

Xavier Institute of Management, Bhubaneswar

Business Management - I



Strategy Management I

Individual Assignment

Anant Raj Industries Ltd

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Session 1

1.1 Introduction of Anant Raj Industries Limited:

Anant Raj Industries Limited, established in 1969, is one of the leading construction and infrastructure developers in North Capital Region. The company has been promoted by Ashok Sarin, Anil Sarin, M.L. Bhasin, H.L. Bhasin along with Haryana State Industrial Development Corporation Ltd. The main object of the Company was to manufacture glazed ceramic wall and floor tiles in plain, colour and decorative types. The manufacturing facility is located at Rewari, Haryana.

Later the company entered in the construction and Infrastructure development business. Anant Group focused on the NCR primarily. In 2005, the group consolidated entire development and construction business into the flagship company, Anant Raj Industries Limited. Thus entire land bank is now part of the flagship company and all construction and development activities from 2005 onwards are done only in the flagship Company. The company is in the process of building an array of Special Economic Zones (SEZs), IT Parks, Hotels, Commercial Complexes, Malls, Residential / Service Apartment and other infrastructure projects.

1.2 Vision:

To be recognized as a best-in-class construction and realty company in India.

1.3 Mission:

To position Anant Raj as an Integrated Infrastructure Development Enterprise in the National Capital Region with the highest quality of construction, ethics, business standards, and value creation for shareholders, investors and customers.

1.4 Difference between formal and informal mission:

The company slight differs in their formal and informal mission. According to its formal mission, ARIL is committed to development in National Capital Region as explicitly mentioned in its mission statement. While if we follow the company's recent activities, we can see that company is expending geographically and making presence in other areas like Sonapat (Haryana), Neemrana (Rajasthan).

1.5 Competitors:

In the real estate market of India, specifically NCR, many big players are competing with each other. Some of the main companies are DLF Builders, Omaxe Ltd, Parsvnath Developers Ltd, Unitech, Ansal API, Godrej Properties, etc.

In spite of the presence of the big players like DLF in NCR, ARIL is able to differentiate itself with its strategy of land acquisition and attracting foreign investments. ARIL has in house team which understands the local issues in NCR and therefore is able to acquire land without much delay.

Session 2

2.1 Identify the core competencies of the firm

Answer: Anant Raj Industries Ltd. is operating in the field of Infrastructure development and the company is building Special Economic Zones, IT Parks, Commercial Complexes, Malls, Residential Apartment, Hotels, and other infrastructure projects. NCR has been the focusing area for ARIL for a long time because of its growth opportunities. Also

ARIL's core competencies are:

2.1.1 High Quality Land bank: Land Acquisition in India is a very complex problem. Over the years, ARIL has developed a customized mechanism to acquire strategically located, low cost lands that provide downside protection. ARIL is very competent in accumulation of fragmented farmland. It has harmonious relationship with individuals and corporate bodies. ARIL has also built an experienced team that understands the local by-laws and regulations and is capable of predicting market trends for anticipating future demands.

2.1.2 In-House Construction Arm: Unlike other players, ARIL has built an in-house dedicated construction team of approximately 1000 engineers and other employees to control the cost and time for completion of projects. It also eliminates the contractual bindings of third party contractors and imparts flexibility for incorporating any change in terms of design, finish, etc.

2.2 The current socio-economic environment dynamics and the company

Answer: Yes, ARIL will be able to handle the current socio-economic environment dynamics. Below are the rationale behind my answer is given below:

Since ARIL is mainly functioning into real estate business therefore one of the major problems are the land acquisition and it's accumulation from the farmers. This process is not easy because first, the farmers in Haryana are having emotional bonding and social respect associated with their farm lands, and secondly, in the process of land accumulation in a certain area will results in the steep rise in the land prices which increases the cost of company. Therefore, the company should be competent enough to understand these issues and resolve these.

ARIL with its in-house dedicated expert team is doing business from years with a good pace and without any controversy. Their recent projects like technology park (10-acre fully integrated global technology park located in Manesar Gurgaon) and residential projects (in Neemrana, Manesar and Gurgaon) are telling the story of their performance and consolidate our view that the company will be able to handle socio-economic dynamics.

Session 3

3.1 The type of strategy amongst the eight-different types

Anant Raj Industries was started with the business of manufacturing ceramic wall and floor tiles. The company was promoted by Anil Sarin and Ashok Sarin. Later the company entered in the construction and Infrastructure development and mainly focused on the growing NCR.

Some points are worth noticeable about the Anant Raj industries Ltd. and by analysing them we can deduce the strategy of this group. These points are listed below:

- Company set up its first plant in Village Bhudla, a backward area in Mohindergarh district of Haryana State. This step shows that they emphasised on the low cost right from the inception of the company.
- The company made an agreement with Henshall Bamford & Partners of London, for engineering services, assistance in procurement of plant & machinery, supervision of production etc. This resulted in achieving 80% of capacity utilisation. They are well adapted to new initiatives and changes.
- The promoters recognised the potential in the construction and infrastructure business in NCR they quickly grabbed it and entered into the business.
- Company was proactive in taking measures which made them ahead from competitors like understanding local stack holders for acquiring the land which is crucial for the successful business.

Hence, by analysing these points as well as the history and operations of the Anant Raj Industries Ltd. over the years, we can conclude that the company has been progressing under the entrepreneurial strategy.

Apart from the above points that support the entrepreneurial strategy of the owners, some other key points are mentioned below that somehow related with the firm's strategy.

- Promoters of the company have been quite successful in fetching the foreign funds for its projects for example they entered in a Co-Investment Right Agreement with the Government of Singapore Investment Corporation.
- The company has been very proactive in engaging into new opportunities, for example, They entered in to a JV agreement with Monsoon Capital for development of an IT Park at Panchkula, Haryana, JV agreement with Swan Consultants, a Reliance Anil Dhirubhai Ambani Group (ADAG) Company etc.
- Sarin brothers runs ARIL from a long time and moved into the different business that was somewhat related with the previous business of manufacturing tiles. Thus they were connected and well knowledgeable about the construction business. But unlike the other supplier they ventured into the construction business that reflects the entrepreneurial thinking of Sarin Brothers.

Session 4

4.1 Infrastructure and Construction Industry

The construction and development of shelters have been the integral part of human society from ages. In the early ages, human beings had identified this need and tried to make stable and permanent structures to secure themselves. It is very difficult to point the exact time when this business was started. We have some historical mesmerizing structures which tell the whole story of the construction work in history.

At present, this sector is a blend of the organized and unorganized business. Here for the evolution analysis we are taking the organized sector especially in the context of Indian market after independence.

4.1.1 After independence of India: From 1950 to mid 60's, government was very active in the development activities. Mainly public sector was operating in the construction and infrastructure development for example, National Buildings Construction Corporation (NBCC), Engineers India Limited (EIL) etc. while some other private companies like M N Dastur and Co., Hindustan Construction Company (HCC), Ansals, etc. are also there.

In the late 1960s government started encouraging foreign collaborations in these services. The Guidelines for Foreign Collaboration, first issued in 1968, stated that local consultant would be the prime contractor in such collaboration. The objective of such an imposition was to develop local design capabilities parallel with the inflow of imported technology and skills. This measure encouraged international construction and consultancy organizations to set up joint ventures and register their presence in India.

4.1.2 After liberalization of Indian Economy:

Over the last 21 years, the Indian real estate industry has been on the growth path. The growth may be attributed to several factors such as economic reform and liberalization, increased globalization, increase in business opportunities, heightened equity market activity and rise in demand. Reforms in the FDI in the property sector and real estate venture capital funds have further propelled the industry to become one of the leading investment generating avenues. Also according to census, still approximately 15% of the country's urban population living in slums, 35% of all urban households living in single room dwellings, shortage in urban households currently being 25 million houses and the like.

The demand for corporate space in India is higher than the supply. So rentals are not expected to depreciate in the near future. Places like Bangalore (IT hub), Gurgaon and Noida are seeing great future in terms of Foreign Direct Investment. Commercial Sector in India is showing more returns than Residential sector.

In the current scenario when PSEs are also growing at a good pace, Public Private Partnership is the new form of success style for the public sector infrastructure developments.

4.1.3 Future Prospects on Real Estate Industry

The real estate market in India is still in the growing stage and the scope is unlimited. According to the analyst for the next twenty years demand will be growing therefore market growth is almost sure. One of the prime reason behind this is the outsourcing business in India is going in increases and will create huge demand for commercial buildings and urban housing besides improvement in infrastructure. Also, the organised retail market in India is also accelerating with players like WalMart, Bharti, Reliance etc.

According to former Planning Commission Advisor Tarun Das, a price index for the housing market to track price movement must be incorporated. The government must ensure that there is no shortage of funds. Sebi's recent harbinger of permitting real estate mutual funds in both private and public sector will go a long way in attracting funds from small investors who emphasize on certain return. Another impediment that can be eased on the discretion of government is the existing tax laws and other complex regulations relating to multidimensional real estate's such as industrial parks and SEZs (Special Economic Zone). RITES (Real Estate Investment Trusts) of the type introduced in U.S.,U.K. and Germany should be imitated and explored.

4.2 Construction and Infrastructure Development Industry is a Global Industry:

In today's time this industry is the global industry. In India we can see that many Indian companies are entering in to the Joint Ventures for the developments of the new projects. It is the sort of technology access routes for the local firms to the technologies of international companies also they can adopt their management style for effective professional working culture.

Reference: <http://www.economywatch.com/real-estate/>

Session 5

5.1 Porters 5-forces framework

5.1.1 Supplier Power: Low

- Suppliers are not concentrated. The fragmented nature of the supplier market limits supplier power. They compete for the same project through the bid system.
- Non-negotiable prices of input materials like wood, concrete, plastic, gravel, oil, gasoline, steel etc.
- Although the supply of land is discrete, companies do not spend a disproportionate amount of revenues on raw-land acquisitions
- In developing countries, Labor, even skilled construction workers don't have supplier power.
- Profit margins of subcontractors are small since projects are allocated to subcontractors through bidding process. Subcontractors' power is limited from the demand-side as well.

5.1.2 Buyer Power: Low

- Buyers are buying properties at relatively high rates, because of the availability of flexible financing terms and low down payments.
- Buyers are extremely fragmented therefore have very little power. Each buyer competes individually for the best price. Buyers usually do not have the ability to choose between suppliers of new homes.
- Demand is continually increasing because of population growth, demographics, immigration, household formations etc.

5.1.3 Barriers to Entry: High

- The economies of scale realized by large homebuilders make it almost impossible for new entrants.
- Infrastructure business is a very capital and knowledge intensive industry, especially when done on a large scale. In order to acquiring land and development of a project requires a lot of capital and expertise.
- The governmental red tape and bureaucracy
- Environmental impact, permits, traffic studies and changing of zones are some of the factors in which extensive experience is required.

5.1.4 Threat of Substitutes: Low

- The threat of substitutes is weak given that it takes many things to operate on this level of cost-savings:
- Acquiring appropriate land, accumulation of land, raising finance quickly and efficiently is not simple task.
- Buyer always wants to buy from a company which has an established reputation for quality in the market.
- The ability to execute big contracts quickly and profitability makes a company less prone to be substituted.

5.1.5 Rivalry: High

- Demand is high and oligopolistic nature of the market increases the competitive rivalry among firms.
- Mainly rivalry is not in the factor market since suppliers are many but there is a fierce competition in the product market.

Session 6

6.1 The major innovations inside your industry

The major innovations and development in the real estate industry are summarized in below points:

6.1.1 Land Acquisitions Strategies: One of the most important inputs in the real estate is land. Companies are adopting different strategies to acquire land in different area. For example, in India companies like DLF, Unitech etc are using their relationship with farmers in NCR either to buy or to get in to a partnership to develop projects. On the other hand in the same market space companies like Godrej Properties are trying to get into partnership with local developers for new projects.

6.1.2 Government Initiatives: Some of the recent initiatives taken by the government are different concessional schemes by Reserve Bank of India, Urban Land Ceiling and Regulation Act by state government, Increased share of FDI, promoting integrated townships by reducing the minimum area to 25 acres from 100 acres, the Rajiv Awas Yojna and more importantly development of SEZs by making the procedure of getting the tax-free industrial enclaves.

6.1.3 Innovation in the construction materials: New effective and more stable materials like ceramics and polymers are being innovated these days and are used in construction. These materials could reduced cost and provide more functional benefits to the developers. For example, 'Green Build Products' is new start up which developed a material that can be used for plastering masonry walls and RCC surfaces and made by pollutant like fly ash.

6.1.4 Innovation in Real Estate Brokerage: Before the mortgage crisis happened, banks and other credit providing institutions used several innovative ways to lure customers. But after the mortgage crisis, banks are cautious about giving loans even in the countries like USA. While in the countries like India where banks are little more conservative about mortgage situation is still more or less same in term of providing loans.

6.1.5 Internet Marketing: Portals for rent and sales, social networking sites and other internet based marketing channels are being used in real estate sector also. "According to an NAR survey of recent homebuyers in 2009, 94% of Home Buyers used the internet during their search for a home to purchase".¹

Reference:

1. <http://www.manausa.com/innovation-in-real-estate/>

Session 7

7.1 The specific generic strategy being used by ARIL

Anant Raj Industries Limited uses 'low cost focus' strategy for its operations in NCR for construction business. Some supporting moves which company does are listed below. From these points it is clearly seen that ARIL focus on the 'Low Cost Focus' strategy.

7.1.1 **High Quality Land bank:** Acquisition and accumulation of highly fragmented land is very tedious task specially when the land is fertile (NCR region) and it needs qualities like excellent understanding of local laws and bylaws, local customs, social equations, and relationships with individuals and corporate bodies. ARIL acquires strategically located, low cost lands that provide downside protection by using its customized mechanism and a highly experienced team. ARIL doesn't acquire land through auctions, land for IT parks are acquired through government allotment having very low cost FSI.

- Total Land Bank of 1175 acres with developable area of 62 mn. sq.ft
- Amongst the largest land holders in Delhi – 500 acres. Balance 90% land within 30 kms of Delhi.
- The additional land is acquired at Delhi, Gurgaon, Manesar, Sonapat and Neemrana Rajasthan.
- Total land bank value is approximately 9 billion INR. This land is magnetisable in the next 3 years and expected realizable value is 60 to 70 billion INR.

7.1.2 **In-House Construction Arm:** ARIL has an in-house construction team of 1000 engineers and employees which results in savings and total control over time taken for completion of projects. This removes contractual obligation when third party contractors are involved in construction, and adds flexibility for incorporating any change in design, finish, etc at any time of moment.

7.1.3 **Finance:** ARIL is very good at attracting foreign investments at comparatively lower interest rates, for example, from the Government of Singapore Investment Corporation, from the George Soros Group and Morgan Stanley. Also ARIL has also entered into a joint-venture with Reliance ADAG.

Other two companies that are following low cost focus strategy are Unitech and Omexe

7.2 Financial numbers of ARIL and linking with its generic strategies

Some of the entries of the Profit and Loss statement and Financial Ratios are given in following two tables. In the right text box, Analysis of the company's financial statements and linking to company's strategy.

Income	Mar '11	Mar '10	Mar '09	Mar '08	Mar '07
Sales Turnover					
Total Income	424.11	59.32	32.62	37.62	210.06
Expenditure	446.33	337.32	321.48	633.25	233.36
Raw Materials					
Power & Fuel Cost	0.71	6.37	9.6	16.52	16.95
Employee Cost	0.29	1.43	2.1	4.15	3.38
Selling and Admin Expenses	8.29	7.86	7.55	6.24	3.42
Total Expenses	9.46	9.2	9.65	9.68	3.66
	183.94	27.77	31.07	41.85	29.97
Operating Profit	236.34	30.56	1.47	-5.6	178.23
PBDIT	262.39	309.55	290.41	591.4	203.39
Interest	21.03	4.89	0.47	3.3	2.4
PBDT	241.36	304.66	289.94	588.1	200.99
Depreciation	13.47	10.68	8.63	8.2	7.82
Profit Before Tax	227.89	293.98	281.31	579.9	191.97
Tax	62.14	58.05	73.3	143.84	45.63
Net Profit	167.84	238.25	207.07	436.36	125.47

Table 1. Entries from Balance Sheet

Profitability Ratios	Mar '11	Mar '10	Mar '09	Mar '08	Mar'07
Operating Profit Margin (%)	55.73	52.34	4.69	-15.6	85.66
Profit Before Interest And Tax Margin (%)	49.24	18.23	-7.07	-25.59	80.23
Gross Profit Margin (%)	52.55	34.05	-22.68	-38.45	81.9
Cash Profit Margin (%)	40.14	16.77	-2.81	-249.71	63.34
Liquidity And Solvency Ratios					
Current Ratio	10.83	5.37	10.32	5.54	1.47
Debt Equity Ratio	0.26	0.04	0.06	0.02	0.29
Debt Coverage Ratios					
Total Debt to Owners Fund	0.26	0.04	0.06	0.02	0.29
Inventory Turnover Ratio	0.6	5.7	2.9	4.89	29.18
Average Raw Material Holding	599.08	120.16	72.01	46.97	39.73
Average Finished Goods Held	3.51	48.21	52.74	32.17	37.49
Number of Days In Working Capital	1,361.18	5,094.56	13,736.00	11,294.28	214.09

Table 2. Financial Ratios

Reference: Financial Statements: www.moneycontrol.com

Analysis of the Financials of Anant Raj Industries Ltd.:

1. Inventory turnover ratio: from the financial data we can see that average raw material holding is increased sharply to the level of 599.08 Cr. INR while average finished goods inventory is reduced to 3.51 Cr. INR in the year 2011. From this data we can say that company is doing hedging against the future increase of the input materials since in industry like construction and infrastructure development prices of input materials are highly fluctuating. Therefore this supports the low cost focused strategy of the company. Inventory is financed by the debt taken by the company.
2. Company's working capital management has been very good in recent years. Company is maintaining a healthy Current Ratio. Since the company has secured loan of 9,180,268,280 INR in 2011 as compare to 940,348,384 INR in 2010, but still current ratio is very good.
3. The company has taken huge secured loan and due to this interest is paid by company. Therefore, in spite of increment in gross profit margin, net profit margin is decreased.
4. From the investor's point of view, the company is looking good for investing because since debt is increased to the level of 9,180,268,280 in 2011 but still Debt to Equity ratio (0.26) is good and company is maintaining strong capital base.

Session 8

8.1 Beginning of Anant Raj Industries Ltd

Anant Raj Industries was incorporated on 30th July, 1985 in New Delhi, and has been promoted by Ashok Sarin, Anil Sarin, M.L. Bhasin, H.L. Bhasin along with Haryana State Industrial Development Corporation Ltd. The main object of the Company is to manufacture glazed ceramic wall and floor tiles. The company set up a plant in village Bhudla (Mahindergarh, Haryana) for manufacturing glazed ceramic wall & floor tiles under the brand name 'ROMANO'.

In 1993, as a part of diversification, the company purchased a running manufacturing unit of L.P.G. Cylinders with an annual production capacity of 6 lakh cylinders of different sizes.

In 1994, the company undertook expansion scheme by the addition of equipment raising the production capacity from 3,500 sq. mtrs. to 8,000 sq. mts. per day. The name of the Company was changed from Anant Raj Clay Products Ltd. to the Anant Raj Industries Ltd. on May 25th 1995.

In 2005, Group consolidated entire development and construction business into the flagship company, Anant Raj Industries Limited. The entire land bank is now part of the flagship company and all construction and development activities from 2005 onwards are done only in the flagship Company.

Anant Raj Industries Ltd belongs to Anand Raj Group which was promoted by Ashok Sarin, Anil Sarin, M.L. Bhasin, and H.L. Bhasin. Currently ARIL is the flagship company of the group.

8.2 Initiatives in Recent Past:

8.2.1 Partnerships:

- A 50.1:49.9 JV with Monsoon Capital for development of an IT Park at Panchkula, Haryana.
- A 50:50 JV with Swan Consultants, a Reliance Anil Dhirubhai Ambani Group (ADAG) Company. Under this collaboration two hospitality projects at NH- 8, New Delhi near the Airport and an SEZ of 500 acres at Manesar, Haryana will be developed.
- A Co-Investment Right Agreement with the Govt. of Singapore Investment Corporation (GIC) to pursue investment opportunities in infrastructure development and hospitality.

8.2.2 Amalgamation: In 2005, Group consolidated entire development and construction business into the flagship company, Anant Raj Industries Limited. Also, In 2007, Anant Raj Industries has decided to amalgamate its four subsidiaries with itself.

8.2.3 Acquisitions:

- In September, 2010, Anant Raj Industries Ltd acquired 10,000 equity Shares (representing 100% of Share Capital) of Jubilant Software Service Pvt. Ltd. Jubilant Software Service Pvt. Ltd. owns 15.58 Acres of land in Gurgaon, Haryana which is eligible for a Group Housing Project.
- In October, 2010, Anant Raj Industries Ltd acquired 3,60,000 equity shares (representing 100% of Share Capital) of Aakarshak Realators Pvt Ltd. Aakarshak Realators Pvt Ltd owns 9.51 Acres of land in Haryana, which is eligible for a Group Housing Project.

First, Partner they entered into are for the future projects which are in the construction and infrastructure development only, also these partnerships are with the big names like ADAG and Government of Singapore Investment Corporation which will bring management culture of these MNCs in the ARIL. Apart from these, in future, it will benefits ARIL in terms of attracting more lucrative investors. Hence according to me it was a good idea to form JV with known names since they can provide implicit advantages in business in future.

Second, Anant Raj Group consolidated its business and formed ARIL which was a strategic decision to concentrate on the core business of the Anant group. Hence this decision was also good and further corroborated by their financial results.

Third, the company acquired two software companies which have around 25 acres of land in total. This decision can be viewed with suspicion as the motive behind these acquisitions is not clear. One aspect can be that Anant Raj Group wants to diversified into the software business which in turn will require a different set of managerial talent. Other aspect is that Anant Raj group is interested in the land itself because those lands are eligible for housing projects. In both the acquisitions of the company, apart from the acquisition of the firm one thing is common that both the company has the cumulative of 25 acres of land which is crucial and could be strategic in the future of ARIL.

Session 9

9.1 Analysis of ARIL and Anant Raj Group

Anant Raj Industries Ltd. belongs to Anant Raj Group. Anant Raj Group is one of the leading construction and infrastructure developers in North India. This group has experience of almost a century in construction and over thirty years in construction and infrastructure development in the National Capital Region.

ARIL was incorporated on 30th July, 1985 at New Delhi. The company has been promoted by Ashok Sarin, Anil Sarin, M.L. Bhasin, H.L. Bhasin along with Haryana State Industrial Development Corporation Ltd. The main object of the company is to manufacture glazed ceramic wall and floor tiles.

The company set up a plant for the manufacture of 18,000 TPA of glazed ceramic wall & floor tiles (plain, coloured & decorative). The tiles were sold under the brand name 'ROMANO'.

Later the company entered into an agreement with Henshall Bamford & Partners of London, U.K. (HBP) for know-how, engineering services, assistance in procurement of plant & machinery, supervision of production and helping the company to achieve 80% of capacity utilisation.

In 2005, the group consolidated its entire development and construction business into our flagship company, Anant Raj Industries Limited. Therefore the entire land bank is now part of the flagship company and all construction and development activities from 2005 onwards are done only in the flagship Company. Currently the company is focusing on the construction of IT Parks, SEZs, commercial complexes, hotels, service/residential apartments, malls, and other infrastructure projects.

9.2 Diversification Strategy:

From the above analysis of the company, it is clearly shown that ARIL did not expand much geographically. It focused mainly on the NCR region over the years. But from the recent development of the real estate markets around the industrial areas near NCR like Bhiwadi, Neemrana and Faridabad, There is huge potential for the ARIL to expend itself in these nearby areas. Recently ARIL acquired land bank in Sonapat and Neemrana, therefore we can say that they are trying to diversified geographically.

Also after analysis of the firm past diversifications, we can say that ARIL adopted Conglomerate Diversification expansion route and they get in to the business of construction while previously they were supplying the inputs which were used in construction business and commercially related with construction business.

Session 10

10.1 Strategy implementation issues ARIL

As per the analysis of the firm, it is clearly evident that ARIL is in the market where it is competing with giant organisations like DLF etc. In the competitive market ARIL adopted the low cost strategy with its core competency of acquiring land bank in the NCR region and fetching foreign investments at good pace, because of this ARIL has been able to capture market space.

Also, the execution time taken to complete the projects is comparatively less because of the less delay time in land acquisition and getting investments which in turn reduces the operating costs.

One more thing that can be noted that they are operating in NCR mainly. Only recently they executed projects in nearby areas like Neemrana (On Delhi-Jaipur NH8) and Sonapat.

Therefore, I have found out following strategic issues which can be hinder their future growth because of the following points:

1. ARIL is acquiring and accumulating land in NCR region at a good pace and ease because they are operating in this area from the inception of the company. They have in house team of experts in the acquiring land and have greater local understanding. But as the NCR market for real estate is becoming more stagnant year by year they have to focus on the nearby industrial areas like Neemrana, Bhiwadi, Faridabad etc for sustainable growth in future. Therefore expanding their business is not so easy for them because of the lack of the understanding of local laws and relationship with farmers.

Therefore, in order to expand in other cities of India they have to develop teams which have the understanding of those areas so the ARIL can operate with its core competency.

2. ARIL has adopted the low cost strategy to do the business and has been able to reap profits over the last year. But if we closely analyze the balance sheet of the ARIL, we can find out that total income is not increasing at the usual pace from 2009 to 2010. The reason behind this could be recession in the real estate business and lack of foreign investors.

In the recession, normally completion time for the projects is relatively high therefore operating cost for company increased which in turn reduces the margin. Since low cost is the core strategy of ARIL hence in such a situation ARIL cannot earn expected margins. Therefore ARIL has to rethink about the sustainability of the current strategy.