Shriram Properties
Homes that live in you

August 22, 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

Dear Sirs

Subject: Transcript of the Investor / Analyst Meet

Further to our intimation of conference call with Investors/ Analyst, we enclose the transcript of the conference call held on August 16, 2022.

The above transcript will also be made 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
FCS 5550

"Shriram Properties Limited Q1 FY23 Earnings Conference Call"

August 16, 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 10th August 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 – ED, OPERATIONS – SHRIRAM PROPERTIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY23 Earnings Conference Call of Shriram Properties Limited. This conference call may contain forward-looking statements about the company which are based on the believes, 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. Thank you and over to you, sir.

Murali Malayappan: Thank you. Good morning, ladies, and gentlemen. It gives me immense pleasure to be here with you all after another strong quarter sustaining the turnaround momentum since our listing in December 2021, as you might have seen, we have finished the quarter with 0.66 million square feet, 20% growth while our revenues EBITDA have more than doubled on year-on-year basis, our profit stands at Rs. 10.5 crores against the full year profit of Rs. 18 crores in FY22. This is extremely encouraging for us and gives us the confidence to reach our FY23 targets comfortably. On the cash flow front, as communicated earlier, FY23 is going to be a cash generating year for us and I am extremely happy to say we have made further progress and therefore with a certainty on the timing of the cash flows, our debts level are likely to come down significantly in the next 12 to 18 month time which has been one of our key focus areas. I would like to reiterate that there is a very strong visibility of our earnings for the next 3 years with a 70% of the project revenues coming from volumes already sold till FY 22 and 60% of DM revenues should come from projects launched till FY22. The reliability on the earnings is only going to get better and better with our strong performance quarter-on-quarter for which we are comfortably placed having built a very strong project pipeline. During the quarter, we added eight new projects with about 7 million square feet to the pipeline and most importantly we have completed 3 projects with a 2.2 million square feet during the quarter and on track to deliver 10 million square feet within FY23 and FY25. I thank all our shareholders for placing their trust in us and I believe we are on the right path to create value for the stakeholders, with this, I would like to hand over to my colleague Mr. Gopal to briefly discuss the performance and I am here to answer any questions you might have thereafter the presentation.

Gopalakrishnan J: Thank you Murali and thanks everyone and good morning to everyone. I hope all of you have seen the presentation which is uploaded on the website of the stock exchanges and therefore would refer that presentation and slide numbers before I speak. I hope I am audible as well, if not please let me know.

Starting with slide 4 of the presentation on the website of the Stock Exchange, this is a slide very familiar to you, so I assume most of you have good familiarity to the overall industry landscape on the industry performance during the quarter. But we would like to give our prospective on the sector as we saw during the quarter and as we see going forward. As highlighted in our slide

4, the overall demand situation remains strong across most of the top 7 markets. Seasonality impact is always there which will always be continued to be there. We saw some softening compared to Q4 level which is very natural to this business but on a year-on-year, we saw a very strong growth in demand and that was very encouraging for us. Cost inflation lead price hikes as well as the rate hike had some impact on the customer decision making, but we believe that will be a very short term impact because overall long-term dynamics for the sector in the residential real estate seem very positive and therefore we see the demand momentum remaining strong and supporting overall growth and this strong momentum will be backed by continuing positive economic outlook, rising income levels as well as the pandemic induced home ownership or the desire to own homes all of this will feed into sustained demand especially the segment that we operate where mid-market and affordable housings where the salary class are the primary target customers. We see the overall undercurrent remaining positive. It had remained positive during the quarter, and we see it continuing even in future.

The inventory overhang in the sector actually came down remarkably and it is about 22 months now across top 7 cities. Chennai and Kolkata actually registered a decline in the inventory levels or inventory overhang. Bangalore was almost stable and therefore that is an encouraging sign, positive demand outlook reduced number of suppliers in the market in the wake of industry consolidation is driving the inventory direction and that is always well from uprising prospective as well.

Price across top 7 cities moved up by 2% to 3%, I will talk about our own price improvement later, but Anarock report clearly points out 2% to 3% quarter-on-quarter, it means the price levels compared to March 2022, June 2022 prices were marginally higher and in fact if you look at it on a year-on-year over basis it is almost like 4% to 7% higher.

Input cost prices are moderated, which was a key topic or key concern some of you raised in our last earnings call and it spiked up during Q4 FY22, but I think it is moderated and in fact stabilized very nicely during the quarter. Some of the positive trends that we saw in the sector is continuing to remaining intact and that is a very encouraging development or encouraging canvas that is in front of us.

Housing affordability remains largely favorable despite the recent rate hike concerns, which is likely to have a very small impact in the near term, but I think the overall affordability as you can see from the slide on chart on the bottom. This is actually extract from HDFC site. The affordability is at a multi decade low and that is a very positive sign from my overall long-term demand prospective for the mid-market and affordable housing at least. Developers are offering some schemes to fix rates that is most likely to accelerate customer decision making like we saw in the corresponding period last year and the income levels are rising. We have seen very strong demand for the talent in the underlying business sectors in the core markets like IT, health care and so on and so forth, that is actually increasing not only income power or purchasing power.

It is also resulting in job security and purchasing power together and that is a very positive ingredient for demand for residential for us.

Consolidation trends will continue, large branded players are continuing to dominate the market and the trend is likely to continue even as we go forward. All of this augurs very well for the large branded players like Shriram as well as other peers in the industry.

Plotted development remains the positive switch or positive bias towards the plotted development continue and so therefore many of our projects are skewed towards the plotted development, which has a very high velocity as well as a very quick turnaround, therefore overall, it is positive from a cash flow prospective for the business.

We see a positive outlook for pricing supported by a strong demand as well as cost consideration. Industry consolidation as I said earlier is adding further fuel to the overall pricing environment. So, overall, all the key ingredients are in place. We therefore think Q2, Q3, Q4 should continue to remain buoyant and help us to achieve our full year expectations that we have indicated in the past.

Moving to slide 6, these are our KPI numbers, the operating performance numbers, you may have seen in the past from its earlier performance update released during the month of July. Just to recap, we had a very strong positive trends in the KPIs, sales volumes were up 20% year-on-year. As I said, seasonality is there in the business and therefore Q-o-Q would be a misleading number and therefore I am remaining focused on Y-o-Y numbers. So, compared to last year first quarter, our volumes were high at 20%, our sales value was higher by 26% year-on-year, collections were higher 34% at Rs. 324 crores or Rs. 3.2 billion. Construction spend was higher by almost 50% at Rs. 137 crores for the quarter. So, overall the underlying momentum on the ground remain strong. We have about 4,000 labors on the site and nearly all of our projects are on track within the RERA’s committed timelines.

Another interesting fact was that average realizations have moved up. For us it is about 8% higher year-on-year, that is Rs. 4,694 per square feet in Q123 compared to Rs. 4,363 in Q122. And second half last year is when we had meaningful improvement in pricing, I will talk about it in the next slide, quarter-on-quarter from March 22 levels, our prices have gone up by about 4% as well.

Plotted development realizations are higher on year-on-year basis, it is almost up by 6% year-on-year. So, underline message is a simple key business parameters are remaining strong and quarter has proved to be an encouraging quarter for us. As you can see from slide 7, the Q1 performances put in the overall context of quarterly performances that we saw last year, some of them are in the public domain in the past and DRHP, RHP some of them are new data for you, but overall, I think the Q1 has been an encouraging start for us, good start to the financial year and we believe given the positive industry environment, the momentum should continue and should help us to achieve our overall target for FY23.

Slide 8, we had one launch of our new phase in Chennai at our existing project called Park 63 had a good start, it was launched on some early June and the project has sold 11% of the new inventory has been sold already. As you would appreciate this is the 30th June cut off data and therefore for about 20 days, we have sold almost 56,000 square feet at this site and as now as we speak now, we are well an excess of 17%, 18%. So, it is an overall encouraging start to that launch as you know, this has been a soft quarter for us due to seasonality, only 1 launch. We have about 11 launches lined up for this year for the remainder of the fiscal year and this is supported by a very strong pipeline and therefore we are confident of continuing launches that should actually bring momentum in terms of overall volume growth as the normal season or the festival seasons picks up, that is our core season for us. Volumes typically trends to pick up during latter part of Q2 and then gains momentum in Q3 and peaks in Q4.

Slide 9 is a point that I was referring few minutes ago. We had an encouraging price trend for the quarter. Compared to March levels, our prices on an average are gone up by about 4% depending on the project anywhere between minus 1% or a flat prices to about 9%, so 1% to 9% is a fair description of price hike since March. As you know, from last September only the prices have started moving up for us for the Southern market in general and so therefore as you would see, we had already seen a 8% growth on during H2 FY22, so on top of that another 4% increase and that is a fairly encouraging news for us. If you see on this chart on the bottom right, we have broken down the price because we have a project mix which can therefore lead to misleading if we divide sales value by sales volume, you can get a very distorted number and therefore we thought it will be appropriate to highlight how our plots, affordable and mid-market have done. All of this does not mean only a price hike in general, it is a combination of change in product mix during the quarter what we sold as well as the impact of price hike and therefore a better clarity can be seen from the table on the left where like to like comparison of the same project last quarter versus last year. So, overall it is an encouraging price front for us, looking at with other dimension of our operating metrics business development, slide 10 talks about it.

We had a very encouraging note was that we moved 3 projects into completed with receipt of OC and customer handover is beginning. We have moved almost 2.2 million square feet from our original pipeline to completed project category and we have also deferred or moved of few projects due to ongoing reviews and their current status. So, we have moved about 2.8 million square feet out of the pipeline. Our added about 8 projects aggregating to about 7 millions, so we have ended the year with about 53.3 million square feet, out of which 24 million square feet is ongoing as you can see from the chart on the right. Out of the 24 million square feet ongoing, just to recap the numbers, 53.3 total pipeline, ongoing is 24 upcoming is 29. Out of the ongoing 24, more than 20 odd million square feet has been sold already, which means 85% of our ongoing projects have been sold, which clearly talks about the de-risk nature of our ongoing projects as well as gives us the confidence that once we execute and hand over they will result in income recognition and that is a very positive news for us and so we started this second quarter with about 3 odd million square feet of opening inventory for sustenance which means the continuing launches will feed volume for us. We have no overhang or problems of inventory issues here.

As you have noticed from last earnings call also, we have zero inventory in completed projects that situation remains true even as we speak now. The overall project pipeline breakup if we look at the chart, the tables, the bullet points below give you clarity about some of the projects which have been moved to completed, but if you look at the breakup, it is a fairly well distributed, our own projects are about 27%, JVs and JDAs together account for almost 40% of the pipeline and DMs continues to account for nearly one third of the pipeline. So, the overall mix remains unchanged, small change here and there in the first decimal, but otherwise overall mix broadly remains same, one third is the DM, about 25%-28% is our own projects which is mostly Bengal and a few projects ongoing in Bangalore and Chennai and the rest is all coming from JVs and JDAs.

Moving to financial metric slide 11 and 12, overall the big picture, overall positive earnings, turnaround momentum continued even in Q1, so this is a third quarter of positive earnings after we got listed and meeting our own expectations as well as what we guided the investors in the past. We have built further on the Q4 trends, we are improving operating leverage as well as increasing share of DM income in the overall revenue pie is adding strength to us. Revenue recognition for more ongoing projects during the remainder of 2023 both in SPL as well as our joint ventures should help us deliver a strong revenues and earnings in the coming quarter as well. Business momentum remains strong, business lead indicators are reinforcing our confidence on delivering the stronger earnings and profitability in FY23 as indicated in the past.

Our vivid reasonable progress in terms of reducing our debt levels which today remains at 0.3:1 and also the cost of debt, I will explain that as we go through in another slide.

Slide 13 and 14, summarizes the financial performance, just walking through a few bullet points on the overall financials. Q1 FY23 as I said has been a fairly encouraging quarter for us. On a Y-o-Y basis, revenue and EBITDA more than doubled. More important for us, earnings turnover and momentum continued. We ended the quarter with about Rs. 10.5 crores or Rs. 105 million of net profit compared to Rs. 180 million or Rs. 18 crores that we reported for auditedfinancial year for FY22. Revenue growth is driven mostly by increased handover and registration momentum in 2 of our projects that we discussed in the last earnings call which is Grand One in Kolkata and last leg of registrations in Panorama Hills in Vizag, where we should complete in the exact city by the end of this calendar year. Shriram Summitt in Bangalore received OC and therefore registration commenced that gave us income recognition capability in this project during the month of May. Unfortunately, one of our projects got delayed in terms of receiving OC by a couple of months and that is Shriram Southern Crest in Bangalore where we expected some initial support from registration of Shriram Southern Crest in Q1 that got moved to Q2 FY23, the file NOC has been received and therefore we think we should get the OC from the authorities during this month and that should give us registration capability in the month of September and get some kick up in Q2. And these 3, 4 projects together accounted for over 60 odd percent of revenues recognized during the quarter. Grand One, Panorama, Summit and smaller projects like one in Coimbatore and plotted development in Bangalore called Shriram Earth Whitefield, 5 of them together accounted for 75% of revenues during the quarter.

Our revenue from operation Rs. 122 crores also includes DM fee. DM fee accounted for Rs. 18 crores out of this Rs. 122 crores number. So, about 62% growth in DM fee more than that encouraging fact for us would be that the DM fee is now coming from 9 residential DM projects, that is more encouraging for us because now it is broad based. DM is no longer just making only a volume impact, it is now beginning to show revenue impact as well and that is an encouraging development for us and is a continuing trend. Also, we completed one of our first DM effort, this is a commercial property in Chennai, which we used to own we sold it to Xander Funds and we have now completed the projects and the entire DM settlement agreement has been signed post the quarter and during the quarter because we completed the project we were able to recognize the last tranche of DM fee which was left in the contract, around 4 crores as well, so all of this together helped improve the DM income on a year-on-year basis. Expenses is relatively slow growth and obviously the cost of revenue is directly linked to the overall income recognition that we did and if you look at the overall,the other expenses like employee cost is 16% but is still lower than Q4 level, as you know this is a fixed cost in nature therefore sequential growth is important and is down 9% from Q4 levels. All other cost were higher year-on-year as well Rs. 3.2 crores higher and despite all of this, because the cost growth was slower, we had a healthy EBITDA margin. EBITDA margin at 24.5%. As you would recall, we consistently maintained that we are looking forward to stabilizing EBITDA in the mid-20s. I think we are ballpark within that same range and we think for the full year, we should be able to maintain a mid-20 EBITDA for FY23 and EBITDA is at healthy level of Rs. 35.5 crores for the quarter.

Interest cost were lower by 13% year-on-year and more importantly, I think that the interest cost needs to the broken by actual interest expense. There are some noncash charge associated with the Government of West Bengal, royalty that we have provided in our balance sheet on a discounted basis, so we unwind that impact. Third one is of course the refinancing cost and both these are either one of or noncash charge so therefore, I am focusing on interest expense which was 21% lower year-on-year at Rs. 18.6 crores. Even on a trailing basis, it is lower than Q4 interest cost of 21.5 that is when we started our refinancing into work. I will talk about the refinancing separately but overall, it is encouraging to see a declining interest which is a combination of falling interest cost as well as reduced gross debts a combination of those two are helping us, we believe that the trend is going to continue. You would notice that the share of profit from JVs have turned positive as well. As you recall, we have investments, we have 4 projects executed in the JV format, 3 in Bangalore and 1 in Chennai. Chennai project is a joint venture with Mitsubishi Corporation of Japan, that is their first maiden real estate direct investment in a project level in India. This project is called Park 63, before I go to that project, in the JV context as we have explained in the past, we do a equity pickup and therefore till the project comes for income recognition, we will recognize our share of cost which is a marketing expense, overheads, employee cost all of this at the JV level or picked up as our share of cost and therefore we usually have a small negative number till the projects come for revenue recognition. For the last year Q1, we had Rs. 8.5 crores as our share of loss, for the full year we have our share of loss of Rs. 22.6 crores against that. While our share of cost are continuing in 3 joint ventures, the Chennai joint venture which is Park 63 was now completed and OC received and therefore income recognition and customer handover started. As a result of income recognition in Park 63 phase 1, we were able to recognize our share of income of over Rs. 9.6 crores and that is a positive sign for us and whereas this income would have been higher, but for the losses that we picked up in 3 of our joint ventures where the projects have not reached the income recognition level as yet, which is the 107 SouthEast in Bangalore as well as Whitefield Youth Town or we call it Yuva or WYT has not reached income recognition level and they are still sometime away. So, Park 63 was a big contributor to the income from joint venture. Reflecting all this, as I said earlier we close the quarter with about Rs. 10.5 crores net earnings.

Slide 15 talks about the cash flows. We had a positive net cash flows from operations even after making new project investment, new JD advances and others which was aggregating to about Rs. 35 crores, Rs. 36 crores. We still had a positive cash from operations, so if I do it on a comparable basis, we had more than 400 million or Rs. 40 crores of positive cash from operations which is encouraging as well and we had a significant prepayment during this quarter as well and so overall reflecting the loan repayments and interest expenses we had a cash flow from financing was negative Rs. 59 crores. So, we used our cash and cash equivalent to that extent. We ended the quarter with a cash and cash equivalent of about Rs. 87 crores which is a fairly strong liquidity position for us and we have an undrawn limit from banks and therefore liquidity remains strong, cash flow from operations have been positive and the net free cash flow was negative, but there is sufficient opening cash balance and therefore we were able to draw from there and end a quarter with about Rs. 87 crores of cash balance. In sum, overall enterprise cash flows remain strong and we think it will gain further momentum as we go through some of the large value cash flows that we were expecting during this financial year. Now, that we have signed the Xander, the closure of Xander project will bring us cash flows to the tune of Rs. 100 odd crores. We also have other large cash flow items that we discussed in the last earnings call arising from monetization of our land bank in Chennai, LOGOS transaction which is progressing well in Kolkata. These are positive cash additions to us during the fiscal year. So, overall cash position remains strong and outlook for cash flows remains strong as well.

Looking at slide 16, ongoing efforts to reduce debts and cost of debt has made meaningful progress for us. Just to clarify, upfront we have no land bank related cashflow debt in our books. As you know, we do not do land banking except for Bengal which has been paid from equity investment by private equity player several years ago.

Point number 1- There are no land bank in the company.

Point number 2- There are therefore no debt associated with land bank, so all of our net debt are a gross debt of Rs. 450 crores and net debt of Rs. 360 crores. All of this relates to working capital in our ongoing projects and if I take only a non-plotted development project, we have about 10 or 11 ongoing projects across 3 cities, those 10, 11 projects consume together Rs. 364 crores of construction funding or Rs. 450 crores of gross debt as a construction finance. So, that is basically we're talking about Rs. 40 crores, Rs. 50 crores of debts across different projects level, so that is not material concerning debt for us, but our efforts to reduce debt is continuing. In the last 6 months, we have repaid about Rs. 200 crores from IPO proceeds. We have refinanced Rs. 2.65 billion worth of debt in SPL consolidated books. Apart from that the JV levels where we do equity pickup and therefore it is not NCF consolidated financial. JVs have some debt, almost entire debt that JV has got refinanced, Rs. 380 crores of debts has been refinanced, this is a 100% JV debt, our share would be half of it. So, the transactions have made good progress and some of them are nearing documentation right now, so the full impact of all this refinancing will start showing up in the further reduction in debt interest cost in the subsequent quarters. We have always maintained that our high cost was primarily because we are focusing on NBFC as a biggest source of finance. The chart on the right side in slide 16 tells you that we have moved away from excessive focus on NBFC to banks. Banks now account for 39% over loan gross debt compared to 3% share that we did had in the past. So, overall meaningful progress, cost of debt as you can see from the top right chart averaging around 12 ½%. We think we should be able to end the year with a cost of debt of about 12% or lower as we progress, remainder of our refinancing program.

Incremental cost of debt is close to 10% or lower. We have moved to bank finance and we have raised some debt at the joint venture levels at 9.5% to 10.5%this time from banks like IndusInd Bank and State Bank of India. During the quarter we consummated those transactions. So, overall meaningful progress is what I wanted to actually place on records.

Slide 17, some of the significant awards there are few more, but I think it has been a good quarter in terms of external audience appreciating our progress and efforts.

Slide 19 just want to emphasize the fact that as Murali pointed out in his opening remarks, the visibility for our earnings forward be 2023 or the next 3 year cumulative 2023, 2024, 2025 remains encouraging for us. Slide 19 talks about the immediate term. There are 4 projects for 62% of full year revenues and these 4 projects have a very strong visibility in terms of completion and their earning recognition threshold. Southern Crest, as I said earlier got delayed by a couple of few weeks and we have now reached a fire NOC and we are confident of closing OC in August. Grand one, early sale deeds are pending getting registered as we speak and Summitt OC has been received, registrations have commenced. Park 1A OC received, Park 1B OC is expected. So, overall most of these projects are the OC stage and therefore the revenue recognition should be within reasonable risk as we see and the share of this revenue moves up to 83% of our planned revenue will come from B4 projects as well as if I add Gateway mall monetization plan that we had. As you know our full year revenue expectations when we gave the growth guidance did not include the Bengal FSI and therefore I am continuing to keep that outside and that will add further impact but more on a cash flow basis. Therefore, the projected revenues we have good comfort level in terms of achieving them in FY23 as a full year. DM revenues the same thing whatever we expected for the full year, not just the Q1, Q2, Q3, Q4 we see a good visibility because 11 ongoing projects 33% of the volumes will come from DM for the full year. Ongoing projects will account for about 65% plus of DM income in current year. And as I said earlier new projects to add about 33% of DM income, but 33% of our pipeline is also DM already, so overall earnings visibility it seems reasonably strong. Not just a year, I will probably take a broader call given the nature of our business. If you look at 3 years cumulative, I am just highlighting to you the 3 ingredients to our revenue recognition here instead of getting into absolute rupee guidance. Overall, if you look at we have sold about 10, 12 million square feet in the last 36-42 months and the last 3 years alone about 10 odd million square feet has been sold and I am not even bringing FY19 to the picture and if I add that it is about 12 odd million square feet has been sold and we are actually as we speak all of these projects are ongoing and therefore they are on track against committed RERA timelines and therefore we have a very high level of comfort and confidence on handing over close to 10,000 units or 10 million square feet over the next 3 years, that is fiscal 2023, 2024, 2025 and that actually gives us a good confidence on revenue recognition capability not only in FY23 but also FY24 and FY25 because this 10,000 units would mean on an average around 3 to 3 ½ million square feet annualized and that basically means Rs. 1,500 crores of revenue recognition even assuming thumb rule of about Rs. 5,000 per square feet. So, therefore there is a very strong path to revenues and given the confidence that we have expressed on staying around mid-20s EBITDA margin, we therefore see a meaningful revenue EBITDA and net earnings outlook and therefore looking to slide 21, I have said some of these are already spoken and therefore we see a very strong earnings outlook for us and more importantly on a 3 years basis, we are very confident of achieving of our strategic objectives which means bottom part of our slide, achieving at least a 20% plus kind of growth in volumes. Corresponding growth in revenues or higher revenues as we move up the price curve and sustaining profitability in the mid-20s therefore ,delivering positive net earnings. More importantly, stabilizing our ROCE in the mid-teens as you know we have already reached 11%-12% ROCE in FY22 from about 3%-4%, 3-4 years ago and that is a meaningful progress for us and we believe we should be able to comfortably stabilize ROC in the mid-teens over the next 12 to 18 months. From our long-term strategic prospective, unlocking potential from Kolkata and staying focused on DM while also continuing to work on JV, JDA should be our trust area and that is exactly what we have summarized in slide 22 and while doing all of this we believe, we should be reaching our desired target of 4.5 million square feet in FY23 compared to 3.8 million square feet that we have achieved last year and rising up gradually to about 5.5 to 7 million square feet by FY25 and that is we remained confident of the numbers as the business has shaped up over the last 1 ½ quarters by now. And in achieving all of this, I just want to spend last 2 minutes on both the new growth engine of DM as well as Kolkata, just one minute each, DM remains a growth engine for us and DM volumes have grown considerably over the years in the especially ever since we started emphasizing on DM couple of 3 years ago. Today it accounts for about 28%-30% of sales volume. We believe for the full year also; DM will be close to 1/3rd of our sales volume in FY23 and a million plus to 1.5 million square feet max and DM revenues will continue to account for 20 odd percent of our revenues. The slide of course talks about all the DM projects that we have launched and in addition we have of course 9 million square feet of DM to be launched at different stages of during this year and early next year. So, overall DM pipeline is strong and will continue to be a profitable growth option for us. Our fees are currently ranging around a 20 odd percent inclusive of cost. If I strip out the core DM still remains in the 11%-12% of SPL. As we have discussed in the past, which are win-win solution for both us and the land owner partners and therefore there is enough traction on it, we can discuss that in detail as part of the Q&A. Murali and Ramesh our ED Operations both of them will join me in explaining our prospective on DM if you need to discuss more.

Similarly on Kolkata, as we have explained in the past and we can continue to discuss that as part of the Q&A. We have made a good progress as we have said and I reiterate 10 million square feet is what we intended to develop ourselves, remaining will be in the form of FSI sale either as an FSI or FSI equivalent land and in our own development we made considerable progress. You see in slide 24, some of the handover snapshots continuing to gain momentum. There has images on the right are actual site images as we speak. Somehow, I would encourage strongly from a view to visit these sites to see how nicely it has come up from a barren land few years ago when we got the approval in 2016-2017 to a nice completed first part of the project which is Grand One, Grand Two Sunshine is making progress. From a sale side, nearly 95% of phase 1 which is 8 lakh square feet is sold. 26% of second phase which is another 8 lakh square feet is also making good progress, so overall we have sold almost 1 million square feet out of 2.3 million square feet for the projects. So, 50% of the project is sold. The third phase is yet to be launched, once we make a meaningful progress on phase 2, we will open up the inventory of the third phase which is our strategy which we have followed for most large projects open in phases so that we sell meaningfully in the opened volumes and don't over distribute among towers and then we end up spending money on construction of all towers, which we don't want to do and therefore we have opened in phases. So it is making good progress FSI sale, MoU with LOGOS is making meaningful progress as we said we target to complete this transaction during H2 23 it involves a sale of a large land parcel It has sale by Shriram to LOGOS which is an Australia based warehousing major, now integral part of the ESR Group in Asia so, it is a very large player in warehousing development and the transaction is making meaningful progress. To sum up, it is a well governed, professionally managed real estate listed player, very strong brand, trusted brand among customers as well as the land owner partners and other stakeholders. True on track records, strong growth outlook, we have now delivered consistently meaningful performance for I think the third quarter consecutive quarter and post listing and I think we are on the path to deliver meaningful results in coming quarters as well and scalable demonstrated ramp up capabilities and scalable business model and in a consolidating industry environment, a strong player being a beneficiary of this changing landscape, low debt equity 0.3:1 as you would have seen in the previous charts. With a very strong partnership and track record in the capital markets, financial markets therefore have a ready access to capital for growth both from a project level partnerships as well as the lenders. So we are focused on executing our strategies that I have discussed and we believe we will have a position to navigate in the industry environment and deliver value for our shareholders.

With this I will stop, there are some additional slides that some of you desired to have as a data when we met last or when we spoke last earnings call. So, we have those datas put in. with this I will stop and I will hand it over back to SGA, our IR advisor to open up for Q&A and back to Murali. Thank you.

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

Chaitanya Shah: Good afternoon sir. Sir, my question is regarding the slide number 28 where you have given the detailed cash flows like operating cash flows that you expect. My first question is if I add all these cash flows, then the total comes to around Rs. 1,000 crores. Now I just wanted to understand what is the timeline that you are giving for this?

Management: So, this is only ongoing project, this is not enterprise life cycle cash flow. So, this is only life cycle cash flows of the ongoing projects Rs. 1,000 crores. I appreciate that and these ongoing projects will be completed in about 24-30 months, may be 24 would be a right number. So, then comes all the upcoming projects will add further to the SPL cash flows. If I can just give you a ballpark number not sure that is price sensitive or otherwise it's a public call. The overall NPV of our projects cash flows alone, I am not bringing DM fee into it, I am not bringing cash flows from land banks monetization all that I am not bringing, only the 53 million square feet pipeline if I execute all of them including ongoing projects, the NPV of the cash flow is in excess of Rs. 2,000 crores, NPV that is elevated point I want to make. So, people should not jump to wrong conclusion that is why I am clarifying. So, this cash flow of Rs. 1,000 crores undiscounted is only related to ongoing projects for the next 18-24 months. The entire company's pipeline projects when I execute in complete, the NPV of them will be in excess of Rs. 2,000 crores and discounted at something like 13.5%- 14%.

Chaitanya Shah: Just wanted one more clarification, now if I add the total saleable area, it comes to around 24 or 25 million square feet. Now you said on the call that you are delivering 10 million square feet so I just wanted to understand that are you going to be delivering close to 25 million square feet or are you going to be delivering 10 million square feet because this cash flow is for 25 million square feet right?

Management: The cash flows would be for all of it including DM, JV, JDA and own development and the current schedule of the completion over the next 12 to 24 months 10 million square feet will be delivered and the rest will come in there FY26, I guess.

Chaitanya Shah: So, then the Rs. 1,000 crores would be something that you know would come over period of 5 to 6 years?

Management: Zero ongoing projects, it will be between 3, 3.5, 4 years max.

Chaitanya Shah: So, basically we are saying we are going to deliver close to 24 million square feet in 3.5 year because this total comes to around 24 million square feet on the slide?

Management: Yes, true.

Management: My colleague is pointing cash flow. Do not include DM cash flow because there we get only revenue which is an additional clarification because this cash flows are only for our developed projects like our own projects not the DM cash flows.

Chaitanya Shah: I just wanted to confirm on the total amount of square feet on page number 28 is 24 million and you mentioned 10 million, so there is a difference right? So, I just wanted to confirm what are we planning to deliver in the next 3 to 4 years?

Management: So, if you look at FY23 to FY25, 10-11 million square feet will be delivered from all the models. Some part of the ongoing would have already delivery would have commenced, in FY22 also we would have delivered a sum, we delivered about 1.2 million square feet in FY22 also. The rest of spillover volumes would be delivered in FY26.

Chaitanya Shah: So, basically ballpark what I can take is 4 years - 4.5 years, this is what I can expect for the cash flows that are given on this slide to be realized?

Management: Yes.

Chaitanya Shah: And this doesn't include…?

Management: Not just it, you're focused on only ongoing. I have given you the answer already on a detailed way I have given, right, forget about 4 years or 7 years. All the projects put together my DCF itself I have given you.

Chaitanya Shah: Also in terms of the cash flow that the company is going to get from the LOGOS deal and the Xander deal, do you expect to be net debt free in 1, 1 ½ year? Is that a reasonable assumption to make?

Management: Yes, I think gross debt will always be there right when an ongoing projects are there, you need construction funding so there will be always be gross debt. Net debt negative, yes. I think that as Murali has consistently maintained for the last couple of quarters. We intend to be net debt negative in about 18-24 months.

Moderator: Thank you. The next question is from the line of Priyanka Gandhi from Ace Capital. Please go ahead.

Priyanka Gandhi: I just have a couple of questions. Firstly, for the DM model what is the risk if the land owner is not able to fund the project on timely basis? Second question is our cost of debt is still higher at 12.5, do you think we can bring it down in this year? Last question is, what would be the total CAPEX you expect and what can be the expected collections in FY23?

Management: I will make a shot at the first question that is regarding DM. So your question is, whether if there is any fund non availability by the land owner side what will happen to the DM? As you rightly said at the time of evaluation of the project itself we will know what would be likely fund requirement, like a contract we want to make a financial closure at the very start of projects itself. So, normally in this several projects we have done so far, we may come across situations there such instances occurred that we have to fund from our side. In most of the cases, we have discouraged the people to get the cash out. It is primarily on account of the working capital, which is required for the project, which you always funded through banks and other NBFCs. So such situation has not arisen in the past and we will be able to foresee that much well in advance at the time of evolution of the projects, so that we will not be in any kind of such situation in future. With regard to cost of debt, yes our intent is to keep working towards go down, I don't know what your benchmarks are, but fundamentally we have no lease portfolio in our books that can get you single digit interest rates which is some of the listed players will have the commercial portfolio given LRDs at 7% and 8%. As a resi player, we will not reach that point, I don't think we can guide you on that, but yes the 12% are there about is a target for this year and we believe we will still be in double digit interest rate, even if we go down further. So, the only way we can bring down interest burden would be to keep bringing down your gross debt levels, be more capital efficient in terms of construction funding needs at the project level. And that is fundamentally what we are working towards. From CAPEX and collection prospectus collection for this year would be about Rs. 1,600 crores would be the full year collections and our CAPEX would be in the Rs. 800 crores range. When you say CAPEX, it is basically a construction cost, you don't have a capital goods, we don't do a CAPEX as company as you can see from our P&L depreciation is like less than Rs. 10 crores. So, we don't have a capital goods in our company because we do construction of our own, therefore our own CAPEX will be minimal. Fundamentally, we will spend money on construction and that project construction activities we should spend about Rs. 800 crores, as a construction spends during the year.

Moderator: Thank you. The next question is from the line of Devendra Pandey from DP Financial Advisors. Please go ahead.

Devendra Pandey: Thank you good afternoon. I have 3 questions. So, my first question is on the competition side. So, we are witnessing a lot of property developers entering the Southern Market especially in the Bangalore in recent times, so do we foresee any increasing competition risk going ahead? So, my second question is how much is the expected IRR the company works on before starting the project and how does it differ across the development models? And third question is how many projects do we expect to deliver in the next 2 years and what would be the expected revenue recognition for those 2 years projects?

Management: I will answer the first question, competition, I don't see a bigger threat on the competition because the entry barrier is becoming tougher and tougher particularly post RERA and the consolidation today, so with the gain for large players today, small players in niche market can do it still well, but in the mean competing with the large players it is difficult. We welcome good competition if there is some more large corporates coming into the field. It is going to be not good to the industry so, we welcome and in fact we encourage, I had been personally talking to various large corporates to get into real estate and also expand into all the markets. So, which is going to help further consolidation of the industry and also boost the customers confidence, so it is only going to help. Particularly on the benchmark of the affordable housing segment, as we keep emphasizing time and again the demand which is there for a long period of time, I don't see the demand coming down in the next 8 to 10 years' time, particularly on the mid-market and affordable housing, resi segment there could be oversupply, there could be a demand mismatch, supply-demand mismatch but not on the mid-market and affordable, so competition is going to help people like us in a very positive way. So, on the other 2 questions, expected IRR before having underwritten any projects, roughly about 25% IRR is what we look at across all the projects whether it is a JDA or outright purchase or DM of course DM, of course if anything IRR for us but the project for the for the land owner should have that kind of IRR so that is the beginning point with which we look at any project.

Management: On the delivery and revenue, as I said the current thought process is like we would deliver about a 10 million square feet in 3 years. I think it is about less than 2 million square feet this year and then goes up to 3.5 million and then gains with about four point some million square feet in FY25. So, 3 years 10 million square feet so on and that should on an average Rs. 5,000 of square feet is a ballpark number that one can assume. We will deliver revenue recognition capability to that extent.

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

Faisal Hawa: So sir, how do you feel that Kolkata sales will sign out particularly in the land that we had and what are we specifically doing on the warehousing and how do you feel that our 2025 sales will be, can we reach around Rs. 3,000 crores sales completed by of 2025?

Management: I will take it, Kolkata as we know that projects we launched in 2017 during Dussehra. In the last about 4 years time, we have sold about 3.2 million square feet. Of late, particularly after the global investors meet, we were in West Bengal recently about I think about 2-3 months ago, we were approached by lot of local developers to take up base projects either on joint development or development management. Then we took a serious review on matter that some of the senior developers in Kolkata. Then we realized about 3.2 million square feet in about 4 years which gives an average of about 812 square foot per year which puts us in the top 1 or top 2 developers in the market. So, we see a big potential and our micro-market location is very well established today and also delivery started now. The first set of apartment are being handed over now and the construction is going full stream today. So, we expect Kolkata market will be a big game changer for us and we expect to generate good amount of cash flows on Kolkata and also government has been playing a very supportive role in making sure that project progress well. On the warehousing, as Gopal briefed earlier, this LOGOS, a very large multinational company on warehousing specialist so we have part of 314 acres we have set aside some portion of land wherein they will be setting warehousing so, that is going to create a big demand further for us not only the warehousing development, recently Chief Minister of West Bengal visited our neighboring land and manufacturing unit and made some announcement bringing some more industries into the neighborhood area. Which is not in adjacent land to as you know there 700 acres land orders, 314 we got, remaining land parcel Government of West Bengal has been aggressively looking at bringing some manufacturing unit and they have brought somebody now on that. She was there was for inaugurating that facility. So, we expect that is also to create further demand in the micro-market so, Kolkata we are bullish on the current position.

Management: On the Rs. 3,000 crores mark, I think there are 2 ways to look at it one is about sales value second is income recognition. I think we are currently in the sales value wise we are around Rs. 2,000 crores currently, 4 ½ million square feet should somewhere take us fair mix of plotted and apartments. I think we should be exceeding the threshold this year. Rs. 3,000 crores I think will take at least another 18 months FY24 and FY25, I think will surely be in excess of Rs. 3,000 crores sales value. From a revenue recognition prospective, I think currently if you are going to deliver about 4 million square foot in FY25, I would think we would be in these Rs. 2,000 crores income, revenue recognition is more that translates into whatever is EBITDA and PATs that I am sure you can do it yourself. In terms of mid-20s, EBITDA margin is sustainable, therefore it translates into whatever the indicative number that there, but fundamentally, I think sales value will reach faster obviously, we will reach faster. It will take a couple of more years to reach that Rs. 3,000 crores of revenue recognition, which I am sure very few listed players do even today.

Faisal Hawa: Most of the time we are targeting an IRR of 25% also what if the ROCE of the company still remains very low and is it because of the historical projects being didn't complete and some overheads in the projects?

Management: Yes, because the revenue recognition is still slow right if you look at our sales you always have a 3 years lag between what we sell today and what we are income recognizing right? So, it will take couple of more years to reach, but having said that 14%-15% ROCE is in our view would put us in the first quartile of return in the sector. We will be there and able to achieve. The fraternity is very high in reaching that number and IRR of 25% is one aspect of it right. Most listed players will have 25% ROCE, ROE in their books anytime soon, I have not seen any, but I don't think that number that is there, most players work with this threshold right, because then it is a portfolio of project, each project has their own dynamics and then strip out all the organizational cost from it and so 25% ROCE I don't think we will reach there at least in the meaningful future, I don't want to misguide anyone. I don't think we will reach 25% ROCE at least in the foreseeable future. When we will reach 15% ROCE, I think there is a very high comfort and confidence in reaching that in about 12 to 18 months.

Management: To clarify further, even the peer industries even though they have a lot of projects to the past so many years, if the 25% to 27% IRR, still the ROCE is less than 10%-15% if we take top 3 builders, so there will be some kind of mismatch between ROCE and the IRR in any case.

Faisal Hawa: Involvement and how do they see this among the various businesses that they have and how is the promoters involvement in the business and they have various businesses, so where do they see this business joining into the whole gamut of thing and the promoter holding also remains quite low, so is there any attempt to increase that?

Management: It is started by the company started by me with Shriram Group Partnership so, promoters commitment continues to be the same between me and Shriram Group and I am committed to this business for the next 20-25 years, so I wish I could stay much longer. So, Shriram Group also, very firmly committed to this business of real estate as you know that at the group level there has been a consolidation, we are consolidating in the financial service and real estate and not many businesses as few businesses there consolidating. There is a very strong commitment from the promoters for this business and for its growth.

Moderator: Thank you. We will move to the next question which is from the line of Pranay from JNJ Holdings. Please go ahead.

Pranay: Sir, you mentioned that 2.8 million square feet has moved from the pipeline to hold, if you can just throw some light, the reason for the same and will get revived in some near future that would be very helpful.

Management: So, yes we have temporarily moved it out of the pipeline because given the complexities involved and certain delays in achieving milestone that we have thought we would achieve faster. We thought we didn't want to disturb all pipeline with projects that are not moving smooth, so we have temporarily passed it out, it will come back once some of the land related issues are. Each project their own intricacy once they get resolved they will come back, but for now we didn't want to have artificially have higher number which is non-performing in part of our whole pipeline. That is the only reason it has been removed, it is not that it has been shelved. These projects are still very much in the works and each of the projects their own issues to be resolved once they get resolved either the lower issues or the budget level issues approval related it will come back.

Pranay: So, these are all our own projects or some of them are in JDA or JV?

Management: None of them are our own projects, these are all JDAs and DMs.

Management: And moreover, the project size because we don't spend our bandwidth on the project that is not likely to comeback that soon. So, we can now easily see that there are additions of close to 7-8 million square feet of new projects are added also there. So, that some will be happening depends upon the priority and how soon it can come back to position it'll change between these buckets.

Pranay: And what would be our investment over there as our share so far?

Management: No, it is a DM project, we don't have to.

Management: There is no capital loss.

Pranay: So all of them are the DM projects?

Management: Some are the DM projects and some are JDA projects.

Management: JDA means small token advance would have been given because only when you consume the project they are non-refundable projects. The deposits go from us so therefore the capital exposure will not be meaningful here because they have reached the stage to able to get the capital right.

Pranay: So not meaningful exposure currently?

Management: Yes, no meaningful capital exposure.

Pranay: And my second question is this net debt of Rs. 360 crores would be our basically own debt consolidated debt?

Management: Yes, on top of that we have our share of JV exposure, that would be our Shriram share would be about another Rs.200 crores max. Those interest and those debts will be serviced by the joint venture. I am just giving you….

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Moderator: As there is no response we will move to the next question which is from the line of Chaitanya Shah from Silverlight Capital. Please go ahead.

Chaitanya Shah: My question is regarding the free cash flow that you mentioned in the slide of 3 billion. I wanted to understand does this include debt repayment as well or is there excluding of the debt repayment?

Management: Which 3 billion you are talking about?

Chaitanya Shah: The free cash flow that you have mentioned of 3 billion, slide number 19.

Management: So, this is a ballpark estimate over 3 years based on our cash flow model and what we expect for the next 3 years, what should be the overall capital unlock and between 300 and 450 depending on all the project coming through and not coming through, that is net of all debt repayment, scheduled repayments and everything. As you know we have project level debt right, some projects may be borrowing, some projects may be repaying, depending on the project status. So this is true free cash flow not a cash flow from operations. It is a free cash flow after meeting all obligation including any project related investment that we make at JD advances or otherwise.

Chaitanya Shah: So, this also includes any new project investment that you make?

Management: Excluding, after making all that whatever we know we have added. So, this 3 billion or Rs. 300 crores will be available as a growth capital if you want to aggressively chase new projects.

Chaitanya Shah: Where about 53 million that we already have in the pipeline right?

Management: Yes.

Chaitanya Shah: And also does this include the Bengal line and the Xander deals?

Management: No, Bengal is not included.

Management: Xander is included, Bengal is not included.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I had 2-3 questions, one is you said your NPV of your own development projects are around Rs. 2,000 crores. So, what is the discount rate that you use to calculate this NPV?

Management: 13.5.

Tushar Sarda: 13.5 and this includes JDA, JV projects or only your own?

Management: 100% own projects.

Management: It is our project included except DM where we get only DM fee.

Tushar Sarda: The second was what is your method of revenue recognition? Sorry for the question because I have not followed this company previously, is it project based or is it percentage completion?

Management: No, it is project based on completion, now the accounting side allows you only to do recognition on completion and handover of the project to the customer. That is why you see most of the sector players report lumpy revenues from time to time and they are not evenly distributed. So the no percentage completion is allowed. This is on completion and handover of the unit to customers, you can recognize income, that is what we do.

Tushar Sarda: My third question was what are your annual overheads other than the direct construction related cost, your admin, sales marketing, which would be treated as period cost because they won't get apportioned to the project as the project progresses?

Management: Absolutely, as you rightly quoted since actual marketing and promotional expenses are project related and all the construction costs are project related so they are capitalized and expensed whenever the project come for revenue recognition until this time, they sit as a capital work in progress against which we have customer advances stay in the liability side of the balance sheet. So, the period cost are very simple.

Tushar Sarda: Marketing cost also you capitalize and carry forward?

Management: No, except for the brokerage Other things part of the sale are charged to the P&L.

Management: All your channel partner commissions, brokerages are capitalized as part of the project cost, the advertisement and other cost would be a period cost. So, the period cost are basically therefore advertising, promotion related, employee cost and rent rate and taxes all the corporate related cost which is the premise rent, lease, rental cost, all the rates, taxes all that is there, combination of all these fees.

Tushar Sarda: Other than advertisement, which will be related to your launches, what are the fixed cost per annum?

Management: So, my fixed cost will be somewhere around Rs. 65 crores, Rs. 70 crores per annum.

Tushar Sarda: My last question sir is on slide 23 I think or 22, you have given that you will scale up your sales volume from 3.8 million to 7 million square feet in next 3 years, that is very impressive, how confident are you of doing this and what will drive this?

Management: We are very confident on this due to few things, we already have good pipeline of projects as you know that we have a 50 million square feet of projects across the various cities and the pipeline is very much visible and most of the projects are fully secured now. It is only timing we need it to do properly, for example this year we are planning to launch about 12 projects, one project launched in Q1 and about 5 projects are lined up for Q2 and about 6 projects lined up for Q3. So, last year again we had about 8 projects, so there is a good line up of projects which are in pipelines and we are also approached by lots of other developers and also financial institution to take over this projects on either a joint development or DM, so we are pretty confident that we should be able to achieve this.

Tushar Sarda: That is very impressive.Usually real estate people are not able to scale up, even in your case last 3 years, the volumes have been flat from FY19. And this includes I assume development management also right? 7 million includes everything?

Management: Yes.

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

Management: Thank you. Thank you everyone for joining us at this earnings call and in case you have any further queries, please feel free to contact us or SGA anytime, happy to clarify any additional queries you have. Sincerely, thank everyone for their time taken to join us and thanks SGA team for hosting this call. Over to you SGA, Rahul and Shagun.

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