THE PHOENIX
MILLS LIMITED

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April 11, 2017

The Corporate Relationship Department
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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 Conference Call held on Thursday, April 6, 2017

Dear Sir(s),

This is further to our letter dated April 5, 2017, regarding invitation for conference call organized by the Company on April 6, 2017. 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 MUMBAI

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The Phoenix Mills Limited
Conference Call Transcript
April 6, 2017
12.30 PM IST

Moderator: Ladies and Gentlemen. Good day and welcome to The Phoenix Mills Limited conference call. As a reminder, all participant lines 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 '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Shishir Shrivastava, Joint Managing Director of The Phoenix Mills Ltd. Thank you and over to you, Sir.

Shishir Shrivastava: Good afternoon, Ladies and Gentlemen and thank you so much for participating in The Phoenix Mills Limited conference call. Phoenix Mills Limited has signed definitive agreements for a Strategic Investment Platform with Canada Pension Plan Investment Board to develop own and operate retail led mixed used developments across India. I believe you may have seen our press release and stock exchange intimation on this. We would like to share a few highlights of the transaction with you. As you are well aware, Phoenix Mills' focus has been to create leadership assets across the country and we are very proud to say that all our Phoenix MarketCities, High Street Phoenix and Palladium Mall in Mumbai; they have all established themselves as market leaders in the Cities within which they operate.

As part of this transaction with CPPIB, CPPIB is likely to invest in excess of Rs. 1,600 crores to pick up to a 49% stake in Island Star Mall Developers Private Limited, a Phoenix Mills SPV which owns and operates the very successful Phoenix MarketCity, Bangalore. As part of the first tranche, CPPIB will be investing Rs. 724 crores to pick up 30% stake in this SPV. Phoenix Mills is India's largest mall developer and we hold a portfolio of over 6 million square feet today, and we believe this partnership with CPPIB will catapult us in the league with leading mall developers across Europe and US. As you may be aware, CPPIB has over US $10 billion invested in retail assets globally and with them we have found a like-minded strategic partner who brings significant experience and expertise in creating and managing retail assets across the globe. Jointly, we are committed to creating world class retail assets in India that will provide an unparalleled shopping experience to consumers.

The funds invested will be applied towards acquiring and developing greenfield assets on newly purchased land banks as well as buying existing operating retail assets that are expected to be transformed into the highly successful Phoenix Market City model. Phoenix Mills Limited will manage these developments and operational assets in the platform and we will earn a fee for operation. The various streams of revenue for Phoenix Mills would be Property management fee, Leasing commissions, Development management Fee for Greenfield assets, Operator fee and a carry over an agreed hurdle rate. At this point, we would like to open the session for questions and answers, thank you so much.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin with the question and answer session. We take the first question from the line of Saurabh Kumar from J.P. Morgan. Please go ahead.

Saurabh Kumar: Congratulations on this transaction. I just had a basic query on this valuation, so basically you announced Rs. 16 billion for 49% stake, so based on that math and the fact that you would disclose a Rs. 22 billion pre-money enterprise value, can we assume about 600 crores comes into Phoenix Mills and Rs. 1,000 crores is the equity which is infused into that SPV?

Shishir Shrivastava: No, may I just clarify. The pre-money enterprise value is Rs. 2,200 crores. At the first instance, in the first tranche CPPIB will invest Rs. 724 crores and acquire a 30% stake. When we deploy a significant portion of this Rs. 724 crores in further acquisitions, CPPIB will bring in additional funds which will be in excess of Rs. 900 crores at a fair valuation determined at the time of such investment. All these funds are primary infusion into the company ISML and there is no take out by the promoter company.

Saurabh Kumar: The entire Rs.1,600 will come into the company, so if we work on that math and Rs.1,600 crores is what they are investing for a 49% stake eventually so that works out to a valuation of Rs.3,200 crores post-money and the pre-money valuation of then just about Rs. 1,600 crores?

Shishir Shrivastava: It is close to actually pre-money equity valuation, Rs. 500 odd crore is the debt and deposits so when you cut that down, the pre-money equity valuation for the first tranche is Rs. 1,687 crores.

Saurabh Kumar: There is land in this SPV also about a million square feet?

Shishir Shrivastava: No, we have developed on this land, we have Phoenix Market City which is operating and it was developed on the land. It has a balance development potential of close to 2 million square feet. At present, the mall is approximately a million square feet GLA. We do intend to expand the size of the mall in phases so the first phase that we are presently planning will be in the region of about 250,000-300,000 square feet of FSI area in the first phase of expansion, and then of course, there is a second phase of expansion also planned and then we will determine if we want to use the balance FSI for any other use in the future.

Saurabh Kumar: Just to confirm, another 2 million is to be done?

Shishir Shrivastava: Two million is the balance, FSI development potential including TDR.

Moderator: Thank you. We will take the next question from the line of Abhinav Sinha from CLSA. Please go ahead.

Abhinav Sinha: My question is can you just shed some more details on that mall management fee etc., that you are going to earn, what are the other revenue streams essentially?

Shishir Shrivastava: This platform is going to be managed entirely by Phoenix Mills Ltd. and its subsidiary company, MarketCity Resource Pvt. Ltd. For the operational assets, we will earn a 4% of GOR as property management fee, for every new lease that we conclude, we will earn two months of the contracted monthly rental as fee less brokerages, if any. At the platform level, there is an operator fee of about 1.25% of the NOI, however, this for the purpose of computing this operator fee, the NOI of Island Star itself will not be computed. Then we have for every new asset that we acquire, we have a fee of about a percent of the acquisition value. Then of course there is a performance fee that will be earned by PML once we cross certain return threshold for CPPIB, we will earn kind of a carry on that.

Abhinav Sinha: Okay, for the sake of carry determination, is there any timeline that you have for this platform or it is very open ended?

Shishir Shrivastava: We do not envisage any near term exit in this platform by the investor, they have a very long term view on this investment. It is an investment in an going concern in fact, but the carry structure has been determined in such a manner that at some point in time, there will be a valuation event or rather not an actual exit but a valuation determination date when there will be a hypothetical exit assumed and a valuation carried out for each assets which will determine a hypothetical IRR to the investment by the investor and once we breach certain IRR thresholds, we will earn a carry on the incremental returns.

Abhinav Sinha: On what are the restrictions that we have in the terms of assets we can acquire under this platform?

Shishir Shrivastava: Did you say what kind of restrictions?

Abhinav Sinha: Restrictions or say broad agreements that we have whether can we do like a pure residential or not?

Shishir Shrivastava: No, Abhinav, the focus, the mandate of this platform is a retail led mixed used development, so typically we see that if a retail mixed used development which will have say a 65% of its area for retail. 65% or more of retail then that is the mandate, however, CPPIB is also open to looking at each opportunity on a deal-to-deal basis, but the focus is clearly retail.

Moderator: Thank you. We take the next question from the line of Abhishek Bhandari from Macquarie. Please go ahead.

Abhishek Bhandari: Congratulations to the team for this deal. I had two questions, first, will there be any cash infusion by the Phoenix Mills company into the platform or is just an equity in exchange of our 49% stake in the mall?

Shishir Shrivastava: There is no cash infusion envisaged. This dilution of up to 49% in this SPV will generate the cash coming in from the investor and that will be used for further growth opportunities.

Abhishek Bhandari: Second, is the platform open to even buying out stakes from the other operating assets of Phoenix Mills as on date or is it only looking for newer opportunities outside the current portfolio?

Shishir Shrivastava: Well, at this point in time, I think all of us are aligned that the focus is on the deployment of the funds brought in by the investor, and going forward of course, the platform will be open to acquisition of other Phoenix Mall assets in the event we look at diluting in those.

Abhishek Bhandari: Shishir, if I can just extend this valuation, the kind of valuation these guys are offering is almost a 6% cap rate on one year forward EBITDA. Now at such strong cap rate and we constantly buying out our stake from the other partners, do you think you are also open to doing similar deals with anybody else or is this going to be an exclusive platform for you, the CPPIB?

Shishir Shrivastava: The intent of the partnership is to work exclusively, I think CPPIB works globally like this where they back or they work with an individual partner in each segment in each geography, so the intent of course is to work exclusively with each other and this is a substantial platform, so I think our focus is also to make this a very, very compelling platform by bringing all transactions in here. Your question was also on acquiring stake of other investors in the other SPVs, in the other assets, I think we have concluded largely all transactions, so I do not believe that this platform will be required to buy out stakes directly from other investors and lastly, we are looking at acquiring other operating assets from other developers. On the valuation though, I would like to add one more point here, while we look at a pre-money enterprise value of Rs.2,200 crores and your estimate is that, that is the cap rate of about 6% on one year forward EBITDA, I do not think CPPIB has seen the valuation coming purely from the asset. There is also a value for the partner and the partner's capabilities that has all been built into the enterprise value, so it is a value for the platform and not just the asset alone. One more point I would like to say is that you must recognize here Abhishek that for every new development and new asset that we acquire, both partners are equally aligned, we both enter at the ground floor level.

Moderator: Thank you. We take the next question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Congratulations on a great deal, I think it has set a new benchmark here on valuations, so just trying to understand a bit more here, the first Rs. 724 crores, when is that expected to come in the entity?

Shishir Shrivastava: We have executed the agreements yesterday. We have certain CPs to closing which we expect to close within the next day or two. It is a reasonable expectation that in the next seven odd days, the first tranche should be invested

Puneet Gulati: Is there a timeline for the balance tranche as well?

Shishir Shrivastava: We are very optimistic Puneet to see that, we are in advanced discussions on many acquisitions across the country and we remain confident that in the next six-eight months a significant portion of this Rs. 724 cr will get deployed. The company could make a call once substantial portion is deployed and CPPIB is very committed to bring in the balance.

Puneet Gulati: There is no outer limit timeline within which the balance money has to come inside the entity?

Shishir Shrivastava: No, we have only estimated, there is nothing like a rigid timeline, but we estimate that all the deployment including the subsequent tranches will get deployed in a three-year period or at least committed, if not entirely deployed, there would be a commitment or we will have visibility on where these funds are getting deployed.

Puneet Gulati: How would you value the balance infusion worth Rs. 900 crores, is there a formula which has been pre-decided for that?

Shishir Shrivastava: No, as you are aware that every investment has to be brought in at a fair value, so there is no formula. We estimate that it is certainly this initial Rs.2,200 crore value is certainly going to grow because of the operating parameters of ISML existing operating mall itself, which is showing a trend of improving rentals and higher EBITDA based on higher consumption growth.

Puneet Gulati: Just little clarity again, you already have an existing mall in Bangalore, you have about a plan of close to 1 million square feet to be launched under Oberhaus and then there is another one million which you said is available for use for you is it?

Shishir Shrivastava: We are now jointly evaluating with CPPIB on how the balance development potential is going to be utilized. We have clearly determined that there is going to be an incremental increase in the retail space itself across two phases. As I mentioned earlier, we intend to build out about 250,000 odd square feet of FSI area for the mall expansion in the first phase. There might be a further expansion to the mall in the second phase and then of course the balance FSI how we intend to consume and utilize will be determined jointly.

Puneet Gulati: Oberhaus plan stands suspended as of now, it will be re-looked?

Shishir Shrivastava: Yes, it will be re-looked at, it is on pause at the moment.

Puneet Gulati: Just some clarity on the property management fee, there are bunch of fees, operator fees, monthly lease fees, which are the first fees, you said some property management fee, 4% of GOR?

Shishir Shrivastava: This is a property management fee, this is 4% of GOR that will be earned directly by Phoenix Mills or its management company which sits 100% under Phoenix Mills called MarketCity Resources Pvt. Ltd.

Puneet Gulati: This will be for the existing mall also or only for?

Shishir Shrivastava: This will be for all operating malls.

Puneet Gulati: Okay, including the existing Phoenix Market City?

Shishir Shrivastava: That is right. Over and above that, for every new lease that is concluded, there is a one-time fee for every new lease that is paid which is computed as two months of the contracted rent, less brokerage if any. There is an operator fee which is based on the NOI for all operational assets expect the existing mall, so that is a 1.25% of the NOI of all the new malls that become operational. We also have a development fee for every Greenfield project which we will earn which is about 6.5% of the hard costs of construction excluding land and interest and such other costs.

Puneet Gulati: Okay, and 1% of acquisition value also for the new acquisition fee?

Shishir Shrivastava: That is correct, 1% of the acquisition value of new, whether it is an operating mall that we acquire or a Greenfield land parcel that we acquire, it will be 1% of the acquisition value.

Puneet Gulati: Monthly lease, that is applicable even for the existing mall, the two month rent?

Shishir Shrivastava: Yes, so if in the existing mall, we bring in a new tenant, then we will earn a leasing commission which is two months of the contracted rent less brokerages if payable.

Moderator: Thank you. We take the next question from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: Good afternoon and congratulations on a great deal. Firstly, I wanted to check with you on the deal pipeline that you are evaluating right now under this platform, would it be more into projects which are in the land stage or which are under construction or which are like ready or rather stressed assets, how is the mix of the deal pipeline looking for you?

Shishir Shrivastava: The mandate of this platform is pretty flexible to be opportunistic enough to identify whether it is a land or a mall under development or a mall that is operational, I think the focus is we have identified certain target cities and any asset whether land or operating asset that has the potential of being the leadership mall in that city clearly comes under this mandate. Our target cities for development and operational assets are Mumbai, NCR, Ahmedabad, Kolkata, Hyderabad, Chennai, Pune, and Bangalore. We also have identified cities such as Indore, Trivandrum, Vizag and many others.

Kunal Lakhan: Are there any preference towards like acquiring the stressed assets or like we are open in that sense, basically it has to be just opportunistic?

Shishir Shrivastava: Again, as I mentioned, the focus is not to acquire distressed assets, the focus is to acquire or build a leadership mall in the cities that we have identified where we believe the market is going to be supportive of such a million square feet asset. There is no preference of acquiring distressed assets or otherwise.

Kunal Lakhan: Secondly, are we looking at creating such similar platforms in our other malls like Pune or Chennai, Pune is close to, will soon reach that 100% ownership over there, so any thoughts on those lines?

Shishir Shrivastava: Kunal, at present our focus remains to makes this a very, very compelling and outperforming platform. We have raised significant capital in this platform, so the focus is to deploy that in the first instance before we evaluate any other opportunities.

Moderator: Thank you. We take the next question from the line of Raphael Shu from Target Asset Management Company. Please go ahead.

Raphael Foo: I am just so happy to hear all this wonderful news. I just had a question, as minority shareholders, I am just wondering when the Greenfield project comes to you, how do you decide whether it is going to be under the parent company or is it going to go under the platform, I mean how do you decide, how to allocate the projects?

Shishir Shrivastava: Raphael thank you for your question. I think as I mentioned previously, the intent of this platform from our side is that this is our growth platform which is going to help us double our retail portfolio in the next few years, so for every new opportunity that comes our way, we are going to be presenting it first to this platform and should for any reason this platform choose not to participate in it, because it falls outside the company mandate or otherwise, then we may consider pursuing this opportunity independently under the parent company.

Raphael Shu: If I understand you correctly, so the platform is your first priority in terms of projects allocation?

Shishir Shrivastava: Yes, but however if I may mention this is only to be done only until the investment brought in is completely deployed; not in perpetuity, it is until the investment is deployed.

Raphael Shu: Which is the Rs. 16 billion, right?

Shishir Shrivastava: That is right.

Raphael Shu: Just to recap, Phoenix does not contribute any more cash to this platform, right?

Shishir Shrivastava: No, that is not a mandate.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I would now like to hand the conference over to Mr. Shishir Shrivastava for closing comments.

Shishir Shrivastava: Thank you Ladies and Gentlemen for joining us on in this conference call. We are very, very pleased with the developments that we have presented to you and we look forward to staying in communication with each one of you. Feel free to reach out to Mr. Varun Parwal, our VP Finance and Head of Investor Relations for any further queries that you may have.

Moderator: Thank you very much. Ladies and Gentlemen, on behalf of Phoenix Mills Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.