"Q4FY12 Conference Call of The Phoenix Mills Limited"

May 30th, 2012

The Phoenix Mills Limited

SPEAKERS:	**Mr. Shishir Shrivastava, Group CEO and Joint Managing Director;** **Mr. Pradumna Kanodia, Director Finance;** **Mr. Mayank Ruia, Development Director;** **Mr. Ashok Parakh, Assistant VP Finance and Accounts**

Moderator: A very good afternoon, ladies and gentlemen. I am Sourodip Sarkar, the moderator for this call. Thank you for your standing by and welcome to the Fourth Quarter and Financial Year 2012 Earnings Conference Call of The Phoenix Mills Limited which is organised by Seagull Value Consultants LLP. For the duration of presentation, all participants' lines will be in the listen-only mode and we will have a Q&A session after the presentation. I would like to now hand over the conference to Mr. Hanumant Bhansali from Seagull. Over to you, sir.

Hanumant Bhansali: Thank you, Sourodip. Good afternoon to all. On behalf of Seagull Value Consultants LLP, let me welcome you all to the earnings call of the Phoenix Mills Limited for the quarter and year ending 31st March, 2012. Today we have 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 VP - Finance and Accounts. I would now like to hand over call to Mr. Shishir Shrivastava. Over to you, sir.

Shishir Shrivastava: Good afternoon, ladies and gentlemen, and welcome to the Phoenix Mills conference call where we shall discuss our results and developments for the quarter ended March 31st, 2012 and the fiscal year ended FY 2012. At the outset, may I thank you for taking out your valuable time to participate in this con call. Since we are reporting annual standalone and consolidated numbers, there would be a lot of queries from your end, and hence I intend to keep my comments brief.

Beginning with our flagship property, Highstreet Phoenix, the mall continues to witness strong action even as the economic environment remains subdued to some extent. Consumption at Highstreet Phoenix grew 23% year-on-year to 9708 million in FY12 from 7880 million in FY11. I believe that you would have had a chance to review Phoenix Mills Limited's audited standalone and consolidated financials in the presentation it was earlier shared. On a standalone basis, P&L revenues marginally missed the 2 billion rupee and clocked at roughly 1981 million, registering a growth 12% year-on-year. EBITDA too witnessed similar growth of 12% year-on-year for the year and stood at Rs. 1401 million. Consequently we have been able to maintain operating margins at 71% for the year despite a secular inflationary environment. PAT stood at Rs. 1.05 billion and witnessed the healthy growth of 15% year-on-year. On a consolidated basis, P&L has seen a positive impact of operations from its subsidiaries and associates. The revenues have increased 74% year-on-year for FY12 to Rs. 3666 million. A bulk of this comes from Phoenix Marketcity at Pune where income from sale of commercial asset East Court of approximately Rs. 700 million and income from mall operations and service charges stood at approximately Rs. 600 million which have been recognised in this fiscal. With Phoenix Marketcity Pune stabilising, the EBITDA margins at a consolidated levels were reported lower at 58% for FY12 versus 67% in FY11. However, PAT witnessed a healthy growth of 26% year-on-year to Rs. 1056 million due to a lower tax and positive profit contribution from associates.

Finally, just a comment on operations of Phoenix market city projects which opened during the year; the three malls have seen tremendous response from customers as evident from the healthy trends in consumption numbers, and with major anchors opening their stores. With this, I conclude my discussion and we would like to address any questions that you may have. Thank you very much.

Operator: Thank you so much, sir. With this we are going to start the Q&A interactive session. I would request all the attendees and the participants, if you wish to ask any questions, please press “0” “1” on your telephone keypad and wait for your name to be announced. I would request all the attendees and the participants, if you wish to ask any questions, please press “0” “1” on your telephone keypad and wait for your name to be announced.

Here comes the first question from Mr. Unmesh Sharma from Macquarie Capital Securities. Mr. Sharma, your line has been unmuted you can go ahead and ask your question, please.

Unmesh Sharma: Thank you very much for taking my questions. I had two questions. One is regarding the recent approval by the board for the fundraising, is that just a preemptive move or is there any thought process regarding raising equity through the year. And if so what would be the use of proceeds in that case?

And the second is in case of the Kurla project specifically, we understand that there has been a soft launch in the commercial space; specifically for the Kurla SPV, thinking about that as an individual company, what do you think the outlook on cash flows will be for that? Thank you very much.

Pradumna Kanodia: Yes. Hi Unmesh. Pradumna, here. Just to answer your first question about the fundraising enabling resolution that we had passed. Of course at this stage it remains more of an enabling resolution. We have started working on putting the documents and the rest of it together. But we have not put together our thoughts in terms of what is the quantum of money to be raised or what form of money to be raised. So it is a very early days for us, but the desire is to be in a state of readiness and if things go the way that we look at it, then we may crystallise our plans and confirm our thoughts maybe in a couple of months from now but at this stage it is more of an enabling and state of readiness is what we desire to be in. As far as the Kurla commercial space is concerned, I would just ask Mr. Shishir to reply to your query.

Shishir Shrivastava: Hi, Unmesh. We recently did a soft launch of Orion Park which is the phase two commercial office development. The total area is roughly in the region of 800,000 square feet, could go up to 850,000 square feet. And we are estimating that this project will be completed over a 30-months time frame. And since we have just done a soft launch, we expect the main launch to happen in the next two months. And we expect revenues of close to anywhere north of about 850-900 crores, sales proceeds of about 850-900 crore from this asset over the coming years.

Unmesh Sharma: Okay, perfect. Sorry, just a follow up question. In case of the fundraising, in two months is the thought process to definitely raise money or there is also a possibility that there may be no need to do that at all? And again what would be the use of proceeds in that case?

Shishir Shrivastava: Again Unmesh as my colleague Pradumna just mentioned that we have only taken an enabling resolution at this point in time, there are various ways and means to fund any immediate requirement that may come up in the next couple of months, not necessarily raising money from the capital markets.

Umesh Sharma: Thank you very much, sir. This is very clear. Thanks for taking my question.

Shishir Shrivastava: Thank you very much.

Moderator: Thank you, Mr. Sharma. Well, here comes the next question from Mr. Puneet Jain from Goldman Sachs. Mr. Jain, you can go ahead and ask your question please.

Puneet Jain: Good afternoon, everybody. I have got a couple of questions. My first question is actually with respect to say Phoenix Marketcity Kurla. When do you expect occupancy level to reach up to the level of preleasing in the store?

Shishir Shrivastava: I beg your pardon, Puneet.

Puneet Jain: When do you expect the level of actual occupancy to reach the level of preleased you have done as of now? Because your preleasing currently is actually close to 75-80% while your occupancy is 50% right now.

Shishir Shrivastava: Right. Firstly, Hi Puneet. It has been a while.

Puneet Jain: Yes.

Shishir Shrivastava: You know we have some big boxes that are under fit out, namely the multiplex, which is a pretty sizable area. Apart from that we have the entertainment centre. We are talking about Kurla, right, right now?

Puneet Jain: Yes.

Shishir Shrivastava: So we have the entertainment centre and some F&B which are under fit out. So we are hopeful that we will see PVR operational by sometime in the middle of July. And simultaneously the other entertainment centre and F&Bs which are under fit outs should also come on line. So this will add hugely to the operating areas vis-à-vis leased area. By my estimate I would guess that we should hit a number of close to about 65% in the second quarter and 78% by the following quarter for sure.

Puneet Jain: To this extent the loan which you had against this asset, do you think now it can be fully funded by revenues from this asset?

Shishir Shrivastava: Yes. The revenues from this asset as well as sales from the commercial phase 1 asset which is ready and we are still collecting funds from the sales done there already as well the second phase which we have recently launched.

Puneet Jain: Okay. Then, with respect to your High Street Phoenix, any update on phase 4 of the project?

Shishir Shrivastava: No, Puneet. As of now there is no update, nothing substantial to share for the present.

Puneet Jain: Okay. Thank you.

Shishir Shrivastava: Thank you, Mr. Jain. Well, here comes the next question from Mr. Ravi Dodhia from Crisil. Mr Dodhia, your line has been un-muted you can go ahead and ask your question, please.

Ravi Dodhia: Thanks for taking my question. I have two/three questions. One is again on Kurla. See, if you look at trading density or say consumption per square feet at Kurla vis-à-vis your Pune and Bangalore market city, it is giving us a different picture even in third to fourth months of operations. So according to you, why has been the consumption number lower in Kurla and how do you see catchment area developing over a period of time?

Shishir Shrivastava: Hi, Ravi. Kurla has been a little bit of a slow starter in terms of achieving the higher sales per square foot as compared to, let us say, Bangalore. But month-on-month we are seeing – I think we have undertaken this fairly large marketing campaign to increase the awareness within the right target profile, and over the last two months we have seen an increase in footfalls and also an increase of the correct footfalls, that is the right profiles of customers coming in.

The feedback that we have received from the retailers as well has been quite positive wherein they have seen how over the last two months the revenues have gone up. We believe that the location is certainly very, very good but it just needs a little bit of more marketing and incentivise the customers to travel to that part of the city. But it is certainly not an out-of-the-way location or an out-of-city location.

It is just a matter of sometime and certain additions which will make a mall visitor experience complete, namely some more food and beverage outlets, some entertainment options and of course the cinema, that is going to add a huge impetus. So for the moment we recognise that perhaps the sales per square foot has been low as compared to the other locations, however we remain very confident that this is soon going to surpass the other malls.

Ravi Dodhia: Sure, and in terms of catchment area?

Shishir Shrivastava: In terms of catchment area, the entire Juhu, Vile Parle, Vile Parle East, Santacruz West, Santacruz East, coming down to Bandra, going up north to Andheri, Andheri East, Sakinaka, Powai, Hiranandani, Ghatkopar, Chembur, this is the immediate catchment which will be quite attractive for residents living in these areas. And, of course, there is the entire Bandra, Kurla complex which we believe is going to certainly use the services at this mall.

Ravi Dodhia: Okay. Sure. In terms of status of Shangri-La, we came across some new with respect to environmental clearance for the said project, so as of now what is the status of that project?

Shishir Shrivastava: Firstly, as far as news article is concerned, we believe it was malicious in nature, therefore, we did not believe in even trying to respond to that. The other thing is that we have in the past sought clarification from the Pollution Control Board and we believe that we did not need the exemption, we did not need the environment clearance. And this matter is currently under review, we are not very troubled. In fact there have been some positive developments in that front. And it is a matter of patience and it will take a little while to work things for the final approvals to come our way.

Ravi Dodhia: In terms of operation of this particular asset, we are on track to commence operations?

Shishir Shrivastava: We are on track to commence operation, absolutely.

Ravi Dodhia: Last question from my end. In terms of profitability of Pune Market City, what was that figure as of March '12?

Shishir Shrivastava: The P&L showed a negative of Rs. 15.1 crores for the last financial year. However, the EBITDA has been positive at close to about 23 crores.

Ravi Dodhia: Thanks a lot.

Moderator: Thank you, Mr. Dodhia. Before we move on with other questions, I would request once again to all the attendees and the participants, if you wish to ask any question please press "0" "1" on your telephone keypad and wait for your name to be announced.

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Here comes the next question from Mr. Tejas Sheth from Emkay Global. Mr. Sheth, you can go ahead and ask your question, please.

Tejas Sheth: Just want to know, you have converted the Pune hotel project into a residential project, are we planning to launch that residential project anytime soon?

Shishir Shrivastava: Yes, we are. We are currently working on getting our approvals out of the way before we launch the residential project.

Tejas Sheth: Can you just give us the status in the Bangalore West Residential project?

Shishir Shrivastava: Bangalore West residential project is at the final – We have received some of the clearances and approvals in this last quarter and we are waiting for one final clearance from the local municipal authority and subsequent of which we will be ready to launch. The planning is complete, in fact, all the marketing efforts have been stepped up gearing up for the soft launch. We expect this launch to happen in the second quarter of this financial year.

Tejas Sheth: But we have already done a soft launch for this?

Shishir Shrivastava: No. We have done some initial word of mouth kind of marketing and we are stepping up the marketing for the Phoenix brand presently but we will start with the soft launch in the second quarter.

Tejas Sheth: Just one last question, I want to know what would be our peak debt once we complete all these projects in FY13?

Shishir Shrivastava: At the Phoenix Mills consolidated level it will roughly be about 1600 crores.

Tejas Sheth: That is it. Thank you so much.

Shishir Shrivastava: Thank you Mr. Sheth. Here comes the next question from Mr. Nitin Idnani from ENAM Securities. Mr. Idnani, you can go ahead and ask your question please.

Nitin Idnani: Good afternoon. If you can just walk me through the rentals and the cam charges that we would have collected at Bangalore and Kurla for this quarter.

Shishir Shrivastava: Good afternoon, Nitin. Just give us a moment. Nitin, your question was pertaining to Pune and Bangalore?

Nitin Idnani: Bangalore and Kurla.

Shishir Shrivastava: Roughly, the license fee has been in the region of approximately 15 crores at both places. Kurla commenced operations only November end, you want to consider from December and Bangalore commence operations in October end.

Nitin Idnani: Right. Cam charges?

Shishir Shrivastava: Cam charges were roughly about 12 crore in Bangalore, about 8 crore in Kurla.

Nitin Idnani: And the consolidated revenue that I see, 366 crores, almost 130 crores has come from Pune which is your East Court and your mall and cam charges of 60 crores, so that is 130.

You have got 200 from HSP standalone. Balance 30 would be from?

Shishir Shrivastava: The balance 30 is from Big Apple Real Estate and Market City Resources.

Nitin Idnani: Big Apple Real Estate being the Agra property?

Shishir Shrivastava: This would be mainly from the Lucknow and Bareilly property.

Nitin Idnani: Lastly, just walk me through what are our equity commitments for the next, maybe, 12 to 15 months considering we have some payments lined up for Kshitij and we might have to infuse more in the hospitality subsidiary.

Shishir Shrivastava: As of now we are not expecting any further equity inclusion into the hospitality SPV or any other company. As far as the purchase from Kshitij is concerned we have an outlay of about 106 crores over the next period of 12 to 13 months.

Nitin Idnani: Alright, understood. Thank you.

Shishir Shrivastava: Thank you Mr. Idnani. Here comes the next question from Mr. Sandeepan Pal from Motilal Oswal. Mr. Pal, you can go ahead and ask your question please.

Sandeepan Pal: Thank you very much Sir. My first question is regarding your market city projects, I can see in this fourth quarter, probably your Bangalore and Chennai project has seen certain increase in the leasing. Whereas your Kurla and Pune are standing at the same level, is it something a conscious decision to increase the leasing portion or is it the market dependent thing?

Shishir Shrivastava: No, this is a pretty conscious decision I would say because we are at that stage in each of these projects where the last 15 to 20% that one leases out, you are looking for the star quality brands and you are also looking to maximise the rentals. So it has been a bit of a conscious decision. As far as Chennai is concerned we are actively leasing the space out at Chennai and I think currently we are at about 68% of area leased out. So one could also see that by the time you reach an 80% you could see a bit of a slowdown in leasing there, again with the same intent to maximise your rentals and to get the best quality products in there.

Sandeepan Pal: Now my second question is towards HSP, I can see your consumption growth, your y-o-y has been around near about 30% where as your income from HSP has gone by 13%. So when can we see certain co-relation towards increasing the consumption growth of the HSP as a whole and their rental income growth going forward.

Shishir Shrivastava: Your rental income growth, just to clarify the concept that our rent comes in the way of a minimum guarantee or a percentage of revenue, whichever is higher and in some cases the threshold for revenue shared maybe a little higher, rather the threshold for minimum guarantee may be slightly higher, whereas revenue shared maybe – we have close to about 60% of our leased out area which has the revenue share arrangement. While one can see that the consumption may have gone up, it is spread across the balance 40% as well from where you are only earning only a minimum guarantee.

Sandeepan Pal: Understood. I have just two more bookkeeping questions. One is that I saw that your investment in Big Apple has gone up; if I just compare third quarter's investment, it has gone up from around 89 crores to around 100 odd crores. So is there any new infusion this quarter or something happened in the past only?

Pradumna Kanodia: Basically it was some share application money which was lying which we have converted into equity. And so the money infusion was not to the extent of 11 crores in the last quarter. It could have been to an extent of 1 or 2 crores, but the rest of the money was infused over a period of time and was lying a share application which since then has been allotted to us and now we have this total share worth the Rs. 100 crores that we are speaking about.

Sandeepan Pal: Okay, sir. And just last one is that your fixed asset have gone up by around 650 crores. I understand probably the PHCPL has been consolidated, but if you can give me the breakup between how much contribution from PHCPL and how much from actual CapEx?

Pradumna Kanodia: If you look at the CapEx that has happened and the capitalisation that we have done, the subsidiaries which are getting consolidated in the balance sheet are primarily Vamona, that is our Pune development; Shangri La, which is our hotel development here. And these two are the ones which are contributing towards the CapEx as far as the consolidated numbers are concerned. So with these two assets put together, including the CWIP and the capitalisation that we have done, you would have got this number. So Pune we have capitalised the mall which opened up; and also a small bit, just to add the big apple part also, but significantly the numbers are coming from the Pune market city and the Shangri-La project. So the Shangri-La has yet to be capitalised in the books of accounts and it continues to be reflected as CWIP whereas the Pune asset has got capitalised during the year based on its operations there. So you have seen the increase in CWIP, therein converted into fixed asset and that is the movement which you see in the fixed asset column of the consolidated numbers.

Sandeepan Pal: Alright, sir. Thank you very much.

Moderator: Thank you Mr. Pal. Here comes the next question from Mr. Saurabh Kumar from JP Morgan. Mr. Kumar, you can go ahead and ask your question, please.

Gunjan: Hi, this is Gunjan from JP Morgan. I have two questions. Firstly specifically on your Chennai market city project. I have seen the presentation that you mentioned that there has been amount of re-leasing, is this what you are signing up with new tenants or you are revising the rentals upwards, and is this the reason we have seen delays in the launch of this project? I take my second question later.

Shishir Shrivastava: Hi, Gunjan. We did revise the rentals and we did some new leases and re-negotiated some of the earlier transactions. To some extent – I would not say that the project has been delayed on account of the leasing of the project. In fact we had anticipated this project to commence operations in the second quarter of this financial year. I think we are pretty much on line to achieve the same.

Gunjan: Okay. And has the work on the residential already commenced in this project?

Shishir Shrivastava: Oh, yes. In fact construction is on full swing and we have a large number of our inventory already booked.

Gunjan: Just on the average rental; what would be the average rental on Chennai now?

Shishir Shrivastava: We expect it to be in the region of about Rs. 95.

Gunjan: This is versus 75 to 80 which you had earlier?

Shishir Shrivastava: That is correct.

Gunjan: Okay. And secondly more accounting related question of for your Kurla and Pune project, you did the recognition on a completed project method, now with the new accounting norms, are you going to shift to that percentage completion method or you will still follow the same methodology?

Pradumna Kanodia: Just to clarify that, we have not recognised revenue based on the fact that the project has been completed and the revenue has been recognised. We have continued to – Fortunately for these two projects, since the construction was 100% completed, we did not have that kind of a situation in terms of a percentage completion and revenue recognition to that extent. What is important to be noted is that once the risk reward has moved on from the construction, that is from our side to the buyer when the registration of the agreement has happened. Probably that is the first criteria based on which revenue has been recognised. So in spite of me selling off the entire or to the extent that I have sold off my Pune and Kurla properties, I have recognised revenue only for those contracts where agreements have got sold and registered.

In the case of Pune since almost 80% of the contracts have got registered so we were able to recognise income to the extent that we mentioned about 70 odd crore in top line coming from the East Court sales, however, on the Kurla side the registrations have subsequently happened in the month of April-May as a result of which we were not able to recognised any revenue from the sale of 15 LBS offices for the financial year ended March ’12 and all the income that has not been recognised last year on account of registration of the agreement not happening will get recognised in the current fiscal and we will continue to follow that policy.

Going forward of course, IFRS and the other changes which are required we will see, but as of now this is our stated policy that we will look for a percentage completion but with a condition that the risk reward has moved down to the buyer by way of complete and a registered agreement in place.

Gunjan: So we will continue to follow this policy for the Bangalore residential project as well?

Pradumna Kanodia: Yes, I guess so because I think the IFRS also talks about a percentage completion method, so we really do not see a change happening there but this is our current policy and hopefully this will be the one which we will carry forward with the Bangalore west as well.

Gunjan: If you could just tell me how much of the revenues from the Kurla and Pune are yet to be recognised from the commercial sales? I am just talking about phase 1, that is 15 LBS and the phase 1 of Pune.

Pradumna Kanodia: Kurla, if you look at the size of my 15 LBS, it was around 260,000 square feet, and currently we have sold approximately 150 odd crores of stock; and the balance 80 odd crores is yet to be sold. So effectively when the entire quantity gets sold, we should generate a revenue in the range of Rs. 240 to 250 crores from 15 LBS.

While in terms of Pune we did some revenue recognition last year to a small extent; and this year, of course, we did 70 crores revenue recognition, so it still leaves us with almost 70 odd crores to be recognised in the current fiscal year. So we will recognise 70 odd crores in the current fiscal for the balance agreements which are now getting frozen and the agreements are getting registered now.

Gunjan: Just lastly on your CapEx for the market city projects, we are largely done with the opening of the three malls, so going ahead what would be the CapEx requirement for FY13 and '14, if you could give us how much Shangri-La requires more and also Chennai?

Pradumna Kanodia: I think Mr. Shishir answered that question earlier but just to clarify that, the phase 2 developments have also started now in most of our market city projects, like Orion Park got launched last week. Pune, we are intending to start with our residential development, Chennai has already seen the residential development being launched, and hopefully the Bangalore West also is almost ready to be launched in the next couple of months or so.

At this stage a lot of phase 2 developments are going to gather steam, and the total of all this over a period of four to five years could be a figure which is close to 4 or 4.5 million square feet of development. So significant amount of capital expenditure will get incurred over these projects as well. But in the current fiscal year since we will be at a very initial stage of the launch, the quantum that may be required could be slightly lower compared to what you will see in the years to come but with Shangri-La and the rest of the phase 2 developments, this year also probably we would have a total spend including Chennai Classic Mall which is still under development, a total spend of around 250 crores at a conservative number and I think this number is significantly going to increase next year because the second phase and the new development and Bangalore West would have gathered steam by that time.

Gunjan: Thank you very much.

Moderator: Thank you, Miss Gunjan. Here comes the next question from Mr. Ashish Agarwal from Edelweiss. Mr. Agarwal, you can go ahead and ask your question, please.

Ashish Agarwal: Thank you very much. Good afternoon, gentlemen. My question is with respect to – if you could just throw some light on the current rental run-rate from your various properties and some information on your Palladium annex, and third one is on plans for the Pune high end retail ambience that you were earlier talking about.

Shishir Shrivastava: Thanks, Ashish. I am going to request my colleague, Sastha, to answer this question for you.

Sastha Gudalore: Hi, Ashish. Starting off with Highstreet Phoenix, we are doing a run rate of around Rs. 184 per square foot per month which is what we achieved for the last quarter, and we expect that to increase in the next fiscal. And in Pune we are doing around Rs. 60 per square foot per month. In Bangalore we are doing closer to Rs. 70 per square foot per month; and in Kurla we are doing around close to Rs. 90 per square foot per month.

Ashish Agarwal: I was looking for the numbers in crores or billions for the month; an end-to-end sort of crore rupees for the month, say for May or April, either if you could give.

Sastha Gudalore: Could we take this offline, Ashish?

Ashish Agarwal: Certainly we will do that, and if you could also mention about how is the status on the Pune high-end retail that we were earlier talking about.

Sastha Gudalore: I will give it to Shishir to talk about this.

Shishir Shrivastava: What we call as Palladium Premio at Pune is currently under development. So we have initiated some of the leasing on that. I think we see some traction on that in the coming two-three months. There is a bit of construction work required to or rather interior works required to be done for this plan, but clearly for the Palladium Premio product which we are now taking to Bangalore and to Chennai as well, the demand is huge from retailers and we are talking about high-end luxury retailers here.

Ashish Agarwal: How much area do you plan to earmark for the Palladium format in these assets?

Shishir Shrivastava: It would vary anywhere between 30,000 to 60,000 square feet.

Ashish Agarwal: That is all from my side, thanks.

Moderator: Thank you, Mr. Agarwal. Here comes the next question from Mr. Arvind Solanki from Moneysense. Mr. Solanki, you can go ahead and ask your question, please.

Arvind Solanki: Hi, Shishir. This is Arvind here. Everybody has asked about the square feet, rental and everything. My question is about what is the dividend policy company has to reward the shareholders?

Shishir Shrivastava: Typically in the past also what we have done is about 30% of our net profit and I think this year also we have maintained that, we have stayed with that policy.

Arvind Solanki: The second point is do we have any banquet hall concept in the mall?

Shishir Shrivastava: Not particularly. We do not have any banquet hall concepts in the mall. Wherever we have the hotel, of course, the banquets form the part of the hotel.

Arvind Solanki: Thank you very much.

Moderator: Thank you Mr. Solanki. Next on line we have Mr. Puneet Jain from Goldman Sachs once again. Mr. Jain, you can go ahead and ask your question, please.

Puneet Jain: Hi, I have a couple follow up questions. First is, you open a Palladium Annex in this quarter, can you throw some light on what is the average rental you have seen in that?

Shishir Shrivastava: Puneet, may I request you to repeat the question?

Puneet Jain: You opened a Palladium Annex in this quarter, what was the average rental you could achieve in that?

Shishir Shrivastava: Average rental is roughly in the region of about Rs. 400 a square foot.

Puneet Jain: Does it mean that your balance Palladium, possibly the rentals can increase slowly, then typically what is the period under which the balance Palladium could come off renegotiation.

Shishir Shrivastava: Puneet, if you remember we leased out Palladium in 2007-'08 and commenced operations in 2009 September, so some of these contracts are for five years and some of the contracts are for three years. I would say that about maybe 30% of this area would come up for renewals, maybe 25, 30% will come up for renewals in the current financial year and the balance will come up in the following year, in FY14.

Puneet Jain: What would be a current average rental from Palladium?

Shishir Shrivastava: The minimum guarantee is in the region of about 180, but considering the revenue shared, my guess would be that it would be north of 210 or thereabouts or even more than that, possibly 220.

Puneet Jain: Also, since your couple of malls have got finished, so what has been the construction cost you have incurred on those malls?

Shishir Shrivastava: Would you like me to give you this...

Puneet Jain: Approximate construction cost per square feet.

Shishir Shrivastava: Per square foot?

Puneet Jain: Per square foot for Bangalore and for Pune and Kurla.

Shishir Shrivastava: Malls are roughly in the region of about Rs. 3000 a square foot.

Puneet Jain: So for Kurla the total construction cost will be in the region of 350 crores?

Shishir Shrivastava: No. But over and above that you have TDR, you have IDC, you have the approvals, premiums payable, land, of course, and then pre-operating cost and all.

Puneet Jain: Excluding land cost, what would be the cost of construction?

Shishir Shrivastava: Like I mentioned to you, construction cost is about 3000, and then when you add everything else it roughly be in the region of about Rs. 1800 more. So when you add excluding land, it would be that, plus TDR. If you exclude land and TDR then your pre-opening interest during construction, approval related cost, premiums paid, all of that would roughly be in the region of about Rs. 1800.

Puneet Jain: Has it varied between Bangalore, Kurla and Pune or is it fairly similar?

Shishir Shrivastava: In terms of approvals and premiums that is the area where it varies but typical construction and interior cost is more or less the same everywhere.

Puneet Jain: Thanks a lot.

Moderator: Thank you, Mr. Jain. Here comes the next question from Mr. Chirag Dhanani from HDFC Securities. Mr. Dhanani, you can go ahead and ask your question, please.

Chirag Dhanani: Hi, I just wanted to know the growth debt levels at standalone and consolidated levels.

Pradumna Kanodia: We had mentioned in one of our earlier questions also the total debt currently would be at around 1500 crores in terms of a gross and the consolidated levels. While at the Phoenix Mills standalone the number was 300 crores, so this is the breakup between the two numbers.

Chirag Dhanani: Thank you. That is it from my side.

Moderator: Thank you Mr. Dhanani. Here comes the next question from Mr. Tejas Sheth from Emkay Global once again. Mr. Sheth, you can go ahead and ask your question, please.

Tejas Sheth: One follow up question, I wanted to know what is your cash flow situation for the commercial property in market city in Pune and Kurla? How much have you realised and how much is pending?

Shishir Shrivastava: We have realised roughly about 125 crores in Pune and about 110 crores in Kurla.

Tejas Sheth: So there will be balance 50 crores pending in Kurla?

Shishir Shrivastava: Actually from the sales that have already been done, there will be a balance of about Rs. 50/52 crores in Kurla.

Tejas Sheth: And Pune, it will be around 25 crores?

Shishir Shrivastava: That is correct.

Tejas Sheth: Thank you, sir.

Moderator: Thank you, Mr. Sheth. I would request once again to all the attendees and the participants, if you wish to ask any question, please press “0” “1” on your telephone keypad and wait for your name to be announced.

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Yes, we have one question from Mr. Ravi Dodhia from Crisil. Mr. Dodhia, you can go ahead and ask your question, please.

Ravi Dodhia: Thanks for taking a follow up. I just wanted to check the opening date of PVR Cinema at Pune Market City.

Shishir Shrivastava: Actually it is just a few weeks away. We are just waiting for some approvals for operations. I would expect that sometime by the end of June, early July they should be ready to operate.

Ravi Dodhia: Excluding PVR, current occupancy is around 70%?

Shishir Shrivastava: That is right.

Ravi Dodhia: I believe that has been readied but because of some approval related issues it has been delayed?

Shishir Shrivastava: Yes, that is correct. The approvals for cinema, it is really complex process and it is taking a little while.

Ravi Dodhia: But by June, July it will be operational?

Shishir Shrivastava: Yes.

Ravi Dodhia: Thanks.

Moderator: Mr. Jain, you can go ahead and ask your question.

Puneet Jain: I have just one more question. You mentioned that the cost of construction is Rs. 3000 per square feet, now if suppose somebody were to build a mall from scratch right now given the increase in construction cost over the last four year period, what is your estimate of construction cost?

Pradumna Kanodia: Puneet, I think it is not just the construction cost, you have to look at how the entire concept has to be developed, so our market cities are typically spread over 18-20 acres of land parcels which are very rare to find now in this part of the centre of the city or at a location which really has a very good catchment. So it is not just about the construction cost and the increase that has happened and what is the impact of that, but I think it is more important to look at whether you have the right kind of land area where this kind of a mall could be developed; and based on that what investments can go, yes, you are right, the investments today could be upwards of 10 to 15% as compared to what the cost has been incurred by us. So clearly, I hope that this gives us a position of dominance in the market where our malls really become the centre of attraction and new developments really are likely to get deterred on account of construction cost and the land prices that are there and the approval related issues which are also...

Puneet Jain: But will it be just 10-15% or could it be even higher, maybe 30 to 50% because the cost has shot up a lot more in the last four-year period, and given the fact that you constructed a lot during 2008 and 2009.

Shishir Shrivastava: Yes, your estimate may well be correct, Puneet, but I would also say that you import a lot of things so that the rupee value is also impacted, the cost of all the imports. So yes, this cost could be probably 20% up from what we have incurred, in our opinion.

Puneet Jain: Thanks a lot.

Moderator: Thank you, Mr. Jain. Well, there are no further questions in the queue from participants. So lastly I would request once again to all the attendees, if you wish to ask any more questions, please press "0" "1" on your telephone keypad and wait for your name to be announced.

As there are no further questions from the attendees, I would request the panellists to take over the floor for the final comments.

Hanumant Bhansali: Thank you, Sourodip. Seagull Value Consultants is managing the Investor Relations for The Phoenix Mills Limited. 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 so much, Mr. Bhansali. Thank you all the panellists and thank you all the participants joining the conference call. That concludes our conference for today. Wish you all a great day ahead. You all can disconnect your lines. Thank you so much.