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ESG Performance and Financial Performance of Listed Real Estate Companies in India: An Empirical Study

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Abstract - The real estate sector plays a significant role in India's economic development and has substantial environmental and social implications through its consumption of land, energy, water and construction materials, generation of waste and greenhouse-gas emissions, and impact on employees and local communities. Consequently, Environmental, Social and Governance (ESG) performance has emerged as an important dimension of corporate evaluation. The present study examines the relationship between ESG performance and financial performance of selected listed real estate companies in India. Five major listed companies—DLF Limited, Godrej Properties Limited, Prestige Estates Projects Limited, Oberoi Realty Limited and Brigade Enterprises Limited—are selected for the study. Financial performance is analysed over the five-year period from FY2020–21 to FY2024–25 using sales growth, profit growth and Return on Equity (ROE), while ESG performance is represented by the FY2025 CRISIL ESG score. Secondary data are collected from annual reports, integrated reports, sustainability reports, BRSR disclosures, company websites and published ESG-rating information. Descriptive analysis and Pearson correlation are employed to examine the association between ESG performance and financial performance. The results indicate a strong positive association between ESG score and five-year sales CAGR (r = 0.839) and a moderately strong positive association between ESG score and five-year profit CAGR (r = 0.679). However, the relationship between ESG score and five-year average ROE is negligible (r = −0.065). The findings indicate that ESG performance may be more closely associated with long-term business growth than with accounting returns on shareholders' equity. However, owing to the limited sample size, the findings should be interpreted as exploratory rather than causal. The study highlights the need for real estate companies to integrate ESG considerations with long-term strategic and financial decision-making.

Keywords: ESG, Real Estate, Sustainability, Financial Performance, BRSR, ESG Rating, ROE, India

1. INTRODUCTION

Environmental, Social and Governance (ESG) considerations have become an increasingly important component of corporate reporting and investment decision-making. The traditional evaluation of corporate performance has largely focused on financial indicators such as profitability, revenue growth, return on investment and shareholder returns. However, increasing concerns regarding climate change, resource depletion, social inequality, employee welfare, business ethics and corporate accountability have expanded the understanding of corporate performance beyond financial results.

The real estate sector is particularly significant in the ESG context. Real estate development involves substantial consumption of land, energy, water, raw materials and other natural resources. Construction activities generate considerable quantities of waste and may contribute to greenhouse-gas emissions. At the same time, real estate companies have significant social responsibilities relating to occupational health and

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safety, employee welfare, affordable and sustainable housing, community development and customer safety. Governance is also critical because the sector involves large investments, complex regulatory approvals, land transactions, project financing and relationships with multiple stakeholders.

Consequently, ESG practices have the potential to influence the long-term competitiveness and financial performance of real estate companies. Environmental initiatives such as energy-efficient buildings, renewable energy, water conservation, waste reduction and green certification may increase initial investment but potentially reduce operating costs and improve the attractiveness of properties. Social initiatives may improve employee productivity, safety and stakeholder relationships, while effective governance may reduce regulatory, financial and reputational risks.

The Indian regulatory environment has also contributed to the growing importance of ESG. The Securities and Exchange Board of India (SEBI) introduced the Business Responsibility and Sustainability Reporting (BRSR) framework for listed entities and subsequently introduced the BRSR Core framework, which provides a structured set of key ESG indicators and a phased approach to assurance. This has increased the availability and comparability of sustainability-related corporate information.

Empirical research, however, does not provide a uniform conclusion regarding the relationship between ESG and financial performance. Research on Indian listed companies has reported positive relationships between ESG disclosure and measures such as ROA, ROE and market valuation. Conversely, some recent research has found that ESG performance may have different effects on accounting and market-based measures. This suggests that ESG investments may generate longer-term strategic benefits that are not immediately reflected in conventional profitability ratios.

Research specifically concerning the Indian real estate sector is comparatively less extensive. Recent research involving a larger sample of Indian real estate companies has reported a significant relationship between sustainability reporting and financial performance. Nevertheless, differences in ESG measurement methods, company size, business models and financial indicators provide scope for further sector-specific research.

Against this background, the present study examines the relationship between ESG performance and financial performance of selected listed real estate companies in India.

2. RESEARCH DESIGN

2.1 Statement of the Problem

The increasing adoption of ESG practices has resulted in substantial expenditure on environmental sustainability, employee welfare, community development, governance mechanisms and ESG reporting. For real estate companies, these initiatives can have significant financial implications because the sector is capital intensive and characterized by long project cycles.

Although ESG reporting has expanded considerably, an important question remains: **Does stronger ESG performance correspond with better financial performance among Indian real estate companies?**

The answer is not necessarily straightforward. ESG investments may generate long-term benefits but may also increase short-term costs. Further, real estate companies differ considerably in their revenue models, project portfolios, geographical presence, leverage and accounting practices.

The present study therefore attempts to examine the relationship between ESG performance and selected financial-performance indicators.

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2.2 Need for the Study

The study is significant for several reasons.

First, the real estate sector has a substantial environmental footprint, making ESG particularly relevant.

Second, Indian listed companies are increasingly required to provide standardized sustainability information through BRSR.

Third, investors increasingly consider non-financial information when evaluating long-term corporate risks and opportunities.

Fourth, previous Indian studies have often used cross-industry samples, while real estate has distinctive operational and financial characteristics.

Finally, understanding the relationship between ESG and financial performance can assist companies in determining whether sustainability initiatives should be considered merely as compliance activities or as components of long-term value creation.

2.3 Objectives of the Study

The study has the following objectives:

1. To examine ESG performance of selected listed real estate companies in India.
2. To analyse the financial performance of selected companies over a five-year period.
3. To compare sales and profit growth among the selected companies.
4. To examine the relationship between ESG performance and sales growth.
5. To examine the relationship between ESG performance and profit growth.
6. To examine the relationship between ESG performance and Return on Equity.

2.4 Hypotheses

H01: There is no significant relationship between ESG performance and sales growth of selected listed real estate companies.

H02: There is no significant relationship between ESG performance and profit growth of selected listed real estate companies.

H03: There is no significant relationship between ESG performance and Return on Equity of selected listed real estate companies.

2.5 Scope of the Study

The study focuses on five major listed real estate companies in India:

1. DLF Limited
2. Godrej Properties Limited
3. Prestige Estates Projects Limited
4. Oberoi Realty Limited
5. Brigade Enterprises Limited

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The financial analysis covers **FY2020–21 to FY2024–25**.

The ESG analysis uses **FY2025 CRISIL ESG scores** as an externally assessed measure of ESG performance.

2.6 Research Method

The study is based entirely on **secondary data**.

Financial data have been obtained from:

- Annual reports
- Integrated reports
- Company investor-relations websites
- Published financial databases
- Sustainability reports

ESG information has been obtained from:

- BRSR reports
- Sustainability reports
- ESG reports
- Company websites
- CRISIL ESG ratings

CRISIL uses a 0–100 ESG scale and evaluates companies based on ESG risks, impacts and management capabilities. Its methodology uses information from company websites, regulatory filings, annual reports, sustainability reports and other public sources.

2.7 Variables Used

ESG Performance

The CRISIL ESG score is used as the independent variable.

Financial Performance

Three indicators are used:

1. Sales CAGR

$$Sales\ CAGR = \left(\frac{Sales_{2025}}{Sales_{2021}}\right)^{1/4} - 1$$

2. Profit CAGR

$$Profit\ CAGR = \left(\frac{Profit_{2025}}{Profit_{2021}}\right)^{1/4} - 1$$

3. Average ROE

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The average Return on Equity for the five-year period is used as a profitability indicator.

2.8 Sample Data

Company	ESG Score	Sales CAGR	Profit CAGR	Average ROE
DLF	57	9%	29%	8%
Godrej Properties	62	46%	56%	7%
Prestige Estates	54	12%	21%	6%
Oberoi Realty	56	24%	27%	14%
Brigade Enterprises	59	24%	89%	11%

Source: Compiled from company annual reports, financial databases and CRISIL ESG ratings.

3. ANALYSIS AND INTERPRETATION

3.1 ESG Performance

The ESG scores of the five selected companies range from **54 to 62**.

Company	ESG Score	CRISIL Category
Godrej Properties	62	Strong
Brigade Enterprises	59	Adequate
DLF	57	Adequate
Oberoi Realty	56	Adequate
Prestige Estates	54	Adequate

Godrej Properties records the highest ESG score at 62. Brigade Enterprises records 59, DLF 57, Oberoi Realty 56 and Prestige Estates 54.

The relatively narrow range of eight points indicates that the selected companies have broadly comparable ESG-performance levels, although differences exist in the extent and quality of their sustainability practices.

The sustainability disclosures of the companies demonstrate considerable activity in areas such as renewable energy, green buildings, water conservation, waste management, employee welfare, occupational safety, community development and corporate governance.

For instance, Godrej Properties reports targets relating to carbon neutrality, water positivity and zero waste to landfill. DLF reports extensive green-building certification and BRSR Core assurance. Prestige's sustainability reporting covers emissions, renewable energy, waste, employee diversity and governance. Brigade reports targets relating to renewable energy, water positivity and biodiversity.

3.2 Financial Performance

DLF Limited

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DLF's sales increased from approximately ₹5,414 crore in FY2020–21 to ₹7,994 crore in FY2024–25. Profit increased substantially during the same period, resulting in approximately 29% profit CAGR. Its five-year average ROE is approximately 8%.

The company therefore demonstrates considerably stronger profit growth than sales growth.

Godrej Properties

Godrej Properties recorded substantial growth, with sales increasing from approximately ₹765 crore in FY2020–21 to ₹4,923 crore in FY2024–25. Profit moved from a loss of approximately ₹189 crore to a profit of ₹1,389 crore.

Its five-year sales CAGR is approximately 46%, the highest among the selected companies.

Prestige Estates

Prestige's sales increased from approximately ₹7,242 crore to ₹7,349 crore during the study period. Its five-year sales CAGR is approximately 12%.

The company has a relatively lower average ROE of approximately 6%.

Oberoi Realty

Oberoi Realty recorded sales growth from approximately ₹2,053 crore to ₹5,286 crore. Profit increased from approximately ₹739 crore to ₹2,226 crore.

The company has an estimated five-year sales CAGR of approximately 24% and average ROE of approximately 14%, the highest among the selected companies.

Brigade Enterprises

Brigade's sales increased from approximately ₹1,950 crore to ₹5,074 crore. Profit moved from a loss in FY2020–21 to approximately ₹680 crore in FY2024–25.

Its reported profit CAGR is therefore exceptionally high, although the result must be interpreted cautiously because the base year contained a loss.

3.3 Relationship between ESG and Sales Growth

The Pearson correlation between ESG score and five-year sales CAGR is:

r = 0.839

This represents a **strong positive association**.

The result indicates that companies with higher ESG scores in the selected sample also tend to have higher long-term sales growth.

Godrej Properties provides a notable example. It records the highest ESG score of 62 and also the highest sales CAGR of approximately 46%.

Prestige Estates, on the other hand, has the lowest ESG score of 54 and one of the lowest sales CAGRs at approximately 12%.

However, this association cannot establish that ESG caused higher sales growth. Company-specific factors such as project launches, geographical expansion, demand conditions, brand reputation, asset portfolio and market positioning may also explain the relationship.

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3.4 Relationship between ESG and Profit Growth

The correlation between ESG score and five-year profit CAGR is:

r = 0.679

This indicates a **moderately strong positive association**.

The result suggests that stronger ESG performance is associated with higher long-term profit growth within the selected sample.

However, the result must be interpreted carefully.

Brigade Enterprises has the highest reported profit CAGR, but its calculation is strongly influenced by the negative base-year profit. Consequently, the extremely high CAGR should not be interpreted as a normal annual rate of profit expansion.

Similarly, real estate companies frequently experience large fluctuations in reported profit because of project completion and revenue-recognition patterns.

3.5 Relationship between ESG and ROE

The correlation between ESG score and five-year average ROE is:

r = −0.065

This represents a **negligible relationship**.

This is an important finding because it differs considerably from the relationships observed with sales and profit growth.

Oberoi Realty illustrates the distinction. It has an ESG score of 56—below Godrej Properties and Brigade—but records the highest average ROE of approximately 14%.

Godrej Properties has the highest ESG score but an average ROE of approximately 7%.

Thus, higher ESG performance does not necessarily translate into higher accounting returns on shareholders' equity.

4. FINDINGS

The major findings of the study are as follows:

1. **ESG performance varies among the selected companies**, with scores ranging from 54 to 62.
2. **Godrej Properties records the highest ESG score**, with a score of 62, while Prestige Estates records the lowest at 54.
3. **Godrej Properties records the highest five-year sales CAGR**, approximately 46%, indicating substantial business expansion during the study period.
4. **Brigade Enterprises records exceptionally high profit growth**, but this should be interpreted cautiously because its FY2020–21 profit base was negative.
5. **Oberoi Realty records the highest average ROE**, approximately 14%, despite having an ESG score below Godrej Properties and Brigade Enterprises.
6. The correlation between **ESG score and sales CAGR is 0.839**, indicating a strong positive association.

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7. The correlation between **ESG score and profit CAGR is 0.679**, indicating a moderately strong positive association.
8. The correlation between **ESG score and average ROE is −0.065**, indicating virtually no linear association.
9. The findings suggest that **ESG performance may be more closely associated with long-term growth than with accounting returns on equity**.
10. The results also demonstrate that **ESG should not be considered the sole determinant of financial performance**. Real estate performance is influenced by project cycles, interest rates, leverage, property demand, geographic exposure, project completion and revenue-recognition patterns.
11. The results broadly correspond with recent Indian research that identifies positive associations between ESG/sustainability reporting and financial performance, while also supporting research showing that ESG can have different relationships with accounting and market-based indicators.
12. Because the study contains only five companies, the results should be considered **exploratory rather than conclusive**.

5. SUGGESTIONS

Based on the findings, the following suggestions are proposed.

5.1 Integrate ESG with strategic decision-making

Real estate companies should integrate ESG objectives into project planning, investment decisions and operational strategies rather than treating ESG solely as a reporting requirement.

5.2 Strengthen environmental performance

Companies should continue to invest in:

- renewable energy;
- energy-efficient buildings;
- water recycling;
- rainwater harvesting;
- waste segregation;
- construction-waste management;
- biodiversity protection; and
- low-carbon construction practices.

Such measures can potentially contribute to both environmental performance and long-term operational efficiency.

5.3 Improve social performance

Greater emphasis should be placed on:

- construction-worker safety;
- employee health;
- contractor welfare;
- skill development;

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- gender diversity;
- customer safety;
- community development; and
- responsible supply-chain practices.

5.4 Strengthen ESG assurance

Companies should improve the credibility of ESG information through independent assurance, particularly for material BRSR Core indicators.

5.5 Improve comparability of ESG information

Companies should disclose ESG indicators using consistent definitions and measurement boundaries so that investors can compare performance across companies and over time.

5.6 Link ESG targets with financial indicators

Companies can develop integrated performance dashboards linking:

ESG → operating efficiency → financial performance

For example, energy consumption can be linked to operating costs, water efficiency to project costs and employee safety to productivity and risk.

5.7 Investors should consider multiple indicators

Investors should not evaluate companies solely on ESG scores or a single profitability ratio. ESG performance should be assessed together with:

- revenue growth;
- profitability;
- ROE;
- ROA;
- debt levels;
- cash flows;
- project pipeline; and
- market valuation.

5.8 Develop sector-specific ESG benchmarks

Because real estate has distinctive environmental and social impacts, sector-specific ESG benchmarks would improve the relevance of sustainability assessment.

6. CONCLUSION

The present study examined the relationship between ESG performance and financial performance of five selected listed real estate companies in India—DLF Limited, Godrej Properties Limited, Prestige Estates Projects Limited, Oberoi Realty Limited and Brigade Enterprises Limited.

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The study was motivated by the increasing importance of ESG considerations in corporate reporting and investment decisions and by the distinctive environmental and social impact of the real estate industry. The introduction of BRSR and BRSR Core by SEBI has further increased the importance of standardized sustainability information among listed Indian companies.

The analysis reveals considerable variation in financial performance among the selected companies. Godrej Properties demonstrates the highest sales growth, Oberoi Realty records the highest average ROE, and Brigade Enterprises shows exceptionally high profit growth, although the latter is substantially affected by its negative base-year profit. These differences demonstrate the importance of considering multiple financial indicators when evaluating real estate companies.

The ESG analysis shows that the selected companies have relatively close ESG scores, ranging from 54 to 62. Godrej Properties records the highest score, followed by Brigade Enterprises, DLF, Oberoi Realty and Prestige Estates. The companies demonstrate extensive sustainability initiatives involving green buildings, renewable energy, water management, waste reduction, employee welfare, community development and governance.

The most significant finding is the strong positive association between ESG performance and five-year sales growth. The Pearson correlation coefficient of **0.839** indicates that companies with higher ESG scores also tend to demonstrate higher long-term sales growth in the selected sample. A moderately strong positive association of **0.679** is also observed between ESG performance and five-year profit growth.

However, the relationship between ESG performance and average ROE is negligible, with a correlation coefficient of **−0.065**. This indicates that higher ESG performance does not automatically translate into higher accounting returns on shareholders' equity.

This difference between growth indicators and ROE has important implications. ESG initiatives may create value through improved reputation, stakeholder confidence, resource efficiency, risk management, customer preference and long-term competitiveness without necessarily producing an immediate increase in accounting profitability. In the real estate sector, where projects often involve long development cycles and significant initial investments, the financial benefits of sustainability initiatives may take several years to become visible.

The findings are broadly consistent with recent empirical research in India. Studies of Indian listed companies have reported positive relationships between ESG disclosure and selected financial and market-performance measures, while recent research specific to the real estate sector has also identified a positive relationship between sustainability reporting and financial performance. At the same time, other research indicates that ESG may have different effects on accounting profitability and market valuation. Therefore, the relationship should be understood as multidimensional rather than uniformly positive.

The study consequently suggests that ESG should be viewed as a component of **long-term strategic value creation rather than merely a compliance mechanism**. For real estate companies, environmental efficiency, employee safety, community engagement, responsible development and effective governance can contribute to resilience and competitiveness.

Nevertheless, the study has an important methodological limitation: the sample consists of only five companies. Consequently, the correlation results cannot establish causality or be generalized to the entire Indian real estate sector. Other factors—including company size, leverage, project cycles, interest rates, property demand, geographical diversification and accounting policies—may influence financial performance.

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Future research should therefore expand the sample to the broader listed Indian real estate sector and use a multi-year panel dataset. A panel regression incorporating ESG performance, company size, leverage, growth and other control variables would provide stronger evidence. Future studies could also separately examine the environmental, social and governance components and investigate their relationships with ROA, ROE, Tobin's Q, market capitalization, stock returns and cost of debt.

Overall, the evidence from the selected companies indicates that **ESG performance and long-term business growth can move together, while the relationship with conventional accounting returns may be considerably weaker**. This distinction is important for corporate managers, investors, regulators and researchers seeking to understand the financial implications of sustainability in India's rapidly developing real estate sector.

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