

August 20, 2024

National Stock Exchange of India Limited The Listing Department Exchange Plaza, 5th Floor Plot C 1 – G Block Bandra-Kurla Complex, Bandra (E) Mumbai 400 051 Scrip Code: SHRIRAMPPS	BSE Limited Dept of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 001 Scrip Code: 543419
---	--

Dear Sir/Madam,

Subject: Transcript of the Investor / Analyst Meet

Further to our intimation of conference call with Investors/ Analyst, we enclose the transcript of the conference call held on August 14, 2024.

The above transcript is also available on the website of our Company at <https://www.shriramproperties.com/financials>

We request you to take the above information on record.

Thanking you

Regards

For Shriram Properties Limited

K. Ramaswamy
Company Secretary & Compliance Officer
A28580

Shriram Properties Limited

“Shriram House”, No.31, Old No.192, 2nd Main Road, T Chowdaiah Road, Sadashivanagar, Bengaluru - 560080
T +91-80-40229999 | F +91-80-41236222 | Web: www.shriramproperties.com

Registered Office: Lakshmi Neela Rite Choice Chamber, New No.9, Bazullah Road, T. Nagar Chennai – 600 017

CIN: L72200TN2000PLC044560 Email ID: cs.spl@shriramproperties.com



“Shriram Properties Limited
Q1 FY ‘25 Earnings Conference Call”
August 14, 2024

This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on 14th August, 2024 will prevail.

MANAGEMENT:

MR. M. MURALI – CHAIRMAN & MANAGING DIRECTOR – SHRIRAM PROPERTIES LIMITED

MR. GOPALAKRISHNAN J – CHIEF EXECUTIVE OFFICER – SHRIRAM PROPERTIES LIMITED

SGA, INVESTOR RELATIONS ADVISORS – SHRIRAM PROPERTIES LIMITED

Moderator:

Ladies and gentlemen, good day and welcome to Shriram Properties Limited Q1 FY25 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Murali, Chairman and Managing Director from Shriram Properties Limited. Thank you and over to you, sir.

M. Murali:

Thank you. Ladies and gentlemen, good evening. I would like to start by warmly welcoming our investors and analysts. Thank you for dedicating your valuable time to discuss our operational and financial performance. Earlier today, the Board adopted the financials for Q1 FY25. We experienced modest growth in earnings and satisfactory operational performance, despite the external challenges faced during the quarter.

Before delving into the details of our financial performance, let me highlight the key operational achievements of the quarter. During the quarter, we recorded sales of 0.7 million square feet and a sales value of over INR 376 crores. Our collections at INR 321 crores were up by 10% year-on-year. We also handed over 500 plus units.

I wish to say that it has been a slow start to the year, but we remain optimistic and fully confident about our target. The mid-market and mid-premium segments are gaining significant momentum and overall market trends are positive. Coupled with our robust operating platform and strong pipeline of projects, we are well positioned to capitalize on the industry's ongoing consolidation.

I would like to ask Mr. Gopal, our CEO, to briefly discuss the performance in detail with you. I'll be happy to answer any questions you might have thereafter.

Gopalakrishnan J.:

Thank you. Good evening, everyone. This is Gopal. I would like to briefly walk you through the performance, both operational and financial, for the next 30 minutes. For your information, the presentation that we are going to use is already on the website of the company and the Stock Exchanges. I assume you all have access to it.

So, I'll refer page numbers from the presentation, while I'm going through. Starting with page number 2; as some of you are aware perhaps that Shriram Properties already entered into its 25th year of operation and therefore, we thought we'll spend a minute trying to just capture the journey that we have had, though we have been a listed company for only three years, or less than three years.

We wanted to just quickly give a snapshot of what we have moved across and where we stand today as we celebrate our 25th year of operation. We have a very impressive, demonstrated track

record. The completed portfolio today comprises of 44 projects, 24 million square feet of development and over 18,000 completed units given to the customers.

Through the entire 25 years of journey, we never had any stress or issue associated with our borrowings. So, the spot-free credit profile that we have been able to earn gives us access to capital from our lending partners for our growth, as well as operational needs. That's a big, strong strength that we have gained over the last several years.

We've also been pioneers and also managed to get some successful partnerships with marquee investors, both domestic and international, both at the project level as well as at the corporate level so that gives us access to capital for co-investments and growth. More importantly, the impeccable track record that we created in terms of smooth entry by the investors, as well as smooth exit by investors which is sometimes a challenging one in this sector.

Shriram has created a history of smooth entry as well as smooth exit, as some of you have noticed from our recent press releases. We had exit of Mitsubishi, as well as ASK from one of our projects very smoothly in a short period of time that's an impeccable track record in this sector and we believe that's a big strength for us.

In recent years, we have actually transformed ourselves in terms of size, scale and profitability. We have grown almost 4x in sales volume in the last, ever since the RERA came up. So less than seven years 4x growth in our volume from 1 million square feet to about 4.5 million square feet last year, that's a big transformation that we have gone through and we have now fully set for our next phase of our transformation in terms of next leap of growth in terms of volume, which I will share during the presentation as well.

We are professionally managed and we are focused on delivering excellence to both our customers, as well as the stakeholders. Built on our group values of trust, transparency and governance, as well as relying on the reliability and relentless drive to pursue growth have actually kept us moving.

As we are standing at 25th year, we have 28,000 customers who have purchased units from us, both completed as well as ongoing projects. That's a very big large family that we have and we are very proud of it.

One last message on slide three; as some of you are aware, we have been focused on affordable and mid-market for a quite long time. Given the transition in the marketplace post-COVID, we have been gradually intensifying or strengthening our focus on mid-market products. As you see here in slide three, we have nearly 93% of our upcoming projects are in mid-market and mid-market premium segments.

Even in the past, we had a very large share of mid-market products. 67% of our completed projects are in mid-market; 67% of our ongoing projects are in mid-market and future, 93% of our upcoming projects are in the mid-market or mid-market premium segment.

If you look at the slide four, you will understand the reason why we are actually making this gradual shift in our focus. The market itself has been transitioning towards this end. Post-

COVID, if you see -- from year 2019 onwards, we have seen a gradual increase or tilt towards mid-market products. Today, they account for nearly 60% of the market, whereas they used to account for a much smaller share of the overall volume that gets sold every quarter or every year.

This gradual shift is more prominent in Bangalore and Chennai and we believe that given our brand name and market positioning, this enhanced focus on mid-market will not only give us the scope for growth, but also scope for increased profitability in the coming years.

With this backdrop, let me now try and go to the Q1 performance and Q1 results a little more in detail. To be candid and transparent, it has been a very slow start for the year. The sales performance for the first quarter has been muted, largely because of couple of external factors, which I will explain in a minute. As you are perhaps aware in southern markets, Q1 is traditionally a weak quarter.

On top of it, market had further softness on the back of election impact, where the customer decision making got prolonged, maybe the wait and watch approach taken by the customers amidst all the election fever had some impact on customer closings. Customer walk-in continued to be healthy, but customer closing did not happen and they are happening now. So which basically means that Q1 sales actually suffered on account of election to some extent.

Water scarcity in Bangalore had some impact. Unfortunately, the unseasonal flash rains, heavy rains in Chennai also had some impact. Combination of these as well as the code of conduct related deferment of government approvals for projects, pushed our launches as well in one of the cities.

And as a result of all this, we have focused only on sustenance sales, which is the sales from the existing projects. And therefore, our sales volumes were restricted to about 0.7 million square feet. Healthy number, but we would have liked it to be much stronger like in the previous quarter.

We believe we are on track now after all the election issues are over. The momentum has regained and therefore, we believe Q2 onwards, we should see a fairly strong volume growth and the fundamentals were intact and therefore, we are confident of full year volumes, which we have guided for 5.25 to 5.5 million square feet. We are confident of delivery. I will explain in subsequent slides why we say so.

Moving to slide 7, the slide captures our overall financial performance, INR 210 crores of revenues, EBITDA of about INR 53.6 crores, PBT of about INR 27 crores and PAT of INR 17 crores. You can see the margin profile in slide 7, very healthy margins comparable to what we have indicated as our long-term sustainable margin levels, which is 25% at EBITDA level and about 9% to 10% in the PAT level. Q1 income recognition was lower and therefore, the overall absolute numbers are little low, primarily because we had an aggressive handover schedule in Q4. As you know, we handed over 1,400 units in Q4 alone.

And therefore, the new projects coming under OC were very few this time. And therefore, the residual unit from projects that got OC during November 2023 to February 2024 are the only

projects that are getting handed over right now to customers. And that too, some of them are skewed towards legacy projects in Kolkata and Chennai and one in Bangalore.

And therefore, the income recognition was a bit modest, INR 210 crores. I will talk about the growth numbers in the subsequent slide. But suffice to say, a satisfactory financial performance for the quarter.

Looking at Slide 8, a bit more in operational details. As I said, muted sales, driven only by sustenance activity. We were scheduled to launch Pune project, which got deferred again due to approval-related delays.

I will explain that in subsequent slides. The deferred approvals, wait and watch strategy of customers ahead of the poll results, poll outcome and poll campaign impacted the overall momentum. But more importantly, the water scarcity in Bangalore and flash floods in Chennai seem to have had more prominent impact on customer decision making.

Combination of this, we suffered in terms of growth in volume. Pune got deferred to Q2 or most likely Q3 now, primarily because MoEF, Government of India approval, which was supposed to come to us almost at the beginning of the quarter, did not come through because code of conduct got announced early. Most of the government machinery got slowed down or stopped.

Therefore, we did not progress. MOEF first stage of approval has been received only in July. We believe the final approval of MOEF and PMC, the Pune Municipal Corporation approval, should come through only by September, somewhere in middle of September.

We are at full preparedness in terms of launching the project as soon as the approvals come through and RERA comes through. But we believe it is most likely going to be in October, if lucky, late September. So therefore, we are considering it as Q3 launch.

Having said that, we are sure we have three more launches in Chennai and Bangalore in Q2. And therefore, we will not suffer on volume as a result of Pune, but a disappointment for us on these prolonged governmental delays, primarily the MoEF approval from Government of India, which has been dragging for almost like three, four months now. On the project execution, as I said earlier, we handed over over 500 units, but mostly from projects that have got OCs in Q4.

No new projects were scheduled for OC in Q1, as well as Q2. So we will have increased momentum in handovers during Q3 and Q4, but we are confident of achieving our full year handover target of 3,500 units to our customers, as compared to 3,000 last year. That should therefore help us having a reasonably good growth in income recognition during the entire year, and the quarter-to-quarter mismatches or quarter to quarter fluctuations will continue.

We had a minor setback on labour front due to election issues. A lot of labour migration took place for a short term, because people had to go back to their hometown for voting. But people are back now, since June, mid-June to early July, we have got the ramp up of manpower back to our normal level.

Construction activities are in full swing, and therefore we do not see this 15-20 days of interruption to impact our full year plan in any way. All our projects meant for handover in FY '25 are on track, and we will be delivering them as per our plan in most cases ahead of RERA timelines.

Moving to financial performance, our total revenues are up 34%. Revenue from operations, which means basically income recognition from handover of units grew by 14%. Revenue from other operations have grown handsomely. Combination of these two, overall revenues are up 34%.

Our other operating revenues primarily consist of land related advances, income on those, or monetization of land or joint venture economic interest and so on. Therefore, some of you had concerns around other income being high. Therefore, we decided to show the other income and to break up into what were the other operating income as well as what is the true other income.

I hope you will be able to now consider the operating income in a more transparent way which we are disclosing. I hope it will be helpful for some of you to consider this for EBITDA margin calculations. Marginal growth in EBITDA, PBT, PAT, I'll explain that as we go to the financial slide. Cash flow front, things have been very strong. INR 115-120 crores of monthly run rate we have had in collection, has been a very healthy quarter. We are on the ramp up curve further.

So, Q2, Q3, we'll see further ramp up in collection momentum. Overall, I think we are definitely on target for a collection number, we guided to the market earlier. Overall finance costs have come down by almost 19%. We will explain that as we go through the financial slide. The debt equity remains low at 0.37, one of the lowest levels in the sector. The last piece on the highlights is the business development and pipeline.

Two new projects concluded, one JDA in North Bangalore, one own project near Electronic City in Bangalore. Both together have an aggregate saleable area of about 0.78 million square feet with a gross development value of about INR 500 crores to INR 600 crores, most likely around INR 600 crores based on the current market conditions. As I said, Pune is deferred to Q3 most likely, if we are lucky, end of Q2.

MoEF clearance has progressed but it is still 25 days away from receiving Pune PMC (Pune Municipal Corporation) approval. And then it will take about some time for RERA for at least two to three weeks and therefore we think the earliest we can launch is in second half of September or at the end of Q2, otherwise Q3 beginning, which is October. Strong project pipeline, we do recognize our pipeline is around 42 million square feet with a 20 million square feet of potential new launches, 23 million square feet is our ongoing project.

And we are working towards strengthening the pipeline further because at a 20% CAGR, we will still need to add a lot more pipeline over the next 18-24 months and we are working towards it. I will explain that in subsequent slides. Shifting attention to the financial highlights on page 10, 11th consecutive quarter since we turned around. Modest growth in revenue, EBITDA, PBT and net earnings.

I will explain that in subsequent slides. And one big strategic move happened this quarter was early exit to ASK in our joint investment called Shriram Pristine Estates, which is a plotted development project we invested year and a half ago and it was the first investment under the co-investment platform. The project took off well, accelerated sales, expedited construction, generated a very strong cash flow and as you know, ASK was quasi equity partner with a small coupon and they will get a share of cash flows subject to a cap of 20% IRR for them based on the project cash flow.

If there is no cash flow in the project, they were getting 13% coupon only. Now that the project is cash flow rich and we are paying them IRR and therefore we opted to exit them early and in that process we gained, it became a value of creative transaction for SPL as a whole because and now it will become subsidiary instead of being a joint venture going forward. Finance cost, I said earlier 20% drop, it is basically, I will explain the factors behind.

Last year finance cost was much higher because of refinancing that was done to bring down the rates. There were write-off of the processing fees and all. So, with a lower base of gross debt, very stable interest cost, the overall finance cost has been able to be brought down from INR28 crores to INR23 crores, as well as the unwinding effect, the non-cash charge that we carry every quarter because of Government of West Bengal royalty provision, that has also been lower now from 5 crores every quarter to about 4 crores now. Combination of these two, finance cost came down. So, that kind of sums up the entire financial performance. Now, I will try to walk you through respective slides with a bit more detail on the financials and cash flows. Shifting to Slide 11, as I said the revenue from handover of units to customers (the income from operation) grew by 14% based on the 500+ units that we have handed over to customers at INR154 crores.

The other operating revenues primarily consists of ASK's early exit related gains for Shriram Pristine estates because they exited halfway through and their 80% interest is more valuable than what we have paid to them now, as well as few other entries into the other operating revenues from our landowner-related income from existing and old project landowner closures have all generated the pending revenues from those projects as a combination and these under accounting standard have to be classified as other income. Therefore, you will see them clubbed together in other income in the past as well as Auditors limited review report. But for the purpose of analyst transparency and investor clarity, we are going forward, we will give you a break up of other operating revenues and other income separately. Other income primarily consists of interest income for us. So overall total revenue is up 34%.

Cost of revenue is higher for three reasons. One, because we had some one time write off's in the cost of revenue which includes some of the nearly completed projects impairment activities from a legacy project in Bangalore, which now almost entirely handed over. We had some impairment there in terms of cost and we also had some non-performing revenues recognized in the past and those DM revenues had to be written off or reversed and therefore, between them about INR10 crores of one-time, non-recurring charges are part of cost of revenue as well as we had the impact of the portfolio mix.

Since we are handing over all the legacy projects now, some of the legacy projects like Liberty Square in Bangalore and Shriram Grand City in Kolkata, some of the low margin products got

income recognized to a substantial part of this quarter and therefore, the cost of revenue growth is higher than the revenue from operation growth.

And to that extent, partly it is one-off but otherwise, it is more of a legacy project coming for revenue recognition and I think we are more or less done with most of the legacy projects in our entire portfolio now. Maybe a small impact in next quarter and then we are done with all the old projects and therefore, we think the margin profile is more stable now going forward.

The remaining part of the P&L, we don't see a very significant change. Employee benefit expense is only marginally higher, about 23% higher, primarily reflecting the provision which were made for annual increments to the staff base as well as strengthening the organization, we have added a few more new recruits compared to last year first quarter. They all came in October-November last year. But on a quarter-on-quarter basis, the growth gets reflected as a higher number primarily because of these two factors. One, 8%, 9% routine increment is accounting for 8%, 9% of annual year-on-year increase.

The remaining couple of basis points are primarily driven by headcount increase that we did when we revamped some of our existing functions, like we added more manpower in sales marketing functions, we added new leadership positions in sales marketing, all of those had some impact but these are routine because it is meant for a 5.5 million organization whereas their income recognizing a small number so it looks like as a percentage higher base.

But fundamentally on an annual basis, if you look at against INR86 crores employee cost last year, we might be only about 10% higher for the year as a whole. Other expenses are not significantly higher and these are associated with the marketing costs, channel partner commissions and so on. So they are attributed to normal growth that we have seen in the business.

So reflecting the low revenue from operation, higher cost of revenue, EBITDA remained almost flat at last year's level, INR54 crores, still a healthy number considering the modest income recognition or a modest handover that we have done this quarter, but it is still a healthy number at INR53 crores-INR54 crores.

Finance cost, as I said, is down 19%. Interest expense and other finance cost, which is a cash outflow from us, is about 20% lower at INR22.8 crores. Unwinding effect I talked about earlier is related to government of West Bengal royalty provision that we make every quarter and NPV charge that we do, because we carry the liability in the balance sheet and we increase the NPV of that liability every quarter so that when we are ready to pay government of West Bengal which we hope we will not pay because we are making progress on the resolution of the issue, but as a prudent measure we are providing them.

If once it is solved, then all of this will come back to balance sheet as a reversal of these numbers. So, overall, therefore, PBT was good, INR24 crores but share of profit from JVs partly two reasons there, partly because increased marketing expenditure by one of our JVs which was a new launch we did in Chennai last year. We had done a second part of the campaign during this

quarter called Shriram 122 West, which we acquired from a landowner last year and we launched it as a Shriram 122 West.

The renewed campaign started during April and therefore, we had to absorb our share of marketing expenses as an JV loss. That masked the impact of income from other JVs that we have and therefore, we had share of JV being lower. As a result, the PBT announced was only 12% higher at INR27.3 crores for the quarter as compared to INR24 crores last year.

Tax provisions are at about INR9.8 crores as a provision that we made on the current PBT levels in the previous year we had a lower tax outflow primarily because we had the deferred taxes which were there in the books had to be unwound and also we had some provisions that were no longer required because of three-year window was over. As a combination of these factors, year-end tax provisions were very low. But for INR27 crores PBT, we had estimated a tax expense and therefore, we made a provision of INR9.8 crores which is higher than last year. As a result, reported net profit is about INR17.5 crores, only marginally higher than last year's first quarter.

Having said that, I must clarify. We are on track. Some of the analyst research point towards over INR100 crores of PAT in the current year. We believe we are on track for what the market is expecting because we have 3,500 homes to be delivered, only 500 has been delivered so far.

A big momentum will come in Q3 and Q4 when these handovers come. Q2 will also be superior than Q1. But Q3 and Q4, you will see a big momentum in our handovers that should drive the full year reported earnings and therefore, we remain confident of delivering on market expectations, not just on the volume but also on the financial performance.

I'll now shift attention to Slide 12 on cash flows. As I said, we had a robust cash collections during the quarter. The chart on the right-hand side will tell you that we had INR321 crores of collections between our own projects and JDA as well as joint venture and DM. Out of this, INR321 crores collection, which is roughly about INR110 crores average per month and I think we are setting a higher monthly run rate as the quarters come by. So Q3 will be superior than Q1 monthly run rate we believe based on the project progress that we are seeing on the ground.

So, again, INR321 crores, INR156 crores belong to SPL's own share and JDA share. JV collections accounted for INR100 crores. I will explain what happened to that separately. But in this slide, on Slide 12, it talks about Shriram consolidated financials and therefore excludes JV cash flows and DM cash flow, of course, is excluded because we get only DM fee.

We had INR30 crores cash flow operations, reasonably encouraging considering modest or soft quarter that we had and net-net, we repaid INR27 crores of loans. So gross debt came down by INR27 crores already and we therefore used, including interest expense, we used about INR48 crores from our kitty towards cash flow towards financing activities.

Therefore, free cash flow before new project investment was marginally negative at INR18 crores and as I said, we acquired two projects. We completed two project acquisitions and there's one own project and one JDA project. We invested about INR44 crores towards new project investments and net-net therefore we used almost INR60 crores from our cash and cash

equivalent which ended the quarter with about INR128 crores of cash and cash equivalent with us.

Next slide talks about slide 13, talks about debt profile. It is suffice to say that the gross debt has come down marginally from 631 to 610 between year-end to quarter end. Since we used some cash towards the repayment of loan and on the new projects, our net debt has gone up marginally from 440 to 480 but debt equity remains reasonably low at 0.37 and we believe by end of the year we will reach 0.25, 0.3 levels very comfortably based on cash from operation as well as cash from land monetization that we are working towards closure during the year.

Cost of debt remains stable and therefore in sum before I shift to my outlook it's a soft start to a year. Volume wise we had a little bit of disappointment but we are confident of catching up on volumes as we go through the subsequent quarters with the new launches scheduled. I will explain all the launches in the next slide. Revenue recognition will gain momentum with the passing quarters Q2, Q3, Q4 will have a rising momentum in handovers and therefore rising momentum in income recognition.

Fixed cost will remain almost unchanged from the current levels of Q1 and therefore EBITDA margin profile will improve over the quarters even stronger. We remain confident and comfortable of delivering mid-20% EBITDA margin as we have consistently been indicating. Our PAT should also be stabilizing in 9% to 10% or 9% to 11% at a PAT level. We are confident of these metrics as we go through for the full year.

Just to highlight what we are seeing for the full year as I just now said we are confident of delivering on our commitment to the street on the KPI targets of 5.2 to 5.5 million square feet of sales, INR 2,750 to 3,000 Crore of sale value, INR1700 crores to INR1800 crores of collection and 3300 to 3600 units of handovers. And our comfort comes from the fact that our launch readiness is there.

If you look at slide 19, it will tell you the launch preparedness. As I said yes we have had some disappointing delays in Pune. MoEF of Government of India approvals are awaited. First phase preliminary approvals came through long ago so we had a confidence that we'll be able to launch that in Q4 last year, March. We were thinking of February-March launch. Got pushed to Q1 with the Code of Conduct coming in, the complete machinery came to a standstill. We have not received approval till end of the quarter. Actually somewhere during last phase of the June we got the preliminary first stage of approval. The last stage of approval is scheduled for August, early September and therefore PMC approval and RERA all this will come through only by end of September. And therefore we are thinking most likely it will be Q3 launch. That is a disappointment for us compared to where we started.

I think we underestimated or overestimated our ability to get through these approvals in a new market. I think we have been surprised negatively by the time taken by Pune as well as MoEF. Also because it's a 1.6 million square foot project therefore we need MoEF approval from Government of India and then the Code of Conduct played a vital role in the entire journey.

But all other projects under control, Shriram Serenity which is the new project that we acquired in Q1 with approvals is now getting ready for launch in Q2. It's in North Bangalore. Shriram Swargam a project in Chennai on track for launch in Q2. Shriram Symphony in Kolkata is almost started. Last week we had the channel partner meet as well so which is a pre-EOI process. So we are already moving ahead on Kolkata launch.

So these three projects are on good speed and good standing. If Pune comes through it will be a fourth launch in Q2 otherwise it will be the first launch of Q3. We have three other projects in Q3 and if the current launch is successful then we will have one more launch in Kolkata in Q3. And we have three launches in Q4 where the projects are under control. So I think we have a reasonably good outlook on the launch except Pune where we have slipped a bit. But I think slide 16 tells you more granular details about the four launches that are targeted or planned for Q4.

Slide 17 talks about some glimpses of launch preparedness work. These are the joint business plan JBP discussions with channel partners that we normally do before launch with each channel partner we have a target setting with them. So similarly we had a launch campaign channel partner event at Kolkata. The right hand side talks about the ads that are already launched in the digital media for our Chennai launch.

And Saptam which is the Pune launch. We are fully prepared including the digital campaigns and as soon as the approvals come through RERA comes through we will kick off. So full preparedness is there for Pune as well. But the remaining three will provide volumes for Q2 because we are targeting for much higher sales at launch compared to our conventional 30-40% because late last year when we launched one project in Bangalore we were able to sell 75% in the first week. We are trying for a similar performance in new launches and therefore we are thinking we should be able to have a robust volume in Q2 with the three launches coming up.

Slide 18 very familiar to you price trend, price improvements are very modest this quarter only 3-4% 4% or so that's because market itself was soft, customer walk-ins were happening customer closing was not happening so no developer could actually go up on the price curve and I think it will grow up grow in subsequent quarters with the demand I think, demand has already bounced back the customers have bounced back, all the closings are happening now. So I think the market is back on track should therefore see a good momentum in subsequent quarters.

Slide 20 about the handovers that I talked about, these projects listed in slide 20 account for 2600-2700 units out of 3500 units that we want to hand over during the year they are all in a good shape nearing completion and OC process preparations have begun so we are very confident of securing them and recognizing income from these new projects until such time the ongoing project from last year's OC, last year's completion will drive the income recognition in Q2 and early part of Q3 as well.

Last but one slide we are talking about the slide number 21 on project pipeline. Project pipeline remains almost stable at 42 million square feet 24 million ongoing with the recent launches as well and another 18 million square feet is the upcoming pipeline for launches. And we do recognize the need for much larger addition over the next 12 to 18 months because we are

confident and we are committed towards delivering a 20% growth in volume which basically means three years from today or FY27-28 we would be in the 7.5 or 8 million square feet of development.

And which means over the next 30-36 months we should be selling somewhere around 15 to 17 million square feet of volume and therefore we need to add another 15 to 18 million square feet of pipeline over the next 18-24 months to have a robust launch capability. And therefore the system is working over-time to generate those new project pipelines, you will see that we have several projects at an advanced stage of negotiation. You will see them, you will hear them from us over the next couple of quarters. And you will also see quarter-to-quarter improvement in pipeline as we go through the remainder of FY25.

Last slide from me having said all the work in progress activities I wanted to give you a outline of why we remain confident of our two to three years outlook. As you know we have sold about 15 million square feet in last four years out of which we have some projects ongoing, some projects are ongoing some projects are completed. Ongoing projects alone we are talking about somewhere around 19 million square feet of ongoing activity of which our own projects are about 14 million in own and JDA. They will come for income recognition in our P&L which means out of 12,000 homes that we will be handing over the next three years the 3,500-3,600 this year and then rising curve over the next two to three financial years.

These should therefore augur well for our income recognition over the next three years and therefore we see 70% of our income over the next three years will come from projects that we have already sold as of 31st March 2024. Execution, handover and income recognition will be the focus area in these projects and given that the projects are progressing well we are confident that we will be able to demonstrate a reasonably robust income recognition in FY 25, 26 and 27.

We are looking at adding this as I said here we have potential to sale another 15 to 18 million square feet over three years and they should also bring in depending on the model whether either they'll bring in a DM fee or in some cases if it is a plotted development, the income recognition within this period or if it is a apartment in the construction then it might take a couple of years to show income recognition.

So overall sold inventory alone can bring in a reasonably strong growth in our earnings. We have 4.5 million square feet of inventory to be sold in ongoing project. Combination of these two should give us a good boost to our income recognition in FY 25, 26 and 27.

On top of this, this new sales will add further strength. Therefore we would like to reassure to the market, to the analysts and investors that we are on track to deliver continued growth in our top line stable or improving EBITDA margins and a reasonably robust PAT at least in the 9% to 11% margin range in the coming years. Quarter to quarter volatility will continue as you are all familiar with the business, but we are confident of delivering a reasonably robust year-on-year growth over the next three years.

With this I'll stop and I will request Mr. Murali and I will join in responding to queries that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Akshay Jain from Jain Capital. Please go ahead.

Akshay Jain: Yes hi, good evening. So I have three questions. Firstly sir do we plan to enter Mumbai MMR region sometime in future?

M. Murali: Currently there is no thought process. Now currently we are working on Pune, but as the market evolves we will keep an eye on this and take a decision at appropriate time. Currently we have entered Pune.

Akshay Jain: Okay got it. So just to highlight on the Pune thing so when do we envisage the Pune market and when do we plan to start monetizing from that region?

Gopalakrishnan J: Yes so as I said in the presentation it has been a little bit of a delay or a slippage because we underestimated the time required for completing this approval process because our experience was based on Bangalore and Chennai. So this being a large project needed an MOE of approval so we thought it will come through by March. I think it has consistently slipped for a variety of reasons including what I said in the presentation about the code of conduct and all that.

I think now MoEF first phase is done. The final approval is expected by end August and then PMC approval and RERA will happen together. So we think it is not end of September, in October we will be hitting the market and also as you know it's a monsoon time. We also thought there's no point in rushing during in the midst of a monsoon in a new city where you know we didn't want to fight with the nature.

So we thought October, September end, October things would have been stabilized and by then we think we will be ready. So Q3 will see a big push from us in terms of volumes there because it's a maiden project for us in the entry and therefore we would like to make it a big success just to reassure ourselves as well as reassure the market, the customers as well, not just the capital market, reassure the local market that we are here as a permanent player, big player entering the market permanently.

Akshay Jain: Understood that was helpful. So just to like -- just to add on to that so like what can be the estimated cash flow from the Pune project?

Gopalakrishnan J: Cash flow I think it will be too early to think about. The first phase of launch that we are doing is about 0.6 million square feet and therefore the current 0.69 to be precise and FY25 we are looking at about 3.50 lacs - 4.00 lacs sft. If you look at the presentation we have our expectations about 4 lacs square feet of sales.

So that's a meaningful start and so initially it's a 400,000 square foot sales in this year would probably mean about 250-300 crores of sales value and therefore as you could see we would look at primarily the cash flows would be restricted to 9.9 to start with and then stabilize around 20 at some stage in current fiscal and then when the construction gains momentum then it will start coming.

So we're talking about roughly about 20% of this cash flow coming in and it will not generate a very large free cash flow because there will be a marketing cost associated with the launches and all that. So once we reach a meaningful share of our sales then we'll start the construction and then we'll go full hog because now we have spent enough time understanding the land parcel.

So I think construction planning is also ready. So it can get - once we get a sales visibility I think then we'll kick off. As you know most developers will have a threshold number for starting construction on the ground and we follow that in Bangalore as well. Roughly about 30% sales should happen before we start a basic construction so that the construction funding requirements are minimized.

Somewhat similar formula will apply based on the local market conditions, but we will apply a threshold before we start the construction, but overall this year the cash flow outlook is 20% of sales value.

Akshay Jain: Understood that's great to know. So last question from my side so any plans on venturing into luxury segment considering the demand for luxury segment has been increasing across major cities and at a pan-India level?

Gopalakrishnan J: So I think glad that you asked the question and gives me an opportunity to clarify what I said in the presentation. So we would like to, over the next two to three years we are trying to focus predominantly on mid-market and mid-market premium segment and not that we will shy away from other projects, but the share of the other segment projects will be relatively small. If you have noticed in Slide 4, we have a very small portion of luxury and others in each phase of our life.

Completed portfolio also we had about 7% to 10% high and these are one-off kind of you know like for example last year we acquired a project in Koramangala and that's a ticket size which clearly falls in luxury trend right INR 2 crores plus kind of ticket size. Very few projects we do in the segment. So we believe mid-market and mid-market premium alone offers a very large potential even today even after all the ongoing consolidation is a huge upside for us.

And I think as a company we would like to capitalize on that further which not only upgrades the portfolio and gives us an opportunity for further ramp up in volume, but also we believe it will give us a sustainable better margin profile going forward.

Akshay Jain: Got it sir that was helpful. Thank you so much for the elaborative answer.

Moderator: Thank you very much. The next question is from the line of Karan Mehra from Mehta Equities. Please go ahead.

Karan Mehra: Hello sir thank you for the opportunity. Sir what are our long-term prospects and where do we see SPL 3 years down the line?

M. Murali: So long term we'll continue to be in the mid-market and premium mid-market segment next three years time and in terms of growth we are looking at 25% CAGR for next three years time. We'll continue to focus on our core markets like Bangalore, Chennai and Pune now.

Of course Kolkata we'll look at how to monetize which we will be looking on that. So we are looking at steady growth in the next three years time and we'll continue to be more profitable in the next three years period.

Karan Mehra: Understood. Sir and what would be the total cash flow that we are anticipating from the projects that are already in the pipeline?

Gopalakrishnan J.: So based on next three years outlook if I can say that will be more I can give you some more conviction. As you remember as you may recall we have said we have been consistently saying from 2022 onwards that we will generate INR350 crores over a three-year period. I think two years are gone.

We've done about INR225 crores of cash that has been unlocked if you have seen the last year full year presentation. Another INR100 crores from that old phase that we thought of in FY '25 should come through. So if I rework this number from FY '25, '26, '27 perspective we expect another INR300 crores of capital can be unlocked from the projects that are on ground.

This is the free cash flow that we think. This is the three-year outlook that we have about roughly about INR300 crores of free cash flow can be generated and my colleague is just pointing out that this is after considering certain assumptions on how much project investment that we'll make.

Karan Mehra: Understood. That answers my question. I will call back in the queue for further questions. Thank you.

Moderator: Thank you very much. The next question is from the line of Trisha from NM Securities. Please go ahead.

Trisha: Thank you for the opportunity. I have a couple of questions. How was the demand scenario overall during the quarter considering there was a situation of oversupply? Are we seeing any improvement in demand?

Gopalakrishnan J.: Yes. There was no oversupply as I said in the presentation. There were external factors that I alluded to. There was a wait-and-watch approach by customers for an unexplainable reason. The election and wait-and-watch was not relatable to us but we generally saw the trend. Generally, we saw the similar trend across in Bangalore and Chennai market and if I look at the recent reported numbers of various real estate players pan India looks like that softness in the market continued pan India.

So, it has something to do with the customer's wait-and-watch approach ahead of the election outcome. So, then market suffered for two reasons as well additionally. One was the water scarcity issue in Bangalore from March-April all the way till about May end.

There was a severe water shortage and that became a headline and that kind of concerns people. So, customers were inquiring more about when we visit the project. There are a lot of footfalls happening, people visiting the project but the customer decision-making was not happening. Closure was not happening.

They were not committing and paying advance. They are saying we will think about it and come back. So, that kind of softness was there in the market. It has nothing to do with the oversupply. In fact, the supplies were very minimal because of code of conduct and other reasons.

Not many people got approval for launches. The project approvals did not come through. Therefore, there was no question of new big supplies coming in. At least in Bangalore, Chennai market we did not see a big supply. And if I look at the competition, this is similar trend everybody has seen. If you look at other than Godrej and I am sure all of you have seen all the competitors.

Other than Godrej and Oberoi, Oberoi was a very small base 0.1 to 0.2. Everybody else had a decline, negative growth in Q1 in terms of volume which clearly shows that the industry as a whole was witnessing this unique circumstances maybe once in a year phenomenon because of election.

But people did slow down. South suffered because of this water scarcity in Bangalore, surplus in Chennai, excess rains in Chennai. But the markets have now come back. We are now seeing healthy footfalls, healthy closure trends and we have seen in fact the marketing guys have had a very encouraging response to pre-EOI, the market seeding activities where you call the channel partners, they bring some customers. We opened the preliminary activities in Kolkata last week as you have seen the slide in our deck which talks about our pre-launch activities that we have commenced.

So, all of these trends were like slide number 17 shows you that Shriram Serenity in Bangalore and Symphony in Kolkata both had very attractive, very encouraging response from customers and the channel partners. So, therefore market is strong. It is a temporary setback in one quarter but I think it has now come back.

Therefore, you should see a very healthy trend in subsequent quarters. Also, lastly, the festive season the auspicious period has just commenced in south. Actually, it is true for even Mumbai but we can speak more confidently about the auspicious month in southern part of the country, both Tamil Nadu and Karnataka have some inauspicious periods. All that got over by August 12th or 11th. So, basically last week was the end of inauspicious period. Whatever the period you call, we call it Ashadha.

Ashadha in Karnataka and Adi in Tamil Nadu these months people do not do any new purchases. So, I think now we are entering the new season or the seasonally favourable part of the year and therefore I think we will see a good momentum now, be assured.

Trisha:

Okay, understood, sir. And my second question is by when do we expect to unlock the value from Kolkata land parcel? What is causing the delay?

Gopalakrishnan J.:

Kolkata is again like that MoEF piece. It is slightly difficult to predict but we see an incremental progress with every month. Unfortunately, the whole progress got stalled when the Code of Conduct came into in March but the talks have resumed.

So, there is a delay. The delay is having two impacts for us. One, the delay is caused by ongoing negotiations or the closure activities with the government of West Bengal. As a result, we are not able to conclude the LOGO's transaction and we are not concluding the new launches. We are not seeking any further approval for new launches and therefore multi-prong impact on Shriram in that sense. Having said that, the negotiation with the government of West Bengal is nearly complete.

Why is it important for us? It is important because it is a INR240 crores, INR250 crores worth of liability. 4% royalty is the issue. We are challenging that and then we are now negotiating to amicably close it and therefore we have INR240 crores, INR250 crores worth of decision in Shriram balance sheet. It can have a very significant positive cash flow impact. It may not have a p&l impact but it will have a big cash flow impact because these interest, these amounts need not be paid to the government.

So, we are working towards resolving that. Therefore, we are willing to take a few quarters of delay because NPV wise, it does not make a big difference because we are saving INR250 crores somewhere as a company. I think we are at the last leg. We are hopeful and we are reasonably confident that before December this will get solved and therefore we will see a big traction on the West Bengal monetization in Q4 which we believe and based on the current indication that we have from the government. The second part of the monetization was with what we spoke was the Chennai Mall land monetization. As you know any of this monetization when we start it takes some time.

We started this effort late last year. I think we are very close to last phase of our negotiation and completion. couple of prospects have been being negotiated. I think we will land on one way or the other with either of the opportunities to monetize our retail mall land which is an approved land, within plan approval for a retail mall. That land monetization should happen again in FY '25 most likely Q2 or Q3.

Trisha: Okay, understood sir. Thank you for the detailed answer and all the best.

Moderator: Thank you very much. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Gopalakrishnan J.: Thank you everyone for taking time off to attend our call and listen to our story and I hope you got some insight about our performance. Despite being evening before long weekend, you all took time off to join us. Thank you once again and we would like to offer any further interaction you would like to have when you are back in office next week.

Me and my colleagues are always available to take your queries and respond and get on a conference call to explain you our perspective on any queries that you may have. Please feel free to contact us or SGA for any conversational requirements. Thank you and have a great long weekend.

Moderator: On behalf of Shriram Properties that concludes this conference. Thank you for joining us and you may now disconnect your lines.