"Shriram Properties Limited Q3 & 9M FY24 Earnings Conference Call"

February 14, 2024

MANAGEMENT: MR. MURALI MALAYAPPAN – CEO & MANAGING DIRECTOR - SHRIRAM PROPERTIES LIMITED
MR. GOPALAKRISHNAN – SHRIRAM PROPERTIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Shriram Properties Limited's Q3 & 9M FY'24 Earnings Conference Call.

This conference call may contain certain forward-looking statements about the Company, which are based on the beliefs, opinions and expectations of the Company as on the date of this call. These statements are not 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 – CEO & M.D. from Shriram Properties. Thank you and over to you, sir.

Murali Malayappan: Thank you. Ladies and gentlemen, a very good evening to everyone. Firstly, let me extend a warm welcome to all our esteemed investors and analysts. The meeting provides me an opportunity to connect, share and discuss about our "Operation and Financial Performance".

Earlier today, the Board has adopted Q3 & 9M FY'24 Financials. We would like to discuss the Financial Performance in detail. Before that, I would like to announce our entry into the Pune region. For some time, we have been evaluating new market opportunities and finally, the deal is crystallized. We will be launching the Project during late-March or early-April this year. Pune has been among top performers in tier-1 cities and we are confident Pune region will contribute significantly towards the growth of the Company.

Coming to our "Operational Performance";

- We recorded sales of 1.1 million square feet during the quarter. With this our nine-months FY'24 sales stands at 3 million square feet, which translate to year-on-year growth of 12% for nine-months. We also reported highest ever 9 months collections of Rs.1,055 crores.
- During the quarter, we have successfully Pre-Launched First Phase of Shriram 122 West Project in Chennai. During our launch, we saw the presence of our 800 channel partners in the event, which is tremendously encouraging.
- During the quarter, we reported total revenues of Rs.241 crores with net profits of Rs.18.5 crores.
- We saw OC led temporary slowdown in handover and revenue recognition momentum during Q3. I strongly believe our earnings will gain significant momentum as we have packed schedule of handovers in Q4, which will boost Q4 revenues.
- The Company is optimistic about its future. There is promising demand for housing, especially in the mid-market and aspirational segment, and positive market trends are

encouraging. With the robust operational foundation and solid pipeline of projects, we are well positioned to take advantages of industry's ongoing consolidation.

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

Gopalakrishnan: Thank you. Good evening, everyone. As Mr. Murali pointed out, we had earnings announcement earlier today. Subsequently, a presentation is made available on the website of the Company and the Stock Exchanges. I assume, all of you had access to it. If not, please access them from our website or the stock exchange websites. I will be using this presentation for walking you through the performance, over the next 30 to 40 minutes.

I am looking at Slide #3 of the presentation on the public domain. It basically summarizes the KPIs. As was pointed out by Mr. Murali, we ended the quarter with about 1.11 million square feet of sales, roughly 6% growth year-on-year. Sales value is almost flat at Rs.588 crores. Collections are at Rs.334 crores, well above the Rs.100 crores per month-mark and reflects a 34% growth year-on-year. About 787 units were handed-over during the quarter, reflects a growth of about 48% year-on-year.

While we have seen meaningful growth, the quantum of growth has been muted, especially in Q3, due to some adversities. I will explain them in the next slide. Primarily those external factors delayed or deferred some of the launches as well as delayed in receipt of OC, forced us to postpone handovers and registrations, thus income recognition got hurt. I will explain them in the next slide.

Before I do, I wanted to just summarize the performance on a year-to-date basis.

For the nine-months ended Dec'23, our overall volumes stood at 3.03 million square feet, up 12% year-on-year. Sales value at around Rs.1,654 crores was up 22% year-on-year. Collections are above the Rs.1,000 crore mark, and our handovers to-date stand at 1,619 units, reflecting a 29% year-on-year growth. More importantly, on sales volumes, value and collection, we are in the 70-odd-percent of overall annual target. So, we have about 30%-odd to be captured in Q4. We are very confident of doing that and I will explain that in the subsequent slides.

Moving to Slide #4, I talked about the muted growth in Q3. There were primarily three or four factors that hurt us and made it a challenging quarter operationally. And they are primarily external factors beyond our control. In the Tamil Nadu or Chennai markets, we had unprecedented rains and huge floods in Chennai as well as in other parts of Tamil Nadu. The Chennai floods had direct impact on us. Unfortunately, it happened just before the inauspicious month – called Margazhi - which starts by mid-December and ends mid-January. Therefore, we nearly lost about 40 - 45 days of momentum, that slowed down our launches. Actually, launches moved from November to December end for one of our projects called Shriram122 West, which was the only launch we had in Q3. This is the second project on the ASK platform which got soft launched in December end and could have generated some volumes. I will explain the volume loss as well.

We also had a delayed plan approval or subsequent delayed RERA in one of our projects in Bangalore, where prolonged process as well as certain jurisdictional ambiguity (between BBMP and local authority). That caused delay in one of our projects called Shriram Sapphire (which was originally called Sanath, now it's called Shriram Sapphire) that is getting launched now. So, Chennai got launched towards the end of the quarter and Bangalore got deferred to Q4, which we will be launching in February. We got the RERA yesterday.

Similarly, we had some delays in receipt of OCs, that impacted us on handover of units and thus income recognition got pushed. As I said, we could hand over only 780 units during the quarter. That could have been much higher. Just to put it in context, we got 1000+ units related OCs were received only towards the last week of December or early January. So, that's the kind of quantum of the revenue recognition or handover that got pushed to Q4.

As a result of all of this, actually we had volume, value and income recognition impact. Almost on a conservative basis, if I look at what could have these volumes done, we lost at least 250,000 square feet of volume from what could have been done in Q3, got moved to Q4. It's not lost, it's just deferred. So, we are not that worried, but from a quarter-to-quarter perspective, we got a hit on it from a volume perspective.

Similarly, as I said on handovers, we lost the opportunity to handover and revenue recognize more in Q3. The quantum of loss of revenue recognition is around Rs. 130 to 145 crores that got deferred. It is quarter-to-quarter mismatch; it's deferred not a loss of revenues. We are confident of capturing this in Q4, but for Q3 we lost it. Collections too were lower to some extent. If the launches had happened and if handovers had happened, those related collections should have come to us in Q3.

So, that's the kind of impact we went through. Despite that, we managed to clock the quarter with a marginal growth in volume, near flat sales value and a meaningful growth in collection. But for these four factors, we would have actually done even better in terms of both volume, as I said, 0.25 million square feet got lost which would have put us in a very strong double digit growth in volume terms in Q3.

Slide #5: Actually gives the same message but goes into detail of each project what happened. As you would see from Slide #5, most of these external factors have now come under control.

Obviously, the flood issue is also behind everybody now. The OC and approval related issues are behind us. Except for Adde Vishwanathapura, which is a launch that was originally planned for Q4, is still being targeted for Q4 where we are at an advanced stage of plan approval and beyond this one, the remaining three projects are well under control. So, we think we should be able to end the quarter with four launches. I'll explain that in the subsequent slides. But other than that, most of launch and volume-related factors are within our control now, No regulatory or licensing approvals required at this point of time.

From an OC perspective, all of these OCs have come except for Phase-1 of Park 63 in Chennai which is still awaited from CMDA, the local body in Chennai. All other OCs have been received already with a 30-45 days delay, but are in our hands now and registrations have commenced. Therefore, we are therefore confident that we will cover most of the 3,000 units handover targets that we had for full year. We are currently at 1,600 plus as at December. We are very confident that we will be in the 2,800- 3,000 units handover targets by the end of March.

Slide #6: I made a comment when in the earlier slide saying nine-month performance is around 68% to 70% of our annual targets. This slide tries to give you comfort that this is not an unusual number. The 30-35% of annual target to be achieved in Q4 is not an unusual number for us. Q4 is traditionally the strongest quarter for us both in terms of volume and value. Therefore, we remain very confident of capturing the gap. We are targeting for four launches, of which three plan approvals done, RERA done, one project is awaiting is in an advanced stage, we are likely to receive the demand node anytime soon, which will put us in a reasonable time for launching this fourth project by end of March in Bangalore. I have another slide to explain the individual project details.

So, overall, we believe Q4 targets are in sync with our historical Q4 trends. Most of the factors are under our control now. We believe, we should be able to catch up and deliver full year numbers, give and take small variances.

Slide#8: Looking at the overall snapshot for nine-months, as I said a couple of times earlier, 3.03 million square feet of total sales so far, 12% growth year-on-year, aggregate sales value at Rs.1,654 crores, 22% growth year-on-year. I explained about the Q3 already. Collections are above the 1,000-crores mark, reflecting 20% growth year-on-year. Construction momentum has been very encouraging and strong. As we said in the last earning call, we started construction at some of our newly launched projects during Q3, including our latest project Shriram Esquire in Koramangala. So, all new projects have got onto construction mode now. And majority of focus in Q3 was on project completion and handover related activities and therefore the machine was focused on Q3 completions. With most of these projects now reached the OC stage (i.e., whatever is due for FY'24 income recognition), now the machine will be fully focused on ramping-up activity in other ongoing projects. So, very comfortable with construction activity.

In a subsequent slide, you will be see the fact that all handovers that we are doing are ahead of RERA timelines. That's why internal machine was being pushed to achieve this deadline so that we are able to demonstrate to customers that we are now delivering ahead of RERA timeline consistently . I think we have reached that milestone very comfortably during Q3.

Focusing on financial performance; it has been a satisfactory nine-months, could have been better, but for the Q3 adversities, but are very confident, as I said earlier, it is not lost revenue and volume, but only a deferral and we are very confident of catch up in Q4. Therefore, nine months seems reasonably comfortable or satisfactory for us.

EBITDA is up 14%, PBT is up 11%, PAT is about Rs.55 crores compared to Rs.68 crores for the full year last year. So, I think we have covered a large part of the ground from the financial perspective as well. I think Q4 has a lot of work to be done but we are confident of getting the work done and delivering a strong earnings growth for the full year.

EBITDA margins are stable at around 25%. As we have always maintained, we are confident of maintaining our EBITDA in the mid-20s and our nine months is very close to that benchmark. In fact, it has moved up from 23% in 9M last year to about 25%. So, I think very comfortable picture on the margin front.

As I said, earnings could have been stronger or would have been stronger, but for delayed OCs and now that the factors are within our control, I think we should catch up.

Cash from operation is an interesting trend there. Free cash from operations has been at around Rs.178 crores compared to about Rs.115 crores for the entire full year FY'23. So, there's a reasonable pick-up on cash unlocking from projects. And it got utilized for prepaying or repaying some debt as well as on new project investments. I will show you a cash flow side subsequently.

Interest costs have been flat for the nine months. Including one-time costs that we incurred and non-cash charge for Government of West Bengal royalty that we provide every quarter, overall finance costs for the nine months is up by around 15%. But, that is largely because of interest cost associated with the acquisition of a project in Chennai (Shriram122 West as it is called now). This acquisition had some associated interest cost, until we transferred it to the ASK platform. This one-time cost is creating the distortion, but otherwise the actual interest cost is almost flat.

Cost of debt is stabilizing at around 11.5% and we believe, it has reached reasonable stability. We are continuing to work on further reduction, but I think, incremental progress will be slow as we have reached a kind of a plateau in current markets. Our efforts on refinancing activities are continuing to bring down the rates apart from gross debt itself.

On the business development, as Mr. Murali pointed out, the board today approved entry into the Pune Market. I will explain more in detail in a couple of slides down the line, but an exciting moment for us since, we are entering a new market after some gap. We are focused on making it a successful entry. Pune markets reflects very similar to our current operations. I'll explain that in the subsequent slides in a few minutes.

Project pipeline remains strong. Despite all the completions that we are doing, we still have about 44 million square feet of development potential, out of which 23, 24 million is ongoing and therefore we have 20 million square feet of future potential, comprising of some deferred projects of about 7, 8 million square feet and about 12, 13 million square feet of projects getting ready for launches. So, overall, it's a meaningful pipeline that we have and therefore growth momentum should be sustained.

Logos, I'll explain that whole thing in detail. The only thing we are waiting for is the Government of West Bengal approval where we have some reasonable traction on it in terms of the approvals as well as our ongoing discussions with them on the other aspects of Bengal, which is the Government of West Bengal litigation that we have in royalty payments and all that. We'll give an update towards the end of this presentation.

Overall, but for some minor time deferred activity or minor setbacks in terms of deferral of some volumes and revenue recognition, the trend for Q3 has been good as well as the nine-months has been satisfactory in that context.

Slide #9 just captures exactly what I said earlier in graphical form. So, I'll kind of skip it for now. If you have any questions, We will discuss.

I want to spend a minute on the Slide #10 on the launches. I would like to focus on the bottom table. As I said, we are targeting four launches in Q4. Out of which, Shriram Sapphire is the Bangalore project that got deferred from Q3, but now RERA is received and so the project will go live now.

Shriram Shubham, which is a new plotted development adjacent to our existing project called Shriram One City, where we have done reasonably well in terms of sales velocity and pricing of plots. This is an adjacent land where the acquisition and related process is completed. Launch preparation is underway already.

Pune, as I said, this project is at a near-ready stage. Last mile activity is pending. But we are confident of launching by end March / early April.

Adde Vishwanathpura is the project I think is at the last leg of approval. Demand note is expected anytime soon. Market seeding will happen sometime in March.

If you may recall that some people have asked us in the earlier call that we used to have a few more launches planned for FY’24, what happened to them? As you could see from the right-hand side box, most of these were related to Kolkata. Due to ongoing positive developments in Kolkata (on the GoWB side), we have deferred chasing these approvals. Therefore, they are postponed, most likely in FY'25. But volume impact of these launches will not be significant because entire salable potential in those projects would have been only about 7 lakh square feet.

So, we're not unduly worried about the number of launches because square foot involved are very small.

Moving to Slide #11 on the pricing, we have consistently shown this. For nine-month period, average price improvement at a portfolio level is about 15%. This is adjusted for couple of projects that have been removed because of high per square foot realization in these projects and thus will distort. So, on a comparable basis, at a portfolio level, we are 15% higher compared to about 6% to 7% that the Bangalore markets have seen, and about 4% increase that the Chennai markets have seen, based on publicly available data. Bottomline is that we have done better than market averages and is a reflection of success of our conscious effort to upgrade the portfolio and moving up the price curve to bring down the gap between us and our competition.

Another important fact is that we remain meaningfully above the 6,000-mark in the mid-market segments. As some of you may recall, your queries and questions about low pricing that we used to sell earlier, just as a benchmark, we used to sell our average mid-market products below 5,000 mark in FY'21-22. So, from there, we have come a long way to Rs.6,200 in the last two years or so, and that's an encouraging trend.

We are confident that the game is not over and we are on a right track. We need to move up the price curve further and bring down the gap between us and our competition. We will continue to work towards it.

On the execution and handover, **Slide #12,** most of the OCs have now come and therefore we are confident of capitalizing on these 1,400 units OCs to accelerate handovers during Q4. We wish that it was received in Nov/Dec, but be that what it may, and we have now received them by the end of Dec / early Jan'24. Team is working hard to clock all the registrations in each of these projects.

Shriram Greenfield, Chirpingwoods, Liberty Square and Southern Crest, the four projects are in Bangalore. Temple Bells and Park 63 2A phase is in Chennaiand Park 63 2A is the only project where we have commenced the registration in few towers, and we are expecting the partial OC for remaining towers in the next few days. So, once it comes that will also be done. Except for this few towers or one phase, all of the OCS are under control with us.

Shifting attention to **Slide #14, Financial Highlights for Nine Months:** As I said earlier in the summary, satisfactory nine-months with near flat revenues, EBITDA is up 14%, PBT 11% and net profit at Rs.55.3 crores, marginally higher than nine-months last year. I explained most of it. Therefore, I will not repeat but suffice to say that our Q3 suffered, but we are confident of recouping them because they are just deferral, not lost and therefore we are confident of our full year numbers.

The big event that happened in the nine-months are (i) the acquisition of project and dropping it into ASK platform; and (ii) the reacquisition of JV interest in Shriram Park 63 from Mitsubishi Corporation, our erstwhile partner in the project. I think the impact of Park63 re-acquisition is already showing up to some extent in the financials, but that project came with a big opportunity as well as some burden along with it.

The opportunity was very simple. It was derisked project with almost 75% sold, phase-I is handed over, phase-II is at an advanced stage of construction. If we acquire 70% interest from Mitsubishi, we were getting Rs.500 crores of incremental revenue for SPL because from a JV, it becomes a subsidiary and we will be capturing 100% revenue interest and that's why we acquired this project and associated profitability. The burden I referred relates to increase in gross debt and associated interest. Our gross debt moved up from Rs.350 crores in Q1 this year to about Rs.500 crores in Q2 this year, and therefore associated interest which will continue for a couple of more quarters till we give them a full exit in December '24. We have paid first two tranches out of three tranches. In September'23 and December '23, we paid two tranches already to Mitsubishi and the final settlement will happen in December '24. We expect to do it from project cash flows itself.

DM has shown significant stability, remains a large contributor to volume, remains a 10% share of revenue as a DM fee and therefore that stability is an interesting one and is gaining further momentum with some of the new projects to be launched are coming from DM segment.

Shifting to actual numbers, **on Slide #15**. I will give a brief highlights on these numbers. First, Nine months '24 versus nine-months '23, first two columns,

- Revenue growth is muted primarily due to the OC-led handover delay suffered in Q3 as I said couple of times already. 60% of the revenues today were driven by recently completed projects. The first nine-months of all completionS that we have done plus impact of some of the OCs that have come towards the end of December.
- DM fee accounted for 10% of revenues, driven by three Bangalore projects. New projects in Chennai, which we did the soft launch in December, that will start showing impact now.
- The cost of revenue has dropped 14%, primarily reflects project mix impact because projects that reached revenue recognition threshold in Q3 were high margin businesses, and therefore the proportionate change in cost is lower.
- EBITDA margins at 25% compared to 21% in nine-months '23. We have increasing confidenc on stabilizing this margin at around mid-20s, not just in '24, but also in the coming years.
- As I said earlier, overall finance cost is up 15%, but actual interest expense remained flat. Just to differentiate, finance cost includes two other components other than interest expense. One is the unwinding impact of the Government of West Bengal royalty that we keep accumulating. The big delta came from Rs. 12 crores burden associated with the acquisition of a new project (viz., Shriram 122 West) that I explained a minute ago. So,

therefore, interest expense is nearly flat and that gives us comfort. I will come to the Q3 in a minute.

- PBT is marginally higher at about Rs.64 crores. Share of JV is nearly zero. The income recognized in Park 63 now is being a subsidiary will go into total revenue. Share of JV therefore reflects all our other partnerships, three joint ventures with land owners in Bangalore, two joint ventures with ASK as our financial partner. These are the five JVs that we have.
- Net profit is at Rs.55.3 crores, is up 5% year-on-year and despite the deferral of revenues. Nine months EPS is about Rs.3.24 and compares well with the overall full year EPS that we had for FY'23. So, I think by the end of this year, we will show a meaningful growth in net earnings as well as earnings per share for the full year FY'24.

Looking closer at Q3, as I said, it was a bit of a setback or a disappointment for us. Q3 revenue recognition is affected by adversities that I spoke a couple of times in the last 10-15 minutes. Therefore, I am avoiding the duplication of it. It's suffice to say that we lost nearly Rs.145 crores of revenue recognition potential because of the deferred handover, and therefore, you can visualize the impact - even at a 9%-10% PBT margin, we have lost about between 12 to 14 crores of PBT potential. But that's not lost, only deferred and so we will recoup them in Q4.

Shifting attention to the cash flows **on Slide #17**. You see the chart on the right which shows the enterprise wide collections, of which what belongs to Shriram consolidated financials is what is the bottom most pie of the chart.

- For nine-months, Rs.499 crore belong to Shriram consolidated collection, remaining collections belong to joint ventures as well as DM; Rs.430 crores at joint venture level and Rs.124 crores at the DM level.
- Cash flow from operations remains strong at Rs.178 crores, which is far significantly above full year operating cash flow that we had last year.
- As we have always said and believe, FY'24, '25 and '26, with all the handovers which is coming through, we are very confident that the significant unlocking of cash will happen from these projects and therefore the first nine months reaffirms our belief.
- Our scheduled repayment as well as prepayment together is about Rs.89 crores and interest expense on top of it.
- Even after debt servicing, we had a free cash flow of about Rs.27 crores from the operations and we utilized about Rs.86 crores between this free cash flow and treasury cash balance to make new project investment in terms of acquisition of development rights and that's towards augmenting new project pipeline.
- So, overall, therefore, meaningful cash unlocking from the projects, mostly used for new project acquisition and debt repayment.
- Overall liquidity conditions are fairly satisfactory at any point of time as we were between 60 crores and 80 crores on a daily basis. That gives us comfort that we have a comfortable liquidity for meeting our operational requirement or growth requirement.

Shifting to slide #18, on the debt, as I mentioned, the debt has moved up because we acquired the debentures from Mitsubishi Corporation that they were holding towards their economic interest in Park 63. Even with that, our gross debt is about Rs.500 crores, which as you may recall dropped to about Rs.350-400 crores in Q1-Q2 and now moved up because of acquisition of JV from Mitsubishi. But even with that, we are below March '23 levels in terms of debt.

Our net debt is around Rs.440 crores. We believe it should be on a declining path in the coming quarters again. Debt-equity ratio of 0.36, very comfortable, and as you would appreciate is one of the lowest in the sector based on the publicly available data, and we believe 0.36 will now be on a declining mode again in the coming quarters and next fiscal.

And cost of debt, as I said, I think has plateaued around 11.5% levels. While we are continuing to work on refinancing, given the interest rate market conditions, I think, incremental drop will be smaller. Even SBI construction loans, which is usually considered as benchmark, are now at about 10.8-10.9%. Our new loans are coming at between 10.8-11.2%. So, benchmark bank rates itself has gone up post 200 basis points increase by RBI benchmark rates in last 24 months. Therefore, incremental drop will be marginal even though our efforts are still continuing.

Side#19: Spending a couple of minutes on the new market entry. As you know, we have been exploring new markets like Hyderabad and Pune for more than 18-months. After careful evaluation of the market, our competitive advantages and various projects, we have proposed, and the Board has approved, our entry into the Pune markets earlier today.

And as you can see from **Slide #20**, Pune is a very promising market for us, as it substantially reflects similar characteristics to our core markets in terms of customer profile, demographics, realization band, ticket sizes, and size preferences. The market is majority dominated by mid-market and to some extent affordable segments, which together account for 75% of the market. Pune is the second largest market by absorption among the top seven residential markets in India. So, it's a large market, with strong domination of end user-driven demand, has a very strong bias towards salaried class, self-use customers, two-bedroom three-bedroom apartments, Rs.5,000 to 8,000 per square feet kind of pricing. So, it's kind of very similar to our Bangalore and Chennai markets, and therefore we think it will work very well for us. Shriram as the brand is very well known because of our financial services as a group presence. We believe we should be able to leverage that and penetrate into this market very successfully.

Slide #21 talks about the opportunity that we have. This is a project that we have identified in Undri, the southern part of Pune. It's one of the most sought-after micro market. Large tracts of land are available for future development.

And this project is spread over a 14-acre land, 1.7 million square feet of Residential and 0.3 million square feet square feet of commercial associated with it and the plan approvals are there. Because we are entering as a DM partner, this is a project under DM model. Since we are entering into DM partner, we need to get certain re-approvals. We are in the process of getting the process completed and once done, we will be applying for RERA. We are looking forward to formal entry by the end of March 2023.

This project has a total revenue potential of about Rs.1,300 crores of sales value and at around 18% DM fee inclusive of marketing cost. So, very attractive low capital-intensive opportunity that we have identified. We are making good progress, and we will make a formal announcement on the launch very soon, but today, the board approved both the project as well as entry into Pune.

Slide#23: I think Slide #23 gives you comfort on the fact that our overall target remains same. Strategically, we will work towards delivering a 20% average growth over the next two to three years. We will progress towards maintaining our profitability and move towards zero debt. As you have seen or heard of so far in the last couple of times in this call that towards the end of Q2 it moved up and Q3 it's around same Rs.500 crores level. The intent is to bring it down as well as the proposed cash flows from monetization activities, we should be in a zero net debt position sometime soon, definitely in the next 18 months, max 24 months, but it's a combination of large cash balance as well as declining gross debt from where we are today.

In Fiscal 24, as I said earlier, we have good confidence on Q4 and therefore we remain positive and confident about delivering our full year numbers.

For Fiscal ‘25, we have a good lineup. We would be ending the year with around 5 million square feet of unsold area from our ongoing projects. Just to recap, as you know, we have 54 million square feet pipe line, out of which 24 million square feet is ongoing, out of this 24 million square feet, our share will be about 23 million square feet, out of 23 million square feet we almost sold 80% of it. Therefore, we believe we will end the year with opening inventory of roughly about 5 million square feet. We are targeting to launch another 6-7 million square feet over the next year. That should feed a growth in FY'25.

So, therefore we have reasonable visibility on volume potential for FY'25. And revenue side, obviously, as you know our revenue recognition is three years from the sales and therefore '24, '25, '26 we have very good visibility. 70% of aggregate revenue is coming from volume sold already, and therefore that should keep feeding us in terms of overall revenue recognition potential and therefore FY'25 should show meaningful growth as well.

Slide #24 just captures the same fact in a graphical form. So, I will pass this for now.

Slide #25 an interesting aspect that I want to draw your attention, “Non-Financial.” But as part of our committed efforts to ensure sustainable development as well as the green building in our overall Residential development portfolio, I am sure all the commercial activities are green building focus and certified. But see I think there's an increasing trend moving towards green buildings as part of overall sustainable development activities as well as the customer preference towards green buildings. And we have embarked on EDGE as a preferred framework for Residential green building certification. This is the IFC, World Bank Group Certification Framework. As a good encouraging start, we already got three buildings recently completed. Three of them were certified as 3 EDGE certified. Shriram Blue, which is, as you know, we got the handover process started during this year. Southern Crest also, a significant part were handed over during the year. And Park 63, it's coming in phases; phase-I was done earlier, Phase 1B and 2A are being handed over now. All these projects have been certified by EDGE, and I think that's a very encouraging start for us. We are confident of accelerating this momentum further to be one of the leading players in the resi field that will actually focus on green building for all our projects.

Slide#27: Last slide before I wind up, is the "Pipeline." I spoke most of it already and therefore just want to draw attention to the fact that 1.8 million square feet has got completed and moved out of this pipeline. It has become now a completed category and we have added about 1.9 million square feet, therefore we are remaining almost same at about 53 million square feet, of which only about 8.5, 8.6 million square feet are what we call is deferred primarily where some last mile land related activity is still pending. But the remaining 20 million square feet is available for launches and a large part will be launched over the next 18 months, 24 months from now.

Slide #28: Shareholding, of course, all of you have seen, there is no change in shareholding and the discussion that we had on the promoters stake remains unchanged. The discussions are still continuing. Promoters will continue to own 28% of this Company and we had some change in the private equity holding, and now this current shareholding reflects a more stable, we have a strategic investor with about 14% stake, institutional investors own 10% of the Company, public and body corporates own 36% and 12% respectively. This is fundamentally what I had to share.

Slide #29 just reiterates the overall investment theme here. Well governed, listed, trustworthy branded player, proven track record with the strong growth outlook, has scaled up well post RERA from 1 million square feet to 4 million square feet plus sale, has a further potential to scale and has a demonstrated capability to scale. Capital will not be a constraint because we are pursuing an asset-light model. The big beneficiary of RERA and capitalizing on that opportunity to be a consolidator, meaningful leverage and has access to capital, and therefore we believe we have a good platform and a canvas, industry outlook is positive, and therefore we should be able to combine these two and deliver a meaningful value for our shareholders going forward.

I'd like to stop here. The industry outlook, you all have much better visibility on it, but we just shared our view from publicly available data. I'll stop here myself and Mr. Murali, will be very happy to take all your questions and try and answer as much as we can. Thank you. And over to you.

Moderator: We will now begin the question-and-answer session. First question is from the line of Runit Kapoor from Systematix. Please proceed.

Runit Kapoor So, given the fact that you're looking at commercial in Pune, I want to know like is it a shift from the earlier Company's policy of only focusing on Residential. So, can we look in more commercial projects in your future?

Gopalakrishnan: No. As we said earlier, we will remain focused on Resi and that too mainly mid-market and affordable segments. Pune project plan approval already has some commercial activity and it comes as an integrated parcel, so we will have to develop them. So, our role will be restricted to developing the commercial part and that's not very complicated because, as you know, we have done very large commercial projects as DM in Chennai and other places. So, the strategy does not change.

Murali Malayappan: It is not a commercial development per se, it's a township part of the Residential development, little bit of retail and very small office to our quasi space. So, this has been our core thing. And the Pune market works that way. In Pune, there is a good demand for the high street retail, and we are building about 1.6 million square feet. That micro market has got a good supply of apartments, close to about 30,000 units within about 500, 600 meters range. So, all that will serve, and this is on the main road. So, it's going to be a good value add product.

Runit Kapoor Secondly, on the ASK co-development platform, I believe the 12-month period is elapsed, So, what is the update on that like I think 40% is yet to be deployed, so this extension regarding that?

Gopalakrishnan: So, we are evaluating projects. We can actually pump another one large project into the platform. Both partners are fully engaged. So, I don't think the timeline will be an issue, but the intent is to deploy as quickly as we can. Since we have deployed 200 crores from the platform on the acquisition of this Chennai project, both partner's focus is on ensuring successful launch so that we can move energies towards the next opportunity under the platform. So, we are evaluating a few. We will be deploying that in the coming quarters.

Murali Malayappan: May take a couple of quarters to deploy.

Runit Kapoor Lastly, like given the industry tailwinds and our strong brand and track record, don't you feel the Company has been conservative in terms of new signings? I understand we have a strong launch pipeline, but in terms of launch velocity also compared to our peers, we are slightly a bit slow. So, could you comment on that?

Murali Malayappan: We see a big potential. We are ramping up to reach up to this demand today. Yes, we agree, there is a big potential for growth today and demand is good, and we are on our path.

Runit Kapoor So, can we expect some new signings like in next one year, like some aggressive signings like?

Murali Malayappan: For one year we have got a good plan. For the next 12 months we have got a very good, planned ramp up there.

Runit Kapoor Any new geographies are being planned?

Murali Malayappan: No, currently only Bangalore, Chennai and Pune will be our major focus and we are expecting some big numbers.

Moderator: Next question is from the line of Dikshit Joshi from Whitestone Financial Advisors. Please go ahead.

Swetha: Hi sir, this is Swetha from Whitestone Financial advisors. Sir, my first question is, how many square feet are we planning to deliver in Q4, and then what would be the revenue that would be recognized on account of this in Q4? Then I also want to understand the non-cash charge, basically the unwinding impacts that we have on our books. Till when this would be there and how much of it is still left? My third question is so when we give our average realization of 6,000 per square feet, I want to understand, this is basically on build up, right? So, carpet would be around 9,000, 10,00, am I correct in assuming that? So I have 2 more questions.

Gopalakrishnan:: You are talking about selling price?

Swetha: Yes.

Murali Malayappan: Each market behaves differently because in Mumbai everything is priced on carpet. Here in Bangalore, it's all super built up, SBA.

Swetha: So, then we give our Rs.6,000 -

Gopalakrishnan:: All our peers are also doing the same, right. So, the comparison would be still relevant because just for taking some name, Sobha, Prestige, Puravankara, Brigade, all of them sell in South India, right, Bangalore, Chennai, will all have the similar price benchmarks. Unless they go to Mumbai like prestige Mumbai projects may quote on a carpet area. But with most of the regional players, our numbers are comparable.

Swetha: And then can I assume carpet would be around 9,000 when we say our average realization is 6,000, carpet would anyway be higher than that, right?

Gopalakrishnan:: Yes, the ratio is 25%, 30% built up to carpet. So, I am sure all of us can work backwards.

You had two other questions.

I am going to start with the first one on area under completion and handover. Based on the current plan of handing over 3000 units to customers, we should be completing around 5-odd million square feet of area in FY24.

Your second question was about the unwinding impact. So, this is purely related to Government of West Bengal royalty charges that we provide. As you may have read already from the previous presentations, we are required to pay royalty obligations on our Bengal land, where the overall liability is about Rs. 250 crores, to be paid over period of time. In the balance sheet, we accounted NPV value of this number as a liability. So, every passing quarter, we will have about Rs. 5 crores roughly being an impact of unwinding, which is basically NPV adjustments so that the balance sheet liability keeps moving up and becomes an absolute current number on a current basis when we pay them, that will be reflecting the full liability.

Having said that, I did mention that we will brief about Kolkata subsequently. As you know, we have challenged this number in the courts. Because this 4% royalty itself came in an indirect way of a non-compete fee which otherwise was supposed to be paid to Hindustan Motors as per our original agreement. Now that the non-compete period was over as well as Hindustan Motors themselves were monetizing the remaining land that they had with them out of the full ambassador factory, part was given to us and part was retained by them. And therefore we had gone to the courts against the parties that the non-compete is not payable and therefore why should I pay as a royalty. As we mentioned in the last quarter, we are in discussion with the government in terms of finding an amicable way of solving this problem. And we believe we have made meaningful progress. We are hopeful of explaining the whole story in detail to you, basically in the next couple of quarters or we expect to see a visibility on it. And if the visibility comes on a settlement, then this charge might not come up.

Assuming it doesn't come at all, this unwinding will continue for a couple of more years. I think as of March '23, our balance sheet showed a total liability of 220 crores. So, the remaining 30 crores had to be unwound and therefore it will continue for another fiscal at least.

Swetha: If we don't have resolution?

Gopalakrishnan: If we don't have resolution, we will have to provide for this NPV unwinding effecdt. But our desire is also to solve it amicably and are hopeful of reaching a meaningful conclusion in the next quarter or two.

Swetha: For one more year, Rs.5 crores every quarter we will have to do if there is no resolution, right, sir?

Gopalakrishnan: Yes.

Swetha: Just coming back to the earlier question that you answered, you said We will be delivering 5 million square feet in Q4, is it?

Gopalakrishnan: No, overall full year. So, far, we would have done about 2.5 million square feet already. Because we have done almost half the handover, right; 1,600, we have handed over, we are looking at handing over about 3,000 units this year.

Swetha: That would be how many square feet? 2.6 million square feet is what we are going to deliver in Q4?

Gopalakrishnan: No, 1,600 units have already been delivered. I don't have the ready number, but I assume it will be about 2.5 million square feet roughly in the first nine months. So, the remaining 1,400 or thereabouts is what we are targeting to hand over during Q4. I suspect that will be about another 2.4, 2.5 million square feet.

Swetha: I have 2 more questions. So, in Slide #10, we have listed the projects, Shriram Esquire and Hebbal. So, both these projects were actually launched in May '23 and the slide mentions that we have sold 44%, 45% till date. So, just wanted to understand that are we on track for this project or pickup of the project is a little slow or in normal course of business typically in one year is what we sell like 44%, 45%?

Gopalakrishnan: No, I think you've got the table slightly incorrectly. This is the sold volume percentage in the 90-day period, not today. Shriram Esquire, as we speak at the end of December is 70% sold. Shriram Hebbal-I is fully sold. The table here is intended to show what is the first 90 days performance, so that it would be a common metric, right, bit comparable number. That's right. So, as of now, Esquire is about 70% sold, that's about 85,000 square foot has been sold already and Hebbal-I is completely sold, 1.44 lacs is sold.

Swetha: So, then my question is on Slide #12, where we talk about the handover readiness. So, in that there are three projects: Southern Crest, Temple Bells and Park 63. For this we've actually not yet received the OC. So, just want to understand, are we on track for these projects because we are saying that you're going to hand over these in Q4, but still the OC has not received?

Gopalakrishnan: Let me try and explain that. So, Greenfield, Chirping Woods T5 and Liberty Square, they're all in in hand. They account for the most part of the proposed handover if you look at, right, because these are the new projects, right, 1,400-odd coming from these three alone. Southern Crest Tower D is at a fairly advanced stage and there is one minor hitch which is holding it back. And even if it doesn't come, it's a 50 units difference. So, we're not that unduly worried. It's not going to change the overall outlook for the Q4, but we would like to have it, not that I am ignoring it, but that's linked to some other challenge that somebody has put locally. So, we're trying to solve that local issue. If it doesn't come, 50 units is at stake, not more than that. Temple Bells is actually fine. In Chennai, a partial OC is fine because Shankari is a very large project of ours. So, every phase when we complete we get a partial OC. So, the Temple Bells are fine. Part 2A is a bit of a challenge that we are facing in the 250 units, where we had some issue with the CMDA, the local body, and there were some tax related challenges between us as a developer and as a regulator or as a local body we've been having exchanging. Since the OC was getting delayed, we went to the courts, we have been given a favorable order by the court advising CMDA to issue the OC. In January, we got that. We are looking forward to receiving that soon the court order as well as the follow up order, there are two orders are there. Now it is at the desk of CMDA again. We're hopeful that we will get this OC. But this is very common, we go through this from time-to-time, it's not unusual. But yes, to that extent, if you look at overall 1,800 units that are there in these five projects, about 300 units are at stake. But if you assume the entire 300 is not coming through, then we will end up with 50, 100 units is lesser than 3,000 target that we have for full year. If it comes through, then we would be able to meet that number.

Swetha: One last follow-up regarding Pune. I think you did mention that 1,300 crores is the revenue potential and 18% is the DM fees including the marketing fees. So, if you could just give me what kind of delivery date we are looking for this project, and what kind of margins do we have in this?

Gopalakrishnan: This is a DM project, so only DM fee matters to us. And it's three to five years, is the overall timeline that you can expect for this kind of a project. Of course, RERA would tell you five years.

Moderator: Next question is from the line of Dhananjay Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Mishra: So, far, in terms of area, we have launched close to 2.2 million square feet and we had two more projects which is going to be launched. So, We will be launching close to 3, 3.2 million square feet against which we are targeting 4.8 million square feet of sales. Most of the sales come from the sustenance base. And when you were saying that 20 million square feet, which is the upcoming project which we are targeting to launch in next 18 to 24 months, even if we assume phase wise, so can we expect some 13, 14 million square feet kind of launches in the next two years? And how would the sales for FY‘25 or FY'26 given the current inventory and for inventory and upcoming launch?

Murali Malayappan: I didn't get it. What is it 2.2 launched?

Dhananjay Mishra: You launched 2.3 million square feet and you have sold 3.13 million square feet. So, normally the launch figure should be higher than the sales figure. Because in terms of overall target and because of all this deferment, we are on the lower side in terms of launches. But when we say that now all things are behind and we are targeting to launch close to 15 to 20 million square feet of inventory in the next two years, what could be this launch sales value for the next two years?

Gopalakrishnan: Let me attempt this in two different parts. One is about FY'24, right? So, yes, we have launched 2.0-odd million square feet in the first four projects, and we intend to launch another, let's say, not all of them will become effective in one quarter. Four projects are aggregating to about 2.9, 2.8 million square feet. Some part will be sold this year. This is not alone because we still have ongoing project unsold inventory, right? When we open this FY'24, so the sales that is achieved so far and what we are targeting for the full year are not only from the launches. So, there is a sustenance sales as well. When we open this year, we had about 3.8, 3.9 million square feet of unsold inventory with us and therefore that is also available for sale. You are right in the fact that when you launch, you tend to sell much higher than the sustenance inventory starts supporting. The combination of the two only is giving us this 4.5, 4.6 million square feet of volume currently. When I look at next year, based on the launch readiness we have a schedule of when we want to launch what projects. We believe over the next 18, 24 months we should be launching at least about 11-12 million square feet, coupled with the fact that as I said in the call we expect to end the year with about 5 million square feet of sustenance inventory. The volumes that have been launched net of whatever we have sold carry forward to next financial year, we believe we will be starting on 1st of April, we should have a sustenance inventory of about 5 million square feet from all these projects. And therefore this 5 million square feet plus 11, 12 million square feet of new projects that is supposed to be launched in FY'25 and '26, we should have enough headroom for growing this 20% target that we have in our mind. Because if you look at it, it's basically about 12, 13 million square feet have to be sold in the next two years, right? So, therefore the current 5 million square feet plus new launches should support that kind of volume over the next 24 months.

Dhananjay Mishra: And this pre-sales number which we are going to achieve close to Rs.2,300 crores, so how this will look like in FY'25 or FY'26, can we expect 25% growth in this number?

Gopalakrishnan: I would request for some time on it. Next time we meet, once the board approves the business outlook for FY'25 and FY'26, we will be meeting only in March, I will definitely share this with you at an appropriate time. Not right now.

Dhananjay Mishra: And second, with respect to Pune project, is it a completely new land or it is some under construction project we have taken over from some other builder or how is it?

Gopalakrishnan: It's a completely new land. It's Greenfield land. It's vacant land now. We have done the entire planning and we have got the approvals now. We are looking at launching end of March or April.

Dhananjay Mishra: So, once we launch let's say in April and we are expecting close to 230 crores kind of DM fee over the next four years, so this DM fee will flow every year from FY'25 itself for us in terms of revenue recognition?

Gopalakrishnan: DM fee is a very standard accounting process for us. The DM fee will come to us. So, in the DM fee there are two components where they specifically said that 17%, 18% include marketing cost as well. So, the marketing cost will be paid by the SPV and charge to us so that we avoid double GST here. So, on average we spend about 5% to 6% on marketing and therefore we should be getting about 10% to 12% as a net DM fee to us. Just as an illustration if I say, based on what we do for most DM projects, half of this DM fee will be accounted on a quarterly basis based on the cumulative progress on sales. So, it's basically sales linked. As we progress sales, we start recognizing the income to that extent. The remaining DM fee will be recognized as cumulatively progress the construction activity. These two are the income recognition criteria. The third angle to this is the collection. As proportionate to the customer collection, we will start getting the DM fee to us. So, we will go on booking the DM fee based on the sales progress and construction progress on a quarterly basis and we will get actually cash inflow from this project, Shriram Properties will get the DM fee cash receipt as and when the customer collection comes in over a period of three to four years.

Dhananjay Mishra: Even I take 10% so that is close to Rs.130 crores or first year collection may be lower, but we will have some cash flow, maybe 10, 15 crores in first year or then higher cash flow and that will directly reflect to our PBT, right?

Gopalakrishnan: Yes, sir.

Moderator: Next question is from the line of Karan Mehra from Mehta Investment. Please go ahead.

Karan Mehra: You have mentioned that you have recently ventured into the Pune market. So, will the margin profile be better than in the other regions down south? And also, if you can elaborate more on the demand in the Pune region and the rationale behind exploring the market? And like with so much competition by the local Pune players, what is our confidence level on penetrating in that region, and what gives us the confidence to do so? And a follow up on that is what business model will be functioned within the Pune region, if you can help with some -?

Murali Malayappan: Basically, Pune carries a similar market potential of Bangalore. As you know, we are pioneer in Bangalore and we are in the top three or top five developers in Bangalore. So, we see a lot of similarity between Bangalore and Pune in terms of customer behavior, in terms of demand, in terms of ticket size, in terms of product design and also Shriram has got a deep presence in Pune region, that is an added advantage for us compared to other real estate developers, Shriram group has got a very deep presence into Pune market or in financial service business. So, We will take advantage of that and develop the market in Pune. In terms of growth potential, yes, Pune offers a big potential similar to Bangalore for us. Branded large corporate developers will have their own market share. So, we are banking on that, and we are putting together our team, we are confident that We will be able to create a good success in Pune market.

Karan Mehra: So, what business model will be functioning in this region?

Murali Malayappan: We'll be mostly looking at either development management or joint development.

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

Gopalakrishnan: Thanks, everyone for your time today and joining us to hear our story on Shriram Properties current quarter as well as forward outlook. We sincerely appreciate your time and support. Look forward to interacting with you on the next conversation in the next quarter. Thank you.

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