THE PHOENIX MILLS LIMITED

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BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street Fort, Mumbai- 400 001
(Security Code: 503100)

The 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 held on Thursday, May 16, 2019

We enclose herewith a Transcript of Earnings Conference Call held with Analysts/Institutional Investors on Thursday, May 16, 2019 for your reference.

The Transcript of Earnings Conference Call is also being uploaded on the Company's website at http://www.thephoenixmills.com

Kindly take the same on record and acknowledge the receipt.

Yours faithfully,

For The Phoenix Mills Limited

Gajendra

Gajendra Mewara
Company Secretary

THE PHOENIX MILLS LIMITED

The Phoenix Mills Limited
Q4 FY 2019 Earnings Conference Call
16 May, 2019

Moderator: Ladies and Gentlemen, Good Day and Welcome to Q4 FY 2019 Results Conference Call of The Phoenix Mills Limited. The Company will be represented by Mr. Shishir Shrivastava -- Joint Managing Director and Mr. Pradumna Kanodia -- Director (Finance).

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 the 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, sir!

Shishir Shrivastava: Good Afternoon, Ladies and Gentlemen and thank you for joining The Phoenix Mills Limited Conference Call to discuss the Fourth Quarter and Full Year FY 2019 Results.

We are pleased to report our best ever annual financial performance. This year has been the first full year of operations after we consolidated our stakes across our assets by the end of FY 2018. And the operational benefits are starting to reflect in our consolidated financials. Mr. Kanodia will talk us through the results in a short while and share more details.

I wanted to take this opportunity to highlight a few key positives which have helped us report this performance. First and foremost, our core portfolio comprising retail developments, commercial offices, and hotels is witnessing a sustained improvement in operational performance which has aided PAT growth.

In particular, Phoenix MarketCity, Mumbai has continued its standout performance for the third year in a row. Consumption at the mall was up 17% to Rs. 9,599 million in FY 2019. Even more impressive is the fact that consumption of the asset has grown at an impressive rate of 17% year-on-year for the last three years and the outlook for this asset appears promising, especially considering the amount of occupied office spaces in the immediate vicinity of the asset which provides a ready catchment for consumption growth.

Growth in consumption has also resulted in the trading density approaching almost Rs. 1,200 per square foot in FY 2019.

The strong operational performance has resulted in stellar financial performance with the mall EBITDA growing by 28% to Rs. 1,188 million in FY 2019.

Our flagship hotel, The St. Regis, Mumbai witnessed another year of strong operating performance. The St. Regis commands one of the highest ARR's amongst all of Mumbai hotels and has maintained its leadership position amongst luxury hotels in the city for the second year in a row.

The strong operational performance across metrics enabled us to report a 17% year-on-year growth in the operating EBITDA for the asset. We have utilized the operational cash flows to therefore reduce debt by approximately Rs. 900 million during FY 2019 and approximately Rs. 1,700 million over the last 30 months.

In our commercial portfolio, we have over 80% of our operational portfolio leased now. We expect the leasing to improve in FY 2020 which should help us report robust income from the growing commercial portfolio.

In the coming years, we expect our commercial portfolio to significantly expand in size. We have approximately a million square feet of office portfolio under development at Fountainhead Towers -2 and Fountainhead Towers -3 in Pune and at Phoenix MarketCity, Chennai.

We are further planning to add commercial offices at our flagship property High Street Phoenix in Mumbai and Phoenix MarketCity, Bangalore as well as on our under-construction retail developments at Wakad and Hebbal**.**

In our residential segment, we completed construction and started hand over at our exclusive luxury project Kessaku, in Bangalore . Kessaku provides bespoke experience to our customers and is a testament to our development capabilities. Tower 6 in One Bangalore West also received the occupancy certificate in April 2019. And we are on course to complete the remaining development.

Our FY 2019 performance resulted in free cash flow generation of approximately Rs. 4,600 million excluding our development in Chennai. This free cash flow was deployed towards our equity investments in Lucknow and Ahmedabad developments. We continue to focus on maintaining an efficient capital allocation policy and creating long term shareholder value through superior financial performance and maintaining a strong balance sheet.

I will now hand over the call to Mr. Kanodia, our Director of Finance who will take you through the operational and financial performance for the quarter.

Pradumna Kanodia: Thanks Shishir. Good Afternoon, Ladies and Gentlemen, thank you for joining us on this call. Continuing with the briefing we have started, I would like to share with you some of the key highlights of our consolidated operating and financial performance.

Retail consumption was at Rs.16,265 million for Quarter Four of FY 2019, this was up 6% year-on-year and Rs. 68,866 million in the financial year FY 2019, which is up 9% year-on-year. Rental income of Rs. 2,499 million for Q4 FY 2019 was up 9% year-on-year and at Rs. 9,913 million for the full year FY 2019, was up strong 14% year-on-year.

Retail EBITDA was up 24% year-on-year at Rs. 2,409 million in Q4 of FY 2019 and for the full year it was up 22% at Rs. 9,518 million for FY 2019.

Consolidated revenues from operations were at Rs. 7,233 million for the quarter four, which was up 66% year-on-year and for the full year FY 2019, it was at Rs. 19,816 million which again was a strong growth of 22% year-on-year.

Reflecting this strong performance, the consolidated EBITDA was at Rs. 3,771 million in Q4, up 74% and at Rs. 9,931 million for the full year, which represented an increase of 28% year-on-year.

Consolidated PAT was a Rs. 2,284 million for the quarter four, up 147% and at Rs. 4,210 million for the full year again up by 74% year-on-year. Our strong financial performances benefited from the completion of our marquee residential development Kessaku in Bangalore during Q4 of FY 2019.

Overall, the residential portfolio contributed a revenue of Rs. 3,795 million in the year FY 2019 with a PAT of Rs. 988 million compared to Rs. 290 million for the financial year FY 2018.

Besides the residential portfolio contribution, our core portfolio comprising of our retail developments, commercial offices and hotels continue their robust performances through the year and reported top-line of Rs. 16,020 million for the full year and a PAT of Rs. 3,222 million, which was up 51% year-on-year.

A brief update on our pipelines, during the quarter, construction was in full swing across upcoming Phoenix MarketCities in Pune, Bangalore, and Lucknow as well as our Palladium Mall in Ahmedabad. Construction at Phoenix MarketCity, Indore should commence shortly. Lucknow is well on the track to be the next operational retail asset by second-half of FY 2020. We are all well on course to add over 4.9 million sft of operational assets to our existing portfolio by FY 2023.

We have been very judicious about our capital allocation strategy in the phase of growth and our business goals are aligned with the value creation goal of all our key stakeholders.

With this, we would be happy to take your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the Question-and-Answer Session. The first question is from the line of Abhishek Bhandari from Macquarie Group. Please go ahead.

Abhishek Bhandari: I had couple of questions. First, you know, if I look at some of the consumption trends and trading density numbers for some of the important contributors to our revenues, be it High Street Phoenix, Chennai or even to some extent Bangalore, there seems to be some moderation coming up in these malls, both in terms of consumption and trading density. So, is it just because of a broad slow down or do you think it is transient and likely to pick up again?

Shishir Shrivastava: Hi, Abhishek, Good Afternoon. This is Shishir. Thank you for your question. We have looked at the performance of all of these assets and clearly, the consumption, the slow growth in consumption at these few assets is transient in our opinion. It is more to do with the infrastructure upgrades in that immediate neighborhood, which have resulted in some inconvenience to the customers. So, we are not seeing huge incremental footfalls. But the footfalls that are coming in, certainly we are seeing a higher wallet spent. So in our opinion, this is transient. We expect that the metro related works around High Street Phoenix, at least the over ground works should be completed, and the traffic should ease in the next six- seven months. So, we have absolute confidence that we will see a significant consumption growth thereafter. Phoenix MarketCity Bangalore has the metro construction works right in front of the mall, which has created a huge chaotic traffic situation there. But as that eases off as well, we are quite certain. The good thing is we are not seeing a de-growth in consumption in any of these locations.

Abhishek Bhandari: And what about Chennai? Chennai has been soft.

Shishir Shrivastava: Sorry, if I may just add to that. Let us come back to High Street Phoenix and Palladium. In this year we had refurbishment work on at PVR and Lifestyle which are fairly large areas which see significant consumption that has impacted the numbers as well and in Chennai, few stores which have been under refurbishment and therefore, not trading and not reported consumption during this quarter.

Abhishek Bhandari: Sure. You know, coming to second question, longer term we have seen in that in some of the emerging markets, the cost of occupancy typically settles anywhere between 15% to 20%, depending on the kind of mall and we seem to be ballpark in that number. Do you think we have enough scope to further increase, our ability to charge a premium to the tenants in the location where we are?

Shishir Shrivastava: Actually our cost of occupancy is much lower, it is somewhere in the range of 12% -13%. In the case of High Street Phoenix, it may be a little higher but we are closer to 12% to 13% across our malls across all the other MarketCities. Clearly, there is room for improvement there over a period of time. And as you know, once you cross that, let us say Rs. 2,000 per square foot kind of a trading density, you do see a significant increase in the cost of occupancy simply because the margins are so much better for the retailers at that number. Operating costs being fixed and you know therefore, the incremental cost is only cost of sales. They can contribute higher rentals at that point in time.

Abhishek Bhandari: Sure. Thank you. My second question is, if you can probably give us the amount of CAPEX you are likely to incur on your own balance sheet? I am not talking about the CPPIB platform. But given the commercial expansion what we are envisaging, it would help us in maybe next one or two years of CAPEX numbers.

Pradumna Kanodia: Yeah. So, the CPPIB platform and the development center that are fully capitalized and there is enough liquidity available as of now also. So, we do not really anticipate even raising debt for those projects in the current financial year. Coming to our own investments, which is largely in Lucknow, Ahmedabad and the commercial development that we spoke about in Fountainhead in Pune, we will look to probably close to around Rs. 350 cr or thereabouts in terms of investment in the current fiscal year. Largely this will be all out of debt because the Lucknow debt is already sanctioned. We need to draw down and maybe some contribution of equity will be required. But largely 60% of that would be debt. In Ahmedabad also, we have contributed all our equity and now the balance would all be coming out from the debt that we are proposing to raise at the SPV level and at the Viman Nagar in Pune, the amount that we need to invest would be closer to around Rs. 50 odd crores, which will be met out of internal accruals. So largely the number would be Rs. 325 crores or thereabouts in terms of the spend on CAPEX as far as our current financial year is concerned.

Abhishek Bhandari: Okay, sure. And my last question for FY 2020, is there any big residential revenue which might hit our P&L depending on the completion of a few towers on the project we have?

Pradumna Kanodia: Yes. So we did mention that our Tower 6 of our development in Bangalore has received OC in the current financial year. So based on our project completion method of recognizing revenue, we are going to be recognizing revenues for the apartments that we have sold so far in Tower 6 and that should happen in Q1 of FY 2020. And of course, whatever other sales that we keep doing for our OC received projects in the sense Tower 1 to 5 in One Bangalore West and/or Kessaku would also add to our normal sales.

Abhishek Bhandari: Sure, thank you and all the best...

Pradumna Kanodia: Yes, just one second, Abhishek.

Shishir Shrivastava: If I may just add to that, in Kessaku itself, there are several sales that we have completed. But agreements once they get registered, we will be able to recognize that revenue as well. So that number will be approximately about Rs. 180 crores of revenue will be recognized in Kessaku itself on account of sales completed but agreements registration being pending.

Moderator: Thank you very much. The next question is from the line of Abhishek Anand from JM Financial Limited. Please go ahead.

Abhishek Anand: Again, just going back to the High Street Phoenix and Chennai consumption. If we look at the consumption patterns since FY 2016, actually in Chennai the consumption has gone down since then, it was some Rs. 1,100 crores and now it is Rs. 1,107 crores for FY 2019. Similar is the case with HSP where the CAGR is only 3% since 2016. So is this because there was a big jump in FY 2016, there were a lot of renewals or there is something which we are missing or there have been one-off cases in every year post that. So, just more commentary from a longer-term perspective how we look at this trend?

Shishir Shrivastava: So if we look at Chennai, you know in the last 2.5 years or so, we have actively moved away from a very large jewelry segment that we had within that mall. And we moved away from there to more of fashion, etc. So typically, if you would see that jewelry itself has very high consumption since these are high ticket items. But the rental contribution from jewelry is very negligible. So in order to look at rental growth, we moved away from that format or from those segments and more into fashion, more into F&B and that strategy has worked for us because the evidence of that is seen in the rental income growth that one sees between FY 2016 to FY 2019 from Rs. 120 crores, we have moved up to Rs. 153 crores, right? So it is more a shift of format as opposed to slowing down of consumption.

Abhishek Anand: And HSP, we understand of course, you have undertaken some bit of format change and all…

Shishir Shrivastava: Correct.

Abhishek Anand: Fine. Sir, secondly, on Slide 08, you have given portfolio under planning. This is basically with respect to High Street Phoenix, half a million square feet of retail. Firstly, how much CAPEX is expected to be incurred on this? And what will be the timeline of this planned portfolio?

Shishir Shrivastava: Abhishek, what we see in the portfolio under planning, I would say that Whitefield, Bangalore; Wakad, Pune; and Hebbal, Bangalore, these are in the immediate future. High Street Phoenix or Project Rise as we call it is going to be still taking us a little more time because we are still trying to evaluate the overall cost impact. There are several heads of various charges, etc., under the new DCR. So we are still trying to evaluate the cost impact of those premiums. So the timeline on that, I think we will be able to break ground, not before 12 months from now. So at this point in time, I do not have an answer on the CAPEX there. The construction costs, is quite clear for half a million square feet of retail you will end up spending about say Rs. 6,000 a square foot and for the 1.1 million square feet of offices, you will end up spending about Rs.

4,000 a square foot. It is the cost on the premiums and all that remains a little unclear at this point in time.

Abhishek Anand: Sure. And what is the timeline of the other three -Whitefield, Wakad and Hebbal, offices especially? .

Shishir Shrivastava: So Whitefield is under planning at this point in time. Design planning**,** we should be able to commence work in the next six - seven months and it will be a single shot development where you will expand the retail and the offices. So, this is all on top of the existing mall, it will not impact the mall operations because it will be podium above. We are not making any changes below that and we have enough access points from different places at the property entrance which will not impact the customer flow. So, it is our desire to see that we kind of try and finish this major construction activity while the metro work is ongoing itself. Wakad and Hebbal is you know the offices that we have planned there. This is going to be in continuation to the mall. So, while we complete the mall RCC work in about 36 months, immediately after that we will continue building on top for the offices.

Abhishek Anand: Okay. And finally, this question on the retail mix, the consumption mix, if you could give some color on that, which has been the fastest growing segment for you and a bit of a trend over the last two - three months where there have been some indication on retail slowdown, what has been your experience in the operating malls? That will be very helpful.

Shishir Shrivastava: So we have seen home accessories in the last year grow. The growth has been almost 25% in terms of consumption but that may also be to some extent on account of a low base, right? Jewelry and watches have seen some growth. We have increased some watch stores, the leasable area for watches has gone up. So, while you see a 21% growth in that format, some part of that is accounted for an increase in watch stores. Electronics Category interestingly had seen about 10% - 11% growth in the last year. Cosmetics has grown; and Food and Beverages have grown. If we look at generally Hypermarket department stores, their performance has been a little slow. Books, Gifts, Toys, that is at around 5% growth.

Abhishek Anand: And the last two - three months, how has been your experience?

Shishir Shrivastava: Last two months - three months?

Abhishek Anand: Yes, in terms of consumption growth or how has it been

Shishir Shrivastava: In March and April, our consumption growth has been about 3% yoy. So as you are aware March - April typically are the slowest month. May - June will start picking up again; May will pick-up on account of summer holidays. March - April is when families are not stepping out, kids have exams. Elections have also impacted on some dates, especially where F&B gets impacted as well.

Moderator: Thank you very much. The next question is from the line of Chintan Modi from Motilal Oswal Financial Services Limited. Please go ahead.

Chintan Modi: I have a few questions on the residential portfolio. Just to understand that as you had highlighted, what would be our cash outflow remaining across the two assets that we have?

Shishir Shrivastava: So you know, Three Towers of Kessaku and Tower 6 of One Bangalore West have already received OC. Actually, sorry, all 5 Towers of Kessaku and Tower 6 have received OC, we have commenced handover also over there, I would say the remaining cost between Kessaku and Tower 6 is not going to exceed maybe Rs. 50 crores to take it to final completion and finish up all the amenities and you know, the clubhouse, etc. Then we have Tower 7, which is scheduled to get launched in the next month or so. And then thereafter, we have not yet planned the launch for the remaining two Towers.

Chintan Modi: Okay, but the construction has not begun on…

Shishir Shrivastava: I beg your pardon.

Chintan Modi: Sorry. So construction has not begun on the remaining two Towers, right?

Shishir Shrivastava: On Tower 8 and 9, we have finished with the excavation work. And we have come up to ground level. But we have not launched the sale, so we do not intend to actually proceed with the construction above ground. We wanted to get all the below ground activities out of the way from a logistics point of view at this point in time.

Chintan Modi: Sure.

Shishir Shrivastava: And Tower 7, the cost expected is about Rs. 100 crores, which we intend to launch next month or so.

Chintan Modi: Got it. Sure. So, overall as per my calculation, I think the cash inflow comes something around Rs. 2,400 odd crores and against that you have an outflow of close to Rs. 150 crores. So that is the right way to look at it, right?

Shishir Shrivastava: That would be correct. We still have to receive about Rs. 180 plus crores on Kessaku. So about yes, Rs. 200 crores on sales already done.

Chintan Modi: Right. Sure. And coming to all the new competition that is now coming up pretty close to HSP as well as Kurla Mall. Can you take us through like you know how are we preparing for that? What could be the circumstances and possible outcomes of this?

Shishir Shrivastava: Let us talk about Kurla first. I assume that you are referring to the malls at Maker Maxity and the Reliance Convention Center coming up there. In terms of size, the leasable area of these malls is not comparable to a Phoenix MarketCity, it will be probably one-fourth of the size. Each of these will be one-fourth of the size of Phoenix MarketCity and after accounting for the anchor boxes, we are aware that there is a large club coming at the Maker Maxity, there is a very large cinema coming there. What remains leasable area for inline stores, is not a very high number. And I also understand that that positioning for both of these is very different from Phoenix MarketCity. It is bordering from bridge to luxury going up to luxury and high end. So these are very different formats and different products. We believe that there is enough of demand in that neighborhood where Phoenix MarketCity Kurla is located and the catchments that we have even going all the way to let us say, the western side, western suburbs including Santa Cruz, Juhu, Vile Parle, Bandra, there is enough of catchment for our product there as well. And we have huge captive audience right in the immediate neighborhood, within our property and in the immediate neighborhood outside of our property. Having said that, we believe that we recognize that we have to continue to be very innovative and in terms of the offering for our customers, in terms of marketing, promotions, etc. And we will continue to do best what we do best.

Chintan Modi: Sure. And for HSP?

Shishir Shrivastava: High Street Phoenix, it is not much different, right? I mean, I would say that if you are referring to the Oberoi Realty Mall coming at Worli, we are cognizant of the fact that it is going to attract a similar profile and the same catchment. But there is enough of demand for this location for both these malls to do very well. We have not seen any adverse impact from a retailer's perspective, I think, High Street Phoenix today continues to trade as the highest trading density in the country. It is a much larger mall. We have enough retailers and our relationship with retailers are very-very strong. We have enough of a waitlist for people wanting to have a store at High Street Phoenix and we will continue to, we believe that we have all the ingredients required right from hardware and software and in terms of our operating abilities to continue to maintain leadership position in this market.

Chintan Modi: Sure. So, my question for HSP was more from a perspective since you are seeing resurgence of Atria Mall also and lot of F&B's have moved there. So, that was my context, are we seeing any kind of little bit of you know, weakness in our F&B, in terms of consumption growth?

Shishir Shrivastava: Not really, I think the products are completely incomparable. Atria Mall has certainly got some very good F&B and entertainment options there. But that is limited to that offering and we continue to upgrade our offering here, we continue to get the best of F&B brands. entertainment brands, fashion brands at our mall. We have not seen any adverse impact of consumption on account of the resurgence of Atria as you may call it.

Chintan Modi: Sure. And lastly, if you can just highlight the remaining space that we have in a HSP, any concrete plans on that now if you can share.

Shishir Shrivastava: Yes. As we have just discussed it, as I was explaining to Mr. Abhishek Anand, we have under the new DCRs, we have potential of building more than 1.6 million square feet, we intend to build out at least half a million square feet as additional retail and about 1.1 million square feet plus of offices. However, at the present, we are still trying to work on the approvals and obtain clarity on the cost of such approval and development charges and premiums, etc. So we expect to break around not earlier than the next 12 months.

Moderator: Thank you very much. The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Quickly, on the free cash flow generation. So you mentioned at the beginning and it seems like we will continue to generate significant free cash flows. Just want to understand that, is the understanding right like in terms of like factoring for the equity investments that will be making in the under construction portfolio, there is still a significant surplus that will be left to be deployed. And another part of this question would be, have we taken a pause after the acquisition of these five projects or we are still scouting for opportunities considering the current liquidity issue that is going on. So, basically on the free cash flow utilization going ahead.

Shishir Shrivastava: Sure. We had set out a target to double our retail portfolio about 3 years ago. And we are well on track for that having accomplished or having achieved, at least having clarity on how we are achieving that goal. We continue to believe that there are certain markets in the country which present a very-very great opportunity, where there is huge demand and very limited or negligible supply of organized retail or of good quality million square foot consumption centers. So we believe that we would like to see, at least beyond the 6 million or beyond the 5 million which is under development today, we would like to see at least another 3 million more getting added to our portfolio. So, we are scouting for three more opportunities in a few parts of the country. What is interesting also is that while we have seen the free cash or the mall cash flows, we also have a significant amount of free cash coming away from our residential development right from Kessaku which is completed and Tower 6 which is completed with balance sales itself, we are going to see huge free cash being generated from there which can fund all our growth aspirations.

Kunal Lakhan: So that is helpful but just one follow-up on that is like the newer markets that you are looking at…

Shishir Shrivastava: All Tier-I markets.

Kunal Lakhan: All Tier-I markets, okay.

Shishir Shrivastava: We are not looking at going into Tier-II or emerging Tier-III cities for sure.

Kunal Lakhan: Okay, great. Okay. And my second question was on the pre-leasing in Lucknow and Indore, any color on that? What have we done so far? And what kind of rentals we are getting over there because these are the assets which will come up over the next 12 to 24 months.

Shishir Shrivastava: Lucknow is likely to be operational somewhere in the second-half of this year. We have as of now, we are at about 75% preleased in that mall which is well beyond expected standards for a new opening mall, you would typically open a mall at about 60% - 70% kind of an occupancy and there is a million square foot mall. So you can imagine you are leased about almost 750 odd thousand square feet, which is pre-leased and should be a significant amount of that will be trading when we open the mall. Few maybe on fit out but most of them will be trading. Indore while it is like 80% or maybe 85% - 90% completed RCC structure, there is some rework required over there, which we intend to start very-very soon. I would say within the next 45 days, we will have to commence work over there. We expect Indore to become operational about 12 months to 15 months after Lucknow, we have initiated leasing over there. And we have just started because we do not want to go out into the market and start leasing too soon. But the response that we are getting is fantastic. We have already done I think multiplex and some anchors over there. So the response, we have got is fantastic on that one.

Kunal Lakhan: Great, any color on rental. In these two markets?

Shishir Shrivastava: At this point in time, since we have not really shared the information as yet and it is a little too early. But all I can say is that the rentals are about 20% higher than what we had underwritten when we had you know done our projections at the time of acquisition, 15% to 20% higher than that.

Moderator: Thank you very much. The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: Just wanted to see for HSP, we have 21% renewal in the current year. So it is more likely to be the same stores or looking for new guy there?

Shishir Shrivastava: At High Street Phoenix in FY 2020, we are going to see 21%; in FY 2021 we are going to see 16%; FY 2022 we are going to see about 12% renewal. Clearly the retailers who are within the property would be very keen to renew and also expand their size. So, in a few cases, we may look at a change in the format itself because we would like to bring in a better or a slightly different product mix. But that is all discussion underway at this point in time.

Abhinav Sinha: Okay. And the rentals, I mean, we are looking at some, sort of legacy stores also seek a big jump or they should be normal sort of resets?

Shishir Shrivastava: No, one would expect significant improvement in our rentals. In fact, that is what is renewal opportunity is for, right? We expect to see a significant improvement in the rentals on legacy stores as well.

Abhinav Sinha: Right. And is it mostly Palladium this time.

Shishir Shrivastava: Not really, it is across High Street Phoenix and Palladium. So in terms of anchors and all, the opportunity that gets presented is also resizing, freeing up some area for in line stores, smaller formats which give even higher rentals, higher loading, chargeable area therefore, some of the anchors are coming up for renewal this year and some stores in High Street Phoenix and Palladium so it is spread across. I would not say skewed towards. But interestingly in all the Phoenix MarketCities also not in FY 2020 but FY 2021 and FY 2022. all the anchors are coming up for renewals and those will present us some significant repricing opportunity again, resizing, redesign, resizing, bringing newer formats, etc.

Abhinav Sinha: Okay. And in Lucknow when you now hit 75%, what sort of mix do we have of store, if you can give us some idea?

Shishir Shrivastava: The category mix you mean?

Abhinav Sinha: Yes.

Shishir Shrivastava: Okay. So let us look at it like this. I would say that between F&B and entertainment and multiplex, we would be somewhere in the region of about 25%. In amongst the department stores and Hypermarket, we would be at maybe about 35%. That would be about 35%. And balance would be, of course, in line source and you know…

Abhinav Sinha: And sir, brand profile is roughly similar to what Pune, Kurla?

Shishir Shrivastava: Exactly. In fact brand profile is similar to what you would see anywhere in Pune or Bangalore or Kurla. Except maybe jewelry may not be in Bangalore , we have some jewelry, which we would not have here as much. Pune would be a good benchmark, in fact for this.

Abhinav Sinha: Right. Sir, just a couple of questions I had on P&L also. So electricity costs seem to be coming down. I mean, is it seasonal or some trend is there?

Shishir Shrivastava: Sorry, are you looking at HSP, specifically?

Abhinav Sinha: No, I am saying electricity expensive in the P&L. This is from the….

Pradumna Kanodia: So your observation is right, spot on. I think in some cases, we have this direct marketing arrangement where the bills are now being directly raised in favor of the retailer. So it is not a pass through here. And this is largely in the Pune belt that you see. And also over a period of time we have done some innovation from solar power, etc., which has resulted in lowering of cost across say in Bangalore and something smaller amount in Chennai as well. But largely the impact of this Pune thing where direct billing is happening to retailers is a result of this fall in the number that you see in the P&L, but not otherwise. Seasonally, yes, small decrease but largely on account of this arrangement.

Abhinav Sinha: And sir, consequently CAM will be lower, right?

Pradumna Kanodia: Yes, obviously, the recovery will be lower but not the margins. Electricity cost is additional of the CAM because the CAM is not part of the electricity recovery and this is over and above the CAM. So, this is not going to impact our CAM recoveries or our margins there off.

Abhinav Sinha: Okay. So, this was for what the retailer was using in his own store?

Pradumna Kanodia: Yes.

Abhinav Sinha: Okay, thanks. And sir, secondly, on the finance cost also. So, (a) is there some sort of write back, which has happened because of that what you did in the hotel? And (b) how much will be capitalized now?

Pradumna Kanodia: Yes, your observation on the hotel piece is right. There was an instrument which was carrying a notional interest because of the accounting standards. So we replaced that instrument with another one which does not have this issue of provisioning as far as interest is required from the accounting standard point of view. So that has resulted into a reversal from the time that instrument was issued. So that Rs. 48 crores is an exceptional item there and going forward, the P&L, which you are seeing is all reflective of the operational assets and the interest that we are paying gets rooted through the P&L. All our other development assets, currently only the loan is on I would say two assets. One is our Lucknow, and the other is our Fountainhead in Pune, which is a small development and a small loan. So those are going directly to the work in progress and they do not get rooted through the P&L as of now and will not be reflective of, we will not be rooting it through the P&L going forward as well.

Abhinav Sinha: Right. Okay. And sir, final question on dividend, there has been a bit of a raise this time. So is that something which we are looking at more as a shareholder reward now I mean, cash flow situation is much better than what it used to be, right? Thanks.

Pradumna Kanodia: So on the dividend, while we have continued our policy or I would say, in the past also we have been gradually increasing the payouts. We make sure that there is a balanced approach where there is enough money that we conserve as well as enough payouts happen to the shareholders who have been there with us for a long period of time. But the balance allows us to look at our future CAPEX and our other requirements that we have and keeping that in view this time, we have increased it to Rs. 3 per share. And hopefully, as we complete our investment cycle over the next three years and the malls become operational, we will see more ability of Phoenix Mills to look at higher dividends as we go forward.

Moderator: Thank you very much. Due to time constraints, we will take the last question from the line of Prem Khurana from Anand Rathi Financial Services Limited. Please go ahead.

Prem Khurana: And sorry to harp on the consumption pattern again. So at HSP, what I see that our consumption has been muted for the last two years. But then, I think even the trading density seems to be down this year, I mean in many years that we have been looking at our company. How do you see this impacting, I mean, large part of our area is supposed to come up for renewal, I mean do you get to see or you have some bearing on the negotiations that you would have to attain I mean, could there be a situation where these tenants push you to have more lower of minimum guarantee and higher of revenue because, as you said, I mean this is only transient and therefore, you will be able to convince them that it is transient but then they would want you to take some share of the risk there and therefore, make you kind of settle for a lower MG and then higher revenue share?

Shishir Shrivastava: Yes, Prem, very interesting question. Firstly, let us share with you that in this last year, our overall consumption has been impacted at High Street Phoenix and Palladium on account of Lifestyle and PVR and few other stores which were under renovation. Towards start of last year, we also had just opened North Sky Zone where what used to earlier be the Pantaloons Department Store, we have opened with a mix of fashion and F&B brands. So there the consumption pickup has taken a little bit of time but now it is reaching there, I would say it is showing a very good progress and good incline. Trading density has also gotten impacted on account of you know, the infrastructure work which is right outside in the neighborhood, which is causing a little bit, or rather quite a bit of inconvenience to customers coming into the mall mainly on account of the Metro work which is on at Dr. E. Moses Road. Now, that they have completed all the work in the ground, over the next few months, one will see that traffic will get eased over there. Now, for all practical purposes, even if we look at our trading density of FY 2019, being close to about say 2,950 as opposed to 3,000 of the previous year, that remains the highest, if not the highest amongst the top two malls of this country. This each and every retailer that we have at High Street Phoenix and Palladium is benefiting hugely on account of this high consumption and trading density. A small blip on account of sudden infra work, which is still garnering maybe two times the trading density or almost two times trading density of other locations where they may be present in the country, I do not see that with our relationships, any of the retailers are going to use that as a tool to renegotiate downwards or not agree to us a significant increase in rentals when the stores come up for renewal at this iconic location in the country.

Prem Khurana: Sure. But then, I mean, what I want to understand is that would you be open to kind of settle for a lower MG?

Pradumna Kanodia: This is no reason for us to do that.

Prem Khurana: Sure. Second question was on residential portion now since I mean the OC is in place for Kessaku, how that changes our marketing strategy because essentially, I mean, we have never been hard pressed for cash flows which is where we have been always after value and not volumes given the fact that the OC is in place and you have this CAPEX that you need to take care of, would that make you go a little aggressive and how do you intend to liquidate this entire inventory that they have especially Kessaku side?

Shishir Shrivastava: So I am going to answer this question in three parts. First, let us address the CAPEX part. Like we explained earlier on in this call, between completion of Kessaku and Tower 6, whatever remaining works have to be done and payment of the bills for works which have been done, there is about Rs. 50 crores to be spent there. Tower 7 which we intend to launch next month or soon after, we expect overall the project to cost us not more than Rs. 100 crores. So let us say there is Rs. 150 crores to be spent. We have receivables from sales already done in excess of Rs.180 cr, let us say almost Rs. 200 crores of receivables. So the CAPEX is funded.

Prem Khurana: So when I say CAPEX I meant, the money that you need to spend for let us say Ahmedabad or Indore or for that matter you said, you want to augment your portfolio by another 3 odd million square feet of area so which… So as far as Resi is concerned you have enough I understand.

Shishir Shrivastava: Yes, may I answer?

Prem Khurana: Yes, sure.

Shishir Shrivastava: Okay. So the CAPEX for the other projects, when it comes to Lucknow or Indore and this is a non-CPPIB portfolio. We have more or less met all our equity obligations over there. So there is no further CAPEX to be incurred there. When it comes to the CPPIB portfolio, all the equity is fully funded for all the projects there. In excess, in addition to that, I mean we have about Rs. 400 odd crores sitting in liquid funds and investments, which will further fund the project stage. After which we will start drawing down debt. We have gone conservative on our debt equity leverage over here. We have gone closer to one is to one debt equity ratio on all the projects there. So, there is no further equity contribution required there. From our remaining portfolio, we have roughly around Rs. 330 crores of free cash being generated only from our retail and commercial office portfolio which is our portion, okay when I say our portion means that is what is hundred percent coming to Phoenix Mills Limited, annually Rs.330 cr which is also growing steadily at 15% - 16% every year. In addition to that so all of this put together, we also have the ability and several of our assets which are under leveraged, we have the ability to leverage there should it come to that point there, but that is not the intent, okay to leverage further. So we have enough free cash coming our way to fund the next 2 million square feet or 3 million square feet of retail expansion that we want to do in some key cities. Therefore, there is no real pressure to sell Kessaku or Tower 6 at a lower rate. Now interestingly, that we received the OC from a customer's perspective, you have the positive impact of no GST. So that has again become a very attractive proposition for customers because this is a ready asset. They can move in much faster and you are typically not seeing investors buying these, you see families buying these apartments, end users purchasing these apartments. So it is a very-very good opportunity and option for them because it is coming at a great value. So, overall, we believe, as the market continues to improve, our product of Kessaku and One Bangalore West Tower 6 will see preference over under development projects for sure. But as we all know, across the country, you are not seeing a significant improvement in Resi sales. But as and when that happens, the answer to beating that is not to drop prices that I can certainly tell you with absolute confidence, you have to wait out as the market improves, the product itself will be one of preference.

Prem Khurana: Just one last bookkeeping. For Chennai SPV, the debt seems to have gone up by almost around Rs. 240 odd crores.

Shishir Shrivastava: Yes.

Prem Khurana: So we have taken top-up loan or what exactly is that?

Shishir Shrivastava: It is a top-up , it is a replacement loan and it is an LRD. And we have taken that and it is been utilized to upstream the funds to the shareholders.

Prem Khurana: Okay, sure. And where does Palladium Chennai debt reflect in these SPVs, if there is any?

Shishir Shrivastava: Well, Phoenix Mills has some 28% in Palladium Chennai directly so it will not reflect there.

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