

Phoenix Mills Limited
Q1FY15 Earnings Conference Call
August 14, 2014

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Moderator Good day ladies and gentlemen, I am Harpreet Kapoor, the moderator of this call. Thank you for standing by and welcome to the Phoenix Mills Ltd. Q1 FY15 Earnings Conference Call. For the duration of presentation, all participants' lines will be in listen-only mode. We will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Pradumna Kanodia. Thanks and over to you sir.

Pradumna Kanodia Hi, good evening ladies and gentlemen and thank you very much for participating in the Phoenix Mills Ltd. conference call to discuss the Q1 FY15 standalone and consolidated results. At the outset, it gives us a great pleasure to report that the operating metrics across all malls continue to grow at a healthy rate despite the economic headwinds and therefore given the change in the current political environment we are very confident of continuing the steady growth even in the coming years.

I trust you would have received the Q1 FY15 investor presentation which we have circulated and also uploaded on the BSE and the company's website. I shall very briefly highlight the operating and financial trends of our asset starting with HSP. During the first quarter of FY15, consumption at HSP has increased 10% year-over-year to Rs.3.3 billion translating into a strong trading density of Rs.2,322 which is up 12% year-on-year.

Moving on to Market City Pune, we saw an increase of 18% year-on-year in the quarterly consumption which is at Rs.1,693 million. In Bangalore also there was an increase of 17% year-on-year and the consumption stood at Rs.1,857 million while in Kurla the increase has been even larger, 37% year-on-year coming out of a low base and the consumption was at Rs.1,281 million. And lastly, our Market City Chennai where the increase has been 57% year-on-year because this has been virtually the last 15 months only the mall has remained operational and the consumption was at Rs.2,222 million. We expect these strong consumption trends to continue into the current fiscal year as occupancies ramp up and consumption per footfall continues to increase.

Moving on to our development portfolio, phase I of our One Bangalore West which is our largest residential development is almost entirely sold out, currently we are selling phase 1 at Rs.10,950 upwards per square feet which is nearly a 70% increase from the launch price of September 2012. We shall soon be launching the phase II and also the luxury towers in the next few months' time.

Coming to our commercial portfolio at Kurla, with the opening of the Santacruz-Chembur Link Road and the starting of the Ghatkopar-Andheri Metro, we have seen vast improvement in consumption at the mall and also the enquires at the offices which are currently on sale and lease have also increased significantly. The Phoenix Paragon Plaza project which was earlier known as Phoenix Bazaar has also reached almost in completion stage and the leasing activities have picked up very briskly, currently more than 100,000 square feet of area has been already leased out and also part of the offices have been sold as well.

The Orion Park which has been now relaunched as Art Guild House with much higher specifications has resulted in the sales price increasing to almost Rs.13,000 per square feet post this repositioning of the asset. We hope to continue with this increased traction at the commercial offices at Kurla. During the first quarter we launched our residential project in Pune at approximately 350,000 square feet of salable area is the size of the project and we have already sold 10% of this inventory as of now.

And to briefly touch on the hotel business, Palladium Hotel is in the second year of its operation and the occupancy has been steadily ramping up with the current rooms, inventory of over 320 rooms currently operational. To update you on the new hotel manager and the new agreement that we proposed to sign, we are at an very advance stage of discussion with the very luxury global operator and we hope to announce the final signing of the agreements very shortly.

To conclude and to very briefly touch on the financial highlights, Phoenix Mills reported a consolidated Q1 number of Rs.3.5 billion which represents a growth of over 100% year-on-year, partly the growth has been on account of revenue recognition and sales recognition in our residential and commercial projects which had cross the thresholds in the second and third quarter of last year and of course they reflected in terms of the total topline in the entire year

but the first quarter was slightly low on account of non-recognition in the last financial year and of course the continued growth in our recurring rental income from our retail business.

With this I conclude with my opening remarks and I would now like to take up any questions that you may have. Thank you.

Moderator Thank you so much sir. With this, we will open the floor for a Q&A interactive session. Sir, the first question of the day is coming from Mr. Adidev from HDFC Securities. Your line is unmuted sir, you can go ahead and ask your question.

AdidevChattopadhyay Sir in terms of the overall EBITDA margin for the company, sir where do we see a trending over the next couple of year, means do you see these quarterly variations in the margin or do you see to sustain at levels of above 50% in over the next couple of years?

PradumnaKanodia Thank you so much for the question. I think the margins of course will be a result of the kind the revenues that get factored in so we have the rental income which comes out of these five malls where the EBITDA margins are always on a higher side. Then you have the construction business which is having a little lower EBITDA margin as compared to our rental scheme and then there is a hotel portfolio, the hospitality part of it. So it will always depend on what is the ultimate mix of it, the next two years I think we should be more or less in these ranges because we still have a lot of pipeline on the resi and commercial offices which are getting sold and which the revenues will get recognized. And of course, if you have observed, on the EBITDA margins of most of our malls, those numbers will pretty much remain where they are or they may increase slightly depending on quarter-on-quarter there may be slight fluctuation but on a yearly basis they will remain pretty robust and pretty much in the range that they are currently. So from my perspective I think you will have to split up the whole revenue stream to understand whether the EBITDA margins are being maintained or they are falling because one quarter of differential revenue recognition from a resi or commercial space could make a difference to the EBITDA margin. But yes, if you were to look at from a yearly point of view the numbers of 50% should be a fair assumption as far as the EBITDA margins are concerned.

AdidevChattopadhyay Okay sir. And my second question was relating to the agreement you have signed to acquire fresh stake in Kurla?

PradumnaKanodia Yes, so it has been one of the ongoing discussions and we now are in the process of taking up our stake from this 53% and going up to almost 74% - 75%, so this will consummate at over the next two years timeframe.

Moderator The next question is from Mr. Gaurav from Standard Chartered. Mr. Gaurav your line is unmuted. There is no response. The next question is from Gunjan from JP Morgan.

Gunjan Sir I had couple of question. Firstly, on your rental portfolio, now broadly when I look at the entire portfolio, not looking at Phoenix attributable stake, broadly we are doing about Rs.400 crores of rental income at the new market cities and about Rs.200 crores at the High Street Phoenix, so we have a overall annuity stream of about Rs.600 crores approximately. I just want to get sense of how do you see this growing over the next two three years and internally what do you think I mean from this portfolio of four Market Cities and High Street Phoenix, where could this stabilize at in the next two years? I know we have some levers in terms of HSP renewals and occupancies increasing but what is your sense of the total stabilized rental income from this portfolio?

Pradumna Kanodia So basically if you have seen High Street Phoenix of course the growth has been 10% year-on-year in terms of the rental income while for the rest of the properties the growth has been even significantly larger and has been over 33% on a combined basis. So every city and every mall is now entering a stage where performances are becoming better, so while Island Star has given a 16% growth, some other asset has given a 22% growth. So the fact remains that let's start with Pune where we are entering the third year of its operation and June we just completed three years. The escalations of 15% will kick in and then in couple of years' time you will have the complete reprising of the mall taking place because five years would have got over. So if we go back slightly in the history we will realize that most of the malls got leased out in times when the markets were very-very unhealthy and we had to really give discounts to the markets and people were not willing to commitments in terms of taking space. So even if there is a gap between what the current market rentals are and what we are currently at, so that catch up is happening, with the escalations and with the revenue share coming in, but also as we reprise the whole thing in five years to come, you will see that the ability of the newer malls to grow at 20%, 25%, 30% clearly exists whereas for HSP the growth would be little more towards the 15%

range. So overall, given a two to three year window I would say HSP will grow at around 15% while the rest of the malls should be minimum of 20% to 25% growth should be coming on year-over-year.

Gunjan Okay. But the renewals for these renewals malls would be at least two years, are at least two to three years out, right?

PradumnaKanodia No, the escalation part like in Pune I mentioned we have already started seeing the escalations getting impacted, the effect of that will get reflected in the next two quarter results. Already in the Q4 of FY14 the average rentals were Rs.72 and in Q1 it was Rs.77, so already there has been an increase and this trend will continue for the entire year and you would see that the rental income growth which was year-on-year of 22%, probably we should be able to maintain that healthy growth with the escalations coming in and of course two years down the line when you re-price the whole stuff and you are five years into the mall, you would be able to again look at incremental growth coming in thereafter as well. So it is going to be a mix of the number of years that the mall has seen and where the escalations and where the renewals are coming in and also the fact that how the rentals are moving up, how the revenue shares are moving up. So from a newer mall perspective, a growth of 25% should be an assumption which should be fair to take and for HSP the number would be more towards 15%.

Gunjan 15%, okay. Secondly, I just had another question Palladium, I mean there has been consistent cash losses on this hotel, so when do we think that this hotel could probably reach a cash breakeven for us? I mean what are the steps that we are taking and at the margin have you seen these losses coming off?

PradumnaKanodia No, see the fact is that today it is running as a Palladium Hotel and the entire potential of this asset is really not being reached at all, we are only at the tip of the whole thing. As we go into this fiscal year and the next fiscal year the new operator will be coming on board and the potential of the income significantly rising from the current levels and so would be the EBITDA margins improving from this current 13% to a more reasonable 40% 45% number. We do not expect that the current situations should continue for a long period of time, yes, there is a little more pain in this asset for maybe next two quarters and then you would definitely see improvements coming significantly. But from a full 1 year perspective, FY16 clearly we would be in a positive, I do not see there any hiccups happening. But yes, for the current fiscal year and the next two three quarters you would continue to see some bit of bleeding as far as the EBITDAs and the profits are concerned.

Gunjan Sure. And this Kurla thing, just needed a clarification, has there been an additional stake announcement in this quarter or this is just to reflect the old --

PradumnaKanodia No, there is a little bit of announcement, so if you will look at our page in which we have given our breakup of the holding, there is a mention of the additional space or the additional SPA that we have signed and so approximately it now takes up to just under 75% in terms of the overall holding at the end of it.

Gunjan Okay, takes to 75%. And how much are we paying for the increase?

PradumnaKanodia Well, it is a deferred... It is approximately 140 crores that we are paying for this over a next two to two and half year period.

Moderator Next is Gaurav Pathak from Standard Securities. Your line is unmuted.

Gaurav Pathak Hi sir, just a couple of accounting questions. On your standalone, the income is down sequentially and up only marginally year-on-year but the EBITDA is up reasonably well, so there has been a margin uptake, is there some change in accounting structure, lower cap, what leads to this?

PradumnaKanodia I think the topline at times does not reflect the entire numbers which are there in terms of the breakup so while the Q4 if you look at it, the Rs.76 crores topline had large chunk of property tax which gets recovered one specific quarter and that is the result why you see that the margins and all get really disturbed. While in this Q1 quarter the impact of any property tax, billing, recovery or expenses were more reasonable and they were more spread out and these were more on the provisioning basis. So that effect of a lop sided booking of property income or property expense because of this only came in in December last year or January last year so we had to book all the expenses which had to be booked in one particular quarter despite whatever provisioning we were doing, so there was a slightly larger element of the property tax which hit us there. But overall, I think the Q1 numbers currently reflect no aberrations and they

are no such one sort of a one quarter impact which you would see in this current first quarter number.

Gaurav Pathak And sir in Palladium of the last presentation you had a topline of Rs.271 million and EBITDA was about Rs.75 million, you have restated those again and EBITDA is down to Rs.6 million. So what has changed there?

PradumnaKanodia Well, I do not think so there would be any restatement of thing but I will have to recheck because maybe there has been a regrouping of sorts here so that gap which you are seeing of Rs.7 crores and Rs.6 crores there is one crore number, I will have to check that out, maybe get some regrouping what have happened but otherwise there has been no change because those were based on the audited numbers. So I will just check that offline and come back to you on that Gaurav.

Gaurav Pathak Last quarter shown in the previous presentation was Rs.75 million, this quarter the fourth quarter is reflecting Rs.6 million EBITDA.

PradumnaKanodia Yes, we will just check, I think there maybe a small error or maybe that there is some regrouping, I will need to just check that and come back.

Gaurav Pathak Sir, briefly can you just touch upon what are the launches and the sales expectations for FY15?

PradumnaKanodia Yes, so if you look at our presentation, we have also given a brief on our development portfolio, so starting off with Pune we launched our fountain head residential project which was approximately 350,000 square feet of salable area and this has already seen enough interest and approximately 10% of it has got sold out. So is the case with our phase II development which is planned in Bangalore so the one Bangalore west which we spoke about, we have already seen enough interest in the first phase because it is almost sold out 100% but the second phase the luxury towers are also slated to be launched in the next one quarter or so and we also are very actively pursuing the final approval as far as the mall part of the residential development Island Star is concerned in Bangalore, so that also should be launched pretty soon I would say again three to four months' time. So over the next four months' time Bangalore we will see the launch of phase II and phase III in One Bangalore West and the launch of residential space in our mall company. So these are the two large developments which are likely to happen and start their work over the next three to four months' time.

Gaurav Pathak And sir the Chennai one?

PradumnaKanodia Chennai is already, all the residential portfolio is under development there except for the Phase-2 which will come up later on which fits in a separate SPV but the residential phase I and phase II which combine a total area of approximately just under 500,000 square feet, there we should start deliveries of those final finished products by December of this year.

Participant: Next is Puneet from Goldman. Puneet, your line is unmuted.

Puneet My first question is actually with respect to financials of various malls, so this time as I understand you are given financials of entire SPV and not just rental income, will that be correct?

PradumnaKanodia Yes, you are right. So these numbers represent total topline of each SPV which could be both a mix of rental as well as the development portfolio where revenue would have got recognized.

Puneet Okay. And similarly, the EBITDA of each mall should be close to rental income, more or less, that thing will still remain same?

PradumnaKanodia Yes, that should not change, a percent here or there will always be the difference between the two malls or three malls but yes, overall they should be in that range.

Puneet So if I look at Kurla from that perspective, the margins for non-rental income seems to be very low?

PradumnaKanodia You are correct, because some of the initial part of our sales which happened at that 8,000 - 8,500 levels in the Art Guild house reflect on the lower margins there, so but now of course the prices have moved up to almost Rs.13,000 so this has been the case where initially the sales which had happened and there was a lower margin, that is the reason why you see difference or a lower margin on the development portfolio as far as Kurla is concerned. But out of the 800 odd thousand square feet we have only sold half of the property and the rest of the half will be now sold at levels of 13, 14 and even more as we move forward. So at the end of the project and as we conclude over the next say 15, 18 or 24 months' time, you would find that the

margins will be much better than what you have seen in the initial part of the year development.

Puneet And sir on Kurla, the consumption has improved significantly which obviously has a mall it is ramping up plus opening up of new infra, that still has not got reflected in the average rental earned by you.

PradumnaKanodia Yes, so it will take it's while when it comes, I think you are right in observation that consumption has increased. So as the consumption will grow further and as people will feel more comfortable about it, you would see some part of that get reflected in firstly collection part and then maybe in the actual rental recover also because there are retailers who have been supporting us and who have stood by us over the last two years and I think for us it is very important that this relationship continues and we are very sure that is why we have increased our stake, we are almost 75% now in Kurla and if it was not for our confidence we would not have been acquiring these stakes, we do believe the asset really in medium term could be a great value propositions and the rentals will definitely improve significantly from the current numbers.

Puneet Okay. Sir one final question, sir what will be total outstanding now for various planned payment? Will that number be closer to say Rs.2.5 billion?

PradumnaKanodia Yes, it should not be more than, yes, it should be around that number, yes.

Puneet And was there any payment made in this quarter?

PradumnaKanodia Yes, it was a marginal 20 odd crores that we had paid so as we have been continuously stating we keep it deferred over a period of time so every quarter there should not be any extra or unreasonable pain. So the numbers will continue to be in a reasonable range.

Puneet Okay. And over the balance holders in Kurla?

PradumnaKanodia Kurla there is ILF is there and German partners are there and HPS Realtors so these are the three people who are left out there.

Moderator Next is Sandipan Pal from MotilalOswal. Your line is unmated.

Sandipan Pal Sir I was just observing when your consumption growth Y-o-Y at High Street Phoenix, in FY12, 13 and even in the first half of '14 also there has been a Y-o-Y growth of above 17% - 18% and even more than 20%, that growth has in last three quarters has moderated a little bit. So just wanted to get thought from you, I mean is it something kind of very natural economic phenomenon or it is just that the mall is going for more maturity so we can expect around 10% kind of growth in consumption year now onwards?

PradumnaKanodia If I understand correctly, your question was more specific to HSP?

Sandipan Pal Yes sir.

PradumnaKanodia Yes, so basically in HSP when you see the large chunk of areas when they come up for renewals you will spikes in the growth for that quarter or that six-month-period and then again it will stable out for a while. So it is more mature in terms of asset, it is closer to the markets in terms of the rentals that it is deriving and of course as and when the areas come up for renewal you will see it getting corrected to reflect the current market price for that. So you are right in your observation, certain periods have seen 17% or 18% or maybe 20% also in some cases but those were 12, 13 maybe the basis were low and now you have seen these assets continue to perform in a very mature manner, consumptions have been very strong throughout the 12 months. So you would need to factor in those parameters and the 10% - 12% growth would be more I would say reflective of what is happening but as we have also mentioned that almost 260,000 square feet of space is coming up for renewal over the next 2-2.5 years' timeframe, I think in one quarter when you will see a large chunk of that happening in terms of renewal you will see the growth maybe appearing to be slightly higher and then again stabilizing more towards a 15% on a year-on-year basis.

Sandipan Pal I am sorry sir but my question was related to consumption, not on the rental side, so I think if you can...

PradumnaKanodia The consumption part, of course if you look at it, the current consumption trends are the in range of the trading densities are at Rs.2,300 a square foot and the consumptions are more in the Rs.3,300 million or Rs.3.3 billion number which you are saying that has earlier been at a lower base. So clearly the consumption has been improving and will continue to improve but

the stabilization of this number does not reflect that the consumption has plateaued out or there has been a concern around the consumptions story and we should be worried about that. But I think as a mature center number which is closer to Rs.2,300 - Rs.2,400 would be a very good number and of course the consumption will grow one by way of the inflation which happens every year so by default it should grow by 7%, 8%, 10% and then there should be a growth coming out of the center as well of another 5%, 10%. So in my sense, while the current chart suggest that the growth has been 10% year-over-year, you would still see a number which could be in the range of maybe 12% to 15% on a consumption side as well going forward and it maybe better than the 10% because of the very strong and consistent growth or the consistent numbers you have seen that this year-on-year reflection is maybe 10% but it should be closer to 15% as we go forward.

Sandipan Pal Sure sir. And my another question is on the Market City side where – I understand that most of the Market City apart from Kurla is currently contributing to the revenue share, if I understand it correct?

PradumnaKanodia Yes, absolutely right, there is every other mall which is contributing and Kurla maybe a very stores are doing it but yes there would be a few stores who do contribute in Kurla as well.

Sandipan Pal So whenever we state rental rate for any particular mall, is that average rental, I mean this is not a minimum guarantee right, this is effectively how much we are getting per square feet for that quarter, right? Like for _____ **30.57** it is Rs.87 per square feet per month so that is kind of, I mean effectively how much we are getting from that?

PradumnaKanodia Yes, absolutely. So whatever is the revenue share contribution, whether it is x or y rupees it gets factored in and this number reflects the total rentals which are both minimum guarantee as well as the revenue share that has come in.

Sandipan Pal So as you mentioned that if we can expect the kind of 20% - 25% CAGR in this Market City mall when reprising happens so that means effectively that from that minimum guarantee what we entered during the beginning of the mall, it may see almost around twice kind of jump in the minimum guarantee going forward because the 25% CAGR would be in current base which is already higher than...

PradumnaKanodia Yes, that is a right observation, I think that should be the number so currently also if you look at Pune as an example, some of the stores which are getting leased out are getting leased out at maybe Rs.140, Rs.150 or even higher and similar store four years back are getting leased out at say Rs.90 or Rs.80. So the growth in terms of where the market is, clearly you are right, they would be closer to double in terms of an absolute number.

Sandipan Pal And just a last, if you can just confirm that hotel thing which I think one participant also indicated, there was some restatement or any changes happened just if you can tell.

PradumnaKanodia No, there is no restatement, I think we just need to check the numbers because I think there could have been a error while just putting it so I will just have to check that out and come back to you and if there is error in printing or something we will correct the presentation and repost it on the website.

Moderator Next is Tejas from Emkay Global. Tejas, your line is unmated.

Tejas Sir just wanted to understand the occupancy level at Market City Pune, I mean most of the other Market City projects are heading towards 90% but Pune has been lagging behind I mean it has been just 80% odd plus 2% over last four quarters. So just wanted to have your view on that.

PradumnaKanodia Yes, so there has been a little bit of churning there because we also wanted to continue to get some newer brands and newer retailers to come in. So while the occupancy which you see is at 84% in Pune, the leasing in terms of absolute numbers is 90%, so 5%, 6% of the areas have always been churned out so if you have gone to the mall recently you would have observed that several new stores have opened and several new F&B and other outlets have also opened. So that has been a conscious effort where we are trying to reinvent part of the mall and also get into new retailers to come in there, so 5%, 6% of this is always under a fit out stage that is why you see that occupancy levels always in that 82%-86% range.

Tejas Okay. So when can we see 90%?

PradumnaKanodia I think towards the third quarter of this fiscal year you should be able to see this number moving up at least closer to 88% or so.

Tejas Okay. Sorry, I missed out on your, there is some connection error, how much did we pay for this 21% stake in off-peak?

PradumnaKanodia It is over a two year period we are going to be paying Rs.140 crores.

Tejas And that is the only stake which we have acquired in this, additional stake which we have acquired in this quarter?

PradumnaKanodia Yes, there has been no other acquisition.

Tejas Okay. Sir, just if you can give me some clarity that what percentage of your area across retail asset have moved above minimum guarantee or are contributing towards revenue sharing models?

Sastha: Yes, hi TejasSastha here. So it would depend on each and every mall and just to give you a background, revenue share is also a function of the minimum guarantee and the minimum guarantee also escalates on an annual basis. So sometimes these percentages may not be moving up dramatically as compared to the previous year, but it still is a reflection, there still will be some kind of reflection in the rentals of the increase in consumption and trading elasticity which is happening on the store of the mall. But to answer your question, I would say if we look at say Pune Market City or a Bangalore Market City, we would have roughly around 35% of the area which is currently generating revenue share on a regular basis and just to qualify my statement, revenue share is again build on a monthly basis and some months are better than the others. So 35% number is an average and in the sale months for example the number could be much higher, it could be close to 60 - 70 even today whereas in the weaker months the same 35% could drop to maybe 15% - 20%.

Sastha Okay. But on average for Pune or Bangalore it should be around 35% to 40% as of now and going forwards we could see a significant jump, probably in the next two years we should see just before the releasing of the entire mall's stocks we should see almost 50% of the stores generating revenue share. So that is for Pune and Bangalore, Chennai would be slightly lower maybe in the region of 20%, 25% and Kurla would be in the region of 5% to 10% of the area which is generating revenue share as of now.

Tejas Okay. And for High Street?

Sastha For High Street, it is, since we have renewed so much of area in the last 1-1.5 years, I think it is in the region of 40% to 45%. As I told you earlier, when we renew an agreement, we put the minimum guarantee at probably 15%, 20% higher than what that particular retailer was generating to the revenue share. So retailer who was generating revenue share till yesterday if today his agreement gets renewed then he would not be generating all new share only because his minimum guarantee would be 15% or 20% higher than what he was generating from revenue share previously.

Tejas Okay. And just looking at your standalone balance sheet, there is some restating of your tangible assets to capital work in progress?

Sastha Yes, I know, it is just a representation, we have to look at tangible assets, capital work in progress and also at loans and advances together. Once you total up all those three items for this quarter as well as the previous quarter you will find that the change is not significant at all. So there is nothing which has happened.

Tejas So what would be the Rs.590 crores of capital work in progress?

Sastha No, it is not capital work in progress, it should have been classified as tangible assets, that is what we are saying, so the regrouping, there is small issues since we had not formatted the balance sheet so probably we will correct that particular classification and send back to you.

Moderator Next is follow-up question from Adidev from HDFC Security. Your line is unmated sir.

AdidevChattopadhyay My question is pertaining to Entertainment World Developers, now you have mentioned in the notes to accounts only that it is a put option and you have received part payments from Treasure World and EWDPL. Sir just wanted to understand like what is happening over there, when do you expect the balance money that need to come in and if the money were not to come in, do we need to get any hit on our balance sheet or income statement basically a write-off against the book value of the investment that we have done? Thanks.

PradumnaKanodia So in EWDL like we have mentioned in the notes, we have exercised our put option that we had as per the terms of the agreement that we signed with those companies and we have asked

back for our principal investment as well as certain return on that. And since we have exercised our put option and other company has started a liquidation process where it is looking to sell most of its assets, now liquidation process cannot be timed, I cannot say for sure whether they will be able to sell their assets within two months or three months or even 12 months because it will be dependent on the ability of the company to find buyers at a good price, we do not want them to be in a situation where they have to sell cheap that they should try and get the best value possible. So it is difficult for us to tell exactly by when we will be able to get back our funds or how much funds we will get back and this is the process that we are continuously evaluating and as and when we feel that there will be a hit to in terms of our ability to recover the principal, we will accordingly factor that in our accounting statements.

- Moderator** Next question is from PremKhurana from B&K Securities. Your line is unmated.
- PremKhurana** My question was with respect to Market City Chennai, so there we still have one more under constructionluxury mallso when do we expect that to come into operations and do we have LOIs in play there, what kind of rentals are we looking at for that property?
- PradumnaKanodia** Yes, so we expect the Palladium Chennai mall to open in the next 12 months at latest and we have already started the leasing process, we have managed to sign up one or two anchor luxury brands that we do not want to name right now. And since we have gotten these anchor brands signed up, we are confident that we should be able to lease out the remaining area in the mall, it is not much area to lease out so it is not a big challenge for us as a team, we are more in the mode of trying to maximize the rentals, we think that we should be able to achieve easily Rs.140 or Rs.150 of rentals of minimum guarantee.
- PremKhurana** Sure sir. And I would really obliged if you could share your thoughts on REIT guidelines, how do you perceive these and do you think these kind of can be put into action now or do you need some more tax benefits to be able to have a view on this?
- PradumnaKanodia** No, we would always like more tax benefits, that is you should never stop asking. But the REIT guidelines are a good start and they are a good avenue for us to be able to raise funds as well as find the true valuation or at least closer to true valuation of our mall assets. So it is definitely an interesting concept and something that we are evaluating internally, as and when we decide something, we will probably let you guysknow.
- Moderator** Next is a follow-up question from Gunjan from JP Morgan. Your line is unmated.
- Gunjan** Just one question on the debt levels, we did see some marginal reduction in debt in this quarter, do we think that from here on the debt levels should trending down because in most of the malls we are generating cash surplus and even in terms of our store sale project there has been improved cash in terms of corrections, so how do you see the debt levels trending down specially in the light of this new stake acquisition that you have announced in this quarter.
- PradumnaKanodia** Yes Gunjan, so like I have always been saying when we look at debt for our company, there are two aspects to it, one is the standalone company and one is the subsidiaries or SPVs. The standalone company is High Street Phoenix and Palladium mall which is already generating a lot of cash plus it is undelivered so there is scope to increase leverage in a standalone entity. And then whatever leverage we do or whatever operating cash is generated from the standalone company is purely used for growth whether it be acquisition of stakes or whether it be acquiring something new or land or whatever we decide to do. So that is our growth engine. The next part of our debt would be our subsidiaries or SPV and since there is an arms dent between the two, these are two separate boxes or buckets that you need to look at. At the SPV level, you are going to continuously see a reduction in debt because that is being repaid on a monthly basis whichever asset you consider and all these assets are generating sufficient cash to be able to make their interest payments as well as make their principal repayments today. And like you rightly pointed out, once we start ramping up our residential as well as office sales then we are going to see a huge amount of free cash flows which could be used to speeding up the debt repayment process even ahead of the debt repayment schedules. So to once again summarize at the standalone level we could see an increase in debt that would be dependent on the opportunities that we have for growth but at a subsidiary level you are going to continuously see a reduction in debt which could get accelerated going forward.
- Gunjan** Okay. And in terms of the stake buyout payment, including this 140 crores which is payable over the next 2-2.5 years, how much is pending from the old buyouts that you announced last year?

PradumnaKanodia 110 crores is pending which we have to make by June of next year as per the old transactions and like we just mentioned, 140 crores is the new amount that we will have to pay over the next almost 2.5 years.

Gunjan Okay. But we do not really need to raise funds for this because we are then of the High StreetPhoenix cashfund.....

PradumnaKanodia We do not have to raise fund for the acquisition that we have announced, we are very-very comfortable with our internal accruals and if there is some new requirement that we have we can always take some more debt as a standalone company to be able to fund that. But as of now we are very-very comfortable, there is no need for any capital raise.

Moderator Sir there is a question from Mr. Abhishek Bhandari from Macquarie. Your line is unmuted.

Abhishek Bhandari Yes, first I had a question regarding your second phase launch of the Bangalore One West project, now what is the new timeline you are working over there?

PradumnaKanodia Yes, so our second phase in Bangalore would actually be the luxury project called Kessaku and we have already launched that project and we have got a very good response, we have sold roughly seven or eight apartments, unfortunately I have not put that in the presentation but since we have not I think formally announced the launch, it has been more of a soft launch. But so the formal launch is almost eminent and the initial response we have gotten in really good so we might also consider launching our Phase-3 which is the remaining towers of One Bangalore West that is tower six to nine and that also might be launched in the next three to four months.

Abhishek Bhandari Okay. So regarding this luxury project, can you just briefly tell us the configuration of apartment unit size, ticket size, reselling price and total number of apartments you are selling over there?

PradumnaKanodia Yes, these are really luxury apartments and the number of apartments that we have in the luxury tower are roughly 130 and occupy a total area of 800,000 square feet so obviously the configurations are on the higher side. And we have put in a lot of optionality in terms of the product so the buyer has the option to pick and choose and for us it is not going to result in any additional cost because all items that we offer are standard but we wanted to maintain this flexibility since these are pretty high end apartments that we have launched and the kind of buyers that we are attracting also would be among the more affluent. So the initial response like I said was really positive and we have already sold roughly 10 that is almost 7% or 8% even before launching the project formally. So we remain confident that over the next two to three years we will be able to sell the entire inventory.

Abhishek Bhandari So what will be your average selling price like around Rs15,000 over here?

PradumnaKanodia Like I said there is a lot of optionality, the prices start anywhere from 11 and go all the way up to 15. So if you want a fully loaded apartment including all the interiors then it would be maybe Rs.15,000 but if you just want a bare shale apartment you will get it even for Rs.11,000 per square foot. The amenities are really fantastic, we have our mock apartment which is already ready so if any of you analysts or investors take a trip to Bangalore, please do visit the site, please do take a walk through of the Kessaku mock apartment for you to understand the kind of product that we are actually selling in the market.

Abhishek Bhandari Sure. So 8 lakh square feet was the first phase, this is the 8 lakh square feet so remaining 14 lakh would be of Phase-3?

PradumnaKanodia No, actually the first phase is closer to around 1.1 million square feet and this second phase is 0.85 million second half so the remaining area would be your Phase-3.

Moderator Sir next question is from PremKhurana from B&K Securities.

PremKhurana Yes sir, just one question, I mean this Paragon center, do we intend to retain it once we have tenants in place we would want to monetize it, so how was the thought process there?

PradumnaKanodia The thought process is to finally sell it, that is thought process but to make it more attractive to sell, we are also considering to lease out a lot of shops to retailers and also offices. So that basically is the thought process.

PremKhurana Yes sir. And what kind of rentals I mean do we have for these LOIs which are already in place?

PradumnaKanodia We are getting around 110 to sometimes it goes up to 150 also because these are really small unit sizes and each deal is different, it is very difficult to say what the average is. But I would the average is closer to Rs.115 and there a fewer deals at the higher end.

Moderator At this time there are no further questions from the participants. I would like to now hand over the floor back to panel for final remarks. Thank you, over to you sir.

PradumnaKanodia Yes, thank you all for attending the Phoenix Mills conference call. We also have the e-voting for all the resolutions that we intend to pass in the AGM so please do cast your vote and we would be happy to address any further queries that you have. Thank you.

Moderator: Thank you sir. This concludes our conference call for today. Thank you for participating. Have a great evening to all of you. Thank you. You all may disconnect your lines now.