

February 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 Conference Call**

Further to our letter dated February 11, 2020 informing of conclusion of our Conference Call held on Tuesday, February 11, 2020 with Analysts / Institutional Investors on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2019, we hereby enclose herewith the Transcript of the said 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 and acknowledge receipt.

Yours faithfully,

**For The Phoenix Mills Limited**

  
**Gajendra Mewara**  
Company Secretary



**The Phoenix Mills Limited**  
**Q3 FY 2020 Earnings Conference Call**  
**February 11, 2020**

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**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY 2020 Conference Call of The Phoenix Mills Limited. The management will be represented by Mr. Shishir Shrivastava - Managing Director and Mr. Varun Parwal - Senior Vice President – Finance and Investor Relations

As a reminder, all participant's 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 the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded.

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

**Shishir Shrivastava:** Good morning, ladies and gentlemen. May I extend a very warm welcome to all of you to discuss our Company's performance for the third quarter and nine months of the financial year 2020.

We are pleased to inform that we have delivered a robust financial and operational performance across all our business segments, despite the overall challenging macro environment. Growth in our retail portfolio was led by strong operational performance at Phoenix Marketcity in Mumbai, Pune, Bangalore and our flagship asset High Street Phoenix and Palladium in Mumbai.

Trading density remains one of the key metrics to determine the success of a retail asset and we are pleased to report that figures across all our malls in quarter three of FY 2020 were the highest ever.

In particular, I would like to highlight, High Street Phoenix and Palladium trading density averaged at Rs. 3,620 for the quarter and it is amongst the highest trading density for any retail asset in India.

Phoenix Marketcity Bangalore reported a trading density of Rs. 2,085 per square foot per month becoming the first of our Marketcity malls to cross the Rs. 2,000 square foot per month barrier.

Phoenix Marketcity Mumbai reported a trading density of Rs. 1,415 per square foot per month, closing the gap between itself and other Marketcity malls.

To put things in perspective, Phoenix Marketcity Mumbai had a trading density of Rs. 942 per square foot per month in FY 2017, which has grown over 50% in under three years. This is a testimony to the efforts that we have put into this asset in improving its performances. These trading density numbers reaffirm our confidence in our Marketcity malls, which we believe are on course to achieving a trading density similar to what High Street Phoenix and Palladium achieve today in the coming years.

It is a constant endeavor to keep our malls relevant and at the epicenter of communities that we serve. This strong consumption growth was a result of various initiatives we had planned at the mall during the quarter.

At High Street Phoenix and Phoenix Marketcity, Bangalore, we celebrated Christmas with the World of Christmas Event, showcasing the theme of European Christmas markets. Al Fresco food pop ups were put up to give an opportunity to F&B brands in the mall, to showcase their uniquely curated food and beverages.

We hosted a variety of music events, comedy shows, concerts by leading artists, which helped drive record consumption at our malls. Christmas decor at a mall is a big attraction for consumers. Phoenix Marketcity Bangalore, for example, has been putting up the tallest Christmas Tree in the country for three years in a row. Our endeavor has always been to innovate and provide a refreshing experience to our customers. And we hope to continue doing this better for the time to come.

Getting the right brand mix by bringing in a new set of brands to cater to the evolving tastes of our consumers is another area that we extensively focus on. Our retail teams engage with global brands and help facilitate their entry into India by providing a pan India platform for them to launch their brands in the country.

Our malls recorded a consumption of Rs. 20,672 million, which was up 10% year-on-year in quarter three FY 2020 and Rs. 55,435 up 5% year-on-year in the nine months ending December 2019. Strong consumption growth led to aggregate retail rental income growth of 8% year-on-year at Rs. 2,777 million in Q3 FY 2020. For nine months FY 2020 rental income was up 7% year-on-year at Rs. 7,972 million.

On that note, I am happy to announce that we are fully ready to launch Phoenix Palassio our newest mall offering in Lucknow. We have put together a very strong product, which will cater to a large and fast growing market in Lucknow and the surrounding areas and emerged as a district consumption hub for the state.

Speaking a little bit about our other projects under development in the retail segment, work across the new malls in Pune, Bangalore (Bengaluru), Indore and Ahmedabad is on in full swing. Our commercial segment which forms an integral part of the mixed use development model continues to be a steady performer. Art Guild House, Mumbai and Fountainhead Tower 1 at Pune are close to full occupancy.

Structural work at the upcoming Fountainhead Tower 2 and Tower 3 in Pune is almost complete, and we expect it to be ready for fit outs in the coming two quarters. We also intend to add commercial offices at our flagship property High Street Phoenix, Mumbai and Phoenix Marketcity, Bangalore as well as our under construction retail led mixed use developments in Pune at Wakad and Hebbal at Bangalore, which will give us strong impetus to an annuity led commercial portfolio in the coming years.

The St. Regis, Mumbai our flagship hotel property continues to be an outperformer and it recorded the highest ever average room rental of Rs. 13,857 in Q3 FY 2020. Occupancy for Q3 of FY 2020 was strong at 84%. On a RevPAR basis, the hotel continues to be the market leader in Mumbai. Total Income grew 15% during the third quarter to Rs. 962 million, while it was up 8% to Rs. 2,335 million in the nine month period of FY 2020. For Q3 FY 2020, EBITDA was strong at Rs. 403 million, which was up 14% year-on-year, while for the nine months period, EBITDA came in at Rs. 893 million, up 6% year-on-year. Strong operating performance has allowed us to continuously bring down the debt on this asset. We have repaid another Rs. 242 million in this quarter and the current debt stands at Rs. 4,530 million.

The current pipeline of projects looks very promising and we are on course, to double our retail portfolio and significantly increase our commercial portfolio by FY 2024.

Our endeavor is to add projects, which can add a further million square feet of retail area each year across key Tier-I markets post 2024.

With this, we would be happy to take on any questions that you may have. Thank you.

The first question is from the line of Abhishek Bhandari from Macquarie Securities. Please go ahead.

**Abhishek Bhandari:**

I have few questions. The first one, is around this 24X7 in Mumbai. I know it is very early, but have you guys evaluated the pros and cons of keeping your key malls in Mumbai open for a longer period?

**Shishir Shrivastava:**

Yes. Abhishek, thank you for your question. We genuinely believe that this is certainly going to add to consumption. As you mentioned, it is a little too early to evaluate the impact. Also, it is important for many of our partners to participate in the 24/7 program. For example, F&B while they can be open, it would greatly help consumption in the event their liquor licenses were

also extended beyond 1:30 A.M. Therefore, I think there are certain other regulations that we hope, which will come into play, which will help improve consumption at the F&B spaces even for the multiplex, I think for them to operate 24 hours, they will need some assistance from the local authorities and law enforcement. We remain positive that in the long run this will have a positive impact. And I think, we should look at a period of six months to nine months during which we will really understand the true impact of this.

**Abhishek Bhandari:** Sure. No, where I was coming from, will the CAM charges rise meaningfully for tenants, because if you have to provide around the clock security and access to facilities, probably there will be another shift of support staff needed. So I was coming from that point of view.

**Shishir Shrivastava:** So really, we have evaluated what the OPEX is going to move up by. It is not really a very large number, it is not a very significant number or a needle mover. I think between our CAM collections and a slight, perhaps a very nominal increase, one will be able to address that. So I do not think it is a needle mover for the retailers nor for us.

**Abhishek Bhandari:** Sure. My second question is, this union budget proposal to remove the DDT, which probably will have an impact on future REITs, which will try to get listed in India. I know you guys have not filed for a REIT yet. But it has been there in our pipeline that at some point in time, we might evaluate doing a REIT. So do you think the current taxation actually could be a dampener for those kind of listings or there is a way out to ensure a healthy yield for the investors.

**Shishir Shrivastava:** See, I think all of us understand that the impact of this policy is going to be quite adverse for future REIT listing. We also have faith that the government may consider a different structure for REITs because that was the original intent. And then, that this kind of nullifies their entire efforts in promoting REIT structure. So, one will have to wait and watch. In any event, we do not have any plans to go for a REIT listing in the immediate future. We may have considered that, we may consider evaluating this may be two years - three years hence. So at that relevant point in time, whatever we will obviously have to take into consideration whatever is the policy at that point in time and what is the appropriate structure at that point in time. But clearly, it is a negative for the REITs today. And we hope that there is going to be some representation by our peer group. And that will be taken into consideration by the policymakers. Having said that, let us look at the impact of DDT. Let us look at the impact of this change in policy today for Phoenix Mills, so not necessarily in the context of REITs. It is clearly a huge positive. If you look at our shareholding structure, which is largely institutional investors and many of them are off-shore institutional investors. I think it is a huge positive for them.

**Abhishek Bhandari:** Got it.

**Shishir Shrivastava:** Also in the flow through of cash flows from SPVs up to the parent company, I think that is a huge positive for us again.

**Abhishek Bhandari:** Okay. My third question is on your residential portfolio. Can you remind me, how much of inventory is left in your Chennai project, the Crest project and are there any steps you are taking to accelerate, some of the ready inventory in Bangalore because that is a sizable values almost Rs. 1,000 crore worth sitting there, where the velocity seems to be slow.

**Shishir Shrivastava:** Yes. So what was your specific question on Crest?

**Abhishek Bhandari:** Do we have any inventory left?

**Shishir Shrivastava:** We have very-very negligible inventory remaining there, which in fact we have not really been marketing. I think there are some 15 units there and some of them we are using for our own. We have a lot of travel that happens from corporate office and other places. So we use it as our own guest house. But 15 units is a negligible inventory we will not have any significant impact.

**Abhishek Bhandari:** Sure. And Bangalore?

**Shishir Shrivastava:** Significant impact there. Bangalore in fact I would say that in this last quarter, we have seen some good movement in One Bangalore West. We have seen some five apartments totaling about 10,000 odd square feet at an average of Rs. 16,000 per square foot plus being transacted. In Kessaku, we have seen four transactions for a cumulative area of some almost 44,000 odd square feet. And we were also doing some resizing or reconfiguration of some apartments. So we have done some buy back or cancelled some of the apartments that we had sold in Kessaku. So that was about 27,000 square feet. So 27,000 square feet we have cancelled, 44,000 square feet we have sold in this last quarter.

**Abhishek Bhandari:** Okay. Shishir, still if you look at almost a million square feet remaining and some pretty high value inventory out there. Ideally, would you not like to accelerate the sales when the carrying cost is almost 10% if not more?

**Shishir Shrivastava:** Yes. You are absolutely right and we have developed a proper strategy for the next two quarters for sale at Bangalore. We have announced very attractive subvention schemes, so I think we are taking all those necessary steps from a marketing point of view and from a sales perspective to create a higher velocity now. But I think our experience in what we have seen in November and December, I think that is giving us a good confidence that the demand seems to be coming back in.

**Abhishek Bhandari:** Sure. And my last question Shishir would be, on the pre-leasing for your upcoming properties. If you could just give some ballpark number, the Palassio, I am assuming it is opening in next few weeks towards the end of this quarter. So how much are we there and some of the properties where the construction is now progressing well on track, so how much of preleasing you would have done in those portfolios? Thank you. That will be my last question.

**Shishir Shrivastava:** Yeah, so Phoenix Palassio, Lucknow, we have currently targeted to commence operations within the first two weeks of March. Palassio is about 85 plus percent leased. And Indore, we have commenced leasing there, we are at roughly around 60%. We have just launched Hebbal, we had informally launched Hebbal sometime back for anchor leasing, which was all done. So, Hebbal we have just launched and Wakad we have just launched. I am pretty confident in that in the next two quarters we will be at about 40% - 45% preleased. Ahmedabad Palladium is about 65% leased. And the average rentals that we have accomplished in all these places are reasonably higher than what we had underwritten in our business plans when we made the acquisition.

**Moderator:** Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

**Puneet Gulati:** Are you seeing these current consumption numbers continuing into this quarter as well?

**Shishir Shrivastava:** At least the initial set of numbers that we are seeing for January as well are very encouraging, across the malls they may be anywhere between 8% to 12% kind of consumption growth compared to last year January. So that gives us a reasonable indication of what this quarter is going to be like.

**Puneet Gulati:** Okay, that is good. Also, any color on the preleasing for the commercial office space also that you are building?

**Shishir Shrivastava:** We are now going to start, for example, Pune Fountainhead 2 and 3, we expect to complete all our work in the next two quarters. That is when that would be the appropriate time to start leasing. But if we look at Tower 1 which is more or less 95% occupied and at reasonably good rentals averaging at close to Rs. 80 per square foot, the demand seems to be high. So we will be launching probably at the end of the last quarter or early first quarter next financial year, we would be starting with the leasing of those two towers.

**Puneet Gulati:** Okay. And this Rs. 80 is excluding CAM, I would presume, right?

**Shishir Shrivastava:** Yes, that is correct.

**Puneet Gulati:** Thirdly, if you can give some comments on what is happening on Chennai, this time you have clubbed up the numbers. So separately, how Chennai is panning, is there an improvement there? And also, on the Palladium, how is the traction. If you can give some color on the two malls, separately?

**Shishir Shrivastava:** So there are quite a few initiatives that we have undertaken for Palladium and for Phoenix Marketcity, in terms of marketing activities there. I think the impact of that we will only see in the next financial year. This year, we have seen, I would say, consumption has more or less been flat in Chennai. However, when we look at the overall consumption in Chennai compared

to, let us say another mall, similar size mall let us say at Pune, consumption has been more or less similar. It may be Rs. 3 crores - Rs. 4 crores here or there, but it is more or less similar. Now, we understand that the Chennai market has much more potential going forward, which is why we are initiating marketing activities, etc., which we will commence again in the first quarter of the next financial year, will translate into a higher consumption plus the occupancy improvement with all the changes that we are doing, we have vacated some stores, we are reconfiguring some stores making some changes on the brand mix. So, when those stores start trading again, we will see consumption growth again on that account as well.

**Puneet Gulati:** Okay. So, basically in this quarter there was no meaningful change, but an improvement should happen from Q1 FY 2021?

**Shishir Shrivastava:** Yes, I mean, if you just look at Palladium itself, if we compare this third quarter performance to last year, consumption growth has been 11% and trading density growth has been about 10% just for Palladium Chennai.

**Puneet Gulati:** So, okay consumption growth at 10% and trading density at?

**Shishir Shrivastava:** Consumption growth at 11%; trading density growth of 10% compared to same quarter last year.

**Puneet Gulati:** Okay. And the Chennai mall ex of Palladium?

**Shishir Shrivastava:** So if we look at the Marketcity portion, it is at about consumption growth of about 3% and trading density is similar to what it was last year for 9M FY20. But Palladium, because we had opened late and it took a little while to get the correct brand mix and occupancy to ramp-up, that is now reaching, it is going to catch up soon with the market city consumption & trading density levels.

**Puneet Gulati:** Great. That is good. And lastly, just on the Lucknow mall, I know you are doing quite well. But there is a competitor mall by Lulu as well. Any color you can give what is happening there?

**Shishir Shrivastava:** Honestly, I mean while we know what they are doing. It is a very different product. I would much rather talk about the fact that our mall is going to be operational much earlier. And we have a first mover advantage in terms of getting the best brand mix at Phoenix Palassio as compared to the competition.

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

**Swagato Ghosh:** So firstly, I want to ask the various initiatives that you have taken, the shows and the Christmas market, etc. What would be the cost of that as percentage of revenues maybe? And are those completely passed onto the client like our tenant?

**Shishir Shrivastava:** See, on an average at each mall, if we just look at for the full quarter Q3, which includes October, November, December, Diwali as well as Christmas, cumulatively the gross spend might be about Rs. 4 crores - Rs. 4.5 crores per mall for all the events and the décor, etc. and we have alliances and sponsorships coming in as well. So, the net cost will be somewhere in the region of about Rs. 2 crores to Rs. 2.5 crores of each mall.

**Swagato Ghosh:** Okay. And we cannot pass this to our tenants?

**Shishir Shrivastava:** Contractually you have the right to but we look at all our non-rental income we plough that back into our assets for promotion, events, marketing, etc. So we do not pass this cost to our retailers, though contractually you may have the right to do it. We try to reduce the occupancy costs to that extent.

**Swagato Ghosh:** Got it and this net cost of Rs. 2.5 crores in the third quarter. Can we consider a similar rate or would it be much lower in like a March or a June quarter?

**Shishir Shrivastava:** See for the full year, each mall budget is somewhere in the region of the net cost, would be in the region of Rs. 8 crores to Rs. 9 crores, it depends from mall to mall, that is the full year expenditure.

**Swagato Ghosh:** Yes, that is very helpful. And the next question is, currently from what I understand, we are upstreaming some cash flows from SPVs and then spending it on under construction assets as equity infusion. I want to understand that in what form are these cash flows upstream, is it dividend form or in another form and if it is in dividend form, how much we probably will save on this because of the DDD exemption that has come in?

**Shishir Shrivastava:** So, we are actually not upstreaming I mean, aside from the dividend that we intend to distribute from Phoenix Mills, some part of that will go upstream from the subsidiary. We are not upstreaming by drawing down debt and then upstreaming to the Phoenix Mills and then Phoenix Mills infusing. No, that is not the structure that we have. We have increased debt in some of our assets. And because that is lower cost debt, LRD debt and you have the ability based on your NOIs to increase that. And those funds, maybe going to other projects or other entities like for example, Vamona may have funded as by way of an inter corporate deposit to Alliance, which are both 100% owned by us, by Phoenix Mills, but it may have gone in as an ICD from Vamona to Alliance to fund some of its construction costs, which otherwise the debt would be at a much higher cost as a term loan as compared to the cost of the LRD.

**Swagato Ghosh:** Okay. But this will be in the form of ICDs like you are saying?

**Shishir Shrivastava:** Yes, absolutely.

**Swagato Ghosh:** Got it. Okay. And just quickly, I just want to get a color on the overall health of how our tenants are doing, while our consumption trends have been very strong. But is there any particular segment, which is lagging like you give this segment wise color every quarter, so something similar will be very helpful.

**Shishir Shrivastava:** So if we just look at the Q3 performance and consumption growth across categories across all our malls, it is very interesting to see how multiplex and entertainment has grown at about 19%, right? Department stores, hypermarkets have grown at 8%; cosmetics; footwear, these have grown anywhere between 16% to 21% - 22%. Electronics also has grown at 13%; watches and jewellery, which are the high-ticket items have grown at 15%. So, I think overall at a macro level, this is indicative of the health and performance of our retailers.

**Swagato Ghosh:** Right.

**Shishir Shrivastava:** And just to highlight in Bangalore this last quarter, actually in December 2019, seven of our anchors have hit their highest ever consumption of about Rs. 150 crores, only in December.

**Swagato Ghosh:** Okay. And what about F&B?

**Shishir Shrivastava:** F&B has grown at about 6% to 7%. But that was already at a high base generally across our malls. And there are changes because some F&B we may have shut and they were getting reconfigured. So overall, consumption growth may have been at about 6%. I would say for F&B, that is a strong one as well.

**Moderator:** Thank you. The next person on the line is Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

**Adhidev Chattopadhyay:** Firstly, just wanted to ask on a portfolio basis now for the year, our rental income is marginally ahead of our consumption growth. So in Q4 and as we head into a FY 2021 from your operational mall, what is the sort of consumption rental growth figure, we would like to work with? Will it track each other or do you accept rental income growth to be higher next year considering the first-half of this year is not that great overall.

**Shishir Shrivastava:** Correct. So actually, what happens is rental income growth, kind of trails by a few quarters behind the consumption growth. So if you look at our consumption growth last year versus rental growth last year, you will look at rental growth has probably been at about 13% - 14% in this year. So, consumption growth was significant last year. And going forward, what one has to actually look at is what is the average cost of rent to consumption, which is tracking in the region of about 12% - 13% for most of our malls at High Street Phoenix, of course where the trading density itself has crossed Rs.3,600, the cost of rent is slightly maybe closer to what 17% - 18%. But generally, the good benchmark to understand whether retailers are doing

reasonably well is what is the cost of rent on consumption, which is in all our Marketcity malls it is at about 12% - 13%.

**Adhidev Chattopadhyay:** Okay. So to just come back...

**Shishir Shrivastava:** The other the other important point that we would like to explain here is in FY 2021, we are looking at anywhere between 16% to 25% renewal across all our malls. So High Street Phoenix and Palladium is 16%. Phoenix Marketcity, Bangalore, we will see 26% of the area coming up for renewal. Phoenix Marketcity, Mumbai Kurla is going to see about 24% coming up for renewal. Chennai and Pune we will see about 20% coming up for renewal. This is a significant event for a upside in the rental income.

**Adhidev Chattopadhyay:** Okay. Sir, so with whatever the variables we have discussed, do you see a double-digit rental growth being possible like next year in FY 2021?

**Shishir Shrivastava:** Yes, sure. I think there is no reason why we should not expect a double-digit growth.

**Adhidev Chattopadhyay:** Okay, you are reasonably confident, that is good to hear. Secondly, on our Lucknow mall, now with 85% of the mall is pre-leased, So how many of the tenants would be operational initially in first six months, the entire 85% would be operational or it would gradually scale up?

**Shishir Shrivastava:** It will gradually scale up, we expect to see about 75% to be trading by the end of the six month period from opening.

**Adhidev Chattopadhyay:** 75%, okay fine. So Indore any timeline? when would you like to open, around Diwali this year? or when exactly is the opening schedule for that?

**Shishir Shrivastava:** It will be in 2021, calendar year 2021. We are progressing at a significant pace there. We expect it to open in about say 12 months to 15 months after Lucknow.

**Adhidev Chattopadhyay:** 12 months to 15 months after Lucknow. And Hebbal and Pune malls, we are on track as per the original timelines?

**Shishir Shrivastava:** Yes, absolutely. We are on track, we expect these malls will be operational in FY 2024, fully operational, they may become operational in FY 2023 last quarter or thereabout sometime in FY 2023. But one full year of operation we will see at a very high occupancy level in FY 2024.

**Adhidev Chattopadhyay:** Okay, sure. And the final question is on our business development plan. So, beyond obviously what is there on the table, as you had highlighted you want to add one new property each year beyond what we have. So, should we expect to hear something on that over the next few months?

**Shishir Shrivastava:** So our business development activities are progressing, I would say at a good pace. Clearly, we would be happy to make announcements as and when we are able to conclude on some transactions, and we will do that at the appropriate time. Our goalpost has not shifted.

**Moderator:** Thank you. The next question is from the line of Girish Choudhary from Spark Capital. Please go ahead.

**Girish Choudhary:** Firstly, as per the slide on renewal, we are seeing quite a higher annual rate in HSP in FY 2020 with around 21% of the area. So my question is how much of this has already been done? And also, the reason why I am asking is that we have seen only 4% increase in rental rates till nine months FY 2020 despite even let us say this quarter, we have seen a high consumption growth.

**Shishir Shrivastava:** Yes, so in FY 2020 we had about 21% of area coming up for renewal or re-leasing, we have completed about 15% or 16% already out of that. And the MG growth, the minimum guarantee growth has been about a 20% from the previous transactions.

**Girish Choudhary:** Okay. So the reason I asked is that we have not yet seen a commensurate increase in rental rates till nine months FY 2020?

**Shishir Shrivastava:** Yes. So, because these have all happened in the second and third quarter of FY 2020, the impact of this you will start seeing from the first quarter of FY 2021.

**Girish Choudhary:** Okay, sure. And secondly, if you could share the cash flow from operations for nine months FY 2020 and also the CAPEX spent.

**Shishir Shrivastava:** Sure. Just give us a moment to pull that up for you.

**Varun Parwal:** Hi, Girish, Varun this side. Our cash flow from operations for the first nine months is approximately about Rs. 430 crores. This and if we include Chennai which is not consolidated in our financials, it is approximately about Rs. 510 crores. For the first nine months, we of course use these cash flows, some of it has gone towards our equity contributions for under construction subsidiaries such as Lucknow and Ahmedabad. We have also used this to buy back some of the areas, tenanted spaces at High Street Phoenix, which we had spoken about on our quarter two conference call. And to your question specifically on the spend on under construction assets, this year across our five malls which are under construction plus the commercial tower in Pune, which is under construction, combined we have spent about Rs. 170 crores in quarter three and nine months to-date we have spent about Rs. 432 crores.

**Moderator:** Thank you. The next question is from the line of Dhaval Somaiya from Phillip Capital. Please go ahead.

**Dhaval Somaiya:** I just had a follow-up on the CAPEX. So, what is the expected CAPEX in the next year, there will be spending?

**Varun Parwal:** Hi, Dhaval, Varun this side. So Dhaval, currently we are at a run rate of about Rs. 140 crores a quarter. This will move up a bit because we have the retention money for Lucknow, which would get paid out towards the end of next year. Basically nine months to twelve months after the mall is completed and operationalized. Besides that, the spend on our underconstruction asset should also ramp up. So a reasonable estimate to have for next year would be about Rs. 700 crores - Rs. 750 crores for full year FY 2021. We will of course come back to you in quarter four and give you a more up to date estimate on the spending figures as well for FY 2021.

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

**Biplab Debbarma:** We are quite in an expansion mode, I think you have plans to set up malls in various cities in India. We also see that other players, with PE platform and all, are also expanding. So I just want to understand because see, most of these malls will be in the city center only. And I just wanted insight from you, what, would be the case of large number of players chasing very few land parcels and the acquisition cost escalates, just want an insight on your land acquisition? Could it derail our growth strategy? That is one.

**Shishir Shrivastava:** Thank you for your question, our growth strategy is actually not very aggressive. We have identified specific cities and even within those cities, specific micro markets that we want to have a presence in. Our approach is very clear, we only want to be at locations where we have the ability to become the first preferred destination center or consumption hub or the dominant consumption hub in those markets. So we are not spreading ourselves all over the place. We are not going to typically Tier-II, Tier-III cities, we are looking at Tier-I opportunities. So, having said that, coming across a city center, land parcel for greenfield development in today's market there are not too many people who are out looking to purchase land even at the current pricing, which one may say is distressed pricing, liquidity is an issue. There are not many people competing for the same land parcel. If we look at our peer group, there are very few in our peer group who look at acquiring greenfield opportunities for developing a commercial or a retail led commercial development. So I believe that with our ability to acquire these lands, put the cash down and purchase them, purchase these land parcels on the back of our own balance sheet or with other partners, gives us the edge compared to our peer group.

**Biplab Debbarma:** Okay. My second question is, it seems you have preleasing in Lucknow at 85%, that is a very good thing. And I mean most of the other under construction projects, similar kind of preleasing is expected. There is no doubt about it. But is it okay, is it prudent in terms of getting good rentals to completely fully prelease the entire mall because if I am a vanilla store, what kind of footfalls would convince me to pay a high rental that Phoenix Mills commands. So why would vanilla stores, those who do not have that kind of a brand and would want to prelease, commit before even the malls operated at high rentals. So this is my second question, sir.

**Shishir Shrivastava:** Sure, that is a very-very intelligent question, I must say. If I may clarify, we commence preleasing of our malls somewhere around 12 months or so prior to opening. We may enter into some of the larger anchor transactions first, because that requires planning. So for example, every multiplex operator has a different specification which needs to be provided for at the construction stage itself, okay. In terms of the height, etc. So we get into preleasing with some of the anchors, it may be at project space, but generally, around 12 months prior to opening, the vanilla stores we lease, maybe even eight months to six months prior to opening. We commence our leasing. Now, your question on whether a vanilla store will be very happy to come and take a place in a mall where he is not sure of footfalls etc. that may be very relevant to, single brand, local retailers. If you come to any of our malls, you will really understand the distinction, we work mostly with company owned brands and we work with brand houses. So most of our vanilla stores get leased with the group leasing that we do out of our relationships with the larger retailers. They maybe Reliance brands amongst others. So that is the clear distinction. Therefore, having worked with many of our retail partners in the past, I think they have enough confidence in the ability or the performance of the mall.

**Shishir Shrivastava:** So basically we are not losing high rentals from vanilla stores. The preleasing is okay, when we are getting the same kind of rentals in preleasing also.

**Shishir Shrivastava:** I think your concern is generally addressed.

**Biplab Debbarma:** Okay sir, one final question. So in general if Lucknow malls gets stabilized say 90% - 95% occupancy and the kind of rentals, you get. What kind of rental it would generate yearly in stable state.

**Shishir Shrivastava:** So Lucknow, the transactions that we have done so far are giving us an average of about Rs. 105 per square foot per month rental.

**Biplab Debbarma:** And it's about a million square foot mall

**Moderator:** Thank you. The next question is from the line of Saurabh Kumar from JPMorgan. Please go ahead.

**Saurabh Kumar:** Sir, just two questions. One is on this cash flow. So effectively our free cash flow is about now Rs. 135 crores - Rs. 140 crores a quarter, right. So effectively that gives me about Rs. 520 crores to Rs. 530 crores a year. So it is fair to say that now even if you take out that Rs. 50 crores - Rs. 60 crores dividend you pay, large part of the CAPEX now gets funded out of internal accruals? So effectively, we should have a rise in EBITDA with largely stable net debt?

**Shishir Shrivastava:** Hi, Saurabh, Good afternoon. I think you have just answered my question or rather, I have not really understood. May I request you to repeat the question, you are correct in your estimate

of about Rs. 550 crores to Rs. 600 crores of free cash being generated from across all your assets.

**Saurabh Kumar:** And your CAPEX is from what I understood was Rs. 700 crores basis a comment I think Varun made earlier. So my thing was essentially now since all your CAPEX, I mean so if you net the dividends which are about Rs. 50 crores to Rs. 60 crores effectively, should one assume that the gap between CAPEX and free cash flow is only about Rs. 150 crores now, so effectively over the next two years - three years, you consistently have rise in EBITDA and your net debt should largely be stable.

**Shishir Shrivastava:** So, your question yes, is very astute, I would say estimate you are right, to answer in short about Rs. 150 crores to Rs. 200 crores, would be in this year the gap between the free cash generated and the CAPEX.

**Saurabh Kumar:** Which next year will come down because your EBITDA will probably go up?

**Shishir Shrivastava:** Yes, but Saurabh, we are also planning in the following year, we are evaluating when to launch the expansion projects at all of these assets. So when we are talking about a Rs. 700 crores - Rs. 750 crores CAPEX in this current year, this is going to relate to the mall portion across five locations. And then, again, we have and including the Tower 2 and Tower 3 at Fountainhead, Pune. Now we also have expansion potential, where we will commence construction on the towers at Hebbal, which is going to be on top of the mall or at Wakad which is going to be on top of the mall, which will come in the coming years. So, it is possible that in the next year the CAPEX may be slightly higher. So the gap will not get closed but they will continue to be let us say between Rs. 200 crores to Rs. 250 crores kind of a gap between CAPEX and free cash flow in the following year.

**Saurabh Kumar:** Okay. And any Kessaku sale basically covers?

**Shishir Shrivastava:** Yes. Kessaku sales, of course, comes into that is really not much cost in Kessaku, we are going to have some cost on Tower 7 and Tower 8 of OBW.

**Saurabh Kumar:** Okay. And sir, I just want to understand, how the interest expense works on your P&L. So effectively, you just explained that you securitize the existing malls to fund the construction of your new products, right? So, the point is that there is on the accounting standards, you could have capitalized the interest costs for an under construction mall. But so effectively, is it fair to say that your interest expenses probably running ahead of what it was actually running at, if you had just followed a regular construction cycle at those projects?

**Shishir Shrivastava:** Okay. Firstly, I just want to clarify that it is not a general rule that we increase the LRD debt to fund under construction projects. So now for example, we are also ring fencing this geographically to some extent. The mall in Pune sit under the entity called Vamona.

Fountainhead Towers, 1, 2, 3 sit under an entity called Alliance, both are owned 100% by Phoenix Mills. So we had some elbow room to increase the LRD in Vamona and some part of that was given as ICD to Alliance. Now there is an interest cost there as well, which you can capitalize.

**Saurabh Kumar:** No. But the under construction interest cost will probably capitalize and this Rs. 460 crores of under development costs, which is there for the under construction assets that will capitalize, right?

**Shishir Shrivastava:** Okay. Now Rs. 460 crores which is there, some big part of that sits in Lucknow, a big part of that sits in Lucknow on the under construction and that of course, we are going to fully capitalize.

**Saurabh Kumar:** My point is sir, on your development properties, I do not have your balance sheet. I do not know what your work in progress number is. But effectively I thought it should be closer to Rs. 800 crores - Rs. 900 crores I am guessing at least. So point is that your existing assets taken LRD to capitalize, fund a part of these, the interest expenses still showing on the P&L is what I just want to understand. And this interest expense, part of it just relates to one under construction project.

**Shishir Shrivastava:** Why don't we take this offline? I think the answer may be a little more detailed and we will have to pull up some more data. We are happy to take this question offline. But I think, there is a little gap in probably in what we have presented and how it is being interpreted. So we will fix that.

**Saurabh Kumar:** Okay, maybe I will take this offline. And just one final questions sir, what is the cost of this Lucknow mall now? Total construction?

**Shishir Shrivastava:** Rs. 720 crores is the overall estimated costs by the end of the project. We hope that will be well within that because the current indicative numbers on what we have incurred so far. And balance costs to complete, we may be a little shy of that only.

**Saurabh Kumar:** So this is including land cost?

**Shishir Shrivastava:** Including land, of course.

**Saurabh Kumar:** So effectively there is a 15% yield on cost on day one for you?

**Shishir Shrivastava:** Correct.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**Shishir Shrivastava:** Thank you, ladies and gentlemen, thank you for joining us on our Q3 and nine month FY 2020 financial results call. We look forward to interacting with you soon again. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Phoenix Mills Limited that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.