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August 16, 2018

The Corporate Relationship Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400 001

The Corporate Relationship Department
The National Stock Exchange of India Ltd
Bandra-Kurla Complex, Mumbai.

Ref: The Phoenix Mills Limited (503100/ PHOENIXLTD)
Sub: Transcripts of Earnings Conference Call held on Thursday, August 9, 2018

Dear Sir(s),

This is further to our letter dated August 2, 2018, regarding invitation for earnings conference call organized by the Company on August 9, 2018. In this regard, we are enclosing herewith transcripts of the aforesaid conference call for your reference.

We request you to kindly take the same on record.

Regards,

For The Phoenix Mills Limited

Company Secretary

THE PHOENIX MILLS LIMITED *

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Results Conference Call

Q1 FY2019

August 9, 2018

Management:

Mr. Shishir Shrivastava – Jt. Managing Director

Mr. Pradumna Kanodia – Director, Finance

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2019 Results Call of Phoenix Mills Limited. As a reminder, all participant-lines will be in the listen-only mode and there will be an opportunity for you ask question after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' and '0' on your touchtone telephone. Please note this conference is being recorded. The management is represented by Mr. Shishir Shrivastava - Joint Managing Director and Mr. Pradumna Kanodia - Director Finance. At this time, I would like to hand the conference over to Mr. Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Good afternoon ladies and gentlemen and thank you for participating in the Phoenix Mills Limited conference call to discuss the Q1 FY2019 results. We have had a strong operational quarter with healthy rental income and EBITDA growth on a consolidated basis. The details of various assets are shown in our investor presentation. May I take this opportunity to highlight a few key points:

We reported a consumption of Rs. 17 billion for the quarter ended 30th June 2018 which was up 5% YoY. Last year same quarter we had seen a huge positive impact of pre-GST sales, which resulted in a 19% growth compared to Q1 FY2017. Thus, a very high base was achieved against which our performance has been a 5% yoy growth in Q1 FY2019. Retail rental income came in strong at Rs. 2,419 million, up 15% YoY driven by the strong operational performance of Phoenix MarketCity malls at Chennai, Pune and Mumbai as well as High Street Phoenix and Palladium. Retail EBITDA for this quarter was at Rs. 2,282 million, up 15% YoY. Retail income from commercial business has increased to Rs. 149 million, up 35% YoY on increased contribution from Art Guild House at Phoenix MarketCity Kurla.

Moving on to the hotels, The St. Regis Mumbai once again reported strong set of numbers, EBITDA was up 9% YoY at Rs. 242 million with a higher occupancy of 74%, up 2% YoY, and improved ARRs of Rs. 11,295, up 5% YoY.

A quick update on the new acquisitions: during this quarter Island Star Mall Developers Private Limited, our strategic retail alliance with CPPIB, purchased an under-construction retail development in Indore for Rs. 2.58 billion which shall be developed as Phoenix MarketCity Indore and has a gross leasable area of approximately 1.1 million sq. feet. About 80% of the RCC work is already completed at this location and we expect to become operational in FY21. We remain very excited about the progress of our partnership with CPPIB. Within a span of 14 months of entering into the strategic alliance we have committed the deployment of the entire funds of the alliance between the acquisitions at Wakad in Pune, Hebbal in Bangalore, and Indore as well as the expansion potential of the existing operating asset, Phoenix MarketCity Bangalore, at Whitefield Road.

In addition to this, we acquired an under-construction retail development in Lucknow for Rs. 4.7 billion. This will again be developed as Phoenix MarketCity, Lucknow and will have a gross leasable area of about 900,000 sq. feet. This development will be a 100% owned by The Phoenix Mills Limited. Here again about 90% of the RCC work is already completed at the time of acquisition and we look forward to the mall becoming operational in FY21. Furthermore, in July 2018 we formed a JV with Ahmedabad based BSafal group to acquire a 5.2 acres prime land parcel in Thaltej, Ahmedabad. Phoenix Mills will invest about Rs. 2.3 billion for a 50% stake in this development and will be able to consolidate this project. We plan on developing a premium retail development with a GLA of about 600,000 sq. feet here. With all these new developments, our retail portfolio under development now stands at a little over 4.6 million sq. feet, in addition to the 6 million sq. feet that is already operational. We are well on our path to reach our target of having about 11-12 million sq. feet of operational retail portfolio by FY2023.

Going forward, we are focusing on some specific markets and we will be very selective in acquisitions. We would like to add another 2-2.5 million sq. feet to the retail portfolio and again we are looking at specific micro markets within a few cities of India.

In addition to the development potential of 4.6 million sq. feet under the new acquisitions so far, these new sites also have further development potential where the projects will be developed in subsequent phases. We expect about 1.3-1.4 million sq. feet of additional development potential and which would be on top of the retail podium and mostly comprise of offices. Our existing operating assets continue to have an additional development potential of about 2 million sq. feet. At High Street Phoenix, Lower Parel, we are evaluating multiple options available under the new DCR and it seems probable that we could add about 1.2 million sq. feet of leasable area to that asset as well. But the plans on that are not yet finalized.

May I know hand over to Mr. Pradumna Kanodia for an update on the financial performance.

Pradumna Kanodia: Thank you Shishir. Coming to the financial performance for Q1 FY2019 the consolidated revenue from operations stood at Rs. 4,132 million while the EBITDA was at a Rs. 1,953 million which was up 11% YOY. For the same period, we reported a consolidated PAT of Rs. 597 million which was strongly up 40% YoY. The strong PAT was driven by superior operational performances of our non-residential portfolio. Strong rental income growth from the retail assets, contributions from our commercial asset portfolio and the robust performance The St. Regis, Mumbai were the key contributors for this quarter.

Moving on to the brief synopsis of our debt, our gross debt at the end of June 30, 2018 was at Rs. 43,896 million which is slightly higher than the previous quarter. We are generating superior cash flows from our operating assets which we are prudently deploying for our growth initiatives resulting in much lesser additional debt relative to our deployment. With average cost of borrowing at

8.99% and the interest coverage in excess of 2.3X for the group we are very comfortable with our current debt levels. Our conservative and prudent fiscal discipline is also reflected in the improved credit rating across all our assets. The company's future plans will be guided by such judicious capital allocation strategy. With this I conclude my opening remarks and would like to open up the platform for questions that you may have. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Just wanted to understand in terms of when these 5 assets become operational say, by FY2022-23 how should we look at the rental income scale in that period? And also, how should we look at the balance sheet during that period? And if you can give some colour on like how much Capex will be incurred to reach that scale incrementally.

Shishir Shrivastava: Let me first address the rental income potential, we believe that upon stabilization, MarketCity at Hebbal Bangalore will have the potential of approximately Rs. 150-155 crore per year and expected to grow from there onwards. MarketCity at Indore will probably have the potential of – commencing in the first full year of operation – delivering close to about Rs. 90-95 crore of top line. Phoenix MarketCity at Wakad, Pune, the project will have a rental potential of about Rs. 130 crore. Ahmedabad, with 600,000 sq. feet will have a potential of about Rs. 75 crores and Lucknow which is about almost 900,000 sq. feet will have a potential of about Rs. 85-90 crore. So, this is in the first full years of operations, upon stabilizations. For us when we say stabilization it will be about at 85% occupancy and above which should translate to roughly about Rs. 570 crore of incremental rental income.

Does that answer you first question?

Kunal Lakhan: Absolutely. And on the balance sheet front, how will the balance sheet look like once these assets get completed?

Pradumna Kanodia: The total Capex that we are envisaging which includes land, construction and the interest during construction would be closer to Rs. 4,500 crore only for the Phase I. Phase I includes the retail development and all the land that we have already paid for. The idea would be to be very prudent with our debt-equity mix. We are trying to maintain a 50-50% debt equity ratio for funding of these projects. So, 50% would be our equity and 50% would be our debt estimated at the specific SPV levels and in the CPPIB alliance where we house 3 of our developments the equity is already there.

In the CPPIB alliance, we have roughly Rs. 1,675 crore earmarked for these projects as equity which is partly spend and partly yet to be spend. Also, there is an ability for us to raise debt even at the operating asset of Island Star to optimize the cost of borrowing and maybe limited amount of construction finance will be required for meeting all our balance requirements. And of course, Island Star continues to generate free cash flow of almost Rs. 60 crores per year after meeting expenses and repayment obligation to the extent. So, by the time you complete these 4-5 projects we would have internal generations of almost Rs. 200 odd crore. So, the idea would be to keep the debt at a low level as compared to potential raising capacity. So, we may be slightly shy of even 1:1 debt-equity level there. So, from that point of view we will be very, very prudent and judicious in how we approach the Capex and the balance sheet.

Kunal Lakhan: Great, just one clarification, this Rs. 4,5000 crores include the money which we have already spent on?

Pradumna Kanodia: Yes, this is the total project cost which includes land, which has already been paid for and of course will include, like in Lucknow case where we acquired the land with a semi constructed property it also includes part of the civil work which have been completed. So, this includes the amount that has already been infused so far.

Kunal Lakhan: Sure, so we are looking at 12-13% kind of yield on cost in the first year of operations.

Pradumna Kanodia: Yes, it will be slightly higher because generally we have seen in the past that rental would start somewhere around 14-15% so that should be something which one can keep in mind.

Moderator: Thank you. Our next question is from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: First on the additional space that you were mentioning of about 2-2.5 million sq. feet that can be added to the portfolio. What are the likely locations here?

Shishir Shrivastava: We have balanced development potential at Bangalore itself, the operating mall in Bangalore, almost 1.4-1.5 million sq. feet. Part of it would be retail and remaining would be commercial offices. At Phoenix MarketCity Viman Nagar, Pune, we have further potential of about 700,000 sq. feet and in Chennai about 400,000-420,000 sq. feet. So, between these 3 it is over 2 million sq. feet.

In the new acquisitions as I had mentioned there is a further, apart from the retail, there is going to be a second and third phase potential of about 1.3-1.4 million sq. feet which would be spread across Hebbal, Bangalore, of about 700,000 sq. feet, and about 600,000 sq. feet at Wakad, Pune.

Abhinav Sinha: Okay, so you are not looking to acquire an additional size?

Shishir Shrivastava: Today with the acquisitions that we have done we have an ability to add 4.6 million sq. feet to our retail portfolio. Now with these acquired sites where we have balanced development potential, apart from this 4.6 million sq. feet of retail portfolio addition there is a potential of building out 3.3-3.4 million sq. feet in the subsequent phases. So, in addition to the 4.6 million sq. feet across the board we have balance development potential which will result in about 3.3-3.4 million sq. feet. As we have mentioned we are now looking at some specific micro markets in some specific cities where we believe that there is a lot of potential for retail and we will be opportunistic in those cases and in the event if we find some very good site then we will consider at acquiring those. However, there is nothing under acquisition at this present time.

Abhinav Sinha: Okay, I just wanted to check for these few micro markets are we considering Mumbai-Delhi, that is first, and secondly will this be also be part of that FY2023 development plan or this could be spilling beyond that?

Shishir Shrivastava: We are very close to our target of 11-12 million sq. feet in any case. With the existing 6 million sq. feet plus 4.6 million sq. feet of retail we are at 10.6 million sq. feet plus another 3.3 million sq. feet potential of offices. I think we will accomplish by FY2023. Delhi and Mumbai certain specific micro markets in these 2 cities we may consider but I think there are other cities where the opportunity is very high, where the supply is very limited. For example Kolkata, Chandigarh, Hyderabad and Chennai where there is significant demand supply gap.

Abhinav Sinha: Sir, secondly on the existing portfolio so, High Street Phoenix has now seen a big jump in the rentals but the EBTDA is lagging, right? I mean the margins are now down to close to 80% and that has been like a steady decline for the last 2-3 years. So, what exactly is happening here?

Pradumna Kanodia: In the last year, a lot of area was under churn and was under fit outs and during which period CAM income does get impacted. So while expenses don't reduce much, expenses may reduce marginally but CAM recoveries does get impacted. So, we may see that it is to the extent of about a crore or there about in the last year.

Abhinav Sinha: So that should catch up, you will believe this head back to the over 90%.

Pradumna Kanodia: Absolutely, that will catch up. Over and above that also there are some upgrades and one-time expenses that have been incurred which may have resulted in slightly higher expense this year. But there is no reason why the EBITDA margins will not move back closer to 90%.

Abhinav Sinha: Okay one just last question here, so in High Street Phoenix you have roughly 15-20% being reset every year. Where exactly are these locations or should we expect rental climb up to like Rs.500 or something in the next couple of years is that something which you can see right now?

Shishir Shrivastava: So, I think as consumption grow that is in itself going to add to this growth. We have seen this year's our QoQ growth being at about 8%, I think if you just look at that as being maybe 9-11% being steady state going forward 3-4 years we will see a significant improvement in the rentals.

Abhinav Sinha: And which locations are these? Are these like spread across malls or?

Shishir Shrivastava: Yes, they are spread across the mall actually, they are spread all over the place and no specific zone which is coming up for renewals, it is a across the High Street Phoenix.

Abhinav Sinha: Okay any age-old tenant something like that?

Shishir Shrivastava: We don't have any age-old tenants now.

Moderator: Thank you. Our next question is from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Sir just to develop this 4.6 million sq. feet and the additional area, what is the Capex we should assume between today and FY2021?

Shishir Shrivastava: We just ran through these numbers. Perhaps you missed it. We are looking at Rs. 4,500 crores of Capex across to deliver a 4.6 million sq. feet of retail expansion which should be done over the next 3 years.

Saurabh Kumar: And this Capex includes land and IDC, right?

Shishir Shrivastava: So, we have already incurred a significant amount of this Rs. 4,500 crores in the land acquisition. About Rs. 2,000 has already been spent in the acquisition and out of remaining Rs. 2,500 crores around Rs. 2,200 crores will be debt.

Saurabh Kumar: And this Capex includes IDC, right?

Shishir Shrivastava: It does.

Saurav Kumar: And the total rental income as of FY2023 as this finishes out as to how much it should be for Phoenix?

Shishir Shrivastava: Again, we just covered this. The additional area with 4.6 million sq. feet under development has the potential on stabilizations to deliver about let's say Rs. 560 crores or thereabouts in the first full year of operation of all of these malls post stablilization.

Moderator: Thank you. The next question is from the line of Rajendra Yadav from ICICI Bank. Please go ahead.

Rajendra Yadav: The additional area near High Street Phoenix which are in the talks for development here what is the impact on the current rentals and since HSP is the flagship mall, in the brand dilution going to happen there if any new additional space comes in?

Shishir Shrivastava: Are you talking about the other competition coming up in the vicinity or the development we intend to undertake ourselves?

Rajendra Yadav: Our development?

Shishir Shrivastava: So, our development will only add value to the entire project, right? Because let's say under the new DCR if we go to get approval of building our another 1.2 million sq. feet, we would say, about 300,000 sq. feet would be retail and about 900,000 sq. feet or a million sq. feet would be offices and others. There will be more brand value from this, so this would be adding an additional zone of retail.

Rajendra Yadav: Okay at the same time Phoenix MarketCity Kurla has the average rentals around Rs. 93 per sq. feet while if you look at the other malls they are more than 100. So, what is the underlying reason there and whether there is a scope of improvement going forward?

Shishir Shrivastava: I would like to bring your attention to the growth of Phoenix Marketcity Mumbai.. If you look at the rental income growth for the last 3 years… do you have the investor presentation?

Rajendra Yadav: Yes sir.

Shishir Shrivastava: So, look at slide #38, it shows the performance of this asset from FY2013 – FY2018. And you can see the consistent growth from consumption from about Rs. 282 crore going up to Rs. 814 crore which is a CAGR of 24%. Rental income has also grown during this period, so as you can see once consumption reaches a certain traction, that is when your rental grows significantly. So, you can see the jump from FY2017- FY 2018 from Rs. 92 - 110 crores, Rs. 18 crores increase in this one year on account of consumption growth. And this growth has come about because of various things that we have done over the last 2 years in this asset to improve its performance. So, we are now happy that we have crossed that Rs. 1,000 per sq. foot trading density and now we can see this traction it is only going to grow very fast from here.

Rajendra Yadav: But certainly, for Pune market and the Chennai market I mean it still falls behind in average rentals.

Shishir Shrivastava: I think it is also to do with the location, the upliftment of the immediate neighbourhood. The fact that you had a lot of work happening on the road outside on account of the metro. All of this has over the last few years impacted us. The location in itself of that particular micro market in itself has improved significantly with a lot of upliftment of that neighbourhood. Good quality apartments now on the development and a lot of offices under development there. So, I think that has all contributed. Earlier when the infrastructure was not present, it was causing a little bit of stress. But now it is all contributed to the positive performance.

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

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