



Atul Ruia: Second Time Lucky

Atul Ruia's Phoenix Mills is the envy of the commercial real estate sector. Now, he wants to replicate his model across India

by T Surendar | Oct 16, 2010

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Image: Vikas Khot

Atul Ruia

The walk up to Atul Ruia's corporate office in Mahalaxmi, a central Mumbai suburb, is rather deceptive. You could easily miss the dimly lit entrance in an old two-storied building in central Mumbai, the path to which is sprinkled with dilapidated textile mills. Once you manage to locate the entrance, get ready to climb four tall listless flights of stairs. A glass door beckons and a busy, colourful office, lit up by sunlight in nooks and corners, greets you.

The location of Ruia's office is in stark contrast to his business. Ruia owns Phoenix Mills, the sprawling shopping destination in Lower Parel, Mumbai. But maybe, it reminds Ruia of another time in a previous century when Phoenix Mills, iconic smoke chimney and all, was a crumbling part of the city's landscape. Ruia's father Ashokkumar, headed Phoenix at the time. A prolonged textile workers strike and increasing cost of operating a mill inside the city had rendered the business unviable.

A decade later Ruia's resurrection of the mill into a shopping destination has propelled him into the

Forbes Billionaires List for the first time.

The Phoenix Mills Compound, that Ruia conceptualised, is an icon in the Indian retail space. There is no design continuum at Phoenix. Luxury brands and mass market shopping outlets jostle for space. Chaos rules at Phoenix. And its customers love it. The place is always full of people. This crowd translates into moolah for Phoenix. In August 2010, stores in Phoenix realised Rs. 100 crore in sales, the best for commercial complexes in the country. Says Ruia, joint MD, Phoenix: "It's been a long and painful learning curve but we are now confident of replicating our story."

In the next one year, Phoenix will roll out some of its grand plans in Mumbai, Pune, Chennai and Bangalore. It will inaugurate its concept — Phoenix Market City — with over 5 million square feet of retail and commercial space. Its first hospitality venture, a five star hotel run by Shangri-La, will be inaugurated in the Phoenix Mills Compound in the next nine months.

For Ruia, it will be the biggest test of his own understanding of the retail business. Phoenix is the envy of other players in commercial real estate. For years, competitors have tried to study and copy his model, but have met with little success. Nobody has been able to skilfully fit in a myriad array of retail outlets and continuously extract more value from the same piece of land like Ruia has. Sushil Dugarwal, chief mall mechanic, Beyond Squarefeet Advisory, a mall advisory firm says, "Atul has done wonders at Phoenix but it won't be easy to replicate his own model."

There are a couple of things that differentiate Market City ventures from the others. For instance, there was a dearth of shopping space in South Mumbai and Ruia got real estate cheap. Since the existing mill structure was re-furnished to take advantage of land development rules, Ruia's early rental plans seemed viable for customers who wanted large spaces. As Phoenix managed to wrest big names like Big Bazaar and McDonald's as anchor tenants, other mill owners in the vicinity felt demand for another mall would be low. And Phoenix quickly became the destination for families seeking entertainment on the weekends.

Ruia explains that in his new projects too some of the fundamental rules he's picked up along the way have been adhered too. "There is nothing nebulous about the success of Phoenix Mills," he says.

For the Market City Project in Kurla, Ruia along with a consortium bought the 25 acre parcel of land in 2005 at Rs. 221 crore. In the last five years, Kurla, in eastern Mumbai houses an assortment of refurbishing shanties along an arterial road, and has come in the focus of large builders for its proximity to Bandra Kurla Complex (BKC), Mumbai's new financial centre.

There are no big malls or shopping complexes in the thickly populated two kilometre radius around Kurla either. So Kurla will be a sort of replica of the central Mumbai property. It will have a Marriott Hotel within the complex as well to take advantage of its proximity to the domestic airport. The cost advantage stretches to properties in other cities as they were also acquired around 2005, just before the property boom started.

Ruia has been able to manage customers who occupy his properties. Ruia's investment in land in several areas has India's biggest retail chain Pantaloon's Kishore Biyani as a consortium investor. In Mumbai, too, Ruia managed to get 85 percent occupancy rates in Palladium, the upscale extension in his central Mumbai property, within a few months of launch. Says Ruia: "Our customers are sticky because we tell them we can increase their sales and demonstrate it."

The central premise of Ruia's expansion centers around the fact that Indians are spending increasing sums of money on shopping and entertainment. Phoenix Mills saw sales of Rs. 100 crore in August 2010, twice of what it was twelve months ago. In August 2009, Sanjoy Bhattacharyya, partner, Fortuna Capital and a Forbes India columnist recommended buying the stock at Rs. 112. However, he recommended selling the stock when it rose sharply to Rs. 177 in October 2009. The stock now trades at Rs. 240, reflecting an optimism from the newer ventures. Bhattacharyya says, "The growth story still holds out but it will all be about execution."

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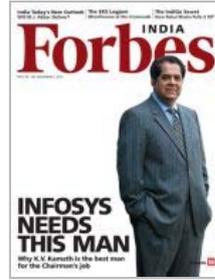
Atul Ruia has done a magnificent job with Phoenix Mills, primarily due to Atul's intuitive sense and the relative excellence of the location that Phoenix Mills is in.

The next stage of their growth will largely depend on their success at facility management and driving solid footfall to the establishments without altering the DNA of the shopping mall by littering it with the equivalent of small random streetside vendors, many of who will only help to erode the overall customer experience as has happened in many markets in Asia such as South Korea and parts of Hong Kong.

A long line of strong retail brands need to keep be queuing up for a space at Phoenix in order for Atul to create other similar opportunities which will be in demand. Good article too.

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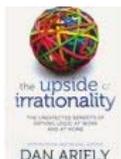
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