"Nexus Select Trust

Q1 FY 2027 Earnings Conference Call"

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MANAGEMENT:
Mr. Dalip Sehgal – Executive Director & Chief Executive Officer
Mr. Pratik Dantara – Chief Investor Relations Officer and Head Strategy
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Moderator: Ladies and gentlemen, good day and welcome to Nexus Select Trust Q1 FY27 Earnings Conference Call. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask question 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 - Chief Investor Relations Officer and Head 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 Q1 FY27.

Before we proceed, I'd 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 obligated to update them at any point of time. Specifically, any financial guidance and proforma information that we share on the call are management estimates based on certain assumptions and have not been subject to audit review examination procedures. You are cautioned not to place undue reliance on such information and there can be no assurance that we'll be able to achieve the same.

Joining me today on the call is Dalip Sehgal – Executive Director and CEO, along with the management committee. We'll begin 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. It's my pleasure to welcome you to the Earnings Conference Call for the first quarter of financial year 2027 for Nexus Select Trust, India's first listed retail REIT.

Before we delve into our quarterly performance, I'd like to take a moment to talk about the current operating environment.

We have witnessed a meaningful improvement in consumption trends since early March, with the positive momentum carrying through the first quarter and continuing into July. Despite the ongoing geopolitical uncertainties, consumer demand has remained resilient, underscoring the strength of India's domestic consumption story. Most of our key retail partners have secured inventory well ahead of the festive season, providing strong visibility on product availability and minimizing execution risk. As we approach the peak festive period, this gives us greater confidence in the outlook for the remainder of the year. Combined with healthy consumer demand, we believe the business is well positioned to deliver another strong festive season

Now, coming to our quarterly performance,

Consumption trends remained encouraging during the quarter, with tenant sales growing at 17% year-on-year. Demand was supported by key festive occasions like Akshaya Tritiya, Baisakhi, etc. along with the commencement of the wedding season. The growth was broad-based across categories and reinforces our confidence in the resilience of the discretionary consumption, continued premiumization and consumers' increasing preference for organized experience-led retail destinations.

Now, let me now walk you through some of the category-wise trends:

- **Fashion** continued its strong growth trajectory, delivering double-digit growth during the quarter. Performance was driven by healthy demand for summer collections, along with robust sales of ethnic wear during the festive and wedding season.
- **Jewellery** maintained its exceptional momentum, with sales growing more than 50% during the quarter. Growth was supported by higher gold prices, strong festival demand during Akshaya Tritiya and the addition of new jewellery stores across our portfolio. On Akshaya Tritiya, for example, our malls recorded the highest-ever single-day sales of INR 112 crore, representing a 2x growth over last year. Jewellery contributed 32%, almost a third of sale on that day, underscoring the category growing significance within our portfolio. The point to note, which is equally important, is that the rest of the portfolio also grew very strongly. So, it's not just jewellery, but rest of the portfolio also grew very strongly.
- **Family Entertainment Centres (FECs)**, including multiplexes, continued to perform well, delivering 16% growth during Q1 FY27. The category benefited from strong footfalls driven by a robust movie slate, including blockbuster releases such as *Dhurandhar 2, Bhoot Bangla, Cocktail 2 and other popular titles.*
- **Electronics** witnessed robust double-digit growth of 24% during the quarter, driven by strong demand for air conditioners, refrigerators and other summer appliances amid the early onset of summer.

Our continued operational momentum translated into another robust financial quarter, delivering **11% year-on-year Net Operating Income growth**. We are pleased to declare a distribution of **INR 370 crores** for the quarter, translating to **INR 2.442 per unit**, **reflecting 10% year-on-year growth**. This also marks our 12th consecutive quarter of 100% distribution payout, underscoring our commitment to delivering consistent results to our unit holders. Cumulatively, since the listing in May of 2023, we have distributed more than **INR 4,080 crores**/ **INR 26 per unit** and delivered 2x returns to the unitholders.

Let me walk you through our **leasing and marketing performance**

On leasing, we re-leased approximately **4 lakh square feet during the quarter at healthy spreads**. Of this, **around 2 lakh square feet, was strategically churned ahead of lease expiry at spreads of over 20%**, demonstrating our proactive asset management approach and ability to capitalize on mark-to-market opportunities.

Let me share an example of the strategic churn-led premiumization strategy at our mall in Hyderabad, Nexus Hyderabad. During the quarter, we replaced an underperforming hypermarket and fashion anchor with a premium international fashion brand, unlocking a 2x increase in effective rentals and a 3x improvement in trading density. This highlights our ability to proactively premiumize our portfolio by optimizing the tenant mix, even within a highly occupied asset, thereby driving higher productivity and sustainable rental growth. Aligned with our strategy to premiumize the tenant mix across the portfolio, we curated a dedicated Jewellery Zone at Nexus Seawoods by on-boarding marquee brands such as Indriya, Kalyan, CaratLane and others. This strategic curation significantly enhanced the mall's premium positioning while delivering a 1.5x uplift in rentals and a 4x increase in trading density.

Our upcoming lease expiry profiles continue to present a meaningful growth opportunity. **Approximately 44 lakh square feet**, contributing **54% of the portfolio's gross rentals,** will expire over the next four years with **20% rental upside**, reinforcing our embedded organic growth potential.

From a marketing standpoint, we continue to curate **immersive and experience-led activations** across the portfolio, including music concerts, boxing events and other engaging experiences, contributing to **5% growth in footfalls during the quarter**. In addition, we installed 65+ ticketed attractions like Panda Land, Ocean World, Dragon Kingdom, Farmland, etc, creating memorable experiences for the families visiting our malls. These attractions sold 89,000 tickets during the quarter, generating a revenue of INR 2.6 crores, up 37% YoY.

Turning to the performance of our recently acquired malls, Nexus Vega City (Bangalore) and Nexus MBD (Ludhiana), both assets have successfully turned around since acquisition, demonstrating the effectiveness of our asset management and operational capabilities. For example, Vega was witnessing negative consumption growth before acquisition. Post-acquisition, it has delivered double-digit sales growth, reflecting the success of our integration strategy and our ability to unlock value through active asset management.

Moving to our acquisition pipeline, we continue to see a strong opportunity set, with a robust pipeline of eight assets across India. We currently have two assets under due diligence, while the acquisition of Diamond Plaza is expected to close over the next 45 to 60 days. We also expect to sign definitive agreements and announce one or two additional acquisitions over the next 60 to 90 days. Building on this momentum, we remain on track to add two to three high-quality assets to our portfolio during the year, further strengthening our growth trajectory.

Now, let me share an update on the construction progress for Nexus Runwal Gardens Mall in Mumbai Metropolitan Region, MMR

Construction is progressing as planned with around 70% of the foundation work already completed. We expect to complete the balance foundation work as well as the raft and basement slabs by September 2026. The project continues to remain on schedule, and we are well positioned to acquire the asset by March 2028.

Lastly, summarising our performance:

- Delivered robust consumption growth of 17% during the quarter, with broad-based double-digit growth across categories. The positive demand momentum has continued into July, reflecting resilient consumer sentiment.
- Achieved strong financial performance with an 11% Net Operating Income growth and distribution growth of 10% during Q1 FY27, underpinned by healthy operating fundamentals.
- Strategically re-leased over 2 lakh square feet ahead of lease expiries at positive spreads of 20%. With approximately 54% of our gross rentals expiring over the next four years, we continue to see a healthy mark-to-market opportunity of around 20%.
- Our acquisition pipeline remains robust with eight identified opportunities across India. We expect to complete the acquisition of Diamond Plaza shortly, announce additional transactions over the coming months, and remain on track to add two to three high quality assets to the portfolio during the year.

Let's now move on to Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. Our first question comes from the line of Parvez Qazi with Nuvama Group.

Parvez Qazi: Hi, good evening and thanks for picking my call and congratulations for a great set of numbers. A couple of questions from my side. We've been witnessing a very strong consumption growth for the past couple of quarters. Now, specifically with regards to this quarter and the increase in consumption, how much would have been contributed by the footfall growth and increase in trading density?

Dalip Sehgal: During the quarter, our consumption growth is 17% and footfall growth is 5%. The underlying value growth would be around 12% to 14%, depending on the mall.

Parvez Qazi: Sure. I am assuming the strong consumption growth that we have been witnessing over the last couple of quarters, this will eventually translate into higher rental once the contracts come up for renewal. But specifically with regards to some of the higher ticket items like jewellery and electronics will not have high revenue share like other categories. So, over a medium term, what is the kind of rental growth that one can observe once these contracts come up for renewal?

Dalip Sehgal: As you know, our lease agreements has contracted escalation of 15% every three years, so you get about 5% increase on rentals every year through the contracted escalation. In addition to that, around 10% of our gross rentals come up for renewal every year and we have 20% mark-to-market potential on re-leasing, so that will give you another 2%. Further, revenue share contributes to 1% with increase in consumption growth. So, all these three components gives you growth of 8%. Balance 0.5% to 1% comes from the office, hospitality business and cos-saving measures.

So, overall, we expect our NOI to grew between 8-9% every year. Since listing, we have delivered approximately 10% NOI CAGR and we expect the growth momentum to continue.

Parvez Qazi: Sure. Thanks. I'll come back into the queue again. Thank you.

Pratik Dantara: Thank you, Parvez. Thanks

Moderator: Thank you. Our next question comes from the line of Pritesh Sheth with Axis Capital.

Pritesh Sheth: Yeah, thanks for the opportunity. Just a couple of questions. Firstly, on the consumption side, how much was the growth excluding jewellery and electronics?

Dalip Sehgal: So, excluding jewellery, the growth is 14% and electronics, if you take it out, it is around 13% for the quarter

Pritesh Sheth: Sure, got it. Fair enough and in terms of growth, double-digit tenant sales growth you mentioned that it has continued till July as well. If you can quantify in terms of how much was the growth and because of that any upside you see in terms of our guidance especially on the NOI side as well as DPU?

Pratik Dantara: Pritesh, July witnessed early double-digit growth in consumption. In terms of guidance, I think we would like to wait for quarter two and see how the performance pans out before considering any revision. As of now, we are tracking ahead of our guidance, but we would prefer to wait for another quarter before revisiting our estimates.

Pritesh Sheth: Sure. And just to clarify, this guidance doesn't include any acquisitions that we will conclude during the year?

Dalip Sehgal: No. This is organic.

Pritesh Sheth: Sure, okay. Perfect. That's it from my side. All the best. Thank you.

Moderator: Thank you. Our next question comes from the line of Gaurav Khandelwal with J.P.Morgan.

Gaurav Khandelwal: Hi, good evening. Thanks for taking my questions. My first question is when you talk about the additional acquisitions that you expect to close beyond Diamond Plaza over the next couple of quarters, are those already included in the eight retail assets pipeline that you spoke about and if so, can you give us some sense on which are the geographies where you are looking to close these transactions?

Pratik Dantara: Hi, Gaurav, the eight pipeline that we spoke about includes a couple of them that we are looking to close or at least sign over the next 45 to 60 days. These will be primarily in the East of India.

Gaurav Khandelwal: And these are excluding Diamond Plaza?

Pratik Dantara: Yes, these are excluding Diamond Plaza. Diamond Plaza, we expect to close over the next 45 to 60 days. There are a few closing formalities and it should close over the next 30 days.

Gaurav Khandelwal: Got it. Thanks. My other question is a housekeeping question. Can you share what was the contribution of each of the categories in the consumption this quarter?

Pratik Dantara: Fashion is the biggest contributor with about 50% contribution to the overall sales, followed by, jewellery which is about 7%, electronics is about 16%, F&B is about 10%. That pretty much covers the large ones if that helps.

Gaurav Khandelwal: Yep, perfect. Thank you so much. Those were all my questions.

Moderator: Thank you. A follow-up question comes from the line of Parvez Qazi with Nuvama Group.

Parvez Qazi: So we have mentioned that some of our malls like Elante, Shantiniketan, they have done quite well. How is the performance of our northern portfolio especially Select City Walk?

Pratik Dantara: You mean to say the assets in the north in terms of consumption growth or NOI growth?

Parvez Qazi: Yeah. Consumption growth.

Pratik Dantara: They have been exceptionally good. They are kind of closer to the overall number that we have reported, including Select Citywalk. Consumption at Elante grown at more than 20% during the quarter, but smaller malls like the ones in Amritsar and Udaipur have also grown higher than mid-teens.

Moderator: Thank you. A next question comes from the line of Jatin with Bank of America.

Jatin: Hi, thanks for taking my question. Congrats on the set of numbers. Just one question, I think last time when you had given the guidance, you were probably baking in about 8% consumption growth for the full year in your guidance and you did mention that you will probably revisit the guidance sometime later next quarter. But just to understand from a sensitivity point of view, if Ex of jewellery our consumption continues to stay at about 10% to 12% growth, how much upside we can expect from a sensitivity point of view?

Dalip Sehgal: So, net of jewellery is 14%, just to set it right. Consumption growth is 14%.

Pratik Dantara: It's difficult to call that out at this stage, as it would require us to pre-empt consumption trends for August and September. We will continue to monitor the trends and relook at the guidance during the quarter. If there is any change in our outlook, we will certainly communicate it.

Dalip Sehgal: As of now, based on what we have seen over the first four months, we believe consumption could deliver double-digit growth for the year, assuming the broader environment remains supportive, including inflation staying under control. Q1 was very strong and July has also been encouraging. We would like to see the trends over the next couple of months before providing a firmer outlook.

Jatin: I understood. Great. That's very helpful. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Navid Virani with Bastion Research.

Navid Virani: Hello. Thank you for the opportunity. So, I have two questions. The first one was on the distribution guidance that's provided. I think it was somewhere around INR 9.8 to INR 10 per unit. Does that guidance still hold, or do you want to amend that guidance?

Pratik Dantara: That guidance holds, Navid.

Navid Virani: Perfect, and the second one was on the acquisition pipeline that you have mentioned. I think you called it out, but I missed it. You said all the assets or most of the assets that we are currently looking at are in the eastern part of India. Is that understanding, correct?

Pratik Dantara: Not all eight assets. Of the eight opportunities in the pipeline, we were discussing those that are immediately actionable this year. Diamond Mall, which we have already announced in Kolkata, is not one of the eight in pipeline. . We are evaluating a couple of other opportunities in the East. So, in the near term, we could see around three assets coming up in the East.

Navid Virani: Understood, perfect. Thank you so much and all the best.

Moderator: Thank you. Next question comes from the line of Sidharth with NAFA.

Sidharth: Hello, sir. So, I would just like to get some light on what is your category-wise Y-o-Y growth in terms of what has been for jewellery, electronics, and others. And then I will have my next set of questions next.

Pratik Dantara: Sidharth, we probably won't get into detailed category-wise numbers, as we disclose those only once in a year. Directionally, around 50% of our consumption comes from Fashion including fitness and footwear, which grew in the higher mid-teens. Electronics grew by around 24%, while F&B grew approximately 12%. Entertainment also delivered strong growth of around 16% this quarter and that constitutes about 6% of the consumption mix.

Jewellery, which is an evolving mix at our end and currently contributes around 7%, delivered exceptional growth of over 75%. On the other hand, Hypermarket continues to decline as a share of our portfolio and is broadly flat to low-single-digit growth.

Sidharth: Okay. The reason I just wanted to get some light on the bifurcation of the current consumption growth, a bit ahead of what the rental growth or NOI growth has been. When do you expect that gap to bridge and how do you expect it to pan out in the quarters to come?

Pratik Dantara: So, I think the way we think about it, like NOI for us, at least the retail NOI grew at 10%, while consumption grew at 17% during the quarter. Now, the difference in the growth rates is primarily attributable to a few factors.

- The first one, we started onboarding a lot of these high-value categories, premium brands, which typically operate at low revenue share arrangements in the second half last year. While these categories contribute relatively less through revenue share, these are strategically important for the mall to elevate the premium positioning. It enhances the overall tenant mix and like Dalip called out, it also has a rub-off effect on some of the other categories like we observed on Akshaya Tritiya.
- The second one, our leasing philosophy is focused on creating win-win situations for both retailers and for us. We aim to provide retailers with sufficient headroom to grow meaningfully the entire sales and then progressively start capturing the rentals through the revenue share arrangements. So, we target rent to sales ratio in the range of 12% to 14%.

Currently, this ratio stands at about 12% and with some of the upcoming renewals in the leases and the strategic churn that we plan to undertake, we expect to move closer to the upper end of this range.

I think these are the two reasons why there's been a lag and as business starts growing, the lag should also kind of go down.

Sidharth: Understood. Thank you.

Moderator: As there are no further question from the behalf of Nexus Select Trust, that concludes today's conference. Thank you 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.