

November 16, 2023

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

Subject: Transcript of the Investor / Analyst Meet

Further to our intimation of conference call with Investors/ Analyst, we enclose the transcript of the conference call held on November 10, 2023.

The above transcript is also available on the website of our Company at <https://www.shriramproperties.com/financials>

We request you to take the above information on record.

Thanking you
Regards

For Shriram Properties Limited

D. Srinivasan
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“Shriram Properties Limited
Q2 and H1 FY 2024 Earnings Conference Call”
November 10, 2023



**MANAGEMENT: MR. MURALI MALAYAPPAN – CHAIRMAN AND
MANAGING DIRECTOR – SHRIRAM PROPERTIES
LIMITED
MR. GOPALAKRISHNAN J – EXECUTIVE DIRECTOR
AND GROUP CHIEF FINANCIAL OFFICER – SHRIRAM
PROPERTIES LIMITED
SGA – INVESTOR RELATIONS ADVISOR – SHRIRAM
PROPERTIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Shriram Properties Q2 and H1 FY 2024 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Murali Malayappan, CEO and MD from Shriram Properties. Thank you, and over to you, sir.

Murali Malayappan: Good evening, ladies and gentlemen. I wish you all very happy Dhanteras and Diwali to all your family. It gives me immense pleasure to be here with you after yet another strong performance.

Earlier today, our board has adopted Q2 and H1 for FY 2024 financials. We are overwhelmed and excited to share with you all our operational and financial performance during the quarter. We recorded sales of 1.15 million square feet during the quarter, resulting in 32% sequential increase in sales value, amounting to INR608 crores. We reported highest-ever quarterly collections at INR430 crores in Q2 FY 2024. During the quarter, we have successfully launched new phases in our ongoing projects, and we are delighted to share the encouraging response we have received so far, both in terms of volume as well as pricing.

We also pre-launched Shriram Paradiso in Chennai, at the end of September 2023. We equally received encouraging response for Paradiso too. I am confident Shriram Paradiso, along with the proposed Q3 launches, will build significant momentum to our growth in the upcoming quarters.

During the quarter, we reported total revenue of INR231 crores, with a net profit of INR20 crores. I strongly believe our earnings will gain further momentum as we have packed schedule of Handovers and completions lined up in H2 this year. The company remains bullish on its long-term prospects, promising demand outlook, especially in the mid market and aspirational housing segments and favorable market trends is encouraging.

With strong operating platforms and strong project pipelines, we are all well-positioned to benefit from ongoing consolidation in the industry. I would like to ask my colleague Mr. Gopal to briefly discuss the performance with you. I will be happy to answer any questions you might have thereafter.

Gopalakrishnan: Thank you. Good evening, everyone. My name is Gopalakrishnan and on behalf of Shriram Properties I am once again wishing you on the festive. I am assuming all of you have access to the Investor Presentation loaded on our website as well as our stock exchanges. I will be referring to that presentation, so that we are all looking at the same screen, same slides as we go through.

For the next 30 minutes, I will try and walk you through the strong quarterly performance that we have achieved, both operationally and financially, as well as I will briefly talk about the outlook that we have in our mind. And then I will pause for Q&A, where I will join Mr. Murali in responding to the questions that you may have.

With that, let me start the presentation. I am straight moving on to the operational highlights. Since people on this call are knowledgeable on the sector, I would leave all of you with the Slides 3 and 4 and 5 to understand our views of the sectoral performance. But it suffices to say that the market undercurrent remains strong, both in terms of demand as well as inventory reduction. Overall, market is performing well, and we believe the outlook will remain strong over the next couple of years.

And with that backdrop, let me turn attention to the Shriram Properties performance.

Starting with Slide 7, highlights of Q2 FY 2024, looking at the operational performance...

Our sales volumes are up about 14% year-on-year. We actually clocked the quarter with about 1.14 million square feet of sales during the quarter and sales value is up about 40% year-on-year in Q2 and stood at about 607 crores.

With this, for the half year ended September 2023, we have done about 1.9 million square feet of sales and about 1,066 crores of sales value, both of which are very encouraging as they reflect about 15% year-on-year growth as well as 43% year-on-year growth in sales value.

So, we are very excited about what we have done and we would like to explain that a little more in detail.

The strong performance in sales volume came on the backdrop of the continued strong sustenance sales, as well as successful pre-launch of Shriram Paradiso in Chennai. The project is getting launched in two different phases and we have received a very encouraging initial response from this project.

We also started market seeding activities for our new recently acquired and co-invested in the ASK platform, a project called Shriram 122 West, again in Chennai, where we have started market seeding activities during the quarter and we expect to do a formal launch in Q3 to capture the festive demand.

Quarterly collections were at the highest level in our history. We clocked total collection of INR430 crores for the quarter, which is the highest level achieved by the company in its history so far.

And basically, there is a catch-up of the missed collection potential from Q1, where you may recall that we had certain issues with the registration software launched by Government of Karnataka called Kaveri 2.0, had some snagging issues and therefore Q1 collections were a bit muted in terms of growth.

We managed to catch up on that as well as continuing strong construction activity led milestones drove further collections. As a result, our collections were at INR430 crores. Together with first quarter collections, the first half collection was at INR721 crores, which reflects a growth of 13% year-on-year.

We believe we are on track to achieve our targeted collection of about INR1500 crores to 1600 crores for the full year.

Construction momentum remains strong. We started new construction activity as some of our new recently launched projects, as well as the continuing construction activity at projects that are scheduled for completion during second half of FY 2024.

There are five projects which are scheduled for completion during H2 and these projects, namely Shriram Liberty Square, Shriram Chirping Woods Tower 5, Southern Crest Tower D, Shriram Shankari. All these projects are scheduled for completion during H2 and therefore construction team is focused on the completion activities there. Together with commencement of construction in four of our new projects, together have helped us achieve a good construction momentum.

Given that these new constructions have started only recently, we believe that will build further momentum during the second half of FY 2024. So, overall the construction side, we see very encouraging trend there and that will gain further momentum.

On the execution side, apart from this construction, we actually handed over 470 units during Q2. With this, for the first half, we have handed over 830 units. More importantly, as I said, the completion is targeted for five projects during second half, which is as per our original business plan for the full year.

With these completions coming up, which is shown in the Slide 7, right-hand side top box, all these projects should drive, they involve about 2,500 customer units and therefore they should drive a very strong registration momentum and therefore revenue recognition potential in Q3 and more prominently in Q4 as well.

We are therefore confident and comfortable to believe that the overall handover momentum should continue to remain strong in second half and we should be on track in terms of delivering targeted 3,000 units during FY 2024.

Coming down to financial performance, rising earnings momentum and strong margin trends remain as a trend. Our overall revenues grew by 47% quarter-on-quarter, EBITDA up 22% quarter-on-quarter and 27% year-on-year. I will explain all of this when we go to the financial slide more in detail. We clocked the quarter, we clocked the net profit about INR20 crores, which is equivalent to about 21% quarter-on-quarter for the company. Enhanced scale, operating leverage as well as continuing support from the DM segment, simultaneous with our focus on cost control activities are helping us clock meaningful profitability.

I will talk about the margin trends in the subsequent slides. Cash from operations remains strong at INR49 crores, free cash flow at INR15 crores. So, all these are encouraging pointers towards our reflection of strong operating trend that we have on the ground.

Cost of debt dropped marginally further, it is down at 11.4% in Q2 from 11.9% that we reported earlier and debt is marginally higher because we acquired a very, very, very thin margin, a very small increase in debt. That is primarily because we are reacquiring economic interest in one of our joint venture that we have with Mitsubishi Corporation in a project called Shriram Park 63. I will explain that also in detail.

On the business development, other strategic activities, we completed the second co-investment project, which we discussed in Q1 earnings call, Shriram 122 West, which we acquired from an LO partner and we dropped it into the ASK platform in August 14, 2023. That project is the second that we completed the transaction and that is the second project in the platform. With this, we have consumed nearly 60% of our agreed or committed capital.

We believe we should be able to consummate the remaining INR200 crores available into the platform during the rest of FY 2024. We will talk about the reacquiring economic interest in a while as we go through the presentation. We believe it is revenue and earnings attributed to Shriram and therefore, we are pursuing that. I will explain that in subsequent slides.

LOGOS, which all of us keep querying each other on the status and therefore, to state up front, LOGOS deal is progressing well. It is all the documentation work is nearly done. It is awaiting final sign-off from the government of West Bengal from an urban land ceiling, ULC clearance perspective and we believe this should get consummated in second half and bring cash flows into the company.

Looking to Slide 8, all the numbers that I talked about is highlighted here and just a couple of basic points that I want to touch. From a volume perspective, it is a 48% growth year-on-year, sorry quarter-on-quarter and 14% year-on-year. Our sales values are higher by 32% quarter-on-quarter and 40% year-on-year at INR608 crores. Our collection, which I said is a record high number at INR430 crores is up 48% quarter-on-quarter and 37% growth year-on-year. Construction, about INR146 crores we have spent reflects a 12% growth, year-on-year growth, sorry quarter-on-quarter growth and about 8% year-on-year higher.

And we believe the construction momentum will pick up now because we commenced construction activity in five of the ongoing recently launched projects called Shriram Esquire in Koramangala, Bangalore, The Poem by Shriram in Jalahalli in Bangalore, Hebbal One, which is in Hebbal in Bangalore, as well as Pristine Estate, which is a plotted development project where infrastructure development activities is at an advanced stage now. And so, all of this actually will drive the construction momentum in the second half and you will see the early trends in Q3 where construction spend will rise much sharper.

Shifting to Slide 9, half yearly performance, again the same meaningful growth trends, 14% higher volumes, 43% higher value. And the last part of the value, I must clarify here, that remarkably higher sales value reflects the change in product mix as well as improved pricing. As combination of both, we achieved 14% higher realization from March levels - as a portfolio and also in individual segment/category-wise price trends, I will explain in a minute.

Before that, I wanted to just briefly touch upon the launch side.

We had Shriram Paradiso, pre-launched towards end of Sep'23 and therefore, I am not presenting sales at launch numbers. I am sure we will be able to present the 90-day trend in Q3, when we meet again.

In addition to that, we had two phase launches. In what we call as “phase launch”, where incremental supplies from new blocks or new towers within existing ongoing project is launched. Because, if in a large project with 1.8 million square feet is launched as one and if you open the entire inventory on day one, then customers tend to pick up from varied towers and then you will be compelled to start construction activity. So, we release them in clusters and we do them as re-launch. It kind of revitalizes customer interest as well as sales momentum.

So, we did Phase Launch in what is called “Imperial Heights”, which is a premium product spec and configuration in existing project called Shriram 107 SouthEast in Bangalore.

Also, we released larger premium plots in phase 3 of a project called Shriram Pristine Estate, which is a plotted development project, which is the first project under ASK platform launched in February 2023. Now, we have more or less sold all the smaller plots and therefore, we launched the phase 3, which is a more valuable, more road access, more positive product features called Sovereign Plots. Both these phase launches also attracted very strong customer interest and encouraging feedback.

And apart from that, we started seed marketing in Shriram 122 West.

For Q3, we have three launches coming up

1. Shriram 122 West, where we have started the market seeding activities. I think we will go with formal launch once festive seasons commences, which is starting now in South as well. I think we will launch that towards the end of this month or early next month.
2. Shriram Royal Court, which was originally called as Sannath, is getting ready for launch. Plan is approved. It's awaiting RERA. Typically, RERA takes about 20-25 days and therefore, we are confident that if not end of the month, it will be a December launch, which is again a Bangalore project.
3. The third one, which is at the pre-RERA stage, where advanced stage of plan approval, where demand notes are moving around. So, we think we should be able to launch this another 0.4 million square feet residential apartment project in the DM bucket in a location micro market called Adde Vishwanathapura and again in Bangalore. All these three should take off nicely and should provide meaningful volume thrust for us.

Slide 11 and 12 talk about a glimpse of the launches we did in Q3, the Shriram Pristine Estate and the Imperial Heights, the Sovereign Plots and the Imperial Heights. And slide 12 talks about Paradiso, some of the campaign-related messages as well as there is a pre-launch campaign messages, as well as the market seeding that we have done for 122 West. So, that slide 11 and 12 gives you an overview of activity that we have done in terms of preparing for these launches in the coming quarter.

Moving to slide 13 on the pricing, as you are aware, we have been having a meaningful growth in selling prices quarter-after-quarter, post-COVID. And I think the trend has continued, the

combination of enriching product mix for us, as well as the overall market improvement has helped us in reaching 14% higher realization from what we witnessed for a FY 2023 average level, for the entire portfolio. As you know, we got 8% higher realization FY 2023 for the project portfolio as a whole. So, this 14% is encouraging.

More importantly, what I want to draw attention, is on the chart on the bottom of Slide 13, where it talks about the category-wise price movements. Plots are very difficult to compare on a trendline basis because it depends on the micro market, it depends on the nature of plot, it ranges from 1,200 to 2,500, and in some cases like Pristine Estates that are selling at about 4,000 rupees a square feet. So, that trend will be very difficult to map. But this is the current actuals that you are seeing for plots between FY 2023, H1 2023 and H1 2024. Whereas the more meaningful data that I wanted to highlight was on the mid-market. We have gradually been moving up on our capacity or our average realization in the mid-market. As you know, a lot of you have been asking us as to why we are still selling at a remarkable discount to some of our listed peers in the southern Indian – southern market.

As we have been clarifying, there has been a consistent effort on our part over the last couple of years to move up the price curve. And that kind of has been a conscious effort taken by us in terms of both portfolio enriching efforts, as well as a pricing strategy. All of this has culminated into a rising trend both in affordable as well as in the mid-market segment over the last couple of quarters or last few quarters. Though the comparison here is between H1, FY 2024 year-on-year and H1 trend versus full year FY 2023.

If you had seen the earlier presentations in the map, the quarterly trend, I think we have been gradually moving up. It is evident from the fact that some mid-market housing category, we used to sell sub 5,000 levels even after COVID. FY 2021, we used to have an average of sub INR5000.

Pre-COVID, we used to be even lower. From those levels, we have come up to about INR6,300 and we have been consistently maintaining above INR6000 level for the last two, three quarters. So, I think that is a clear endorsement of the fact that the strategy pricing, our efforts are paying off. The strategy is working well. So, we will continue to focus on improving realization, narrowing the gap between us and our regional peers.

Having said that, I must clarify, pricing gap between us and the regional peers is also sometimes distorting because the portfolio composition are different for different players. We focus 80% of our portfolio is in mid-market and affordable, whereas some of our regional peers like Sobha, Brigade will have a much larger share of premium products in their segment and therefore, sales value divided by sales volume resulting in a company-wide average realization might be a misleading number and that is why I am drawing attention to category-wise realization.

Bottom line, I think the strategy is working well. We are moving up slowly into the price curve and I think we are comfortable and confident to believe that this strategy, if we pursue further, we will actually keep moving up over the next couple of quarters as well.

From a handover construction execution progress perspective, **Slide 14** shows those four, five projects that I mentioned to you. These are very important from a revenue recognition

perspective in the second half for us and from also a Handover perspective, in some of the projects, we are very close to RERA timeline and therefore, the entire system is focused on execution progress, the completions activity progress in these projects, namely Shriram Greenfield, Shriram Chirping Woods, Shriram Liberty Square, Shriram Southern Crest and Shriram Temple Bells.

All of these will yield a meaningful return, a meaningful impact on our revenue recognition in Q3, as well as Q4. And as you would see from here, in most of the projects, we are ahead of RERA schedule and in all of these projects, we are well within the committed timelines to the customers as well. So, I think the construction side, the things are moving reasonably well and therefore, we think the momentum should continue in the coming quarters as well.

Shifting gears, **looking at slide 15, 16 onwards on the financial highlights for Q2 and H1**, I want to start with the overall summary that earnings growth of the company exhibits a consistent and a remarkable upward journey and that is on the lines of expected or on the lines of commitment that we have made to the capital market investors grew over the last couple of years.

So, we want to ensure that this momentum is sustained and we continue to deliver meaningful outcome. Healthy quarterly improvements since the listing, driven by improving operating leverage and project execution, I think that's a remarkable improvement that we are seeing and we think it would continue in the coming quarters as well.

I want to actually pause for a minute to talk about the economic interest being reacquired from Mitsubishi Corporation. As you are aware, we have a partnership, a joint venture with Mitsubishi Corporation, where they own 70% economic interest, we own 30% economic interest in a project called Shriram Park 63 at Chennai. Mitsubishi invested INR178 crores or thereabouts in 2018 to pick 70% economic interest. The project has moved very well, both in terms of sales and construction. We have received partial OC for Phase 1 and Phase 2 is progressing well. Construction is ahead of schedule. Therefore, the project is completely de-risked.

In a de-risked project, why have an investor sharing the IRR and therefore, we have pursued this option of reacquiring the economic interest.

Mitsubishi was open enough to this idea and therefore Mitsubishi and Shriram have signed an MOU to provide an exit to MC involving three tranche payment - starting with September 2023, and December 2023 and December 2024.

As a result of this, MC has lost control of the joint venture and Shriram regained economic interest and control. Therefore, from an accounting standard perspective, it moves from being a joint venture to a subsidiary and therefore, the residual investment, the tranche 2 and 3 payment of INR143 crores, which is left behind in the SPV, becomes a debt of a subsidiary of company and therefore, it becomes part of a gross debt.

But having said that, this gross debt will go down in Dec'23 again, and again next December. So, in next 12 to 15 months, this debt will go away but it is bringing in INR500 crores of incremental revenue potential to Shriram and associated margins.

If you recall, we have discussed this in the past, Park 63 is one of the most premium project or a most successful project for us, delivering 18-20 % IRR even after changes in the GST environment, for us. So, it is a very profitable project and hence re-acquiring economic interest will mean earnings and return accretive to Shriram.

Our cost of debt has dropped to 11.4% in September 2023 and compared to 11.9% in March 2023 and 13.7 % in March 2021. So, the decline has continued but I think we have peaked, as I mentioned it to you in the last earning call also, that I think we have reached the peak.

Now, the incremental improvement in the interest rate would be marginal unless we start borrowing new project working capital, which we will do as the projects mature from banking system, then the share of banks go up and therefore, the weighted average cost of debt can keep coming down.

We will continue to work on it, but I wanted to caution you that I think the incremental drop in rates will be consistent with market trends now, not a dramatic drop that we saw from 13.7% in March 21, 14.1% pre-IPO all the way to about 11.9%, 11.4 % level. That kind of dramatic drop despite benchmark interest rate hike may not happen in the coming quarters but declining trend will continue.

Now, looking at the profit and loss statement Page 17, I wish to cover H1 first and then I will move to Q1, sorry Q2. Slide 18 obviously, gives the explanation of it, some of which I will try to highlight.

Total revenues in H1 was marginally lower, primarily because the Q1, H1 of last year was a significantly large number for us because we got OC in one of the project called Shriram Chirping, Shriram Southern Crest Tower ABC, the Phase 1 of the project got approved, closed and therefore, we saw very large revenue recognition in Q2 last year, H1 last year and against that therefore, the high base effect is creating the distortion, whereas, if you look at the quarter-quarter, the revenues have grown significantly in Q2.

So, there is a sequential growth in total revenue, year-on-year is a bit muted. That is a limited point I am trying to make and if you look at DM fee income accounts for about 11% of revenue which is another important factor to note because discussing about DM, and DM potential, I think the stabilized 20%, 25 % contribution volume, 11%, 12% or maximum 13% I think we have seen in the recent high, 11%, 10% to 13% share of revenue, all of this stabilization seems to point towards the business model maturity and also gives the comfort to us that this model is here to stay and grow with and facilitate growth for us.

Cost of revenues, the operating expense dropped 19% year-on-year that shows the enriched product mix of the revenue recognition that we have done and consequently EBITDA has grown from INR86.7 crores in H1 FY 2023 to INR118.6 crores in FY 2024 reflecting a growth of 37% year-on-year.

And EBITDA margins at 31%, as I consistently say, EBITDA margins quarter-to-quarter will be a fluctuation depending on which project gets revenue recognized during the quarter but I wish to point out that this Q1, Q2 trends give us the comfort that we can easily stabilize this

EBITDA margin in FY24 as well as FY25 at least at the mid-teen levels and therefore we remain confident of our earlier commitment of stabilizing EBITDA margin in the mid-20 levels. So, I think that's the bigger message here.

Overall, finance cost, if you look at the finance cost has gone up 12% INR52 crores to 59 crores. However, I wish to point out two facts here. One is our actual interest expense, which is a cash interest expense is down 18% from INR38 crores to INR31 crores. However, as you know we have two other components in our finance cost.

One is the non-cash interest charges or non-cash finance charge, which is nothing but the unwinding effect or the NPV unwinding effects of our 4% royalty issue which we have with government of West Bengal and that adds about INR5 crores per quarter and that remained almost stable but still that is a number which continues year-after-year, quarter-after-quarter and continue for a few more years till we resolve, till we either pay the royalty or we resolve the litigation which is there.

We have challenged our need to pay this royalty to the West Bengal government. I will explain that if required for some of the new jointees subsequent to this call. There is a one-time interest expense. I talked about this point in Q1. We acquired a project called Shriram 122 West, which is now called, earlier it was called Divine City Phase 2 from a landowner partner and that project acquisition came with a debenture that they had with one of the investors, real estate funds. We acquired this and then we redeemed the debt as when we put this project into ASK platform. We acquired this project through a business transfer agreement in April 20th, 2023 and we dropped the project into ASK platform on 14th of August, 2023.

So, in between Q1 also we recognized some one-time cost charges and for another 30-40 days in Q2 also there was a charge that continued. Now that debenture no longer exists because it is redeemed using ASK's investment through the platform. So, therefore, I call this a one-time charge and that was about 11.9. Both in Q1 and Q2 we had some exposure to that. We do not think that, we are confident that this will not recur in Q3, Q4 or in future and therefore, I call it one-time.

The other finance charges are primarily the refinancing related activities which I think we are almost there. As I said last time, we are at the end of this journey. If you see the quarterly data you would see that other finance costs have come down in a big way. What is the other finance cost? It is nothing but unamortized processing fee in a loan, which when we get refinanced that the entire unamortized portion gets charged off or expensed off in the quarter itself.

So, that is the nature of cost here and I think this cost will keep going down to a very small level in the coming quarters and coming years. So, the focus has to be on the interest expense, which is down 18 % year-on-year for the first half and the declining trend will continue in the coming quarters as well.

Looking at further down the P&L, profit before share of JV is up 83% year-on-year at INR55 crores and share of JV was a slight loss because there are all the five joint ventures that we have, three residential projects in Bangalore, one in project development in Bangalore, one in Chennai.

All of them are still at the early stage of, still at the development stage and have not come to the revenue recognition and therefore the marketing expenses and administrative costs, we pick up our share of the cost and that is why they remain negative though marginal, they remain negative. So, net of tax expense provision or net profit is at INR37 crores compared to INR30 crores, a growth of 23% year-on-year for the first half.

If I now shift attention to quarterly trends, as you would have noticed by now, sequential growth trends are encouraging, Q2 to Q1 of FY 2024. Total revenues are higher by 47% quarter-on-quarter at INR231 crores. Catch-up in registration and handover, that was lost in Q1, due to Government of Karnataka registration software snag issues have all been caught up now and continued registration in ongoing projects helped. As a combination of these two factors, the sequential growth is strong at 47%.

DM fee recognized during the quarter is about INR25 crores, reflect the growth of about 40% quarter-on-quarter, driven mainly by high or sales-led fee accruals in a couple of projects called Shriram Chirping Ridge, which is a DM project as well as Shriram Chirping Grove, another DM project and Pristine Estate, which is a joint venture with ASK platforms.

Revenue growth trend on a Y-O-Y basis is negative. As I mentioned, it is due to the higher base of last year when we got the OC in a project called Shriram Southern Crest in JP Nagar, Bangalore, a very large project for us and that we started recognizing income post-registration and handover in Q1 of, Q2 of last year. And therefore, the high basis created this Y-O-Y distortion, but be assured it is not a drop in revenue, it is a revenue recognition from the last year's issue, the higher base issue.

EBITDA grew by 27% year-on-year and 22% quarter-on-quarter. EBITDA for the quarter is at INR65.2 crores compared to INR53 crores in Q1. Finance cost is lower by 20% quarter-on-quarter INR26 crores versus INR33 crores in the previous quarter. On a Y-O-Y basis also, it is minus 3%, despite the one-time expense that I talked about earlier. Q1 and Q2 are the two quarters that we had this one-time cost associated with acquisition of a new project, the obligations that came along with it and that is now completed.

Consequent to all of this, PBT is higher by nearly about 100% before share of joint venture loss and profit, INR37 crores versus INR18 crores in Q1. And share of JV loss was higher this quarter because we launched the Shriram, the Imperial Heights in one of the joint venture. But we started market seeding activities in the Shriram 122 West in Chennai, which is the second ASK platform project. All of this have led to a higher loss absorption, mostly marketing expense and administrative cost and therefore, PBT after share of JV loss is higher by 6% at INR26 crores and net profit is at INR20 crores compared to INR16.7 crores last quarter, reflecting a growth of 22%.

Another interesting fact, I just want to draw your attention, you may have seen it. For the half year ended September 30th, our EPS is about INR2.16 rupees. Even assuming the, we ignore the positive skew in second half, positive skew in second half that we normally have in both in revenue recognition as well as sales.

Revenue recognition usually tends to be higher because post-month end activities pick up and then we apply for OC. Ignoring that also, we are at INR4 per share, INR4.3 per share EPS for the full year. And we already, obviously, you have seen the historical EPS trend. So, I think we have turned around nicely. We have a meaningful per share earnings coming up.

Hopefully, the capital market appreciates that even further, though the market has recognized the performance, I think over the last quarter or so, thanks to all of you. But I think we look forward to market recognizing this improving trend in our earnings and cash flows.

Having touched the cash flow, **let me turn to Slide 20**, cash flows for the consolidated Shriram Properties. You would see a chart on the right, which talks about enterprise-wide collection. As we spoke in the beginning of this call, INR430 crores is our collection in Q2. That comprises of own cash flows of INR171 crores (which is Shriram parent as well as subsidiaries), INR196 crores in JVs, INR66 crores in DM, which goes to DM partner and we get only the fee.

So, being CFS cash flows, I am focusing on INR171 crores and similarly for each of the periods that is highlighted here, INR171 crores for Q2, INR139 crores for Q1, INR310 crores for H1. Coupled with DM income, our operating cash flow for the quarter was INR198 crores.

We spent about INR150 crores in construction, marketing and other operating activities. So, we ended up with a positive cash flow from operations of INR49 crores in Q2 compared to INR69 crores in Q1. So, overall H1 is about INR118 crores compared to INR115 crores for the full year FY 2023.

Our cash flow from financing was negative, which means we have repaid some debt, as well as incurred interest costs. And therefore, free cash flow before any new project investment for growth activity is at positive INR27 crores. We did about INR13 crores of investment in new project acquisitions in terms of JD advances or any other approval related expenses in a new project. Therefore, net of that new project investment or free cash flow is positive at INR15 crores. So, we got a closing balance of INR100 crores compared to INR120 crores closing balance we had in March 2023.

Similar trend, H1 was very strong, encouraging H1, INR10 crores free cash flow before project investment, INR30 crores of investment in new project. And therefore, we have used INR20 crores from existing cash checks on a half yearly basis. We had INR100 crores compared to INR120 crores that we ended up with March 2023. So, overall very healthy cash flow from operations, construction outflow is in line with the execution progress, which is in turn fueling the collection. Overall, enterprise cash flows remain strong and encouraging for us.

We expect to see a much stronger momentum in free cash flow both at the operating level as well as pre-investment level as well as post new project investment level in the coming quarters. And that should be an encouraging outcome for us.

Slide 21 talks about balance sheet. We will talk about the debt in the next slide. Therefore, just drawing attention to ROCE data. As you know, we used to be about 3- 4% ROCE companies during the pre-RERA period. From there, we have moved up gradually benefiting from consolidation and ramp-up that we have achieved in our volumes and execution capabilities.

And from 5% in FY 2020, we have now reached about 12% ROCE levels now for the first half and I think we will, we hopefully will end the year with about 12% ROCE. That positions us at a meaningful relative to the rest of the sector, I think the listed space.

Let me focus on **Slide 22 on the debt**, before I shift to outlook. This is my last slide on the past.

Overall debt positions remained almost stable. This is despite adding INR143 crores as a subsidiary debt following the regaining of economic interest in Park 63 from Mitsubishi Corporation. They still have their residual exposure, but change of control makes it a subsidiary, under the accounting standards, because we have regained the control of the joint venture.

And therefore, we have to treat that as a subsidiary. And despite adding the INR143 crores, we are still at about INR530 crores gross debt, INR430 crores net debt, which clearly shows, excluding this project, which was always with us, but from a JV to an subsidiary accounting transfer or shift. That means the underlying debt has gone down, which is also evident from the cash flow statements.

Cost of debt, as I said, has come down. Debt equity remains almost flat at 0.4. We look forward to seeing a declining trend in debt equity in the coming next four to six quarters as we have been working towards.

Shifting gears to Slide 24, on the outlook.

Not just the first half performance, we remain positive and remain encouraged by the earnings trend. We see a very strong visibility for H2 as well as remain positive on what our earnings could look like in FY2024 and 2025 and 2026.

Focusing on 2024, I think the five projects I showed you earlier, we have a very strong visibility on their progress. We are ahead of RERA. We are ahead of and are on-track compared to our internal business plan for the execution and completion and handover. Therefore, we should be have a strong revenue recognition momentum in Q3 as well as in Q4.

DM revenues, I think the outlook remains stable and strong. Nearly 60% of our DM fee is coming from ongoing projects. And therefore, we should see a more stable trend in DM fee, not just in H2, but also over the next couple of years.

Three-year outlook, which we keep highlighting for FY 2024, 2025, 2026. Nearly 70% of our aggregate revenues will come from projects that we have sold already as of March 2023. And therefore, there is a very strong visibility on earnings potential because we have sold them already. So, we complete construct and complete and Handover, we should be able to recognize income. And similarly, DM fee, 55% of three-year DM fee will come from projects launched already. And therefore, we think we see a meaningful potential there.

Overall, we maintain our stance that we expect to see a free cash flow of INR300 crores coming into us at the enterprise level over the next three years. Combination of DM fee, project closures, as well as ongoing monetization that we are thinking at two different sites. All of this should help us realize this free cash flow in the coming quarters.

Slide 25, very familiar to you, we just try to substantiate the same point that I made and therefore, I am not repeating it. We are looking to handover 3,000 units, which I have highlighted earlier. This is just a pictorial capturing of whatever I spoke in the last slide, as well as the slide earlier few minutes ago.

Slide 26, we see a strong momentum as emphasized. We are looking at closing the year with roughly 20% growth in volume, 26% growth in sales value, and about 47% growth in collections, and nearly 50% higher construction spend for the company.

To end, last but one slide on the pipeline. We are still at a healthy 51 million square foot pipeline, even after moving about four projects, aggregating 1.8 million square foot development potential to completion category during the quarter.

And last slide, before I wrap up, Kolkata, I think the progress is on track. A lot of you specifically ask us about the progress in Kolkata, and therefore, a special emphasis on this slide. Grand One, I think handover is progressing well. We will deliver about 800 units in FY 2024.

Nearly our entire project is sold and therefore, only completion and handover is the thrust of Shriram Grand One. Shriram Sunshine, which is a second part of the same development activity in the site, as to our joint venture with CDC of UK and Kotak affordable housing fund. This project, nearly 90% is sold in Phase 1, 60% is sold in Phase 2. Aggregate of 1.3 million has been sold already. Phase 3 is not yet launched, and the construction is progressing well.

Out of the 10 million square feet, Grand One and Sunshine take care of about 4.3 million square feet. Therefore, we have about 5.5 million, 5.6 million square feet of projects to be launched from 10 million targeted for our own development. We are waiting for some approvals on the villa development. And then we will – once the villa development happens and Phase 3 will get launched, then we'll think about the remaining development activities.

On the monetization part, which is another area of interest for all of you more closely, the remaining 23 million, 22 million square feet meant for monetization. Logos is of course progressing well. We are continuing conversation with the second interested parties that we discussed or disclosed in the last earnings call. All of this is progressing well. And we believe logos will get closed in H2.

And the second transaction will depend on outcome of ongoing, very encouraging conversation we are having with Government of West Bengal on bringing more multinational, foreign brand names into that site, which the government seems very keen on. As well as the government seems very keen on settling the 4% royalty issue, which is under court litigation right now. And I think there's an encouraging positive response from the government to do a negotiated closure.

So, all of these are progressing well. So, be assured, Kolkata monetization, both from our own development, NPV unlocking, as well as monetization through sales are progressing satisfactorily and on track. One or two quarters of delay, which we have suffered from the earlier expectation on the Logos.

I think in such a large monetization program, couple of quarters are always to be expected, especially when it involves government and political environment. I think we are on track and we believe we will deliver value to our shareholders from this monetization.

Slide 30, I wish to point out that one of the biggest overhang that some of you had in your mind, as well as several large institutional investors had in mind, relates to the PE overhang. As you know, PE used to own 58% of the company. They post IPO, they used to own 35% of the company. So, several of you, as well as your clients, as well as large institutional investors, kept asking us as to what will be the outlook on the stock when these 35% investors get out or wanting to get out, because they are all institutional investors and funds, PE investors, and therefore they have a definitive fund life.

We kept assuring them that the issue would be managed and unlocked and the overhang will be addressed in a meaningful way. I think we have solved most of the problems. 25% out of 35% is solved. We have only one investor left with 10% residual holding. 25% got solved through both combination of a strategic investor buying 15%, which is Aurum PropTech, as well as the remaining 10% getting sold in the marketplace without having any big negative impact on the market price. So, overall, I think, collectively, I believe, we have managed this issue reasonably well. And we have the last leg of this PE overhang to be addressed. We believe we will have a meaningful conclusion of this issue by the time we meet next time on another earnings call.

And therefore, we believe that the overhang issue will get addressed meaningfully. The performance issues and performance predictability and reliability, I think we have addressed that over the last several quarters. We have been demonstrating the sustainable earnings momentum, sustainable turnaround momentum, and a strong growth momentum that we have in volume or revenue recognition or execution side.

We have demonstrated both operational as well as financial progress. And therefore, we believe all of this will mean that in position Shriram in a much stronger footing as highlighted in Slide 31, will put us in a much stronger footing in the coming quarters and coming years will help us deliver superior value for all our investors and shareholders.

With this, I stop here. And I will join Mr. Murali, the Chairman and Managing Director of the company in taking all your questions and queries. And we'll try to collectively answer as best as we can to your questions.

Thank you and over to the moderator.

Moderator: Sure. So, the first question is from the line of Mr. Ashish Jain from Jain Capital. Please go ahead.

Ashish Jain: Yes, hi. So, just wanted to ask what level of debt do we see for the year and also for the next year FY 2025?

Gopalakrishnan: Sorry, what is it? Sorry, I missed it. Debt level. So, we think by end of this year we should be somewhere around INR300 crores and dropping down to about less than sub INR200 crores, INR200 crores to INR250 crores range gross debt during the FY 2025 period. as I said earlier We have got 19 ongoing projects, of which at least 10 of them are very active.

During second half, five will get closed so that they will repay. But we are also commencing activity in about three to four new projects. All of this will also add some new working construction funding requirement. Therefore, there will be some addition from these new projects. And therefore, I think the gross debt level will remain around that even with the Park 63, the subsidiarization of a joint venture associated loans.

We should be around INR300 crores by end of this year at the gross level and between INR200 crores to INR250 crores next year. On the net level, I would imagine we should be able to achieve our aspired zero net debt level in FY 2025 because we think monetization proceeds will help us become a net zero net debt negative.

Though the gross debt will continue and therefore interest burden will continue, but interest cost will be lower and therefore overall interest outflow should be a lot less in FY 2024 as well as FY 2024 second half, as well as FY 2025. Hope I answered your question.

Ashish Jain: So, what is the unsold value of ongoing and completed projects, sir?

Gopalakrishnan: I will give it to you in a minute. I am just looking at my colleagues who are sitting here to extract that number. I will give it to you during this call – hold on for a minute. I will go to the next question and then I will come back and answer your query. Moderator, can you go to the next question and I will come back and answer Mr. Jain's question in a minute.

Moderator: Sure. The next question is from the line of Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Kumar: Yes, thanks for the opportunity. Hello, Murali and Gopalji. Once again, congratulations on very excellent performance, all round performance for this quarter as well. You have explained in the opening remark all the queries, I think. So, just a few questions in terms of Mitsubishi exit, 70% stake we are buying. So, in three tranches, you will be paying how much amount and what kind of net cash flow we are going to expect from this Park 63?

Gopalakrishnan: Yes. So, thanks, Dhananjay, for the compliments and kind of you. And so, on the Park 63, the acquisition would bring us buying by through this acquisition of 70% stake, we will be able to realize going forward basis, we will be realizing 500 crores of additional revenue and associated margins will come to us. And from a cash flow perspective, I would like to stay away from it in a large call like this on a project-wise cash flow. But I am happy to take this offline and explain the project-specific cash flows.

Just before I wait for your next question, I will take, I will respond to Ashish Jain's residual question. The unsold value in ongoing projects and the recently launched projects together is about INR1,630 crores. As you know, out of all the ongoing projects, 22 million square feet of ongoing projects out of the pipeline, we have sold about 75%, 76% of our units. So, the remaining 24%, 25% of our portfolio, ongoing project portfolio is the only unsold number and that is why the unsold value looks low at INR1,630 Crore, rest is already sold.

We can take that question offline on overall collection potential from sold value, unsold value, all that I can supplement in another call. I hope this addresses the pending point, Mr. Jain.

Coming back to Dhananjay, sorry sir, I just did not want to lose the thought of Mr. Jain. Dhananjay, can I come back to you? Any additional queries?

Dhananjay Kumar: So, next question can I ask?

Gopalakrishnan: Yes, sir.

Dhananjay Kumar: So, as per the planned delivery schedule of five projects, like we have done about 850 units, close to 830 units in first half and from these five projects, as per our guidance, we are targeting close to 2,100 units. So, can we expect the revenue will be more than 2x in H2 compared to H1, number one? And in terms of launches, we have done three launches and one pre-launches till now.

So, what is the sales we have done out of INR1,100 crores, we have INR1,066 crores H1 sales we have done. So, from these new launches, what is the sales has come and overall from 10, 11 projects we are going to launch, what kind of sales we are expecting from this new launches for this year?

Dhananjay Kumar: Yes.

Gopalakrishnan: So, I will take your first question. You may be on the higher side on the quantum jump from H1 to H2, because the large part of the handover is a low value, low ticket size, low margin activity from Kolkata. Therefore, it may not, you talked about multiplying by an X number, I would like to stay away from a forward-looking number, but I wish to say that it will be much stronger than H1 obviously, but it may not be as many times as you highlighted.

In the past, we had discussed about our expected revenue lines. I think we are on track for our full year revenue target, we are on track. Just maybe I can allude to, we would be – I will – just give me one minute. So, all I can say at this point of time, we will end the year materially upwards of INR1000 crores at the revenue recognition level.

And I would like to stay with that indication and may not really like to, in a call like this, I would like to go into more predictive numbers. But we would see a quantum jump and I would, all of you have your own models and I am sure you will be able to correlate what I am saying. Yes, sir. Go ahead.

Dhananjay Kumar: INR1,000 crores plus for the full year in terms of revenue recognition, we can expect.

Gopalakrishnan: That is a number that we have spoken in public domain in the past and we would think that we would stay with that.

Dhananjay Kumar: Regarding my second question about sales contribution from the new launches for till now and for full year.

Gopalakrishnan: For the full year, the sold value, the new launches should get us, give me one minute, I have to get the data. Give me a minute, I will respond to that question.

Dhananjay Kumar: So, can I ask next question?

- Gopalakrishnan:** Please go ahead.
- Dhananjay Kumar:** So, lastly, just the last line in your initial comment you said, like you are going to sort out this PE thing, probably by next quarter we have a phone call. So, that is going to be solved. I mean, how confident are you about that? And secondly, this Shriram Logo thing, if you comment on that and how long it will take that Shriram Group exit from this or couple.
- Gopalakrishnan:** So, Logos, what I meant was, we will, the Logos is progressing well, second half it will get closed.
- Dhananjay Kumar:** So, sir, I am not talking Logos. I am talking about Shriram Group exit.
- Gopalakrishnan:** No, no, you said about that. Next earnings call, we will have some visibility. What is that? Sorry, I missed that point.
- Dhananjay Kumar:** So, regarding the last PE, 10% stake, you said that it will be sorted out by next quarter, right? So, how confident it is?
- Gopalakrishnan:** As you know, we play a very small role in it because it is between the buyers and sellers. I know what you are looking at. It is a decision taken by the sellers, selling shareholders. We provide the IR support to them in terms of meeting. As a management, we would like to provide all possible support to our shareholders.
- We believe, based on whatever little I know, whatever little as a company we know, we believe they are on track and I believe by February 15, when we meet next, mid-February, when we will meet for the Q3 results, I believe that it should have been closed, is what I am thinking.
- How high is the confidence? Yes, we are confident about it. And is the deal certain? I am – I won't be able to commit because it is nothing to do with the company. It is between the selling shareholders and the potential buyers. But we believe they are on track and based on whatever little we know, I think they are on track to solve it. And therefore, I think we will remain committed to providing all the required support, IR support, management support to consummate this and we think it will get happen.
- And on the question of Logo, yes, we are working towards transforming our image. Our consultants have been appointed. They are working on the ground. we are going through a brand transformation and this brand transformation is primarily aimed at repositioning ourselves in the marketplace. We need some expert advice from brand transition consultants. They have been on the work – they have been working on it for the last couple of months. We believe during the fiscal, you will see a new positioning of us that reflects the changed nature of Shriram Properties currently, which is a more vibrant, more aggressive, what we call it Shriram 2.0, a new avatar, new growth trajectory that we are getting into.
- I have been talking about this Shriram 2.0 since our IPO roadshows. I think that is what we want to reflect and we will continue to work on it. You should see some visibility on it at an appropriate time, we will share with the larger stakeholders. The question that from a residual question, a previous question was how much of the new sales for the full year?

We are looking at the overall revenue sales value of INR2,330 crores, of which somewhere around INR1,750 crores would come from the launches during the year. The rest will come from sustainable sales.

Dhananjay Kumar: Thank you, sir.

Gopalakrishnan: Thank you.

Moderator: Thank you so much. The next question is from the line of Roneet Kapoor from Systematix. Please go ahead.

Roneet Kapoor: Hello, sir. Thanks for the opportunity and congrats on the results. I have one question just regarding Pune, like you all had announced in the previous call that you are looking at Pune actively. So, any update on that front?

Gopalakrishnan: Yes, we are still working on it and these are all new market entries. We had some fruitful discussion with the Board today and we are still working on it. The transactions is progressing nicely. And I think when we are ready, once we receive the board approval on the transaction, then we will make a public announcement.

At this point of time, I think we remain committed to this market. I think the market is an interesting market for us. It can provide a new growth engine. The Pune, which is very similar to the customer characteristics or demographics is very similar to Bangalore, Chennai. You know, working class consumers looking for ticket sizes that match with ours. Pricing is very similar to Bangalore, Chennai. So, all the right ingredients are there, the growing market. So, we are very excited.

We are in negotiation, we are in discussion with multiple partners and I think we expect to be able to make a formal announcement on the project finalized as well as entry timing in the second half of FY 2024.

Roneet Kapoor: Okay, sir. That's it. Thank you. That's it from my side.

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

Gopalakrishnan: Yes, thank you. Thank you everyone for joining us in the midst of all the festivities. And thank you for taking time out on the evening to hear us about our performance and our storyline. And thank you for all the people who raised questions and queries, which was interesting and encouraging.

We look forward to interacting with you during the quarter and look forward to meeting you on the next earnings call. Until then, thank you very much and best wishes on the festive and wish you all a very, very Happy Diwali and associated festivities. Special thanks to Rahul, from SGA for coordinating all this. Thanks, Rahul and thanks everyone. Happy Diwali.

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