

**November 21, 2022**

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
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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 November 15, 2022.

The above transcript is also available on the website of our Company at <https://www.shriramproperties.com/corporate/investors/investor-updates/>

We request you to take the above information on record.

Thanking you

Regards

For Shriram Properties Limited

D. Srinivasan

Company Secretary

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**“Shriram Properties Limited  
Q2 & H1 FY2023 Earnings Conference Call”  
November 15, 2022**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the company on 15<sup>th</sup> November 2022 will prevail.



**MANAGEMENT: MR. MURALI MALAYAPPAN – CHAIRMAN AND  
MANAGING DIRECTOR - SHRIRAM PROPERTIES  
LIMITED  
MR. GOPALAKRISHNAN J – EXECUTIVE DIRECTOR AND  
GROUP CFO – SHRIRAM PROPERTIES LIMITED  
MR. K.R RAMESH – EXECUTIVE DIRECTOR,  
OPERATIONS – SHRIRAM PROPERTIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Shriram Properties Q2 & H1 FY2023 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 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 conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Murali Malayappan - Chairman and Managing Director – Shriram Properties Limited. Thank you and over to you, sir.

**Murali Malayappan:** Thank you. Good morning, ladies, and gentlemen. I am delighted to be here with you after yet another strong quarter sustaining the growth momentum since our listing.

We have achieved sales volume of 1.01 million square feet is up by 52% quarter-on-quarter while our revenues EBITDA have seen a significant jump both on quarter-on-quarter and year-on-year basis, our profit for the quarter stands at 19.6 Crores while H1 profit is at 30.1 Crores against the full year profit of 18 Crores in FY2022. We are focused on timely launch of 8 plus new projects in H2 to support our volume growth. During the quarter we have handed over more than 700 completed units during the first half and likely to hand over nearly 2000 units in FY2023 which is well on track to deliver 10 million square feet during FY2023 to FY2025. I would like to reiterate that there is a strong visibility of our earnings over the next three years with a 75% of project revenues coming from volumes already sold till September 2022 and similarly nearly 60% of DM revenue should come from projects launched till date. The reliability on these earnings is being enhanced by reaching the delivery targets we have set for our self. I would like to thank all our shareholders for placing the trust in us and we are completely focused to create value for all the stakeholders.

With this I would like to hand over to my colleague Mr. Gopal to briefly discuss the performance and happy to answer any questions you might have thereafter. Over to you.

**Gopalakrishnan J:** Thank you. Good morning everybody. This is Gopal, ED and group CFO, Shriram Properties. I am joined by my colleagues in this room. So we will collectively try to answer all the questions that you may have at the end of this presentation.

I would like to start the presentation and assume that all of you have the copies of the presentation, which was posted on company's website as well as the website of stock exchanges.

So I will be referring to those pages in the presentation on the website. Starting with our brief overview of the industry. The markets have been very strong during the quarter as well as during the entire first six months of this current financial year. The trend has been reasonably positive and encouraging for all the top seven markets, having the residential markets in India. Supply growth has also been robust, but has been actually matching the phase of demand and therefore overall inventory has been on a declining trend for the last few quarters and the trend continued even in Q2.

We have seen the inventories across top seven cities at around 21 months now and the trend in southern markets are more encouraging. Pricing trend has been very encouraging as well, prices have started moving up as you are aware since September last year and the trend continued from April this year as well. So at the company level we have had a more encouraging trend and I will explain that in subsequent slides.

Overall we see the markets remaining robust notwithstanding all the apprehensions that the people had about the rate hike impact on residential demand and other things. We understand from the industry players, that the housing loan demand appears reasonably strong notwithstanding the rate hike impact in the last couple of months, which clearly shows the customer buying trend is continuing to remain robust in the marketplace.

Input cost was a concern in some of your minds few weeks, few quarters ago. I think those pressure have receded now back to our normal industry trends, and the spike was short-lived during end of Q4 2022 and early part of Q1 FY2023 since then things have been on a declining trend.

The long-term trends remain positive, remain intact, especially for mid market have the affordable products. We see a continued strong demand and robust outlook continuing for at least in next couple of years.

With this backdrop let me move to slide #6 which summaries the key highlights of the development for the quarter and the first half.

Operationally it has been one of the best periods, which we have gone through. It is a best ever H1 in terms of sales volume and sales value for Shriram Properties in H1 FY2023 and we are back at 1 million plus run rate supported by launches as well as the seasonal trend.

As you are aware we have consistently mentioned that the H2 is historically very stronger period for us and we see a continued strength during H2 FY2023 as well. There are three successful launches during the first half two in Chennai and one in Bangalore, and we have had each of the launches have delivered good outcome, we have had sales-at-launch metric that we have consistently followed at 34%. I will explain each of them in the subsequent slides.

DM share remains robust at 30% of first half sales. From an execution perspective, some of you have had consistently queried about the execution and handovers. We have handed over about 700 units so far in the current financial year apart from this constructed units we also still handed over 300 plus plots to customers. We are on track to hand over 2000 units in FY2023, that should support a very strong income recognition during second half as well.

To support this we have actually got OC or the completion certificate, or occupancy certificate, each state will call it differently. We have got the necessary permissions or approvals to complete and hand over to customers and therefore registrations have begun in a project called Southern Crest in Bangalore, also in Grand One where we got the approvals in first quarter, the registrations are continuing.

We have more of couple of projects were completed portfolio, which is Park 63 first phase as well as Summitt in Bangalore. Both these projects now no longer part of our project pipeline as they move to complete it. Our ongoing projects appear on track well within there are timelines and that is an encouraging progress for us.

From a financial performance perspective, it has been a very strong quarter both quarter-on-quarter and year-on-year. You will see that in subsequent slides, but fundamentally revenues are up by about 112% quarter-on-quarter, 240% on year-on-year basis. EBITDA is up 44% quarter-on-quarter and 138% year-on-year basis.

Half year results are even more encouraging with overall revenue from operations of about 380 Crores or Rs.3.8 billion and total revenues of Rs.4.2 billion or 420 Crores. Our total revenues have nearly tripled year-on-year basis. Our EBITDA is higher by about 2.6 times at 86.8 Crores on a year-on-year basis. Our net earnings were around 30 Crores PAT, it is almost 1.7 times at our full year profit that we did in FY2022 supported by income recognition into projects we have been able to reach this point. Rest of operations are under satisfactory progress is there, operation cost are under control supporting margins and profitability, debt reduction and cost reductions efforts are continuing and making meaningful impact on our P&L as you would see impact.

From a business development and pipeline perspective, we have had a satisfactory progress, we added two projects with about 1.2 million square feet this quarter, and pipeline now has about 54 projects with a 54 million square feet of development potential. It includes 24 million square feet across 26 projects in the ongoing project category. Out of the 24 million ongoing 23 million belongs to Shriram and 1 million belongs to land owner share. Out of the 23 million square feet we have already sold as of September 30th we have sold 21 million square feet, that is almost 90% of our ongoing projects have been sold and we have zero inventory in our completed portfolio. So we seem to be running well on the right track in terms of sales as well as execution.

As you are aware may have noted from the press release made earlier this month earlier we have signed an MOU for our platform arrangement with ASK investment partners for a 500 Crores investment platform for investment in residential real estate projects in Bangalore, Chennai and Hyderabad, and this platform has taken off with the first project of plotted development project in North Bangalore, already conceived and definitive agreement signed between the partners for the first project under this platform already.

Our LOGOS deal is progressing well at Kolkata, and also as the last point is about the Xander Development Management project that we have in Chennai is now fully completed and we expect to see cash inflows of about 130 Crores as a DM fee of which 10 Crores is received and the remaining should come through during second half of this year.

Overall therefore in a nutshell very encouraging performance for the first six months as well as Q2 and current operations give us the confidence that we are in a right track to deliver full year expectation that we have for the guidance that we have given.

Now looking closer on slide #7. Looking just closer on the Q2 and then before I move to H1. In terms of Q2 our sales volumes were about 1.01 million square feet up 52% year-on-year. Sales value is about 4.3 billion or 434 Crores up 39% year-on-year. Our collections and constructions have been almost stable compared to the Q1 levels. Collections have been running at a good run rate of about 100 to 110 Crores per month we expect to see it moving up to about 110 to 120 Crores band in second half, and construction got spending got delayed little bit because of unseasonal rains and excessive monsoon in some of our core project areas. We expect that to regain momentum with the monsoon nearly coming to an end in the southern part of the country. So overall it has been good quarter on a quarter-on-quarter basis, as well as on a year-on-year basis, if you would see that in subsequent parts.

In slide #8, first half trends, 7% year-on-year growth in presales volume, 27% growth in sales value, 13% growth in collections, construction nearly flat as I said earlier.

Moving to slide #9, the launches. We had a very good response to all the three launches that we did. This is slightly lower than what we had traditionally done. These three launches during first half, two launches got delayed by a couple of weeks for approval and RERA requirements have been moved to H2 Q3 and Q4 has very strong pipeline lined up with the necessary approvals are also visible, and for the project that we have launched during H1 Park 63 is a new phase of our existing project. Golden Acres and Eden 144 both are plotted development projects, the first one is in Chennai and the Eden 144 is in Bangalore. Eden was launched in September within, and it sold about 74% in September itself by now we have almost 100% sold this small plotted development DM project. So overall it has been an encouraging sales trend, sales at launch has been about 34% average for the first half, we think that therefore can be sustained in the coming quarter as well.

Moving to slide #10 on the pricing trend. As you are aware September last year is when we started focusing on ramping up price supported by robust demand underlying demand and therefore as you may remember or recall second half last year we did about 8% average portfolio level price hike ranging from 3% to 16% price hike in H2 FY2022. On top of that we have seen good increase in pricing across projects, just try to compare same projects for our apple-to-apple comparison perspective try to compare the same projects to add a meaningful improvement from September 2021 as well as March 2022 in terms of current realization as of the end of September. The portfolio level it reflects 5% growth and I think there is strong sequential growth primarily reflects the underlying market strength. Our consistent effort to push the product first move up the price curve and obviously the project mix as well. But the underlying trend is very evident from the chart on the bottom where across product segment the prices have moved up, it would be misleading if you simply divide by our sales value by sales volume because we have a very large share of plotted development and a combination of mid market and affordable products and therefore this chart aims to highlight how each of the product segments have behaved in terms of prices. We are encouraged by the fact that we have now reached Rs.6000 average price benchmark in mid market product. We have been trying to move above that Rs.4500 square feet that we had about three, four years ago. So at consistent effort is paying off and market is able to absorb and we are able to push through the price hike without impacting volumes.

With that operational part, let me move to financial part slide #12. It has been a strong earnings growth story. Fourth consecutive quarter of improvement since listing. We showed initial signs of turnaround in December 2021 results, since then the earnings have gained good momentum, and which his encouraging and consistent at what we have been expecting or indicating to all of you as a capital market participant.

Impressive financial growth as well, both on a Q-o-Q basis as well as year-on-year basis. Impact of operating leverage is evident as well as project execution spends is evident. DM continues to remain a robust player or a key contributor to our overall financial performance. Our revenue recognition from key project commenced in H1 2023 should help deliver stronger revenues and earnings in the coming quarter as well. Our operational business momentum and the lead indicators give us a confidence that we will deliver stronger earnings in profitability in H2 as well. We are on track to therefore delivering full year performance as indicated to all of you in the past.

Just moving little bit on the financials page #13 and #14. As I said earlier H1 FY2023 year-on-year growth has been very impressive, revenues are more than tripled, EBITDA is more than 2.6 times, PAT is almost 1.7 times FY2022 earnings. Quarterly performance is equally impressive and both on a Q-o-Q basis sequentially from Q1 to Q2 as well as Q2 this year to Q2 last year on a year-on-year basis.

Looking at quarterly, our quarterly revenue from operation more than tripled, on a year-on-year basis 2.6 billion versus 760 million in Q2 last year. They were mostly by increased hand over momentum in Kolkata Grand One project as well as our close out happening in Vizag project where we are almost nearly done with most of the construction activities and hand over is also nearing last phase of hand overs, that Panorama Hills in Vizag as well as closure of our existing project in Bangalore called Summitt. More importantly this quarter got a big trigger from Southern Crest which is a project which got OC got delayed by almost few months as we mentioned last quarter where we suffered and some revenue expectations we had in Q1 that OC came through in September after a little bit of delay and this purely because of the local regulatory or the local authority approvals. Though we got the approval in September we manage to complete registration of 130 units as of 440 units there, 1.8 lakh square feet got income recognized. We handed over more than a half of this units to customers already and the rest of the customers are taking over their projects though they complete the sale deed already.

Southern Crest alone accounted for about 14%, 15% of revenue recognition in H1 and 40% of revenues in Q2. This is our revenue from operations. Total revenues have gone up by about 90% quarter-on-quarter to Rs.2.76 billion reflects a growth of 193% year-on-year. DM remains a key player in terms of overall growth and DM contributed meaningfully even during this quarter.

Overall cost of revenue and expenses have moved up. Cost of revenue is up about 159% quarter-on-quarter primarily reflects the increased area of revenue recognized and the



change in product mix that obviously has an impact on the cost along with the revenue as well that we got recognized.

Rest of the operating costs are under control, employee cost is higher by 8% quarter-on-quarter primarily reflects the increments that were announced, annual increments announced to entire staff based during June, and July where we paid obviously from April and therefore the arrears component from first quarter also got paid in Q2 and therefore it looks like a 8% growth quarter-on-quarter but on a run rate basis it is up only marginally by about 3% to 4%.

Other expenses are down about 5% quarter-on-quarter and the trend is somewhat meaningful even if you look at on a half yearly basis. EBITDA is more than doubled to 51.3 Crores or Rs.513 million reflects a growth of about 44% Q-o-Q and much stronger growth on a Y-o-Y basis at 162% year-on-year. Overall finance cost is up 4% quarter-on-quarter but more importantly it is down 21% on a year-on-year basis. As you know our finance cost has three components actual interest outflow, the other finance cost which is primarily a refinancing related cost as well as the noncash charge of about 5 Crores per quarter we incur on a unwinding effect of our Government of West Bengal liability that we have in our balance sheet which is on a discounted basis in our balance sheet as a liability. So we unwind that impact every quarter and that is about 5 Crores. So I am focusing on interest expense as you could see in slide #13. 28% drop in interest expense to 37.9 Crores from 52 Crores last year. All our noncash charge is flat, the other finance cost primarily reflects refinancing related charges that we should take, while we pay for refinancing cost or the upfront processing fee and amortized over a period of time, so therefore the new loan processing fee would be amortized. The unabsorbed amortized to see unamortized fees from the previous loan would have got charged off and that is one of the reason why you have a higher other finance cost during H1 at 4 Crores, other than that there are no other exceptional or unusual cost. Share of JV income is negative on a quarterly basis but remains positive on H1 basis. As you know we recognized income from our joint venture project called Shriram Park 63, a joint venture between Shriram Properties as a 30% share owner and Mitsubishi Corporation of Japan as a 70% share owner. That project got into income recognition last quarter. This quarter the momentum slowed down because the initial trust is over post festive season it gained the momentum again, but despite the positive contribution from Park 63 to our share of JV profits. The continuing expenses these were offset by the continuing expenses and the relaunch our renewed marketing effort cost related to two other joint ventures in Bangalore one is called 107 SouthEast in Anekal in Bangalore and Shriram Whitefield in Budigere Cross in Bangalore. Both these projects had a renewed marketing effort in advertising and sales promotion efforts. Those costs are basically offset the impact

of Park 63 revenue recognition. Therefore, quarterly income was marginally negative. Taking all this into account, if I look at a net profit number, this quarter they ended with about 19.6 Crores compared to 10 Crores in Q1 reflects a growth of about 87% quarter-on-quarter and for the half year our profits are at 30.1 Crores compared to a negative profit we have negative earnings we had in H1 FY2022. However, it is interesting important to note that current year first half profits are compared very interestingly against FY2022 at 18 Crores like the sum was like 1.7 times full year profits in first half consistent with our expectations and guidance that we have given in the past. Very briefly on cash flows and balance sheet. Balance sheet remains strong, debt levels remain under control, I will talk about the debt in a minute. What is interesting is to see the overall ROCE trend, we have been very consciously and continuously focusing on the not just the margins as well as returns as well. For the full year if you recall we had a 11% ROCE for the first half not annualized just a first half number was about 10.3%, 10.4% as you know second half the income recognition will be much stronger. Therefore we expect full year ROCE to be an excess of 11%, 12% that we had talk about it earlier and definitely compared to last year actuals. What is more interesting if you see how ROCE for the first half behaved for most of the industry players whoever is announced results so far and I think out of the list shown in the bottom chart only one company has not announced results Shobha, other than Shobha everybody else is based on the their half yearly earnings Shobha is based on their FY2022 earnings and our ROCE at about 10% compares meaningfully against the ROCE of listed player group both in Southern regional markets as well as other places.

From a cash flow perspective operating cash flows remain strong. We unlocked about 166 Crores from the operations. Net of construction marketing and other outflows, we had close to Rs.270 million of free cash flow out of that we invested about 196 million towards new projects. Over and above 238 million we invested in Q1 and therefore for the first half we have invested 43 crores towards securing new projects like JD advances and others. Despite that outflow we still had a positive cash from operations and our financing outflows are mostly about loan repayment scheduled as well as voluntary repayment and therefore we had a marginal negative net cash from borrowing and the repayments are primarily our ongoing projects where we had borrowed and there is a steep which happens based on our collections and therefore we continuously repay and reduced our construction finance debt, I will take about this in a minute.

Net free cash flow therefore was about -36 crore, we used from our cash and cash equivalent largely due to the debt repayment and interest outflow, but fundamentally it has been a very strong cash flow movement so far and majority of this cash for unlock some project got into construction activity as well as new project development.

Looking at slide #17, our gross debt remains almost stable at 478 Crores at Shriram consol level. Net debt is about 374 Crores compared to 340 earlier we had and this is marginally because the cash and cash equivalent came down as I said few minutes ago. More importantly debt equity is still very strong and remains at 0.3:1 it remains as one of the lowest debt equity among the listed players. Our cost of debt remained almost stable at 12.5% including the JD loans, we actually had all our efforts over the last 12 months, 18 months has been on reducing the debt as well as refinancing them to bring down the cost simply by moving away from NBFC loan to bank loans as you may recall from our earlier conversations we had a very strong reliance on NBFC as part of our liability portfolio. We have now significantly moved away from it and we get banks account for nearly 40% of our loan book compared to 3% earlier and our efforts are still continuing in terms of shifting further to banks both from an existing project perspective where we still have couple of refinancing efforts ongoing because all the new loans are moving towards banks. Incremental debt that we have received are in the 9% to 10% range and therefore we think we should be able to keep moving down the cost curve in the coming quarters.

Looking at slide #18 few awards that we got recognized for our projects from the industry peers. Also we are glad to point out, we have been certified as great place to work by the great place to work organization. If I should gear to outlook and very briefly cover three, four points here.

Slide #20, fundamentally talks about where does the confidence of management come from in terms of earnings for H2 FY2023. We remain very confident on our outlook for H2 and we believe we should be on track to deliver a meaningful growth in not just the volume in sales value, but also in revenue earnings and profitability and returns.

Our confidence comes from the fact that we internally have a much greater visibility on H2 earnings for three reasons, one, nearly 5 projects account for 76% of full year project revenues and those projects are listed on slide 20 and in each of these projects we have now reduced or we have completed all the external dependencies the overseas are with the occupancy certificate which is the completion certificate is already received therefore there is no external regulatory or other dependency. Now it is a question of getting the customers to same deed registrations under income recognized. So therefore we are working hard towards completing handing over the unit to customers so they can come forward and do registrations and takeover the units that allow us to income recognized in H2. So given that there is a great visibility, greater control on this process now internally and therefore we are confident that we should be able to be on track in terms of our revenue recognition activities.

DM revenues where we believe we are on track for this 100 Crores annual run rate. 12 ongoing projects contribute about 66% of FY2023 full year DM income, 5 new projects have planned for launch in H2 therefore our strength in these projects are already in our kitty and they are making good progress on the approval front and therefore we should be able to realized or expectation during second half in terms of DM sales and DM agreement to sign this is signing of the definitive document with the customer that will allow us to income recognize from these DM projects.

30% of H1 sales is from DM and therefore they will also add for these sales to our revenue recognition in second half. As you are aware as you would know plotted development has a very short cycle time. 32% of our sales is in H1 is in plotted development and therefore these 3-lakh odd square feet and 85% of plotted development is from DM projects and therefore they will come up for handover during second half and therefore they will allow us to recognize income.

Combination of these two gives us a strong visibility for second half and on a longer-term basis if I look at a three-year basis we had a 75% of projected revenues are from volumes sold till September 2022. We had a 60% of three-year DM fee come from project launch already and therefore we see a greater control and visibility on what we can recognize and what we can earn for the next three years and that is the source behind our confidence on three year outlook. We think we are on track to realize our expected 3 billion or 300 Crores of free cash flow to be realized over the next three years and majority of this will come over the next 18 months time. Just putting the same fact in another way slide #21, income recognition as I said we see a very strong outlook for the next three years we are targeting the hand over 10,000 units to customers over the next 24 to 36 months. We have handed over about 700 units and 300 plots during first half we are targeting to hand over 2000 plus units during the full year for the remaining units will be handed over, over the next during the fiscal 2024 and 2025. Where do it all come from, they all come from the fact that we have sold almost 40 million square feet in the last 36 months, 42 months and those are making reasonable progress well within the RERA timeline and therefore they will come up for hand over and in therefore income recognition and therefore we see a clear road map or path for income recognition and profitability.

With that if I move little more broader and go to a longer-term outlook in slide #22. Our objectives are very simple. We want to continue to focus on 20% plus CAGR in sales over the next two to three years. We remain focused on unlocking potential from Kolkata either through our own project launches for the 10 million square foot internally to be developed by our self or accelerating of remaining focus on monetizing the land bank. Continue to focus on DM even while we are focusing on JVs and JDAs as well. Sustained profitability

with mid 20 operating margins EBITDA margins and a positive earnings to continue. We remain confident of stabilizing the business model in the mid teen ROC over the next two years and we continue to focus on exploring Hyderabad as our new market that we think we would enter in the foreseeable future.

Just last but one slide before I wrap up. If I look at slide #23 this is our targeted volume that we are thinking of 2023 4.5 million square feet we believe we are on track we expect to rise to 5.5 million square feet next year and 7 million square feet 2025 to support this growth we have enough reasonably robust pipeline I mentioned this earlier 53, 54 million square feet in the pipeline and out of which 23 million square feet is an ongoing rest is to be launched and this launch portfolio is making reasonable progress and they are at various stages of approvals and RERA so they will get ready for launch over the next 12 to 18 months and therefore we see the launch potential. Looking near-term where we have eight, nine launches lined up. We believe we should be able to do eight plus launches in second half, spread across Bangalore and Chennai and maybe one launch in Kolkata as well.

Slide #25, DM projects I think it is self explanatory. DM is doing reasonably well. Share of DM is continuing to remain robust and it should help us continue with our strategy of focusing on DM with a greater emphasis along with JVs and JDAs in our model.

Last slide if I have to just quickly point out on the Kolkata, slide #26. Our strategy for unlocking potential from Kolkata is progressing well. Our own development as we said earlier repeatedly is 10 million square feet. Grand One and Grand Two together account for 4.4 million square feet the remaining 5 million, 6 million square feet will be launched over the next couple of years. The launch projects have made tremendous progress. Shriram Grand One almost 600 units delivered, construction is full swing for other clusters within Grand One we are almost entirely sold 2.1 million square feet from our books. Shriram Sunshine which is second phase of this project or the township. 2.3 million square feet launched in three different phases first two phases launched, we have sold 98% of phase one, 43% of phase two, together 1 million is sold remaining the third phase is about 8,00,000 square feet that will be launched in due course. We are also working towards villa development in the site. That will be part of the upcoming 5.5 million square feet to be launched in the future. On the monetization progress, FSI sale is progressing well with LOGOS we believe we are on track for consummating this transaction during second half as we consistently maintained since beginning.

With this if I turn to slide #27 just to summarize a very strong brand, well governed trusted brand, proven track record, very strong growth outlook, supported by demonstrated ramp up and demonstrated profitability and with scalability in our business model we believe we

will be a RERA beneficiary or a industry consolidation beneficiary with the lower leverage in the balance sheet we think we are well poised to continue growth and deliver value for our shareholders.

With this I stop and all of us are back here to take your questions and respond as much as we can. Thank you and over to the operator.

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

**Chaitanya Shah:** Sir my question is regarding your cash flow statement in the annexure that you have given. This is regarding the net operating cash flow that the company is going to receive in the home development under JDs. These numbers are lower than what you had reported in the last quarter presentation so could you just give the reason for this.

**Gopalakrishnan J:** Yes. One of the project got moved from ongoing to completed and Southern Crest which I emphasis during the presentation and that is the reason why there is a change otherwise there is no material change and this is an ongoing portfolio so Southern Crest cash flow will accrue and come get recognized in H1 and H2 so they move out from the ongoing projects. So we will try to highlight it in future I think we can give you the data how much relates to Southern Crest and therefore it will be the same number as last time.

**Chaitanya Shah:** Sir my second question is regarding the interest cost. Now for the half year you have taken an interest expense of close to 38 Crores and gross debt figure that you have reported is close to 530 Crores. So the number comes up to be around interest expense somewhere comes up to be on 14% so could you just give me an explanation on that whether my understanding is correct there.

**Gopalakrishnan J:** Yes, it is actually there are some high cost debt which gets so this is basically it is interest expense from the beginning of the quarter this is for the half year end debt is what you are seeing there are some high cost NCDs which were there in our books in the early part of the year 17% NCDs and all. So I will get that unwind we have only 20 Crores NCDs left now so they get redeemed in November so as they get redeemed will go so this will be the whole impact of reduced interest rate will take a few quarters to flow through because we have this whole refinancing cost getting absorbed as well as this high cost whole debts moving away will have the impact will be gradual. So you are right in understanding that currently it comes to about close to 14.8%, 15% weighted average cost for the reported period. But currently SPL console will have a weighted average cost of debt of about 13% point some percent and including JV it comes to about 12.5% so those two numbers are as we stand at

the quarter end or half year end for that to fully reflect into the average interest outflow it may take a couple of quarters.

**Chaitanya Shah:** And in terms of free cash flow number of close to 3 billion that you have given. Now then assume that all the net debt is plated is it close to 375 Crores today.

**Gopalakrishnan J:** No, 300 Crores will be the cash flow from the business so that will be used either towards prepayment of debt because most of our debts we have no land bank related debt in our books therefore most of the cash flows has to be used either for prepayment of existing debt which is the construction finance that we will have to take a call based on project capital needs and the construction needs at those projects. Otherwise we will have to be use for growth or it will be cash and cash equivalent. So the 300 Crores is at inflow that we are expecting.

**Chaitanya Shah:** After repayment of debt right.

**Gopalakrishnan J:** After repayment of scheduled debt.

**Chaitanya Shah:** Understood thank you so much. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Faisal Hawa from H G Hawa & Co. Please go ahead.

**Faisal Hawa:** Our ROCE and ROE have always remained low and you still feel that it will only be in the range of 12% to 13%. So what kind of steps will lead to the ROCE, ROE improving or will it take like a very big increase in property prices to really get it there or is our model not suited to a very high ROEs or ROCEs.

**Gopalakrishnan J:** I am sure you have seen the chart on slide #15. So we are probably among the top three companies in terms of ROCE in listed space I do not know about the ROCEs of unlisted players. The ROCE delta can happen because we have a low capital employed right where we are asset light model. So a small delta in operational inflows can make a meaningful impact you may recall three years ago we are at 4%, 4% to 10% has happened with a meaningful improvement over 18 months in terms of overall earnings. So I think with the projected earnings improvement that we see over the next 18, 24 months FY2023 to 2025 we would see ROCE stabilizing around mid teens that would be our first threshold to stabilize and then we will see where it will go and stabilize that 15 itself would put us one of the better ROCE companies in the real estate space in India.

**Faisal Hawa:** And do you foresee something like a short squeeze where the inventories in Chennai go down so much that it actually for some time probably six months or even one year there is not much inventory and that leads to a big price increase locally.

**Gopalakrishnan J:** I will request Murali to answer this on the price hike. Chennai is the price hike likely because the inventory is falling.

**Murali Malayappan:** Yes, Chennai market is really good both Bangalore and Chennai and we expect that prices to go up and our projects are well positioned both Park 63 and Divine City, both these two projects we are selling at a good price. Prices in the project have gone up more than about 20% in the last 12 months time. So we expect further price increase in these projects. The other two projects I mean the plotted developed again prices has gone up and the fourth project Shankari, Shankari price has gone up but not to the level of what the Park 63 and the Divine City achieved. So overall we have put prices to go up further from whatever revenue has reached now.

**Faisal Hawa:** But do you feel that even the inventory is going down is causing us short squeeze on the price or it is only like the top developers were getting the sales and secondly what do you feel is I mean interest rate hiking are they causing any demand to slowdown.

**Murali Malayappan:** Two different projects. The inventory overall Chennai market is really good but it cannot be compared with Bangalore and Bombay at this point of time. But Chennai overall market demand looks much better we are also looking at finalizing some more projects in Chennai. On the overall demand there are two interest rates one is home loan rate of interest other is working capital construction finance interest. So home loan rate of interest is our retail sales to a long-term projection they have taken so 20 or 25 year loan we all know that interest rate is unlikely to stay higher and it is a temporary phase maybe in next 12 to 18 months when it will come down then we are taking a view on long-term so customer sentiment is not impacted at this point of time and is likely to be very robust. On the construction finance the interest rates keeps on going up that will add to the cost this is the matter of concern which we are carefully working around. But overall demand I do not see any dip in the demand, demand continues to be very, very robust.

**Faisal Hawa:** Thanks a lot sir.

**Moderator:** Thank you. The next question is from the line of Yogesh Tiwari from Arihant Capital. Please go ahead.



**Yogesh Tiwari:** Thank you sir. My first question is regarding your sale realization the average. So for the second half of FY2022 it was about 8% and for the first half of FY2023 it was about 5% so how do you see it in the second half of the current financial year.

**Murali Malayappan:** In our realization, market particularly because of the consolidation. See there is nothing else that is moving the market. Just that there is a pressure on supply today there is not much supply because every market is covered 90% of the market is covered by top seven, eight developers today and the trust is that major factor which is driving the demand. So once the demand continues to be very, very robust on the other hand supply there is a huge constraint these large developers or branded developers like us supply is coming up so there is a big mismatch between supply and demand because of that prices will continue to go up. So H2 also I expect the prices to go up at least by end of 5% from where we are today. In H1 we have seen about 8% to 10% price increase as talked about 15% increase likely for this financial year which will happen the balance will happen in H2.

**Yogesh Tiwari:** So it will be about 5% that is what you are expecting for second half similar to first half.

**Murali Malayappan:** First half is about 5% which we have already seen now and H2 we expect 5% to 8%. So this year we will have about 15% price increase is what our estimate the H2 will continue to have price increase further.

**Yogesh Tiwari:** And on slide #4 we have this gross of supply versus sales so it is like after about two to three quarters the supply is exceeding sales so are you in the top seven cities so is it like how do you see the trend now because we are already one and a half months in to the second half so is the trend still buoyant wherein supply is now exceeding sales and that can lead to inventory buildup in top seven cities.

**Gopalakrishnan J:** So I have to just to clarify this is from Anarock not my data Anarock believes the phase of supply will match the robustness in demand and there has been a traditional trend as well inventory buildup may happen but that is the inventory have never been an challenge in mid market affordable products inventory usually becomes a bit problem in the luxury segment are in a higher price point we have never seen and we do not see on the ground any mid market player mid market projects suffering with a large inventory and that is the evident also from the fact that historically we have had a very low inventory in our ongoing project as well. So that is very clear and I assume the trend will continue even in future.

**Yogesh Tiwari:** Yes, sir and one thing on the industry so there was a point wherein the organized player they are consolidating basically they are getting more market share. So is it that the

unorganized player they are facing some problems with the hike in interest rate and home loan rates so is it the reason why there is a consolidation in the industry.

**Murali Malayappan:** No, really the brands are selling today. the consumer confidence that is the major one, availability of capital is the another issue the unorganized players are dealing with. So our first step is trust is the major aspect and the customers are trusting only the large branded developers on delivery. So large branded developers delivery, some projects getting delivered on time, some there are two, three months there are even six months delay but customers know 100% it is happening so their product is available. Whereas unorganized players the trust is lost. So alternatively, the second one is they are also not able to get the funding today. So, both is a double whammy effect so that is where they are getting into lot of challenges and that will continue I do not think that will change there in the near future.

**Yogesh Tiwari:** And sir lastly, I was just trying to understand if there is any challenges for our sales in future. So, since we are such a big player in this industry established player do you see any threshold levels for interest rate wherein it can affect sales, sales volume for the company and the industry any threshold level for interest rate if it keeps rising.

**Murali Malayappan:** The home loan rate if it touches double digit that could be a major cost of concern currently it is not and also it is unlikely in the next few years on the home loan. On the construction finance it goes up by another 300 basis points that could be a inflection point. So currently it is not, we need to give credit to government keeping the inflation under control which is a major, major challenge but that is good that it is in very good control since and not showing a bigger challenge today.

**Yogesh Tiwari:** Thank you so much that is very helpful that is all from my side.

**Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer:** Congratulations on a good set of numbers. Sir on the presales part if I am not wrong you said that you will be delivering around 15.5 to 16.5 million in the next three years and sir could you just give me what percentage of that would be plotted development and what percentage of that would be DM and if you could just repeat the number you said for 2023, 2024, 2025 separately.

**Gopalakrishnan J:** If I can give you the annual numbers to start with this year we are looking at about 4.5 million square feet for FY2023 rising to about 5.5 and then to 7 million square feet so that

is about 17 million square feet roughly if I look at the water development as a percentage of the portfolio about 30% would be the plotted development.

**Vignesh Iyer:** And this 17 million also includes DM right.

**Gopalakrishnan J:** Correct it includes everything.

**Vignesh Iyer:** And plotted development is the 30% and DM would also be roughly about that right.

**Gopalakrishnan J:** Yes, DM would also be somewhere around that but obviously DM can also be plotted right these are two different percentages.

**Vignesh Iyer:** And on the sales part of it as on the actual recognition of revenue so you will be delivering around 10 million if I am not wrong in next three years so does this 10 million includes DM or DM is over and above this.

**Gopalakrishnan J:** Delivery includes everybody as well but our income recognition capability comes only on our own projects and JDA and JVs of course and we recognized DM we recognized that will help of recognized DM income to some extent that is all but otherwise the majority of the income recognition will come from our own project as well as JDAs.

**Vignesh Iyer:** So this 10 million includes DM I think 10 million square feet includes DM project delivery as well right.

**Gopalakrishnan J:** Absolutely.

**Vignesh Iyer:** And on the side of the deal from the Kolkata land how is it progressing if you could just I mean by when can we recognize some cash flow coming in from the project as and not which is under our development with the part we are going to sell it.

**Gopalakrishnan J:** As the LOGOS had doing the diligence it is likely to get completed very soon we hope maybe before March we should be in a position to have close the transaction at this point of time really to get some submissions from the government which we applied for which is in process now. Once they get that permission then they get deliver the clearance for buying a land for themselves. So once that get through we can reach to that it is in pipeline now.

**Vignesh Iyer:** That is all from my side sir thank you.

**Moderator:** Thank you. The next question is from the line of Vivek Gautam from G S Investments. Please go ahead.

**Vivek Gautam:** Congratulations on good set of numbers. Our company is really testing the patient of allotment who have been holding from IPO so by when can it come is it better happen and number two is about the basically our real estate sector is suffering from the perception on the corporate governance it supposed to be what we call in Hindi that **57:36 inaudible** in the sense that you have to be very, very cautious in this sector so what are the corporate governance initiative we have because state government control the real estate sector in individual states and even in south India lot of issues are there how do we settle that and Southern India market our focus is it performing much better than the rest of India and what about Kolkata. These are the queries. Thank you.

**Gopalakrishnan J:** If I can take one-by-one. We feel market is beyond our control our focus is on delivering performance as per the promise and we are trying to market this to the improvement in our performance to quality institutional investors and obviously beyond promoting or beyond emphasizing on our improved performance to investors there were little that we can do in the stock market per se I am sure some of you are more equip their knowledgeable to be able to make a judgment on when this has improved given when the stock price will improve given the performance have increased twice so we are currently focused on delivering quality numbers consistent what we expect consistent promises and expectations quarter after quarter that is currently what we are focused on. In terms of governance as you would know we have some of the meaningful strong names as part of our parentage Shriram Group value systems the TPGs and Tata's so we are bundled by quality parentage and their policies and frameworks in systems so from a government internally perspective we can vouch and we can confidently say comparable to the best that we can see in the region or in this part of the world. From an external perspective there is a little we can do both collective both of us together we cannot do much about the external system but what we know was very surely is a fact that we do not entertain any tax transaction with any customers ever we do not given to any of the questionable practices with any of our stakeholders and that is fundamentally our crux of our operating principles and our value systems and within that we will operate and if we have to grow slow we will grow at that phase but we will not really cut corners to chase growth that we have that as a company as a group as a controlling shareholders of a large investors in the company will not allow any deviation from the core principles. I missed your third question, you have a third part of the question.

**Vivek Gautam:** Yes, this was regarding the geographical are these markets are much better than rest of India thanks to the IT sector and how it is going to performing and what has been the

historical background of your foray into Kolkata which is exactly not a very promising and in terms of economics growth in India.

**Gopalakrishnan J:**

Let me talk about the Bangalore Chennai I am sure you read research report that some of us do. All of these reports clearly point towards where it is Anarock or any IPC report the analyst reports the southern market typically tend to perform have typically performed slightly superior than some of their counter parts even within the southern markets thanks to variety of factors right low it is primarily a end user driven market so there is low speculation per se and obviously the underlying economic activities are strong from the sectors that is operating in so that tend to help overall underlying demand I am sure the numbers will speak for itself if you look at the last five, ten years of our last post RERA also if you look at last five years of demand trends if you look at you will appreciate Bangalore and Chennai, Hyderabad are superior market from a growth perspective absorption inventory supply in growth perspective. Looking at the Kolkata part which is the fourth question you had is the fact that we have discussed that frequently in this calls just to reiterate we have entered almost ten years ago for a variety of reasons primarily we thought when we are looking to expand after first ten years of growth in the industry or in the business Kolkata emerged as a good pick for us for a variety of factors like it is a stable mid market we saw a huge the mid market affordable potential there being a gateway to the east as well as Shriram brand already had a very strong presence because of variety of factors that variety of businesses that we have operated based out of Kolkata insurance, broking and industry things other than truck finance. So the brand was recognized and the third factor was there was an opportunity of land available from Nissan Motors and Government of West Bengal and we thought since it is coming from the government should be easier to get through all the approval processes so we walk into this transaction and then we had some surprises and we took some time to get the approvals. The approvals for the development of integrated complex came only in 2016, FY2017 and since then the journey has been fairly smooth we see as a company might not tend to agree with what you have mentioned Kolkata is not such a bad market we also would have had the same view three, four years ago saying if somebody has told us that somebody is selling 4 million square feet in four years today the results are on the table we have about 3.5 million square feet sold since inception in that site that almost a three and a half, four years so close to 8,00,000 square feet on annual absorption so that not that well it is actually a very promising market our expectations of mid market has come through well if you look at the IPC reports some of these well recognized reports whether the runner of JLL, CBRE, residential reports if you look at Kolkata has in the last couple of years have shaped up very strong on absorption I am sure these report explained why we see that kind of demand and we will see the strong absorption so it is not a very disappointing our weak market it is just that we had some our

share of surprises in the process to the learning for us mistake or a learning whatever you want to call it but now we have focused on all that is behind us last three, four years we have focused on simple obviously you can monetize this land bank and get out of it infact today Shriram is the largest volume company in the eastern market so I think the market is doing well for us so far and we are focused on unwinding our share of development that we have set for our self 10 million square feet the remaining 20 odd million square feet will be monetized that is the strategy that we have remained unchanged for the last three, four years and will continue to execute this strategy for the next 24, 36 months by when this site at least will be unwound.

**Vivek Gautam:** Can you just throw some light on the Shriram Group our promoter background and basically how they came out about it in fact the cost inflation entrepreneur who has come up on his own because the north where I am speaking from visibility on Shriram Group slightly lesser thank you.

**Gopalakrishnan J:** I think there is enough publically available material available on Shriram. Shriram group was started by Mr. Thyagarajan in the insurance broking business to start with and then we have grown and I am sure you have read all the news papers talking about the ongoing merger of all the financial services entity of Shriram once the merger is completed NCLT approvals have come I think last stage for yesterday once this is consummated the Shriram merged entity will be the largest NBFC hopefully in India so that is the size of the organization built by Mr. Thyagarajan and his strategy and efforts and they have Shriram Group has presence in other businesses as well maybe you can have a call off line to walk you through what the Shriram Group is all about and enough material available in public domain as well. I am just conscious of the fact that there are other people on the call to make the familiar and enough like to invest lot of time on knowing Shriram Group history but I am happy to have a call with you anytime at your convenience.

**Vivek Gautam:** Thank you sir very much thank you.

**Moderator:** Thank you. The next question is from the line of Faisal Hawa from H G Hawa & Co. Please go ahead.

**Faisal Hawa:** Sir are we seeing any early signs of now people paying up advances at the paint level itself booking and paying the entire amounts also because that will also have early accelerator ROCE etc.

**Murali Malayappan:** No it is not right actually as per RERA you cannot do we do not want to do that we will strictly go by RERA whatever has been defined by RERA and the authority so we will go

as per the plan which will be defined. So there is nothing to do with the ROCE improvement. So there is a cash flow. So ROCE and ROE we have been making consistent progress they given guideline during our road show then road show also we have been having thereafter we have been having constant call so we have been making consistent progress in line with whatever their gaining's were given. We are in a very healthy trend today and I expect this to continue for the next three years time now based on the projects we have already sold very well so there is a clear visibility of where the growth is where are we making progress in growth of the cash flows and also be recognized.

**K R Ramesh:** To add further even if that gives the accelerated installments, they would want the NPV discount in fact it is going to be income depletive.

**Faisal Hawa:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Chaitanya Shah from Silverlight Capital. Please go ahead.

**Chaitanya Shah:** Thanks for giving the chance again. This question that I have is regarding the earlier question that I had on the cash flow in the annexure when you mentioned that our project has been moved from that slide because that project I completed now I just wanted to understand one more thing the difference in the cash flow is close to 120 Crores for example in the own developments column out but the cash flow realized has not been that much from your cash flow statement so while this difference I just want to understand that.

**Gopalakrishnan J:** I will send you the reconciliation of the data which is there will be some corporate debt related removal just at the bonds, NCDs as they redeem those numbers will also keep changing in terms of the borrowings that where the cluster has a hit having last but one row. So we will give you I will get the data sent across to you. You can share your Mail ID and we will submit I think we have the mail ID already so I will get a center clause.

**Chaitanya Shah:** So broadly this cash flow that we have...

**Gopalakrishnan J:** No underlying if I can take a broad statement I expected this last time as well on the valuation perspective there is no material deviation change from the life cycle cash flows of projects and therefore the inherent value of the ongoing projects DM even some of you may recall there are slightly lower than 2000 Crores as an NPV value of a 13.5% discount rate. Value of our ongoing project those values have not changed, is that would have been the part is realized, part is not realized. So that underlying value has not changed it whether we have got the point we are trying to drive that or trying to reconcile in your mind be assure

that numbers have not changed there is no deterioration in inherent value of our project cash flow and a inherent value to this enterprise I will send across the detail.

**Chaitanya Shah:** Sure and sir are we on target to become net debt free in 12 to 18 months that you are speaking about earlier.

**Gopalakrishnan J:** Yes, we remain focused on it and as the new projects come in they might obviously borrow their own working capital as well but at a net level net debt we believe we will be able to reach that point in next 12 to 18 months time.

**Chaitanya Shah:** Okay alright thank you so much.

**Moderator:** Thank you. The next question is from the line of Amit Kumar from Determined Investments. Please go ahead.

**Amit Kumar:** Thank you so much for the opportunity. I just have one question, so your credit rating is still at a BB+ versus sister companies in the group at AA kind of rating so that is a big gap in itself and that obviously hurts your cost of capital, cost of debt as well and now clearly till last year we were loss making, weak financial position but we have seen that turnaround happened also what if any sort of plan of action you have to drive your credit rating also better and to that extent the cost of debt and cost of capital down.

**Gopalakrishnan J:** Just to put the basic facts we are BBB+ not BB+ and we moved from BBB to BBB+ last year with some of the concerns of the rating agencies addressed in terms of key investor rights and IPO overhang and all that. We are working towards with the agencies we are in the process of reassessment now we wanted to see four quarters of performance before move up and so we think during this year second half till we should get a rating in the A club so we are also working towards moving up the BBB+ that we have today. We hope to see at least in A- it is not A during this financial year.

**Amit Kumar:** Just a small set of follow up if I may ask what are the parameters which the rating agencies has sort of set for you to move in that direction in terms of you may not be able to share the details but roughly in terms of operational or financial parameters anything that you are able to share would be helpful.

**Gopalakrishnan J:** No if you think it is operational I am sure just to put it in context the rating rationale is already available on their own website so it is fairly transparent there is nothing secret about it and they commence a very simple in terms of margin recovery is so encouraging we want to see sustainability of this margins and I want to see the industry in a rising interest rate



environment now industry will behave in terms of demand stability that is a more macro common factor for all the players not for us so from a company's perspective getting their cash flows and the sustainable profitability and margin levels is what they were monitoring. That is what I understand from their rating rationale so all the complete specific concerns they had in the last 36 months, or all displayed from the rating rationale.

**Amit Kumar:** Understood that is really helpful. Thank you so much.

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

**Gopalakrishnan J:** Thank you very much for everyone's time today and we hope you make note of good set of numbers that we believe we have announced and we are happy to remain engage with some of you can connect with us as well as SGA but for today we sincerely thank each and every one of you for your time taken to interact with us. Thank you.

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