"Q3FY12 Earnings Call of Phoenix Mills Limited"

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SPEAKERS: **Shishir Shrivastava, Group CEO & Joint MD**
Pradumna Kanodia, Director – Finance
Mayank Ruia, Development Director
Ashok Parakh, Asst. VP, Finance & Accounts

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Moderator: Good afternoon, ladies and gentlemen. I am Souradeep Sarkar, the operator for this conference. Thank you all for standing by and welcome to the Q3FY12 Results Conference Call of The Phoenix Mills Limited, organized by Seagull Value Consultants LLP. For the duration of presentation, all participants' lines will be in the listen-only mode. There will be presentation followed by a Q&A session. I would like to now hand over the conference to Mr. Hanumant Bhansali from Seagull. Over to you, sir.

Hanumant Bhansali: Thank you Souradeep and good afternoon to you all. On behalf of Seagull Value Consultants LLP, let me welcome you all to the Q3FY12 Earnings Call of The Phoenix Mills Limited. We have with us today the management led by Mr. Shishir Shrivastava, Group CEO and Joint Managing Director; Mr. Pradumna Kanodia, Director – Finance; Mr. Mayank Ruia, Development Director; and Mr. Ashok Parakh, Assistant Vice President, Finance and Accounts.

I would now like to hand over the call to Mr. Shrivastava. Over to you, sir.

Shishir Shrivastava: Good evening, ladies and gentlemen, and welcome to The Phoenix Mills Limited Q3FY12 conference call where we shall discuss our results and developments for the quarter ended 31st December 2011. It has been a very strong quarter of operations at High Street Phoenix with consumption touching close to about Rs. 960 million in October and December 2011 and increasing 18% year-on-year and 15% quarter-on-quarter for Q3FY12. Even as the retail industry may have faced some slowdown, High Street Phoenix continued to draw more than 1.6 million footfalls per month which is testimony to our superior brand mix and our endeavor to keep the buzz alive at the centre. While Phoenix Marketcity at Pune became operational in Q2FY12, we saw Phoenix Marketcities at Bangalore and Kurla, Mumbai opening its doors to the customers in October and November respectively. Again, customers have reposed their faith in the Phoenix brand and the centres have seen encouraging signs in the very early days of operations. I would like to draw your attention to the investor presentations shared with you as we go forward with our discussions today.

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We will first take up the financial performance for the quarter. Income from operations increased 12% from Rs. 45.1 crore in Q3FY11 to Rs. 50.5 crore in Q3FY12 led by strong consumption growth at the centre and contribution from revenue share. EBITDA was higher by 14% from Rs. 327 million in Q3FY11 to 373 million in Q3FY12. Profit before tax has increased from Rs. 310 million in Q3FY11 to Rs. 355 million in Q3FY12 which is an increase of 15%. PAT was higher at Rs. 269 million in Q3FY12 as compared to Rs. 234 million in Q3FY11, demonstrating an increase of 13%.

May I draw your attention to slide number 8 of our presentation where we have a standalone balance sheet wherein debt has increased by about Rs. 240 million with further drawdown occurring this quarter on the LRD facility on High Street Phoenix license fees availed in Q2FY12. Loans and advances have increased on account of advances given to Marketcity projects at Kurla and Bangalore. Our consolidated gross debt now stands at Rs. 14.6 billion and consolidated cash and cash equivalents stand at Rs. 1.7 billion.

May I draw your attention to slide 11 of the presentation which indicates that High Street Phoenix has sustained its robust run rate of over 1.6 million footfalls per month and consumption of approximately Rs. 880 million on an average per month for the quarter. Footfalls have sustained quarter-on-quarter at 5 million in Q3FY12 which is a 23% growth year-on-year while consumption has increased to Rs. 2,648 million representing an 18% year-on-year growth and 15% quarter-on-quarter growth. Rentals per square foot have also increased to close to Rs. 177 per square foot vis-à-vis Rs. 167 per square foot in Q2FY12. Contribution from revenue sharing continues to be healthy. It was Rs. 46 million for Q2FY12. EBITDA as a percentage of total income has improved substantially from 70% in Q2FY12 to 74% in Q3FY12. EBITDA as a percentage of license fees has also been healthy at 88% vis-à-vis 85% in the previous quarter.

Moving on to the highlights of the Phoenix Marketcity projects, slide 14 provides a brief summary of the four Marketcity projects. Slide 15, 16 and 17 provide an update on Phoenix Marketcity at Pune which has witnessed a strong ramp-up in its operations since opening in June 2011. Occupancy at Phoenix Marketcity Pune stands at around 65% while nearly 75% of the phase one leasable component has been committed. Opening of the multiplex PVR in the subsequent quarter should boost footfalls and consumption further at the already busy centre.

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As seen on slide 16, footfalls have seen a secular uptrend and consumption has kept pace with the signaling strong convergent ratio. Increasing four and two wheeler counts reflect the upscale patrons frequenting the mall. Also it's noteworthy that for a mall that is just 6 months into operations, EBITDA margins of 84% for Q3FY12 reflect the operational efficiency. We hope to improve EBITDA as a percentage of license fees with the ramping up of consumption and occupancy at the centre.

Moving on, Phoenix Marketcity at Bangalore East which opened on October 21st with over 112 stores on the day of opening has witnessed a swift ramp-up. Occupancy in terms of area now stands at around 50% with more than 160 stores operational. Footfalls have consistently improved and the mall clocked approximately 4 lac footfalls for the month of December alone.

Talking about Phoenix Marketcity in Mumbai at Kurla, quite a few of our friends from the investor community have visited Phoenix Marketcity, Mumbai at Kurla post its opening in November and shared great reviews with us. The mall has sharply increased its occupancy from around 75 stores in November to more than 125 stores in January with nearly 30% occupancy. Also the phase one commercial product branded as 15 lb assassins strong traction with a little over 60% of the area already committed. Also construction at Phoenix Marketcity Chennai has progressed well and is scheduled to be launched in Quarter one of FY13. The pre-launch sales of phase one residential component has been usually successful with nearly 70% of the area sold at attractive prices exceeding upwards of Rs. 6,600 per square foot. At the Shangri la Hotel, Mumbai, the operations team will start commissioning key infrastructure and soft launch in the early month of FY13. We intend to launch our Bangalore West residential project in June of 2012 which is a phase wise project in the heart of Bangalore city. It will comprise of nine high-rise towers and a luxury tower.

If I may draw your attention to slide 25 which speaks about the Phoenix Hospitality share allotment, Phoenix Hospitality is the SPV through which PML owns stakes in many assets. Some of them were earlier scheduled to be Hospitality assets but with the changing environment, we have changed the format. As the update explains, Rs. 1,542 million infused in the SPV which was held as share application money against which shares have now been allotted. This gives Phoenix Mills a 56.92% stake and makes Phoenix Hospitality a subsidiary of PML. We intend to modify the product mix and the Phoenix Hospitality and have share details of plan developments at its site.

To summarize, the response shown for Pune, Bangalore and Kurla Marketcity projects has been very encouraging. While we simultaneously execute and deliver multiple retail assets, each of the scale never attempted before in the industry. We have also initiated concrete plans for phase two involving commercial and residential projects. With this, I conclude my discussion, and we would now gladly address any questions that you may have. Thank you very much.

Moderator: Thank you so much, sir. Now we are going to start with the Q&A interactive session. So I would request the participants, if they wish to ask a question, please press “0” “1” on their telephone keypad and wait for their name to get announced. Thank you.

Our first question comes from Mr. Unmesh Sharma, Macquarie. Mr. Sharma, you can go ahead and ask your question. Your line has been unmuted.

Unmesh Sharma: Thank you very much for taking my question. I have three quick questions. Firstly, what is the rationale behind the Phoenix Hospitality deal and what exactly does this imply in terms of the shareholding of the subsidiary? The second which is more generic question, what do you think is the outlook on the retail and revenue share performance? While these results have been strong, do you see any signs of a slowdown? Third is, in terms of the consolidated debt level, what is the target debt level and where do you this going in the next 12 months? Thanks.

Shishir Shrivastava: Hi, Unmesh. Thank you for your question. To give you an idea on the rationale behind the Phoenix Hospitality allotment of shares, you know the original transaction as envisaged in 2007 was Phoenix Hospitality already had assets to the extent of about 116 to 120 crore value in 2007. This came in the form of land and the understanding was for Phoenix Mills to invest about Rs. 350 crore and acquire a 75% stake in the company. Since then, Phoenix Mills has invested about 154 crore in the company, and these funds were lying as share application money. Also the environment has changed since then and Phoenix Hospitality is not developing a few of these land parcels that it had as hotel projects but it’s looking at – certain formats have changed. For example, at Pune, Phoenix Hospitality is developing a residential building. In Mumbai, there is a land parcel where Phoenix had intended to build a hotel but now Phoenix Hospitality has changed the format and is looking at the combination of retail and commercial assets. Some of which could be for sale.

At Bangalore West, instead of a hotel, Phoenix Hospitality intends to build about almost a million square feet of residential and hotel. In Chennai, instead of the hotel, Phoenix Hospitality is considering a combination of residential with maybe a small boutique hotel. In Agra, Phoenix Hospitality continues to develop a 150-room property. So with the changes that Phoenix Hospitality has made in the formats of these developments, instead of looking at an asset base which would comprise of hotels, which would eventually end up being fairly debt heavy. Phoenix Hospitality intends to monetize by creation of residential, commercial and some retail spaces for sale. The valuation has remained unchanged. Phoenix Mills, the allotment of 56.9% in the company at an investment of 154.2 crore and the company remains at the same valuation as originally intended. I hope that answers your question on Phoenix Hospitality.

Unmesh Sharma: Just to refresh my memory, is this the same project of which – if I remember correctly, in 2007 there was a QIP done where the proceeds were to be used for acquisition of stake.

Shishir Shrivastava: That's correct. At the time of the QIP, 350 crore was earmarked for investment and acquiring fresh stake in this company which was building hotel assets.

Unmesh Sharma: Okay. Now that is very clear. The other two questions…?

Shishir Shrivastava: Your next question was on whether we are witnessing any slowdown in terms of retail consumption. Incredibly at High Street Phoenix, the numbers have been better than ever in terms of consumption. We were also thinking that perhaps the consumption number would be lower considering the current market environment but I think there has been an increase in footfalls, and therefore consumer spend coupled with the shopping around the festivities which was fueled by many promotional activities. So we are hopeful that this strength should continue even for the last quarter. Historically, the last quarter is a little slower but if we were to compare our consumption in Q3FY12 of close to about 265 crore, that's an 18% increase from the previous year and a 15% increase quarter to quarter. So really, I think this is testimony to the fact that as a centre Phoenix is becoming a preferred destination. I am not too sure how the other centres in the city may be performing other than Phoenix.

Unmesh Sharma: And my third question was regarding the debt.

Shishir Shrivastava: I am going to request Mr. Pradumna Kanodia, Group CFO, to take on that question.

Pradumna Kanodia: Hi, Unmesh. As on December, the consolidated debt was 5,460 crore. There is a small addition to that happening primarily for a couple of reasons. One, Pallazio also the drawdown will happen completely. Secondly, HSP, we may do a little bit of more on drawdown. Right now, we are at 270 crore of drawdown. So there is a scope as per the current sanction of 130 crore going up. But the rest of the properties which form part of our consolidated accounts would not see major debt being raised. In fact, you would have PCL of the phase two part of the development coming in. So clearly, the desire would be to keep the debt levels under control going forward. Hopefully, with the RBI also signaling a little bit of leniency in the interest rate environment, we hope that not only we are able to benefit from the interest rates which are likely to go down in the coming year as well as also the sales that happen across all our market cities would reduce our debt in a couple of years from now. So the idea would be to keep the debt level at the current numbers without really increasing it significantly from here. Maybe another 100 odd crore gets added to this but beyond that I think we would be pretty much at the peak in terms of how the consolidated debt would look like.

Unmesh Sharma: Okay. Is there any third process to bring this down over a period of time?

Pradumna Kanodia: Yes. Clearly we are having the second phase which I mentioned to you. The second phase model will throw up significant cash flows. So each SPV has the second phase attached to it. So when we talk about Kurla, we have almost a 1000 crore coming in over the next 2-3 years timeframe. In Pune, we just spoke about the commercial offices under sale. Chennai has a residential bit of it. So each of the SPV was designed in a manner that initially the investments would go towards creating this world-class asset but subsequently the sales component of residential and commercial part of the development could help us in getting the debt down to a more reasonable level and hopefully that would leave enough money at the table for us not only to service and repay the debt but also make it available for the promoters and the investors for the growth and for their disbursement.

Unmesh Sharma: Thank you very much.

Pradumna Kanodia: Thanks, Unmesh.

Moderator: Thank you, Mr. Sharma. Now we have Ms. Gunjan Prithiani from JP Morgan for the next question. Ms. Prithiani, you can go ahead and ask your question. Your line has been unmuted.

Gunjan Prithiani: I have a couple of questions. Firstly, on High Street Phoenix, could you just tell us when do we see the landmark reopening and also on the pending anchor renewal or has there been any progress on that?

Shishir Shrivastava: Sorry. May I request you to repeat the second part of your question?

Gunjan Prithiani: When would landmark reopen? That has been shut for about two quarters. Any clarity on the pending anchor renewal which is there?

Shishir Shrivastava: As far as landmark is concerned, some renovation is going on there. It's taking a little time. We expect it to take, I think, three to four months and can become operational again. With regards to the anchor renewal, this has already all been done. So there is nothing in the next couple of quarters that we expect – no big boxes that we expect for renewal in the next couple of quarters.

Gunjan Prithiani: Okay. So all the three anchor renewals are now in place?

Shishir Shrivastava: That's correct.

Gunjan Prithiani: Okay. Secondly, if you could just tell us what is your minimum guaranteed average rental at HSP now because the average which you give out 177 includes the revenue shares as well? So if you could just tell us the baseline base average rental?

Shishir Shrivastava: This number should be close to about 162 to 163 in my opinion on the minimum guarantee number. But this also includes the commercial offices.

Gunjan Prithiani: This also includes the commercial offices. So 163 would be the base. Right?

Shishir Shrivastava: That's correct.

Gunjan Prithiani: Okay. Secondly, if you could just give some details in the launch plans of the phase two? At the presentation, you mentioned that you have done a soft launching in Kurla. If you could just give some details on that? And secondly, on the

Bangalore West project, the hospitality land is also a part of the same parcel. Right? So now you will have about 3 million square feet in Bangalore West for the residential development.

Shishir Shrivastava: That's correct. So as far as Kurla is concerned, for phase two we are expecting to see some traction in terms of sales, I would say, in the next month and a half or so when we do the soft launch of the product. In terms of Bangalore, yes, the hospitality company also owns part of the land. So this is collectively a 3 million square feet development.

Gunjan Prithiani: Okay. Just lastly on your debt, this has been dealt upon earlier as well. Now the entire debt for Shangri La has been drawn down. So we should not see a material debt increase from hereon on consolidated level?

Shishir Shrivastava: As far as Shangri La is concerned, we don't expect to see any additional debt being loaded on that project.

Shishir Shrivastava: What is the total outstanding debt on Shangri La right now? It's about 530 crore.

Gunjan Prithiani: If I can also have the SPV, I can probably take that from you later.

Shishir Shrivastava: Thank you. You may contact our team here. Mr. Sastha Gudalore and Mr. Mihir Salot.

Gunjan Prithiani: All right. Thank you so much.

Moderator: Thank you, Ms. Prithiani. The next question comes from Mr. Adhidev Chattopadhyay from Edelweiss. Mr. Chattopadhyay, you can ahead and ask your question. Your line has been unmuted.

Adhidev Chattopadhyay: Thanks for taking my question. The first question pertains to the Marketcity Chennai. When do we see the mall being given for fit-outs to the tenants? When does that commence? Residential portion, do you expect to hit any accounting threshold for booking of the revenues during this fiscal?

Shishir Shrivastava: With regards to the Chennai mall, we have in fact commenced handing over premises to anchors for fit-outs. We expect to see some movements in the next couple of weeks in fact. With regards to residential, no, we don't expect to be seeing any booking required to be posted in the books of accounts for this financial year.

Adhidev Chattopadhyay: Okay. Just to understand like what is going to be the accounting policy for the residential portion, if you could just give some clarity on that front? When do we do the booking?

Pradumna Kanodia: Well, it will be based on a couple of criteria. One of them being that what is the percentage completion in the threshold for that, the other being whether the agreement that we have entered with the party has got registered or not. And third is also on the collection part of it. So the auditors when we have agreed to keep this policy very simple and straightforward. 25% threshold in terms of completion would be the first criteria. Second, if the contract has been entered into and the agreement has been registered, that would be the second barometer against which we will be looking at our revenue recognition. And third, in case we have done this but the collection has not happened, then we may not want to recognize that for accounting policy. So that's what we have done for our Pune project where we have used the same policy and going forward I think we will continue to maintain the same.

Adhidev Chattopadhyay: Okay. So it will be including land cost?

Pradumna Kanodia: The percentage completion would, excluding the land cost.

Adhidev Chattopadhyay: Okay. Secondly, my question relates to Grace works realty. You said you will be launching phase two of Kurla. I believe that is around 0.9 million square feet of commercial space. In addition, Grace works also has 0.55 which is now coming in. So what is the strategy? Is that going to be on sale basis or are we going to lease the thing out? So what is going to be the strategy over there?

Shishir Shrivastava: Well, for Grace Works, we are currently evaluating and we will finally look at the combination, maybe some component for sale and some for lease. In fact, we may see some component of the sale translating into a lease and subsequent sale.

Adhidev Chattopadhyay: Okay. My last question is pertaining to the Bangalore West residential project. So as we understand, 2 million square feet will be where you are holding 70% stake and the balance with 1 million square feet will be held through the new stake buy-out we have done in the quarter in Phoenix Hospitality company. Is that correct?

Shishir Shrivastava: That's correct.

Adhidev Chattopadhyay: So when we are launching the project, is it like SPV will be launched first and then the next one comes in or is it just blended as one entire project and then you will be launching it?

Shishir Shrivastava: In the interest of the project, it's going to be blended as one entire project and launched in that manner.

Adhidev Chattopadhyay: Okay. What is like sort of phasing we can expect in that line? Three phases, four phases or a couple of phases?

Shishir Shrivastava: We are expecting a total development to be of nine towers and it would break down into three phases.

Adhidev Chattopadhyay: Okay. I think, I will come back afterwards with more questions. Thank you.

Moderator: Thank you, Mr. Chattopadhyay. We have our next question from Mr. Suman Memani from Pinc Research. Mr. Memani, you can go ahead and ask your question. Your line has been unmuted.

Suman Memani: Good afternoon, sir. I think my question was related to Phoenix Hospitality. Most of them have been answered. Just one thing is that whether we have deployed any cash over the last three to four years in Phoenix Hospitality hotel construction where now the plans have been changed to retail or commercial?

Shishir Shrivastava: If you are trying to recognize if there is going to be any abortive cost, it's going to be very, very negligible because the conversion to the format is not requiring us to really demolish any major part of the areas already constructed.

Suman Memani: Okay. It would have been Kurla and Pune?

Shishir Shrivastava: Primarily Kurla because for Pune whatever has been incurred is below the ground and the development of alliance hospitality is on top of the mall. So there is no abortive cost there.

Suman Memani: What would be the run rate on the Pune mall Marketcity project per month rental nowadays?

Shishir Shrivastava: We are averaging close to about Rs. 60/- per square foot.

Suman Memani: In value terms, in fact per month collection?

Shishir Shrivastava: In per month collection, we are currently at about 4 crore but we expect this to move up to close to 5.5, I would say, in the next two or three months.

Suman Memani: Okay. The occupancy has moved to 65% and the leasing status has been 80 to 85% committed. So are there any stores who are getting the pre-rental period or anything like that?

Shishir Shrivastava: That's correct. We will still have some quite a few stores in fact who will be under the fit-out period and therefore we expect this number to move up.

Suman Memani: Okay. That's it. Thank you, sir.

Shishir Shrivastava: Thank you, Suman.

Moderator: Thank you, Mr. Memani. Now we have Mr. Madhukar Ladha from HDFC Securities for the next question. Mr. Ladha, you can go ahead and ask your question please.

Madhukar Ladha: First question is, given that the Bombay saw an increase in the ready reckoner rates in January, did we see an increase in registration for sales of commercial properties that we have done in Kurla?

Shishir Shrivastava: Madhukar, may I request you to repeat your question?

Madhukar Ladha: Given that the ready reckoner rate for Bombay has increased, did we see additional registration taking place in December for commercial sales at Kurla?

Shishir Shrivastava: Actually, the agreements for the Kurla property are yet not finally executed with most of the buyers. So there was no rush to go and register any of these documents.

Madhukar Ladha: The other question is that, you have sold approximately 60% in both Kurla and Pune commercial property. At what value this sale has taken place?

Shishir Shrivastava: Sorry. I got the first part of you question. If I may just mention this, in Pune the sales has almost crossed 75%, in Kurla at 60%. What's the last part? What was your question on this?

Madhukar Ladha: What's the sales value for this 75% and 60%?

Shishir Shrivastava: In Pune, for 75% this was close to about 125 crore. As far as Kurla is concerned, we have done transactions of approximately 140 crore value. And we have collected close to about 90 in that case. And in case of Pune, we have collected close to 110 crore.

Madhukar Ladha: In this quarter, I am seeing an increase in other income.

Shishir Shrivastava: Right.

Madhukar Ladha: What is this on account of primarily?

Shishir Shrivastava: This would be primarily on account of interest on loans that the company has given to SPV. Interest is on accrual basis. So that should probably be the same in 2Q also. Then you give additional loans this quarter. There has been some additional loan to this project SPVs in this quarter.

Madhukar Ladha: Right. You mentioned that all the renegotiations with the anchor tenants for HSP have happened. What pricing would that be?

Shishir Shrivastava: The weighted average for the anchors works out to about 110. I won't be able to give you a breakdown on each store and the number it pans out but the weighted average has worked out to be about 110.

Madhukar Ladha: I think those are my questions. Thanks a lot.

Shishir Shrivastava: Thank you.

Moderator: Thank you, Mr. Ladha. We have Mr. Ravi Dodhia from Crystal for the next question. Mr. Dodhia, you can go ahead and ask your question please.

Ravi Dodhia: Thanks for taking my question. Just want to know this interest income which you have got in the current quarter from loans and advances to SPV. What the interest rates that you are getting on this loans? And also for your LRD loans, what is the interest rate that you are paying?

Pradumna Kanodia: In terms of the interest rate that we are paying for Phoenix Mills, we are sub 12% on that while the refinancing that we have been able to get for the other projects are in the range of 12.75 to 13.25. And the advances which are temporary in nature given to the SPVs carry interests which are slightly above the bank rates, maybe 2 or 3% over the bank rates. These are temporary in nature which will be returned back once the cash flows of the project are in alignment with the requirements.

Ravi Dodhia: When are we expecting this amount to be returned to PML?

Pradumna Kanodia: I think, as we were discussing about the second phase developments across all these projects, there are significant sales model that is going to be kicking in whether it be for Kular or Pune or the other projects. So we are anticipating that this financial year our focus would be on getting this second phase developments up and running and significant portion of our money which has been advanced to some of these SPVs would come back towards the end of the coming financial year and maybe whatever is the balance in the next few subsequent financial years.

Ravi Dodhia: Sure. You have mentioned that there has been a limited impact on the retail side of the current slowdown. So on the commercial front for your phase two development, are you seeing any slowdown in Mumbai, Bangalore or other property?

Pradumna Kanodia: In fact, contrary to the market sentiment, in the last month or so we have seen significant traction for the commercial spaces in both Mumbai and Pune. So we are not really seeing a slowdown. The kind of the product that we have we are out in the market and it still continues to be reasonably a good demand. In both Pune and Kurla, the size of these offices keeps the ticket size not very large which is still very attractive to investors and the end users.

Ravi Dodhia: Okay. Sure. Thanks a lot.

Pradumna Kanodia: Thank you.

Moderator: Thank you, Mr. Dodhia. The next question comes from Mr. Kshitij Jain from SPFL Securities Limited. Mr. Jain, you can go ahead and ask your question. Your line has been unmuted.

Kshitij Jain: Good afternoon, sir. My question is, in FY11 you reduced your debtor days from 129 days to 85 days. If there is any possibility to reduce further in FY12?

Shishir Shrivastava: While the team is going to continue working on that, I think this is going to still average out in the same region where we are today.

Kshitij Jain: About 85?

Shishir Shrivastava: That’s right.

Kshitij Jain: Thanks for my question. And I have got all my answers. Thank you.

Moderator: Thank you, Mr. Jain. We have Mr. Puneet Kumar from Fanlan Equity Analytics. Mr. Kumar, you can go ahead and ask your question.

Puneet Kumar: My question is regarding the Bangalore West project in Rajaji Nagar. Could you give me some details of the cost of project like how are you going to finance it and how long will it take for the project to come into life?

Shishir Shrivastava: I am going to let Mr. Mayank Ruia who is the Development Director for that project answer that question.

Mayank Ruia: Hi Puneet. I think the cost right now is work in progress but I can give you based on the 3 million square feet development, what are our average cost we are looking at. We are looking at between 900 to a 100 crore in the cost of the overall development including construction and all soft cost. I think the second part of question was…?

Puneet Kumar: How are you going to finance this?

Mayank Ruia: Well, hopefully we are going to do it in the orthodox residential manner which is presales for the most part of it. We might require some rich financing for which we might seek the help of banks and an overdraft capacity of between 70 to 100 crore.

Puneet Kumar: Okay. So by presales you mean to say right from June 2012, you are open for bookings?

Mayank Ruia: That’s correct.

Puneet Kumar: Okay. This 900 to 1000 crore you are saying, does the cost of the entire project, all the ten towers that you are building with?

Mayank Ruia: That’s correct.

Puneet Kumar: Okay. The second question is regarding the Marketcity project in Bangalore. Are you coming out with the multiplex?

Mayank Ruia: I will actually just hand you back over to Shishir who can answer that for you.

Shishir Shrivastava: Yes, Puneet, we do have a multiplex that is currently under fit-out in Bangalore. We expect that to be operational in about four months.

Puneet Kumar: Which one is that?

Shishir Shrivastava: It is PVR.

Puneet Kumar: Okay. That's it. Thank you.

Moderator: Thank you, Mr. Kumar. Our next question comes once again from Adhidev Chattopadhyay from Edelweiss. Mr. Chattopadhyay, you can go ahead and ask your question please.

Adhidev Chattopadhyay: Sir, I missed the figure. For Pantaloons what is the rate at which the rental renegotiation has happened if could share that please?

Pradumna Kanodia: As you were just mentioning, I think the blended price for these three renegotiations gives us the average rent of around Rs. 110. So without going into the specifics for this transaction, the current average is around Rs. 110.

Adhidev Chattopadhyay: These are across Lifestyle, Big Bazaar and Pantaloons, right, if I am correct.

Pradumna Kanodia: That's right.

Adhidev Chattopadhyay: Okay. Just to dig a little bit into Gangetic hotels which is doing the Agra Hotel, what is the current debt on books and what is the incremental CapEx here we will be required to incur going forward to complete it?

Pradumna Kanodia: The total cost will be around 150 odd crore and out of which we have spent around 40 odd crore. The balance needs to be spent over the next 12 months or so. The debt on the book is very limited. It's around Rs. 25-30 crore.

Adhidev Chattopadhyay: Okay. Just to say for all these transactions from the three subsidiaries which are getting consolidated under Phoenix Hospitality, what will be the debt on those three subsidiaries?

Pradumna Kanodia: In terms of Alliance, we do not have any debt. Grace works, of course, we have a sanction of around 175 which we have drawn down only around 105 as of now and depending on the need we may draw down further but since it is a cash sales we may not need further drawdown to happen on Grace works, and Palladium Hospitalities, Starboard Hotel, we do not have any borrowing on those two other entities.

Adhidev Chattopadhyay: Okay, sir. Thanks for answering my questions.

Moderator: Thank you, Mr. Chattopadhyay. We have the last question from Mr. Puneet Kumar from Fanlan Equity Analytics. Mr. Kumar, you can go ahead and ask your question please.

Puneet Kumar: I wanted to know what is the number of apartments you are planning at this place in Bangalore West?

Shishir Shrivastava: Total size of the project as we mentioned is 3 million square feet development. We would have around 1300 apartments in number. A little more breakup on that, maybe I request Mr. Mayank to provide you that.

Mayank Ruia: The structure of the apartment is of two different products. One is what we call the high rise premium product and one is what we call the luxury product. The nine towers that we have described in the past is that high rise premium product which would be largely 2.5 and 3 bedroom apartments. 2.5 bedroom apartments when we combine and sold is 4 bedroom apartments. The luxury will be 4's and 5's as of now. This is being developed in further detail and more market research to be done on the same. But that is our overall layout. So just to give you clarity on the whole product, about nine towers of roughly 210,000 to 220,000 square feet a tower and the balance square feet is to be consumed in the luxury tower.

Puneet Kumar: Okay. What is the number of apartments for 2.5 BHK?

Mayank Ruia: Well, that will really depend on how many get combined into 4's but I think if you are to consider all of 2.5 BHKs, then it would be two per floor across nine towers with an average of 30 floors per tower.

Puneet Kumar: Okay. What would be the price that you are looking to sell per square foot price?

Mayank Ruia: I think we will announce that when we have a little more clarity. I think that's going to be based on a little more research. But we will make that public as we are aware of it.

Puneet Kumar: Okay. Thank you so much.

Moderator: Thank you, Mr. Kumar. Last but not the least, we have Mr. Tejas Sheth from Emkay Global for the next question. Mr. Sheth, you can go ahead and ask your question please.

Tejas Sheth: Sir, before we just started this Marketcity projects, we had in our mind that we will be starting it with 75% lease status and then move towards 100% once they are operational. I think all

Marketcity projects have been operational for one quarter but we still see the lease status at 75-80%. When can we see the ramp-up to around 90-95% kind of number?

Shishir Shrivastava: Tejas, we are currently working on improving the revenues that we earn per square foot. In fact, for all practical purposes, they are all in the region of 80% prelease in any event. For example, if we look at the Kurla, it's close to 77% prelease. Now we have deliberately kept it on halt because in the market when we were leasing this, we weren't getting the best of rentals. Now the balance 23%, we ought to be able to get really much, much better rates since the mall is operational and we are seeing a large amount of footfalls coming in already. Really, these are the dynamics of the mall business while one has to be sensitive to how the market conditions are. Let me assure you that we are not facing any difficulty in leasing out the balance phase. It's more of a strategic decision to go slow.

Tejas Sheth: Okay. Can we expect it to be done in one quarter or so and then we can see the ramp-up of operation assets towards 80 – 85%?

Shishir Shrivastava: I would say that in about one and a half or two quarters, we will be seeing occupied stores trading to the extent of 85%.

Tejas Sheth: Okay, fine. Why I am asking this question because a lot of our debt servicing is taking place. At the same time, we are investing so much capital in this kind of assets. We are not seeing the ramp-up in the rentals in EBITDA. At the same time, we have to service the cost of the interest on these assets.

Shishir Shrivastava: There was another question earlier during this call. There are still many stores which are not paying rent because they are in the fit-out state. So that still holds true because every week we are now seeing more stores completing the fit-out and moving into training and therefore paying rent. Certainly these EBITDA numbers are going to be much higher even with the current leasing status.

Tejas Sheth: Okay. Just one question more. Of this revenue of 50.5 crore, how much would be from the revenue sharing?

Shishir Shrivastava: 4.5 crore is coming from revenue share.

Tejas Sheth: Okay, fine. That's it. thank you.

Moderator: Thank you, Mr. Sheth. We have Anand Agarwal from Jefferies for the next question. Mr. Agarwal, you can go ahead and ask your question please.

Anand Agarwal: A couple of questions. On the Phoenix Hospitality, just to understand, is there a plan to increase the stake to 75% at a later date?

Shishir Shrivastava: Phoenix Mills has an option to increase its stake up to 75% by infusing the balance close to 200 crore.

Anand Agarwal: What you currently exercise is at a much lower valuation more than 350 crore or 75% stake would suggest, right? So for the remaining stake, you will have to pay more. Is it?

Shishir Shrivastava: No, that's not correct. It would be at the same valuation. So what happens is, when Phoenix infuses the next approximately 200 crore, then the current shares that are allotted to it would get marginally diluted because of fresh shares being issued. So overall it would work out to be the same thing. So it's at the same valuation as was earlier envisaged.

Anand Agarwal: Okay. And this money was already given as share application money earlier. So there will not be any cash flow for this quarter?

Shishir Shrivastava: No, there is no additional cash flow expected from this.

Anand Agarwal: Okay. Second, on the Phoenix Marketcity Pune, on the presentation the slide that you have given on the rental income and the EBITDA, is this the P&L for the subsidiary or this is just an indication for the rental part because you would be recognizing revenue on the commercial part as well, right?

Shishir Shrivastava: That's correct. So this is not the P&L for the subsidiary. This is only an indication on the mall rentals.

Anand Agarwal: Both for the Pune commercial and Kurla commercial, the expectation is revenue recognition will happen entirely for the sold part in FY12 itself?

Shishir Shrivastava: For Pune, yes. And 15 LBS also, yes.

Anand Agarwal: Okay. Great. Thank you.

Moderator: Thank you, Mr. Agarwal. The next question comes from Mr. Abhishek Singh from B&K Securities. Mr. Singh, you can go ahead and ask your question. Your line has been unmuted.

Prem: Hi, sir. This is Prem. Most of my questions have been answered. Just a couple of questions. First is on PHCPL. Could you please share the financials of this company in terms of how does the balance sheet look like as of now after the share allotment?

Shishir Shrivastava: Maybe you can take that offline with Mr. Sastha Gudalore and Mr. Mihir Salot, from our team.

Prem: Sure. And second thing, just wanted to understand the rationale behind the..kind of, you somewhere in your remarks mentioned that the transaction is taking place at the earlier valuation. Just wanted understand, if I were to compare the current market with the 2007 market, the market is not that buoyant now and valuation has come up from peaks. So just wanted to understand the rationale behind assigning same valuation for the same kind of properties when the market has kind of corrected significantly.

Shishir Shrivastava: Instinctively, I can share this with you. There is no hard data for me to share at the present moment but Phoenix Hospitality has changed the formats for a bulk of these assets from that of being a hospitality assets which would have a significant amount of debt sitting on their head to sale assets which could be monetized quickly. In fact, in our opinion, the valuation should be a little more than the valuation that was done in 2007.

Prem: But if you were to consider timelines, you were planning to develop these properties some two, three years back. Now we are seeing some three, four years of delay. If you start construction, it will take another three, four years to complete these properties.

Shishir Shrivastava: There is a bit of a challenge that we had in the past. Almost all of these assets with the exception of the Agra property were part of the larger development and actually dependent on the completion of the mall portions below so that construction could proceed further. In fact, since it took time to complete the mall portion, that's how the hotel part got a bit delayed. But in retrospect or in hindsight, it worked out a little well because considering – for example, take the Pune market today where there is so much supply of hotel rooms and demand is very low resulting in occupancy as low as 20 – 25% in certain months. In hindsight, I think it worked out to be better. Also the value of the land has also significantly moved up since 2007 because of the upgrade to that immediate vicinity, not only because of the mall that we have developed but also the other developments in that locality and the immediate vicinity. The value of the land parcel itself has gone up.

Prem: Okay. Sir, we still have an option to increase our stake to 75% in PML. So do we have any timeline in place for this incremental acquisition or this is an optional thing?

Shishir Shrivastava: This is an option available with Phoenix Mills Limited. I don't believe that there is any definitive timeline for PML to exercise its option right now.

Prem: Sure. Thanks a lot.

Moderator: Thank you, Mr. Prem. Thank you all for the great session. As there are no further questions from the participants, I would request Mr. Hanumant to take over the floor for the final comments. Over to you, Mr. Hanumant.

Hanumant Bhansali: Thank you, Souradeep. Seagull Value Consultants is managing the Investor Relations for The Phoenix Mills Limited along with the team of Phoenix Mills Limited that includes Sastha Gudalore and Mihir Salot. Feel free to mail me at hanumant@theseagull.in to seek more information about the company. I once again thank you all for joining the call. Have a great evening ahead. Thank you.

Moderator: Thank you all for joining the conference call. Thank you for standing by and have a great day ahead. Have a pleasant evening. You all can disconnect your line. Thank you.