



“Shriram Properties Limited
Q1 FY ‘24 Earnings Conference Call”
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Moderator: Ladies and Gentlemen, Good day and welcome to the Shriram Properties Limited Q1 FY24 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 the date of this call. These statements are not the guarantees of future performance and involve risks 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Murali M, Chairman and Managing Director from Shriram Properties Limited. Thank you and over to you sir.

Murali M.: Thank you. Good afternoon ladies and gentlemen. I'd like to invite you all, with wishing all a very happy Independence Day in advance. It gives me immense pleasure to be here with you after strong quarter. Earlier today, the board has adopted Q1 FY24 financials. We're extremely happy on our operational and financial performance during the quarter. As you might have seen, we have finished Q1 FY24 with a sales volume of 0.78 million square feet, helped by successful launches of Shriram Esquire in Koramangala and Shriram Hebbal One, both in Bangalore.

We are delighted with the overall response towards value, as well as supported by price realization and successful launches, while our total revenues have grown about 8%, our net profit stood at INR17 crores during the quarter. It's extremely encouraging for us and gives us the confidence to reach our financial year 24 targets. With some large cash flows expected to come in, apart from the operating cash flows, our debt levels are likely to come down significantly in the next six to nine months time, which has been one of our key focus areas.

I would like to reiterate that there is a strong visibility of our earnings over the next three years, with the 70% of the project revenues coming from volumes already sold till FY23, and the Q1 FY24, and 60% of DM revenues to come from projects launched in FY23. The reliability of the earning is only going to get better with our strong performance quarter on quarter for which we are comfortably placed having built a strong project pipeline. During the quarter, we have completed three projects with 1.3 million square feet and hand over 350 plus units during the quarter

I would like to ask my colleague, Mr. Gopal, to briefly discuss the performance with you. I will be happy to answer any questions you might have thereafter.

Gopalakrishnan: Thank you. Good afternoon, everyone. Let me start the presentation but before I do, I assume all of you have received or had a chance to go through the presentation, the press release on the website. I am going to refer the presentation on our website so the page numbers that I can refer and then move ahead. Let me start, before I go to the Shriram performance, let me start with a brief overview of the sector.

In summary, overall the market conditions have remained robust, the rising interest rates and fears of US global or US recession had a limited impact on demand on ground. And demand growth across top markets averaged around 14%. Supply growth was muted and therefore overall inventory saw a declining trend continuing. It's at national average, pan India averaged at around 17 months in June is an encouraging trend to see.

Price trends have been encouraging as well. You will see more of Shriram trends in the subsequent slides. So the Pan-India key markets, we saw price growing by about 6% in Tier 1 cities. Mid-market affordable have remained a strong performers. Short term risks exist amidst fears of global recession or layoff in some sectors, but that depends on how the macro environment globally is unfolding. And therefore, based on what we see today, we see a robust market environment for residential real estate sector.

And we will see how it unfolds if there's any macro developments, especially in the western world. The long-term trends have remained strong, you know, irrespective of the short-term risks that have existed for 7-8 months now and it continues. But long-term trends remain robust. All the key variables that were driving the demand conditions, some continue to be intact and therefore we see positive market environment to continue. Looking at slide 5, core markets, I think the trends have been somewhat similar, I will not go through the entire detail but it is all very familiar to you.

Just want to allude to the fact that the demand conditions, pricing conditions, as well as supply conditions, as you have seen in the pan-India trend, have applied more appropriately and robustly in our core markets as well. Bangalore saw a price increase of about 7%, Chennai 9%, Kolkata about 3%-4%. Affordable mid-markets have remained a strong performer in these markets. Therefore given the strong demand in these markets and more muted supply trends, we see a positive working environment not only for Q1 that we saw, but we also see continuing in future.

Let me now shift to slide 7 on our own performance, Q1 has been a good start to us. We have had a meaningful growth in our volumes and values, 17% higher volumes at 0.78 million square feet. As you know Q1 is always more sober, muted quarter for us and Q4 will be the more stronger and robust quarter for us traditionally. For several years it has been like that. Given the seasonality, therefore I'm focusing mostly on Y-o-Y trends, Q1 versus Q1, throughout this presentation. We have a 17% growth in volume, 47% growth in realization, largely because of a few factors like we launched the product mix issue.

We had a high ticket price launches during this quarter and that has actually had some impact on the 47% growth that we are talking about. So it's a combination of price hike as well as a change in product mix. I will talk about the price spike in the subsequent slides. We had two new launches during the quarter. Shriram Esquire in Koramangala, Shriram Hebbal One in Hebbal. Both have taken off well, have delivered about more than one third of their project has been sold. So, I think has been a good start for these two projects. We have three more launches.

Later this month, we have two launches coming up in Chennai. Shriram Paradiso, which is a Mediterranean themed apartment. And we also have Shriram 122 West, which is a recently taken over project by Shriram from an erstwhile DM partner. And that is also getting launched by end

of this month, early next month, the EOI process will start. So these two have already been formed up from a timing perspective. Channel partner meetings are happening as we speak today, yesterday and today. And so therefore they are getting ready to launch now that the inauspicious period in Tamil Nadu is over.

As of 14th of August, 15th of August, the inauspicious period, what is called as Adi, is over. Therefore, now, next three and a half, four months, till 15th December, I think the auspicious period and therefore we want to make maximum out of these few months. Sustainable collection, overall collection trends have been satisfactory. Bit muted, but satisfactory. Sustainable collection remains strong. New sales collections have led, are ramping up now. And we had some temporary setback in the month of April due to a slowdown in registration process for two reasons.

I will explain that subsequently in the right-hand side box. But they are picked up again now in May, June, July have been a very robust collection month. July actually saw INR147 crores of collection, though not part of Q2 strictly. INR147 crores in July is very close to a record high in monthly number that we have seen in our history. So, I think the collection is doing reasonably well. Construction has picked up momentum. Five projects are nearing completion on track for revenue recognition that we have considered.

Three projects are commencing construction activities during Q2 and the combination of these two should help us accelerate construction spend even further in the subsequent months. And therefore, the overall KPI basis, we are very comfortable with where we are headed in the first quarter, and we remain confident of our full year targets. On the right hand side box you will see project execution details about 350 units we have handed over. It is on slide 7. 350 units we have handed over and there was a slowdown. Things have been overcome now.

During the month of April and May we had had actually end of March, but most prominently in April and May. Due to elections, the OC process got a bit delayed, but then we got the OC's in three projects this quarter. Shriram Blue, Rainforest and Eden is also completed. So in all, 1.36 million square feet have been moved from ongoing to completed projects, which is compared to 3.8 million we did for the whole of last year. So that shows the strength of Q1 from an execution perspective. We handed over 350 units primarily because we also had this new registration software was rolled out by the government of Karnataka, Cauvery 2.0.

That had some teething issues, software teething issues. So the registration took a much, much longer time because customers have to now upload the data and the agreement copies and everything on their own. Unlike the past where the department used to upload and the software had several glitches, all this was a problem in April and May. Now I think we're all behind that. July we did about 230 handovers, 220 plus handovers. So compared to 350 in the whole of Q1. So overall I think the registration momentum is also now picked up after a slow start in April but now we're doing well.

We just think we should be able to comfortably reach our handover target for the full year of 3,000 because projects are on track, registration is back on game and therefore we think we should be able to catch up quickly to our whatever the H1 number that we have in mind. From

a financial performance perspective, our revenues were up 10% year on year, EBITDA 50% year on year, PBT is about 40% and net profit is up by about 59% at INR17 crores for Q1, 24. I will explain that in more detail in subsequent slides. EBITDA and net margins were at 34 and 11, whereas we have consistently guided, these are all project to project the revenue recognition and the product mix during the quarter makes this difference.

Therefore, I would like to guide towards a mid-20s, 22% to 25% EBITDA margin and 9% to 11% EBITDA PBT margin, PAT margin would be a sustainable number in even during this year, quarter to quarter aberrations may happen. We had a cash from operations of about 68 crores, much stronger than Q1 last year. And this cash flows, operating cash flow release have been substantial part, even if you compare a full year number of FY23, we have a slide on it in subsequent pages.

We received as you know in March we confirmed that the DM activity on the commercial area in Chennai along with Xander, this is the office complex that we used to own, we sold it to Xander, we became DM manager and we completed the project and handed over to customers Xander funds in March. We started receiving DM fee cash flows back. So that kind of brought in about INR60 crores during this quarter. Our cost of debt is continuing to decline. Gross debt is also on a declining path. We see a sharp decline in Q2. I'll explain that more in detail.

But more importantly, we see the cost of debt by in Q2 itself reaching about 11.3, 11.5 range. Compared to 12.1, we had in FY23 and we had about 14.1 during the IPO. So I think overall financial metrics are looking meaningful and are in the right direction. Covering the fourth aspect of our KPIs, the business development pipeline, as we declared in May, as we made a press release in May, we acquired a project from an erstwhile DM partner in Chennai. It's about 1.88 million square feet of saleable area.

Through a business transfer agreement, we acquired this project. It's a development rights that we have secured. This project is now being launched as Shriram 122 West in August, early September. The soft launch will start in August, early September, and the formal launch will happen towards the end of September. This project is also being dropped into the ASK Shriram Co-Investment Platform, where we put 20% of the capital, ASK puts, 80% of the capital. So this 80-20 partnership will absorb this project as well. Though as on the quarter, that is June 30th, this project, we acquired this project on 20th of April.

This project that remained in our books with a INR100 crores assumed liability in our books on 30th June, and it'll become, it'll get moved into a joint venture, and therefore that will get repaid on 16th of August or during this week, this will become a member in the investment platform. With this, we have done two projects, consuming 60% of the capital committed by the partners into the partnership, 500 crores platform. As you know, we launched a project in February called Shriram Pristine Estates under the platform. And now, Shriram 122 West. Between them they have used 300 crores roughly.

So 60% of the platform is utilized. Part [inaudible 0:15:33] of 42 projects, 43 million square feet. Even after moving the completed projects we still remain in the 43 million development potential. 23 out of 43 is ongoing, remaining 20 are yet to be launched. That's the pipeline

perspective. Last but not the least, the logos transaction, which we have been talking about it for the last three, four quarters, have moved meaningfully in the last 90, 100 days. Definitely documentation have been completed or nearing completion in terms of preparedness and we're waiting for Government of West Bengal certain clearances.

As soon as it comes, which is likely in the next couple of months, then we will consummate this transaction, cash flows will come in. So we expect cash flows to come in during early part of Q3, which is what we are targeting for. So I think the transaction will bring in some cash flows as well as more visibility on potential for further monetization of Bengal land reserved for monetization. Moving to slide eight, whatever I said is already covered here. 17% growth in sales volume. This is slide eight. 0.78 million square feet in Q1.

And we believe we are comfortably positioned based on the launches scheduled, planned, as well as the current sales momentum. We think we will comfortably reach our full year targets. Sales value, as I said, a combination of price hike and also the product mix issue. We had a 47% year on year growth in sales value, 4.5 billion worth of sales value. I think we have a very good comfort in terms of our ability to reach full year target numbers. Some of you had had some feedback in our interactions that we should provide details of various models under which the volumes are.

So hopefully some of you will find it useful to see the pie charts on the slide 8. Slide 9 on the sales, as I said, two launches during the quarter, Esquire and Shriram Hebbal One, both have done meaningfully well. And as I said, three more launches, they are all outlined here. We believe we are on track to achieve our 11-12 launches that we have set for ourselves during this year, because the auspicious period has just begun. And we have a temporary interruption of one month between 15th December to 15th January will be again an inauspicious period in both Tamil Nadu and Karnataka.

And other than that, till year end, we see a meaningful positive religious-wise or sentiment-wise a positive buying period. And therefore, we should go full hog for the next eight, nine months. Slide 10 just gives you a glimpse of some of our launches. I will just leave it for you to read through. Slide 11 is talking about our price trends. Overall realization for the quarter itself is about up 9%. This is on a comparable basis. I'm not bringing in the newly launched premium project, which is Koramangala is for the first time in Shriram after we are launching a high value premium project, look that the percentage growth is much stronger.

Otherwise, this is on a comparable basis, the portfolio increase is about 9%. More importantly, , from 2nd half of September, October 21 onwards, we have seen 24%, 25% increase in realization, 18, 20 months. That's a very encouraging development. And we're very, very excited about it. And so I think it's not just only Shriram. In general, the southern markets have been very conducive for price hike. All of our peers have also moved up, but we are very happy with our extent of price hike. 8% in FY22, 8% in FY23, and already 6% to 9% hike depending on the way you slice and dice.

And a chart below on the right-hand side tells you how each segments have done well for us. Average price in mid market has been fairly encouraging, which is an conscious move by us.

Consistently we have been trying to move up the price curve because we see a potential for narrowing gap between us and our peers in the mid-market segment. And therefore we have been taking conscious effort. I think it is paying off.

Moving to slide 12, collection and construction. Q1 '24 collections stood at about INR291 crores. It is almost 10% lower and that is primarily because we had a setback in April for a combination of two things. One was the disbursement-led Cauvery issues. The software, the newly rolled out software had some glitches in terms of handover. And not only for us, it's across the industry-wide problem. Some of them were able to, might have highlighted this earlier in the calls.

We had more prominent impact because the completion and handover related selections got delayed a bit. And of course, that all is now behind us. May itself, we came back to our normal INR100 crores plus range. July, we kind of reached about INR147 crores catching up with whatever we lost earlier.

Overall, I think the trend has been very satisfactory. There are some disbursement delays and plotted developments by a few lenders who were very, who were doing internal policy issues. They were looking for release orders to be obtained before further disbursement can be made. and all that has been ironed out. And I think we are now back on track on collection basis and we think we will average around INR110 crores to INR120 crores per month on a collection basis in first half at least and then we will ramp up further in second half.

On a construction side, we spent about INR130 crores marginal delta between last year, first quarter and now. The three projects are at an advanced stage of completion. You will see a slide on it next one. And Liberty Square, Chirping Woods are nearing completion or nearing occupancy certificate stage.

We are also starting construction in three new projects called Esquire, which we launched last quarter. There are two new launches that we are doing in Chennai in Q2, which is Prime Paradiso, as well as 122 West. Both are getting started on construction. So together there will be fuel for construction spend in H1 and H2, Q2 and H2, more prominently in H2. And therefore, I think we will very comfortably reach the INR750 crores target that we have set for our construction team in terms of overall construction spending and progress.

Slide 13 talks about the five projects that are more relevant for us from a revenue recognition and FY '24 perspective. That is why we are just carving out from overall execution. We just want to show these five projects because they are important for our FY '24 perspective. We believe all these projects are on track and we will actually be able to deliver on our promises to the customers much ahead of RERA timeline in some cases as well.

Overall construction trends have been very satisfactory and I think ramping up further in Q2. With that, let me shift gears to financial slides, slide 15 and 16. If I look at the overall financial performance from a 10,000 feet overview perspective, I think it has been an encouraging period for us. One full cycle of quarterly positive earnings last year.

I think we started off on a good note and I think it's a very encouraging note for us internally. Strong earnings growth story continues. Quarterly improvement should continue in our view even during this financial year. All this is being driven by improving operating leverage and impact of execution that is on ground.

We have always consistently maintained that '23 onwards, we have consistently maintained through the entire interaction since the IPO roadshow time that FY '23 was a delta turnaround year for us and will continue to show momentum because we have sold about 10 to 12 million square feet in the last three years. Those are getting ready for, they are getting execution mode.

They are moving towards completion and handover between '23, '24 and '25. Therefore, we will have to handover about 10, 11 million square feet over this period of FY '23, '24, '25 and these projects, therefore we will start recognizing income and that scale impact will enhance our profitability in our view.

So therefore we see a good revenue recognition momentum and that is an encouraging starting point for this fiscal for us. Interest topic I will explain it in the next slide and we believe overall momentum as I said is very strong for us.

Slide 16 actually gives you a more granular view of financial performance. Overall revenues have grown 8%, revenue from operations have grown about 11%. On a total revenue of INR157 crores, we had a total operating expense of about INR103 crores. Cost of revenue declined because the revenue recognition during this quarter came from three, four projects which are some of them are Southern Crest where we started the revenue recognition last time.

We also had Shankari which is in Chennai, One City in Chennai. ONE CITY is a plotted development and therefore the cost associated with it is very low and that is one of the big impact item for cost of revenue being lower by more than 10% in this quarter on a year-on-year basis. Employee benefit expense is marginally lower and we expect there will be a catch up spending in next year, next quarter because we are in the process of rolling out annual appraisal led increments are just being released in phases.

And of course it's been provided for in Q1 as well. Other expenses primarily include all the sales marketing launch related expenses. And therefore with the launches that we did Q4 late March last year, as well as Q1 launches, we see a slightly higher marketing and reducing spend. But overall, the total opex has been minus 5% year on year and therefore our EBITDA is about INR53 crores, 50% more than last year Q1.

Finance cost, I must take a little bit of effort to explain this. The recurring interest expense is down 14%. As you would see in the slide, interest expense is minus 14% at INR16 crores for the quarter. The unwinding effect is associated with the Bengal, government of West Bengal royalty related burden, which we, every quarter we provide this unwinding effect so that the balance sheet outstanding liability grows and this charge will be added to the inventory cost so it gets inventorized.

And at the same time, the liability is adjusted so that when we are ready to pay the government of West Bengal, we have the same liability matured value, which is required to be paid to them.

So it's a non-cash job. The subsequent two lines were partly one-off. The INR6.9 crores interest is associated with the acquisition we have made.

As you know, in May, we announced making a press release. We made an announcement about acquisition of a project in Chennai that is being relaunched as Shriram 122 West. This project was acquired through a business transfer agreement from a Erstwhile landowner and this transfer of this arrangement led to assumption of debt which was there, which is being carried by, which is the land, the Erstwhile owner's debt. We have assumed the liability which is maturing, which was maturing on 31st July and now we have agreed to repay that on 16th of August.

And those finance charges associated with the assumed liability was charged off as part of the P&L as required by the accounting standards. Though it should technically be an acquisition cost but it has been routed through P&L as per the standards. And therefore the INR7 crores is an additional charge as a one time for us.

We are moving this project into ASK investment platform. Therefore on 16th of August, this liability will be redeemed to the lenders, to the Erstwhile landowner. And therefore this interest burden will disappear from Q2 onwards. The other finance cost primarily reflects the refinancing related impact.

We had complete, we are almost now done with, not almost, we are done with most of the refinance, all of the refinancing activities. So the unamortized processing fee, which is associated with the facilities that are closed out as part of the refinancing process, have to be charged off as per the accounting standard. Therefore, they have been charged off. That is why you see higher than normal other finance costs. We think it is a non-recurring feature. And therefore, on a recurring side, the interest cost or interest burden is lower.

And but on a reported basis, we have a 27 percent higher interest largely because of the factor that I explained. PBT, therefore, PBT before JV income is a higher by at INR18 crores compared to INR7.8 crores last year, first quarter, and it reflects about 130% year-on-year change. But I'll focus on absolute numbers. Share of profit JV is about INR6 crores.

This is again associated with our share of profits from Park63, the joint venture between Shriram and Mitsubishi Corporation, the residential project, where as we register units to the customers, we start recognizing the income and therefore we get some, our share of profits. This is partly masked by the fact that, the joint ventures that we have, Shriram joint venture, which is always continuing for the last couple of years, which is in a joint venture project in Chennai called Shriram Greenfield, in Bangalore, called Shriram Greenfield, Shriram Yuva, a WYT, and Shriram 107 South East.

These three joint ventures, as well as the ASK joint ventures that were set up in February, Shriram Pristine Estate is a plotted development. All these are still in the progress, they have not reached the revenue recognition level. And therefore, the marketing expenses associated with these launches of this project are charged off and we pick up our share of expenses.

And therefore the number here is a net of participating share of profit minus all the marketing expenses in our joint venture as our share. Overall it is a net positive INR6 crores. So overall

reported PBT is therefore INR24.4 crores, 40% higher than last year's first quarter. Net of tax charges, tax provisions, we have a reportable net profit of about INR16.6 crores, reflect 60% growth over Q1 FY '23 profits of INR10 crores.

So the quarterly EPS is about a shade below 1 Re. So, as you know, second half is usually a Q4 is a stronger quarter for us based on the revenue recognition, even this year also, we think H2 will be a stronger, but despite that we are in that INR4 EPS run rate, which is a meaningful or a satisfactory position in our minds. We believe at some stage markets will take note of this and treat the stock appropriately.

Moving to slide 18, which is a cash flow statement for Q1. If I look at overall, of course, the slide chart on the right hand side shows the overall collection trends and broken by the share of JV, DM and own projects. And out of INR291 crores is segregated by own JVs and DM. The table on the left talks about our own share of collections, which is the consolidated Shriram and subsidiaries. Overall collections have been healthy at INR139 crores. Operating cash flows have been about INR209 crores.

Overall cash from operations, if I look at about INR68 crores, compares with INR115 crores that we recognized as a cash for the full year FY '23. So it's a meaningful share of one quarter accounting for a large operating cash flow. It's a meaningful position to be in or improvement for us.

We actually had a meaningful or a very large corporate level debt repayment, which was a strategic move by us in terms of cost reduction. These were the general corporate purpose NCDs that we had issued a couple of years ago, and there we, which we redeemed them. Last year we rolled it over, this year we opted to redeem them.

This is the redemption alone is the overall of INR89.8 crores of debt redeemed, INR56 crores is corporate debt, rest is all the revenue linked flowing back by lenders or the Sweep carried by the lenders in each of the projects. So, overall there is about INR80 crores, INR90 crores of debt reduction and some INR16 crores of new borrowing by some other projects.

As you know we have each SPV having their own financing facility, each project will be borrowing and repaying based on their own needs and therefore there is some borrowing happening in some projects aggregated to INR16 crores. Other projects have been repaying as part of their Sweep plus corporate debt net net INR73 crores reduction in overall debt size and that has helped us in a meaningful way and it should have a positive impact on interest outflow in future.

But more importantly because of this large outflow, we had a free cash flow negative this quarter at INR18 crores, 18 crores free cash flow negative. And on top of it, we also made some project investments like JV advances, INR17 crores of investment outflow. So net net, we have used INR35 crores from our existing project, cash and cash equivalent.

We ended the quarter at SPL consol level of INR84.7 crores. If I bring all the controlled cash flows, which is SPL, JV, JDA and JVs, as well as DMs, if I include the cash and cash equivalent

would be about INR125 crores. But net net and SPL, CF, consol financial level, INR120 crores opening balance, INR85 crores closing balance.

We expect this to be replenished in the coming quarter very nicely. I'll explain the reasons in subsequent slides. Looking to slide 19, my overall debt, overall gross debt is at about INR488 crores. This is despite on the year end, we had assumed the liability of INR100 crores of debenture associated with the acquisition, we have made, which is getting redeemed in the next couple of days on 16th of August to the maturity of the debentures to the lenders, to the erstwhile landowner.

And therefore Q2, we expect to end with a gross debt of about INR375 crores, INR380 crores and a net debt of close to less than INR300 crores of net debt is what we expect to end Q2 with. That's a meaningful visibility that we have as we speak. And the interest rate is an interesting slide as well. Let me try and explain with you little bit.

We ended the quarter with about 12.8. That's because of the assumed liability of the new corporate project. But as we speak, by end of this week, when we redeem this liability, our cost of debt should be somewhere around 11.1%- 11.2%. So we are moving down the interest rate curve meaningfully, despite the 2% increase in benchmark rate. And that's where the extreme right chart becomes more encouraging for us internally and as well as hopefully excites you as well. If I, before I stop, if I can actually look at the forward path, if I shift to slide 21, we continue to see a very strong earnings visibility for us, FY '24 revenues, four projects account for 70% of project revenues in FY '24.

Out of these three projects I showed you earlier, Liberty Square, Chirping Wood and Southern Crest, I showed you the chart earlier saying they are on track for completion and handover. Grand One is a continuing registration of existing project where we have received the OC last year or Q4 last year. So that is also moving ahead very well. So therefore, on the revenue recognition side, we seem to have most levers within control or at least visibility is greater.

DM revenue side, I think 80% of projected revenues, DM revenues are coming from ongoing projects and therefore, we see a visibility on that side as well. And therefore, we see a meaningful visibility for FY '24 earnings that we have talked about or guided you earlier. And not just this three-year outlook also if you look at between the slide 21 and 22, you will get the picture. The picture is almost the same as what we discussed in May.

We have a very strong robust handover outlook. Out of 10,000 units that we are targeting to handover between 2023 and 2025, we handover 2,400 last year and we are targeting to handover about 3,000 units in FY '24. Should be at least 3.5 million square feet of completion and handover. And that should bring boost to the revenue recognition in this year. As we have been consistently saying, on an average, 3.5 million square feet would mean about INR1,500 crores to INR1,600 crores of revenue recognition, and we want to reach the meaningful stage this year and next year.

Moving to slide 23, our full year outlook remains intact, we believe. We are on a longer term basis, we want to deliver at least 20% CAGR in our volumes. We want to sustain our profitability

on a periodic basis. Positive net earnings with improving margins and return is what we're working towards. While doing all of this, our efforts is also towards moving towards zero net debt. We will always have gross debt, we will have at each project, there's a construction financing. Therefore, we will have gross debt.

We are working towards at least a zero net debt position in the company. Just focusing more closely on FY '24, I think the metrics are on track. The metrics shown in the slide is what the guidance we have given and I believe we are on track to deliver this during the year. To support this accelerated or aggressive, ambitious thought process, we have enough momentum built in sales and construction side and it is being supported by a robust pipeline as you would see in '24.

Substantially similar outlook like what we spoke in May, despite moving three projects to completed category, we still have about 52 million square feet of pipeline with 23 million square feet of ongoing, therefore another 20 million square feet that can be launched. '25, a lot of people have been asking when we meet offline, when we do interactions on some concerns or lack of clarity about how each of the models work.

Without cluttering your mind on the slide right now, I have put something on the slide 25. I am happy to discuss more in detail. But also I added a slide in slide 32, which gives you more granular breakdown of each of the models through the entire project development cycle from land stage to completion and handover, what is the difference between each of the four models that we follow, OWN, JVs, JDAs and DM? Hopefully, you all find it useful.

Happy to discuss this on a call either today or any of you want to have a separate conversation also, we are always available to walk you through any of the slides, but more prominently on these slides, since some of you specifically asked for it. Slide 26 just emphasizes the fact that the DM model, business model has matured. A lot of people had some apprehensions in the past about how will it level, shape up. We have started in FY '19. I think four years we have reached a full cycle on several projects, not just plot development.

We also completed the apartment project. Shriram blue that are our first to DM project. The plot development being a shorter construction or a processing cycle. They have been completed, those started subsequent to Blue. But so there is a meaningful share of completed portfolio now in the DM bucket and we still have a 2.3 million square foot of ongoing project area and we have another 6 million, 5.75, 6 million square feet of DM pipeline coming up for launch over the next 12 to 18 months.

So, overall, this model is maturing and has stabilized is a message that I wanted to drive. Calcutta, a lot of you may have some questions around it on logos on our own. Hopefully, this slide gives you – we have been maintaining this slide for a couple of quarters. I hope this gives you clarity on 10 million square feet we want to develop ourselves as well as gives clarity on FSI monetization.

While we have talked enough about our own development which are on track, Grand One, Sunshine, all of them are on track, progressing well, both on sales and construction front. Grand

One is ready for – handover has already commenced. We have handed over about 300 and 400 units already last year, and we are targeting to hand over about 800 units in FY '24 alone, and that is on track.

On the FSI side, you may have some questions or concerns around what's happening to logos, what are you planning to do, other things. Logos has actually moved ahead to very close to the finish line now. Definitive documents, diligence is done, documentation is done, waiting for the Government of West Bengal to sign off on the urban land ceiling, ULC clearance, sign off on the urban land ceiling, ULC clearance. And so it should come through in Q2, Q3. So most likely, we will consummate this transaction, cash flows will come in, in early part of H2, FY' 24.

But the transaction uncertainties have been, that phase is over. I think the diligence is over, documentation is done, everything is framework agreement has been signed. So it's only a sale deed registration as soon as the government of West Bengal gives us the clearance. Efforts are on to get that as soon as possible, but we expect somewhere around September would be earliest, but most likely during early part of H2, we will consummate this transaction.

There is also likely interest from other large global player, but we are negotiating or in discussion with the government of West Bengal on a variety of topics, including our challenge to litigation or a challenge to 4% royalty issue. So we expect to see all of this getting negotiated. Depending on how it progresses, we'll decide whether we want to encourage another party coming in or not. But at this point of time, focus is on logos, getting it closed and consummated.

Slide 28, I just wanted to clarify, a lot of people ask us during the conversations after the earnings call that promoter holding is low, Murali owns only 0.1%, Shriram Trust, SGEWT owns 0.1. So I wanted to just bring some clarity to it as well as in connection with the rumored, there is a news article about it. So therefore, I want to highlight here that the promoters own 28% and the domestic corporate body is 24% and the PE is 24%. And public is about 18% FIIs and insurance companies and mutual funds are about 6%.

But more importantly, if you focus on promoter holding, 28% comprises of both the HoldCo owns some stake, which is the table below on page 28. In addition, what do you all see in the public filing is about Shriram Group Executive Welfare Trust, which is one of the owners of Shriram Properties Holdings. It is independently, in addition to the HoldCo, they own 2.4 lakh shares. Murali bought some shares post listing after making the necessary disclosure to stock exchange. Those are bought as an individual outside the HoldCo and therefore they are shown separately. Together they own 28%.

There is no truth or materiality in the news article that you might have seen. And even if it happens, even if there are any traction on that side, it is only an interse a promoter transfer between Shriram Group and Murali. At the HoldCo shareholding, it may, but it has nothing to do with the promoters divesting or Shriram Group divesting their stake in Shriram properties. I just wanted to clarify because of the news article.

With this, I would like to close my part of the conversation. Just to sum it up. As always, I said, the well-governed a listed real estate player, trust, transparency and governance is the pillars on

which we have built this company and that's the ethos of the Shriram Group as a whole. And we built this organization over the last two decades on that premise.

And therefore it is a trusted, strong brand, proven track record, getting strengthened further, very strong growth outlook, with a very strong scalability given the stability of partnership models, big beneficiary of consolidation process ongoing with a meaningful balance sheet and access to capital. We believe we are well positioned to continue to deliver financial performance, operating and financial performance year-after-year.

So with this, I will pause here. I will request the organizers to open the call for Q&A. Me and my entire team, including Murali, who are in this room, will join the Q&A and try to answer all your queries.

Moderator: Sure, thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Amit Kumar from Determined Investments. Please go ahead.

Amit Kumar: Yeah, very good evening. Just one question at my end. I mean, very-very clearly at this stage of the year, we seem to have a fair bit of clarity and handle on the projects which are going to be executed during the fiscal and revenue and cost both.

Management: Amit, we are not able to hear you clearly. Can you be a little louder, please, if you don't mind?

Amit Kumar: The point which I'm making is that at this stage in the year, we seem to have a fair bit of clarity on the projects which are going to be completed and handed over to homeowners. So just wanted to get a sense in terms of, as the 1Q numbers we already have for the remaining nine months, what kind of revenue booking and correspondingly cost of revenues we are sort of anticipating for the remaining nine months of the year?

Management: Yeah, I would like to stay away from giving you a financial revenue recognition targets and all, but we would have about 3.3 million square feet to 3.5 million square feet of completion handover this year. And Ballpark if I look at, it should be upwards of INR1,100 crores or thereabouts. Hopefully, this is the best I can highlight at this point of time in terms of revenue recognition.

Amit Kumar: You are talking about the full year basically then?

Management: Yes.

Amit Kumar: Okay. And so, what is the kind of, I mean, we have sort of talked about gross margins in the region of around 25%. Does that hold for this year as well? Because last year, obviously, we had, fairly steep raw material pressures which will be sitting in terms of inventory or in the balance sheet right now. So does that 25% gross margin hold for this year or we should expect that next year?

Management: So we would believe we should be able to stabilize EBITDA margin in the 20% to 25% range. That we think it holds true even in this year in our view.

Amit Kumar: Sorry, I was talking about the gross margin.

- Management:** Yeah, so if I have to deliver, your gross margin number will also be intact.
- Amit Kumar:** No, but I mean gross margin and EBITDA margin can't be the same, right? Because you will obviously have marketing and overheads and other things basically.
- Management:** What you said will be intact, I said.
- Amit Kumar:** All right, understood. Thank you. That's it from my end.
- Moderator:** Thank you. The next question is from the line of Rishikesh Oza from RoboCap. Please go ahead.
- Rishikesh Oza:** Yeah, hi. Thank you for the opportunity. So what is the area and value of projects which is expected to be launched in FY '24? And could you also specify Shriram Property share in that same?
- Management:** Yeah, I can. So, overall 5.7 million square feet is what, 5.7 million square feet would be the total area that would be launched during the year. And except three projects which are in DM category, rest of them are on JDA category this time. So I'm looking at 1.2 million square feet out of 6.5 million square feet would be DM, rest would be mostly JDAs.
- Rishikesh Oza:** Okay, so if we deduct 1.2 rest is, our share is what you mean, right?
- Management:** Yes, sir.
- Rishikesh Oza:** Okay. And out of the total handover target that we have, which is around 3,000 units for FY '24, when can we expect the run rate to start? Like, do we see it from this Q2 itself or Q3 or Q4? Could you give a broad direction, please?
- Management:** Very difficult to give a quarterly income, the handover numbers. While we have an internal target with, because that depends on when the OCs come, and like a few weeks here and there, can move it to one next quarter. But it would be, it may not be appropriate for me to give a quarterly handover target. On a full year basis, yes, we are looking at 3000 units, roughly about 3.4 million square feet to 3.5 million square feet.
- Rishikesh Oza:** Okay. And so what is the pending collection from the project that we have already sold?
- Management:** Yeah, I'll give it to you in a minute. Let us move ahead and I will give you the number before.
- Rishikesh Oza:** Sure. No problem. Sir, the next question that I had is what level of debt do we see for this year and also for the next year FY '25, what kind of debt levels do we see?
- Management:** So, by end of this year, we think we would be somewhere around INR250 crores of net debt without considering any land monetization proceeds. If we get the logos proceeds and we are also targeting to do one another land parcel monetization in Chennai where we have already developed our residential and potential land area available for monetization. If we achieve that, then the net debt can be substantially lower than this INR250 crores that I'm talking about. Next year, we think the net debt will be definitely be close to zero.

- Rishikesh Oza:** Okay. So, when we say net debt will be close to zero, are we also saying that interest cost where FY '25 will be zero?
- Management:** No, it won't be. I said net debt, right? There will always be a gross debt. If I do 5, 6 million square feet annual volume, I'm implementing about 19 million square feet, 20 million square feet across 12 projects to 15 projects. Each project will have their own construction financing of at least INR30 crores, INR40 crores somewhere, right? There will always be a gross debt and therefore there will always be interest. Interest burden will go down. That's the only way. We will not be a zero interest company. That's not possible in construction. That's not possible in our current stage of growth and evolution.
- Rishikesh Oza:** Sure. So could you please share what gross debt levels do we see then for this year and in FY '25?
- Management:** So this year, I think when I said, so we are currently in about INR300 crores -- out of INR403 crores is the current debt as of Q1, but that would itself by end of this week would go to INR300 crores. We will end the year quarter with about, so that would correspond to about INR388 crores of gross debt by end of this month. That INR388 crores we would see somewhere below INR300 crores by end of this year.
- Rishikesh Oza:** Okay, INR300 crores of gross debt by end of this year.
- Management:** INR350 crores of gross debt will be there at least for this year and next year.
- Rishikesh Oza:** Okay, for both year basically.
- Management:** You had a question on sold receivables. In the projects that are ongoing. INR2,500 crores is the sold receivable collectible amount. Unsold value in those projects will be about INR2,000 crores. So roughly, the ongoing projects have a total balance collectible of about INR4,500 crores.
- Rishikesh Oza:** Okay, got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Karan Mehra from Mehta Investments. Please go ahead.
- Karan Mehra:** Hi sir, thank you for the opportunity. Sir, just one question on the, like a bigger picture if you can give us, like what acts as a moat for Shriram properties?
- Management:** What? Sorry, can you repeat the last part? What?
- Karan Mehra:** Like, what acts as a moat for Shriram properties? If you can show some light here.
- Management:** No, I am still not able to understand.
- Karan Mehra:** What acts as a moat? What is the moat for us? For Shriram properties?
- Management:** No, no, you are saying advertisement? We are not able to understand the question. Mode for?

- Karan Mehra:** Like, what is the USP? What is the moat for Shriram properties apart from other competitors?
- Management:** If you are asking about a USP, sorry I didn't understand the terminology moat. If you are asking about what is a USP, simple. It is a high quality, timely delivery, reliable developer, delivering at a good value for money. It is not a cheap brand, it is a value for money brand. Good quality in a timely manner and reliable, transparent developer.
- Karan Mehra:** Understood sir. Sir, only one question, by when do we expect the logos deal to come through that and what has led to the delay and if you can throw some light like what is the cash generation expected from that deal?
- Management:** So, as I said in the presentation, Logos should get consummated during H2 current year, most likely Q3 this year. And let's just waiting for all the diligence and documentation, all that phase is over. We are waiting for the last mile clearances from the government of West Bengal and they put their own to pursue them to get you that the earliest is going on.
- So hopefully we should get this in the next few weeks or a couple of months. So Q2, Q3 would be the most likely scenario in terms of closing of this transaction. That is point number one. In terms of cash flow, we have for a variety of sensitivity because they are also listed company in their home domain. We have not disclosed the realization as such, but I would prefer to keep it for an alternative day when the timing is appropriate to discuss the overall cash flows, overall value.
- But given the size of the transaction, we think we are talking somewhere around INR150 crores to INR200 crores of cash coming in.
- Karan Mehra:** Noted, sir. Thank you and all the very best.
- Management:** Some people are getting reinvested in completing the ongoing infrastructure development of the site and therefore rest will be a free cash flow available to Shriram Property because it is a 100% owned subsidiary.
- Moderator:** Thank you. The next question is from Akshay Jain from Jain Capital. Please go ahead.
- Akshay Jain:** Yeah, hi. So a couple of questions from my side. Firstly, can you help us with the exact project pipeline? How many of them have been launched, and when will we see the sales starting to come?
- Management:** Yeah, so our ongoing pipeline comprises of 19 projects. Our ongoing project will comprise of 19 projects. All of them are launched. And things are happening there. Out of the 23 million square feet in the ongoing projects, roughly 21 million square feet belongs to us. And out of 21 million square feet, about 80% of the pipeline is sold already. The rest is in the process of being sold.
- Akshay Jain:** Okay. Secondly, you had mentioned that we will be targeting new markets like Hyderabad and Pune. So what is the update over there?
- Management:** Yeah, I would request Murali to walk us through.

Murali M.: So Pune, as you know that, I mean, we are looking at launching projects this year. We have, I mean, we are in a very advanced stage in discussion with a couple of properties in Pune. We are saying term sheet, but not the definitive document. Hopefully, we should be launching before the financial year end in Pune.

Hyderabad still we are scouting. We are not getting, I mean, we don't want to jump into it unless it fits into our criteria. So we are still scouting in Hyderabad. But Pune we should be able to launch before the year end.

Moderator: Thank you. The next question is from the line of Jay Shah from Mehta Investments. Please go ahead.

Jay Shah: Hi, sir. Thank you for the opportunity. So I have a couple of questions. Firstly, so could you guide on the demand scenario for us? And how do we see this going ahead?

Management: That's the only question or you have one more?

Jay Shah: Sorry?

Management: That's the only question? You said two questions.

Jay Shah: And one more question that I have is that I would like you to explain in detail the cash flow generation going ahead for us?

Management: I'll take the first question, and I'll tell you. Do you think the demand is likely to continue for the next three to five years comfortably? There is a big demand today. Market consolidation and the India story. India story is really doing good. All the cities, there's a great demand and price also gone up significantly. So we also see a good price increase.

So this is likely to continue, particularly on mid-market housing, likely to continue in a big way. So we are only ramping up on how we can take advantage of the continuing demand now. So we have very, very strong view on demand. And cash flows I can ask Gopal to explain.

Gopalakrishnan: Yeah, so overall if I look at, I'll talk about an annual trend over the next couple of years. Overall cash from operations for us over the next '24, '25, '26, if I look at, we are looking at about INR2000 crores to INR2,500 crores of cash getting unlocked between the various revenue cash from operations.

And netoff, all the financing obligation, financial obligation, cash flow, free cash flows available to the company should be somewhere around between FY '24, '25 and just stay with 2 years, '24, '25 my cash from operations should be somewhere around INR350 crores gross cash from operations and FY '24 and '25 and free cash flow after projected investments in new project should be somewhere around INR150 to INR200 crores.

If I do three years from today, that is '24, '25 and '26 together. My gross cash from operations should be somewhere close to about INR1,000 crores -- INR800 crores. And my free cash flow should be about INR1,000 crores.

- Moderator:** Thank you. The next question is from the line of Rishikesh Oza from RoboCab. Please go ahead.
- Rishikesh Oza:** Yeah, hi. Thank you for the follow-up. Yes. So you previously said that we are looking to do around 20% to 25% range of EBITDA margins. So is this on a reporting basis and are we saying this EBITDA margins are excluding other income?
- Management:** No, other income for us will be mostly related to any interest that we receive from a JV. We don't have another income outside our own joint ventures and others. DM fee is part of revenue from operations. So other income primarily comprises of any monetization of development rights if we have any, otherwise it will be purely an interest income. So our EBITDA will always be part of including other income.
- Moderator:** Thank you. Well, that was the last question. I would now like to hand the conference over to the management team for closing comments.
- Management:** Yeah, thank you very much for all your time. And I think we greatly appreciate you taking time out amidst the long weekend. I know all of you must be having some plans and travel around. Despite all that you've joined, I think a very large number we've got. Thank you for the interest and we look forward to receiving your calls or emails to answer any further queries, questions or any clarifications you may have. Feel free to reach anytime. Thank you once again and have a great Independence Day.
- Moderator:** Thank you very much. On behalf of Shriram Properties Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.