"Nexus Select Trust Q2 FY24 Earnings Conference Call"

November 08, 2023

MANAGEMENT: **Mr. Dalip Sehgal – Executive Director & Chief Executive Officer (CEO)**
Mr. Rajesh Deo – Chief Financial Officer (CFO)
Mr. Pratik Dantara – Head, Investor Relations & Strategy
Mr. Jayen Naik – Chief Operations Officer (COO)
Mr. Nirzar Jain – Chief Leasing Officer

Moderator: Ladies and gentlemen, good day and welcome to the Earnings Conference Call of Nexus Select Trust for Q2 FY24.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

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

Pratik Dantara: Good evening, everyone, and thank you for joining this second quarter financial year 2024 Earnings Call of Nexus Select Trust.

At this point, we 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 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 subject to any audit, review, or 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.

Joining me today are Mr. Dalip Sehgal - Executive Director and CEO, our CFO - Mr. Rajesh Deo, our COO - Jayen Naik and our Chief Leasing Officer - Mr. Nirzar Jain.

We will start off with brief remarks on our business and financial performance and then open the floor for questions. Over to you, Dalip.

Dalip Sehgal: Thank you, Pratik. Good evening, everyone, and thank you for joining us. It's my pleasure to welcome you to the earnings update call for Q2 FY24 of Nexus Select Trust, India's first retail REIT.

We continue to strengthen our leadership with great execution and strong performance across all our 17 malls located in 14 cities. I want to spend a couple of minutes on the macro before we get into the quarter's performance. As you know, India's organized retail growth is in its nascent stages with a long runway for growth on the back of a young population, growing middle class, and rapid pace of organization.

To tap this growth, India remains on top of the radar of international brands with a total of 24 new international brands that have entered India since 2021. Some of these are Uniqlo, H&M, Home, Apple flagship stores that opened in Mumbai and Delhi, Popeyes, Tim Hortons, Pret A Manger, and Paul. So, lots of new brands that have come in across many cities.

Coming to the quarter 2 performance of the Nexus Select Trust, I'm happy to report that we have witnessed very strong sales growth of 18% in this quarter, stable occupancy of 97%, and a 24% re-leasing spread on ~150,000 square feet of re-leased area. Our unit price since listing in May has appreciated 27%. The NAV of our portfolio as per independent valuers has also increased by 8% to INR138 per unit. Nexus Select Trust has been included in key global indices like the MSCI India Domestic Small Cap Index, FTSE EPRA Nareit (National Association of REITs). In line with our strategy of inorganic growth, we have executed a non-binding term sheet to acquire three high quality malls in southern India, totalling up to 1 million square feet. These proposed acquisitions are subject to completion of ongoing due diligence, negotiations, execution of definitive agreements, and statutory approvals. We look to close this acquisition by early next calendar year.

Now, let me take you through our performance in the quarter, which is in line with our projections as mentioned in the IPO document. I will also touch upon our maiden distribution.

1. Number one, we closed the second quarter with retail sales of INR29.6 billion, which like I said earlier is an 18% growth over last year. We added INR 4,511 million in terms of tenant sales. and just to put it in the context, this is equivalent to one quarter of tenant sales at Nexus Select Citywalk or Nexus Elante. So basically, we have added one Nexus Elante or one Nexus Select Citywalk sales in a quarter. So that's really what is the delta that we have achieved in terms of tenant sales.

2. In terms of categories that have done well in this quarter are entertainment, jewellery, electronics, beauty and personal care, all of them have done much better than the average growth of the consumption. In quarter two, footfalls have grown at 14%. This is important because a whole of last year, FY '23, while sales growth was very good, 22%, 23%, footfall growth had not happened. Now we are seeing for the first two quarters, 12% and 14% growth in footfalls. So that's a very good sign that people are now coming back in larger numbers.

3. In our key markets, our tenant sales growth has been significantly ahead of the market. To just give you a few examples, in Mumbai, Bengaluru, Chennai, and Pune, which are some of the key markets where we have comparable data, we have witnessed very strong double-digit growth versus the market, which is growing in mid to high single digits. At a consolidated level, our NOI stood at INR 3.9 billion, reflecting a 17% Y-o-Y NOI growth, which is clearly on track in terms of our projections as per the IPO document.

4. Four, we are pleased to announce our first distribution of INR 4.521 million, translating to INR 2.98 per unit. That is our first distribution. As per the REIT regulations, as you are aware, we have to distribute 90% of our cash flows. However, we are distributing 100% of the cash flows. The period for which we are distributing this, please note, is from May 19, 2023, which is when the REIT got listed, to September 30, 2023, which is the end of quarter two. So that's the period for which the first distribution is being made.

Let me now take you through some of the reasons for our strong performance.

- I think the first one, of course, is a strong retailer relationship. Over the last seven years, we've built very deep relationships with close to 1,000 domestic and international brands through our key account management system. We opened 84 new stores across our malls in this quarter, with brands like Pret A Manger, Ethos, Decathlon, Hugo Boss, etc. to name a few. We constantly assess and work towards improving our retailer experience and take various measures to align them with our business goals. We conduct periodic retailer satisfaction surveys. This is an important one, to build stronger and more productive relationships with our partners and have consistently scored more than 90%. In fact, in this quarter, the retailer satisfaction index, RSI, which we measure at the end of September, was upwards of 95%, which is significantly higher than even September last year. So that's very positive news for us.

- Number two, our strategy of leasing, repurposing, and rezoning. We spoke about this at the time of our listing as well.

    - First, with strong demand from tenants, our leasing occupancy now stands at 97%, which is 120 bps higher than last year. Today, most of our malls have a healthy wait list of brands looking for space. We ensure timely opening of new stores, and our trading occupancy, which is these stores which are now trading, is up 380 basis points and stands at 95%. So, 95% of our area is now operational and rent yielding.

      We have leased 200,000 square feet during the quarter across 214 deals, out of which ~1,50,000 was on the account of re-leasing. Our re-leasing spread stood at 24%. If you will recall, at the time of the IPO, we had said that about 10% of our leases come up for renewal every year, and the spread that we've got over the last five, six years is around 20%, and we hope to see that in the future as well.

      So, we've achieved 24%, which is in fact ahead of what we had indicated. We have a stable lease expiry profile with about 0.7 million over the next three and a half with 20% re-leasing spread, which is what we spoke about earlier.

    - The next bit is about now having achieved a stabilized occupancy at 97%. So, there's not too much new leasing that will happen in terms of increasing from 97% to 99%. That's typically not something that happens. Maybe it may go up to 98%.

      But what's important now is that with the kind of understanding we have of the demographic, shopping behaviour, we are actually looking to premiumize the brand mix of our malls. We are taking back area from underperforming stores, replacing them with growing categories like beauty. Beauty has grown very well. Personal care, electronics, athleisure, fitness, F&B, and entertainment. Some of these categories have grown very, very significantly. In one of our Bangalore malls, just to give you an example, we have repurposed a very large anchor area and introduced categories like athleisure and kids' entertainment and this is contributing to not just higher footfalls, but also higher tenant sales and re-leasing spreads.

We've also re-zoned some of our stores, which enables us to achieve better spreads in our rentals. One such example would be our mall in Chennai, where an entire sports and women's zone has been re-zoned in line with the anchor offering on the floor. All this has given us 28% higher rentals in that same area.

- Three, our marketing and activation strategy. Our size and scale, now that we have a pan-India presence, in fact, the only mall business that has a pan-India presence now. We have been able to sign Bollywood ambassadors, superstars like Amitabh Bachchan as our happiness ambassador. We have focused on category promotions like the Gloss box, Techbox, Denim fest, etc. and as a result of this, across the portfolio, we have seen, like I said, a 14% increase in footfalls compared with last year.

- The other thing that is important to note is that technology is becoming very, very important in our business. We successfully tested what we call the Nexus One app for consumers at Nexus Elante in Chandigarh and after a successful run, we have now started extending the app to five more malls, and we are targeting to extend the app to 10 malls by March of 2024. This will not only give us very, very rich consumer data, but will also help consumers in terms of both figuring out where the stores are, locations, etc. and we'll also have a very strong loyalty program on this. So, technology, as we go forward, will be the backbone of our growth.

Coming to part two of my speech, this is about the business model. As you are aware, our business model is very unique. We acquire assets that have been under-invested and or under-managed. With our capabilities to invest in upgrading the assets, bringing in relevant brands, investing in appropriate marketing, reducing costs, we are able to significantly enhance the value of the acquired assets, as you would have seen in this quarter and in the first half of the year.

I'll give you just one example. Fiza by Nexus, a mall in Mangaluru, which we acquired in the midst of COVID, was only 72% occupied when we acquired it. We have added 43 new brands to the mall, and today the occupancy is 87%, and the way it is going, I think we will very soon cross the 90% mark and NOI has grown at a CAGR of 47% over the last three years. So not only has occupancy gone up, but the NOI also has grown at a CAGR of 47%. We have done this by improving the brand mix and leverage the tenant relationships to bring in marquee brands like H&M, Time Zone, Forest Essentials, KFC, Domino's, and Starbucks to a market like Mangaluru.

In fact, in our South India portfolio, comprising of eight malls that were acquired in March of '21, occupancy has gone up from 88% at the time of acquisition to 95.4% currently, and their NOI is on track to grow by 18% in FY ‘24. Tenant sales have grown at 19% year-on-year in Q2 FY ‘24 in the South portfolio. So, NOI growth of 18% in the South portfolio and 19% growth in terms of sale in the same eight malls.

Now coming to our balance sheet, we have a robust balance sheet as you are aware, armed with a war chest of close to $1 billion for acquisitions on the back of a low LTV of 14%. Our in-place debt cost is 8.3% with dual AAA Stable credit rating. So, we have a war chest of $1 billion for acquisitions, which is at the heart of our business model.

ESG continues to be an area of prime focus and I take great pride in sharing that our GRESB score now stands at 86 out of 100, which is 10 points higher than what it was last year. Very proud of this achievement. We have commenced construction of a 3.3MW wind power plant, which will meet 60% energy demand of a mall in Chennai. Not only would it lead to using green energy, but the project would also yield 20% return on our investment.

I'm also delighted to inform you about the launch that some of you may be aware of the Indian REIT Association in Sep'23, of which we are one of the founding members. The association has started working on key agenda items such as educating investors, improving liquidity of the REITs, and collaborating with regulators on enhancing the REIT governance and investor protection norms. We're confident that together with the IRA, we will continue to build understanding and awareness of the REIT product in India.

Lastly, to summarize and conclude, one,

- We are witnessing very strong consumption demand across categories as you saw, 18% growth.
- Leasing demand for our retail assets remains robust, both from international domestic tenants, and at 97%, we are now almost fully leased.
- We'll be making a maiden distribution of close to INR3 per unit, and we remain on track to deliver full year projections, which we had made at the time of the IPO.
- Our strategy for inorganic portfolio growth is active with healthy acquisition pipeline, and we are close to, as I had mentioned earlier, to close our first acquisition.

I thank you all for your continued support and belief in our path of growth and value creation. Thank you so much. And with this, we will now move to the Q&A. Please go ahead.

Moderator: Ladies and gentlemen, we will begin the question-and-answer session. The first question is from the line of Mohit Agrawal from IIFL Securities. Please go ahead.

Mohit Agrawal: Yes, thanks. And great to see another strong quarter, so congratulations to the team. My first question is, for first quarter and second quarter, we've seen 18% growth in consumption. We understand Q3 is a big quarter, so could you give some color on how October and November so far has been in terms of consumption?

Dalip Sehgal: Okay, I think fair question. Much remember, Mohit, that unlike last year where in October, we had both Dussehra and Diwali, this year in October, we've only had Dussehra and Diwali actually and the start of the wedding season is in November. So, we are looking at actually October and November as one period rather than two separate months because how consumption peaks during Diwali and the festival season.

Will it be in line with the first half? We're hoping to see that. November started off very strongly, so yes, fingers crossed. I think we should see strong growth in this quarter as well.

Mohit Agrawal: Okay, understood. So, expecting similar for the second half also, right?

Dalip Sehgal: Second half, I don't know. I'm just saying that for quarter 3, you asked what it is looking like currently. I think it is looking like a strong growth in the quarter. And quarter 4, honestly, we'll have to wait and see how we end quarter 3 and then probably we can take a better call on what quarter 4 will look like. But we are on course to meet our projections for the years per the FOD. Right now, as you know, we are ahead of the projection.

Mohit Agrawal: Understood. My second question is on the acquisition pipeline. You mentioned about three malls. If you could share any information around the size? You know, you have mentioned 1 million square feet. Any information that you can share, that would be helpful?

Also, trying to understand that three malls, 1 million square feet. So, what is the kind of size you are looking to target? Typically, what we were given to understand is that larger malls around a 1 million square feet are the ones which are which have a mix of multiplexes and F&B and fashion, everything, you know. So just trying to understand a thought process around that, what kind of trading densities or what kind of category mix are you targeting across these three mall acquisitions?

Dalip Sehgal: Let me hand this over to Pratik.

Pratik Dantara: Hi, Pratik here. So, I think on the acquisition piece, we will not be able to share too many details at this stage. The only thing we'd like to kind of call out is that the acquisition is in line with our past transactions wherein we've acquired malls that are not optimally leased and turned them around successfully. We are kind of okay for underwriting the leasing risk, which we've done successfully in the past, and we anticipate to do with this acquisition as well.

I think on the acquisition, like I said, it's still at a non-binding stage. Diligence is ongoing. We'll have approvals, etc. that need to be taken up before we can actually come back with something concrete around this. But we anticipate something around this to be given out early next calendar year. I think one thing that we can obviously say is that a lot of these acquisitions that we do will be accretive on a stabilized basis.

So that's something that we are aware of and we are kind of looking at minutely when we actually evaluate assets.

Dalip Sehgal: So, Mohit, just to add to what Pratik has said, I think the point that you make is absolutely valid. We did mention and we still believe in the fact that there is a certain size and scale of what we should acquire. Equally, if you remember, part of our acquisition strategy is also to see where we can add value and typically, we look at assets not just for size and scale, but also our ability to be able to ramp-up both leasing and add to the NOI or the profits of that business and that can happen only if the asset has been underinvested or not so well managed. So, we look at both. So, you're absolutely right. We look at size and scale, but we also look at the opportunity for adding substantial value to whatever we are acquiring.

Mohit Agarwal: And I'm assuming this would be all fully leased out malls. There would be no strata sales. Would you be open to looking at those malls also and then you'd have to kind of…

Dalip Sehgal: We made that very clear. So, there's a difference, Mohit. One is, is it fully leased or is it sold. These are two different things.

Mohit Agarwal: No. Sorry, I mean to say that if there is strata sale within the mall, even if it may not be fully…

Dalip Sehgal: We won't look at it because that is clearly not something that we would look at.

Mohit Agarwal: Okay. And one last question. If you could share what kind of consumption numbers has Select City done? You've given the consumption numbers. If you could share growth for second quarter and first half?

Dalip Sehgal: For consumption? 18% for us?

Mohit Agarwal: So just for the Delhi Select City mall?

Dalip Sehgal: Select, I think, has grown at ~30%. 30%-plus.

Mohit Agarwal: 30%-plus for the quarter?

Dalip Sehgal: And for the first half as well, yes.

Mohit Agarwal: Okay. That's all from my side. Thanks a lot, and wish you all a very happy Diwali.

Dalip Sehgal: Thank you, Mohit. To you too. Thanks.

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

Murtuza Arsiwalla: Yes. Hi, sir. There is a media article which talks about, a ruling about if electricity is being provided as a service and it's being clubbed with the rental, even the electricity charges would have a high GST rate of 18% applicable. Can you just clarify as to how the billing is done on the electricity and maintenance services and whether this would have any impact?

Dalip Sehgal: Sure. I'll pass this on to Rajesh to take this question.

Rajesh Deo: Yes. So just to clarify, our South malls, we do the electricity reimbursement along with GST, so we recover and deposit, so there's no exposure whatsoever from any angle. For the North malls, which are our first set of malls, we have always maintained a stand that electricity is outside the ambit of GST. Hence, any enactment or circular on GST will not impact.

Point number two, there is you can also go on the principal-agent relationship with the current circular mentioned. If you can demonstrate a pure agent-principal relationship, you can still be kind of exempted from GST on pure reimbursement, which is electricity.

Murtuza Arsiwala: Sure, can't we have the same applicable in the south malls and therefore, the tenants would have that additional benefit?

Rajesh Deo: Sorry, can you come again?

Murtuza Arsiwala: I'm saying the same rule which is applicable for the malls in north. Can't we have that applied in south as well? You know, so you lower the GST incidence for the tenants.

Rajesh Deo: No, so what happens is for the south malls, because we have bought it from Prestige and both these positions have been accepted in the code of laws, so we really don't want to change our stance in south and because our safer position is always to recover and deposit the GST with the government. So, we maintain status quo on both the set of malls till a clear guidance comes from the government.

Dalip Sehgal: And also, the fact is that it is a pass-through for most of the tenants in any case. So even when GST is being charged, it is something that is passed through. So, they get a GST credit.

Murtuza Arsiwala: Sure. Okay. So, it should not be a bother. Thank you.

Dalip Sehgal: Thank you.

Moderator: Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.

Sarvesh Gupta: Good evening, sir. And congratulations on a good set of numbers. Sir, on the distribution per unit, so it is tracking around INR 8 currently, of which 70% is tax-free as of now. So, going forward, given how we have structured everything, what would be the guidance for the next year and on the overall distribution as well as the tax-free component of that?

Pratik Dantara: Hi, Sarvesh. Pratik here. Sarvesh, I think, we would refrain from giving guidance at this point in time, but what we've projected in our offer document, we have the outlook to achieve that from an NDCF perspective. The salience is going to be about, in that same zip code, 55%- 60% would remain dividends. About 30%- 35% would be interest, and the balance would be the amortization of debt.

Sarvesh Gupta: Understood. But I mean, if you can give us some understanding about, when we talk about a very strong growth of, let's say, 18%, how does that sort of fall into our distribution per unit? One thing that I can think about is that, in case you're acquiring something, then, maybe you will overspend in the initial years. But save that acquisition, ideally, most of it should increase the distribution significantly. Is that the right way to think about it?

Pratik Dantara: There's correlation between consumption growth and revenue share. So, as we cross certain thresholds, we get higher revenue share, which obviously, flows down and results in higher distribution. So, consumption growth is an important metric that we track, which results in better NOI for us, which therefore results in better NDCF.

Dalip Sehgal: Any acquisitions, like Pratik has said earlier, we do look at the fact that they have to be accretive. So, it should actually help the NDCF.

Sarvesh Gupta: In what percentage of your rentals that you are deriving as of now?

Dalip Sehgal: Between 12% and 13%.

Sarvesh Gupta: Sorry?

Dalip Sehgal: Between 12% and 13%. Revenue share?

Sarvesh Gupta: Yes, revenue share is 12% and 13% of the rentals that you are getting.

Dalip Sehgal: Absolutely.

Sarvesh Gupta: And remaining is sort of a fixed, sort of a rental?

Dalip Sehgal: Fixed rentals, correct.

Sarvesh Gupta: And going forward, also similar sort of a ratio is being planned, or you're looking at it differently?

Dalip Sehgal: No, I think 15% is optimal. Anything between 12% to 15%, I think is where it rests. So, I don't think, because it's also then becoming a bit of a risk if you have too much variable.

Sarvesh Gupta: Understood. And finally, on the pipeline, so, I understand this issue of, you are looking for underperforming malls and maybe basically trying to turn it around. But I guess, if you also take into account some of these malls might be underperforming because of just bad locations and if you take it out and then, they may not be sizable in terms of, they might be very small malls also, which in general don't perform well. So, if you take out these two buckets, then you will have a very limited sort of growth opportunity in terms of these already being their pipeline, right? So, then the other opportunity is to build it out, Greenfield sort of a thing.

So how do you look at these Brownfield and Greenfield opportunities because prima face, it looks like Brownfield opportunities would be very few for you guys in the next, let's say five years to seven years. And then you might have to just get into Greenfield for growth?

Pratik Dantara: So, I think, Sarvesh, what I would say is that, if the asset location doesn't make sense, that it's not infill or prime location for us, we wouldn't obviously evaluate it. Does that reduce or kind of minimize the funnel of assets that we have? The answer to that is no.

There are about a hundred Grade-A malls in the country, which are in prime infill locations. The top four, five developers own about 40-45 of them. And there's a balance 50-55 kind of asset, 50 to 55 mall assets that we've actually evaluated, or we actually keep evaluating.

So, there is a healthy pipeline, obviously to answer your question, if it doesn't make sense from a location perspective, we wouldn't even evaluate it and coming to a second question on, Greenfield. I think, we are not averse to doing a Greenfield project. At least if it, kind of makes financial sense, we would definitely do it. If it's in a prime infill location for us, whether it's our strength is on the acquisition side and that's what we are currently doubling down in terms of playing things and it created this whole 10 million square feet platform through acquisition. So, I think the machinery is pretty well oiled from our side.

Sarvesh Gupta: Understood. Sir, all the best for the coming quarters.

Rajesh Deo: Thank you.

Moderator: Thank you. The next question is from the line of Adhidev Chattopadhyay from ICICI securities. Please go ahead.

Adhidev Chattopadhyay: Yes. Good evening, everyone. Thanks for the opportunity. Sir, the first question is on the NDCF walk down, just a clarification on the working capital adjustment. So, this figure going forward, what is the nature of this adjustment in terms of what are the items and going forward to the second of the year in this run rate going to sustain or it may be higher or lower either on the working capital side? Yes. That's the first question.

Pratik Dantara: Okay. So, I think Abhidev, this is mainly on account of the mid-month listing that happened on May 19th. The NDCF for the month of May was, in a way, impacted on account of this mid-month listing, and I'll try and explain it through an example. About 95% of our collections actually happened in the first 10 days. So, in that revenue for the period 19th to 30th, is also collected in advance. I mean, to the first half of the month, which means that revenue for the period 19th to 30th May was also collected in advance. And that's something that's released as part of this working capital adjustment. At the same time, there's interest payout, right? And interest is typically payable at the end of the month. Accordingly, interest for the period 1st to 19th of May also got paid post-listing. So, this anomaly is there, and it was envisaged at the time of preparing our projection. I think we've just released this here to be in line with what we have projected at that point in time.

Adhidev Chattopadhyay: Okay. And so, going forward, this number should trend lower in terms of the thing, with the understanding, correct?

Pratik Dantara: Yes.

Adhidev Chattopadhyay: Okay. So, second question I had, so we have done the 18% consumption growth and you mentioned that footfall growth has been 14%. So, are we to understand correctly that 4% has been sort of inflation, which we have seen? Or is there any other way to read this number on consumption?

Dalip Sehgal: The way to look at it is that -- there is a footfall growth, and there is a growth in spend per footfall, SPF as we call it. There may not be a direct correlation, 14 plus 4 is 18, but it is a combination of footfall increase and SPF, spend per footfall increase. And yes, I mean you could take 15 and 5 or you could take some ratio of 18.

All of it may not be uniform. Some of it could be, for example, footfalls related to cinema where the spend level may be a little lower at times. So that's also possible. But our understanding roughly is that out of 18, we would say that about 6% to 8% would be the increase in spend per footfall.

Adhidev Chattopadhyay: Okay. Okay. So that is on my side. Thanks. Yes. Thank you and all the best.

Dalip Sehgal: Yes. Thank you so much. Thanks.

Moderator: Thank you. The next question is from the line of Satinder Singh Bedi, from Eon Infotech Limited. Please go ahead.

Satinder Singh Bedi: Thanks for the opportunity. So, couple of questions. So, there's been a slight increase in the, in the valuations. Just wanted to understand. Is it on account of higher revenue projections or is there any change in the cap rate or the discount rates?

Rajesh Deo: All our basic assumption, which was there in the IPO document remains the same, which is your WACC, exit cap rate, sales growth assumption, and the market rent assumption. What has taken up the valuation is the strong tenant sales performance, the rollover of the model to 11th year and some capex commitment, which has got done plus incremental margin from the other streams, which is CAM, Marketing, Parking, and others. Hope that answers your question.

Satinder Singh Bedi: Yes, that does. What, are the key risks that the management sees so far as let's say our most prime asset, which is the Select Citywalk is concerned. So, so what are the key risks that you see? Okay. kind of, if any?

Dalip Sehgal: So as of now, the only risk that, and that's a macro risk is what happens to demand over a period of time. I think right now demand is very, very robust. And like you said earlier, Select is one of the best performing assets with more than 30% growth in terms of sales. The Apple store there is doing extremely well. New stores like Adidas and, Nike and all are doing very well. New F&B has got added. So overall, I think select is in a very, very strong position from where we see it at a macro level. Nothing to do with select at a macro level. I think the, the risk like in any other consumption business could be some slowdown that could happen in the year ahead, it's possible, not that there are any signs of it as of now.

Satinder Singh Bedi: Okay. Okay. Right. So, and in terms of, so you've had a robust footfall growth of 14%, which would have significantly contributed to the strong top line growth that we've seen. This 14% might moderate going forward because we, this might be as a result of coming out of COVID. So, how do you see the spend kind of panning out going forward? So, a low double digit seems to be part for the course?

Dalip Sehgal: So first of all, I don't think we would speculate on future growth. All that I can say is that our first half performance is in line or in fact, a little ahead of the projections. And we are pretty confident that all that we have projected for FY'24 will be on course to meet it. So that's all that I would say.

I would not put a specific number on footfall increase, but as of today, from whatever we can see, I think the fact that people are coming out in larger numbers and with good set of movies coming in November, Diwali season, etc. I think footfall growth will still be robust.

Satinder Singh Bedi: Right. One final question, regarding the office. Okay. So, you are plan the office seems to be subscale while we understand it's part of the same complex. Okay. And to that extent, okay. It can get justified, but any plans of monetizing this or you would continue because this is, it seems to be 0.1 million seems to be subscale occupancy is not really a top class. So, what are the plans on that?

Dalip Sehgal: So, office, like you said earlier, it is not our core business. Our business is retail. 90% of our business today is retail and the office would account for a couple of percentage points. So, it's neither here nor there, not really of any great importance. And like you rightly said, it came as part of a much larger acquisition, which was the hotel and the mall, the Elante mall. And this came as part of that. Yes. Okay. Thank you.

Satinder Singh Bedi: Yes, thank you. And congratulations. I think great set of numbers.

Dalip Sehgal: Thank you so much.

Pratik Dantara: Thank you.

Rajesh: Thank you.

Moderator: Thank you. Ladies and gentlemen, we have no further questions on behalf of Nexus Select Trust, which concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

Dalip Sehgal: Thank you so much. Happy Diwali to everybody.

Pratik Dantara: Happy Diwali.