THE PHOENIX MILLS LIMITED

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November 13, 2023

To,

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

Security code: 503100

National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex, Bandra East,
Mumbai- 400051

Symbol: PHOENIXLTD

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call

This is further to our letter dated November 09, 2023, wherein we had informed the exchange about the conclusion of our Earnings Conference Call held on that date with Analysts / Institutional Investors on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended September 30, 2023, please find attached herewith the Transcript of the said Earnings Conference Call.

The enclosed Transcript is also available on the Company's website and can be accessed at https://www.thephoenixmills.com/investors/FY2024/Earnings-Call-Transcript.

You are requested to take the same on record.

Yours faithfully,

For The Phoenix Mills Limited

GAJENDRA MEWARA
Digitally signed by GAJENDRA MEWARA
Date: 2023.11.13 18:47:01 +05'30'

Gajendra Mewara
Company Secretary

Encl.: As enclosed

The Phoenix Mills Limited
Q2 and H1 FY24 Earnings Conference Call
9th November 2023

Moderator: Ladies and Gentlemen, good day and welcome to the Q2 and H1 FY24 results for the 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, Mr. Anuraag Srivastava, Group CFO and Mr. Varun Parwal, Group President, Strategy and Corporate Finance.

Should you need assistance during the conference call, please signal an operator by pressing "*" followed by "0" on your touch tone phone. Please note that this conference is being recorded.

At this time, I would like to hand the conference over to Mr. Shishir Shrivastava. Thank you and over to you, Sir.

Shishir Shrivastava: Good morning, ladies and gentlemen. We take pleasure in welcoming you all to discuss the operating and financial performance for the second quarter and half year ended September 2023. We hope that you have had a chance to look at the results presentation shared by us. The same is uploaded on the stock exchanges as well as on our corporate website.

I will now take you through the key highlights of the results with reference to the relevant slides of the results presentation. Over the last 10 months, we were tasked with launching four malls and today we are extremely proud of having delivered these world class experiential developments which set new benchmarks in retail and mall design.

Starting with Phoenix Mall of Asia, Bangalore, if I may draw your attention to Slide 3 onwards, we launched this mall on October 27th 2023 with over 440 national and international brands, complete with India's largest international luxury watch cluster, a wide array of entertainment and dining options, complemented with beautiful and captivating interiors and decor. We expect Phoenix Mall of Asia not only to be a luxury destination for Bangalore, but a complete family destination and become the true landmark retail asset for the entire South of India.

As of October 2023, the mall was operating with a trading occupancy of approximately 43% and we expect this to inch forward towards the second-half of this financial year. From our experience, the ramp up that we have seen at Phoenix Citadel Indore or Palladium Ahmedabad, we expect Phoenix Mall of Asia to be at a trading occupancy of approximately 75% by March 31, 2024.

Next up is Phoenix Mall of the Millennium at Wakad, Pune you may see on slide 7. We launched Phoenix Mall of the Millennium on September 1st, 2023. The mall is home to over 350 national and international brands and an entertainment zone of over 1 lac square feet with various attractions such as a fan park, entertainment centers such as Time Zone and Fun City, a 14 screen Inox multiplex and over 75 dining options with the food court having a capacity of more than 550 people. Trading occupancy has shown a strong ramp up since launch and stood at 50% in October 2023 versus 44% during September 2023 with about 177 stores now operational. We expect this trading occupancy to inch up to about 80% by March 2024.

On slide 12, we have Palladium Ahmedabad. This asset, which was launched on 26th February 2023, marked our entry into Gujarat and the trading occupancy again has seen a fast ramp up from 32% at launch in February 2023 to 77% in October 2023. Moving on to slide 13, Phoenix Citadel, Indore was launched in December 2022. Here again, we have seen the trading occupancy ramp up from 42% at launch to about 90% in October 2023.

Now on to a quick update on our underdevelopment retail assets. If you may look at slide 14 and onwards. At Phoenix Grand Victoria, Kolkata we have received all development permissions. We have also completed the pre-construction activities and currently excavation and foundation work is under progress. Our second retail destination is in Gujarat, at Surat, we expect the construction to commence in Q3 of FY24. At the retail expansion for Phoenix Palladium, Mumbai spanning across retail GLA of approximately 250,000 in the current phase, civil works have reached an advanced stage, and we expect to complete this project by about March of 2024.

Moving on with our retail portfolio performance for Q2 FY24, from slide 17 onwards of the presentation. Consolidated consumption, which represents net sales reported by the retailers at each of our centers, at a portfolio level, for the quarter ended September 2023, stood at Rs. 2,639 crores with a growth of 20% over the same period last year. To compare this growth on a like to like basis, if we exclude the contribution from the new malls launched which are Phoenix Citadel, Palladium Ahmedabad and Phoenix Mall of the Millennium and adjust for the impact from closure of the lifestyle store at Phoenix Palladium, Mumbai, the consumption has grown by about 10%.

Turning to slide 21 onwards for the financial performance of our retail portfolio for the year so far. For Q2 FY24, retail rental income stood at Rs. 392 crores, up 25% when compared to Q2 FY23 and 8% on a like to like basis excluding the new malls launched. Retail EBITDA for this quarter was Rs. 402 crores up 26% compared to Q2 FY23 and up 11% on a like to like basis. For H1 FY24, retail rental income stood at Rs. 769 crores, up 21% compared to H1 FY23 and up 6% on a like to like basis excluding the new malls launched. Retail EBITDA for this period was Rs. 789 crores, up 23% compared to Q2 FY23 and up 9% on a like-to-like basis.

With the onset of the festive and the winter season now for FY24, we look forward to a fabulous performance in the second half of the year as well.

I now request Anuraag to take you through the office, hotels and residential section and the overall financial results.

Anuraag Srivastava: Thank you, Shishir. Good morning, everyone. Please refer to slide 27 and onwards for an update on commercial offices. Our commercial office portfolio is seeing improving traction with gross leasing of over 3 lac square feet in the period from April to October 2023 with about 2 lac square feet of new leasing and 1 lac square feet of renewals.

Total income from commercial offices in Q2 FY24 was Rs. 47 crores, up 9% compared to Q2FY23 and total EBITDA stood at Rs. 26 crores with a growth of about 6% over Q2 FY23. During H1FY24, income stood at Rs. 91 crores, which was up 9% year on year and EBITDA was Rs. 52 crores, up 7% year on year.

Moving on to an update on the under construction commercial office projects from slide 31 onwards. We are progressing well on our development of the next leg of growth in commercial offices. At Phoenix Asia Towers, lobby, common area finishing and façade work is underway. The first phase of these offices, which is about 0.8 million square feet, is expected to be operational during the current financial year i.e., FY24.

At Millennium Towers Wakad, slab work is in advanced stages for the office towers. At the Palladium offices at Chennai, we target completion in FY25. We have also received USGBC LEED Pre-Certification with Gold Rating at this asset. For Project Rise, all development permissions have been secured, foundation work has been completed and basement slab 2 has also been completed. As far as the commercial office component within expansion of our mixed-use asset in Whitefield is concerned, excavation work is nearing completion.

Moving on to the hotel portfolio, from slide 37 onwards, first covering The St. Regis Mumbai, we continue to see significant improvement in our performance. ARR in Q2 FY24 was about Rs. 15,040 and in H1 FY24, it was

Rs. 15,767. Both showed an increase of 27% and 32% respectively over previous year.

Total income for Q2 FY24 stood at Rs. 102 crores with growth of 20% over Q2 FY23 and at Rs. 213 crores for H1 FY24, up 39% over H1FY23. With the increase in total income, EBITDA margin has also improved to 43% in H1 FY24 compared to 40% in H1 FY23.

At our property in Agra, Courtyard by Marriott, ARR in Q2FY24 was at Rs. 4,196 and in H1 FY24 it was Rs. 4,303, both showing an increase of 8% and 13% respectively over the previous year. Total income for Q2FY24 stood at Rs. 9 crores, up 7% from Q2FY23 and EBITDA was Rs. 1 crore up 7%. Total income for H1 FY24 stood at Rs. 20 crores, up 20% from last year and EBITDA stood at Rs. 3 crores, demonstrating a 19% growth.

Our residential business update is from slide 44 onwards. We continue to witness very good traction in residential sales. We have completed gross residential sales booking of Rs. 495 crores in YTD October 2023 which is already higher than gross sales booking of Rs. 466 crores done in FY23. Same goes for collections, which stood at Rs. 423 crores in YTD October 2023, surpassing the full year collection of Rs. 369 crores seen in FY23.

We have built and delivered about 2.83 million square feet across One Bangalore West and Kessaku, of which we now have only about 5 lac square feet of unsold inventory left. At our under development, premium residential project at Alipore, Kolkata, consultants for various work streams have been on boarded and we are in the process of obtaining our development permissions.

I would like to now move to financial results from slide 47 onwards. Some of the key highlights of our consolidated financial performance are as follows.

Income from operations for Q2FY24 stood at Rs. 875 crores. This is up 34% year on year and at Rs. 1,686 crores for H1 up 38% year on year. Operating EBITDA for the quarter stood at Rs. 514 crores, up 35% year on year and Rs. 1,006 crores for the first half, up 43% year on year. Reported PAT after minority interest and after comprehensive income for Q2 FY24 stood at Rs. 262 crores, which is up 40% year on year and stood at Rs. 531 crores for the first half.

Debt position from slide 48 onwards, consolidated gross debt stood at Rs. 4,263 crores as on 30th September 2023, down by Rs. 310 crores since March 2020. 97% of our gross debt is on operational portfolio with very competitive average borrowing rate of 8.71%. Currently our lowest cost of borrowing stands at 8.50%. Despite RBI increasing rates by 250 bps since March 2022, our borrowing costs have gone up only 141 bps so far. As the overall interest rates in the economy start to rise, our effort will be to minimize the impact of this on our cost of borrowing by reducing the spread charged by the banks on top of the repo rate.

Cash flows from slide 50 onwards. For H1 FY24, we generated about Rs. 1,060 crores of net cash from operating activities and our operating free cash flows stood at Rs. 882 crores.

Liquidity position from slide 53 onwards, group level liquidity on 30th September 2023 stood at Rs. 2,166 crores up by Rs. 411 crores from the position as of 31st March 2023. This excludes the amount remaining unutilized in OD accounts. Net debt stood at about Rs. 2,096 crores, down by Rs. 186 crores from the position as on 31st March 2023.

We are bullish on our business prospects and with a strong balance sheet position our focus remains on delivering our under-construction projects on time and judiciously deploy our capital to expand our portfolio.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line of Resham Jain from DSP asset managers. Please go ahead.

Resham Jain: Hi, good morning, team. So, I have just a couple of questions. So first one is if you can just help with your overall capex to be incurred over the next three years based on the current development which you are going to do.

Management: Hi Resham. So, between now and 2027 from the projects that are already announced and updated on the presentation, we have a further capex of about Rs. 4,800 to 5,000 crores that is left and this is between current calendar year and up to 2027. This includes 3 million square feet of retail that is under construction at various stages and the over 5 million square feet of commercial offices, as well as the residential development planned at Alipore.

Resham Jain: And the overall let's say, if I look at the cash generation over the same period, the cash generation seems to be significantly higher than the numbers. So how are we thinking about the incremental cash which we are going to generate? Because our debt levels are at a reasonable level now at net debt. So just your thoughts on the same?

Management: You are right. I think with the excess cash, we will continue to build our retail portfolio and look at further business development opportunities. Retail continues to be our flagship business and we see a lot of opportunities in expanding in cities where we already exist as well as the new cities in other towns. So that is the focus and of course as the retail assets come up, we will also continue to focus on the mixed-use development. Just passing it on to Shishir for further comments.

So, if we just look at the current run rate, we see about Rs. 2,000 crores of free cash being generated annually. And as Varun mentioned, we have about Rs. 5,000 crores of capex for projects which are already under development and already announced. We continue to look for opportunities for expanding our real estate, retail and residential and office vertical. So, I think we are on a good path to look at deploying significant free cash in new projects in acquisition and development of new projects.

Resham Jain: The other question I have is on residential. Will you have the post-tax IRR let's say of the Bangalore residential project which is now about to get over. Let's say in 2024-25 what will be your approximate post tax IRR in that residential project?

Management: So, if you look at how the project has moved and especially in the way the prices have moved, we launched this project back in 2012 at a price of Rs. 5,500 per square feet on launch date and today in October 2023, we have taken the selling prices to above Rs. 21,000 on per square feet basis. We of course had incurred land cost etc back in 2012, but then we utilized the base FSI to construct the first five towers and return all the capital back; so the company had received full return of its entire equity investment back in 2014-2015 itself. Kessaku has been launched thereafter and we have purchased development potential and incurred construction cost to construct this.

Residential project if you look at it from the markup that we see on our construction cost today, today our landed cost of development for a premium residential tower is at Rs. 7,500 to 8,000 per square feet for a Kessaku sort of development wherein we provide a lot of lifestyle amenities, but the selling price that we have in excess of Rs. 20,000. So, from our capital multiplier, it's a significant improvement and that also results in a good post tax IRR i.e. of our targeted IRR of 18 to 20% on a post tax basis.

Moderator: Thank you so much. The next question is from the line of Puneet Gulati. From HSBC. Please go ahead, Sir.

Puneet: Thank you so much and congratulations on good numbers. My first question is on your office project. So, the Bangalore and the Pune one are close to completion and set to launch. Can you elaborate on what is the progress on leasing there and how are you seeing the market?

Management: Hi, Puneet. Good morning. We are expecting the OC for the offices at Bangalore which are Asia Towers, shortly. So we have not been able to execute any leases, but I can talk about the pipeline. We have seen a significant pipeline and profile typically is for 2 lac square feet and or thereabouts for each tenant. So, if we just look at the cumulative pipeline, it is close to about 2 million square feet of pipeline and several of those are waiting for conversion. At this point in time, I think we feel fairly confident that within about 12 months of the OC coming in, we should have about a 75% kind of an occupancy within development, this is across 800,000 square feet of total leasable area under Phase I.

And in Pune we are expecting the building completion for Millennium Towers for the first phase to be in August of 2024. Again, we are looking at what is the pipeline there seems to be significant demand for this part of the city.

Puneet: And so I thought the total leasable area was 1.2 million, right, you said 0.8 million.

Management: So, at Bangalore, we have a further 250,000 square feet of FSI potential there, which we have not built out as yet, because of not having clarity on the TDR policy in that city. So, we have about almost 400,000 square feet of GLA where in one of the towers where we have the ability to construct once that becomes clear.

Puneet: So, you're building 0.8 in Bangalore and similar 0.8 in Pune as well.

Management: 0.8 million square feet in Phase I, 0.4 million square feet in phase II in Bangalore and in Millennium Towers, it's a total of 1.4 million square feet GLA which we are building out. It's just that the first tower will become ready in August 2024 and the next one will be ready by maybe about January 2025 or February 2025 somewhere in that period. Cumulatively it is about 1.4 million square feet of GLA.

Puneet: Ok. And can you also indicate what kind of rentals are you likely to negotiate there?

Management: So, looking at that competitive landscape in Wakad, the numbers currently are at around Rs. 70-75 per square foot. I believe that our product is a front office premium grade-A, USGBC LEED certified product which will command premium rentals. So, 24 or say 12 months from now we should be in the region of about Rs. 80-85 thereabout, that would be our starting rent.

Puneet: And in Bangalore?

Management: Bangalore is also going to be around Rs. 80-85 per square foot as the all-inclusive bare shell rent.

Puneet: And secondly on this land purchase, I might have missed it. I joined a bit late on the land purchase. What are the thoughts that what do you want to develop on in Thane?

Management: Puneet, as you are aware, I think the competitive landscape there has quite a bit of retail. So, we are evaluating what is the ideal development mix. We have also seen that despite the inventory overhang on residential, we have seen that the good grade-A quality residential has outperformed in that market with rates in excess of Rs. 20,000 a square foot. So, we are evaluating the ideal development mix for this location and we are certainly cautious about the competitive landscape in retail. So, I think it is going to take another three months or thereabouts to define what we are going to finally, build there.

Puneet: But you would have done some IRR calculation, right? And what would that have been based on?

Management: So we have looked at various scenarios. We have looked at mixed-use development with retail in the lead, we have looked at residential, we looked at a combination of residential. I think the returns work in any scenario in terms of our return expectation on equity, I think they work in any scenario but the risk is probably as I mentioned, the competitive landscape one has to be very cautious about, so we are evaluating whether we want to take that risk or we want to mitigate that risk and go with the residential kind of a development, or a residential with ancillary retail, but we have not decided and at this point in time my answer to you is that we will take three months or so, to decide on the development mix.

Puneet: And just on the broad question, I know you have answered it to a certain extent. How are you looking at deploying the huge amount of free cash flow that that you will be generating should we expect anything in the next 1-2 years to get added and then which geographies?

Management: Adding new developments is routine for us, that is how we are growing and we continue to be very aggressive in terms of evaluating land opportunities in some of the key markets; in some of these markets there were auctions announced which then got cancelled, but we are actively looking for land in four or five different key markets that we have identified where we want to be. So, as we have done in the last several years, we will keep acquiring and delivering at least a million square feet of retail every year or thereabouts.

Puneet: Right. But you have to spend close to at least a thousand plus crore every year, right? So that's a large sum to spend as well.

Management: It is a large sum to spend, but I think it's good to have that kind of an ammo to go and buy the most premium land parcels for the most premium development in these cities. So, land cost is not low, right? We also want to also keep our debt levels in check while we pursue these opportunities or pursue expansion opportunities at our existing development. So, we will be very judicious about how we utilize our cash flows.

Moderator: The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal: When I look at your trading occupancies in the last 12 months, right, I mean across your assets, they've increased from say 4 to 8% and when I look at same store consumption, it's grown by 10%, so, adjusted for the trading occupancy is it fair to say that the consumption growth like to like same store would be about 4 odd percent.

Management: So I think on your question on 1st on trading occupancy, we have had a very strong line up of retailers who have either entered India or expanded into India and we have been accommodating them in our malls over a period of time and we saw a number of them opening up in September and further more followed up in October as well. And this I'm referring to only the existing operational portfolio. So today our asset like Phoenix MarketCity in Bangalore, which was launched in 2011, it's trading at a lifetime occupancy of 98% and we have a very big lineup of brands who we are still waiting to accommodate in this mall. That said, a number of these retailers have recently entered and opened in the mall, and their performance in the first 18 months takes time to ramp up and start contributing meaningfully to the overall trading density perspective.

If I look at say, malls where the new retailers have been operational for some time, I would say that Phoenix Palladium has seen a training density growth of 7 to 8% year on year on a like to like basis, whereas Phoenix Palassio has seen a like to like growth of over 14% if I'm looking at same store sales contribution. We see the strong high single digit contribution from stores across our existing operational portfolio.

We have also to share some light with you. We have also given a category wise breakup in the presentation wherein on a like to like basis, the overall portfolio has seen a 10% growth and this contribution has been led by Jewellery, which has grown at 25%, by F&B, which has grown at 12% and of course multiplexes which have had their best ever quarter at 22%. We have also seen a recovery in hypermarkets. I think some of the legacy issues that we have faced in the hypermarket performance in FY23 is starting to get addressed and resolved. It still remains way below what we have seen compared to the pre COVID level, but it is starting to improve from the low basis that we saw in FY23.

Kunal: So fair to say that the whole catch up will happen in subsequent quarters when these newer tenants, their consumption kind of normalizes.

Management: Absolutely. We had Uniqlo open recently in October 2023. Now that's certainly going to add significantly to the overall consumption in that area. I think also now with this festive season, it's going to be a good way to track against what the consumption was last year, for the next three months, October, November and December. I don't think that there is any sentiment or structural issue that we are seeing impacting the consumption in the mall. Last quarter certainly we did see an impact, but I think in the long term it will balance out. So, this next quarter is very key for us.

Kunal: My second question was on again the Thane land, I mean in the past we've been very clear in terms of like when we buy a land, there's always end use land strategized but this seems a little different, like in terms of we bought the land, but even not yet sure whether we'll build retail or residential. Just wanted to understand the thought process behind acquiring this land.

Management: It is a landmark location. It does not take away from our confidence in building a fabulous retail development but there is significant competition and there are quite a few of our brands, which are already occupying retail space in these other malls in that vicinity, right? While we have been able to, I think we have acquired this land at a fair value and we want to figure out what is the best return for our efforts and our investment into this land. Hence, we are evaluating other asset classes where the risk on the return estimates are much lower. So that's the only point here. We have evaluated this for a retail-led mixed-use development. And it does meet our returns profile, but there are risks associated with that. So we are looking at the ideal development mix which mitigate any risks to the return.

Kunal: Any idea on the potential leasable area or salable area potential that this land would have?

Management: Let me tell you that the overall development potential is 3 million square feet or slightly higher than that actually. We may have to slice this up into three or four different asset classes. So that is what we are trying to really figure out at this point in time.

Moderator: The next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: How much money has already been spent on the projects we talked about another 4,800 crore that is to be spent. How much money is already spent on these projects? That's one and 2nd for, a lot of projects that have been commissioned, is there any sense or understanding with the partners in each of these individual projects on the utilization of cash that these operational malls now throw our?

Management: Murtuza, I will take the first part of your question. You spoke about how much we have spent on these various assets so far. So, for the malls that have opened up as well as the money that we have spent on offices and retail under construction, we have cumulatively spent about Rs. 6,000 crores from 2018 till now on these assets and we can of course connect offline and share asset wise details if required on the amount spent on each asset.

Your second question was on the ability to upstream cash flows from SPV with JV partners. Currently the JV that we have with GIC, we are earmarking the free cash being generated from there to be invested or deployed in a in a new acquisition, one or two. In the other JV, which we have with CPPIB, we have ongoing expansions, so a bulk of this Rs. 5,000 crores of future spend is going to be in these SPV's or in the partnership with CPPIB. So, we are looking at the most efficient way of utilizing those cash flows for that expansion.

Murtuza Arsiwalla: So if I understand that right, for instance the Bangalore mall or some of the more recently commissioned in malls in Bangalore or Pune which are partnership with CPPIB under a separate SPV, the surplus funds will go let's say Kolkata Mall, which is a separate SPV, but still in the same corner.

Management: We have Bangalore, we have a significant expansion, right. We are building a 300 plus key Grand Hyatt Hotel, we are building 1 million square feet of offices plus we are expanding the retail at the Bangalore mall so that SPV in itself will have a sizable capex out of this Rs. 4,800 crores that Varun outlined for you. Similarly, I would say that with the new malls opening, Mall of the Millennium at Pune, it's going to take time for the cash flows to build out, when we see significant free cash being generated, we will evaluate the mechanism of how that can be up streamed or how that could be utilized. Let me also clarify, at Mall of the Millennium, currently we may have spent only about 70% of the overall project cost for the mall alone and we are still incurring expenses on the office development, so any free cash that gets generated there will get utilized in that development first. Mall of the Millennium we've probably spent about maybe 60% of the overall project cost, so free cash getting generated there will get utilized for the capex and completion of the offices etc. So, the cash utilization in terms of capex is already pretty straightforward and identified for the next three years.

Moderator: The next question is from the line of the Biplab Debbarma from Antique Stock Brokers. Please go ahead.

Biplab Debbarma: Good morning and wish you all a very happy Diwali. So, my first question is on the Alipore and Project Rise. Sir, from when do you see rental generation from these two assets, the Alipore and the Project Rise?

Management: So Project Rise is right now at the excavation and foundation stage. We have completed the excavation and basement two is completed and we are now working on basement one. I would say that the project is about another 36 months away from generating rent, retail there may be starting a few months ahead of offices. Kolkata at this point in time, we are coming out of the ground, excavation is completed there and the mall I would say another 36 to 40 months for the mall to become operational from today.

Biplab Debbarma: So FY27-28 for both Alipore and Project Rise, is that correct?

Management: 26-27 I would say.

Moderator: The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez: Hi, good afternoon and thanks for taking my question. So, on the residential portfolio, considering that we now just have about 0.5 million square feet of inventory left, any thoughts about launching Tower 8 and 9 in Bangalore? And also related question about the residential project in Kolkata. When can we see a launch there?

Management: So, towers 8 and 9 at Bangalore, we will only announce or launch once we are able to proceed with the TDR loading on the layout which currently as per policy, there is some ambiguity. But again I think it is a hugely anticipated launch in that micro market and as much as we are looking forward to the launch, we know that there is a huge customer base that is looking forward to this launch. Kolkata is in the design stage. I think we may be about 6 months or so away from announcing the launch.

Moderator: Thank you so much. The next question is from the line of Pritesh Sheth. From Motilal Oswal, please go ahead.

Pritesh: Hi, good morning. Thanks for taking my question. Firstly, on slide 69, where you have given the expiry details. So based on that data, if I calculate roughly, 4 million odd square feet of space in these malls is going to come up for expiry over the next three years, over roughly 1 million square feet each. So how should we look at rental growth in one of these assets for renewals?

Management: Hi Pritesh. So you are right and the idea of putting out a renewal schedule is also for us to plan and see how we can improve upon the brand mix and the category mix inside our malls. If we see over the last four years from pre COVID to now, we have significantly enhanced the presence of newer, faster growth categories, whether it's in cosmetics or jewelry or in fashion by replacing or by creating space for new assets and new brands entering the country and also increasing the experience oriented component such as F&B and relooking at how F&B's run inside the malls. Over the next three years, the pipeline that we have allows us to continue to revamp and ensure that our existing assets drive market leading growth and they continue to stay very relevant for the new age, consumers and the discretionary consumers as well.

For us, it's routine to see every mall go through this renewal or end of contract cycle. So on an average we would see 15 to 20% kind of a renewal across up or end of contract across our portfolio every year. In some years it may spike up because of let's say anchor agreements coming for end of contract etc. However, our learning has been over the last 20 years and we have tried to implement this learning, that every such spike where you may see in a year 25-30% of an area coming up for end of contract, it presents us with a huge opportunity to evolve that asset by making significant changes on the experiential side, maybe circulation related aspects addressing those which we learn over a period of time and also changing the brand mix a little.

So over the years as the asset evolves and these renewal opportunities or end of contract opportunities arise, we get the ability to move certain brands to other locations where they will be more successful and freeing up that location for a newer brand or a higher positioned brand and this is across the life cycle of the asset. Year after year it evolves and the premium-ness of the overall offering keeps moving up. Sorry for that, lengthy answer to your short question.

Pritesh: No, thanks for the detailed explanation. But in general, since most of these assets are up for renewal after 10 years of operations right, major reset would obviously be expected in terms of rentals as well. So as per your experience how much should that reset be versus the usual five 7% kind of contractual escalation?

Management: Firstly, the cycle is not ten years. We see a spike coming in every five years and at an average on annual basis about 15 to 20% of the area gets end of contract. At the end of contract typically we see a significant catch up on the minimum guarantee rent. So minimum guarantee rent moves up to maybe a slightly higher than what was the actual rent received on account of revenue share. So at that point, typically in a renewal we may see about a 15% kind of an increase in minimum guarantee rent and if it's an anchor space, let's say that we reorganize to smaller stores in those scenarios, the delta could be as high as 50-60% as well in terms of rental increase. But on a portfolio basis, you can assume a 15 to 20% increment in the base rent. So, whatever was the last rent paid by a particular brand, when we re-lease that store at end of fixed contract, we expect a 15 to 20% increase there.

Pritesh: Got it. Second question on your consumption guidance that you gave of Rs. 11,000 crores at starting of the year we have already done I think roughly Rs. 5,200 odd crores, you will stick to that guidance or there's an upside potential to that?

Management: I think we may be a little ahead of what we may have estimated for H1 because now the festive season kicks in and this is really I think we're all super excited to see how the next three months perform.

Pritesh: And just lastly on Thane again since it's in Sparkle Two, which is the subsidiary and Sparkle One, we have a JV with CPPIB. So, this is also with in partnership with CPPIB that we are acquiring this Thane land?

Management: No, I'm clarifying that Sparkle Two is a 100% subsidiary of The Phoenix Mills Limited, as was Sparkle One before, when it was created and then it was used with CPPIB coming into and investing into Sparkle One. So Sparkle Two is 100% subsidiary and it is not connected to the CPPIB JV in any way.

Pritesh: But would one of the two partners be interested in coming up with us for that land? Depends on the mix, I guess.

Management: Yes, that depends on the development mix, which at present we have not finalized as I mentioned earlier.

Moderator: Thank you so much. The next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal: Hi, thanks for the follow up. We had earlier highlighted that we will be looking at acquiring 2 land parcels a year. Just wanted some clarification on that, the two land parcels would be towards retail and over and above you would look at say for the residential expansion or two land parcels in total and it could be either residential or mixed or retail.

Management: Our goal is, as I mentioned many times previously Kunal, in the last several years our goal was to after 2024, when we have developed, delivered all the projects that we had undertaken in FY17, our goal was to deliver a million square feet after 2024 of retail every year. So, I think we are well on track to achieve that, and we will continue to buy one or two land parcels for retail every year.

Kunal: Secondly, on the first CPPIB platform, that most of the assets with say Bangalore and Pune, commencing operations, most of the assets under the first platform are operational. What would be the exit strategy for CPPIB and also like in terms of our interest, would we look at buying back stake as a part of CPPIB's exit strategy.

Management: So, Kunal, while the malls have become operational, the other asset classes being developed on those same land parcels continue to, for the next two to three years the project continues. So, at present we are still in active development in the CPPIB JV with the office expansion, the hotel at Bangalore and the additional retail area being added there. There is absolutely no discussion on exit or any exit strategy at this point in time with CPPIB.

Moderator: The next question is from the line of Biplab Debbarma from Antique Stock broking, please go ahead.

Biplab Debbarma: So, my earlier question was going forward as we keep investing in new land parcel in the major cities. Do you see that we would be doing mixed-use development rather than purely kind of retail focus? because of the high competitive landscape as you are paying in Thane or Thane is just a one of the incidences that we are seeing?

Management: Thane may be an aberration because it is already a very dense micro market and with significant competition.

Biplab Debbarma: So, our focus, as you rightly said the focus would be on the pure play retail and opportunistic investments in other segments of real estate. We all focus continues to be retail. Is that correct, Sir?

Management: If I may explain this to you, see there are certain markets or other across the country today, land parcels have much more development potential, which one cannot consume entirely for retail. So even if we acquire a land which is focused for a retail development, we will consider other asset classes to exploit that maximum potential on the FSI, what that asset class is will depend on what is the demand in that particular city and in that market.

Moderator: Thank you so much. The next question is from the line of Atul Mehra from Motilal Oswal Asset Management, please go ahead.

Atul Mehra: Good morning and thanks for the opportunity. So just one question in terms of with this outlay of Rs. 4,800 crores till FY27 that we mentioned. And given that along the way we will have renewals and escalations from existing customers. What is the operating cash flow trajectory we will get to in your opinion from the current Rs. 2,000 crore number that we add, can this be more like Rs. 4,000 crores if we were to go by the current plan?

Management: Atul, tricky question because I don't think we can give a guidance

Atul Mehra: No guidance. Just based on calculation.

Management: I would say that analysts have presented to us that we are really best placed to give you this computation, but you would not be off the mark.

I can say that you would not be off the mark of what their computations are showing. Would you like to tell us what you are estimating?

Atul Mehra: Rs. 4,000 crores.

Management: I think that is a healthy target and we will definitely try and beat it.

Atul Mehra: Then secondly, in terms of like we are talking about retail expansion going forward and deployment of the free cash flow that we generate. If we were to look at some of the next in terms of cities next cities versus what we have, the top tier one cities in some sense, so is there in your opinion, a viable model to go to the next rung of cities, maybe with a more in terms of improvise retail square footage and any exploration on that side which can further expand our target market.

Management: I think our strategy is clear of creating these experiential centers, which become attractive for a region. So, when you look at it, when you look at a what you call a Tier 2 city and we would call it a tier 1 opportunity like a Lucknow or an Indore, these malls are not just malls for those cities. We are seeing our customer base extending to 100 kilometers from that city, which goes into the smaller towns as well where there is significant amount of wealth. So, I would say a city like Coimbatore presents that kind of an opportunity, five or six major towns, which could become its feeder, which are its feeder markets even today. A city like Vizag is an interesting opportunity, Chandigarh has always remained an extremely exciting opportunity, Jaipur is another such city. So, these are the cities that we have previously identified during our interaction, and we continue to look at opportunities there as well.

Moderator: Thank you so much. As there are no further questions from the participants, on behalf of The Phoenix Mills Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.