THE PHOENIX MILLS LIMITED

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May 31, 2021

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

Further to our letter dated May 29, 2021 informing of conclusion of our Earnings Conference Call held on Saturday, May 29, 2021 with Analysts / Institutional Investors on the Audited Standalone and Consolidated Financial Results of the Company for the quarter and the year ended March 31, 2021, please find enclosed herewith the Transcript of the said Earnings Conference Call.

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

You are requested to take the same on record.

Yours faithfully,

For The Phoenix Mills Limited

Gajendra Mewara
Digitally signed by Gajendra Mewara
Date: 2021.05.31 21:58:40 +05'30'

Gajendra Mewara
Company Secretary

Encl.: As above

The Phoenix Mills Limited
Q4 and FY21 Conference Call
May 29, 2021

Moderator: Good day and welcome to the Q4 and FY21 Results Conference Call of The Phoenix Mills Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Management of the company is being represented by Mr. Shishir Shrivastava, Managing Director, Mr. Varun Parwal, Deputy CFO and Mr. Pawan Kakumanu, Deputy CFO. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conscience is being recorded. At this time, I would like to hand over the conference to Mr. Shrivastava. Thank you and over to you sir.

Shishir Shrivastava: Thank you. A very good afternoon, ladies and gentlemen. And I hope that you are all keeping well and staying safe. We take pleasure in welcoming you all to discuss the operating and financial performance of the fourth quarter and the full year of FY21. We will first talk about retail. Consumption swiftly recovered from Q3 FY21 onwards, on account of increase in mall operational hours across cities, resumption of F&B and the festive season. Consumption across the retail portfolio was 5% quarter-on-quarter to Rs. 14.4 billion in Q4 FY21. Our gross consumption reached approximately 100% of last year's corresponding quarter.

Excluding the contribution of Phoenix Palassio which was launched in July 2020. Consumption recovery in Q4 was 90% on a like-to-like basis in Q4 FY21 versus Q4 FY20. Consumption across all malls stood at Rs. 33.3 billion in FY21 and was at 69% approximate of FY20 on a like-to-like basis. In-line with consumption retail collections continued to witness sharp improvements. Collections further improved 42% quarter-on-quarter to Rs. 3.7 billion in Q4 FY21. Taking the total collection to Rs. 7.6 billion in FY21. Similar recovery trends were also seen in footfalls and four wheeler traffic at our malls, where footfall and four wheelers across all malls were at 83% and 93% respectively, of last year's level in Q4 FY21.

For the commercial office business in FY21, commercial office revenues were at 98% of last year at Rs. 1,115 million. Our commercial office portfolio continues to remain resilient, collection efficiency for commercial portfolio was in excess of 90%. Fountainhead Tower 2 with leasable area of 250,000 square feet approximately is expected to start contributing to the revenue from July 21. Fountainhead Tower 1 in Pune has a leased occupancy of approximately 95% and is fully operational. Work at Fountainhead Tower 3 in Pune is on course and nearing completion. Art Guild House in Mumbai has a leased occupancy of 76% as of March 2021.

Moving on to our residential business. We have witnessed strong traction in residential sales mainly led by the reconfiguration of our Kessaku property into smaller units and the robust demand for ready to move in inventory. We sold and registered agreements for inventory worth Rs. 630 million during Q4 FY21 and Rs. 1,725 million during FY21. We also recorded additional sales of Rs. 325 million during FY21 for which registration is yet to be completed, which will take our cumulative sales figure to Rs. 2,050 million during FY21.

Moving on to our hotels. Our hotels had started witnessing early signs of recovery led by social events and staycations. However, we expect operating performance to remain subdued in the near term due to lockdowns. We continue to report a positive EBITDA at our property level led by steps to bring in cost efficiencies. We have also taken up certain projects to overhaul food and beverage offering and the banquet services at the St. Regis in Mumbai, which we should be able to capitalize on post COVID recovery. Our confidence is high that social events in the second half of this year will contribute significantly to the recovery.

Besides the operational update, I'm also pleased to announce the expansion of our partnership with CPP Investments. We are partnering with CPP for development of a retail led mixed use project on the recently acquired land parcel in Alipore, Kolkata.

Just to recap, our subsidiary Mindstone Mall Developers, 100% subsidiary of Phoenix Mills Limited had acquired this 7.48 acre land parcel in February 2021. Mindstone intends to develop a retail development of approximately 1 million square feet chargeable area on this land parcel in the first phase. As you may have read in our joint press release, CPP Investments has committed to invest up to Rs. 5,600 million in Mindstone. In tranche one, CPP will bring in Rs. 1,800 million for an initial stake of 31.03% on the first closing on a fully diluted basis.

Upon receipt of construction approvals, CPP will further bring in Rs. 2,040 million taking its aggregate stake in Mindstone Mall Developers to 49% on a fully diluted basis. We are taking a conservative approach for now on leveraging in this development project. And both CPP and PML are committed to additional equity infusion to fund the construction phase as well. Like in our earlier alliance with CPP, MarketCity resources a 100% subsidiary will see several free streams from Mindstone such as property management, leasing fees and development management fees.

Phoenix Mills Limited and CPP Investments are also extending their commitment to the existing joint venture at Bangalore. We have agreed to invest collectively up to Rs. 8 billion in our joint venture entity Island Star Mall Developers, in tranches as required in the ratio of our respective shareholding. The idea is to reduce dependency on construction finance availability in the under development projects. The alliance was formed in 2017 to develop, own and operate retail led mixed use developments across India; where Phoenix MarketCity and Whitefield Bangalore served as the seed asset for the alliance. In addition to owning and operating Phoenix MarketCity, Island Star Mall Developers owns and is currently developing under subsidiaries, three retail led mixed use projects at Wakad in Pune, Hebbal in Bangalore and at Indore.

A quick update on our previously announced transaction with the Government of Singapore i.e. GIC. We are in the final stages of due diligence completion and negotiations. And we expect to announce the closure sometime in this quarter. I will now request our Deputy CFO, Mr. Varun Parwal to update you on the financial performance of the company. Thank you.

Varun Parwal: Thank you, Shishir. Good afternoon, ladies and gentlemen. Thank you for joining us on this call. Continuing with the briefing which Shishir gave, I would like to share with you some of the key highlights of our consolidated financial performance. Our income from operations for FY21 stood at Rs. 10,733 million, this is at 55% of FY20. FY21 EBITDA was at Rs. 4,942 million, which was at 51% of FY20 and we reported a profit after tax of Rs. 526 million. Income from operations for Q4 FY21 was Rs. 3,858 million, this was at 97% of Q4 FY20. Our EBITDA for Q4 FY21 stood at Rs. 1,734 million, which is at 85% of Q4 FY20.

For the quarter, we reported a profit after tax of Rs. 655 million. Now moving on to our operational performance of our various business streams, our retail rental income for the full year came in at Rs. 5,632 million. This number is at 55% of FY20 and earlier last year in June, we had guided our initial guidance was for renters to be at 45% to 50% of FY20 levels, we are very pleased to have ended the year at a number higher than our initial estimates. Our FY21 rated EBITDA was at about Rs. 5,231 million, this was at 54% of FY20.

Now coming to a quick update on our cash flows. Our inflows net of GST for the year was at about Rs. 1,400 crores, retail contributed to about Rs. 7,700 million in FY21. Commercial was at about Rs. 1,400 million, residential cash flows were at about Rs. 1,370 million, while hotels were at approximately Rs. 630 million. We had significant amounts in terms of IT refunds during the year, which was at about Rs. 830 million for the full year. And we also had earlier announced a receipt of the settlement from Kalani's which was about Rs. 390 million.

Our operational expenses for the year were at about Rs. 7,860 million and our interest expense was at about Rs. 3,050 million for full year. Overall, we had an operational free cash flow of approximately Rs. 3,000 million for FY21. This is before CAPEX and principal repayment. For FY21, our CAPEX for the year was Rs. 3,460 million and in quarter four this number was at about Rs. 1,073 million. We have also completed principal repayments of Rs. 3,530 million during FY21. As you would have seen in our presentation, our consolidated debt was at approximately Rs. 45,102 million as on 31st March. And there was a very modest increase compared to where we were at the end of Q3 FY21.

Adjusted for Phoenix share of debt and the cash that we have on book at a standalone entity level, we are net debt positive and at a consolidated level, our net debt stands at about Rs. 27,000 million. We have been working diligently to reduce our cost of borrowing; for the full year FY21 our average cost of borrowing is down 102 basis points. And during quarter four, our cost of borrowing came down by a further 29 basis points. We ended quarter four at a rate of 8.17% and we expect this number to continue trending down as we have a few more refinances that we are working on during quarter one and quarter two. With this, I would like to close our opening remarks and open the call for the Q&A session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Lakhani from CLSA. Please go ahead.

Kunal Lakhan: Just want to understand what is the utilization of the infusion of Rs. 384 crores in Kolkata SPV, because I'm trying to understand the land is paid for and the construction would largely be funded by debt. So like, do you plan to acquire new projects with the subsidiary or, just want to understand the utilization?

Shishir Shrivastava: Thank you for your question. So, we have paid approximately Rs. 310 crore or there about plus stamp duty for the land acquisition. The way we have structured this transaction is that Phoenix Mills Limited will receive about Rs. 150 crores back from this SPV once the infusion comes in from CPP. The balance funds will be utilized towards construction. As I had mentioned, we are keen to fund a significant part of construction through our equity infusion itself and not be highly dependent on construction finance and if we choose to drawdown construction finance, it will only be towards the later stage of construction at this asset.

Kunal Lakhan: Okay sure. Just also wanted to understand that, why put this separately because essentially like after the fund infusion in both the earlier CPPIB

JV, Island Star JV and the Kolkata JV, essentially the stakes would be very similar so why not like, why not put Kolkata under the same Island Star JV?

Shishir Shrivastava: Well Phoenix acquired Kolkata under an SPV. And we've decided to, and CPP has come in invested in that entity directly. It's not quite efficient to create multiple layers by moving this particular SPV under Island Star and fund Island Star. So, there is no change in the commercial terms nor in the management of this JV as oppose to the ISML JV, there is not any material difference there.

Kunal Lakhani: Okay, sure. And secondly, Shishir like we have liquidity of about Rs. 1,000 odd crores currently and then this Rs. 800 crore infusion in Island Star and this again, another infusion in Kolkata SPV and then the GIC platform would add anywhere between Rs. 1,000 to 2,000 odd crores. Few years back we had the target of doubling our retail footprint, but with this kind of liquidity what is our vision or say the target for the next five to seven years?

Shishir Shrivastava: We stay focused on what we have stated as our objective, we had stated that by FY23-24, we will have an operational retail GLA of about 12 million square feet, and commercial office GLA of about 6 odd million square feet. So, we are well on track to achieve that. We had also stated that beyond FY24, we want to continue to deliver a million square feet of retail GLA every year. So Kolkata forms the first million that will probably become operational in FY25 or there abouts. So we are well on track to deliver our stated goal. And this liquidity is only fire power to achieve that. And also to ensure that, our projects under development continue to stay funded and on track.

Kunal Lakhan: But, our existing projects that we have acquired so far, including the Kolkata projects will get us to these numbers. So, I'm just trying to understand this liquidity, essentially all of it will not go towards like funding the construction costs, considering like cost of equity is lot more expensive than the cost of borrowing here. So, I'm just trying to understand like where will this, I'm assuming bulk of this equity infusion should ideally go towards new project acquisitions?

Shishir Shrivastava: You are absolutely right, we have a fairly sizable project at Lower Parel which we have discussed in the past with investors as well, which is called Phoenix Rise. And this gives us the firepower to undertake that development and proceed with paying the premiums and getting the plans approved, So the liquidity that we have at Phoenix, at the consolidated level as well, is already earmarked as growth capital. And some of it of course, is going to be deployed towards ongoing projects as well.

Kunal Lakhan: And last one to my side. Just any update on rent negotiations that you are currently doing with the retailers, anticipating that there'll be some easing from 1st of June onwards in some states at least?

Shishir Shrivastava: Like we did last year, we have taken the decision not to, at a stage when the mall is not operating and stores are not operating. It's not the correct time for us to engage with retailers in a negotiation when there's uncertainty. We will follow the same approach as we did last year, when there is visibility of each mall opening up, that's the point in time when the stores start commence trading, that's the time to get into a commercial negotiation and arrive at an understanding. This time around of course things are, while I would say that the impact of the second wave has been huge, the circumstances are different. There is a high level of confidence with the consumption bouncing back and I have seen that already in the last quarter of FY21. So, retailers and ourselves are more confident about the bounce back and we'll be able to arrive at a mutually acceptable commercial negotiation.

Kunal Lakhan: Sure. And lastly just a data point, what is your monthly cash burn currently?

Shishir Shrivastava: Across entities?

Kunal Lakhan: Consolidated level.

Varun Parwal: Kunal, Varun this side. At this point in time, given the strong cash flows that we had from our retail in quarter four, we were actually net cash positive.

Kunal Lakhani: That's end of March, I'm asking in terms of April and May like what will be a cash burn currently?

Shishir Shrivastava: It's roughly around, if we just look at each asset, it would be somewhere between Rs. 2 to 2.5 crore per mall per month would be the operating expense outflow. And just to further expand on that, it's about 25% to 30% of normal operating expense during operations.

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

Puneet Gulati: My first question is if you can help me understand this Kolkata deal a little better. So you invested Rs. 310 crores initially and then CPPIB enters into partnership, they commit to invest Rs. 560 crores what is this Rs. 384 crores is it the first level investment or how should we think of this number?

Shishir Shrivastava: Yes, I will break this Rs. 560 crores in three parts, Rs. 180 crores is what comes in tranche one, tranche two will roughly be about Rs. 204 crores which will come in, this is going to be so tranche two comes in upon receipt of all approvals, et cetera and total of Rs. 384 crores this will take them up to 49% stake. And subsequent to that, as and when in the event we need further funding for construction, then that's the point in time when they will bring in the balance they can get up to Rs. 560 crore number.

Puneet Gulati: Okay, got it. So, for the 49% stake they are paying Rs. 384 crores that's the way to read this?

Shishir Shrivastava: That's correct.

Puneet Gulati: Okay, got it. And what would be the expected cost for completion?

Shishir Shrivastava: The total cost, total estimated cost is about Rs. 926 crores which includes land, FSI premiums, construction approval costs, construction cost itself, construction management, site operating, everything cumulatively will be about Rs. 925-930 crores.

Puneet Gulati: Okay, got it. Secondly, can you also talk a bit about how did your Lucknow mall do in the last two quarters, what kind of traction are you seeing and where are we on the entire leasing cycle there?

Shishir Shrivastava: Lucknow has in fact done some, has really performed extremely well as you are aware it became operational only in July of 2020. I would say that the quarters of Jan, Feb, March have been fantastic. We've seen about roughly around Rs. 135 crore of consumption in Q4 of FY21. And trading density inching closer to a Rs. 1,000 a square foot, which is as you may be aware, in this same period our other operating malls which are much older mature assets, they were in the range of about Rs. 1,400 a square foot trading density so it's fast catching up. Trading occupancy is in Q4 stood at about 75% and that of course has improved since then. And so, we have about 189 brands that are operational another 25 odd at various stages of fit out, it has performed extremely well.

Puneet Gulati: Okay, so is it fair to say that 25% of the areas still to be leased out at this point of time?

Shishir Shrivastava: No, I said trading occupancy is that 75% which means that these are the number of stores that are operational. We would be at a leased occupancy of I would say close to about 80% mark.

Puneet Gulati: My third question is on the sale of assets from the standalone to the JV for some Rs. 24 crores is that all that you paid for the office, or is it anymore number that you need to pay?

Shishir Shrivastava: Can you repeat the question Puneet?

Puneet Gulati: The standalone entity we used to own some units in AGH and Centrum, those were sold to the subsidiaries for Rs. 24 crores. Is that the entire amount that's been paid there?

Shishir Shrivastava: If I understand your question correctly, and I apologize because the line is not very clear. Is your question pertaining to the commercial office units that PML owned, which we have transferred back to Offbeat Developers?

Puneet Gulati: Correct.

Shishir Shrivastava: Sorry, can you just repeat what was your question on the commercial, I didn't quite hear that Puneet.

Puneet Gulati: Yes. So the notes to account mentioned some Rs. 247 crores being from sale of assets, if you can give some more light, what all is included and will you need to to pay more for that?

Shishir Shrivastava: Correct. No, the subsidy doesn't need to pay anything more than that, but the total value of transfer of units in Kurla alone was about Rs. 227

crores plus Rs. 115 crores. About Rs. 341 crores was there about so the total value at which these units have been transferred back to the SPV.

Puneet Gulati: And Rs. 247 crores is the profit recognized on these?

Shishir Shrivastava: Sorry, may I just clarify. It was my error. It's roughly about Rs. 310 crores Rs. 195 crores plus Rs. 115 crores.

Puneet Gulati: Okay. And Rs. 247 crores is just the profit which is being recognized on that?

Shishir Shrivastava: Profit being recognized on this will roughly be about Rs. 80-85 crore. I'm not too sure what is this number that you are referring to.

Puneet Gulati: Notes to account point number five for standalone financials.

Shishir Shrivastava: Just give me one moment and we'll give you the breakup.

Puneet Gulati: Sure.

Shishir Shrivastava: I am requesting Pawan to give the detailed break up on this.

Pawan Kakumanu: Hi Puneet, Pawan here. So, Puneet this transaction was carried out in the third quarter, where units which were owned by PML in our Kurla office property, Centrum and AGH were sold to the SPV ODPL. The total consideration that the SPV paid was in the tune of Rs. 310 to 330 crores and the profits which were recorded on that was at Rs. 247 crores that you are looking at, but from income tax perspective, the taxation is not on Rs. 247 crores because of course these were all legacy units and there is an indexation which will be available to this year.

Puneet Gulati: Right and there is nothing more that you will need to pay right?

Pawan Kakumanu: This is fully paid and the registration and transfer is also complete. My apologies one slight correction that consideration has been finalized and fixed and registration is complete. However, as part of certain transactions, et cetera, which is going to take place, the transfer of funds will happen in due course. But that was effective from 1st January 2021.

Puneet Gulati: Okay, got it understood. My next question Shishir is slightly on the strategy side. So you bought land and you monetized immediately. Should we think it's more of de risking strategy rather than an asset monetization strategy?

Shishir Shrivastava: At this stage, I would say it does look like a de risking strategy. However, this Kolkata acquisition has been underway well before COVID. And we completed the acquisition only in January this year. But even prior to COVID, we were looking at bringing in a partner at that point in time who would come in as a financial investor and participate in that asset. So, I would say, to a small extent it was driven by the idea of de risking this project in terms of equity funding, but also it was to monetize at an early stage in a new geography where we'll be able to bring in a partner who also brings a lot of expertise and experience to the development.

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

Biplab Debbarma: My first question is on the pipeline you have at this stage, just if you could provide some insight on the pipeline transaction, the context is so, post GIC you will have approximately cash surplus of around Rs. 3,500 crores or so, just wanted to understand whether you have some kind of target in your mind, deployment schedule like how many projects you want to acquire in the next two three years some ballpark target, and what stages of the pipeline gives the approx. figure at what stages of transaction. Thank you, this is my first question.

Shishir Shrivastava: Thank you. So, the idea of creating this cash at the consol level is to look at growth opportunities and to plow back some funds as and when required in the projects which are currently under development. We have in pipeline what is possibly one of Mumbai's best commercial center coming up at our flagship property in Lower Parel, which is a sizable project of roughly about 1.2 million square feet of FAR. And so, that's something that we have clearly on the anvil and we will update once we embark on the project and after we get approvals, we will update everyone on that. We are looking at a few acquisition opportunities, these would be under the potential JV that once we form it with GIC and also otherwise. So, I would say that for the moment, we would have a visibility or we have the ability to deploy about Rs. 1,000 crores in Lower Parel project, expand the new project Rise. And, then we will share with you as we crystallize any further acquisitions.

Biplab Debbarma: Lower Parel would be mix right, retail and commercial**.** Sir my second question is on your strategy, we have been seeing for the past two or three quarters, residential sector has been showing strong performance across the market and you also have some business in residential, in One Bangalore West and Kessaku. So just trying to understand whether any change in business strategy as everybody is projecting residential growth momentum in the next few years. And how does Phoenix, whether Phoenix have any intention to go aggressive, one example could be immediately launching new towers or acquiring new project for residential, anything on residential or you are content?

Shishir Shrivastava: At present our strategy continues to remain to be focused on expanding retail and commercial office vertical. You are right, we are seeing very strong traction in residential in our project in Bangalore. But for the present we are not looking at expansion in that vertical.

Moderator: Thank you. The next question is from the line of Atul from Citigroup. Please go ahead.

Atul: Sir just few questions, so on your retail rental income for FY22, would it be possible to share any broad idea how much of say FY21 or FY20 what percentage of that we could do in FY22, like last year you had broadly guided that it should be half and I know things are uncertain and malls are yet to open, but broadly speaking could it be like 80%-90% of normal run rate, or lower than that any rough comment on that?

Shishir Shrivastava: I would hesitate to comment on what will be the impact for the period of lockdown, because that is something which we will only discuss with retailers once we reopen the malls. But if we simply look at the consumption trajectory that we saw in the last quarter of FY21, I would like to believe that once our malls reopen within say 30-40 days we should start hitting the consumption trajectory of FY20 and really, that is the proof of the pudding. And that will result in us going back to stabilized rentals of FY20 with perhaps some escalations in a few cases.

Atul: And sir my last question is again on this Kolkata JV with CPPIB. So this is different from what we had in the case of Island star Mall Developer, because there if I remember correctly, there was a largest amount committed and the understanding was that SPV will kind of find opportunities in future to deploy that money until the time that money is not deployed any new project will be first presented to that SPV, and then only parent company can do it, but here it looks like it is just limited to one project, there is no such other arrangement to look for new opportunities?

Shishir Shrivastava: You are absolutely right. One can simply look at this as a further acquisition in that joint venture itself. And that's it, it's just structured as a separate entity. So we don't have multiple layers which become very inefficient going forward.

Atul: Okay. So under this SPV there is no commitment to deploy more money and look for other land parcels into the SPV?

Shishir Shrivastava: This transaction is limited to this specific development, of course at a larger level our partnership with CPPIB continues to grow.

Moderator: Thank you. The next question is from the line of Mohit Agarwal from IIFL Securities. Please go ahead.

Mohit Agarwal: My first question is over the last one year, what has been like as it stands today, what is your leased occupancy, including occupancy on a blended basis. So, what kind of churn have you seen in tenants over the past one year since the first year started and which kind of tenants have actually moved out? The second part of that question also is that, how do you look into that in the next six months as uncertainty remains, do you see a significant churn in the next few months and what had been the discussions with the tenants on that?

Shishir Shrivastava: I would say that, the last year saw perhaps across locations anywhere between 4% to 5% on the higher side, 4% to 5% change in our leased occupancy. And most of this, bulk of this was in the F&B category. As of now, since malls in Maharashtra shut down in April, we have not really seen any increase in vacancy. And, again, when it comes to food and beverage, we believe that, that sector is largely driven by entrepreneurs and by talent so even vacancies that we see today once we see demand pick up, F&B brands will be back. There may be newer concepts, other operators but the space will get taken up by F&B as soon as consumption trend starts improving.

Mohit Agarwal: Sure. So the expiry which are going to happen in the first half let say on the first quarter of FY22. Will they also be extended or will they be renegotiated?

Shishir Shrivastava: So by and large whatever expiry we were likely to see in the first half of FY22, these were already negotiated in the last financial year and concluded. In some cases we have simply extended the last paid rentals for a period of 12 months, and then the escalations would kick in thereafter. So it's a combination of different negotiations that we have done across the brand that we're likely to see end of tenure of the contract in the first half of this year.

Mohit Agarwal: Okay, that's helpful. My second question is just a clarification on the initial comment that you made about the Bangalore mall where you have extended your partnership with CPPIB for Rs. 800 crores. Now, I wanted to understand is it for the three malls that you are developing, is it you are making more funds available for that, or are you open to look at probably even buying a new mall because Rs. 800 crores is good enough for doing that. So just wanted that clarification?

Shishir Shrivastava: So, under that JV we have these three developments. These are not just malls but mixed use developments. At Wakad Pune we have a million square foot mall plus another million square foot potential of offices, at Hebbal, Bangalore it's similar a million square foot mall plus a little over a million square feet of commercial offices and of course, Indore for the moment we are only completing the mall. But in Island Star which is the operational asset, Phoenix MarketCity, Bangalore we also have a further development potential of roughly about 1.5 million square feet comprising retail and commercial offices. The reason why we deliberated and agreed to bring in cumulatively Rs. 400 crores now and Rs. 400 crores in the future if required, is to go ahead and make sure that all of these projects get completed without dependency on construction finance because construction finance terms, et cetera are not to our liking today. And so, we have the option of going for construction finance if should we like the terms, but we are committed to bringing in up to Rs. 800 crores cumulatively should it be required Rs. 400 crores is already under process as of now and the second tranche we will decide as and when we see construction finance availability.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Again on this Rs. 800 crores my question was, so earlier it used to be funding of 1/3 equity and 2/3 debt so with that moving to 50% almost 50-50 or slightly higher. The first thing is that for a developer with such a strong balance sheet, you can bring in that money and give this competitive advantage. But my second question added to that will be that, so what were the total 3 malls pending CAPEX and whether this Rs. 800 crores entirely because of this mix change, going towards higher equity requirements?

Shishir Shrivastava: So, cumulatively if we look at the CPPIB JV with the three projects in Pune, Hebbal and Indore, we have close to about Rs. 1,700 crore balance to be spent. We have not drawn down any construction finance across any of these locations as of now. So the idea is that, we will defer or backend the debt requirement as far as possible.

Parikshit Kandpal: Okay. So if you put this entire Rs. 800 crores in equity, so what will be after completion of these assets, provided that equity then, the total CAPEX?

Shishir Shrivastava: So we've spent about Rs. 1,800 crore of as on date, I would say as on end of FY21, we've spent Rs. 1,800 crores, about Rs, 1,600 is balance. So, this Rs. 1,800 crores have been all equity another Rs. 800 crores if we do end up putting it will take up our total equity infusion to about Rs. 2,600 crores. That will leave Rs. 800 crores of construction finance drawn down in the last stages, which will get refinanced by an LRD as soon as these assets become operational. But, that I would say is the worst case scenario in the event, we do not like terms of construction finance presented and we end up bringing in the additional Rs. 400 crores otherwise there. So, I would say between Rs. 2,200 to 2,400 crores will be the total equity infusion in these assets.

Parikshit Kandpal: Isn't it a very inefficient way of capital allocation, because the cost of equity is much higher than cost of debt. And when for a company like yours, you can easily get anywhere about 45% to 50% compared current times when most of the other developers are struggling, even financially close the project. But with such a strong balance sheet, with just 23% of that and about 73%, 74%?

Shishir Shrivastava: We've always followed a very prudent capital allocation. It's very important to understand that, the stage when under development projects see stress is when you over leverage and your monthly outflow starts ballooning, which is why I said that we are not, we are not saying that we are going to fund these projects entirely out of equity, it is the backup plan to ensure that in the event construction finance is not available and not available at our preferred terms, we have the firepower to continue funding these projects and see them through. You can see historically we have been very very, I would say efficient in leveraging all of our annuity generating assets at the right appropriate time by way of LRDs. So, we continue to maintain a fine balance of leveraging, our preference is to back end construction finance and more so, in the current environment, where construction finance terms are not really I would say that banks have taken a very conservative view.

Parikshit Kandpal: So to understand it better, so whatever excess cash you're having right now, ideal cash while you are not earning more than maybe 4% -5% yield, so you give, extend as loans and advances to the SPV may be slightly better yield to get a little better spread on that. So, I would assume that this will not go entirely as pure equity so there will be a mix of loans and advances and a small portion of equity?

Shishir Shrivastava: Correct. It may go as loans and advances to the subsidiaries from ISML.

Parikshit Kandpal: We can't see better yield on your cash, which is lying idle so maybe at a lower cost versus a bank refinance so that is what your target is to, I got it now. Okay, sir my second question is on the under construction asset. So how the lease momentum have you started opening up those areas for leasing, and what kind of momentum are you seeing there from the tenants in perspective on the under construction assets, and approximately at what level of lease would be at, approximately ballpark?

Shishir Shrivastava: I would say that we had commenced leasing, and then we put it on hold because of the environment. In this last month of lockdown, we've taken the opportunity to really initiate discussions with several of the brands and the response that we are getting is very fantastic. I would hesitate to comment on how much we have leased each of these projects because as a strategy, we had kept that on pause. But we are seeing a lot of traction or rather we are seeing a lot of interest by retailers to expand into these city center locations that we are developing.

Parikshit Kandpal: Okay. And just the last question now that Kolkata is done, so now in addition to business development, So obviously there are platforms, so besides that, you spoke about the Lower Parel property and anything else in any new market and a new location. The brownfield expansion we're in advanced stages if you can give some color on what kind of opportunities lie in the market that will be helpful.

Shishir Shrivastava: So there are certain, as we've always mentioned in the past there are certain micro markets which are of significant interest to us, and we will continue to look for opportunities there. Kolkata was one which is now done. Hyderabad is another one where we would be very keen to look at, have a flag there. And then of course, we believe that there is a lot of potential in Delhi and Gurgaon so we will continue to look for opportunities there, Chandigarh perhaps. So there are quite a few cities where we continue to look for opportunities. But we have to ground that off our focus remains to complete the projects that we have underway as of now, and we are certainly not deviating our focus from that. Also, I just want to give you a quick, we had last reported that Ahmedabad mall, Palladium Ahmedabad was roughly at around 40% we have exceeded that, we are at about 50% now and Hebbal Bangalore is now above 30%.

Parikshit Kandpal: And the Pune one?

Shishir Shrivastava: Pune one we have just last month started the marketing of that project.

Parikshit Kandpal: And Indore?

Shishir Shrivastava: Indore as well, about 65% leased as of now. That we had kept on pause and we've just again kicked that off again the marketing there.

Parikshit Kandpal: Just now we saw that in Chennai there has been the consumption is little underwhelming so why is the reason like why still not picking up there, it has not picked up in the fourth quarter Palladium Chennai?

Shishir Shrivastava: Yes, sir actually Chennai malls also opened later than other parts of the country so I would say that Chennai was trailing behind by about two months in terms of catch up on consumption. Other city malls commenced operations, in Maharashtra we commenced operations in August, and Chennai was sometime in September.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Shishir my first question is on project Rise, is it just going to be retail or we plan to do some commercial also?

Shishir Shrivastava: It's going to be a mixed use development. So it will comprise retail and commercial, we are evaluating multiple design options, but the retail could be anywhere between 2 lakh to 3.5 lakh and commercial office could be anywhere between 1 million to 1.2 million.

Pulkit Patni: I thought that total was 1.2 million there?

Shishir Shrivastava: No, I'm talking about gross leasable area.

Pulkit Patni: Okay. So that's helpful. And we spoke about a number of about Rs. 1,000 crores as the total CAPEX there?

Shishir Shrivastava: That's not exactly correct. I had said that about Rs.1,000 crores of further expenses could be incurred over there, over and above the cost of land transfer. So the total project cost will certainly be a little higher than that. Around Rs. 1,150 -1,200 crores would be roughly the overall project cost.

Pulkit Patni: Okay, thanks. And secondly, since we are going through the second wave, any thoughts on how the future of rental is likely to shape up, do you see that revenue share now in rental agreements is going to be a lot higher, any thoughts on how we should look at this for the next few years, or you think it's going to remain the way it has been?

Pawan Kakumanu: Pulkit one thing that we have seen, even during our negotiations during last year was that, while there was certain levy that was provided on the minimum guarantee rentals, there was percentage increase in the revenue share, which actually ended up overall by the end of the year you saw the numbers how we were able to get about 55% of what otherwise we would have contractually gone. What also happened in addition to it is because of the collaborative approach that we have with the retailers, the retailers agreed that the increase in the revenue share percentage would continue for a particular time and it was to continue even in FY22 had not further, lockdown again being re-imposed. So, overall in a three year timeframe, as we come back to normalcy in a three year period as a combination of higher revenue, share percentages, et cetera, we should be able to get a good traction. However, we think that this current trend is to ensure that these testing times and the financial impact of these testing times are taken care of. Overall, we'll get back to where we were originally. On a final note, given the strong consumption traction that all of our centers have, a lot of these retailers were anyway getting revenue share. So getting higher revenue share percentage, as soon as normalcy returns is actually turning out to be a faster way for us to get back to our intended absolute number of rentals. Does that answer your question Pulkit.

Pulkit Patni: That answers. So effectively, we can understand that this could just be an interim thing for maybe a year or two years, and then it reverts back to the normalcy?

Pawan Kakumanu: Absolutely.

Pulkit Patni: Sure, and just a related question, if I may, can you highlight any change in terms with multiplexes and how should we look at that part of the rental?

Pawan Kakumanu: So as was stated by Shishir earlier, at this point in time we would hesitate to comment upon how the negotiation might pan out with any of these retailers with the malls being shut. Even last year, we started conversations with a variety of tenant categories only as such tenant categories started opening. So we will wait for them to resume operations and then figure this out as we would go.

Moderator: Thank you. The next question is from the line of Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: My first question would be pertaining to the new malls. So you've indicated the pre-leasing number, if you could just indicate the rental at which the pre-leasing is happening across these lines?

Shishir Shrivastava: We are expecting at Hebbal to achieve a weighted average rental once we've leased it out to be in the region of about Rs.160 to Rs.165. At Wakad, Pune we expect our average to be roughly around Rs. 120 odd there about. And at Indore we're going to be at about close to about Rs. 90 average rental.

Manish Agarwal: And Ahmedabad?

Shishir Shrivastava: Ahmedabad is going to be about close to Rs. 150 to 155 weighted average.

Manish Agarwal: Okay. And secondly, towards the end of FY20 you have indicated that there is a certain amount of re-pricing opportunity, which obviously couldn't come through in FY21, so post say FY22 do you expect this re-pricing opportunity lease license to company?

Shishir Shrivastava: Absolutely. As we see our contracts coming to an end, in fact we've also seen it in several cases in FY22. We've also seen in several cases where we negotiated the renewal contracts in FY21 for FY22 we have seen an escalation and in some cases, while we may not have seen an escalation in FY22 if there were catch ups in FY23 and FY24 thereafter.

Manish Agarwal: So the base which we are looking is FY20 rentals only so it's not gone down as such. There will be a catch up in later years?

Shishir Shrivastava: Yes. You should look at it like this that FY20 has not gone down. What would have been an escalation or an incremental rental coming in FY21 that has got pushed to FY22, but FY22, FY23 also, additionally have a catch up concept.

Moderator: Thank you. The next question is from the line of Amit Agarwal from Nirmal Bang. Please go ahead.

Amit Agarwal: I know you have a very small as of now compared to the retail portfolio, you have a very small office portfolio. But any comments on, how you've seen the pressure on the rental and the occupancy on the office portfolio, are you also facing the same thing?

Shishir Shrivastava: Sorry, may I request you to repeat your question again.

Amit Agarwal: My question basically pertains to the office portfolio. I do know it's a pretty small percentage compared to the retail, but what we've seen in other companies is that, office portfolio right now is under pressure for last year because of COVID. So are you also feeling the same pressure in office portfolio in terms of rental and occupancy is going off, right now?

Shishir Shrivastava: So it's a very good question, I want to answer it in multiple parts. One is, our current operational portfolio in the office space is roughly around 1.5 million square feet. And we have about 5 million square feet under development. And it's important to also understand that these are not standalone office buildings, these all form part of our mixed use development, and form part of our subsequent phases of development. With the exception, of course of Phoenix Rise which is the ground up development at Lower Parel. In our current operating office portfolio of about 1.5-1.6 million square feet, we've seen, we've really not seen a disruption in rentals in this last year. In fact, I would say that it has been our office portfolio that has actually kept cash flows coming in. And even in this period of lockdown, we've seen collections to be quite strong there. Q4 collections were in close to about 95%-96%. And for us, the office business has not seen a negative impact. The reason is, these are not back offices, these are not IT offices, these all city centers, corporate offices for several tenants and several reputed international brands as well. Going forward, while there may be let's say that there may be an impact, we believe the impact will be more in IT spaces, and lesser in commercial front office spaces.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Shrivastava for closing comments.

Shishir Shrivastava: Thank you, ladies and gentlemen for joining us today. And do feel free to reach out to our teams for any further questions, queries, clarifications that you may need and wish you all the very best. Please stay safe and look forward to connecting with you in the next quarter call. Thank you, have a pleasant day and a great weekend, bye.

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