THE PHOENIX MILLS LIMITED

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November 11, 2022

To,

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

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

Security code: 503100

Symbol: PHOENIXLTD

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call

This is further to our letter dated November 09, 2022, wherein we had informed the exchange about the conclusion of our Earnings Conference Call held on that date with Analysts / Institutional Investors on the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended September 30, 2022, please find attached herewith the Transcript of the said Earnings Conference Call.

The enclosed Transcript is also available on the Company's website and can be accessed at https://www.thephoenixmills.com/investors

You are requested to take the same on record.

Yours faithfully,

For The Phoenix Mills Limited

GAJENDRA MEWARA
Digitally signed by GAJENDRA MEWARA
Date: 2022.11.11
19:16:12 +05'30'

Gajendra Mewara
Company Secretary

Encl.: As enclosed

Phoenix Mills Limited
Earnings Conference Call
November 9, 2022

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY23 Results 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. The Management of the company is being represented by Mr. Shishir Shrivastava – Managing Director, Mr. Anuraag Srivastava – Group CFO and Mr. Varun Parwal – Deputy CFO. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. 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: A very good afternoon, ladies and gentlemen. We take pleasure in welcoming you all to discuss the operating and financial performance of the second quarter and first half of financial year 2023. We have uploaded the results presentation on the Stock Exchanges as well as on our website and I hope you've had a chance to take a look at the same. We will now take you through the key highlights of the results and we will refer to the relevant slides of the results presentations for your convenience. We have also drawn comparison with the financial year 2020 for Q2 and H1 which year was historically our best performing years for retail. And I will now start with the performance for our retail portfolio.

May I draw your attention to slide no 4 onwards of the results presentation. Consumption in Q2 FY23 stood at Rs. 2,199 crores, showing a growth of 30% over Q2 FY20. If we were to exclude Phoenix Palassio Lucknow, the contribution from that asset, the growth was at 18%. Led by the festive season and new brand launches, this was the highest quarterly consumption done at our malls in the second quarter of any financial year. Consumption was robust across categories in the second quarter. Some of the top performing categories were jewellery where consumption was up 132% from Q2 FY20. Electronics, which was up 35% from Q2 FY20; fashion and accessories up 33%; food and beverages up 33% and multiplex up 15% from Q2 FY20.

Moving on to slide no 5, Consumption in the first half of FY 23 stood at Rs. 4,389 crores, up 26% compared to the first half of FY20. For our like-to-like comparison if we exclude Phoenix Palassio's contribution, which was not operational during the relevant H1 FY20, the growth in consumption stood at 14%. Gross retail collections for the first half of FY23 stood at Rs. 1,045 crores, which was up 24% from the first half FY20, maintaining the quarterly run rate of little over Rs. 500 crore per quarter.

Moving on to slide 6 and 7 to give you some color on our performance in the month of October. October has been a great month for us. Consumption came in at Rs. 977 crores, the highest level historically. It was up 33% compared to October 2019 and 44% up compared to October 2021. Year to date, April to October 2022 we achieved consumption of approximately Rs. 5,300 crore and are on track to target annual consumption of at least Rs. 9,000 crores without counting any bump up on account of new trading area, becoming operational inside our existing malls at Chennai, Pune and Kurla, without counting the bump up on account of sustained consumption growth in our existing malls and any consumption from the new malls opening at Indore and Ahmedabad in the next few months. We continue to make each mall, the de facto destination for customers. Besides bringing in the best of brands and categories and fine dining, food and beverage experiences, we continue to host performances, events of prominent artists and invest in innovative eye-catching decor across our properties.

On slide 10 you can see the retail expansion that we have planned for our flagship property, Phoenix Palladium, Mumbai. To recap the mall's Gross Leasable Area (GLA) was about 770,000 square feet in FY22. During the first half of this year, we have operationalized additional GLA of about 150,000 square feet spread across the lower ground floor at Palladium courtyard and the second and third floors in the East Zone. In addition, we will have another 250,000 square feet of anchor area coming up opposite to the PVR block in 2024 and another 200,000 square feet of retail GLA, as part of the new expansion project Rise, which is the million plus square feet of offices and 200,000 square feet of retail. Once the entire expansion program is completed in 2025, Phoenix Palladium will be a 1.43 million square foot GLA mall, the largest in our portfolio.

Please refer to slides 11 through 13 for a quick glimpse on the new store openings at Phoenix Palladium across categories of Fashion, F&B and entertainment. In September 22, we opened the first Victoria's Secret store in India. We also have the biggest Starbucks in India at our mall spread across 2 levels, the flagship store of Swarovski and several new brands in the F&B space.

If I may draw your attention to slide 14 onwards for an update on our upcoming malls. We have two new mall openings in the coming months. Phoenix Citadel Indore is slated to open its doors to the city in December of this year and followed by Phoenix Palladium, Ahmedabad in January 2023. The GLA of Phoenix Citadel Indore stands at approximately 1 million square feet, and Palladium Ahmedabad at approximately 775,000 square feet. Citadel is approximately 88% leased as on date. Palladium Ahmedabad stands at 99% leasing occupancy. These two malls will soon be followed by the launch of Phoenix Mall of Asia at Bangalore and Phoenix Mall of the Millennium, at Pune in the first half of FY24. Phoenix Mall of Asia, Bangalore has a retail GLA of approximately 1.2 million square feet and currently we have achieved about 78% leasing occupancy. Phoenix Mall of the Millennium has retail GLA for approximately 1.1 million square feet and current leasing occupancy stands at 86%.

Slides 15 to 18 give you a quick look at Phoenix Citadel, Indore as we get ready to launch this mall in the next month to the city of Indore. At our Retail project in Kolkata, where we received the consent to establish in July 2022, demolition for onsite structures has been completed and construction has commenced. At Project Rise at Lower Parel, Mumbai we commenced excavation in October this year.

Now moving on to the performance of our retail portfolio on slide no 29. In line with consumption our rental and EBITDA growth has also come across strong. Q2 FY23 retail rental income was at Rs. 313 crores, up 21% compared to Q2 FY20. Retail EBITDA for this quarter was at Rs. 318 crores, up 29% compared to Q2 FY20. In the first half of FY23, our annual rental income stood at Rs. 636 crores, demonstrating a growth of 22% over first half FY20 and retail EBITDA stood at Rs. 643 crores, showing a growth of 28% for the same period. May I now request Anuraag to take you through the office, hotels and residential sections and the overall financial results.

Anuraag Srivastava: Thank you Shishir, good afternoon, everyone. I would draw your attention to slide 34 for an update on our commercial portfolio. Our commercial office portfolio continues to demonstrate a strong leasing traction. For the period from April to October 22 we saw a gross leasing of about 2 lakh square feet, out of which 1.3 lakh is new leasing and about 0.7 lakh is renewal leasing. Total office income in Q2 FY23 stood at about Rs. 43 crores, which is up 3% year on year. And total EBITDA stood at Rs. 25 crores. Collection efficiency for the quarter was at about 95%, and we collected about Rs. 43 crores during Q2 FY23. During first half of FY23 Office income stood at Rs. 84 crores, up 7% year on year and EBITDA at Rs. 48 crores. Collection efficiency at 97% and a collection of about Rs. 89 crores for H1.

For the hotels, please refer to slide 38 to 40. At both our hotels, we have witnessed strong improvement on account of social and corporate events, pick up in food and beverage and the festive season which has led to the higher occupancies and the ARRs. At flagship property at the St. Regis, Mumbai during October 2022, the ARR stood at Rs. 14,154 and RevPAR at Rs. 11,198 showing significant improvement over same period last year. Our operating profit performance at The St. Regis, Mumbai has surpassed most parameters in last six months led by resumption of foreign travel, domestic corporate travel, social events and staycations. These factors provide an excellent visibility for high occupancy and ARRs in the coming months. Additionally, we have made operational new luxury banqueting venues on the 38th floor of the hotel which has started generating revenues from September and will further boost our hotel income in the next 6 months. Our total income stood at Rs. 84 crores, up 23% over Q2 FY20, Occupancy at 84%, up from 77% in Q2 FY20 and ARR was at Rs. 11,840, up 8% from Q2 FY20. Operating EBITDA came in at Rs. 35 crores, which is 46% growth compared to Q2 FY20. At our Courtyard Marriott property in Agra, total income is Rs. 9 crores, up 32% Q2 FY20, occupancy at 63% and ARR at Rs. 3,883, which is up at 17% from the Q2 FY20. During the month of October, Courtyard Marriott's occupancy levels reached 80%, and ARR and RevPAR also showed significant improvement and stood at Rs. 4,623 and Rs. 3,790, respectively.

Moving on to our residential business on slide 45, we have witnessed very good traction in residential sales mainly led by the robust demand of ready to move in inventory. We achieved an overall sale of Rs. 98 crores in Q2 FY23 out of Rs. 26 crores is pending registration. Momentum in sales continues with sales in excess of Rs. 200 crores in the period from April to October 22. Collection in quarter was Rs. 71 crores and for the first half was about Rs. 124 cores.

Moving on to our financial results, which are in slides 47 to 53, Income from operations for the quarter was Rs. 651 crores, this is up 75% year on year and 57% if we compare to Q2 FY20. Income from operations at Rs. 1,226 cores for first half FY23 up 113% year on year and 19% if we compare to H1 of FY20. Moving to profitability and EBITDA for Q2 FY23 was Rs. 381 crores up 104% year on year and 81% compared to Q2 FY20. EBITDA at Rs. 700 crores for H1 FY23 up 168% for year on year and up 40% compared to H1 FY20. PAT after minority interest and before comprehensive income for Q2 FY23 was at Rs. 186 crores compared to Rs. 60 crores of Q2 FY22 and Rs. 66 crores as well for Q2 FY20. Rs. 905 crores was the PAT for first half FY23 compared to Rs. 33 crores for H1 FY22 and Rs. 196 crores for H1 FY20.

On Slide 53 we have demonstrated growth in consolidated EBITDA on a like to like basis to the pre COVID period. We have made adjustments for the newly opened Phoenix Palassio Mall, which was not there last year, Classic mall, which was an associate company, was acquired this year and residential business, because it has a lumpy effect on accounting, we have removed that as well. Moving out these adjustments, we still registered a growth of 33% over Q2 FY20 and 27% over H1 FY20.

Moving on to the debt, cash flows and liquidity positions in slides 54 to 59. Our gross collections from the business was Rs. 726 crores for the quarter out of which retail was Rs. 520 crores, commercial was Rs. 43 crores, Residential was Rs. 71 crores and hotels business collected about Rs. 93 crores. We spent about Rs. 570 crores in Capex during the first half of FY23. We have 4 malls under construction at present and since they are entering into final phase of completion, the spending has picked up and the Capex has increased. Further, we have started excavation for Project Rise in Lower Parel and our upcoming mall in Calcutta during this quarter. We have commenced construction on the RCC Structure for the Millennium Towers and the Asia Towers. These are the office towers on top of the malls in Wakad Pune and Hebbal Bangalore respectively.

On the debt side, in Slide 54, consolidated gross debt stood at Rs. 4,263 crores on 30th September, with an increase of Rs. 76 crores from the Rs. 4,187 crores, which was the balance as on 30th June 2022. On the operational portfolio, there has been a decline in the debt due to gradual repayments as well as few planned repayments that we have done during the quarter. On the under-construction portfolio, sequential increase of debt is on account of spending for our under-construction malls at Ahmedabad, Indore and Bangalore. However, we expect 80% of this debt to be refinanced to LRDs with the Indore and Ahmedabad malls becoming operational in the coming few months. Average cost of borrowing is up by 44 basis points to 7.89% in September 22, this figure was 7.45% in June 22. Currently, our lowest cost of borrowing stands at 7.35%. Despite RBI increasing rates by 140 bps since May 22, our borrowing cost has gone up by 44 bps so far only. As overall interest rates in the economy start to rise, our effort will be to minimize the impact of this on the cost of borrowings by reducing the spread charged by the banks on top of the repo rate.

Our liquidity position is on slide 56. As of 30th September 2022, we have liquidity of almost Rs. 2,300 crores. This excludes Rs. 1,022 crores in unutilized OD accounts. At a group level our net debt stood at Rs. 1,964 crores and PML share of the net debt is Rs. 1,573 crores.

Moving to our cash flow position on slide 57 and 58, we had a strong operational cash flow quarter. We generated Rs. 398 crores of operating cash flow. Post interest payout of Rs. 81 crores, our operating free cash flow for the quarter was Rs. 318 crores. We are bullish on our business prospects and with a strong balance sheet position, our focus is now to deliver under construction projects in time and judiciously deploy our capital to expand our portfolio. With this we would close our opening remarks and we will open the call for interactive question and answer session. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may enter "*" and "1" on touchstone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use the handset while asking the question. Anyone who has a question may enter "*" and "1". The first question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Hi, Good afternoon and Congratulations on good numbers. My first question is with respect to the consumption growth. You talk about adjusted consumption growth of 118% over FY20. In your assessment, is it good enough, and if not that, how much higher can you achieve by end of FY23?

Shishir Shrivastava: Hi Puneet thank you for your question. When we look at the significant changes that we are seeing across all our malls in terms of change in brand mix and if I may draw your attention to where we have detailed the trading occupancy of malls, I think the answers you will find in that. There's a gap between the leasing occupancy and the trading occupancy. So, we expect, as all of these malls move closer to 97-98% trading occupancy, which is where the leased occupancy currently stands at, the consumption is certainly going to further improve on that account. Additionally, there is a trend where we are seeing that the average spend per customer continues to grow. So, our estimate is that even in the remaining half of FY23 when we compare it with FY20, we should continue to see high teens growth for the remaining half as well.

Puneet Gulati: If it were to be, if your trading occupancy were to be same as leasing occupancy, where do you think this number would have been versus 118% now?

Shishir Shrivastava: I think that would impact another 7%-8% higher. So, 18% like to like growth, excluding Phoenix Palassio, would probably be closer to about 24%-25% or slightly higher than that.

Puneet Gulati: Understood, that's helpful. Has the footfall returned back to pre-Covid levels or is that still below pre Covid?

Shishir Shrivastava: So, I would say it would still be about 15% lower, but we are seeing very positive response to the larger marketing initiatives that we have undertaken in terms of the concerts and performances and the footfall is back and on those days, of course that does boost our consumption significantly.

Puneet Gulati: My second question is with respect to the leasing of the upcoming malls. Indore is leased out to up to 88% while it's still a good number, do you think that's where it will settle at in the near future, given that Ahmedabad is already much higher than 95% and so the other malls are also, which are still a year away are leads out higher than 88%?

Shishir Shrivastava: When we launched Phoenix Palassio, Lucknow in July 2020, the mall was pre-leased at about 72% or 73% at that stage. So, there is certainly a build out that happens over a 12 month period after the mall commences operations, and we have strategically retained some of the high yielding inline spaces to lease out later. So, it's a strategic decision at Indore and we are confident that this mall is going to be trading at close to the mid-90s or high 90s like any other mall, but it takes about 12 to 14 months to ramp up to that level.

Puneet Gulati: And in terms of the underlying rentals, if you can give some sense of where the average underlying rents likely to be for all the four upcoming malls.

Shishir Shrivastava: So, Ahmedabad we expect to be approximately in the range of about Rs. 140. Indore should be in the range of Rs. 90-100, because there's also the revenue share component, which will take that up. Mall of Asia in Bangalore should be closer to about Rs. 155-160. And Mall of the Millennium at Pune in the range of Rs. 120 to 130.

Moderator: Thank you. We'll take our next question from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: My first question is on business development, so we have been talking about business development every quarter, but we have not seen any significant movement there. Even on Surat, which had been announced three quarters back, there has not been any movement. So, if you can update us across cities what has been the BD action and in this financial year, do you expect any closures?

Shishir Shrivastava: As far as Surat is concerned, we are waiting for certain CP completions which we are told should be done by the middle of this current month and we hope to conclude the transaction immediately thereafter. Surat is going to be about a million sq ft development. We have taken the last 7-8 months to work on the plans, we have inverted the plans, we have got the initial approvals in place. In fact, it's good to go from a construction perspective, so the process of planning etc. does not start now, it's already been done. We've applied for the environment clearances, so I would say in a quarter after conveyance we should be able to commence construction. Our ownership, as in the GIC Phoenix JV ownership in that asset would be anywhere between 70% to 80%, that will get crystallized in the next coming weeks. We estimate 3 1/2 years construction period and hopefully with this million sq ft mall looking at the current demand supply gap in Surat and the current rental trends we should be able to deliver a very, very good rental per square foot there. Currently, I think the estimates in Surat, in the current year, for a good quality retail space stand at about 120 and 130. Typically, we don't announce any transaction as such until it's concluded. So, at present we are in advanced discussions at Jaipur and on some space in Chandigarh as well but it's a little premature to announce it as yet. But you may rest assured that we are equally eager to deploy the funds that we have already available, and growth is clearly important for us, so we have a fairly large business development team operating in eight different markets looking for opportunities.

Parikshit Kandpal: Great. I was coming back to the residence business. So residential business what we have been indicating is that we want to do something on the residential business, so any update there, any business development efforts being initiated out there? If you can update us on what's the progress in residential business.

Shishir Shrivastava: So, as you may be aware, we had participated in a bid for a very, very premium land parcel in Alipore Kolkata and we won that bid. Now we are waiting for the next steps from the government of West Bengal to proceed on that. So we are being a little opportunistic in our approach on residential and we are also evaluating if there is any partnership or a platform that we may enter into to grow that vertical; in which case we already have currency in our Bangalore development, where we have six towers of One Bangalore West and Kessaku completed and Towers 7 will get completed shortly. So, we may consider contributing that asset into such a JV or a platform with a strategic partner.

Parikshit Kandpal: OK, so this Alipore opportunity how big like in terms of gross development value, how much will be the sales potential from this?

Shishir Shrivastava: It would be about almost about a Rs. 2,000 crores over a 5 year period at a conservative estimate.

Parikshit Kandpal: And what are the pending things to be done here, has the deal happened or written final stages? Also, when do you expect to break the ground here and the deal closure timeline?

Shishir Shrivastava: So, I think there are certain steps at the government of West Bengal's end and particularly HIDCO, for them to complete the transaction., I will not be able give a timeline on that, but the allotment has been completed and we are ready to proceed on to the next step as soon as we hear from them.

Parikshit Kandpal: OK, and what would be the approximate Capex like land now? Has that been frozen?

Shishir Shrivastava: See, it will be about a million square foot development. I would say roughly around Rs. 900 to 1,050 crore kind of a capex. But obviously a large chunk of that will get self-funded from sales, so one could assume that the land cost, which is roughly around Rs. 400 crores plus another Rs. 200 crores of equity may be required to initialize the project.

Parikshit Kandpal: I'm sorry, I think you said earlier 2 million square feet.

Shishir Shrivastava: No, it's a million square feet. Rs. 2,000 crores of estimated gross sales value.

Parikshit Kandpal: Rs. 20,000 per square feet you are saying will be the selling price.

Shishir Shrivastava: That is the current market in that premium location

Parikshit Kandpal: Ok, a premium residential development.

Shishir Shrivastava: Yes, Alipore as a micro market for a good quality development, it is seeing that kind of pricing.

Parikshit Kandpal: Yes. Last question on the 2 upcoming offices at Bangalore and Pune. So as was mentioned that we had started RCC works, so if you can update us how many floors will these be, and in the presentation you have given FY25 timelines for completion, so when do you expect the rentals to start flowing in on this?

Shishir Shrivastava: So, during the last eight months, we have actively worked on expanding our team and bandwidth for delivering the leasing of these office projects. So, we've expanded the team in Bangalore, we've set up a new office leasing team there, and we've expanded our team at Pune. We have also looked at alternate solutions for tenants, and we are currently rolling out the managed office or enterprise solution for a certain profile of clients who prefer that. We expect to commence leasing in the first quarter of the coming financial year, and we'll take it from there. We hope to do a significant amount of pre-leasing before we achieve OC, at least get a few anchors in place before we get OC. The goal is to try and achieve, let's say 75% to 80% leasing within 12 months of getting the OC.

Parikshit Kandpal: OK, and the market here will be like again Rs. 80-85 per sq ft.

Shishir Shrivastava: In Hebbal, we expect it to be a little higher than that and in Pune for sure will be in the range of about Rs. 90 plus.

Moderator: Thank you. Our next question is from the line of Kunal Lakhan from CLSA. Please go ahead.

Kunal Lakhan: So, my first question was on the margin side. So, this quarter we reported a pretty strong margin, one of the highest we've seen in the past many years. Firstly, like what were the drivers of this margin and secondly like how should we expect these margins to sustain going on?

Varun Parwal: First is the revenue mix. I think retail rental revenues were very strong and one thing that we are seeing is that EBITDA margins have tended to sustain above the rental income. This is on account of higher other income that we get from events, promotions, signages and parking, as well as the fact that a lot of capex and refurbishment was done at these malls in the last two years. So, the ongoing Opex Capex at the malls which passes through our P&L is lower, so the EBITDA margins are tending to be in excess of 100%. Second, we had the contribution from the residential portfolio as well; while that is typically at a lower EBITDA margin than retail, but more Kessaku sales, pushed up the margins on quarter-on-quarter basis in Q2. Third, the hotels also have seen a significant improvement in the operating margin. Q1 and Q2 for hotels, typically accounts for 40% of their full year revenue and margins tend to be lower in a 32%-35% EBITDA margins sort of a bracket. Whereas in first half of this year, at The St. Regis, Mumbai we are at a 40% margin and at Courtyard by Marriott, which typically tends to just break even we are at a 20% positive motion. So, all these factors cumulatively have led to our margins going up quarter on quarter and of course as well compared to the pre COVID period.

Kunal Lakhan: Sure, that's helpful, but considering like hotel and your residential margins are lower than the retail margin, so on retail margin side right, it also 100% plus EBITDA margin on the retail side you think that will sustain since you are done with that Opex Capex in the last few years? Is that what you're saying?

Varun Parwal: So I think we have generally guided to EBITDA being at about 95% of rental income, but for last several quarters we have seen EBITDA actually ended up being above 100% and with a large part of Opex Capex done and other income stepping up and the revenue share percentages from retailers also picking up on account of higher consumption, I think one can expect EBITDA to be at par, if not higher than the rental income.

Kunal Lakhan: And also, the fact that your trading occupancy catches up the leasing occupancy, and there'll be a fair bit of operating play all over here, right?

Varun Parwal: Absolutely yes. There is the operational efficiency that one would get through because right now the expenses are being borne on a lower amount of trading area. So as the trading occupancy moves up, there is higher recoveries from retailers which should help support the margins. So even if in case our marketing picks up, which we typically don't charge to the retailers, however, the other income from the new area that becomes trading should help support the margins.

Kunal Lakhan: Shishir just on the discretionary consumption side. What's the early trend that you're seeing? Considering the inflationary environment, we are getting into or we are already into and a kind of a slowdown that we are seeing in the economy also. So, any comment there would be helpful.

Shishir Shrivastava: I think, so far, the inflation has actually had a positive impact. If we just look at our H1 performance where you see the consumption growth, we've seen electronics grow at about 33%, fashion and accessories at about 30%, F&B at 30% plus, Jewellery at 120%. All of these have indicated that so far, the inflation has not had adverse impact on consumption, so therefore I think the next two quarters are going to test how this is going to pan out. We are seeing that in urban cities we are not seeing the impact on discretionary spend as yet, but we'll have to wait it out and see how it pans out.

Moderator: Thank you. Our next question is from the line of Biplab Debbarma from Antique Stock Broking. Please go ahead.

Biplab Debbarma: So, I have three questions. First question is on the pre-leasing of your upcoming project. Yeah, so I'm just wondering what prompted you to lease the entire Ahmedabad project, but not doing so in Indore which is at 86%. I mean you could have used the same strategy in Ahmedabad also.

Shishir Shrivastava: The products are firstly a little different at Indore and Ahmedabad. Ahmedabad is gearing a little more towards luxury and bridge to luxury. Strategically, when we looked at Indore, we had a certain rental rate that we wanted to achieve upon leasing which we've achieved so far. But in terms of offtake, we believe that once the mall becomes operational, certain of the inline stores and few smaller, larger stores that we have remaining, we will be able to lease them out at a better rental and therefore we have continued to hold on to that. But when we report the results for the next quarter, you will see that has already improved.

So, in Ahmedabad, when we acquired the mall in 2018, there was talk of another competitor buying land for another mall in the vicinity. So, we saw that it was in our interest to move fast and derisk the investment and lease it out. In Indore, such competition is not the concern. Also, in Ahmedabad the demand continued to be high from retailers and Indore they have been, I would say a little cautious. Also, there's a big difference in the size, the Ahmedabad mall is 775,000 square feet, while Indore is ~ 1 million square feet. That is another major difference.

Biplab Debbarma: Second question is on the office towers. Sir you have a plan for office towers in Whitefield and Chennai, but you have started work in Wakad and Hebbal, so are you seeing some kind of commercial or technical issues there, in Whitefield and Chennai.

Shishir Shrivastava: There is no commercial or technical issue in either of these two locations. We have prioritized, and we are working in parallel on all the projects. For Chennai, we have got our approvals only very recently and we intend to commence work shortly. In Whitefield, we've already commenced with the excavation at site, so there are no challenges per se.

Biplab Debbarma: So, we can say in the next 1-2 quarters, so we would be seeing, construction work is done in all the four projects.

Shishir Shrivastava: See when you compare these two projects of Whitefield and Chennai with us commencing construction at Wakad and Hebbal, please note, that Whitefield is an operational mall, Chennai is an operational mall, and in Hebbal and at Wakad we saw the benefit of continuing the construction and finishing the RCC work by the time the mall is operational. Here there are logistics aspects that we are working around, but we have commenced construct at both locations.

Biplab Debbarma: So, question is on business development. So, you would be generating significant cash flows from your business operation. Also, you have a lot of cash at hand and correct me if I'm wrong, we are doing kind of 1 business development deal each year, then land deal for Rs. 400-500 crores maybe, plus some construction work, so how do you see that cash utilization? Would there be enough business development velocity to utilize the cash flow that we generate and that much cash flow we have in hand. Or we would be doing something like investing in other non-core business like warehousing, at all opportunities like residential, are we seeing some kind of challenges in business development or while closing the business development deal.

Shishir Shrivastava: No, we've always been extremely selective about what sites we pick up. One has to be very, very judicial and prudent in acquisitions and we also do not want to over leverage ourselves. So, we have timed our free cash flows with these acquisitions so far. So, just to recap, as on earlier this year we had cash in books of about Rs. 2,200 crores. For over the next 2 1/2 years we expect free cash of another Rs. 3,000 crores. So, we are looking at a deployment strategy which times well with this because it's not just about deploying Rs. 5,000 crores on land acquisition. One would deploy maybe Rs. 1,500 or Rs. 2,000 crores towards land acquisition out of these funds and retain the rest as equity for construction, since we do not want to over leverage ourselves either. As I mentioned earlier in my response to Puneet, that we do have a fairly large business development team which is looking at specific markets and within those specific markets there are specific locations that are of interest to us. We will not deviate from our approach of creating only dominant consumption centers, so we do not want a grade 2 or grade 3 location. So, we are very prudent and selective about how we go about our growth.

Moderator: Thank you. Our next question is from the line of Girish Chowdhary from Spark Capital. Please go ahead.

Girish Chowdhary: Firstly, specific to Bangalore Mall and Pune mall, if you look at the consumption numbers, it has been pretty strong and also the trading densities have been going up, but if I look at the revenue as a percentage of consumption, the numbers are still very, very low, around 10% to 11% lower than the company average. So, what could be the reasons and incrementally do you see these recovering or they will remain at these levels.

Shishir Shrivastava: Hi Girish, thank you for your question. Very, very pertinent ones. When you look at the revenue as a percentage of consumption, I think there's a differentiation in Bangalore and Pune. In Bangalore, we have a very sizable GLA occupied by jewellery as a category. As I mentioned, we saw significant growth in consumption in jewellery when we compare Q2 FY23 or H1 FY23 with the previous years. But as a contributor, the jewellery contribution maybe in the range of about 2% to 3% of sales as rental, but while consumption growth is higher, the incremental contribution from revenue as rental is not the same as 12% or 18% which may be the case for other brands, jewellery sits at about 2% to 3%. So, we have seen a significant growth of 18% in Bangalore on account of consumption for jewellery. In Pune, in this quarter, we had to conclude certain waivers for the previous quarter and even the period prior to that, so that for this quarter we have seen a dip of about Rs. 5.5 or 5.6 crore on account of these waivers, which going forward will not be there. So, for all practical purposes for the next quarter one can look at this quarter's rental income for Pune and add another Rs. 6 crores to that to be at close to about Rs. 50 to 53 crores.

Girish Chowdhary: Understood, but just as a follow up in the previous calls, you did mention of these malls also moving up to or maybe anywhere between 13%-15% revenue sharing, so does that still hold?

Shishir Shrivastava: I don't believe I have ever stated a number of 15% as a revenue share across all categories in the mall because that's not likely when you have jewellery and you have watches and luxury which is at a lower revenue share component. But I would like to say that Phoenix Palladium, Mumbai as an example has achieved that iconic status where you can see a 16%-18% revenue share. So, these malls will grow as the brand mix changes and you get higher luxury brands, then the contribution will grow in these malls. So, I think it's on track and for our market city malls, we have always estimated to be in that 12% to 14% kind of a range and we are on track for that.

Girish Chowdhary: Second, on the overall consumption trends again, while you did share about which are the categories which are doing well, but if you can also share brand mix between luxury or maybe bridge to luxury and also maybe domestic and international brand. How are they sort of doing and as and when the renewals have come up, is there an upside if you plan to churn out some of the underperforming categories or brands and replace them with categories or brands?

Shishir Shrivastava: That is routine in our case where nonperforming brands are churned out and we track all the consumption closely. Typically, if I were to hazard an estimate here for renewal of spaces, at least in this current cycle when contracts come to an end and they go up for renewal, we will either renew them or re-lease them. At an average, one should be able to see a 20% or exceeding a 20% growth on the rental on such renewals.

Girish Chowdhary: OK, and any color on brand mix between domestic and international. How are they performing?

Shishir Shrivastava: I don't think I have the data to really give you a color on that. But if you visit our malls, you will know the brand mix is geared more towards multinational brands, and so the delta may not be much.

Moderator: Thank you, our next question is from the line of Ashwini Kumar Agarwala from Edelweiss Mutual Fund. Please go ahead.

Ashwini Kumar Agarwala: I've got a couple of questions. You said that 15% of the people have not yet come back to the malls. So, is there any particular reason for that? Or this is a structural shift in the shopping behavior, because if we guess it, the Q2 FY23 was a very normal quarter?

Shishir Shrivastava: I think a good number of footfalls will come back once multiplexes get operational. And also, the hypermarkets have seen some challenge from the operator side in the recent past. As that stabilizes, that will bring some footfalls back. But also, in these last five months we've started with all the high impact events and promotions, so there will be a bit of a trickle effect. I don't think it would be a correct statement to say that there's been a shift in the shopping behavior as compared to FY20 in the consumer today. Yes, during COVID, of course it was. But we are seeing a good quantum of crowd back. October has seen a significant growth in footfalls, which was not reported in this quarter. We may be closer to 90%.

Ashwini Kumar Agarwala: Yeah, October was the month of festival, that's why we may have. And so, if we look at if we come to chart number, we share Q2 FY23 consumption, it is 118% excluding the Palassio contribution. So, for the last three years the contribution has grown by 18%, which is in line with the inflation growth or maybe slightly lower. So how do we improve this contribution increase so that we get a real increase? And that too is contributed by mostly 2-3 malls. That's Phoenix Palladium, Mumbai which grew by 24%, Bangalore 39% and Pune was in line with inflation at roughly 22% for three years, but whereas you PMC Mumbai, Chennai Palladium the growth was on the lower side.

Shishir Shrivastava: I would say that again if you look at the ramp up of the trading area versus the leased area, that is going to create a significant growth in the consumption. And you are right, it's a very intelligent question that you have, of aligning this with inflation, but at the end of the day inflation to some extent can be a positive, but at some point, it will start leveling out the consumption pattern if it continues to grow in the same way. So Kurla for example, trading occupancy was at 86%, leased occupancy stands at 97%, so as these stores start trading that will automatically boost consumption in Kurla. For example, Reliance Smart will open up in January, several other stores have opened up recently in October. So, I think this quarter one should see a positive impact of this. We have some 50,000 square feet which is already leased, but fit outs are just about to start. That means, spill over into the last quarter of the financial year. So that is certainly going to impact this. Same goes for Pune trading occupancies which was at 85% for this Q2, lease occupancy stands at 92%, so you have a sizable area here, which is going to start contributing to consumption. Chennai Trading occupancy was at 86% and leased occupancy at 96%, same impact is expected to be seen here.

Ashwini Kumar Agarwala: OK, so have you felt any kind of impact from the Jio mall, for the customers coming to Phoenix Palladium.

Shishir Shrivastava: There's no real objective way to answer this question. On one hand, we are seeing our consumption is growing. We had a lot of area even at Lower Parel, which during H1 was under fit out and undergoing changes and we saw a bit of churn that we had initiated there, so it's stable state operations one can say is only in this current quarter that one can compare. And Jio mall, I don't have a comment on that, as it's a very different product.

Ashwini Kumar Agarwala: OK, so last question. You said that we will plan to only go and Tier-1 cities where there is a lot of purchasing power so we can be sure that we would be in the top 12-15 cities only right? As for you, once in a single city, how many malls can you people build so that they both run profitably?

Shishir Shrivastava: I think in every city it varies. It depends on the population, and it depends on the GDP per capita of that city. So, there are multiple factors like a city like Mumbai, there is no reason why it can't support 20 good malls, except for the fact that there isn't land at the right location available. On the other side, if one was to look at a city like Indore, which cumulatively, the city and the neighboring cities in the district would probably be able to service about 5-5.5 million people, maybe it can sustain 3 large malls, so it varies from city to city. While you mentioned the top 12 to 15 cities, we have reviewed 30 cities and boiled down to about 12 to 15 where we where we are actively looking at opportunities.

Moderator: Thank you ladies and gentlemen, that was the last question. On behalf of the Phoenix Mills Limited that concludes today's conference, we thank you for joining us and you may now disconnect your line.