

Shriram Properties Limited

Shriram Properties Limited was incorporated in 2000, company is a group company of Shriram Group. Shriram Properties Limited is one of the leading residential real estate development companies in South India, primarily focused on the mid-market and affordable housing categories. Shriram Properties is among the Top-5 residential real estate developers in South India in terms of the number of units launched since 2015. Company focus markets are Bengaluru and Chennai, along with this company has a presence in Kolkata and Hyderabad.

Positives (a) Good Launch Pipeline – Company having a saleable area of 26.3 msf (million square feet) under ongoing projects and 8.27 msf project under development. (b). The company is part of the Shriram Group and backed by marquee investors like TPG, Tata Opportunities Fund, Walton Street. (c). Company having a strong execution track record of completing the project and delivering the project on time.

Investment concerns: (a) Increase in competition, Bangalore market is the key market for Shriram Properties Ltd and we have seen an increase in competition in the Bangalore market. (b) Company not have much completed inventory, so upcoming sales will be dependent on the new launch of projects and it will take time to launch new projects. (c) Out of 26 ongoing projects, 18 projects are based in Bangalore market, any change in rule and regulation will impact the company.

Outlook & Valuation: Based on H1FY2022 numbers, the IPO is priced at a Price to Book value of 2.28 times at the upper price band of the IPO, which is in line with the listed peer group. Company is one of the leading residential real-estate developers in south India and focuses on mid-market and affordable housing categories. We believe that the company has strong track record of delivering the project on time and can maintain strong execution which will get reflected in the pre-sales numbers going ahead. Hence, we are assigning a **"SUBSCRIBE"** recommendation to the Shriram Properties Limited IPO.

Key Financials

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY22
Net Sales	650.1	571.9	431.4	118.1
% chg	-	(12)	(24.6)	-
Net Profit	48.9	(86)	(67.8)	-59.9
% chg	-	(276)	(21.2)	-
EBITDA (%)	12.3	15.8	28.1	31.3
EPS (as stated)	3.4	(5.8)	(4.6)	(4.6)
P/E (x)	34.9	-	-	-
P/BV (x)	1.8	2.0	2.1	2.3
EV/EBITDA	24.4	20.5	14.6	24.4
EV/Sales	3.0	3.2	4.1	7.6

Source: Company, Angel Research

SUBSCRIBE

Issue Open: December 08, 2021

Issue Close: December 10, 2021

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹148.1 Cr

Issue Size: ₹600**Cr

Fresh Issue: ₹250**Cr

Offer for Sale: ₹350**Cr

Price Band: ₹113-₹118

Lot Size: 125 shares and in multiples thereafter

Expected Listing: 20th December 2021

Employee Discount - ₹11 per share

Post-issue mkt. cap: * ₹1,927 Cr - ** ₹2,002 Cr

Promoters holding Pre-Issue: 31.98%

Promoters holding Post-Issue: 27.98%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post issue Shareholding pattern

Promoters	27.98%
Others	72.02%

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Company Background

Shriram Properties Limited was incorporated in 2000, company is a group company of Shriram Group. Shriram Properties Limited is one of the leading residential real estate development companies in South India, primarily focused on the mid-market and affordable housing categories.

Shriram Properties is among the Top-5 residential real estate developers in South India in terms of the number of units launched after 2015. The company commenced operations in Bengaluru in the year 2000 and have since expanded their presence to other cities in South India, i.e., Chennai, Coimbatore and Visakhapatnam.

Company focus markets are Bengaluru and Chennai, along with this company has a presence in Kolkata and Hyderabad markets. The Company holds 197 acres of land parcel in Kolkata with a development potential of 21 Msf (Million square feet).

As of H1FY2022, the company has 29 Completed Projects, representing 16.76 million square feet of Saleable Area, out of which 24 Completed Projects are in Bengaluru and Chennai market, which accounts for 90.56% of Saleable Area.

Companies 83.69% of the total Saleable Area for Completed Projects were in the mid-market category and affordable housing category (with mid-market and affordable categories accounting for 51.44% and 32.25% respectively), and the remainder in the commercial and office space and luxury housing categories, as of September 30, 2021.

Issue Details –

The issue comprises of new issue of ₹250 crores and offer for sale of ₹350Cr. With the IPO price band of ₹113-₹118.

Pre & Post Shareholding

Particular	(Pre-issue)		(Post-issue)	
	No of shares	%	No of shares	%
Promoter	4,74,58,070	31.98%	4,74,58,070	28.0%
Public – Investor Selling Shareholders	9,96,45,055	67.14%	5,21,82,915	41.3%
Public - Other	13,08,323	0.88%	6,99,84,039	30.8%
Total	14,84,11,448	100.0%	16,96,24,024	100.0%

Source: Company, Angel Research

Objectives of the Offer

- Repayment of certain borrowings availed by the company or subsidiaries.
- General Corporate Purposes.

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.

S Natarajan is the Non-Executive Director of the company. He is on the board of various other companies, such as Binny Mills Ltd, Calcom Credit and Holdings Pvt Ltd, Envestor Ventures Ltd, Integrated Enterprises (India) Pvt Ltd, Sipping Spirits Pvt Ltd etc. He has been associated with the Shriram group for over 17 years and has been a Director of the company since March 30, 2003.

Raphael Dawson is a Non-Executive Nominee Director of the company. He has more than 15 years of work experience and is currently a Principal with Walton Street Capital, LLC. He has been a Director of the company since March 14, 2014.

Gopalakrishnan J is the Executive Director and Group CFO of the company. 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 joined the company on April 2, 2018.

K.R Ramesh is the Executive Director – Operations of the company. He has many years of experience in the field of accounting and finance. He joined the company on August 8, 2007.

Krishna Veeraraghavan is the Director – Operations & Chief Operating Officer (Bangalore) of the company. He has more than 30 years of experience in the field of construction, engineering and construction management. He has been working with the company since June 12, 2014.

Consolidated Profit & Loss account

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY22
Total operating income	650.1	571.9	431.4	118.1
% chg	-	(12)	(24.6)	-
Total Expenditure	644	541	380	118
Land & Material cost	485	352	239	60
Employee Benefit Expense	78	85	64	35
Other Expenses	80	104	78	23
EBITDA	6	31	51	0
% chg	-	378	67	-
(% of Net Sales)	1.0	5.4	11.9	0.1
Depreciation & Amortisation	5.2	6.4	6.5	3.4
EBIT	1.2	24.4	44.8	(3.3)
% chg	-	1,868	84	-
(% of Net Sales)	0.2	4.3	10.4	-
Interest & other Charges	105	123	125	64
Other Income	73.6	59.8	69.8	36.9
(% of Sales)	11.3	10.5	16.2	31.2
Exceptional items	122.3	(1.5)	(1.1)	(3.9)
Profit /(loss) before tax and share of loss in joint ventures	92	(40.4)	(11.8)	(34.2)
Share of loss of joint ventures	(9.0)	(40.9)	(33.1)	(18.4)
PBT	83.0	(81.3)	(44.9)	(52.6)
(% of Net Sales)	12.8	(14.2)	(10.4)	(44.5)
Tax	34.1	4.7	22.9	7.3
PAT (reported)	48.9	(86.0)	(67.8)	(59.9)
% chg	-	-	(21.2)	(11.7)
(% of Net Sales)	7.5	(15.0)	(15.7)	(50.7)
EPS (as stated)	3.38	(5.8)	(4.6)	(4.6)
% chg	-	-	(20.7)	-

Source: Company, Angel Research

Consolidated Balance Sheet

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY22
SOURCES OF FUNDS				
Equity Share Capital	148	148	148	148
Other equity	822	746	679	619
Shareholders Funds	970	894	827	767
Total Loans	259	154	97	97
Other liabilities	3.7	4.4	4.4	4.9
Total Liabilities	1,233	1,053	929	869
APPLICATION OF FUNDS				
Net Block	68	81	75	73
Current Assets	2,849	2,884	2,838	2,900
Sundry Debtors	210	165	132	108
Cash & Bank Balance	56	44	81	42
Other Assets	203	209	275	310
Current liabilities	2,133	2,364	2,370	2,424
Net Current Assets	716	520	468	476
Other Non Current Asset	448	451	385	319
Total Assets	1233	1053	929	869

Source: Company, Angel Research

Consolidated Cash Flow Statement

Y/E March (₹ cr)	FY19	FY20	FY21	H1FY22
Restated Profit before tax	82.9	(81.6)	(45.2)	(52.7)
Depreciation	5.2	6.4	6.5	3.4
Change in Working Capital	(34.2)	7.5	126.3	(34.0)
Interest Expense	105.1	123.1	125.3	63.9
Direct Tax Paid	(24.4)	(9.9)	(1.1)	0.2
Others	(57.0)	147.2	117.1	58.9
Cash Flow from Operations	(179.2)	129.1	147.6	54.9
(Inc.)/ Dec. in Fixed Assets	(40.2)	(16.5)	(0.8)	(0.0)
Loans given to joint ventures	(69.1)	(28.8)	(33.3)	(7.4)
Mutual Fund	129.3	157.4	41.4	0.2
Interest received	1.1	1.1	0.67	0.24
Other	152.8	(20.4)	(0.5)	(0.2)
Cash Flow from Investing	173.9	92.8	7.5	(7.2)
Proceeds from Long Term Borrowing	105.4	(181.8)	(18.2)	(34.2)
Dividend paid on equity shares	(113.4)	(105.4)	(73.8)	(52.7)
Others	1.3	59.9	(26.3)	(0.2)
Cash Flow from Financing	(6.7)	(227.3)	(118.3)	(87.1)
Inc./(Dec.) in Cash	(12.2)	(5.4)	36.8	(39.3)
Opening Cash balances	49.6	41.0	42.7	79.2
Closing Cash balances	41.0	42.7	79.2	39.8

Source: Company, Angel Research

Key Ratios

Y/E March	FY19	FY20	FY21	H1FY22
Valuation Ratio (x)				
P/E (on FDEPS)	34.9	(20.3)	(25.7)	(25.7)
P/CEPS	32.3	(21.9)	(28.5)	(30.9)
P/BV	1.8	2.0	2.1	2.3
EV/Sales	3.0	3.2	4.1	7.6
EV/EBITDA	24.4	20.5	14.6	24.4
Per Share Data (Rs)				
EPS (fully diluted)	3.38	(5.8)	(4.6)	(4.6)
Cash EPS	3.7	(5.4)	(4.1)	(3.8)
Book Value	65.5	60.4	55.9	51.8
DPS	-	-	-	-
Number of share	14.81	14.81	14.81	14.81

Source: Company, Angel Research

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