa, as also Mumbai, which it entered recently, with three residential projects. Though primarily into residential, the portfolio of the company is mixed, also comprising IT & business parks, retail, hospital-ity and commercial.

S. Vasudevan, 49, chairman, Ozone

group, is a qualified architect and, hence, puts a lot of effort in the planning and design aspects of its projects. A first generation entrepreneur (whose family shifted to Bengaluru from Chennai many years ago), he worked as an architect for two years (1991-93). In 1993, he decided to venture into real estate development in Bangalore with his firm called Tuscan Consultants and Developers Ltd. This design-and-build firm would undertake small residential projects in the IT city.

Ozone is undertaking a 200-acre large integrated township project – Ozone Urbana – in north Bengaluru, near the international airport. The project, involving the largest integrated township development in the IT capital, is estimated to cost about ₹4,000 crore. In total, the company is estimated to invest ₹8000-10,000 crore to construct its existing

portfolio – to be executed over a period of one-six years.

While buyers have reposed their full faith in its projects, which have been able to generate an excellent response, despite the ongoing sluggishness, the investor community (PE/realty funds) too is not behind in lending their support. They have been quite bullish on the company and its business model. From Anand Jain-led Urban Infrastructure Venture Capital (which has invested both at entity as well as project levels) to Piramal Fund Management to HDFC Property Venture, Aditya Birla Real Estate Fund and Blackstone – all have shown their interest.

In fact, Ozone has received (since 2006) close to ₹2,500 crore from various funds/institutions. A large portion of this investment has also come in the last five years, when the market has struggled for liquidity. Importantly, a sizeable portion of this investment has already been returned to the investors, as the company has been quite aggressive in

selling its products, which are rightly designed and priced for the actual customers (primarily for the mid segment). For the last couple of years, the company has been selling properties worth over ₹1,000 crore annually and the momentum is likely to be continued, going ahead, with focus on execution and delivery. Out of this, over 30 per cent of sales have also come from overseas (NRIs) buyers.

“We have been associated with Ozone for almost a decade now,” says Parag Parekh, CEO, Urban Infrastructure Venture Capital Ltd. “And, this long partnership itself is the validation of our well-maintained relationship. We like the way the promoters and the organisation have positioned them in the real estate market. Being among the initial investors, we have also made a part exit with a reasonable return against our investment”. Urban Infrastructure Venture Capital has made a total investment of over ₹1,300 crore across its various projects, including its Bengaluru township project Ozone Urbana, starting 2006-07. In 2008, the fund had also taken 50 per cent stake in the Ozone group at an entity level. In the last three-four years, Urban Infrastructure has been paid over 60 per cent of its investment, while the rest is expected to be returned in the next couple of months.

“Ozone has emerged quite nicely in the market,” says K.G. Krishnamurthy, managing director & CEO, HDFC Property Ventures. “Over the last few years, the company has ramped up its capabilities across its various functions. The promoters have shown a professional approach and put up an organisation in which property buyers and investors both are showing their trust. In fact, it has been able to build a brand for itself in the market through its impeccable track record of execution and delivery”. Krishnamurthy was the one who reposed his faith in the company at the initial stage of its journey way back in 2006, when the company was vying for a land parcel for its ongoing 43-acre residential project, Ozone Metrozone at Chennai’s Anna Nagar area.

Considered one of the prestigious



Gopalan: well balanced offering

projects in the Chennai market currently, the Metrozone project with a saleable area of 5.1 million sq ft has already sold 2,200 residential units out of 3,000 units (current price: ₹12,500 per sq ft). In fact, the project has already delivered 1,000 residential units, while the remaining will be done in the next 12-16 months. HDFC Property Ventures had invested about ₹95 crore in this project and has already got back about ₹180 crore; it is expecting to get back another ₹55 crore soon.

A good partner

“In Ozone, we have found a partner who was strongly focussed on both execution as well as sales and has an established track record of delivering projects as well as investor returns,” acknowledges Khushru Jijina, managing director, Piramal Fund Management (formerly, Indiareit). “Our transactions with Ozone relied on customised structures focussed on enabling quicker execution of ongoing projects as well as facilitating the acquisition of new projects. The group has performed consistently well in terms of sales, construction as well as collections across each of the projects underwritten by us and

we look forward to a long and mutually beneficial association with them well into the future”.

The wholesale fund and funding arm of the Piramal group has invested in excess of ₹1,000 crore in six tranches across four projects and of these, it has also exited from four tranches of investments. “We have also approved a further ₹400 crore of transactions that are in the final stages of pre-disbursement diligence. We intend to continue our long standing relationship with the Ozone Group,” adds Jijina, whose fund boasts over ₹20,000 crore.

Moreover, private equity investor Blackstone which has been selective during the recent slowdown, invested ₹175 crore in Ozone Metrozone, Chennai in 2014 and already exited the project last year. The money which came in through the NCD (non-convertible debenture) route was used to repay the debt. In fact, in 2014, Ozone became the first company to get funding from Blackstone for the residential project in Chennai. In 2015, Aditya Birla Real Estate Fund put in ₹150 crore in the Chennai project, only to get an exit last year. The money (an NCD structure) was also used to repay a loan.

“In a market, where developers have struggled for liquidity, Ozone has been able to raise a large sum of fund from a diverse pool of investors/lenders. This itself shows that the company has capabilities and a business model that can be relied upon,” says Ashok Kumar, managing director, Gene Partners, who is of the view that in a subdued market refinancing of loans has also become critical when project cash flows are slow. Often, developers are replacing earlier loans with new lenders to bring down the cost of money as the project matures.

“We have tried to build an organisation which is customer-centric and always looked to add value to its customers. Besides, transparency and quality are the other two core values that have helped us stay ahead in terms of property offerings. As a company, we have established a proven track record of innovation and customer satisfaction and with

this vision, we have continued our journey in the market,” says Vasudeven. Ozone is a professionally-managed organisation, with more than 300 people across design, architecture, finance, engineering, legal, commercial, strategy, sales & marketing functions. The company also has a separate team for facility management, which manages under-construction as well as already delivered developments. The company is executing its projects hiring reputed contractors such as Shapoorji Pallonji, Capacite Engineering, NCCCL Construction, Valecha Engineering and JMC Projects. Apart from offices in Bengaluru (head office), the company has sales and marketing offices in Chennai and Mumbai. Since a sizeable chunk of its business is also coming from overseas buyers, it has opened sales offices in the US, London, Dubai, Singapore, Hong Kong and Australia.

Many projects

Between 1993 and 2004, Tuscan constructed around 12 projects (total saleable area: some 200,000 sq ft). It was during this initial period that HDFC got itself involved with the company, which received a first loan of about ₹25 lakh from the housing finance major. In 2004, Vasudevan decided to scale up his business and hence formed Ozone group, which started its journey with an IT Park (area: 550,000 sq ft) and two residential projects in Sarjapur, Bengaluru. Ozone Residenza (250,000 sq ft) was a villa-ment project (combination of villas and apartments), while Ozone Evergreens (1.25 million sq ft), a residential project facing a 500-acre green patch. All three projects generated encouraging results in a market, which was showing a good deal of traction.

Buoyed by the response of these projects, Ozone ventured into its two flagship developments – Ozone Metrozone, Chennai, and the mega township project Ozone Urbana in Bengaluru, in 2006-07. It was at that time that Anand Jain’s Urban Infrastructure decided to come on board and take exposure in both the projects as also in the company (the PE

fund is on the verge of exiting). In fact, the entry of HDFC Venture in Metrozone in 2006 was the trigger point. The progress of these two projects and other projects around them has provided the company with a much sought-after portfolio, which is diversified, both product-wise, as also geographically, to create an offering that will take the company to its next phase of growth.

“As a company, we have been able to position ourselves quite well in the real estate market,” says Srinivasan Gopalan, 44, CEO, Ozone group. “Our offering is well balanced in favour of residential. Our focus has been on sales which have been governed by our strategy of designing the right kind of products at the right pricing and of course selection of the right locations. Buyers have shown their trust in us as we have tried to live up to their expectations”. A cost accountant (ICWA) and a chartered accountant, Srinivasan came over to the company in September 2014 from Mumbai-based Wadhwa group, where he had served the dual role of COO and CFO. During his tenure, the Wadhwa group had witnessed a phenomenal growth and was involved in execution of quite a few iconic projects, including One BKC and The Capital in Mumbai.

Prior to that, Srinivasan had worked with US-based ROW2Technologies as CEO. He also worked with companies like Chembourse International and Gharda Chemicals. He has two decades of experience in sales, marketing, finance, corporate planning, project evaluation and implementation and is well regarded in the real-estate community for innovation in the finance mechanism and performance management. He believes that people, processes and technology are the driving force for a company’s success and with this vision he is driving the show at Ozone, which has made big steps in the last few years despite a slowdown in the market.

Ozone’s flagship Urbana township project (Master Plan: B+H Architects, Canada) near the Bengaluru International Airport, where construction began in 2009, has made seamless



progression. The fully-integrated development will have all the necessary elements such as social amenities, club houses, healthcare, education, hospitality and retail facilities for its residents. There are about 8,000 residential units, of which 3,000 units (current average rate: ₹5,300 per sq ft) have already been sold. The entire project will be completed in the next five-six years.

Ozone Urbana has also ventured into the emerging field of senior living where they provide modern facilities to senior citizens. The company has tied up with various agencies which provide senior citizens all sorts of facilities ranging from food to nursing. About 50 such families are already staying there, while another 450 families are expected to move in by this December. There will be in total about 1,000 dwellings for senior citizens. The Urbana project has tied up with BR Life, a leading healthcare brand (Dr B.R. Shetty, chairman, BR Life group of hospitals), which will operate and manage a 250-bed hospital in the township. Other amenities coming up include among others Hyatt Place business hotel, theme gardens,



a business park and a retail village. The project already has a functional National Public School with both international and CBSE curricula.

The 43-acre Metrozone project, situated in the heart of Chennai city is at an advanced stage of development. The project (CPG Consultants, Singapore; Site Concepts, Singapore and Hafeez Contractor, Mumbai) has amenities such as a clubhouse spread across 62,000 sq ft, five swimming pools, 1.2-million sq ft of green space, a mall spanning one million sq ft and a multiplex, and around 3,000 residential units (apartments, duplexes and penthouses).

In Chennai, the company is also in the process of delivering a high-end residential project. Ozone Gardenia also located in Anna Nagar, has got 32 units (average price: ₹6-7 crore). The company has already sold 20 units. This apart, the company is undertaking Ozone Promenade (7-acre project), one of the popular residential projects in Whitefield, Bengaluru, while Ozone KNS Oasis (45 acres) near Sarjapur Road, Bengaluru is a joint development with KNS Infrastructure, Bengaluru. The company also has a 140-acre land

parcel in Goa, where it is planning to build villas and a hotel. It has already received in-principle approval for this project.

“Markets in the southern part of the country, particularly Bengaluru have always been steady as actual buyers rule the market. We will continue to explore the opportunities these markets offer. Our customer-centric approach will help us grow faster in these markets,” says Vasudevan.

“Currently, all the major markets are sluggish. However, fundamentally, Bengaluru has been a steady market and moved in a much better manner than the other major markets in the country. A similar trend will be maintained going forward as well. The best part of Chennai is that unlike other markets (primarily NCR), the inventory here is limited and, hence, there is nothing like oversupply,” says Ritesh Sachdev, managing director, South India, Cushman & Wakefield.

Good outlook

Last year, the company made its foray into the Mumbai market with a project called Ozone Mirabilis at Santacruz (East) near BKC. The project comprises 112 bespoke 1,2 and 3-BHK apartments (current rate: ₹20,000-22,000 per sq ft). With an innovative first-of-its-kind, plug and play concept, the artistically-designed apartments in this project, are fully furnished with all modern amenities. The project (already 30 per cent sold), coming up in a joint development with K. Mordani Realty of Mumbai, will be built in the next three years. Ozone is also in the process of launching two more residential projects (Dadar East and Andheri West) in joint developments in the next few months. One of these two projects will be in JV with Vijay Raheja.

“Mumbai being the financial capital will always be one of the prominent markets in the country and attract attention. Due to its geography, the demand-supply gap will always be favourable. The market offers a whole lot of opportunities for developers and other stakeholders

due to its buyers’ profile,” says Gaurav Gupta, director, Omkar Realtors & Developers, Mumbai.

“Over the last few years, we have built up our capabilities and track record and now as a developer, we are looking out for leveraging them by exploring multiple opportunities across the value chain. Our customer-centric approach and other skills should help us in expanding our offering and delivering them in a time bound manner,” says Srinivasan, who believes that the domestic real estate market, following policy-related changes recently, is heading for a much matured and transparent set-up.

With these changes taking place, developers like the Ozone group are much better placed in the market which is undergoing a transition where buyers are calling the shots in a competitive market place. The company has built up its capabilities quite well in a short space of time. Backed by professionals, the company has put in place a robust business model in which investors as well as buyers both have shown their trust. The company has been focussing on sales by creating an offering comprising the right kind of products at the right pricing and locations.

The company’s well-diversified portfolio (both in terms of segment and geography) will not only provide the company faster growth opportunity but also provide it with an inherent risk hedging mechanism against market-related vagaries in the long run. While, on the one hand, the company has banked on its own land bank in markets like Bengaluru and Chennai, it has followed an asset-light model and pursued joint development in a market like Mumbai where land forms a major cost of any project. With all these measures in place, the company appears to be all geared up to start its next growth phase. On the macro front, the overall real estate market is heading for a much transparent and matured scenario, which augurs well for a reputed developer like Ozone.

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