The Phoenix Mills Limited
Q4 & FY2018 Results Conference Call
May 09, 2018

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY18 Results Call of the Phoenix Mills Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. The Management is represented by Mr. Shishir Shrivastava – Joint Managing Director and Mr. Pradumna Kanodia– Director Finance. At this time, I would like to hand over the conference over to Mr. Shishir Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Good afternoon, ladies and gentlemen and thank you for participating in the Phoenix Mills Limited Conference Call to discuss the Q4 & FY2018 results. We have had a good operational year and you may have seen the growth across various assets in our investor presentation. May I take this opportunity to highlight a few key points. At our flagship mall High Street Phoenix and Palladium in Mumbai, a significant event was the opening of the North Sky Zone which was previously occupied by a department store and now has approximately 50,000 square feet leasable area across 13 stores which are an exciting mix of fashion and apparel, F&B and jewelry brands.

We believe this mix of new brands has set the base for strong consumption and rental income growth for High Street Phoenix in the coming year. High Street Phoenix Q4 FY18 rental income was up 13%. However, since North Sky Zone and some other areas totaling to almost 12% of the leasable area of the mall were under fit outs for the major part of the year, consumption and rental income for the full year from this space was impacted.

Phoenix MarketCity at Bangalore in its 6th year of operation continues to demonstrate market leading growth across categories and recorded a strong consumption growth of 21% with rental income growth of 17% and EBITDA growth of 13% for FY18.

Phoenix MarketCity Mumbai continues with sustained uptick in performance with consumption growth of 17% for FY18. Healthy consumption growth has resulted in improved EBITDA performance for the assets and the asset reported an EBITDA of Rs. 928 million for the 12 month ending March, 2018 which is up 20% year-on-year. Phoenix MarketCity Pune also demonstrated a strong rental income growth of 15% and an EBITDA growth of 17% for FY18.

We now come to Phoenix MarketCity Chennai and Palladium Chennai. We are pleased to share with you that our new luxury mall Palladium Chennai became fully operational on 17th February, 2018. This is the first instance of us taking our flagship brand Palladium outside of Mumbai. The mall has a leasable area of approximately 0.22 million square feet and at the end of FY18 Palladium Chennai was at a leased occupancy of 79% and a trading occupancy of 40% with an average rental rate of Rs. 161 per square foot. Currently the trading occupancy at Palladium Chennai has moved up to approximately 67%. At such trading occupancy Palladium has achieved significant consumption traction. This coupled with about 12% of the leasable area which is currently under fit out and likely to become operational soon will result in consumption occupancy and rental rate moving upwards in the coming quarters. At Phoenix MarketCity Chennai we have undertaken a planned category churn this year to improve the asset performance which may have resulted in a muted consumption and rental inflows from such areas. Rental income growth for the full year was at 8%.

A short and quick update on the Phoenix Mills Limited and CPPIB alliance. During this quarter, Island Star Mall Developers Private limited our strategic alliance with CPPIB purchased a 13 acre land parcel in Hebbal Bangalore for approximately Rs. 650 crore to build our second Phoenix MarketCity in Bangalore. The plot has a development potential of 1.81 million square feet out of which we will build approximately a million square feet of retail and the balance will be used for commercial office development. We are excited about the progress of our partnership with CPPIB where within a span of 12 months we have committed almost 85% of the funds between Phoenix MarketCity 2 at Pune which is located at Wakad and Phoenix MarketCity 2 Bangalore which is located at Hebbal. We continue to evaluate more Greenfield and Brownfield opportunities under this JV. I would now hand over to Mr. Pradumna Kanodia for an update on the financial performance of the company.

Pradumna Kanodia: For Q4 FY18, the consolidated revenues from operation was at Rs. 4,366 million with EBITDA at Rs. 2,161 million which was up 8% year-on-year. The PAT for the period was Rs. 926 million which is up 255% year-on-year. For the full year ended March 18 we reported a consolidated revenue from operations at Rs. 16,198 million while the EBITDA was at Rs. 7,774 million. Consolidated PAT stood at Rs. 2,422 million which was up 44% year-on-year. A strong PAT was driven by superior operational performance of our retail assets contribution from our commercial assets and the lower tax outflow on account of certain issues like merger of Gangetic hotels with Palladium construction, MAT credit that was available for us at the creation of deferred tax liabilities and also the fact the Classic Mall is now an associate company so certain tax figures to be looked at from that point of view as well.

Our gross debt at the end of the year stood at Rs. 40,121 million which is marginally higher than what it was at the end of the previous year. The average cost of borrowings at the end of March 18 stood at 8.94% and the interest coverage was over 2.2 times for the group. We are very comfortable with our current debt levels and we have demonstrated strong operational cash flows during the year which were utilized to complete our stake buyout of the private equity partners and certain funds are also used to complete our TDR purchase for our commercial developments. With this we conclude our opening remarks and now if you would have any questions we would be open to answering them.

Moderator: We will now begin the question and answer session. The first question is from the line of Chintan Modi from Motilal Oswal. Please go ahead.

Chintan Modi: So first question pertains to High Street Phoenix. Now in the Q4 we have seen that consumption and trading density both have grown at 3% and 2% after the new stores have come up. I wanted to understand from a 2 year, 3 year perspective that do you think there is enough headroom for the consumption to grow at 7% to 8% in High Street Phoenix and what would be the drivers for that? Secondly related to the same questions what would be the further of levels of growth in rentals, so why would rentals basically outperform the consumption growth at High Street Phoenix?

Shishir Shrivastava: What are the critical factors that really positively impact consumption and rental growth are your ability to continue to improve the product mix so that you can drive more of the correct profile of footfalls there. So at High Street Phoenix and Palladium over the next 3 years that is FY19, 20 and 21 we are going to see approximately 20 odd percent of the leasable area come up for renewal each year which allows us the opportunity to make changes to the product mix, to relocate some of the brands which are already present and make room for newer brands and all of this is going to certainly impact the consumption pattern at this asset. As you have probably seen the trend at High Street Phoenix we have continued to break every barrier on the trading density performance in the conclusion. So today we have also seen highs of in excess of Rs. 3,600 per square foot per month trading density in certain months which is probably amongst the highest in the country and we do not see any reason why we will not see a strong consumption growth going forward year-on-year.

Chintan Modi: As you can comment on EBITDA margins which was at 80%, should we expect that going ahead in the quarters to come once this new stores also start picking up EBITDA should bounce back to like 90% - 95% range?

Shishir Shrivastava: What happens in any operating asset every few years you do see some capex going in on improvements. So this year North Sky Zone the expenses that we incurred in capex there that has impacted our EBITDA to some extent, but it would be fair to say for any well performing mall the EBITDA margins to stay north of 90% to 93% would not be an unachievable target.

Chintan Modi: Secondly more from an understanding prospective when we typically acquire a land parcel the development potential that we get is much higher than what we typically use for a mall which is a million square feet, now I wanted to understand some thought process behind it like just put it in a different way, do we have an option to allocate those resources for acquiring some other malls or buying other land parcel which typically get invested into a core expertise?

Shishir Shrivastava: Sorry may I request you to just explain this question a little further? I have understood your first part of the question that let us take an illustration of Hebbal Bangalore where we have a potential of 1.81 million square feet and we expect to use little over a million square feet for the mall there and there is 800,000 square feet remaining FSI potential. Now what is the second part of your question?

Chintan Modi: Second part is that did we had an option like you buy lower FSI potential or a development potential land parcel and invest that additional resources into some other land parcel which could typically again get back into our core expertise which is mall.

Shishir Shrivastava: I would like to answer this question in three parts. The first part is our model is to build city centric mixed used developments. Retail is clearly the core of any such development, but at city center location beyond the retail there continues to remain potential to develop other asset classes such as commercial offices or residential and there is significant value there. Now one cannot say that I only want to build a million square foot mall at a city center location and negotiate on that basis because the potential of the land is the potential of the land and you do need a certain size of the land to ensure that you have the adequate footprint for the mall. The second part to my answer is that there is significant value in creating mixed used development because you are creating a captive audience for the retails. So apart from the fact that let say in Hebbal if you were to develop the offices you will see perhaps a better rental realization for the offices as compared to let say standalone commercial offices in the neighborhood.

Apart from that the mall itself benefits greatly by having this huge captive audience within the development. We have seen this at Phoenix MarketCity Kurla as well where we have close to a million square feet of offices with thousands of people visit every day and that has significantly helped the consumption as is evident from the performance of that asset. So one has to realize that the model is to of course unlock the maximum potential of any land parcel which means that once you have designed the mall, you also unlock the potential of any other asset class which may be the requirement or let say market specific. So at Hebbal we know that there is a significant market for offices and that is what we will build there. In Chennai in the past we have built residential which has outperformed that peer group. We launched it at Rs. 5,500 today we are selling at Rs. 14,000 a square foot.

Chintan Modi: So basically, the IRR that we target would be considering the full cost of investment that we are doing into the land is that the right way to look at that?

Shishir Shrivastava: Well, the way we look at is we look at the entire land cost in our model assuming only a retail development wherein we would expect to see a minimum of 20%, 22% kind of an equity IRR. So just the retail development alone even if you look at the entire land cost being a portion to the retail development alone our expectation is at least to see a 20% to 22% IRR being achieved only from the retail development. So anything over and above that is what one would call as cherry on top of the icing.

Chintan Modi: Just one last question we have this 3-acre land parcel next to High Street Phoenix. Management was planning to unlock that potential and now the new DP is also out so you can share some thoughts on that if some plans to monetize that?

Shishir Shrivastava: The new DCR is very positive we are extremely excited about the potential. As we had anticipated, you can build up to I think about with 5 FSI you can go up to about 1.2 million square feet because you will utilize the potential of the entire land on that space of approximately 3 acres. So having said that I think this is in the planning stages now. We have gone into planning stage on that 3 acre land. One has to look at the overall impact on the overall development. The road connection outside, infrastructure so yes we do intend to go down that path in our design development and we do not have an update for you today, but the fact remains that we have a potential of about 1.2 million square feet to develop on that.

Moderator: The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand: My first query will be on the CPP platform with the deployment in the two land parcels how should we look at it? Should we expect another couple of more projects being added there or with the construction been taken into account and TDR spends taken into account broadly we have almost completed the allocation of fund raised?

Shishir Shrivastava: Today, between Wakad Pune and Hebbal Bangalore; we have been a little conservative in our projections on the leverage for the construction of these two assets, but on that conservative basis one is seeing the equity deployment to the extent of 85% approximately would be achieved. So we continue to have some headroom there to do at least one more asset under this JV. Yes, there is potential if we do find further opportunities there is potential of either expanding this JV by both partners bringing in equity in the ratio of 51:49 that is Phoenix and CPPIB or we could consider doing them outside of the JV as well.

Abhishek Anand: So 85% is basically on the land acquired till date?

Shishir Shrivastava: No, that is an incorrect understanding. 85% is the equity commitment to see through the construction of the assets as well. It is not just deployment towards land.

Abhishek Anand: If we are not assuming any further leverage on the entity is that understanding correct?

Shishir Shrivastava: The leverage will be at the SPVs basis at the asset levels.

Abhishek Anand: And any update on the Indore asset at what stage are we on this acquisition?

Shishir Shrivastava: Yes, that matter was ruled in our favor at the DRT, however, there is another matter which is at the High Court at Indore and we expect we are looking forward to an order on that in the next few weeks. The final arguments have been concluded so subsequent to that we should be able to proceed with that acquisition.

Abhishek Anand: So in light of the acquisition you have done recently and in one of the slides you have mentioned that you are looking at 0.7 million square feet in Pune commercial developments and 0.4 million square feet in Chennai what is the expected capex spent in FY19, what would be the number for the consolidated entity?

Shishir Shrivastava: Give me one moment. I am going to request Mr. Kanodia to answer this question.

Pradumna Kanodia: The Chennai development is still at a planning stage so the 400,000 square feet will be sitting on top of the mall which is the Palladium mall. We have already incurred close to around Rs. 180 or Rs.200 crores in terms of the initial foundation cost, land cost, the premium etc. So the balance cost would be very limited probably in the range of around Rs.120 odd crores which will be spread over 2 years or so. Again, that asset has already started generating rental income so there could be a small ability for us to either look at LRD which is already there on that asset to fund the balance construction cost or we may use our surplus from our Chennai asset which is also equally held by both the partners where we have a large surplus cash available.

So we do not anticipate any significant amount of debt to be raised there because the inventory which we have on the resi side itself is close to Rs.100 crores in terms of value. So as we liquidate that we would probably invest that into completing this asset. So over a period of 2 years this Rs.120 cr will go in completing that. Similarly, for Pune this stands on top of the mall and part of the initial cost and construction expenses have already been incurred so it is largely going to be funded out of either small amount of construction finance which may raise or there is Vamona entity which currently generates significant cash flow surplus, that again would be spread over 2 years. So between these two assets I would say roughly Rs.75 crores each year could be the capex which largely be funded out of Pune assets as well as the Chennai operating assets. So I do not see a significant requirement from the parent company or to raise a debt on those two assets.

Abhishek Anand: And on entity level what will be the capex including the Pune mall and Bangalore mall which we have recently acquired?

Shishir Shrivastava: So those, as we had said, the acquisition will be funded out of a mix of debt-equity so the equity has already been committed to the Canadian pension platform that we have created. Equity once deployed to an extend will then necessitate the need for subsequent debt.

Abhishek Anand: I am actually just looking from a capex point of view.

Pradumna Kanodia: Maybe this year when we start construction at Pune somewhere at the beginning of September or there about we should start our excavation work so for the 6 months we could look at an expenditure of around Rs. 100 odd crore including mobilization etc. that would be required and for Hebbal I think we would probably be slightly lesser than that. It could be around Rs.50 odd crores so between the two assets which are currently going to be developed under the platform we would look at Rs.150 crores as spent for the current fiscal year.

Abhishek Anand: So if my understanding is correct you will be approximately spending in total around Rs.200 - Rs.225 crores for FY19?

Shishir Shrivastava: `Yeah but these are two different and of course we have our residential development which is self-funded which is already ongoing so that will also continue to see some form of capex while it may not have a negative on the cash flow point of view.

Abhishek Anand: So again just trying to understand the capital deployment here because we will be generating an EBITDA of around 800 crores ideally in FY19. We have generated Rs.740 odd crores of EBITDA from malls so there will be sufficient surplus how are we looking at that. Do we plan to increase dividend payout?

Pradumna Kanodia: Yesterday, we made an announcement on the dividend, so while the number will be marginal but we did increase it from 120% to 130% so that a marginal increase of dividend is there. And of course that is one part of it going forward, our interest cost works to Rs. 350 – Rs.360 crores on a console basis which will again be coming out of the EBITDA income so that will leave say maybe some amount of money which in a natural course would repay our debts because typically every year we tend to repay 10% of our debt and if we desire we can always top it up, but the fact remains that we would be looking at naturally repaying that. Plus there are opportunities which could be outside of the platform which may be interesting to us so we would be definitely wanting to look at those from investment point of view and these are some of the broad numbers one could keep in mind and between this options that we discussed we would be judiciously looking at utilizing our money.

Moderator: The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir is there any payment pending for the state purchase from the PE partners at this point?

Pradumna Kanodia: No we have completed all our stake acquisitions as on date. If you look at pattern of holding across the company except for Chennai where we are 50%-50% and at the Palazzo hotel where we are at 73%-%27% rest of it is 100% ownership. Exception for this is Island Star which is our platform entity where we now are at 51% and 49% is with CPPIB. So apart from that all our minority stakeholders have been paid for and share have been transferred so there is nothing pending.

Atul Tiwari: Actually I just wanted to make sure that there was no cash payment pending because sometimes the deal happens and then the cash payout happens later. The second question is on the residential business, so for FY19 and FY20, how much revenue recognition could happen in these projects against your P&L based on current sales run rate and execution etcetera?

Shishir Shrivastava: I do not want to give a guidance per se, but my sense is that the markets are definitely showing early signs of revival and in fact couple of days back there was an article in Economic Times suggesting that the inventory at certain places are showing better traction and Bangalore is one of those markets where there is a demand which is coming up. So keeping all that in mind and the business plan that we have, last year also our team was able to successfully balance between maintaining a price point which protects the profitability and sales velocity which was closer to over 100,000 square feet of sales just at the single location of Bangalore. So from that point of view if we look at it we should have a reasonably predicable or consistent FY19, FY20 in the range of around Rs. 200 odd crores of revenue recognition on a yearly basis depending on our existing sales and new sales. But these are conservative numbers it could also change depending on how the markets are because if you look at it from a positioning point of view we clearly have positioned and of course there is inventory available. Kessaku will be completed in this current financial year which will allow us to probably showcase a product which has a ready finished product which will be available in the market. So all these things work well for us. Chennai also as I mentioned. I am not including that Chennai inventory in the 200 crore because that could be another additional Rs. 100 crore over a period of two years. So in a matter of two years broad number could be between Rs.450 to Rs.500 crore of revenue recognition from a residential sale point of view between these two entities.

Moderator: The next question is from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: On the two land acquisitions at Pune and Bangalore that we have done in CPPIB. I just wanted to understand the large difference that we see on the land cost as such, so we are just looking at the existing mall properties we see roughly similar rentals between Pune and Bangalore and again we are seeing roughly similar development potential also, so how should we look at it?

Shishir Shrivastava: If you consider the development potential for Pune and Bangalore, In Bangalore you have a 3.25 FSI and in Pune you have 0.85, so that is where there is a big difference on account of land cost. Assuming that you buy TDR and loaded here in Pune on a FSI basis there would be a difference of I think about Rs. 600 or Rs. 575 per square foot FSI between Bangalore Hebbal and Wakad Pune. However, these two markets or micro markets are not really comparable. There would be a significant different in the rental estimates at Wakad Pune versus Hebbal Bangalore. So first year rental projection in Hebbal would be an average per square foot of about Rs. 175- Rs. 180 versus in Pune that number could be about Rs.130 – Rs.140. So it is quite evident that these two micro markets are distinctly different and that does impact the price per square foot on an FSI basis.

Abhinav Sinha: And you have included the cost of TDR for Bangalore for this?

Shishir Shrivastava: The base FSI itself is 3.25 million square feet which gives you 1.81 million square feet FSI where as in Pune the base FSI is 0.85.

Abhinav Sinha: So you are spending much more on TDR purchase. Secondly this is the question on the existing portfolio that we have. So we have these large renewals coming up. Can you guide us where the rentals could be after renewals?

Shishir Shrivastava: I think if you look at our trend, that should give you a very good indication of where we are, but as I mentioned High Street Phoenix and Palladium over the next 3 years 60% of the area will come up for renewal. If you just look at our average today I would say that there should be at least between now and then for each year there should be between 7% to 8% growth in rental in the minimum guarantee itself and on reset, it could go up as high as about 12% to 15%.

Abhinav Sinha: For the reset part of the portfolio you are saying.

Shishir Shrivastava: So let say for any area that comes up for renewal in FY21 between FY18 and FY19 there should be a growth of about between 5% to 7% between FY20 to 21 it should come up by another 5% to 7% growth and then when it resets for FY22 one should see anywhere between 12% to 15% growth in that year and this would largely be true across the boards for all of our malls.

Abhinav Sinha: Just finally on Chennai you had these large renewals in FY18 which I think would have just about kicking, So how is that progressing?

Shishir Shrivastava: That is progressing very well in Chennai. We did about renewal of about 150 stores so basically we have seen about 25% of the area having been renewed already and I would say an average rental growth would be in the range of about **25% to 30% growth.**

Abhinav Sinha: And we start seeing that in P&L from when roughly?

Shishir Shrivastava: So as the consumption growth I would say the second quarter of this financial year one should start seeing because that is when we expect to see stable consumption at this new source. So that will also contribute so considering rental revenue share that would also contribute to the rental growth. So our estimate of about 30% growth for this 25% area includes revenue share not just minimum guarantee.

Abhinav Sinha: Sorry sir, just one additional question so on the Bangalore property existing one you were also planning to do this new office right, so where are we on that I mean I do not see it in the pipeline right now?

Shishir Shrivastava: It is under design development at the moment we are looking at not just adding offices, but we are looking at in the first instance adding about 350,000 square feet of retail and then thereafter on top of the mall one would be building offices.

Abhinav Sinha: On top of that new 350,000 square feet space is that correct?

Shishir Shrivastava: So we have a total addition of say 2 million square feet about 350,000 square feet would be retail and the balance potential would be for office, so it is on the design development because you also have to provide the infrastructure for multilevel car parking etcetera. But the structure originally in 2007 was designed to house to all of these towers above. So you do not have any work to be done on existing structures.

Moderator: The next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: My question was on the Kurla Mall with the trading occupancy now reaching about 95 which is almost at par with your other market cities now, how should we look at the consumption growth going ahead. We have seen a healthy growth of 17 odd percent in the full year, but is this sustainable and what could be the drivers for this?

Shishir Shrivastava: Yes in fact our trading density for average for the year was about little over Rs. 1,000; it was a Rs. 1,044 per square foot per month. All of our other malls are closer to about Rs.1,500 to Rs. 1,700 per square feet per month. High Street Phoenix and Palladium is significantly higher. So there continues to be huge potential, you know, while you see this consumption growth in let say Q4 the impact of that you would see in the Q1 of FY19 so this consumption is certainly growing in the high teens year-on-year and that will also demonstrate a significant growth in trading density and consequently rental income. So we would think that over the next 3 to 4 years you should see high teen growth in consumption.

Kunal Lakhan: Just a related question on that if we look at the rentals right an average rental its closer to about Rs. 93 now. This is still significantly lower than other market cities because even if I look at the trading density it has been inching up in terms of trading density we are at 1044 this is very closer to the Pune trading density, but if you look at the difference between the rental of say Pune and Kurla it still more than 15% odd. So just wanted to understand like how should we look at the rental rate going ahead especially in Kurla considering that the consumption is on a rise stating its density on a rise and we have significant space coming up for renewals overall say in FY20-21 and could the renewal happen at a very strong premium to the existing rentals any color on that?

Shishir Shrivastava: Renewals at Kurla.

Kunal Lakhan: Basically, the average rentals Kurla.

Shishir Shrivastava: At Pune we have seen last year the rental average rate at about Rs.106 while Kurla stands at about Rs. 93 at the gap being on the consumption front therefore the revenue shares. So as consumption grows it going to probably track similarly to Pune for some time before it probably even has the potential of exceeding Pune's performance because now we are seeing once you cross that Rs. 1,000 trading density a consumption grows significantly and much faster. So having said that for us in Kurla the major renewal is going to come up in FY21 which is 32%. So we expect that FY19 and FY20 consumption if it continues the similar trend that we have demonstrated in this last year that is going to in any ways take up the base average rental much higher than what Pune is trading today by FY21 when it comes up for renewal and that will become the average rent that will become the minimum guarantee for that years renewals. So yes there is potential for significant rental growth going forward.

Kunal Lakhan: That is helpful, and lastly would that also reflect in terms of improved EBITDA margin because margins at Kurla still lower than the other MarketCity malls which are operating at 90% plus EBITDA margins, so would that be a fair assumption that by FY19-20 or even FY21 like we should be at closer to say 90%, or 95% EBITDA margin?

Shishir Shrivastava: Yes, if you noticed actually living in Bombay you must have seen the kind of promotional activities that we are conducting and the marketing that we have undertaken to promote this asset that has to some extent impacted our EBITDA margins. So I do not see any reason why we should not be in the range of about 90% in that range in this current year.

Moderator: The next question is from the line of Prem Khurana from Anand Rathi. Please go ahead.

Prem Khurana: My question was with respect our One Bangalore residential asset we already run our inventory in five towers. We already have OC in place we are in process of handing over these tower and the 6th phase we are left with some inventory, so when do we get to see you launching some more phases because essentially if I have to buy into this 6th one it is as if I would have to make you payment upfront because there again we made a good progression terms of construction. So someone who is looking to strike a payment we do not have much to offer as such there. So do we get to see you launching any towers in One Bangalore this year and how would it impact our value bookings?

Pradumna Kanodia: While we always look out at the right time for launching whatever is our residual developments. The current thought process is to look at a better planning in terms of the configuration and the market which is accepting products which are slightly different because if you look at our tower 1 to 5 we have seen that the occupancy levels are increasing significantly people are moving in. The appreciation for product is really very high now. So in that context we are trying to see how can we improve upon that experience while we launch our tower 7, 8, 9. There are approval issues as well right now Karnataka is in the middle of election and all. So there are certain issues which have got pushed in terms of approvals. There are also TDR polices which are slightly flexible there so we have to acquire certain TDR for launching our projects. So from that point of view we are working on looking at tower 7 as a launch for the current year, but really cannot give you a timeline in terms of when that will happen. We of course are looking at a very healthy sale from tower 6 which would see completion during the year and also from towers 1 to 5 where there is a small amount of unsold inventory. So from that point of view there is no rush for us to launch tower 7, 8 and 9, but we would definitely be looking at right time and the right pricing for that.

Prem Khurana: How much of Kessaku which is again due for completion this year, so we would be ready with some inventory there, but then there again we have some unutilized potential available with us. So there again as no configuration wherein it is significantly different from what is there already with us.

Pradumna Kanodia: No, while the structure will be completed in one shot the interiors and all will continue depending on what would be our preference, so we have currently only launched a limited inventory based on our sales and other progress here we will continue to launch the balance phase, but this even work and most of our finishes would have been completed except for the interior part of it which will be also aligned with the demands and the sales at their progress.

Moderator: We take the next question from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: See interest cost have come down quite a lot. Is that over now?

Pradumna Kanodia: You have to tell us Abhinav how are you viewing the interest cost scenario. We keep hearing that we are at the bottom, but I am sure that these things will continue to excite us. We will continue to strive to maintain benchmark which is best in the industry and of course if the interest rate overall go up then you cannot avoid that, but we should be not really behind the curve. We should be ahead of the curve so we are looking at a possible rate hikes coming maybe in the next 6 months - 8 months. So wherever possible we will try and see that if we can lock ourselves for 1 year and 1.5 year with the current rate which will allow us to continue to enjoy the benefits at the lower rate. Although these things will be evaluated, ratings are improving so naturally some of the rates have come down from an absolute number point of view. We will again evaluate the issuance of commercial paper, bonds and all. So all those things will constantly allow us to see if we can maintain our rates at the best possible. So as you have seen our rating across, The St. Regis Hotel, Bangalore mall all have now consistently been rated as A or AA or A+. So from that point of view banks are noting that and hopefully some of the debts which is slightly high in our comfort level the rates will come down there. So overall, I do not see major increase or a major decrease happening we should be range bound in our interest cost.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Phoenix Mills Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.