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### **Shriram Properties to invest Rs 20 billion over two to three years**



Shriram Properties (SPL) is gearing up for significant growth, aiming to invest approximately Rs 20 billion over the next two to three years. The company seeks to increase its sales value from Rs 23 billion to Rs 50 billion during this period. Additionally, SPL plans to expand its development from 18 million square feet to 30-35 million square feet by the financial year 2026-27.

In an exclusive interview with the source, M Murali, Chairman and Managing Director (MD), and Gopalakrishnan J, Executive Director (ED) and Group Chief Executive Officer (CEO) of SPL, discussed their future plans, recent management changes, and more.

SPL has experienced several key management changes recently. In December 2023, Vivek Venkateswar was appointed Chief Sales & Marketing Officer (CSMO), replacing Jajit Menon. At the same time, Debasis Panigrahi was brought on as Chief Human Resource Officer (CHRO). In July 2024, Gopalakrishnan was promoted to ED and Group CEO from his previous role as ED and Group Chief Financial Officer (CFO). Additionally, K R Ramesh was appointed Executive Director (Strategy & Corporate Development), and in August 2024, Ravindra Kumar Pandey was elevated to CFO, with Rajesh Shirwatkar becoming Deputy CFO.

Gopalakrishnan highlighted that Murali will focus on organisational building and business development, while he will concentrate on the internal management of the company. "I aim to bring clarity in direction and address inefficiencies," he said.

Regarding succession planning for his sons, Murali mentioned that it's too early to make decisions. His son Akshay Murali is currently pursuing an MBA at Columbia Business School, while Akash Murali has taken on Akshay's previous role as AVP-Strategy and Business Development. Murali emphasized that their roles will be determined based on merit.

The Shriram Group is expected to exit Shriram Properties by the end of this financial year (FY25), with Murali set to buy out their stake. Together, the Shriram Group Executive Welfare Trust (19%) and Murali (9%) hold a 28% stake in SPL, though the promoters' overall

holding will remain unchanged.

SPL has recently undergone a brand transformation to assert its identity as an independent entity, moving away from its parent, the Shriram Group. This repositioning will allow SPL to save Rs 100-150 million annually by avoiding the brand royalty fee previously paid to the Shriram Group for using its logo.

ASK Property Fund has successfully exited its joint investment with Shriram Properties in the Shriram Pristine Estates project in Doddaballapura, Bengaluru. The fund realized a return of 20% IRR and an investment multiple of 1.24x in less than 18 months.

In November 2022, ASK and Shriram Properties announced a co-investment platform, ASK Real Estate Special Opportunities Fund IV, with a capital commitment of Rs 5 billion. The SPL-ASK platform has also invested over Rs 2 billion in the Shriram 122West project in Chennai, launched in January 2024. The remaining committed capital is expected to be deployed by Q3 FY25.

SPL has a project pipeline of approximately 42 million square feet, with 20 million square feet of potential new launches and 23 million square feet of on-going projects. The company aims to double its project inventory within 18-24 months, having already invested about Rs 2.25 billion in new projects over the last three years and planning to invest Rs 3.5 billion in the next three years.

SPL has set a sales volume target of 5.25 to 5.5 million square feet and plans to hand over 3,500 units in FY25. The company expects an average price realization growth of 7-8% and aims to launch eight new projects by the end of FY25, with three of these launches expected in Chennai and Bengaluru in Q2 FY25.

Gopalakrishnan added that SPL is working towards strengthening its project pipeline to achieve a 20% CAGR and deliver profits of Rs 2-2.5 billion annually by 2027.

SPL's completed portfolio includes 44 projects, 24 million square feet of development, and over 18,000 units, with 67% of its projects focused on the mid-market segment. Murali stated that the company will continue to concentrate on the mid-market and premium mid-market segments, targeting 25% CAGR growth over the next three years.

For the quarter ended June 30, 2024, SPL recorded sales of 0.7 million square feet with a sales value of over Rs 3.76 billion. Collections stood at Rs 3.21 billion, up 10% year-on-year, with over 500 units handed over.

Despite a muted sales performance in Q1 FY25 due to factors like election impacts, water scarcity in Bangalore, and unseasonal rains in Chennai, SPL successfully launched two new projects in North Bengaluru and near Electronic City in Bengaluru, with a combined saleable area of 0.78 million square feet and a gross development value of Rs 5-6 billion.

The company's gross debt decreased slightly from Rs 6.31 billion to Rs 6.1 billion between March 2024 and June 2024, while net debt increased marginally from Rs 4.4 billion to Rs 4.8

billion during Q1 FY25. SPL expects to reduce its debt-equity ratio to 0.25-0.3 by the end of the year.

Overall finance costs decreased by nearly 19% year-on-year, thanks to lower refinancing costs and a reduction in non-cash charges.

The planned launch of SPL's Pune project has been deferred to Q3 FY25 due to delays in receiving approvals. Gopalakrishnan explained that the delay was primarily due to the early announcement of the election code of conduct, which held up the necessary clearances.

In Kolkata, SPL plans to monetize about 150 acres of its 314-acre land bank over the next 5-7 years. The company also intends to monetize its Chennai Mall land by December 2024.

Mitsubishi Corporation, which previously invested in SPL's Shriram Park63 project in Chennai, is considering further investments. SPL acquired Mitsubishi's stake in the project in three tranches, with Mitsubishi initially investing Rs 1.3 billion for a 70% equity stake.