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February 19, 2018

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Ref: The Phoenix Mills Limited (503100/ PHOENIXLTD)
Sub: Transcripts of Earnings Conference Call held on Thursday, February 15, 2018

Dear Sir(s),

This is further to our letter dated February 8, 2018, regarding invitation for earnings conference call organized by the Company on February 15, 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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THE PHOENIX MILLS LIMITED

The Phoenix Mills Limited
Q3 and 9M FY2018 Results Conference Call
February 15, 2018

Moderator: Ladies and gentlemen, good day and welcome to The Phoenix Mills Limited Conference Call to discuss Q3 and nine months FY2018 Results. The Management will be represented by Mr. Shishir Shrivastava – Joint Managing Director and Mr. Varun Parwal – Vice President (Finance and IR). As a reminder, all participants' lines will be in the listen-only mode and 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shishir Shrivastava. Thank you and over to you, sir.

Shishir Shrivastava: Good morning, ladies and gentlemen and thank you for participating in The Phoenix Mills Limited conference call to discuss the third quarter and nine months FY2018 results. We are pleased to report another quarter of steady growth in the consumption across our retail assets. For the nine months of FY2018, retail consumption at our mall came in at Rs. 47,932 million up 10% year-on-year while total rental income from our retail portfolio came in at Rs. 6,390 million up 11% year-on-year. Our retail assets continue to consolidate their position as being the leading malls in the cities that they operate in. Of particular note was the performance at Phoenix MarketCity Bangalore which in its 6th year of operation continues to demonstrate market leading growth across categories and recorded a strong consumption growth of 24% with rental income growth of 18% and an EBITDA growth of 16% for nine months FY18.

Phoenix MarketCity Mumbai continues its sustained uptick in performance with consumption growth of 19% for the nine months ended December 2017. Healthy consumption growth has resulted in improved EBITDA performance for the assets. The asset has reported EBITDA of Rs. 704 million for the nine months ending December 2017 which is 27% up year-on-year. At our flagship mall High Street Phoenix and Palladium in Mumbai consumption was flat year-on-year as almost 12% of the mall area was under fit outs for the major part of the quarter. This area called the North Sky Zone is now operational with an exciting mix of fashion and apparel, food and beverage and jewelry brands. We expect north Sky Zone to fully contribute to consumption and rental income Q4 onwards.

We are pleased to share with you that our new luxury mall Palladium Chennai is set for a grand opening on 17th February 2018. The mall began operations in October 2017 with the opening of H&M and subsequently had Shoppers Stop open. The mall has a leasable area of approximately 0.22 million square feet and it is set to open with an occupancy of 76% an average rental close to Rs. 180 per square foot. Some of the top brands opening here are Michael Kors, Tumi, Canali, Coach amongst others.

Moving on to the hospitality business our hospitality portfolio reported strong operating trends for yet another quarter. The St. Regis, Mumbai has been doing well consistently and reported 14% year-on-year growth in room revenues for the nine months ending December 2017. Occupancy levels have improved from 70% last year to 73% for the nine months of the fiscal year 2018. While ARRs are up 11% year-on-year to Rs. 11,222 per night. For nine months FY18 income from operations was up 12% year-on-year to Rs. 2,008 million and operating EBITDA was up 20% year-on-year at Rs. 717 million. Average room rate for Q3 was Rs. 12,217.

A quick update on our commercial portfolio, as of December 31st, 2017 we have leased 0.81 million square feet at an average rate of Rs. 97 per square foot per month across our commercial portfolio in Mumbai. At Art Guild House, 85% of the available leasable area has now been leased. Some of the marquee tenants of Art Guild House include Cipla, Nivea, Nippon, Kimberly Clark, amongst others.

With this I conclude my discussion and would like to address any questions that you may have.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now began the question and answer session. We have the first question from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just wanted to understand what is happening on the residential part of the business now? Are you seeing any pick up, increase in queries and any further comment that you can give there?

Varun Parwal: The residential side of the business is definitely looking up during quarter 3 and continuing forward into January and February. We have seen increasing number of walk-ins and interest in the property. In fact, I am informed by our sales team that we have also signed up almost 20 flats in One Bangalore West. These sales shall be reflected in numbers once we have received about 30%-35% money collection from the customers which should happen in the next 3 to 4 months. So, going forward in quarter 4 of this financial year and quarter 1 of next financial year, you should see an improved traction as far as sales are concerned in One Bangalore West. At the same time, we have not launched any new inventory so far. We have commenced excavations for Towers 8 and 9, we have not yet launched any new inventory in the market for the time being and once we do that then of course you will see a definite sustained uptick and should translate into better revenue recognition going forward.

Puneet Gulati: So, on OBW you said 20 more flats were sold but they were not reported as a part of this quarter's income, right?

Varun Parwal: Yes. December and January were good months. We received booking amounts for 20 flats but typically as a prudent practice we report these numbers once we have received 30% of the sales value from the customers. So, that is when our system reports it as a confirmed sale and going forward next 2 quarters you should see those coming in.

Puneet Gulati: And they have approved RERA approval for Tower 8 and 9?

Varun Parwal: We have not done the RERA registration yet. We have done it for Tower 6 and Tower 7.Tower 8 and 9 we have just commenced excavation there. So, that would take another 3 to 4 months to complete the excavation. Secondly, we have also not launched the inventory of Towers 8 and 9 in fact even Tower 7 is not yet launched. So, before launch of course we would complete the RERA registrations and then launch it.

Puneet Gulati: What about Chennai?

Varun Parwal: Chennai, these are completed towers. You would see during this quarter we had some sales happening in Chennai we sold about 4 flats in Chennai and no RERA registration is required because the OC was received for the Chennai Towers before RERA came into force.

Puneet Gulati: And any plans for further launch there?

Varun Parwal: Right now our focus is on the grand opening of Palladium Chennai and you would see some of the pictures of the mall in our presentation and of course in the media over the next few days. The additional inventory, the balance development potential of about 400,000 square feet that we have in Chennai is scheduled to come up on top of Palladium Chennai. Give us about 6 months' time and we would get back to you with the product mix that we are planning there.

Puneet Gulati: And lastly on the commercial side, whatever you sold have all payments also been received?

Varun Parwal: They were received and all recognitions for completed at the end of FY17.

Puneet Gulati: Yes, so and the payments also came in, so there is no further dues there?

Varun Parwal: No further dues there.

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

Abhishek Bhandari: I just had few questions. First one can you tell us where are we in journey of deploying the moneys of CPPIB, any new assets you have identified or what is the progress and also what is the progress on the Pune mall?

Shishir Shrivastava: We have actively been looking out for opportunities for deployment of the funds through the JV platform that we have in CPPIB and there are several transactions which are currently being finalized and the way things are it seems that we will have committed this deployment within the next, I would say 3 to 4 months, we will have committed the entire equity deployment in that platform. So, as you are aware we have acquired the land parcel in Pune at Wakad. We had won that auction of a mall in Indore and we are currently looking at some opportunities, land acquisition opportunities in the cities of Chandigarh, Ahmedabad another one in Bangalore, something in Lucknow. So we hope to have concluded at least another two transactions within next few months which will result in a complete commitment on the deployment of the funds.

Abhishek Bhandari: And my second question is more on the balance sheet side with ample liquidity out here in Indian banking system, is there any further scope of our interest rates going down from here. We have done a good job in reducing it significantly but is there any further scope out left here?

Varun Parwal: Like you rightly pointed out our borrowing cost for the entire portfolio has gone below 9% in January. We believe that right now at this point in time our rates are locked in but you are correct there is a lot of liquidity in the market and it is a very pleasant change that the risk profile for these assets has significantly changed in the eyes of the bankers in the financial institutions. There is liquidity and lower rates are possible although I cannot comment on the quantum of how much rate reduction we could see over the next 12 months. But definitely one could expect rates to stay at these levels if not come down further going forward. Of course, if we see any rate cuts and you will see that translate into lower interest rates as well in the future. During this quarter, we did a commercial paper issuance of about 75 crores at a rate of 7.2%. So, that is also another instrument that we have added to our banking portfolio. Typically 99% of our borrowing is lease rental discounting (LRD) and we have only one bond (CMBS) in Chennai that we have done back in 2015. We are also cognizant of these new instruments and we would have a prudent approach to ensuring that our borrowing cost remain at these levels or go down with or without the change in the MCLR rate happening.

Abhishek Bhandari: And my last question is on your St. Regis Hotel in Lower Parel. Are we at a peak shareholding at 73% or we are going to make it 100% and if so what is the timeline you are looking at?

Shishir Shrivastava: Abhishek, we are at our peak shareholding at The St. Regis Hotel. Our other partner has been partner with us right from the very beginning of our commencement of the project and there is no discussion to acquire their interest in that property.

Moderator: Thank you. The next question is from the line of Abhishek Anand from JM Financial. Please go ahead.

Abhishek Anand My first question will be, are there any stake buy backs in the pipeline now after completion of the current ones? Is there any expected outgo likely stake increases which we might see in the coming years?

Shishir Shrivastava: We do not have any further commitment as of now. So, whatever acquisition commitments we have done a few years ago, we completed all of those. There is no further outflow anticipated and we have reached close to 100% in almost all the assets baring The St. Regis where we own 73% economic interest and in Chennai where we are at 50% and of course the platform with CPPIB where we are currently at 70% and will move down to 51% when the next tranche of funds get infused by them. Other than this, we are at a 100% across assets.

Abhishek Anand: So, in light of that I understand there is very limited CAPEX especially in the standalone books now. So, the free cash flow we are going to generate, what are the companies plan in deploying it because we have already have a platform which ideally should be expanding over next 2-3 years. So, the cash generated over next 2-3 years do we plan to pay it out as dividend or do we plan to do a parallel expansion process in parent's books as well, just wanted your thoughts on that.

Shishir Shrivastava: Yes, so let's talk about all the assets which are outside of our JV platform with CPPIB and there is some CAPEX envisaged there in next 2 to 3 years. For example in Pune we intend to build the offices as the next phase of development which will be constructed above the podium of the existing mall. So, that would roughly be about 700,000 square feet. At High Street Phoenix Mumbai, we still have the balance development potential where we are currently envisaging about between 1 million to 1.5 million square feet potential. Right now it is at planning stage and we will apply for our permissions only after the new DCR is notified. In Chennai we have a balance development potential of about 410,000-420,000 square feet.

Abhishek Anand: This is under the same 50% owned planning?

Shishir Shrivastava: Correct, under the 50%. So, this is what our CAPEX plan is for the expansion in assets outside of the CPPIB platform. The free cash flows are going to fund this expansion and in the event we do have any excess beyond that we will consider paying down quantum of debt. Also would like to add here that there are a few opportunities that we would like to pursue which may or may not from part of the mandate that we have with CPPIB. So, may be some war chest we would like to retain for expansion in those assets, in those cities which are not part of the CPPIB mandate.

Abhishek Anand: Also what is the debt level you are comfortable with? So right now we are at almost Rs. 4,000 plus crores. What will be the debt level that you will be monitoring and what exact ratios are you tracking on that front?

Shishir Shrivastava: I would like to split this separately for the JV platform Island Star which we have with CPPIB. So in all our other assets, our debt is at a very comfortable level. If we look at the interest coverage ratio for example at High Street Phoenix when you compare that to EBITDA the interest coverage ratio is about 3.2X, Phoenix MarketCity Chennai is at about 3.7X, Pune is at about 2.5 times, Bangalore is at almost 3 times. So, this demonstrates that we are very comfortable in our debt position today.As we already answered that question previously that we may consider other options for bringing down the interest cost. We do not expect to leverage further on these existing assets unless of course, now for example if we do go in for building that 1.2 odd million square feet at High Street Phoenix Mumbai, then we would consider some project finance for that asset but other than this on the basis of our existing operating assets the size that they are and their level of operation we do not intended to leverage further. Now, if we look at the JV platform that we have with CPPIB there again the operating asset which is Phoenix MarketCity the interest coverage ratio is almost 3. As we go out and we acquire more land parcels and develop those there will be project finance which will be ring fenced in those SPVs within which we develop them. But there we do not expect to cross equity to debt of more than 1:1 or, so that we do not expect to cross that. We will try and stay within like a 45-55 equity to debt ratio there.

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

Saurabh Kumar: Sir, the first question is on this Kurla thing, why is the EBITDA down this quarter?

Varun Parwal: Saurabh, the EBITDA that you see in Kurla, it was actually a bit of an aberration in quarter 3 last year where in we had received some recoveries that we had previously made a provision for and hence the EBITDA percentage had jumped to about 109%. Overall right now we are tracking an EBITDA margin in Kurla between 85% and 90% and that is the number

Saurabh Kumar: This quarter you are at 81%

Varun Parwal: Yes, this quarter is 81% but I suggest that you take a look at it for on a 6 monthly or an annual basis. So, if you consider our 6 monthly or better an annual average you will see the EBITDA in that range of 85% to 90% in Kurla. Secondly, in Kurla we have also being making a lot of structural upgrades both in the interiors and the exterior part of it. So, in fact when you do visit Kurla anytime you will see a lot of change is happening both on the facade and the interior side of it. A lot of it has been completed but some of it is underway and that is also some part of the expense which is getting expensed out and impacting the EBITDA as and when it is done.

Saurabh Kumar: The second is; again back sorry to come back to this point on debt, but the expectation was last quarter that since you are going to generate free cash a lot of that free cash will start paying down debt and some part will go in dividend but neither has happened and actually debt has gone up to about Rs. 4,100 crores from Rs.3700 odd. So, how should we think about this debt now?

Varun Parwal: Saurabh, if you were to take a step back and reflect on where we were in at the end of March 2017, we were at a gross debt figure of 4,000 crores even at that point in time. After that during this year we have bought out private equity stakes across 5 companies.

Saurabh Kumar: No sir, I am talking 2Q to 3Q?

Varun Parwal: Saurabh on that I would suggest that tracking it over a more longer period is more appropriate. Secondly, if you look at it from that perspective about Rs.260 crores was what was paid out to the private equity partners. Now coming specifically to the moment between quarter 2 and quarter 3 we have done during this year we have done TDR purchase at Bangalore of about 20 crores-25 crores which was funded from our cash flows and we have also spent money for the commercial space in Pune as well. We have to purchase TDR there. We had a similar outflow there as well and also for the construction of the commercial space in Pune wherein we have one tower which is already up out of the 700,000 square feet potential that Shishir spoke about earlier on the call about 180,000 square feet of Tower 1 is already completed and is ready to be leased at this point in time. So, we have also being spending on the construction for that.

Saurabh Kumar: No, my point here is that quarter 2 your debt is Rs. 3,600 crand it is Rs.4,100 crores it gone by 440 crores over a quarter. I do not think TDR and all can explain that neither can your construction spend. I am just trying to figure out and plus your EBITDA this quarter is between all your malls and hotels about Rs.220 crores. Even if I take 10% interest on this Rs.4000 crores for the quarter you are spending about 100 crores. So, you would have at surplus of 100 crores and still the debt has gone up by this much. So, I am just trying to figure out what has happened?

Varun Parwal: I hear you on that. If you see the quarter 2 FY18 debt profile it was debt at about 4,004 crores, Saurabh at the end of quarter 2 and now we are talking gross debt figures The quarter 1 was Rs.3,600 crores about Rs.3,700 crores and at that time we are highlighted that we had 270 crores of payouts schedules in September 2017. Since we had surplus cash flows we had paid down some amount of debt or OD limits and hence debt had come down between March and June. At the end of September debt had again gone back to the previous level and between September and December there has hardly been a movement in the debt.

Saurabh Kumar: And sir, the last question is this HSP 1.5 million square feet. How realistic is this because if you were to ever do this you will have to suffer a very massive loss of rent on HSP for 3-4 years. So, is that that really a doable thing or?

Shishir Shrivastava: Yes, Saurabh this is not going to be a redevelopment of any area that is already generating rent. This is a new block that is going to get build out. So, it is not that we are going to shut any of our operating areas. This is an additional development potential.

Saurabh Kumar: So, what is your existing FSI utilization at HSP?

Shishir Shrivastava: FSI utilization at HSP, it is a little more complex than being able to give you an answer in just one line on the phone. There is a detailed working on this because there are difference components across the entire 17 odd acres. So, we will get back to you once we have complete clarity on this.

Moderator: Thank you. Next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir, could you throw some more color on the Indore mall, what is the current status have we taken over the position and how long it will take to complete the remaining part of construction and how much it will cost some more color will help.

Shishir Shrivastava: As you are aware, in March last year this property was auctioned by the banks and we participated in that online auction and we were the highest bidders. So, we were confirmed as the winning bidders on that auction. We have paid approximately 57 odd crores, 58 crores somewhere thereabouts is what we have paid so far. But there is a legal issue that is currently the matter is at DRT and we are waiting for the banks to give us a clean title on this. What we have done is we have taken this one year and focused on the planning. So we will, we hope that once we get possession of the property from the banks. So, it is currently in the possession of the banks. Once we do get possession of the property it would be not more than 30 to 36 months before we are able to complete the remaining construction the interior works and all the MEP, etc. and get the place operational.

Atul Tiwari: So, how much more remains to be paid to get the possession assuming the DRT thing is resolved?

Shishir Shrivastava: About a Rs.173cr plus stamp duty is what will be required to be paid more for the lands. So, we are waiting for that to come through.

Atul Tiwari: And any idea how much it will cost to complete it just rough ballpark, I know it is too early …

Shishir Shrivastava: Roughly about Rs. 350 crores to Rs.375 crores. It will be under Rs. 400 crores.

Moderator: Thank you. Next question is from the line of Kunal Lakhan from Axis Capital. Please go ahead.

Kunal Lakhan: On Kurla, in the last quarter as well as in the nine months you have seen some stock improvement both in terms of consumption growth and rental growth. If you can just highlight key strategic initiative that you have taken to materialize this growth that will help.

Varun Parwal: Definitely Kurla is one of the best turnaround stories and the work actually started or most 2-2.5 years back wherein we looked at the entire product, we looked at the immediate catchment and the infrastructure around the mall and we started improving on the aspects that were within our control. Right from the experience that you have when you arrive at the mall from the plush interior and the grand lobby experience to the fashion and retailer mix that you get at Kurla. I do not think today you have product in Mumbai which parallel to this range and the brands that one finds in Kurla even if you compare it to a High Street Phoenix today at this point in time. We improved the F&B mix, we improved the entertainment mix, we significantly upped with the restaurant mix today that you find in Kurla. It also helped that the commercial offices commenced operations earlier during this year. So, there is a captive consumption audience during the week days and there is a great pull for consumers to come in over the weekends. Very interesting status that is the fact that we have done over 110 concerts in Kurla in the last 2 years and these concerts have happened over the weekends, they have drawn in crowds of over 2,000-3,000 people on every occasion and it has exposed the property it has brought in a great amount of people for the experience that it offers and that overall is a sticky factor and brings people back in for a repeat experience.

Kunal Lakhan: But if you look at the trading density currently also right it is a way behind say of Chennai or Bangalore you think this kind of growth can be sustained to get the mall achieve its operating or optimum level of trading densities going ahead also?

Varun Parwal: You have seen a significant improvement from the days when Kurla was at about a trading density of Rs. 600-Rs. 700 per square feet to now in this quarter at about Rs. 1,200 per square feet. Of course, at the same time we have our Bangalore and Chennai assets which are ahead of it at Rs. 1,500 to Rs. 1,700 per square feet on the trading density. But I do not see any reasons as to why Kurla cannot catch up with them in fact and I will have Shishir comment more on this but I am very optimistic that Kurla could in fact lead ahead of these 2 assets and be a real force to reckon within the next 3-4 years. But I will hand over to Shishir for more on this.

Shishir Shrivastava: As Varun mentioned, we have seen a sharp increase from our trading density at Kurla which was hovering at 700 and then for the longest time it is state beyond that barrier of a 1,000. Now that we have crossed that barrier we continue to see a steady growth on trading density. And there are a lot of on-going initiatives which are going to continue to pick this up. As you are aware we completely upgraded the mall, the interiors we have defected a significant change in the brand mix there. We continued to focus on the marketing of this asset and I think everyone would agree that it is amongst the finest shopping experiences that one has in this city. So, we have no doubt that Kurla will now that it is at about almost Rs. 1,200 a square foot. It is going to quickly catch up with Bangalore and Pune and at least in that 1,500 range in a short time. And all our efforts are directed at achieving this. I would also think that the now that Art Guild House is operational and leased to quite an extent that has also added to a large captive market within the mix use development itself which is also going to only improve with the area getting leased further and occupied more and that is going to add to a lot more customers within the mix use development itself.

Moderator: Thank you. Next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: Just wanted to understand what is the status on the residential part of Pune?

Varun Parwal: So, Puneet on the residential part which was erstwhile known as Fountainhead, I think given our experience at Kurla and of course the change in regulatory environment and also the fact that we are now 100% owners of that asset, We believe that it is better product if we were to do commercial instead of residential there. So, I think if you would notice last year we have done some sales in the residential projects but over a period of FY16 and some part of FY17 we brought back all the units that we had sold. Now we have converted the entire residential development into a commercial development going forward and this is again more on a lease model than a sell model at this point in time. Kurla has been a case study and we have seen other mixed used model around the world. Having control over your tenant and the commercial space definitely adds a lot of room for growth for the mall portfolio as well. And at this point in time one tower in the commercial project is ready about 180,000 square feet of leasable area. We are purchasing TDR for the other two towers and we would commence construction on at least one more tower in the next 6 to 7 months.

Puneet Gulati: So, Fountainhead you could manage to buyback every single unit, so there is no more flow left there, right?

Varun Parwal: Yes, there are no previous residential customers left in that. It was actually completed in the first quarter of FY17 itself.

Puneet Gulati: So, now it is completely converted into office space and ready to lease out?

Varun Parwal: Yes

Puneet Gulati: When do you lease it out?

Varun Parwal: We have already commenced our marketing efforts on that and Q1FY19 onwards we would start sharing an update as well on how the leasing is going in there.

Puneet Gulati: And what is the update on Paragon Plaza what are the plans there now that you have complete control there as well?

Varun Parwal: Again, Paragon Plaza, you would have seen that over the last one year we have reduced amount of retailer space in Paragon Plaza. We have kept it mostly to restaurants and ground floor retail, the rest of it is also being converted into offices. We already have one office product at Centrium which is 100% leased out. We have a large office format in the form of Art Guild House which has grade A offices of a minimum size of 5,000 square feet and above. Paragon Plaza would be something that would offer a mix of products. We do not want it to compete with an Art Guild House. So, we will be looking at smaller office spaces in here and right now there are some interior refurbishments that are taking in place in Paragon Plaza. So, again over the next 6 months the commercial activity in Paragon Plaza would also pick up.

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Puneet Gulati: And for the High Street Phoenix balance 1 million to 1.5 million square feet potential how much TDR would you need to purchase?

Varun Parwal: So, as Shishir explained it is actually a complex working of TDR and premium FSI computation. Once the DCR norms get finalized and we were actually come back to you with complete clarity on the money that we need to spend on purchase of TDR, premium FSI and of course then the construction cost and timelines, etc. for completing the project.

Puneet Gulati: But any broad thought behind whether you wanted to be commercial mall extension or residential?

Varun Parwal: So, we have spoken on this in the past. Our idea is that we would definitely want to add some more retail area to High Street Phoenix. It remains our marquee asset and yet smaller than the other Phoenix MarketCities. The first 3 to 4 floors of the new development could possibly be retail and with a commercial tower on top, possibly a commercial tower on top. We will have to see how the commercial market in Lower Parel is looking at that point in time and other complexities involved and having leased and sold that is in the same space in the same area.

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

Abhinav Sinha: Couple of questions. So, firstly next quarter we should have better occupancies in both HSP as well as Pune. So, I will be looking at a very strong quarter now?

Shishir Shrivastava: We should certainly look at the quarter much stronger than the same period last year as you may be aware January, February, March are not really the best. I would say February end and March are not the best time as we do not see very high consumption in these months. But yes, we do expect to see a far stronger quarter compared to the previous year.

Abhinav Sinha: And how are you seeing the renewals progressing in the Chennai mall now?

Varun Parwal: So Abhinav, we had about 45% of the area which was up for renewal in Chennai. Chennai mall opened up in January 2013. So, the renewals are actually scheduled for January 2018 with an extension of about 6 months' time. At this point in time we have done renewals for about 20% of the area and the balance would happen in the next 2 months and it could possibly extend up to April and May of 2018. You should see the impact in the rentals and the new rates coming in from Q2 of FY19. Similar to a 6 months lag that we have seen in the past in Pune and Bangalore as well.

Abhinav Sinha: And when you say 20% of renewal this is 20% of the 46%, right?

Varun Parwal: Absolute percentage 20% of leasable area not 20% of 46%.

Abhinav Sinha: So, you are almost half way through this project?

Varun Parwal: Yes, we are almost half way through and if you see the rates are already significant, see up in Chennai a bit of change of product mix has also contributed to that as well as the upcoming renewals and where the Palladium Chennai operational generating rents of minimum guarantee rents of Rs. 180 square feet and higher. One would be hopeful to see rental rate in Chennai also moving up.

Abhinav Sinha: And is this significant tenant churn or it is still mostly retaining the existing ones at higher?

Varun Parwal: So, it is actually retaining a large portion of the existing tenants, I would say we would retain about 75% of the existing tenants or we may reduce area of some of the adjusting tenants to get additional area for the new tenants to fit it. So if there were say 100 brands that were on offer you may still see 85-90 of them operational. But they may be operating using a smaller area or another location in the mall and hence you can actually have space for 20 new brands. The actual number of brands could possibly increase.

Abhinav Sinha: So, essentially 2Q or 3Q will be a stable fully reflecting quarter?

Shishir Shrivastava: Yes.

Abhinav Sinha: Second thing which I want to ask was on incremental competition. So, specifically Kurla is done well but now we have a few malls in BKC in the pipeline for example. So, how do you see that particularly for Kurla and also in other cities like Chennai there is a mall coming up and …

Varun Parwal: This is always a very interesting question. I can take the example of say a Pune and a Bangalore wherein we have seen a lot of tough competition. In Pune when we open up in 2011, we were possibly the 11th or the 12th mall in the city to open up. And right opposite us we had the number one mall of Pune. Over a period of time we have seen our mall really established itself as the number one destination because of the size, product mix and the continues up-gradation of the consumer experience which most malls of a smaller size are not able to possibly manage at one time. So, Pune was where competition actually reduced. Bangalore, if you take an example it is a reverse example wherein a mall opened up right outside Phoenix MarketCity Bangalore and the experience that we have had is that consumption pie has increased that area has become a destination for consumers from all over Bangalore to come and visit the malls and growth that you have seen in the first nine months in Bangalore an increase of 24% year-on-year actually seems to suggest that competition has been good for the asset.

Shishir Shrivastava: If I may just add to that, I may not be able to really comment on the competition much but Abhinav, the fact is that our skills are in this business. We have spent the last 20 odd years in the business of developing and managing malls and we have learned the science behind it and our team is very well experienced. So, I would like to focus on our capabilities and how we continue to be the market leaders in the market that we operate in that has always been our intent and will continue to be our focus. So, as we all know that there is if you look at the supply of malls versus the demand in this country the supply is yet to catch up with the demand and there is a long way to go. So, there is room for many others players to come in but we remain confident that our experience, skills will continue to keep us in at the pole position in this race.

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

Saurabh Kumar: Just 2 small questions. One is basis your renewal scheduled for fiscal 2019 and fiscal 2020. Do you think that this 9% to 10% growth you are seeing in your mall EBITDA that can sustain over the next 2 years?

Varun Parwal: On account of the renewal schedule?

Saurabh Kumar: Yes.

Varun Parwal: Because in FY19 you are seeing that we do not have too much to renew, is that the question or?

Saurabh Kumar: Yes, correct. F19 and in F20 you obviously have been through renewals, so?

Varun Parwal: If you look at our presentation in FY19 and FY20 a significant amount of our flagship mall HSP and Palladium comes up for renewals. That is going to clearly result in a significant growth. Phoenix MarketCity Bangalore has just gone through a big renewals schedule in the last year the effects of which are being seen in FY18 and we expect to see that at least demonstrate some decent consumption growth now that you reached that critical mass there. Phoenix MarketCity Chennai is undergoing renewals in FY18 & FY19. The effects of which will be seen in FY19 and FY20 in terms of consumption and rental growth. I would say MarketCity Mumbai at Kurla is going to see the effect of some amount of renewal this year but next year we have got about 10% of renewal and that mall is consistently showing an improvement in overall consumption growth. So, that will attribute to rental growth there. Phoenix MarketCity, Pune I would say is you are going to see about a 15% odd renewal in the next year which will add to some growth. But again there again we are seeing consumption growing and really there is not any alternate competing mall that is likely to come up which can have an impact on our leadership position there. And of course, as you already know that as part of our business irrespective of the renewal schedule we consistently monitor the performance of each and every store in our mall and where we see non-performing stores we effect the churn and that results in the new brand coming in results in higher consumption and therefore that also is a significant contributor to our growth.

Saurabh Kumar: So, let us ask in other way, is there like a target rent to consumption you have across your malls?

Varun Parwal: That would generally be in the range of about 12% to 14%. In some cases in the mature asset like High Street Phoenix that number could be as high as 17%. In Chennai it is seen at about 12%-13%. So, all the others are in that range of 12% to14%.

Saurabh Kumar: And just one additional question. So, one on the residential business to this 32 crores odd revenue which you have had, what will be the margin against that?

Shishir Shrivastava: So, the margin, EBITDA margin against this is at about 35% and the profit margin around it is just a shed below 20. In fact in the presentation if you refer to Slide #12 we have provided the revenue and the profit after tax margin for the residential business.

Moderator: Thank you. Next question is from the line of Ajay from Reliance. Please go ahead.

Ajay: So, just continuing on one of the earlier questions regarding debt. So now that most of the stake buy outs are behind us and also considering we have strong renewals coming up across couple of properties. So, in that case how are we seeing the overall debt level because it is steady at around Rs.4,000 crores level going forward over next 12 to 15 months how are we seeing that moving?

Varun Parwal: So, to answer your question Ajay, there are 3 parts to this debt question. One is the operational asset and the stable assets, the MarketCity, the High Street Phoenix mall and the hospitality and the commercial portfolio. Second is the expansion that we are doing under the JV with CPPIB and the third part is the commercial expansion that we are doing outside of the JV and/or any retail developments that we may pursue outside of the JV. On the operational assets I would expect debt to stay where it is currently with possibly reduction in cost because the risk profile is being viewed quite favorably by the banking and the financial institutions. So, I would not expect the debt levels to change here. In the JV …

Ajay: So, which should be what quantum on the operational side?

Varun Parwal: On the operational side if you see the current quantum and you take out ISML from it, so out of Rs.4,100 crores if you reduce the debt for Island Star Mall which is at about Rs.400 crores. The debt on the operational asset should stay at Rs. 3,600 crores - Rs.3,700 crores in that range. Now coming to ISML, just to recap CPPIB has committed over Rs. 1,600 crores in equity and that should go towards asset purchase. The debt to equity that we envisage here would be in the range of 50-50. So, we have Rs.1,600 crores of equity one would assume debt of about Rs.1,600 crores or Rs.1,700 crores on that. In here we have completed we have close one acquisition, we have deployed money towards land, TDR purchase, approvals, etc. out of this is right now coming out of equity. Once we begin excavation and move towards construction we would take on debt for this asset to complete this. That is the expansion under the ISML JV platforms. So, over the next 2 to 3 years you may see debt of about, over a period of time you would see a debt of about 1,600 crores coming on that platform.

Ajay: So, on the hospitality side what I understand the debt is currently Rs. 500 crores, right?

Varun Parwal: Yes, if you would notice that we have been paying down the debt on this. We were at 650 crores a year back. Given that we are at our peak ownership levels and there are no plans to expand the hospitality portfolio we have been using the surplus cash from the operations to paid on debt.

Ajay: So can there, can we expect further reduction going forward with things improving quite meaningfully?

Varun Parwal: Yes, I think within the hospitality portfolio the meaningful improvement could be a surplus cash flow of Rs.50 crores-60 crores-70 crores a year after paying off interest. So, you can limit your expectations to about a 10% debt reduction year-on-year. For this year we have already done it and I do not have any reason to believe why we can do it for the next 2 or 3 years as well.

Ajay: And on the Pune what you just discussed that 700,000 square feet on the commercial side is same as what earlier Shishir also mentioned on the expansion, right?

Varun Parwal: Yes.

Ajay: So, that was on the commercial side, right just to clarify?

Varun Parwal: That is on the commercial side.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the Mr. Varun Parwal for his closing comments.

Varun Parwal: Thank you so much everyone for joining the conference call. We look forward to speaking with you again at the end of our Q4 results in May. Thank you and have a good time.

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