



**“Nexus Select Trust
Q2 FY2025 Earnings Conference Call”**

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Mr. Pratik Dantara – Head, Investor Relations and Strategy
Mr. Nirzar Jain – Chief Leasing Officer (CLO)
Mr. Jayen Naik – Chief Operating Officer (COO)
Mr. Rajesh Deo – Chief Financial Officer (CFO)

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Nexus Select Trust for Q2 FY25

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Pratik Dantara, Head of Investor Relations and Strategy from Nexus Select Trust. Thank you, and over to you, sir.

Pratik Dantara: Thank you. Good evening, everyone, and thank you for joining the Earnings Conference Call of Nexus Select Trust for the quarter ended September 2024.

Before we proceed further, I would like to highlight that the management may make certain statements that may constitute forward-looking statements. Please be advised that our actual results may differ materially from these statements.

Nexus Select Trust does not guarantee these statements or results and is not obliged to update them at any time. Specifically, any financial guidance and pro forma information that we will provide on this call are management estimates based on certain assumptions and have not been subjected to any audit review examination procedures. You are cautioned not to place undue reliance on such information and there can be no assurance that we will be able to achieve the same.

Before we begin, I wanted to let everyone know that our Executive Director and CEO Dalip Sehgal isn't able to join us today on the call due to a personal family matter. I am here with the rest of the management team to lead the call and address any questions you may have. Thank you for your understanding.

Joining me today on the call are our CFO – Rajesh Deo, our COO – Jayen Naik and our Chief Leasing Officer – Nirzar Jain.

We will start off with brief remarks on our Business and Financial Performance and then open the floor for questions.

In Dalip's absence, let me take you through our performance in Q2 FY25:

Before we delve into our quarterly performance, I wanted to spend a few minutes on two key topics.

- The first one is the **acquisition of Vega City Mall** that we had announced last month. To give you all an update, we have raised the funds that are required for closing this acquisition. We are in the midst of closing this transaction and expect the deal to close in the next couple of weeks.

- The second topic I would like to touch upon is “How Nexus is transforming malls from traditional real estate spaces into consumption hubs”
 - As most of you are aware, our lease structures are designed to capture consumption-linked upside potential while ensuring minimum guaranteed rental. This enables us to achieve stable cash flows with the ability to participate in consumption-linked upside with revenue share clause in close to 90% of our customer contracts.
 - We have been creatively monetizing spaces within the mall while improving the overall customer shopping experience.
 - For example, we recently launched the India's first double cuboid anamorphic screens at Nexus Hyderabad. This state-of-art technology will not only provide a visually stunning experience but also revolutionize in-mall advertising.
 - Another example of this is that we are now the first mall platform in the country to sell the naming rights of food court and thereby monetize it. You will see more of these unique branding deals from us in the future.
 - We have also been generating additional income streams by optimally utilizing the malls' open spaces. Our ticketed events revenue has seen a jump of 6x in the first half of this year compared to last year.
 - We also believe that technology will be a big differentiator for our business as we go into FY26 and beyond. We have been working towards digitizing our customer shopping experience. Over the last 12 months, the Nexus ONE app has become an integral part of the shopping journey for lakhs of our consumers across 12 properties, achieving over 4 lakh downloads. I am pleased to announce that the Nexus ONE app has excelled with ~30% of transactions from repeat customers.

Now, coming to our Q2 FY25 performance

We witnessed robust retail net operating income growth of 5% year-on-year despite a soft market backdrop. On the back of this resilient financial performance, we are delighted to announce our 5th distribution of INR 3,041 million translating to INR 2.007 per unit which is in-line with our projections and represents 100% payout.

During the quarter, we witnessed tenant sales of INR 30 billion which grew 2% year-on-year from a high base of last year, with a 2-year CAGR of 9%. Economic activity was low during this quarter which was impacted because of heavy rains across key cities like Navi Mumbai, Delhi, Chandigarh, “Shradh”, and lower wedding days coupled with no blockbuster movie releases.

However, we have witnessed very strong tenant sales growth of 18% in the month of October with the onset of festive season. I am pleased to tell you that our malls have recorded their highest ever one-day sales on 27th October leading up to Diwali. We expect this momentum to continue in the second half of FY25.

Let me now share some category trends with you that we are witnessing across our malls.

- As you are aware, we have been allocating additional space to categories like electronics, jewellery, beauty, and personal care over the last few years. We have witnessed strong growth in the quarter in these categories.
- We had indicated in our earlier calls that fast fashion retailers were holding onto old inventories, which was impacting their performance. What we are now witnessing is that most of these fashion retailers have been able to liquidate the old inventory. They are seeing arrival of fresh inventory and with the increased number of auspicious days in the second half of the year, we expect improvement in tenant sales growth going ahead.

Let me now walk you through our leasing and marketing performance.

Leasing performance: With strong demand from tenants, our leasing occupancy now stands at 97.4%, which is 40 basis points higher than previous year. As we speak today, most of our key malls are close to 100% occupied with a healthy waitlist of tenants. In Q2 FY25, we have leased 0.22 million square feet, out of which we released 0.19 million square feet at 20% releasing spread.

Our malls continue to be the first port of call into the Indian market with signing of international brands like Foot Locker, YSL Beauty, Nespresso, Gucci Beauty opening their first store in India with us. We also opened the first Tira store in Navi Mumbai at Nexus Seawoods. These brands are increasingly choosing our malls as their first port of call due to the immersive and engaging shopping experiences we offer.

Marketing Performance: As you know, we have onboarded Ayushmann Khurrana as our new “Happyness Ambassador”. We are working with him on creating exciting new content and also lining up concerts across our portfolio which will augment footfalls.

In the coming months, we will also install the anamorphic screens across our other malls, further solidifying our position as industry leaders in mall experiences.

We will continue to invest in technology to drive sales growth, which will be an important pillar in the coming years.

Debt: Coming to our balance sheet, we have a robust balance sheet, we are armed with a war chest of close to \$1 billion for acquisitions. We have recently refinanced debt of about INR 2.5 billion at a debt cost of 7.6% per annum resulting in overall debt cost reduction by 10 bps to 8.0%.

ESG: On the ESG and sustainable achievements, we continue to lead the market with our ESG goals. We have received GRESB 5-star rating for the first time and were ranked 2nd in Asia amongst the listed retail peers with an overall score of 92. Our progress from a score of 76 in 2022 reflects our ongoing commitment to sustainability initiatives.

Across our portfolio, approximately 40% of the energy requirement is met by renewable sources and during this quarter, we installed 0.65-megawatt rooftop solar at Nexus Hyderabad with a potential of generating 870k units annually at 20% plus yield on cost.

We are also proud to announce that as part of our 'Lakes of Happyness' initiative, which we started in 2021, to date we have successfully revitalized 8 lakes across Bengaluru, Chennai and Maharashtra, with additional 2 lakes to be launched in Hyderabad later this month. With these new additions, the 'Lakes of Happyness' initiative will now encompass 10 lakes positively impacting over 1 lakh people, local wildlife, farmers and creating local job opportunities.

Lastly, summarizing our quarterly performance

- Our retail NOI growth was 5% in Q2 FY25.
- Leasing demand for our assets continues to remain robust with favorable demand-supply dynamics and Nexus being the first port of call for many international brands looking to enter India.
- On the consumption front, in the first half of the year, we are seeing the growth of brands in our malls that is higher than similar brand stores outside our malls. We are also witnessing strong growth in October and expect this momentum to continue in the second half of this year.
- We have announced our fifth distribution of INR 3,041 million.
- We are expecting to close the acquisition of Vega City mall in the next few weeks.
- And lastly, with a strong balance sheet, we remain committed to close the other two proposed acquisitions that we had spoken about last time in this financial year, and our pipeline continues to remain healthy.

With this, let's now move to Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from Mohit Agrawal from IIFL.

Mohit Agrawal: My first question is on your FY25 guidance and versus that how the first half numbers. So, if I look at NOI and NDCF, NDCF is about INR 4.1 per unit for first half versus what you have guided as INR 8.7 to 8.8 per unit for FY25. So, how confident are you that second half you will see a pickup and you will meet the guidance? And on NOI also, we are about 6%-7% below on an annualized number for the first half. So, your comments on that.

Pratik Dantara: We have had a very good October. We will wait another quarter out to see where we end up. At this point of time, we are confident that we should meet both the NOI and NDCF guidance that we have given out at the start of the year.

Mohit Agrawal: So, on the October tenant sales number itself, what we saw is 2% sales growth year-on-year in the last quarter, and now i think the month number is 18% and you mentioned that you continue

to see good growth. So, the divergence is huge. So, could you explain, what probably drove this? Is it a few particular malls where we have seen a turnaround, because let's say if you see a Nexus Select Citywalk, it has witnessed tenant sales growth of 8% year-on-year, but some of the malls have witnessed a negative consumption growth in the quarter. So, just trying to understand, is it driven by a few specific malls, or is it driven by a few particular categories, and how should we think about the second half consumption?

Jayen Naik:

In Quarter 2, we witnessed lower tenant sales in categories like apparel and accessories, F&B, entertainment. These were critical categories, which significantly impacted our consumption growth in this quarter. However, with the advent of festival season, we have seen a big recovery in the sales of apparel and accessories category of 17% year-on-year in the month of October against (-2%) year-on-year in H1 FY25.

In the month of October, we have witnessed more than 100% recovery in Cinema in South where we have a large presence owing to release of good content movies, which has attracted footfalls and increased overall consumption as well.

In F&B, you see QSR brands posted negative growth results, in this quarter, but with the kind of effort that we put in/ Let me now talk a little about the efforts that we put in so that you know why and how this has happened. When we started witnessing softer trends across categories followed by unfavorable climatic conditions across the country, what we decided was that we will go in for a very aggressive marketing and engagement program and that's what Pratik also touched upon in his note that we curated themed events at our malls. This month, right from the 5th of October, we launched themed events in all our malls. So, somewhere it was a Dino World, somewhere it was a Sheesh Mahal, somewhere it was a Lost World. All those events were primarily aimed at attracting people back to the malls and the promotion of these actually worked wonders for us.

So, you know, normally there is a traditional saying that Navaratri leads to soft consumption in west. We did not face that. In fact, we had a good run even in Navaratri. In the East, like Bhubaneswar, where Durga Ashtami is a big festival time. The early advent of our themed events helped us to really attract consumer in even larger numbers than we did previous year. In fact, Nexus had clocked its highest ever monthly sales before that.

And the mall that were talked about - Nexus Hyderabad or Nexus Ahmedabad One where you felt that there was a little bit of a consumption slowdown, we actually achieved our best sales numbers in these malls. So, it is all part and parcel of the work that has happened and the trend that we see. Going forward, we do believe that the consumption trend will definitely continue and there is no reason why it should decelerate from here and now.

Pratik Dantara:

Just to summarize, the category growths were broad-based across our portfolio. Categories which were soft in Q2 have actually bounced back in the month of October. So, apparel and accessories have seen a significant bounce back.

Mohit Agrawal:

And for this consumption growth numbers of 2% for last quarter and 18% for October, could you give the corresponding footfall growth as well?

- Pratik Dantara:** It's about 2% growth in the month of October and 2% down in Q2 FY25.
- Mohit Agrawal:** So, 2% up in for October footfalls and 2% down for the last quarter.
- Pratik Dantara:** Yes.
- Moderator:** Thank you. The next question comes from Pritesh Sheth from Axis Capital. Please go ahead.
- Pritesh Sheth:** Just following up the previous question, so this 18% growth, could one say that there is some bit of seasonality in that because probably last year, while you mentioned that Q2 FY25 was impacted because of few days of Shradh, so things have preponed what was last year. You know, the 18% growth was also looking higher because of the festive season start this time around and what would be your expectation in November and December when things normalize? Could we continue to see that 8% to 9% growth in terms of consumption for the second half?
- Pratik Dantara:** Yes, Pritesh. Obviously, 18% is a huge number. There is a festive impact in that. On a steady-state basis, you should see 9%-10% consumption growth in this business and on a two-year CAGR also, if you kind of look at it, even on a Q2 FY25 basis, we had a base wherein our consumption grew at about 16%-17% and then the 2% consumption growth in Q2. So, on a two-year CAGR basis, it's a 9%, 10% growth, which is what we would probably guide you to on a longer-term basis.
- Rajesh Deo:** And Pritesh, just to add, because Diwali was in November previous year, so we should be looking at October plus November, which gives you a kind of 10% to 11% growth.
- Nirzar Jain:** Also, this year, we expect the festive and wedding season to take off in the second half because there were no wedding dates in the earlier part. So, we are confident, but maybe not at the 18%, because the long-term growth rates would be maintained.
- Pritesh Sheth:** And just understanding on this Vega City acquisition whenever we complete, how would it impact NDCF or NOI positively or negatively? Will this acquisition in general be accretive from day one? That's how you structure it or to make it accretive, we will have to wait for six months to see that turnaround and then start becoming accretive.
- Pratik Dantara:** So, let me take that and take you through on how we think about it. So, not specific to Vega, but any acquisition that we do, if it's an under-leased or under-managed asset, it will need about 6 to 8 to 12 months to actually turn around. So, when you talk about being accretive to unitholders, it will be accretive on a stabilized basis.
- Specific to Vega, let's just wait for a few more days when we close the transaction. We will come out with a note, which will have details around accretiveness, etc.
- Pritesh Sheth:** But just keeping your guidance in mind, second half we are expecting better performance than the first half. Will this Vega City acquisition impact our guidance or this is already baked into the numbers?
- Pratik Dantara:** No, it should not impact our guidance.

- Pritesh Sheth:** And just on the acquisition pipeline, we have three assets in the South, one in the north. Obviously out of three in the South, one is Vega City. Other two, one of them is Hyderabad or for now, considering the lack of clarity on that, we have taken it out and added a couple of more acquisitions there.
- Pratik Dantara:** No, that's the Hyderabad one that we are awaiting regulatory approvals on and of course, there is one in north as well, that we have completed due diligence and we are kind of in the midst of finalizing transaction documents.
- Pritesh Sheth:** And we have added one more, apart from these three that we have already in discussion, right?
- Pratik Dantara:** Yes, so there are three separate transactions. The Vega one has got announced and it is due to close in the next few weeks. The Hyderabad one has got announced and we are awaiting regulatory approvals and clearances there. And then there is a third one which is an asset up north where due diligence has been completed and we are actually in the midst of finalizing transaction documents.
- Pritesh Sheth:** I was just referring to slide 4 where you mentioned South India three malls, North India one mall. So, there are four, but you are talking about three deals here.
- Pratik Dantara:** Three deals, but yes, that's four malls. Three in South, one in north.
- Moderator:** Thank you. The next question comes from Parvez Qazi from Nuvama Group.
- Parvez Qazi:** My first question is for Vega City mall; you are saying that you expect the acquisition to get completed over the next few days. So, will Vega City get consolidated from the likely date of acquisition going ahead or will you consolidate it for the entire Q3 FY25?
- Pratik Dantara:** No, so we will consolidate it from the day we close the transaction and that will be the date when we announce the closure of the transaction.
- Parvez Qazi:** So, now you have said Vega City has about INR 40 crore of monthly consumption. So, when we talk about consumption in H2 FY25, this number is included in your guidance, or this will be over and above that?
- Pratik Dantara:** No, it will be over and above. Our guidance is purely organic, like-for-like guidance that we have given.
- Parvez Qazi:** And with regards to the rentals during Q2, what percentage came from the variable component or revenue share?
- Rajesh Deo:** So, it was around 9%.
- Moderator:** Thank you. The next question comes from Praveen Choudhary from Morgan Stanley.
- Praveen Choudhary:** Congratulations for getting such a good sales number for October. I have one question pretty much, which is the dividend per share, which is down quarter-over-quarter 7%. I know we should not look at Q-o-Q, normally Y-o-Y is better, but we don't have that available. So, i am

just trying to understand what's drove that, especially because your NOI and revenue is kind of flattish?

Pratik Dantara: That's on account of a slight dip in NOI on account of seasonality in Q2 and there is an increase in cash taxes by INR 15 crores. That's led the decline in the DPU.

Praveen Choudhary: And when you are looking at the DPU guidance for the full year, as the question was asked about the Vega City Mall, it will impact your NDCF and DPU in the second half as well. But would you be able to separate that for full year so that the guidance is on organic basis?

Pratik Dantara: Yes, we will be able to disclose like-for-like numbers so that you get to the organic DPU growth / number.

Praveen Choudhary: And finally, the last question is 9% to 10% organic growth that you mentioned on a steady-state basis, which historically you have been able to deliver. Do you think any reason why in future we may not be able to achieve it? We have seen last two quarters consumption has been a little bit weak in general in India and in retail space. Do you think macro is impacting that at all or you are very confident about that 9% to 10% going forward?

Pratik Dantara: We have been talking to brands globally and brands are very confident that the consumption will pick up in the second half of the year. Almost all of them have had a very, very strong Diwali and October month. So, we are hopeful that this momentum will continue in the second half.

Moderator: Thank you. The next question comes from Jatin from Bank of America.

Jatin: I wanted to check the ticketed event revenue part, which you highlighted. Do you consider that as part of your retail NOI, which you report? And if yes, how much would your NOI growth be excluding that, considering that it was a pretty significant 6x jump in that number?

Rajesh Deo: That's part of the retail NOI. Apart from rentals, we have other streams of revenue like ticketed event, space on hire, etc. However, currently these are immaterial in the overall retail NOI.

Pratik Dantara: One point that we would like to highlight is that over the years, we have moved from operating traditional real estate spaces to transforming these real estate spaces into consumption centers and this journey has happened over the years as we acquire malls and transform them.

What this has done is added newer streams of revenue beyond pure rentals, which is MG-based. So, revenue share is one that's got added and it gets added to the rentals piece but apart from that, we have added newer streams of revenue, be it branding spaces within the mall like we have recently branded our food court and we are earning a branding income out of it. There is space on hire across our malls and we are kind of using that space for in-mall advertising.

We set up kiosks in the malls that have the highest per square feet rentals and we kind of introduce new brands through these kiosks. Ticketed events that you kind of touched upon. We also try and built rooftop solar to optimize on costs.

So, we are trying to build additional income streams beyond the traditional minimum guaranteed rentals and over the years, you will see that some of these becomes reasonably large contributors to our retail NOI.

Moderator: The next question comes from Pradyumna Choudhary from JM Financial Family Office.

Pradyumna Choudhary: So, we are hearing from certain companies regarding signs of slowdown in urban consumption. So, are we witnessing any initial signs of that? Or would you say our target segment is different altogether and so there has not been any issue?

Pratik Dantara: What we have witnessed in October and what we are observing now in November is that consumption is not slowing down. Obviously first half was a different story. But as we get into the second half, we remain very bullish that the momentum is back and should continue for the second half.

Moderator: Thank you. As there are no further questions from the participants, on behalf of Nexus Select Trust, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

Disclaimer – The transcript has been edited for language and grammar, it however may not be a verbatim representation of the call