

Initiating Coverage

Shriram Properties Ltd

18th Sep 2023

Sector
Real Estate

Ratings
BUY

Current Price
Rs.85

Target
Rs. 124

Potential upside
45%

Holding
12 months

Stock Information

Sensex/Nifty	67,597/20,133
Bloomberg	SHRIRAMP:IN
Equity shares (Cr)	17.00
52-wk High/Low (Rs)	98/53
Face value (Rs)	10
M-Cap (Rs Cr)	1,447
2-wk Avg Volume (Qty)	39,15,151

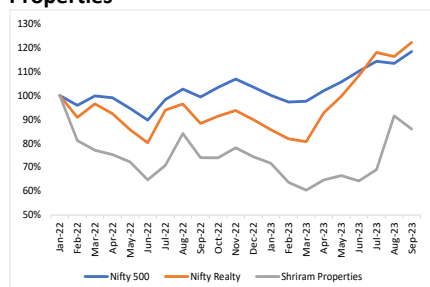
Shareholding pattern

Particulars	Dec-22	Mar-23	Jun-23
Promoters (%)	28.00	28.00	28.00
DII (%)	4.69	4.45	4.51
FII (%)	9.44	8.74	6.43
Public (%)	57.87	58.81	61.06

Financial Summary (Rs. crs.)

Summary P&L (Rs crs)	FY23	FY 24E	FY 25E
Revenue from Operations	674	1,039	1,132
EBITDA	43	136	150
EBITDA margin %	6.42	13.08	13.28
EBIT	36	128	141
EBIT margin%	5.27	12.28	12.45
PAT	68	95	115
PAT margin	10.12	9.12	10.15

Nifty 500 Vs Nifty Realty Vs Shriram Properties



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Shriram Properties Ltd (SPL) 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 initiated its journey in Bengaluru in the year 2000.

Striking the Right Notes

We initiate coverage on Shriram Properties with a “BUY” rating and a target price of Rs 124.

Competitive strengths: a) Scalable asset light business model b) Development management model is value accretive c) Operating efficiencies playing out d) Brand equity e) Experienced and qualified professional management f) Residential real estate on a long term upcycle g) Consolidation in the real estate sector h) Legacy issues largely behind i) Unlocking of the Kolkata land bank. **Key concerns would be** 1) High competitive intensity in the mid-market and affordable housing segments 2) High cost of debt weighing on margins 3) The company’s real estate segments are highly susceptible to high interest rates and inflationary pressures, 4) High concentration risk of geographies and categories, 5) Significant delays in projects could lead to impairment losses like the Vizag project.

Scalable, asset light and de-risked business model: Shriram properties is a combination of real estate development and real estate services, business model. Since inception most of its completed projects are in Joint Venture (JV), Joint Development (JDA) and Development Management (DM) business models. The low capital-intensive nature of its service model enables it to keep its debt in check, ensures high scalability and efficient use of capital. Shriram properties’ business model also lays emphasis on the mid-market and affordable housing segment which not only ensures good sales velocity but also ensures low inventory levels. They have near zero inventory in completed projects. They have a very impressive sales at launch and more than 75% of their launched ongoing projects have been sold. This ensures de-risking of the ongoing projects.

Development Management (DM) model is value accretive and a growth engine: The company is focusing on the development management model which is aimed at small developers and landowners. In this model, the land is owned by the landowner and the company provides end to end solutions to their customers. The services include project planning, launch, sales, collection, construction execution and handover. Everything is done in the brand of Shriram. The services are provided for a gross DM fees ranging from 16% - 22% depending on the scope of the work. DM is value accretive and mutually beneficial for both the landowners as well as for Shriram properties. Due to the leveraging of the Shriram brand, the landowners improve their average realisations and velocity of sales. This model is scalable, sustainable, and highly profitable. In FY22 DM accounted for 25% of pre sales volume and in FY23 DM accounted. 39 % of pre sales volume. The company targets to have a 30% pre sales volume through the DM segment. This model has an EBITDA margin of about 75%.

Success of this approach has helped the company in scaling up without significant capital stress and improving profitability and returns in recent years.

Operating Efficiencies playing out: The company's key operating metrics have been robust. As per the management, pre sales volumes are expected to increase ~19% YoY from 4.02 msf in FY23 to 4.80 msf in FY24E. Similarly the management expects increase in pre sales value ~25% YoY from Rs 1,846 crs in FY23 to Rs 2,300 cs in FY24E and net collections to improve ~46% YoY from Rs 1,094 crs in FY23 to Rs 1,600 crs in FY24E. The company has a strong track record of quality, execution and timely deliveries. SPL also places emphasis on cost management and rigorously monitoring the progress of its projects and seek to ensure that time and costs remain within the budgeted amount. The company has established long standing relationships with financial investors landowners and third party contractors and architects which helps them in efficient and timely development of their projects The management is confident of achieving a EBITDA margin of mid 20s% (including other income) and ROCE (including other income) in mid teens for the next 2-3 years.

Brand Equity: Shriram properties is a part of the Shriram group which is a very prominent, well respected business group with more than 40 years of operating experience in India. Being a part of the group, it benefits from the trust and confidence that homebuyers, lenders, financial investors, landowners, development partners, contractors and other stakeholders place in the Shriram Group. The strong brand recall translates into strong brand equity for Shriram properties.

Experienced and qualified professional management: The company is led by their Chairman & Managing Director M Murali who is supported by an experienced and a professional management team. The team is well respected in the real estate market. This team brings in significant operational expertise which will help the company take advantage of the current and future market opportunities. The management has demonstrated capabilities in project identification and has a strong execution track record and they are known for their prudent business practices.

Striking strategic relationships: The management has struck a strategic relationship with ASK Group in Nov 2022 to help fund its projects. Under the platform arrangement, Shriram Properties and ASK will co-invest in residential developments projects. Aggregate commitments towards the platform will be up to Rs 500 crs and the entire committed capital is expected to be deployed over 12 months from the date of agreement. ASK will invest through its managed Category II Alternative Investment Fund (AIF). The partnership platform will provide Shriram properties a committed capital availability and allow them to seize new opportunities for further growth and value creation efficiently.

Prudent business strategies at play: Shriram properties since its inception has concentrated mainly on mid market and affordable housing segments which has traditionally grown faster than the rest of the residential real estate segments in India. Moreover it is mainly focused on key cities such as Chennai, Bengaluru in the south and Kolkata in the east. Shriram properties continued focus on certain real estate categories and its core markets has led to a position of market leadership. This continued focus has helped it gain local knowledge, know-how of the regulatory environment in key cities in South India and better customer connect. It is well positioned to benefit from the expected growth in its core markets in the mid-market and affordable housing categories.

In our interaction with the management, we got insights about their vision for the

company. SPL is laying more emphasis on the highly profitable DM model and striving to increase the revenue of its lucrative plotted development segment. Sales at launch are strategically kept between 35%- 40% to achieve better realisations. The management is in no rush to scale up sharply and repeat the mistakes of some its peers. They want to concentrate on their core strengths, build on them and consolidate and then diversify if required. They want to build a strong foundation of the company brick by brick, keeping debt in check.

Industry is moving from recovery to expansion phase: According to Anarock, real estate sales across the board, across all the major cities and even the tier-2 metros, seems to be pretty robust. This demand is not on the back of speculators or investors. This is coming on the back of end users and the younger generation, who are really wanting to buy residential properties whether it is for social security or for other reasons. Clearly this is a cycle and we are perhaps at the beginning to middle of the cycle. It appears that over the next 3-4 years, demand will continue to remain strong. The demand is coming in, not on the back of very strong economy and the job market growth but also on the back of a lot of reforms that have been done on the supply side.

Shriram Properties at an inflection point: Demonetisation, RERA, NBFC crisis of 2018 and the covid pandemic has triggered off a consolidation of the real estate industry. The industry consolidation is clearly differentiating the larger-branded players from the rest of the industry. Larger-branded players with execution track record continue to increase their share. As per Anarock Research, ~60% of units launched during CY 2022 were by branded developers, who sold >55% of the units sold in this period. Shriram properties is among the leading residential real estate companies in south India . Given their strong brand equity, scale of operations and industry position we believe Shriram Properties is at an inflection point and well positioned to benefit from the opportunities presented by the consolidation in the real estate sector.

Legacy Issues now largely behind: SPL had certain problems in terms of cost as well as timelines in some of the legacy projects. This had an adverse effect on the financials for the last 2-3 years. There was one more legacy issue where all the private equity investment got treated as debt as per IND AS. Because of the threshold concept this resulted in a deemed interest burden which affected their EBITDA margins at that point of time. The management has assured us that legacy issues have been resolved in FY21 except for an accumulated interest burden in the Kolkata project.

Develop and monetise Kolkata Land Parcel: Shriram Properties owns a strategically positioned land parcel of 314 acres located at Uttarpara, in Kolkata. The land parcel of 314 acres has an aggregate development potential of more than 32 msf of estimated Saleable Area. SPL plans to develop ~10 msf of the land for an integrated township project, 'Shriram Grand City' and monetise the balance ~22msf of the land. The company has signed a MOU for selling a portion of a land parcel to LOGOS group for warehousing and expects to close the deal in H2 FY24. Moreover, for the balance portion which it plans to monetise it has received additional interest from another global player and negotiations are ongoing. All of this could unlock a lot of value for SPL going forward.

Journey so far

Exhibit 1: Key milestones in the company history

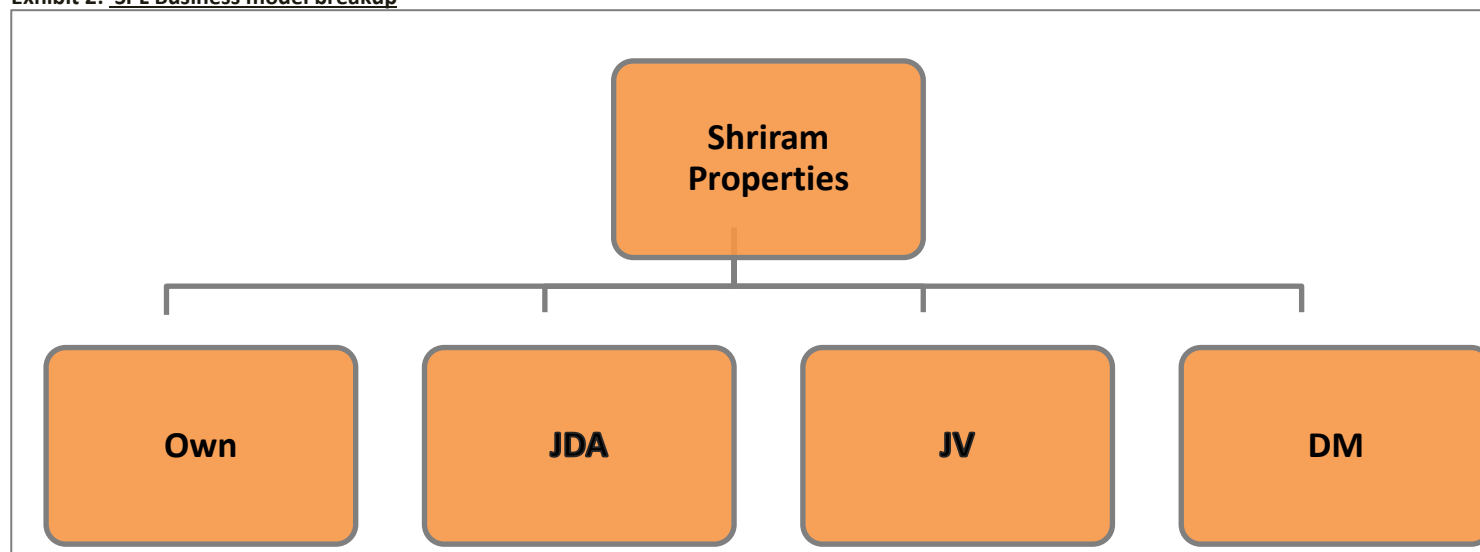
2000- 2007	2011- 2014	2016-2018	2019-2023
2000 -SPL commenced operations in Bengaluru	2011 - SPL received investment from TPG Asia and WSI/WSQI of Rs 325 crs and 243 crs respectively in 2011 on a parent company level. SPL also completed its first residential project in Coimbatore “Vijaya Hyde Park” in May 2011.	2016 - Completed its residential project in Vizag “Panorama Hills – Block IV” in September 2016	2019 - First residential and plotted segment project launched under DM model in 2019
2006 - Sun apollo invested Rs 80 crs in 2006	2012 - Project-level investment from ASK Real Estate Special Opportunities Fund of Rs 83.90 crs in 2012	2017 -Sale of SPL share of equity in the SPV that holds land located in SEZ in Chennai to a Xander Funds Group Company, for Rs 371 crs	2021 - Listed as a public company on NSE and BSE in 2021.
2007 –Project-level investment from Walton Street Capital and Hypo Real Estate Bank International AG for Rs 210 crs and Rs 559 crs respectively	2014 – Tata Capital Financial Services Limited and Omega TC picked up stake in the Company from Shriram Venture Limited for Rs 468 cr in 2014		2022 -Awarded the certification of ‘Great Place to Work’ in 2022
			2023 - Handed over >2000 units/plots, a new record and the–highest-ever pre sales value and volume in 2023

Source: Shriram Properties annual report, Systematix PCG Research

Business Models

The company has 4 business models a) Own Projects b) Joint Development Agreements (JDA) c) Joint Venture (JV) d) Development Management (DM)

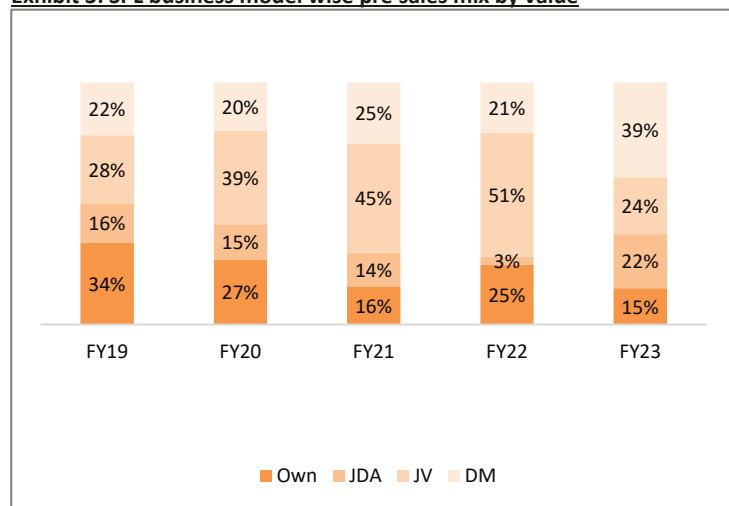
Exhibit 2: SPL Business model breakup



Source: Shriram Properties, Systematix PCG Research

Business Model Summary for Shriram Properties (SPL) and the role of Landowner

Parameters	Own	JDA Model	Joint Venture Model	DM Business Model
Land Ownership	SPL	Land Owner	Joint Ownership	Land Owner
Construction & Other Costs	Entire cost to be borne by SPL	SPL to bear 100% of the costs	Costs to be incurred in proportion to their respective equity stake in the special purpose vehicle (SPV)	No capital investment by SPL.
Role	SPL is responsible for the entire project from land acquisition, planning and execution of the project	SPL has exclusive rights to plan, develop and execute the project	The jointly owned SPV is responsible for the development of the project	SPL can provide end to end solutions from construction, execution, marketing, sales , collections and arranging finance depending on the clients needs. The landowner is responsible for all costs for development and execution of the project
Economic Interest	Entire economic interest for SPL as the project is owned by it	The landowner gets a percentage of total saleable area or sale proceeds as per the agreement and for the balance area SPL has the economic interest	Economic interest is shared in the ratio of their share capital in the SPV	SPL gets a gross DM fees ranging from 12%-22% linked to project revenues depending on the work performed.
Accounting	All construction costs, revenue, debt and interest costs will be recognised in SPL books of accounts.	SPL will book relevant revenue share for its economic interest, relevant inventory and 100% of the construction cost and the entire debt and interest costs	SPL will only recognise its share of profit/loss in the project in its own books. Debt and interest costs will be recognised in the books of SPV.	SPL will only recognise gross DM fees and no construction costs or inventory will be recognised in its books. The debt and interest costs are recognised by the landowner in his books. Certain marketing and admin expenses which is incurred by SPL for the project is recognised in its books
Scalability	Low	Moderate	Low	High
Capital Investment	This model is highly capital intensive as SPL has to fund the entire project	SPL does not have to purchase the land therefore it is relatively less capital intensive	SPL capital requirements are in proportion to its equity stake in the SPV	No capital requirement for this model
Delivery and RERA responsibility	SPL	SPL	SPL	Land Owner
Free Cash Flow Sharing basis	100% to SPL	100% to SPL	SPL and the landowner will get their respective proportionate share in the SPV. SPL gets DM fee in addition.	100% to the Land owner. SPL will only get a DM fee linked to sales and construction progress

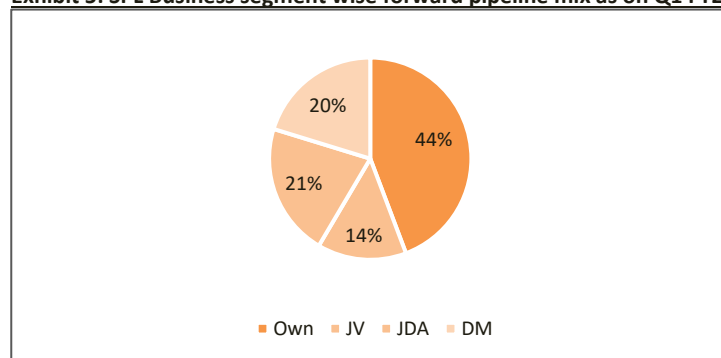
Exhibit 3: SPL business model wise pre sales mix by value

Source: Shriram Properties, Systematix PCG Research

Exhibit 4: SPL business segment wise pre sales mix by volume in msf

Type	FY19	FY20	FY21	FY22	FY23
Own msf	1.40	0.99	0.54	1.02	0.52
% of total	39.51%	30.54%	18.08%	27.17%	13.00%
JDA msf	0.53	0.37	0.25	0.12	1.09
% of total	14.96%	11.54%	8.26%	3.19%	27.03%
JV msf	0.99	1.06	1.21	1.69	0.83
% of total	27.84%	32.59%	40.13%	44.88%	20.65%
DM	0.63	0.82	1.01	0.93	1.58
% of total	17.69%	25.33%	33.53%	24.76%	39.32%
Total	3.56	3.25	3.00	3.76	4.02

Source: Shriram Properties, Systematix PCG Research

Exhibit 5: SPL Business segment wise forward pipeline mix as on Q1 FY24

Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 6: Shriram properties project wise breakup as on 30th June 23

Particulars	Own	JDA	JV	DM	Total
No of Completed projects	6	23	3	7	39
Msf completed	4.70	10.70	2.10	4.50	22.00
No of Ongoing projects	8	5	5	6	24
Msf ongoing projects	8.50	5.90	5.90	3.00	23.30
No of projects Under Pipeline	8	12	1	4	25
Msf under pipeline	10.60	11.10	0.80	5.80	28.30

Source: Shriram Properties Investor Presentation, Systematix PCG Research

Industry Overview

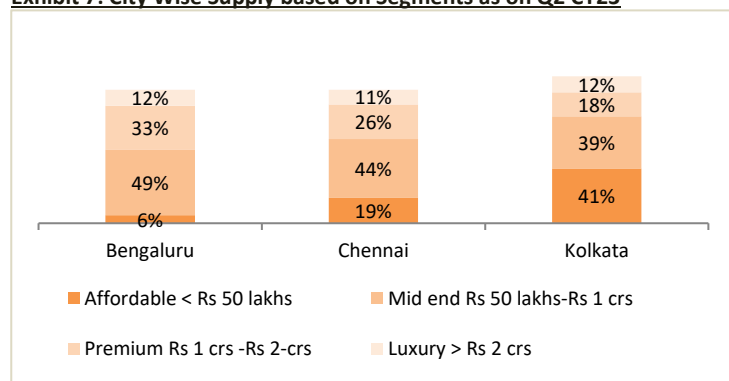
- According to Anarock and other industry reports sales in the housing sector in India are robust across all major cities including tier 2 metro cities.
- Post the pandemic, millennials and young working population are preferring to buy a house instead of renting it out thereby fueling demand.
- Demographic dividend, rapid urbanization ,strong economic growth and the government initiatives like Credit linked subsidy scheme (CLSS) and incentives for the developers in the affordable housing segment are likely to drive demand further in the long run.
- Rising interest rates have had limited impact on demand.
- The real estate industry has witnessed consolidation in the recent years due to demonization, RERA ,NBFC crisis of 2018 and other factors. The consolidation is only going to increase going forward

- Majority of the home buyers have become risk averse and prefer to buy units in a project launched by a branded developer even though their projects are priced at a premium.
- If there is a global recession, the Indian real estate market would not be adversely affected as the Indian real estate market reacts to internal dynamics like domestic demand, economic growth and government policies, all of which are very positive. The Indian residential real estate sector has seen significant inflows of foreign direct investment which could decrease in case of a global economic meltdown.

Industry Trands and Sector Dynamics in Shriram Properties core markets

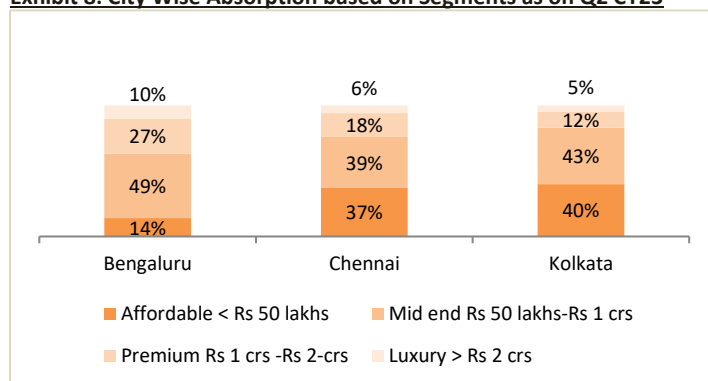
Story in Charts

Exhibit 7: City Wise Supply based on Segments as on Q2 CY23



Source: Prop Equity Report, Systematix PCG Research

Exhibit 8: City Wise Absorption based on Segments as on Q2 CY23



Source: Prop Equity Report, Systematix PCG Research

Exhibit 9: City wise launches and Sales

City	Launches in units		Sales in units	
	H1 CY23 (YoY change)	CY22 (YoY change)	H1 CY23 (YoY change)	CY22 (YoY change)
Bengaluru	23,542 (11%)	43,420 (42%)	26,247 (-2%)	53,363 (40%)
Chennai	22,851 (7%)	43,847 (23%)	15,355 (5%)	31,046 (28%)
Kolkata	6,776 (1%)	12,330 (64%)	7,324 (3%)	12,909 (-10%)
All India	173,564 (8%)	328,129 (41%)	156,640 (-1%)	312,666 (34%)

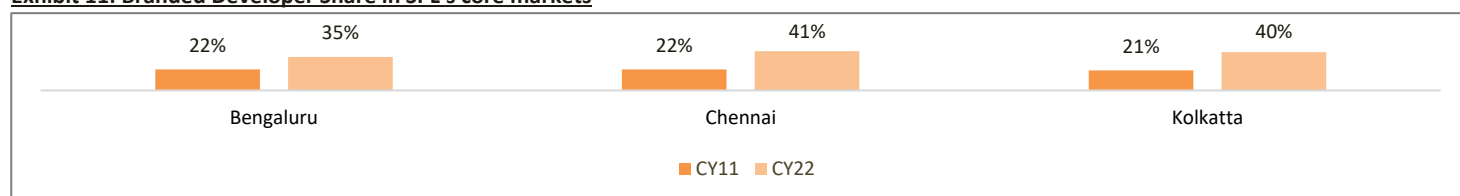
Source: Knight Frank Report, Systematix PCG Research

Exhibit 10: City Wise Unsold Inventory Details as on H1 CY23

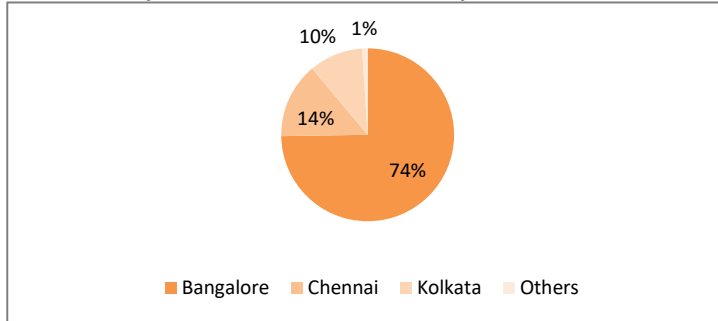
City	Unsold Inventory (Units)	YoY Change in unsold inventory	Inventory overhang in months
Bengaluru	56,693	-8%	13
Chennai	15,156	11%	13
Kolkata	20,138	-3%	17

Source: Knight Frank Report, Systematix PCG Research

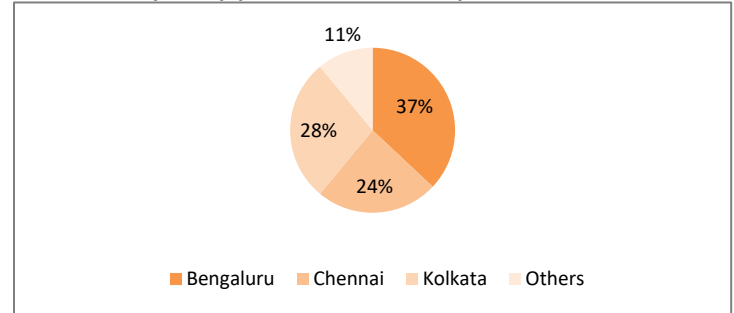
Exhibit 11: Branded Developer Share in SPL's core markets



Source: Propequity, Systematix PCG Research

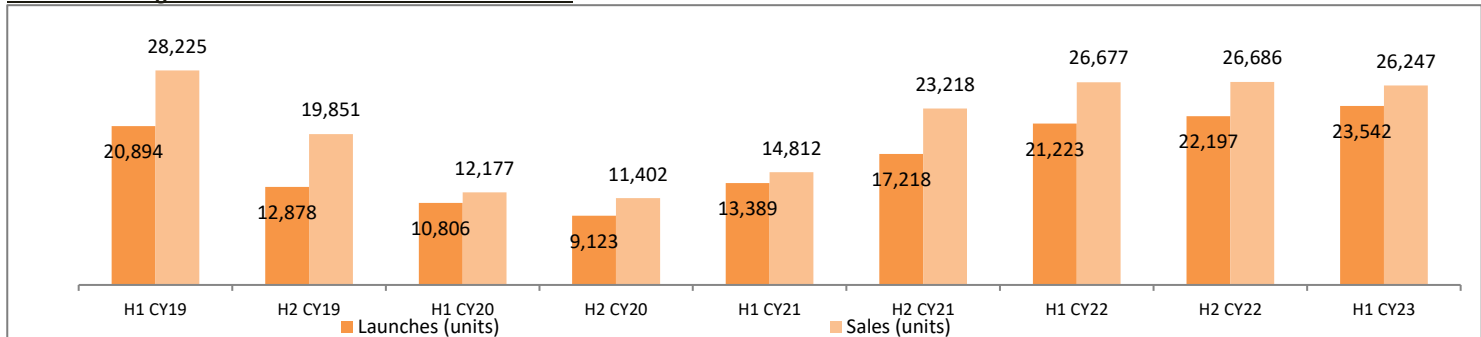
Exhibit 12: City wise Pre Sales for Shriram Properties as on Q1 FY24

Source: Shriram Properties Investor Presentation, Systematix PCG Research

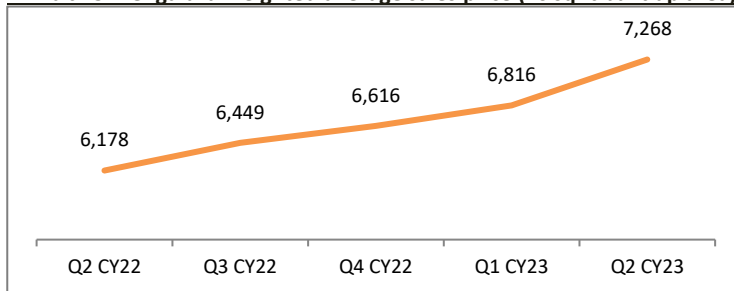
Exhibit 13: City wise pipeline for Shriram Properties as on Q1 FY24

Source: Shriram Properties Investor Presentation, Systematix PCG Research

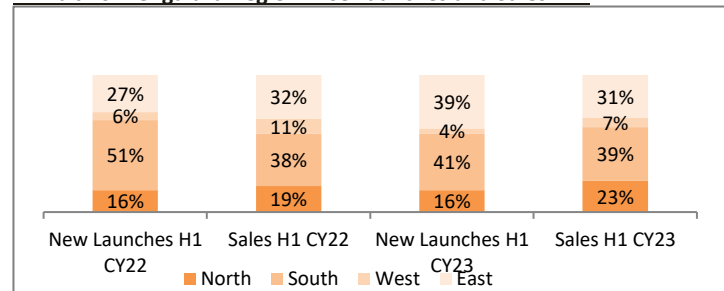
Bengaluru

Exhibit 14: Bengaluru Launches and Sales historical details

Source: Knight Frank Report, Systematix PCG Research

Exhibit 15: Bengaluru weighted average sales price (Rs sq ft built up area)

Source: Source: Prop Equity Report, Systematix PCG Research

Exhibit 16: Bengaluru Region wise Launches and Sales mix

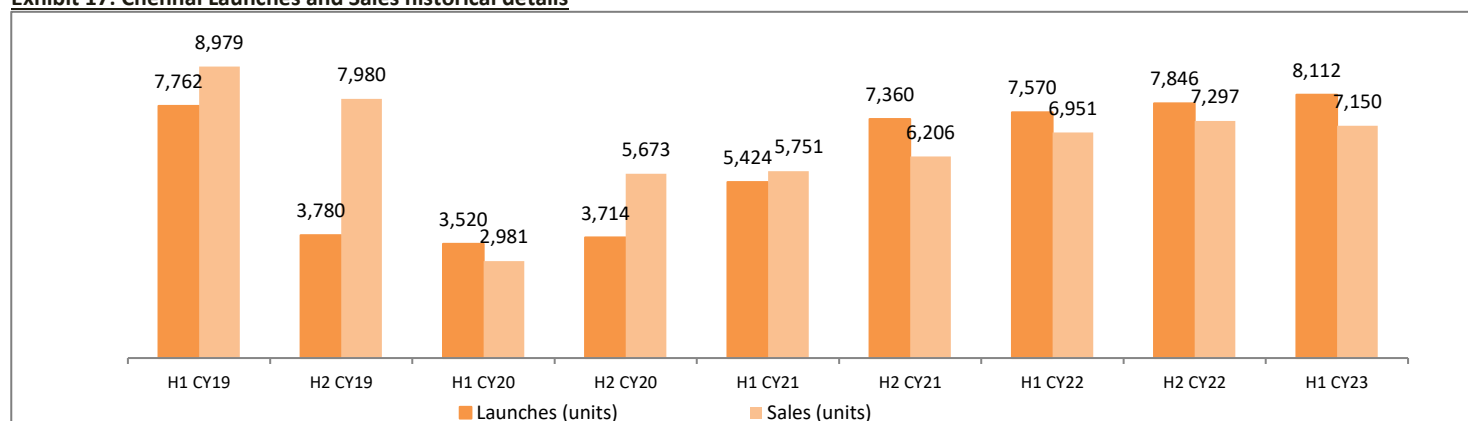
Source: Knight Frank Report, Systematix PCG Research

Bengaluru Residential Outlook:

- Bengaluru's impressive launches, sales growth, and the low inventory overhang, positions the city as an attractive investment destination.
- Strengthening developer confidence, declining inventories, exponential growth of startups and unicorns, developing infrastructure projects, rising income levels and improvement in consumer sentiment, will continue to boost demand in Bengaluru.

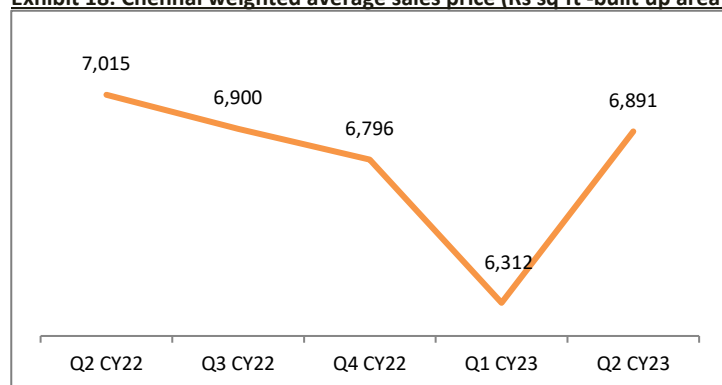
Chennai

Exhibit 17: Chennai Launches and Sales historical details



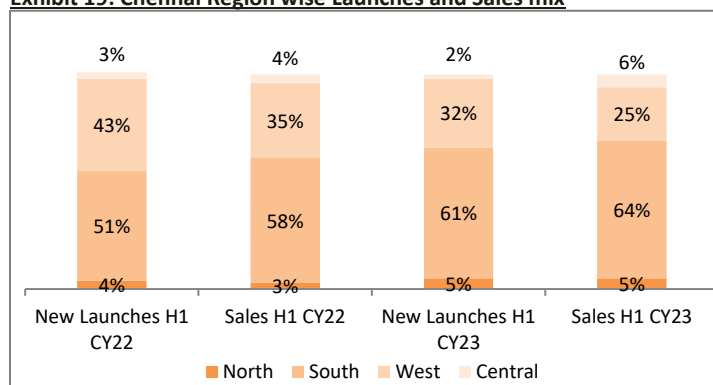
Source: Knight Frank Report, Systematix PCG Research

Exhibit 18: Chennai weighted average sales price (Rs sq ft -built up area)



Source: Source: Prop Equity Report, Systematix PCG Research

Exhibit 19: Chennai Region wise Launches and Sales mix



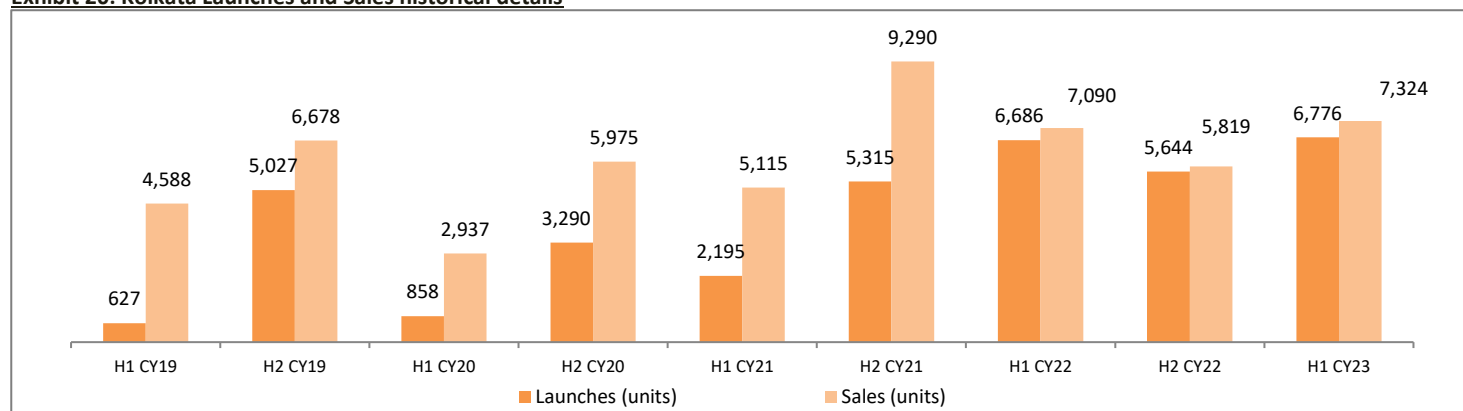
Source: Knight Frank Report, Systematix PCG Research

Chennai Residential Outlook

- Chennai's residential market showcases strong sales momentum, despite the slowdown in new launches.
- The availability of preferred housing options, improved purchasing power, and a reduced inventory overhang contribute to the market's resilience.
- Although the affordable housing supply has declined, the demand for spacious homes remains robust.
- With the lowest inventory level since CY2018, Chennai's real estate sector is well-positioned to meet the evolving demands of homebuyers in the coming years

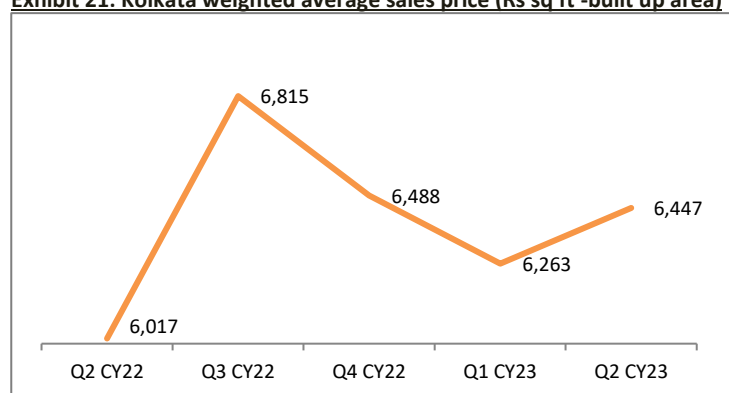
Kolkata

Exhibit 20: Kolkata Launches and Sales historical details



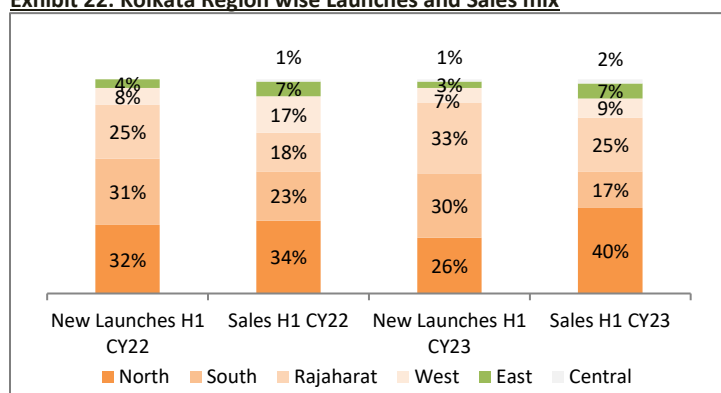
Source: Knight Frank Report, Systematix PCG Research

Exhibit 21: Kolkata weighted average sales price (Rs sq ft -built up area)



Source: Prop Equity Report, Systematix PCG Research

Exhibit 22: Kolkata Region wise Launches and Sales mix



Source: Knight Frank Report, Systematix PCG Research

Kolkata Residential Outlook:

- Kolkata's residential market demonstrates robust sales momentum, driven by the need for homeownership and favourable government initiatives.
- The supply composition has shifted, with an increased emphasis on mid and high-end segments.
- As the economy continues to improve and income levels rise, Kolkata's real estate sector could evolve to meet homebuyers' changing demands and preferences.

ASK Platform and Kolkata Land Parcel Business Update

Shriram - ASK Platform

- Shriram Properties Limited and ASK Property Fund jointly formed a Rs 500 crs co-investment platform in Nov-22. to invest in plotted and residential developments project where ASK will fund 80% and SPL will fund the balance 20%
- In the first stage of returns, ASK and SPL will get a 13% coupon on their investment. Apart from this SPL get a 10% DM fee in stages from the project. There are no guaranteed returns beyond the initial 13% coupon for ASK. Also after the cash flows are used to pay the coupon and DM fees, the balance cash flows if any are divided pari pasu and the returns for ASK are capped at 20% IRR. The balance cash flows if any belong to SPL.
- The co-investment platform's maiden investment in Shriram Pristine Estates, a premium plotted development opportunity, is performing well and exceeding expectations on volume and pricing since its launch in Feb'23.
- Shriram 122 West is the second joint investment by the co-investment platform with a total saleable area of 1.9 msf spread across two phases. The Project has an aggregate revenue potential of Rs 1,200 crs in the next five years.
- Collectively between both projects, the platform has utilised 60% of its committed capital already. The partners are evaluating further opportunities to co-invest in plotted and residential developments projects.

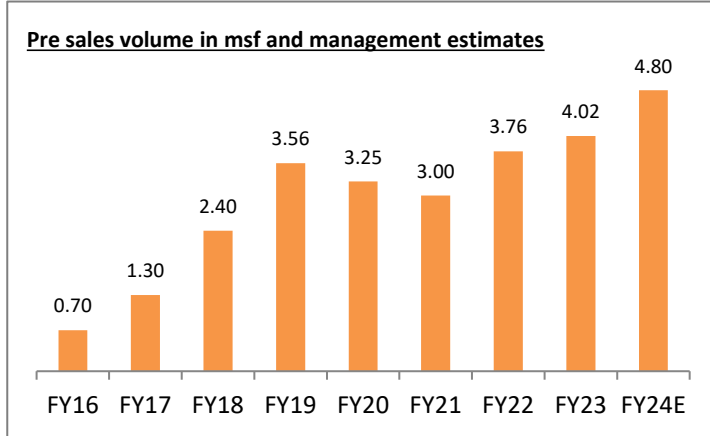
Kolkata Land Parcel update

Kolkata Development Strategy	
Own development of c.10msf over next 3-5 years.	Monetising remaining land bank c.22msf
Development Status Update	Monetisation Update
Shriram Grand-1:(2 msf, almost entirely sold)	FSI sale progressing well; MoU with LOGOS.
Handover progressing in some clusters; To deliver ~800 units in FY24. Construction in full swing in other clusters.	Documentation efforts nearing closure. Targeted closing in H2-FY24
Shriram Sunshine:(2.3 msf, launched in 3 phases)	Likely interest from another large global player.
Already sold ~90% of Phase-1 and 60% of Phase-2 (aggregate 1.3 msf)	
Upcoming :~5.5 msf to be launched over next 3 years.	
Villa development to be launched in Q3FY24.	

Dissecting SPL's operational dynamics

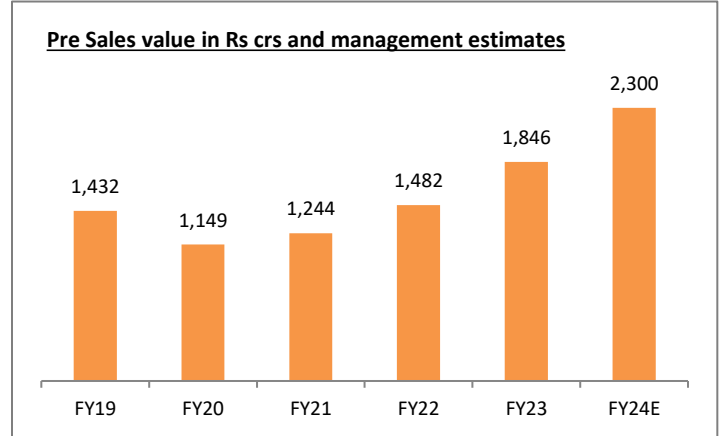
Story in Charts

Exhibit 23: SPL's pre sales volumes are steadily rising



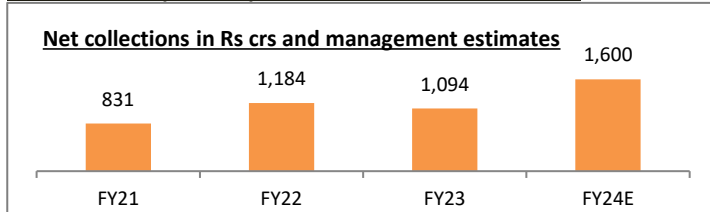
Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 24: SPL's pre Sales value is rising in tandem with sales volume



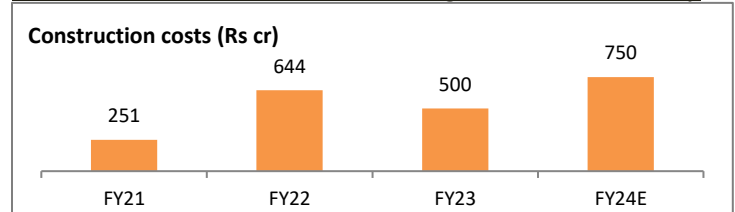
Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 25: Sharp scale up in SPL's net collections in FY24E



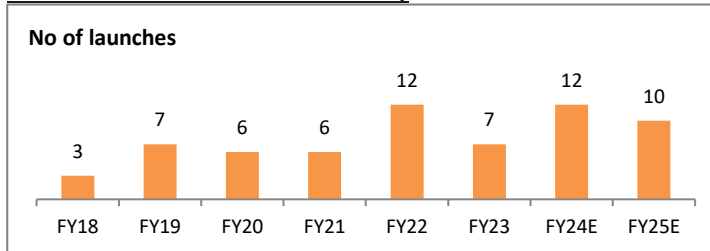
Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 26: SPL's construction costs are rising in tandem with scale up



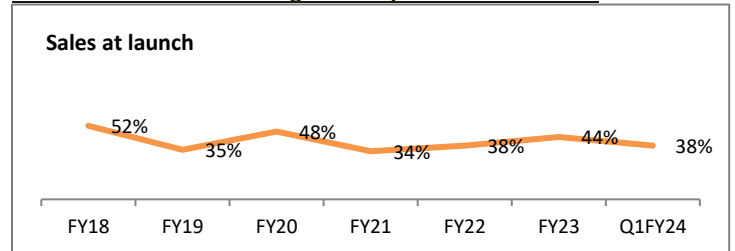
Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 27: SPL's launches remain steady



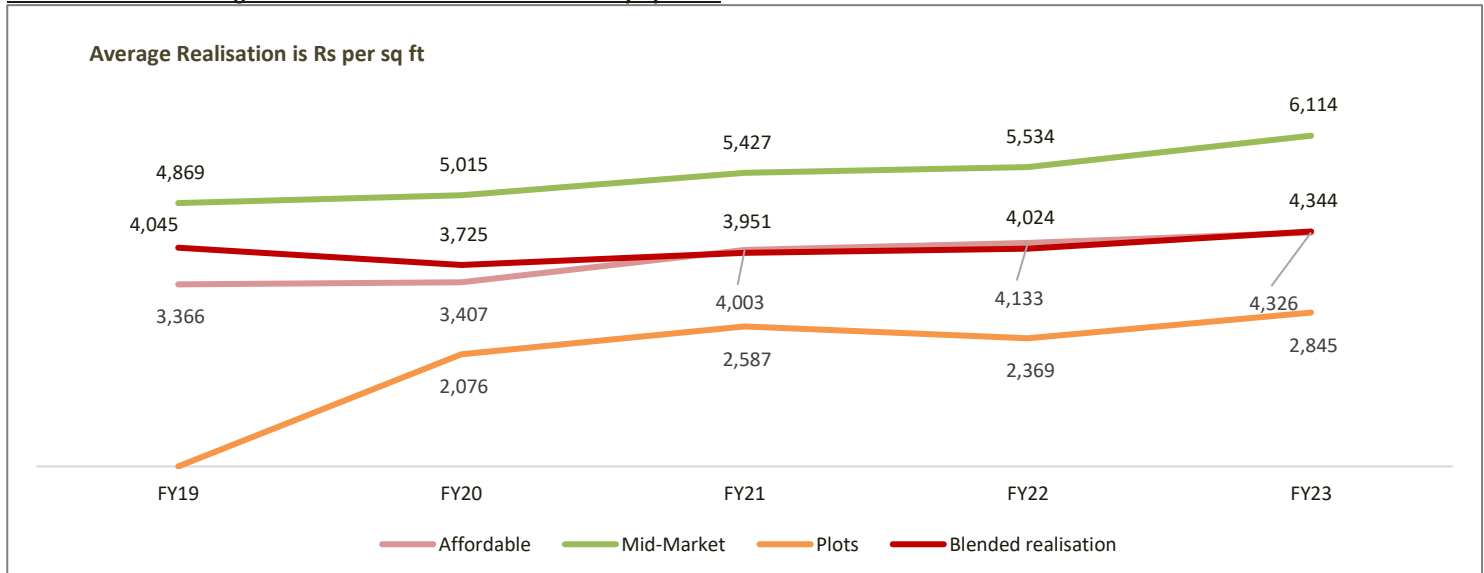
Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 28: SPL is maintaining a healthy sales at launch rate

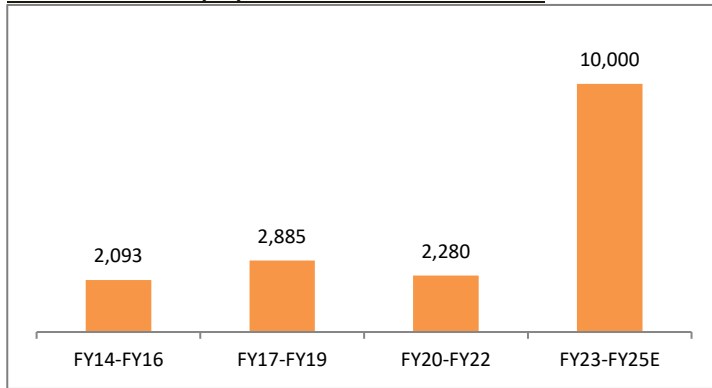


Source: Shriram Properties Investor Presentation, Systematix PCG Research

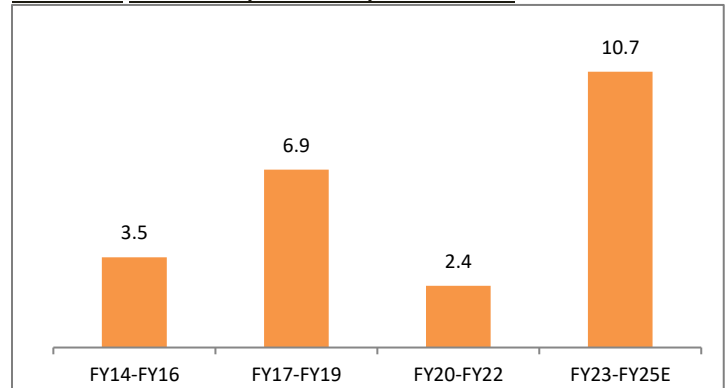
Exhibit 29: SPL's average realisation levels have seen a healthy uptrend



Source: Shriram Properties, Systematix PCG Research

Exhibit 30: Shriram properties no of units of handover

Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 31: Shriram Properties Completions in msf

Source: Shriram Properties Investor Presentation, Systematix PCG Research

Exhibit 32: Shriram properties city wise Pre sales volume summary (msf)

Location	FY19	FY20	FY21	FY22	FY23
Bengaluru	1.63	1.85	2.04	1.65	1.78
% of total	45.85%	56.86%	67.84%	43.83%	44.31%
Chennai	0.94	1.00	0.59	1.01	1.57
% of total	26.30%	30.82%	19.62%	26.76%	39.07%
Kolkata	0.92	0.34	0.37	1.05	0.65
% of total	25.81%	10.54%	12.19%	27.82%	16.22%
Coimbatore	0.01	0.04	0.01	0.07	0.01
% of total	0.40%	1.13%	0.25%	1.76%	0.36%
Vizag	0.06	0.02	0.00	-0.01	0.00
% of total	1.64%	0.65%	0.10%	-0.17%	0.04%
Total	3.56	3.25	3.00	3.76	4.02

Source: Shriram Properties, Systematix PCG Research

Exhibit 33: Shriram properties city wise pre sales value in Rs crs

Location	FY19	FY20	FY21	FY22	FY23
Bengaluru	736	691	874	669	738
% of total	51.38%	60.16%	70.21%	45.12%	40.00%
Chennai	393	317	220	392	827
% of total	27.47%	27.60%	17.67%	26.44%	44.78%
Kolkata	287	121	148	403	275
% of total	20.04%	10.56%	11.91%	27.19%	14.92%
Coimbatore	5	13	2	20	5
% of total	0.38%	1.09%	0.17%	1.38%	0.26%
Vizag	10	7	1	-2	1
% of total	0.72%	0.59%	0.04%	-0.13%	0.04%
Total	1,432	1,149	1,244	1,482	1,846

Source: Shriram Properties, Systematix PCG Research

Exhibit 34: Shriram properties segment Pre sales volume summary (msf)

Segment	FY19	FY20	FY21	FY22	FY23
Affordable	1.96	1.19	0.99	1.92	1.00
% of total	54.99%	36.64%	33.02%	51.03%	24.91%
Mid-Market	1.33	0.95	0.88	0.59	1.96
% of total	37.37%	29.29%	29.43%	15.83%	48.80%
Mid-Market Premium	0.08	0.04	0.06	0.01	0.03
% of total	2.15%	1.33%	1.94%	0.33%	0.78%
Luxury	0.15	0.09	0.03	0.31	0.09
% of total	4.21%	2.68%	0.94%	8.19%	2.15%
Plots	-	0.98	1.04	0.92	0.94
% of total		30.05%	34.67%	24.61%	23.37%
Commercial	0.05	-	-	-	-
% of total	1.28%				
Total	3.56	3.25	3.00	3.76	4.02

Source: Shriram Properties, Systematix PCG Research

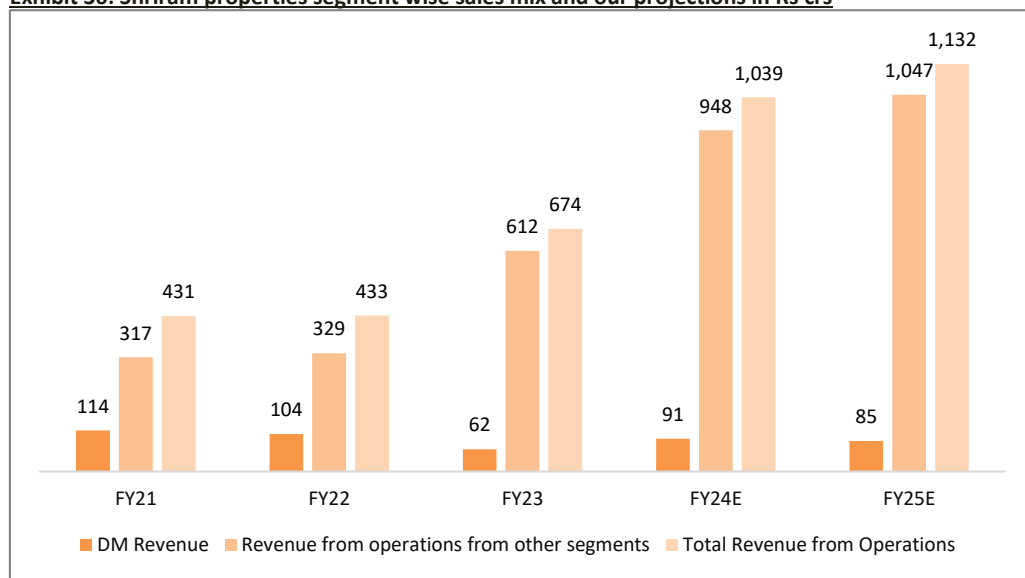
Exhibit 35: Shriram properties segment Pre sales value in Rs crs

Segment	FY19	FY20	FY21	FY22	FY23
Affordable	649	408	434	796	493
% of total	45.30%	35.48%	34.88%	53.71%	26.68%
Mid-Market	630	458	475	326	980
% of total	43.99%	39.86%	38.20%	22.00%	53.10%
Mid-Market Premium	50	30	42	9	24
% of total	3.52%	2.61%	3.39%	0.62%	1.32%
Luxury	97	55	17	179	57
% of total	6.77%	4.76%	1.37%	12.09%	3.10%
Plots		199	276	172	291
% of total		17.29%	22.15%	11.58%	15.79%
Commercial	6				
% of total	0.42%				
Total	1,432	1,149	1,244	1,482	1,846

Source: Shriram Properties, Systematix PCG Research

Dissecting SPL's Financial dynamics

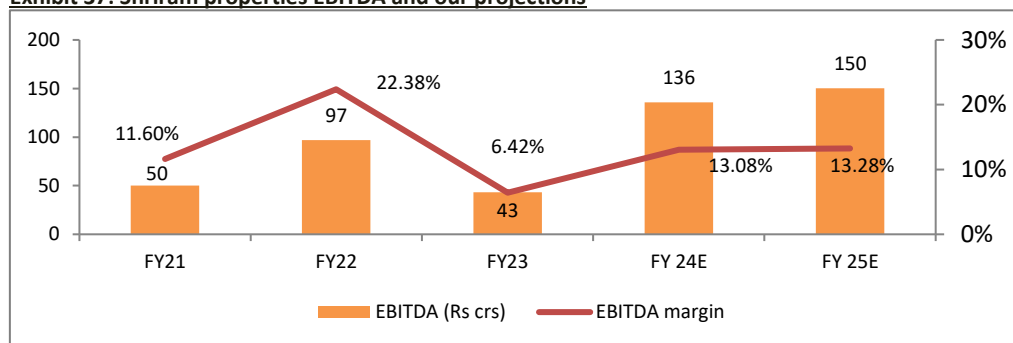
Exhibit 36: Shriram properties segment wise sales mix and our projections in Rs crs



Source: Systematix PCG Research

Total revenue from operations is expected to grow at ~27% CAGR from Rs 431 crs in FY21 to Rs 1,132 crs in FY25E.

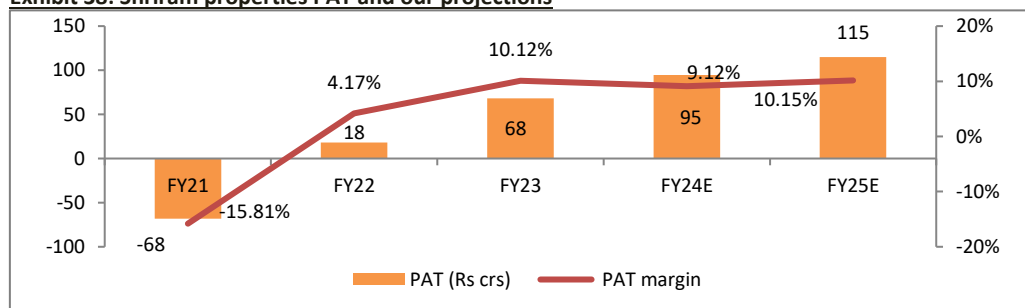
Exhibit 37: Shriram properties EBITDA and our projections



Source: Systematix PCG Research

EBITDA is expected to grow at ~32% CAGR from Rs 50 crs in FY21 to Rs 150 crs in FY25E.

Exhibit 38: Shriram properties PAT and our projections



Source: Systematix PCG Research

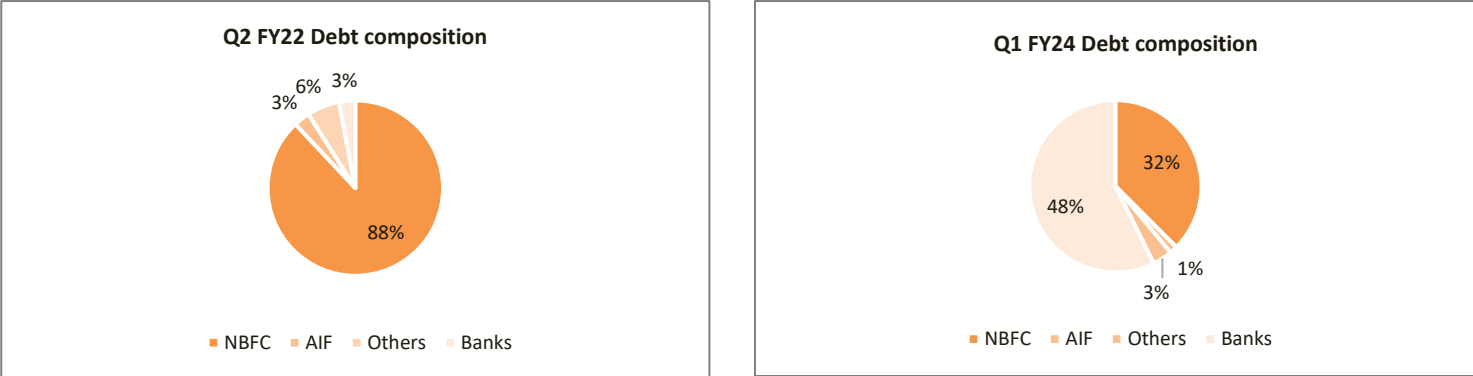
PAT is expected to grow from a loss of Rs 68 crs in FY21 to a profit of Rs 115 crs in FY25E.

Exhibit 39: Our projections for SPL’s pre sales and collections

Particulars	FY21	FY22	FY23	FY24E	FY25E	CAGR%
Pre Sales (Rs crs)	1,244	1,482	1,846	2,197	2,636	20.65%
Collections (Rs crs)	831	1184	1094	1493	1816	21.58%

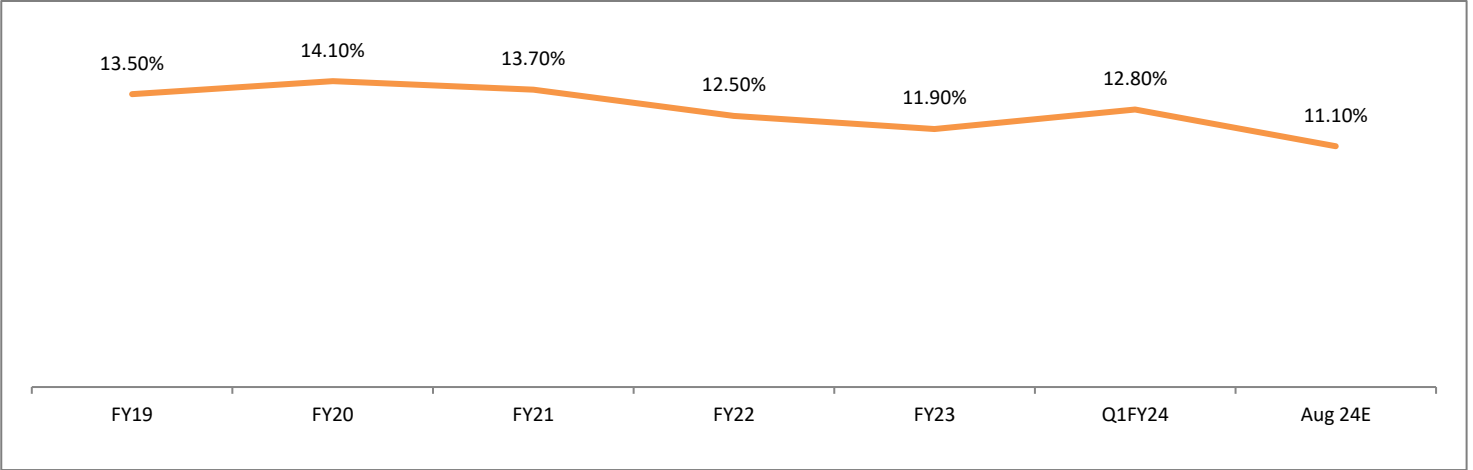
Source: Systematix PCG Research

Exhibit 40: Reduction of NBFC’s share in SPL’s debt composition has lead to reduction in cost of debt



Source: Shriram Properties, Systematix PCG Research

Exhibit 41: Shriram properties cost of debt %



Source: Shriram Properties Investor Presentation, Systematix PCG Research

Peer comparison (In Charts)

Exhibit 42: Shriram properties and peers Pre sales value (Rs crs)

Company	FY19	FY20	FY21	FY22	FY23	CAGR
Brigade	1,644	2,377	2,767	3,023	4,108	25.73%
Sobha	3,123	2,881	3,137	3,870	5,198	13.59%
Prestige	4,557	4,561	5,461	10,382	12,931	29.79%
Purvankar	1,920	1,714	2,202	2,407	3,107	12.79%
Shriram Properties	1,432	1,149	1,244	1,482	1,846	6.55%

Source: Annual Reports, Systematix PCG Research

Exhibit 43: Shriram properties and peers Pre sales volume in msf

Company	FY19	FY20	FY21	FY22	FY23	CAGR
Brigade	3.00	4.30	4.60	4.70	6.30	20.38%
Sobha	4.03	4.08	4.01	4.91	5.65	8.81%
Prestige	7.09	6.53	11.85	13.37	15.09	20.78%
Purvankar	3.56	2.83	2.62	3.51	3.99	2.89%
Shriram Properties	3.56	3.25	3.00	3.76	4.02	3.08%

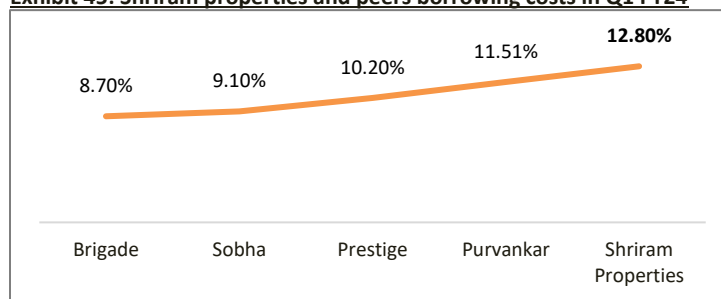
Source: Annual Reports, Systematix PCG Research

Exhibit 44: Shriram properties and peers ratios

Company	Net debt to equity	Price to Book
Brigade	0.98	4.35
Sobha	0.62	2.57
Prestige	0.60	2.41
Purvankar	1.29	1.33
Shriram Properties	0.44	1.21

Source: Annual Reports, Systematix PCG Research

Exhibit 45: Shriram properties and peers borrowing costs in Q1 FY24



Source: Annual Reports, Systematix PCG Research

SPL's business is smaller than its peers on various parameters. It is at a stage where some of its peers were 4- 5 years ago. SPL's recent ramp up, foray into newer markets asset light business model, professional and committed leadership can propel it to greater heights in the years to come

Valuation

Segment	Valuation Approach	Value (Rs crs)	Value per share (Rs.)
Own Projects	DCF of expected FCF at WACC of 13.54%	1,257	74
Joint Development projects		329	19
Joint Venture projects		417	25
DM Projects	DCF of DM fee + Last 3 yrs average DM fee-based Terminal Value@2% growth rate discounted at WACC of 13.54%	382	23
Kolkatal Land for sale	Valued at Rs 250 per sq ft and adjusted for tax and revenue share	448	26
Less : Gross debt of SPL and subsidiaries		(641)	(38)
Less: JV share of gross debt		(205)	(12)
Add: Cash and cash eq		115	7
Implied NAV		2,101	124
	Target price		124

SOTP Valuation chart

Exhibit 46: Shriram properties SOTP value



Source: Systematix PCG Research

Downside Catalysts

SPL has an ongoing litigation with West Bengal government regarding 4% royalty payable on sales resulting from the development of the Kolkata plot which it has challenged. The liability amount is Rs 194.47 crs and along with accrued interest of 6.25% the value of the liability in the books is Rs 212.29 crs as on 31st March 23. The fair value of the liability is expected to be about Rs 260 crs by the end of monetisation of the Kolkata land parcel as on 31st March 2026. Any adverse ruling in this matter could affect SPL adversely.

High interest rate scenario: If the interest rates continue to harden further, this would impact not only their profitability but also overall demand as SPL’s real estate segments of affordable and mid income housing segments are highly susceptible to high interest rates.

Geographical concentration risks: SPL drives bulk of its revenue from Bengaluru which is not only India’s IT hub but it is also home to many startups and unicorns. These sectors are external driven and are highly dependent on the global economic scenario. In case of an global economic meltdown, there would be less spends on IT and less inflows for the startups. This would impact SPL’s core markets.

Rise in input costs and inflationary pressures could dent margins Also significant timeline delays in their ongoing projects due to regulatory or other factors could impact their financials and cash flows adversely.

Indian government’s focus and support to affordable housing via the credit link subsidy scheme and incentives for developers have been one of the key drivers of growth in this sector. Any key changes in government policies could hit growth adversely.

Upside Catalysts

The company’s planned foray into the vibrant and booming market of Pune could provide it with an opportunity to replicate its South India success story as Pune’s real estate market dynamics are similar to Bengaluru.

Faster than anticipated recovery in the global economic scenario could boost demand and help it achieve better realisations in its core markets.

Company Background

Shriram Properties Ltd (SPL) is one of the leading residential real estate development companies in South India, primarily focused on the mid-market and affordable housing categories. It is among the leading residential real estate companies in South India. The company initiated its journey in the year 2000 and is a 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.

Management

Name	Designation	Details
M Murali	Chairman and MD	M. Murali, is the Chairman and Managing Director and individual promoter of the Company. He has completed the executive education Fast Track General Management Program conducted by Indian Institute of Management, Bengaluru and Owner/President Management program conducted by the Harvard Business School, Massachusetts. He has over 20 years of work experience with the company and was first appointed as a director of the company on in 2003. He was appointed as a Chairman and Managing Director on December 13, 2018.
Ashish Deora	Non executive- Non Independent Director	He is a first-generation entrepreneur. Over the last 2 decades, he has built several businesses and created value in multiple industries ranging from mining to telecom, aviation and renewable energy. He is the founder of Aurum Ventures, the parent company of Aurum Prop Tech, (which is striving to build the largest integrated Proptech ecosystem in India) and Aurum Real Estate, (which is engaged in real estate development in the MMR region). He has joined Shriram Properties board in August 2023 and is a member of Stakeholder Committee.
KG Krishnamurthy	Independent Director	K.G. Krishnamurthy is an Independent Director of the company. He has over 38 years of experience in the real estate sector having been associated with Housing Development Finance Corporation Limited (HDFC) since 1980. He has held various leadership positions at HDFC, including as a Managing Director and CEO of HDFC Venture Capital Limited. He has been a Director of the Company since 2018.
Gopalakrishnan J	Group CFO	He is the 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 30 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 has been awarded the CFO of the year award at the Future Leaders Summit and Awards, 2019 (2nd edition).
KR Ramesh	Executivve Director- Operations	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.
Jajit Menon	Director- Sales Marketing and CRM	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.

Financials

Income Statement (Rs crs)	FY21	FY22	FY23	FY24E	FY25E
Revenue from Operations	431	433	674	1,039	1,132
Expenses	381	336	631	903	982
EBITDA	50	97	43	136	150
Depreciation and Amortisation	7	7	8	8	9
EBIT	43	90	36	128	141
Other income	70	85	140	70	77
Interest Cost	125	120	106	87	85
PBT before exceptional items	-12	55	69	110	133
Excep. Items					
Share of Profit/ (Loss) from JV's	-33	-23	3	12	15
Tax expense	23	15	3	28	33
PAT	-68	18	68	95	115
Balance Sheet (Rs crs)					
Fixed Assets including investment property	62	69	68	71	72
Intangible Assets including Goodwill	14	14	13	13	14
Investments including investments in JV's	35	38	49	81	146
Financial Assets	156	66	102	202	232
Other non current Assets including deferred tax assets	182	184	185	185	185
Total Non Current Assets	448	371	417	552	648
Cash & Cash equivalents including bank balances	81	135	115	193	202
Inventories	2,026	2,188	2,221	1,977	2,154
Receivables	132	108	79	128	148
Loans and Investments	59	90	16	115	85
Other financial assets	323	541	563	550	451
Other current assets including tax assets	217	201	231	300	275
Total Current Assets	2,839	3,263	3,224	3,263	3,315
Total Assets	3,287	3,634	3,641	3,815	3,963
Share capital	148	170	170	170	170
Net worth	827	1,131	1,200	1,295	1,410
Long Term Borrowings	49	57	74	57	60
Other Financial Liabilities incl lease liabilities	32	2	1	1	1
Other non-current liabilities incl Provisions & others	8	10	13	13	13
Total Non Current Liabilities	89	68	89	72	75
Trade Payables	145	146	139	145	158
Short Term borrowings	678	487	567	446	533
Other Financial Liabilities incl lease liabilities	348	387	418	439	455
Other current liabilities incl Provisions & others	1,200	1,415	1,228	1,418	1,331
Total Current Liabilities	2,370	2,434	2,352	2,448	2,478
Total Equity and Liabilities	3,287	3,634	3,641	3,816	3,963
Cash Flow Statement (Rs crs)					
CF before working capital changes	75	115	74	136	150
Changes in working capital	72	12	-88	257	-101
Cash from operations	147	127	-14	393	50
Direct taxes paid	-1	-3	1	-28	-33
Net cash from operations	146	124	-13	365	16
Net cash from investing activities	9	22	-30	-61	-13
Net cash from financing activities	-119	-100	10	-225	5
Net change	36	46	-33	78	8
Opening cash	43	79	133	100	178
Closing Cash	79	125	100	178	186

Basic Ratios (Rs.)	FY21	FY22	FY23	FY24E	FY25E
EPS	-4.6	0.6	3.9	5.5	6.7
Growth (%)	-20.6	-112.5	573.1	42.2	21.3
Book Value	56	67	71	76	83
Growth (%)	-7.5	19.3	5.9	7.9	8.9
Valuation Ratios					
P/E (x)	-18.5	148.2	22.0	15.5	12.8
P/CEPS (x)	-20.5	88.2	19.7	14.2	11.8
P/BV (x)	1.5	1.3	1.2	1.1	1.0
EV/Sales (x)	4.4	4.4	2.8	1.8	1.7
EV/EBIDTA (x)	37.6	19.5	43.5	13.9	12.5
Profitability Ratio (%)					
ROE (%)	-7.9	1.8	5.9	7.6	8.5
ROA (%)	-2.0	0.5	1.9	2.5	3.0
ROCE (%)	4.7	7.5	2.8	9.3	9.5
Margin (%)					
EBITDA	11.6	22.4	6.4	13.1	13.3
EBIT	10.1	20.8	5.3	12.3	12.4
PBT	-10.5	7.5	10.6	11.8	13.1
PAT	-15.8	4.2	10.1	9.1	10.2
Leverage Ratios					
Interest Coverage Ratio (x)	0.3	0.8	0.3	1.5	1.7
Net D/E (x)	0.8	0.4	0.4	0.2	0.3
Net Debt/ EBITDA (x)	12.9	4.2	12.2	2.3	2.6
Financial Leverage (x)	3.9	3.5	3.1	3.0	2.9
Liquidity Ratios					
Current Ratio	1.2	1.3	1.4	0.9	0.8
Quick Ratio	0.3	0.4	0.4	0.3	0.3
Cash Ratio	0.0	0.1	0.0	0.1	0.1
Working Capital					
Inventory days	1,714	1,845	1,202	694	695
Trade Receivable Days	112	91	43	33	32
Trade Payable Days	123	123	75	51	51
Working Capital Cycle	1,703	1,813	1,169	677	675
Growth Ratio (%)					
Sales	-24.6	0.3	55.8	54.1	8.9
Expenses	-29.6	-11.9	87.8	43.1	8.7
EBIDTA	64.0	93.5	-55.3	213.8	10.6
Interest Cost	1.7	-4.3	-11.3	-18.0	-3.0
PBT	-44.6	-172.2	119.1	71.0	21.2
PAT	-21.0	-126.4	278.5	38.9	21.3
Cash EPS	-22.6	-123.2	348.1	38.5	20.6

Annexures

Key Projects

Shriram Pristine Estates

Shriram Pristine Estates, a plotted paradise on Doddaballapur main road is where plots ranging from 2,694 sq ft- 4,000 sq ft. with over 20 modern lifestyle amenities, a spacious 17,600 sq. ft. recreational centre and a lifestyle of a weekend getaway. It is a convenient 30-minute commute to the airport and easy access to the Bengaluru's satellite town ring road. It has 376 launched units.

Live picture from site as on May 2023



Source: Shriram Properties

Shriram Blue

Shriram Blue, is spread across 8.59 acres located at KR Puram, just 15 minutes from Whitefield, with premium 2 and 3 BHK apartments that have various amenities. The project has 11 towers with 12 floors each and total 471 units on offer.

Live picture from the site for Shriram Blue in Sep 2023



Source: Systematix PCG Research

Shriram WYTfield

Shriram WYTfield, located near Whitefield Extension, only 15 minutes away from Whitefield, offers a lifestyle with 40 plus amenities, large open spaces, and residences. Also known as Whitefield Youth Town, this property offers smartly designed 2 & 3 BHK homes featuring two big clubhouses, a rooftop swimming pool, an amphitheater, and a plethora of other fun-filled and future-ready amenities. This 11.2-acre site is designed to have 78% open space, resulting in a green, serene, and eco-friendly environment. It has 9 proposed towers with 14 floors and around 1,227 units on offer. In terms of saleable area the flats start from 735 sq ft for 2 bhks and extend up to 1,045 sq ft for 3 bhks. They also have combined flats with saleable area in excess of 1,400 sq ft.

Live picture from site for Shriram WYTfield as on Sep 2023

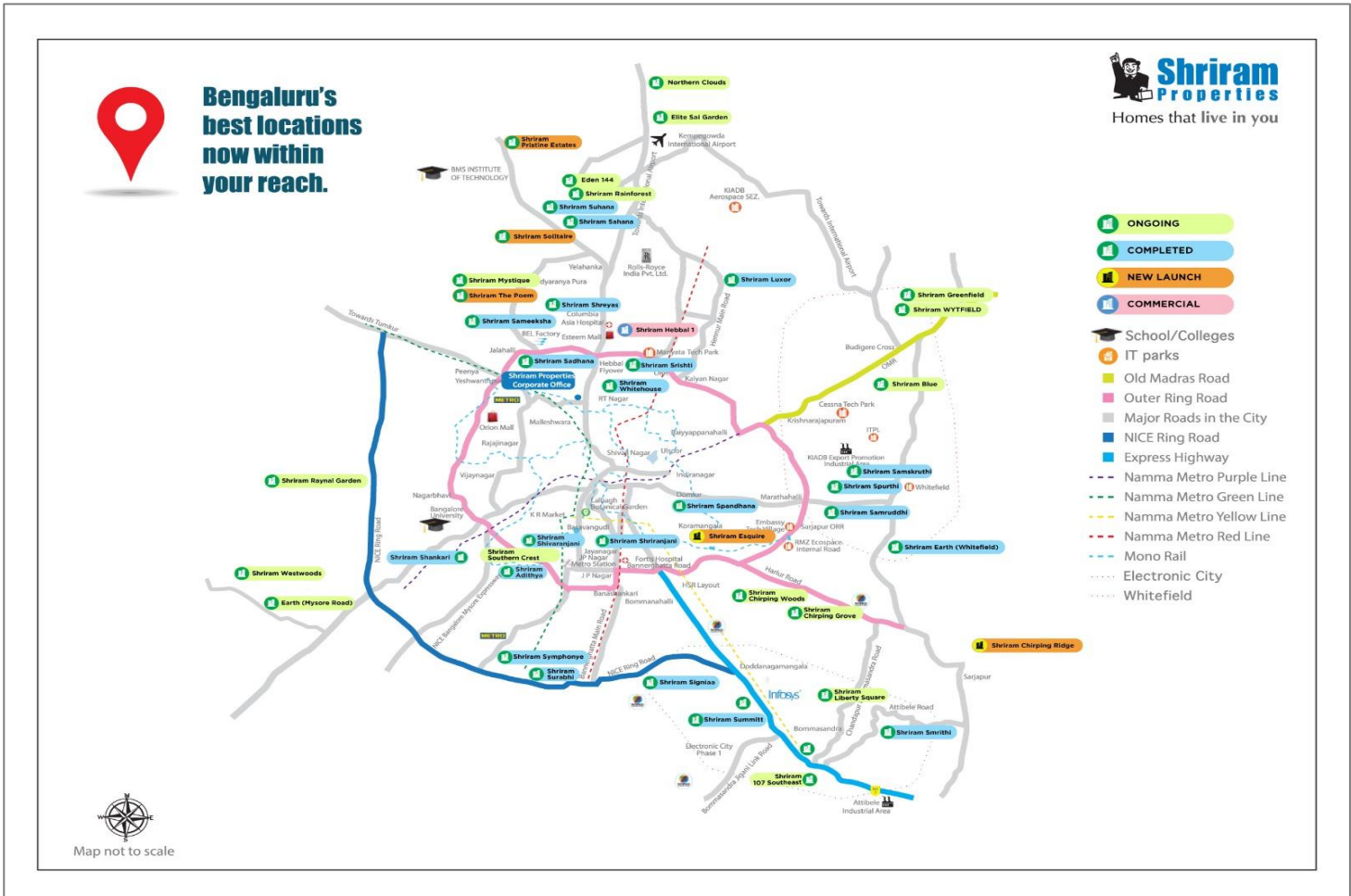


Source: Systematix PCG Research

Completed Projects as on 30th Jun-23

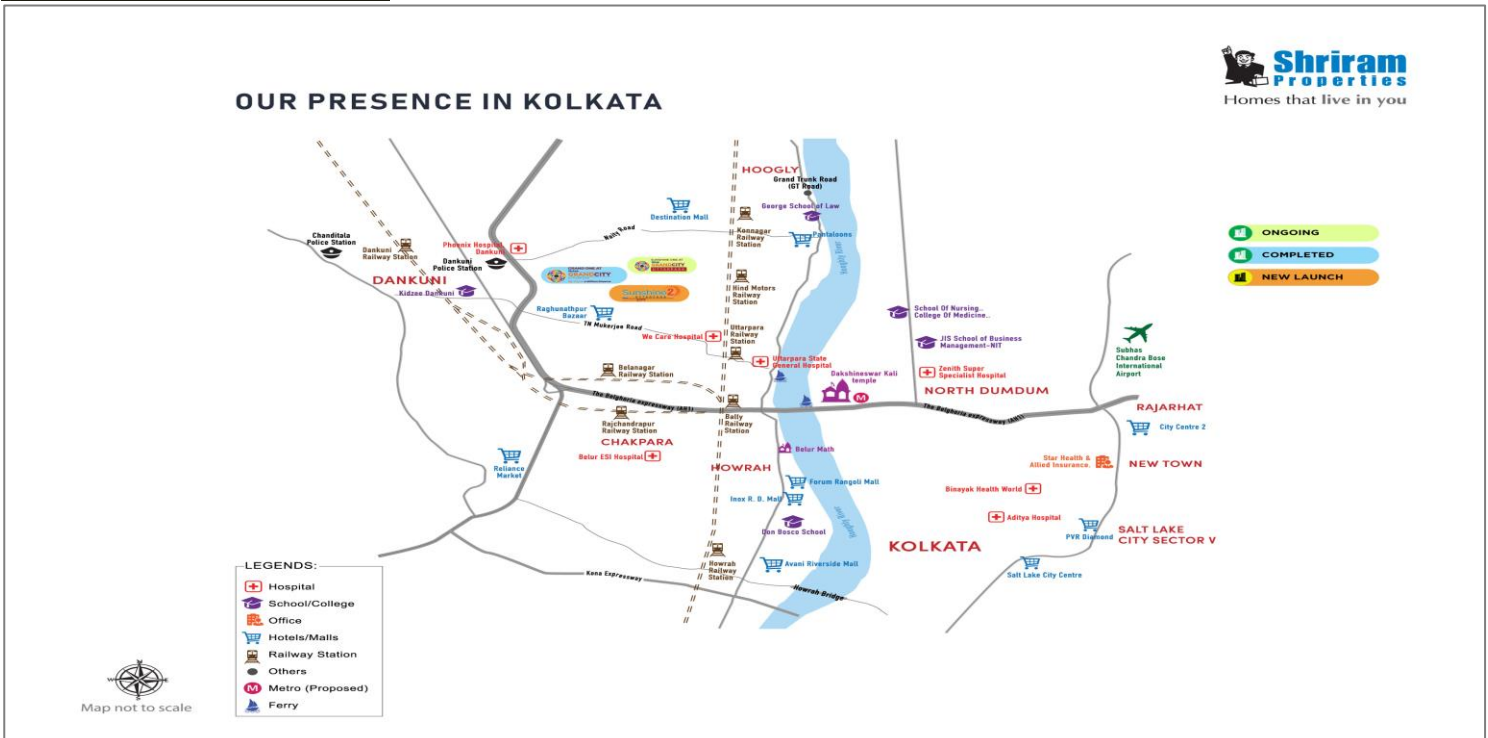
Sr No	Project	Segment	Type	City	Total Area in msf	SPL Area in msf	Year
1	Shriram Shriranjani	Mid-Market	JDA	Bangalore	0.02	0.01	FY01
2	Shriram Shivaranjani	Mid-Market	JDA	Bangalore	0.10	0.07	FY03
3	Shriram Srishti	Mid-Market	JDA	Bangalore	0.22	0.16	FY07
4	Shriram Shankari	Mid-Market	JDA	Bangalore	0.08	0.06	FY05
5	Shriram Sadhana	Mid-Market	JDA	Bangalore	0.42	0.32	FY06
6	Shriram Spurthi	Mid-Market	JDA	Bangalore	0.39	0.31	FY06
7	Shriram White House – 2	Mid-Market	JDA	Bangalore	0.16	0.10	FY06
8	Shriram Samskruthi	Luxury	JDA	Bangalore	0.08	0.05	FY06
9	Shriram Shreyas	Mid-Market	JDA	Bangalore	0.44	0.30	FY07
10	Shriram Samruddhi	Mid-Market	JDA	Bangalore	0.74	0.56	FY19
11	Shriram Spandhana	Mid-Market	JDA	Bangalore	0.79	0.54	FY07
12	Shriram Adithya	Affordable	JDA	Bangalore	0.23	0.14	FY11
13	Shriram Symphonie	Mid-Market	Own	Bangalore	0.35	0.35	FY12
14	Vijaya Hyyde Park (Apartments)	Mid-Market	JV	Coimbatore	0.40	0.40	FY12
15	Vijaya Hyyde Park (Villas)	Luxury	JDA	Coimbatore	0.10	0.06	FY11
16	Shriram Gateway	Commercial	DM	Chennai	2.03	2.03	FY19
17	Shriram Sahana	Affordable	Own	Bangalore	0.54	0.54	FY14
18	Shriram Surabhi	Affordable	JV	Bangalore	0.53	0.51	FY15
19	Shriram Smrithi	Affordable	JDA	Bangalore	1.56	1.51	FY17
20	Shriram Suhana	Mid-Market	Own	Bangalore	0.77	0.74	FY18
21	Shriram Shankari Ph-1 & Ph-2	Affordable	Own	Chennai	1.34	1.34	FY19
22	Shankari	Affordable	JDA	Coimbatore	0.16	0.13	FY14
23	Sai Shreyas (Apartments)	Mid-Market	JDA	Coimbatore	0.12	0.08	FY14
	Sai Shreyas (Villas)	Luxury	JDA	Coimbatore	0.12	0.07	FY14
24	Shriram Signiaa	Mid-Market	JDA	Bangalore	0.50	0.50	FY17
25	Panorama Hills Block 4	Mid-Market	JDA	Vizag	0.69	0.54	FY17
26	Luxor	Mid-Market	JDA	Bangalore	0.63	0.63	FY21
27	Sameeksha	Affordable	JDA	Bangalore	1.05	0.81	FY21
28	Chirping Woods (Apts) (Towers 1-4)	Mid-Market	Own	Bangalore	0.65	0.65	FY20
	Chirping Woods (Villa)	Luxury	Own	Bangalore	0.40	0.40	FY19
29	Greenfield (1A)	Mid-Market	JV	Bangalore	1.17	1.17	FY20
30	Park 63 (1A)	Mid-Market	Own	Chennai	0.62	0.62	FY23
31	Earth (Whitefield)	Plots	JDA	Bangalore	0.11	0.05	FY23
32	Summitt	Mid-Market	JDA	Bangalore	1.43	1.01	FY23
33	Southern Crest (Tower - ABC)	Mid-Market Prem	JDA	Bangalore	0.56	0.45	FY23
34	Earth (Mysore Road)	Plots	DM	Bangalore	0.49	0.49	FY23
35	SLV Raynal Gardens	Plots	DM	Bangalore	0.39	0.39	FY23
36	Elite Sai Gardens Phase 4	Plots	DM	Bangalore	0.20	0.20	FY23
37	Blue	Apartments	DM	Bengaluru	0.71	0.71	FY24
38	Eden 144	Plots	DM	Bengaluru	0.15	0.15	FY24
39	Rainforest	Plots	DM	Bengaluru	0.50	0.50	FY24
Total					21.93	19.65	

Shriram Properties presence in Bengaluru



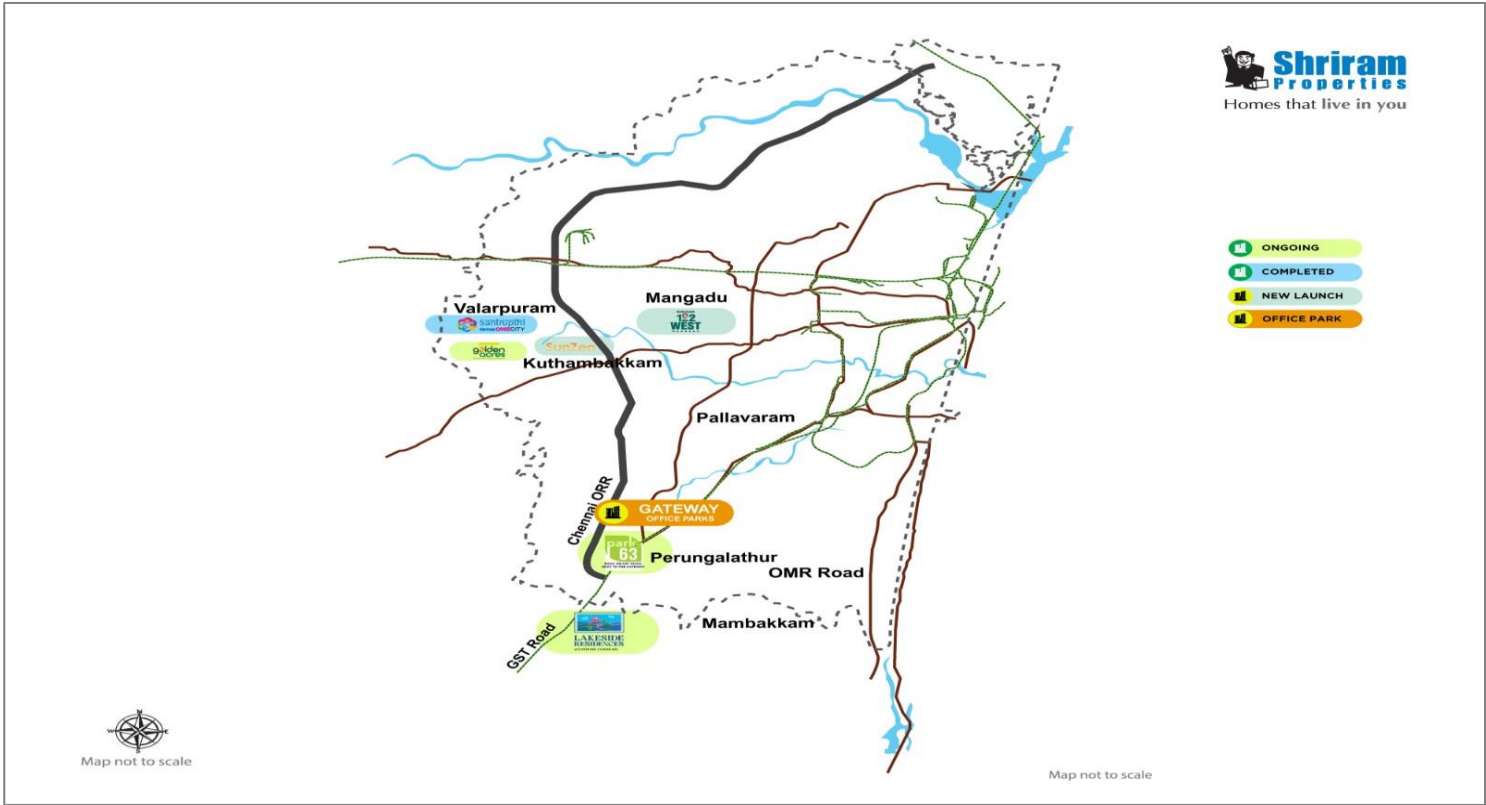
Source: Shriram Properties Investor Presentation, Systematix PCG Research

Shriram Properties presence in Kolkata



Source: Shriram Properties Investor Presentation, Systematix PCG Research

Shriram Properties presence in Chennai



Source: Shriram Properties Investor Presentation, Systematix PCG Research

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