THE PHOENIX MILLS LIMITED

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May 07, 2025

To,

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

Security code: 503100

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

Symbol: PHOENIXLTD

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call

This is further to our letter dated May 01, 2025, wherein we had informed the exchange about the conclusion of our Earnings Conference Call on Thursday, May 01, 2025 at 04:55 pm (IST), with Analysts / Institutional Investors on the Audited Standalone and Consolidated Financial Results of the Company for the quarter and financial year ended March 31, 2025, please find attached herewith the Transcript of the said Earnings Conference Call.

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

You are requested to take the same on record.

Yours faithfully,

For The Phoenix Mills Limited

BHAVIK MANILAL GALA

Digitally signed by BHAVIK MANILAL GALA
Date: 2025.05.07 19:08:51 +05'30'

Bhavik Gala
Company Secretary
Membership No. F8671

Encl.: As enclosed

The Phoenix Mills Limited
Q4 & FY25 Results Conference Call
May 01, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Q4 & FY25 Results Conference Call of The Phoenix Mills Limited.

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

Management of the Company is being represented by Mr. Shishir Shrivastava, Managing Director, Mr. Kailash Gupta, Group Chief Financial Officer and Mr. Varun Parwal, Group President.

Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Shishir Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Good evening, everyone. We welcome you all to discuss the operating and financial performance for the fourth quarter and full year ended March 2025. FY25 was a strong year across our core businesses of retail, offices and hotels, which together delivered revenue of Rs. 3,507 crores, up 16% year-on-year and EBITDA of Rs. 2,111 crores. This performance reflects the continued strength and cash-generating capacity of our core portfolio. Residential sales moderated compared to the previous year, and as a result, consolidated revenue from operations was down 4% year-on-year to Rs. 3,814 crores, and EBITDA was flat at Rs. 2,161 crores compared to FY24.

Retailer sales across our malls reached Rs. 13,750 crores, which is a 21% increase over FY24. This impressive growth was driven by the ramp up of our new malls, particularly Phoenix Mall of the Millennium (Pune) and Phoenix Mall of Asia (Bangalore), both of which saw strong improvements in trading occupancy and consumption.

Palladium Ahmedabad also stood out with a 65% increase in consumption. Reflecting this momentum in consumption, retail income for FY25 rose 18% to Rs. 1,951 crores, and EBITDA grew by 20% to over Rs. 2,000 crores for the year.

We also made substantial progress in our commercial office portfolio with our offices Phoenix Asia Towers in Bangalore and Tower 3 of Millennium Towers at Pune receiving occupation certificates between January and April of this year and pre-leasing pipelines building up strongly across Pune, Bangalore and Chennai. We are excited about the high-quality future ready office products being developed which are now attracting interest from reputed domestic and global occupiers for their regional headquarters.

Our hotel portfolio too, delivered a strong performance with EBITDA up at 11% and The St. Regis, Mumbai crossed Rs. 500 crores in revenue for the first time in FY25.

The strong financial performance of our core annuity portfolio has translated to strong operating cash flows of nearly Rs. 2,100 crores. These cash flows have been prudently deployed into strategic land acquisitions across Coimbatore, Chandigarh and Bengaluru and ongoing construction across several projects pan India. Densification across our existing assets continues to be an important value creation strategy for us. We are forging ahead at Phoenix MarketCity Bangalore with the addition of Grand Hyatt, expansion of the retail plus addition of approximately 1.2 million sq. ft. of offices.

Continuing with this theme, we have secured additional development potential at Lower Parel during the quarter. We have secured FSI of approx. 136,000 sq. meters for a premium payment of approx. Rs. 586 crores during Q4 FY25. Varun, may I request you to take this forward?

Varun Parwal: Sure, Shishir. So as Shishir mentioned, we have secured additional FSI of approx. 136,000 sq. meters at our Lower Parel development for a premium payment of approx. Rs. 586 crores during Q4 FY25. We have funded this through internal accruals and available liquidity on our balance sheet. Development planning for the additional FSI is currently underway and we will share further updates once the asset mix is finalized and as we progress towards securing the requisite development permissions.

Let me also take this forward and share highlights on our Q4 FY25 performance and some highlights specifically from our retail business, including consumption trends, leasing updates, and how we are shaping the portfolio for future growth.

During Q4 FY25, our retail portfolio recorded consumption of Rs. 3,248 crores, reflecting a 15% year-on-year growth. Importantly even excluding the newly launched malls in FY24, like-for-like consumption growth across the portfolio stood in excess of 8% underscoring the sustained strength of our discretionary retail ecosystem. Retail income for the quarter was Rs. 482 crores which is up 8% year-on-year while EBITDA stood at about Rs. 499 crores reflecting a 11% growth.

We have received a few questions regarding the gap between our consumption growth and rental growth in quarter four. This gap in my view is largely attributable to the ramp up phase of our newly launched malls, particularly Phoenix Mall of the Millennium and Phoenix Mall of Asia, where consumption is scaling up sharply. Now our lease structure typically provides for the higher of fixed rent or revenue share offering downside protection from day one. However, rental income begins to reflect the upside only once the store level exceeds the minimum guaranteed threshold, at which point revenue share component also kicks in. As more stores mature and scale up in these malls, we expect this to translate into stronger rental growth over the coming quarters as well.

Additionally, at Phoenix Palladium, we are also in the process of revamping part of the Courtyard Retail Zone, which led to the temporary shutdown of about 100,000 sq. ft. of leasable area in Q4 FY25. This zone historically has contributed about Rs. 200 crores in annual consumption and about Rs. 40 crores in rental revenues. The impact attributed to the shutdown of this store during Q4 FY25 was approximately Rs. 40 crores on consumption and about Rs. 7 crores on rental income.

Moving on to within Phoenix Palladium: One of the highlights of the quarter was the strong performance of the West Zone at Phoenix Palladium, which we launched in late 2024 with the launch of the biggest Uniqlo store in South Mumbai and the addition of new age anchors such as Lifestyle. For Quarter 4, a remarkable standout moment was the launch of Bershka's first store in India, which incidentally also achieved the highest single day sales globally for this brand on opening day. We also welcomed flagship stores across categories including Nykaa Luxe, Tira, GAP**,** Levis, Celio, Navyasa, Masaba, etc. and we are also set to further enhance this zone with the upcoming launch of our Gourmet Village concept which is a two-level curated F&B and entertainment experience.

We are also actively executing our premiumization and repositioning strategy across Phoenix MarketCity centers in Mumbai, Pune, Chennai and Bangalore. At Phoenix Market City, Bangalore, trading occupancy declined in Q4 FY25 due to the planned closure of a hypermarket spanning about 65,000 sq. ft. in chargeable area. Further, about 30,000 sq. ft. of the mall also underwent fit outs for new brands. Both of these, planned changes have in aggregate resulted in a 10% occupancy drop in Bangalore, but they also enabled us to create a space for a better tenant mix going forward.

Further, at Phoenix MarketCity Pune, we saw a 2% dip in occupancy. This was following the planned exit of a couple of anchor stores in the home furnishing and fashion category, along with the planned churn of a few restaurants. Also, during the quarter, at Phoenix MarketCity Mumbai, we have about 5% of the leasable area, which is currently undergoing renovation and densification, and it's part of an ongoing brand churn for the repositioning effort.

All our Phoenix MarketCity Malls are being revamped deliberately to improve brand mix, shopper experience, and long-term rental profile. While this has resulted in short-term dips in trading occupancy, we expect these interventions to unlock meaningful consumption and rental upside over the next 12 to 18 months.

Let me also give you a quick update on April 25 and our outlook for FY26:

April is typically a lean month, but we have continued to see strong momentum in retail sales, with retailer sales expected to cross Rs. 1,130 crores for this month. This reflects a 14% year-on-year growth, and to our minds, it confirms the depth and consistency of consumer demand across our portfolio.

Looking ahead to FY26, a key focus will be on strategic leasing and brand elevation across our portfolio. We are prioritizing right-sizing, relocations and churn aimed at bringing in new-age anchors while also creating space for premium categories across jewelry, watches, cosmetics and accessories as well as new fine-dining experiences.

Overall, we remain confident of delivering strong double-digit growth across our retail portfolio in FY26 underpinned by sustained demand, proactive planning and the continuing evolution of our brand and experience proposition.

Moving on to our commercial offices:

I am pleased to share that our under-construction office assets have also made meaningful progress in FY25. For the year ended March 25, income from our operational offices in Mumbai and Pune stood at Rs. 210 crores, up 10% year-on-year, and EBITDA grew 19% year-on-year to Rs. 131 crores.

Our office strategy is built on three pillars. The first pillar being strong regional leasing teams with deep tenant relationships. The second pillar being product design that prioritizes collaboration, wellness, and sustainability; and the third pillar being differentiated experiences, from arrival areas to integrated lifestyle offerings through our retail ecosystem.

Millennium Towers, our prime office space in Pune has 3 towers in total aggregating to approx. 1.30 million sq. ft. of chargeable area. As Shishir mentioned earlier in the call, we have received the occupation certificate for one of the towers and occupation certificates for the remaining 2 towers are expected later in 2025. Pre-leasing activity is underway with an active pipeline of over 500,000 sq. ft. in discussions at this moment.

Phoenix Asia Towers in Bangalore also received occupation certificate for 800,000 sq. ft. of chargeable area and we are seeing very encouraging leasing discussions here as well with a significant pipeline.

Our next major delivery planned for 2025 is One National Park in Chennai, aggregating to chargeable area of 600,000 sq. ft.. Between Bangalore (Phoenix Asia Towers) and Chennai (One National Park), we have pre-leasing conversations ongoing for almost 800,000 sq. ft.

With world class Grade A offices offering features that seamlessly amalgamate productivity with lifestyle now in place and institutional leasing efforts gaining momentum, we are confident of a stronger leasing outcome in FY26.

Moving on to our hotel portfolio:

The hotel portfolio has delivered a strong performance once again this year with income rising to Rs. 580 crores up 6% year-on-year and EBITDA is growing by 11% to Rs. 266 crores reflecting an overall healthy margin of 46%. The St. Regis, Mumbai continues to set the benchmark for experience and luxury in Lower Parel crossing Rs. 500 crores in income to reach Rs. 523 crores overall in revenue. This was driven by a 13% increase in revenue per available room and an impressive occupancy rate of 86%, up 3 percentage points over FY24.

Courtyard by Marriott Agra had also a good year with EBITDA coming in at about Rs. 18 crores and a margin of about 32%.

I would now like to invite Kailash to take you through the rest of the highlights.

Kailash Gupta: Thank you, Varun.

Let me start with the residential segment:

Coming to the residential segment: Gross sales during the year was Rs. 212 crores with the collection of around Rs. 219 crores, so more or less same and in Q4 FY25, we have recognized the revenue of Rs. 96 crores. This is primarily coming from One Bangalore West and Kessaku, which are ready towers available now and the average realization was ~Rs 26,000 per sq. ft. This is a very strong reflection of sustained demand for premium products. This is something which is proved by this year's number and realization, especially.

We continue to evaluate the timing and approach for future residential launches, including Tower 8 and 9 at One Bangalore West and our Alipore project in Kolkata, and both of these projects are scheduled to launch during FY26, maybe in the Q2 and Q3 around that time.

Quick recap on the consol and the standalone numbers:

On the financial performance side, revenue from operations across our core businesses, which is retail, office, and hotel, was at Rs. 3,507 crores, up by 16% versus FY24. EBITDA also reflects a similar growth and it stood at Rs. 2,111 crores. At the group level, revenue from operations was at Rs. 3,814 crores down by 4% and EBITDA at Rs. 2,161 crores which is flat as compared to the FY24.

Consolidated net profit for FY25 was at Rs. 1,302 crores, down by around 2%, however, after adjusting for share of associates and minority interest, profit after tax for Phoenix Mills (consolidated) came at Rs. 984 crores which was down by around 10%.

On cash flow CAPEX (capital expenditure) side, cash flow remains strong at Rs. 2,084 crores from the operations during this year. Our aggregate CAPEX in FY25 was around Rs. 2,600 crores. Out of this, around Rs. 1,600 crores has been invested in three land parcels, namely Coimbatore, Chandigarh, and Bangalore i.e. Mittal Land and the FSI, which we have bought recently in the Lower Parel area and around Rs. 1,000 crores we have incurred towards the construction at various places across the country and to densify our growth in the existing assets.

Importantly, despite these deployments, gross debt at the group level remains at the same level as compared to last year. So, we are around Rs. 4,400 crores, which is lower than FY20 levels, i.e pre-COVID levels. So, we are still fully in control in terms of debt and our net debt to EBITDA ratio is around 1.2x. I think one of the strongest in the industry. We are putting a lot of efforts to reduce the cost of the debt which has come down from 9.2% to 8.5% in the last few years.

Overall, we have continued to maintain a prudent balance sheet and disciplined capital deployment which gives us a significant headroom to continue investing in high quality assets while maintaining financial flexibility.

Let me take you toward some of the highlights for Phoenix Vision 2030:

Over the past 2 years, we have secured key land parcels and commenced construction activities across our multiple sites, laying a strong foundation and visibility for our portfolio additions over the next 5 years.

I will take you slightly in the past, our first wave of expansion came between 2011 and 2013 when we launched the Phoenix MarketCity Malls in four cities. Then the next wave started in 2020 to 2025, where we launched five new malls. Again, these malls are now able to see the strong consumption across and also establish the premiumness of our brand. We are also expanding retail at Phoenix Palladium, which (along with the malls launched between 2020 to 2025) led to retail leasable area growth from 6 million to 11.5 million. So this is what the current situation in terms of the retail business.

And today with new retail mixed-use developments underway in Kolkata, Surat, Coimbatore, Chandigarh and Thane as well as the further expansion at Phoenix Palladium, Lower Parel, Mumbai and (Phoenix MarketCity) Bangalore, we are looking to add around 7 million sq. ft. of leasable area to our operational retail portfolio by 2030. This will take us from 11.5 million to around over 18 million sq. ft. in the retail side. In parallel, we are also exploring opportunities to integrate complementary asset classes such as offices, residential and hotels, within some of our core retail sites to further densify our developments. Our focus remains consistent to build a high-quality destination and offer shopping experience, work environment, residential and venues for leisure backed by strong governance through design and disciplined capital allocation.

This brings me to the end of Q4 & FY 25 updates from the management side. We can now open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Puneet from HSBC. Please go ahead.

Puneet: Thank you so much and congrats on decent performance. My first question is on the multiple interventions that you're doing on your mall portfolio. How long should we think the impact will last for those? And what kind of CAPEX will that entail?

Varun Parwal: Hi, Puneet. Varun this side. When you are asking about the impact, are you asking about the time it takes to reopen the new spaces?

Puneet: Yes, correct. So, some spaces are gone, for example, in High Street Phoenix (Phoenix Palladium Mumbai), and (Phoenix MarkeCity) Bangalore also you alluded, some stabilization, (Phoenix MarketCity) Pune as well, some, I think change in occupancy is what you indicated. So how long will your rejig exercise take before we start seeing again, you decent growth there?

Varun Parwal: Okay. I think in terms of some of these spaces coming back, (Phoenix MarketCity) Bangalore and Pune you will see the spaces coming back with new formats and new brands within the next 6 to 9 months. Some of them are already actively under fit out and some are kept ready and we are just finalizing the lease agreements for new tenants to move in and commence their fit outs. At the same time when we are talking about Bangalore, we are also adding and operationalizing the 3rd floor in Bangalore during this year, second half of this year which is new retail area of about 170,000 sq. ft. which will house an exciting mix of F&B and some new age anchors opening their first-time stores within our mall portfolio and that will also enhance the overall area and together with the planned churn and revamp that we have, I think FY27 should prove to be a very strong year for (Phoenix MarketCity) Bangalore in terms of consumption both on account of new brands as well as additional area. In Phoenix MarketCity Pune, at this point we are not adding any new area, but in Phoenix MarketCity Mumbai, for example, we are adding about 50,000 sq. ft. of new area which again is being added within the current development of the mall. So the time to make it operational is very quick and you should see the impact of it by the end of this financial year.

Now when we come to Phoenix Palladium Mumbai, there is the new zone that we have added which is Rise 2 (Phoenix Palladium West Zone) which is about 250,000 sq. ft. and which should become fully operational by June of this year. Currently retail stores are operational which are on the ground, first and the second floor and the F&B and entertainment floors are under fit outs, which would see a staggered opening between now and June-July for the various F&B village and entertainment destinations there. The Courtyard retail, which is undergoing revamp, that together with what we are doing in Rise 1 (Project Rise) in terms of retail and the revamp of the Lifestyle block, I think will in aggregate add about 450,000 sq. ft. of new retail area.

Again, we will give more updates on it in the coming quarters, but I think you should see the new retail space coming through in the next 2 years, so 8 to 9 quarters from now.

Puneet: So you said 100,000 sq. ft. down and plus 450,000 sq. ft. or is it 450,000 sq. ft. in addition to the 100,000 sq. ft. which has come back?

Varun Parwal: So Rise 1 (Project Rise), Puneet it is about 200,000 sq. ft. as we have disclosed previously. And between the revamp of Courtyard Retail and Lifestyle block, we were at about another 250,000 sq. ft. So it is, in aggregate, you would have another 350,000 sq. ft. of additional retail area in Phoenix Palladium.

Puneet: Understood. That's really helpful.

Varun Parwal: I would just add that new area as well as new age brands actually drive a significant upside in trading densities and consumption profiles across our malls and we are already seeing that with the addition of these new anchors in Rise 2 (West Zone) at Phoenix Palladium where (we have) Uniqlo and Bershka.

Puneet: When does Rise 1 come, along with this 450,000 area, what is timeline for that?

Varun Parwal: Puneet, two years from now.

Puneet: Understood. That is helpful. Secondly, also if you can comment on Citadel and Palladium Ahmedabad which have done some bit of tenure, and have they achieved peak there in terms of near-term trading density or is there a significant initiative being taken out to further push up the momentum?

Varun Parwal: I think Palladium Ahmedabad has done extremely well and the ramp up has been quite exciting to see in Palladium Ahmedabad and during the coming year we in fact expect occupancies to further increase from the current 95%. The entire area is leased up now and we have also given space to some exciting new brands. So, in the full year impact, I think you should continue to see double digit growth in Palladium Ahmedabad. Palladium Ahmedabad has established itself as a new modern premium destination for the city and with our brand mix and marketing programs, I think they should perform quite well in the coming year as well. Indore as well, while the growth has been a bit muted during this year, it has grown in double digits, but we would have expected the growth to be much stronger, but I think there are some very exciting infrastructure developments in Indore with the authorities constructing multiple highways on all sides of the mall. There is a bit of a constraint in access to the mall at this point in time, but with the highway activities scheduled to be completed in the next 12 months, we believe that access to the mall will improve multi-fold, and we should see very strong growth in consumption going forward in Indore in FY27 and beyond.

Puneet: Understood, that's very helpful. And just last question, then I will come back in the queue. If you can also talk a bit more on the commercial office space leasing, should we expect material leasing to happen in FY26 or does it look like more an FY27 pickup event?

Varun Parwal: I think in terms of leasing, Puneet, you will see material leasing happening in FY26, especially I think if I add the pipeline that are under active discussions between Pune, Bangalore and Chennai, we are talking about 1.2 to 1.4 million sq. ft. of leasing discussions going on across these three new offices and we should see significant conversions during this year.

Puneet: Understood. That's very helpful. Thank you so much and all the best.

Varun Parwal: Thank you.

Moderator: Thank you. The next question is from the line of Saksham Mongia from Dymon Asia. Please go ahead.

Saksham Mongia: Thank you for the opportunity. I have 2 questions. First is related to the consumer demand, moderation and rising competition in real estate. Are you seeing increased instances of rental negotiations or brand exits? How does this compare to the past cycles that you have seen? And what actions are you taking to protect trading density and the rental lease going forward? Second, with the global supply chain disruptions and macro risk, how are you managing exposure across international brands and domestic brands? And which categories or tenants appear to be most vulnerable in the current environment? These two questions from my end.

Varun Parwal: Hi, Saksham. Thank you for your questions. I think to your first question, Saksham, I would say that our malls have established a very strong and a credible performance track record over the last several years. And we just don't create great malls, we actually create destinations where we engage deeply with tenants and consumers to drive a differentiated experience. We continue to invest in future-proofing our retail destinations by adding complementary asset classes such as offices and hotels and with improving infrastructure and brand profile, we remain confident that our malls will continue to do well going forward as well.

Saksham Mongia: Thank you and on the macro?

Varun Parwal: I think on the macro, Saksham, at any point in time we retain a very balanced approach. We don't have overexposure to any one particular category or group. We maintain a balance between both exposure to domestic brands as well as international brands. My view is that India is a retail market of significant size and scale, and it remains quite under-penetrated. So it is a market which is going to remain in focus for all tenants, both global as well as domestic. And in fact, if any, there are better placed people to comment on it than us, but impact if any, think it's going to be limited and restricted for a short term. We also believe that the consumer catchment across our mall portfolio is significantly densifying and with improving infrastructure, governments are increasing the development of vertical residential and commercial buildings, which actually increase the addressable population within the very immediate catchment for us and this is a story that's playing out across cities in India. So, from that perspective, if the catchment profile is strong and India macro story remains intact, we believe that consumption impact, if any, would be transitory in nature.

Saksham Mongia: Thank you for the detailed answer.

Moderator: Thank you. The next question is from the line of Varun Thakkar from FYERS Asset Management. Please go ahead.

Varun Thakkar: Hi sir. So I just wanted to better understand the leasing agreement structures you have in your retail portfolio, I mean specifically how the revenue share component is structured and at what threshold it typically kicks in? So that will be my first question.

Varun Parwal: Sure Varun, our leasing agreements are typically structured as fixed rent or revenue share, whichever is higher. Revenue share for any particular retail brand is actually driven by the margin economics for that particular category and it could vary across fashion categories as well as say gold or jewelry or watches which tend to be high trading categories, but they have a lower margin profile. You can connect offline with Karl and Madhurima for better clarity and granularity on this topic. They are in a great position to explain this to you.

Varun Thakkar: Alright, I just like had a follow up. I mean, when does this typically kick in , know, like is it when the total sales threshold is crossed or is like you have escalated thresholds and like what proportion of your tenants are currently paying revenue over the minimum guarantee in your top performing malls?

Varun Parwal: So, Varun, typically about 70% to 75% of the tenant mix hit the revenue share threshold. Now revenue share is payable when the revenue share component crosses the fixed rent component. So from that perspective, I would say that about 75% of the tenants are right now hitting the revenue share threshold at this point in time. And how operationally it works is that on a monthly basis you test based on the audited sales figures given by the retailers, whether the revenue share is payable or not. And if any is payable over and out of fixed rent, then there is a separate billing that happens for that.

Varun Thakkar: Okay, thank you sir, I'll just join back the queue. Thank you.

Varun Parwal: Thank you.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Hi team, congratulations on a decent quarter. My first question is on consumption. So now if I see a matured mall, so Phoenix, Palladium, Mumbai, consumption is almost flat, trading density is negative. Bengaluru, again, we seeing mall consumption is again negative, minus 1% further here. Pune there has been some growth, about 7%. So the malls are not even delivering inflation. So what is happening in these malls and what are we doing to improve the consumption here?

Varun Parwal: Hi Parikshit, Varun this side. I think in the opening remarks, Parikshit, we had outlined reasons for some of the impact that we saw in Phoenix Palladium, (Phoenix MarketCity) Bangalore and Pune. So Bangalore, in particular for example had a trading occupancy dip of about 10% and that is because strategically we have taken over the area from the hypermarket and we are creating a new anchor zone in here. Now as you are aware hypermarkets typically have a low trading density and fashion stores typically will end up doing a trading density which is 3x to 4x higher than that of a hypermarket. So, the revamp of this space along with some other areas that are under-fit out overall should help us revive and demonstrate very strong consumption and rental growth FY27 onwards. I also spoke about you know, Bangalore getting new area in the form of an expansion of the third floor, which would add about 170,000 sq. ft. of additional leasable area, which again should become operational by the end of this coming financial year. Similarly, in Pune, we have taken space from our home furnishing anchor as well as a fashion anchor and we have replaced a few of the older restaurants. This is all with the perspective of revamping and elevating the brand experience and the consumer experience at these centers. They remain flagship centers, and they are catering to the best city center locations in each of the cities that they are present in. So, with the introduction of new age modern anchors and densification of brand stores across high-performing categories such as gold, jewelry, watches, cosmetics and accessories, we will remain confident of delivering strong growth from these locations going forward. As far as Phoenix Palladium is concerned, Parikshit, we have also undertaken some revamp of the retail area in the Courtyard section of the mall. This includes the Hamleys store, Nike and some other prominent retailers. So about 100,000 sq. ft. of the area is currently being redeveloped and revamped into a modern new age ready destination. That had a negative impact of about Rs. 40 crores directly in consumption and about Rs. 7 crores in rental income for the quarter. Annualized impact would be about Rs. 200 crores in consumption and about Rs. 40 crores in rentals.

Parikshit Kandpal: The only question here is that the traditional consumption format somehow has slowed down and which is the reason you are revamping towards more new age consumption formats. But do you think you have enough to fill in because you'll have to keep re-engineering this and then there will be a period of..

Shishir Shrivastava: If you look at historically any mall which has been operating, any of our malls have been operating for the last 15 years, you will see that it is very routine in our business to go through a significant change where we have enhanced these assets, right? So the addition of retail space, taking back older formats, these malls are evolving, customer aspirations are evolving. Varun touched upon in the opening statements about the performance of some of our fantastic stores, Bershka highest performance in the country, I mean globally ever in any store since they've launched, right? So, the customer aspiration is changing; we have to keep enhancing the asset to accommodate for these newer brands which are more relevant in today's time. So you go through these cycles and that is exactly what's happening at Phoenix Palladium, Mumbai. That's exactly what's happening at Bangalore and also has happened in Pune. So this is very routine in our business. Because we do these things, it's like a machine, right? You have to keep optimizing it and that's exactly what we're doing. Because we do this, we continue to see consumption growth high for a relevantly long period of time and then again you undergo this churn, you undergo the asset enhancement, again for a little while you will see for maybe a period of two quarters you'll see a decline or flattish consumption, then again you will see growth. This is very routine in the mall business.

Parikshit Kandpal: Got it, Shishir. My second question is on, as we are ramping up and renewing the format or the pattern of consumption towards new age, they are also increasing competition in the vicinity with at least two new malls, large malls coming in by Prestige and Oberoi. It'll take 3-4 years for them to come, but so how do you read into the competition and do you think that that micro market has enough consumption pool that will continue to grow on sustainable basis of high single digit?

Shishir Shrivastava: I would like to address this in two parts as you identified. One is the market, there is substantial demand and with the improving infrastructure in that area, I think a lot more people will come to this part of the city, even from places like Bandra and beyond, right. So, it's becoming very, very convenient. We have always taken the same approach that we have always executed in the past and that has worked for us, where we want to have a great variety and we want to compete with size and scale and hence we have undertaken this significant asset enhancement at Phoenix Palladium, Lower Parel. What we are building there, what kind of brands that are likely to come there are going to be one of a kind and we hope to be in pole position with all of these actions that we are taking in that market.

Parikshit Kandpal: And just lastly on the Thane asset, what are the plans? I think you've put a slide out there, but when does the work start and when do you expect the mall to become operational?

Varun Parwal: Sorry, Parikshit, may I just ask you to repeat the question? Were you asking about Thane?

Parikshit Kandpal: Yes, Thane. So what do you want in Thane, and when do you really break the ground on that asset?

Varun Parwal: So, Parikshit, it's going to be a retail-led mixed-use development with a retail mall in size of about 1.2 to 1.4 million sq. ft. We have secured most of our approval permissions at this point in time and in fact, the demolition of the old factory structures is currently underway, and we will start preparing grounds for commencing excavation very soon. In terms of operations at this point in time, I would say that launch should be somewhere towards end of FY29 keeping enough safeguards in terms of board approval timelines and construction timelines.

Moderator: The next question is from the line of Murtuza from Kotak Securities. Please go ahead.

Murtuza: Yes. Hi, Varun. Hi, Shishir. Just a question on the commercial piece. In the more near term, you've got a lot of commercial real estate which is getting its OC. You talked about the leasing pipeline, but is there any agreements which have been signed which could start contributing to rentals this year or a lot of that pipeline still needs to convert to formalized agreements. And so the rental contribution from the commercial piece would only start more in FY27. Just a clarification on that?

Varun Parwal: Sure, if I may take that question, Murtuza, maybe I should have mentioned it in my remarks. We have done leasing of about 120,000 sq. ft. and those spaces are currently under fit-outs with a couple of the smaller spaces commencing their rent payments in quarter four. It's a smaller contribution at this point in time, but from second half of this year, you should start seeing a more meaningful contribution both from the area that we have leased as well as the new discussions that are underway right now.

Murtuza: Okay, so it's going to be more towards the end of the fiscal in terms of the incremental office spaces contributing to rentals and a full year benefit should be more in FY27, is that fair?

Shishir Shrivastava: Yes, I think considering the both agreement timelines and the fit out timelines, I would presume that you should see a more meaningful contribution from quarter three of this financial year.

Murtuza: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Parvez Qazi from Nuvama Group. Please go ahead.

Parvez Qazi: Good afternoon, Varun and Shishir. So two questions. First, it would be great to get some more details on the additional FSI purchase that we have done in Lower Parel? And second, excluding this FSI purchase, if we total up all your other plans over the next 5 years, by FY30, what is the total CAPEX which will need to develop all those assets? Thank you.

Varun Parwal: Sure, Parvez. Varun this side. I will take the question on the FSI and Lower Parel and then I will hand it over to Kailash to comment on the CAPEX part. I think overall as we mentioned we have acquired development rights of about 136,000 sq. meters which is at a consideration of about Rs. 585 crores. At this point in time, we are currently in our design development stage and finalizing the asset mix that we intend to add to the Lower Parel's development. We are still in early stages, so as we progress on our designs and plans, we shall more debate in the coming quarters. I would now ask Kailash to come in and comment on the CAPEX part.

Kailash Gupta: Parvez, as you have seen in the past for last three years, on an average we are doing around Rs. 1,000 crores to Rs. 1,200 crores annual CAPEX. I think this will be maintained even for next five years for sure. I mean of course this will, I mean any other acquisition or a bigger FSI purchase will be over and above that but on a construction side the number should be restricted to around Rs. 1,200 crores every year for next 5 years.

Parvez Qazi: Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. With that, we conclude today's conference call. On behalf of Phoenix Mills Limited, that concludes this conference. Thank you for joining us and you may now disconnect the lines.