

Publication	deccanherald.com
Date	22 August 2024
Link	https://www.deccanherald.com/business/shriram-properties-unravels-rs-2000-crore-projects-plan-3159246

Bengaluru-based Shriram Properties unravels Rs 2000-crore projects' plan

Speaking to media on Wednesday, Gopalakrishnan J, Executive Director and Group CEO, shared his company's aspiration to have its sales touch Rs 5,000 crore, its income Rs 3,000 crore and profits over Rs 250 crore by FY27.



Bengaluru: With ambitions to triple its income and quadruple its bottomline, Bengaluru-based realtor Shriram Properties Limited (SPL) has rolled out a Rs 2000-crore investment plan, which will be pitched partly by it and also through strategic partnerships. Of this, Rs 1,000 crore will be invested in buying land in Bengaluru.

Speaking to media on Wednesday, Gopalakrishnan J, Executive Director and Group CEO, shared his company's aspiration to have its sales touch Rs 5,000 crore, its income Rs 3,000 crore and profits over Rs 250 crore by FY27.

To this end, the company will invest Rs 500 crore and also execute projects through partnership such as joint development agreements (JDAs) and other joint ventures. In total, the company is looking to be able to sell 20 million square feet (msf) of realty across Bengaluru, Chennai and Pune (a market it is looking to enter). Of this 8-9 msf will be in Bengaluru.

Murali Malayappan, Chairman & Managing Director of Shriram Properties Limited, said, "We are embarking on a mission with a brand-new identity (SPLNXT), as we enter the 25th year of our operations."

The company reiterated its focus on mid-market and mid-market premium segments of the residential real estate markets in Bengaluru, Chennai and Kolkata, as well as Pune.

Publication	realty.economictimes.indiatimes.com
Date	28 August 2024
Link	https://realty.economictimes.indiatimes.com/news/industry/shriram-properties-looks-to-carve-its-own-identity/112845079

Shriram Properties looks to carve its own identity, Real Estate News, ET RealEstate



NEW DELHI: Shriram Properties (SPL) is looking to invest about Rs 2,000 crore in the next two to three years. It wants to move from current Rs 2,300 crore sales value to Rs 5,000 crore sales value during the same period. It also plans to double the development from 18 million sq ft to 30-35 million sq ft by the financial year 2026-27.

In an exclusive conversation with Ankit Sharma of ETRealty, M Murali, chairman & managing director (MD) and Gopalakrishnan J, executive director (ED) and group chief executive officer (CEO) of the company talked about their plans for the company in the next three year, idea behind the management changes and much more. Edited excerpts:

The company has seen some management changes and reshuffling in the past few months. In December 2023, it inducted Vivek Venkateswar as chief sales & marketing officer (CSMO), in place of Jajit Menon, who had resigned from the position of director – sales marketing & CRM. During the same time, the company had also appointed Debasis Panigrahi as chief human resource officer (CHRO).

In July 2024, SPL elevated Gopalakrishnan as ED & group CEO. He previously held the position of ED and group chief financial officer (CFO). K R Ramesh was appointed as executive director (strategy & corporate development), from his current position of ED-operations.

In August 2024, the company elevated Ravindra Kumar Pandey as the new CFO and Rajesh Shirwatkar as deputy CFO.

Shriram Properties' appoints Ravindra Kumar Pandey as new CFO

This appointment follows the recent elevation of Gopalakrishnan J as executive director & group chief executive officer, which left the CFO position vacant. Gopalakrishnan previously held the position of ED & group CFO.

"The way we are thinking is that Murali will focus on organization building and business development whereas I will focus on the running entire organization internally. I have been overseeing most of the departments for the last 2.5 years and hence know where the scope for improvement exists. I want to bring in direction clarity and iron out inefficiencies.," said Gopalakrishnan.

We want to be Infosys of real estate industry, we need to professionalize. I would like to bring in a change and empower the leadership team. Decisions should be collective and processes must be in place

M Murali

As for the succession plans for his two sons, Murali thinks its too early to decide. While Akshay Murali, who was AVP-strategy and business development has gone to Columbia Business School for his MBA, Akash Murali has been inducted on the same role. Murali however wants their induction to be on merit.

Shriram Group's exit from SPL imminent

Shriram Group is expected to exit Shriram Properties by the end of this financial year (FY25) with Murali buying out their stakes. Together Shriram Group Executive Welfare Trust (19%) and Murali (9%) own 28% in Shriram Properties. Promoters' holding in the company will not change.

We are waiting for some clearances, said Murali.

It recently went through a brand transformation initiative. According to its media release, "the effort was aimed at asserting its own identity as a mature corporate having earned the reputation over 25 years of operations, while benefiting from the visionary oversight of its parent - the Shriram Group."

Interestingly, post this repositioning, SPL will not have to incur brand royalty fee of Rs 10-15 crore per annum, which it had to pay Shriram Group for using its logo. "We have got our own brand recall value in cities that we are present in, so we may change the logo to avoid/save this royalty fee," Murali had said in an interview with ETRealty in December 2023.

ASK Property Fund exits Shriram Pristine Estates

Shriram Properties gave an early exit to ASK Property Fund in their joint investment called Shriram Pristine Estates, which is a plotted development project in Doddaballapura, Bengaluru.

In November 2022, ASK & Shriram announced a co-investment platform - ASK Real Estate Special Opportunities Fund IV with an aggregate capital commitment of Rs 500 crore. SPL Housing Projects, a wholly-owned subsidiary of the company, had acquired Golden Ira that was a stressed asset with lending entities part of the IIFL Group. The transaction involved capital commitments of up to Rs 125 crore towards the acquisition and development of the

project. SPL renamed it to Shriram Pristine Estates.

ASK Property Fund has realised a return of 20% IRR and an investment multiple of 1.24x on their investment in less than 18 months.

"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," said Gopalakrishnan.

In addition to this, the SPL-ASK platform had invested over Rs. 200 crores in Shriram 122West in Chennai, launched in January 2024. Collectively between both projects, the platform has utilised 60% of its committed capital already. Remaining amount is expected to be invested in Q3 FY25.

Shriram Properties plans to enter into fractional ownership

Shriram Properties plans to enter into fractional ownership

For the financial year 2023-24, Shriram Properties has guided the market for about 4.8 million sq ft of pre-sales volume and Rs 2,400-2,500 crore of sales value. It is also looking to deliver about 3,000 units by the FY24-end and three new launches during Q3 FY24.

Future plans

SPL has a project pipeline of around 42 million sq ft with a 20 million sq ft of potential new launches and 23 million sq ft of ongoing projects. It is targeting to double this future project inventory in 18-24 months. The company has invested about Rs 225 crore in the last three years in the new projects and plans to invest about Rs 350 crore on new projects in the next three years.

The company wants to reach 7.5 to 8 million sq ft of yearly development by FY27-28, which means over the next 30-36 months we should be selling somewhere around 15 to 17 million sq ft of volume and therefore we need to add another 15 to 18 million sq ft of pipeline over the next 18-24 months

Gopalakrishnan

SPL has given a guidance of 5.25 to 5.5 million sq ft sales volume and handover of 3,500 units for FY25. In the remaining three quarters of FY25, the company is looking to launch eight projects and expects 7-8 per cent growth in its average price realisation. Of these, three projects are expected to be launched in Chennai and Bengaluru in Q2 FY25.

Gopalakrishnan further added, 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. We already have a steady pipeline of four million sq ft, can we improve it to six to seven million sq ft per year, can we deliver Rs 200-250 crore profit every year by 2027, this is something we are working towards aggressively.

Its completed portfolio comprises of 44 projects, 24 million sq ft of development and over 18,000 units. About 67% of its completed projects and ongoing projects are in mid-market. Murali said, "we will continue to be in the mid-market and premium mid-market segment and are looking at 25% CAGR growth in the next three years. We'll continue to focus on our core markets like Bengaluru, Chennai and Pune for now."

April-June 2024 performance

During the quarter ended June 30, 2024, the company recorded sales of 0.7 million sq ft and a sales value of over Rs 376 crore. Its collections stood at Rs 321 crore were up by 10% year-on-year and handed over 500 plus units.

The sales performance for Q1 FY25 had been muted and were restricted to about 0.7 million sq ft. It handed over 500 units during the quarter. Gopalakrishnan said, "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. 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.

Two new projects were concluded during the quarter; one was under joint development agreement (JDA) in North Bengaluru and the other was its own project near Electronic City in Bengaluru. Both together have an aggregate saleable area of about 0.78 million sq ft with a gross development value of about Rs 500 crore to Rs 600 crore.

Its gross debt has come down marginally from Rs 631 crore to 610 crore between year-end (March 2024) to quarter-end (June 2024). It's net debt has gone up marginally up from Rs 440 crore to 480 crore during Q1 FY25. The debt equity remains low at 0.37. The company expects to reach 0.25, 0.3 by the end of this year.

Overall finance costs have come down by almost 19%. "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 Rs 28 crore to Rs 23 crore, 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 Rs 5 crore every quarter to about Rs 4 crore now. Combination of these two, finance cost came down," added Gopalakrishnan.

Pune's project deferred to Q3 FY25

The company's planned launch of Pune project got deferred again due to approval-related delays. "Pune project has been deferred 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. It expects Pune Municipal Corporation approval to come through by September 2024," said

Gopal.

Land monetization

In Kolkata, the company has about 314 acres land (30 million sq ft), out of which project development is ongoing on 40 acres land (four million sq ft). It will further develop 50-60 acres land (six million sq ft) in the next three years and plans to monetize about 150 acres of land. "We will try to exit in 5-7 years time," said Murali.

It is also looking to monetize its Chennai Mall land by December 2024.

Mitsubishi Corporation is looking for further investment with the company. SPL used to have a joint venture with Mitsubishi for a project -Shriram Park63, Chennai. They put about Rs 130 crore for 70% equity stake in the project. SPL gave them an exit by acquiring their stake through three tranches.