THE PHOENIX
MILLS LIMITED

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June 17, 2022

To,

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

Security code: 503100

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

Symbol: PHOENIXLTD

Dear Sir/Madam,

Sub: Transcript of Investor Interaction

This is further to our letter dated June 16, 2022, wherein we had informed the exchange about the conclusion of our investor interaction event viz. "**Looking Deep & Beyond – Fireside Chat with Managing Director"** organized by HSBC Securities held on the said date, please find attached herewith the Transcript of the said interaction.

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: 2022.06.17 23:45:22 +05'30'

Gajendra Mewara
Company Secretary

Encl.: As enclosed

The Phoenix Mills Limited

Discussion with MD – Understanding the DNA and beyond the visible growth hosted by HSBC Securities
June 16, 2022

Puneet Gulati: Hello and welcome to HSBC local insights. Looking deep and beyond with Phoenix Mills. So in this series we do an in depth discussion with various companies and experts. Today we have a special guest who has been a part and in fact has led the evolution of Indian mall space for over more than two decades. And he has seen his company evolve from what used to be a single mall operator to now one of the biggest mall operators in India, they already run about 8 malls and are adding 5 more in next 3 years. So I'm pleased to welcome Shishir Srivastava, who is the Managing Director of Phoenix Mills. The intent of the discussion is not to focus on the current scenario, but to dive deep into the DNA of the company, its evolution with its new partners, and understand the core purpose vision of the company and then look at the growth beyond the visible years. And for investors, if you have any questions, feel free to type in your questions via www.slido.com and use the event code #HSBC1606, which you should be able to see at the bottom of the screen. And with this, once again welcome Shishir, thanks so much for taking time out of your incredibly busy schedule to speak to the investors and welcome to the show.

Shishir Srivastava: Thank you Puneet, thank you. It's really an honor to be here. Thank you for inviting us.

Puneet Gulati: So let me start with this without taking much of your time. Phoenix is primarily known as a successful mall operator, but it now also has office assets and it continues to grow those and there are some hotels and there is some residential portfolio as well. How should we think about the core purpose of the company and the vision, can we see it getting into new asset classes as well like data centers, industrial centers, warehouses, etc. What should be the vision of the company?

Shishir Srivastava: So Puneet, that's a very relevant question and in the last two and a half years during COVID we have really deliberated deep into this question. I will first talk about what the vision is, and then what would be our purpose. So the vision of the company continues to remain to create iconic city center; experiential multi use or mixed use developments across urban India. While we kick started the retail and mixed use development model in this country, where we anchor out more than a million square feet or approximately million square feet of the development with a good consumption center. We also add complementary asset classes such as offices or hotels; in the past we have built retail as part of the same development as well, and we create this massive consumption center at a city center location. These asset classes feed off each other and continue to see better income, better consumption and that creates a new Town Center at that location for us. So for us retail continues to come first and will continue to always be the main focus. If you have actually looked at how each of our assets spread across the country have evolved you will relate to the path that I am talking about, which we created in the first phase when we started building our new malls in 2006-2007. We first built out the malls, let that city center location become a destination and then we added other asset classes and densified that entire development. Commercial offices compliments retail very well and allow us to optimally utilize the development potential by adding vertical developments on top of the mall footprint. Given the fact that we focus only on city center locations, the office on top of these malls tend to house the best of international and domestic companies, their front offices; their head offices across sectors such as auto, FMCG, media, banking, financial services, consultancies etc. This also ensures that we have a steady flow of people within this larger complex every day and the mall, in a way becomes a part of their daily life when they come into work because the entire mall becomes an amenity space for the office user or the hotel user as well. Hotels again help to strengthen our city center development presence and hotels compliment again very well with the mall and offices. We are very selective about adding hotels and we build hotels only where we have the confidence that there is going to be a lot of synergy between these asset classes. So in our mixed use development, we currently have developed only one hotel in Bombay, which is the St. Regis and we are now embarking on building a Grand Hyatt at our property in Bangalore. Noe moving on to purpose, I think our purpose is to ensure that our assets remain representative of the discretionary spending in urban India and as a company we hope to be able to grow in a sustainable manner. During the period FY 13 to FY 20 where retail was the largest asset class, the consumption CAGR was between early to mid-teens, and consequently that also translated into a similar growth in our rental income during this period. Now with the COVID restrictions having been reduced and the virus itself is ebbing we believe that we are back on that path of growth for delivering strong double digit consumption numbers and income growth as well over the next few years. This will come out of growth in our number of malls itself, and of course growth in the same store sales growth, which again will lead to a higher rental income and add to our free operational cash flows on an annual basis. We intend to plow back this free cash into either densifying these locations or adding new destinations within the cities that we've identified for growth. Your second question, regarding data centers warehousing etc. We deliberated a lot on this. During COVID we saw a huge impact on our cash flows in our core retail business and also in the hospitality business for the first quarter of FY21, which I think was the only quarter where we saw a negative operational cash flow, but soon after that we had consistent positive cash flows coming from our residential sales and rentals from our office verticals as well. Now while retail and hospitality are back on track and demonstrating higher than pre-Covid sales, we still remain conscious that there is a risk going forward and perhaps that experience of the last two and a half years has created a desire to diversify this risk and exposure and mitigate this potential sudden drop in cash flows and dependency on retail rentals alone as an asset class.

So should we choose to go down the path of diversifying risk across asset classes, then, at a preliminary level, I would say residential and maybe warehousing, including some industrial seems to be a logical extension for us because of our on the ground presence in the key markets in the key Indian cities and in the past we have repeatedly demonstrated our ability to identify and acquire suitable land parcels and expedite such acquisitions. We have completed such acquisitions in probably record time. We have a huge infrastructure team, extremely capable on delivering projects and turning around the delivery timelines. We have very strong and supportive financial partners both on the equity and debt fronts. Our existing relationships with retailers give us a lot of insight on their warehousing needs as well and that gives us the confidence that we'll be able to extend those relationships across that vertical, should we go down that path. I think all of this is giving us a direction on not allocating a lot of capital perhaps, but at least initiating and perhaps looking at some of these other asset classes such as residential and warehousing, including industrial.

Puneet Gulati: That's very insightful. Thank you so much. How should one think about Phoenix? There have been many mall operators across the globe and within the cities that you have operated as well, and many operators have perished, but Phoenix for more than two decades of history as a mall operator, has survived and thrived and Phoenix as the company has about 100 years of being listed as well. So what is it that differentiates Phoenix from other mall operators and how sustainable is that mode in the current environment where you're seeing some private equity players also entering this space.

Shishir Srivastava: See when we think real estate we think annuity. The retail space or even commercial offices for that matter have a high entry barriers because you're looking for land at city center locations where land prices have become a barrier for entry for many of our peer group. Futher, typically mall require three to four years of development and another two years of stabilization, during which time the developers capital remains locked and returns start to get generated only four years or so after you've completed the land acquisition. But that's the nature right of the annuity business and because this business itself is capital intensive, it becomes an entry barrier for several of the real estate developers. However, as you rightly mentioned, it has been almost a little over two decades that we have been in this business. We have developed our own skills, domain expertise, and leasing relationships with our brands. All our malls have become the gateway malls for new brands entering this country. We focus heavily on experience and curating experiences for our mall visitors, which drives the correct profile of footfalls into our malls and drives consumption. I would say that our focus is not rentals, our focus has always been to make the mall succeed, make the brand succeed, and consequently that translates or that's evident in the way we manage our malls. We plough back a lot of money into the malls in upgrading the experience and in décor and so on I think that's a learning; marketing, leasing relationships these are difficult to build out within the business. So I would say that more importantly, it is the amazing talent that we have been able to build over the last two decades. If we look at all of our senior leadership, they have been with us for more than a decade and their learning has stayed within the organization. We all are extremely dedicated to making each of our portfolios succeed. I think these probably are the differentiating factors from the classic real estate development community in this country.

Puneet Gulati: The other thing now that you're also growing from just being one mall company in 2007 to now 8 malls and then taking it all the way to 12-13 in next three years. How are you building your organization strength and how are you thinking about delegation of authority as the structure as the organization grows into a much, much bigger entity than what it was.

Shishir Srivastava: So Puneet interestingly, while you say that we are going to have 12 malls operational, from 8 growing to 12 in the next couple of years, in terms of GLA, this will be about 13 million square feet and then we continue to have other projects under development which will become operational each year thereafter. So every year we are going to see one or two million square feet of retail GLA getting added. But what is equally interesting is that we have further densifying the city center locations so our commercial office portfolio, which is currently spread between Mumbai and Pune and comprises about 2 million square feet is going to grow to about 7.2 million square feet in the next three to four years, so clearly with that asset class also expanding and perhaps us delving into other asset classes as well, the organization is growing. During 2005, I remember we were a team of five people and today we are in excess of about 2500 people across the country. As I mentioned previously, our leadership team has been with us for more than a decade and we continue to bring in newer talent and they continue to add value over the years. The roles and responsibilities of our teams continue to evolve constantly and we present them with newer challenges and opportunities for growth. So I think over the last few years we have made a significant effort and that has been spearheaded by Mr. Ruia himself in making the organization extremely professional and driven by a very well thought out strategy and driven by some extremely capable individuals in the leadership team. Every asset of ours is driven by its own head who is empowered aside from us signing up on the basic goals for the year, we empower the teams adequately to run their own initiatives to deliver those goals and we conduct our frequent reviews and help them, handle them and guide them through that.

Puneet Gulati: So each individual mall has a separate CEO and runs its own P&L independent of.

Shishir Srivastava: The center is very empowered, and then we have a regional mall head who is more like a CEO for the region and each one of them will have 2 or 3 malls under them and they implement Phoenix best practices across locations, but every mall is operated differently, every mall or every location deserves its own marketing strategy; there is no one shoe fits all kind of solution.

Puneet Gulati: And now since we are on this organization structure, let me ask a tricky one which is how do you think about your role and responsibilities vis-à-vis Atul who has now taken on the role officially as the chairman and we know in India that promoters often actively keep getting involved in the business, irrespective of the role they take, is it any different there; how do you divide or share the responsibility with Atul and what is it that that he doesn't look at all and that leaves it to you and what is it that you leave it to him?

Shishir Srivastava: Atul has been the guiding force. He is the man with the vision, the promoter and of course, the chairman of the Phoenix Group. I would say the role that he plays best is being the chief mentor for the leadership of this company. Over the last two decades he has really transformed the company and since we have been with him, we have been groomed and mentored by him over this period, and at some point when we started achieving the size and scale, I think we were all fortunate enough that our own learning experiences brought us to that level where we could really empower everyone, including myself. I would say today Mr. Ruia is the product guy across all our assets and he is very passionate about design architecture and developing new and nurturing the existing relationships. So the physical product that you see in a mall, that is his vision, which is the product mix ,the design architecture and we work to deliver that vision. Over the last few years. every vertical is headed by a business head who takes forward that vision and delivers the financial results out of it or even the experiential results out of it. I would say that our retail business, which is headed by our Group retail CEO, Miss Lakshmi Sen and supported heavily by Rajinder, who is the president for India operations there are both seasoned professionals and they have spent a decade or so with Phoenix. They have participated in the growth of the retail business and have developed their own relationships with brands. At the corporate level, we have experienced industry leaders who are at the helm of things. Mr Rajesh Kulkarni, who is on our board of Directors and is the Director for projects delivery and architecture across verticals has been with us for more than 13 years and has more than two decades of experience in creating destinations. Anurag, who joined us in December 2021 as the Group CFO, brings on board a very rich and diverse experience over 30 years. Similarly, our Chief HR officer or Head of Legal and Compliance are experienced individuals. Over the years we have really empowered everybody and they have become accountable, so that the number of aspects that get escalated to myself or Atul have reduced and we can stay focused on what we do best. My own focus has been business strategy, capital raise, managing the businesses with the business heads, organizational decisions and HR. So I work very closely with the business heads and on specific matters we do reach out to Atul and brainstorm on ideas with him.

Puneet Gulati: Right and anything that he probably doesn't even look at and anything that you can specify that he says, OK, I'm not even going to look at it you do it the way you want to do it

Shishir Srivastava: I think over the years the priorities have changed, so 10 years ago we would all sit in the room and work on every mall’s marketing plan for example. Today, we have very capable individuals in the team, so that is something that the regional head for malls would sit with his team and finalize. We set out our own goals, whether it isa new platform to be created or some capital to be raised, or refinance of debt on any asset. I think those are goals that we set out depending on the business need. We do conduct frequent reviews with Atul, but then that is also largely run by the financial accounts team. So again I would say that today Atul's focus is more on the product and the experience, and mentoring individuals, and we are pretty much empowered to deliver on our own.

Puneet Gulati: So that's very good to hear. It's become a very democratic organization, and that shows that there is possibly no succession issue that we can come across.

Shishir Srivastava: I think we've moved away from being an individual driven organization to being a very cohesive team of professionals and individuals with domain expertise. And then of course we have Mr. Ruia to go back to because he is certainly the visionary and the man who has the most knowledge.

Puneet Gulati: And just jumping back, to update on why we do think that you are one of the most successful mall operators. How do you measure your organization's currently and then how do you think will you measure it going ahead as well?

Shishir Srivastava: So I think this is question which can't be answered in a single line. I would say that if we look at our retail business, we would measure our success basis the consumption that we see at our assets. So the best parameter to really track our success in the retail business would be the trading density or the consumption at each mall because even today about 70% of our group EBITDA is contributed to by retail. While this may change to some extent in the coming years, where the offices scale up in parallel to the retail buildout, but these will be continue to be relevant parameters in the coming years. I would say just to add on to that during April and May 2022 in our retail business our consumption numbers were tracking at an average of approximately 20% higher on a like to like basis compared to the pre COVID period of April and May 2019. Another parameter is how do we fare in terms of our exposure to debt. We have been very prudent about capital allocation. We have not shied away in the toughest of markets from raising equity. There was never a second thought when we went down the QIP path in August 2020. So, both at the listed level and at the project level, we have raised adequate capital and we have been deploying that. We have reduced the cost of debt and we have re-priced about 70% of our overall portfolio. As a strategy, and fortunately this was something that we did pre COVID, we took a very conscious call, from our experiences of the period of 2008 to 2012, of how we wanted to build out our new projects. Our approach has been to fund upto the last 12 to 15 months of the construction cycle by way of equity, then we draw down some construction finance when the development risk is largely mitigated and that reflects in the pricing that we are able to negotiate with the banks, take these assets operational within 12 to 15 months and then do a quick move to LRD structure. So that has been our approach and I think how we stack up in our capital stack is also a very good measure of our own success. So I would say strong performance from the retails, strong trends from the hotel, a good sales velocity in the residential business and strong leasing traction in the commercial business would be the parameters and what we have experienced in the last 12 months gives us a confidence that 2023 is possibly going to be the best year ever in terms of our EBITDA performance. Just to give you a number to chew on, in FY22 for the new malls that we're building i.e. for just the new malls that are going to become operational in this current year and the next year, our leasing teams have delivered about 4.2 million square feet of leasing of new mall space, so that is a measure of success and it is a fantastic achievement. So these four malls, which are going to become operational in the next 15 months that's where we have leased out about almost 4.2 million square feet. Another good measure to track performances is EBITDA. In FY20 our retail EBITDA was about INR 1,000 crore and during FY23 it would be in the range of INR 1,200 crore. With the new malls getting added plus the growth in same store sales within the operational portfolio, I don't think it's going to be farfetched for our analyst friends and investor friends to assume a retail EBITDA in excess of INR 2,700 crore by FY27. So I think that would be a number to look for.

Puneet Gulati: And if you look back there have been things which you think you would have liked to do differently are there any lessons that you ponder opponent thing that you've learned it and which remained you think will remain relevant for the next decade as well anything that you want to share here?

Shishir Srivastava: So let's put it like this that in our own growth there have been two phases. There was a period of 2006-2012 and then of course from 2017 onwards, where we started making more acquisitions. The learning in the period until 2012 was clearly on leverage i.e. having a lower debt to equity ratio and being very selective about dilution in our assets. In the period of 2006-2012, we didn't have enough cash on our balance sheet and so we had many partners who came on board. Several of them were closed ended funds; so when costs escalated, interest costs went up and we had a bit of a struggle in trying to bridge the gap by bringing in either more equity or debt. So selection of deep pocketed, like minded, value additive equity partners and of course building bigger and better malls since we are running out of space in all of our existing malls and we continue to expand the size there, will be some of our learnings from the last decade.

Puneet Gulati: And what are the greatest challenges that you as a business are facing right now and what are you doing to overcome it?

Shishir Srivastava: So fortunately for us today, with a very strong balance sheet, and extremely supportive and strong partners with the Canada Pension Plan Investment Board and GIC, capital is not a constraint or a challenge for us. The challenges that we would face are in our own growth because of availability of the right city center land parcel in the cities that we want to expand our presence into and getting a clear title. These are the typical real estate challenges and they continue to become even more difficult because it is more difficult to find the right land parcel at city center location. So we are very particular about ensuring that we get the best location in every city without overpaying for it. We have developed a very strong in house business development team that continues to evaluate opportunities simultaneously. We have to expand on our own bandwidth as we continue to expand within the asset classes that we operate. So, finding the right capital is not difficult finding getting our projects funded, getting enough adequate debt that's not really a challenge today for us.

Puneet Gulati: So while you did mention to 4.2 million square feet of leasing, are finding retailers not a big challenge with are there new retailers willing to come to India, are there enough retailers post COVID to willing to expand, is that a challenge at all or not really.

Shishir Srivastava: We had anticipated that to be a huge challenge in 2020 in the peak of COVID; however the last year has brought everybody back and we are seeing a lot of interest from newer international brands who are looking for spaces. Retailers have also tried to consolidate their positions and they have shut down stores that don't operate well that and have not been good performers and consolidated the efforts in stores which have been performers and fortunately for us that their stores in our malls have been performing extremely well, so they continue to ask for more space to increase the size of their offering. So that has not been a challenge.

Puneet Gulati: And talent would that be a challenge given that you have nowhere else to poach from you are the best.

Shishir Srivastava: No, so when I spoke about bandwidth, I think there is a challenge. I think it's across all sectors globally that you are seeing talent not being available. We continue to develop our people and if you really track again all the senior leaders in our organization, many of them have just grown from within the organization over the years and we will continue to focus on that. But you are right, we are the ones who are building talent for this sector in the country and we are happy to see many of our people who are very well trained, taking on very senior positions in the retail space and in the development space.

Puneet Gulati: So capital, you said is not a challenge that's primarily because you did a timely QIP and you have partners like sovereign fund CPPIB and GIC. What kind of role do they play in your business other than providing capital? And how do you think they have shaped up your thinking within the firm.

Shishir Srivastava: Puneet as much as GIC and CPPIB chose to invest with us, we also were very careful in selecting the partners that we wanted to work with. CPPIB & GIC they are long term investors, they understand retail asset class for investments extremely well. Patient capital, the largest owners of retail assets globally and in addition to the capital, they also bring in their experience and global relationships and add a lot of value to the strategy. So they bring in that global experience on how this asset class has evolved across multiple countries over several decades. So their inputs on design, costing, product specification ESG metrics, for example are something which is not very mature in India but we are learning and we are learning from their global teams and that is a huge value add for us so I would not classify them as financial silent investors, as they are strategic in a sense of helping us improve our own product and processes and we have seen that value coming in from CPPIB since 2017, and from GIC since last year.

Puneet Gulati: And then so again. On the capital allocation side I mean a few years back you talked about adding one mall to a portfolio every year, and now you're going to add 4-5 malls in next three years. And then maybe one post that. So how do you think about capital allocation, what asset class is looking attractive and what would you do beyond the one mall every year and do you also see a room where you would want to take capital out form and reinvest in something else in next four to five years?

Shishir Srivastava: Puneet we are seeing a sizable amount of free cash flows being generated on our standalone balance sheet and through our JV platforms with investors as well. I would like to say that in 2017 when we had stated our objective of doubling our retail portfolio and hitting about 13 to 14 million square feet we also had a stated mandate that we would like to go beyond that 13 million square feet and thereafter we would like to add a million square feet of retail every year. We did not speak about the commercial office being added there, but that's only logical and that's also growing up. I would say that interestingly, at all of these locations where we are building these fantastic destinations, they are all served by metro within a couple of 100 meters of these sites and the regulations have changed. There is additional development potential that has become available on account of regulatory changes or by payment of premiums etc. So densification of the assets of these locations or destinations will continue to be an important theme for us as we go forward. As we speak today we did the bhoomi pujan for our Project Rise at Lower Parel. We are going to be building a 1.2-1.3 million square foot development there which is a part of our strategy of densifying locations and making them future proof. So densification is an important theme for us, and we are going to redeploy capital into these assets for that. We are seeing a lot of demand in several cities and we have identified 8 more cities that we want to have our presence in and we continue to look at opportunities there so that the free cash flow that gets generated over the next few years will be deployed there. For warehousing etc as I mentioned, we are at an initial stage. I think we will be very prudent in our capital allocation in warehousing and residential as well. We may earmark about INR 150-200 crores for deployment in these new asset classes, but everything else gets plowed back into the retail led mixed use developments.

Puneet Gulati: And do you see any room where you think the assets have matured and you can take out capital from.

Shishir Srivastava: So as I mentioned, we have been funding a lot of our constructions by way of shareholder contributions and move into an LRD structure and a lot of this contribution can be up streamed to the JV platform or to the listed company. This would probably be the way to fund further growth because of the cash becoming available from the operational assets and by way of leveraging appropriately once the development risk is gone. I don't think monetizing on assets is something that we have planned for at the moment as that was our strategy for the previous round of growth, and now we have enough liquidity. We don't need to do that.

Puneet Gulati: That's very helpful, so, let's now open up the questions from investors. So the first question is, it says that the potential number of cities where a Phoenix type of mall can be opened. What is the number of cities there, I think you talked about eight more cities, so is it limited to those eight or more?

Shishir Srivastava: Eight is the number of cities that we have prioritized today because we want to focus and get our presence in these cities in the initial stage and there would be another seven or eight cities thereafter. Cities like Surat, Jaipur, Hyderabad, Chandigarh, Calcutta, another micro market of Bangalore and another micro market of Chennai are the cities of interest. MMR, of course, continues to always be of interest. There would be other cities such as Nagpur, Gurgaon, Noida which are markets of interest as well So, 8 to 9 cities would be our priority markets today before we expand into other locations.

Puneet Gulati: The another question is how do you think about the suburban malls versus city center malls you alluded to making malls at the city center and densifying it. Would you ever think about building a suburban mall or something outside the city.

Shishir Srivastava: See, that's not really our business model because when we get a land parcel, we get our ability to mine that land parcel over a pet period of one to two decades. So Bangalore for example, our existing mall, which sits in the joint venture with CPP, we acquired that land parcel in 2006-2007.. We built the million square foot mall first but we are always designed to add offices, hotel etc on the same development. It has been 15 years and we are now going to mine it further and are going to develop offices in the hotel there now. Suburban markets may not really mature or grow that fast when we say suburban I'm assuming we're talking about outskirts of the city, it's become destinations for people to really plan a day and get to. We'd much rather be in a dense micro market with enough residential catchment in the immediate vicinity and that helps us mine that land and continue to build value over decades.

Puneet Gulati: Another interesting one just came up would you take just the operatorship for new malls or would you actually without actually owning it or would you want to own it as well all the time.

Shishir Srivastava: No. For us, while the fees are significant, nothing can compare to the value that we are able to create by building ground up or acquiring a brownfield asset at a reasonable price and taking it to completion. So that is where we create value. The fields are significant and they certainly take care of our expenses, and it is something for you to watch out on. I think in this last year our fee income itself was about INR 100 crore to INR 120 crores and that is the only going to grow with more malls getting added. But these are fees that are getting paid from our JV companies with other investors and they are reasonable fees and that number is only going to keep stacking up. Coming back to the question, our mall is not the one where we will focus on a fee based approach.

Puneet Gulati: The other one which I just missed is quite interesting. It says how do you ensure that each of your new malls ends up being a success and for example the PMC Mumbai was initially not doing so well. How do you make sure that those things don't get repeated, are you doing anything special about it?

Shishir Srivastava: So I think site selection is key, everybody keeps going back to Phoenix Market City, Mumbai at Kurla but that is one of our many and that is also the one which turned around. So see, I think we were a little ahead our time in entering that market or building that mall out. We had anticipated the entire infrastructure with the Chembur, Santa Cruz Link, the metro, etc. that got developed in the last few years. All of this was supposed to get delivered in 2012 but got delivered in 2015, 2016 and thereafter. So clearly site selection has been a learning and from that experience, we have learned not to over-estimate the ability for local infrastructure to be delivered within a certain time frame and we are now conscious of that.

Puneet Gulati: Another question just following up. Would you try to move to an asset light model for some assets or would you like to own it all the time?

Shishir Srivastava: I think we have covered that for us ownership of the assets is key because that is where we create a lot of value for our shareholders.

Puneet Gulati: And majority ownership all the time, right or would you be ok taking 10%-15% and say call it sit back.

Shishir Srivastava: It doesn't make sense because the effort that goes into developing it, I'm assuming that nobody is going to ask us to own 15% and sit back as they want us to drive that business.. and it is not adequately value accretive for us.

Puneet Gulati: So another follow up question.

Shishir Srivastava: I'm sorry I'm digressing a little bit but when you look at our malls where we have partly monetized, the value that has gotten created over the years is many many fold.

Puneet Gulati: And just another question on your growth in the incremental aid cities which are in some sense not only metro or a Tier 2. And it is natural that they may attract low rental income as well. Do you think those could be lower IRR projects, or could they be actually better because the cost would be lesser as well.

Shishir Srivastava: So of course land cost does play an important role in our returns. but firstly I don't call them Tier 2; I call them tier one opportunities for us. A tier one opportunity is where you have, enough number of your target profile in that city, but there is no supply to meet their consumption demand. So a city like Lucknow while some people may call it Tier 2, that asset has been fantastic because within 12 months of becoming operational, Lucknow has hit an annualized EBITDA run rate of about INR 100 crore more, where our gross investment was about INR 800-830 crore. and we are looking at a pretax yield of 12.5 % within a year and a half or so of it becoming operational The cost of debt is about 7.5% there and, we have about INR 384 crore of debt that we have drawn down on that asset. So when it comes to if you look at our equity return itself or equity yield on equity employed, it is in excess of 16%-17% in the first place and we have spared no effort or cost in developing such an iconic asset there, which has become the pride for the citizens of Lucknow and they take all the visitors there with pride and show them this amazing product and it has been accepted very well. If you contrast this with the first five developments that we built in 2007 through 2012, all of these assets took five years post operations to hit a EBTDA of INR 100 crore annually. In comparison, Lucknow has scaled up so fast and we have faith that in cities like Surat or Jaipur, which will do the same if we find the right opportunity. So they are not Tier 2 cities for us, while they may be Tier 2 to the city but they are tier one opportunities for us.

Puneet Gulati: So I think in the interest of time, I'll just take the last question and I'll maybe club one question from my side as well so the question from investors is that should investors view you as a real estate company focused on retail or a consumer retail company with, strong unit economics, same store sales growth and I'll just add to that my own which I wanted to ask is that what are the matrices on which investors should track your company and what are the benchmarks against which your performance should be measured by investors?

Shishir Srivastava: I think we have had many debates on the subject ourselves Puneet, you and I on why we should not be seen as a real estate company, but we should be tracked as a consumption story. I would say that a simple approach (which may be too simplistic), is if you look at the consumption that we see in any of our malls. Let's say it's going to be about an annual consumption of INR 1,400 crore at an average per mall. Our EBITDA generated from that mall i.e. rental income is going to be anywhere between 12% to 15% of consumption. Isn't that a better number as compared to any FMCG company where the EBITDA margins are far low? So by virtue of our business model, it is inappropriate for us to be seen as a real estate play is my view.

Puneet Gulati: And any other metrics on which we can track you anything else other than the consumption. Anything that's simple and sweet.

Shishir Srivastava: I would say that we are representative of the Indian urban consumption trends. So it is a bit of work, but I think over the years we will start creating our own index to compare ourselves with urban consumption in the country. I think that could be a very good performance metric for us. Financially, our EBITDA growth from existing assets and new assets becoming operational, which will result in that strong annuity, cash flows and better yields on capital employed would be a measure for us. Yield on total capital employed on new assets will always be in excess of 12%-14% in the first year itself and that's a good measure. On expansion or densification of offices, the cost is only incremental cost of construction because the land costs have been capitalized in the retail development itself leading to a staggering yield of 30% on capital employed. Balance sheet wise, equity which is invested as CAPEX in the under constructed assets that becoming free and getting deployed again becomes a very good metric for us.

Puneet Gulati: Thank you so much for your time and incredible insights about your company I certainly learned a lot and we think that the journey is long and will be successful I wish you all the best. Thank you so much for your time

Shishir Srivastava: Thank you Puneet, thank you very much, take care.

Puneet Gulati: Thank you audience for patiently listening to us. We can close the call.