Shriram Properties
Homes that live in you

23rd February 2022

National Stock Exchange of India Limited The Listing Department Exchange Plaza, 5th Floor Plot C 1 – G Block Bandra-Kurla Complex, Bandra (E) Mumbai 400 051 Scrip Code: SHRIRAMPPS	BSE Limited Dept of Corporate Services Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 001 Scrip Code: 543419

Dear Sirs

Sub: Transcript of Investor/ Analyst Meeting- 15th February 2022

Further to our letter dated 12th February 2022, regarding the conference call with Investors / Analyst, please find attached the transcript of the conference call held on 15th February 2022.

We request you to take the above information on record.

Thanking you.

Regards

For SHRIRAM PROPERTIES LIMITED

SHRIRAM PROPERTIES LTD.

D. SRINIVASAN
COMPANY SECRETARY
FCS 5550

"Shriram Properties Limited
Q3 FY 2022 Earnings Conference Call"

February 15, 2022

ANALYST:	**MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES**
MANAGEMENT:	**MR. MURALI M, CHAIRMAN AND MANAGING DIRECTOR - SHRIRAM PROPERTIES LIMITED**
	MR. GOPALAKRISHNAN J, EXECUTIVE DIRECTOR AND GROUP CFO - SHRIRAM PROPERTIES LIMITED
	MR. K.R RAMESH, ED- OPERATIONS - SHRIRAM PROPERTIES LIMITED

Moderator: Ladies and gentlemen, Good day and welcome to the Shriram Properties Limited Q3 FY22 Results Conference Call hosted by ICICI Securities. 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. Adhidev. Thank you, and over to you, sir.

Adhidev Chattopadhyay: Yes, thank you, everyone for joining us on the call today. On behalf of ICICI Securities, we are pleased to host the management of Shriram Properties on their maiden conference call to discuss the Q3 FY '22 results. From the company management we have with us today Mr. Murali M, the Chairman and Managing Director; Mr. Gopalakrishnan J, the Executive Director and Group CFO; and Mr. K.R Ramesh, the ED - Operations. I now like to hand over the call to the management for their opening remarks, tell us a little bit about the company, how the quarter has been and how the road ahead looks. Over to the management. Thank you.

Murali M: Thank you, Adhidev. Good evening friends. This is Murali here. I'm pleased to welcome you all and thank you all for joining our first investor analyst earnings call post our listing. We sincerely thank ICICI Securities for hosting this event, and especially thank Mr. Adhidev for moderating the call today. Friends, I'm sure you all have seen our press release for Q3 earnings. And also assume you have accessed the presentation uploaded on our website, as well as the pocket changes earlier today.

Friends overall, it has been an encouraging quarter for us, as we have reported positive net earnings consistent with our expectation of turnaround in the year FY '22. Our focused efforts to ramp up and build scale, leveraging strong operating platform built in the recent years are yielding results. I'm very happy to state that despite macro headwinds, we've been able to deliver very strong volumes, both during the quarter and for the year to date. Stable quarterly sales run rate of 1 million square foot plus is quite encouraging. Our execution ramp up in the recent quarters has been very satisfying as well. Supported by very strong project pipeline, we are confident of sustained growth momentum. Improving scale, operating leverage and rising share of development management income should help in improving profitability further. We believe we are on the right path to sustained profitability. I will request my colleague to walk you through the overview of Shriram Properties and also highlight the performance for the quarter and the year, as well as the strong visibility we have on the earnings over the next year or two.

I will request my colleague Gopal who is the ED and CFO to go through a brief presentation. After that I'll take questions that any of you have. And we'll be equally keen to continue our interaction even outside this call in the coming days to ensure that you're able to appreciate the compelling investment case in Shriram Properties Limited.

With this, I request Gopal to make a presentation please.

Gopalakrishnan J: Thank you, Murali. My name is Gopal and I am going to use the presentation that is already on BSE NSE website. So I might refer a few page numbers from there. Over the next 20 minutes, I will try and walk you through our current performance as well as outlook.

Starting with Page 3 of the presentation, as an introduction, we are a pure play mid-market, affordable housing company from the south and one of the few professionally -- truly professionally - managed real estate player in the listed space .

We are part of the Shriram Group backed by globally renowned PE investors, who own 35% of the Company even post listing. We are among the largest - top three, top five players - in each of our core markets. As I said we are a pure play mid market housing company. 90 plus percent of our portfolio historically has been in mid market affordable housing space, will continue to be in the same space with 87% of our portfolio forward as well.

We have demonstrated our track record over the last few years. We have ramped up quite aggressively post RERA taking advantage of the consolidation ongoing in the industry and we have scaled up very nicely and stabilized to the higher level. To sustain the growth momentum, we have built a very strong pipeline, 35 projects, 47 million square feet of development potential. Over and above this, we have some residual land bank that we have for FSI sale and is the only land bank that we have in this company.

To clarify, we are not a land banking company. We primarily acquire land parcels for the project, barring exception of Calcutta, we have no land bank in the company's portfolio.

The other theme that we have followed for 20 years is the asset light nature of our business model. We have always traditionally focused on JV/JDA, about 87% of our portfolio is in that JV/JDA space. And we also kind of pioneered the development management model in the southern part of the country, which was about three years ago. That has actually stabilized very nicely. It is making a material impact now, which I'll walk you through as we go through in this presentation.

Just looking at the Slide 4 our journey so far, as I said, top three top five player, midmarket player and established leader in southern regional of the markets. Strong execution platform built consciously over the last few years, taking advantage of the consolidation that is going on in industry. We have incurred some significant management time, energy and costs in building this platform, which we believe is now well fed and well oiled. Therefore, with improving scale and efficiency and the strong pipeline that we have, our margins are poised to grow. And the beginning of that was evident over the last couple of years, and called -- on a quarterly basis, we have been improving our overall scale, revenue recognition, as well as we are able to see now a material impact or material improvement in our profitability, which we believe is sustainable.

Looking at the operational highlights for the quarter and the nine months on Slide 6, our overall volumes for the quarter has remained very stable at the 1 million mark on a quarterly basis. We have been working consciously towards stabilizing volumes in the 1 million plus mark on a quarterly basis, and we have been able to reach that despite macro headwinds over the last few quarters.

If we look on a nine month period, we have achieved about 2.6 million square feet of delivered of the pre sales, reflect a 56% growth on Y-o-Y basis.

On a sales value basis, we have achieved about INR 1,000 crore sales value . I must clarify here quickly that the sales value is a combination of both our apartment sales as well as plotted development sales. And therefore, you would get a misleading number when you divide the total sales volume divided sales value. I would request you not to jump to any conclusion on the sales realization by dividing these numbers.

On a comparable basis, if you look at, our average realization is about INR 4,500 per square foot for constructed apartments. Plotted development, we sell anywhere between INR 1,800 to INR 2,400 per square foot depending on the micro-market. So, the blended average realization is what you will see here as the sales value.

On the collection front, the quarter has been extremely good as well. INR 314 crore of collections, up nearly 30% quarter-on-quarter from Q3 current year versus Q3 last year. On a nine month basis, if I look at we basically have INR 843 crore of total collection this year, reflects a 64% growth year-on-year.

On the construction side, we have actually made a remarkable improvement in construction during this quarter as well as during the first nine months of this year. Construction spend has nearly doubled to INR 137 crore for the quarter and INR 423 crore for the nine month period. You would notice in the presentation that INR 250 crore was the full year spend last year. That clearly shows that we have managed to overcome the challenges of labor migration that we saw last year post-COVID 1.0. We now have 5,000 labors across all of our sites as compared to 4,200 labor pre-COVID. So overall, operationally, the quarter has been good. And also the nine months has been extremely encouraging. We believe the momentum will continue.

We've had 8 successful launches for the nine month period. We have very successful launches as highlighted in page number eight. All of these launches have delivered very good response to us. What we measure ourselves is a metric called sales at launch, which is nothing but the actual sales realized in the first 90 days of launch, formal launch. And we have consciously tried to reach a 35%, 40% number in each of our projects over the last three, four years. We've stabilized in that 30% plus range. During this year, they've been more encouraging. The weighted averagesales-at-launch has been around 45% for the past nine months, which clearly means the project when you get a 50 plus percent of sales volume sold at the launch period and you do a subsequent sales in the remaining three, four months period, first six months if you achieve 50%-60% of the project inventory sold, that actually de-risks the project as the collection from customers, and a very marginal working capital or a construction finance required would take care of the project execution. That has been a conscious strategy that we have built. And I think it's working very well.

You heard us talking about DM consistently through the entire road shows as well as in subsequent communications. DM has been a strong growth driver for us, and we believe it will remain a growth engine for Shriram. What do we do in DM? We provide end-to-end solution to our customers, which is primarily the smaller developers and the landowners. We take over the project from them. The land is owned by the landowner company SPV. We become a contractor, we provide end-to-end solution for them, right from project planning, launch, sales, collection, construction, execution and handover. Everything is done by Shriram in the brand of Shriram.

Landowner remains at the end of the waterfall as a residual beneficiary of the project cash flows. And therefore this model has worked very well for us over the last three years. Today, it accounts for one-third of our project pipeline. As you could see from Slide 9, between 35%-38% of our sales volumes on any period that we look at is now in DM model. And DM revenues account for about 22% of overall revenues as well. We believe it's a scalable, sustainable and a profitable model. And we'll continue to focus on it as our future while remaining focused on JV and JDA as our other alternative formats of development as well.

Turning to Page 10, we've built a very strong pipeline, as I said, in the opening remarks, as you might have seen from the RHP and we have 35 projects, 47 million square feet of development potential well spread between ongoing and the future projects, 26 out of 46 is the ongoing projects, of which 21 million has been launched. Remaining are the additional phases of our ongoing projects so they are yet to be launched. Out of the 21 million square feet, 85% is sold, remaining 15% will be sold as we progress the construction, as we go through the project lifecycle or the next year or so, which basically means we have a very small residual inventory in these ongoing projects.

Number two, we do not have any inventory in completed projects. That's a big positive and benefit of being a mid-market affordable housing player. Therefore, the future growth pipeline will help us sustain growth momentum as we have only 15% of ongoing projects as left as sustenance sales. And that's why the forward pipeline becomes very important for us.

We have a nicely stacked up projects which are PUD means projects under development as disclosed in the prospectus. These are all the approvals all the land everything is under control and waiting for some last set of approvals or registrations with RERA. So they are getting very close to launch readiness. FC, which is basically forth coming projects means projects are still being baked, it might need some last leg of approvals maybe pending. In some cases, maybe a last milestone or last leg of land acquisition might still be pending, either by us or our JDA or our DM partner. So they are probably still some time away from launching.

So we have nicely staked up maturity profile where some part of the pipeline is ongoing, some projects getting ready for launch, and some will take another year or so to get ready for launch. So that we believe should help us in continuous launches and therefore sustain momentum.

After filing RHP or since November when we filed the RHP we have signed more projects as you can see from

Slide 11. We have signed five more projects, adding up to -- aggregating to 2.3 million square feet of development potential, both in Chennai and Bangalore, both in the DM and JDA formats. And they are at various stages of launch readiness, and therefore, they would actually be taking off on a nearly immediate basis. In addition, we also have another 11 or 12 projects at an advanced stage of closure which will add another 10 million square feet of development potential across models, both JV/JDA, DM as well as some of them are our own.

So, all of this we believe should consummate and result in a very strong robust pipeline for us before the year-end that will support the accelerated growth that we are targeting. Even with that level of enhanced volume, it will support us for the next three to four years in terms of growth. So I think the growth ingredients are already in place.

I'll talk about the execution and therefore earnings visibility. But before that, I would like to walk you through financial highlights, both for the quarter and for the nine month period. Slide 13 gives you a snapshot of how the quarter has been, as Murali said in his opening remarks, after a gap this is our first quarterly positive earnings. That turnaround is very encouraging. We believe this is just a beginning as expected and as indicated through the entire road show process, we are on a path to recovery. And we believe with the improving scale, I'll talk about the drivers behind the past, but fundamentally, we lacked operating scale because we were building the organization for a 5 million square foot of throughput on an annual basis.

As you would know, AS 115 forces us to recognize revenue only when you complete and handover. The historical volumes that we did in 2016, '17, '18 is what is getting handed over and therefore, the scale was missing. With having sold almost in the 3 million to 3.5 million square foot range over the last three years. They're all coming up for completion and handover over the next 24-36 months. I'll give you some of these numbers as we go through. But fundamentally these improving operating scale, rising share of DM fee, which is a fee income and therefore flow through in the P&L, combination of these two should help us see EBITDA margin stabilizing at a much higher level.

On a full year basis, we believe we should be able to be in the mid-20s or higher than that levels. And we should be able to stabilize fairly quickly. Q3 if I look at the very current quarter alone, our total revenues have been INR 1.3 billion or INR 130 crore and we reflected a quarter-on-quarter growth of 38%. On a Y-o-Y basis, the numbers were slightly lower, primarily because the overall revenue recognition or the registration that we did is lower during this current year, because last year, we had a much higher Q3 registrations as a result of the pent up registration demand. Meaning the first six months of last fiscal, we lost five months out of the six months because the COVID, registrar offices were closed. And therefore there was a lumpiness in the overall registration in Q3 last year. And therefore we had a year-on-year drop.

But overall EBITDA if you look at we have on our current quarter against INR 130 crore of revenue. EBITDA is about INR 53.2 crore or INR 532 million reflect a very strong growth both on a Q-o-Q and Y-o-Y basis. EBITDA margins are higher than what we believe should be a normalized EBITDA, primarily because we were able to income recognize in some of our plotted development in micro market, they were high margin markets. They are Shriram Earth (Whitefield), where we had our own plotted development, which came in for revenue recognition this quarter. And that being given the micro market that you all are fully aware, it’s a high margin micro market and therefore we had a higher margin.

Second, as you would have seen from the notes to the accounts, one of the projects where we surrendered or we renegotiated the development rights, we acquired phase two and phase three of the project as our own JDA. And therefore we partly completed and handed over DM rights in one of the phases of the project called Divine City in Mangadu in Chennai. As a result, we had an income recognition of INR 12 crore. A combination of these two took the EBITDA margin at a higher than usual number of 41%. We believe mid-20s is the margin that I think is sustainable on an annual basis.

We had negative earnings in the past, as I explained because of operating scale mismatch between the earnings –as a result of recognition of current costs and historical sales volume related revenues. That's a basic simple one line summary of why we were suffering in the past. So we have turned around, and we believe this will be a sustainable turnaround. And as we have been maintaining through the entire road show, that FY '22 would be a year of turnaround for us. And, we see a very strong growth in earnings with revenue recognition of all volumes that were sold over the last two, three years, coming up for income recognition in FY '23 and FY '24. And therefore, we see the momentum continuing.

I'll go into more in detail in the next slide. But fundamentally, Page 14 gives you a very simple summary of the entire P&L that we have. As I said, positive earnings, encouraging turnaround, consistent with our expectations, improving operating leverage and rising share of DM income, supported higher profitability and earnings for us.

And individual component if I look at, as I said earlier, pent up registration from H1 helped us in recognize more revenue this year. But more importantly year-on-year basis, it suffered primarily because last year was a higher base in terms of number of registration that we did. Other income is lower primarily because of lower interest income on short-term loans given to JVs, as well as in some cases to the DMs partners -- DM projects, where it might be waiting for its own financial closure. And so we might have extended short-term loans to them. Otherwise, we don't have exposure to DM projects financially.

Overall cost growth has been slow and fundamentally reflect the nature of projects that have come up for income recognition. Operating costs are only 7%, employee costs lower marginally. That reflected improved EBITDA margin that I said few minutes ago. We're working towards bringing down interest cost, but fundamentally, current interest costs are marginally lower, 12% lower on a Q-o-Q basis. And we believe the interest cost will drop consistently when you go through the IPO proceeds related pre-payments, as well as some debt restructuring or debt refinancing that we're trying to do, moving away from

NBFC focus to a bank focus, because we don't have a land related debt in our books. It's all project specific construction finance. And therefore we should be able to move to bank funding, especially having become a listed company with the current rating of BBB +, we should be able to refinance them in a banking market. And that should help us bring down finance costs.

So, overall if you look at, encouraging Q3, slightly lower year-on-year on most metrics, and on a Y-o-Y basis for nine months period, revenue from operations down 22% year-on-year, largely due to some delays in registration, revenue recognition in some projects. Notably Southern Crest and Grand One, these projects were originally scheduled for this year's first half and then got postponed to 3Q registration that has got further postponed to year end, primarily because of labor migration last year set us back in terms of construction milestones. They're now catching up and therefore we should be able to recognize these revenues, a few months of movement here and there.

We are now back in control in terms of construction activities. Pre-COVID, we had 4,200 people across all our sites, went down as low as 900 as you would have heard from other listed players, and therefore construction milestones had to go through a little bit of revision, but we got them back quickly in November 2020. Jan '21 onwards we have been having rising trend. Started with 4,500 in January and now we are standing at 5,300 people across all sides. So we're back in control in terms of construction progress. And therefore we should be able to recognize income in Q4 as well as in Q1 some of these projects. EBITDA has remained flat. EBITDA margins are about 31% in nine months, as I said we would strongly urge you to consider a mid-20s as a more sustainable margin for this company.

If I move to the next slide, cash flow, which is more critical in our business as you all appreciate, we had fairly positive cash from operations this quarter. We have been having an improving trend in operating cash flows, cash flow from operations. And we've had an improving and encouraging trend and that continued even in Q3. We see this trend continuing in Q4, with much larger positive cash flow, because one of our DM projects, an office complex in Chennai is nearing closure . And those cash flows will also start coming to us in Q4 of this year and in Q1 of next year.

So overall, we see a cash flow profile very strong, as you might be seeing two tables in Slide 15. The table on the left is SPL consolidated. Table on the right is the SPL along with the 100% share of JV cash flow, because that's our controlled cash. Because these JVs are joint venture with landowners and therefore these are controlled cash by us. And that shows the true picture of our operations. And if you look at that, it continues to have positive cash from operations as well as strong liquidity at around INR 365 crore that centers across all our operations as of the December quarter end. We see the liquidity remaining strong and improving in fact, as we go through.

Shifting to balance sheet, we have traditionally had a low gearing in our company, prudent practice, same value system that we follow across the Shriram Group. Low leverage is always beneficial and prudent in our business and it's a debt heavy sector and therefore, low gearing level will always ensure competitive advantage for us in the marketplace. And we're continuing with the strategy. Post the IPO as of December, the IPO proceeds were in cash and cash equivalents. And the net debt is at 0.3:1. Post December, we have repaid some of the loans which were intended for pre-payment of loans as from IPO proceeds. We have done about INR 140 crore of pre-payments in January, we intend to do remaining INR 60 crore pre-payments during February and March.

And therefore by year end or net debt will remain around the INR 300 crore mark, but cash and cash equivalents would have been used for repaying gross debt. So interest burden will come down for the full financial year next year.

Apart from that, as I said, we have a strong operating cash flow coming in with closure of projects. Therefore, we have enough growth funding as well available. And our interest burden should go down with refinancing efforts that is underway.

If I shift gear and talk about what do we see for the next quarter and few more quarters to come by, very briefly, I'll touch upon Slide 7, and then I'll cover longer term outlook in a slide further down.

Q4 visibility remains strong for us, fundamentally, based on the volume that we have sold for the last two, three years and executive schedule that we have, which we believe we are back on track now post-COVID aftermath. Therefore, we see a very strong revenue recognition visibility and that should actually give us enough headroom for Q4 revenues and also EBITDA.

Looking beyond the strong volume outlook, it is also actually supported by three planned new launches during Q4 as well as we have a few other additional launches prepared. If the market window permits, we are fully prepared to do additional three to five launches, these are multiple phases of current ongoing projects, where the inventory is almost over. And therefore we would be prepared to launch additional phases of these projects.

So overall supply side we have enough supplies fully baked. Therefore, we should be able to achieve the targeted volume as we have said consistently, targeting to have 25% to 30% growth in our volume for this year. Targeting to close this year with about 4 million or thereabout and growing to about 5 million or thereabout next year and sustain the volume growth momentum at around 20%-25% on a three to five year basis.

From a construction outlook in the short term, as I said we are caught up with the construction milestones. Construction spend is a clear indicator of how aggressively we are caught up. Our nine month spend is far in excess of what we did the whole of last year. We expect to close the year between INR 500 crore to INR 600 crore of construction spent, which basically compares with INR 250 crore of construction we did last year. So nearly doubling our construction on a full year basis also, we believe is possible.

And collection outlook is also equally encouraging with milestone being caught up, demand not going out, we see collections actually strengthening as well as we go through the rest of the financial year and next. As I talked about strong visibility, we have five projects which will account for 80% of Q4 revenue recognition. Of this, two projects are just waiting for OC, Southern Crest in Bangalore, Grand City in Kolkata, and we expect them in the remainder of Q4. Therefore, we should start getting registration process beginning.

The other four projects that are planned for revenue recognition, Vizag, one in Bangalore and one plotted development that we started already. All of these are only registrations are pending. Therefore, the bottom line I'm trying to highlight is the revenue recognition visibility is there. Under 115, we should be able to recognize as we complete and handover these units to our customers.

DM fee is an integral part of our growth and our revenue strategy. We see a very strong outlook for DM. Over the last couple of years we have grown DM fee income consistently. And we see INR 120 crore to INR 150 crore annual DM fee potential based on projects signed already. I am not including the projects that have been signed post RHP or post prospectus. But notwithstanding that, we still have a very strong DM recognition potential and that should be stabilizing around annualized rate of INR 120 crore- INR 150 crore. Q4 also, we see strong potential from these DM projects.

Looking a little longer term, we've been targeting to reach 4 million square feet and should reach there comfortably this year. And I think, despite COVID, NBFC crisis, despite these repeated interruption from COVID 1.0, 2.0 and now Omicron, we still have been able to sustain this 1 million square foot per quarter run rate. And therefore, we believe we should be able to maintain and grow from here. And to support that we have enough projects coming up, ongoing projects aggregate to about 26 million sft, 21 million sft is launched out of which 85% is sold.

Based on these projects therefore, when we complete and handover we shall have revenue recognized. We believe for the next 24 months, 15 million to 18 million square feet will be recognized. You must have seen from the Slide 1, over the last several years, we've achieved 17 million square feet of delivery. We're talking about doubling our delivery in the next 24 months based on ongoing activities. It's not only aspirational delivery volume. So that should actually present a very strong revenue recognition potential for us.

Looking little longer, all the cumulative volume that we have sold till December 2021, should help us achieve nearly two thirds of our projected revenue over the next three years. That basically means we have a very strong visibility on the volume that are going to be driving this revenue recognition. So as long as we complete and handover, we should be able to recognize revenue. That's why we are focusing on execution now. And as I said a few minutes ago, we believe we are on the right track, we should be able to achieve our completion and handover targets.

So overall, we have a very robust financial outlook and we are on a path to recovery in FY '22. And our efforts over the last two years or three years have endorsed that fact. And you would have seen the ROCE chart, couple of years ago when we first started interacting with external capital market investors the question was, what is the sustainable operating margin? Will you scale up nicely or is only aspirational? Will you reach a stable steady state operating margin, which is comparable to industry average or resi player margin? Where will you reach ROCE?

We believe over the last two years we have managed to prove or demonstrate our progress on all of the three. We scaled up from less than 1 million square feet annual volume in pre RERA environment to 3 million, 3.5 million square feet steady state volume over the last two years. We are now fully set, the machine is well-oiled platform is set and therefore we believe we should be able to rise from this 4 million square foot in FY '22 to 5 million and then reach at 20%-25% CAGR annually.

We've also apart from ramping up and stabilizing, shown improvement in operating margin over the last two years. We have already reached the 22%-23% operating EBITDA margin, we believe we should be able to stabilize in the mid-20s. ROCE used to be about 3%-4% ROC a few years ago, you would have seen the chart in Slide 16. On an audited accounts basis, we were already at 7.4%. We expect to see double digit ROC fairly soon. We believe we should be able to stabilize around mid-teens in a foreseeable future.

Just last couple of slides, I'm not obviously going through the industry outlook, all of you are experts in it, and we learn from youand therefore, I don't want to be investing your time into explaining the sector. It just suffice to say, the sector seems to be on the cusp of a new growth era. It's actually in a sweet spot today, because a variety of fundamental factors, which all of you know and you keep writing in your research, and therefore we read from there. Therefore, I don't want to invest your time into explaining them. It is suffice to say large branded player is seen in the market. We've established ourselves as a large branded player over last several years. We're reaping the benefits today, the consolidation is going to continue. And we believe therefore, the ground is well set for us to be able to continue our growth momentum.

Just looking very briefly on the last two slides. Slide 22 just summarizes what our strengths in the markets are, what we're thinking of doing. We are continuing our strategy that has helped us grow. We are actually unlocking value from Bengal. We are going to focus on DM as a growth accelerator. I will take some of the questions on DM and Bengal in the Q&A. But I just wanted to draw your attention to Slide 23 and 24, which explains more about what our unlocking strategy in Bengal is and how do we see DM model as a growth engine for us.

With that, I just want to summarize saying very strong brand. Well governed company. Trust, transparency, governance have been pillars for Shriram Group. And that applies to Shriram Properties as an integral strategy for us. Proven track record of growth and improving profitability by now, strong growth outlook not just for the sector, but also for us, supported by a pipeline of projects, which is growing as we speak in a positive industry environment. With a strong balance sheet, we believe we should be able to grow and deliver value for our shareholders.

I'll stop here, and we'll be very happy to take questions from you.

Moderator: Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchstone telephone. If you wish to remove yourself from the question queue you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from the line of Biplab from Antique Stock Broking. Please go ahead, sir.

Biplab Debbarma: Good afternoon, sir. Hope all is well. Sir, my first question is regarding your business model. You have DM and JDA -- mostly DM JDA projects. Could you give us some color like what proportion of your sales that sales booking that you do? What proportion of that is from DM and how much from JDA?

Gopalakrishnan J: Yes, I will make an attempt and then my colleagues will join me.

Biplab Debbarma: And also…

Gopalakrishnan J: Over all on a nine-month basis.

Biplab Debbarma: Yes, sir. Sorry.

Gopalakrishnan J: So, JV/JDA is accounted for about 50% of sales volume during this year. DM accounted for 38% of sales volume during this year. But more importantly on an overall pipeline basis if I look at that determines what's our overall outlook. About a third is DM and about 40% odd is between JVs and JDAs. So that's fundamentally how we are spread from our long-term perspective as well.

Biplab Debbarma: Okay. And sir typically what is the DM? Like how much -- typically how much do they share? How's the structure you do DM –and what's the DM fee that you have in DM projects?

Gopalakrishnan J: Yes. So, as I said that we have about 13 DM projects signed already, there are some in the pipeline. When we started, we started charging DM fee, which is core marketing and CRM activities and project management. For that we used to charge anywhere between 12% to 16% or actually 10% to 16%. Our median DM fee, till recently was about 12%, which primarily goes up if we have to absorb additional costs, which means, as I said earlier, we do end-to-end. We provide our product design, development, marketing, our brand, marketing, sales, collection, construction and handover.

If the selling expenses and everything has to be borne by the landowner company, which is the DM Company, we then collect only the fee for marketing, CRM and project management, which is averaging around 12% on a weighted average basis for all the signed contracts. If we have to absorb the marketing costs to Shriram, we simply gross that out. So, therefore, some of the contracts actually go up all the way to 20% as well, depending on what all we add and delete. But it is suffice to say on a comparable basis, if I have to say what is your core DM fee, which is only manpower cost will be the cost for you what is the core DM fee, it will be 12%.

Biplab Debbarma: And sir, what are the responses -- like do you have to -- suppose there is a project I am the land owner I come to you and say sir you do my project this is my land, you do the DM project and all? So whose responsibility it is to get approval, to get funding like debt funding, and in RERA, would you be the co-promoter?

K.R Ramesh: It's Ramesh, I am replying your query. First thing is, depending upon the kind of opportunity in some cases, land owners may come to us who himself is a developer with approved project also. So, once the approved project comes here depends upon the kind of design which we have, we will take up the project. If there's any design changes there, then we suggest that. So design is also done. So approval also we take up the responsibility in case it is necessitated for the project sale. This is regarding the approval.

As my colleague said, we take end-to-end from the project design, approval, construction, handover, and some cases maintenance as well. So this entire gamut will be taken by us. In one or two cases where it is pure marketing we do only the marketing and CRM related and handover related things. So, generally barring few cases we take up only from the beginning to the end, end-to-end spectrum we will consider. As far as funding is concerned, it depends upon the project viability, we decide what fund is needed primarily to fund the working capital requirements of the particular project.

Normally, we don't allow any kind of fund outflow from the project other than what is required of the project. So, the funding in some cases we take the responsibility, we may give certain guarantee depending upon the cash viability of the project. Other cases it is the responsibility of land owners themselves.

Third question in terms of the RERA, the RERA because as we are explaining, the entire sale and construction is done by the land owner company only. So, legally, they are the promoters in any case, we are registered as a service provider and we are commercially responsible for it, legal responsibility will be with the land owner. Since our brand name is at stake, we ensure that all RERA compliances, including filing and tax filing will be controlled by Shriram Properties because we're manager. Hope I could answer all your three queries.

Biplab Debbarma: Okay, that's great. One final question if I may please. On Kolkata,you have presence in Kolkata. What my understanding is that Kolkata is the market where the pricing has not seen much escalation for many years. And also the volume has not been increasing as we may have seen in other cities. Can you give us some insight on this? How's the market overall Calcutta as a real estate market?

Murali M: Yes, this is Murali here. Calcutta as a market has been extremely, extremely positive and good for us. We have launched the phase one, which is about 2 million square feet 2,300 apartment and apartment Grand One which is called, Shriram Grand One which we have fully sold. We are hardly left with any inventory. We start handing over the apartments by April. So there is a good response to that. And phase two is called Shriram Sunshine. It has got about 3,200 apartments, first phase of it we launched about 1,200 apartments. We have already sold about over 800 apartments in that. We have launched second phase of it with another 1,200 apartments. Again, we've got a good response so far. Calcutta, we've done exceedingly well. And our land is very, very strategically located. It is about 20 minutes from Howrah by train and also well connected through the highway. As we speak now, we have got tremendous response for all the housing offering. And also we are in active discussions with people who are interested in setting up warehousing in our location.

So we'll come back to the market soon with output on what is happening on the warehousing development. So people have shown a lot of interest in buying large fraction of land for warehousing, and data center. So Calcutta, we remain extremely, extremely bullish and positive.

Biplab Debbarma: Okay, that's great. Thank you, sir. Thank you so much.

Gopalakrishnan J: Just to submit one last message. So you talked about Kolkata volumes have not grown. I think whatever we read from the public reports, like Anarock recent research also talks about the strong volume momentum in these markets. So that's consistent with what we're seeing on the ground. Market has actually been reasonably active and vibrant. Just wanted to point out.

Biplab Debbarma: Okay, okay. Thank you, sir.

Moderator: Thank you. Ladies and gentlemen, anyone who wishes to ask a question, may press '*' and '1' on their touchtone telephone.

Adhidev Chattopadhyay: Hello, yes, so this is Adhidev here again from ICICI. Sir if you can just elaborate on sort of price hikes we have taken across projects in this year. If you could break it up between plots and apartments and how it has been across different cities in Bangalore, Chennai, or Kolkata? If you could give us a perspective on how you're also handling the input cost inflation? That is my first question.

Murali M: With respect to the price increase, we estimate the price increase to take place steeply. I would estimate maybe in the next 9 to 12 months time, price increase could be about 10%, particularly in Bangalore and Chennai markets. Calcutta, we expect the price increase to happen at least about 8%. That's my estimate in the next 12 months time. Some of our projects, we have increased the price in the last two quarters. And we also expect to increase the price in the next quarter also in some of our projects. So in overall, we anticipate in the next six months time price increase of at least about 5% to 8% across all the projects.

Both plots and apartments, there has been a constant demand, hence we are looking at increase in prices.

Adhidev Chattopadhyay: Okay. Sure, sir. So the next question is basically on our unsold inventory. As you mentioned, we don't have much inventory to sell. And if we're looking to launch new projects, you could just broadly share with us the unsold inventory levels like how many months or what is the value of this unsold inventory? And what is the value or area of the projects you're looking to launch in the quarter's going ahead, in order to achieve our guidance, which we have stated?

Murali M: As we have seen last nine month time, we have launched five new projects, over 2 million square feet, we have done 45% on sale, which is one of the best benchmark across the industry. We have a very healthy trend of project sales at launch. So since, we are catering to embark in an affordable housing, where there is a tremendous demand and as a brand, we have a very strong credibility in the market, we have been able to sell the projects whatever is launched.

So one such example is that in the first nine months of the year, across five projects over 2 million square foot 45% on sales is a excellent number. So hence we have close to zero inventory on the projects completed. Gopal can give you specific numbers.

Gopalakrishnan J: Yes. So, on the launched projects, as I said 26.3 million is our ongoing projects, out of which 22 million is launched and of which 2.67 million square foot is the inventory as of the end of December. Will add to a potential sale value of about INR 1,200 crore to INR 1,300 crore as an unsold value in these projects. And the additional 4 million square foot can come from these ongoing projects alone, in terms of the multiple phases that can be launched. So we have a 4 million there. And we obviously have our projects under development.

If I look at the specific launches that we are planning, we're planning for, as I said earlier, three new launches in Q4. And we are also prepared enough for three to five additional phases of our own ongoing projects. So three projects new launches that we are talking about would be adding about 1.25 million square feet of saleable area, which we believe we should be able to launch in remainder of Q4.

Additional ongoing projects, as I already told you 2.67 million is the unsold inventory from the launched projects. 4 million is not launched projects from ongoing. Out of it, we think we can be prepared to launch about 2 million square feet if the market window permits. So we only have 45 days right now. Otherwise, they'll slip into Q1 of next year. Apart from that we have eight launches planned in FY'23 aggregating to about 3.6 million square feet based on projects that we have already firmed up or signed up already. So they would have a revenue potential of somewhere close to INR 9,000 crore or there about.

Adhidev Chattopadhyay: Okay, okay. Sir that was pretty helpful. And sir with this Omicron impact and everything, so are we still confident of achieving this 4 million square feet guidance? What are the upside or downside to that number? That is my last question.

Gopalakrishnan J: We should be able to achieve our estimated number. We have made a lot of measures in managing this COVID. In fact, pre-COVID we had about 4,000 labors approximately. Now, we've got about over 5,300 labors across all of our sites. And we have taken a lot of initiatives in ensuring educating the labours to take vaccination, we have conducted vaccination drives and trying to keep all our workers onsite very, very healthy. So we should not have any major impacts because of the COVID impact. So we should be able to achieve our number comfortably.

Adhidev Chattopadhyay: Okay, sir that was very helpful. That's it from my side. And thank you and all the best.

Moderator: Thank you, sir. So we have the next question from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead, sir.

Biplab Debbarma: Sir, thank you for taking my questions again. If I'm not overshooting the time. Sir two questions, one is what is the on-ground market scenario like in the three cities that you're operating? How are you seeing better traction? I mean, just wanted some insight like what are the sweet spots in each of this market? How things are different in terms of inquiries earlier compared to now, and say pre-COVID or say one year ago? And what kind of interest you are seeing like, when we saw rebound in real estate residential, we saw customers interest towards completed projects or nearing completion projects? So now, what are the trends and traction that you are seeing in terms of ticket size? What are the sweet spots? What kind of project do they prefer? How are the inquiries level and how are the conversion levels in each of these three cities? Thank you, sir.

Gopalakrishnan J: How the market dynamics have changed.

Murali M: Okay. See post COVID particularly I mean immediately after the COVID there has been some kind of a concern. But, things have changed quite a lot. There has been a good demand, which have come up now. A lot of people who were not looking at buying homes, they all come into buying homes today. So the demand has only gone up post-COVID now. Particularly on the mid market and affordable housing or the way the first time homebuyer is looking at, the demand has substantially gone up and across all the markets, whether it is Bangalore or Chennai or Hyderabad, Calcutta or Pune. So, where we are operating, the demand has gone up post-COVID. So, we are also seeing good progress in absorption of all our projects across the cities.

Biplab Debbarma: Hello?

Murali M: Yes, please go ahead.

Biplab Debbarma: No sir, I'm also saying like, what are customers still preferring, the ready to move-in inventory, nearing completion inventory or you are seeing increasing share of customer interest in under construction or in newly launched projects?

Murali M: On the mid-market and affordable housing it's a continued demand for the projects, which are under construction. For the luxury projects people prefer to have finished once. That's what is the trend today because on the midmarket and affordable housing customer also needs some time for him to mobilize, to meet his aspirational home. Hence, there is a strong preference for projects under construction on the midmarket and affordable housing segment.

Biplab Debbarma: And sir, what would be the typical sweet spots in each of this market that you are selling?

Murali M: Bangalore on the apartment, it is somewhere between INR 50 lakh to INR 1 crore. In Chennai it is again INR 40 lakh to INR 80 lakh is Chennai. In Calcutta it's between INR 30 lakh and INR 60 lakh is what we are seeing big demand. On Villas, across all locations it's about the INR 1 crore to INR 2 crore, INR 2.5 crore.

Biplab Debbarma: So you continue to remain upbeat. Outlook is quite positive for real estate in these markets.

Murali M: Yes. We have very, very optimistic view.

Biplab Debbarma: That's a great news sir. Thank you, sir. That's all from my side.

Moderator: Thank you, sir. We have the next question from the line of Soumya Sarkar from JM Financial. Please go ahead.

Soumya Sarkar: Yes, so congratulations on great Q3 numbers. So I just had one question pertaining to the DM model. I am clear about the fees and all that it's like 12% to 15%. That's fine. So you told about there is a cash waterfall to the land owner. So I just wanted to know like, can you just throw some light on the cash waterfall. And what kind of margins can we expect to unlock after the waterfall, just according to the DM model, so just about this.

Gopalakrishnan J: So there are two ways to look at this. One is from our perspective as a DM partner -- as a DM service provider. For us, the 12% is the clean fee, minus my allocated manpower costs will become the EBITDA or PBT. Because there are no other costs it flows through. So based on our experience, we believe this 12% minus our allocated manpower won't be more than 2% or there about. So we're talking about 9.5% to 10% of PBT from this business as a percentage of project revenue. As you know, we recognize only the fee income so the EBITDA margin will be very high. And I'm not getting into that because it really pass through so 75% plus of the fee should be the flow through.

From a landowner perspective therefore he is paying us 12%. And we don't do projects which have EBITDA margins of anywhere less than 25% or there about. So therefore, from his perspective, even after paying DM fee, he gets his value unblocked very comfortably. In fact, we can share this data with you if required. We have done comparative models between DM, JDA, own and ORP. These are the four options available for a landowner. On a cash flow basis, because he gets the enter residual waterfall, right. So from a collection perspective, if you look at, first, collection goes towards statutory, then construction payment and other contractor payment like marketing bills including DM bills and then therefore rest is to his account.

So statutories would include all the taxes, interest, all the servicing requirements. So the cash flow is to him, if I look at on a NPV cash flow basis. If I look at the DM actually generates the second highest cash flow compared to other alternative formats of development from his perspective. The only other way he can make more cash flow from the same land parcel would be the own development, which in today's market is not happening because smaller brands or smaller developers are not able to develop on their own.

Therefore, it is even superior than JDA from his perspective, because in JDA we fix the land value upfront and therefore you determine the revenue share or a space share. As you could expect any commercial organization will take their own risk weighting. Therefore, you fix the price. So, there is a lot of cost aspects involved. There is a lot of land value judgment involved. So, both parties play conservatively and there can be a disconnect.

And whereas, in DM all the upside and downside belongs to him, so they have a comfort and confidence they are playing the market properly. So, therefore, we believe this DM will be a value accretive or a win-win for both service provider like us, as well as a land owner like the DM landowners. And that's why we believe it is a sustainable business model on the long run.

K.R. Ramesh: To add further, this is not only when we embarked upon DM we talk about it. In fact, when we started the journey from 2018 to 2022, we have completed one residential project where we proved to the land owners that they got better money than one of the cases, which were completed.

In another two plots also we were able to establish they are able to reap better benefits by this. So it's not only theoretical, in terms of actual practical work which have been done on ground, we are able to reap that kind of money for the land owners.

Gopalakrishnan J: That's an important point I forgot to mention that. So for the benefit of everybody else on the call so we have gone through the whole full lifecycle of the DM projects by now, three years ago when we started DM residential a lot of question marks were raised today. I think in March-April our first residential DM will be ready for completion and handover to customers. So, that means we have gone through right from a land approval stage all the way to the completion and hand over, the entire learning curve with the partner. So we know now how to overcome or iron out any differences that can arise.

Our first plotted development project Shriram Earth premises, all our plotted development is sold in the brand name of Shriram Earth. So Shriram Earth Mysore Road is also ready for handover and registrations have begun and we should be completing the process during this fiscal. So all this gives us a good comfort and confidence that we can actually manage DM model smoothly without risking our brand. That may be one of the concerns that people had. We don't give control of the project to anybody. We run the entire end-to-end control with us like as we have with other projects, and therefore brand risk is minimized.

Soumya Sarkar: Okay, sir. Got it. Thank you. That was quite detailed. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

Gopalakrishnan J: Yes, thank you very much everyone for being on the call. And it was a pleasure talking to all of you. And we look forward to your support as an analyst as well as an investor buy side community. We are new on the block on the exchanges, we look forward to your support, both in terms of helping us sail through the whole capital markets, and request your support in terms of coverage. We're happy to remain engaged with people after this call as well to see how we can explain our investment case more appropriately that allows you to have a view on the company and explain it to your investors and clients.

For the buy side investors who are on this call, thank you very much for the support that you've extended to the entire IPO journey. And also thank you for being on this call. On behalf of entire management team of Shriram, we sincerely thank you for joining us and look forward to interacting with you more often in future. Thank you.

Murali M: Thank you.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Murali M: Thank you.