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November 18, 2020

**To,**

**BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street, Fort,  
Mumbai- 400 001

**National Stock Exchange of India Limited**

Exchange Plaza,  
Bandra-Kurla Complex, Bandra East,  
Mumbai- 400051

Security code: 503100

Symbol: PHOENIXLTD

Dear Sir/Madam,

**Sub: Transcript of Earnings Conference Call**

Further to our letter dated November 13, 2020 informing of conclusion of our Earnings Conference Call held on Friday, November 13, 2020 with Analysts / Institutional Investors on the Unaudited Standalone and Consolidated Financial Results of the Company for the second quarter and half year ended September 30, 2020, please find enclosed herewith the Transcript of the said Earnings Conference Call.

This Transcript is also being uploaded on the Company's website <https://www.thephoenixmills.com>

You are requested to take the same on record.

Yours faithfully,

**For The Phoenix Mills Limited**

**Gajendra Mewara  
Company Secretary**

**Encl.:** As above

**The Phoenix Mills Limited  
Q2 & H1 FY21 Earnings Conference Call  
November 13, 2020**

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY 21 Results Conference Call of the Phoenix Mills Limited. 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. Management of the company is being represented by Mr. Shishir Shrivastava, Managing Director; and Mr. Pradumna Kanodia, Director of Finance. Should you need assistance during the conference call, please signal an operator by pressing \* then you're your touchtone phone. Please note, this conference is being recorded. At this time, I would like to hand the conference over to Mr. Shrivastava. Thank you, and over to you, sir.

**Shishir Shrivastava:** Thank you. Good morning, ladies and gentlemen. I hope you are all doing well and staying safe. We take immense pleasure in welcoming you all to discuss the operating and financial performance of the second quarter and half year FY21. I also take this opportunity to wish you all a very happy and prosperous Diwali.

With the onset of the festive season, we are witnessing some very positive consumption trends at our malls as governments have gradually permitted malls and users willing to return to pre-COVID normalcy. A few pointers on the strong consumption trends that we have witnessed. For the first 7 days of November, consumption across our mall portfolio was at 85% of consumption during the same period last year. In fact, our malls Phoenix MarketCity at Pune, Bangalore and Mumbai (Kurla) are also witnessing strong broad-based growth over last year. Q3 consumption so far is already higher than Q2, where Q2 ended at Rs. 468 crore. As of November 11, we have already exceeded this quantum, and we are seeing a current average run rate of about Rs. 8 crores of consumption each day across our malls. Even if we were to adjust for the festival base and average out October, November sales compared to last year, consumption level continues to show a strong trajectory at about 75% for the last year period across our major malls.

Multiplexes are also now permitted to open across the country and mall timings have been restored close to pre-COVID levels. F&B has been allowed to commence operations and operate in Maharashtra until 11:30. All of this has, in a manner of speaking, flipped a switch on consumption, and we've seen a strong growth since these formats have opened. We expect recovery in consumption to sustain in the coming few weeks as we move from Diwali to end of season sales and thereafter to Christmas and New Year celebrations. Footfalls are currently at about approximately 41% of last year's across our malls. If we were to compare to August 2020

when our malls recommenced trading after lockdown, footfalls have grown about 2.4x across our major malls in the first week of November compared to the second week of August.

We've seen an increase in 4-wheeler and 2-wheeler counts across our major malls. 4 wheelers and 2-wheelers are at approximately 56% and 70%, respectively, compared to last year. And these have also grown in the range of 2.4 to 2.7x compared to the 2nd week of August. We have seen a broad-based recovery in consumption across categories in our major malls in the 1st week of November. Fashion and apparel specifically has made a very strong comeback in the festive season with consumption levels in the range of 70% to 100% across malls compared to last year. Brands such as lifestyle at High Street Phoenix have witnessed highest ever single-day sales at any of their store in India at our mall. We are very pleased to share that food and beverage, which commenced operations very recently has seen consumption levels in the range of 55% to 70% in the first week of November compared to last year.

Electronics continue to see a steady uptick with consumption at 84% across our major malls. Watches and jewellery have sustained their performance and are currently at about 100% of last year's sales. Hypermarkets as a segment is doing very well across our MarketCity malls in Mumbai and Pune with consumption levels in the range of 100% to 150% compared to last year. With the easing of restrictions from lockdown, we are witnessing improvement in the hypermarket category as people are coming back to shopping at stores versus ordering online during the lockdown period when there was no such other alternative. Luxury brands, such as Burberry, Dior, Montblanc are witnessing sales numbers well in excess of what they were reporting in pre-COVID times, as people are consolidating their spends on luxury since there has been no spend in or limited spend in travel and holidays in this last 8 months.

Specifically speaking about our Phoenix MarketCity at Pune, 65% of the stores trading there have exceeded 70% of last year's consumption levels. High Street Phoenix MarketCity, Kurla, Mumbai, we are seeing this number at about 35% to 40% of the stores have exceeded 70% of last year's consumption levels. Our newest mall, which opened in Lucknow, the million square feet Phoenix Palassio, which commenced operations in July of 2020, in just 4 months of operations, this mall has seen trading densities close to Rs. 900 per square foot per month and the trading occupancy in excess of 60% of the stores. Since launch, there are currently about 136 brands that have opened their stores at Phoenix Palassio. We've signed 17 new brands in the July to October period, and there are 38 brands, which are currently under fit-out and should open up in the coming months.

Our malls continue to remain the most sought-after destination by retailers. Compared to pre-COVID levels, our vacancy levels have increased by only 1% during this period. Besides Phoenix Palassio, 14 brands have opened new stores across the rest of our mall portfolio in the last 3 months. And 14 more are scheduled to open their new stores in the coming months in our existing malls.

To touch a little bit about retailer negotiations. We have broadly concluded the negotiations with most retailers and most brands within our malls, to get a little more specific we had during our Q1 results and during our QIP discussions, we had shared the retailer rent negotiations got closed with 70%. We are now pleased to share that this number is at about 90%. We have concluded contracts with approximately 90% of our retailer partners. Any discounts that we may have given on minimum guarantee rent will be in effect only until end of March 2021 or consumption at those specific stores reaching 80% of the pre-COVID sales, whichever is earlier. This is also an understanding that we have with multiplexes which have been the last in all categories to commence operations, November onwards. During this period of rent discounts, we are still recovering CAM expenses in full and also charging revenue shares, which as part of our negotiations, we have increased by 150 to 200 bps higher than the contractual value. We have also always maintained our relationship with our retailers and that we are partners in their businesses. So we have structured all these rebates, discounts to allow our retailer partners to get back on the feet. And we can see from their performance and the clearing of outstanding that we have seen across all malls that this has been very well appreciated by the retailers.

We have also worked with them for us to have the ability to claw back some of these discounts and move closer to rentals or rental income closer to pre-COVID levels as business improves and consumption levels improve. So we have this higher revenue share percentage, which may extend even beyond FY 21 for a short period of time before rev share comes back to contractual terms. As we stand today, our rents are scheduled to go back to contractual terms for all retailers from April 1, 2021, and this would include the multiplexes as well. We, therefore, expect to end FY21 with retail rentals at approximately 50% of FY20 rentals based off the strong recovery in consumption in Q3 and Q4 of FY21.

A quick update on our cash balance. We have focused our efforts on cash preservation and ended September 2020 with cash and equivalents of about Rs. 1,850 crore compared to Rs. 748 crore in June 2020. As you are well aware, in August 2020, we had raised funds through a QIP, and we received an overwhelming response from our investors. We were able to have net proceeds of about Rs. 1,080 crore in August 2020. The QIP proceeds have significantly boosted our liquidity position. As discussed during the QIP interactions, we view the QIP proceeds as a safety net in the short term. And as consumption at our malls improve and we see normalization of our business cash flows, we could consider using this liquidity as a war chest for potential acquisitions. I will now request Mr. Kanodia to update you on the financial performance as well as our debt and liquidity position. Thank you.

**Pradumna Kanodia:**

Thank you, Shishir, and greetings to everyone on the call. Let me share a quick update on our cash flows and the debt position and also on the financial performance. We have conserved our cash through various cost rationalization measures, and we have managed all operational expenses and CAPEX within the operational cash flows generated by various businesses during the first half of 2021. Our gross cash inflows during the first 6 months were Rs. 1,557 crore. Excluding the QIP proceeds, we had a net cash inflow of Rs. 457 crore for the first 6 months.

Cash inflows for Q2 were significantly stronger at Rs. 342 crores compared to Rs. 135 crores of the Q1 numbers. We have also used some of our QIP proceeds to reduce our OD limits for a temporary parking of funds there. As a result, gross debt is down by Rs. 2,784 million from Rs. 47,489 million to Rs. 44,705 million.

Our average cost of debt has come down further from 9.14% in Q1 to 8.88% as on Q2 end representing a reduction of 26 basis points. Our lowest cost of borrowing across portfolio stands at 7.5%, and we are hopeful for further reduction in some of our other loans going forward. Nearly Rs. 2,000 crores of debt is coming up for repricing in Jan, Feb, and we are expecting significant savings to accrue to us on account of the banks passing on the interest rate reduction as the loans get repriced. On the credit ratings that we enjoy across our group, we are happy to inform that no downgrades have been there over the last 6 months despite the challenging environment, and that speaks volumes of our cash flow and our business model. With the anticipated recovery in the retail rental malls and also various cost rationalization measures that we have taken, we expect retail mall cash flows to reach a level where they would start servicing their interest and principal obligations from no support required apart from the cash that they are generating from Q4 onwards.

Moving very quickly to the financial updates for Q2 and for half year ended September. Our income from operations stood at Rs. 2,149 million for Q2 which is a 52% increase over the corresponding quarter last year. Our EBITDA stood at Rs. 917 million, which is 44% of the corresponding quarter of last year. This quarter, we reported a loss of Rs. 359 million after accounting for minority interest. For the half year ended September, income from operations was at Rs. 3,496 million, EBITDA at Rs. 1,619 million, and we reported a loss of 783 million for the 6 months. We continued to remain prudent in our cash flow outlays and engage on a regular basis with our various stakeholders to see through these challenging times.

With this, we would close our opening remarks. And any specific questions that you may have, we would be happy to take those now. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** Will it be possible to share the cash flow breakup of what kind of capital you received from mall, commercial office, hotel, residential and the other operational expenses and CAPEX?

**Shishir Shrivastava:** Sure. Are you asking for Q2?

**Puneet Gulati:** Q2. Yes.

**Shishir Shrivastava:** Q2 specifically. Okay, Puneet. Happy Dhanteras. Commercial office business, we saw about a Rs. 77 crore cash flow. Residential was quite strong in this quarter. And in fact, Q3 has been very good for us, but residential was about Rs. 64 crore. The St. Regis hotel was about Rs. 28

crore. Retail was about Rs. 160 crore. And over and above that, we had an IT refund of about Rs. 60 crore, and we had an settlement with one of our old partners on one account was about Rs. 28 crores. Over and above this, our subsidiary, MarketCity Resources, which provides mall management services to all malls and including the JV that we have with CPPIB, this was about Rs. 22 crores. I think this is for the half year.

**Puneet Gulati:** So the entire number is for half year.

**Shishir Shrivastava:** These numbers are for half year.

**Puneet Gulati:** So Rs. 22 crores. And capital expenditures?

**Shishir Shrivastava:** CAPEX during this period for the half year was about Rs. 137 crores. We had revised our CAPEX projections for FY21, sometime in June, July this year, where we had estimated that we would spend about Rs. 330 crore during FY21. We have spent in H1, we've spent about Rs. 137 crores. We expect to spend another Rs. 85 crores each quarter for the next 2 quarters, yes, Q3 and Q4. So we'll be in that range of about Rs. 310 to 320 crores CAPEX.

**Puneet Gulati:** Got it. Secondly, the receivables also tend to have gone up a bit in the first half. Can you give more color on that? Is it with respect to the deferment? Or is there more to it?

**Shishir Shrivastava:** Yes. It's actually a combination of deferment and also that now that we have seen, we've concluded our negotiations with 90% of the retailers and documented the same. In Q3, we've started seeing a lot of the old dues come through. So Q2, the receivables went up, but it should start normalizing in Q3, Q4.

**Puneet Gulati:** And have you concluded the agreement with the multiplexes also in this 90%?

**Shishir Shrivastava:** Yes, we have.

**Puneet Gulati:** Okay. And can you give some colour on what kind of contracts there?

**Shishir Shrivastava:** Correct. So generally, our multiplex rev share is in the range of 17% to 18%. From the time the multiplexes were allowed to operate in the respective states, for until the period of October, November, December, for these 3 months, we have given a waiver of about 75% on the fixed rental. And in the last quarter, Q4, the waiver comes down to 50% on the fixed rental. The revenue share has moved up from 17% to about 22% for this period, Q3 and Q4. So waiver on MG for Q3 is 75%, Q4 is 50%, increased rev share for that period. And from Q1 FY22, we moved back to contractual terms, including any escalations that would have kicked in during this period.

**Puneet Gulati:** And would you move back to 17% rev share? Or will the 22% remain?

- Shishir Shrivastava:** Yes, I'm just coming to that. So we moved back to 17% of rev share for Q1, for Q1 alone. And then Q2 FY22 for a period of 1 year, the rev share moves up again in the range of about 20%. So that's a little bit of a catch-up that we are looking at, as a catch-up potential, as part of our negotiations. So you moved back to contractual minimum guarantee rent, but rev share moves up to about 20% for a period of 1 year from Q2 fiscal year.
- Puneet Gulati:** And this kind of escalated rev share, which you talked about 150 basis points will that be applicable for FY22 as well or otherwise?
- Shishir Shrivastava:** It's there in some, it's not there in some. So it may be there only for a limited period in, I would say, 60% of the cases and for about 40%, we will have that catch-up available, 40% to 50%, we'll have the catch-up available.
- Moderator:** Thank you. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.
- Kunal Lakhan:** Just quickly on the cash flow, which you just shared a while back, those you said was for H1 or Q2? The malls at 116 crores collection, was it for H1 or Q2?
- Shishir Shrivastava:** This is for H1.
- Kunal Lakhan:** That seems a little on the low side considering, like, 50%, we are charging 50% to our tenants. So how much of receivables here?
- Shishir Shrivastava:** Yes. As I mentioned, there is a little bit of backlog in the collections because we were in the middle of the negotiations until the end of September. And multiplexes etc. for example, we've only been able to conclude about 2 weeks ago. So there is a backlog of collections. But in Q3, starting October, we have started seeing an increase in the collections. I would say that in terms of invoicing versus collection starting Q3, we are very close to being current so that includes some of the backlog also coming in.
- Kunal Lakhan:** That's helpful.
- Shishir Shrivastava:** Just to give you a little more clarity, like Q1, our overall collections across the businesses was about Rs. 135 crore. Q2 has moved up to Rs. 342 crore.
- Kunal Lakhan:** But there are a bit of one-offs, right, in terms of IT refund and the settlement with your old partner close to almost 90 crores amounting to that. But yes, excluding that, it's still a jump up versus Q1...
- Shishir Shrivastava:** Actually, if I remember correctly, the IT settlement and the refund that came in Q1, not in Q2. So the one-off was in Q1 of the formed part of the Rs. 135 crore.
- Kunal Lakhan:** Since we must have started paying interest, how are we in terms of like interest servicing? Are we able to service it adequately? Or there's still some cash burn after paying in...

- Shishir Shrivastava:** Sorry, may I just clarify, out of this Rs. 60 plus 28 crores, Rs. 60 crore of IT refund, Q1 was Rs. 40 crores. Q2 was about Rs. 20 crores and the settlement from one of our previous partners of Rs. 28 crore, that also came in Q2. So Rs. 48 crore was in Q2 and Rs. 40 crore was in Q1.
- Kunal Lakhan:** Okay. Kind of, split evenly.
- Shishir Shrivastava:** Yes. So yes, that Rs. 48 crore in Q2 forms part of the Rs 342 crores. Roughly Rs. 100 crores of operational cash flows moved up to about Rs. 300 crores in Q2, 100 crores in Q1 moved up to about 300 crores.
- Kunal Lakhan:** I just want to understand since we started paying off interest from this quarter or from September onwards, how are we looking at the cash flow? Like, last quarter, we had a cash burn of Rs. 65 crores. How has been the cash flows being, like, overall cash flow being this quarter?
- Shishir Shrivastava:** I'm going to request PK to answer this. Pradumna, may I request you to answer?
- Pradumna Kanodia:** Yes. So just to give a sense, approximately our payouts towards the bankers, both interest and principal going forward for the next 6 months is approximately Rs. 80-odd crores per month. And given the fact that we just spoke that our rental collections are now getting back to normalcy, our cash flows from resi is becoming stronger, we don't anticipate a significant burn out from our existing cash flow positions to meet any of these obligations. Even if we look at Q1 to Q2, the reduction in the funds available was marginal from that point of view, it was not very significant. But given the fact that collections are really getting back to normal in the period of October, November and going forward now with F&B and multiplexes beginning to also be part of our operating numbers, we don't anticipate any significant burn out in terms of our existing cash that is available. And this Rs. 80 crores a month would be almost, I would say, maybe in October, there would be a marginal requirement of support. But otherwise, going forward from December onwards, we don't anticipate any shortfall across any of our projects.
- Kunal Lakhan:** PK, would it be correct to mention that in Q1, we saw an operational cash burn, whereas in Q2, we had almost Rs. 100 crores of operational cash surplus. And Q1 was about a cash burn of about Rs. 65 crores.
- Pradumna Kanodia:** Correct. So that is because we didn't have any interest in principal to be paid out in the first 2 quarters. But from an interest and principal payout, we are hoping that there will be no burn out starting from November end.
- Kunal Lakhan:** And my last question is to Shishir. You mentioned in your comments that you'll go back to your original agreement once tenants achieve 80% of consumption. Last quarter, this number was around 70% of consumption. So just trying to understand, like, is it something like a flexible target?



**Shishir Shrivastava:** No, it's not flexible target. It varies from contract-to-contract, negotiation-to-negotiation. And given that the mall opening in Maharashtra was delayed, and it actually commenced operations only in August. I think in some of the cases, we've had to negotiate 80% threshold before we move back to contractual rent for that month. Chennai commenced operations only in September and mall timings were restricted. So we did face some issues in the negotiation on this front, but it was around 70% to 75% was our estimate. And I would say that now in some contracts, it's still at 75%, 70% in many of them, it has moved to 80%. But we are very close to breaching that threshold across the board now. For November, for sure, we should be able to get contractual rent on many of our stores that are operational.

**Kunal Lakhan:** But is that like once they cross them, then the agreements move to the, let's say, 100% fixed contract or fixed rentals?

**Shishir Shrivastava:** No. It doesn't move to 100% fixed contract. It moves for that particular month in which the consumption has been achieved compared to previous year, same month. So for that month, you move to contractual rent. And in any case, it is only applicable from now until 31st March because from 1st April, we are back to contractual rent in MG, at least.

**Moderator:** Thank you. The next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

**Biplab Debbarma:** Happy Dhanteras. So my question is on average consumption, you mentioned that it is around 50%-60% year-on-year. And in some category, I understand that the consumption would be 90% or more than 100% year-on-year. So that means that in some other category, you would be something around, say, 30%, 40%. So in such cases, it's quite possible that this vanilla tenants might be making losses or burning cash. So sir, did you witness any tenants leaving or coming back again from negotiations?

**Shishir Shrivastava:** Not really. I think, as I mentioned, we have concluded the negotiation in excess of 80% of our tenants, which includes multiplexes. Yes, there is some pressure on the F&B tenants, which is quite anticipated. But generally, I would say that our vacancy has really not increased from December last year until now, our vacancy level may have increased by 1% and these would be on account of smaller localized formats exiting wouldn't have the ability or the cash to sustain through the COVID period.

**Biplab Debbarma:** So sir, so what about those who are doing? In cases where tenants are doing, say, 30%, 40% of the business they are doing previous year?

**Shishir Shrivastava:** There may be very few cases of that in that. But I don't think the number of tenants who are in that range is very high. Very, very few tenants who would probably be in that category.

**Biplab Debbarma:** I know this is really unlikely but still, is there any new leasing in any of the malls post-COVID? In this new leasing is a contract similar as the existing contract. I mean you have a new mall,

and there might be new player who wants to replace trying to occupy space. Is there any such cases?

**Shishir Shrivastava:** Yes. As you know, we opened our new mall in Lucknow, Phoenix Palassio. Since July, we've signed about 20 new brands at that one location. At our other locations, we have about, I would say, 14, 15 new brands that have come and 17, 18, our other brands are under fit-outs. These are contracts that we may have executed just prior to lockdown who have gone back into the mall and started doing their fit-outs. Under Armour, for example, opened their new store at High Street Phoenix. So they opened sometime in August end, and that was a new format that came in, and they are now expanding across all our other malls as well. I would say that even the new leasing that we've done in Phoenix Palassio, Lucknow, we've executed contractual terms, which were, as per our business plan estimates even prior to COVID. So there has not been any deviation. So we may have given them some limited support. So even if it's a new lease, the agreement, let's say, Rs. 150 per square foot, for example, but we may have given them that discount on fixed rental until 31st March, after which they moved to that Rs. 150, kind of, a structure. In fact, in the last few months, you've seen that Lucknow Mall has crossed a trading density of Rs. 1,000 a square foot and it's already about 85%, 90% leased.

**Biplab Debbarma:** Sir, if I may, one more question. Sir, multiplexes have expected to start and some people they have started in some malls. So just wanted to know because multiplex is an important anchor for a mall. So when do you expect multiplex business to gain traction? Because that would also enable incremental footfalls in your malls. So any insight on that? When do you expect the multiplex business to gain traction? I mean, do they have enough inventory when they are going to release new leases. You might have had...

**Shishir Shrivastava:** I think that the issue here, Biplab, is about 2 things. It's about content and the government restrictions. Since the multiplexes have commenced operations, we are not seeing consumer demand being very high as of now. But as new content comes out, we expect to see crowds coming in. So it's difficult to gauge by when that is likely to happen, but this is the festive season when I think it should pick up in the next month or 2. PVR are our multiplex partner at most locations. They are very positive on the demand picking up as the government restrictions ease out a little bit and more content pickups available.

**Moderator:** Thank you. The next question is from the line of Sourabh Taparia from UBS. Please go ahead.

**Sourabh Taparia:** A quick question here. So can you help us understand the movement in base retail rent income for the quarter? Given improvement in business, quarter-on-quarter base rent recognition should have improved, right? And that's my first question.

**Shishir Shrivastava:** Sorry, I didn't quite catch your question. When you say base rent, are you referring to minimum guaranteed, right?

- Sourabh Taparia:** No, I'm referring to the base rent income for each of the malls that we report, right? So that base rent income has declined for the quarter versus previous quarters on an aggregate basis.
- Shishir Shrivastava:** Understood. When you say base rent income, you're talking about versus projections or you're comparing it Q2 to Q1?
- Sourabh Taparia:** Q2 to Q1.
- Shishir Shrivastava:** So let me explain this to you. We have given some additional support in this quarter. So for example, in the last quarter, while we had our discussions ongoing, we had raised some invoices etc. And as we've concluded the negotiations, we have probably given some credit for the previous period and adjusted that. So that could be the only reason for that.
- Sourabh Taparia:** So when you say in first week of November, we are at 85% versus last year, what has been the footfalls? Has it improved versus 41%?
- Shishir Shrivastava:** Footfalls are close to about 50% of last year.
- Moderator:** Thank you. The next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.
- Atul Mehra:** Happy Dhanteras and Diwali to everyone. So just a couple of questions. One is on deleveraging. So any progress that we have made so far and anything that you are likely to conclude soon on the deleveraging side and maybe like another platform deal like on the lines of CPPIB and so on. So any progress on that account?
- Shishir Shrivastava:** Nothing as of now to talk about, I would say, there are ongoing discussions around, let's say, an acquisition structure or in some form. But I would say that there is nothing material to share with you at this point in time.
- Atul Mehta:** Right. And sir, anything on the similar account, any timeline we have in terms of thought process on when likely you would want to be, say, debt-free or you would want to conclude a platform structure and so on? Any timelines to that?
- Shishir Shrivastava:** See, these have been very uncertain times. And for us, clearly, our goal is to reduce our net debt levels, right? And this is an ongoing I would say, over the years, we have actively worked towards this. Platform creations are certainly going to help reduce your net debt levels. But these are longer-term partnerships, one can't rush into it. And you don't want to rush into something like this when there is uncertainty in your business and the valuations are hugely suppressed. So I would say that if there were to be any serious conversations on this and interest even from our side in pursuing this, we will have to wait to see this how Q3 and Q4 pan out before we take any active decision on that.

**Atul Mehta:** And secondly, on the other side of the spectrum, in terms of M&A and opportunities in M&A, how do you think about it? How do you balance it? Like on one hand, like you said, it is suppressed valuations to get into a platform deal. But on the other end, those same suppressed old valuations could be an opportunity on the M&A side. How do you look at M&A...

**Shishir Shrivastava:** So there, again, as we explained, we have about Rs. 1,850 crore of cash and equivalents available with us, which we have kept aside as a safety net for the moment. We had always anticipated that by November, December and Jan, we will start seeing operational cash flows start reaching normal levels or pre-COVID levels, and that's when we would start looking at acquisition opportunities. I would say that there are quite a few out in the market of very few of them are quite interesting as well. And we continue to evaluate these opportunities, so that, when the time is right, in 2 months, 3 months, we can start considering which one of these we want to explore and deploy capital towards.

**Moderator:** Thank you. The next question is from the line of Chanchal Khandelwal from Aditya Birla Mutual Fund. Please go ahead.

**Chanchal Khandelwal:** A few of my questions have been answered, but wanted to get an update of the team on what did you learn from this crisis? I mean, I have seen your app, you have tried to do something on the omnichannel. But I don't know how successful that has been, your debt was high going into the crisis. You have deleveraged your balance sheet. Your mall under construction, 4 of them are there. But anything you want to just highlight, which you could have done better, which will play out to get incremental footfall going forward when the malls are opened?

**Shishir Shrivastava:** Yes, I think one learning or rather one realization for us was, we were working on a digital integration of our physical malls and being able to connect with our mall customers even outside the physical confines of the mall. So this was a digital initiative that we had undertaken just prior to pre-COVID levels, we had run our pilot on one of the modules of the project at Chennai, and it was starting to see success before we went into lockdown. So clearly, that is something that we have expedited and we would be probably, I would say, 4 to 5 weeks away from launching a Phoenix digital platform called Phoenix Enhance, which will be available as a web app and also as a downloadable app. This is going to combine customers, services and customer convenience, along with a very fulfilling and enriching rewards program. So I think I would like to announce this in about 4 to 6 weeks, the launch. And initially, it's going to be run across Phoenix market cities in Bangalore, Chennai and Palladium Mumbai, before we roll it out to other locations. I think this is going to be a very engaging and a very enriching platform for our customers as well.

**Chanchal Khandelwal:** Interesting. I hear you. So this is one new thing which you're talking about the app, which looks very interesting from the point that, so a brand like Zara or Hamley's who are not available across the board in online space, will they be interesting to partner with you in this mix app, which you are talking about? And now that you are there in Lucknow, Indore and multiple more cities, it can help you then? At least, in top 10 cities, it can help more.

**Shishir Shrivastava:** Clearly, an extension module of this app, which we are expecting to go live, let's say, in about 9 months from now, is the online sales of our brands across this platform. And clearly, there is a lot of interest with our retailer partners who are very excited to see an additional channel for their sales which will be powered and backed by a very strong rewards program. So yes, there is a lot of interest in participating on an omni-channel sales platform as well. But that's a module that will get integrated into this Phoenix app in about 9 months or so.

**Moderator:** Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

**Swagato Ghosh:** So just to clarify, just in case, recovery is not like very fast, and the same is prolonged, can we do some active asset management in terms of churning out to the slower tenants, bringing in more of the segments which are probably recovering faster? Can we think on those lines?

**Shishir Shrivastava:** Absolutely. I mean, this is an ongoing part of our business whether impacted due to COVID or not. This is an important aspect of our business, and we continue to evaluate which are the nonperforming stores and how we can replace them with other brands that are more aspirational or will see more volumes.

**Swagato Ghosh:** Okay. But have we done anything on those lines in the last 2-3 quarters?

**Shishir Shrivastava:** See, in the last 2 quarters, it was not practical to get into that. But currently, we are seeing. Yes, we have been engaged with a few new brands to come and take up some spaces, which is going to come out and churn.

**Swagato Ghosh:** Okay. And that's helpful. And the second question is slightly longer term, how do we see Phoenix as a company in terms of the mix between retail and office space? And the related question is, can we do a project where you do 100% office, like, I'm talking about the new project in the future because mostly our current office projects are part of retail projects, sort of a mixed use? But going forward, can we see that sort of development as well? And longer term, what should be our mix between retail and office longer term, as in, 5, 6 years?

**Shishir Shrivastava:** So at the moment, we do not have any aspirations or plan to become a pure office development company. For us, our focus remains retail, city center locations and after planning out the retail to its best potential, we will consider utilizing the balance FSI potential on that land to build out other asset classes on top of the malls, generally. So we are not deviating from this focus. As we speak, we have under development several malls. We expect by FY24, we will have almost 12 million square feet of mall space operational. Simultaneously, we'll have about 5.5 million square feet of offices, which will be operational, forming part of these mixed-use developments. And I don't expect us to go into the office development space, if not part of the retail development.

**Moderator:** Thank you. The next question is from the line of Abhishek Bhandari from Macquarie. Please go ahead.

**Abhishek Bhandari:** I just had one question. If you could give some update on the commercial project and the high retail what you're planning at HSP as a part of the vacant land portion what we have. And a related question is that, of late, what we have been picking up is that the interest from developers to suddenly invest a lot of money in offices against it specifically in Mumbai, where some of the South Indian companies are also talking about large-scale developments in Worli, Mahalakshmi area. So if you could share your thoughts, do we see the demand to be so strong given the current infrastructure constraint, that it makes sense for us also?

**Shishir Shrivastava:** Correct. Abhishek, we will be happy to share with you how the infrastructure coming up and around Lower Parel is going to decongest that area and more specifically our site and how we have our plans of creating a very good access to our Lower Parel location development without having to come on to Senapati Bapat Marg at all. So from Worli Naka, there's a separate turn and a D.C. road, which connects to our site. So we will be happy to explain that to you. I think there are a lot of infrastructure projects underway, which are going to help decongest that entire area. Having said that, is demand very high in that part of the city, at present, demand does seem to be taking a bit of hit. But supply is low. So while we also hear about large-scale projects coming up in that general area, currently, when we look at those potential supplies, it's very low. We believe that our development at expansion project at Lower Parel, which we call Project Rise, we believe Project Rise is very unique in terms of its location, access, being part of this larger vibrant high-energy development and as a product, it will be a far superior product compared to the existing supply that is there and anything that is likely to come up. We are very excited with this project, and we will hopefully be able to share some more details in our next quarter on the project and the design etc.

**Moderator:** Thank you. The next question is from the line of Abhinav Sinha from Jefferies. Please go ahead.

**Abhinav Sinha:** Two questions. Firstly, on Slide 9, we see this gap between the permissible area operation and actual area operation. Is it just multiplexes? And are we getting paid for 100% of it or the parties will just open? So that's first question. And the second question is, when you're talking about M&A or new sites, which cities are on your mind now?

**Shishir Shrivastava:** So I'll answer your first question. The gap between the permissible area and permissible operational area is basically FEC, multiplex and some F&B. Since this is as of end of September, we didn't have F&B also operational at several locations, right? It was not permitted in Maharashtra. End of September, several F&B brands were not allowed to operate. So if you actually look at October, November, you will see that the permissible area operational is about 91.5%. And multiplexes will commence operations, actually, yes, this week, we will see Kurla also operational, the multiplex operational. Chennai is not yet allowed to operate.

- Abhinav Sinha:** Okay. So this number will be 100%, right? The area operational to permissible ratio, this could be 100% by December?
- Shishir Shrivastava:** Yes. It's only the FECs, which will then, that could be a slight gap.
- Abhinav Sinha:** Right. And the second question, Shishir, M&A.
- Shishir Shrivastava:** Sorry, what was your second question on M&A, if there are deals under...
- Abhinav Sinha:** Which cities are you're looking at now?
- Shishir Shrivastava:** No. Our mandate list of cities remains the same as there's no change to that in this environment. So we continue to focus on Tier 1 opportunities. We would be looking at, let's say, another location in Chennai, Hyderabad, Chandigarh, Kolkata. Kolkata, we've already announced that we have an acquisition underway. And I would say perhaps something in the MMR region as well, Gurgaon. So these continue to remain the cities of our interest.
- Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI Securities. Please go ahead.
- Adhidev Chattopadhyay:** Do you have some sense of the Indore mall. When do we expect to start? And for other Pune, Bangalore and Ahmedabad, so any revised timeline or when do you think they will be operational?
- Shishir Shrivastava:** So we've recommenced work at all sites. In fact, if you look at the project at Hebbal in Bangalore, we've seen a very good ramp-up in manpower. Wakad, Pune, is still seeing some shortage of manpower. We expect to make Indore operational by end of FY22. Ahmedabad should be operational first half of FY23. And Hebbal and Wakad by end of FY23, early FY24. These are our completion estimates.
- Moderator:** Thank you. The next question is from the line of Girish Choudhary from Spark Capital. Please go ahead.
- Girish Choudhary:** Firstly, just a follow-up on the previous question. If you can just also help us on the pending CAPEX for the second half of FY21, 22 and 23 also for the upcoming malls.
- Shishir Shrivastava:** Sorry, CAPEX on the?
- Girish Choudhary:** The pending CAPEX which needs to be spent on the malls?
- Shishir Shrivastava:** Correct. On the upcoming malls, we have roughly around Rs. 1,500 crore balance to spend from now. And in this year, I would say, in FY20, as we had mentioned in the second quarter of FY21, we expect to spend about Rs. 180 crores more. FY22, FY23 each year, we should see approximately Rs. 550 to 600 crore of spend. And there's also a retention amount, which gets

paid out only after the completion, which we expect to pay out in FY24. If I may just mention that across all of these locations, the malls that are under development, currently, we don't have any debt on these assets. And over and above this, we also have the office expansion, which will also continue, and the CAPEX on that, we will update on this perhaps in the next quarter.

**Girish Choudhary:** And the second question is on the residential business, which has seen a good traction relatively. So I know there has been some rejig in the layout etc. But has there been any change in the pricing per square feet there?

**Shishir Shrivastava:** No, there has been no material change in the pricing. We have, in fact, I think the demand is fuelled by a couple of things. One is the interest rates coming down. The other one is the stamp duty getting reduced. And thirdly, this product is a far superior product. So from July until November, we sold some 18 units at an average price of Rs. 15,000 a square foot plus plus so that would translate to about Rs. 107 - 110 crore of value that we've done at this price.

**Girish Choudhary:** So you have recognized cumulatively close to Rs.1,600 crores of revenues. How much is spending from a collection point of view? And how much is the pending construction cost for the project to get complete?

**Shishir Shrivastava:** Okay. So we are currently building out Tower 7 in One Bangalore West. And towers 1 through 6 are complete, Kessaku is complete. So there's no construction cost to be incurred there. We have Tower 7, which is under construction, will require another Rs. 50 crores to complete. And this is getting funded by the sale of the units themselves. So we have about Rs. 1,600 crores of completed inventory against which there is no construction cost. Every sale that we do, there's no cost to incur there and 50 crores towards Tower 7. Towers, 8 and 9, we have not yet launched.

**Moderator:** Thank you. Due to time constraint, we take the last question as Amandeep Singh from Ambit Capital. Please go ahead.

**Amandeep Singh:** So sir, firstly, in the last concall, you had highlighted that for operating period, the rentals are expected to come in on monthly basis. But for the lockdown period, it has been deferred over a period of time. So in that context, can you help us understand what would be the mix of operational and lockdown period rentals in the current quarter? And by when do you expect to receive the rentals for the lockdown period across retail partners?

**Shishir Shrivastava:** Yes, I think this is a question we'll take on offline, and I'm going to request you to connect with Varun to get this breakup. I do not have this available at this point in time. A few pointers for you. This deferment we had offered only to the anchors for the moment and large group brands generally across the country. As I mentioned, there was some backlog. So collections, it would be, I would say, more detailed information or more clarity if we take a look at October,



November collections as well because that will clear out several of the backlog. So may I request you to connect with Varun and get this information in a more granular form from him?

**Amandeep Singh:**

Sure, sir, that's helpful. And sir, on commercial, so there has been some moderation in commercial revenue on sequential basis. Can you help us understand the same? And also, if you could help us how has been the leasing momentum or precommitment has recently completed Fontana Tower 2 and Tower 3?

**Shishir Shrivastava:**

Fountainhead Tower 2 is now complete. We've received the OC there. Tower 3 is still awaited. We are, I would say, that product is a non-IT building. So tenant interest in the product for that 12,000 to 20,000 kind of size offices remains to be moderate, I would not put it at very high. We have some inquiries that are ongoing, and we expect to conclude 2 or 3 transactions, which would lease out about 2 floors of Tower 2. We had some vacancies during quarter 2 in Art Guild House, I don't believe anything was out of contract. It was just no extension of an existing contract.

**Moderator:**

Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Shishir Shrivastava for closing comments.

**Shishir Shrivastava:**

Thank you very much for taking the time out to join us today. And we wish you a very Happy Dhanteras and a very Happy Diwali and a Happy New Year going ahead. Hopefully, this festive season will bring a lot of cheer to all our lives. And we look forward to connecting with you during this period before the end of the next quarter and at the next quarter call. Thank you so much.

**Moderator:**

Thank you. On behalf of Phoenix Mills Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.