November 20, 2024

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 Sir/Madam,

Subject: Transcript of Earnings Call on the Company's Financial & Operational Performance for Q2 and H1 FY25 held on 14th November, 2024:

We are enclosing herewith the transcript of the Earnings Call on the financial and operational performance of the Company for Q2 and H1 FY25 held on Thursday, 14th November, 2024.

We request you to take the above information on record.

Thanking you
Regards

For Shriram Properties Limited

K Rama Swamy
Digitally signed by K Rama Swamy
Date: 2024.11.20 19:37:40 +05'30'

K. Ramaswamy
Company Secretary & Compliance Officer
A28580

"Shriram Properties Limited

Q2 and H1 FY25 Earnings Conference Call"

November 14, 2024

This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the website of the Company on 14th November 2024 will prevail

MANAGEMENT:
MR. M. MURALI – CHAIRMAN & MANAGING DIRECTOR – SHRIRAM PROPERTIES LIMITED
MR. GOPALAKRISHNAN J – CHIEF EXECUTIVE OFFICER - SHRIRAM PROPERTIES LIMITED
MR. RAVINDRA KUMAR PANDEY – CHIEF FINANCIAL OFFICER - SHRIRAM PROPERTIES LIMITED
SGA, INVESTOR RELATIONS ADVISORS - SHRIRAM PROPERTIES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Shriram Properties Q2 and H1 FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the 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 no opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Murali M., CMD, Shriram Properties Ltd. Thank you and over to you, sir.

M. Murali: Thank you. Good evening, everyone. I am delighted to welcome you all to our analyst call today. We are here to discuss the financial results of Shriram Properties Ltd. for the second quarter and the half-year ended September 30, 2024. Firstly, I am pleased to report that we achieved strong sequential growth in sales volumes and values during Q2 FY25, with sales volumes reaching 1.03 million square feet and sales values amounting to INR568 crores. Despite the slowdown in customer decision-making due to inauspicious periods, our overall sales performance remains satisfactory.

We successfully launched three new apartment projects in Bangalore, Chennai and Kolkata during September 24. These projects are expected to contribute strongly to our sales in the second half of the fiscal year. Additionally, we concluded two new projects in Bangalore, acquiring development rights in land parcels near Yelahanka and Electronic City, with a combined development potential of approximately 0.8 million square feet.

Looking ahead, we are on a steady growth path, focusing on leveraging our strong operational base for profitable progress. Market conditions are rebounding well, particularly in the mid-market and mid-market premium segments, promising long-term opportunities for sustainable growth. With a robust project pipeline and continued efforts in cost control and scaling benefits, we aim to sustain margins and profitability while creating substantial value for our stakeholders. I would like to ask Mr. Gopal to briefly discuss the performance in detail with you. I will be happy to answer any questions you might have thereafter.

Gopalakrishnan J.: Thank you, Mr. Murali. Good afternoon, everybody. I hope you all have access to the presentation that we have uploaded on the stock exchanges as well as company website. I would like to go through the presentation very briefly, explaining the performance for the quarter as well as half-year, and also to highlight the outlook that we have, as we see for H2 FY25. I will start with slide# 2 of the presentation which you must be viewing. One of the most important landmarks that we went through this quarter was about the brand transition.

It is a new beginning for us. We tried to create a new brand identity, to create a stand-alone positioning in the market, and more importantly, to create a new positioning of Shriram properties in the minds of customers as well as other stakeholders with the sole intentions of deepening the brand image, as well as the brand offering in the minds of our target customers. These transition efforts have delivered good results and it has been a good beginning for us.

The campaigns had a successful start and successful reach. As you can see from slide #3, some of the outreaches that have actually delivered good results for us. Our brand film has reached over 2 million views on YouTube, and the entire brand campaign efforts digitally have reached over 205 million impressions among people. So, I think it's a good start. More important than the transition was the commitment that we have reassured ourselves as well as reassured our shareholders or our stakeholders. While honouring the past, we are embracing the future.

We have earned a significant strength in the marketplace and our demonstrated strength in terms of scalability, seamless operating platform, partnership capabilities, asset-light strategy, and capability to identify and enter markets successfully, foray into new territories, and so on. All of these have been earned over the years and, in fact, have been instrumental in our remarkable growth since RERA. Some of the data you will be seeing on slide #4. **3.5** times growth in sales volume since RERA was introduced in 2017. **2.8** times growth in revenues. **5.3** times growth in EBITDA. All of these have been delivered based on the strength that we have gained over the years, and we want to consolidate that, and we want to deliver much stronger growth going forward by embarking on a mission for three years during 2024 to 2027. We have already talked about it in detail, and, therefore, I would like to now move to current quarter. It has been one of the most challenging quarters for us in the recent times, but we believe it's a short-term aberration.

The challenges were not primarily on the company side. Majority of these issues were from the external factors, which had impacted not only the volumes, but also in terms of revenue recognition, and that has led to this short-term aberration during this quarter. We had seasonal impact, which impacted not just Shriram properties, but across the entire southern regional real estate, and I believe most of the real estate sector in India, as can be seen also from various volume data declared by various listed companies. The seasonal impact came from two or three factors.

The two inauspicious periods came in the same quarter, unlike the previous year where these were not in the same quarter, and, therefore, there was an aberration from a customer decision-making and, therefore, the volume impact perspective. In southern markets, at least in Bangalore and Chennai, we saw some delays in approval process across the regions and across players, and that led to relatively modest launches by various players, though Shriram property at least had three launches.

Overall market launches have been substantially lower during the quarter, and that had adverse impact on volumes. I will explain that in the next slide. Unseasonal rains and flash floods in Chennai also had compounded the effect of delayed decision-making by customers. All of these together had some impact on the volumes, not just for Shriram, but also sector, but more importantly for Shriram also it had some impact. I will explain that in the next slide. Is negativity continuing still? We believe no. Consumer sentiments are improving. We have seen that remarkably during the onset of festive season.

As you are aware, Q3 and Q4 are traditionally very strong quarters for regional residential sector. With the impact of deferred decisions from Q2, as well as stable pricing (Prices have not gone up significantly). So, stable pricing, deferred demand or pent-up demand from Q2, as well as the traditional strong seasonal activities, should give a strong boost to not only launches, but more importantly on the volumes during the second half.

Therefore, we remain positive and confident about delivering our full-year numbers or achieving our full-year targets substantially. But the Q2 was a bit of a disappointment for us. We tried to take several aggressive efforts, and those proactive efforts helped us in mitigating the impact at least partially. We had three launches in Q2. Though it was at the quarter end, therefore the impact on Q2 was minimal, but at least the launches happened very successfully, and those impacts are now showing up in terms of customer confirmations of buying, and therefore boosts our confidence on Q3 and Q4.

Sustainable sales were very strong, thanks to our aggressive marketing and campaign efforts. Therefore, we were able to deliver a very strong quarter-on-quarter growth, the sequential growth, but we were still lower on year-on-year basis. Some regulatory OC delays, the completion certificate or occupancy certificate receipts were delayed a little bit in a couple of projects in Bangalore, and therefore we had revenue recognition issues in Q2.

INR150 crores worth of revenues of the units have been postponed to Q3, and therefore we had a deferred revenue recognition, though we had stable margins, it had a significant dent on our Q2 revenues, and therefore Q2 EBITDA, unfortunately. I'll explain each of these as we go through, but I just wanted to set the overall framework of our Q2, and therefore explanation in slide #6.

Moving to slide #7, very briefly, all of you must be more aware of this than listening from us. You all saw the market was little soft. On the right-hand side chart on slide #7, you will see overall sales volume in top 7 markets. As you know, these top 7 markets account for nearly 80% of residential demand in India. Year-on-year as well as quarter-on-quarter volumes were lower by 10-11%.

As I said earlier, launches were substantially lower, and that we saw across most markets, predominantly in Bangalore, Chennai, and to some extent Western markets as well. As I said earlier, the two inauspicious periods of Ashada and Shradh, they both happened to coincide in the same quarter unlike the past, and that had some dent on the interest levels. Also, the launches were muted across multiple markets because of timelines.

The approval timelines were more than the typical timeline. For market-specific reasons, I won't generalize, but there were delays across several markets, and therefore most players had very few launches during the quarter, which was a very prominent trend we saw in southern markets.

Chennai rains had some impact, but all of this got at least fortunately wiped out in the last 3-4 weeks where the festive seasons started on a good note. The consumer interests have been coming back. Customers are now closing the transactions that they've been visiting. We had very strong footfalls, very strong site visits. Only the closings were not happening, and those closings are happening now, and therefore we are confident of regaining deferred volumes. I wouldn't say lost volumes. We are confident of regaining those deferred volumes from Q2 to Q3. And so therefore, second half should be a stronger period as traditionally we have seen also.

The slide #7 bottom part gives you the summary of what I've been saying over the last few minutes. Withall our efforts, we managed to perform slightly better than the sector. QoQ growth, the sequential growth in sales volume in Q2, for us was 47% higher volume. I'll explain the numbers in the next slide.

As compared to a 10% growth for regional pairs and a negative 10%-11% growth for the industry. We have done about 10% lower on a YoY basis compared to the regional and industry average, which is also negative 40% and 11% respectively. Somewhat similar trend in the Half Yearly basis, but it's primarily because of Q2. So in a nutshell, it's basically a disappointing quarter for us, as well as some of the players in the market. But we believe the market is bouncing back now with the onset of festive season.

Looking closer now, moving from macro to Shriram properties, looking at slide #8. Our Q2 sales numbers were above the 1 msf threshold that we have been trying to strive at for the last several quarters. It was at 1.03 msf and reflected a growth of about 47% quarter on quarter. And similarly, the sales value is also higher by about 51% quarter on quarter. And collections were higher by about 13%-14%.

Handovers were higher by about 10% during the quarter. The sequential trend, therefore, has been satisfactory. However, on a H1-to-H1 year-on-year basis, if you look on a half-year basis, our volumes are about 1.7 million square feet, minus 10%, Sales value minus 11% year-on-year.

Collections are marginally lower. Handover is higher on a half-yearly basis, but remaining metrics are a bit muted for the quarter. But we believe this is an aberration and we are confident of recouping these volumes in the coming quarters.

Looking more closer at the quarterly and half-yearly performance, slide #9. As I said, volumes have already spoken. The strong quarterly trend is driven by sustenance sales more than the new launches. New launches contributed, but they contributed only to a small extent because they were launched toward the end of the quarter. In one of the projects we got approvals by mid-September, so we could launch them only in September end. We had another project in Chennai got launched in September, once we received the market feedback and the RERA approvals. Kolkata was also opened up in September. Since most of these launches happened in and around September toward the end of the quarter, their impact on the quarter in terms of volumes were minimal, but the response has been very good. We have had very strong footfalls.

We had very strong walk-ins. Customer negotiations were a very encouraging trend. We are now beginning to see these new launch projects clocking their volumes. I think we had a very encouraging festive season for us. So all that should reflect in Q3 volumes on these projects. Coupled with new launches that are targeted, we believe Q3 will be a very strong quarter for us.

On the project execution, as I said, we had 580 handovers in Q2. You just saw one minute ago, it is a 10% higher number as compared to last quarter. Overall, we have had about 1100 handovers in H1. But majority of these Q2 handovers were in JVs and DMs, so had a limited impact on revenue recognition. We unfortunately had three projects pushed to subsequent quarters. I will explain that in the next slide.

But despite the delay, the postponement or deferment of these handovers had an impact on financial performance. But overall, on a full-year basis, we believe the handovers are on track. 1100 handovers in H1. We believe we are on track for 3000-odd handovers on a full-year basis.

Both in Q3 and Q4, we have a strong lineup of projects. Now all these approvals are in our control. Therefore, it is a question of executing these handovers like we have done last year. We are very confident of handing over these to our customers. Therefore, there is strong revenue recognition happening in H2.

Construction momentum has been remaining strong. We do not see any significant challenge in front of us on the construction side. In fact, it gained momentum during the quarter with the starting of construction work in new launch projects like Shriram Sapphire and Shriram 122 West. As well as continuing acceleration in The Poem by Shriram. All these three projects revived or they commenced their activities and therefore very strong construction outlook for second half for us in terms of construction spending.

On the business development side, we completed two projects as was announced to stock exchanges during the year. One JDA project in Bangalore. One own project in Bangalore. Together 0.8 million square feet of saleable area. Gross development value of about INR 600 crores. Pune has finally made traction. MoEF approvals have progressed well.

And now waiting for the local clearance, the Pune municipal clearance which we believe is around the corner post-election on 20th November. In a week's time, the election is over. The code of conduct comes out. And therefore, we think we'll launch during this quarter, we will launch either by late November or early December we should be able to kick off. We want to launch this before the Christmas season starts.

So strong supply pipeline is still continuing. And we have multiple new projects assembled as we have said in the couple of months ago in terms of a new growth aspiration. 15-18 million square feet of new pipeline has to be assembled. So we're working hard to put these deals together. And BD pipeline is fairly robust right now. And we should see more stronger deal closure over the next couple of quarters.

Slide #10 talks about the launches that we had during the quarter. As I already explained, we launched them towards the end of the quarter. Most of them were in September and had limited impact in terms of their volume contribution during the quarter. But they have started now showing up in mid-October onwards with the festive season. Things have started showing up very nicely.

Slide #12 on the pricing. At the market level, we see a very stable pricing in the market. Prices have not moved up in a big way. In a way, that is good because the inauspicious period, customers were already not taking decisions. Therefore, I think prices were muted. We believe for the rest of the year also, we will see about 5%-6% increase in market level pricing. In Shriram's portfolio, we have seen about an average of 6% increase in the portfolio.

That's primarily because of product mix in our sales. We see ending the year with 6%-8% average realisation growth. But the market realisation is likely to be in the 4%-5% growth for the full year. Not a significant rise that we saw in the past 2-3 years. Important and interesting fact is that all our committed efforts to move up the price curve over the last 2 years is genuinely showing a noticeable impact. You can see the chart on slide #12 on the right-hand side.

Our mid-market products are now averaging around INR6,700 per square feet compared to less than the sub-INR5,000 levels we saw in the pre-COVID level. Clearly, it's not just a market improvement. It is also a conscious effort taken to raise the project mix curve or quality of our project portfolio with a better product offering and better market mix. All that is now paying off and therefore we believe we are on the right track.

Shifting to financial performance, as I said, one of the most challenging quarters that we have had but is an aberration in our view. We had revenues of about INR366 crores for the half year. Gross margins were about INR 94 crores or 32%. So, project profitability had remained stable. In fact, it is slightly better than what we have seen in recent quarters. But because we had lesser revenue recognition in Q2, overall EBITDA margins came down on a half yearly basis also. INR67 crores of EBITDA and therefore a PAT of only INR17 crores for the half year.

On a quarterly basis was the disappointment. Three project revenue recognition deferred to Q3, our second half. As a result, our Q2 revenues were only INR155 crores. That took a toll, even though the gross margin was still okay. 30% margins were still there. That means project profitability was not deteriorated. Project profitability remained intact. It is the base effect. Revenue not recognized in some projects got deferred. Therefore, we had the base effect.

That is why we had only INR13 crores EBITDA which is a very low number compared to what we have achieved over the last several quarters. But we believe it is an aberration. Q3 will be a bumper quarter with all the pent-up or the postponed handovers and revenue recognition getting materialized in Q3. Therefore, we see this INR13 crores EBITDA and a near zero PAT as an aberration for the quarter. I will explain that if you have any queries at the end of this presentation.

Slide #15 talks more detail about the financial performance. Our Q2 revenues as I said suffered due to delayed receipt of OC or completion certificate or release order in three projects. Slide #17 gives you the details of the project that witnessed deferred revenue recognition. The plotted development in Bangalore where we had already received part release order (In plotted development, it is called release order where we are authorized to hand it over to customers and therefore recognize revenue) We received them. Part release had happened in the first quarter itself or even Q4 FY24 some part. However, subsequently when we went for the final release, the local authorities had demanded additional money in the form of a penalty because of some delay in development prior to our acquisition. So we had challenged that in the courts. We had to file a writ. Fortunately, we had a favourable order from the high courts dismissing the demand made by the local authority as unjustified demand.

And since it involved a significant amount of outflow, we opted to postpone this revenue recognition and prefer to go through the legal route to challenge that instead of paying what the local authority wanted. And fortunately, we have received the favourable order towards the end of September, early part of October. We got the orders in hand and the local authority is yet to release the document. The final clearance should be received in any time now in Q3 or in November. Once it is received, we will be able to recognize the INR85 crores of pent up or deferred revenue.

Similarly, we had some delays in Kolkata. The OC came only towards the end of the quarter, beginning of October. And therefore, as it started coming in, we started handing over only from post-September. Therefore, it got delayed and had a revenue impact of INR33 crores. The third project that got deferred was a very small project, 4 lakh square feet, but high value project in JP Nagar in Bangalore. And therefore had INR34 crores of deferred revenue. Three towers have got OC, Shriram Southern Crest. And one final tower is stuck because BBMP has challenged a few things.

We have seen this trend across the market here. BBMP has started challenging a few things. So I guess it is a part of overall some approach BBMP has taken. Now the approvals are beginning to flow through. We are confident of Southern Crest coming through in the next month or so. And therefore, this will be a second half revenue recognition. Hopefully Q3, otherwise Q4. But Pristine Estate and Grand One, this is INR85 crores plus INR33 crores, will get recognized in the coming quarter. And therefore, these revenues are not lost, but they are deferred from Q2, but still had an impact of INR150 crores.

If this INR150 crores revenue was recognized, we would have had at least INR280-INR300 crores of operating revenue, would have shown much stronger, very strong growth on a QoQ and a YOY basis. That was a big disappointment for us during the quarter. But we are confident of regaining or recouping this lost revenue in the coming quarter.

As I said in the previous slide, you would have appreciated that the gross margins have remained stable. Those who are monitoring on a quarterly basis would appreciate the total revenue minus cost of revenue. Our gross margins have been in that 30% plus margin levels. And I think that reaffirms the business profitability issues. So it's all about the timing mismatch. But otherwise, the business profitability appears to remain intact.

Because of the base effect, despite the fact that the employee costs, other expenses, all of them remaining under control, notwithstanding the three launches, we had a very low EBITDA margin for the quarter. And that, therefore, muted the margin position for H1. But we believe it will be corrected in the coming quarters. And therefore, full year margin expectations of mid-20 EBITDA margin will remain intact in FY25 as well.

Finance costs for the quarter have been almost flat. And non-cash charge associated with the royalty payable to the Government of West Bengal provision has come down slightly. Because we are at the fag end of the provisioning period. Even though the outcome of the challenge that we have made in the courts is yet to come. But I believe we are confident of a favourable outcome there during the financial year.

In the interim, as a matter of prudence, we continue to provide this INR4 crores, as you can see in row, unwinding impact row in slide #15. INR4.1 crores we have provided compared to INR 5 crores last year. And we believe until a return order comes out, we will continue to provide.

And maybe we will reverse them in its entirety at the end of the process when the return binding orders are released by the authorities.

But for that, the interest expense and other finance costs together is marginally higher. And if I look at the overall interest expense, it has come down. Other finance costs include write-off of unamortized prepaid costs when we move from one facility to other facilities. So, overall finance charges are remaining almost flat. And therefore, it is purely because of the loss of revenue recognition, we had a PBT in the negative zone.

In the tax expense, we had reassessed the tax charges. And the tax credits that we had, the deferred tax assets that we had on certain capital gains had to be revisited based on the Finance Act. And it was approved from a 20% long-term gain to 12.5% without indexation and all that. Whatever is provided in the previous quarter had to be reassessed. And therefore, we had ended up with a net profit of close to zero or a minus 0.8 for the quarter.

The half-year profit remains intact based on the Q1 number. It remains intact at about 17 crores for the first half. And we expect to see a very sharp momentum in coming quarters with the revenue recognition of the deferred INR150 crores in Q3, substantially in Q3 and rest in Q4. As well as, on top of the scheduled handover for Q3 and Q4, which in itself is about 2,000 homes. And therefore, collectively, we will still reach our revenue recognition target of over INR 1,200 crores of revenue recognition. And the PAT guidance that we had of very strong growth coming in the full year FY25.

So, we believe we are on track for full year earnings. The current quarter number is an aberration which will get reset or which will get recouped and recovered in Q3 and Q4. Moving on to slide #18 on the consolidated cash flow. We had a very reasonably strong cash flow from operations. INR 68 crores cash unlocked for the quarter compared to INR 30 crores in the previous quarter. And in Q1 FY25.

And on that basis, H1 is about INR 98 crores compared to a somewhat similar number we had in the previous year first half. And we believe this will be much stronger in the coming two quarters with the scheduled completion and handover and collection of the final tranches of funds from our customers.

Overall, free cash flow before new investments was positive, strong at INR30 crores rupees for the quarter. And compared to a negative INR18 crores in the previous quarter. And against that, we have also made new project investment.

As I said in the opening remark, one own project and one JDA project in Bangalore together consumed about INR 30 odd crores rupees. And therefore, we had near zero post-investment cash flows. And therefore, cash and cash equivalent remained flat. We believe that we'll get a big boost in the second half, not only from operations, but also the monetization that we are working on is at an advanced stage.

Due scheduled for closure as per the broad understanding that we have with the potential buyers. And therefore, Q3 will see some robust cash flows coming in, which will be used for augmenting or acquiring, which will be used for redeployment or augmentation of new development pipeline that we are working on in the BD side.

Slide #19 about the balance sheet, slide #20 about the debt profile. More or less unchanged, except for the fact that net debt has come down by another INR 40 crores rupees. So we are at about INR 400 crores net debt. Debt equity has dropped to 0.31 is to 1 from 0.35 and 0.34 that we have seen in recent times. Cost of fund is remaining almost flat. So overall on the balance sheet side, things have remained strong and stable. Cash flow sides have been encouraging.

P&L Q2 was a bit of aberration, but otherwise broadly we are on track as per our expectation in terms of the full year. And I believe the journey is continuing to remain fairly satisfactory. Just the last one or two slides on the outlook. We remain confident of achieving and delivering our full year numbers in terms of key parameters of sales, handovers and revenue recognition.

Industry bouncing back and pent up demand from Q2 where customers had postponed for the auspicious or inauspicious reasons from those Q2 factors, as well as the traditional strong timing. All of these should help us recoup the volume and we are planning for a couple of launches during the quarter. All this should help in giving a big boost to our thrust on volume growth during Q3 and Q4 for us.

And as I said earlier, Pune launch is on track for this quarter. I believe post-election, once we get the paper back in our hands, I think things will take off within a couple of weeks of regaining control of the situation. The team is already on the ground. Pre-launch efforts have already begun. As we speak yesterday and today, the channel partner meet is happening on the project site itself. Marketing office is ready. Promotional campaign strategies are ready. We believe we are all set to kick off as soon as the PMC sign-off comes through post Maharashtra elections

And therefore, overall, we believe we are on track from a volume perspective. Revenue recognition perspective, if you look at slide #23, you will appreciate most of the projects that are scheduled for handover this year are broadly on track. And these six, seven projects alone will account for about 3,200 units handover, as well as from projects from the last year's release order or the completion certificate. Those will get added. Therefore, we are very comfortably positioned to do at least 3,300 handovers compared to last year's 3,000. And internally, we are aspiring to hand over a much larger number than 3,300. So therefore, we believe the range that we indicated to the market, we should be able to hand over. And that will give us the targeted revenue recognition opportunity as well in the second half.

Slide #24, last but one slide, talks about the position of launches. I think we are pretty much on the flat zone as per the plan, except for one or two projects which are running slightly behind because of various reasons. But we believe these delays are maybe a month or two of delay. But they might get pushed towards Q4 in terms of launches. But their overall volumes that we considered for this year would be about 0.5 million square feet. Therefore, we believe the volatility is restricted to a small number. But we are confident of launching these projects as well during the year.

To support these launches, I think we have a project pipeline which is robust enough. But the thrust is more than the conversion. The thrust is on building further pipeline. And the entire management effort is towards building those pipelines over the next one or two years in terms of reaching the aspired large pipeline addition for the strategic objective that we announced a month ago in terms of our medium-term targets of doubling sales in 3 years. For that purpose, I think we are extremely focused on pipeline addition.

Overall, therefore, we believe we are on a correct strategic path and the progress is meaningful. One quarter deferment of some volumes and revenue potential, we believe is an aberration. But the medium-term prospects and medium-term progress is likely to be satisfactory as you would see in second half as well as you would see on a full year basis. With this, I pause and I stop here. I, Mr. Murali and my colleagues will be happy to answer any queries that you may have. Over to you.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: How much is the GDV of the ongoing project?

Management: Yes, sir. INR 9,800 Crores is the GDV potential of ongoing projects, out of which over INR 7,000 crores is already sold.

Raaj: And how much is the embedded EBITDA on this GDP, 9,800 crores?

Management: Roughly about 20%-23%.

Raaj: And how much is the completion timeline for this?

Management: Recently, what we have launched, it will take 3 years. Most of the projects will be in 2 years-2.5 years max. We will be able to complete the ongoing projects, which are in the pipeline.

Raaj: All right. So, we can expect in around April FY27, approximately INR7,000 crores-INR8,000 crores of sale will flow into your P&L, right?

Management: That is right.

Raaj: All right. And sir, what is the GDV of the upcoming projects? As I can see, there is 17 million square feet of upcoming, right?

Gopalakrishnan J.: We have about 18 million square feet of upcoming. And roughly about 10,000 crores-12,000 crores

Raaj: Awesome. This would be the overall GDV, right? So, how much of this is our share?

Gopalakrishnan J.: So, in JDA LO revenue share will be 23%-24% and rest is SPL. For DM, it will be 100% LO. For absolute numbers, we can give it to you offline.

Management: We can give it to you offline. Is it okay?

Raaj: All right. Offline is fine. For the ongoing, the GDV is around INR9,800 crores. From that, how much would be our share?

Management: Around 4,200 Crores from Own Projects & Around from 1700 Crores JDA Project.

Raaj: Okay. So, in the next 2 years, we can expect from this INR4,200 crores, around INR3,500 crores to flow into our sales, right?

Gopalakrishnan J.: In 2 years, yes.

Raaj: All right. Sir, how much would be our PBT on this INR4,200 crores?

Gopalakrishnan J.: That would be difficult to speak because it will be, year-wise you need to see. But I would guess, like on a 20%, 22% EBITDA, our PBT would be about 10%, roughly.

Raaj: Okay, PBT would be 10% in this ongoing project.

Gopalakrishnan J.: 10%-11%, not more than that

Raaj: And how much of incremental cost are we supposed to incur for completion?

Management: Close to INR2,000 crores has to be incurred, sir.

Raaj: INR2,000 crores of incremental cost we are supposed to incur?

Management: Yes, to complete the project in ongoing.

Raaj: All right. So, our current debt position is around INR400 crores, right? How much would be our peak debt in the next 2 years?

Gopalakrishnan J.: We have been working towards zero net debt. But our peak gross debt can be somewhere around, INR600-700 crores. Then it will start decelerating. Because we are pursuing an aggressive volume growth over the next few years, 16-17 million square feet of pipeline to be added and hence debt may rise in the interim.

This would mean land commitments involving INR 2,000 crores. With right mix of JVs and JDAs, our share of investment might be in the INR 400-500 crores, as we explained earlier this year.

Operating cash flows will support thisBut I would imagine part will be debt as well. Therefore, I'm saying maximum of INR600-700 crores could be the gross debt and our intent is to work towards zero net debt in 18-24 months. At least cash and cash equivalent to that extent, if not the lower gross debt.

Raaj: Understood. All right. Thank you.

Moderator: Thank you. The next question is on the line of Darshan Jhaveri from Crown Capital. Please go ahead.

Darshan Jhaveri: Good evening, sir. Thank you so much for taking my question. So, sir, just wanted to understand a bit more in terms of H2 and how that will pan out. So, I think in the opening comments, you were saying around INR1,100 crores revenue we are expecting for the full year. Is that correct, sir?

Gopalakrishnan J.: Yes, somewhere in the vicinity.

Darshan Jhaveri: So, that would mean a very high revenue recognition in H2, right? Like that would be around, say, roughly INR 800 crores. So, what kind of margins can we expect and how confident are we that we will be able to get this kind of revenue?

Gopalakrishnan J.: So, interesting question and thanks for asking. So, historically, we have had second half being much larger share. And therefore, there is a precedence of we able to reach that number. And we believe we can reach this INR 5 plus million square feet of sales, INR 2,700 plus crores of sales value. All that is doable in our view based on these launches that we have in line.

And this quarter will be make or break for us. So, we will know as we progress this quarter whether the demand bounce back and demand recoup is happening or not. On the handover, we are fairly confident because these approval delays by a couple of a month or two, those kinds of things will keep happening in the industry.

All of us are familiar with this approval related few months of delays. But we have done that in the past. We believe we can do that again in second half. 3,300 homes is what I would say the target for ourselves. In last 2, 3 years, we have done nearly two-thirds of handovers happened during second half.

And therefore, we remain confident and optimistic about reaching this range of 3,300 to 3,500 homes to be delivered in second half. That basically means revenue recognition per the expectation should also come through.

Darshan Jhaveri: Great. That's great to hear, sir. And I just wanted to confirm like our margins we are seeing around, our project are 20%, 22%. And so on a reported basis, what kind of margins will be reflected for the full year, sir?

Gopalakrishnan J.: So instead of talking about a one-year number, I would probably prefer to say we have been able to and we continue to work towards the mid-20 EBITDA margins. And we've been in the last, whatever the reasonable period was since listing. We have been in that 20% to 24% EBITDA margin and about 9% to 10% of PBT. So we believe that trend will continue give and take half a percent here and there. That's a zone in which we believe our net earnings will be. And EBITDA in the mid-20s would be a very reasonable estimate to have.

Darshan Jhaveri: Okay. Fair enough. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Yes, sir. So for the first half, we have done PAT of INR17 crores. Whereas I think in previous calls, we were mentioning that we were guiding INR100 crores PAT in current financial year. So are we on track to achieve that or we would like to revisit our guidance?

Gopalakrishnan J.: No, we are staying with our guidance. It's a combination of monetization gains and handovers. As I said earlier, the handovers are largely clustered. You saw this last year also in the earnings, the handovers are mostly skewed towards second half. And that will bring both income recognition as well as earnings. And the monetization that we have been talking about for last two quarters relates to land in Chennai.

We are fairly at an advanced stage of closure on the documentations. The diligence is nearly complete and we don't see a significant surprise coming at this point of time. Therefore, that will also come on to contribute to the earnings. That's another operating income because the monetization of development rights. A combination of these two will still be there on track and that is exactly what the original plan as well. So I think we believe we are on track.

This one quarter is an aberration because it gets forwarded. Once the revenue recognition gets deferred to Q3, only profit is postponed between the quarters. And therefore, we are hopeful of reaching that number for the full year. Some small variations may be there, but it may not be substantially different outlook from what we think we would have.

Saumil Shah: A couple of months back, we were given a notification about ED searches in our premises in Bangalore and Chennai. So could you let us know the outcome of that or has it been resolved?

Gopalakrishnan J.: It's not a couple of quarters ago. It's just about 10-20 days ago. So I'll give you an update.

As reported to the exchanges, this was related to some FIR filed by the state government DVAC, the vigilance agencies, against a former minister. There is an alleged involvement of Shriram group company that is reported to have made certain payments to a company owned by the former minister and the FIR alleges that the said payment is made by the group company for the benefit of an SPV of Shriram Properties.

The Company is not involved as alleged and is not related to Shriram Properties. The FIR was filed during Sep’24. In this regard, the Enforcement Directorate carried search operations at the premises of Shriram Properties and certain management personnel. The company has cooperated with the ED on their document requirements, and provided all the documents as required.

During the search process, ED has taken some documents related to our past years. The process ended smoothly and was reported to Stock Exchanges.

Saumil Shah: Okay. Thanks for your detailed clarification. So that's it from my side. Thank you and all the best for your future quarters.

Moderator: Thank you. The next question is from the line of Aashay Jain from Jain Capital. Please go ahead.

Aashay Jain: Hello. Yes, a couple of questions from my side. So firstly, how is the competitive landscape shaping up in Pune as even one of our peers, Macrotech, is also planning to expand its presence in that region?

M. Murali: Pune market offers lots of good opportunities. We are pretty happy about it. So we anticipate Pune to be at par with Bangalore in terms of opportunities, particularly in the segments where we are operating, mid-market and Mid-premium segment. So we expect good growth for us in Pune market. We also expect our project to do very well in Pune market now.

Aashay Jain: Understood. So are we on track to achieve the stated guidance which we had iterated earlier for FY25 in terms of sales, collections and handovers? So what are the growth drivers in enabling us to achieve the guidance?

Gopalakrishnan J.: We believe we can achieve that number primarily because the launches are on track. Both Q2 launches also happened, but got deferred by a few weeks. Towards the end of September it happened. Therefore, those impact of the three launches did not really fully show up in Q2. And the conversions are happening as we speak. Therefore, the sales at launch that we see in the first 60-90 days of sales, all of those impact will happen now.

Plus, we have few more launches coming up for the remainder of Q3 and Q4. And therefore, these launches will drive as well as sustainable sales is strong. You may have noticed or you may have heard from the earlier conversation that the inauspicious period came together in Q2, which is last year it was in Q2 and Q3. They don't come in the same quarter because you lose that momentum. So a lot of footfalls, a lot of site visits, but didn't get to what we call as closure or conversion. And those conversions from the recently launched projects, impact of planned launches in Q3 and Q4, as well as continuing strong sustenance activity should help us recoup this volume.

You may have recalled, you may remember that even in the past, over 60%-65% of the volume, at least 60% of the volume in the past have also been in second half over the last several years. Even before COVID as well as post COVID. So it's a typical trend that nearly 60%-65% of the volumes do take place in second half in southern regional markets. And therefore, we believe we can still catch up a large part of this deferred numbers

Handover is on track. We had aberration because some of the handovers. The occupancy certificate or a completion certificate or a release order, whatever it is called, depending on the format and depending on the city. Those releases or the clearances came towards end or beginning of October. And therefore, those 3 to 5 weeks of delay impacted that quarter.

But during the year, they all will get caught up. If you may recall that we did 1,200, 1,300 handovers in Q4 alone last year. So it is doable. System is equipped for that. So about 1,000 handovers for Q3 is not a difficult task. And therefore, we believe we should be able to substantially get the revenue recognition as well.

Aashay Jain: Yeah, that's helpful. That's all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Tanya Desai from Elevate Research. Please go ahead.

Tanya Desai: Hello, sir. Good evening. Thank you for the opportunity. I have one question. What gives us the confidence that the challenges we faced this quarter will not persist? And what will change customers' mindset going ahead?

Gopalakrishnan J.: So challenges we faced this quarter were two things. One was regulatory related from a handover perspective. We didn't have a challenge on the launch side. But I believe the industry seemed to have had some problem on the launch (regulatory side on the approvals on the launch as well). But we had three launches. But the industry volume came down because there was less number of launches during the quarter.

We can discuss that offline if required. But I think the regulatory challenges related to the approvals (launch related hurdles) I think is now ironed out. And I think the deck is fairly smooth and clear now. So you would see most of the industry players launching their projects now. Therefore, we have comfort and confidence that the launches can happen. That is the second problem.

The customer mindset issue was mostly related to the auspiciousness. You know those 10 days-12 days of each slot gets lost. That loses the momentum. That was the bigger issue. Typically, only about that 9 days-10 days will be lost. This time it was two instances. Then there was a Chennai flood, flash floods that kind of kept people away from the attention. So all of this, I can't really predict some of this will happen again or will not happen again.

But I believe Chennai, of course, still has a monsoon continuing. Monsoon period is still there till December. But other than the heavy monsoon surprises it can throw, we believe the auspicious period is already here. So except barring 2 weeks of another interruption in Tamil Nadu alone, between mid-December due to the inauspicious period.

Beyond that, there is no big surprise. And therefore, the traditional peak season during second half, which every year we used to see robust volume, those should still continue. All those drivers are still in place. And that gives us the comfort that market outlook is better. There was a media article or there was a research report that I saw saying pricing could also be an issue. And I believe that is the benefit of consolidation.

We haven't seen any big price rise in the last 3-4 months. That's a positive news as well, that these stable prices, conducive, religious, auspicious, splash, whatever it is, those sentiments should continue. Because there is no macro or a financial parameter which is hurting the sector right now. be it interest rates, job losses, availability of loans. It was the emotional sentiment. Therefore, at some stage they will go away. So we don't see those as a permanent hurdle or a setback for the industry for a longer term.

Tanya Desai: Okay, so thank you so much. That was really helpful.

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

Gopalakrishnan J.: On behalf of Shriram Properties, I wish to thank everyone on this call for their time. And I want to reassure and commit that the company is committed towards ensuring sustained growth momentum. And we're working towards it. And this quarter, second quarter is an aberration in our view. And therefore, we are confident of delivering meaningful growth and earnings in the coming quarters.

So look forward to staying in touch with each of you. And hopefully, we will see much stronger earnings and support from all of you in the coming quarters. Thank you once again for your time and look forward to talking to you sometime in the near future. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Shriram Properties, that concludes this conference call. We thank you for joining us and you may now disconnect your lines.