THE PHOENIX
MILLS LIMITED

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February 05, 2025

To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort,
Mumbai- 400 001

Security code: 503100

National Stock Exchange of India Limited
Exchange Plaza,
Bandra-Kurla Complex, Bandra East,
Mumbai- 400051

Symbol: PHOENIXLTD

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call

This is further to our letter dated January 31, 2025, wherein we had informed the exchange about the conclusion of our Earnings Conference Call concluded on Friday, January 31, 2025 at 11.45 A.M. (IST), with Analysts / Institutional Investors on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2024, please find attached herewith the Transcript of the said Earnings Conference Call.

The enclosed Transcript is being made available on the Company's website and can be accessed at https://www.thephoenixmills.com/investors/FY2025/Earnings-Call-Transcript.

You are requested to take the same on record.

Yours faithfully,

For The Phoenix Mills Limited

BHAVIK MANILAL GALA

Digitally signed by BHAVIK MANILAL GALA
Date: 2025.02.05 18:34:31 +05'30'

Bhavik Gala
Company Secretary
Membership No. F8671

Encl.: As enclosed

The Phoenix Mills Limited
Q3 & 9M FY25 Earnings Conference Call
January 31, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9M FY25 Results Conference Call of The Phoenix Mills Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes.

Management of the company is being represented by Mr. Shishir Shrivastava, Managing Director; Mr. Kailash Gupta, Group CFO; and Mr. Varun Parwal, Group President, Strategy, Audit and Head - Corporate Finance.

Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touch tone phone. Please note that this conference is being recorded.

At this time, I would like to hand the conference over to Mr. Shishir Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Thank you, Michelle. Good morning, everyone. We take pleasure in welcoming you all to discuss the operating and financial performance for the Third Quarter and Nine Months ended December 2024. It's our privilege to share yet another strong quarter of growth and success with you.

Our Q3 FY25 results reflect our unwavering commitment to delivering sustained value for all our stakeholders. I hope you have had a chance to look at the results presentation shared by us; the same is uploaded on the stock exchanges as well as our corporate website. I will now take you through the key highlights of the results.

Let us start with an overview of our performance on a consolidated level. In Q3 FY25, our core businesses, that is retail, offices and hotels achieved an operating revenue of Rs. 927 crores, and EBITDA for the quarter was at Rs. 561 crores. We had strong performances across our core operating businesses, which reflected in revenue growth of 14% year-on-year and EBITDA growth of 21% year-on-year. To provide a more accurate picture of our core business performance, we have adjusted the figures to exclude the contributions from the residential and non-core businesses, which are inherently variable in nature.

For 9M FY25, operating revenue from our core businesses stood at Rs. 2,613 crores, up 19% versus 9M FY24. EBITDA for the nine months from our core businesses was at Rs. 1,601 crores, up 21% versus 9M FY24.

For the group, at a consolidated level, revenue from operations for 9M FY25 stood at Rs. 2,797 crores, which is a 5% increase year-on-year, and EBITDA was at Rs. 1,602 crores, up 3% versus 9M FY24.

Moving on to our retail business performance, the first up is the update on the expansion of Phoenix Palladium, Mumbai. I am pleased to announce the completion of a significant expansion at Phoenix Palladium, Mumbai, adding approximately 250,000 square feet of gross leasable area. This expansion aims to offer an unparalleled retail experience with five levels of curated retail offerings, a diverse selection of distinguished F&B outlets, and an elevated dining experience. Planned additions include entertainment options such as a pickleball and paddle court, and an indoor gaming and entertainment hub.

In November 2024, we celebrated the grand opening of this new annex building with the launch of South Mumbai's first and Mumbai's largest Uniqlo store. This was followed by the opening of Celio’s flagship store and Lifestyle, along with other retailers including Ecco, GAP, San-Cha Tea, Dessange and Nykaa Luxe, and more launches are expected in the coming months. We have created a two-level F&B village featuring over 18 dining venues, several which are currently under fit-out, and a large entertainment hub under fit-out which is Game Palacio which will further enrich the center’s offering.

Moving on to our operational highlights:

Retail consumption surged to over Rs. 4,000 crores in Q3 FY25, marking a robust 21% year-on-year growth. This reflects the continued strength of discretionary spending and the resilience of our premium retail assets. We witnessed a significant revival in consumption during this festive season, with strong growth at several of our properties, including Phoenix MarketCity Pune, which reported an 11% increase, and Phoenix Palassio Lucknow which saw a 19% increase. Of course, the recently launched properties at Indore, Ahmedabad, Pune and Bangalore continue with strong operating trends. Across the portfolio: Jewelry emerged as the top performing category this quarter with a growth of 26%, followed by FEC and multiplex showing a 16% growth. Fashion and accessories showed a growth of 13%. In this last quarter, we saw unseasonal heavy rains in Bangalore and Chennai which impacted consumption. It is our estimate that our overall consumption would have been higher by about 1.5%, approximating about Rs. 55 to Rs. 60 crores in Q3 FY25 had we not seen this unusual weather change.

Retail rental income stood at Rs. 505 crores, up 12% year-on-year. Retail EBITDA for the quarter came in at Rs. 505 crores as well, up 15%.

Consumption reached Rs. 10,500 crores during the first nine months of this fiscal year, up 23% year-on-year. This compares favorably to the total consumption of Rs. 11,300 crores achieved in the entirety of FY 24. We saw strong uptick in consumption during the quarter and this positive momentum has continued in January as well. Retail rentals for the first nine months of FY25 exhibited a 21% year-on-year growth, reaching about Rs. 1,470 crores. Concurrently, EBITDA for this period was up by 22% year-on-year at about Rs. 1,511 crores.

Trading occupancy continues to build strong momentum reaching 91% in December 2024, up 87% from March. Our newly launched malls are ramping up at an impressive pace, contributing significantly to this growth. Palladium Ahmedabad achieved a strong trading occupancy level of 97% in December 2024. Phoenix Mall of the Millennium, Pune, has reached a trading occupancy of 91%, and Phoenix Mall of Asia touched a trading occupancy of 81% in December 2024.

Moving on to the office business. As of December 2024, occupancy across our operational office assets in Mumbai and Pune stood at 70%, with average rent at around Rs. 112 per square foot. During 9M FY25, we completed leasing of about 1.70 lakh square feet in the currently operational offices. During the quarter, our commercial office income grew by 7% to Rs. 53 crores and EBITDA was at Rs. 33 crores, which was up by 17%. For 9M FY25, income was recorded at Rs. 158 crores, up 12%, and EBITDA grew by 22% to Rs. 98 crores. Income and EBITDA growth primarily resulted from increased license fees due to higher billing from new leases and rental escalations, coupled with improved cost control measures.

We are pleased to announce that Phoenix Asia Towers, Bangalore, has received the occupation certificate and we will see our clients, who are currently under fit out, commencing operations from their fantastic offices soon. Pre-leasing activities have commenced for Phoenix Asia Tower, Bangalore, and Phoenix Millennium Towers. We have cumulatively leased about 110,000 square feet across these assets. We still await the completion of Millennium Towers, Pune, post which we expect the leasing velocity to accelerate. Looking ahead, we also anticipate the completion of One National Park, our offices in Chennai, during 2025. Our office developments in Pune, Bangalore and Chennai will take our total commercial office portfolio to nearly 5 million square feet, in 2025.

Moving on to our hotels. A key element of our strategy this year has been a deliberate focus on optimizing the ADRs (Average Daily Rate), even if it meant potentially moderating occupancy levels. This strategy has proven particularly successful with our flagship property, The St. Regis Hotel, Mumbai.

The St. Regis continues to lead the market, achieving a stellar 11% increase in ADR at about Rs. 22,343 for Q3FY25. This reinforces our pricing power and the premium positioning of our hotel. During Q3 FY25, we achieved an impressive 11% increase in ADR while maintaining a healthy occupancy rate of 84%, a marginal 2 percentage point improvement. For the 9M FY25, ARR and RevPAR at The St. Regis, Mumbai, grew by 9% and 13%, respectively. Income for Q3 FY25 at The St. Regis, Mumbai, was Rs. 148 crores with an EBITDA of Rs. 72 crores, representing healthy EBITDA margins at about 49%.

The Courtyard by Marriott, Agra, has delivered excellent performance with occupancy at 83% and a strong 21% growth in ARR. This again reflects the sustained recovery in domestic and inbound tourism. Revenue from F&B and banqueting saw a strong growth of 13% during the quarter, supported by the growth in RevPAR and F&B, total income for Q3 FY25 grew by 16% to Rs. 20 crores, with a strong EBITDA margin of 37% at The Courtyard by Marriott, Agra.

A quick snapshot about our residential vertical. For the 9M FY25, our residential business achieved gross sales of Rs. 135 crores and collections of Rs. 165 crores. The average sales price across our two residential assets, One Bangalore West and Kessaku in Bangalore is approximately Rs. 26,100 per square foot for 9M FY25. We currently have about 380,000 square feet of ready inventory, which we expect to sell in these two projects in the coming years.

This brings me to the end of the operational update of our businesses, and I would now like to request Kailash, our Group CFO, to take you through the financial performance.

Kailash Gupta: Thank you, Shishir and good morning, everyone.

Let us begin with the financial performance of our standalone business first. The P&L on a standalone basis, includes Phoenix Palladium and some a small part of office component. For Q3 FY25, income from operations touched to Rs. 127 crores, a 6% increase over the same period last year. EBITDA for the quarter stood at Rs. 81 crores, increase by 5% at the margin of 64%.

Moving to be a consolidated business. Our consolidated revenue from operations for Q3 FY25 was at Rs. 975 crores, with an EBITDA of Rs. 553 crores. For the nine months ended December 2024, consolidated revenue was at Rs. 2,797 crores, up by 5%. And EBITDA was Rs. 1,602 crores. Our core businesses, retail, office and hotel have generated Rs. 1,601 crores.

Let me update you on the cash flow, CAPEX, liquidity and debt part. The net cash generated from operational activities for 9M FY25 was Rs. 1, 506 crores, and for Q3 it was Rs. 506 crores. To provide further context, after adjusting for interest and taxes paid, and excluding of course the residential business, the operating cash flow was Rs. 380 crores, up 12% for the Q3FY25.

Capital expenditure for 9MFY25 was at Rs. 1,758 crores which includes acquisition of three assets, mainly the Mittal land (in Bangalore), Coimbatore and Chandigarh, total amount is Rs. 965 crores and the total construction cost is around Rs. 793 crores. As on December 2024, the liquidity position i.e total cash available for the future is Rs. 2,074 crores. Compared to March 2024, our group level gross debt increased marginally by Rs. 25 crores and stood at Rs. 4,391 crores. Our group level net debt position post the cash reduction is around Rs. 2,317 crores as on December 2024.

We reduced our average cost of borrowing to 8.64%, which is around 20 bps reduction as compared to March 2024, and we remain committed to the future optimization of our debt cost, so we continue to churn our debt portfolio based on the availability.

To secure our long-term growth, we have strategically acquired six land parcels totaling to around 53 acres over the past two years, and we have now pipeline visibility up to 2030. Our strong balance sheet remains a cornerstone of our growth strategy with a net debt to EBITDA ratio at just 1.1x, and provides ample headroom for strategic expansion. Our growth trajectory remains strong and well defined with plan to double our operational annuity portfolio by 2030.

We are systematically executing on our pipeline, ensuring long-term value creation for the stakeholders, leveraging our strong balance sheet. We are committed to deliver our under construction projects on time and deploying capital judiciously to expand our portfolio.

This brings me to the end of the financial performance update and the liquidity position. We can now start with the Q&A session. Thank you.

Moderator: Thank you very much, sir. We will now begin with a question-and-answer session. The first question is from the line of Puneet from HSBC. Please go ahead.

Puneet Gulati: Yes. Thank you so much, and good morning. My first question is, if you can talk a bit about the non-retail part of the business. There seems to be a bit of slowness in commercial leasing, on the residential sales, especially given the environment. Can you talk about what you are doing to accelerate those sales and leases?

Shishir Shrivastava: Hi, Puneet. This is Shishir. Thank you for your very relevant pertinent question. Let me talk a little bit about the offices first. Across the country, we are seeing the demand to grow for office space leasing. In Bangalore, as I mentioned earlier in my communication, we have just recently received the occupation certificate, and we now see a lot of interest going up there. Also, I want to talk a little bit about course correction. While we were building all of these offices, we came to realize that it was very important to get the front office; Grade A; best-in-class positioning right. And in that context, we have now created some significant experiences at the offices, the amenities that we have created, executive lounges, meeting room facilities, flex spaces for our occupants over there, fantastic F&B options within the office development itself, including cafes, gyms, I would say community spaces.

All of these were a part of the course correction that we did when we started looking at what competition was all about. And in the market of Pune and Bangalore, we realized that the competition was all focused on IT and ITES spaces. And for us to create a niche and carve out and attract the right clientele, it was important to get the positioning and the amenities and the entire building specs upgraded. We commenced this enhancement about six months ago and we have now nearly completed it. Very interestingly, H&M's India corporate office has signed up for space at Asia Towers, Bangalore, and we have got some very good clientele lined up now. I think we are going to see the benefits of all of this in the coming three quarters and we are going to see a very, very promising leasing velocity going forward.

We have done the same course correction at Millennium Towers, Pune, as well. And we are very, very excited to see that this building has pretty much turned out to be the best-in-class new benchmark setting asset for that city. As I mentioned earlier, it's all about creating the right experiences. We have learned the value of this enhancement and the creation of significant revenue at The St. Regis and in our malls, and we are taking those learnings and duplicating them across our office assets across the portfolio.

Moving on to residential, Puneet, we have an inventory at the current pricing of approximately Rs. 1,000 crores. We are gearing up to expand that development with Tower 8 also getting launched perhaps sometime in the next financial year. We are very keen not to dilute the positioning. I guess your question is more about, how does one accelerate the sales velocity?

Puneet Gulati: Yes, sir.

Shishir Shrivastava: The trade is, you drop pricing you get a higher sales velocity. For Rs. 1,000 crores inventory in our books, we want to maintain that premium positioning and pricing, we want to stay true to the product. We do not want to disappoint the buyers who already have occupied spaces there and we want to set right the positioning for Tower 8, which will get launched in the next fiscal year. So, we are not seeing the benefit of dropping pricing to improve sales velocity.

Puneet Gulati: Understood, sir. That's helpful. And from the numbers at least it looked like the net sales were actually negative, so are we worried on the cancellation or those are some routine ones?

Shishir Shrivastava: No, no, this is more of a timing issue. I just want to point out one more, let me bring about one more point for you to understand. In 2018, see, our pricing was roughly at about Rs. 15,000 to Rs. 16,000 per square feet. And as a conscious call, we have decided to inch it up. As I mentioned earlier in my communication, we are currently at about Rs. 26,100 or thereabouts per square foot is the current pricing. And we have really inched it forward, we have set a new benchmark, I think it's amongst the highest pricing in that micro market or across the city in fact. We strongly believe in the strategy and we know that it will pan out well in the long run for us.

Puneet Gulati: And second part is on the retail side, right. I mean, I guess a year and a half back you had said that retail consumption should on the same stores basis grow between high single digit to low double digits. When are we likely to see that? And what needs to be done for your existing pre-2020 portfolio?

Shishir Shrivastava: Yes. So I think in the older malls, again, I want to go back a little bit into history and let's look at the period of 2017, 2018 and 2019. Across the same portfolio of assets which you are talking about, the earlier older portfolio, in that period of two to two and a half years, we had seen consumption kind of plateau, and this is cyclical, in our opinion. When I say cyclical, it's not economic cycles, it's cyclical because brands kind of need to be enhanced, the product needs to be enhanced. And in 2018-2019, we took up the significant exercise of premiumization, category upgradation, bringing more bridge to luxury brands in.

And in the subsequent years, three, four, five years we have seen how consumption has grown. So, we are now again at that same point where all of these assets we need to be working on premiumization, category upgradation, and of course optimizing the store size, introducing newer brands. We are very excited about Bershka opening up at Phoenix Palladium. I think it's completely new brand for this market and it's a much anticipated brand by our consumers.

So I would say it's the same strategy. Our teams are working on it. We have a lot of confidence on how this is panning out from our ongoing discussions with retailers. I think just let's look at the performance of Mall of Asia and Mall of the Millennium, where we have created more efficient layouts and optimized store sizes to accommodate new brands. We have given more space to performing retailers. There are newer categories that have come in. F&B, we have increased the allocation of area. We have brought in more fine dining, cafes, bars, F&B densification on multiple floors, creating the whole F&B village or eclectic village at Pune.

We have seen how strong the performance is now at Family Entertainment Centers (FEC), and now we have multiple FECs across the location creating these indoor social venues, adding smaller but high density trading stores like watches, cosmetics, electronics. So, this is a strategy that we have and it was something which is in execution. And it's very routine to our business. You are going to see in the retail space in any mall there is going to be a plateau every let's say five to seven years in consumption, and you have to take all of these steps for consumption to grow and take it to the next level.

Puneet Gulati: Understood. That's really helpful. And thirdly, anything more in terms of pipeline for new business development? And when should we expect start of work in Thane, Coimbatore and Kolkata residential launch?

Shishir Shrivastava: Okay. So, clearly this has been a significant year for us. We are really committed to growing the retail, office, hotel and even the residential portfolio, right. So for now our plans indicate that Thane is going to see a retail GLA of about 1.3 million square feet. Plus, we have additional FSI of another 2.5 million square feet, and we are currently working on the plans to identify what is going to be the best asset classes to develop over and above the mall.

Puneet Gulati: When do you start work on Thane mall?

Shishir Shrivastava: We are currently in the state of approvals, etc. and we hope that during this calendar year we will be able to break ground once we get all our approvals in place. Unlike earlier Puneet, we now go to the very last detail on all design development before we break ground, because we see once you break ground and efficiently and quickly you build it out, I think that's the most prudent way to allocate capital and see the best returns.

Continuing on, Chandigarh is going to be another 1.3 million square feet mall. And again, we have additional FSI potential over and above, which is unlimited. So we are looking at perhaps a fantastic hotel over there as part of the mixed-use development. Coimbatore is going to be again 1 million square feet of mall space. We have, at our Phoenix Market City location, as part of that mixed-use development in Bangalore, we have already planned the expansion of about 600,000 square feet and that construction is ongoing.

So it's been a significant year for us in terms of acquisitions. And we continue to evaluate opportunities. As I have always mentioned to you and our other investors and shareholders and analysts, we expect to launch at least 1 million square feet each year from 2027 onwards as well. And we are well to deliver on that pipeline that we had anticipated by FY 2030.

Puneet Gulati: Understood. Very helpful. Thank you so much. And all the best.

Shishir Shrivastava: And also, you had a question on Resi in Kolkata.

Puneet Gulati:: Yes.

Shishir Shrivastava: So, One Belvedere is the product, that's the name of our product. We expect to launch it towards the middle or end of Q1 of FY26. And work is commencing over there already.

Puneet Gulati: Got it. Thank you so much.

Shishir Shrivastava: Thank you.

Moderator: Thank you. We will take the next question from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: Good morning, Shishir and team. First question is on, I calculate normally the rental income divided by the consumption of your mall portfolio. Typically, it is 14% to 15%, but this quarter it was around 12.7%. Just trying to understand, should we read anything into this? Or does it indicate that we will see rental income growth for the ratio to reach to 15%?

Shishir Shrivastava: So, this is a great thing. It's a significant opportunity for us, Biplab, and I am glad you asked this question. In any good; well performing mall where you are seeing, let's say, Rs. 1,000 -1,200 crores plus of consumption annually, at an average, the retailers’ ability to pay rent is in the range of about 15% to 16%, considering that their costs remain pretty much fixed and the margins continue to improve as consumption reaches Rs. 1,000 crores. So there is a significant opportunity and we do not need to do anything to take our rental income up. It's just a trailing effect. You will first see consumption growth and then in the subsequent quarters you will start seeing rental growth.

Moderator: Sir, Biplab Debbarma has rejoined the queue.

Biplab Debbarma: Yes. Sir, second question is on the new Palladium area, that expansion area. So, has it been fully leased? And by when should we expect the numbers from this new Palladium area?

Shishir Shrivastava: Yes, it's about 90% leased. We are holding onto some space, because as the retailers commence their operations there, there is the opportunity to extract premium rentals from the last remaining space. There is more than enough demand for us to reach 100% as soon as we decide. But the effect of this you are going to start seeing perhaps from this first quarter of the next financial year. It's very exciting because it's been very, very well received. A brand like Uniqlo, when they opened up over there, we had underwritten our rental model at a sale or consumption of about Rs. 8 to - 10 crores or thereabouts, in December the consumption was hovering close to Rs. 20 crores out of that one single store, which is unheard of from any anchor. So we are very excited about the future and the potential of the Phoenix Palladium expansion, which is about 250,000 square feet. And also the product is incredible, what we are creating there. The two-level F&B village is going to really become the hub for leisure, entertainment and F&B which sits over and above all the retail that we have created there.

Biplab Debbarma: And my final question is on, we have been reading slowdown in urban consumption everywhere, there is some kind of negativity. How do you, sir, you see consumption in the next, say, one year? Can you give us your thoughts on that?

Shishir Shrivastava: Well, if we go by how January has panned out for us, it's been extraordinary across the portfolio. So I cannot crystal gaze, on how the consumption will be for the rest of the year. But we are very, very confident that we are going to continue to see a significant growth in consumption and that's not just coming out of natural; I mean it's organic, but we are also putting in efforts on introducing new intellectual property and marketing events to boost consumer. For example, the Black Friday sales at the end of November, which was a three day event, this was an important factor this year in reviving consumption growth in the lean period, which comes between Diwali and end of season sales in December. So we identify these dips in consumption and we curate experiential events which boost consumption during that period. And this is something that we work on very closely with all the brands to make it very, very successful.

Biplab Debbarma: Okay sir. Thank you and all the best.

Shishir Shrivastava: Thank you.

Moderator: Ladies and gentlemen, as there are no further questions, thank you members of the management. On behalf of The Phoenix Mills Limited, that includes this conference. Thank you for joining us. And you may now disconnect your lines.