THE PHOENIX
MILLS LIMITED

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**May 30, 2023**

**To,**

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|---|---|
| **BSE Limited** | **National Stock Exchange of India Limited** |
| Phiroze Jeejeebhoy Towers | Exchange Plaza, |
| Dalal Street, Fort, | Bandra-Kurla Complex, Bandra East, |
| Mumbai- 400 001 | Mumbai- 400051 |
| Security code: 503100 | Symbol: PHOENIXLTD |

Dear Sir/Madam,

**Sub: Transcript of Earnings Conference Call**

This is further to our letter dated May 25, 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 Audited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 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/FY2023/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: 2023.05.30 14:41:54 +05'30'

**Gajendra Mewara**
**Company Secretary**

**Encl.:** As enclosed

# The Phoenix Mills Limited
# Q4 FY23 Earning Conference Call
# May 25, 2023

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**Moderator:** Ladies and gentlemen, good day and welcome to The Phoenix Mills Limited Q4 and FY23 Earnings Conference Call.

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

I now hand the conference over to Mr. Shishir Shrivastava. Thank you and over to you.

**Shishir Shrivastava:** Good morning, ladies, and gentlemen. We take pleasure in welcoming you all to discuss the operating and financial performance of the fourth quarter and year ended FY23. We hope 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 website. I will now take you through the key highlights of the results with reference to relevant slides of the results presentation from time to time.

To start with the performance of our retail portfolio: Please refer to Page #4 onwards of the results presentation for an update on consumption at our retail malls in Q4 FY23. Consumption in Q4 FY23 stood at Rs. 2,211 crores, showing a growth of 59% over Q4 FY20. If we exclude contribution from the newly launched retail malls, which are Phoenix Palassio at Lucknow, Phoenix Citadel at Indore and Palladium at Ahmedabad, this number was 37% over Q4 FY20. Consumption at our retail malls was robust across categories in the fourth quarter. Some of the top performing categories were Jewellery, up 164% from Q4 FY20, Food and Beverage up 64% from Q4 FY20, Fashion and Accessories up 62% from Q4 FY20, FEC Multiplex Entertainment up 61% from Q4 FY20 and Electronics up 58% from Q4 FY20.

Turning to Page #5 of the presentation for an update on consumption at our retail malls in FY23. This year, we witnessed the highest ever annual consumption of Rs. 9,248 crores demonstrating a growth of 33% over FY20 and slightly beyond our guidance of over Rs. 9,000 crores. If we exclude contribution from malls launched in FY21 onwards, which are Phoenix Palassio, Lucknow, Phoenix Citadel, Indore and Palladium, Ahmedabad, like to like growth in consumption is at 19% over FY20. Collections from the retail mall business for FY23 stood at

Rs. 2,167 crores, maintaining the quarterly average run rate of over Rs. 540 crores slightly ahead of our guidance of approximately Rs. 500 crores run rate per quarter.

Moving on to Page #6 of the presentation for an update on consumption for the month of April 23. Consumption in the month of April 23 came in at Rs. 851 crores, up 18% compared to April 22. If we exclude contribution from Phoenix Citadel, Indore and Palladium, Ahmedabad then the like-to-like consumption growth is at 11% compared to April 22. At Phoenix Palladium, Mumbai renovations are underway for two of our key stores Zara and Reliance Digital and this had a temporary impact on consumption growth. We are delighted to announce that Zara has now reopened at Phoenix Palladium, Mumbai in a bigger, better and more tech savvy avatar.

Moving on to a brief update on our newly opened retail malls. Starting with Palladium, Ahmedabad on Pages #7 through #12 of the presentation. On 26th February 2023, we marked our first presence in Gujarat with the launch of Palladium, Ahmedabad. We have some images of the retail mall and the beautiful interiors and art, and decor uploaded on the presentation. The mall opened with a trading occupancy of 32% and with scaling completion of fit outs this has ramped up to 57% as of April 23. Trading occupancy will scale up closer to the leased occupancy of 93% by Q3 FY24. We are also glad to highlight that the trading density at this mall in the month of April 23 stood strong at Rs. 1,021 per square foot per month; breaking the Rs. 1,000 per square foot per month threshold very early on in its life.

Moving on to Pages #13 through #15 for an update on Phoenix Citadel, Indore. We launched Phoenix Citadel, Indore on 1st December 2022. Trading occupancy has shown a steady ramp up and is now at 79% versus 42% in the first month of its operations, that is December 22. This mall represents many firsts for us. Not only is this our first mall in Madhya Pradesh, but it is also the first certified green building in our portfolio. We are pleased to announce that Phoenix Citadel Indore recently achieved two prestigious green building certifications - the USGBC LEED Gold Certification and the IFC Edge Advance Certification. Phoenix Citadel in fact is the first retail asset in India to have received the IFC Edge Advanced Certification. These certifications reflect our commitment to a sustainable development model across our existing and new developments, and you will see more progress in this regard across other assets in the coming months as well.

Please turn to Page #16 onwards for an update on our upcoming malls. We are gearing up for the launch of our second malls in the cities of Pune and Bangalore respectively. The construction at Phoenix Mall of Asia, Hebbal, Bangalore is progressing well and as can be seen from the pictures we are completing interior works. We have received the Occupation Certificate (OC) for this mall and multiplex recently. Phoenix Mall of the Millennium at Wakad, Pune is also on track and expected to commence operations by Q2 FY24 with the offices forming part of the mixed development set for launch in FY25. At our retail mall in Kolkata, we have completed the demolition work of the old on-site structures and currently construction activities are progressing. Pre-construction work is nearing completion, and we will soon commence excavation on the site. At Project Rise in Lower Parel, Mumbai which also has a retail component, requisite approvals are all in place, excavation is nearly complete and the RCC work on the tower foundation is in progress.

Now moving on to the financial performance of our retail mall portfolio from Page #25 onwards. In line with consumption, our rental and EBITDA growth also demonstrated an upward trend. Q4 FY23 retail rental income was Rs. 340 crores up 53% compared to Q4 FY20. Retail EBITDA for this quarter was at Rs. 349 crores up 64% compared to Q4 FY20. For FY23, our retail rental income stood at Rs. 1,312 crores with a growth of 29% over FY20 and retail EBITDA came in at Rs. 1,331 crores with a growth of 36%.

Moving to Page #33 in the presentation. In FY23, we saw significant ramp up in leased occupancy, trading occupancy and trading density over FY22 across all our major malls. You will further see trading occupancy going up across our existing malls as we have several new retailers and formats under active fit out currently and we expect trading occupancies to move closer to 93%-95% levels before Diwali 2023. In FY23, we have seen a cumulative leasing in excess of about 3.3 million square feet with operational assets seeing approximately 2.2 million square feet including renewals and some churn and at the new malls yet to be operationalized, we have seen leasing of about 1.1 million square feet. We are ready for FY24 with renewed optimism with i) the launch of two new malls within the next six months, ii) a sustained consumption growth in existing malls, iii) ramp up at existing malls in Chennai, Pune and Kurla on account of increase in trading area and iv) consumption growth in our latest malls - Phoenix Citadel, Indore and Palladium, Ahmedabad demonstrating a significant upward trend.

Just to talk a little bit about the gross consumption in FY23, we have seen approximately Rs. 9,300 crores of consumption. We have an outlook for FY24 to reach up to Rs. 11,500 crores of consumption of which we expect Palladium, Ahmedabad and Phoenix Citadel, Indore to add about Rs. 1,200 crores. We have a robust event calendar for each mall in place with major spike events scheduled for weekends and we are engaging in many spike events for weekdays. We continue to invest in innovative eye-catching decor across properties and bringing the best of brands and categories and fine dining, food, and beverage experiences. We gear all of these activities towards making each mall the de-facto destination for consumption. I will now request Anuraag Srivastava to take you through the office, hotel and residential section and the overall financial results. Thank you.

**Anuraag Srivastava:** Thank you, Shishir. Good morning, everyone. I would direct your attention to Page #34 to #40 for an update on the commercial office portfolio. Our commercial office portfolio is seeing improving traction with gross leasing of about 4.31 lakh square feet in FY23, of which ~2.81 lakh square feet is new leasing and ~1.5 lakh square feet is renewal leasing. The total office income in Q4 FY23 stood at Rs. 43 crores, flat percentage year-on-year and total EBITDA stood at Rs. 27 crores. Collection efficiency for the quarter was close to 97% with collection of about Rs. 47 crores. For FY23, office income stood at Rs. 170 crores which was up 7% year-on-year and EBITDA was flat year-on-year at Rs. 98 crores. We currently have active fit outs of over 1,80,000 square feet under progress in Pune and Mumbai which will add quarterly rental income of more than Rs. 5 crores. We expect contribution to fully reflect from Q3 FY24.

Moving on to updates on the under-construction commercial office projects. These are covered from Page #38 onwards. At Phoenix Asia Towers, Bangalore with the GLA of about 1.2 million square feet, roof slabs up to the ninth floor have been completed and the interior work, lobby and common area finishing is currently underway. We have commenced construction for two out of four of Millennium Towers, Pune, and we expect to launch the same in FY25. We are also engaged actively across our under-construction assets in Bangalore and Pune where leasing enquiries from marquee MNC clientele have been very strong and we'll keep you posted on the leasing progress made in this regard. As mentioned earlier, construction has commenced at Project Rise in Lower Parel, Mumbai. At ISML Offices in Whitefield, Bangalore excavation and shoring is in progress, whereas at Palladium Offices, Chennai construction has commenced. The launch of these offices will progressively take our office realty from 2 million square feet to about 7 million square feet by FY27.

Now moving on to hospitality business, please refer to Page #41 to #47 of our deck. Starting with The St. Regis, Mumbai, which saw the highest ever annual gross revenue and EBITDA in FY23. The operating performance has surpassed most operating parameters in last 12 months. This is led by resumption of foreign business and leisure travel, domestic corporate travel, social events, and staycations**.** The year has been good in terms of F&B as well, with launch of the new venues including Koishii, Koi Bar and the high-end event space, which is called 38 Manhattan. Total income for FY23 stood at Rs. 404 crores, which is up 31% from FY20. Occupancy for the year stood at 84% and ARR was at about Rs. 14,851 which is up 21% from FY20. Operating EBITDA came in at Rs. 180 crores demonstrating a growth of 54% compared to FY20. We have used the strong cash flows during FY23 to reduce debt by Rs. 115 crores on this asset and invest in capex for upgrading various facilities in the hotel. At our second hotel, the Courtyard by Marriott, Agra, total income in FY23 stood at Rs. 46 crores which is up about 24% from the FY20 occupancy for FY23 was at 72% and ARR stood at Rs. 4,795 showing a healthy growth of 23% over FY20.

Moving on to residential business covered on Page #49. We are witnessing very good traction in terms of residential sales mainly led by robust demand of ready to move in inventory and faster conversion. We achieved an overall sale of Rs. 466 crores in FY23. Collection in Q4 FY23 was at Rs. 115 crores and for FY23 was Rs. 369 crores.

Wanted to talk about our key acquisitions, which are covered on pages #50 and #51. We acquired an approx. seven-acre land parcel in Surat at a cost of ~Rs. 501 crores during December 2022, to build a retail development of about 1 million square feet. We await environmental clearance to begin construction at this site. Currently the clearance is in the final stage of approval.

We have also forayed into warehousing through a purchase of ~33-acre land parcel in Sohna, NCR at a cost of ~Rs. 54 crores, where currently appointment of consultants for various work streams is undergoing. During February 2023, we purchased the land parcel in prime locality of Alipore, Kolkata at ~Rs. 414 crores to build an exclusive luxury residential development with a gross saleable area of about a million square feet.

I would draw your attention to Page #53 onwards for our financial results. Some of the key highlights of our consolidated financial performance are as follows. Income from operations for Q4 FY23 is at Rs. 729 crores, up 47% year-on-year and up 83% over Q4 FY20. Income from operations at Rs. 2,638 crores for FY23 up 78% year-on-year and up 36% compared to FY20. EBITDA for Q4 FY23 was at Rs. 431 crores, up 79% year-on-year and up 111% over Q4 FY20. EBITDA at Rs. 1,519 crores for FY22 up 107% year-on-year and up 57% compared to FY20. Report PAT after minority interest and after comprehensive income for Q4 FY23 at Rs. 244 crores and at Rs. 1,318 crores for FY23.

Moving on to cash flows, debt and liquidity positions covered from Page #59 onwards. For FY23 we generated about Rs. 1,770 crores of net cash from operating activities. Our operating free cash flow (post reduction of interest) stood at about Rs. 1,403 crores vis-à-vis Rs. 501 crores for FY22. Talking about the debt which is covered on Page #62, consolidated gross debt which stood at Rs. 4,037 crores as on March 31, 2023, showed a decrease of Rs. 535 crores since March 2020. As Phoenix Citadel, Palladium Ahmedabad became operational, the debt has moved to operational assets, as a result of which our under-construction portfolio has witnessed a decrease in debt this year. Average cost of borrowing is up by 33 basis points to 8.74% in March 2023, from 8.41% in December 2022 and currently our lowest cost of borrowing stands at 7.45%. Despite RBI increasing rates by 250 bps since March 2022 our borrowing cost has gone up only by 144 bps so far. As the overall interest rates in the economy start to rise, our efforts will be to minimize the impact of this on our cost of borrowing by reducing the spreads charged by the banks on top of the repo rate. Further with our under-construction assets becoming operational we expect some savings in interest rates as we refinance and convert the construction finance loans to LRD-backed loans.

Covering liquidity on Page #64. Our liquidity position as on 31st March 2023 was Rs. 1,755 crores. This excludes the amount remaining in unutilized OD accounts. At group level our net debt is Rs. 2,282 crores and PML's share of net debt is Rs. 1,780 crores. We saw credit rating upgrades/revision in outlook across many of our assets in the last 12 months. We continue to make good progress on all under-construction assets. During FY23 we spent close to Rs. 1,400 crores in capital expenditure. We are bullish on our business prospects and with a strong balance sheet position, our focus is now to deliver on our under-construction portfolio in time and judiciously deploy our capital to expand our portfolio. With this, we would like to close our opening remarks, and we'll open the call for an interactive question-and-answer session. Thank you.

**Moderator:** Thank you. We will now begin the question-and-answer session. We have Mr. Parikshit Kandpal. Please go ahead.

**Parikshit Kandpal:** So, now retail is on autopilot, most of the malls we have already delivered besides the rest of the two and the under-construction portfolio. So, my question is more on the office side. Now the densification of malls, so how do we see the journey of office over the next two-three years so if you can just explain, what areas will get delivered over the next two years and how is the rental ramp up going to happen in that portfolio?

**Shishir Shrivastava:** So, presently we have about 2 million square feet of office space which is operational, and this number is going to move up to about 7.2 million square feet by the end of FY26/early FY27. Out of this, ~1 million square feet at Project Rise, Mumbai will be the last to commence operations. This year, we are expecting about 800,000 odd square feet of Phoenix Asia Towers at Hebbal, Bangalore becoming operational. This will soon be followed by the office building of about half a million square feet at Chennai and then thereafter we will see the ~1.2 million square feet in Wakad, Pune becoming operational from in FY25 and rent generating from the last quarter of FY25 or early FY26. This is how the current 2 million square feet will go to about 7.2 million square feet.

**Parikshit Kandpal:** So, what kind of rentals are we looking in Chennai 0.5 msft, in Wakad 1.2 msft and 0.8 msft in Hebbal.

**Shishir Shrivastava:** In Hebbal we are looking at, or we have underwritten I would say the model at a lower number of about Rs. 65 per sq. ft. but, the current market trends are indicating a net rent of about Rs. 80 upwards per sq. ft. At Wakad, by FY25 end/FY26 we expect net rent to be in the range of about Rs. 70 per sq. ft. or slightly higher and at Chennai about Rs. 65 per sq. ft. Project Rise is going to be end of FY26/early FY27 where, the net rate estimates are underwritten at about Rs. 300 per sq. ft.; but we expect to do better than that because this asset is positioned very differently. So, there are very few buildings of that nature in this neighborhood. We also have an expansion at, I missed talking about the expansion at our existing development at Bangalore i.e., Phoenix MarketCity on Whitefield Road. It has a total potential of about 1.2 million square feet of which the first phase is about 0.5 million square feet, which we expect to be delivered in towards the end of FY26. We are looking at rentals over there to be in the range of about Rs. 75. per sq. ft. to Rs. 80 per sq. ft. or above that.

**Parikshit Kandpal:** All these rentals that you discussed are excluding CAM, right?

**Shishir Shrivastava:** Yes, these are net rentals.

**Parikshit Kandpal:** Okay, got it. And anyway, we'll take almost one year to lease them out, when you're saying that these ones will come up when they will complete by FY25, like 1.2 million in Wakad operational from FY25 so it will have a lease journey of at least one, one and a half years?

**Shishir Shrivastava:** Okay. So, from our current experience, since we are marketing Phoenix Asia Towers in Bangalore, we are seeing good traction and are seeing very good pipeline of demand in that city. We have not yet started marketing the Pune Wakad asset yet because it's still about a year away. But we are seeing strong traction there and the team believes that we should at least have signed out about 70% of the leasing in about seven/eight months from getting the OC in Phoenix Asia Towers, Hebbal, Bangalore. It is typically a two and a half to three month fit out period, that one will assume before the rentals start accruing. I would say that the revenue is going to scale up from the first month that you start leasing out spaces, because it will take two months or three months depending on the size of the office for them to finish their fit-out period. So, it will scale up, let's say from within three months of getting the OC and signing the first lease, you'll start seeing the first rental to start trickling in. And then over the next six-to-eight-month period as we lease 70% you will see revenues scale up.

**Parikshit Kandpal:** Okay. And just a last question on the residential piece now. So, we have almost 1.3 million square feet yet to be including un-launched area in One Bangalore West (OBW) and 1 million in Kolkata. So, in FY24 we will open up new towers in OBW and also exhaust existing inventory in Bangalore portfolio and what is the timeline for Kolkata?

**Shishir Shrivastava:** So, we have not yet launched One Bangalore West Towers Eight and Nine, and we are also waiting for some clarity on the TDR policy there, before we proceed on that. At Kolkata, we are actively working on the design development at this stage. So, we should assume about eight to nine months for approvals and launch thereafter.

**Parikshit Kandpal:** Any other land parcels besides Kolkata in the business development pipelines? both for malls and the residential portfolio if you can help us with the business development being currently undertaken?

**Shishir Shrivastava:** Parikshit, malls unlike what you stated that it’s on auto pilot, it’s not because the operations are set but our focus on growth remains very strong. We continue to look at opportunities in the MMR region, Jaipur, Chandigarh, Hyderabad, NCR, Goa, Nagpur, Vizag etc. amongst some of the markets and we do have a decent pipeline for the mall development. In residential, we are continuing to be extremely selective and it's only in mature markets where we can create a marquee product that we are looking at opportunities.

**Moderator:** Thank you. Next question comes from the line of Mohit Agarwal from IIFL. Please go ahead.

**Mohit Agarwal:** My questions are on the retail business. Now, if I look at full year FY23 numbers versus FY20 on a like-to-like basis your retail EBITDA has grown 22%, the rental growth has been 15% and the consumption growth is about 19%. I am just trying to understand how do we understand these numbers, if you could give some color on that, especially in the context that you've given a guidance right now in the comments that you're guiding for a 12.5% consumption growth in FY24. So, could you give some indication on what could be the rental growth in FY24, based on what you've achieved in FY23?

**Varun Parwal:** Hi Mohit, Varun this side. Let me take the first part of the question which is, how the margins have changed and what has changed in the business in FY23 versus FY20. While we have spoken about footfalls being at about 80% of pre COVID levels, one thing that we have seen is the number of four-wheelers that are coming to the mall has increased, and that has led to an increase in our parking income as well, that coupled with improvement and income for marketing, events, signages etc., has contributed to an improvement in the EBITDA margins, compared to the overall rental income growth. Secondly, while consumption has grown leaps and bounds during FY23, we have also undertaken significant churns during the year. If I draw your reference back to Shishir's opening comment in our operational mall portfolio, which was about 7 million square feet before Indore and Ahmedabad became operational, we have undertaken renewals for 1.2 million square feet and we have done new deals for 1 million square feet. So that's an aggregate of 2.2 million square feet, so that is roughly 30% of our operational mall portfolio that has been renewed with existing and new brands during FY23. The impact of this has been on the trading occupancy. If you see Q1, we had started off with trading occupancies, which were at about 85% across most malls with the exception of Bangalore, which was at about 90%, and through the quarters of FY23 we had seen a 3% to 5% increase in trading occupancy. However, as Shishir also guided in his opening remarks, we still have significant amount of areas that are under active fit outs across malls in Mumbai, Pune, Bangalore and Chennai and we expect our trading occupancies to ramp up to about 93% to 95% level before Diwali 2023. So, this change in trading occupancy should also lead to an improvement in our rental income and it should support growth provide provided that all the brands come on stream as we have currently envisaged. Does that answer your question, Mohit.

**Mohit Agarwal:** Yes. My second question was that you are guiding for a consumption growth on like-to-like basis of around 12.5% for 2024. I'm referring to the Rs. 11,500 crore number that you mentioned. What could be a rental growth, could rental growth exceed the consumption growth in FY24?

**Varun Parwal:** So, consumption growth of course is very strong; rental growth could depend a bit on the areas that come on stream. You will see the benefit in rental growth in the first two quarters of FY24, because about 3% of our mall area became operational in Q4 FY23. So, you will have a spillover impact happening in FY24. At the same time about 3% to 5% of the existing operational retail mall area is projected to become operational before Diwali 2023 period so you will not be able to capture the full year impact on that. So, I would say that rental growth would be in line or near about the consumption growth. But we typically would suggest to look at rental and consumption growth over a three-year CAGR or a five-year CAGR, they tend to converge at that point in time.

**Anuraag Srivastava:** Yes, Anuraag this side. We gave a long-term view of our rental growth and consumption yields are increasing year-on-year. The historical trend suggests both of these converge over a longer period of time and our usual guidance which we give is, that rental growth and consumption growth over a longer period of time would be in mid-teens. So, we're giving 12.5% guidance on consumption for next year, but given the new assets that are coming in, and the ramp up and the renewal of leases, etc., a longer-term trend will be around mid-teens**.**

**Mohit Agarwal:** Great. My second question is on the new malls, which includes the two malls that have started recently and Bangalore/Pune. How should we look at the trading density, let's say over a 12-month period. So, what I'm trying to understand is Palassio which is today at 95% trading occupancy and Rs. 1,300 kind of trading density a good proxy, or will every mall have a different journey in terms of trading occupancy and trading density?

**Anuraag Srivastava:** Yes, so we should very soon see Indore ramping up to Rs. 1,000 per square feet trading density. Palladium Ahmedabad, because slightly premium and the area is smaller as well with lesser F&B, etc., there we are expecting a trading density between Rs. 1,200 to Rs. 1,300 range per sq. ft. The two new malls, we would wait to open up the malls and see the initial experience or initial retailer performance and then comment on that. But it should be in line with our existing malls in Pune and Bangalore.

**Moderator:** Thank you. Next question comes from the line of Pritesh Sheth from Motilal Oswal Financial Services Limited. Please go ahead.

**Pritesh Sheth:** Just continuing on the new mall trading occupancy, what is the current leasing status right now, and how much time we should take to ramp up to 85%-90% kind of trading occupancy for the two new malls and if you can just refresh the timeline for us. So, Bangalore should be this quarter and Pune should be next quarter is it right to assume?

**Anuraag Srivastava:** So, first of all on the operational dates of these malls, so Bangalore mall has received the OC recently, in the last couple of days. Now it's just a question of timing the launch and opening the doors to public, depending on the fit outs the availability of people, the shopping season etc. We expect this to be opening either at the end of this quarter or early next quarter, so roughly around July is what we are targeting. For Wakad, the OC is yet to be received we are looking at August as the opening of the mall. And this we will take into account some theory of monsoon is over and timing in August. In terms of the ramp up of trading occupancies your question around that, as we've seen in Indore and in Ahmedabad as well, the trading occupancy to reach about let say in higher 80s or early 90s it takes about usually eight to nine months to get over there from the launch. We usually open somewhere between 50 and 60 of trading occupancy and then by seven to nine months or eight to nine months the mall should be in the late 80s or early 90s. Those were your questions, or did I miss anything?

**Pritesh Sheth:** No, that was my first question. And second on, very healthy margin performance this quarter on our portfolio and that you have been highlighting since last couple of quarters as well as that as and when our trading occupancy increases, we see an uptick in margin. Still, we are like 3% to 5% probably away from fully ramping up. What should we assume as or look at these stabilized EBITDA margin for the portfolio. Right now, probably on an average if the asset is at 100% of rental income, but how should we see it going forward once during occupancy ramp ups?

**Anuraag Srivastava:** So, trading occupancy ramp up is just one of the factors of margin improvement as you're seeing in the financials. Couple of other factors which contribute to margin improvement, one is that residential sales are picking up and our premium offering in Kessaku is doing very well now in terms of sales, as compared to earlier quarters there is more number of units that have been picked up. Also, we have taken a price increase, so that is contributing to some extent, in terms of the margin uptick. In the hospitality business, we are maintaining a very good room rate at The St. Regis, Mumbai, which has caused the margin uptick and we are seeing an operating margin of 50% at this property and we expect to continue with that. Yes, of course you mentioned about the trading occupancy going up and taking to the sale margin. So, these are the trends, and we hope to continue on these trends.

**Moderator:** Thank you. Next question comes from the line of Kunal Lakhan from CLSA. Please go ahead.

**Kunal Lakhan:** My first question was on your Slide #32, where you have given trading density for FY23 and FY22, if I look at the growth in the trading density, across assets, it has been in the range of about 30% to 40% in some assets like Pune and Kurla it's been a lot more. But when I look at the average rental per square feet per month growth, it's obviously like much lower than that. So how should we look at this number going ahead in terms of, will the average rentals catch up with the trading density performance that we are seeing?

**Varun Parwal:** Kunal, directionally we would say yes, what has happened in FY23 has also been that the recovery has been much faster than what anyone was anticipating. And that has led to significant improvement in trading density in say Bangalore, which had a trading density off about Rs. 2,100 or Pune as well, they have higher than what one might have expected, had you asked this question in FY22. And partly, because of this we have also ramped up the renewals and the churns of brand mix at these centers because to support a higher trading actually one does need newer categories for e.g. we have introduced more, family entertainment centers and better F&B offerings and also brought in bridge-to-luxury brands at some of these centers and those changes are extensively underway. If we were to just look at Kurla, we have opened the new Daiso store which is the first in India, we have re-opened Reliance Smart Bazaar which is spread over a massive 80,000 square feet, we have opened new FEC centers and going forward in FY24, you will see significant offerings as far as F&B is concerned. We are further strengthening the entertainment piece and we are also bringing in newer anchors like Uniqlo etc., which will open up in the second half of this financial year in centers like Kurla. So, there is a full change and a revamp of the brand mix which is underway, and you will see these changes happening and like Anuraag had also mentioned in response to an earlier question, rent over a period of time will catch up with the consumption growth. So, take it on a longer three- year and five-year horizon.

**Kunal Lakhan:** Sure. My second question is naturally conflicting with my first one, Shishir you give a guidance of about 12.5% same store consumption growth for stabilize malls. But when I look at our trading occupancy, there is obviously like 5% to 6% catch up that would happen based on the lease occupancy, which will happen this year. So, of this 12.5%, 5% to 6% will come because of the trading occupancy catch up and then there is inflationary growth of let say 5%, 6% or 6%, 7%. So, essentially are we saying that the trading density growth for the stabilized assets will be inflationary in nature?

**Anuraag Srivastava:** Kunal, this is Anuraag here. Just to do the math, the number which you are talking about trading occupancy that will only be for part year, or it's not that on the growth will come, for whole of the years, so it will come in stages and we expect that the annualized impact of this will be about three months or so and balance is the normal growth which is there.

**Kunal Lakhan:** Okay. So basically, like your trading density growth going ahead could be about 8% to 10%, that would make sense?

**Anuraag Srivastava:** Yes, roughly.

**Moderator:** Thank you. Next question comes from the line of DSP Mutual Fund. Please go ahead.

**Kunal:** Hi, sir this is Kunal from DSP Mutual Fund. So, my question was more on the competitive landscape and that too in the non-metro cities. So are you seeing any sort of consolidation happening in the favor of large players like yourself or is the market size large enough to take care of the existing as well as upcoming supply if any. So that was my first question. And second question was in terms of, do you plan to raise any debt in the current year through capital markets if you can just provide something on that, that's it.

**Anuraag Srivastava:** Thanks for your question. Firstly, on the competitive landscape, the way we look at our strategy is that when we enter a city or a town, we want to be the dominant consumption center in that city. Our offering, as you would have seen in our products, in our malls, etc., is quite different in terms of what the competition offers. We spend a lot of time on making it a grand affair, and we try and make it as not only the shopping hub, or the shopping center for the city, but also an event center and a play center and a place where families can hang around for a full day and still not be able to cover the mall or do justice to the mall as they go along. We are not seeing any consolidation; in fact the competitive activity is not much in terms of especially the opening of new malls across the country, there are very few players if at all any who are entering into this and definitely not at the size and scale and number of the malls which we are targeting. We have many new retailers, first time brands, etc., which enter into the city when we open up a mall. So, for example, our Indore mall had about 100+ new brands which came in the city for the first and also 30% of the stores were local stores, of the local businesses as well. So that also gives it a unique flavor. Similarly, in Ahmedabad we opened with more than 35 luxury stores and over 50 new brands, again entering the city of Ahmedabad, while a city like Ahmedabad had a few malls spread across. So, as I said, we try and create a differentiated product, we've not seen much of the competitive activity across, especially in terms of opening new malls, while there may be mergers and acquisition activity happening or other such activity happening in the malls. On your second question of debt from capital markets, you're referring to bonds, et cetera. We have not raised money on bonds up till now largely because we have a very efficient cost of borrowing in terms of the lease rental discounting model. We tend to fund the construction of our assets, the land acquisition and the approvals on equity; and only when we have a line of sight available for opening of the mall in let's say, next six to nine months that's the time when we start looking at the borrowing on that asset. Our philosophy is that our assets should support themselves in terms of the debt. There should not be any clause subsidization and only operating malls, etc., should have a debt, we don't find the bond structure the borrowings from capital markets very attractive at the moment. But yes, we keep on evaluating and at the right time, if the right product is available, we will look to raise money on that. There are no definite plans of raising significant amount of debt at the moment.

**Moderator:** Next question comes from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

**Pulkit Patni:** Just one on multiplexes. Now, we've heard recently the largest multiplex company in the country talking about closing 50 screens and I know those could be in locations otherwise. But my broader question is, even if you look at multiplexes globally, as a percentage of revenue, their rentals happen to be much lower than what they pay in India. So, given the uncertainty around that particular business right now growth, how should we look at multiplexes being significant tenant for us, and in many cases an anchor tenant?

**Varun Parwal:** Hi Pulkit, Varun this side. Thanks for the question. Multiplexes are at quite an interesting juncture at this point in time. We have seen people coming back for content, when provided and packaged in the right manner, whether it was release of the movie Pathan or some of the recent Hollywood releases, or like we have been doing screenings of IPL matches in our courtyard, or even musical events. So, entertainment as a category is here to stay and it is something that gets people out of their houses, every week provided the right event is there. We have seen some encouraging responses in the multiplex category as well; content of course is king, but they have also worked on improving and expanding beyond movies and becoming a one stop destination in itself by bringing in celebrity chefs to curate the F&B

menu as well and they are better placed to talk about what are the initiatives that they are taking. We definitely do see that when we are opening a destination mall in any particular city, multiplexes help us get the right audience as well and we are also not opening run of the mill multiplexes, we are opening the megaplexes, we are opening the biggest screens in that particular city with the best decor and the best F&B options as well. So, it is as much as an event, not just a movie but seeing the multiplexes itself there is as much as an event for the consumers of that particular city.

**Pulkit Patni:** Maybe if I could just follow up Varun on that. So, for the three new malls, Ahmedabad, Indore multiplexes would be what percentage of our total tenant, is it be 15% to 20% or lesser?

**Varun Parwal:** No. So, in terms of area it's typically 8% to 9%. In Indore, an INOX has already opened up with eight screens. In Ahmedabad, PVR will open up soon, they are under fit outs at this point in time and we are looking at about nine screens there; and Pune/Bangalore would be larger. But in terms of area, we typically benchmark to 8% to 9% of area for the mall towards multiplexes.

**Moderator:** Thank you. Next question comes from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** Just going back on the consumption guidance that you gave, is possible to break down what is the same store or same mall consumption growth guidance that we are looking for FY23, so same area operating into new year, excluding Indore and Ahmedabad. What should be the consumption growth there, on those accounts?

**Varun Parwal:** Puneet, if we were to exclude Indore and Ahmedabad from FY23 our consumption would come at say about Rs. 9,000 crores from the operational assets and this is going to, about Rs. 10,300 to 10,500 crores.

**Puneet Gulati:** Rs. 1,200 crores was for Ahmedabad, but you are not counting in this.

**Varun Parwal:** No, Indore and Ahmedabad combined let me clarify.

**Puneet Gulati:** Yes, so Indore and Ahmedabad combined Rs. 1,200 crores and you are not counting in your guidance anything from the new Pune and Bangalore mall?

**Varun Parwal:** No, not yet.

**Puneet Gulati:** Okay, got it that's very clear now, thank you. Secondly, on your office occupancy what is your strategy, you have about 1.2 million square feet both in Pune and Bangalore yet to lease. What kind of tenants are you looking for and are you looking for more smaller spaces or more bigger spaces kind of tenants?

**Varun Parwal:** Sorry, so is this you are referring to our offices?

**Puneet Gulati:** Office.

**Varun Parwal:** The demand in each micro market is different. In Bangalore, the demand is for larger office spaces, there are tenants who are looking at occupying an entire tower or even two towers, and their requirements would range from 100,000 square feet going upwards to one even two million square feet from a single tenant. In Pune, the demands are more in the range of 100,000 to 200,000 square feet from both Indian corporates as well as multinational clientele.

**Puneet Gulati:** Okay. And is it still possible to lease out the entire tower given that somebody who will take the entire tower would want it to be built to suit, which is not going to be possible now right?

**Management:** We have internally debated whether we should lease out entire towers to a single tenant, they don't have a built to suit requirement. But we do feel that our dependence on that one client for the next eight- or nine-years lease out becomes very significant.

**Puneet Gulati:** Understood. Lastly, on trading occupancy for your malls, do you think the trading occupancy has largely been in line with what you would have thought for FY23, I thought the trading occupancy growth was slightly slower than and has been much lower than the leased occupancy for the entire of FY20?

**Varun Parwal:** On a lighter note, we have had to rework on some of our targets because of the consumption growth that we have seen. And actually, work on re-looking at the brand mix and the category mix in some of the malls due to the very strong pace of consumption and the demand from the retailers that has come in.

**Puneet Gulati:** Okay. So, trading occupancy should reach lease occupancy by Diwali this year now?

**Varun Parwal:** Yes. We do keep some margin for churning out the retailers and what we alluded to even earlier on the call, a 30% consumption growth has been very strong, and that creates an opportunity for us to bring in some newer brands and categories. So, we will look at some churn during the year across the malls, and that's why we are keeping the trading occupancy target to about 93% to 95%, and not taking it up to lease occupancy, because lease occupancy is actually at 98%, 99% across assets.

**Moderator:** Thank you. Next question comes from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Sir, I just have one small confusion, in your opening comments you mentioned the new mall addition at about 1.1 million square feet. And this is basically Ahmedabad and Indore, and I was looking at my past notes, basically Ahmedabad is about 1.1 and Indore is some 0.7, Indore is one and Ahmedabad is 0.7. So, it should be 1.7, if these malls coming up in phases?

**Varun Parwal:** So, both the malls have come up together. There is no change in the area; so, Indore has opened up with one million square feet and Ahmedabad has opened up with an area 750,000 square feet. We will re-check the opening remarks and carry out any corrections if required.

**Pritesh Chheda:** So, then it should be 2.2 million of operational assets plus 1.7 million of the new right?

**Varun Parwal:** No, so what you're referring to is the leasing target. The leasing target only refers to new area that we will lease during FY23. Some of the new malls have been leased even prior to FY23. So we are talking only about incremental leasing during FY23, so for operational malls we renewed or made this new deals was about 2.2 million square feet, and for the upcoming assets, which includes Indore, Ahmedabad, Mall of the Millennium in Pune and Mall of Asia in Hebbal, we have done about one million square feet of new deals during FY32.

**Pritesh Chheda:** Okay. But what will slow down in your numbers will actually be the operational plus whatever is this Ahmedabad and Indore which is supposed to come this year right?

**Varun Parwal:** Yes. The financials will capture only the area that is trading and rent generating. So, at the end of March Indore was about 50% rent generating and Ahmedabad was about 43% rent generating.

**Pritesh Chheda:** Okay. My second question is which is the last question can you give me your blended holding in your retail assets. See, I have a separate number that Lower Parel is 100, Chennai and MarketCity malls are different number but, what will be your blended holding in your malls and what will be your blended holding in your retail assets?

**Varun Parwal:** It will be about 73 to 74%.

**Pritesh Chheda:** In retail?

**Varun Parwal:** Yes, in retail.

**Pritesh Chheda:** And in office?

**Varun Parwal:** In offices it would be about 60%.

**Moderator:** Next question comes from the line of Pritesh Sheth from Motilal Oswal Financial Services Limited. Please go ahead.

**Pritesh Sheth:** So, first question is on what is the pending CAPEX in ongoing retail assets and ongoing offices we are going to complete over the next couple of years, and what is our CAPEX target for this year?

**Anuraag Srivastava:** So, the pending CAPEX across all our assets which are under construction is about Rs. 4,650 crores which covers all the assets of retail, office, etc. Our capex spend is between Rs. 2,000 to Rs. 2,300 crores every year and we expect to do the same for FY24 as well. That is the same amount of capex we spent.

**Pritesh Sheth:** Rs. 2,300 crore every year, this year was lower you also include land investments as well in this?

**Anuraag Srivastava:** No, so close to about Rs. 1,400 - Rs. 1,500 crores is on the actual capex and balance is on the land acquisition.

**Pritesh Sheth:** Correct, okay got it. And second just an existing leasing status at Bangalore and Pune malls which are coming up, how much you have reached?

**Anuraag Srivastava:** Both the assets are in 90% range as far as status is concerned. And this is of retail, of course office as we said Bangalore, the commercial offices we have started marketing because they are very close to getting the OC for the commercial office building. And this will be launched this year. So, Pune because it's still a year away, we have made very initial pre-marketing efforts, but not pre-leasing or marketing the property now.

**Moderator:** Thank you. On behalf of The Phoenix Mills Limited that concludes this conference call. Thanks for joining us. You may now disconnect your lines.