Phoenix Mills Limited
Q1 FY-16 Conference Call
August 14, 2015

Moderator: Good day Ladies and Gentlemen, I am Saurabh Deep Sarkar, the moderator for this session. Thank you for standing by and welcome to the Phoenix Mills Limited Q1FY16 conference call. For the duration of presentation, all participants' lines will be in listen only mode, post that we will have a Q&A session. Now, without any further delay, I would like to hand over the proceedings to our panelist for today, Mr. Shishir Shrivastava, thank you and over to you, Sir.

Shishir Shrivastava: Thanks for participating in the Phoenix Mills Limited conference call to discuss the Q1 FY-16 results. I have with me our Group Director for Finance, Mr. Pradumna Kanodia on this call.

We are happy to report a year-on-year growth rate of 13% in consolidated income from operations of Rs. 3.96 billion in Q1 FY-16. The top-line grew due to higher consumption at our retail assets and also sales of our residential portfolio despite Q1 being a seasonally weak quarter. During the first quarter consumption remains high at Rs. 12.7 billion, which was up 11% year-on-year.

Rental income from our retail portfolio of 1.7 billion increased at a year-on-year growth of 11% which is in line with consumption. Consumption at High Street Phoenix and Palladium increased by 9% year-on-year to Rs. 3.6 billion; this translated into a strong trading density of Rs. 2,550 per square foot per month which again was up 11% year-on-year.

Amongst Phoenix MarketCities, Phoenix MarketCity Chennai continues to lead with year-on-year consumption growth of 20% at Rs. 2.6 billion and a high trading density of close to Rs. 1,462 per square foot per month. MarketCity Pune has also very high growth in footfalls. The four wheeler count was up 30% year-on-year that can be seen in growth in consumption of 25% year-on-year which stood at Rs. 2.1 billion and the trading density increased to Rs. 1,084 per square foot per month. MarketCity Bangalore, saw a year on year consumption growth of 8% and stood at Rs. 2.0 billion and a trading density of Rs. 1,216 per square foot per month. We have seen our efforts to improve consumption at Phoenix MarketCity Kurla pay off. In the first quarter of FY-16, the Mall witnessed a year-on-year consumption of 9% and stood at Rs. 1.4 billion which translated into a trading density of Rs. 734 per square foot per month. Incidentally July while we do not have the audited numbers yet but the consumption at MarketCity Kurla was the highest ever. We expected consumption in July to probably close at close to Rs. 60 crores (Rs. 6 billion) which takes us closer to our target average of Rs. 1,000 per square foot per month trading density for the current quarter.

Moving on to our development portfolio;

During the first quarter we sold 0.19 million square feet of sales of Rs. 2.69 billion reflecting an APR of Rs. 14,359 square feet and we recognized collections of Rs. 382 million. Sales received a boost from the limited exclusive launch of Kessaku, our luxury residential project in Bangalore. Construction at One Bangalore West in Bengaluru and Crest in Chennai is in progress and on schedule.

In the hotel business, the Palladium Hotel Mumbai reported an average occupancy of 63% in the fourth quarter with an ARR of Rs. 8,340. The hotel is currently undergoing rebranding and we expect the hotel to be rebranded to The St. Regis, Mumbai very soon. This is the most premium luxury brand from the Starwood Group's table.

On the financial front we reported a consolidated EBITDA of Rs. 1.84 billion and a PAT of 256 million.

With this, I conclude my discussion and earnings would we are open to address any questions or queries that that you may have.

Moderator: Thank you very much Sir. So participants, with this, we are going to start the Q&A interactive session. Should you wish to ask any question, you need to press ‘0’ and ‘1’ on your telephone key pad and wait for your name to be announced. I repeat you need to press ‘0’ and ‘1’ on your telephone key pad to ask a question. I would like to repeat should you wish to ask any question please press ‘0’ and ‘1’ on your telephone key pad. We have the first question from Mr. Sandipan Pal from Motilal Oswal. Your line is unmuted, you may please go ahead and ask your question.

Sandipan: My first question is regarding your stake in Pune and Bangalore, which has increased as per the presentation. Have we paid any money during the quarter?

Shishir Shrivastava: Sorry, the stake in which transactions you are referring to?

Sandipan: I am referring to Pune and Bangalore, Vamona and Island Star.

Shishir Shrivastava: Yes, we have paid some amounts in the quarter. We paid for Pune which is Vamona, we paid about Rs. 71.7 crore and for Bangalore we paid about Rs. 34.2 crore.

Sandipan: Okay. So with this how much money is left to be paid out for our planned stake acquisitions?

Shishir Shrivastava: The balance to be paid is about Rs. 195 crore.

Sandipan: Over next 12 months or 15 months?

Shishir Shrivastava: About 15 months to 16 months.

Sandipan: 15 months to 16 months, right. And sir, just secondly I would like to know one thing I can see that your consumption growth in all your Malls has been very good but again it might be a repetitive question but still would like to ask that with the good performance of all the e-tailers and high growth rates, how confident are you at least on the magnitude of the rental re-pricing which are scheduled for next three years in across all your Mall. I am talking about sir magnitude probably if you can throw some light on that?

Shishir Shrivastava: So we have some significant areas coming up for release over the next three years across all our Malls. So if we look at MarketCity Bangalore for example, over the next three years it is going to be close to about 5,20,000 square feet which will come up for renewal. In MarketCity Kurla it is going to be close to about 6,00,000 to 7,00,000 square feet. In High Street Phoenix and Palladium, we are going to see close to about 3,00,000 square feet coming up for renewable. In MarketCity Pune we will see about 5,20,000 square feet coming up and in MarketCity Chennai also between now and FY-18 we will see close to about 5.07 lakh square feet coming up for renewal. If we were to look at High Street Phoenix and Palladium alone for the first quarter we have seen at an average just give me one second …

Moderator: I am sorry, Mr. Shrivastava, are you there?

Shishir Shrivastava: Yeah. So at High Street Phoenix alone we have seen close to about 22,000 square feet being renewed in the first quarter of this year and the rate per square feet that we have achieved is anywhere between Rs. 400 to Rs. 700 per square foot as the minimum guarantee. Over and above that of course we have will have our share of the revenues. So does that answer your question?

Sandipan: Yeah, right. So according to you the e-tailers which are actually garnering market share so that is not a very weak trade. I understand your Mall sir I mean the best located in best place mall in each of the cities but that does not pose any kind of threat in future also?

Shishir Shrivastava: So if we were to look at the e-tailing business versus the retailing business the brick and mortar shops versus online sales. I think online is a channel for the same brick and mortar retailer to sell their goods. But it is not doing away with the need for brick and mortar shops where there are a lot of positives that one sees out of the brick and mortar shops. We are not seeing any slowdown in demand for quality premium retail space from retailers if that is your question and we remain very confident that with the high trading densities that our malls continue to exhibit this is going to be probably much more attractive for retailers to have brick and mortar stores at our malls where the margins continue to be much higher than what they derive out of the e-platform or online platform.

Sandipan: Understood, sir. And just last one question if I may, I mean what is your launch plan for this year in the development side of the business?

Shishir Shrivastava: Sorry, launch plan for what?

Sandipan: Residential in Bangalore or say Pune and Chennai?

Shishir Shrivastava: So One Bangalore West and Kessaku are ongoing projects in Bengaluru. We have the second phase of One Bangalore West which is…

Pradumna Kanodia: We have already launched Tower number six in One Bangalore West.

Shishir Shrivastava: We have launched our Tower number six which forms part of the second phase of the One Bangalore West development. Kessaku is already launched. Oberhaus Phase-1 is to be launched probably in this quarter and Pune we have a smaller inventory where we already have ongoing sales over there. We still have to launch the luxury development, residential development in Chennai, Crest Tower D, which maybe sometime away.

Moderator: Thank you very much, Mr. Sandipan. We have our next question from Puneet Jain from Goldman Sachs, your line is unmuted, and you may go ahead and ask your question.

Puneet Jain: Did you pay anything in this quarter? I missed some part of the conversation earlier. The line was weak in the previous question. But did you pay something in this quarter for the various stake acquisitions?

Shishir Shrivastava: Yes, we have paid about Rs. 71.7 crore for Vamona which is MarketCity Pune and Rs. 34.2 crore for Island Star, MarketCity Bangalore.

Puneet Jain: Can you just repeat that how did you paid?

Shishir Shrivastava: Yes, we have paid about Rs. 71.7 crore for Vamona which is MarketCity Pune and Rs. 34.2 crore for Island Star, MarketCity Bangalore.

Puneet Jain: 34.2 and the outstanding after all these payments is…

Shishir Shrivastava: It is Rs. 195 crore.

Puneet Jain: Okay. You paid all of this in Q1?

Shishir Shrivastava: Yes, Q1 FY-16. I think the Offbeat payment of Rs. 60 crore we have done in the second quarter that would be in July.

Puneet Jain: Okay. That is in July.

Shishir Shrivastava: Yeah.

Puneet Jain: And the balance which is outstanding, Rs. 195 crore, it is for which MarketCities?

Shishir Shrivastava: Kurla, Island Star, Bangalore, and the residential development in Bangalore, Palladium Construction …

Puneet Jain: And so you acquired your Bangalore Mall stake in this presentation. Stake is only shown to be 83% why will that be because you…

Shishir Shrivastava: Currently it is at 83% and after we pay the balance which is in this current year we will move up to 100%.

Puneet Jain: Okay. And what is the price at which the last transaction was completed in Bangalore where you purchase those 27% stake?

Pradumna Kanodia: These are all numbers these are all old contracts nothing new the prices are same as what we last time around.

Puneet Jain: Okay, surely. Second thing which I wanted to ask is the fact how much more will come is coming up for renewal in High Street Phoenix this year? And could you have idea what would be the exit rental be in High Street Phoenix by maybe end of FY-16?

Shishir Shrivastava: For the full year FY-16 we had about 1,21,000 square feet of which we have already done 20,000 square feet - 21,000 square feet renewed. So we have another one lakh square feet to go.

Puneet Jain: And so do you have estimate that what could be your quarterly revenues and Q4 could be?

Pradumna Kanodia: No, currently the average rental is around Rs. 276 Puneet, I think if you look at last quarter the number could be close to I would say upwards of 310-315 or thereabout.

Puneet Jain: Okay. So basically another 10% higher from the current could be the end of this.

Shishir Shrivastava: That is possibly the potential, yeah.

Puneet Jain: And what it could be in end of FY-17.

Shishir Shrivastava: Puneet, it is little difficult for us to give this kind of guidance but you can imagine. Let me put it like this that if the weighted average rental for the last year was about Rs. 270 and we have about 40% of the area that is going to be 30% of the area that is going to be released between FY-16 and FY-17 and FY-18 and you can probably average 50%-60% increment in the rent there for that area.

Puneet Jain: Okay, that is very helpful. My second question is actually with respect to fact that you occupancy ratio in many of the Malls is still south of 85% while they have been for some time and there also occupancy decrease in one of the Malls by reasonable amount so…

Shishir Shrivastava: So we have I think we have close to 90 in all with the exception of Bangalore and Pune where one has seen some reduction and rather it has been the same it is below the 90%. In some cases we have done some churn ourselves because we feel that here is a time now to uplift certain areas of the mall and get better brands in. But I would think being in the range of 90 plus is this is only in the short-term right because when we say trading occupancy we do not include shocks that are not generating rent but they may between under fitout so this is normal course of the Mall business where one retailers moves out another retailer comes in during the course of fitout depending on the commercial negotiation there may not be any rent being generated. So when we say trading occupancy that is the actual occupancy of stores contributing to rent for the period.

Puneet Jain: Okay. And in case of Bangalore there has been some occupancy decreases?

Shishir Shrivastava: It is the same number from the previous quarter.

Pradumna Kanodia: It has not changed maybe 1% differential but otherwise it has remained the same and I think contracts are getting negotiated so you would see that probably not this quarter but by December this number would have increased reasonable amount.

Puneet Jain: Okay. And just final question, so now you have raised money are you looking at acquiring new malls given the fact that your balance sheet was healthy earlier has become healthier you have got very large capacity to undertake new retail projects both Greenfield as well as Brownfield. So what will be the thought process on the same?

Shishir Shrivastava: So the capital raising was certainly done for to exploit certain growth opportunities. There are different opportunities that are available to us. We are looking out for some Greenfield mall development opportunities we are looking out for some acquisitions of some existing malls. So between these two where do we intend to utilize the proceeds of the QIP.

Puneet Jain: Okay. Are there as lot of opportunities available?

Shishir Shrivastava: Yes, we are exploring several right now.

Moderator: Thank you very much, Mr. Jain. We have our next question from Mr. Sumit from Emkay Global, your line is unmuted, and you may go ahead and ask your question.

Sumit: Just wanted to know why the consumption growth in the Bangalore MarketCity has tapered down a bit. Is there any particular reason for that?

Shishir Shrivastava: Consumption at MarketCity if we were to compare quarter-on-quarter it has moved up from 1.9 billion to 2 billion. We have a year-on-year growth of 8% from 1.85 billion to 2.01 billion. I think with some refreshing that we are doing within the mall some additional entertainment options that are being considered there we will continue to see some growth in consumptions but what is more important than consumption is actually the trading density and there we have seen a significant growth in terms of 11% year-on-year because that is the true measure of the malls performance which is within the small mall how much are you being to see an increase in consumer spend per square foot that also directly translates to our rental income.

Sumit: Okay, understood, fair enough. My second question is regarding the Rs. 596 million receivables from Offbeat could you just throw some color on that on the receivables.

Pradumna Kanodia: Hi, Sumit so basically the receivables are on account of the initial debtor that were there when the mall opened so while we have been negotiating for recovery of these amount because initially the mall took some time to stabilize and to really come up to speed so if there had been some initial hesitance in terms of the retailers to pay out this amount but off late now the collections have been rather strong and we have been to close out some of the old issues as well. So you will see that going forward this number is going to reduce gradually but yes, the recoveries have been reasonably good and we hope that the debtor's number that you see in offbeat will come down. And part of the debtors also is made up of the collection that is from our sales proceed so, some of those sales generating Art Guild House and Centrum has a little bit of an outstanding so some of those numbers could also be a part of that. But overall I would say things from the debtors point of view is relatively under control now.

Moderator: Thank you very much. We have our next question from Mr. Abhishek from JM Financial, your line is unmuted, and you may please go ahead and ask your questions.

Abhishek: My first question will on our Palladium Hotel. I actually missed on the operating details I do not think it is present in the presentation so. Could you help me out with occupancy and the revenue for the quarter?

Pradumna Kanodia: For this quarter our average occupancy was 63% and the ARR was about 8,340. If you scroll down on the presentation, I think, it is on slide number 14. There is an update on the occupancy and ARR.

Abhishek: Okay. Just to understand converting to a 55% owned subsidiary what is the timeline for that? Are we looking at FY-16 or will it be in FY-17 when we will see financial impact of that?

Pradumna Kanodia: It should happen in the next financial year, not in this financial year, because one of the partners that we have their instruments the date has been put for next year. So effectively when we close on 31st March 2016 we would still be consolidating at 100% level and next financial year we would be doing it after the conversion of the instrument.

Abhishek: My second question is with respect to our Chennai mall I think I saw that you have asked for a rating for a CMBS product, amount I think is Rs. 450 crores?

Pradumna Kanodia: Yeah.

Abhishek: If I take a look at the debt on the balance sheet of that particular subsidiary, it currently is Rs. 280 crores. So just trying to understand where we are looking to deploy that additional Rs. 170 crore and what will be the timeline of the CMBS?

Pradumna Kanodia: Yeah, so I think good observation on the CMBS. We expect to receive the money in our accounts by the end of this day – the CMBS has got launched at around 330 this afternoon so just as we speak, bankers are doing their homework and money should flow in before the banking hours. Secondly, as far as the use is concerned, I think there has been the requirement for us partly on accounts on premiums that we have to pay which allows us additional FSI to be generated so, while we have factored in the additional FSI in both the mall and the saleable area of the residential development there was a residual payment that the government was to paid in part of this additional Rs. 150-160 cr would go towards meeting that requirement and part would go towards the residual competition of the residential project which is needing some Rs. 20 crores - 30 crores for completion so that will happen and while the rest of it will used primarily for repaying our excising loans and some towards the working capital requirement of the project.

Abhishek: Okay. So what is the rate of the CMBS?

Pradumna Kanodia: We will be sub-ten so, once we get the money tomorrow I think by Monday we should be able to announce. But our target is towards sub-ten and that is what the bankers are working towards.

Abhishek: My final query is on our development projects. If you could help us out with the construction spend remaining in our development portfolio just for the launch projects not for the un launched ones. How much construction spend is remaining in the projects overall?

Pradumna Kanodia: Well it depends on how much percentage completion we have achieved so I really would not have answer right now available but happy to give you an offline answer and Varun will come back to you and share with you the exact amount that needs to spend out. So it will require a little bit of collating the data and putting it together so please request you to bear with us we will come back to you post the call.

Moderator: Thank you very much. We have our next question from Bharat Single from Exellery, your line is unmuted, and you may go ahead and ask your question.

Bharat Single: I would like to ask about the result of Marriot, Agra what is the EBITDA margin going on and what is the occupancy rate?

Pradumna Kanodia: It is very early days. The hotel opened only in the month of January/February of this year so we are into effectively into the fourth-fifth month of its operation and this is of course the off season and the season only starts towards the end of September/October when the tourist come in. So for us to declare any of these number is relevant right now but occupancies initially also have come up at 28% and ARRs are at Rs. 4,290. Clearly if you do some bit of research on the Agra hotel industry you will see that in the short span of four months the hotel has really come up as one of the finest hotels in the city probably occupying the top five positions as far as Agra is concerned. We have seen very strong bookings for the winter season that we have started taking in for the last two months to three months we have seen that our occupancies in the month of October to March are likely to be upwards of 80% and they are hoping to do ARR in access of Rs. 7,500 so clearly that is the time when the EBITDA margins and the rest of it would start making sense. Right now at the first four month of occupancy at 20% occupancy one would really not want to get into the details of the EBITDA because those are not really relevant well at the stage.

Bharat Single: Also what are the current margins for the premium residential project that are in Bangalore right now?

Pradumna Kanodia: We have two projects; one is our ongoing One Bangalore West which is currently getting selling rates upwards of about Rs. 11,500 - Rs. 12,000 where the cost of construction and the land probably would be less than Rs. 6,000 so you would be looking Rs. 5,500 to Rs. 6,000 margin on the ongoing selling price. As far as the Kessaku part is concerned we are selling around 16,000 upward and there also the cost of construction and land would be Rs. 6,500 so there again we would be talking of Rs. 8000 plus profit as far as that segment of the project is concerned.

Bharat Single: One last question, what is the JV under which Marriot Agra performs under?

Pradumna Kanodia: It is called Gangetic Hotels Private Limited.

Moderator: Thank you very much. Moving on to the next question we have Mr. Atul from Citigroup, your line is unmuted, and you may please go ahead and ask your question.

Atul: Sir, any comments on the EBITDA number in Kurla- MarketCity Mall? I mean the consumption et cetera has been quite strong and has grown in this quarter but EBITDA has sort of remained flat on a quarter-on-quarter basis. So any comments on that?

Pradumna Kanodia: So if you look at Q4 and last year and you look at Q1 of this year probably the numbers speak of themselves we had a rental in income of Rs. 24-odd crores for Q4 and which is Rs. 25 crores for this quarter and the EBITDA was around Rs. 13.2 crores which is Rs. 13.7 crores. So what you see is an aberration in the earlier period is that there were certain provisions of property tax and other recoveries which were not made in the Q1 FY-15 which got subsequently -- so you will see that some of those expenses will continue to play upon it and also the provisions for understand recoveries that we have spoken about earlier in the call where some of initial recoveries from our tenants have not been happening in the receivable is set on a higher side. We are trying to close those issues far from some credits and move forward in life. So some of those provisioning and right-offs also are getting reflected on a quarterly basis that is the reason why you see this number at 54% I would suggest that or I would believe that this number would continue for the next couple of quarters before it really starts improving because it is our believe that by December would have cleared all our old issues as far as our receivables are concerned and all other property tax matters which are one-off cases would have been settled as well so the last quarter of this fiscal year we would imagine that our EBITDA margins would be back to normal and for the next two quarters I will presume they will be in the range of this 55% to 65%.

Atul: Okay. And sir my last question, next question is on the Palladium Hotel it appears that the occupancy rate sort of came off slightly in the quarter is that a true is that a right observation and is there any particular reason why it came up?

Pradumna Kanodia: Hotel being cyclical industry always the period of September to March is the best time for the Hotel industry across the country. So it is a natural progression that is from 80% you will be down to 60% to 65% so that number is very very healthy still because if you look at the overall occupancy across the Five Star category in the Bombay region we are still above the industry standard here probably the entire industry would be at around 60% while we have done at 63% so we are very happy and satisfied with the way the hotel has shaped up and with Saint Regis coming up in the next month around 30 days to 45 days we would have rebranded this hotel. Our belief is that the occupancy and they are likely to move significant in northwards.

Atul: Okay. So it is normal seasonality nothing much?

Pradumna Kanodia: Yeah, absolutely.

Moderator: Thank you very much. Moving on to next question, we have Mr. Prem from B&K Securities, your line is unmuted, and you may go ahead and ask your question.

Prem: If I heard you correctly you said you could manage around 22,000 square feet of renewals in this quarter at HSP. Basically what I understand was whether these were actual renewal you could kind of replace some low yielding brands with some high yield brands because basically I want to understand if your existing tenants are willing to pay the Rs. 400 to 700 per square feet kind of number or will you are kind of able to open some new brands which are kind of pay you a little higher?

Pradumna Kanodia: No, it is always a mixture some of the existing brand these are small numbers that got renewed in the first quarter as we move forward to the next quarter subsequent you will find that some of the new brand which were not there will come in place we have spoken in the past about H&M coming in. I think the H&M single transaction is going to add almost Rs. 8 crore of top-line just because of the re-pricing that area will give towards the H&M will giving rents which will almost four times as compared to what the existing tenant is giving us there. So from a first quarter point of view to give you an example I have a few names with me with may not I would say representative of the total transaction that we have done but like Hugo Boss was paying us Rs. 316 earlier and is now paying us is Rs. 700 per square foot. So that is our existing retailer who has increased the rent by almost 2 times. Similarly if you look at Just in Time which was paying us Rs. 300 is now paying us Rs. 400 plus. So there has been an increase of almost 30% there as well. And so across the different spectrum of it whether existing tenants or new tenants I think High Street Phoenix continues to enjoy that the premium leadership position thereby able to attract not only the best retailers that the country is now attracting but also is able to price at a very very attractive price point from our point of view because it continues to be very robust we close that quarter with a around Rs. 2,600 per square foot in terms of trading density which lessees the small amount, the top three best performing malls in the entire country. So with these kind of historical trends and the current performance our ability to look at price points which are definitely more then what the industry has in mind. We will continue to grow at these speeds and once you look at the next quarter and the quarter thereafter having some of the large deals that we will be doing those will be really attractive for you to really evaluate and quainter about but H&M was one of the cases that I spoke about.

Prem: Sure and in your figures I mean the balance renewal that you will get to have almost 0.1 million square feet(1 lakh square feet) I mean how much this would be kind of actual renewals and how much intend to replace with some other brand and going forward if you could share some thoughts on that?

Pradumna Kanodia: I would not want to go into specifics of it. But as I said, we remain the most favored destination for all new brands that come to the country H&M is the new interim that is coming in also the fact that existing tenants continue to prosper, do very well so they are very reluctant to leave then given opportunity they would definitely want to continue and pay you the current market price for so from our point of view I would say the we need to keep the energies flowing we need to keep the mall very fresh and new so in that context the retailer who fits into our scheme of things would definitely be finding space with us so it could be mix of new and old but I would say at this time when you close the FY-16 you would find that H&M of course takes up a large pace but otherwise there would be a few more names that come into the picture. It also depends on how things are moving from FDI point of view, how new retailers are coming into the country. 120,000 square feet is not that big an area so, you could find a say 60% new retailers coming in and 40% existing retailers are looking at it because that is our choice clearly we want to drive that decisions making rather than the retailer looking at it.

Prem: Sure, thank you. And second question was on a portfolio I mean if have to your look at our MarketCity portfolio today at least in two Malls you have stake of more in 80%, in Kurla we are at around 56% now but then we have SPA in place for another 21%. This will increase stake to around 75-77 odd percent kind of number. The only property where I mean numbers seems to be somewhat lower is 50% in Chennai so any thoughts you have to increase that stake to 70%-80% kind of number going forward, especially for Chennai Phase-2 wherein we are minority as of now.

Pradumna Kanodia: The chances there are rather remote because there are two partners who are there and one is the German fund so, German fund has kept itself invested across all our different assets that they have invested originally and the other one being our local part the crest venture and they have a long-term view about it they would not want to exit. So I do not think so in the immediate future our ability to increase our stake at Chennai exists because originally we were at 30%-33% and now have already come to 50%. This was a couple of years back but I think these two partners have a long-term view on this investment so I do not see the stake increasing in the immediate future.

Moderator: Thank you very much. Moving onto our next question, we have Mr. Sandip from Fortune Interfinance, your line is unmuted, and you may go ahead and ask your question.

Sandip: Yeah, if I am right. You were somewhere around Rs. 3,200 crore of debt in your book as on 30th June so is there any plan as to reduce the same by way of restructuring. If so what is the company thought process if you could throw some light on that?

Pradumna Kanodia: We have no thought process in terms of restructuring any of our debt because all our debt are doing extremely well where ever possible we go around and get it refinanced at much lower pricing. I believe that our LRD is and the nature of debt gives us very high comfort from a coverage point of view an also from a debt equity and interest servicing capacity point of view. So it is our desire to maintain this debt level going forward and we are hopeful that as we go forward more and more cash will be available for our growth opportunities from our existing project so part of margin surplus cash my projects are throwing up will be used for my growth requirement rather than to pay down the debt. There is natural repayment that we are paying our debt on a monthly basis but as I said whatever incremental cash flows are there would be used for our growth requirements.

Moderator: Thank you very much. We have our next question from Mr. Arvind from Money Funds Private Limited, your line is unmuted, and you may go ahead and ask your question.

Arvind: I have got three questions to ask you. Number one the company which was basically a mall company has got into residential and commercial construction, right. Over in period of five years what do you see Phoenix mill as a construction company, which will construct residential and office premises for sale or it will be more into the rent of mall premises?

Pradumna Kanodia: Arvind, we were always a retail focused developer. We never had desire to be a pure residential developer as many of our other colleagues in the industry are. If your remember, we have introduced the mixed-use MarketCity development concept into the country and we have been sticking to that for a long time now. The residential development that we see are largely around the mixed use development that we are doing so in the second phase of our mixed use or a third phase of our mixed use development except for One Bangalore West which originally was a mixed use development. But, largely on account of the change in the development I would say there was a lot of other mixed used development sitting right across that land piece so we chose to convert that and make it into a pure play residential development. Our philosophy will continue to be the market leader as far as the retail space is concerned. Any Greenfield projects that we may undertake going forward will also have a retail development so from that point of view the company will be focusing largely on the annuity yielding assets while opportunistically taking benefit of either the mixed use platform or certain developments in and around our existing retail port which allows us to monetize from a residential development point of view we could be evaluating that but largely the company will remain focused and will have retail as an asset class which will deliver the annuity income as we go forward.

Arvind: Okay. My second question is you know the internet is affecting day to day life of every citizen what polices we are planning to align with this kind of society? Now you know that day by day everybody's life is more connected with the digitization and internet so, what policies we are aligning which will help Phoenix Mills to grow as a brand in this new civilization?

Pradumna Kanodia: Very valid question I think technology has to be the facilitator. It has to enable consumers to experience the mall in a much better manner. It opens up additional avenue for the consumers to really experience and have a better look and feel of their shopping experience rather than anything else. From our point of view we are developing a technology which will integrate this new experience which is coming to the world now where e-commerce platform or the technology platform will become an enabler for the consumes to come and enjoy the existing brick and mortar experience that we are offering. So we are working on a technology platform which will integrate and will give us an option where the consumer can use that platform to enhance their experience with our mall. So wait for a while we will make suitable announcements around that. But I think it is more of an integration of technology with our existing malls which will really enhance the experience of every consumer that steps in wood like to shop at our place.

Arvind: So can we expect Flipkart and Snapdeal to be our lessee in our Malls?

Pradumna Kanodia: No, I do not think so they are looking at take space in our mall for the purpose for creating an outlet for their stores or their…

Arvind: Visibility.

Pradumna Kanodia: Visibility I do not think so. They have not started looking out for space but what I am saying is that we have more than 2,000 shops across six different locations. We have relationship with more than 350-400 retailers and this is the critical mass that we are going to use for integrating technology and use some of the USPs that our e-commerce platform offer. We will integrate those USPs to our existing platform and then will enable the consumer to really have a much superior expense as compare to what he is probably doing right now.

Arvind: Okay. Apart from that, what I know see our business is highlight capital intensive, right?

Pradumna Kanodia: Yes.

Arvind: At the same time Phoenix Mills have acquired the knowledge of the core competency of mix used development. So why not think of taking some properties on lease and earnings for the shareholder instead of borrowing or issuing equity and burdening the company with a lot of capital requirement as you have the soft knowledge of managing the mixed use properties.

Pradumna Kanodia: I understand but it is not like the hotel business where you have the Marriott of the world or Star Wood of the world who can come and manage your property on a fee basis. I think that may not be the model that has developed across the globe because Mall management is not concept that we believe in Indian can give you the kind of returns and you cannot take a mall on lease. You cannot go to a developer and say okay I will take the entire 1 million square feet on a fixed lease of Rs. 50 or Rs. 80. No developer will want to give you that and then you in turn apply your knowledge to lease it out that concept does not work. It is 50,000-100,000 square feet you can still do that you can lease it out and then sub-lease it to people but that is a very different ball game our expertise lies in managing large size malls where we have done the development we have really created the kind of asset which no other developer probably has been able to deliver and construct in the country. So we will continue to focus on creating this leadership position for us we are in the market looking out for suitable opportunities where we could enhance our potion. Where we could increase our foot print so those things are happening slowly as we move forward you are right the dilution and the other option that are there but the fact remains that today when you are setting up such world class assets you require a lot of capita and in that context we did a small fund rise in the last couple of months but going forward you would find that there would be many opportunities which we would want to really in cash upon and I think that will be a mix of debt equity and that will help us in increasing our size and our presence across the country.

Arvind: Are we planning nay operations out of India?

Pradumna Kanodia: No, I think our fuscous would remain on the retail as an asset class and that to in Tier-I towns across the country.

Arvind: Okay. My final question is as I understand that volume is vanity profit is sanity and cash is the only reality so what is the normal procedure or thought process what percentage of your cash profit, that is profit plus depreciation you intend to distribute to the shareholders every year and why there is no interim dividend when we get the monthly rental and even the deposits and all that.

Pradumna Kanodia: See our structure of holding currently is such that there are SPVs which are generating cash at their own level which are also repaying some of their debt so not every SPV is joining up and throwing up cash to the Phoenix Mills level so that is one point. Secondly, as far as Phoenix Mills is concerned we have been giving out dividends very regularly in the past. The pay outs have been increasing generally but if you look at with the fact that today we have been increasing our stakes across our MarketCities– those fundings have largely come out of internal accrual as well as some leveraging that we have done. So for us to declare interim dividend when we have the requirements to conserve cash for such payments which are staggered over one year - two years - three years payments is not there. It become very difficult for us to then look out at interim dividend which really does not serve the purpose at the end of day. If I am looking at a dividend distribution of say Rs. 2.20 for the current fiscal year and if you divide that into two the promoter themselves hold 62%-63% as on date so very limited amount anyway goes out to the public at large. So is better for us to conserve the cash, look at an optimum mix of debt and internal accruals to fund some of these opportunities that we have really been able to capitalize over the last. Last three years if you look at the total acquisitions that we have done in terms of our private stake buyout, the total amount was approximately Rs. 10 billion to Rs. 11 billion out of that we have already paid approximately Rs. 8.5 billion or there about so in that context clearly we have been able to use our cash flows very judiciously and that is the reason why we have been able to buy out such large partners.

Moderator: Thank you very much. Sir at this point of time we have no more questions. I would like to hand it over back to you for any final or closing comments.

Pradumna Kanodia: So I would want to thank everyone for participating in the concall. And we look forward to doing this on a regular basis. If you have any queries that you may still have please feel free to get in touch of Varun or Rohini and we will be happy to share and give you whatever updates that you may require. Thank you once again.

Moderator: Thank you. On behalf of Phoenix Mills Limited that conclude this conference call. Thank you for joining us and you may now disconnect your lines.