



Impressive background and business model..

Shriram Properties is part of the Shriram Group, which is a prominent business group with four decades of operating history in India and a well-recognized brand in the retail financial services sector and several other industries. The Company believes that its relationship with the Shriram Group provides it with strong brand recall and that will benefit, and will continue to benefit, from the trust and confidence that homebuyers, lenders, financial investors, landowners, development partners, contractors and other stakeholders place in the Shriram brand and its operational history. The Company is one of the leading residential real estate development companies in South India, primarily focused on the mid-market and affordable housing categories. The Company is among the top five residential real estate companies in South India in terms of number of units launched between the calendar years 2012 and the third quarter of 2021 across Tier 1 cities of South India including Bengaluru, Chennai and Hyderabad. (Source: JLL Report) The Company is also present in the mid-market premium and luxury housing categories as well as commercial and office space categories in our core markets. The Company commenced operations in Bengaluru in the year 2000 and has since expanded its presence to other cities in South India, i.e., Chennai, Coimbatore and Visakhapatnam. In addition, the Company has presence in Kolkata in East India, where it is developing a large mixed-use project. Bengaluru and Chennai are two key markets for the Company. These cities are among two key residential housing markets in India, contributing to approximately 29.3% of the launches in India between the calendar year 2012 and the third quarter of calendar year 2021, and 28.7% of the sold inventory in India between calendar year 2019 and the third quarter of the calendar year 2021. (Source: JLL Report).

Good pipeline of projects

As of September 30, 2021, SPL has a total portfolio of 35 projects in Ongoing Projects, Projects under Development and Forthcoming Projects aggregating to 46.72 million square feet of estimated Saleable Area. Its portfolio consists of 26 Ongoing Projects, five Projects under Development and four Forthcoming Projects, which account for 56.28%, 17.71% and 26.01% of its total estimated Saleable Area, respectively, as of September 30, 2021. Further, across these projects, the mid-market category and affordable housing category accounted for an aggregate of 71.48% of its total estimated Saleable Area (with mid-market and affordable housing accounting for 35.67% and 35.80%, respectively), of its total estimated Saleable Area, as of September 30, 2021. Bengaluru and Chennai accounted for 67.15% of its total estimated Saleable Area, as of September 30, 2021. In addition, as of September 30, 2021, it has Land Reserves of approximately 197.47 Acres, with a development potential of approximately 21.45 million square feet of estimated Saleable Area.

Scalable and asset light business model

The Company transitioning from a real estate development model to a combination of real estate development and real estate services based business model, with a shift towards an asset light business strategy. Historically, in addition to its owned projects, the Company has sought to develop projects either through joint-development agreements ("JDA") or joint ventures ("JV") with landowners of the proposed projects, and in certain cases, with financial investors, in order to reduce up-front costs, while leveraging its brand name and execution experience. In addition, as an extension of its asset light business model, in recent years, the Company is focused on the development management ("DM") business, whereby it provides end-to-end real estate development services to smaller real estate developers and other landowners in relation to timely and quality execution, branding, marketing and sales, collections and client management and facilitating financing arrangements. The Company believes that it has successfully stabilised the DM model in its core markets having entered into

Issue date	Dec. 08 - Dec.10, 2021
Listing date	Dec. 20, 2021
Price Band	₹ 113 - ₹ 118 (Face value: ₹ 10)
Employee discount	Rs. 11
Bid lot	125 equity shares and in multiple thereof
Issue size and type	Rs. 600 Crore Fresh issue: ₹250 Crore Offer for sale: Upto ₹350 Crore)
Issue structure	QIB - 75%, NIB - 15%, Retail -10%
Post issue shares	16.96 Crore equity shares
Promoters	Pre IPO: 31.98 %/Post IPO: 28.0 %
Public - Investor	Pre IPO: 67.14 %/Post IPO: 41.3%
Selling Shareholders	
Public -Other	Pre IPO: 0.88 %/Post IPO: 30.8%
Post issue market cap	₹ 2,001 Crore
BRLMs	Axis Capital, ICICI Securities, Nomura Financial Advisory
Registrar to the issue	KFin Technologies Private Limited

Particulars (₹ Crore)	6MFY22	FY21	FY20	FY19
Topline	118	432	572	650
EBITDA	37	121	90	80
EBITDA (%)	23.90	24.15	14.30	12.31
Profit after tax	(60)	(68)	(86)	49
Equity share cap.	148.11	148.11	148.11	148.11
Networth	769	827	894	970
Long term debt	48	49	79	149
Short term debt	647	678	659	697
Book value (₹)	51.9	55.8	60.4	65.5

definitive agreements for 14 projects with an estimated aggregate Saleable Area of 14.91 million square feet under the DM model. DM forms around 31.92% of total estimated Saleable Area under its Ongoing Projects, Projects under Development and Forthcoming Projects as of September 30, 2021.

Decent financial performance amidst COVID-19 Pandemic

For FY21, Revenues stood at Rs. 431.5 Crore (Rs. 572 Crore in FY20), EBITDA stood at Rs. 121 Crore (Rs. 90.4 Crore in FY20). H1FY22 Revenues stood at Rs. 118.2 Crore and EBITDA stood at Rs. 37 Crore. However, the Company has witnessed net loss in FY21 and FY20.

Investment recommendation and rationale

At the upper end of the price band of ₹118, the Company's IPO is valued at Price/Book Value of 2.3x which is at a discount to peers and the pricing looks reasonable. In terms of EV/EBITDA, the company is valued at a multiple of 15x. We recommend investors to "SUBSCRIBE" to the issue due to the following factors: a) strong parentage - Shriram Group and backed by Marquee Investors, b) one of the leading residential real estate development companies in South India with focus on mid-market and affordable housing categories, c) demonstrated capabilities in project identification, d) strong execution track record, having 29 completed projects aggregating to 16.76 mn. sq. ft. of Saleable Area, e) development portfolio comprises of 35 projects aggregating to 46.72 mn. sq. feet of estimated saleable area, f) established strategic relationships with domestic as well as international financial investors, g) scalable and asset light business model, h) decent financial performance, i) well positioned to benefit from regulatory and industry developments. The Company has raised about Rs. 269 Crore from anchor investors as the company allocated 2,27,66,949 equity shares to 34 anchor investors at Rs. 118 per share which instills confidence in the issue.

Objects of the issue

Fresh issue - ₹250 Crore

The objects of the Fresh Issue are as follows:

Particulars	Amount (₹ Crore)
Repayment and/or pre-payment, in full or part, of certain borrowings availed by our Company and our Subsidiaries, Shriprop Structures, Global Entropolis and Bengal Shriram	200
General corporate purposes	-

Source: RHP

Offer for sale upto ₹350 Crore

The objects of the Offer are to (i) to carry out the Offer for Sale of up to ₹350 Crore by the Selling Shareholders

Offer for sale	Amount (₹ Crore)
Omega TC Sabre Holdings Pte Limited - The Investor Selling Shareholders	90.95
Tata Capital Financial Services Limited - The Investor Selling Shareholders	8.34
TPG Asia SF V Pte. Limited - The Investor Selling Shareholders	92.20
Wsi/Wsqi V (XXXII) Mauritius Investors Limited - The Investor Selling Shareholders	133.4
Other selling shareholders	25.0

Source: RHP

Key concerns

- 1) The Company has witnessed Net loss in H1FY22, FY21 and FY20.
- 2) The Company's business and profitability is significantly dependent on the performance of the real estate market in India, generally, and particularly in South India. Fluctuations in market conditions may affect its ability to sell its projects at expected prices, which may adversely affect its revenues and earnings.
- 3) The extent to which COVID-19 pandemic may affect its business and operations in the future is uncertain and cannot be predicted.

Background

Promoters

M. Murali, Shriram Properties Holdings and SGEWT are the Promoters of the Company. The Promoters currently hold an aggregate of 47,458,070 Equity Shares, aggregating to 31.98% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the Company

Brief Biographies of Directors and Key Management Personnel

M. Murali, is the Chairman and Managing Director and individual Promoter of the Company. He has over 17 years of work experience with the company and was first appointed as a Director of the company on March 30, 2003.

Gopalakrishnan J., is the Executive Director and Group CFO of the Company. He holds a bachelor's degree in science from the University of Madras and a master's degree in business administration from Madurai Kamaraj University. He has more than 28 years of experience in the field of finance, mergers and acquisitions, corporate restructuring, debt and equity, capital markets financing and debt financing. He has previously worked with Reliance Industries Limited, Aditya Birla Group, W.I. Carr Securities Private Limited, Canbank Mutual Fund and Dalal Consultants and Engineers Limited. He joined the Company on April 2, 2018. He has been awarded the CFO of the year award at the Future Leaders Summit and Awards, 2019 (2nd edition).

K.R Ramesh, is the Executive Director – Operations of the Company. He is an associate member of the Institute of Chartered Accountants of India and holds a bachelor's degree in commerce from Annamalai University. He has many years of experience in the field of accounting and finance and has previously worked with Southern Automatic Industries Private Limited, Sun Beverages Private Limited and Varun Beverages Limited as a Financial Controller.

Krishna Veeraraghavan, is the Director – Operations & Chief Operating Officer (Bangalore) of the Company. He holds a bachelor's degree in civil engineering from the Bangalore University. He has more than 30 years of experience in the field of construction, engineering and construction management and has previously worked with B.M. Constructions Private Limited, IVRCL Infrastructure & Projects Limited, KETI Constructions, JMC Projects (India) Limited, SSPDL Limited and TATA Consulting Engineers.



Balasubramanian S., is the Director – Operations & Chief Operating Officer (Chennai) of the Company. He holds a master's degree in engineering (structural engineering) from Bharathiar University and a master's degree in business administration from the Indira Gandhi National Open University. He has more than 33 years of professional experience in EPC, infrastructure and real estate businesses, and has worked with several organizations namely Eversendai Construction Private Limited, MARG Limited, DLF Retail Developers Limited and Larsen and Toubro Limited.

Ram Shankar Venkataraman, is the Chief Operating Officer (Kolkata) of the Company. He has pursued civil engineering from Kumaraguru College of Technology, Bharathiar University, Coimbatore and master of business administration (financial management) from the Indira Gandhi National Open University. He also holds an executive post graduate diploma in management from Indian Institute of Management, Kozhikode. He has more than 22 years of experience in the field of civil engineering and was previously associated with Subramanian Polytechnic, Ganesh Associates, Brigade Enterprises Private Limited, Barath Building Construction (I) Private Limited and Iconica Constructions. He is a member of the Institute of Engineers (India) and has been designated as the chartered engineer (India). He has been elected as a fellow (immovable property) by the Institution of Valuers (India). He joined our Company on February 25, 2021.

Balaji R, is the Chief Operating Officer (Vishakhapatnam) of the Company. He has pursued bachelor of arts degree from Madura College (Autonomous), Madurai Kamaraj University. He has multiple years of experience in the field of operations and management and has been associated with Shriram group since 1996. He has been working with the Company since January 1, 2011.

Jajit Menon, is the Director – Sales, Marketing and CRM of the Company. He holds a bachelor's degree in Science from the University of Mumbai. He has more than 19 years of experience in sales and marketing. He has previously worked with the Lodha Group of Companies, Aditya Birla Retail Limited, Shoppers Stop Limited, Bose Corporation India Private Limited. He joined the Company initially as National Head – Sales on April 17, 2017 and resigned from the same position on March 10, 2020. Subsequently, he rejoined the Company as Director – Sales, marketing and CRM on July 23, 2020. He has been awarded the South India's Real Estate Brand Leadership Award in September 2017, the Sales Director of the Year (Real Estate Sector) award at the Zee Business National Real Estate Leadership Congress & Awards, 2019 and the Realty 50 Marketing Minds 2021 award.

Shekar H.K., is the Senior Vice President – Customer Relationship Management of the Company. He holds a master's degree in management with specialization in marketing management customer relationship management and a graduate diploma in management, from the Indian School of Business Management & Administration. He has more than 17 years of experience in the field of marketing and customer relationship management and has previously worked with the Embassy Property Developments Private Limited, Sattva Group, Prestige Estates Projects Limited and Mantri Developers Private Limited. He joined the Company on April 26, 2018.

T.V. Ganesh, is the National Head – Technical. He holds a bachelor's degree in technology (engineering technology) from Birla Institute of Technology & Science, Pilani, Rajasthan and a diploma in mechanical engineering from the State Board of Technical Education and Training. He has also completed a programme on Project Management for Execution Excellence from the L&T Institute of Project Management, a registered education provider of the Project Management Institute, USA. He is currently an active member of the Project Management Institute, USA. He has been recognised by Microsoft for his outstanding performance and valuable contribution to Building – III and Hyderabad Building 1 of Microsoft. He has been recognised by L&T Metro Rail (Hyderabad) Limited for his contributions to the Hyderabad metro rail project and AECOM Asia Company Limited for his outstanding contribution to the Uppal Depot, Miyapur Depot, Admin OCC Building, Stage 1 and Stage 2 of the Hyderabad Metro Rail Project. He has played an instrumental role in delivery of the MEP systems at Al Rayyan Stadium & Precinct Project in Doha, Qatar. He has more than 29 years of experience in the field of construction and has previously worked with Larsen & Toubro Limited and High Energy Batteries (India) Limited. He has also been appreciated for his contribution as a trainer for South Region at the L&T Trainers' Meet, 2012. He has been working with the Company since May 15, 2019.

N. Nagendra, is the Senior Vice President and Head – Planning and Contracts of the Company. He holds a diploma in civil engineering from the Board of Technical Examinations (Department of Technical Education), Government of Karnataka, India. He has more than 37 years of experience in the field of construction and project management and has previously worked with H. Ajjappa & Sons, Sri Balaji Engineering & Construction Works and with K. R. Narayana Raju Associates. He has been working with the Company since December 11, 2000.



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